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This document is an English translation of the Prospectus prepared by Cyfrowy Polsat S.A. with its registered office in Warsaw (the "Company"), which was approved by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) on April 28, 2014 in the Polish language version (the "Prospectus"). The Polish language version is the only official and legally binding version of the Prospectus. This translation of the Prospectus into English has been prepared solely for the convenience of investors and has no legal effect. Although every effort was made to ensure the accuracy of the English translation of the Prospectus, the Issuer, its advisors and persons acting on behalf of the Issuer as well as its other agents assume no liability for any errors, omissions or inaccuracies in the English translation of the Prospectus. Any investment decision should be made solely on the basis of the original Polish language version of the Prospectus.

Cyfrowy Polsat S.A.

(joint-stock company with registered office at ul. Łubinowa 4A, Warsaw, Poland, entered in the register of entrepreneurs of the National Court Register under No. 0000010078)

Application for admission and introduction of up to 47,260,690 Series I ordinary bearer shares and up to PLN 243,932,490 Series J ordinary bearer shares to trading on the regulated (main) market operated by the Warsaw Stock Exchange.

This prospectus ("**Prospectus**") was prepared exclusively for the purposes of application by Cyfrowy Polsat S.A. ("**Cyfrowy Polsat**", "**Company**"), a joint-stock company established and operating under Polish law, with registered office in Warsaw, for admission and introduction of up to 47,260,690 Series I ordinary bearer shares ("**Series I Shares**") and up to PLN 243,932,490 Series J ordinary bearer shares ("**Series J Shares**") (jointly "**New Shares**") to trading on the regulated (main) market operated by the Warsaw Stock Exchange ("**WSE**") ("**Admission**").

This Prospectus is the only legally binding document prepared exclusively for the purposes of the Admission and providing information about the Company and the New Shares. The Company shall not carry out any offering, including a public offering, of the New Shares or of any other securities of the Company on the basis of this Prospectus.

This Prospectus is a prospectus in the form of a single document, within the meaning of Art. 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of November 4th 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC ("**Prospectus Directive**") and Art. 21.1.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 ("**Act on Public Offering**"), and was prepared in particular in accordance with the Act on Public Offering and Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ("**EU Prospectus Regulation**").

At the Prospectus date, New Shares have not been issued, offered or subscribed for. New Shares will be issued pursuant to Resolution No. 7 of the Extraordinary General Meeting of January 16th 2014 on a conditional share capital increase through the issue of Series I shares ("**Conditional Share Capital Increase Resolution**") and Resolution No. 12 of the Extraordinary General Meeting of January 24th 2014 on the issue of subscription warrants ("**Warrant Issue Resolution**"). In accordance with these resolutions, the Company's share capital has been conditionally increased by up to PLN 11,647,727.20 through an issue of up to 291,193,180 ordinary bearer shares with a par value of PLN 0.04 per share, including up to 47,260,690 Series I Shares and up to 243,932,490 Series J Shares. The issue price of New Shares is PLN 21.12. All New Shares will be paid for with a non-cash contribution in the form of shares in Metelem Holding Company Limited ("**Metelem**") with a total estimated value of PLN 6,150,000,000. Only the persons who subscribe for subscription warrants issued under the Warrant Issue Resolution will be entitled to subscribe for the New Shares. In accordance with the Warrant Issue Resolution, 47,260,690 Series I subscription warrants ("**Series I Warrants**") will be offered for subscription to the European Bank for Reconstruction and Development ("**EBRD**"), which holds 324,653 Metelem shares, while series J subscription warrants ("**Series J Warrants**") will be offered for subscription to other entities, excluding the EBRD, which are Metelem's shareholders at the time Series J Warrants are offered for subscription. Each Warrant confers the right to subscribe for one New Share. Warrants will confer the right to subscribe for New Shares until June 30th 2015. If an event occurs rendering the issue of New Shares unsuccessful, the Company will disclose such information in the form of a current report, and where required by law – in the form of a supplement to this Prospectus, once approved by the PFSA, as prescribed by Art. 51 of the Act on Public Offering.

At the Prospectus date, a total of 179,417,501 registered Company shares, including: (i) 2,500,000 Series A shares; (ii) 2,500,000 Series B shares; (iii) 7,500,000 Series C shares; and (iv) 166,917,501 Series D shares – were not traded on any regulated market – while the remaining 168,935,335 ordinary registered Company shares, including: (i) 8,082,499 Series D shares; (ii) 75,000,000 Series E shares; (iii) 5,825,000 Series F shares; and (iv) 80,027,836 Series H shares ("**Book-Entry Shares**") were traded on the regulated (main) market operated by the WSE (ticker code: CPS). At the Prospectus date, Book-Entry Shares were not listed on any other regulated market or in an alternative trading system. The Book-Entry Shares are registered at the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. ("**Polish NDS**") under ISIN code No. PLCFRPT00013. Immediately upon approval by the Polish Financial Supervision Authority ("**PFSA**") of this Prospectus and the issue of New Shares, the Company intends to convert New Shares into book-entry form and assign Series I Shares the same ISIN code which is now assigned to the Book-Entry Shares, and to seek admission and introduction of Series I Shares to trading on the regulated (main) market operated by the Warsaw Stock Exchange. Subject to satisfaction of all requirements and unless unforeseen circumstances occur, it is assumed that trade in Series I Shares on the WSE will commence in or around the second quarter of 2014. As Series J Shares and the Book-Entry Shares carry different dividend and interim dividend rights, until the Date of Unification of Rights Attached to Shares, Series J Shares cannot be registered at the depository for securities maintained by the Polish NDS under the same ISIN code as is now assigned to the Book-Entry Shares. Therefore, the Company intends to seek assignment of a different ISIN code to Series J Shares. After the Date of Unification of Rights Attached to Shares the Company will seek assimilation of Series J Shares with the Book-Entry Shares. The assimilated Series J Shares will then be assigned the ISIN code which is now assigned to the Book-Entry Shares, i.e. PLCFRPT00013. The Company also intends to seek admission of Series J Shares to trading on the WSE immediately after the PFSA approves this Prospectus. Series J Shares are assumed to be introduced to trading on the regulated (main) market operated by the WSE, and first listed on the WSE, not earlier than on the Date of Unification of Rights Attached to Shares, i.e. not earlier than in the second quarter of 2015.

Investing in the securities described in this Prospectus involves considerable risks typical of equity capital market instruments as well as specific risks related to the business of Polsat Group ("Group") and the environment in which the Group operates. For a detailed description of risk factors, see "Risk factors".

This Prospectus does not constitute a public offering of New Shares, solicitation of offers to subscribe for or buy any securities of the Company, nor a recommendation to invest in the Company's securities.

Neither this Prospectus nor New Shares have been registered or approved by, or referred to in a notice to any regulatory authority in any jurisdiction outside Poland. The New Shares may not be offered or sold outside the territory of Poland (including in other European Union states and the United States of America), unless such an offer or sale may be carried out in a given country lawfully without the need to satisfy any additional legal requirements. Investors domiciled or having their registered office outside the territory of Poland should familiarise themselves with the provisions of Polish law as well as the laws of any other country which might apply to the investors.

THE NEW SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 ("*U.S. SECURITIES ACT OF 1933*"), AS AMENDED, NOR BY ANY AUTHORITY REGULATING THE TRADE IN SECURITIES IN ANY STATE OF THE UNITED STATES OF AMERICA OR SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA.

The information contained in this Prospectus does not represent legal, financial or tax advice.

As the Company is a public company whose Book-Entry Shares are traded on the main market of the WSE, and is therefore subject to the disclosure obligations imposed by applicable laws and stock exchange regulations, certain information is incorporated in this Prospectus by reference (see "Material information—Documents incorporated by reference"). The information is sourced from documents published by the Company, which were submitted to the PFSA or approved by the PFSA before the date of this Prospectus and may be obtained from the website of the Company (www.cyfrowypolsat.pl). This Prospectus in electronic form will also be made available on the website.

The Polish Financial Supervision Authority approved this Prospectus on 28 April 2014.

TABLE OF CONTENTS

SUMMARY

This summary has been prepared based on the information subject to disclosure under the applicable laws ("Information"). The Information is arranged in sections numbered A–E (A.1–E.7). This summary contains all the Information required to be disclosed by the Issuer and in the case of the securities described in this Prospectus. As certain Information is not required to be disclosed by the Issuer or in the case of the securities described in this Prospectus, certain sections may be omitted. If disclosure of certain Information is required from the Issuer or due to the type of securities described in this Prospectus, there may not be any such material Information, in which case the summary includes a brief description of the Information with the mention "not applicable".

Section A — Introduction and warnings	
A.1 **Introduction**	This summary should be read as introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2 **Issuer's consent**	**Consent by the Issuer or person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.** **Indication of the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use the Prospectus is given.** **Any other clear and objective conditions attached to the consent which are relevant for the use of the Prospectus.** **Notice in bold informing investors that information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.

Section B — Issuer	
B.1 **Issuer's name**	**The legal and commercial name of the issuer.** The Issuer's name is Cyfrowy Polsat Spółka Akcyjna. The Issuer may use an abbreviated name of Cyfrowy Polsat S.A.
B.2 **Key information on the Issuer**	**The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.** A joint-stock company incorporated under the laws of Poland, with registered office at ul. Łubinowa 4A, 03-878 Warsaw, Poland.

B.3 **The Group's business**	**A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.** Our Group is a leading provider of integrated multimedia services in Poland, with established leadership on the pay TV market in terms of the subscriber base. We also rank among leading private broadcasters in terms of the viewership and share in the advertising market. We offer the whole package of multimedia services designed for the entire family: satellite TV, mobile TV, online TV, broadband Internet access based on HSPA/HSPA+ and LTE technologies, as well as mobile telephony services. Cyfrowy Polsat is one of Poland's leading providers of pay TV services and Europe's fourth DTH platform in terms of the subscriber base. At December 31st 2013, the share of Cyfrowy Polsat in the Polish digital pay TV market was approximately 33% and its subscriber base exceeded 3.5 million accounts. Cyfrowy Polsat's satellite pay TV subscribers have access to more than 140 Polish TV channels (of which 20 are offered exclusively by Cyfrowy Polsat) and to all main terrestrial TV channels available in Poland. Cyfrowy Polsat is the only satellite TV operator in the country to offer sports channels, which ranked first, second, third and fifth among top most viewed sports channels in Poland in 2013. The pay TV offering is complemented with additional services, such as VoD Home Movie Rental; mobile TV which provides subscribers with access to 20 encrypted channels (including 8 TV and 12 radio channels) and to all digital terrestrial TV channels through various mobile terminal devices (such as smartphones, tablets and laptops); broadband Internet access based on HSPA/HSPA+ and LTE technologies offered in cooperation with LTE Group; as well as mobile telephony services provided in cooperation with Polkomtel. Telewizja Polsat Group is one of Poland's two leading private television groups in terms of the audience share and share in the TV advertising market. The Group's portfolio includes 24 channels, of which 5 are offered in the HD format. In 2013, POLSAT, the main channel, ranked second in terms of audience share (with the share of 13.5%), while the aggregate market share of Telewizja Polsat's all thematic channels, including TV4 and TV6 channels acquired in 2013, reached 7.6%. Telewizja Polsat Group also sells advertising time on its own channels and on certain channels of other broadcasters. Based on Starlink data, in 2013 we held 24.1% of the Polish TV advertising market, the value of which is estimated at about PLN 3.53bn. 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 terminal devices (including computers, tablets, smartphones, Internet-enabled TV sets, 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 2013 the average number of unique users of the IPLA website/application was approximately 3.9 million. Our Group operates in two segments: the residential segment, which provides digital pay TV, broadband Internet and mobile telephony services to residential subscribers, and the TV broadcasting and production segment. The segments generate different revenue flows: on the one hand, residential subscription fees and related revenue (in the residential segment), accounting for 62.9% of the Group's total revenue in the year ended December 31st 2013, and on the other hand – advertising revenue (mainly in the TV broadcasting and production segment), which represented 29.9% of the Group's total revenue in the same year. In the residential segment, our large subscriber base, regular monthly revenues from subscription fees, and relatively low subscriber churn rate guarantee rather predictable future revenues and regular cash flows, which proved very strong in the past, even in the face of economic stagnation. On the other hand, the TV advertising market is cyclical: revenues increase in the second and fourth quarter and decrease in the first and third quarter of the year, and they tend to increase faster in the periods of economic growth but follow a downward trend during economic downturn. In the residential segment, EBITDA margins were 34.4%, 35.0% and 29.3% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 8.7% over the three years. In the TV broadcasting and production segment, EBITDA margins were 34.6%, 36.7% and 31.9% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 17.3% over the same period.
B.4a **Trends**	**A description of the most significant recent trends affecting the issuer and the industries in which it operates.**

	We believe that the following factors and market trends have significantly affected results of our operations in the period under review, and we expect that such factors and trends may continue to significantly impact the results of our operations in the future: • Macroeconomic conditions; • Foreign exchange rate fluctuations; • Competition on satellite pay TV market; • Situation on the TV advertising market.
B.5 **Description of the Group**	**If the issuer is part of a group, a description of the group and the issuer's position within the group.** At the Prospectus date, Polsat Group comprises the Company and its 19 direct or indirect subsidiaries operating principally in the media and telecommunications sectors. The Issuer is the parent of the Polsat Group.
B.6 **The Issuer's major shareholders**	**In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any.** **To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.** ***Control over the Company*** At the Prospectus date, given that Pola Investments Limited holds a majority of votes at the General Meeting, it is the Company's immediate parent within the meaning of Art. 4.14 of the Act on Public Offering and Art. 4.1.4 of the Companies Code. As such, Pola Investments Limited may have crucial influence on decisions concerning such matters as amendments to the Issuer's Articles of Association, share capital increase through the issue of new shares, issue of bonds convertible into shares or dividend payment. Pola Investments Limited's ultimate parent is Zygmunt Solorz-Żak (through TiVi Foundation). ***TiVi Foundation*** TiVi Foundation, a family foundation established under the laws of Liechtenstein, holds indirectly through Pola Investments Limited 154,204,296 Existing Shares, representing 44.27% of the Issuer's share capital and conferring the right to 306,709,172 votes at the General Meeting. TiVi Foundation's parent is Zygmunt Solorz-Żak. ***Pola Investments Limited*** Pola Investments Limited, a company established under the laws of Cyprus, holds directly 154,204,296 Existing Shares, representing 44.27% of the Issuer's share capital and conferring the right to 306,709,172 votes, or 58.11% of total vote, at the General Meeting. Pola Investments Limited does not hold any Existing Shares indirectly. Pola Investments Limited's ultimate parent is Zygmunt Solorz-Żak (through TiVi Foundation). ***Sensor Overseas Limited*** Sensor Overseas Limited, a company established under the laws of Cyprus, holds directly 25,341,272 Existing Shares, representing 7.27% of the Issuer's share capital and conferring the right to 50,382,647 votes, or 9.55% of total vote, at the General Meeting. Sensor Overseas Limited does not hold any Existing Shares indirectly.

	Sensor Overseas Limited's parent is Heronim Ruta. Save for the voting rights described above, at the Prospectus date the Company's major shareholders did not hold any voting rights at the General Meeting.
B.7 **Selected financial information**	**Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.**

Selected items from the consolidated income statement and consolidated statement of cash flows for the years ended December 31st 2013, December 31st 2012 and December 31st 2011

	Year ended December 31st		
Selected items from the consolidated income statement	2013	2012	2011
		(PLNm)	
Revenue	**2,910.8**	**2,778.2**	**2,365.9**
Operating costs	(2,157.7)	(1,971.7)	(1,799.6)
Other operating income/(cost), net	36.8	(17.4)	(6.0)
Profit from operating activities	**789.9**	**789.1**	**560.3**
Gain/loss on investment activities, net	16.0	14.4	(15.0)
Finance costs	(216.0)	(110.8)	(355.4)
Share of the profit of jointly controlled entity accounted for using the equity method	2.9	2.9	2.2
Gross profit for the period	**592.8**	**695.6**	**192.1**
Income tax	(67.4)	(97.3)	(31.9)
Net profit for the period	**525.4**	**598.3**	**160.2**
Net profit attributable to equity holders of the Parent	525.4	598.3	160.2
Selected items from the consolidated statement of cash flows			
Net cash from operating activities	802.7	781.4	347.1
Net cash used in investing activities	(133.8)	(133.4)	(2,426.8)
Net cash used in financing activities	(596.5)	(653.4)	2,327.4

Source: Polsat Group Consolidated Financial Statements.

Selected items from the consolidated balance-sheet at December 31st 2013, December 31st 2012 and December 31st 2011

	At December 31st		
	2013	2012	2011
		(PLNm)	
ASSETS			
Reception equipment	407.5	420.1	408.6
Other property, plant and equipment	251.2	276.4	263.3
Goodwill	2,602.8	2,568.0	2,412.3
Brands	890.8	847.8	840.0
Other intangible assets	137.4	81.4	54.2
Non-current programming assets	71.6	98.0	131.1
Investment property	5.3	8.3	8.4
Non-current deferred distribution fees	29.5	35.1	35.0
Other non-current assets	20.8	109.6	69.5
Deferred tax assets	38.9	31.4	55.7
Total non-current assets	**4,455.8**	**4,476.1**	**4,278.1**
Current programming assets	181.3	141.6	137.4
Inventories	146.8	162.0	178.1
Notes	-	-	14.9
Trade and other receivables	374.4	375.7	320.5
Income tax receivable	0.2	6.5	10.1
Current deferred distribution fees	70.0	57.1	59.4
Other current assets	105.4	72.0	72.5
Cash and cash equivalents	342.3	270.3	277.5
Total current assets	**1,220.4**	**1,085.2**	**1,070.4**
Total assets	**5,676.2**	**5,561.3**	**5,348.5**

Source: Polsat Group Consolidated Financial Statements.

	At December 31st		
	2013	2012	2011
	(PLNm)		
EQUITY AND LIABILITIES			
Share capital	13.9	13.9	13.9
Share premium	1,295.1	1,295.1	1,295.1
Other reserves	(8.9)	(16.3)	9.6
Retained earnings	1,701.1	1,175.7	577.4
Equity attributable to equity holders of the Parent	**3,001.2**	**2,468.4**	**1,896.0**
Non-controlling interests	0.0	-	-
Total equity	**3,001.2**	**2,468.4**	**1,896.0**
Loans and borrowings	239.9	592.0	958.4
Senior Notes payable	1,340.0	1,316.5	1,417.5
Finance lease liabilities	0.3	0.5	1.0
Deferred tax liabilities	108.0	94.2	7.1
Deferred income	4.1	5.2	7.6
Other non-current liabilities and provisions	7.9	17.7	12.5
Total non-current liabilities	**1,700.2**	**2,026.1**	**2,484.1**
Loans and borrowings	246.0	275.6	246.8
Senior Notes payable	98.7	97.3	105.1
Finance lease liabilities	0.2	0.2	0.3
Trade and other payables	413.2	472.1	374.9
Income tax liability	4.5	7.1	29.2
Deposits for equipment	2.7	13.3	12.7
Deferred income	209.5	201.2	199.4
Total current liabilities	**974.8**	**1,066.8**	**968.4**
Total liabilities	**2,675.0**	**3,092.9**	**3,452.5**
Total equity and liabilities	**5,676.2**	**5,561.3**	**5,348.5**

Source: Polsat Group Consolidated Financial Statements.

B.8

Pro forma financial information

Selected key pro forma financial information, identified as such.

The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

The Issuer intends to acquire Metelem, a special-purpose vehicle organised under the laws of Cyprus, indirectly controlled by Mr Zygmunt Solorz-Żak. Metelem holds indirectly, through four Swedish Eileme Companies, 100% of voting rights at Polkomtel, operator of the "Plus" mobile telecommunications network. Both Metelem and Eileme Companies are holding companies established to prepare and carry out the acquisition of Polkomtel, while Polkomtel is a leading Polish mobile telecommunications network operator in terms of reported subscribers.

As a result of the Transaction, Metelem Group will be included in the consolidated financial statements of the Group. The consolidated pro forma balance sheet presents the Group's hypothetical financial position as if the Transaction was executed on December 31st 2013. The consolidated pro forma income statement shows hypothetical financial performance of the Group as if the Transaction took place at the beginning of the reviewed period, i.e. January 1st 2013.

This Unaudited Pro Forma Financial Information, consisting of the unaudited consolidated pro forma balance sheet at December 31st 2013, unaudited consolidated pro forma income statement for the financial year ended December 31st 2013, and related notes, has been prepared for the purposes of this Prospectus. The Unaudited Pro Forma Financial Information has been prepared in accordance with the accounting policies applied by the Group and described in the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated herein by reference.

The Unaudited Pro Forma Financial Information has been prepared to present the potential effect that the acquisition of control of Metelem Group as a result of the Transaction could have on the consolidated financial position and consolidated performance of the Group. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature it presents a hypothetical situation rather than actual financial position and performance of the Group for the periods and at the date presented as if the Transaction actually took place on the assumed dates, and its purpose is not to determine the financial position or performance in any future periods.

The assumptions underlying the pro forma adjustments and information sources are described in the accompanying notes. The unaudited pro forma adjustments are provable and are based on available information and certain assumptions that the Company believes are reasonable in the circumstances.

Unaudited consolidated pro forma balance sheet of the Group at December 31st 2013

		Pro forma adjustments					
	Group (1)	Metelem Group (2) (3)	Eliminations of intra-group balances and transaction (4)	Initial settlement of the acquisition (5)	Refinancing (6)	Dividend (7)	Pro forma total
					(PLNm)		
Reception equipment	407.5	-	-	-	-	-	407.5
Other property, plant and equipment	251.2	2,977.9	-	-	-	-	3,229.1
Goodwill	2,602.8	6,560.4	-	2,398.6	-	-	11,561.8
Brands	890.8	959.8	-	-	-	-	1,850.6
Other intangible assets	137.4	5,484.9	-	-	-	-	5,622.3
Non-current programming assets	71.6	-	-	-	-	-	71.6
Investment property	5.3	-	-	-	-	-	5.3
Non-current deferred distribution fees	29.5	-	-	-	-	-	29.5
Other non-current assets	20.8	5.9	-	-	(0.6)	-	26.1
Deferred tax assets	38.9	4.5	-	-	-	-	43.4
Total non-current assets	**4,455.8**	**15,993.4**	**-**	**2,398.6**	**(0.6)**	**-**	**22,847.2**
Current programming assets	181.3	-	-	-	-	-	181.3
Inventories	146.8	121.5	3.7	-	-	-	272.0
Trade and other receivables	374.4	1,361.4	(7.4)	-	-	-	1,728.4
Income tax receivable	0.2	-	-	-	-	-	0.2
Current deferred distribution fees	70.0	-	-	-	-	-	70.0
Other current assets	105.4	0.4	(1.2)	-	(1.3)	-	103.3
Cash and cash equivalents	342.3	1,451.3	-	(7.9)	907.4	(102.9)	2,590.2
Total current assets	**1,220.4**	**2,934.6**	**(4.9)**	**(7.9)**	**906.1**	**(102.9)**	**4,945.4**
Total assets	**5,676.2**	**18,928.0**	**(4.9)**	**2,390.7**	**905.5**	**(102.9)**	**27,792.6**
Share capital	13.9	8.4	-	3.3	-	-	25.6
Share premium	1,295.1	4,790.7	-	1,149.0	-	-	7,234.8
Other reserves	(8.9)	-	-	-	9.0	-	0.1
Retained earnings	1,701.1	(1,242.8)	-	1,239.2	(119.6)	(102.9)	1,475.0
Equity attributable to equity holders of the Parent	**3,001.2**	**3,556.3**	**-**	**2,391.5**	**(110.6)**	**(102.9)**	**8,735.5**
Non-controlling interests	-	-	-	-	-	-	-
Total equity	**3,001.2**	**3,556.3**	**-**	**2,391.5**	**(110.6)**	**(102.9)**	**8,735.5**
Loans and borrowings	239.9	6,447.7	-	-	2,065.9	-	8,753.5
Notes payable	1,340.0	4,058.9	-	-	(1,340.0)	-	4,058.9
Finance lease liabilities	0.3	2.5	-	-	-	-	2.8
Deferred tax liabilities	108.0	839.4	-	-	(11.0)	-	936.4
Other non-current liabilities and provisions	12.0	957.4	-	-	-	-	969.4
Total non-current liabilities	**1,700.2**	**12,305.9**	**-**	**-**	**714.9**	**-**	**14,721.0**
Loans and borrowings	246.0	358.9	-	-	414.8	-	1,019.7

Notes payable	98.7	422.8	-	-	(98.7)	-	422.8
Finance lease liabilities	0.2	2.4	-	-	-	-	2.6
Trade and other payables	413.2	1,777.1	(4.9)	-	-	-	2,185.4
Income tax liability	4.5	22.5	-	(0.8)	(14,9)	-	11.3
Deposits for equipment	2.7	-	-	-	-	-	2.7
Deferred income	209.5	482.1	-	-	-	-	691.6
Total current liabilities	**974.8**	**3,065.8**	**(4.9)**	**(0.8)**	**301.2**	**-**	**4,336.1**
Total liabilities	**2,675.0**	**15,371.7**	**(4.9)**	**(0.8)**	**1,016.1**	**-**	**19,057.1**
Total equity and liabilities	**5,676.2**	**18,928.0**	**(4.9)**	**2,390.7**	**905.5**	**(102.9)**	**27,792.6**

Notes:

(1) The financial data of Polsat Group has been compiled on the basis of the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated in this Prospectus by reference.

To simplify the presentation of the pro forma consolidated balance sheet, deferred income disclosed in the consolidated financial statements of Polsat Group for 2013 has been included in other non-current liabilities and provisions in the consolidated pro forma balance sheet.

(2) The financial data of Metelem Group has been compiled on the basis of the Metelem Group Consolidated Financial Statements.

(3) The below-presented items from the Metelem Group Consolidated Financial Statements have been aggregated to ensure uniformity with the balance-sheet format presented in the consolidated financial statements of Polsat Group for the year ended December 31st 2013:

Financial data from the statement of financial position of Metelem Group		**Presentation in the consolidated pro forma balance sheet of the Group**	
Item	Value (PLNm)	Item	Value (PLNm)
Customer relations	3,358.6	Other intangible assets	5,484.9
Licences and licence costs	1,406.6		
Other intangible assets	719.7		
Derivatives	44.3	Other non-current liabilities and provisions	957.4
Provision for employee benefit obligations	6.2		
Other provisions	84.5		
UMTS liability	822.4		
Trade and other payables	940.1	Trade and other payables	1,777.1
Derivatives	137.1		
Provision for employee benefit obligations	0.1		
Other provisions	86.6		
Accrued expenses	499.3		
UMTS liability	113.9		

(4) The adjustment consisting in elimination of intra-group balances and transaction includes:

- elimination of mutual receivables, other current assets and liabilities of PLN 4.9m, resulting from transactions between Polsat Group and Metelem Group;
- elimination of receivables of PLN 3.7m on purchase of handsets by Polsat Group from Metelem Group, and the resultant inventories increase by the same amount.

(5) For the purposes of preparation of the Unaudited Pro Forma Financial Information it was assumed that in exchange for the issued 291,193,180 shares the Company acquired an in-kind contribution in the form of 100% of Metelem shares. To calculate the issue value of the issued shares, the market price of the Issuer shares at April 15th 2014, of PLN 20.45 per share, was applied (the actual price will be determined on the basis of the market price of the issued shares at the acquisition date). As a result of the Transaction, a PLN 5,954.9m increase in the company's share capital was disclosed, following the issue of 291,193,180 shares at the issue price of PLN 20.45. The share capital will be increased by PLN 11.7m, while PLN 5,943.2m will be allocated to share premium. Metelem Group's equity was eliminated for a total PLN 3,556.3m, in the following items: share capital (PLN 8.4m), share premium (PLN

4,790.7m) and accumulated losses (PLN 1,242.8m).

Another item accounted for:

- estimated transaction costs related to the acquisition of Metelem Group. Retained earnings were reduced by PLN 3.6m, which is a net amount of the estimated transactions costs of PLN 4.4m and their PLN 0.8m effect on income tax.
- estimated transactions costs related to the Issuer's share issue. Share premium was reduced by PLN 3.5m.

The Transaction is disclosed in the Unaudited Pro Forma Financial Information in accordance with the acquisition method defined in IFRS 3 — Business Combinations.

At the Prospectus date, no valuation required to measure the fair value of Metelem Group's individual assets and liabilities was performed. Therefore it was assumed that the full amount of the entire excess of the acquisition price over the carrying amount of Metelem Group's assets and liabilities will be disclosed as goodwill in the consolidated pro forma balance sheet of Polsat Group prepared at December 31st 2013. Once the allocation of the acquisition price is completed, in accordance with IFRS the excess amount may change following the recognition of Metelem Group's assets and liabilities at the acquisition-date fair value. This applies in particular to intangible assets, such as licences, customer relations and brands. The Issuer's Management Board does not rule out that also other intangible assets not recognised before the Transaction will be identified, measured and disclosed in Polsat Group's balance sheet following the Transaction. Amounts of other assets and liabilities may also change, and some contingent liabilities may be disclosed at fair value. Adjustments to the value of assets and liabilities may lead to temporary differences between the tax base and the carrying amounts of assets and liabilities, which will result in recognition of deferred tax asset or deferred tax liability.

In accordance with the Metelem Group Consolidated Financial Statements, the fair value of liabilities under the UMTS licence, notes and borrowings was higher by PLN 1,182.1m than their carrying amounts at December 31st 2013.

(6) At December 31st 2013, the Company had debt under Senior Facilities Agreement and under Senior Notes Indentures. The total amount of this debt at December 31st 2013 was PLN 1,924.6m. As described in this section under "Refinancing", obtaining refinancing for the debt is an element of the Transaction ("Refinancing"). On April 11th 2014, the Company received information on the terms of the Refinancing discussed in "Refinancing" and in "*Material agreements—Refinancing agreements—The Senior Facilities Agreement of April 11th 2014 between the Group companies and the bank syndicate*". The New Senior Facilities Agreement provides for a Term Facility Loan of up to PLN 2,500m ("New Term Facility Loan") and a multi-currency Revolving Facility Loan of up to the equivalent of PLN 500m ("New Revolving Facility Loan"). The New Term Facility Loan bears interest at a variable rate based on WIBOR, while the New Revolving Facility Loan bears interest at a variable rate based on WIBOR (portion contracted in PLN), EURIBOR (portion contracted in EUR) or LIBOR (portion contracted in other currency permitted under the New Senior Facilities Agreement). The New Term Facility Loan is repayable in varying quarterly instalments, starting on June 30th 2014. The final repayment date of the New Term Facility Loan and the New Revolving Facility Loan is April 11th 2019.

Pro forma adjustments relating to the Refinancing:

	Other non-current assets	Other current assets	Cash and cash equivalents	Other reserves	Retained earnings	(Current and deferred) income tax receivable/liability	Notes payable (non-current and current)	Borrowings (credit facilities and loans) (non-current and current)
					(PLNm)			
Increase in borrowings	-	-	3,000.0	-	-	-	-	3,000.0
Repayment of existing debt	-	-	(2,056.7)	-	(78.5)	(14.9)	(1,461.1)	(517.1)
Previous finance costs written-down	(2.6)	(1.8)	-	-	(58.0)	(11.0)	22.4	31.2
Settlement of hedging instruments	-	-	-	9.0	(11.1)	-	-	-
Cost of new financing	2.0	0.5	(35.9)	-	-	-	-	(33.4)
Tax effect (deferred tax)	-	-	-	-	28.0	-	-	-
Pro forma adjustments	**(0.6)**	**(1.3)**	**907.4**	**9.0**	**(119.6)**	**(25.9)**	**(1,438.7)**	**2,480.7**

(7) On April 2nd 2014, the Management Board announced the convening of the Annual General Meeting for April 29th 2014, whose agenda includes passing a resolution to allocate PLN 102.9m of the Company's profit earned in 2013 to dividend payment. Making a decision to pay dividend or interim dividend is a precondition to closing the Transaction. The Company's Supervisory Board approved the Management Board's proposal, and requested that the General Meeting adopts the resolution on distribution of profit for 2013 in accordance with the Management Board's proposal and recommendation. The final decision on the amount of dividend will be made by the General Meeting, but in the opinion of the Management Board it is highly probable that the final amount of dividend will be as proposed.

(8) Polsat Group and Metelem Group differ in the way they recognise distribution fees. Polsat Group accounts for commissions payable to distributors for acquiring new and retaining existing subscribers throughout the minimum basic term of the subscription contract. Distribution fees which are accounted for within 12 months from the reporting date are presented as other current assets. Distribution fees which are accounted for after 12 months from the reporting date are presented as non-current assets. Metelem Group accounts for such commissions in profit or loss for the current period. If the same manner of presentation was applied, assets related to distribution fees that have not been accounted for would have to be disclosed in the consolidated pro forma balance sheet prepared at December 31st 2013. No such disclosure was made due to impracticability of retrospective calculation of the amounts and due to the fact that the value of assets related to customer acquisition will be accounted for in the process of allocating the acquisition price, as described in Note (5).

Unaudited consolidated pro forma income statement of the Group for the year ended December 31st 2013

			Pro forma adjustments				
	Group (1)	Metelem Group (2)	Uniform data presentation (3)	Eliminations of intra-group balances and transaction (4)	Initial settlement of the acquisition (5)	Refinancing (6)	Pro forma total
				(PLNm)			
Revenue	2,910.8	6,682.3	63.9	(18.6)	-	-	9,638.4
Operating costs	(2,157.7)	(5,732.7)	(11.7)	18.6	(4.4)	-	(7,887.9)
Other operating income/(cost), net	36.8	77.3	(52.2)	-	-	-	61.9
Profit from operating activities	**789.9**	**1,026.9**	**-**	**-**	**(4.4)**	**-**	**1,812.4**
Gain/loss on investment activities, net	16.0	-	45.1	-	-	(3.8)	57.3
Finance costs	(216.0)	(1,484.4)	(45.1)	-	-	(93.1)	(1,838.6)
Share of the profit of jointly controlled entity accounted for using the equity method	2.9	-	-	-	-	-	2.9
Gross profit for the period	**592.8**	**(457.5)**	**-**	**-**	**(4.4)**	**(96.9)**	**34.0**
Income tax	(67.4)	140.8	-	-	0.8	18.4	92.6
Net profit for the period	**525.4**	**(316.7)**	**-**	**-**	**(3.6)**	**(78.5)**	**126.6**
Basic and diluted earnings per share (in PLN) (7)	**1.51**						**0.20**

Notes:

(1) The financial data of Polsat Group has been compiled on the basis of the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated in this Prospectus by reference.

(2) The financial data of Metelem Group has been compiled on the basis of the Metelem Group Consolidated Financial Statements.

To ensure uniform presentation of the financial data of Metelem Group with the income statement format presented in the consolidated financial statements of Polsat Group for the year ended December 31st 2013, the total amount of operating costs of Metelem Group is presented under "Operating costs", the total amount of other income and other expenses of Metelem Group is presented under "Other operating income/(cost), net", and the total amount of finance income and finance costs of Metelem Group is presented under "Finance costs".

(3) *Revenue from contractual penalties*
Polsat Group and Metelem Group differ in their presentation of revenue from contractual penalties. Since at Polsat Group revenue from contractual penalties is part of revenue from core business, a corresponding item with an amount of PLN 63.9m has been transferred from "Other income" of Metelem Group to "Revenue".

Allowances for receivables, costs of uncollectible receivables and result on sale of receivables
In addition, Metelem Group recognises allowances for receivables, costs of uncollectible receivables and the result on sale of receivables in other operating activities. Polsat Group discloses those items as part of its core business under operating costs, on a net basis. For this reason, PLN 11.7m was reclassified from "Other operating income/(cost), net" to "Operating costs".

Gains and losses on investments
In addition, Metelem Group presents in the Metelem Group Consolidated Financial Statements some gains and losses on investments under finance income, which for the purposes of the consolidated pro forma income statement has been aggregated with finance costs under "Finance costs", as described in Note (2). Since Polsat Group presents the result of such transactions under "Gain/loss on investment activities, net", a reclassification of PLN 45.1m has been made.

Distribution fees
As described in Note (8) to the consolidated pro forma balance sheet, Polsat Group and Metelem Group differ in the presentation of distribution fees. If the same manner of presentation was applied, costs of distribution fees disclosed in operating costs in the income statement of Metelem Group would have to be eliminated and the costs would have to be appropriately amortised over time throughout the minimum basic term of the subscription contract. This was not done due to the impracticability of retrospective calculation of the amounts and due to the fact that the value of assets related to customer acquisition will be accounted for in the process of allocating the acquisition price, as described in Note (5) to the consolidated pro forma balance sheet.

(4) Elimination of intra-group balances (income and expenses) of PLN 18.6m resulting from transactions executed between Polsat Group and Metelem Group.

(5) The adjustment consists in the recognition of transactions costs of the acquisition in accordance with the Issuer's best estimate (PLN 4.4m), together with the tax effect of the costs (PLN 0.8m).

As mentioned in Note (5) to the consolidated pro forma balance sheet, at the date of the Unaudited Pro Forma Financial Information the acquisition price was not allocated, meaning that the fair value of acquired assets and liabilities of Metelem Group was not measured (this will be performed within 12 months from the acquisition date). Following measurement of amortised non-monetary assets, the amortisation amount disclosed in the result for the period will differ from the amortisation amount disclosed in the historical financial data of Metelem Group, but due to the lack of information it is impossible to precisely specify the effect of the change in the amounts recognised in the fair value of assets on the result for the period.

(6) In accordance with the terms and conditions discussed in "Refinancing", the Refinancing has resulted in a PLN 93.1m adjustment to finance costs, a PLN 3.8m adjustment to gain/loss on investment activities, net, and a related PLN 18.4m tax adjustment. These amounts comprise:

	PLNm
Interest on new financing incurred*	113.8
Interest on refinanced liabilities recognised in profit or loss, including amortisation of the finance costs	(193.6)
Unamortised costs of financing the liabilities being repaid recognised in profit or loss on a one-off basis and costs of early redemption premium	167.5
Elimination of exchange differences on valuation of repaid bonds	(20.1)
Recognition in profit or loss of valuation of hedging instruments previously recognised in other components of equity	25.5
Increase in finance costs	**93.1**
Adjustment to gain/loss on investment activities, net	**3.8**
Decrease in tax at 19% tax rate	**(18.4)**

*Nominal annual interest rate applied in the calculation was 4.21%. The rate results from the terms of the facility agreement. The actual interest rate is variable and based on WIBOR. For the remaining information on the Refinancing terms, see Note (6) to the pro forma consolidated balance sheet.

	All of the adjustments discussed in this Note will further affect the Issuer, with the exception of adjustment discussed in Note (5), that is disclosure of one-off transaction costs of the acquisition, in the amount of PLN 3.6m (after accounting for the tax effect) and certain adjustments relating to the Refinancing, in particular: unamortised costs of financing the liabilities being repaid recognised in profit or loss on a one-off basis and costs of early redemption premium (PLN 167.5m) and recognition in profit or loss of valuation of hedging instruments previously recognised in other components of equity (PLN 25.5m). (7) The weighted average number of shares determined for the purpose of calculating basic and diluted earnings per share (pro forma earnings after accounting for the effect of the Transaction) is 639,546,016, including 291,193,180 shares to be issued as part of the Transaction.
B.9 **Profit forecast or estimate**	**Where a profit forecast or estimate is made, state the figure.** Not applicable. The Company does not publish any profit forecast or estimates.
B.10 **Qualifications in the audit report**	**A description of the nature of any qualifications in the audit report on the historical financial information.** Not applicable. The audit reports on the historical financial information did not contain any qualifications.
B.11 **Working capital**	**If the issuer's working capital is not sufficient for the issuer's present requirements an explanation should be included.** Not applicable. The Company's working capital is sufficient for its present requirements.

Section C — Securities	
C.1 **New Shares**	**A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.** Based on this Prospectus, the Issuer will seek admission and introduction of up to 47,260,690 Series I ordinary bearer shares and up to PLN 243,932,490 Series J ordinary bearer shares, with a par value of PLN 0.04 per share (jointly "**New Shares**"), to trading on the regulated (main) market operated by the WSE. It is the Company's intention that the Series I Shares be assigned the same ISIN code as the code assigned to the Shares traded on the regulated (main) market operated by the WSE ("**Book-Entry Shares**"), i.e. PLCFRPT00013. As Series J Shares and the Book-Entry Shares carry different dividend and interim dividend rights, until the Date of Unification of Rights Attached to Shares, Series J Shares cannot be registered at the depository for securities maintained by the Polish NDS under the same ISIN code as is now assigned to the Book-Entry Shares. Therefore, the Company intends to seek assignment of a different ISIN code to Series J Shares. After the Date of Unification of Rights Attached to Shares the Company will seek assimilation of Series J Shares with the Book-Entry Shares. The assimilated Series J Shares will then be assigned the ISIN code which is now assigned to the Book-Entry Shares, i.e. PLCFRPT00013.
C.2 **Currency of the issue**	**Currency of the securities issue.** The currency of the New Shares is the Polish złoty (PLN).
C.3 **The Issuer's share capital**	**The number of shares issued and fully paid and issued but not fully paid.** At the Prospectus date, the Company's share capital amounts to PLN 13,934,113.44 and is divided into 348,352,836 shares, with a par value of PLN 0.04 per share, including: (i) 2,500,000 Series A registered preference shares; (ii) 2,500,000 Series B registered preference shares; (iii) 7,500,000

	Series C registered preference shares; (iv) 175,000,000 Series D shares (including 166,917,501 registered preference shares and 8,082,499 ordinary bearer shares); (v) 75,000,000 Series E ordinary bearer shares; (vi) 5,825,000 Series F ordinary bearer shares; and (vii) 80,027,836 Series H ordinary bearer shares (jointly "**Existing Shares**"). All Existing Shares have been issued and paid up in full.
C.4 **Rights attached to New Shares**	**A description of the rights attached to the securities.** Pursuant to the Companies Code and the Act on Public Offering, the rights conferred by the New Shares will include in particular: • right to request that an Extraordinary General Meeting be convened and specific matters be put on its agenda, vested in shareholders jointly representing at least one-twentieth of the Company's share capital; • right to submit to the Company draft resolutions on the matters included in the agenda of the General Meeting, in writing or with the use of electronic means of communication, vested in shareholders jointly representing at least one-twentieth of the Company's share capital; • right to submit draft resolutions on the matters included in the agenda of the General Meeting during the Meeting; • right to attend the General Meeting and vote in person or by proxy; • right to view the list of shareholders or to request that such list be sent to the shareholder; • right to request a copy of proposals concerning the matters included in the agenda of the General Meeting; • right to request a copy of annual financial statements; • right to view the list of shareholders attending the General Meeting; • right to request that the Supervisory Board be appointed by block voting, vested in shareholders jointly representing at least one-fifth of the Company's share capital; • right to receive information on the Company during the General Meeting; • right to bring action for a resolution of a General Meeting to be revoked or declared invalid; • right to dividend; • right to a share in the Company's assets left after satisfying or securing creditors' claims in the event of liquidation of the assets; • right to subscribe for new shares (pre-emptive right); • right to demand that other shareholders sell all the shares held in the company, vested in a shareholder holding more than 90% of the total vote (mandatory buy-out); • right to demand that all shares held by a minority shareholder be acquired by another shareholder (mandatory sell-out).
C.5 **Restrictions on the transferability of the New Shares**	**A description of any restrictions on the free transferability of the securities.** Pursuant to the Companies Code, the Act on Public Offering and the Act on Trading in Financial Instruments, the New Shares will be subject in particular to the following restrictions on their free transferability: • requirement to notify the PFSA and the Company applicable to any shareholder that: (i) has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total vote in a public company; (ii) held at least 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its shareholding, holds 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% or less of the total vote, respectively; (iii) has changed its holding of over 10% of the total vote by at least 2% of the total vote – in the case of a public company whose shares have been admitted to trading on the official stock-exchange market (at the Prospectus date it was the main market of the WSE); (iv) has changed its holding of over 33% of the total vote in a public company by at least 1% of the total vote;

	• requirement to announce a tender offer to acquire or exchange the shares in the following cases: (i) acquisition of shares conferring the right to more than 10% or 5% of the total vote at the General Meeting, (ii) exceeding the threshold of 33% of the total vote at the General Meeting, (iii) exceeding the threshold of 66% of the total vote at the General Meeting; • prohibition of acquisition or disposal of financial instruments for one's own account or for the account of a third party, effected on the basis of inside information; • prohibition of acquisition or disposal of financial instruments during restricted periods by persons referred to in the Act on Trading in Financial Instruments; • requirement applicable to a parent company within the meaning of Art. 4.1.4 of the Companies Code to notify its subsidiary of the fact of becoming or ceasing to be the parent within two weeks from becoming or ceasing to be the parent, respectively; if the requirement is not complied with, the voting rights held by the parent in excess of 33% of the subsidiary's share capital are suspended. The Articles of Association do not provide for any restrictions on the transferability of the New Shares. In connection with the conditional increase of the Company's share capital pursuant to the Conditional Share Capital Increase Resolution, on January 22nd 2014, Sensor Overseas Limited, a company controlled by Heronim Ruta, and Argumenol Investment Company Limited and Karswell Limited, companies controlled by Zygmunt Solorz-Żak, submitted representations to Cyfrowy Polsat to the effect that if the companies acquire New Shares in the number specified in Investment Agreement I ("**Acquired Shares**"), in the period of 360 days from submission of the representations on acquisition of Acquired Shares, the companies will not offer to sell or sell any Acquired Shares or securities convertible into or exchangeable for the Acquired Shares, or securities which would make it possible to acquire Acquired Shares through the exercise of rights conferred by such securities, other rights to acquire Acquired Shares, or any other securities or financial instruments whose value is determined directly or indirectly by reference to the price of Acquired Shares used as underlying instrument, including swap contracts, futures contracts, and options, and will not execute any other transactions which may result in offer or sale of Acquired Shares, except for disposal to entities of the given company's group or entities established by entities of the given company's group, provided that prior to such disposal, the relevant company ensures that such entity submits to Cyfrowy Polsat a representation substantially in the form of the representation submitted to Cyfrowy Polsat by the relevant company, covering the period from the acquisition of Acquired Shares by such entity until the lapse of 360 days from the date of submission of representation on acquisition of Acquired Shares. For the avoidance of any doubt, the restrictions referred to in the preceding paragraph do not exclude the rights of the companies which submitted the representations to encumber the entirety of, part of, or any of the Acquired Shares with any property right, or to establish any other security, including pledge (in any form) on the entirety of, part of, or any of the Acquired Shares. To the Company's knowledge, the EBRD has not made any lock-up commitment with respect to the New Shares. Also, the Company has no information whether the EBRD plans to make any such commitment.
C.6 **Admission to trading on a regulated market**	**An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.** Based on this Prospectus, the Issuer will seek admission and introduction of up to 47,260,690 Series I ordinary bearer shares and up to PLN 243,932,490 Series J ordinary bearer shares, with a par value of PLN 0.04 per share, to trading on the regulated (main) market operated by the WSE.
C.7 **Dividend policy**	**A description of dividend policy.** In accordance with the dividend policy approved by the Management Board on January 22nd 2014, the Company intends to distribute its profit with to shareholders through dividend payments. The Management Board will recommend to the General Meeting that the Company's profit earned in a given financial year to which the new dividend policy applies be distributed by paying dividend of 33%-66% of Company's net profit, if the total debt ratio of Polsat Group (net debt/EBITDA) at the

	end of the financial year for which profit is to be distributed, is less than 2.5x. When preparing its recommendation for distribution of the Company's profit and the dividend proposal, the Management Board will also take into account the amount of the Company's net profit, the Group's financial condition, existing liabilities (including any restrictions under financing and debt agreements executed by the Company and Polsat Group companies), availability of capital reserves, the Management Board's and the Supervisory Board's assessment of the Company's and the Group's prospects in specific market conditions, as well as expenditure necessary to finance the Company's and the Group's primary objective of continued growth, in particular through acquisitions and execution of new projects. In accordance with the Management Board's resolution, the new dividend policy is effective as of the financial year ended December 31st 2014 and will apply for the first time to the Company's net profit for that year. In view of the fact that during the Extraordinary General Meeting held on January 24th 2014 a Company's shareholder submitted draft Warrant Issue Resolution, which provides for passing of a resolution on payment of dividend for 2013 by the Company or interim dividend for 2014 in the amount of at least PLN 100m as a condition for closing the Transaction, and taking into account the Company's current financial condition, the Management Board concluded that payment of dividend or interim dividend in the amount of PLN 100m would not pose a material threat to the Company's financial condition or its then-current plans. According to the Management Board's representation, the assessment was based on the Company's then-current financial condition and capital requirements determined on the basis of the Group's issued consolidated financial statements for the nine months ended September 30th 2013, as well as preliminary data available to the Management Board concerning the Group's performance in the fourth quarter of 2013. The Management Board's statement followed from the fact that the decision to pay dividend or interim dividend is a condition for closing the Transaction, which the Management Board deems paramount for the Company's growth and improvement of its competitive position. On April 2nd 2014, the Management Board announced the convening, for April 29th 2014, of the Annual General Meeting, whose agenda includes adoption of a resolution to allocate PLN 102,859,516.76 of the Company's profit earned in 2013 to dividend payment. The Management Board believes that execution of the Transaction will improve the effectiveness of the Company's operations and contribute to building value for the shareholders, which is why the Management Board declared to take any steps necessary to satisfy the conditions for the Transaction, as specified in the resolutions of the Extraordinary General Meeting.

Section D — Risks	
D.1 **Risk factors related to the Group's business and its environment**	**Key information on the key risks that are specific to the issuer or its industry** Risks related to Polsat Group's business and the sector in which it operates: • We are exposed to the effects of the regional and global economic slowdown being felt on the Polish advertising market and affecting consumer spending in Poland. • We are exposed to currency risks. • Our performance depends on our customers' satisfaction, the acceptance of our programming content by viewers, as well as our ability to generate profit from our own productions or from acquired broadcasting rights. • We face competition from entities offering alternative forms of entertainment and leisure. • We may be unable to attract or retain subscribers and advertisers if we fail to conclude or extend the licence agreements under which we distribute key programmes. • The operating results of our TV production and broadcasting segment depend on the importance of television as an advertising medium. • Our ability to increase sales of our pay TV and broadband services depends on the effectiveness of our sales network. • Given the intense competition across all market segments in which we operate, there can be no

	assurance that in the future our subscribers and advertisers will use our services rather than those of our competitors. • The switchover in Poland from analogue to digital terrestrial television broadcasting technology, leading to an increase in the number of generally available free-to-air (FTA) channels, may result in lower demand for our pay TV services and affect our audience share. • In our business, we depend on third-party providers for certain services, infrastructure or equipment. If these are delivered late or if they are not delivered at all our services may delayed or even suspended. • We may be unable to keep pace with new technologies used in our markets. • Initiatives designed to expand our service offering and increase its share in the pay TV market may result in costs outpacing revenue. • Failures of IT and telecommunications systems, including our satellite centre, may require significant financial outlays to restore them to working condition. • We might be unable to maintain good name of the Cyfrowy Polsat and Telewizja Polsat brands. • Goodwill and brand value allocated to our business segments may be impaired. • We may lose our management staff and key employees. • Disruptions to set-top box production may adversely affect our reputation and increase subscriber churn. • We may become involved in labour disputes with our employees or experience an increase in labour costs. • The administrative and court proceedings in which we are involved may result in unfavourable rulings. • Should any claims related to the infringement of third-party intellectual property rights be brought against us, we may be forced to incur substantial expenses to defend against those claims, to acquire a licence for a third-party technology, or to redefine our business methods to eliminate the infringement. • Our own intellectual property rights and other means of protection may not adequately protect our business, and insufficient protection of our programming content, proprietary technologies and know-how may cause profit erosion and customer churn. • We may violate the acts of law and regulations governing our satellite TV distribution business as well as telecommunications, TV broadcasting, advertising and sponsoring activities, which are subject to periodic amendments. • Our broadcasting licences may be revoked or may not be renewed. • In the event of a breach of its terms, our current frequency allocation may be revoked, may not be extended at all, or may not be extended on acceptable terms. • There can be no assurance that in the future the President of the Polish Office of Competition and Consumer Protection (UOKiK) will not deem the practices we use as limiting competition or violating the Polish consumer protection laws. • We may not be able to fully realise potential benefits of the Transaction or future acquisitions. • We cannot rule out that the conditions precedent stipulated in the Investment Agreements and the New Senior Facilities Agreement will not be satisfied and the Transaction will not be not effected. • The servicing of our debt is very cash-intensive, and our debt servicing liabilities may impair our ability to finance the Group's business. • We are exposed to interest rate risk. • Ultimately, we might be unable to refinance our existing debt, secure favourable refinancing terms, or raise capital to finance new projects. • We might be unable to repay our debts if control of the Company changes. • The complexity, lack of clarity, and frequent amendments of Polish tax laws may lead to

	disputes with tax authorities. • Tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations. • Assessment of tax effects of Polsat Group restructuring activities by Polish tax authorities may differ from assessment of such activities by Polsat Group. • Tax regime applicable to our operations and the sector in which we operate create numerous uncertainties. • Polsat Group companies are subject to legal regulations (including tax legislation) in force in the countries in which they operate.
D.3 **Risk factors related to the Issuer's Shares**	**Key information on the key risks that are specific to the securities.** Risks relating to the Admission, capital market and secondary trade in the Shares: • The Conditional Share Capital Increase Resolution may be challenged. • The Admission timetable may change. • A shareholder holding a significant block of shares may undertake steps detrimental to the interests of the other shareholders. • If a violation of law is identified or suspected in connection with the Admission, the PFSA may order that the Admission be withheld or proscribed. • The Company's failure to meet the requirements stipulated in the WSE Rules or the Regulation on Official Market may lead to the New Shares not being admitted to trading on the regulated market (main market) operated by the WSE. • Trading in Shares on the WSE may be suspended. • Shares may be delisted from the WSE. • Liquidity and price of the Shares may be subject to significant fluctuations. • Administrative sanctions may be imposed on the Company in the event of a breach of the Act on Public Offering and the Act on Trading in Financial Instruments. • The value of the Shares held by foreign investors may decrease as a result of movements in foreign exchange rates. • If equity analysts do not publish research reports on the Company or change their previous recommendations, the price and volume of trading in the Shares may decline. • Any future issues of new shares by the Company or any future transactions involving disposal of large holdings of Shares by its shareholders, as well as the expectation that such issues or transactions could take place, may have an adverse effect on the Share price or the Issuer's ability to raise capital in the future. • The reform of open-end pension funds (OFE), which constitute the second pillar of the Polish pension system, may adversely affect the Polish capital market and cause a decline in shareholders' investment in Polish listed companies. • Restrictions on purchases of large holdings of shares in public companies may have an adverse effect on the liquidity and price of the Shares. • In some jurisdictions, shareholders may be subject to certain restrictions on the exercise of pre-emptive rights. • It may be difficult to pursue civil liability claims and enforce judgements against the Issuer or any of its Management Board or Supervisory Board members, including claims and judgements relating to the New Shares.

Section E — Offer	
E.1 **Proceeds from and costs of the offering**	**The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.2a **Issue objectives**	**Reasons for the offer, use of proceeds, estimated net amount of the proceeds.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.3 **Terms and conditions of the offering**	**A description of the terms and conditions of the offer.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.4 **Entities involved in the offering**	**A description of any interest that is material to the issue/offer including conflicting interests.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.5 **Selling shareholder; Lock-up agreements**	**Name of the person or entity offering to sell the security.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.6 **Dilution**	**The amount and percentage of immediate dilution resulting from the offer.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.
E.7 **Expenses charged to the investor**	**Estimated expenses charged to the investor by the issuer or the offeror.** Not applicable. New Shares covered by this Prospectus are not a subject of a public offering.

RISK FACTORS

Before making any decision with respect to investing in the New Shares, prospective investors should carefully analyse all risk factors discussed below as well as other information presented in this Prospectus. If any of the events described in the risk factors below occurs, our business, financial condition, operating results and prospects could be materially adversely affected. As a result, the market price of the Shares could go down and investors could lose all or a part of their invested capital. The risk factors discussed in this Prospectus are by no means exhaustive; the Group may face other risks which should be considered by prospective investors before making an investment decision. In particular, investors should carefully assess all investment-related risks and decide, either on their own or in consultation with appropriate legal, tax, financial and other advisers, whether they should proceed with the investment in the context of those risks.

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

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

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

Lower advertising spending in Poland may have a material adverse effect on our revenue and the growth prospects for our business in the TV production and broadcasting segment. Slower GDP growth in Poland usually impacts advertising spending. Moreover, as many customers of our TV production and broadcasting segment are global companies, the global economic downturn, even if it has no direct effect on Poland or its effect on the Polish economy is not as significant as in other countries, as well as economic slowdown in Poland, may force customers to cut their advertising budgets in Poland, which will impact the demand for advertising services in the country. A decrease in our advertising revenue may force us to adjust the level of our costs to lower revenues. As adjustments of the cost base to market conditions are not generally sufficient to fully offset the effect of lower revenue, the consequences of such risk factors may include a reduced EBITDA margin (for instance, in 2009, when the value of Poland's TV advertising market fell by 11.3%, Telewizja Polsat's EBITDA margin decreased by 5 pp, to 26.4%), lower quality of our programmes, or limited number of programmes broadcast by us, both our own productions and content purchased from third parties. Any constraints on the quality or quantity of our programming may result in the loss of audience share both to our competitors and to alternative forms of entertainment and recreation, which in turn may affect the attractiveness of our offering to potential advertisers and sponsors.

We are exposed to currency risks

Our business is exposed to risk related to fluctuations in foreign exchange rates. While our revenue is denominated mainly in the Polish złoty, about one-third of our operating costs in 2013 were denominated in other currencies. We have trade payables (amounts due for access to the catalogues of the leading film and TV studios as well as other suppliers and producers of programming content, purchase of modems, parts of set-top boxes, other hardware and software, as well as lease of transponder capacities) that are denominated in foreign currencies, mainly in the euro and the US dollar. Fluctuations in foreign exchange rates are outside our control and any adverse changes in the exchange rates of foreign currencies against the Polish złoty may significantly increase our costs and expenses translated into the Polish złoty, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects. For example, because in 2013 the Polish złoty strengthened against the US dollar by 3.0% and weakened against the euro by 0.3%, which in aggregate led to an increase in our operating costs by PLN 3.4m, we cannot rule out that future fluctuations in foreign exchange rates may have a material effect on our operating costs. In addition, at the Prospectus date, our 7.125% Senior Notes are denominated in the euro, which substantially increases our exposure to the risk of fluctuations in foreign exchange rates as any movements in the euro exchange rate against the Polish złoty may increase the złoty-denominated amounts required to service principal and interest payments under the Senior Notes (see "Operating and financial review of Polsat Group—Qualitative and quantitative information on financial risks—Market risk—Foreign exchange risk"). Following redemption of Senior Notes (see "Transaction—Refinancing") we may be exposed to currency risk in relation to the multi-currency New Revolving Facility Loan (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), since movements in the exchange rate of the euro, dollar or any other currency provided for in the New Senior Facilities Agreement against the złoty may increase the złoty-denominated amounts required to service principal and interest payments under the New Revolving Facility Loan.

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

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

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

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

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programmes in a cost-effective manner. While costs of in-house productions of television content are usually higher than costs of purchasing third-party programmes (in 2013, the costs of the TV production and broadcasting segment were PLN 296m for in-house production and PLN 220.1m for purchased programming content), we believe that a larger number of Polish programmes broadcast on our channels will increase viewers' demand and consequently increase the demand from advertisers. However, there can be no assurance that financial outlays we have made or will make in the future on Polish programming production will be fully recovered or that we will be able to generate revenue high enough to offset those costs.

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

We face competition from entities offering alternative forms of entertainment and leisure

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

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

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

The operating results of our TV production and broadcasting segment depend on the importance of television as an advertising medium

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

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

Our ability to increase sales of our pay TV and broadband services depends on the effectiveness of our sales network

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

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

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

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

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

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

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

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

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

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

To broadcast our terrestrial channels, we use the services provided by Emitel. We also rely on another third-party contractor, Nagravision S.A., which provides to us a conditional access system to secure our networks against unauthorised access by pirates and hackers. Similarly, our broadband and mobile telecommunications services rely on the quality of the broadband infrastructure and mobile telecommunications networks of third-party operators. For instance, our data transmission services based on the HSPA+ and LTE technologies depend, to a large extent, on the ability of certain third parties (such as Mobyland) to develop and provide access to their radio access networks in Poland. Our broadcasting services also rely on a number of third-party contractors, and we outsource a number of non-core activities (including certain IT functions) not related to our broadcasting business. These, and other services, are often central to our operating activities.

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

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

The technologies used in broadcasting and delivering pay TV, broadband and mobile telecommunications services develop extremely quickly, which is why there can be no assurance that we will be able to sufficiently modify our services to keep up with these changes. Compression, signal encoding and subscriber management systems vital to the correct functioning of our satellite centre, set-top boxes manufactured at our plant, as well as other software and technologies used by us and our suppliers, must be constantly updated and replaced to match the latest technological developments. Our inability to replace obsolete technological solutions as and when needed may have an adverse effect on our pay TV services, which may in turn cause an outflow of subscribers to competitors who have brought their technologies up to date.

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

Initiatives designed to expand our service offering and increase its share in the pay TV market may result in costs outpacing revenue

Our efforts to continually expand our range of products and services may prove very expensive. In our assessment, further expansion in the broadband market may significantly increase our average subscriber acquisition cost. Efforts to increase our penetration of the pay TV market may also drive that cost up, and it may increase even further if fees paid to our sales agents are raised. There can be no assurance that financial outlays we have already made and will make in the future on expanding our services portfolio and increasing our share in the pay TV market will be fully recovered, or that sufficient revenues will be generated to offset these expansion costs, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

Failures of IT and telecommunications systems, including our satellite centre, may require significant financial outlays to restore them to working condition

The success of our operations to a large extent depends on the efficiency of the IT and telecommunications systems we use, and a failure of one or more components of these systems may significantly affect our performance and growth prospects. The IT and telecommunications systems we use are vulnerable to consequences of natural disasters (such as earthquakes, floods, hurricanes, storms and other natural phenomena), loss of power supply, interruptions in the provision of telecommunications services, network software bugs, damage of transponders and satellites, terrorist activity, sabotage, riots, social unrest, strikes, other collective disputes, and disasters. In the residential segment, we rely primarily on our satellite centre, as well as satellite transponders, subscriber management system, reporting systems, sales support system, and customer relationship management system. Any failure of the individual components of our satellite centre, including failure of satellite transponders or any intermediate link, may result in serious disruption or even suspension of our activities for a certain period. In the TV production and broadcasting segment, the IT systems are used primarily for management of advertising scheduling, programme broadcasting, and maintaining relations with advertisers. Failure of any of our IT systems may prevent us from carrying out our operations successfully, while restoring them to full working condition may require significant financial outlays. Also, advertisers and subscribers may claim damages for interrupted or suspended service due to failure of our IT systems, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

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

Goodwill and brand value allocated to our business segments may be impaired

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

We may lose our management staff and key employees

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

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

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV subscribers the option to purchase or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer to our subscribers at our own production facility in Poland. In November 2007, we launched the production of SD satellite set-top boxes, followed by HD satellite set-top boxes in April 2010 and, finally, DDT set-top boxes in 2012. In 2013, our set-top boxes accounted for more than 90% of all the set-top boxes sold or otherwise made available to our pay TV subscribers. Should any batch of the set-top boxes we have manufactured prove defective and need to be withdrawn from the market, we are under the obligation to replace the set-top boxes we have made available to our subscribers and to cover (potentially considerable) costs of replacing or repairing any set-top boxes we have sold on the market. Furthermore, the withdrawal of reception equipment due to its defectiveness could be harmful to our reputation. Our plant is currently operating at close to maximum capacity, so any problems with production of set-top boxes would force us to acquire lager numbers of set-top boxes from third-party suppliers. There can be no assurance that we will be able to purchase a sufficient number of set-top boxes from third-party suppliers when required. Furthermore, the cost of acquiring from third-party suppliers of the vast majority of set-top box models we offer would be much higher than the cost of manufacturing them at our own plant. If we were unable to obtain set-top boxes from third-party suppliers on satisfactory pricing terms, we might have to raise the prices for our subscribers to cover our increased depreciation expense. Moreover, if the deliveries of set-top boxes we managed to procure were insufficient to meet the demand, our reputation among our current and potential subscribers would suffer. As our production of set-top boxes is based on components purchased from third-party contractors, there is a risk that we lose access to such components, for instance due to discontinuation of their production or changes in technologies or products. Losing access to certain components would force us to redesign our set-top boxes, which could affect continuity of their production and supplies to our subscribers. Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current subscribers or adversely affect our ability to acquire new subscribers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation and lead to erosion of our brand value, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

We may become involved in labour disputes with our employees or experience an increase in labour costs

Although we maintain good relations with our personnel, we are unable to entirely eliminate the risk of work disruptions, labour disputes, industrial action, or significant increase in labour cost at one or more of our companies. Any such event could prevent us from properly serving the needs of our customers or inflate our costs, affecting profitability of our operations. Any employee issues faced by our third-party suppliers of services or technology may also affect us, by hampering our ability to provide quality services and technologies on a timely basis. Any such disruption may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

We were, and currently are, party to a number of past or pending administrative and court proceedings in connection with our business. Therefore, there is a risk of new proceedings being instituted against us in the future, outcomes of which may prove unfavourable (including those instituted in connection with claims made by organisations for collective administration of copyrights). Under Polish copyright law, we are required to pay fees for collective administration of copyrights to organisations that collect royalties on behalf of authors of copyright-protected works we broadcast or distribute as part of our operations. Such fees are charged in accordance with licence agreements signed with these organisations. Although relevant agreements are in place with several organisations for collective administration of copyrights, there is a risk that claims will be brought against us by other such entities. Any unsuccessful court, arbitration and administrative proceedings may have an adverse effect on our business, financial condition, results of operations or prospects.

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

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

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

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

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

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

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

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

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

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

The President of UKE supervises both our business segments. In the residential segment, we provide telecommunications services, including broadband access, and we act as a Mobile Virtual Network Operator (MVNO). Telecommunications undertakings operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business, both in relations with retail customers (for instance, by specifying the scope of subscribers' rights or the content of standard terms and conditions for the provision of telecommunications services) and wholesale customers (for instance, by imposing MTR caps). Our TV production and broadcasting business is overseen by the President of UKE for compliance with the terms of licences and frequency allocations assigned by the President of UKE for the purposes of TV broadcasting services. We cannot give any assurance that we will be able to meet the multiple requirements imposed on us by the Polish Telecommunications Law. In the event of our non-compliance with any provisions of the Telecommunications Law, we may face a fine from the President of UKE of up to 3% of our revenue generated in the year preceding the year in which such fine is imposed.

Any non-compliance on our part with the legal requirements or other rules issued by regulatory bodies may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our broadcasting licences may be revoked or may not be renewed

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

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

If any of our broadcasting licences are revoked or not renewed, we may be forced to temporarily or permanently discontinue those of our operations that are subject to such licences, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

In the event of a breach of its terms, our current frequency allocation may be revoked, may not be extended at all, or may not be extended on acceptable terms.

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

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

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

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

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

If the President of UOKiK determines that any of our practices had the effect of limiting competition or violating consumer rights, we could be required to discontinue the unlawful practice. In addition, the President of UOKiK could impose on us a cash fine of up to 10% of our revenue generated in the financial year immediately preceding the year in which the fine is imposed. Moreover, if we, even unintentionally, fail to provide the President of UOKiK with the required information or provide misleading information, a fine of up to EUR 50,000,000 may be imposed on us. Imposition of the fines referred to above may harm our reputation, which in turn may have a material adverse effect on its performance, financial condition and growth prospects.

We may not be able to fully realise potential benefits of the Transaction or future acquisitions

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

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

This may have a material adverse effect on our business, financial condition, results of operations or prospects.

We cannot rule out that the conditions precedent stipulated in the Investment Agreements and the New Senior Facilities Agreement will not be satisfied and the Transaction will not be not effected

To execute the Transaction, which will lead to acquisition of the controlling interest in Polkomtel (operator of the Plus mobile telecommunications network), a number of conditions precedent stipulated in the Investment Agreements must first be satisfied. At the Prospectus date, these conditions include, in particular, the full repayment of certain debts of Cyfrowy Polsat specified in the Investment Agreements. In addition, provisions of the Investment Agreements release the parties from the obligation to execute the Transaction in certain circumstances or grant them the right to rescind the Investment Agreements. A number of conditions precedent stipulated in the New Senior Facilities Agreement must also be satisfied before funds under the New Senior Facilities Agreement may be drawn to fully repay the debts of Cyfrowy Polsat under the Investment Agreements. Conditions precedent are, by their very nature, future and uncertain events, and therefore no assurance can be given that they will occur within the time limits specified in the Investment Agreements, or at all. In particular, there is no assurance that the existing debts of Cyfrowy Polsat will be repaid in accordance with the Investment Agreements, as both the Senior Facilities Agreement and the Senior Notes Indenture specify a number of formal requirements, including actions to be taken by entities other than Cyfrowy Polsat or its related parties, which must be fulfilled before the related debts may be fully repaid; if any of those conditions is not met, the existing debt cannot be repaid within the prescribed time. Although in our opinion the conditions precedent stipulated in the New Senior Facilities Agreement are standard for this type of agreements, we cannot give any assurance that they will be satisfied in full or by the deadline specified in the New Senior Facilities Agreement and, thereby, that the conditions for drawdown of funds and the Refinancing, and consequently for the Transaction closing, will be satisfied. If the above and other conditions precedent are not satisfied within the time specified in the Investment Agreements or the New Senior Facilities Agreement, or if a specific event occurs as a result of which any party opts out of the Transaction or rescinds the Investment Agreement, the Transaction will not be effected, which may delay or prevent the achievement of our overriding strategic goal – taking the leading position on the Polish entertainment and telecommunications market based on the provision of high-quality integrated services. If any of the above materialises, this may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat and completion of the related financial transactions. We expect that following the Refinancing and the Transaction closing, our debt servicing liabilities will also increase.

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

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

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

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

We are exposed to interest rate risk

Market interest rate fluctuations do not impact the Group's revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through the Group's costs of servicing debt. In particular, our liabilities under the New Senior Facilities Agreement are calculated monthly based on WIBOR, EURIBOR or LIBOR for relevant interest periods.

The Group analyses its interest rate risk on an on-going basis, including the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result. For more information related to interest rate risks, see "Operating and financial review of Polsat Group—Qualitative and quantitative information on financial risks—Market risk—Interest rate risk".

Interest rate fluctuations may affect our ability to meet our current liabilities, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

Ultimately, we might be unable to refinance our existing debt, secure favourable refinancing terms, or raise capital to finance new projects

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

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

In the event of a change of control of the Company within the meaning of the New Senior Facilities Agreement, we are under the obligation to repay our liabilities under the New Senior Facilities Agreement. Moreover, if a change of control takes place, our ability to repay the New Term Loan Facility and the New Revolving Credit Facility will be limited by the level of available funds at the time. There can be no assurance that those funds will be sufficient to repay debts under the New Senior Facilities Agreement. Total liabilities under the New Senior Facilities Agreement may reach PLN 3.0bn. It should be noted that cash and cash equivalents disclosed in the Company's statement of financial position at December 31st 2013, 2012 and 2011 were below PLN 0.4bn. In view of the above, we believe that in the event of a change of control we would require additional borrowings to repay the credit facilities. The change in control is regulated in a similar manner in the Senior Facilities Agreement and Senior Notes Indenture which we intend to replace with the financing under the New Senior Facilities Agreement. Under the terms of the those agreements, in the event of a change of control of the Company within the meaning of the Senior Facilities Agreement or the Senior Notes Agreement, we are under the obligation to repay our liabilities under the Senior Facilities Agreement and/or offer the redemption of all or a part of Senior Notes in exchange for cash at 101% of the principal plus interest accrued and unpaid.

Furthermore, limitations arising from our contract obligations, including the New Senior Facilities Agreement (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—The Senior Facilities Agreement of April 11th 2014 between the Group companies and the bank syndicate") and the Intercreditor Agreement (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—The Intercreditor Agreement of April 11th 2014 between the Group companies and the bank syndicate"), could make it impossible for us to repay the credit facilities or secure external financing if events constituting a change of control actually occur. Any breach of those limitations may lead to a default under other contracts and acceleration of other debts, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

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

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

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

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

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

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

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

Assessment of tax effects of Polsat Group restructuring activities by Polish tax authorities may differ from assessment of such activities by Polsat Group

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

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

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

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

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

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

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

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

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

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

Risk factors related to the operations of Metelem Group, including Polkomtel

Below is presented a discussion of risk factors related to the operations of Metelem Group, with particular focus on risk factors related to the operations of Polkomtel Group, which is the only Metelem Group company that conducts operating activities. The other Metelem Group companies are holding companies and do not conduct any other business activity. In particular, they do not hold any assets or liabilities other than those strictly connected with the acquisition of Polkomtel and the servicing of the debt incurred in connection with that transaction (see "Overview of Metelem Group—Introduction"). At the Prospectus date, Metelem Group companies are not controlled by the Issuer and do not belong to Polsat Group, therefore the discussion of risk factors presented below is based on the Issuer's Management Board's current knowledge of Metelem Group's operations as well as risks and threats, if any, related to those operations. The Issuer's Management Board has exercised utmost care in assessing the operations of Metelem Group. Nonetheless, the risk factors presented below may not be the only risk factors to which Metelem Group is exposed, and some of the risk factors may prove either more or less material for Metelem Group's operations than their description in this Prospectus would suggest. It should also be noted that at the Prospectus date the risk factors for Metelem Group, save for those applicable to common areas of operations or the relationship between Metelem Group and Polsat Group, are not the risk factors for Polsat Group. However, this Prospectus presents a description of risk factors applicable to Metelem Group to enable investors to assess threats to Polsat Group that may potentially stem from the operations of Metelem Group following completion of the Transaction (see "Transaction"). Since the presentation in this Prospectus of the risk factors applicable to Metelem Group's operations is based the knowledge held by the Issuer's Management Board at the Prospectus date, these risk factors may differ materially from risk factors that may actually be involved in Metelem Group's operations on or after the Transaction date. Save as required by applicable laws, the Issuer's Management Board does not plan to publish in the future any updates or amendments regarding the risk factors related to Metelem Group's operations, as presented in this Prospectus.

Risks related to Polkomtel's business and the sector in which it operates

The Polish mobile telecommunications industry is highly competitive

Polkomtel faces strong competition in all of its core business areas, especially from Orange (operating under the Orange brand), T-Mobile (operating under the T-Mobile brand), and P4 (operating under the Play brand). There can be no assurance that subscribers will not find the offerings of those operators more attractive. For instance, recently Orange commenced construction of its own fibre optic network in Poland, which will enable Orange to offer its subscribers, in addition to mobile telecommunications services, high-speed broadband access via cable infrastructure, a solution which is not offered by Polkomtel.

A shift in the business model of mobile telecommunications network operators in Poland, whereby competing providers of telecommunications services would form joint ventures or strategic alliances, or launch of new types of services, products and technologies may additionally intensify competition on the telecommunications services market. An example at hand is the establishment by Orange and T-Mobile of Networks!, a joint venture, which constructs, manages and maintains shared radio access networks to increase profitability and efficiency of both companies' expenditure on network infrastructure. Recently, the two operators have expanded their relationship by enabling Orange to provide in the future 4G services using also the 1800 MHz frequencies held by T-Mobile. It is expected that this arrangement may be extended to include other frequencies as well. Even though at the Prospectus date no plans to execute such a transaction have been announced, the situation on the Polish telecommunications services market may also change significantly if P4 is acquired by an existing mobile telecommunications network operator or a new entrant to the market.

Competition on the telecommunications market in Poland may also intensify if new mobile telecommunications operators enter the market or broadband services are offered by entities other than mobile telecommunications operators.

Moreover, Polkomtel faces growing competition from entities offering non-traditional voice and data transmission services which rely on the VoIP technology, such as Skype or Viber, through which subscribers who use only mobile data transmission services can be provided with mobile voice and video services, and users with fixed broadband access can be provided with voice and video services over fixed-line networks, usually at prices lower than traditional voice and data transmission services. To this end, such entities use, among other things, existing infrastructure so as to avoid having to implement capital-intensive business models typically employed by mobile telecommunications network operators (including Polkomtel). Continued growing popularity of these services may lead to a decrease in ARPU and the subscriber base of mobile telecommunications network operators, including Polkomtel. It can be expected that in the future Polkomtel will also have to compete with providers of services supported by communication technologies which at the Prospectus date are at an early stage of development or which will be developed in the future. Polkomtel's existing competitors as well as new players on the Polish market may introduce different new services or telecommunications services based on better technologies than those currently used by Polkomtel before such services are introduced by Polkomtel or may offer such services at more competitive prices. Also mobile virtual network operators (MVNO) also compete with traditional mobile telecommunications network operators. For instance, the MVNOs created by Multimedia Polska S.A., Vectra S.A. and Inea S.A. (cable TV operators) offer mobile broadband services bundled with other services, such as cable TV.

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

Moreover, the high rate of mobile voice penetration (146.8% at December 31st 2013, according to GUS data) and the highly consolidated nature of the Polish mobile telephony market may result in increased pricing pressure and our ability to compete effectively will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices. It cannot be ruled out that Polkomtel will be forced to reduce prices for certain products and services in response to the pricing policies of its major competitors, which may have an adverse effect on Polkomtel's future revenue and profitability. For example, in 2012 P4 launched attractively priced contract plans with unlimited calls and text messages to any network in Poland. In response to this offer, Polkomtel launched matching plans to avoid outflow of subscribers, which in turn contributed to a decrease in the voice ARPU.

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

Polkomtel may be adversely affected by regional or global economic slowdown

Practically all Polkomtel subscribers are located in Poland. Adverse economic developments in Poland may cause subscribers to reduce their spending on products and services offered by Polkomtel or shift their spending towards products and services other than those offered by Polkomtel. In particular, subscribers may decide that they can no longer afford mobile services or data services and Value Added Services (VAS) that are instrumental in maintaining or increasing Polkomtel's ARPU. Economic slowdown may also, for example, encourage more business subscribers to attempt to change the terms of their telecommunications service contracts to terms which would be less financially favourable to Polkomtel, a trend which was seen in the period of economic downturn in 2009.

A global downturn in macroeconomic conditions and economic uncertainty are among the factors that can affect Polkomtel's ability to raise sufficient financing on global capital markets.

For this reason, adverse economic developments in Poland or globally may have a material adverse effect on Polkomtel's business, financial condition, results of operations or prospects.

Polkomtel's results of operations will depend on its ability to effectively encourage its existing subscribers to use a wider range of Polkomtel services, win subscribers from competitive mobile and fixed-line operators, as well as the ability to reduce churn

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

In addition, the mobile telecommunications industry is characterised by frequent developments in product offerings, as well as by advances in network and handset technology. If Polkomtel is unable to maintain and upgrade its network and provide subscribers with an attractive portfolio of products and services, it may not be able to retain subscribers or the subscribers' retention costs may increase. Likewise, if Polkomtel fails to effectively communicate the benefits of its network, it may not be able to attract new subscribers.

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

All such events could have a material adverse effect on Polkomtel's business, financial condition and results of operations.

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

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

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

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

The market on which Polkomtel operates is subject to rapid changes in technology

The technology used in the mobile telephony and broadband markets is rapidly evolving. There can be no assurance that Polkomtel will be able to sufficiently and efficiently implement new or upgraded technologies, services or products. In particular, it is expected certain communications technologies that are currently under development, namely LTE, LTE-Advanced, VOIP as well as fibre optics technology allowing for faster data transmission and lower unit cost per GB transferred traffic, to become increasingly important in the markets in which Polkomtel operates. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. In addition, Polkomtel cannot currently predict how emerging and future technological changes will affect its operations, nor can it predict that new technologies required to support its planned services will be available when expected, if at all.

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

Such events may have a material adverse effect on Polkomtel's market competitiveness and, what follows, on its results of operations, financial condition or prospects.

A substantial increase in data volumes transferred by Polkomtel's subscribers as part of their packages may result in higher-than-expected increase in national roaming costs

Under the PLK Wholesale Agreement, Polkomtel purchases from LTE Group a data transmission service at agreed rates per GB of transferred data. Under the retail data transmission service model prevailing on the Polish market, subscribers sign contracts for a defined number of months, under which Polkomtel provides retail subscribers with predefined data allowances or with packages without data transfer limits, where bandwidth is reduced after a specified amount of transferred data is exceeded. In the face of market competition, Polkomtel may be forced to offer its retail subscribers more attractive solutions by increasing contract data allowances, or retail subscribers may use the data transmission service under their existing packages to a greater extent than originally anticipated by Polkomtel, which may result in higher costs of the wholesale data transmission service provided to Polkomtel by LTE Group under the PLK Wholesale Agreement (see "LTE—Cooperation between Polkomtel and LTE Group companies—Wholesale agreement") There can be no assurance that in such a situation Polkomtel will be able to effectively renegotiate the terms of the Wholesale Agreement. Consequently, this may substantially reduce the profitability of Polkomtel's data transmission services, and have a material adverse effect on Polkomtel's business, financial condition, results of operations or prospects.

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

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

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

The sales network, which is largely the driver of Polkomtel's sales, may prove ineffective or require significant expenditure

Polkomtel's sales results largely depend on the effectiveness of its sales network. Any inefficiencies in the structure or management of the sales network may significantly affect Polkomtel's ability to retain existing and attract new subscribers.

Polkomtel's sales network comprises chiefly its own points of sale and agencies operating on an exclusive basis, as well as independent sellers selling prepaid services offered by Polkomtel and other operators. Polkomtel's sales network is supported by remote sales channels, including telemarketing and the Internet shop. Moreover, thanks to the cooperation between Cyfrowy Polsat and Polkomtel, Cyfrowy Polsat subscribers have access to the comprehensive range of Polkomtel's products and services, while Polkomtel's subscribers may take advantage of the dedicated offering of Cyfrowy Polsat's television services (see "Overview of Metelem Group—Core business—Sales and distribution", for a more detailed description of Polkomtel's sales network).

As a result of the structure of Polkomtel's sales network, loss of any of the agents may have, in a short run, an adverse effect on Polkomtel's sales performance. In this context, due to increased competition from other telecommunications services providers and the rising operating costs of the sales network (such as salaries and wages, rents, utilities), Polkomtel may be forced to increase commissions paid to its agents. Moreover, any significant reorganisation of the existing sales network (for example, in connection with joint development of a sales network with Cyfrowy Polsat) may require significant incremental investments in the distribution network. Any increase in the commissions that Polkomtel pays to distributors in its sales distribution network as well as any expenditure on network reorganisation would increase Polkomtel's operating costs and likely decrease its profitability.

In addition, Polkomtel leases a significant number of its retail outlets. Such leases typically have a limited duration. There can be no assurance that these lease agreements will be extended or renegotiated on reasonable terms upon expiration of their respective terms, or that they will be extended at all. An inability to renew such leases or to obtain sufficient alternative facilities may adversely affect the sales of Polkomtel's products and services, or renewal of such leases on less favourable terms may result, inter alia, an increase in operating costs.

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

Polkomtel depends on third-party providers to provide services to its customers

Polkomtel success and ability to grow its subscriber base depends on its ability to provide high-quality, reliable services. In offering its products and services, Polkomtel relies on a number of third-party providers of network, services, equipment and content over whom Polkomtel has no control. If such third-party providers do not perform their contractual obligations towards Polkomtel or do not adjust to changes in Polkomtel's requirements, Polkomtel customers may experience service interruptions, which could adversely affect the perceived reliability of Polkomtel's services and, therefore, adversely impact its brand and reputation, thus affecting its business, financial condition, results of operations or prospects.

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

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

If any of the third parties that Polkomtel relies on becomes unable to or refuses to provide the services, facilities and equipment that Polkomtel depends on in a timely and commercially reasonable manner or at all, Polkomtel may not be able to offer its customers such services, facilities or equipment or may experience temporary service interruptions or service quality problems, which would significantly impact Polkomtel's reputation and customer confidence and lead to a decrease in revenue from sales of such services, facilities and equipment. Any such damage or erosion in the reputation of, or value associated with, Polkomtel's brands could have a material adverse effect on its business, financial condition, results of operations and prospects.

Polkomtel is exposed to the risk of fraudulent activities by subscribers

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

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

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

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

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

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

Polkomtel is exposed to currency risk

Polkomtel is exposed to the risk of unfavourable changes in foreign exchange rates. Polkomtel generates almost all of its revenue in PLN, which is its functional and reporting currency, while important components of the costs incurred by Polkomtel, including handset purchase costs, UMTS licence fees, purchase of network equipment and IT systems, roaming, as well as costs related to office space lease and location of the mobile network infrastructure components are denominated in foreign currencies, in particular the euro (see "Operating and financial review of Metelem Group—Qualitative and quantitative information on financial risks—Market risk—Currency risk"). A significant depreciation of PLN against such currencies (in particular EUR) can have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

Polkomtel may lose its management staff and key employees

Polkomtel's results and growth prospects largely depend on retaining current and/or acquiring new highly qualified management staff with experience in managing the operations of businesses in the telecommunications industry, as well as on retaining currently employed and/or acquiring new key employees with appropriate qualifications. For discussion of risk factors of this type applicable to Cyfrowy Polsat, see "—Risks related to our business and the sector in which we operate—We may lose our management staff and key employees" above. These factors have a similar effect on Polkomtel's business, financial condition, results of operations and prospects.

Polkomtel may become involved in labour disputes or experience an increase in labour costs

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

The administrative and court proceedings in which Polkomtel is involved may result in rulings unfavourable to Polkomtel

Polkomtel is involved in disputes and legal proceedings, including disputes and legal proceedings initiated by regulatory, competition and tax authorities as well as proceedings with other parties, the most important of which are discussed in "Overview of Metelem Group—Court, arbitration and administrative proceedings". Risk factors material to Cyfrowy Polsat in the context of administrative and court proceedings are discussed in "Risks related to our business and the sector in which we operate—The administrative and court proceedings in which we are involved may result in unfavourable rulings" above. These factors have a similar effect on Polkomtel's business, financial condition, results of operations and prospects.

The goodwill recognised in connection with the acquisition of Polkomtel Group may be subject to impairment

Following acquisition of Polkomtel and its subsidiaries, Metelem Group discloses a significant amount of goodwill as an asset in its statement of financial position. Metelem Group tests goodwill for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions applied in impairment testing may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

There is a risk that the good name of Polkomtel and the "Plus" brand are lost or damaged, or that Polkomtel's key intellectual property rights are infringed

Some of the intellectual property rights used by Polkomtel, including key trademarks and domain names which are well known on the Polish telecommunications market, are important to its business. As a considerable share of Polkomtel's revenue is derived from the sale of products and services marketed under the "Plus" brand, the brand and its figurative trademark ( ) are extremely important assets (see "Overview of Metelem Group—Intellectual property").

The good name of Polkomtel and the "Plus" brand (as well as other brands which Polkomtel uses in its operations) may be harmed as a result of various events, for instance if any of the risks set forth in this "Risk Factors" section materialises. The loss of or damage to the good name of Polkomtel or the "Plus" brand (as well as other brands which Polkomtel uses in its operations) may significantly affect Polkomtel's ability to acquire new customers and trading partners or cause Polkomtel to lose its existing customers and trading partners, which may have a material adverse effect on its business, financial condition, results of operations and prospects.

Polkomtel protects its economic copyrights and takes steps to protect its intellectual property rights. Polkomtel may be forced to take legal action against third parties to protect its intellectual property rights, but such actions may not always be effective. As a result, Polkomtel may not be able to use intellectual property that is material to the operation of its business.

In addition, as the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against Polkomtel may correspondingly increase. To defend against such third-party claims, the company may have to expend significant time of its management staff and personnel as well as substantial financial resources. However, such defence may not always be effective. Further, there can be no assurance that Polkomtel has not unwittingly breached or that it will not in the future unintentionally breach the intellectual property rights of third parties. Any alleged breach could expose Polkomtel to liability claims from third parties. In addition, Polkomtel might be required to obtain a licence or acquire new solutions that allow Polkomtel to conduct its business in a manner that does not breach such third-party rights, which may involve significant capital outlays. Such events may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

There can be no assurance that Polkomtel's future resources and liquidity will be sufficient to finance its capital expenditure

Although in recent years Polkomtel has made extensive capital expenditure in order to build and further improve its network (see "Operating and financial review of Metelem Group—Capital expenditures"), Polkomtel's business remains capital intensive. Polkomtel's expected future investments include in particular expansion of its mobile telecommunications network and significant outlays on implementation of new technologies. However, if the network usage develops faster than Polkomtel anticipates, it may require greater capital investments in shorter time frames than originally expected. The amount and timing of Polkomtel's future capital requirements may differ materially from its current estimates due to various factors, many of which are beyond Polkomtel's control. For instance, the cost of frequency allocations necessary to operate the existing as well as planned networks and technologies, and the cost of implementing new technologies may exceed initial projections. In particular, to operate a frequency to be allocated under relevant proceedings, Polkomtel may be required to invest in so-called "white spots", where there is currently no 2G network coverage as well as in areas where 3G coverage is not economically practicable, such as areas of low population density. Therefore, if Polkomtel is allocated frequencies on such terms, financial expenditures incurred to meet the requirements may be considerable.

As there is no assurance that Polkomtel's future financial resources and liquidity will be sufficient to finance such investments, Polkomtel may have to raise external financing. The type, timing and terms of any future financing will depend on Polkomtel's cash needs and the prevailing conditions in the financial markets. There can be no assurance that Polkomtel would be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all.

For this reason, it cannot be assured that Polkomtel will be able to execute necessary or planned projects on time, on favourable terms or at all, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Failure to successfully maintain or upgrade IT systems may result in Polkomtel's services and products becoming less attractive to new subscribers and Polkomtel may lose existing subscribers to its competitors, and may become subject to additional financial strain

To secure and strengthen its competitive position, Polkomtel must continue to maintain, expand and upgrade its existing IT systems. The needs of its business as well as regulatory obligations could require Polkomtel to upgrade the functionality of its network management and administrative system and upgrade older systems and networks to adapt them to new technologies. There can be no assurance that the implementation and migration of data to the appropriate systems will be made as planned or as budgeted or will meet all business, functional and regulatory requirements. Failure to successfully maintain or upgrade IT systems may result in Polkomtel's services and products becoming less attractive to new subscribers and Polkomtel may lose existing subscribers to its competitors. Furthermore, expenditures incurred to maintain, expand or modernise IT systems may be considerable, but fail to bring the expected benefits. Therefore, Polkomtel may be forced to seek external financing, which it may be unable to secure, either at all, on time, or on favourable terms. Such circumstance may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

Polkomtel's network infrastructure, including information and telecommunications technology systems, may be vulnerable to circumstances beyond Polkomtel's control that may disrupt service provision

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

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

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

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

Polkomtel's ability to effectively target the underpenetrated Polish broadband market and capitalise on the early entrant advantage in LTE depends to a significant extent on Polkomtel's ability to efficiently roll out the LTE/HSPA+ network and offer large-scale LTE/HSPA+ services which, in turn, depends to a significant extent on effective cooperation with LTE Group under the Network Sharing Agreement and the PLK Wholesale Agreement. There can be no assurance that these agreements are not terminated before their expiry, are renewed for subsequent periods on the current terms or on terms more favourable to Polkomtel or that LTE Group companies perform their contractual obligations towards Polkomtel, including when faced with events and factors outside LTE Group's control. There can be no assurance, either, that the scale of Polkomtel's cooperation with LTE Group is sufficient to support further effective extension of the LTE/HSPA+ network. Moreover, there can be no assurance that under the PLK Wholesale Agreement Polkomtel will be able to secure sufficient wholesale access to LTE Group's LTE/HSPA+ network, or that it will be able to secure the access on acceptable terms. If any of these occurs, Polkomtel may have to develop the LTE/HSPA+ network independently, which may prove an extremely time- and money-consuming process, and thus may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

LTE Group may lose its frequency allocations which it uses to roll-out, jointly with Polkomtel Group, the LTE/HSPA+ network

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

No assurance can be given that as a result of the pending proceedings LTE Group will not lose its 1,800 MHz frequency allocation, which could have a material effect on Polkomtel's ability to provide LTE/HSPA+ services. In the proceedings concerning the 1,800 MHz frequency allocation, a cassation complaint was lodged by T-Mobile against a Provincial Administrative Court's ruling favourable to LTE Group. Proceedings are also pending to invalidate the 1,800 MHz frequency allocation tender, instigated by T-Mobile and Orange.

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

Demand for LTE technology in Poland may not develop when expected or at all

Polkomtel's growth and profitability will depend to a large extent on its ability to successfully roll-out and sell mobile broadband services using LTE technology. We believe that, through our collaboration with LTE Group and based on the existing network infrastructure owned by other mobile operators in Poland as well as the current lack of availability of the spectrum and frequencies necessary to roll-out mobile broadband services employing LTE technology, we have a window of opportunity to remain the only major mobile telecommunications operator in Poland offering the LTE technology and that we can capitalise on this window to grow revenue and increase profitability. However, no guarantee can be given that the network infrastructure of competitive mobile telecommunications network operators will not be developed faster than expected, which would reduce or eliminate Polkomtel's competitive advantage.

Furthermore, if demand in Poland for LTE services is not widespread, or grows slower than expected, Polkomtel may not be able to take advantage of its competitive advantage and generate expected revenue from sale of LTE services, and the expenditure thus far incurred on development of the LTE networks may prove to be ineffective. In addition, if demand for LTE services does not fully develop at the time when Polkomtel has a significant competitive advantage in providing such services, Polkomtel may not be able to effectively compete with other mobile operators in Poland once they are also able to offer similar technology. This could have a material adverse effect on Polkomtel's business, financial condition, results of operations or prospects.

If the amount of LTE Group's financing for LTE roll-out is not sufficient, Polkomtel may be forced to incur significant costs to ensure the continued expansion of the LTE networks and effective roll-out of LTE technology

Polkomtel expects that as part of its cooperation with LTE Group under the Network Sharing Agreement, the substantial majority of the investment required for the roll-out of LTE in Poland will be incurred by LTE Group. In addition, LTE Group is subject to certain regulatory build-out requirements, which will require additional future expenditures. Given the importance of LTE services for Polkomtel's business and development prospects, if LTE Group becomes insolvent, Polkomtel would likely be forced to incur substantial expenditure to continue roll-out of the LTE networks, while on the other hand its ability to incur such expenditure is limited by provisions of the PLK Facilities Agreement and the PLK Notes Indentures. Furthermore, any potential financial difficulties of LTE Group could cause considerable delays in the LTE roll-out. Therefore, any failure by LTE Group to acquire sufficient financing for the LTE roll-out would force Polkomtel to limit or withdraw its LTE offering, and result in the loss of Polkomtel's early entrant advantage, which in turn could materially and adversely affect Polkomtel's business, financial condition, results of operations or prospects.

The necessity to obtain building permits may delay or prevent roll-out of Polkomtel's networks

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

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

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

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

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

Polkomtel's activity is subject to a number of laws and requirements imposed in connection frequency allocations, and such laws and requirements may change in the future

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

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

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

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

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

The President of UOKiK is empowered under the Competition Act to conduct proceedings regarding anticompetitive practices, infringement of collective interests of consumers, intended concentrations of entrepreneurs (e.g. intended mergers, takeovers, creation of a joint entrepreneur or acquisition of another entrepreneur's assets), including proceedings regarding failure to notify an intention to concentrate, as well as proceedings concerning fines for infringement of the Competition Act.

If the President of UOKiK determines that any of Polkomtel's practices had the effect of limiting competition or violating consumer rights, Polkomtel could be required to discontinue the unlawful practice. In addition, the President of UOKiK could impose on Polkomtel a cash fine of up to 10% of Polkomtel's revenue generated in the financial year immediately preceding the year in which the fine is imposed. Moreover, if Polkomtel, even unintentionally, fails to provide the President of UOKiK with the required information or provide misleading information, a fine of up to EUR 50,000,000 may be imposed on Polkomtel. Imposition of the fines referred to above may harm Polkomtel's reputation, which in turn may have a material adverse effect on its performance, financial condition and growth prospects.

Polkomtel is a party to pending proceedings before the President of UOKiK and to proceedings initiated on the basis of appeals against the President's decisions regarding alleged practices infringing the collective interests of consumers by way of providing misleading information to consumers as to the terms of Polkomtel's promotional offers. Although Polkomtel disputed such claims, if the President of UOKiK was to determine that any of Polkomtel's practices had the effect of limiting competition or violating the consumer protection law, Polkomtel will be required to discontinue such unlawful practices. In addition, the President of UOKiK could impose cash fines on Polkomtel of up to 10% of its revenue for the financial year prior to the year in which the fine is imposed. Any decisions by the President of UOKiK or by appeals bodies confirming Polkomtel's infringement could also result in claims for damages by consumers, contractors and competitors claiming to have been injured by Polkomtel's conduct. The potential amount of such claims is difficult to assess but may be significant. In addition to proceedings pending before the President of UOKiK, consumers can bring court actions against Polkomtel, claiming that certain provisions of Polkomtel's standard subscriber contracts violate consumer protection laws. If any of Polkomtel's practices or contract terms are deemed to be misleading or in conflict with Polish consumer protection laws, Polkomtel may be subject to fines and its reputation could be harmed, which could have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects. See "Overview of Metelem Group—Court, arbitration and administrative proceedings—Proceedings before the President of the Office of Competition and Consumer Protection and court proceedings relating to the so-called abusive contract clauses" for a more detailed discussion of the proceedings before the President of UOKiK.

In addition, expansion of consumer protection legislation, including a newly introduced act that allows for "group claims", could increase the scope or scale of Polkomtel's potential liability or the scope of consumer rights. For example, there has been an extension of the range of situations in which subscribers are entitled to terminate their agreements without obligation to pay any contractual penalty. This may happen, among others, in the event of changes in the terms and conditions of agreements even if such amendment is in subscribers' favour.

Such early terminations of agreements with our subscribers may result in a significant increase in our subscriber retention costs and churn. Such events may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

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

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

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

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

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

As part of telecommunications market regulation, the President of UKE may determine MTR between telecommunications operators. In recent years, the regulator has used this power several times, and reduced MTRs. As a result of the President's of UKE decisions, the MTRs were reduced by 74% in the period from January 2010 to July 2013. There can be no assurance that there will not be any further MTR reductions in the future, which may directly affect Polkomtel's financial performance (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—MTR (Mobile Termination Rates)").

Polkomtel's roaming rates are also regulated. European Union regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level) At present, the roaming rates in the EU are regulated by the Regulation (EU) No. 531/2012 of June 4th 2012, which foresees further cuts in roaming rates as of July 2014. The proposal for regulation on unified telecommunications market foresees complete removal of roaming charges in the EU. On April 3d 2013, the European Parliament approved the draft regulation. In line with the schedule adopted by the European Parliament, the final draft of the proposal should be approved by the Member States by the end of 2014. The new regulations are expected to take effect in December 2015 (see "Regulatory environment—Regulatory environment related to provision of mobile telephony and Internet access services—International roaming on mobile telecommunications networks"). Reduction or removal of roaming charges in the EU may have an adverse effect on Polkomtel's revenue, and consequently on its performance and financial standing (see, for example "Operating and financial review of Metelem Group—Key factors affecting Metelem Group's results of operations and significant market trends—General regulatory environment" for discussion of the effect of reduction of MTR charges on the Metelem Group's interconnect revenue).

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

As in the case of Polsat Group, the complexity and lack of clarity of Polish tax laws, as well as frequent and unpredictable amendments may have a material adverse effect on performance, financial condition and growth prospects of Metelem Group, including Polkomtel.

For discussion of such risk factors with respect to Cyfrowy Polsat, see "Risk factors—Risks related to our business and the sector in which we operate—The complexity, lack of clarity, and frequent amendments of

Polish tax laws may lead to disputes with tax authorities" above. These factors have a similar effect on business, financial condition, results of operations and prospects of Metelem Group, including Polkomtel.

Polish tax authorities may question the accuracy of Metelem Group's intra-group and related-party settlements under applicable transfer pricing regulations.

As in the case of Polsat Group, the nature and diversity of transactions with related-parties, the complexity and ambiguity of the regulations governing methods of verifying the prices applied, dynamic changes in market conditions affecting the calculation of prices applied in such transactions, as well as the difficulty in identifying comparable transactions, the risk that the methodology used to determine arm's-length terms for the purpose of such transactions is questioned by tax authorities cannot be excluded, and therefore tax authorities may question the accuracy of settlements between Metelem Group companies and their related parties under applicable transfer pricing regulations, which may have material adverse effect on business, financial condition, results of operations or prospects of Metelem Group and Polkomtel.

For discussion of such risk factors with respect to Polsat Group, see "Risk factors—Risks related to our business and the sector in which we operate—Tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations" above. These factors have a similar effect on business, financial condition, results of operations and prospects of Metelem Group, including Polkomtel.

Assessment of tax effects of Metelem Group restructuring activities by Polish tax authorities may differ from assessment of such activities by Metelem Group

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

For discussion of such risk factors with respect to Polsat Group, see "Risk factors—Risks related to our business and the sector in which we operate—The assessment of tax effects of Polsat Group restructuring activities carried out by Polish tax authorities may differ from the assessment carried out by Polsat Group" above. These factors have a similar effect on business, financial condition, results of operations and prospects of Metelem Group, including Polkomtel.

Tax regime applicable to the operations of Metelem Group, including Polkomtel, and the sector in which Metelem Group, including Polkomtel, operates create numerous uncertainties

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

For discussion of such risk factors with respect to Polsat Group, see "Risk factors—Risks related to our business and the sector in which we operate—Taxation regime applicable to our operations and the sector in which we operate create numerous uncertainties" above. These factors have a similar effect on business, financial condition, results of operations and prospects of Metelem Group, including Polkomtel.

Property tax laws give rise to numerous interpretation uncertainties

Polkomtel uses a significant number of telecommunications infrastructure facilities located on real property. Property tax laws give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to tax. The definition of a structure and its practical use under the Local Taxes and Charges Act might lead to disputes with tax authorities.

Therefore, no assurance can be given that there will be no disputes between Polkomtel and tax authorities as to the amount of the property tax payable, as well as unfavourable rulings in this respect.

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

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

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

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

For discussion of such risk factors with respect to Polsat Group, see "Risk factors—Risks related to our business and the sector in which we operate—Polsat Group companies are subject to legal regulations (including tax legislation) in force in the countries in which they operate" above. These factors have a similar effect on business, financial condition, results of operations and prospects of Metelem Group, including Polkomtel.

Risk factors related to Metelem Group' financial profile

Substantial leverage and debt service obligations could adversely affect Metelem Group, including Polkomtel.

Metelem Group is highly leveraged. At December 31st 2013, the carrying amount of Metelem Group's total financial liabilities was PLN 11,288.3m, of which PLN 6,806.6m was incurred under PLK Facilities Agreement, PLN 3,753.0m under PLK Senior Notes, and PLN 728.7m under PIK PLK Notes. Polkomtel may also incur up to PLN 300.0m of new debt under a revolving facility loan.

The obligation to service substantial debt may have material adverse consequences for Metelem Group, including Polkomtel, including but not limited to: (i) making it difficult for Metelem Group to satisfy its financial obligations; (ii) increasing Polkomtel's vulnerability to general adverse economic and industry conditions; (iii) requiring Polkomtel to dedicate a substantial portion of its cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes; (iv) affecting Polkomtel's flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which its operates; (v) placing Polkomtel at a competitive disadvantage as compared to its competitors, to the extent that they are not as highly leveraged; and (vi) limiting Metelem Group's ability to borrow additional funds and increasing the cost of any such borrowing.

All such consequences could have a material adverse effect on Polkomtel's business, financial condition and results of operations.

PLK Facilities Agreement and PLK Notes Indentures provide for a number of restrictions, including the restriction on incurring new debt by Metelem Group

PLK Facilities Agreement and PLK Notes Indentures provide for a number of restrictions and obligations (including maintaining specified financial ratios, which become more restrictive over the life of the indebtedness), limiting Metelem Group's ability to incur new debt for financing future operations or to pursue business opportunities and activities that may be in Polkomtel's interest.

Any default on the obligation to maintain specified financial ratios or other provisions of the above agreements, may result in an event of default under these agreements. In an event of default, subject to certain cure periods, the unpaid principal amount under facilities or notes and their accrued interest may be declared immediately due and payable by the creditors. Also, any default under a given agreement may automatically lead to a default under other financing agreements. If Metelem Group's creditors accelerate the payment of outstanding debt or demand early redemption of PLK Senior Notes or PIK PLK Notes, in accordance with the PLK Facilities Agreement or PLK Notes Indentures, Metelem Group's assets may prove insufficient for the repayment of its debt in full. In such situation, the Group's creditors could proceed against any collateral granted to them to secure repayment of those amounts.

All such limitations and restrictions, including limited sources of additional financing, could have a material adverse effect on Polkomtel's business, financial condition and results of operations.

Metelem Group may not be able to generate sufficient revenue and cash flows to service its debt

Metelem Group's ability to timely service its debt, including the debt under PLK Facilities Agreements, PLK Senior Notes or PIK PLK Notes, depends primarily on Polkomtel's performance and its ability to generate sufficient cash flows, which to a certain extent depends on factors outside Metelem Group's control, including macroeconomic, financial, legal, and regulatory factors, as well as possible materialisation of the risk described in this section.

If at maturity of the facilities, notes or any other incurred or future debt, Metelem Group does not have sufficient cash flows from Polkomtel's operations or other financial resources to be allocated to debt repayment, Metelem Group may be forced to refinance its debt. If Metelem Group is unable to refinance its debt in full or in part, or obtain refinancing on acceptable terms, Metelem Group may lose items of material property, plant and equipment used as security for its debt (see "Overview of Metelem Group—Material agreements—Metelem Group financing agreements—Security") or may be forced to sell its assets or raise additional equity financing by issuing new shares of possibly significant value, which may not be possible at the time or at all.

Upon the occurrence of change of control of Metelem Group, the claims under financing agreements may be accelerated, therefore repayment of Metelem Group's debt may not be possible

PLK Facilities Agreement and PLK Notes Indentures contain change of control provisions, similar to the change of control provisions of Senior Facilities Agreement and Senior Notes Indenture. Risk factors material to Cyfrowy Polsat in the context of change of control within the meaning of the Senior Facilities Agreement or the Senior Notes Agreement are discussed in "Risk factors—Risks related to our business and the sector in which we operate—We might be unable to repay our debts if control of the Company changes". The occurrence of certain events constituting a change of control within the meaning of the PLK Facilities Agreement or PLK Notes Indentures would expose Polkomtel to risks similar to those described in the description of the risk factor above.

Metelem Group is exposed to interest rate risk

The facilities under PLK Facilities Agreement bear interest at variable rates based on WIBOR plus margin (see "Operating and financial review of Metelem Group"—Qualitative and quantitative information on financial risks—Market risk—Interest rate risk"). This interest may increase significantly in the future. Although Metelem Group intends to hold hedging instruments to hedge the risk of WIBOR fluctuations, there can be no assurance that such hedging will be possible or available on acceptable terms in the future. If the interest rates of facilities granted to Metelem Group increase significantly, its interest expenses will increase accordingly, which may have a material adverse effect on Metelem Group's ability to service this and other debt, and may have a material adverse effect on the financial standing of Metelem Group.

Fluctuations in foreign exchange rates may increase the cost of Metelem Group's debt servicing

Debt under PIK PLK Notes issued by Metelem Group is denominated in USD, while debt under PLK Senior Notes is denominated in USD and EUR. On the other hand, most cash flows of Polkomtel, Metelem Group's core operating company, are denominated in PLN (see "Operating and financial review of Metelem Group—Qualitative and quantitative information on financial risks—Market risk—Currency risk"). Therefore, significant fluctuations in the złoty foreign exchange rates against the euro or the US dollar may have a material adverse effect on Metelem Groups financial condition and its ability to make payments and service debt denominated in foreign currencies.

Risks relating to the Admission, capital market and secondary trade in the Shares

The Conditional Share Capital Increase Resolution may be challenged.

Pursuant to Art. 422 of the Polish Companies Code, a resolution of the General Meeting which is in conflict with the Articles of Association or good practice and is detrimental to the company's interests or intended to harm a shareholder may be challenged through an action brought against the Company for revocation of the resolution. Moreover, pursuant to Art. 425 of the Polish Companies Code, persons or bodies identified in the Code have the right to bring an action against the Company for revocation of a resolution of the General Meeting if they find the resolution in conflict with statutory provisions. The Company has taken all steps necessary to ensure that the Conditional Share Capital Increase Resolution meets all statutory requirements as well as the requirements of the Articles of Association and good practice, and is not detrimental to the Company's interests. However, at the Extraordinary General Meeting held on January 16th 2014, dissenting opinions were raised in the minutes with respect to the Conditional Share Capital Increase Resolution. At the Prospectus date, to the best of the Company's knowledge, no action has been brought for revocation of the resolution or declaring it invalid. At the Prospectus date, the Company has no information on any dispute pending with respect to the resolution.

Since, at the Prospectus date, the deadlines specified in Art. 424.2 *in fine* and Art. 425.3 *in fine* of the Polish Companies Code for bringing an action for revocation of the Conditional Share Capital Increase Resolution or declaring it invalid have not expired yet, there can be no assurance that no such action will be brought.

The Admission timetable may change

The Admission timetable assumes that New Shares will be admitted to trading on the WSE in or around the second quarter of 2014, unless unforeseeable circumstances occur. As upon their issuance Series J Shares will not be shares of the same type as Book-Entry Shares in terms of the rights attached to the shares (see "Admission of securities to trading—Different rights attached to Series I Shares and Series J Shares" above), it is the Company's intention that Series I Shares be introduced to trading on the WSE immediately after the PFSA approves this Prospectus, and Series J Shares be introduced to trading on the WSE not earlier than on the Date of Unification of Rights Attached to Shares, i.e. not earlier than in the second quarter of 2015.

However, there can be no assurance that, due to regulatory or technical factors, delays or changes relating to the Transaction execution, including in particular non-fulfilment, by the time prescribed, of the conditions precedent stipulated in the Investment Agreements (see "—Risks related to our business and the sector in which we operate—We cannot rule out that the conditions precedent stipulated in the Investment Agreements and the New Senior Facilities Agreement are not satisfied and the Transaction is not effected"), the Admission timetable will not change, and such change might affect the date as of which investors will be able to trade in the New Shares on the regulated market (main market) operated by the WSE.

Any information on changes in the Admission timetable, including the information on the Management Board of the WSE not exercising its power under Par. 3.3. of the WSE Rules (see "—The Company's failure to meet the requirements stipulated in the WSE Rules or the Regulation on Official Market may lead to the New Shares not being admitted or introduced to trading on the regulated market (main market) operated by the WSE" below), and therefore on the Company's withdrawal from seeking admission and introduction to trading of Series J Shares on the regulated market (main market) operated by the WSE pursuant to this Prospectus, if such decision is made, will be published in accordance with Art. 52.2 of the Act on Public Offering, in the form of an update announcement, unless the significance of the change in the Admission timetable requires that a supplement to the Prospectus be published, subject to approval by the PFSA, in accordance with Art. 51 of the Act on Public Offering.

A shareholder holding a significant block of shares may undertake steps detrimental to the interests of the other shareholders

At the Prospectus date, Mr Zygmunt Solorz-Żak controls the Company indirectly, through TiVi Foundation and Pola Investments Limited, and holds 154,204,296 Existing Shares representing 44.27% of the Company share capital and conferring the right to 58.11% of total vote at the General Meeting.

The New Shares will represent up to 45.53% of the increased share capital of the Company and confer the right to up to 35.56% of total vote at the General Meeting. Assuming the Transaction is executed as described in section "Transaction", following the Transaction the Shares held by Mr Zygmunt Solorz-Żak indirectly, through TiVi Foundation and Pola Investments Limited, will represent 57.89% of the Company's share capital and 63.83% of the voting power at the General Meeting.

Mr Zygmunt Solorz-Żak, as the shareholder who indirectly controls the Company at the Prospectus date and who will hold the absolute majority of votes at the General Meeting also following the completion of the Transaction, may influence the Meeting's decisions, including amendments to the Articles of Association, composition of the Supervisory Board or distribution of the Company's separate net profit for individual financial years. As a result, Mr Zygmunt Solorz-Żak may indirectly have the power to affect the Company's matters, including the Company's strategy and directions for development of its business. The General Meeting's resolutions passed by votes indirectly held by Mr Zygmunt Solorz-Żak may conflict with intentions or interests of minority shareholders.

We are not able to predict the policy of by Mr Zygmunt Solorz-Żak or his subsidiaries with respect to the exercise of their corporate rights; nor are we able to predict the effect of Mr Zygmunt Solorz-Żak's or his subsidiaries' actions on the Company's business, ability to implement the strategy or market position. We cannot predict, either, whether Mr Zygmunt Solorz-Żak's or his subsidiaries' policy or actions will be consistent with interests of the other shareholders of the Company. Consequently, no assurance can be given that Mr Zygmunt Solorz-Żak's or his subsidiaries' decisions concerning the Company will not conflict with interests of the other shareholders and will not have a material adverse effect on the Company's business, financial condition and growth prospects.

If a violation of law is identified or suspected in connection with the Admission, the PFSA may order that the Admission be withheld or proscribed

Pursuant to the Act on Public Offering, if the issuer or any other entity participating in a public offering on behalf of, or on instructions from, the issuer violates the law in connection with the seeking of admission or introduction of securities to trading on a regulated market in Poland, or there is a reasonable suspicion that such violation has occurred or may occur, the PFSA may: (i) order that the seeking of admission or introduction of the securities to trading on a regulated market be withheld for a period of not more than 10 business days; (ii) proscribe the seeking of admission or introduction of the securities to trading on a regulated market; (iii) publish, at the expense of the issuer, information concerning the illegal activities with respect to the seeking of admission or introduction of the securities to trading on a regulated market. With respect to the seeking of admission or introduction of the securities to trading on a regulated market discussed herein, the PFSA may repeatedly apply the measures provided for under (ii) and (iii).

Pursuant to the Act on Public Offering, the PFSA may apply the measures referred to above also if (i) the admission or introduction of the securities to trading on a regulated market would materially compromise investors' interests; (ii) reasons exist which, in the light of applicable laws, may lead to the issuer ceasing to legally exist; (iii) activities of the issuer were, or are, conducted in gross violation of applicable laws, and such violation may have a material effect on the assessment of the issuer securities or, in the light of applicable laws, may lead to the issuer ceasing to legally exist or be declared bankrupt; or (iv) the legal status of the securities does not comply with applicable laws and, in the light of those laws, the risk exists that the securities are found non-existing or burdened with a legal defect which materially affects the price of the securities.

Pursuant to the Act on Trading in Financial Instruments, if justified by the security of trading on the regulated market or a threat to investors' interests, at the demand of the PFSA a company operating a regulated market withholds the admission to trading on the regulated market or the listing of the securities or other financial instruments indicated by the PFSA for up to ten days.

There can be no assurance that the PFSA will not apply these measures with respect to the Admission.

The Company's failure to meet the requirements stipulated in the WSE Rules or the Regulation on Official Market may lead to the New Shares not being admitted or introduced to trading on the regulated market (main market) operated by the WSE.

The Admission of the New Shares to trading on the official stock exchange market (the WSE main market) is conditional upon earlier satisfaction of the admission conditions specified in Par. 2.1 and Par. 3 of the Regulation on Official Market, and in Par. 3 of the WSE Rules. Admission to trading is also conditional upon decision of the WSE Management Board. The WSE Management Board may refuse to admit the New Shares to trading on the main market if the conditions specified in the WSE Rules, as well as in Par. 2.1 and Par. 3 of the Regulation on Official Market are not satisfied. Thus, given that upon their issuance Series J Shares will differ from the Book-Entry Shares in terms of the dividend and interim dividend rights attached to the shares (see "Admission of securities to trading—Different rights attached to Series I Shares and Series J Shares"), pursuant to the WSE Rules their admission to trading is conditional upon fulfilment of the requirements specified in Par. 3 of the WSE Rules, applicable only to Series I Shares (i.e. separately from the Book-Entry Shares). Given that Series J Shares will be acquired only by entities which are Metelem shareholders (except the EBRD) at the time Series J Warrants are offered for subscription (i.e. Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas as at the date of the Warrant Issue Resolution), it is expected that despite the satisfaction of the dispersion requirement by Series J Shares under the Regulation on Official Market, the dispersion requirement set forth in Par. 3.2.2 of the WSE Rules will not be fulfilled. Therefore, the admission of Series J Shares to trading on the regulated market (main market) operated by the WSE will require that with respect to Series J Shares the Management Board of the WSE waives the dispersion requirement set forth in Par. 3.2.2 of the WSE Rules, pursuant to the provisions of Par. 3.3 of the WSE Rules. At the Prospectus date it is not certain whether the Management Board of the WSE will exercise its power under Par. 3.3. of the WSE Rules.

The WSE Management Board's resolution concerning the admission of the New Shares to trading will be passed based on the application for admission submitted by the Company, within 14 days as of the submission, subject to the detailed provisions of the WSE Rules. If the application submitted is incomplete or it further information its required, the period prescribed for the decision referred to above begins upon completion of the application or furnishing such additional information. When considering the application for the admission of securities to exchange trading, the WSE Management Board takes into consideration: (i) the issuer's current and projected financial condition, in particular the profitability, liquidity and creditworthiness, as well as other factors affecting the issuer's financial results; (ii) the growth prospects of the issuer, in particular feasibility of its investment funding plans; (iii) the experience and competence of members of the issuer's management and supervisory bodies; (iv) the terms and conditions on which the securities were issued and their compliance with the principles of the public nature of exchange trading, as referred to in Par. 35 of the WSE Rules, and (v) the security of exchange trading and interests of participants of the trading.

The Company may fail to meet the criteria provided for in the Regulation on Official Market and the WSE Rules and thus fail to obtain the WSE Management Board's consent for the admission and introduction of the New Shares to exchange trading; on the other hand, the Company may appeal to the WSE Supervisory Board against the WSE Management Board's decision. If the WSE refuses to admit the New Shares to trading on the WSE, the Company may resubmit the application for admission no earlier than after six months from the date of delivery of the WSE Management Board's resolution to refuse admission or from the date of delivery of the WSE Supervisory Board's resolution to refuse the appeal.

Further, pursuant to Par. 11 of the WSE Rules, the WSE Management Board may repeal a resolution admitting financial instruments to exchange trading if no application for the introduction to exchange trading of these financial instruments (the New Shares) is filed within six months from the day of passing thereof.

Trading in Shares on the WSE may be suspended

Pursuant to Par. 30 of the WSE Rules, the WSE Management Board may suspend trading in shares listed on the WSE, for up to three months: (i) at the issuer's request, (ii) if it believes the suspension is necessary for the protection of interests and security of trading participants, (iii) if the issuer is in breach of the WSE rules and regulations.

Furthermore, pursuant to Art. 20.2 of the Act on Trading in Financial Instruments, if trading in specific securities is conducted under circumstances suggesting a possible threat to the proper operation of the regulated market, the security of trading on that market or investors' interests, the WSE, at the request of the PFSA will suspend trading in those securities or instruments for up to one month. In the period when trading in securities is suspended, investors are unable to buy and sell relevant securities on the exchange, which may adversely affect their liquidity.

No assurance can be given by the Company that trading in the Shares will never be suspended.

Shares may be delisted from the WSE

The WSE Management Board may delist financial instruments in the circumstances specified in the WSE Rules. Pursuant to Par. 31.1 of the WSE Rules, the WSE Management Board delists financial instruments: (i) if their transferability has become restricted, (ii) upon request of the PFSA made in accordance with the Act on Trading in Financial Instruments, (iii) if they no longer exist in dematerialised form, or (iv) if they are delisted from trading on the regulated market by the competent supervision authority (PFSA).

Furthermore, the WSE Management Board may delist financial instruments: (i) if they cease to meet the conditions for admission to stock-exchange trading on a given market other than the unrestricted transferability condition provided for in Par. 31.1.1 of the WSE Rules, (ii) if the issuer is persistently in breach of any of the WSE rules and regulations, (iii) at the request of the issuer, (iv) if the issuer is declared bankrupt or the court dismisses a bankruptcy petition on the grounds that the issuer's assets are insufficient to cover the costs of the proceedings, (v) if it deems it justified by the need to protect the interest and security of trade participants, (vi) in the event a decision is adopted on a merger, split or transformation of the issuer, (vii) if no stock-exchange transactions in a given financial instrument have been executed in the last three months, (viii) if the issuer engages in illegal activities, or (ix) if the issuer is placed in liquidation.

Pursuant to Art. 20.3 of the Act on Trading in Financial Instruments, upon the PFSA's request the WSE will delist securities indicated by the PFSA if trading in these securities poses a material threat to the proper operation of the regulated market or to the security of trading on such a market, or if it affects investors' interests.

No assurance can be given that the Shares will never be delisted from the regulated market (main market) operated by the WSE.

Liquidity and price of the Shares may be subject to significant fluctuations

The price of shares listed on a regulated market is derived from the relation between demand and supply. Therefore, investors may be exposed to significant fluctuations in Shares prices, which may be the consequence of: (i) changes in the Group's performance, (ii) changes in research reports and recommendations by equity analysts, (iii) information released by the Group or its competitors, (iv) changes in investors' perception of the Group and the investment climate, (v) changes in valuations carried out by the Group or its competitors, (vi) changes to Polish and EU law and regulations, (vii) liquidity of trade in the Shares on the market, and (viii) general economic factors and other circumstances. Future volatility of the securities market may also have an adverse effect on prices of the Shares irrespective of the Group's business, financial condition, performance or growth prospects. Therefore, buy and sell orders for the Shares may be executed at prices different from investors' expectations.

Admission and introduction of New Shares to trading on the WSE is not a guarantee of their liquidity. Listed companies experience occasional significant fluctuations in the volume of traded securities, which may have a material adverse effect on prices of the Shares. Failure to achieve or maintain an adequate volume of traded Shares may also have a material adverse effect on their liquidity and price.

In consequence, Share prices may fluctuate, and the investors may not be able to buy or sell the Shares at expected prices or on expected dates. In particular, buy and sell prices of the Shares may be higher or lower than the issue price of the New Shares.

Administrative sanctions may be imposed on the Company in the event of a breach of the Act on Public Offering and the Act on Trading in Financial Instruments

Pursuant to Art. 96 of the Act on Public Offering, if the issuer or a selling security holder does not satisfy applicable legal requirements, including disclosure requirements, the PFSA may issue a decision to delist the issuer's securities from the regulated market for a definite or indefinite period, or impose a financial penalty of up to PLN 1,000,000, taking into account the financial condition of the entity on which the penalty is to be imposed, or apply both these sanctions jointly. Furthermore, pursuant to Art. 176 of the Act on Trading in Financial Instruments, if the issuer fails to perform or improperly performs the obligations specified in Art. 157, Art. 158 or Art. 160 of the Act, including in particular the obligations resulting from regulations issued under Art. 160.5 of the Act, the PFSA may (i) issue a decision to delist given securities from the regulated market, (ii) impose a financial penalty of up to PLN 1,000,000 on the company, or (iii) issue a decision to delist given securities from the regulated market for a definite or indefinite period, imposing the financial penalty referred to in item (ii) at the same time. If the PFSA issues such a decision, the WSE Management Board delists relevant securities from the WSE in accordance with Par. 31.1.4 of the WSE Rules.

There is no assurance that the PFSA will not impose such sanctions on the Company in the future.

The value of the Shares in held by foreign investors may decrease as a result of movements in foreign exchange rates

Prices of the Shares are quoted in PLN. Generally, this will require exchanging investors' funds into PLN at a prevailing foreign exchange rate, which may be subject to fluctuations. As a result, the rate of return on investment in the Shares will depend not only on the fluctuations of prices of the Shares over the investment period, but also on movements in the foreign exchange rates of the investors' currency relative to PLN. Furthermore, depreciation of PLN against other currencies may a have an adverse effect on foreign-currency equivalents of PLN amounts paid out in connection with the Shares, including dividends, which will reduce the real rate of return on the investment in the Shares.

If equity analysts do not publish research reports on the Company or change their previous recommendations, the price and volume of trading in the Shares may decline.

Research reports on the Company published by equity analysts affect the price and liquidity of the Shares. If the Company is not covered by any equity analyst and no research reports on the Company are published, or if one or more analysts cease to cover the Company or to regularly publish reports on its business, investors interest in the Company may subside, which may adversely affect the volume of the traded Shares and cause the Share price to decrease. If recommendations published by one or more analysts change unfavourably for the Company, the Share price may decline significantly.

Any future issues of new shares by the Company or any future transactions involving disposal of large holdings of Shares by its shareholders, as well as the expectation that such issues or transactions could take place, may have an adverse effect on the Share price or the Issuer's ability to raise capital in the future.

Current shareholders have the right to dispose of the Existing Shares, and the Company may issue new shares. Any actual or anticipated sale of a large holding of Shares on the stock market may have an adverse effect on the Share price and may materially limit the Company's ability to raise capital by way of security offerings in the future. In addition, any sale of the Shares by one or more major shareholders may affect the perception of the Company's standing or growth prospects, thus adversely affecting the Share prices. Any future share issues may have a dilutive effect on the Shares held by the Company's existing shareholders.

If the existing Shares held by the Company's major shareholders are sold, or if the Company issues new shares or if the market expects that such a sale or issue could take place, the supply of the Company's shares on the WSE may increase, which may have a material adverse effect on future prices of the Shares.

The reform of open-end pension funds (OFE), which constitute the second pillar of the Polish pension system, may adversely affect the Polish capital market and cause a decline in shareholders' investment in Polish listed companies

Considered as a whole, OFEs have been the largest private investor in the WSE's history and a significant participant of privatisation transactions organised by the State Treasury as public offerings on the WSE. On September 4th 2013, the government presented the programme of a reform which would bring down the public debt to GDP ratio and reduce the deficit of the Polish Social Security Institution (ZUS). On December 6th 2013, the Sejm adopted the Act amending certain acts regarding the rules for the payment of pension benefits using funds accumulated in open-end pension funds (Dz. U. of 2013, item 1717). Under the reform, on February 3rd 2014 OFEs were to redeem 51.5% of the units placed in each participant's account and, on the same date, transfer to the Polish Social Insurance Institution treasury bonds and bills as well as other securities for the amounts of the benefits guaranteed by the State Treasury, with the total amount equal to the sum of the redeemed participation units' values. Furthermore, the beneficiaries will be allowed to decide whether to pay their contributions to both OFEs and the Polish Social Insurance Institution, or only to the Polish Social Insurance Institution. It is thought that the reform may compromise OFEs' ability to invest in the shares of listed companies, which could in turn adversely affect liquidity on the WSE. In addition, the reform's uncertain outcome and its unfavourable reception discourage other investors from investing in the shares of WSE-listed companies, including the Shares.

These factors may have a material adverse effect on prices of the Shares, including the New Shares, following their Admission.

Restrictions on purchases of large holdings of shares in public companies may have an adverse effect on the liquidity and price of the Shares

In Poland, acquisitions of large holdings of shares in public companies are regulated by law, and a tender offer to sell or exchange shares may be required. For more information, see "Regulations on the Polish securities market and requirements involved in the acquisition and disposal of shares—Requirements related to significant blocks of shares in public companies under the Act on Public Offering". The restrictions may adversely affect the liquidity and price of the Shares and may discourage potential investors whose intention to purchase the Shares could be considered desirable by the shareholders.

In some jurisdictions, shareholders may be subject to certain restrictions on the exercise of pre-emptive rights.

If the Company increases its share capital, its shareholders may exercise their pre-emptive rights in relation to the new share issue in accordance with the Companies Code, unless the shareholders' pre-emptive rights have been waived in a resolution passed by the General Meeting. However, the Company's shareholders may not be able to exercise their pre-emptive rights in the United States of America, unless they file a registration statement in accordance with the U.S. Securities Act of 1933, or unless such registration is not required under one of the exemptions from the registration requirement. In some jurisdictions, shareholders may be subject to certain restrictions on the exercise of pre-emptive rights. No assurance can be given by the Company that it will register any shares in accordance with the U.S. Securities Act of 1933, as amended, or in accordance with any other regulations of jurisdictions other than Poland's. If the Company increases its share capital, the shareholders who are unable to exercise their pre-emptive rights under the laws applicable in the country of their domicile should take account of the risk that their interest in the Company will be diluted. Furthermore, in some jurisdictions shareholders who are not allowed to exercise or dispose of their pre-emptive rights are entitled to compensation equal to the value of those rights. The shareholders of companies domiciled in Poland are not entitled to any compensation for the inability to exercise their pre-emptive rights, which means that the shareholders in jurisdictions such as the United States of America should take account of the risk that they receive no compensation for the inability to dispose of or exercise their pre-emptive rights.

It may be difficult to pursue civil liability claims and enforce judgements against the Issuer or any of its Management Board or Supervisory Board members, including claims and judgements relating to the New Shares

The Company was incorporated under the laws of Poland and operates under these laws. All of the Issuer's key items of property, plant and equipment are located in Poland. Furthermore, all of the Company's Management Board and Supervisory Board members are Polish residents. Therefore, shareholders outside of the jurisdiction of Polish courts may find it difficult to effectively serve notices to the Company or members of its Management Board or Supervisory Board in connection with any court proceedings instigated by such entities or natural persons. There is no assurance that Polish courts will (i) enforce any judgements against the Company or members of its governing bodies if such judgements are passed outside of the EU, or (ii) pursue claims against the Company or members of its governing bodies in the case of actions brought to courts outside of the EU.

IMPORTANT INFORMATION

Notice to prospective investors

This Prospectus is prepared by the Company solely for the purpose of the Admission. At the Prospectus Date, there are no plans to publish this Prospectus outside the territory of Poland, in particular in other Member States, in accordance with the provisions of Directive 2010/73/EU.

Neither this Prospectus nor New Shares have been registered or approved by, or referred to in a notice to any regulatory authority in any jurisdiction outside Poland. This Prospectus is not a solicitation or invitation to respond with proposals for the subscription or purchase of New Shares in any jurisdiction. Any person in possession of this Prospectus must be aware of and comply with any such legal limitations. Any failure to comply with such limitations may be a violation of securities laws applicable in a given jurisdiction.

Information presented in this Prospectus should not be construed as investment, legal, financial, tax or any other advice whatsoever.

From the publication date of this Prospectus and during its entire validity term, this Prospectus as well as any supplements and update announcements hereto will be available in electronic format on the Company's website at (www.cyfrowypolsat.pl).

Information about the Company as a company listed on the WSE.

Since the Company is a public company, whose shares are traded on the regulated market (primary market) of the WSE, the Company is subject to disclosure requirements under the Act on Public Offering, the Act on Trading in Financial Instruments, and other Polish laws and other regulations as may apply, requiring it to make certain disclosures to the PFSA, the WSE, and the general public. Such disclosures include in particular: (i) financial information disclosed as full-year, half-year and quarterly reports; (i) current reports; (iii) confidential information; (iv) notices received from major shareholders of the Company regarding their holdings of Shares, and (v) notices received in particular from members of the Management Board and the Supervisory Board regarding transactions involving the Shares or other related financial instruments. The above information is available on the Company's website at: http://www.cyfrowypolsat.pl, in the "Investor Relations" tab. See also "Regulations governing the capital market in Poland, and obligations related to acquisition and disposal of large holdings of shares—Key regulations" and "Regulations governing the capital market in Poland, and obligations related to acquisition and disposal of large holdings of shares—Requirements in connection with major holdings in public companies under the Act on Public Offering—Notification requirements in connection with the acquisition and disposal of major holdings in public companies".

Forward-looking statements

This Prospectus includes forward-looking statements which reflect the current views of the Company or members of its Management Board, as the case may be, on strategies, plans or objectives of the Company with respect to its future operations (including development plans for the Group's products, services, and strategies).

The statements concern the Group, as well as sectors and industries where it operates. Statements containing such terminology as "expect", "intend", "plan", "believe", "project", "foresee", "assume", "may", "continue" and other similar conditional terminology, or expressions in the future tense and other expressions concerning future events, must be construed as forward-looking statements.

Forward-looking statements included in this Prospectus rely on multiple assumptions regarding current and future operating plans of the Group and its market environment, are subject to risks and uncertainty, as well as to significant factors beyond the Group's control, and therefore the actual performance of the Group, its prospects and development may deviate significantly from the expected outcomes.

All forward-looking statements contained herein relate to matters affected by a degree of risk and uncertainty. This means that, at the Prospectus date, there are or there may be material factors which may have such effect that the actual events, including results of the Group, or of entities whose shares are held by entities of the Group, will differ significantly from the events, including results of the Group, or of entities whose shares are held by entities of the Group, stipulated by such statements. Such factors may include:

- Risk factors related to our business and the sector in which we operate, including: the risk of regional or global economic slowdown, currency risk, dependence of our operating results on customers' satisfaction, acceptance of our programming content by viewers, as well as our ability to generate profit from our own productions or from acquired broadcasting rights, competition risk, including risk of competition from entities offering alternative forms of entertainment and leisure, risk of non-execution or non-renewal of the licence agreements under which we distribute key programmes, risk of dependence of our TV broadcasting and production segment's operating results on the importance of television as an advertising medium, risk of dependence on effectiveness of our sales network, risk of rejection of our future offering by our subscribers and advertisers, risk of new terrestrial TV broadcasting technology in Poland (digital switchover), risk of reliance on third-party providers, risk of our inability to keep pace with new technologies used in our markets, risk that initiatives designed to expand our service offering and increase its share in the pay TV market may result in costs outpacing revenue, risks of IT and telecommunications system failure, including risk of failure of our satellite centre, risk of our inability to maintain good name of the Cyfrowy Polsat and Telewizja Polsat brands, risk of impairment of goodwill and brand value allocated to our business segments, risk of losing managers or key employees, risk of disruption to set-top box production, risk of disputes with employees or risk of rising labour costs, risk of unfavourable rulings in administrative or court proceedings, risk of litigation over infringements of third-party intellectual property rights, risk of insufficient protection by our intellectual property rights and other remedies, risk of violating the laws and regulations governing our business, risk of revocation or non-renewal of our licences, risk of revocation, non-renewal, or non-renewal on acceptable terms of the current frequency allocation, risk of our practices being considered by the President of UOKiK as limiting competition or violating Polish consumer protection laws, risk of failing to fully realise potential benefits of the Transaction or future acquisitions, risk of failing to satisfy conditions precedent provided for in the Investment Agreements and the New Senior Facilities Agreement, risk relating to the servicing of our debt, interest rate risk, risk of our inability to refinance our existing debt, secure favourable refinancing terms, or raise capital to finance new projects, risk of change of control of the Company, risk of complicated and unclear Polish tax laws, risk that tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations, risk that assessment of tax effects of Polsat Group restructuring activities by Polish tax authorities may differ from assessment of such activities by Polsat Group, risk of numerous uncertainties over taxation of our operations, risk of Polsat Group companies being subject to laws applicable in different legal systems.

- Risk factors related to the operations of Metelem Group, including Polkomtel, include: risk of Polkomtel's exposure to the effects of a regional or global economic slowdown, risk of strong competition on the telecommunications services market, risk of Polkomtel's results of operations depending on its ability to effectively encourage its existing subscribers to use a wider range of Polkomtel services, win subscribers from competitive mobile and fixed-line operators, as well as the ability to reduce churn, risk of Polkomtel losing the revenues generated pursuant to its national roaming agreement with P4 or such revenues being materially lower than anticipated, risk of rapid changes in technology on the market on which Polkomtel operates, risk of substantial increase in data volumes transferred by Polkomtel's subscribers, alleged health risks of using wireless devices, risk that Polkomtel's sales network may prove ineffective or require significant expenditure, risk of Polkomtel's dependence on third-party service providers, risk of fraudulent activities by Polkomtel's subscribers, risk of limited availability of radio frequencies available to the mobile phone industry and of Polkomtel's inability to obtain new frequency allocations, currency risk, risk of Polkomtel losing its managers or key employees, risk of labour disputes or higher labour costs, risk of unfavourable administrative or court rulings in proceedings in which Polkomtel participates, risk of loss of or damage to the good name of Polkomtel and the "Plus" brand, risk of failing to hold sufficient funding or ensure liquidity to finance Polkomtel's investment projects, risk of Polkomtel's failing to maintain or upgrade its IT systems, risk of Polkomtel network infrastructure vulnerability to circumstances beyond the control of Polkomtel, which may disrupt service provision, risk of Polkomtel's further effective cooperation with LTE Group becoming impossible, risk of losing by LTE Group of the frequency allocation to develop the LTE/HSPA+ network, risk of slow development, or no development at all of demand for LTE services in Poland, risk of Polkomtel's being forced to incur significant costs to ensure the continued expansion of the LTE networks and effective roll-out of LTE technology, risk of applying for planning permissions, risk of Polkomtel breaching personal data protection laws, risk of amendments to regulations and requirements of the frequency allocations granted to Polkomtel, risk of Polkomtel's practices being considered in the future by the President of UOKiK as limiting competition or violating consumer protection laws, risk of Polkomtel's current frequency allocations being revoked or not being renewed on acceptable terms or at all, risk of Polkomtel being adversely affected by changes in Polish and European Union regulation of the levels of MTR and roaming charges, risk of complicated and unclear Polish tax laws, risk of Polish tax authorities questioning the accuracy of

Metelem Group's intra-group and related-party settlements under applicable transfer pricing regulations, risk of assessment of tax effects of Metelem Group restructuring activities by Polish tax authorities being different from assessment of such activities by Metelem Group, risk of numerous uncertainties regarding real property tax, risk of Metelem Group companies being subject to laws applicable in different jurisdictions, risk of the required servicing of substantial debt of Metelem Group, risk of restrictions under the PLK Facilities Agreement and the PLK Notes Indenture, risk of Metelem Group's inability to generate sufficient revenue and cash flows to service its debt, risk of change of control of Metelem Group, interest rate risk, and currency risk.

- Risks related to the Admission, capital market and secondary trade in the Shares, including: the risk of Resolution on Conditional Increase being challenged, risk of changes to the Admission timetable, risk that a shareholder holding a significant block of shares undertakes steps detrimental to the interests of the other shareholders, risk of the Admission being withheld or proscribed, risk of non-admission of New Shares to trading on a regulated market, risk of suspending trade in the Shares on the WSE, risk of the Shares being delisted from the WSE, risk of significant fluctuations of liquidity and prices of the Shares, risk of administrative sanctions being imposed on the Company in the event of a breach of the Act on Public Offering and the Act on Trading in Financial Instruments, risk of equity analysts not publishing research reports on the Company or changing their previous recommendations, risk of a new share issue by the Company, or of any future transactions involving disposal of large holdings of Shares by its shareholders, risk of pension fund reform, risk of restrictions on purchases of large holdings of shares in public companies, risk of shareholders being subject to restrictions on the exercise of pre-emptive rights in some jurisdictions, risk of difficult enforcement of claims against the Issuer or any member of its Management Board or Supervisory Board.

The above list of risk factors is not exhaustive. In relying on the forward-looking statements, the above factors and other future and uncertain events must be taken into consideration, in particular those regarding the economic, competitive and regulatory environment of the Group.

Any forward-looking statements contained herein reflect the Company's views on future events and are subject to the risk factors discussed above as well as other risk factors, uncertainties and assumptions about the Group's operations, results, strategies and liquidity.

The Company does not make any representation or warrant that the factors anticipated by the forward-looking statements will occur, but only advises the reader that they represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or typical scenario.

No forward-looking statements contained herein, or those statements which can be inferred from the information contained herein, may be construed as profit forecasts or profit estimates within the meaning of the Prospectus Regulation.

Presentation of financial information and operational data

This Prospectus contains:

- the Polsat Group consolidated financial statements for the years ended December 31st 2013, December 31st 2012 and December 31st 2011, prepared in accordance with IFRS ("**the Polsat Group Consolidated Financial Statements**"), including the opinions of an independent auditor;

- the Metelem Group consolidated financial statements for the years ended December 31st 2013, December 31st 2012 and December 31st 2011, prepared in accordance with IFRS ("**the Metelem Group Consolidated Financial Statements**"), including the opinion of an independent auditor (the Metelem Group Consolidated Financial Statements and the Polsat Group Consolidated Financial Statements are jointly referred to as the "**Financial Statements**");

- the Polkomtel Group consolidated financial statements for the year ended December 31st 2011, prepared in accordance with IFRS ("**the 2011 Polkomtel Group Consolidated Financial Statements**"), including the opinion of an independent auditor; and

- unaudited pro forma financial information for the year ended December 31st 2013, including the unaudited consolidated pro forma balance sheet of Polsat Group at December 31st 2013, the unaudited consolidated pro forma income statement of Polsat Group for the year ended December 31st 2013, and notes to pro forma financial information, prepared for the purpose of this Prospectus, in accordance with the Prospectus Regulation, in order to demonstrate the hypothetical effects of the Transaction on the Polsat Group consolidated balance sheet at December 31st 2013, if the Transaction occurred on December 31st 2013, and on the Polsat Group consolidated income statement for the year ended December 31st 2013, if the Transaction occurred on January 1st 2013 ("**the Unaudited Pro Forma Financial Information**"), including the report of an independent auditor.

The Polsat Group Consolidated Financial Statements are incorporated in this Prospectus by reference (see "—Documents incorporated by reference" below). They should be analysed in conjunction with the accounting policies, notes, clarifications and financial information provided in other sections of this Prospectus, notably in "Operating and financial review of Polsat Group".

The Metelem Group Consolidated Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements are included in "Financial information—Metelem Group Consolidated Financial Statements" and "Financial information—Polkomtel Group 2011 Consolidated Financial Statements". They should be analysed in conjunction with accounting policies, notes, clarifications and financial information provided in other sections of this Prospectus, notably in "Operating and financial review of Metelem Group".

The Unaudited Pro Forma Financial Information is provided in "Transaction—Unaudited Pro Forma Financial Information". It should be analysed in conjunction with the Financial Statements and the information provided in "Operating and financial review of Polsat Group" and "Operating and financial review of Metelem Group", as well as financial information provided elsewhere in this Prospectus.

Unless otherwise indicated, all financial data pertaining to Polsat Group for the years ended December 31st 2013, December 31st 2012 and December 31st 2011 is extracted from or calculated based on the Polsat Group Consolidated Financial Statements. Certain financial and operational data pertaining to Polsat Group and provided in this Prospectus was taken from, prepared or calculated on the basis of sources other than the Polsat Group Consolidated Financial Statements, in particular from or on the basis of documents and attachments thereto prepared for internal management reporting purposes within Polsat Group. The data has not been audited or reviewed by an independent auditor. Whenever such information or data is used, the Company has indicated their source.

Unless otherwise indicated, the financial data of Metelem Group for the years ended December 31st 2013 and December 31st 2012 comes from the Metelem Group Consolidated Financial Statements, or is calculated on the basis of the same, and the financial data of Metelem Group for the year ended December 31st 2011 comes from the Metelem Group Consolidated Financial Statements, the 2011 Polkomtel Group Consolidated Financial Statements, or is calculated on the basis of the same. Certain financial and operational data pertaining to Metelem Group and provided in this Prospectus has been taken from, or prepared or calculated on the basis of, other sources than the Metelem Group Consolidated Financial Statements, or the 2011 Polkomtel Group Consolidated Financial Statements, in particular from or on the basis of documents and attachments thereto prepared for internal management reporting purposes within Metelem Group. The data has not been audited or reviewed by an independent auditor. Whenever such information or data is used, the Company has indicated their source.

The term "audited" used with reference to the financial data of Polsat Group and Metelem Group for the years ended December 31st 2013, December 31st 2012, and December 31st 2011 only means that such data has been taken directly from the 2011 Polkomtel Group Consolidated Financial Statements, whereas the term "unaudited" used with reference to the financial data contained in this Prospectus means that such data has not been taken directly from the Financial Statements or the 2011 Polkomtel Group Consolidated Financial Statements.

The Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards endorsed by the EU ("**IFRS**"). Preparation of financial information in accordance with the IFRS requires assessments, estimates and assumptions which may have an effect on the values disclosed in the Financial Statements or the 2011 Polkomtel Group Consolidated Financial Statements, and notes thereto (see "Operating and financial review of Polsat Group—Significant accounting policies and basis of consolidation", "Operating and financial review of Metelem Group—Accounting policies and basis of consolidation", and information provided in the Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements). The actual values may differ from such estimates presented in the Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements and notes to the Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements.

The Financial Statements, the 2011 Polkomtel Group Consolidated Financial Statements, and the Unaudited Pro Forma Financial Information are expressed in the Polish złoty (**PLN**), the legal tender of the Republic of Poland. Unless otherwise indicated, all amounts contained in this Prospectus are expressed in PLN and provided in nominal terms, not adjusted for inflation. The Company does not prepare financial statements in the American dollars or euros.

Certain information about the exchange rates of the American dollar, euro and pound sterling versus the Polish złoty is provided in "—Exchange rates" Unless otherwise indicated and unless the context requires otherwise, any reference in this Prospectus to the "dollar" or "USD" are references to the lawful currency of the United States of America; any reference to the "euro" or "EUR" are references to the single currency of the Member States participating in the Third Stage of Economic and Monetary Union under the Treaty Establishing the European Community (as amended); any reference to the "pound sterling" or "GBP" are references to the lawful currency in the United Kingdom of Great Britain and Northern Ireland, and any reference to the "złoty" or "PLN" are references to the lawful currency of the Republic of Poland.

In making a decision to invest in the Shares, investors should rely on their own assessment of the Group, the Financial Statements, the 2011 Polkomtel Group Consolidated Financial Statements and the Unaudited Pro Forma Financial Information, and information provided elsewhere in this Prospectus, and should consult professional advisers to understand the effects that future additions or amendments to the IFRS may have on the results of operations or financial condition of the Group, and on similarities to past periods.

Some data in this Prospectus, including financial and operational data, has been rounded off, and in particular certain financial data is rounded off and presented in millions or billions of złotys, and not in thousands of złotys as it is presented in the Polsat Group Consolidated Financial Statements. Therefore, the total from adding up amounts in a given column or line in certain tables and other listings provided in this Prospectus may slightly differ from the total value provided for the column or line. Some percentages in tables in this Prospectus have also been rounded off and accordingly the totals in these tables may not add up to 100%. Changes in percentage values between the compared periods have been calculated based on the rounded off rather than original amounts.

Non-IFRS financial measures

This Prospectus presents certain financial information which is not required by or calculated on the basis of the IFRS, such as, for Polsat Group: "EBITDA", "EBITDA margin", "net indebtedness" ("net debt") and "gearing ratio", and for Metelem Group: "EBITDA". Polsat Group defines (i) EBITDA as profit from operating activities before depreciation/amortisation, disposals and impairment; (ii) EBITDA margin is EBITDA divided by revenue from sale of goods, merchandise and materials; (iii) net indebtedness (or net debt) is liabilities under loans and liabilities under Senior Notes less cash and cash equivalents; and (iv) the gearing ratio is net indebtedness divided by the sum of shareholders' equity and net indebtedness. Metelem Group defines EBITDA as net profit/loss before depreciation/amortisation, disposals and impairment of fixed assets, income tax and finance income and costs.

EBITDA, EBITDA margin, net indebtedness and gearing ratios are supplemental measures which provide additional information for the purpose of measuring results of our operations or liquidity. However, those measures are not IFRS measures and should not be treated as alternatives to the IFRS-provided categories such as financial result as the measure of result of operations, cash flows from operating activities as the measure of liquidity, or other measures and categories according to the IFRS. In addition, EBITDA, EBITDA margin, net indebtedness, and gearing ratios do not have a common definition. The method of their calculation used by other companies may differ significantly from our calculation methodology. In effect, EBITDA, EBITDA margin, net indebtedness and gearing ratio presented in this Prospectus may not necessarily be comparable to similarly titled measures used by other companies. Those measures should not therefore be used to analyse the results of our operations in comparison with other companies, without considering or instead of IFRS-based measures, and information provided in the Financial Statements and the 2011 Polkomtel Group Consolidated Financial Statements. Similarly, EBITDA, EBITDA margin, net indebtedness and gearing ratio should not be used as a measure of our historical results or financial condition, or as a measure of our historical or future profitability or liquidity.

Reconciliation of Polsat Group's net profit for the period and EBITDA

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Net profit for the period	525.4	598.3	160.2
Income tax	67.4	97.3	31.9
Gain and loss on investing activities	(16.0)	(14.4)	15.0
Finance costs	216.0	110.8	355.4
Share in profit of jointly-controlled equity-accounted entity	(2.9)	(2.9)	(2.2)
Amortisation and depreciation, disposals and impairment*	256.4	243.1	174.9
EBITDA**	**1,046.3**	**1,032.2**	**735.2**

** "Depreciation/amortisation, impairment and disposal" includes the cost of depreciation/amortisation and impairment of property, plant and equipment and intangible assets, as well as net value of disposed of plant, property and equipment (excluding amortisation of programming assets).*

*Source: Polsat Group Consolidated Financial Statements; **the Company (unaudited data).*

Reconciliation of Polsat Group's net loss for the period and EBITDA

	Year ended December 31st		May 9th-December 31st
	2013	2012	2011
		(PLNm)	
Net loss	(316.7)	(399.6)	(526.4)
Income tax	(140.8)	(119.3)	(46.9)
Finance income	(80.6)	(586.3)	(108.1)
Finance costs	1,565.0	1,860.5	503.8
Amortisation and depreciation, disposals and impairment	1,831.0	2,031.5	430.0
EBITDA*	**2,857.9**	**2,786.8**	**252.4**

*Source: Metelem Group Consolidated Financial Statements; *the Company (unaudited data).*

Documents incorporated by reference

Cyfrowy Polsat is a public company, whose shares are admitted to trading on a regulated market (primary market) organised by the WSE. The Company is subject to disclosure requirements under the applicable laws and stock-exchange regulations. Therefore, this Prospectus may incorporate the information listed below by reference, in accordance with applicable laws, in particular the Prospectus Regulation. Such information has been sourced from documents published or submitted by the Company to the PFSA prior to the Prospectus date.

The Polsat Group Consolidated Financial Statements, including opinions and audit reports of an independent auditor, are incorporated in this Prospectus by reference to:

- the consolidated annual report of the Group for the year ended December 31st 2013 − only the section covering the Group Consolidated Financial Statements for the year ended December 31st 2013, including the opinion of an independent auditor from the audit of those statements, published by the Company on February 27th 2014.

- the consolidated annual report of the Group for the year ended December 31st 2012 − only the section covering the Group Consolidated Financial Statements for the year ended December 31st 2012, including the opinion of an independent auditor from the audit of those statements, published by the Company on March 12th 2013.

- the consolidated annual report of the Group for the year ended December 31st 2011 − only the section covering the Group Consolidated Financial Statements for the year ended December 31st 2011, including the opinion of an independent auditor from the audit of those statements, published by the Company on March 12th 2012.

The Polsat Group Consolidated Financial Statements are available on the Company's website (cyfrowypolsat.pl), in the "Investor Relations" tab.

Subject to the above, the content of the Company's website, or of any website referred to on the Company's website, is not included in this Prospectus.

Exchange rates

The tables below present the (i) weighted average, (ii) highest, (iii) lowest, and (iv) end-of-period exchange rates for the specified periods, as quoted by the National Bank of Poland and applicable to foreign currency transactions involving the indicated currencies and PLN. The exchange rates used in the preparation of the Consolidated Financial Statements, as well as in the preparation of other data presented in the Prospectus, might have been different from the exchange rates presented in the tables below. The Company can give no assurance that foreign currencies were converted into PLN at the exchange rates provided below, or that they could have been exchanged as part of foreign currency exchange transactions.

EUR/PLN exchange rate

	EUR/PLN exchange rate			
	Weighted-average	Highest	Lowest	End of period
2011	4.1198	4.5642	3.8403	4.4168
2012	4.1850	4.5135	4.0465	4.0882
2013	4.1975	4.3432	4.0671	4.1472
January 1st-March 31st 2014	4.1846	4.2375	4.1450	4.1713

Source: NBP.

USD/PLN exchange rate

	USD/PLN exchange rate			
	Weighted-average	Highest	Lowest	End of period
2011	2.9634	3.5066	2.6458	3.4174
2012	3.2570	3.5777	3.0690	3.0996
2013	3.1608	3.3724	3.0105	3.0120
January 1st-March 31st 2014	3.0545	3.1370	3.0185	3.0344

Source: NBP.

Market, economic and industry information

Financial data provided by third-party sources may be published using conventions other than the IFRS.

Information provided in this Prospectus comes from the Company or other sources as indicated in this Prospectus. Market, economic and industry information provided in this Prospectus comes from many sources from the industry, including those independent of the Company. Correctness and completeness of such information cannot be assured. Information presented in "Market environment" is derived from public sources, including press releases, disclosures under the applicable laws, industry studies, and from consultancy firms, in particular: (i) studies and data of the Central Statistical Office ("**GUS**"); (ii) studies and statistics of Eurostat; (iii) studies of the Office of Electronic Communications ("**UKE Report**") (including in particular "the Report on the telecommunications market in Poland in 2012", "Notice of frequency allocations to mobile telecommunications operators"); (iv) PMR studies ("**PMR Report**") (including in particular "2013 Telecommunications Market in Poland − Development prospects for 2013-2017"); (v) studies of the European Commission (including in particular "Digital Agenda Scoreboard 2013", "E-Communications Household Survey"); (vi) studies of ZenithOptimedia (including in particular "Advertising Expenditure Forecasts − December 2013"); (vii) studies of AC Nielsen (including in particular "Establishment Survey 2012"); and (viii) other public documents, such as press releases, full-year accounts, websites or annual reports.

Where the source of information provided in this Prospectus is not explicitly indicated, the information comes from the Company. Each time information from third parties is used in this Prospectus, the source of such information is indicated in this Prospectus.

Macroeconomic data and statistics provided in this Prospectus have been applied selectively, and include estimates derived from public sources of information that the Company deems reliable. The above data, and source data they rely on, may have been collected or prepared using various methodologies and statistics, in particular varying with the country. No assurance can be given either that the same results would have been obtained with statistics used in a different country, or with different data analysis and processing methods.

The Company represents that the above information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

However, in preparation, searching for and processing of macroeconomic, market, industry or other data from third-party sources, such as government publications, third-party publications, industry or general publications, the Company has not carried out any independent verification thereof. Neither has it analysed the suitability of methods used by such third parties to prepare such data or make estimates or projections.

The sources of market, economic and industry information indicated above constitute, inter alia, the basis for assumptions underlying all Company's representations regarding its competitive position included in this Prospectus.

The Company can give no assurance that market, industry or other data from third-party sources is accurate or, in the case of projections, that such data has been prepared on the basis of accurate data and assumptions, and that such projections will turn out to be accurate. Unless so required under applicable laws, the Company does not intend to update industry or market data provided in this Prospectus.

References to defined terms

Definitions of certain terms used herein, including capitalised terms (which may also be defined herein), some technical terms and other terms are provided in "Abbreviations and definitions".

Unless otherwise indicated, all statements expressing beliefs, expectations, estimates and opinions of the Company refer to the beliefs, expectations, estimates and opinions of the Management Board.

Amendments to this Prospectus

Publication of this Prospectus after the Prospectus Date does not mean that, from the Prospectus Date to the date of its publication, the situation of the Group or the Company has not changed, or that the information contained in this Prospectus is up-to-date at any date following the Prospectus Date, or at any date specified in this Prospectus as the day at which given information was prepared, whichever is earlier.

Supplements to this Prospectus

Under the Act on Public Offering, once this Prospectus is approved by the PFSA, the Company is required to notify the PFSA of any material errors herein and any material factors which may have a bearing on the assessment of securities covered by this Prospectus, which occur or come to the Company's attention after this Prospectus is approved, until the date of admission of the securities covered by this Prospectus to trading on a regulated market. Such information must be submitted as a supplement to this Prospectus. Filing of a supplement to the Prospectus with the PFSA, along with a request for approval of such supplement, should take place immediately after such errors or material factors which justify submission of the supplement come to the Company's attention, and in any case not later than within two business days.

Any supplements hereto are subject to approval by the PFSA. The PFSA may refuse to approve a supplement hereto if its form or contents do not comply with the applicable laws and regulations. Refusing to approve of a supplement hereto, the PFSA takes measures referred to in Art. 16 and Art. 17 of the Act on Public Offering. Such measures may involve e.g. ordering the suspension of the application for admission or introduction of securities to trading on a regulated market for a maximum period of 10 business days, or prohibiting the application for admission or introduction of securities to trading on a regulated market, or publication, at the Company's expense, of notice of illegal actions in connection with the application for admission or introduction of securities to trading on a regulated market.

Upon approval of a given supplement hereto, the Company will promptly, and in any case not later than within 24 hours, publish the supplement in the same way it published this Prospectus.

If the Act on Public Offering requires preparation, approval and publication of supplements hereto, certain information provided in this Prospectus may be amended subsequent to its publication by supplements hereto approved by the PFSA and published by the Issuer.

Update announcements

Information causing the contents hereof, or any published supplements hereto, to change with respect to the admission of securities covered by this Prospectus to trading on a regulated market, other than information requiring preparation, approval and publication of a supplement hereto, may be published by the Company in a manner different from that required for supplements hereto, that is as an update announcement, in the same way it published this Prospectus.

If the Act on Public Offering requires publication of an update announcement, certain information on the Admission provided in this Prospectus may be amended subsequent to its publication by update announcements.

TRANSACTION

Transaction overview

The Issuer intends to acquire Metelem, a special-purpose vehicle organised under the laws of Cyprus, indirectly controlled by Mr Zygmunt Solorz-Żak. Metelem holds indirectly, through four Swedish Eileme Companies, 100% of voting rights at Polkomtel, operator of the "Plus" mobile telecommunications network ("**Acquisition**"). Both Metelem and Eileme Companies are holding companies established to prepare and carry out the acquisition of Polkomtel, while Polkomtel is a leading Polish mobile telecommunications network operator in terms of reported subscribers (see "Overview of Metelem Group").

On November 14th 2013 and December 19th 2013, the Company and Metelem Shareholders executed two Investment Agreements related to the Transaction. Under the Investment Agreements, Metelem Shareholders agreed to contribute Metelem shares to the Company as payment for New Shares, which will be issued as part of a conditional share capital increase and acquired in exercise of rights under Warrants. Upon completion of the Transaction, the Company will acquire all Metelem shares, and indirectly all Polkomtel shares.

Execution of the Transaction requires prior satisfaction of a number of conditions precedent, set out in detail in the Investment Agreements, including: (i) passing by the General Meeting of certain resolutions and registration by the competent court of the conditional increase of the Company's share capital; (ii) the Company obtaining refinancing, which will enable it to repay its debt under the Senior Facilities Agreement and Senior Notes (for a description of the Senior Facilities Agreement and the Senior Notes Indenture see "Business overview of Polsat Group—Material agreements—Financing agreements") ("**Refinancing**", together with the Acquisition – "**the Transaction**"); and (iii) execution by the EBRD and the Company of a framework agreement on or before the day of acquisition of New Shares (cf. description of the Investment Agreements presented in "Business overview of Polsat Group—Material agreements—The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem").

In connection with the Investment Agreements, on January 16th and 24th 2014 the Extraordinary General Meeting passed Issue Resolutions, including the Conditional Share Capital Increase Resolution, providing for a conditional increase in the Company's share capital through the issue of New Shares, necessary to carry out the Transaction. The application for registration of the conditional share capital increase was filed with the registry court on January 29th 2014. During the registration proceedings, the qualified auditor issued an unqualified opinion on the audit of the Management Board's report on the non-cash contribution made as payment for New Shares. The conditional share capital increase approved by way of the Issue Resolutions was entered in the register of entrepreneurs of the National Court Register on April 2nd 2014.

In accordance with the Issue Resolutions, offering Warrants to eligible persons is subject to prior passing of the resolution on dividend (cf. description of the Issue Resolutions presented in "Admission of securities to trading—Overview of New Shares"). On April 2nd 2014, the Management Board announced the convening, for April 29th 2014, of the Annual General Meeting, whose agenda includes passing a resolution to allocate more than PLN 102,859,516.76 of the Company's profit earned in 2013 to dividend payment. The Company expects that on April 29th 2014 the Annual General Meeting will pass a resolution to allocate the above-mentioned amount towards dividend payment. Information on passing by the Annual General Meeting of the dividend resolution will be published by the Company in the form of a current report and additionally, if the amount allocated towards dividend payment changes materially or the Annual General Meeting does not resolve to pay dividend for 2013, in the form of a supplement to this Prospectus, once approved by the PFSA, as prescribed by Art. 51 of the Act on Public Offering, if such disclosure is required by law.

On April 11th 2014, in connection with the Investment Agreements and as part of the Refinancing, the Company executed a New Senior Facilities Agreement to secure refinancing for the repayment of the Company's debts under the Senior Facilities Agreement and the Senior Notes. The Company expects that the repayment of the existing debt to meet the conditions precedent to closing the Transaction, which include the condition to secure the Refinancing, will be made on or about May 8th 2014 (see "—Refinancing" below). Where required by law, the Company will publish information on any material changes to the planned repayment date in the form of a supplement to this Prospectus, once approved by the PFSA, in accordance with Art. 51 of the Act on Public Offering. After finalising the Refinancing, the Company will proceed to closing the Transaction, as described below.

The Company expects that immediately after satisfaction of the conditions precedent, the Company and Metelem Shareholders will proceed to close the Transaction in accordance with the provisions of the Investment Agreements, i.e. the following will take place: (i) issue of Warrants, (ii) exercise of rights under Warrants through acquisition of New Shares, (iii) contribution of Metelem shares to the Company as payment for New Shares, (iv) admission of New Shares to trading on the regulated market (the main market) operated by the Warsaw Stock Exchange, and (v) registration of New Shares in the securities accounts of Metelem Shareholders. All the above actions will be taken on or before the dividend record date specified in the resolution of the Annual General Meeting of April 29th 2014. The Transaction will be closed upon confirmation by the brokerage house of the registration of New Shares in the securities accounts of Metelem Shareholders. Information on closing the Transaction will be published by the Company in the form of a current report and additionally, if the conditions for the Transaction or its closing conditions change materially, in the form of a supplement to this Prospectus, once approved by the PFSA, as prescribed by Art. 51 of the Act on Public Offering, if such disclosure is required by law.

Refinancing

On February 25th 2014, to satisfy the condition precedent stipulated in the Investment Agreements – that refinancing must be obtained for the existing debt under the Senior Facilities Agreement and the Senior Notes – the Company initiated negotiations with a group of financial institutions to secure the Refinancing, which led to the execution, on April 11th 2014, of a New Senior Facilities Agreement and a New Intercreditor Agreement (for more information on the agreements, see "Business overview of Polsat Group—Material agreements—Refinancing agreements").

In connection with the negotiations, on April 3rd 2014 the Extraordinary General Meeting agreed to the conclusion of a pledge agreement by the Company and taking other steps to create a registered pledge over a set of assets representing an organisational whole with varying composition, forming part of the Company's business, to secure the repayment of the Company's debt financing which will be obtained under the Refinancing, and the repayment of all other claims resulting from the financing documents. On April 8th 2014, the Company received from CP Finance a conditional notice of redemption of all Senior Notes. In accordance with the notice, the redemption is to take place on May 8th 2014 ("**Redemption Date**") following satisfaction, or waiver by CP Finance, of the following conditions: (i) the Company must obtain net cash proceeds (after currency translation), costs and expenses sufficient to make all payments resulting from the redemption of the Senior Notes, based on the New Senior Facilities Agreement; and (ii) the Company must obtain net cash proceeds (after currency translation), costs and expenses sufficient to repay its entire debt under the Senior Facilities Agreement, based on the New Senior Facilities Agreement. In connection with the refinancing of debt under the Senior Notes, the Company executed currency forward transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna Oddział w Polsce; following execution of the last transaction on April 17th 2014, the total amount of the transactions was EUR 383m (PLN 1,607.8m). The transactions are to be settled on May 6th 2014 at the average PLN/EUR exchange rate of 4.1979.

The amounts made available under the New Senior Facilities Agreement, to be allocated to the repayment of the above-mentioned debt, will be disbursed on or about May 6th 2014. On the following day, i.e. May 7th 2014, the Company's debt under the Senior Facilities Agreement will be repaid and CP Finance's obligation to pay the amounts due under the Senior Notes will be satisfied. The Senior Notes will be redeemed on the following day, i.e. May 8th 2014. Therefore, the Company expects that the repayment of the existing debts to meet the conditions precedent for closing the Transaction, which include the condition to secure the Refinancing, will be made on or about May 8th 2014. At February 28th 2014, the Company's debt under the Senior Facilities Agreement and the Senior Notes was PLN 493.4m and PLN 1,460.6m, respectively.

In connection with the Refinancing, the entire security for the debts under the Senior Facilities Agreement and the Senior Notes will be released (for information on the security, see "Business overview of Polsat Group—Material agreements—Financing agreements—Security"). Relevant documents concerning the release of security will be executed by the company acting as the security agent under the Senior Facilities Agreement and the Senior Notes Indenture upon repayment by the Company of its debt under the Senior Facilities Agreement and payment by CP Finance of amounts due under the Senior Notes. The Company's expects this to occur on or about May 7th 2014. On the date on which the documents concerning the release of security are executed, the Company and relevant Group companies will execute agreements to secure the debt under the New Senior Facilities Agreement (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Security"). No later than on the day following the signing of the documents concerning the release of security under the Senior Facilities Agreement and the Senior Notes and the execution of the security agreements under the New Senior Facilities Agreement, the Company and relevant Group companies shall file with competent courts applications requesting: (i) deletion of registered pledges and mortgages established as security for the Senior Facilities Agreement and the Senior Notes, and (ii) entry of registered pledges and mortgages as security for the New Senior Facilities Agreement. Information on the release of security by the company acting as the security agent under the Senior Facilities Agreement and the Senior Notes Indenture and on the execution of the security agreement for the New Senior Facilities Agreement will be published by the Company in the form of a current report and additionally, if the information changes materially, in the form of a supplement to this Prospectus, once approved by the PFSA, in accordance with Art. 51 of the Act on Public Offering, if such disclosure is required by law.

After closing the Refinancing, the Company will proceed to close the Transaction, as described in "Transaction overview" above.

Qualified auditor's report on the compilation of the pro forma financial information presented in this Prospectus

Report on the compilation of pro forma financial information included in a Prospectus

To the Management Board of Cyfrowy Polsat S.A.

We have completed our assurance engagement to report on the compilation of pro forma financial information ("Unaudited Pro Forma Financial Information") of the Cyfrowy Polsat Group, of which Cyfrowy Polsat S.A. is the Parent ("the Company", together with its subsidiaries referred to as "Polsat Group" or "Group"), prepared by the Management Board of the Company ("Management Board"). The Unaudited Pro Forma Financial Information consists of the introduction, unaudited consolidated pro forma balance sheet prepared at December 31st 2013, unaudited consolidated pro forma income statement for the year ended December 31st 2013, and related notes as set out on pages 79-85 of this prospectus of April 16th 2014, prepared to seek admission and introduction of Series I and Series J ordinary Company shares to trading on the Warsaw Stock Exchange ("Prospectus"). The applicable criteria on the basis of which the Management Board has compiled the Unaudited Pro Forma Financial Information are specified in item 20.2 Annex I of Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ("Prospectus Regulation") and in the recommendations issued by the European Securities and Markets Authority (ESMA).

The Unaudited Pro Forma Financial Information has been compiled by the Management Board to illustrate the impact of the transaction described in the introduction to the Unaudited Pro Forma Financial Information, as a result of which Polsat Group will acquire control of Metelem Holding Company Limited Group ("Metelem Group") ("Transaction") on the financial position of Polsat Group at December 31st 2013 and its financial performance in the year ended December 31st 2013 if the Transaction took place at December 31st 2013 and January 1st 2013, respectively. Information about Polsat Group's financial position and financial performance, used by the Management Board to prepare the Unaudited Pro Forma Financial Information, has been extracted from the audited consolidated financial statements of Polsat Group for the year ended December 31st 2013. Information on Metelem Group's financial position and financial performance, used by the Management Board to prepare the Unaudited Pro Forma Financial Information, has been extracted from the audited consolidated financial statements of Metelem Group for the financial years ended December 31st 2013, December 31st 2012, and December 31st 2011.

PricewaterhouseCoopers Sp. z o.o.

Al. Armii Ludowej 14, 00-638 Warsaw, Poland

T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

The Management Board's responsibility for the Unaudited Pro Forma Financial Information

The Management Board is responsible for compiling the Unaudited Pro Forma Financial Information in accordance with the Prospectus Regulation.

Our responsibility

Our responsibility is to express an opinion, as required by item 7 Annex II to the Prospectus Regulation, about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by the Management Board on the basis of the Prospectus Regulation.

We conducted our engagement in accordance with National Financial Audit Standard 3 "General rules of reviewing financial statements/condensed financial statements and performance of other assurance services", issued by the National Chamber of Statutory Auditors, and in accordance with International Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. The standards require that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Management Board has compiled, in all material respects, the Unaudited Pro Forma Financial Information on the basis of the Prospectus Regulation.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31st 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Management Board in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated.
(b) the basis is consistent with the accounting policies adopted by Polsat Group.

On the basis of item 1.2. Annex I and item 1.2 Annex III to the Prospectus Regulation, we assume responsibility for this report, forming part of the Prospectus, and declare, having taken all reasonable care to ensure that such is the case, that the information contained in this report is, to the best of our knowledge, true, accurate and in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in accordance with the requirements of item 1.2. Annex I and item 1.2 Annex III to the Prospectus Regulation.

Acting on behalf of PricewaterhouseCoopers Sp. z o.o., entered on the list of entities qualified to audit financial statements under entry No. 144:

[illegible signature]

Ewa Giel

Qualified Auditor of the Group, Lead Auditor

Reg. No. 12148

Warsaw, April 17th 2014

Unaudited Pro Forma Financial Information

This Unaudited Pro Forma Financial Information, consisting of the unaudited consolidated pro forma balance sheet at December 31st 2013, unaudited consolidated pro forma income statement for the financial year ended December 31st 2013, and related notes, has been prepared for the purposes of this Prospectus.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the accounting policies applied by the Group and described in the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated herein by reference.

The Unaudited Pro Forma Financial Information has been prepared to present the potential effect that the acquisition of control of Metelem Group as a result of the Transaction could have on the consolidated financial position and consolidated performance of the Group. As a result of the Transaction, Metelem Group will be included in the consolidated financial statements of the Group. The Transaction is described in detail in this section under "Transaction overview". The consolidated pro forma balance sheet presents the Group's hypothetical financial position as if the Transaction was executed on December 31st 2013. The consolidated pro forma income statement presents hypothetical financial performance of the Group as if the Transaction took place at the beginning of the reviewed period, i.e. January 1st 2013.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature it presents a hypothetical situation rather than actual financial position and performance of the Group for the periods and at the date presented as if the Transaction actually took place on the assumed dates, and its purpose is not to determine the financial position or performance in any future periods.

The Unaudited Pro Forma Financial Information should be read in conjunction with the information provided in "Operating and financial review of Polsat Group" and Operating and financial review of Metelem Group", as well as historical financial information included in this Prospectus.

The assumptions underlying the pro forma adjustments and information sources are described in the accompanying notes. The unaudited pro forma adjustments are provable and are based on available information and certain assumptions that the Company believes are reasonable in the circumstances.

Unaudited consolidated pro forma balance sheet of the Group at December 31st 2013

		Pro forma adjustments					
	Group (1)	Metelem Group (2) (3)	Eliminations of intra-group balances and transactions (4)	Initial settlement of the acquisition (5)	Refinancing (6)	Dividend (7)	Pro forma total
					(PLNm)		
Reception equipment	407.5	-	-	-	-	-	407.5
Other property, plant and equipment	251.2	2,977.9	-	-	-	-	3,229.1
Goodwill	2,602.8	6,560.4	-	2,398.6	-	-	11,561.8
Brands	890.8	959.8	-	-	-	-	1,850.6
Other intangible assets	137.4	5,484.9	-	-	-	-	5,622.3
Non-current programming assets	71.6	-	-	-	-	-	71.6
Investment property	5.3	-	-	-	-	-	5.3
Non-current deferred distribution fees	29.5	-	-	-	-	-	29.5
Other non-current assets	20.8	5.9	-	-	(0.6)	-	26.1
Deferred tax assets	38.9	4.5	-	-	-	-	43.4
Total non-current assets	**4,455.8**	**15,993.4**	**-**	**2,398.6**	**(0.6)**	**-**	**22,847.2**
Current programming assets	181.3	-	-	-	-	-	181.3
Inventories	146.8	121.5	3.7	-	-	-	272.0
Trade and other receivables	374.4	1,361.4	(7.4)	-	-	-	1,728.4
Income tax receivable	0.2	-	-	-	-	-	0.2
Current deferred distribution fees	70.0	-	-	-	-	-	70.0
Other current assets	105.4	0.4	(1.2)	-	(1.3)	-	103.3
Cash and cash equivalents	342.3	1,451.3	-	(7.9)	907.4	(102.9)	2,590.2
Total current assets	**1,220.4**	**2,934.6**	**(4.9)**	**(7.9)**	**906.1**	**(102.9)**	**4,945.4**
Total assets	**5,676.2**	**18,928.0**	**(4.9)**	**2,390.7**	**905.5**	**(102.9)**	**27,792.6**
Share capital	13.9	8.4	-	3.3	-	-	25.6
Share premium	1,295.1	4,790.7	-	1,149.0	-	-	7,234.8
Other reserves	(8.9)	-	-	-	9.0	-	0.1
Retained earnings	1,701.1	(1,242.8)	-	1,239.2	(119.6)	(102.9)	1,475.0
Equity attributable to equity holders of the parent	**3,001.2**	**3,556.3**	**-**	**2,391.5**	**(110.6)**	**(102.9)**	**8,735.5**
Non-controlling interests	-	-	-	-	-	-	-
Total equity	**3,001.2**	**3,556.3**	**-**	**2,391.5**	**(110.6)**	**(102.9)**	**8,735.5**
Loans and borrowings	239.9	6,447.7	-	-	2,065.9	-	8,753.5
Senior Notes payable	1,340.0	4,058.9	-	-	(1,340.0)	-	4,058.9
Finance lease liabilities	0.3	2.5	-	-	-	-	2.8
Deferred tax liabilities	108.0	839.4	-	-	(11.0)	-	936.4
Other non-current liabilities and provisions	12.0	957.4	-	-	-	-	969.4
Total non-current liabilities	**1,700.2**	**12,305.9**	**-**	**-**	**714.9**	**-**	**14,721.0**
Loans and borrowings	246.0	358.9	-	-	414.8	-	1,019.7
Senior Notes payable	98.7	422.8	-	-	(98.7)	-	422.8
Finance lease liabilities	0.2	2.4	-	-	-	-	2.6
Trade and other payables	413.2	1,777.1	(4.9)	-	-	-	2,185.4
Income tax liability	4.5	22.5	-	(0.8)	(14.9)	-	11.3
Deposits for equipment	2.7	-	-	-	-	-	2.7
Deferred income	209.5	482.1	-	-	-	-	691.6
Total current liabilities	**974.8**	**3,065.8**	**(4.9)**	**(0.8)**	**301.2**	**-**	**4,336.1**

Total liabilities	**2,675.0**	**15,371.7**	**(4.9)**	**(0.8)**	**1,016.1**	**-**	**19,057.1**
Total equity and liabilities	**5,676.2**	**18,928.0**	**(4.9)**	**2,390.7**	**905.5**	**(102.9)**	**27,792.6**

Notes:

(1) The financial data of Polsat Group has been compiled on the basis of the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated in this Prospectus by reference.

To simplify the presentation of the pro forma consolidated balance sheet, deferred income disclosed in the consolidated financial statements of Polsat Group for 2013 has been included in other non-current liabilities and provisions in the consolidated pro forma balance sheet.

(2) The financial data of Metelem Group has been compiled on the basis of the Metelem Group Consolidated Financial Statements.

(3) The below-presented items from the Metelem Group Consolidated Financial Statements have been aggregated to ensure uniformity with the balance-sheet format presented in the consolidated financial statements of Polsat Group for the year ended December 31st 2013:

Financial data from the statement of financial position of Metelem Group		**Presentation in the consolidated pro forma balance sheet of the Group**	
Item	Value (PLNm)	Item	Value (PLNm)
Customer relations	3,358.6	Other intangible assets	5,484.9
Licences and licence costs	1,406.6		
Other intangible assets	719.7		
Derivatives	44.3	Other non-current liabilities and provisions	957.4
Provision for employee benefit obligations	6.2		
Other provisions	84.5		
UMTS liability	822.4		
Trade and other payables	940.1	Trade and other payables	1,777.1
Derivatives	137.1		
Provision for employee benefit obligations	0.1		
Other provisions	86.6		
Accrued expenses	499.3		
UMTS liability	113.9		

(4) The adjustment consisting in elimination of intra-group balances and transaction includes:

- elimination of mutual receivables, other current assets and liabilities of PLN 4.9m, resulting from transactions between Polsat Group and Metelem Group;
- elimination of receivables of PLN 3.7m on purchase of handsets by Polsat Group from Metelem Group, and the resultant inventories increase by the same amount.

(5) For the purposes of preparation of the Unaudited Pro Forma Financial Information it was assumed that in exchange for the issued 291,193,180 shares the Company acquired an in-kind contribution in the form of 100% of Metelem shares. To calculate the issue value of the issued shares, the market price of the Issuer shares at April 15th 2014, of PLN 20.45 per share, was applied (the actual price will be determined on the basis of the market price of the issued shares at the acquisition date). As a result of the Transaction, a PLN 5,954.9m increase in the company's share capital was disclosed, following the issue of 291,193,180 shares at the issue price of PLN 20.45. The share capital will be increased by PLN 11.7m, while PLN 5,943.2m will be allocated to share premium. Metelem Group's equity was eliminated for a total PLN 3,556.3m, in the following items: share capital (PLN 8.4m), share premium (PLN 4,790.7m) and accumulated losses (PLN 1,242.8m).

Another item accounted for:

- estimated transaction costs related to the acquisition of Metelem Group. Retained earnings were reduced by PLN 3.6m, which is a net amount of the estimated transactions costs of PLN 4.4m and their PLN 0.8m effect on income tax.
- estimated transactions costs related to the Issuer's share issue. Share premium was reduced by PLN 3.5m.

The Transaction is disclosed in the Unaudited Pro Forma Financial Information in accordance with the acquisition method defined in IFRS 3 — Business Combinations.

At the Prospectus date, no valuation required to measure the fair value of Metelem Group's individual assets and liabilities was performed. Therefore it was assumed that the full amount of the entire excess of the acquisition price over the carrying amount of Metelem Group's assets and liabilities will be disclosed as goodwill in the consolidated pro forma balance sheet of Polsat Group prepared at December 31st 2013. Once the allocation of the acquisition price is completed, in accordance with IFRS the excess amount may change following the recognition of Metelem Group's assets and liabilities at the acquisition-date fair value. This applies in particular to intangible assets, such as licences, customer relations and brands. The Issuer's Management Board does not rule out that also other intangible assets not recognised before the Transaction will be identified, measured and disclosed in Polsat Group's balance sheet following the Transaction. Amounts of other assets and liabilities may also change, and some contingent liabilities may be disclosed at fair value. Adjustments to the value of assets and liabilities may lead to temporary differences between the tax base and the carrying amounts of assets and liabilities, which will result in recognition of deferred tax asset or deferred tax liability.

In accordance with the Metelem Group Consolidated Financial Statements, the fair value of liabilities under the UMTS licence, notes and borrowings was higher by PLN 1,182.1m than their carrying amounts at December 31st 2013.

(6) At December 31st 2013, the Company had debt under Senior Facilities Agreement and under Senior Notes Indentures. The total amount of this debt at December 31st 2013 was PLN 1,924.6m. As described in this section under "Refinancing", obtaining refinancing for the debt is an element of the Transaction ("Refinancing"). On April 11th 2014, the Company received information on the terms of the Refinancing discussed in "Refinancing" and in "*Material agreements - Refinancing agreements - The Senior Facilities Agreement of April 11th 2014 between the Group companies and the bank syndicate*". The New Senior Facilities Agreement provides for a Term Facility Loan of up to PLN 2,500m ("New Term Facility Loan") and a multi-currency Revolving Facility Loan of up to the equivalent of PLN 500m ("New Revolving Facility Loan"). The New Term Facility Loan bears interest at a variable rate based on WIBOR, while the New Revolving Facility Loan bears interest at a variable rate based on WIBOR (portion contracted in PLN), EURIBOR (portion contracted in EUR) or LIBOR (portion contracted in other currency permitted under the New Senior Facilities Agreement). The New Term Facility Loan is repayable in varying quarterly instalments, starting on June 30th 2014. The final repayment date of the New Term Facility Loan and the New Revolving Facility Loan is April 11th 2019.
Pro forma adjustments relating to the Refinancing:

	Other non-current assets	Other current assets	Cash and cash equivalents	Other reserves	Retained earnings	(Current and deferred) income tax receivable/liabilities	Notes payable (non-current and current)	Borrowings (credit facilities and loans) (non-current and current)
					(PLNm)			
Increase in borrowings	-	-	3,000.0	-	-	-	-	3,000.0
Repayment of existing debt	-	-	(2,056.7)	-	(78.5)	(14.9)	(1,461.1)	(517.1)
Previous finance costs written-down	(2.6)	(1.8)	-	-	(58.0)	(11.0)	22.4	31.2
Settlement of hedging instruments	-	-	-	9.0	(11.1)	-	-	-
Cost of new financing	2.0	0.5	(35.9)	-	-	-	-	(33.4)
Tax effect (deferred tax)	-	-	-	-	28.0	-	-	-
Pro forma adjustments	**(0.6)**	**(1.3)**	**907.4**	**9.0**	**(119.6)**	**(25.9)**	**(1,438.7)**	**2,480.7**

(7) On April 2nd 2014, the Management Board announced the convening of the Annual General Meeting for April 29th 2014, whose agenda includes passing a resolution to allocate PLN 102.9m of the Company's profit earned in 2013 to dividend payment. Making a decision to pay dividend or interim dividend is a precondition to closing the Transaction. The Company's Supervisory Board approved the Management Board's proposal, and requested that the General Meeting adopts the resolution on distribution of profit for 2013 in accordance with the Management Board's proposal and recommendation. The final decision on the amount of dividend will be made by the General Meeting, but in the opinion of the Management Board it is highly probable that the final amount of dividend will be as proposed.

(8) Polsat Group and Metelem Group differ in the way they recognise distribution fees. Polsat Group accounts for commissions payable to distributors for acquiring new and retaining existing subscribers throughout the minimum basic term of the subscription contract. Distribution fees which are accounted for within 12 months from the reporting date are presented as other current assets. Distribution fees which are accounted for after 12 months from the reporting date are presented as non-current assets. Metelem Group accounts for such commissions in profit or loss for the current period. If the same manner of presentation was applied, assets related to distribution fees that have not been accounted for would have to be disclosed in the consolidated pro forma balance sheet prepared at December

31st 2013. No such disclosure was made due to impracticability of retrospective calculation of the amounts and due to the fact that the value of assets related to customer acquisition will be accounted for in the process of allocating the acquisition price, as described in Note (5).

Unaudited consolidated pro forma income statement of the Group for the year ended December 31st 2013

		Pro forma adjustments					
	Group (1)	Metelem Group (2)	Uniform data presentation (3)	Eliminations of intra-group balances and transaction (4)	Initial settlement of the acquisition (5)	Refinancing (6)	Pro forma total
				(PLNm)			
Revenue	2,910.8	6,682.3	63.9	(18.6)	-	-	9,638.4
Operating costs	(2,157.7)	(5,732.7)	(11.7)	18.6	(4.4)	-	(7,887.9)
Other operating income/(cost), net	36.8	77.3	(52.2)	-	-	-	61.9
Profit from operating activities	**789.9**	**1,026.9**	**-**	**-**	**(4.4)**	**-**	**1,812.4**
Gain/loss on investment activities, net	16.0	-	45.1	-	-	(3.8)	57.3
Finance costs	(216.0)	(1,484.4)	(45.1)	-	-	(93.1)	(1,838.6)
Share of the profit of jointly-controlled entity accounted for using the equity method	2.9	-	-	-	-	-	2.9
Gross profit for the period	**592.8**	**(457.5)**	**-**	**-**	**(4.4)**	**(96.9)**	**34.0**
Income tax	(67.4)	140.8	-	-	0.8	18.4	92.6
Net profit for the period	**525.4**	**(316.7)**	**-**	**-**	**(3.6)**	**(78.5)**	**126.6**
Basic and diluted earnings per share in PLN (7)	**1.51**						**0.20**

Notes:

(1) The financial data of Polsat Group has been compiled on the basis of the consolidated financial statements of Polsat Group for the year ended December 31st 2013, incorporated in this Prospectus by reference.

(2) The financial data of Metelem Group has been compiled on the basis of the Metelem Group Consolidated Financial Statements.

To ensure uniform presentation of the financial data of Metelem Group with the income statement format presented in the consolidated financial statements of Polsat Group for the year ended December 31st 2013, the total amount of operating costs of Metelem Group is presented under "Operating costs", the total amount of other income and other expenses of Metelem Group is presented under "Other operating income/(cost), net", and the total amount of finance income and finance costs of Metelem Group is presented under "Finance costs".

(3) *Revenue from contractual penalties*
Polsat Group and Metelem Group differ in their presentation of revenue from contractual penalties. Since at Polsat Group revenue from contractual penalties is part of revenue from core business, a corresponding item with an amount of PLN 63.9m has been transferred from "Other income" of Metelem Group to "Revenue".

Allowances for receivables, costs of uncollectible receivables and result on sale of receivables
In addition, Metelem Group recognises allowances for receivables, costs of uncollectible receivables and the result on sale of receivables in other operating activities. Polsat Group discloses those items as part of its core business under operating costs, on a net basis. For this reason, PLN 11.7m was reclassified from "Other operating income/(cost), net" to "Operating costs".

Gains and losses on investments
In addition, Metelem Group presents in the Metelem Group Consolidated Financial Statements some gains and losses on investments under finance income, which for the purposes of the consolidated pro forma income statement has been aggregated with finance costs under "Finance costs", as described in Note (2). Since Polsat Group presents the result of such transactions under "Gain/loss on investment activities, net", a reclassification of PLN 45.1m has been made.

Distribution fees
As described in Note (8) to the consolidated pro forma balance sheet, Polsat Group and Metelem Group differ in the presentation of distribution fees. If the same manner of presentation was applied, costs of distribution fees disclosed in operating costs in the income statement of Metelem Group would have to be eliminated and the costs would have to be appropriately amortised over time throughout the minimum basic term of the subscription contract. This was not done due to the impracticability of retrospective calculation of the amounts and due to the fact that the value of assets related to customer acquisition will be accounted for in the process of allocating the acquisition price, as described in Note (5) to the consolidated pro forma balance sheet.

(4) Elimination of intra-group balances (income and expenses) of PLN 18.6m resulting from transactions executed between Polsat Group and Metelem Group.

(5) The adjustment consists in the recognition of transactions costs of the acquisition in accordance with the Issuer's best estimate (PLN 4.4m), together with the tax effect of the costs (PLN 0.8m).

As mentioned in Note (5) to the consolidated pro forma balance sheet, at the date of the Unaudited Pro Forma Financial Information the acquisition price was not allocated, meaning that the fair value of acquired assets and liabilities of Metelem Group was not measured (this will be performed within 12 months from the acquisition date). Following measurement of amortised non-monetary assets, the amortisation amount disclosed in the result for the period will differ from the amortisation amount disclosed in the historical financial data of Metelem Group, but due to the lack of information it is impossible to precisely specify the effect of the change in the amounts recognised in the fair value of assets on the result for the period.

(6) In accordance with the terms and conditions discussed in "Refinancing", the Refinancing has resulted in a PLN 93.1m adjustment to finance costs, a PLN 3.8m adjustment to gain/loss on investment activities, net, and a related PLN 18.4m tax adjustment. These amounts comprise:

	PLNm
Interest on new financing incurred*	113.8
Interest on refinanced liabilities recognised in profit or loss, including amortisation of the finance costs	(193.6)
Unamortised costs of financing the liabilities being repaid recognised in profit or loss on a one-off basis and costs of early redemption premium	167.5
Elimination of exchange differences on valuation of repaid bonds	(20.1)
Recognition in profit or loss of valuation of hedging instruments previously recognised in other components of equity	25.5
Increase in finance costs	**93.1**
Adjustment to gain/loss on investment activities, net	**3.8**
Decrease in tax at 19% tax rate	**(18.4)**

*Nominal annual interest rate applied in the calculation was 4.21%. The rate results from the terms of the facility agreement. The actual interest rate is variable and based on WIBOR. For the remaining information on the Refinancing terms, see Note (6) to the pro forma consolidated balance sheet.

All of the adjustments discussed in this Note will further affect the Issuer, with the exception of adjustment discussed in Note (5), that is disclosure of one-off transaction costs of the acquisition, in the amount of PLN 3.6m (after accounting for the tax effect) and certain adjustments relating to the Refinancing, in particular: unamortised costs of financing the liabilities being repaid recognised in profit or loss on a one-off basis and costs of early redemption premium (PLN 167.5m) and recognition in profit or loss of valuation of hedging instruments previously recognised in other components of equity (PLN 25.5m).

(7) The weighted average number of shares determined for the purpose of calculating basic and diluted earnings per share (pro forma earnings after accounting for the effect of the Transaction) is 639,546,016, including 291,193,180 shares to be issued as part of the Transaction.

DIVIDEND AND DIVIDEND POLICY

Dividend policy

In accordance with the dividend policy approved by the Management Board on January 22nd 2014, the Company intends to distribute its profit with to shareholders through dividend payments. The Management Board will recommend to the General Meeting that the Company's profit earned in a given financial year to which the new dividend policy applies be distributed by paying dividend of 33%-66% of Company's net profit, if the total debt ratio of Polsat Group (net debt/EBITDA) at the end of the financial year for which profit is to be distributed, is less than 2.5x.

When preparing its recommendation for distribution of the Company's profit and the dividend proposal, the Management Board will also take into account the amount of the Company's net profit, the Group's financial condition, existing liabilities (including any restrictions under financing and debt agreements executed by the Company and Polsat Group companies), availability of capital reserves, the Management Board's and the Supervisory Board's assessment of the Company's and the Group's prospects in specific market conditions, as well as expenditure necessary to finance the Company's and the Group's primary objective of continued growth, in particular through acquisitions and execution of new projects. In accordance with the Management Board's resolution, the new dividend policy is effective as of the financial year ended December 31st 2014 and will apply for the first time to the Company's net profit for that year.

In view of the fact that during the Extraordinary General Meeting held on January 24th 2014 a Company's shareholder submitted draft Warrant Issue Resolution, which provides for passing of a resolution on payment of dividend for 2013 by the Company or interim dividend for 2014 in the amount of at least PLN 100m as a condition for closing the Transaction (see "Admission of securities to trading—Overview of New Shares"), and taking into account the Company's current financial condition, the Management Board concluded that payment of dividend or interim dividend in the amount of PLN 100m would not pose a material threat to the Company's financial condition or its then-current plans. According to the Management Board's representation, the assessment was based on the Company's then-current financial condition and capital requirements determined on the basis of the Group's issued consolidated financial statements for the nine months ended September 30th 2013, as well as preliminary data available to the Management Board concerning the Group's performance in the fourth quarter of 2013.

The Management Board's statement followed from the fact that the decision to pay dividend or interim dividend is a condition for closing the Transaction, which the Management Board deems paramount for the Company's growth and improvement of its competitive position. On April 2nd 2014, the Management Board announced the convening, for April 29th 2014, of the Annual General Meeting, whose agenda includes adoption of a resolution to allocate more than PLN 102,859,516.76 of the Company's profit earned in 2013 to dividend payment. The Management Board believes that execution of the Transaction will improve the effectiveness of the Company's operations and contribute to building value for the shareholders, which is why the Management Board declared to take any steps necessary to satisfy the conditions for the Transaction, as specified in the resolutions of the Extraordinary General Meeting.

Dividend payments in the period covered by the historical financial information

In the period covered by the Polsat Group Consolidated Financial Statements, the Company did not pay any dividend.

CAPITALISATION AND INDEBTEDNESS

The table below presents information on the Group's capitalisation and indebtedness at February 28th 2014. The data has not been audited or reviewed by an auditor. The information presented in the table below should be read in conjunction with the Polsat Group Consolidated Financial Statements and the information presented in "Operating and financial review of Polsat Group", as well as other financial information presented elsewhere of this Prospectus.

	At February 28th 2014
	(PLNm)
Current financial debt	**350.0**
Guaranteed	-
Secured[(1) (5)]	350.0
Not guaranteed/unsecured[(2)]	0.0
Non-current financial debt	**1,604.3**
Guaranteed	-
Secured[(3) (5)]	1,604.1
Not guaranteed/unsecured[(4)]	0.2
Total equity	**3,098.6**
Share capital	13.9
Share premium	1,295.1
Other reserves	(9.0)
Retained earnings	1,798.6
Non-controlling interests	0.0
Total financial debt and equity	**5,052.9**
A. Cash and cash equivalents	437.9
B. Liquidity (A)	**437.9**
C. Current portion of non-current debt	350.0
D. Current financial debt (C)	**350.0**
E. Current financial debt, net (D-A)	**(87.9)**
F. Long-term loans and borrowings	244.0
G. Notes issued	1,360.5
H. Other non-current financial debt	0.2
I. Non-current financial debt (F+G+H)	**1,604.7**
J. Financial debt, net (E+I)	**1,516.8**

(1) *Secured current financial debt includes current liabilities under loans and borrowings as well as liabilities under Senior Notes.*
(2) *Not guaranteed/unsecured current financial debt includes current finance lease liabilities.*
(3) *Secured non-current financial debt includes non-current liabilities under loans and borrowings as well as liabilities under Senior Notes.*
(4) *Not guaranteed/unsecured non-current financial debt includes non-current finance lease liabilities.*
(5) *For description of the security, see Note 44 to the Polsat Group consolidated financial statements for 2013.*
Source: the Company (unaudited data).

Indirect and contingent liabilities

The Group does not carry any liabilities which would be classified as contingent or indirect by the Management Board.

Representation on working capital

The Management Board represents that, in its opinion, the level of working capital held by the Group is, at the date of this Prospectus, sufficient to cover the Group's day-to-day needs for a period of at least twelve months following the Prospectus date.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The tables below present selected historical financial information sourced from the Financial Statements. The information presented in this section should be read in conjunction with the Financial Statements and the Unaudited Pro Forma Financial Information, the information presented in "Operating and financial review of Polsat Group" and "Operating and financial review of Metelem Group", as well as with other financial information presented elsewhere in this Prospectus.

The section "Transaction—Unaudited Pro Forma Financial Information" includes Unaudited Pro Forma Financial Information prepared to illustrate the theoretical effect of the Transaction on the Group's financial condition at December 31st 2013, had it been executed on December 31st 2013, as well as on the Group's financial performance for the year ended December 31st 2013 had it been executed on January 1st 2013.

Selected historical consolidated financial information of Polsat Group

Selected items from the consolidated income statement and consolidated statement of cash flows for the years ended December 31st 2013, December 31st 2012 and December 31st 2011

	Year ended December 31st		
Selected items from the consolidated income statement	2013	2012	2011
		(PLNm)	
Revenue	**2,910.8**	**2,778.2**	**2,365.9**
Operating costs	(2,157.7)	(1,971.7)	(1,799.6)
Other operating income/(cost), net	36.8	(17.4)	(6.0)
Profit from operating activities	**789.9**	**789.1**	**560.3**
Gain/loss on investment activities, net	16.0	14.4	(15.0)
Finance costs	(216.0)	(110.8)	(355.4)
Share in profit of jointly-controlled equity-accounted entity	2.9	2.9	2.2
Gross profit for the period	**592.8**	**695.6**	**192.1**
Income tax	(67.4)	(97.3)	(31.9)
Net profit for the period	**525.4**	**598.3**	**160.2**
Net profit attributable to equity holders of the parent	525.4	598.3	160.2
Selected items from the consolidated statement of cash flows			
Net cash from operating activities	802.7	781.4	347.1
Net cash from investing activities	(133.8)	(133.4)	(2,426.8)
Net cash from financing activities	(596.5)	(653.4)	2,327.4

Source: Polsat Group Consolidated Financial Statements.

Selected items from the consolidated balance-sheet at December 31st 2013, December 31st 2012 and December 31st 2011

	At December 31st		
	2013	2012	2011
		(PLNm)	
ASSETS			
Reception equipment	407.5	420.1	408.6
Other property, plant and equipment	251.2	276.4	263.3
Goodwill	2,602.8	2,568.0	2,412.3
Brands	890.8	847.8	840.0
Other intangible assets	137.4	81.4	54.2
Non-current programming assets	71.6	98.0	131.1
Investment property	5.3	8.3	8.4
Non-current deferred distribution fees	29.5	35.1	35.0
Other non-current assets	20.8	109.6	69.5
Deferred tax assets	38.9	31.4	55.7
Total non-current assets	**4,455.8**	**4,476.1**	**4,278.1**
Current programming assets	181.3	141.6	137.4
Inventories	146.8	162.0	178.1
Notes	-	-	14.9
Trade and other receivables	374.4	375.7	320.5
Income tax receivable	0.2	6.5	10.1
Current deferred distribution fees	70.0	57.1	59.4
Other current assets	105.4	72.0	72.5
Cash and cash equivalents	342.3	270.3	277.5
Total current assets	**1,220.4**	**1,085.2**	**1,070.4**
Total assets	**5,676.2**	**5,561.3**	**5,348.5**

Source: Polsat Group Consolidated Financial Statements.

	At December 31st		
	2013	2012	2011
	(PLNm)		
EQUITY AND LIABILITIES			
Share capital	13.9	13.9	13.9
Share premium	1,295.1	1,295.1	1,295.1
Other reserves	(8.9)	(16.3)	9.6
Retained earnings	1,701.1	1,175.7	577.4
Equity attributable to equity holders of the Parent	**3,001.2**	**2,468.4**	**1,896.0**
Non-controlling interests	0.0	-	-
Total equity	**3,001.2**	**2,468.4**	**1,896.0**
Loans and borrowings	239.9	592.0	958.4
Senior Notes payable	1,340.0	1,316.5	1,417.5
Finance lease liabilities	0.3	0.5	1.0
Deferred tax liabilities	108.0	94.2	7.1
Deferred income	4.1	5.2	7.6
Other non-current liabilities and provisions	7.9	17.7	12.5
Total non-current liabilities	**1,700.2**	**2,026.1**	**2,484.1**
Loans and borrowings	246.0	275.6	246.8
Senior Notes payable	98.7	97.3	105.1
Finance lease liabilities	0.2	0.2	0.3
Trade and other payables	413.2	472.1	374.9
Income tax liabilities	4.5	7.1	29.2
Deposits for equipment	2.7	13.3	12.7
Deferred income	209.5	201.2	199.4
Current liabilities	**974.8**	**1,066.8**	**968.4**
Total liabilities	**2,675.0**	**3,092.9**	**3,452.5**
Total equity and liabilities	**5,676.2**	**5,561.3**	**5,348.5**

Source: Polsat Group Consolidated Financial Statements.

Selected historical consolidated financial information of Metelem Group

Selected items from the consolidated statement of comprehensive income and the consolidated statement of cash flows for the years ended December 31st 2013 and December 31st 2012, and for the period from May 9th 2011 to December 31st 2011

Selected items from the consolidated statement of comprehensive income	Year ended December 31st 2013	Year ended December 31st 2012	May 9th-December 31st 2011
	(PLNm)		
Revenue and other operating income	**6,790.8**	**7,232.3**	**1,084.8**
Revenue	6,682.3	7,133.4	1,064.4
Other operating income	108.5	98.9	20.4
Operating costs	**(5,763.9)**	**(6,477.0)**	**(1,262.4)**
Costs of goods sold	(1,250.7)	(1,253.3)	(166.3)
Amortisation and depreciation, disposals and impairment	(1,831.0)	(2,031.5)	(430.0)
Materials and energy	(102.2)	(99.2)	(16.9)
Interconnect and roaming charges	(872.5)	(1,271.6)	(188.7)
External services	(1,035.6)	(1,100.3)	(262.2)
Employee benefits	(365.9)	(397.5)	(98.5)
Taxes and charges	(136.1)	(125.0)	(17.3)
Marketing costs and other overheads	(138.7)	(154.1)	(33.4)
Other operating costs	(31.2)	(44.5)	(49.1)
Profit from operating activities	**1,026.9**	**755.3**	**(177.6)**
Finance income	80.6	586.3	108.1
Finance costs	(1,565.0)	(1,860.5)	(503.8)
Loss before tax	**(457.5)**	**(518.9)**	**(573.3)**
Income tax	140.8	119.3	46.9
Net loss	**(316.7)**	**(399.6)**	**(526.4)**
Total comprehensive income in the period	**(316.7)**	**(399.6)**	**(526.4)**
Selected items from the consolidated statement of cash flows			
Net cash flows from operating activities	2,884.4	2,621.6	241.8
Net cash flows from investing activities	(630.0)	(604.2)	(16,191.1)
Net cash flows from financing activities	(1,950.1)	(2,415.6)	17,494.5

Source: Metelem Group Consolidated Financial Statements.

Selected items from the consolidated statement of financial position at December 31st 2013, December 31st 2012 and December 31st 2011

	At December 31st 2013	At December 31st 2012	At December 31st 2011
	(PLNm)		
ASSETS			
Property, plant and equipment	2,977.9	3,131.8	3,729.1
Goodwill	6,560.4	6,560.4	6,560.4
Customer relations	3,358.6	3,903.8	4,449.1
Licences and licence costs	1,406.6	1,731.7	2,047.8
Trademarks	959.8	1,024.5	1,089.2
Other intangible assets	719.7	764.9	844.7
Deferred tax assets	4.5	7.9	11.3
Derivatives	0.0	3.7	0.0
Other non-current assets	5.9	14.8	18.4
Non-current assets	**15,993.4**	**17,143.5**	**18,750.0**
Inventories	121.5	138.6	110.4
Trade and other current receivables	1,361.4	1,070.1	989.3
Income tax receivable	0.0	5.5	0.0
Cash and cash equivalents	1,451.3	1,147.0	1,545.2

Derivatives	0.0	1.3	30.1
Other current assets	0.4	3.8	32.4
Current assets	**2,934.6**	**2,366.3**	**2,707.4**
Total assets	**18,928.0**	**19,509.8**	**21,457.4**

Source: Metelem Group Consolidated Financial Statements.

	At December 31st		
	2013	2012	2011
		(PLNm)	
EQUITY AND LIABILITIES			
Share capital	8.4	8.4	8.3
Statutory reserve funds	4,790.7	4,790.7	4,789.9
Uncovered loss	(1,242.8)	(926.1)	(526.4)
Equity	**3,556.3**	**3,873.0**	**4,271.8**
Notes payable	4,058.9	3,969.8	0.0
Loans and borrowings	6,447.7	6,714.1	7,362.7
UMTS liability	822.4	899.5	1,010.2
Finance lease liabilities	2.5	3.2	6.6
Derivatives	44.3	114.4	0.0
Deferred tax liabilities	839.4	985.1	1,131.1
Provisions for employee benefit obligations	6.2	6.8	6.7
Other provisions	84.5	83.9	73.5
Non-current liabilities	**12,305.9**	**12,776.8**	**9,590.8**
Trade and other payables	940.1	516.2	536.8
Income tax liabilities	22.5	8.1	13.7
Notes payable	422.8	424.1	0.0
Loans and borrowings	358.9	612.2	5,689.6
UMTS liability	113.9	60.1	65.0
Finance lease liabilities	2.4	3.4	1.6
Derivatives	137.1	114.2	6.4
Provision for employee benefit obligations	0.1	0.3	0.5
Other provisions	86.6	99.3	126.1
Accrued expenses	499.3	450.5	517.6
Accrued income	482.1	571.6	637.5
Current liabilities	**3,065.8**	**2,860.0**	**7,594.8**
Total equity and liabilities	**18,928.0**	**19,509.8**	**21,457.4**

Source: Metelem Group Consolidated Financial Statements.

OPERATING AND FINANCIAL REVIEW OF POLSAT GROUP

The following review of our operations and financial condition is primarily based on the Polsat Group Consolidated Financial Statements. This section should be read in conjunction with the Polsat Group Consolidated Financial Statements and other financial information contained elsewhere in this Prospectus. For a summary of significant accounting policies applied in all periods presented in the Polsat Group Consolidated Financial Statements, see "—Accounting policies and basis of consolidation" below.

Certain information presented in this section, including information on our capital expenditure described in "—Capital expenditures" below, and information presented elsewhere in this Prospectus, including in "Capitalisation and indebtedness" does not come from Polsat Group Consolidated Financial Statements and has not been audited or reviewed by a qualified auditor. Such information should not be treated as indicative of Polsat Group's historical or future results of operations, financial conditions or growth prospects, nor be used to analyse our operations without taking into consideration the Polsat Group Consolidated Financial Statements and other financial information included elsewhere in this Prospectus. Such information is nevertheless presented in this Prospectus as it may be considered useful for assessing our operations.

This section contains certain forward looking statements. Such statements are made subject to certain risks and uncertainties, described in, inter alia, "Material information" and "Risk factors" sections.

Introduction

We are a leading provider of integrated multimedia services in Poland, with established leadership on the pay TV market in terms of the subscriber base. We also rank among leading private broadcasters in terms of the viewership and share in the advertising market. We offer the whole package of multimedia services designed for the entire family: satellite TV, mobile TV, online TV, broadband Internet access based on HSPA/HSPA+ and LTE technologies, as well as mobile telephony services.

Our business is divided into two segments: the residential segment, catering to private customers, and generating revenue chiefly from digital pay TV, broadband Internet access, mobile telephony and online TV, and the TV broadcasting and production segment, whose revenue primarily comes from TV advertising, sponsoring and proceeds from cable TV and digital platform operators. The segments generate different revenue flows. In the residential segment, our large subscriber base, regular monthly revenues from subscription fees, and relatively low subscriber churn rate guarantee rather predictable future revenues and regular cash flows, which proved very strong in the past, even in the face of economic stagnation. The TV advertising market is cyclical: revenues go up in the second and fourth quarter and go down in the first and third quarter of the year. On the other hand, the advertising revenue is usually cyclical; it goes up faster in the periods of economic growth but follows a downward trend during economic downturn.

In the residential segment, EBITDA margins were 34.4%, 35.0% and 29.3% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 8.7% over the three years. In the TV broadcasting and production segment, EBITDA margins were 34.6%, 36.7% and 31.9% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 17.3% over the same period.

Key factors affecting results of our operations and significant market trends

We believe that the following factors and market trends have significantly affected results of our operations for the period under review, and we expect that such factors and trends may continue to significantly impact results of our operations in the future.

Macroeconomic conditions

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

In the sluggish world economy of 2011-2013, Poland continued to record one of the highest real GDP growth rates in the EU. According to Eurostat, Poland's real GDP growth in 2011, 2012 and 2013 was 4.5%, 2.0% and 1.6%, respectively, with the corresponding figures for the EU 28 at 1.6%, (0.4)% and 0.1%, respectively. Despite the Polish economy's relatively good condition, the downturn on the global markets in 2011-2013 adversely impacted the volume of advertising spending in Poland, including on TV advertising.

Foreign exchange rate fluctuations

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

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments for (i) licensing fees paid to TV broadcasters, (ii) signal transmission-related charges, (iii) access to the offering of leading film and TV studios, and of other programming suppliers and producers, including sports federations; (iv) set-top box parts, and other hardware and software; (v) transponder capacity lease and (vi) other trade obligations. In addition, in 2011 we issued Senior Notes with a total nominal amount of EUR 350m (see "Business overview of Polsat Group—Material agreements—Financing agreements—The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions"), which significantly increased our exposure to the currency risk, since the euro exchange rate fluctuations relative to the zloty may increase the total of PLN-denominated funds required to repay the principal and interest on the Senior Notes. Following redemption of Senior Notes (see "Transaction—Refinancing") we may be exposed to currency risk in relation to the multi-currency New Revolving Facility Loan (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), since movements in the exchange rate of the euro, dollar or any other currency provided for in the New Senior Facilities Agreement against the złoty may increase the złoty-denominated amounts required to service principal and interest payments under the New Revolving Facility Loan.

For selected information on the EUR/PLN and USD/PLN foreign exchange rates quoted by the NBP in 2011-2013, see "Material information—Exchange rates".

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.

For more details, see "—Qualitative and quantitative information on financial risks—Market risk—Foreign exchange risk" below, and in the Polsat Group Consolidated Financial Statements.

Competition on satellite pay TV market

Our market is very dynamic and competitive. In 2011 and 2012, three major digital pay TV platform operators were active on the Polish market, namely: Canal+ Cyfrowy sp. z o.o., operator of the Cyfra + platform, ITI Neovision sp. z o.o. (entity of TVN Group) operating the "n" platform, and the Issuer, which operates the Cyfrowy Polsat platform. Late 2011 saw the beginning of ownership changes on the market related to the combination of Cyfra+ and "n" under the new brand "nc+". Agreements on strategic partnership were finalised towards the end of November 2012, and the combined offering was launched towards the end of Q1 2013 (see "Market environment—Pay TV market in Poland—Digital satellite pay TV operators").

Strong competition and the evolving market environment (including consolidation processes on the satellite and cable TV market) impact promotional offerings to our new subscribers. In addition, due to the heavy competition, we continuously invest in subscriber retention programs and loyalty building (see Business overview of Polsat Group—Our core business—Residential segment—Sales and marketing, customer service and retention—Customer retention"). Those actions cause our operating costs to grow, although we believe that our proactive approach to customer retention should be more cost-efficient in the long run and drive the subscriber churn down.

Situation on the TV advertising market

Most of our revenue from the TV broadcasting and production segment comes from the sale of our TV channels advertising time and sponsored time slots. These operations account for some 80% of our sales revenue from the TV broadcasting and production segment.

The demand for advertising time depends to a significant extent on the overall economic situation. Slowing GDP growth in Poland usually results in a significant reduction in advertising spending. Moreover, as many customers of our TV production and broadcasting segment are global companies, the global economic downturn, even if it has no direct effect on Poland or its effect on the Polish economy is not as significant as in other countries may force customers to cut their advertising budgets in Poland, which will impact the demand for advertising services in the country. The Polish economy began to recover in H2 2013, which was positively reflected on the TV advertising market. Starlink, a media house, estimates that the total net spending on TV advertising in Poland decreased by 3.6% in 2013. In the same period, our TV broadcasting and production segment's revenue from advertising and sponsoring grew by 0.4%. In effect, the share of Telewizja Polsat Group in the TV advertising market in 2013 grew 0.9% in comparison with 2012, to 24.1%.

Despite a fairly good condition of the Polish economy in 2012, the downturn on global markets and the crisis on certain countries in the EU adversely affected advertising budgets in Poland, primarily as a result of global advertising budget cuts by multinational groups. In addition, the projections relating to the UEFA Euro 2012 football competition had to be revised down. Unexpectedly, the football event did not generate additional budget volumes for the Polish market. Rather, it caused advertising spending by some major companies to be frozen. Advertisers were scared off by high prices and concerns of low efficiency of advertising broadcast during the event, caused by strong advertising saturation. Unused June 2012 budgets were not reallocated to subsequent months, contrary to the expectations. In effect, Starlink estimated that the total net spending on TV advertising in Poland decreased by 5.6% in 2012. In the same period, our TV broadcasting and production segment's revenue from advertising and sponsoring decreased by 3%. All in all, the share of Telewizja Polsat Group in the TV advertising market in 2013 grew 0.6% in comparison with 2011, to 23.2%.

Significant events in 2011-2013 with an effect on our operations, results, and comparability of financial information in the period

Below are presented certain events, which affected our operations, results, and comparability of financial information in 2011-2013.

Development of digital terrestrial TV

The replacement of analogue terrestrial broadcasting with digital broadcasting in Poland (first switch-off of the analogue signal took place in November 2012, and the process was completed in July 2013) forced terrestrial TV viewers owning obsolete TV sets to adapt to the new technology requirements (see "Market environment—TV production and broadcasting—Digital terrestrial TV (DTT)"). Perceiving it as an opportunity to develop our business, we decided to encourage those individuals to use our offering. We launched production and sale of digital terrestrial TV set-top boxes in 2012. Our incentives included not only high quality equipment, but also a package of extra pay TV channels at a very attractive price under our new Mobile TV service, based on DVB-T technology, providing subscribers with access to digital terrestrial TV channels on mobile devices (see "Business overview of Polsat Group—Our core business—Residential segment—Offering—Pay DVB-T mobile TV"). In 2013, in connection with the digital switchover, we intensified our Mobile TV-related sales activities, which was reflected in the growing costs of distribution, marketing, customer support and retention, cost of sold equipment, as well as revenue from equipment sales.

In addition, our TV broadcasting and production segment recorded a twofold rise in the cost of broadcasting of our main channel (analogue and digital) in the period from November 2012 to July 2013. The digital broadcasting cost also grew in the period, as the coverage of terrestrial multiplexes increased (affecting two of our channels broadcast terrestrially − POLSAT and Polsat Sport News).

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

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

Beginning of cooperation with Polkomtel

In 2012 we began our corporation with Polkomtel, a leading provider telecommunications services and operator of the Plus mobile telephony network, to launch a combined service offering and cross-sell standard products (see "Business overview of Polsat Group—Our core business—Residential segment—Offering—Mobile telephony services").

As part of the combined offering, Cyfrowy Polsat launched a special package of Polkomtel's mobile telecommunications services in April 2012, and Polkomtel subscribers may use our dedicated TV services offering. Customers, who previously have not used the services of either company, may take advantage of a converged offering with additional benefits from each of the services. In addition, standard Polkomtel and Cyfrowy Polsat offerings were mutually introduced to both networks' sales channels. In this way, at the end of 2012 our standard offers were also available at Polkomtel's nearly 800 points of sale. Moreover, the cooperation has synergised the purchasing potential of 14 million Polkomtel subscribers (at December 31st 2013), provided with access to TV services, and over 11 million subscribers in over 3.5 million Polish households using the services of Cyfrowy Polsat (at December 31st 2013).

Business acquisitions and disposals

Acquisition and consolidation of Polskie Media S.A.

On September 30th 2013, Telewizja Polsat acquired all shares of Polskie Media S.A. The total acquisition price, including the price for the shares of Polskie Media S.A., was PLN 72.6m (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Polskie Media S.A.")

Polskie Media S.A. was the broadcaster of TV4 and TV6 channels, distributed over terrestrial as well as cable and satellite networks. The acquisition of Polskie Media S.A. is our strategic move towards strengthening the market position of Telewizja Polsat. In particular, it opens up opportunities for increasing the advertising revenue by leveraging the growing coverage and a stronger negotiating position of the Group, and offers synergies in programming access and use, technical aspects, marketing and cross-promotions, as well as back-office assets. The combination of Telewizja Polsat and Polskie Media S.A. was effected as of December 31st 2013. Following the acquisition, Polskie Media S.A. was consolidated in the consolidated financial statements of the Group from September 1st 2013 to December 31st 2013 (i.e. until the date of combination of Polskie Media S.A. and Telewizja Polsat) and, in consequence, the Group's 2013 financial results are not fully comparable with the results for 2012.

Disposal of subsidiary RS TV S.A

On August 30th 2013 we disposed of all shares of RS TV S.A. (a subsidiary of Telewizja Polsat Holdings) for PLN 51.9m.

The sale of RS TV S.A., a provider of signal transmission services, primarily to Polsat Group, was motivated by our plans to focus on two primary segments, namely services for residential customers, and TV broadcasting and production. Following the digital TV switchover, continued operations of RS TV S.A. would require additional capital expenditure with limited options for additional synergies. Proceeds from the sale were disclosed under other operating income/(cost), net for 2013.

Acquisition and consolidation of online TV IPLA

On March 12th 2012 the Company executed agreements to purchase shares in companies forming the IPLA service, a distributor of video programming on the Polish Internet (see "Business overview of Polsat Group—Our core business—Residential segment—Offering—IPLA online TV and VoD"). The total price paid for the shares, which represented 100% of the share capital of the acquired companies, was PLN 42.9m (including the price paid for shares and subsequent adjustments thereto resulting from a difference between the value of net debt estimated at the agreement date and net debt recognised in the balance sheet drawn up at March 12th 2012) (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of the IPLA companies").

The acquisition of IPLA is consistent with the Company's strategy, whose key element was the purchase of Telewizja Polsat to ensure the broadest possible distribution of programming using advanced equipment and latest technologies. IPLA, being the leader of the Polish online video market, both in terms of compatible end-user devices (including computers, tablets, smartphones, TV sets with broadband Internet access, set top boxes, and gaming consoles) and of the quality of the offered content, consolidates the market position of Cyfrowy Polsat as content aggregator and distributor, and provides a significant competitive advantage in a vital market segment.

The acquisition of IPLA also offered revenue and cost synergies, some of which came through already in 2012. Cost synergies are derived from joint purchasing of programming, technology development investments, marketing actions, use of the same billing systems, and back office optimisation. Revenue synergies result from cross selling, enhanced attractiveness of the existing products and of new product launches, which translates into improved customer satisfaction. Following the acquisition of the IPLA companies, they are consolidated in the consolidated financial statements of the Group starting from April 2nd 2012 and, in consequence, the Group's 2012 results are not fully comparable with the results for 2013 and 2011.

Acquisition and consolidation of Info-TV-FM

On January 30th 2012 the Company purchased all shares of Info-TV-FM. The total acquisition price was PLN 29.3m (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Info-TV-FM").

The acquisition of Info-TV-FM was a part of the strategy aimed at the broadest possible distribution of its programming content using all available state-of-the-art technologies. Upon the acquisition, the Company took over Info-TV-FM's 470-790 MHz band frequencies and the related allocation decisions. With these assets, we extended our operations in June 2012 by adding mobile pay TV services, which fits in with our business plans, market development trends, and customer expectations (see "Business overview of Polsat Group—Our core business—Residential segment—Offering—Pay DVB-T mobile TV"). Following the acquisition of Info-TV-FM, it is consolidated in the consolidated financial statements of the Group starting from January 31st 2012 and, in consequence, the Group's 2012 results are not fully comparable with the results for 2013 and 2011.

Purchase and consolidation of Telewizja Polsat Group

On April 20th 2011, the Company acquired all shares in Telewizja Polsat for PLN 3,898.9m (the price included fair value measurement of the consideration paid on April 20th 2011, which reduced the cost of Telewizja Polsat shares held by the Company by PLN 148.9m) (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Telewizja Polsat"). The shares were paid up by way of contractual set-off of Company's claims for cash contribution for Series H shares acquired as part of the exercise of rights under subscription warrants against the sellers' claims for payment of the price (see "Share capital and Shares—General—Changes in the share capital in the period covered by the historical financial information"), and with funds from the Senior Facilities Agreement and the Bridge Facility Agreement), both executed on March 31st 2011. On May 20th 2011 CP Finance, a subsidiary of Cyfrowy Polsat, issued Senior Secured Notes, and the proceeds from the issue were applied to acquire intra-Group notes issued by Cyfrowy Polsat. The funding thus raised by Cyfrowy Polsat was used to repay its debts under the Bridge Facility Agreement (see "Business overview of Polsat Group—Material agreements—Financing agreements").

We have incurred significant interest expense on the debt financing. In addition, our financial results in 2011-2013 were also impacted by the euro-to-zloty exchange rate fluctuations, affecting the amount of interest paid on the EUR-denominated Senior Notes.

On September 29th 2012, June 28th 2013 and September 10th 2013 we made early repayments of a portion of the Term Facility Loan, totalling PLN 400m, thus markedly reducing the overall debt of Polsat Group. The early payment of a portion of our liabilities reduced both the principal and the accruing interest.

Following the acquisition of Telewizja Polsat, the results of Telewizja Polsat Group are consolidated in the financial statements of the Group starting from April 20th 2011. As a consequence , the 2012 financial results of the Group are not fully comparable with the results for 2011.

Trends and significant events subsequent to the reporting date

Trends

The main trends which the Management Board believes to be likely to have a material impact on Cyfrowy Polsat's prospects before the end of the current financial year include:

- development of the pay TV market (growing interest in OTT services);
- development of digital terrestrial TV (and its programming);

- development of the broadband Internet access market (growing demand for data transmission and high-speed broadband connectivity, faster growth rate in mobile services vs. cable broadband Internet access);

- growing number of users of mobile devices (including laptops, smartphones and tablets);

- growing sales of Internet-enabled TV sets;

- bundling of television and telecommunications services;

- revival on the TV advertising market;

- further fragmentation of the television market (growing share of thematic channels in audience and advertising revenue); and

- growing spending on video advertising on the Internet.

Considering the market context, the Management Board's expectations outlined above carry a high level of uncertainty.

No significant trends in the production, sales, inventories, or distribution and selling prices were identified after December 31st 2013.

Significant events subsequent to the reporting date

In connection with the Investment Agreements (see "Business overview of Polsat Group—Material agreements—The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem"), on January 16th and 24th 2014 the Extraordinary General Meeting passed the Issue Resolutions: the Conditional Share Capital Increase Resolution and the Warrant Issue Resolution. Pursuant to the Conditional Share Capital Increase Resolution, the Company's share capital was conditionally increased by up to PLN 11,647,727.20 through the issue of up to 291,193,180 New Shares, that is up to 47,260,690 Series I Shares and up to 243,932,490 Series J Shares. Only the persons who subscribe for Warrants issued under the Warrant Issue Resolution will be entitled to subscribe for the New Shares. Each Warrant will carry the right to subscribe for one New Share. Pursuant to the Warrant Issue Resolution, 47,260,690 Series I Warrants will be offered to the EBRD, while 243,932,490 Series J Warrants will be offered to entities other than the EBRD that are Metelem shareholders at the time the Series J Warrants are offered (see the description of the Issue Resolutions in "Admission of securities to trading—Key information on New Shares.") The application for registration of the conditional share capital increase was filed with the registry court on January 29th 2014. During the registration proceedings, the qualified auditor issued an unqualified opinion on the audit of the Management Board's report on the non-cash contribution made as payment for the New Shares. The conditional share capital increase approved by way of the Issue Resolutions was entered in the register of entrepreneurs of the National Court Register on April 2nd 2014.

In accordance with the Issue Resolutions, offering Warrants to eligible persons is subject to prior passing of the resolution on dividend (cf. description of the Issue Resolutions presented in "Admission of securities to trading—Overview of New Shares"). On April 2nd 2014, the Management Board announced the convening, for April 29th 2014, of the Annual General Meeting, whose agenda includes adoption of a resolution to allocate PLN 102,859,516.76 of the Company's profit earned in 2013 to dividend payment.

In connection with the refinancing of debt under Senior Facilities Agreement and Senior Notes (see "Transaction—Refinancing" and "Business overview of Polsat Group—Material agreements—Financing agreements") contracted to finance the Company's acquisition of all shares in Telewizja Polsat (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Telewizja Polsat"), whereby the advanced loans may be used to repay debt under PIK PLK Notes (see "Overview of Metelem Group—Metelem Group financing agreements—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders") and to finance acquisition and other liabilities, on April 11th 2014 the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media executed the New Senior Facilities Agreement with a syndicate of Polish and foreign banks (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities

Agreement of April 11th 2014 between the Group companies and bank syndicate"). Under the New Senior Facilities Agreement, a New Term Facility Loan of up to PLN 2,500m and a multi-currency New Revolving Facility Loan of up to the equivalent of PLN 500m are to be advanced. Concurrently with the New Senior Facilities Agreement, an intercreditor agreement whose parties included the facility agents, the Company and its related parties was executed on April 11th 2014. The purpose of the agreement was to determine seniority of claims under the New Senior Facilities Agreement (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Intercreditor Agreement of April 11th 2014 between the Group companies and bank syndicate"). In connection with the Refinancing, claims under these financing agreements will be secured on assets of the Company and its subsidiaries (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Security"). The Company expects that the repayment of its existing debt under the Senior Facilities Agreement and Senior Notes to satisfy the conditions precedent of the Transaction, which include the condition to secure Refinancing, will be made on or about May 8th 2014 (see "Transaction—Refinancing").

In connection with the refinancing of debt under the Senior Notes, the Company executed currency forward transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna Oddział w Polsce; following execution of the last transaction on April 17th 2014, the total amount of the transactions was EUR 383m (PLN 1,607.8m). The transactions are to be settled on May 6th 2014 at the average PLN/EUR exchange rate of 4.1979.

Discussion of the key items of the consolidated income statement

For the purposes of the discussion of our operating results, below are defined and presented the key items of the consolidated income statement included in the Polsat Group Consolidated Financial Statements.

Revenue

Our Revenue comes from (i) subscription fees paid by residential customers, (ii) advertising and sponsorship, (iii) cable and satellite operator fees, (iv) sale of equipment and (v) other sources.

Revenue from residential subscriptions. Our revenue from residential subscriptions includes primarily (i) monthly subscription fees paid by subscribers to pay TV services, (ii) charges for lease of set-top boxes, (iii) activation fees, (iv) contractual penalties for early contract cancellation, in the amount expected to be received, (v) monthly fees and other revenue from Internet and mobile telephony subscribers, and (vi) fees for additional services, such as nVoD. Total revenue from subscription fees for pay TV services depends on the number of subscribers and the programme package rates. Activation fees are charged in advance and accounted for over the term of the contract. In addition, this revenue category includes non-advertising revenue of the IPLA companies, consolidated since April 2nd 2012, mainly from IPLA subscriptions and IPLA's pay-per-view services.

Advertising and sponsorship revenue. The major part of our advertising and sponsorship revenue comprises the Telewizja Polsat Group's revenue (99%), which since September 2013 has included Polskie Media's revenue, with the balance represented by revenue from sale of the Group's marketing and advertising services and advertising revenue of the IPLA companies, consolidated since Q2 2012. Commercials broadcast on our channels are sold on the basis of price lists with rates reflecting the time slot and duration of the advertising spot, or on the basis of gross rating points (GRP). GRP denotes the number of viewers watching a broadcast of an advertising spot. Unlike audience share, which represents the number of viewers watching a programme at a given time expressed as a percentage of the total number of TV viewers, GRP is calculated as a percentage share in the target group. Our price lists are defined and published monthly. The price list (card) rates are typically higher than the GRP-based prices, since advertisers can choose specific commercial breaks which they believe to best suit their marketing objectives. Advertising spots based on GRPs are scheduled according to airtime availability, after appropriate time is reserved for advertisements purchased on the basis of the price list, and the advertisers pay only for the actual number of GRPs delivered in relevant commercial breaks.

Revenue from cable and satellite operator fees. Our revenue from cable and satellite operator fees includes chiefly revenue generated by Telewizja Polsat Group on fees charged to DTH operators and cable network operators for broadcasting our paid channels.

Revenue from sale of equipment. The revenue from sale of equipment includes mainly revenue from sale of Internet modems, tablets, laptops, routers, set-top boxes and accessories to our subscribers at the time of execution of a contract for the provision of TV programme, broadband Internet access and mobile telephony services. The prices depend on the model of the device, the tariff for the broadband access and telecommunications services purchased by the subscriber, and the contract term.

Other revenue. Our other revenue includes primarily: (i) revenue from sale of broadcasting and signal transmission services; (ii) revenue from lease of premises and equipment; (iii) revenue from sale of licences, sublicences and property rights; (iv) revenue from call centre services, and (v) other revenue items.

Operating costs

Our operating costs comprise:

- *programming costs*, including monthly licence fees to TV channel suppliers and fees to organisations for collective copyright management and the Polish Film Institute;

- *distribution, marketing, customer relation management and retention costs*, including (i) distributor commission fees, representing amounts payable or paid to the distributors and − through the intermediation of the distributors − to the authorised points of sale they cooperate with, as consideration for securing digital pay TV, broadband Internet access or mobile telephony contracts, and (ii) costs of courier services, transport of the reception equipment and the costs associated with the services of our regional representatives. Marketing costs include spending on advertising on TV, radio, press, and the Internet, the cost of promotional activities and materials as well as other expenses incurred to increase sales and improve brand recognition. Customer relation management and retention costs comprise the cost of mailing and call centre services as well as other customer service costs;

- *costs of internal and external TV production and amortisation of sports broadcasting rights*, including costs of internal TV production and of TV programmes produced specifically for us by third parties either on the basis of third-party or our own licences. The costs also include amortisation of rights to broadcast sports events. The amount of amortisation charges on programming assets depends on the estimated number of broadcasts of a given programme and the type of programming content. Broadcasting rights are amortised either on a one-off basis at the time of the first broadcast, or with the straight-line method over the games season or series;

- *amortisation and depreciation, disposals and impairment*, including chiefly depreciation of set-top boxes and modems provided to the subscribers, depreciation of technical equipment and machinery, television and broadcasting equipment and telecommunications equipment used in connection with our mobile telephony services, amortisation of intangible assets, as well as impairment losses on non-current assets and net value of property, plant and equipment and intangible assets no longer fit for use and therefore disposed of;

- *salaries and employee-related costs*, including cost of salaries and employee benefits under employment contracts (excluding salaries of employees engaged in the production of reception equipment, which are a part of the cost of reception equipment, and salaries and benefits of employees engaged in TV production activities, included in the cost of internal TV production), managerial contracts and temporary employment contracts as well as the cost of remuneration of the Supervisory Board members, social security insurance and other employee benefits;

- *signal transmission costs*, comprising the total of: (i) cost of transponder capacity rental; (ii) fees for the conditional access system, calculated by reference to the number of active cards; (iii) cost of TV broadcasting (analogue and digital terrestrial broadcasting); (iv) costs related to DVB-T broadcasting, and (v) other signal transmission costs;

- *amortisation charges on film licences*, including amortisation of rights to third-party produced TV programming content for which we have obtained licences. The amount of amortisation charges depends on the estimated number of broadcasts of a given programme and the type of programming content;

- *cost of equipment sold*, including chiefly cost of Internet modems, routers, tablets, laptops, set-top boxes and accessories sold to our customers;

- *mobile traffic and interconnect fees*, including costs related to the provision of Internet services – cost of data transmission services, as well as costs involved in the provision of MVNO services – cost of national and international roaming and interconnect fees (depending on the traffic, SMS and MMS volumes);

- *costs of debt collection, recognition of impairment losses on receivables and receivables written off*; and

- *other costs*, including (i) cost of infrastructure lease and network maintenance; (ii) cost of SMART and SIM cards provided to subscribers; (iii) cost of IT services; (iv) cost of property maintenance; (v) cost of warranty maintenance services; (vi) cost of legal, advisory and consulting services; (vii) taxes and charges; (viii) cost of sold licences and other current assets; (ix) technical and production costs that cannot be directly allocated to production; and (x) other cost items.

Other operating income/(cost), net

Our other operating income/(cost), net comprises: (i) compensation for security deposits written off in respect of set-top boxes and for equipment damaged or lost by customers or distributors, (ii) recognition/reversal of inventories write-downs, and (iii) other income/expenses other than earned/incurred in the ordinary course of the Group's business.

Segment reporting

We have classified our operations by industry: based on identifiable operating areas as part of which services are provided and goods are supplied in a specific business environment. On this basis we have identified: (i) the residential business segment, and (ii) the TV broadcasting and production segment.

The segments' operations differ in terms of risks and returns.

The residential business segment comprises: (i) digital pay TV services, involving primarily direct distribution of technologically advanced pay TV services, which generates mainly subscription revenue; (ii) postpaid mobile telephony services, which generates revenue mainly from interconnect fees, mobile traffic and subscription fees; (iii) broadband Internet access, which generates revenues mainly from traffic and subscription fees; (iv) IPLA online TV services, available on computers, smartphones, tablets, SmartTV sets, video game consoles and TV sets, which generates income mainly from subscription fees and Internet advertising, and (v) set-top box production.

The TV broadcasting and production segment includes primarily production, purchase, and broadcasting of news and entertainment programmes as well as series and feature movies on TV channels in Poland. The main sources of the segment's revenue are broadcasting of advertisements, sponsorship, and charges paid by cable network and digital platform operators.

The table below contains financial highlights for the identified operating segments in the periods indicated.

	Residential business segment	TV broadcasting and production segment	Consolidation exclusions and adjustments	Total
Financial year ended December 31st 013		*(PLNm)*		
External sales	1,914.6	996.2	-	2,910.8
Inter-segment sales	26.1	98.1	(124.2)	-
Revenue	**1,940.7**	**1,094.3**	**(124.2)**	**2,910.8**
EBITDA* (unaudited)	**667.9**	**378.4**	**-**	**1,046.3**
Profit/(loss) from operating activities	**446.7**	**346.1**	**(2.9)**	**789.9**
Financial year ended December 31st 2012				
External sales	1,787.3	990.9	-	2,778.2
Inter-segment sales	16.4	99.0	(115.4)	-
Revenue	**1,803.7**	**1,089.9**	**(115.4)**	**2,778.2**
EBITDA* (unaudited)	**632.0**	**400.2**	**-**	**1,032.2**
Profit/(loss) from operating activities	**431.4**	**361.1**	**(3.4)**	**789.1**
Financial year ended December 31st 2011				
External sales	1,640.2	72.7	-	2,365.9
Inter-segment sales	2.3	69.2	(71.5)	-
Revenue	**1,642.5**	**794.9**	**(71.5)**	**2,365.9**
EBITDA* (unaudited)	**482.0**	**253.2**	**-**	**735.2**

Profit/(loss) from operating activities	**342.8**	**221.2**	**(3.7)**	**560.3**

** EBITDA is calculated as profit/(loss) from operating activities adjusted for depreciation and amortisation, disposals and impairment. Reconciliation of the net profit/loss and EBITDA for the period is presented in "Material information—Financial information and operating data—Reconciliation of Metelem Group's net profit for the period and EBITDA". EBITDA is not defined under IFRS and should not be considered as an alternative to the measures and categories consistent with IFRS. What is more, there is no single definition of EBITDA. The method of calculating EBITDA by other companies may materially differ from the method applied by the Company. Accordingly, the EBITDA presented is this section of the Prospectus is not a basis for comparison with EBITDA disclosed by other companies (see "Material information—Financial information and operating data— Financial information not based on IFRS").*
Source: Polsat Group Consolidated Financial Statements.

The respective shares of the residential segment and the TV broadcasting and advertising segment in our revenue (after consolidation exclusions and adjustments) were 66.7% and 37.6%, in 2013, 64.9% and 39.2% in 2012, and 69.4% and 33.6% in 2011.

The respective shares of the residential segment and the TV broadcasting and advertising segment in our EBITDA were 63.8% and 36.2% in 2013, 61.2% and 38.8% in 2012, and 65.6% and 34.4% in 2011.

Key performance indicators

Residential business segment

In analysing and assessing our residential business segment, we focus primarily on the number of residential subscribers, subscriber churn rate, and average revenue per user (ARPU). The following table presents key performance indicators in the reviewed periods; they are discussed in more detail below.

	Year ended December 31st		
	2013	2012	2011
Period-end number of subscribers, of which:	**3,535,045**	**3,566,144**	**3,551,671**
Familijny Package	2,685,422	2,761,248	2,785,016
Mini Package	849,623	804,896	766,655
Average number of subscribers[(1)], of which:	**3,536,754**	**3,537,603**	**3,488,784**
Familijny Package	2,716,510	2,763,276	2,734,951
Mini Package	820,244	774,327	753,834
Subscriber churn rate, of which:	**9.5%**	**8.6%**	**9.8%**
Familijny Package	9.6%	9.0%	10.6%
Mini Package	9.5%	7.1%	7.0%
Average revenue per user (ARPU) (PLN), of which:	**40.5**	**39.3**	**37.3**
Familijny Package (PLN)	48.9	46.6	44.2
Mini Package (PLN)	13.1	13.4	12.7

[(1)]Calculated as the sum of the average number of subscribers in each month of the period, divided by the number of months in the period; the average number of subscribers in a given month is calculated as an average of the number of subscribers at the first and the last day of that month.

Source: the Company (unaudited data).

Subscribers

A subscriber is defined as a person who has concluded an agreement with Cyfrowy Polsat for the provision of digital pay TV services, obliged to pay fees for access to a package or packages of television and radio programmes, or who uses these packages upon prior payment of a monthly fee, without concluding such an agreement. The number of our subscribers was 3,535,045 at December 31st 2013, remaining relatively stable in comparison with 3,566,144 at December 31st 2012 and 3,551,671 at December 31st 2011. Subscribers to our Familijny Package accounted for 76.0%, 77.4% and 78.4% of our subscriber base at December 31st 2013, 2012 and 2011, respectively.

Subscriber churn rate

The churn rate is calculated as the ratio of agreements terminated in a 12-month period to the average annualised number of agreements executed in the same period. The number of terminated agreements is reduced by the number of subscribers who entered into an agreement no later than by the end of the 12-month period and the number of subscribers who had more than one agreement and terminated one of them to subscribe for the Multiroom service. Our subscriber churn rate decreased by 0.3 pp from 9.8% in 2011 to 9.5% in 2013, of which the churn rate for the Familijny Package subscribers decreased by 1.0 pp, and the churn rate for the Mini Package subscribers increased by 2.5 pp. We believe that the relatively stable subscriber churn rate achieved in 2011-2013 was attributable primarily to our effective subscriber retention programmes and focus on customer satisfaction (see "Business overview of Polsat Group—Our core business—Residential segment—Sales and marketing, customer service and retention").

Average revenue per user (ARPU)

ARPU is defined as the average monthly net revenue per subscriber to our services, calculated as the quotient of the total net revenue generated by subscribers to our digital pay TV services in a given period and the average number of subscribers to whom we provided services in that period.

ARPU increased by 3.1% year on year, from PLN 39.3 in 2012 to PLN 40.5 in 2013. This increase was driven by subscribers migrating to higher programme packages and by increased revenue from additional services (such as Multiroom, PPV and online TV). ARPU of the Familijny Package increased by 4.9% year on year, from PLN 46.6 in 2012 to PLN 48.9 in 2013. ARPU of the Mini Package decreased by 2.2% year on year, from PLN 13.4 in 2012 to PLN 13.1 in 2013.

ARPU increased by 5.4% year on year, from PLN 37.3 in 2011 to PLN 39.3 in 2012. This increase was driven by an increase in subscribers with higher programme packages and by increased revenue from additional services (such as Multiroom, PPV and online TV). ARPU of the Familijny Package increased by 5.4% year on year, from PLN 44.2 in 2011 to PLN 46.6 in 2012. ARPU of the Mini Package increased by 5.5% year on year, from PLN 12.7 in 2011 to PLN 13.4 in 2012.

TV production and broadcasting segment

In analysing and assessing our TV broadcasting and production segment, we focus primarily on the audience share of individual channels, share of the TV advertising market, and broadcast coverage (technical reach). The following tables present key performance indicators in the reviewed periods; they are discussed in more detail below.

	Year ended December 31st		
	2013	2012	2011
		(%)	
Audience share(1) (2)**, of which:**	**21.14**	**20.54**	**20.80**
POLSAT (flagship channel)	**13.51**	**15.71**	**16.45**
Thematic channels(2)	**7.63**	**4.83**	**4.35**
Polsat2	1.82	1.49	1.45
Polsat News	0.81	0.74	0.66
Polsat Sport	0.79	0.67	0.65
Polsat Sport Extra	0.21	0.17	0.17
Polsat Sport News(3)	0.33	0.28	-
Polsat Film	0.53	0.42	0.39
Polsat JimJam*	0.33	0.38	0.30
Polsat Café	0.39	0.36	0.33
Polsat Play	0.57	0.39	0.33
Polsat Crime & Investigation Network(4)	0.11	0.12	-
Polsat Biznes(5)	0.06	0.02	0.02
Polsat Futbol(6)	-	0.01	0.03
Polsat Food(7)	0.09	-	-
Polsat Viasat Explorer(8)	0.06	-	-
Polsat Viasat History(8)	0.16	-	-
Polsat Viasat Nature(8)	0.02	-	-
Polsat Romans(9)	0.08	-	-
TV4 (10)	2.92	-	-
TV6 (10)	0.68	-	-
Share of advertising market(11)	**24.1**	**23.2**	**22.6**

(1) Audience share refers to a percentage of viewers watching a given channel at a given time, expressed as the percentage of all TV viewers at that time; our data is sourced from Nielsen Audience Measurement (NAM) for the "from 16 to 49 years old" demographics throughout the day; (2) In calculating the aggregate share of Polsat Group and thematic channels, we take into account the moment of addition of a given channel to our portfolio; (3) Monitored since November 2012; (4) Monitored since January 2012; (5) Broadcast under the name "TV Biznes" until February 2013; (6) Broadcast until end of May 2012; (7) Broadcast since November 2012; (8) Broadcast under the "Polsat" brand since March 2013; (9) Broadcast since September 2013; (10) Included in Polsat Group since September 2013; the data relates to full broadcasting periods presented in the table; (11) Share of the advertising market refers to the share of Telewizja Polsat Group's advertising and sponsorship revenue in total TV advertising revenue in Poland; the market data is sourced from Starlink.
** The broadcaster is Polsat JimJam Ltd., non-Group entity under joint control, in which the Issuer indirectly holds 50% shares with 50% voting rights at the general meeting of Polsat JimJam Ltd.*
Source: the Company.

Polsat Group channel; broadcast coverage (technical reach)[1]	Year ended December 31st		
	2013	2012	2011
	(%)		
Polsat	98.8	98.5	97.5
Polsat2	63.0	58.0	55.8
Polsat Biznes[2]	54.5	52.4	49.9
Polsat News	54.4	49.7	46.3
Polsat Café	53.3	48.7	45.8
Polsat Sport	49.4	44.0	42.4
Polsat Play	43.1	39.0	36.6
Polsat JimJam*	39.7	37.4	35.4
Polsat Film	48.1	37.3	34.4
Polsat Sport News[3]	78	43.4	19.4
Polsat Sport Extra[4]	34.0	30.7	30.0
Polsat Crime & Investigation Network[5]	35.3	31.2	10.2
Polsat Futbol[6]	-	15.0	15.2
Polsat Sport HD[7]	-	5.7	3.6
Polsat Food[8]	20.8	19.3	-
Polsat Viasat Explorer[9]	22.2	10.1	-
Polsat Viasat History[9]	31.5	17.6	-
Polsat Viasat Nature[10]	19.2	9.8	-
Polsat Romans[11]	24.7	-	-
TV4[12]	97.0	-	-
TV6[12]	81.6	-	-

[1] Broadcast coverage (technical reach) is the share of TV households which are able to watch a given channel, equal to arithmetic mean of monthly coverages; our data is sourced from Nielsen Audience Measurement (NAM); [2] Broadcast under the name "TV Biznes" until February 2013; [3] Data since June 2011 (not monitored earlier); [4] Since June 2012, combined coverage with Polsat Sport Extra HD (new channel); [5] Polsat Crime & Investigation Network has been broadcast since November 2011 as a joint project of Telewizja Polsat and A+E Networks UK (earlier data refers to the coverage prior to launching a joint project with Telewizja Polsat); [6] Data until May 2012 (channel closed); [7] Data from February 2011 (not monitored earlier) to June 2012 (prior to aligning the schedule with Polsat Sport); [8] Broadcast since November 2012;[9] Joint projects of Telewizja Polsat and Viasat Broadcasting, broadcast since March 2013 (earlier data refers to the coverage prior to launching a joint project with Telewizja Polsat); [10] Joint project of Telewizja Polsat and Viasat Broadcasting, broadcast since March 2013 (earlier data refers to the coverage prior to launching a joint project with Telewizja Polsat); the channel was not broadcast in the first 7 months of 2012; [11] Broadcast since September 2013; [12] Included in Polsat Group since September 2013; the data relates to full broadcasting periods presented in the table.
** The broadcaster is Polsat JimJam Ltd., non-Group entity under joint control, in which the Issuer indirectly holds 50% shares with 50% voting rights at the general meeting of Polsat JimJam Ltd.*
Source: the Company.

Audience share

Audience shares of our channels remained relatively stable in 2011-2013. A decline in the audience share of our flagship channel (POLSAT) from 16.45% in 2011 to 13.51% in 2013, which was due to on-going TV market fragmentation, was more than offset by the increased audience share of our thematic channels and by the acquisition and launch of new channels (the audience share of our thematic channels increased from 4.35% in 2011 to 7.63% in 2013).

Share in advertising market

Our share of the advertising market increased steadily over the period 2011-2013 (from 22.6% in 2011 to 24.1% in 2013). This increase was mainly caused by improved viewer profile, which was achieved by expanding the distribution of our channels to the customers of Poland's largest digital platforms, which increased the advertising revenue generated by those channels. Increased share of the advertising market in the reviewed periods was also attributable to the 2013 acquisition of Polskie Media S.A., the broadcaster of TV4 and TV6 channels (see "—Significant events in 2011-2013 with an effect on our operations, results, and comparability of financial information in the period—Business acquisitions and disposals—Acquisition and consolidation of Polskie Media").

Technical reach (Broadcast Coverage Area)

The coverage (technical reach) of our channels is closely related to the distribution method. In the case of terrestrial channel distribution (currently in the DVB-T technology, previously via analogue TV), the coverage was closely linked to the roll-out of the DVB-T technology in Poland, which was launched in 2012 and completed in 2013. This applies to POLSAT, Polsat Sport News, TV4 and TV6 channels, respectively. The Group's other channels are distributed over cable and satellite networks under relevant agreements with a number of pay TV operators in Poland. Increased coverage of those channels resulted mainly from the signing of new such agreements, usually with cable TV operators.

Results of operation

Financial highlights from the consolidated income statement

The following table presents financial highlights from the consolidated income statements included in the Polsat Group Consolidated Financial Statements in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Revenue	**2,910.8**	**2,778.2**	**2,365.9**
Operating costs	(2,157.7)	(1,971.7)	(1,799.6)
Other operating income/(cost), net	36.8	(17.4)	(6.0)
Profit from operating activities	**789.9**	**789.2**	**560.3**
Gain/loss on investment activities, net	16.0	14.4	(15.0)
Finance costs	(216.0)	(110.8)	(355.4)
Share in profit of jointly-controlled equity-accounted entity	2.9	2.9	2.2
Gross profit for the period	**592.8**	**695.6**	**192.1**
Income tax	(67.4)	(97.3)	(31.9)
Net profit for the period	**525.4**	**598.3**	**160.2**
Net profit attributable to owners of the parent	525.4	598.3	160.2

Source: Polsat Group Consolidated Financial Statements.

Year ended December 31st 2013 compared with year ended December 31st 2012, and year ended December 31st 2012 compared with year ended December 31st 2011

Revenue

The following table presents our Revenue in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Revenue from residential subscriptions	1,831.7	1,734.8	1,594.9
Advertising and sponsorship revenue	869.9	852.6	634.2
Revenue from cable and satellite operator fees	97.3	93.6	61.1
Revenue from sale of equipment	41.7	18.8	16.5
Other revenue	70.2	78.4	59.2
Total	**2,910.8**	**2,778.2**	**2,365.9**

Source: Polsat Group Consolidated Financial Statements.

Revenue increased by PLN 132.6m (or 4.8%) year on year, from PLN 2,778.2m in 2012 to PLN 2,910.8m in 2013. This increase was attributable primarily to the factors discussed below in the presentation of the key items of our Revenue.

Revenue increased by PLN 412.3m (or 17.4%) year on year, from PLN 2,365.9m in 2011 to PLN 2,778.2m in 2012. This increase was due primarily to the fact that in 2012 Telewizja Polsat Group's financial results were consolidated for the full twelve months (while in 2011 they were consolidated from April 20th), to consolidation of the entities acquired in 2012, and to the factors discussed below in the presentation of the key items of our Revenue. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, our Revenue increased by PLN 146.0m (or 8.9%) year on year, from PLN 1,642.5m in 2011 to PLN 1,788.5m in 2012.

Revenue from residential subscriptions

Revenue from residential subscriptions increased by PLN 96.9m (or 5.6%) year on year, from PLN 1,734.8m in 2012 to PLN 1,831.7m in 2013. This increase was mainly caused by higher subscription fees from subscribers to our pay TV services, recognition of revenue from online TV services (no such revenue was reported in the comparative period), and higher revenue from telecommunications services and traffic. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on our revenue from residential subscriptions in the reviewed periods.

Revenue from residential subscriptions increased by PLN 139.9m (or 8.8%) year on year, from PLN 1,594.9m in 2011 to PLN 1,734.8m in 2012. This increase was mostly due to higher revenue from subscription fees for pay satellite TV services (attributable to improved ARPU and higher year-on-year average number of subscribers) and improved revenue from telecommunications services. Consolidation of Telewizja Polsat Group's financial data had no effect on the amount of revenue from residential subscriptions.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 17.3m (or 2.0%) year on year, from PLN 852.6m in 2012 to PLN 869.9m in 2013. Net of the effect of consolidation of the entities acquired in 2012 and of Polskie Media S.A., advertising and sponsorship revenue decreased by PLN 25.3m (or 3.0%) year on year, from PLN 837.6m in 2012 to PLN 812.3m in 2013. This decrease resulted mainly from reduced advertising revenue of Telewizja Polsat Group.

Advertising and sponsorship revenue increased by PLN 218.4m (or 34.4%) year on year, from PLN 634.2m in 2011 to PLN 852.6m in 2012. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, advertising and sponsorship revenue decreased by PLN 1.0m (or 23.3%) year on year, from PLN 4.3m in 2011 to PLN 3.3m in 2012.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees increased by PLN 3.7m (or 4.0%) year on year, from PLN 93.6m in 2012 to PLN 97.3m in 2013. This increase was attributable primarily to higher revenue from fees charged for the broadcasting of our channels following the expansion of their distribution. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on our revenue from cable and satellite operator fees in the reviewed periods.

Revenue from cable and satellite operator fees increased by PLN 32.5m (or 53.2%) year on year, from PLN 61.1m in 2011 to PLN 93.6m in 2012. The increase was due primarily to the fact that in 2012 Telewizja Polsat Group's financial results were consolidated for the full twelve months (while in 2011 they were consolidated from April 20th). Another driver of the growth in revenue from cable and satellite operator fees was the expansion of distribution of Telewizja Polsat channels following the launch of the "n" platform in May 2012.

Revenue from sale of equipment

Revenue from sale of equipment increased by PLN 22.9m (or 121.8%) year on year, from PLN 18.8m in 2012 to PLN 41.7m in 2013. This increase resulted primarily from lower revenue from sale of DVB-T reception equipment for our Mobile TV service and a growth in revenue from sale of laptop computers and tablets following the launch of instalment sales. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on revenue from sale of equipment in the reviewed periods.

Revenue from sale of equipment increased by PLN 2.3m (or 13.9%) year on year, from PLN 16.5m 2011 to PLN 18.8m in 2012. The increase was attributable to a number of factors, notably: (i) sales of DVB-T reception equipment for our Mobile TV service, (ii) change in the presentation of revenue and costs of Cyfrowy Polsat Technology (CPT) relating to sales of components for the own production of set-top boxes and modems to third parties (as of 2012, the revenue and costs are presented on a net basis and sales are made on a margin-free basis, while in 2011 the revenue and costs were presented separately and sales were made on a margin basis until the end of the second quarter of 2011), and (iii) lower revenue from sale of DTH dishes.

Other revenue

Other revenue decreased by PLN 8.2m (or 10.5%) year on year, from PLN 78.4m in 2012 to PLN 70.2m in 2013. This decrease was primarily due to consolidation of Polskie Media S.A., whose revenue from sales of broadcasting and signal transmission services was recognised in the comparative reporting period.

Other revenue increased by PLN 19.2m (or 32.4%) year on year, from PLN 59.2m in 2011 to PLN 78.4m in 2012. Net of the effect of consolidation of Telewizja Polsat Group's figures (mainly revenue from sale of broadcasting and signal transmission services and sale of licences, sub-licences and property rights) and of the companies acquired in 2012, other revenue increased by PLN 6.0m (or 22.6%) year on year, from PLN 26.6m in 2011 to PLN 32.6m in 2012, mainly due to improved revenue from sale of broadcasting and signal transmission services.

Operating costs

The following table presents our operating costs in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Programming costs	407.8	360.3	414.7
Distribution, marketing, customer relation management and retention costs**	332.0	312.7	312.0
Costs of internal and external TV production and amortisation of sports broadcasting rights	385.2	351.5	270.6
Amortisation and depreciation, disposals and impairment	256.4	243.1	174.9
Salaries and employee-related costs	178.6	178.4	148.8
Signal transmission costs	153.3	149.7	114.7
Amortisation charges on film licences	134.0	112.1	93.2
Cost of equipment sold	63.9	36.2	33.5
Mobile traffic and interconnect fees *	77.9	44.1	25.4
Costs of debt collection, recognition of impairment losses on receivables and receivables written off **	28.2	27.5	74.3
Other costs*	140.4	156.1	137.5
Total operating costs, by type of expense	**2,157.7**	**1,971.7**	**1,799.6**

** As of the first quarter of 2012, mobile traffic and interconnect fees are presented separately (previously those costs were presented under other expenses). To ensure comparability, the 2011 presentation was adjusted accordingly.*
*** As of the first half of 2012, costs of debt collection (previously recognised under distribution, marketing, customer relation management and retention costs) and recognition of impairment losses on receivables and receivables written off (previously recognised under other expenses) are combined in a separate item presented under operating costs. To ensure comparability, the 2011 presentation was adjusted accordingly.*

Source: Polsat Group Consolidated Financial Statements.

Our operating costs increased by PLN 186.0m (or 9.4%) year on year, from PLN 1,971.7m in 2012 to PLN 2,157.7m in 2013. This increase was attributable mainly to the factors discussed below in the presentation of the key items of operating costs.

Our operating costs increased by PLN 172.1m (or 9.6%) year on year, from PLN 1,779.6m on 2011 to PLN 1,971.7m in 2012. This increase was due primarily to the fact that in 2012 Telewizja Polsat Group's financial results were consolidated for the full twelve months (while in 2011 they were consolidated from April 20th), to consolidation of the entities acquired in 2012, and to the factors discussed below in the presentation of the key items of operating costs. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, our operating costs increased by PLN 28.2m (or 2.2%) year on year, from PLN 1,295.0m in 2011 to PLN 1,323.2m in 2012.

Programming costs

Programming costs increased by PLN 47.5m (or 13.2%) year on year, from PLN 360.3m in 2012 to PLN 407.8m in 2013. Net of the effect of consolidation of the entities acquired in 2012 and of Polskie Media S.A., programming costs increased by PLN 71.1m (or 19.6%) year on year, from PLN 362.9m in 2012 to PLN 434.0m in 2013. The increase was attributable to a number of factors, notably: (i) exchange rate fluctuations resulting in a decrease of cost, (ii) other factors, including those related to increased royalties paid by Telewizja Polsat to copyright collectives in connection with agreements signed with those organisations for one-off reduction of those costs in 2012, and (iii) increased cost of DTH licence related to addition of new channels to new programme packages, with a view to building strong ARPU in the future.

Programming costs decreased by PLN 54.4m (or 13.1%) year on year, from PLN 414.7m in 2011 to PLN 360.3m in 2012. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, programming costs decreased by PLN 9.4m (or 2.2%) year on year, from PLN 434.5m in 2011 to PLN 425.1m in 2012. This decrease was attributable mainly to better content acquisition rates negotiated in 2012 compared with 2011, which was partially offset by foreign exchange losses and higher average number of subscribers based on which licensing fees are calculated.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 19.3m (or 6.2%) year on year, from PLN 312.7m in 2012 to PLN 332.0m in 2013. This increase was caused primarily by higher cost of distribution of DVB-T reception equipment for our Mobile TV service (distribution was launched in 2012 and continued on a large scale until the end of July 2013), and by more effective retention programmes. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on those costs.

Distribution, marketing, customer relation management and retention costs remained relatively stable, at PLN 312.7m in 2012 and PLN 312.0m in 2011. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, distribution, marketing, customer relation management and retention costs increased by PLN 5.2m (or 1.7%) year on year, from PLN 307.2m in 2011 to PLN 312.4m in 2012.

Costs of internal and external TV production and amortisation of sports broadcasting rights

Costs of internal and external TV production and amortisation of sports broadcasting rights increased by PLN 33.7m (or 9.6%), from PLN 351.5m in 2012 to PLN 385.2m in 2013. This increase resulted primarily from higher costs of internal TV production for the flagship POLSAT channel, mainly due to introduction of new programmes and higher cost of sports broadcasting rights.

Costs of internal and external TV production and amortisation of sports broadcasting rights increased by PLN 80.9m (or 29.9%) year on year, from PLN 270.6m in 2011 to PLN 351.5m in 2012. The increase was due primarily to the fact that in 2012 Telewizja Polsat Group's financial results were consolidated for the full twelve months (while in 2011 they were consolidated from April 20th).

Amortisation and depreciation, disposals and impairment

Amortisation and depreciation, disposals and impairment increased by PLN 13.3m (or 5.5%) year on year, from 243.1m in 2012 to PLN 256.4m in 2013. The increase was driven by a sharp rise in the number of set-top boxes, modems, set-top box hard drives and routers provided to subscribers (recognised as property, plant and equipment), as well as lower impairment of set-top boxes.

Amortisation and depreciation, disposals and impairment increased by PLN 68.2m (or 39.0%) year on year, from PLN 174.9m in 2011 to PLN 243.1m in 2012. The increase was driven by a sharp rise in the number of set-top boxes, modems, set-top box hard drives and routers provided to subscribers (recognised as property, plant and equipment), as well as lower impairment of set-top boxes.

Salaries and employee-related costs

The following table presents components of salaries and other employee-related costs in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Salaries and wages	152.9	151.9	128.6
Social security	20.1	19.7	14.5
Other employee-related costs	5.6	6.8	5.7
Total	**178.6**	**178.4**	**148.8**

Source: Polsat Group Consolidated Financial Statements.

Salaries and other employee-related costs remained relatively stable in 2013 compared with 2012, at PLN 178.6m and PLN 178.4m, respectively.

Salaries and other employee-related costs increased by PLN 29.6m (or 19.9%) year on year, from PLN 148.8m in 2011 to PLN 178.4m in 2012. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, salaries and other employee-related costs increased by PLN 3.0m (or 3.0%) year on year, from PLN 99.8m in 2011 to PLN 102.8m in 2012, which was mainly caused by higher average employment in Polsat Group in 2012 compared with 2011 (for more information about average headcount in Polsat Group in 2011-2012, see Note 11 to Polsat Group 2012 Consolidated Financial Statements).

Signal transmission costs

Signal transmission costs increased by PLN 3.6m (or 2.4%) year on year, from PLN 149.7m in 2012 to PLN 153.3m in 2013. Net of the effect of consolidation of the entities acquired in 2012 and of Polskie Media S.A., signal transmission costs decreased by PLN 10.8m (or 7.6%) year on year, from PLN 140.9m in 2012 to PLN 130.1m in 2013. This result was mainly caused by lower costs of analogue terrestrial broadcasting and higher costs of terrestrial digital signal transmission.

Signal transmission costs increased by PLN 35.0m (or 30.5%) year on year, from PLN 114.7m in 2011 to PLN 149.7m in 2012. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, signal transmission costs increased by PLN 5.1m (or 5.8%) year on year, from PLN 86.7m in 2011 to PLN 91.8m in 2012, which resulted mainly from foreign exchange losses and the cost of lease of additional transponder capacities from Eutelsat S.A. (see "Business overview of Polsat Group—Material agreements—Transponder capacity lease agreements").

Amortisation charges on film licences

Amortisation charges on film licences increased by PLN 21.9m (or 19.5%) year on year, from PLN 112.1m in 2012 to PLN 134.0m in 2013. This increase was attributable mainly to higher cost of films broadcast on the flagship POLSAT channel.

Amortisation charges on film licences increased by PLN 18.9m (or 20.3%) year on year, from PLN 93.2m in 2011 to PLN 112.1m in 2012. The increase was due primarily to the fact that in 2012 Telewizja Polsat Group's financial results were consolidated for the full twelve months (while in 2011 they were consolidated from April 20th).

Cost of equipment sold

Cost of equipment sold increased by PLN 27.7m (or 76.5%) year on year, from PLN 36.2m in 2012 to PLN 63.9m in 2013. The increase resulted chiefly from higher cost of sale of DVB-T reception equipment for our Mobile TV service, laptops, tablets and set-top boxes, following a major increase in their sales volume. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any impact on those costs.

Cost of equipment sold increased by PLN 2.7m (or 8.1%) year on year, from PLN 33.5m in 2011 to PLN 36.2m in 2012. The increase was attributable to a number of factors, notably: (i) recognition of the cost of sale of DVB-T reception equipment for our Mobile TV service, laptop computers and tablets in 2012 (no such items were recognised in the comparative period), (ii) lower cost of sales of hard drives for set-top boxes, due to the fact that in 2012 hard drives were usually provided to subscribers, (iii) change in the presentation of CPT's revenue and costs related to sale of components for the own production of set-top boxes and modems to third parties (as of 2012, revenue and costs are presented on a net basis), (iv) lower revenue from sale of DTH dishes, and (v) lower unit cost of modems sold.

Mobile traffic and interconnect fees

Mobile traffic and interconnect fees increased by PLN 33.8m (or 76.6%), from PLN 44.1m in 2012 to PLN 77.9m in 2013. The increase was mainly caused by a dynamic growth in the number of subscribers and higher average usage of data packages under our broadband service. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on those costs in the reviewed periods.

Mobile traffic and interconnect fees increased by PLN 18.7m (or 73.8%), from PLN 25.4m in 2011 to PLN 44.1m in 2012. The increase was mainly attributable to the growth in the number of subscribers to our broadband Internet access service and higher average usage of data packages. Consolidation of Telewizja Polsat Group and of the entities acquired in 2012 did not have any material impact on those costs in the reviewed periods.

Costs of debt collection, recognition of impairment losses on receivables and receivables written off

Costs of debt collection, recognition of impairment losses on receivables and receivables written off increased by PLN 0.7m (or 2.5%) year on year, from PLN 27.5m in 2012 to PLN 28.2m in 2013. Consolidation of the entities acquired in 2012 and of Polskie Media S.A. did not have any material impact on those costs in the reviewed periods.

Costs of debt collection, recognition of impairment losses on receivables and receivables written off decreased by PLN 46.8m (or 63.0%) year on year, from PLN 74.3m in 2011 to PLN 27.5m in 2012. The decrease was mainly caused by lower impairment losses and receivables written off. Consolidation of the entities acquired in 2012 did not have any material impact on those costs in the reviewed periods.

Other costs

Other costs decreased by PLN 15.7m (or 10.0%) year on year, from PLN 156.1m in 2012 to PLN 140.4m in 2013. Net of the effect of consolidation of the entities acquired in 2012 and of Polskie Media S.A., other costs decreased by PLN 4.4m (or 3.1%) year on year, from PLN 144.1m in 2012 to PLN 139.7m in 2013.

Other costs increased by PLN 18.6m (or 13.5%) year on year, from PLN 137.5m in 2011 to PLN 156.1m in 2012. Net of the effect of consolidation of Telewizja Polsat Group and the entities acquired in 2012, other costs decreased by PLN 11.8m (or 12.1%) year on year, from PLN 97.5m in 2011 to PLN 85.7m in 2012. The decrease was due primarily to lower costs of legal, advisory and consulting services, property maintenance costs and costs of SMART and SIM cards provided to subscribers.

Other operating income/(cost), net

In 2013, net other income amounted to PLN 36.8m, while in 2012 net other expenses amounted to PLN (17.4)m. A year-on-year increase in other income vs. other expenses in 2013 on 2012 was mainly caused by the recognition of one-off gain on disposal of RS TV (see "—Significant events in 2011-2013 with an effect on our operations, results, and comparability of financial information in the period—Business acquisitions and disposals—Disposal of subsidiary RS TV S.A" above).

Net other expenses amounted to PLN (17.4)m in 2012, compared with PLN (6.0)m in 2011. A year-on-year increase in other expenses vs. other income in 2012 on 2011 was attributable mainly to the recognition of write-downs of equipment (set-top boxes, modems, disks, etc.) as well as materials used in the production of SD set-top boxes.

Gain/loss on investment activities, net

The following table presents our gain/loss on investment activities, net in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Interest income	10.5	18.0	10.7
Other interest expense	(2.8)	(5.1)	(1.2)
Gains or losses on currency options:	-	-	(3.1)
Valuation of currency options (not subject to hedge accounting)	-	-	*0.6*
Exercise of currency options	-	-	*(3.7)*
Other net foreign exchange differences	8.4	1.0	(18.6)
Other gains and losses on investing activities	0.5	0.8	0.0
Other finance costs	(0.6)	(0.3)	(2.8)
Total	**16.0**	**14.4**	**(15.0)**

Source: Polsat Group Consolidated Financial Statements.

Gains and losses on investing activities increased by PLN 1.6m (or 11.1%) year on year, from PLN 14.4m in 2012 to PLN 16.0m in 2013. This increase was mainly due to a net effect of lower interest income and higher other foreign exchange gains in 2013 compared with 2012.

Gains and losses on investing activities increased by PLN 29.4m year on year, from PLN (15.0)m in 2011 to PLN 14.4m in 2012. This increase was mainly due to a net effect of higher interest income in 2012 and recognition of other foreign exchange gains in 2012 (while in 2011 other foreign exchange losses were recognised).

Finance costs

The following table presents our finance costs in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Interest on borrowings (credit facilities and loans)	64.5	109.8	116.3
Exercise of hedging instruments (IRS)	10.1	1.1	0.7
Interest on bonds issued	109.1	108.9	70.6
Effect of valuation of hedging instruments on the amount of interest on bonds issued	0.5	1.7	(1.1)
Exercise of hedging instruments (CIRS)	7.7	(3.4)	(4.2)
Foreign exchange differences on the valuation of bonds issued	20.1	(112.1)	169.4
Bank guarantees, charges and commissions	4.0	4.8*	3.7*
Total	**216.0**	**110.8**	**355.4**

** This amount includes costs related to bank guarantees, charges and commissions reported in 2012 and 2011 under separate items.*
Source: Polsat Group Consolidated Financial Statements.

Finance costs increased by PLN 105.2m (or 94.9%) year on year, from PLN 110.8m in 2012 to PLN 216.0m in 2013. The increase was attributable to a number of factors, mainly a foreign exchange loss on valuation of Senior Notes recognised in 2013 vs. a foreign exchange gain reported under this item in 2012, partially offset by lower interest on a credit facility extended under the Senior Facilities Agreement (see "Business overview of Polsat Group—Material agreements—Financing agreements—Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate, as amended"), which resulted from lower nominal amount of the credit facility in accordance with the repayment plan, early repayment of PLN 200.0m in August 2012, and two early repayments made in 2013 in the total amount of PLN 200.0m, as well as lower interest rate (lower WIBOR and bank margin, in accordance with the margin reduction mechanism linked to the reduction of the net debt/EBITDA ratio).

Finance costs decreased by PLN 244.6m (or 68.8%) year on year, from PLN 355.4m in 2011 to PLN 110.8m in 2012. The increase was attributable to a number of factors, notably: (i) a foreign exchange loss on valuation of Senior Notes recognised in 2011 vs. a foreign exchange gain reported under this item in 2012, and (ii) higher interest expense on Senior Notes, which was due to the fact that in 2012 interest expense was accrued for the full twelve months, while in 2011 interest expense was accrued only from May 20th 2011.

Gross profit for the period

As a result of the above factors, our gross profit for the period decreased by PLN 102.8m (or 14.8%) year on year, from PLN 695.6m in 2102 to PLN 592.8m in 2013.

As a result of the above factors, our gross profit for the period was increased PLN 503.5m (or 262.1%) year on year, from PLN 192.1m in 2011 to PLN 695.6m in 2102.

Income tax

Income tax decreased by PLN 29.9m (or 30.7%) year on year, from PLN 97.3m in 2012 to PLN 67.4m in 2013.

Income tax increased by PLN 65.4m (or 205.0%) year on year, from PLN 31.9m in 2011 to PLN 97.3m in 2012. This increase was mainly caused by a substantial rise in profit before tax reported in 2012 compared with 2011.

Net profit for the period

Due to the reasons discussed above, our net profit decreased by PLN 72.9m (or 12.2%) year on year, from PLN 598.3m in 2012 to PLN 525.4m in 2013.

Due to the reasons discussed above, our net profit increased by PLN 438.1m (or 273.5%) year on year, from PLN 160.2m in 2011 to PLN 598.3m in 2012.

Liquidity and capital resources

Our key liquidity needs are related primarily to the financing of our day-to-day operations, development of our services, debt servicing, and implementation of investment strategy within the Group's current area of activity. We believe that our cash balance at the Prospectus date, cash flows from operating activities, and funds available under the Revolving Facility Loan (see "Business overview of Polsat Group—Material agreements—Financing agreements—The Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate") should be sufficient to meet our future needs related to the financing of our day-to-day operations. However, our ability to generate cash flows from operating activities will depend on our future operating results, which in turn depend, to a large extent, on the general economic situation, market competition and other factors, many of which are outside our control.

In the period covered by the Polsat Group Consolidated Financial Statements and as at the Prospectus date, our credit needs were related chiefly to the acquisition of Telewizja Polsat (for a description of the financing agreements executed in connection with acquisition by the Company of all shares in Telewizja Polsat, see Business overview of Polsat Group—Material agreements—Financing agreements") and the need to secure refinancing for repayment of debt under Senior Facilities Agreement and Senior Notes, which is one of the conditions of closing the Transaction (see "Transaction—Refinancing" and "Business overview of Polsat Group—Material agreements—Refinancing agreements"). At the Prospectus date, we predict that our future credit needs will be connected primarily with the refinancing of financial instruments acquired as part of the Transaction.

Our primary objective is to secure cost-effective access to diversified financing sources, including bank facilities and loans. Until 2011, we had mainly used cash from operating activities and borrowings in the form of bank facilities to secure the financing of our operations and planned acquisitions. In 2011, we decided to use an additional source of financing, in the form of issuance of Senior Notes. Given that the debt under Senior Facilities Agreement and Senior Notes is to be refinanced to satisfy the conditions precedent for the Transaction (see "Transaction—Refinancing"), the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat media entered into a New Senior Facilities Agreement with a syndicate of Polish and foreign banks on April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements").

In 2013, 2012 and 2011 we recognised net cash from operating activities of PLN 802.7m, PLN 781.4m, and PLN 347.1m, respectively. At December 31st 2013, cash at bank and in hand was PLN 342.3m, compared with PLN 270.3m at December 31st 2012 and PLN 277.5m at December 31st 2011.

Our current and non-current liabilities under borrowings and notes decreased by PLN 365.8m (15.6%), from PLN 2,281.4m at December 31st 2012 to PLN 1,924.6m, at December 31st 2013. The decrease was attributable to a voluntary prepayment of PLN 200.0m made in 2013, and scheduled repayments of principal under the Term Facility Loan. The value of current and non-current liabilities under borrowings and notes decreased by PLN 446.4m (16.4%), from PLN 2,281.4m at December 31st 2012 to PLN 2,727.8m at December 31st 2011. The change was mainly attributable to a voluntary prepayment of PLN 200.0m made in 2012, and scheduled repayments under the Term Facility Loan.

The table below presents selected financial ratios of the Group at the dates given.

	At December 31st		
	2013	2012	2011
		(%)	
Equity to assets ratio [1]	52.9	44.4	35.4
Total debt ratio[2]	47.1	55.6	64.6
Long-term debt ratio[3]	56.7	82.1	131.0
Short-term debt ratio[4]	32.5	43.2	51.1
Debt to equity ratio[5]	89.1	125.3	182.1

(1) Equity to assets ratio – equity to total assets, expressed in percentage terms.
(2) Total debt ratio – total liabilities to total assets, expressed in percentage terms.
(3) Long-term debt ratio – total non-current liabilities to total equity, expressed in percentage terms.
(4) Short-term debt ratio – total current liabilities to total equity, expressed in percentage terms.
(3) Debt to equity ratio – total liabilities to total equity, expressed in percentage terms.
Source: the Company (unaudited data).

Although most of our cash assets are denominated in PLN, we also have cash items denominated in other currencies, whose value depends primarily on the amount of our planned payments made in foreign currencies, mainly in USD and EUR. In particular, payments made in foreign currencies are related to licence fees paid to broadcasters, signal transmission, operation of the conditional access system, purchase of set-top boxes, related accessories and components used in their production, liabilities arising from agreements with international film studios and sports federations, relating to programme licences and broadcasting rights, as well as the servicing of debt related to the issue of Senior Notes. Following redemption of Senior Notes (see "Transaction—Refinancing") and in connection with the multi-currency New Revolving Facility Loan (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the payments required to service principal and interest payments under the New Revolving Facility Loan may be denominated in the euro, dollar or other currency provided for in the New Senior Facilities Agreement.

Our financial condition and liquidity depend and will continue to depend on a number of factors, such as: (i) our ability to generate cash flows from operating activities; (ii) the level of our debt and its interest rate, which determines the level of our finance expenses; (iii) the prevailing interest rates, which determine our debt servicing needs; (iv) our ability to secure additional debt financing at banks and on the Polish and international capital markets; (v) the number of take-overs and acquisitions of other entities; and (vi) needs related to capital expenditure and development projects.

We are not subject to any limitations as to the use of our capital resources which had or could have any direct or indirect significant effect on our operations.

The following table presents information about the Group's financing structure at December 31st 2013.

	At December 31st 2013	
	(PLNm)	*(% of equity and liabilities)**
Total equity	3,001.2	52.9
Total non-current liabilities	1,700.2	29.9
Total current liabilities	974.8	17.2
Total equity and liabilities	**5,676.2**	**100.0**

*Source: Polsat Group Consolidated Financial Statements; *the Company (unaudited data).*

The planned acquisition of 100% shares of Metelem, an indirect holder of 100% of Polkomtel shares, with the capitalisation of PLN 6.15bn, will be financed by way of an issue of no more than 291,193,180 New Shares at the planned issue price of PLN 21.12 per share (see "Transaction" and "Business overview of Polsat Group—Material agreements—The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem").

For information on our key expected future capital needs see "—Capital expenditures" below. Risks associated with external financing sources are described in "Risk factors—Risks related to our business and the sector in which we operate".

Cash flows

The following table summarises net cash flows from operating, investing and financing activities in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Net cash from operating activities	802.7	781.4	347.1
Net cash from investing activities	(133.8)	(133.4)	(2,426.8)
Net cash from financing activities	(596.5)	(653.4)	2.327.4
Net change in cash and cash equivalents	**72.4**	**(5.4)**	**247.7**

Source: Polsat Group Consolidated Financial Statements.

Cash flows from operating activities

The following table presents cash flows from operating activities in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Net profit	**525.4**	**598.3**	**160.2**
Adjustments:	**334.3**	**244.9**	**210.7**
Amortisation and depreciation, disposals and impairment	256.4	243.1	174.9
Payments on account of film licences and sports broadcasting rights	(222.5)	(177.9)	(177.2)
Amortisation charges on film licences and sports broadcasting rights	220.4	194.5	169.5
Profit/loss on disposal of property, plant and equipment and intangible assets	(35.8)	(0.1)	1.2
Value of programming assets sold	6.4	9.2	3.7
Interest paid	183.8	205.2	171.8
Change in inventories	14.8	16.2	(3.4)
Change in receivables and other assets	60.9	(106.8)	(63.7)
Change in payables, provisions and deferred income	(104.9)	67.9	(59.0)
Change in own production and payments on account of own production	6.5	2.1	6.5
Valuation of hedging instruments	14.4	(31.3)	5.9
Share of the profit of jointly-controlled entity accounted for using the equity method	(2.9)	(2.9)	(2.2)
Exchange rate (gains)/losses, net	16.3	(111.1)	170.4
Set-off of income tax receivable against VAT liabilities	-	-	6.3
Income tax	67.4	97.3	31.9
Net increase in the value of reception equipment under operating lease	(158.8)	(164.0)	(229.4)
Other adjustments	11.9	3.5	3.5
Cash from operating activities	**859.7**	**843.2**	**370.9**
Income tax	(67.4)	(78.7)	(34.2)
Interest received from operating activities	10.4	16.9	10.4
Net cash from operating activities	**802.7**	**781.4**	**347.1**

Source: Polsat Group Consolidated Financial Statements.

In 2013, 2012 and 2011 we recognised net cash from operating activities of PLN 802.7m, PLN 781.4m, and PLN 347.1m, respectively.

In 2013, net cash flows from operating activities totalled PLN 802.7m, mainly on the back of net profit of PLN 525.4m, adjusted for a number of factors, including in particular: (i) amortisation, depreciation, impairment and disposal; (ii) payments for film licences and sport broadcasting rights; (iii) amortisation of film licences and sport broadcasting rights; (iv) interest; (v) higher net value of reception equipment under operating lease; (vi) change in liabilities, provisions and deferred income; (vii) income tax, and (viii) change in receivables and other assets.

In 2012, net cash flows from operating activities totalled PLN 781.4m, mainly on the back of net profit of PLN 598.3m, adjusted for a number of factors, including in particular: (i) amortisation, depreciation, impairment and disposal; (ii) interest; (iii) amortisation of film licences and sport broadcasting rights; (iv) payments for film licences and sport broadcasting rights; (v) higher net value of reception equipment under operating lease; (vi) net foreign exchange gains; (vii) change in receivables and other assets; (viii) income tax, and (ix) change in liabilities, provisions and deferred income.

In 2011, net cash flows from operating activities totalled PLN 347.1m, mainly on the back of net profit of PLN 160.2m, adjusted for a number of factors, including in particular: (i) higher net value of reception equipment under operating lease; (ii) payments for film licences and sport broadcasting rights; (iii) amortisation, depreciation and impairment losses; (iv) interest; (v) net foreign exchange losses; (vi) amortisation of film licences and sport broadcasting rights; (vi) change in receivables and other assets, and (viii) change in liabilities, provisions and deferred income.

Cash flows from investing activities

The following table presents cash flows from investing activities in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Acquisition of property, plant and equipment	(60.8)	(54.9)	(39.3)
Acquisition of intangible assets	(62.0)	(36.2)	(26.4)
Acquisition of shares in subsidiaries, net of cash acquired	(64.3)	(45.7)	(2,336.7)
Disposal of a subsidiary	48.7	-	-
Cash received on disposal of non-financial non-current assets	2.1	0.7	1.0
Acquisition of bonds/notes	-	-	(14.7)
Payment on account of shares	-	-	(12.0)
Loans advanced	-	(1.1)	-
Repayment of loans advanced	-	1.1	-
Payment of interest on loans	-	-	0.0
Dividend received	2.5	2.7	1.3
Net cash from investing activities	**(133.8)**	**(133.4)**	**(2,426.8)**

Source: Polsat Group Consolidated Financial Statements.

In 2013, 2012 and 2011 we recognised the outflow of net cash from investing activities of PLN 133.8m, PLN 133.4m, and PLN 2,426.8m, respectively.

The value of cash used in investing activities remained relatively stable in 2013 compared with 2012 (PLN 133.8m and PLN 133.4m, respectively). An increase in cash outflows on acquisition of property, plant and equipment (up PLN 5.9m), acquisition of intangible assets (up PLN 25.8m), and acquisition of shares in subsidiaries, net of cash acquired (up PLN 18.6m) was offset, to a large extent, with cash received on the disposal of 100% shares of RS TV S.A. (PLN 48.7m).

The value of cash used in investing activities decreased by PLN 2,293.4m (or by 94.5%) to PLN 133.4m in 2012 from PLN 2,426.8m in 2011. This decrease resulted mainly from the 2011 cash outflows on the acquisition of 100% shares of Telewizja Polsat, and, to a lesser extent, the acquisition of bonds issued by NFI Magna Polonia S.A. and an advance payment for shares of Info-TV-FM. The decrease was slightly offset by an increase in cash outflows on the acquisition of property, plant and equipment and intangible assets (PLN 15.6m and PLN 9.8m, respectively).

Cash flows from financing activities

The following table presents cash flows from financing activities in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
		(PLNm)	
Change in overdraft facility	-	-	(18.1)
Term facility loans incurred	-	-	2,800.0
Issue of Senior Notes	-	-	1,372.2
Inflows from the exercise of currency options	-	-	2.5
Repayment of borrowings (credit facilities and loans)	(431.1)	(453.3)	(1,538.8)
Repayment of finance lease liabilities	(0.3)	(0.4)	(0.5)
Payment of interest on borrowings (credit facilities and loans), bonds/notes, cash pool, finance lease, and commissions paid**	(165.1)	(199.6)*	(289.9)*
Other outflows	-	(0.1)	-
Net cash from financing activities	**(596.5)**	**(653.4)**	**2.327.4**

**Includes payment of interest on cash pool and borrowings (credit facilities and loans), bonds/notes, finance lease, and commissions paid, presented in 2012 and 2011 under separate items.*
*** Including IRS/CIRS instruments.*
Source: Polsat Group Consolidated Financial Statements.

In 2013 and 2012, we recognised net cash outflows on financing activities of PLN 596.5m and PLN 653.4m, respectively, and in 2011 we recognised net cash inflows from financing activities of PLN 2,327.4m.

Negative net cash flows from financing activities in 2013 were attributable mainly to overdue prepayments of a part of the Term Loan Facility (PLN 200.0m), scheduled repayment of the principal and interest under the Term Loan Facility, and repayment of a credit facility of Polskie Media S.A. acquired in 2013.

Negative net cash flows from financing activities in 2012 were attributable mainly to voluntary prepayment and scheduled repayments of the principal under the Term Loan Facility, as well as repayment of a credit facility taken over upon the acquisition of the IPLA companies, in the aggregate amount of PLN 453.3m, repayment of interest on borrowings (credit facilities and loans), bonds/notes and finance leases, as well as commissions paid, in the total amount of PLN 199.6m.

Positive net cash flows from financing activities in 2011 included mainly inflows from the Term Loan Facility and the Bridge Facility (PLN 2,800.0m) and inflows from the issue of Senior Notes (PLN 1,372.2m), partially offset by the repayment of debt under the Bridge Facility (PLN 1,538.8m), repayment of interest on borrowings (credit facilities and loans), bonds/notes and finance leases, commissions paid (PLN 289.9m), as well as repayment of overdraft facility (PLN 18.1m).

Indebtedness

Financial indebtedness

Our main external financing source are bank facilities (including overdraft facilities); in 2011, we also issued Senior Notes. Our bank facilities agreements and terms of the notes contain many general obligations and financial covenants, including the obligation to maintain specified levels of certain ratios for the debt monitoring purposes. The significant financing agreements are described in more detail in "Business overview of Polsat Group—Material agreements—Financing agreements".

To execute the Transaction, a number of conditions precedent stipulated in the Investment Agreements must be satisfied, including (but not limited to) the condition to secure refinancing for the repayment of the Company's debts under the Facilities Agreement and Senior Notes Indenture (see "Transaction—Refinancing"). To refinance debt under the agreements specified above, on April 11th 2014 the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media entered into a New Senior Facilities Agreement with a syndicate of Polish and foreign banks (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"). Under the New Senior Facilities Agreement, a New Term Facility Loan of up to PLN 2,500m and a multi-currency New Revolving Facility Loan of up to the equivalent of PLN 500m are to be advanced. The Company expects that the repayment of the existing debts to meet the conditions precedent for closing the Transaction, which include the condition to secure the Refinancing, will be made on or about May 8th 2014.

The following table presents information on our current and non-current liabilities under credit facilities and Senior Notes at the dates indicated.

	At December 31st 2013*
	(PLNm)
Borrowings	
Current liabilities	246.0
Non-current liabilities	239.9
Senior Notes	
Current liabilities	98.7
Non-current liabilities	1,340.0

** In connection with the execution of the agreement of April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the Company expects that the repayment of the existing debts under the Senior Facilities Agreement and Senior Notes will be made on or about May 8th 2014.*
Source: Polsat Group Consolidated Financial Statements.

The following table presents our net debt (calculated as liabilities under credit facilities/ loans and notes issued, net of cash and cash equivalents) and the financial leverage ratio (calculated as net debt to equity ratio and net debt ratio), at the dates indicated.

	At December 31st		
	2013	2012	2011
	(PLNm)		
Borrowings (credit facilities and loans)*	485.9	867.6	1,205.2
Notes payable*	1,438.7	1,413.8	1,522.6
Cash and cash equivalents	(342.3)	(270.3)	(277.5)
Net debt	**1,582.3**	**2,011.0**	**2,450.3**
Equity	3,001.2	2,468.4	1,896.0
Equity and net debt	**4,583.5**	**4,479.4**	**4,346.3**
Financial leverage	**0.35**	**0.45**	**0.56**

** In connection with the execution of the agreement of April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the Company expects that the repayment of the existing debts under the Senior Facilities Agreement and Senior Notes will be made on or about May 8th 2014.*
Source: Polsat Group Consolidated Financial Statements.

Contractual obligations

The following table presents our main contractual obligations (future cash flows) at December 31st 2013.

	Total	Less than 1 year	1 to 5 years	More than 5 years
	(PLNm)			
Borrowings (credit facilities and loans)*	545.7	262.9	282.8	-
Senior Notes payable*	1,916.9	103.4	1,813.5	-
Total contractual obligations	**2,462.6**	**366.3**	**2,096.3**	**-**

** In connection with the execution of the agreement of April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the Company expects that the repayment of the existing debts under the Senior Facilities Agreement and Senior Notes will be made on or about May 8th 2014.*
Source: the Company (unaudited data).

Capital expenditures

Capital expenditures are defined as outlays on the acquisition of shares, property, plant and equipment and intangible assets.

Our capital expenditures in the two months ended February 28th 2014 were PLN 23.8m, and PLN 187.1m, PLN 136.8m and PLN 2,414.4m in 2013, 2012 and 2013, respectively.

Acquisition of shares

In 2013, Telewizja Polsat acquired all shares of Polskie Media S.A. The total expenditure, net of cash acquired, was PLN 64.3m (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Polskie Media S.A.").

In 2012, the Company acquired shares in the IPLA companies (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of the IPLA companies") and in Info-TV-FM (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Info-TV-FM"). The total expenditure on the acquisitions, net of cash acquired, was PLN 45.7m.

In 2011, the Company purchased all shares of Telewizja Polsat (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Telewizja Polsat"). The total expenditure on the acquisition, net of cash acquired, was PLN 2,336.7m. In addition, in 2011 the Company paid an advance of PLN 12.0m for the acquisition of shares in Info-TV-FM.

Acquisition of property, plant and equipment and intangible assets

Our main capital expenditures in the two months ended February 28th 2014 and in 2011-2013 were related chiefly to the extension of the TV infrastructure and a system for building new broadcasting channels; extension of a support system for maintenance, debt collection, and sales activities; maintenance and extension of IT infrastructure and systems; design, construction and installation works in our real properties; and design and production of set-top boxes.

The table below presents capital expenditure incurred on specific types of investment in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
	(PLNm)			
TV production and broadcasting	5.5	39.0	26.0	13.5
Distribution, logistics, customer service and retention	8.5	25.5	29.3	17.7
IT systems and infrastructure	3.4	23.5	10.0	7.7
Modernisation of real properties	2.4	14.8	10.5	4.3
Design and production of set-top boxes	0.3	4.8	2.7	5.4
Other projects	3.7	15.3	12.7	17.1
Total	**23.8**	**122.9**	**91.2**	**65.7**

Source: the Company (unaudited data).

All those investments were located in Poland.

Apart from the acquisition of Telewizja Polsat in 2011, in the two months ended February 28th 2014 and in the period covered by the Polsat Group Consolidated Financial Statements, our investments were financed with funds generated in the course of our principal business activities. The acquisition of Telewizja Polsat shares was financed with funds obtained by the Company under the Senior Facilities Agreement and the Bridge Facility Agreement of March 31st 2011 (see "Business overview of Polsat Group – Material agreements – Financing agreements")

Planned investments

Capital expenditures of the Polsat Group planned in the 2014 budget include expenditures on property, plant and equipment and intangible assets and account for 3-5% of the Group's estimated revenue.

The table below presents the estimated structure of the Group's planned expenditures in 2014.

	Year ended December 31st
	2014
	(%)
TV production and broadcasting	20
Distribution, logistics, customer service and retention	35
IT systems and infrastructure	10
Modernisation of real properties	10
Other projects	25
Total	**100**

Source: the Company (unaudited data).

All those investments are located in Poland.

Our future capital expenditures, including the above investments, will be financed with funds generated in the course of our core operating activities.

Apart from liabilities related to the acquisition of Metelem, at the Prospectus date the Management Board had assumed no significant and binding obligations relating to our future capital expenditure. For more information on the Metelem acquisition, see "Transaction" and "Business overview of Polsat Group – Material agreements – The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem" .

Qualitative and quantitative information on financial risks

In the course of our activities, we are exposed to a number of financial risks, including: (i) credit risk, (ii) liquidity risk, and (iii) market risk, which involves (a) currency risk and (b) interest rate risk. Any of those risks may potentially affect our business, financial condition and performance.

The Management Board is responsible for the supervision and management of individual risk types to which Polsat Group is exposed. Therefore, the Management Board has adopted general risk management principles and the policy applying to credit risks, liquidity risks and market risks, with a view to minimising certain adverse impacts on Polsat Group's financial performance.

Credit risk

Credit risk is understood as the risk of default of Polsat Group's trading partners on their respective contractual obligations, which would result in financial losses on our part. We are exposed to credit risks in connection with: (i) creditworthiness of our partners in sale transactions; (ii) credit rating of the financial institutions (banks/brokers) – parties to our hedging transactions; and (iii) creditworthiness of our investees or entities whose securities we have acquired.

Our credit risks are related mainly to trade receivables. Cyfrowy Polsat has an extensive base of residential subscribers spread all over the country, who are subject to the sales model based primarily on prepaid services. Receivables from subscribers are monitored on an on-going basis; in cases of default, we take debt collection measures, which include signal disconnection and interruption of mobile telephony or broadband Internet access services. As part of their activities, Telewizja Polsat and its subsidiaries provide services on a deferred payment basis, which involves the risk of delayed payment by trading partners. The assessment of creditworthiness of our partners is performed on a regular basis and, as a rule, no security on property is required in respect of financial assets.

Considering the diversification of risks both in terms of the type of business partners and their geographical location, high credit ratings of the financial institutions, and the fair value of liabilities arising from derivative instruments, the Group is not exposed to any significant risks related to its transactions in derivatives.

The following table presents maximum credit risk exposures at December 31st 2013.

	At December 31st 2013
	(PLNm)
Loans advanced to third parties	0.1
Trade and other receivables from third parties	356.9
Trade and other receivables from related parties	12.9
Cash and cash equivalents	342.3
Total	**712.2**

Source: Polsat Group Consolidated Financial Statements.

The following table presents concentration of credit risk for receivables at December 31st 2013.

	At December 31st 2013
	(PLNm)
Receivables from subscribers	174.4
Receivables from media companies	139.4
Receivables from cable and satellite operators	15.5
Receivables from distributors	2.6
Receivables from related parties	12.9
Receivables from and loans advanced to third parties	25.2
Total	**370.0**

Source: Polsat Group Consolidated Financial Statements.

The following table presents the aging of trade receivables at December 31st 2013.

	At December 31st 2013		
	Gross value	Impairment	Net value
		(PLNm)	
Current receivables	330.7	3.6	327.1
Receivables overdue up to 30 days	18.9	1.1	17.8
Receivables overdue from 31 to 60 days	6.1	1.2	4.9
Receivables overdue more than 60 days	48.2	28.0	20.2
Total	**403.9**	**33.9**	**370.0**

Source: Polsat Group Consolidated Financial Statements.

According to our assessment, the quality of non-overdue receivables which are not written down is very good. Those receivables for which impairment losses are recognised include both current and overdue receivables, which are assessed as partially non-recoverable. As a rule, a valuation allowance for receivables is recognised in respect of receivables overdue more than 60 days or in respect of those trade receivables for which an impairment loss should be recognised earlier.

For more information on credit risk exposures, see the Polsat Group Consolidated Financial Statements.

Liquidity risk

In terms of liquidity, our overriding rule is to maintain a sufficient level of cash necessary to service our current liabilities. Any surplus is usually deposited with banks. We prepare regular liquidity analyses and forecasts based on our cash flows.

The following table presents the contractual maturities of financial liabilities (which will be settled on a net basis) of Polsat Group, based on the time remaining until maturity, at the dates given.

	At December 31st 2013						
	Carrying amount	Cash flows from contracts	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
				(PLNm)			
Borrowings (credit facilities and loans)	485.9	545.7	94.0	168.9	282.8	-	-
Senior Notes*	1,438.7	1,916.9	51.7	51.7	103.4	1,710.1	-
Finance lease liabilities	0.5	0.5	0.1	0.1	0.2	-	-
Trade and other payables to other entities and security deposits	190.6	190.6	190.6	-	-	-	-
Trade and other payables to related parties	4.6	4.6	4.6	-	-	-	-
Accrued expenses	136.0	136.0	136.0	-	-	-	-
IRS**	8.0	8.8	5.1	3.0	0.8	-	-
CIRS	4.0						
– inflows		(51.7)	(51.7)	-	-	-	-
– outflows		56.2	56.2	-	-	-	-
Total:	**2,268.3**	**2,807.6**	**486.6**	**223.7**	**387.2**	**1,710.1**	**-**

** In connection with the execution of the agreement of April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the Company expects that the repayment of the existing debts under the Senior Facilities Agreement and Senior Notes will be made on or about May 8th 2014.*
***Cash flows in net amount, as per relevant contracts*
Source: Polsat Group Consolidated Financial Statements.

For more information on liquidity risk exposures, see the Polsat Group Consolidated Financial Statements.

Market risk

We have adopted an integrated and consistent approach to market risk management. As our main market risk management technique, we apply hedging based on derivatives. We also use internal instruments for natural reduction of risk exposures (natural hedging).

The purpose of risk management is to (i) reduce gross profit/loss fluctuations; (ii) increase the feasibility of successful implementation of budget assumptions; (iii) maintain good financial condition; and (iv) support the strategic decision-making process relating to investment activities, having regard to the available sources of capital.

Currency risk

One of the key risks to which we are exposed is the currency risk associated with foreign exchange rate fluctuations between PLN and foreign currencies. Revenues generated by Polsat Group are denominated mostly in PLN; however, a part of the Group's costs and capital expenditure are incurred in foreign currencies. Currency risks are related primarily to licence fees paid to TV broadcasters (denominated in USD and EUR), satellite capacity lease agreements (denominated in EUR), payments related to the conditional access system (denominated in EUR), and purchases of reception equipment and related accessories (denominated in EUR and USD). Since 2011, the Group has been exposed to higher currency risks due to the new source of financing (Senior Notes) denominated in EUR and earmarked for the acquisition of shares of Telewizja Polsat. After the above acquisition, our currency risk exposures are related also to the purchase of foreign programming licences (denominated in USD). Following redemption of Senior Notes (see "Transaction—Refinancing") we may be exposed to currency risk in relation to the multi-currency New Revolving Facility Loan (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), since movements in the exchange rate of the euro, dollar or any other currency provided for in the New Senior Facilities Agreement against the złoty may increase the złoty-denominated amounts required to service principal and interest payments under the New Revolving Facility Loan.

Currency risk exposures related to licence agreements and satellite capacity lease agreements are partially hedged by applying natural exposure reduction measures: our receivables from signal broadcasting services and marketing services are also denominated in foreign currencies. At December 31st 2013, we had no assets held for trading denominated in foreign currencies.

The following table presents Polsat Group's currency risk exposures based on amounts denominated in EUR and in USD at December 31st 2013.

	At December 31 2013	
	EUR	USD
	(PLNm)	
Trade receivables	2.7	1.1
Cash and cash equivalents	16.0	1.3
Senior Notes*	(346.9)	-
Trade payables	(3.4)	(11.7)
Gross exposure	**(331.6)**	**(9.3)**
CIRS	12.4	-
Net exposure	**(319.2)**	**(9.3)**

** Following execution of the agreement of April 11th 2014 (see "Business overview of Polsat Group—Material agreements—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate"), the Company expects that the repayment of the existing debts under the Senior Facilities Agreement and Senior Notes Indenture will be made on or about May 8th 2014.*

Source: Polsat Group Consolidated Financial Statements.

The analysis of sensitivity to foreign exchange rate fluctuations and additional information on currency risk exposures are presented in the Polsat Group Consolidated Financial Statements.

Interest rate risk

Market interest rate fluctuations do not impact our revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and overnight deposits, and also cash flows from financing activities through the Group's costs of debt servicing.

We analyse our interest rate risks on an on-going basis, including the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result.

To reduce the exposure to interest rate risks resulting from the payment of interest at variable rates, the Company entered into IRS transactions (see Note 29 to the Polsat Group Consolidated Financial Statements for 2013).

The following table presents the interest rate risk profile for financial instruments with specified interest rates at the date given.

	At December 31st 2013
	(PLNm)
Fixed rate instruments	
Financial assets	-
Financial liabilities*	(1,452.0)
Variable rate instruments (sensitive to interest rate fluctuations)	
Financial assets	342.0
Financial liabilities*	(517.1)
Net exposure	**(175.1)**

** Nominal debt*
Source: Polsat Group Consolidated Financial Statements.

Interest rate risk is also related to the servicing of debt under the New Senior Facilities Agreement, whereby the New Term Facility Loan bears interest at a variable rate based on WIBOR for relevant interest periods. The New Revolving Facility Loan bears interest at a variable rate based on WIBOR, EURIBOR or LIBOR for relevant interest periods, depending on the currency in which the loan was contracted (PLN, EUR or other currency provided for in the New Senior Facilities Agreement, respectively).

The analysis of sensitivity of cash flows to variable rate instruments and additional information on interest rate risk exposures are presented in the Polsat Group Consolidated Financial Statements.

Significant accounting policies and basis of consolidation

Significant accounting policies and basis of consolidation applied in all periods presented in the Polsat Group Consolidated Financial Statements are presented in Note 6 to the Polsat Group Consolidated Financial Statements.

OPERATING AND FINANCIAL REVIEW OF METELEM GROUP

The following review of Metelem Group's operating and financial condition is primarily based on the Metelem Group Consolidated Financial Statements. This section should be read in conjunction with the Metelem Group Consolidated Financial Statements, including the accounting policies and notes forming part of those Consolidated Financial Statements, as well as other financial information contained elsewhere in this Prospectus. For a summary of significant accounting policies applied in all periods presented in the Metelem Group Consolidated Financial Statements, see "—Accounting policies and basis of consolidation" below.

Certain information presented in this section, including information on Metelem Group's capital expenditure described in "—Capital expenditure" below, and certain information presented elsewhere in this Prospectus, is not derived from the Metelem Group Consolidated Financial Statements and has not been audited or reviewed by a qualified auditor. Such information should not be treated as indicative of Metelem Group's historical or future results of operations, financial condition or growth prospects, nor be used to analyse Metelem Group's operations without taking into consideration the Metelem Group Consolidated Financial Statements (including the accounting policies and notes forming part of those Consolidated Financial Statements) and other financial information presented elsewhere in this Prospectus. This information is presented in this Prospectus as we consider it useful for assessing Metelem Group's operations.

This section contains certain forward looking statements. Such statements are made subject to certain risks and uncertainties, described in, inter alia, "Important information" and "Risk factors" sections.

At the Prospectus date, Metelem Group companies are not controlled by the Issuer, nor are they part of Polsat Group. The information on Metelem Group presented in this section is available to the Issuer's Management Board, and relies on public disclosures and data obtained by the Issuer from Metelem Group. As a result, regardless of due diligence applied by the Issuer's Management Board, information presented in this section may not be exhaustive.

Introduction

As disclosed in section "Transaction—Transaction overview", the Issuer intends to acquire Metelem Holding Company Limited ("**Metelem**"), a special-purpose vehicle organised under the laws of Cyprus, indirectly controlled by Mr Zygmunt Solorz-Żak, which in turn controls Polkomtel, operator of the Polish mobile telecommunications network "Plus".

Metelem Group was established to prepare and execute Polkomtel acquisition by Spartan Capital Holdings sp. z o.o. ("**Spartan**"), a special-purpose vehicle organised under the laws of Poland. In particular, on June 30th 2011 Spartan and the then shareholders of Polkomtel executed a preliminary conditional agreement for the purchase of Polkomtel shares, performed on November 9th 2011. In order to provide a portion of the funding to purchase Polkomtel shares, on June 30th 2011 the companies forming Metelem Group signed with a consortium of banks the Senior Facilities Agreement, the High Yield Bridge Facility Agreement and the Pay-in-Kind Bridge Facility Agreement. Subsequently, Eileme 2 and Eileme 1, respectively, issued PLK Senior Notes and PIK PLK Notes in January and February 2012; funds thus obtained were applied to repayment of the debt under the bridge facility agreements. In May 2012, Polkomtel was transformed into a limited liability company, and in February 2013 it was combined with Spartan, following the transfer of all Spartan assets to Polkomtel.

Both Metelem and Eileme Companies are holding companies and do not conduct business activities; in particular, they do not have any assets or liabilities other than the assets and liabilities closely related to Spartan's acquisition of Polkomtel and to the servicing of the debt incurred in connection with that transaction. Accordingly, if not indicated otherwise, the discussion below and the information presented in this section is about Polkomtel Group, which is the only entity in Metelem Group which conducts business activities other than in connection with Spartan's acquisition of Polkomtel.

Overview of Polkomtel's operations

Polkomtel is a leading Polish mobile telecommunications network operator, the second largest based on 2012 revenue among the mobile telecommunications network operators in Poland (UKE Report, June 28th 2013).

Polkomtel provides a wide range of mobile telecommunications services. Its offering includes retail services, comprising contract and prepaid voice services, SMS and MMS services, as well as mobile broadband services and data transmission services (including LTE technology), offered under the established umbrella Plus brand. Polkomtel also provides wholesale services to other mobile telecommunications network operators, including in interconnection, international and national roaming, and infrastructure sharing. Polkomtel's retail offering is addressed to residential and business customers, including corporate major 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. In addition, Polkomtel, in partnership with "Pątnów-Adamów-Konin" S.A. power plants, launched electricity sales to business customers in November 2013. Polkomtel also intends to enter the retail segment of the electricity market.

Polkomtel is Poland's third largest mobile telecommunications network operator in terms of reported subscribers. At December 31st 2013, Polkomtel reported 14.1 million subscribers, including 7.4 million contract subscribers (52.4% of the reported subscriber base) and 6.7 million prepaid subscribers (47.6% of the total).

Polkomtel is also among the leading players in all other retail segments of the Polish mobile telecommunications market which are of key significance for Polkomtel's operations. The following table presents an overview of Polkomtel's market positions and market shares in selected segments of the Polish mobile telecommunications market in May 2013

	May 2013	
Market segment	Market Share (%)	Market position
Business contract segment	30.9	1
Corporate major accounts	46.0	1
Small and medium enterprises	33.2	1
SOHO	27.6	2
Residential contract segment (voice)	29.8	2
Mix	49.5	1
Residential prepaid segment (voice)	23.1	3

Source: IQS report.

Key factors affecting Metelem Group's results of operations and significant market trends

We believe that the following factors and market trends have significantly affected Metelem Group's results of operations for the period under review, and we expect that such factors and trends may continue to significantly impact Metelem Group's results of operations in the future.

Economic environment in Poland

Metelem Group's revenue growth depends on the overall condition of the Polish economy. In the past, Metelem Group's financial results were affected by a number of factors, including GDP growth, inflation, interest rates, foreign exchange rates, unemployment rates, household disposable income, and the rate of corporate insolvencies. We expect that macroeconomic factors, including those specified above, will continue to affect Metelem Group's future financial results. During the global economic downturn in 2008-2013, the Polish economy was the only European Union economy that continued to grow, with the lowest growth rate reported for in 2013. We believe that average consumer spending, including spending on telecommunications services, will generally grow in line with overall GDP growth in Poland. Nonetheless, prospects for GDP growth in Poland are uncertain and strongly dependent, inter alia, on the global economic environment. For example, Poland's GDP growth in 2013 was primarily driven by growth of exports, which in turn depends on economic growth in other countries.

General regulatory environment

As a mobile telecommunications network operator operating in Poland, Polkomtel is subject to legal regulations, both Polish and EU, which affect operating and financial results of Metelem Group (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access") .

An important and active role in ensuring the observance of telecommunications laws and regulations by entities operating in the telecommunications market in Poland is played by the regulators of the Polish telecommunications market, including in particular the President of the Office of Electronic Communications (UKE) (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—Supervision of the telecommunications market"). The President of UKE has a number of regulatory and supervisory powers, including with respect to provision of electronic communications services and managing radio frequency and orbital slot resources. The President of UKE also has the power to determine mobile termination rates (MTR) between operators in the wholesale market (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—MTR (Mobile Termination Rates)").

MTR imposed between operators directly impacts revenue from fees for call termination in Polkomtel's network, and it represents a major wholesale revenue stream for Polkomtel and other operators. Polkomtel earns revenue from other operators for traffic terminated in its network, and is required to pay interconnection fees to other operators for calls terminated on their networks. The negative impact of reductions in MTR on revenues is largely offset by the decrease in MTR charges payable to other operators. MTR is subject to direct price regulation based on the long-run incremental cost methodology (pure LRIC bottom-up).

MTR constitutes a majority of Metelem Group's interconnect revenue and costs, with fixed termination rates and transit traffic accounting for the remaining portion. In 2013, MTR (voice, SMS and MMS) comprised approximately 93% of Metelem Group's interconnect revenue.

The following table presents the voice MTR tariffs set by the President of UKE for Polkomtel, T-mobile and PTK Centertel (currently Orange) for the reviewed periods.

Period in which the voice MTR Tariffs were effective	PLN per minute
since July 1st 2013	0.0429
January 1st 2013 to June 30th 2013	0.0826
July 1st 2012 to December 31st 2012	0.1223
July 1st 2011 to June 30th 2012	0.1520
July 1st 2009 to June 30th 2011	0.1677
January 1st 2009 to June 30th 2009	0.2162
May 1 2008 to December 31st 2008	0.3387
January 1st 2008 to April 30th 2008	0.4000

Source: UKE.

In 2013, the voice MTR applied by the four largest mobile telecommunications network operators in Poland, including Polkomtel, were subject to significant reductions following a decision by the President of UKE in 2012. In January-June 2013, the voice MTR was reduced by approximately 46% compared with the same period in 2012, and in July-December 2013 the voice MTR was reduced by approximately 65% compared with the same period in 2012. Combined with other factors, those regulations brought Metelem Group's interconnect revenue for 2013 down by PLN 466.4m from the 2012 level.

The voice MTR currently in effect on the Polish mobile telephony market is at its historical low, which, according to the BEREC Report of November 2013, placed Poland among the four European countries with the lowest voice MTRs. Considering the above, we believe that in the medium term further voice MTR reductions are rather unlikely, and their possible impact on Polkomtel's results would be less significant than in the past.

The President of UKE has previously used MTR as a tool to increase the level of competition in the Polish mobile market. New market entrants have been provided with asymmetric MTR applied between any of the three largest mobile telecommunications network operators, on the one hand, and any new entrants on the other hand, as was the case with P4. Under the asymmetric MTR regulations that were effective since P4's commercial launch in 2007 until the end of 2012, P4 was able to benefit from disproportionately higher MTR for calls terminated on its network. The asymmetric MTR of P4, in particular, had an adverse impact on Polkomtel's profitability as well as, we believe, the profitability of T-Mobile and PTK Centertel (currently Orange).

The following table presents gradual decline of P4's MTR asymmetry, which was ultimately abolished as of January 1st 2013.

Period	P4's voice MTR as a percentage of voice MTR of Polkomtel, T-Mobile and PTK Centertel (now Orange)
since January 1st 2013	100%
July 1st 2012 to December 31st 2012	147%
January 1st 2012 to June 30th 2012	163%
July 1st 2011 to December 31st 2011	179%
January 1st 2011 to June 30th 2011	194%
July 1st 2010 to December 31st 2010	210%
January 1st 2010 to June 30th 2010	226%
July 1st 2009 to December 31st 2009	241%

Source: Polkomtel, based on UKE data.

Polkomtel's roaming rates are also regulated. European Union regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level). At present, the roaming rates in the EU are regulated by Regulation (EU) No. 531/2012 of June 4th 2012, which foresees further cuts in roaming rates as of July 2014. The proposal for regulation on unified telecommunications market foresees complete removal of roaming charges in the EU. On April 3d 2013, the European Parliament approved the draft regulation. In line with the schedule adopted by the European Parliament, the final draft of the proposal should be approved by the Member States by the end of 2014. The new regulations are expected to take effect in December 2015 (see "Regulatory environment—Regulatory environment related to provision of mobile telephony and Internet access services—International roaming on mobile telecommunications networks"). In recent years, roaming rates have been reduced annually and we expect that such reductions will also be made in the future. The EU-imposed caps on international roaming charges will affect the retail and wholesale rates charged or paid by Polkomtel.

Polkomtel is unable to predict the impact of the proposed or future changes in its regulatory environment. Any future changes in regulations may have a negative impact on Metelem Group's financial results, necessitate additional expenditure by Polkomtel and otherwise adversely affect its operations (see "Risk factors—Risk factors related to the operations of Metelem Group, including Polkomtel—Risks related to Polkomtel's business and the sector in which it operates—Polkomtel may be adversely affected by changes in Polish and European Union regulation of the levels of MTR and roaming charges").

Impact of foreign exchange rate movements

Złoty (PLN) is the functional and reporting currency of Metelem Group. Polkomtel's revenue is primarily denominated in złoty, while a significant portion of Metelem Group's costs and capital expenditure is denominated in foreign currencies, in particular USD and EUR. Consequently, foreign exchange rate movements may affect Metelem Group's financial results.

Metelem Group's exposure to foreign exchange rate movements principally follows from Polkomtel's foreign currency payments resulting from: (i) agreements with suppliers of goods (mainly handsets), (ii) agreements with suppliers of equipment for the mobile telecommunications network, (iii) charges for international roaming services, (iv) portions of leases for land on which Polkomtel's telecommunications network is installed, (v) office lease contracts, (vi) licensing fees under the UMTS licence agreement, and (vii) fees for international interconnection agreements. Additionally, in connection with the acquisition of Polkomtel by Spartan, Metelem Group companies issued: (i) EUR 542.5m PLK Senior Notes, (ii) USD 500.0m PLK Senior Notes, and (iii) PIK PLK Notes, with an initial nominal amount of USD 201.0m, interest on which is compounded in the form of further PIK notes (at December 31st 2013, the total nominal amount of outstanding PIK PLK Notes was USD 246.9m).

Therefore, significant fluctuations in the złoty foreign exchange rates against the euro or the US dollar may have a material adverse effect on Metelem Group's financial condition and its ability to make payments and service debt denominated in foreign currencies. For selected information on the EUR/PLN and USD/PLN foreign exchange rates quoted by the NBP in 2011-2013, see "Important information—Exchange rates".

Polkomtel maintains a financial risk management policy which attempts to minimise the effects of movements in foreign exchange rates. Polkomtel seeks to reduce the impact of foreign exchange rate fluctuations on its future cash flows with the use of derivatives. As December 31st 2013, the forecast 12-month cash outflows from operating and investing activities exposed to fluctuations in the PLN/EUR and PLN/USD foreign exchange rates was EUR 367.8m and USD 69.4m, respectively, while Polkomtel's long positions in forward currency and cross currency swap contracts amounted to EUR 91.5m and USD 0.0m, respectively. Polkomtel does not enter into derivative contracts to hedge its profits and does not apply hedge accounting. For more details, see "—Qualitative and quantitative information on financial risks—Market risk—Foreign exchange risk" below.

Growth of subscriber base and subscriber retention

According to the Polish Central Statistical Office, the Polish mobile telecommunications market grew from 50.7m reported subscribers (a penetration rate of 132%) in 2011, to 54.3m reported subscribers (a penetration rate of 141%) in 2012, and further to 56.5m reported subscribers (a penetration rate of 147%) in 2013. At December 31st 2013, December 31st 2012 and December 31st 2011, the number of Polkomtel's reported subscribers was 14.1m, 13.8m, and 14.0m, respectively, with contract subscribers accounting for 52%, 54% and 53% of total reported subscribers, respectively.

In its market strategy, Polkomtel is focused on maintaining its leadership in terms of contract subscriber base by increasing the number of contract subscribers for broadband services, as well as on migrating subscribers from prepaid to the contract segment which is generally characterised by a more stable revenue profile. While seeking cost efficient subscriber growth, Polkomtel focuses on up-selling and cross -selling product
including new products and services such as LTE/HSPA+ services.

Competition

In the period under review, Polkomtel faced competition from the two other major mobile telecommunications network operators, PTK Centertel (now Orange) and T-Mobile, as well as from P4, which has been increasing its market share in recent years (see "Market environment—Polish telecommunications market—Mobile telephony market").

Polkomtel prefers to avoid direct price competition and believes that its revenues and profitability will be supported by the continued growth in the number of contract mobile broadband subscribers, up-selling its own and Cyfrowy Polsat's customer bases, launch of new services developed jointly with selected business partners, further improvement of the LTE/HSPA+ network coverage, gradual popularisation of mobile services based on data transmission, and the active management of its subscriber acquisition, maintenance and retention costs, including subsidies and commissions. Although Polkomtel tries to avoid direct price competition, it may be forced to lower prices for certain products and services in response to competitors' pricing policies, which may have an adverse effect on Metelem Group's future revenues and profitability. For example, in 2012 P4 launched attractively priced contract plans with unlimited calls and text messages to any network in Poland. This offer prompted all the large mobile telecommunications network operators, including Polkomtel, to launch matching plans to avoid outflow of subscribers to P4, which in turn contributed to a decrease in the voice ARPU on the market.

Launch of new products and services

The introduction of new innovative products and services, both in the retail and wholesale markets, is an important component of Polkomtel's strategy.

Polkomtel was the first Polish operator to implement several technological developments in the Polish mobile telecommunications market through the development of its GSM/GPRS/EDGE/UMTS/HSPA/HSPA+/CDMA network, including multimedia services such as mobile broadband access, video calls, video streaming and dedicated business solutions, in addition to pure text and voice services. Polkomtel also pioneered advertising-financed mobile services and expanded its youth-oriented offering to entertainment and information services, including subscription-based downloads of music from an extensive music library. Following its acquisition by Mr Zygmunt Solorz-Żak, Polkomtel made universal access to high-speed data services the core of its market strategy. In cooperation with LTE Group, Polkomtel has developed the first LTE/HSPA+ transmission network, operating commercially in many regions of Poland (for details see "LTE"). On the basis of this network, Polkomtel was the first mobile telecommunications network operator in Poland to commercially launch, in November 2011, LTE data transmission services.

Polkomtel has also been expanding, and intends to further expand, the range of new products and services offered to its own subscribers and sold on the market at large. For example, in November 2013 Polkomtel began selling electricity to business customers, with plans to extend this offering to the retail market in 2014. Polkomtel is expanding its offering to include new products and services to expand revenue and increase subscribers' satisfaction and loyalty.

Seasonality

Although Polkomtel's business is not subject to significant seasonal effects, mobile revenue tends to increase during the summer period (caused by increased usage of roaming services by subscribers travelling abroad) as well as during the December holiday period (resulting from intensified usage of messaging services). On the other hand mobile revenue tends to decrease in the first quarter of each year due to lower usage after the December holiday period and as a result of the fewer number of calendar and business days in February.

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

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

Key performance indicators

Reported number of subscribers

The number of subscribers is reported on the basis of the number of subscriber identity modules ("SIM cards") which are registered on network and that have not been deactivated. Prepaid SIM cards are generally deactivated after a certain period of inactivity, which may vary with operator. At the Prospectus date, Polkomtel deactivates prepaid SIM cards after one year after outbound traffic is suspended due to full depletion of the prepaid limit or after the end of the grace period.

The following table presents breakdown of Polkomtel's subscriber base at the dates given.

	At December 31st		
	2013	2012	2011
	('000)		
Total number of reported subscribers[(1)]	**14,129.1**	**13,838.6**	**13,993.3**
Contract	7,400.1	7,439.5	7,417.0
including mobile broadband[(2)]	751.4	611.0	570.9
Prepaid	6,729.1	6,399.1	6,576.3

(1) The number of subscribers is reported on the basis of the number of SIM cards which are registered on network and have not been deactivated. In the case of prepaid subscribers, SIM cards are generally deactivated if a user fails to top up the account before the grace period ends (which is generally 12 months after the account is deactivated for paid services or since the time the prepaid limit was fully depleted)

(2) The reported number of mobile broadband subscribers comprises subscribers who sign dedicated mobile broadband contracts. The number does not include prepaid mobile broadband subscribers, or smartphone or other phone users charged for data transmission as part of dedicated voice tariffs.

Source: Polkomtel (unaudited data).

Polkomtel's contract subscriber base remained stable in 2011-2013. Considering a relatively high market penetration of voice services, the growth of P4's subscriber base put pressure on telephony (voice) subscriber bases of all other major operators. Despite the pressure, Polkomtel's overall reported subscriber base was replenished by the growing number of dedicated mobile broadband subscribers, an effect of the continuous LTE/HSPA+ network development, and the growing popularity of dedicated data packages.

Polkomtel's market share measured by the total number of reported subscriber shrank from 27.6% in 2011 to 25.0% in 2013, primarily due to the change in the reporting standard introduced by T-Mobile, one of our main competitors, in September 2011, and the continued growth of P4's subscriber base. The number of Polkomtel's contract subscribers at December 31st 2013 corresponded to a 28% share in the contract market, making Polkomtel the largest Polish operator in terms of contract subscriber base.

Average monthly churn and net additions

The following table presents the development of Polkomtel's subscriber base by segment:

	Year ended December 31st		
	2013	2012	2011
Average monthly churn (%)[(1)]			
Contract	1.2%	1.1%	1.1%
Prepaid	4.2%	4.5%	4.1%
Net additions (thousand SIM cards)[(2)]	**290.5**	**(154.8)**	**(62.7)**
Contract	(39.5)	22.5	(42.8)
Prepaid	330.0	(177.3)	(19.9)

(1) Churn is the total number of SIM cards in respect of which the contract to render telecommunications services was terminated or, in the case of the prepaid segment, if a user fails to top up the account before the grace period ends (which is generally 12 months after the account is deactivated for paid services or since the time the prepaid limit was fully depleted). The churn in contract (postpaid and mix) and prepaid segments also includes reported subscribers who migrated from one segment to another in a given period. Churn statistics are presented based on monthly averages in a given period divided by the average subscribers' base in this period calculated on a monthly basis.

(2) Net additions is the difference between the number of subscribers at December 31st of a given year and December 31st of the preceding year.

Source: Polkomtel (unaudited data).

Polkomtel's monthly churn is approximately 1%, reflecting the relatively stable nature of contract subscribers in general and, more specifically, the results of Polkomtel's increased investment and our subscriber retention strategy. Churn rates for prepaid services are relatively volatile, due to the nature of the segment, and consequently, in Polkomtel's opinion, this measure has much less significance in terms of evaluating Metelem Group's performance.

Subscribers who migrate between prepaid to contract are included in churn from the original segment when they leave one segment for the other, even though Polkomtel does not actually lose the migrating subscriber. Such migration would be included in churn from the prepaid base, but will not be considered as churn from the total subscriber base.

ARPU

ARPU in the Polish mobile market is driven primarily by the level of rate per minute, SMS/MMS or GB of data, as well as the level of subscription fees or contracted monthly top-ups in the case of contract subscribers. ARPU of prepaid subscribers is also significantly impacted by the quality of the reported subscriber base, i.e., the percentage of prepaid subscribers actively using their services and generating revenue in the total reported prepaid subscriber base. All of the factors mentioned above are mainly driven by the level of competition in the market, except the policy of churning inactive prepaid subscribers which is fully controlled by the operators. MTR levels, which are subject to regulation by the President of UKE, also impact ARPU. Historically, the regulations required gradual reduction of MTR, resulting in downward pressures on ARPU Growing voice and messaging traffic volume as well as data services usage partially offset the downward pressures described above.

The following table presents ARPU for outbound and inbound traffic in the periods under review.

	Year ended December 31st		
	2013	2012	2011
		(PLN)	
Total ARPU (outbound and inbound)	**35.0**	**39.5**	**40.7**
Contract	54.6	60.3	62.6
Prepaid	12.9	15.5	16.0

Source: Polkomtel (unaudited data).

Total ARPU decreased from PLN 40.7 in 2011 to PLN 35.0 in 2013, equivalent to an average annual rate of 7.3%. The decline of total ARPU in 2011-2013 was primarily driven by the reduction of MTR rates, which are regulated by the President of UKE and remain outside Polkomtel's control. MTR for SMS service was reduced by 14% as of January 1st 2012, and as of July 1st 2012 MTR for both voice and SMS services was reduced by 20% and 17%, respectively. In 2013, there were two more MTR reductions for voice services − by 32% as of January 1st and by 48% as of July 1st. As a result, inbound ARPU decreased by an average annual rate of about 26% in 2011-2013.

The majority of ARPU is generated by outbound retail services. The following table presents outbound ARPU in the reviewed period.

	Year ended December 31st		
	2013	2012	2011
		(PLN)	
Total ARPU (outbound)[1]	**31.2**	**33.1**	**33.8**
Contract	49.0	51.1	52.6
Prepaid	11.0	12.4	12.7

(1) Excluding interconnect fees.
Source: Polkomtel (unaudited data).

Total outbound ARPU decreased from PLN 33.8 in 2011 to PLN 31.2 in 2013, equivalent to an average annual rate of 3.9%. The most important factors behind the downward market trend in ARPU include: the gradual erosion of prices for telecommunications services (especially resulting from promotional programmes), tariff changes, (including the impact of flat-rate packages, launched in Q2 2012, with unlimited voice calls and text messages to any network for a fixed subscription fee), uncertain macroeconomic environments causing an increase of cost-awareness of customers in both business and residential segments and price competition. The growing volumes of voice and data transmission traffic partly offset the negative impact of the above-mentioned factors. The downward pressures on ARPU in the contract segment were further reinforced by the growing number of subscribers across all segments using M2M (machine-to-machine) services, which generate relatively lower ARPU.

The following table presents data ARPU in the periods under review.

	Year ended December 31st		
	2013	2012	2011
		(PLN)	
ARPU from data transmission[(1)]	**5.0**	**4.3**	**3.8**
Contract	8.5	7.3	6.6
Prepaid	1.0	0.8	0.7

(1) *ARPU from data transmission services (Data ARPU) is defined as revenue generated directly by data transmission services per subscriber, using smartphones or less sophisticated devices in combination with dedicated mobile broadband services, however excluding fees from subscription contracts combining voice and data transmission. Data ARPU includes revenue from subscription fees under dedicated mobile broadband contracts.*

Source: Polkomtel (unaudited data).

We expect the continuing growth in ARPU from data transmission to be a key growth area for us going forward. Polkomtel's focus has been, and Polkomtel expects that it will continue to be, inter alia, acquiring and maintaining high quality accounts. Continued roll-out of the LTE/HSPA+ services in cooperation with LTE Group should enable Polkomtel to provide high-speed mobile data transmission services in unserved and underserved regions throughout Poland. Polkomtel also seeks to saturate the subscriber base with smartphones in order to encourage data transmission, thus limiting ARPU erosion. Polkomtel has also prepared an attractive data transmission offering for the prepaid segment, which should also encourage increased usage of the service in the segment.

Voice, messaging and data traffic

The following table presents a breakdown of total minutes of use per reported Polkomtel subscriber per month in the periods reviewed.

	Year ended December 31st		
	2013	2012	2011
Minutes of use per subscriber per month (inbound + outbound)[(1)]	**167.9**	**162.6**	**152.2**
Contract	252.2	240.5	226.4
Prepaid	72.6	72.7	68.8

(1) *Average minutes of use per subscriber is defined as the sum of outgoing minutes from, and incoming minutes to, mobile subscribers divided by the average subscriber base in a given period.*

Source: Polkomtel (unaudited data).

In 2013, average minutes of use per subscriber per month for outgoing and incoming calls in the contract and prepaid segment totalled, respectively, 252.2 and 72.6 minutes, representing 5.5% and 2.7% increase, respectively, on 2011. Traffic per subscriber has been consistently growing since 2011, driven primarily by rate reductions and the growing popularity of on-net packages of minutes allowing for cheaper calls within the Polkomtel network. The popularity of flat-rate unlimited call subscriptions, starting from Q2 2012, is another factor supporting voice traffic growth in the contract segment.

The following table presents blended rate per minute by segment in the periods reviewed.

	Year ended December 31st		
	2013	2012	2011
		(PLN)	
Blended rate per minute[(1)]			
Contract	0.18	0.20	0.22
Prepaid	0.13	0.15	0.16

(1) *Blended rate per minute is defined as the quotient of revenue from outgoing voice calls and subscription fees, which are not dedicated to a specific non-voice service, and the total number of minutes of outgoing voice calls in a given period.*

Source: Polkomtel (unaudited data).

Blended rate per minute in the contract segment decreased by 9.5% CAGR per year, from PLN 0.22 in 2011 to PLN 0.18 in 2013, primarily due to an increase in volume of minutes included in monthly subscription fees as well as growth in popularity of packages of free minutes. Blended rate per minute in the prepaid segment decreased by 9.9% CAGR, from PLN 0.16 in 2011 to PLN 0.13 in 2013, primarily due to increased price competition

The following table presents a breakdown of messages (SMS and MMS) per reported subscriber per month in the periods reviewed.

	Year ended December 31st		
	2013	2012	2011
Messages per reported subscriber per month (inbound and outbound)(1)	**123.4**	**136.6**	**143.5**
Contract	137.4	142.4	149.2
Prepaid	107.6	130.0	137.0

(1) *Number of messages per reported subscriber is the number of SMS and MMS messages sent and received by mobile subscribers, divided by the average subscriber base in a given period. The term "messages" does not include e-mail messages and messages sent by the SMS Centre (SMS-C).*
Source: Polkomtel (unaudited data).

The number of messages per reported subscriber per month decreased by 7.3% CAGR, from 143.5 in 2011 to 123.4 in 2013. The decrease was reported both for the contract and prepaid segments, 4.0% CAGR and 11.4% CAGR, respectively. In Polkomtel's opinion, the decrease results from decline in voice and data transmission rates. SMS and MMS messages are viewed as a less direct or less convenient method of mobile communication, and as such are replaced by voice calls, whose rates are dropping. In addition, data transmission-based services are becoming more popular and replace traditional SMS and MMS messages.

The following table presents a breakdown of blended rate per message by segment in the periods reviewed.

	Year ended December 31st		
	2013	2012	2011
		(PLN)	
Blended rate per message(1)			
Contract	0.06	0.06	0.06
Prepaid	0.03	0.03	0.03

(1) *Blended rate per message is defined as the quotient of total revenue from text messaging and MMS transmission services and the total number of outgoing messages in a given period.*
Source: Polkomtel (unaudited data).

In 2011-2013, the blended rate per message in the contract segment stayed flat, at PLN 0.06 PLN, just as the blended rate per message in the prepaid segment, which stayed at PLN 0.03 throughout the period. The declining usage of messages reduced the pressure on operators to cut their rates per message.

The following table presents a breakdown of data transmission usage by segment in the periods reviewed.

	Year ended December 31st		
	2013	2012	2011
		(MB)	
Data usage per reported subscriber per month(1)	**226.4**	**118.7**	**79.0**
Contract	406.0	215.1	146.9
Prepaid	23.3	7.5	2.7

(1) *Data usage is defined as volume of transfer measured in MB per reported subscriber based on the average monthly values.*
Source: Polkomtel (unaudited data).

Usage of data per subscriber in the contract and prepaid segments grew from 146.9 MB and 2.7 MB, respectively, in 2011, to 406.0 MB and 23.3 MB, respectively, in 2013. Usage of data on a blended basis increased at a compound annual growth rate of 69.3%, from 79.0 MB in 2011 to 226.4 MB in 2013. This growth is principally a result of the growth in dedicated mobile broadband subscribers and a steady increase in popularity of dedicated data packages sold as an addition to voice activations both in the contract and prepaid segments. Moreover, increasingly more subscribers purchase smartphone-dedicated monthly tariffs (including data transmission packages). Additionally, Polkomtel has observed growth in the sale of smartphones. In 2013, smartphones accounted for approximately 67.3% of all handsets sold by Polkomtel. Polkomtel expects this growth to continue as the cost of smartphones declines, and as the network services provided and availability of smartphone content improves.

Strong growth in usage of broadband data transmission services has also been observed in the prepaid segment. Polkomtel encourages data transmission in the prepaid segment by increasing data allowances. In March 2011, Polkomtel launched automatically renewable data packages to promote regular use of data transmission services. In July 2012, Polkomtel launched new prepaid tariffs with dedicated mobile broadband services, followed in February 2013 by launch of LTE data transmission services in the prepaid segment. The related changes in Polkomtel's offering also include price reductions, prompted by both competitive pressures and Polkomtel's strategy of encouraging subscribers to use data transmission more regularly and frequently.

Trends and significant events subsequent to the reporting date

Trends

The main trends which the Issuer believes are likely to have a material impact on Metelem Group's prospects before the end of the current financial year include:

- Development of the data transmission market, both in the landline and mobile segments, reflected in the number of users of data transmission services;
- Growing popularity of smartphones and gradual growth in smartphone penetration in both the contract and prepaid segments;
- Growing demand for data transmission and high-speed broadband connectivity, driven by the growing sophistication of data transmission-based services;
- Growing number of mobile subscribers and users, driven by, inter alia, gradual fixed-to-mobile substitution, and the growing popularity of *machine-to-machine* solutions;
- Bundling of television and telecommunications services;
- Pressures on revenue from traditional mobile telecommunications services caused by the intensifying competition on the mobile services market, and by traditional mobile telecommunications services being driven out by data transmission communication;
- Pressures on revenue from interconnect fees, resulting from reductions of the voice MTR; and
- Pressures on revenue from roaming services, resulting from the next stage of regulation of roaming charges.

Considering the market context, the above expectations carry a high level of uncertainty.

To the best of the Issuer's knowledge, no significant trends in the production, sales, inventories, or selling costs and prices of Metelem Group were identified after December 31st 2013.

Significant events subsequent to the reporting date

Metelem Group made a planned repayment of interest on PLK Senior Notes on January 30th 2014. Interest on PIK PLK Notes, payable on February 15th 2014, was settled in the form of additional PIK (*Payment-In-Kind*) Notes.

On January 27th 2014, Polkomtel Business Development acquired 49% of the share capital of Paszport Korzyści sp. z o.o., as a result of which Metelem Group jointly controls that company. The remaining shares are held by an entity which is not a part of Metelem Group.

Explanation of key items from the consolidated statement of comprehensive income

For the purposes of the discussion of Metelem Group's results of operations, below are defined and presented the key items of consolidated statement of comprehensive income included in the Metelem Group Consolidated Financial Statements.

Revenue and other operating income

Revenue

Metelem Group's revenue consists of (i) retail revenue, including (a) contract ARPU revenue; (b) prepaid ARPU revenue, and (c) other retail revenue; as well as (ii) wholesale revenue, including (a) interconnect revenue, and (b) other wholesale revenue.

Contract ARPU revenue consist of subscription fees, fees for recurring voice and non-voice services rendered by Polkomtel to its contract subscribers which originate in Polkomtel's network and recurring fees from voice and non-voice services paid by Polkomtel's subscribers in connection with the use of foreign mobile telecommunications networks under the international roaming agreements that Polkomtel has entered into. Revenue from premium rate services rendered to Polkomtel's subscribers are disclosed without netting with costs paid by Polkomtel to third party content providers.

Prepaid ARPU revenue consist of recurring fees from voice and non-voice services rendered by Polkomtel to its prepaid subscribers which originate in Polkomtel's network and recurring fees from voice and non-voice services paid by Polkomtel's subscribers in connection with the use of foreign mobile telecommunications networks under the international roaming agreements Polkomtel has entered into. Revenue from premium rate services rendered to Polkomtel's subscribers are disclosed without netting with costs paid by Polkomtel to third party content providers.

Other retail revenue consists of non-recurring fees incurred by contract and prepaid subscribers (including activation fees, revenues from sales of handsets and accessories, write-offs of expired and unused prepaid and mix airtime balances and valuation of loyalty programme provisions) as well as revenue from fixed-line corporate subscribers and individual users of fixed line services based on prefix functionality. This includes also retail revenue of subsidiaries as well as costs paid by Polkomtel to third-party content providers (negative position).

Interconnect revenue consists of 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.

Other wholesale revenue consists of revenues from national roaming agreements as well as from MVNO agreements and the revenue generated by subscribers of foreign mobile telecommunications network operators that have entered into international roaming agreements with Polkomtel for using its network, as well as income from rental charges including the income generated on the rental of telecommunications infrastructure to other telecommunications operators.

Other operating income

Metelem Group's other operating income consists of: (i) contract cancellation charges consisting of contractual penalties imposed on contract subscribers for the failure to fulfil their contractual obligations as well as penalties regarding non-billing services; (ii) reversal of provisions; (iii) income from sale of receivables; and (iv) profit on disposal of property, plant and equipment.

Operating costs

Metelem Group's operating costs consist of:

- *Cost of goods sold*, which consists mainly of the cost of handsets and accessories, as well as service materials;

- *Amortisation and depreciation, disposals and impairment*, which consist mainly of the depreciation of the network system and related equipment and other fixed assets, as well as the amortisation of costs of telecommunications licences and software and other intangible assets and gains and losses on impairment and disposals of property, plant and equipment and intangible assets;

- *Materials and energy*, consist mainly of the cost of energy related to the operation of Polkomtel's mobile telecommunications network and of its premises and the cost of fuel;

- *Interconnect and roaming charges*, which include in particular: costs of termination of voice and non-voice traffic in other operators' networks under intra-operator cooperation agreements, costs connected with the transit of traffic, and wholesale costs of using foreign operators' networks based on international roaming agreements;

- *External services*, which consist mainly of agents' retention, acquisition and maintenance commissions, prepaid and mix airtime discounts, site and office space rental payments, IT systems maintenance services, third-party marketing services, external consulting, temporary employees and certain other overhead costs;

- *Employee benefits*, which consist of remuneration (including all salaries, quarterly, annual and other bonuses), social security payments, additional employment benefits and other personnel costs such as the cost of employee training programmes;

- *Taxes and charges*, which include primarily the fees for the use of frequencies, real estate taxes and other administrative duties (such as environmental fees), as well as non-deductible VAT;

- *Marketing costs and other overheads*, primarily consist of the cost of media and other advertising, as well as the cost of insurance coverage and certain other overhead costs; and

- *Other operating costs*, consist of donations, provisions for liabilities, trade receivables allowances, and written-off debt, penalties and sold receivables.

Finance income and costs

Finance income includes in particular interest received and foreign exchange rate gains.

Finance costs include discount on UMTS liability, interest on bank overdraft, loans and bonds, loss on valuation and disposal of derivatives (primarily interest rate swaps and currency interest rate swaps), foreign exchange rate losses and commissions on bank loans and guarantees..

Results of operation

Selected items from the consolidated statement of comprehensive income

The following table presents the consolidated statement of comprehensive income data included in the Metelem Group Consolidated Financial Statements in the periods specified, as well as EBITDA.

	Year ended December 31st		May 9th-December 31st 2011
	2013	2012	
	(PLNm)		
Revenue and other operating income	**6,790.8**	**7,232.3**	**1,084.8**
Revenue	6,682.3	7,133.4	1,064.4
Other operating income	108.5	98.9	20.4
Operating costs	**(5,763.9)**	**(6,477.0)**	**(1,262.4)**
Costs of goods sold	(1,250.7)	(1,253.3)	(166.3)
Amortisation and depreciation, disposals and impairment	(1,831.0)	(2,031.5)	(430.0)
Materials and energy	(102.2)	(99.2)	(16.9)
Interconnect and roaming charges	(872.5)	(1,271.6)	(188.7)
External services	(1,035.6)	(1,100.3)	(262.2)
Employee-related costs	(365.9)	(397.5)	(98.5)
Taxes and charges	(136.1)	(125.0)	(17.3)
Marketing costs and other overheads	(138.7)	(154.1)	(33.4)
Other operating costs	(31.2)	(44.5)	(49.1)
Profit from operating activities	**1,026.9**	**755.3**	**(177.6)**
Finance income	80.6	586.3	108.1
Finance costs	(1,565.0)	(1,860.5)	(503.8)
Loss before tax	**(457.5)**	**(518.9)**	**(573.3)**
Income tax	140.8	119.3	46.9
Net loss	**(316.7)**	**(399.6)**	**(526.4)**
Total comprehensive income in the period	**(316.7)**	**(399.6)**	**(526.4)**
EBITDA*	**2,857.9**	**2,786.8**	**252.4**

** Metelem Group's EBITDA is defined as net profit/loss before depreciation/amortisation, disposal and impairment of property, plant and equipment, income tax and finance income and costs. Reconciliation of Metelem Group's net profit/loss and EBITDA for the period is presented in "Important information—Financial information and operating data—Reconciliation of Metelem Group's net profit for the period and EBITDA". EBITDA is not defined under IFRS and should not be considered as an alternative to the measures and categories consistent with IFRS. What is more, there is no single definition of EBITDA. The method of calculating EBITDA by other companies may materially differ from the method applied by Metelem Group to calculate its EBITDA. Accordingly, the EBITDA presented is this section of the Prospectus is not a basis for comparison with EBITDA disclosed by other companies (see "Important information—Financial information and operating data— Financial information not based on IFRS").*

*Source: Metelem Group Consolidated Financial Statements; *the Company (unaudited data).*

Year ended December 31st 2013 compared with year ended December 31st 2012

Revenue

The following table presents Metelem Group's revenue in the periods reviewed.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Retail revenue	**5,494.4**	**5,635.0**
Contract ARPU revenue	4,362.6	4,543.9
Prepaid ARPU revenue	866.8	951.6
Other retail revenue	265.0	139.5
Wholesale revenue	**1,187.9**	**1,498.4**
Interconnect revenue	708.4	1,174.7
Other wholesale revenue	479.5	323.7
Revenue*	**6,682.3**	**7,133.4**

*Source: Polkomtel (unaudited data); *Metelem Group Consolidated Financial Statements.*

Metelem Group's revenue decreased by PLN 451.1m, or 6.3%, from PLN 7,133.4 in 2012 to PLN 6,682.3m in 2013. The decrease was attributable to the factors discussed below in the presentation of the key components of Metelem Group's revenue; in particular it was due to the decrease in interconnect revenue in following the reduction of MTR charges which are regulated by the President of UKE.

Contract ARPU revenue

Revenue from contract ARPU decreased by PLN 181.3m, or 4.0%, from PLN 4,543.9m in 2012 to PLN 4,362.6m in 2013. This decrease resulted primarily from decrease of outbound contract ARPU, from PLN 51.1 in 2012 to PLN 49.0 in 2013. The average reported number of contract subscribers remained relatively stable in the reviewed periods.

Prepaid ARPU revenue

Revenue from prepaid ARPU decreased by PLN 84.8m, or 8.9%, from PLN 951.6m in 2012 to PLN 866.8m in 2013. In view of the price pressures from competitors, Polkomtel decided to change its basic rate per voice call minute in the new prepaid tariff, from PLN 0.58 to PLN 0.29, which is the current standard in the prepaid services market. Also, as a result of changes introduced by other operators, in selected prepaid offerings Polkomtel extended the prepaid grace period for outgoing services to 12 months. These changes resulted in a decrease of outbound prepaid ARPU from PLN 12.4 in 2012 to PLN 11.0 in 2013. The reported number of prepaid subscribers increased in the same period by 5.2%, from 6,399.1 thousand at December 31st 2012 to 6,729.1 thousand at December 31st 2013. The increase was attributable, inter alia, to the growing number of prepaid subscribers of dedicated mobile broadband services.

Other retail revenue

Other retail revenue increased by PLN 125.5m, or 90.0%, from PLN 139.5m in 2012 to PLN 265.0m in 2013. The increase was primarily due to higher revenue from sales of handsets and other devices in contract transactions, as well as revenue from fees for a detailed monthly paper bills, charged by Polkomtel to encourage subscribers to use free electronic bill.

Interconnect revenue

Interconnect revenue decreased by PLN 466.3m, or 39.7%, from PLN 1,174.7m in 2012 to PLN 708.4m in 2013. This decrease resulted mainly from another series of reductions of the voice MTR rate, from PLN 0.1520 in the first half of 2012, to PLN 0.1223 beginning as of July 1st 2012, PLN 0.0826 beginning as of January 1st 2013 and PLN 0.0429 beginning as of July 1st 2013. As a result of these reductions, the voice MTRs were lower by 46% in the first half of 2013 and by 65% in the second half of 2013, compared with the same periods of 2012. A reduction of the SMS MTR from PLN 0.06 to PLN 0.05 beginning as of July 1st 2012 had a further negative impact on interconnect revenue. Growth in the volume of voice and SMS traffic terminated in Polkomtel's network partly offset the negative impact of the MTR reductions.

Other wholesale revenue

Other wholesale revenue increased by PLN 155.8m, or 48.1%, from PLN 323.7m PLN in 2012 to PLN 479.5m in 2013. This increase was mainly due to higher revenue from network infrastructure sharing under the agreement with LTE Group (see "LTE—Cooperation between Polkomtel and LTE Group companies").

Other operating income

The following table presents Metelem Group's other operating income in the reviewed periods.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Profit on disposal of property, plant and equipment	3.6	1.8
Grants	0.2	0.1
Contract cancellation charges and similar	33.0	33.7
Reversal of provisions	3.8	0.0
Sale of receivables	27.5	29.4
Other	40.4	33.9
Total other operating income	**108.5**	**98.9**

Source: Metelem Group Consolidated Financial Statements.

Other operating income increased by PLN 9.6m, or 9.7%, from PLN 98.9m in 2012 to PLN 108.5m in 2013. This increase resulted from reversal in 2013 of some of provisions for costs. Additionally, in 2013 Polkomtel reported a PLN 6.5m increase of other items of other operating income, which included, inter alia, income from sale of obsolete telecommunications equipment.

Operating costs

The following table presents Metelem Group's operating costs in the reviewed periods.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Costs of goods sold	1,250.7	1,253.3
Amortisation and depreciation, disposals and impairment	1,831.0	2,031.5
Materials and energy	102.2	99.2
Interconnect and roaming charges	872.5	1,271.6
External services	1,035.6	1,100.3
Employee-related costs	365.9	397.5
Taxes and charges	136.1	125.0
Marketing costs and other overheads	138.7	154.1
Other operating costs	31.2	44.5
Total operating costs	**5,763.9**	**6,477.0**

Source: Metelem Group Consolidated Financial Statements.

Operating costs decreased by PLN 713.1m, or 11.0%, from PLN 6,477.0m in 2012 to PLN 5,763.9m in 2013. This decrease was due to the factors discussed below in the presentation of the key items of operating costs.

Costs of goods sold

Costs of goods sold remained relatively stable in 2013 compared with 2012, at PLN 1,250.7m in 2013 and PLN 1,253.3m in 2012. Polkomtel promotes sales of smartphones, laptops and tablets to encourage subscribers to use more data services and thus minimise its ARPU erosion; at the same time, the company promotes sales on an instalment basis to reduce subsidy per unit, thus increasing its revenue from sales of handsets. In addition, the growing sales of dedicated mobile broadband tariffs contributed to the increase in costs of goods sold to new contract subscribers.

Amortisation and depreciation, disposals and impairment

Amortisation and depreciation, impairment and disposal of non-current assets decreased by PLN 200.5m, or 9.9%, from PLN 2,031.5m in 2012 to PLN 1,831.0m in 2013. Following a period of intensified capital expenditure which lasted until 2009, as of 2010 capital expenditure decreased, which was reflected in declining costs of amortisation, depreciation and impairment in the reviewed periods.

Materials and energy

Materials and energy costs remained relatively stable in 2013 compared with 2012, and amounted to PLN 102.2m in 2013 and PLN 99.2m in 2012.

Interconnect and roaming charges

Interconnect and roaming charges decreased by PLN 399.1m, or 31.4%, from PLN 1,271.6m in 2012 to PLN 872.5m in 2013. This decrease was a result of the reduction of the SMS MTR, from PLN 0.06 to PLN 0.05 beginning as of July 1st 2012; further reductions of the voice MTR, from PLN 0.1520 in the first half of 2012 to PLN 0.1223 beginning as of July 1st 2012, to PLN 0.0826 beginning as of January 1st 2013, to PLN 0.0429 beginning as of July 1st 2013; abolishing of the voice MTR asymmetry for P4 as of January 1st 2013; and lower international operator tariff rates used in bilateral roaming agreements. The decline was partly offset by the growing costs of domestic roaming charges paid to LTE Group under a wholesale services agreement (see "LTE—Cooperation between Polkomtel and LTE Group companies").

External services

The cost of contracted services fell by PLN 64.7m, or 5.9%, from PLN 1,100.3m in 2012 to PLN 1,035.6m in 2013. This decrease resulted primarily from the decrease in airtime commissions paid by Polkomtel to third-party distributors, which was a result of the steps taken by Polkomtel to optimise the scale of its distribution network.

Employee-related costs

Employee benefits decreased by PLN 31.6m, or 7.9%, from PLN 397.5m in 2012 to PLN 365.9m in 2013. This decrease resulted from decrease in salaries following modification of the bonus system introduced in 2012 and

2013, which led to a decrease of in total salary per employee. Furthermore, as part of the restructuring of Polkomtel, at the beginning of 2012 some employees were offered a possibility to join the voluntary termination programme (see "Overview of Metelem Group—Employment"), which helped reduce the headcount by about 470 FTEs as of April 2012, and materially contributed to the reduction of employee benefit costs during the reviewed periods.

Taxes and charges

Taxes and charges increased by PLN 11.1m, or 8.9%, from PLN 125.0m in 2012 to PLN 136.1m in 2013. This increase resulted primarily from increased costs of frequencies, reflecting growth of Polkomtel's telecommunications network.

Marketing costs and other overheads

Marketing costs and other overheads decreased by PLN 15.4m, or 10.0%, from PLN 154.1m in 2012 to PLN 138.7m in 2013, mainly as a result of reduction of sponsorship budgets. Furthermore, after considering the impact of the economic crisis of 2013 on the media and advertising markets, Polkomtel renegotiated rates with media suppliers and advertising agencies

Other operating costs

The following table presents Metelem Group's other operating costs in the reviewed periods.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Grants	6.9	7.2
Provisions for liabilities	0.0	9.7
Trade receivables allowances	7.7	7.6
Written off debt, penalties and sold receivables	0.6	5.9
Other	16.0	14.1
Total other operating costs	**31.2**	**44.5**

Source: Metelem Group Consolidated Financial Statements.

Other operating costs decreased by PLN 13.3m, or 29.9%, from PLN 44.5m in 2012 to PLN 31.2m in 2013. This decrease resulted primarily from release of provisions in 2013 (and presented in other operating income), compared with recognition of PLN 9.7m provisions in 2012. Additionally, the decrease was also due to a PLN 5.3m decrease of trade receivables written down, penalties and receivables sold.

Finance income

The following table presents Metelem Group's finance income in the reviewed periods.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Interest received on deposits, including bank deposits	45.8	70.6
Interest received on advanced loans and leases	0.0	0.3
Other interest received relating to operating activities	3.1	9.5
Exchange rate gains related to borrowings and issued bonds	13.9	419.5
Exchange rate gains related to UMTS liability	0.0	81.7
Exchange rate gains related to operating activities	17.3	0.0
Other	0.5	4.7
Total finance income	**80.6**	**586.3**

Source: Metelem Group Consolidated Financial Statements.

Finance income decreased by PLN 505.7m, or 86.3%, from PLN 586.3m in 2012 to PLN 80.6m in 2013. This decrease resulted primarily from a decrease of foreign exchange rate gains on foreign-currency denominated notes, borrowings, and UMTS liability of PLN 405.6m. These changes are explained by fluctuations in the value of the złoty against the US dollar and the euro between individual reporting dates, including the significant strengthening of the złoty in 2012 against the US dollar and the euro as of December 31st 2011.

Finance costs

The following table presents Metelem Group's finance costs in the reviewed periods.

	Year ended December 31st	
	2013	2012
	(PLNm)	
Discount on UMTS liability	27.7	27.8
Interest on bank overdraft, loans and bonds	1,422.0	1,467.6
Other interest and impairment − operating activities	6.7	12.2
Loss on valuation and disposal of derivatives − financing activities	65.3	213.5
Loss on valuation and disposal of derivatives − operating activities	2.6	82.9
Exchange rate losses related to UMTS liability	12.2	0.0
Exchange rate losses related to operating activities	0.0	37.7
Commissions on bank loans and guarantees	28.2	16.5
Other	0.3	2.3
Total finance costs	**1,565.0**	**1,860.5**

Source: Metelem Group Consolidated Financial Statements.

Finance costs decreased by PLN 295.5m, or 15.9%, from PLN 1,860.5m in 2012 to PLN 1,565.0m in 2013. This decrease resulted primarily from a decrease of loss on valuation and disposal of derivatives used to hedge interest payable on borrowings and bonds by PLN 148.2m, and a decrease of loss on valuation and disposal of derivatives related to operating activities by PLN 80.3m. In 2013, there was also a year-on-year decrease of interest on borrowings and issued bonds by PLN 45.6m.

Income tax

Income tax increased by PLN 21.5m, or 18.0%, from PLN 119.3m in 2012, to PLN 140.8m in 2013 (in both years the amounts were positive and decreased pre-tax loss). The increase resulted primarily from an increase of the refund of tax for the previous years on account of technology tax credit by PLN 15.9m.

EBITDA

In 2013, Metelem Group's EBITDA increased by PLN 71.1m, or 2.6%, to PLN 2,857.9m (from PLN 2,786.8m in 2012).

Year ended December 31st 2012 compared with year ended December 31st 2011

Metelem Group was established to prepare and execute the acquisition of Polkomtel by Spartan. Metelem, the company, was incorporated on May 9th 2011. Both Metelem and Eileme Companies, which are part of Metelem Group, are holding companies and do not conduct business activities; in particular, they do not have any assets or liabilities other than the assets and liabilities closely related to Spartan's acquisition of Polkomtel and to the servicing of the debt incurred in connection with that transaction.

On June 30th 2011 Spartan and the then shareholders of Polkomtel executed a preliminary conditional agreement for the purchase of Polkomtel shares, performed on November 9th 2011. In May 2012, Polkomtel was transformed into a limited liability company, and in February 2013 it was combined with Spartan, following the transfer of all Spartan assets to Polkomtel.

The Metelem Group Consolidated Financial Statements for the financial years ended December 31st 2013, December 31st 2012 and December 31st 2011 present Polkomtel's results from the date of acquiring control of Polkomtel Group by Metelem, i.e. November 9th 2011. Therefore, due to the absence of financial information of Metelem Group for the full year 2011, the financial information for 2012 presented in the Metelem Group Consolidated Financial Statements is not comparable with Metelem Group's financial information for the period from November 9th 2011 to December 31st 2011.

To enable investors to analyse the results and financial condition of Polkomtel Group for the full financial year ended December 31st 2011, the Issuer has included in this Prospectus the Polkomtel Group Consolidated Financial Statements for 2011 (see section "Financial data—2011 Polkomtel Group Consolidated Financial Statements"). However, investors are advised that the comparability of the financial information contained in the Polkomtel Group Consolidated Financial Statements for 2011 with the financial information derived from the Metelem Group Consolidated Financial Statements is substantially limited, mainly due to the fact that the Polkomtel Group Consolidated Financial Statements for 2011 do not account for the costs of financing of the acquisition of Polkomtel Group by Metelem Group or costs of servicing the debt incurred by Metelem Group in connection with the acquisition of Polkomtel Group, nor do they account for the effect of fair value adjustments made by Metelem Group with respect to the assets and liabilities of Polkomtel Group, in connection with the settlement of the Polkomtel acquisition, on the financial results.

For selected financial information of Metelem Group for the period May 9th-December 31st 2011, derived from the Metelem Group Consolidated Financial Statements, see "Selected historical consolidated financial information—Selected historical consolidated financial information of Metelem Group". Due to the lack of comparability of Metelem Group's financial information for 2011 with that for 2012, as well as the limited comparability of the financial information contained in the Polkomtel Group Consolidated Financial Statements for 2011 with the financial information derived from the Metelem Group Consolidated Financial Statements, this Prospectus does not contain a discussion of year-on-year changes in cash flows from financing activities for that period (see also "—Financial condition—Year ended December 31st 2012 compared with year ended December 31st 2011").

Pro forma financial information

From the date of acquiring control of Polkomtel Group by Metelem, i.e. from November 9th, to December 31st 2011 Polkomtel Group generated revenue and other operating income of PLN 1,089.6m and, following recognition of one-off restructuring provisions and recognition of the effects of depreciation of Polkomtel assets measured at fair value at the acquisition date, it recorded a net loss of PLN 12.9m, as disclosed in the Metelem Group Consolidated Financial Statements. If Metelem Group had been established on January 1st 2011, and Polkomtel Group had been acquired on January 1st 2011, estimated revenue and other operating income recognised in the statement of comprehensive income for the year ended December 31st 2011 would have amounted to PLN 7,502.0m (unaudited) and net loss for the same period would have amounted to PLN 61.5m (unaudited).

Below are presented the assumptions used to calculate these pro forma amounts.

The estimated net loss for 2011 does not include additional financing costs related to the acquisition of Polkomtel, incurred prior to the acquisition date. The estimated net loss does not account for the effect of expenses recognised in the Polkomtel Group Consolidated Financial Statements for 2011 in respect of an impairment loss on assets related to the rendering of CDMA services, amounting to PLN 93.1m, or provisions for penalties imposed by UOKiK, amounting to PLN 35.3m, which are accounted for in the goodwill calculation. The estimated net loss includes additional depreciation/amortisation expense of PLN 648.6m, related to fair value measurement of property, plant and equipment and intangible assets, as well as Spartan's recognition of new assets at the Polkomtel acquisition date.

The estimates are based on the assumption that the hypothetical amount of fair value adjustments concerning Polkomtel Group's liabilities at January 1st 2011 would not differ significantly from the amount of these adjustments at the acquisition date.

Analysis of cash flows on acquisition:	*(PLNm)*
Consideration paid on November 9th 2011 for 100%	15,400.6
Net cash acquired with the subsidiaries	(464.3)
Net cash flow on acquisition...	**14,936.3**

Source: Metelem Group Consolidated Financial Statements.

Liquidity and capital resources

Historically, Polkomtel's liquidity requirement followed primarily from the need to finance capital expenditure required to finance expansion of Polkomtel's operations. The capital expenditure was made primarily on new technologies, expansion of mobile telecommunications network coverage with individual technologies, and projects designed to maintain service quality. In addition, Polkomtel regularly paid out dividends to its then-shareholders.

Since Polkomtel's acquisition by Spartan in 2011, Polkomtel's liquidity resources have continued to be used to fund capital expenditure, with particular focus on building a modern telecommunications network based on the LTE and HSPA+ technologies, in cooperation with and on the basis of frequencies held by LTE Group. Additionally, in order to acquire Polkomtel, the companies controlled by Metelem incurred significant bank debt and issued notes. The proceeds were used to pay consideration to Polkomtel's former owners (see "Overview of Metelem Group—Material agreements—Metelem Group financing agreements"). Thus, Polkomtel's liquidity resources are currently also used to service and repay that debt. At the same time, the terms of the facility agreements and indentures impose limitations on distribution of funds to the owners of Metelem Group. For this reason, in 2012-2013 Metelem Group did not use its cash resources to pay dividend to its owners.

The primary sources of liquidity for Metelem Group are cash, cash equivalents and a revolving facility of up to PLN 300m (at December 31st 2013, no funds had been drawn under the facility). The main source of cash increase for Metelem Group its Polkomtel's operating activity. Polkomtel's ability to generate cash in the future will depend on its future results of operations, which in turn will depend, to some extent, on overall economic, financial, competition, market and regulatory environment, and on other factors, many of which are outside Polkomtel's control.

Cash flows

The following table summarises net cash flows from operating, investing and financing activities of Metelem Group in the reviewed periods.

	Year ended December 31st		May 9th-December 31st 2011
	2013	2012	2011
		(PLNm)	
Net cash flows from operating activities	2,884.4	2,621.6	241.8
Net cash flows from investing activities	(630.0)	(604.2)	(16,191.1)
Net cash flows from financing activities	(1,950.1)	(2,415.6)	17,494.5
Net increase/(decrease) in cash and cash equivalents	304.3	(398.2)	1,545.2
Cash and cash equivalents at end of period	1,451.3	1,147.0	1,545.2

Source: Metelem Group Consolidated Financial Statements.

Net cash flows from operating activities

The following table presents Metelem Group's cash flows from operating activities in the reviewed periods.

	Year ended December 31st		May 9th-December 31st 2011
	2013	2012	2011
		(PLNm)	
Loss before tax	**(457.5)**	**(518.9)**	**(573.3)**
Adjustments for:			
Interest expense and discount, net	1,450.1	1,495.9	296.9
Exchange rate (gains)/losses	(1.7)	(501.2)	67.1
Depreciation and amortisation	1,753.5	1,990.0	372.1
Disposal and impairment of property, plant and equipment and intangible assets	77.5	41.5	57.9
Net loss on valuation and disposal of derivatives	67.9	296.4	101.1
Net gain on disposal of property, plant and equipment	(3.6)	(1.8)	(0.1)
Commissions on bank loans and guarantees	28.2	16.5	7.1
Other adjustments	(0.6)	(0.2)	8.8
Profit from operating activities before changes in working capital	**2,913.8**	**2,818.2**	**337.6**
Change in:			
inventories	17.1	(28.2)	33.6
trade and other receivables	(290.4)	(80.7)	58.4
trade and other payables	274.9	91.1	(132.1)
accrued expenses	50.1	(13.7)	(5.1)
accrued income	(89.5)	(65.9)	(33.1)
provisions	(10.1)	(23.3)	40.8
Net cash from operating activities before tax	**2,865.9**	**2,697.5**	**300.1**
Corporate income tax refunded/(Corporate income tax paid)	18.5	(75.9)	(58.3)
Net cash flows from operating activities	**2,884.4**	**2,621.6**	**241.8**

Source: Metelem Group Consolidated Financial Statements.

In 2013, net cash flows from operating activities increased by PLN 262.8m, or 10.0%, to PLN 2,884.4m, from PLN 2,621.6m in 2012. This increase resulted primarily from an increase in EBITDA by PLN 71.1m, as well as a decrease in corporate income tax paid and refunded by PLN 94.4m. Moreover, the increase of working capital employed was PLN 72.8m less in 2013 than in 2012.

Due to the lack of comparability of Metelem Group's financial information for 2012 with that for 2011, as well as the limited comparability of the financial information contained in the Polkomtel Group Consolidated Financial Statements for 2011 with the financial information derived from the Metelem Group Consolidated Financial Statements, this Prospectus does not contain a discussion of year-on-year changes in cash flows from operating activities for that period (see also "—Financial condition—Year ended December 31st 2012 compared with year ended December 31st 2011").

Net cash flows from investing activities

The following table presents Metelem Group's cash flows from investing activities in the reviewed periods.

	Year ended December 31st		May 9th-December 31st 2011
	2013	2012	2011
		(PLNm)	
Inflows from disposal of property, plant and equipment	3.1	8.8	1.3
Acquisition of property, plant and equipment and intangible assets	(551.1)	(492.0)	(160.6)
Other investing activities – derivative instruments	(14.4)	(39.1)	(85.0)
UMTS liability	(63.2)	(61.7)	0.0
Advanced loans	(4.3)	0.0	0.0
Acquisition of subsidiaries and associates	(0.1)	(20.2)	(14,936.3)
Acquisition of other financial assets	0.0	0.0	(1,010.5)
Net cash flows from investing activities	**(630.0)**	**(604.2)**	**(16,191.1)**

Source: Metelem Group Consolidated Financial Statements.

In 2013, net cash flows from investing activities increased by PLN 25.8m, or 4.3%, to PLN 630.0m, from PLN 604.2m in 2012. This increase resulted primarily from higher capital expenditure on expansion of the telecommunications network's coverage (see "—Capital expenditure" below).

Due to the lack of comparability of Metelem Group's financial information for 2012 with that for 2011, as well as the limited comparability of the financial information contained in the Polkomtel Group Consolidated Financial Statements for 2011 with the financial information derived from the Metelem Group Consolidated Financial Statements, this Prospectus does not contain a discussion of year-on-year changes in cash flows from investing activities for that period (see also "—Financial condition—Year ended December 31st 2012 compared with year ended December 31st 2011").

Net cash flows from financing activities

The following table presents Metelem Group's cash flows from financing activities in the reviewed periods.

	Year ended December 31st		May 9th-December 31st 2011
	2013	2012	2011
		(PLNm)	
Outflows			
Borrowings and other debt instruments	(8,479.8)	(5,513.0)	0.0
Interest paid	(947.3)	(1,215.0)	(12.6)
Finance lease	(2.0)	(2.1)	(0.3)
Gain/(loss) on derivative instruments	(95.5)	(10.1)	0.0
Other (costs related to raising financing)	(75.5)	(169.4)	(559.2)
Inflows			
Borrowings and other debt instruments	7,650.0	4,476.9	13,268.3
Shares issued	0.0	0.8	4,798.3
Other (fees returned, bonuses on guarantees issued)	0.0	16.3	0.0
Net cash flows from financing activities	**(1,950.1)**	**(2,415.6)**	**17,494.5**

Source: Metelem Group Consolidated Financial Statements.

In 2013, net cash flows from financing activities decreased by PLN 465.5m, or 19.3%, to PLN 1,950.1m, from PLN 2,415.6m in 2012. This decrease was primarily due to a decrease in interest payments by PLN 267.7m, being a result of: (i) two early repayments of term loans for a total amount of PLN 1,600.0m, made in December 2012 and November 2013, (ii) current repayments under term loans, for an amount of PLN 255m, made in 2012, and (iii) a decrease of interest payments under term loans, following renegotiation of the facilities' terms in June 2013. In addition, the net amount of cash flows, being the result of bank loans drawn and repaid in 2013 was by PLN 206.3m lower than in 2012, which reflects the fact that no repayments of term loans were made in 2013, following their early repayment in December 2012.

Due to the lack of comparability of Metelem Group's financial information for 2011 with that for 2012, as well as the limited comparability of the financial information contained in the Polkomtel Group Consolidated Financial Statements for 2011 with the financial information derived from the Metelem Group Consolidated Financial Statements, this Prospectus does not contain a discussion of year-on-year changes in cash flows from financing activities for that period (see also "—Financial condition—Year ended December 31st 2012 compared with year ended December 31st 2011").

Indebtedness

Financial indebtedness

Metelem Group's financial indebtedness described below is primarily related to the acquisition of Polkomtel by Metelem Group on November 9th 2011 in performance of the obligations contained in the preliminary conditional share purchase agreement of June 30th 2011.

The acquisition of Polkomtel was partly financed with funds raised by Eileme Group under the Senior Facilities Agreement, and two bridge facility agreements: the High Yield Bridge Facility Agreement and the Pay-in-Kind Bridge Facility Agreement, made on June 30th 2011, for total amounts of PLN 8,273.4m and EUR 1,145.0m, respectively. On January 26th 2012 and February 17th 2012, Eileme 2 and Eileme 1, respectively, issued PLK Senior Notes and PIK PLK Notes, for total amounts of EUR 542.5 and USD 500.0m, and USD 201.0m. Proceeds from the issues were applied to repay Eileme Group's debt under the bridge facility agreements.

Claims under the senior facilities agreement of June 30th 2011 were refinanced with funds raised by Eileme Group under a new senior facilities agreement, concluded by Polkomtel and related parties on June 17th 2013.

For a description of material financing agreements of Metelem Group, see "Overview of Metelem Group—Material agreements—Metelem Group financing agreements".

At December 31st 2013, the total indebtedness of Metelem Group consisted of bank debt under the senior facilities agreement of June 17th 2013, comprising four PLN-denominated loans (including one revolving facility, undrawn at December 31st 2013), as well as EUR- and USD-denominated PLK Senior Notes issued under the Indenture of January 26th 2012, and USD-denominated PIK PLK Notes issued under the Indenture of February 17th 2012.

The total carrying amount of Metelem Group's debt at December 31st 2013 was PLN 11,288.3m, including non-current debt with a carrying amount of PLN 10,506.6m and current debt of PLN 781.7m.

The following table presents information on current and non-current liabilities of Metelem Group under credit facilities and notes as of the dates indicated.

	At December 31st 2013
	(PLNm)
Borrowings	
Current liabilities	358.9
Non-current liabilities	6,447.7
Notes	
Current liabilities	422.8
Non-current liabilities	4,058.9

Source: Metelem Group Consolidated Financial Statements.

The following table presents the schedule of nominal principal repayments of Metelem Group's non-current debt as of December 31st 2013.

	Payments due in periods						
	2014	2015	2016	2017	2018	2019	2020
	(PLNm)						
Facility A (PLN)	-	665.3	849.1	593.9			
Facility B (PLN)					3,120.7		
Facility C (PLN)						1,621.0	
PLK Senior Notes (EUR) [(1)]							2,249.9
PLK Senior Notes (USD) [(2)]							1,506.0
PIK PLK Notes (USD)[(3)]							1,819.6
Total	**-**	**665.3**	**849.1**	**593.9**	**3,120.7**	**1,621.0**	**5,575.5**

(1) Equivalent of EUR 542.5m, translated at the PLN/EUR foreign exchange rate of 4.1472 as of December 31st 2013.

(2) Equivalent of USD 500.0m, translated at the PLN/USD foreign exchange rate of 3.0120 as of December 31st 2013.

(3) Equivalent of USD 604.1m, of which at December 31st 2013 the nominal amount of outstanding PIK PLK Notes was USD 246.9m, while the balance of USD 357.2m was the hypothetical value of additional issues in 2014-2020, assuming the instrument is held to maturity and interest is compounded in the form of additional PIK PLK Notes. Translated at the PLN/USD foreign exchange rate of 3.0120 at December 31st 2013.

Source: Polkomtel (unaudited data).

Certain other contractual obligations

The following table presents the estimated maturities of Metelem Group's obligations under operating leases at December 31st 2013.

Payments due:	Total	less than 1 year	1 to 5 years	over 5 years
	(PLNm)			
Operating lease*	1,281.9	259.4	671.1	351.4

* *Operating lease agreements are concluded for indefinite or definite periods, for various periods. Most of the lease agreements contain an automatic extension clause. The amounts under most of the operating leases are not material items of Metelem Group's costs. In the case of operating lease agreements concluded for an indefinite period, values of future liabilities presented above have been calculated taking into account the contractual notice periods. In the case of operating leases concluded for a definite term, amounts payable during the agreements' terms are disclosed.*

Source: Metelem Group Consolidated Financial Statements.

Capital expenditures

Most of Metelem Group's capital expenditures are associated with Polkomtel's capital -intensive mobi telecommunications network. Polkomtel has invested heavily in its assets over the last ten or more years. Polkomtel's cumulative capital expenditures for the period from January 1st 2006 to December 31st 2013 were PLN 8.2bn. The company's future capital expenditures will primarily comprise discretionary build-out the network as well as life-cycle (ongoing extension, replacement of lost locations, network optimisation, software updates and upgrades).

The following table presents Polkomtel's capital expenditures, by individual investment areas, in the reviewed periods.

	Year ended December 31st		
	2013	2012	2011
Network expenditures	(588.1)	(340.3)	(560.2)
Capital expenditures on IT	(110.5)	(85.5)	(327.1)
Other capital expenditures	(12.8)	(6.1)	(7.0)
Total capital expenditures	**(711.4)**	**(431.9)**	**(894.3)**
Inflows from disposal of property, plant and equipment	3.1	8.8	12.6
Change in investment liabilities[(1)]	160.34	(60.1)	(34.1)
Total investment outflows[(2)]	**(548.0)**	**(483.2)**	**(915.8)**

(1) Changes in investment liabilities reflect timing differences between purchases and payments of capital expenditures. Capital expenditures have historically been concentrated in the fourth quarter of the year while a significant portion of cash payments has occurred in the beginning of the following year.

(2) Total investment outflows are the sum of proceeds from disposal of property, plant and equipment, and of expenditures on purchase of property, plant and equipment and intangible assets.

In 2013, 2012 and 2011, Polkomtel incurred capital expenditures amounting to, respectively, PLN 711.4m, PLN 431.9m, and PLN 894.3m. In addition, as part of the UMTS frequency allocation obligation, Polkomtel made annual licence payments of PLN 63.2m, PLN 61.7m, and PLN 66.2m, respectively, in 2013, 2012 and 2011. For a schedule of future UMTS licence liability payments, see Note 19 to the Metelem Group Consolidated Financial Statements.

The main component of Polkomtel's investments is infrastructure for the telecommunications network, which is aimed at ensuring proper transmission capacity and increases in coverage allowing Polkomtel to provide high quality services for increased usage by its subscribers. Technology introduction has included 2G, 3G, HSPA and CDMA, rolled out by Polkomtel on its own. In addition, in cooperation with LTE Group under the Shared Network Operation Agreement (see "LTE— Cooperation between Polkomtel and LTE Group companies—Shared Network Operation Agreement"), in 2012-2013 Polkomtel invested significant capital expenditures to develop network resources to support data-intensive products and services based on state-of-the-art LTE/HSPA+ technologies, on the basis of frequencies allocated to LTE Group.

Polkomtel has incurred and will continue to incur considerable capital expenditure in the telecommunications network with to build necessary capacities in response to the increasing usage of telecommunications products and services by its subscribers. The following table presents the number of sites in Polkomtel's mobile telecommunications network at the dates given.

	At December 31st		
	2013	2012	2011
Number of 2G sites in use	6,771	6,625	6,569
Number of 3G sites in use	3,645	3,625	3,511
Number of CDMA sites in use	570	570	568

Source: Polkomtel.

Due to the fact that (i) 2G coverage has reached almost 100%, and 3G coverage based on the 2100 MHz frequency band is satisfactory at about 65%, and (ii) further extension of 3G coverage based on the 2100 MHz frequency band would not be cost-effective in relation to the resulting additional 3G coverage, and (iii) high market penetration of voice services imposes limitations on additional revenues generated from services based on older 2G and 3G technologies, Polkomtel has in recent years reduced the rate of extension of its telecommunications network based on its own frequency bands. At the same time, considering (i) the more cost-effective process of building nationwide coverage using the 900 MHz frequency, and (ii) better data transmission parameters available with the LTE/HSPA+ technologies, Polkomtel's 2012-2013 network investments focused on the extension of the coverage of LTE/HSPA+ technologies owned by LTE Group. In particular, Polkomtel replaced some of its 2G and 3G transmitters with more recent transmitters which also support the HSPA+ technology based on the 900 MHz frequency band. As a result, the number of sites supporting the HSPA+ technology based on the 900 MHz frequency band increased from 419 at December 31st 2011 to approximately 3,980 at the Prospectus date. At December 31st 2013, the outdoor coverage of Poland's population with the HSPA+ technology, based on Polkomtel's stations as well as about 690 stations owned directly by LTE Group, was close to 99%.

The second important part of Polkomtel's capital expenditures relates to IT systems ensuring either its ability to run internal processes or development of new services for subscribers. Internal needs include billing of customers, CRM, data security and backups, Enterprise Resource Planning and back office systems. Current market trends such as growing data transmission, new content and smartphone applications indicate that the role of IT will continue to grow. For more information about the IT systems used by Polkomtel, see "Overview of Metelem Group—Network and infrastructure".

Other capital expenditures cover basic administrative needs such as shops, offices or vehicle purchases.

Contingent liabilities

Metelem Group's contingent liabilities at December 31st 2013 are presented in Note 37 to the Metelem Group Consolidated Financial Statements.

Off-balance sheet liabilities

At December 31st 2013, promissory notes and bank guarantees issued by Metelem Group companies to other business partners to guarantee proper performance of contracts by Metelem Group (other than those related to liabilities under bank loan facilities and notes) amounted to PLN 13.4m (including the EUR 1.5m guarantee issued in connection with the leasing of real property from a real estate company).

Qualitative and quantitative information on financial risks

Metelem Group is exposed to a number of risks, including in particular credit risk, liquidity risk, and market risks (including currency risk and interest rate risk). Any of those risks may potentially affect Metelem Group's business, financial condition and performance.

Metelem Group's financial risk management policy focuses on identification and analysis of risks to which Metelem Group is exposed and on application of appropriate risk controls and limits. The principles of risk management policy are revised on a regular basis to ensure that they are adapted to the changing business environment and market conditions.

Credit risk

Credit risk is the risk of Metelem Group's incurring financial losses in a situation where a customer, trading partner or counterparty to a financial instrument defaults on a contract. Credit risk is related mainly to trade receivables from customers, cash and cash equivalents, and derivatives. Metelem Group recognises impairment losses corresponding to the estimated value of losses incurred on trade and other receivables.

Credit risk related to billing receivables

Risk related to trade receivables is limited as Polkomtel serves a large and diversified customer base spread all around the country. In addition, postpaid services offered to major accounts are provided subject to earlier verification of their creditworthiness. Verification of retail customers is automated and based on the relationship management (ARM) system and the functionalities of billing systems. In order to reduce credit risks, a number of measures are taken based on internal procedures for debt monitoring and collection. Those procedures include preventive measures taken to remind customers of payment due dates, sending payment reminders after the due date, suspending voice call service, and sending penalty notes to customers.

Credit risk related to telecommunications operators

In the normal course of business, Polkomtel cooperates with other telecommunications operators under wholesale interconnect, MVNO and roaming agreements. This business is a source of credit risk caused by those operators; however, various steps are taken to minimise this risk as part of specific risk management measures. All interconnect agreements are verified so as to determine whether Polkomtel's revenues are duly secured. Additional measures are also taken on the basis of internal procedures to minimise credit risks, including netting of mutual accounts payable, ongoing monitoring and analysis of the receivables balance, sending payment notices and reminders of overdue payments, sending penalty notes, and recognising valuation allowances (write-downs) for receivables. Internal procedures are reviewed in terms of mechanisms applied to control the implementation of agreements with business partners.

Credit risk in trade agreements

In order to reduce the risk of a financial loss from defaults of Metelem Group's trading partners an internal procedure for granting and controlling credit limits is used. Before accepting a new trading partner, evaluations of its credit-worthiness are performed, and the maximum affordable levels of credit are defined.

The main sources of credit risk in this group are transactions with business partners (agents running Polkomtel's brand stores) and distributors (sellers of prepaid top-ups). At December 31st 2013, the total amount of gross trade receivables from agents and distributors amounted to PLN 332.4m.

Polkomtel uses an internal procedure for granting and controlling credit limits available to these entities. The process of granting and reviewing credit limits is generally based on the analytical assessment of a partner's financial strength and its payment history. Both partners and distributors are classified into various risk groups based on their creditworthiness assessment. In order to reduce the risk of financial loss from defaults, Polkomtel sets individual levels of collateral for credit limits granted to business partners. At December 31st 2013, both groups delivered collateral in total of PLN 66.8m, including bank guarantees of PLN 61.3m and deposits of PLN 5.5m.

Credit risk in financial transactions

Metelem Group is also exposed to credit risks which could arise if a counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To eliminate this risk, Metelem Group deposits cash and cash equivalents and enters into derivative transactions with banks and financial institutions whose credit rating is confirmed by internationally renowned agencies such as Standard & Poor's, Moody's or Fitch, in accordance with the PLK Facilities Agreement and Metelem Group's policy.

The following table presents maximum credit risk exposures of Metelem Group at the dates given.

	At December 31st 2013
	(PLNm)
Trade receivables from other entities	927.4
Trade and other receivables from related entities	72.5
Other receivables	16.2
Loans advanced to jointly-controlled entities	4.3
Cash and cash equivalents	1,451.3
Derivatives	0.0
Total	**2,471.7**

Source: Metelem Group Consolidated Financial Statements.

The following table presents the aging of trade and other receivables at December 31st 2013.

	Total	Not due and overdue up to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 12 months
	(PLNm)						
Trade receivables and other current receivables	1,381.1	1,009.9	32.2	24.3	74.3	140.1	100.3
Total	**1,381.1**	**1,009.9**	**32.2**	**24.3**	**74.3**	**140.1**	**100.3**
Allowance for doubtful accounts	(365.0)	(47.5)	(14.9)	(20.8)	(64.9)	(122.9)	(94.0)
Trade and other current receivables, net	**1,016.1**	**962.4**	**17.3**	**3.5**	**9.4**	**17.2**	**6.3**

Source: Metelem Group Consolidated Financial Statements.

For more information on credit risk exposures of Metelem Group, see Note 19 of the Metelem Group Consolidated Financial Statements.

Liquidity risk

Liquidity risk is the risk that Metelem Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is assessed in conjunction with the Group's budgeted cash flows and by managing a proper current liabilities structure. Unexpected business circumstances that may lead to deteriorating liquidity position are balanced with the demand for Metelem Group's debt, reflected in credit margins offered by banks. The Group's liquidity management policy also aims at securing at least as favourable margins as margins offered to other companies in a similar financial condition. The method of measuring the liquidity risk consists of the analysis of the cover of current liabilities with available financing including loans and bonds.

The following table presents the contractual maturities of financial liabilities of Metelem Group, based on the time remaining until maturity, at December 31st 2013.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
			(PLNm)				
Notes payable	(4,481.7)	(8,561.4)	(219.7)	(219.7)	(439.4)	(1,318.3)	(6,364.3)
Loans and borrowings	(6,806.6)	(8,415.8)	(184.9)	(186.0)	(1,024.5)	(5,351.3)	(1,669.1)
Finance lease liabilities	(4.9)	(5.2)	(1.4)	(1.4)	(1.2)	(1.2)	0.0
Trade and other payables	(573.6)	(573.6)	(573.6)	0.0	0.0	0.0	0.0
Accrued expenses	(350.0)	(350.0)	(350.0)	0.0	0.0	0.0	0.0
UMTS liability	(936.3)	(1,057.5)	0.0	(116.1)	(116.1)	(348.4)	(476.9)
Non-derivative financial liabilities	**(13,153.1)**	**(18,963.5)**	**(1,329.6)**	**(523.2)**	**(1,581.2)**	**(7,019.2)**	**(8,510.3)**
Forwards used for hedging	(10.1)	(12.7)	(11.3)	(0.8)	(0.6)	0.0	0.0
- Outflows	(10.1)	(443.2)	(407.8)	(17.8)	(17.6)	0.0	0.0
- Inflows	0.0	430.5	396.5	17.0	17.0	0.0	0.0
Interest rate swaps used for hedging	(126.2)	(157.8)	(48.6)	(49.4)	(42.1)	(17.7)	0.0
Currency interest rate swaps used for hedging	(45.1)	(53.2)	(19.3)	(15.7)	(18.2)	0.0	0.0
- Outflows	(45.1)	(661.4)	(222.1)	(218.4)	(220.9)	0.0	0.0
- Inflows	0.0	608.2	202.8	202.7	202.7	0.0	0.0
Derivatives (net)	**(181.4)**	**(223.7)**	**(79.2)**	**(65.9)**	**(60.9)**	**(17.7)**	**0.0**

Source: Metelem Group Consolidated Financial Statements.

For more information on liquidity risk exposures of Metelem Group, see Note 19 of the Metelem Group Consolidated Financial Statements.

Market risk

Market risk is managed by mitigating the impact of factors such as foreign exchange rates or interest rates on Metelem Group's performance or on the value of its financial instruments. Metelem Group manages market risks associated with such factors based on the internal policy which specifies the principles for measuring individual risk exposures, the parameters and time horizon of the related security, and hedging instruments for specific risks. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. To minimise market risks, Metelem Group uses the following derivatives:

- currency forward contracts (FX forwards);
- currency swaps (FX swaps);
- interest rate swaps (IRS); and
- currency interest rate swaps (CIRS).

Transactions in derivatives are concluded for hedging purposes only. Metelem Group does not apply hedge accounting.

Currency risk

Currency risks (related to operating activities)

Polkomtel's revenues are denominated primarily in PLN while a substantial portion of operating costs and capital expenditures are incurred in foreign currencies. The main specific sources of Polkomtel Group's currency risk are: the UMTS licence agreement, agreements with the suppliers of goods (mainly handsets), agreements with the suppliers of equipment for telecommunications networks, agreements for the lease of land on which the elements of the telecommunications networks are installed, office lease agreements, as well as roaming and interconnect agreements. To minimise currency risks, the company enters into currency forward transactions. The hedged exposure is defined based on the analysis of budget plans and guidelines specified in the internal market risk management policy.

In the case of balance-sheet items, the main currency risk is related to the euro-indexed UMTS liability. At December 31st 2013, the total outstanding nominal amount of this liability was at EUR 255m. This amount is reduced annually in accordance with the instalment payment schedule agreed with the regulatory authority. The maturity date of this liability falls in 2022, but Polkomtel's currency risk hedging strategy covers the period of the next 12 months, on a rolling basis. At the date of the acquisition of Polkomtel by Metelem Group, the UMTS licence was carried at fair value. Since then, valuation at the reporting date is based on amortised cost, and fair value measurement is used only for the purpose of disclosure in the financial statements.

Currency risk (related to debt)

Metelem Group is also exposed to currency risks related to debts denominated in foreign currencies. Metelem Group has payables under notes denominated in foreign currencies; the servicing of those payables generates currency risks. At December 31st 2013, the nominal amount of notes issued by Metelem Group was:

- USD 246.9m – PIK PLK Notes;
- USD 500.0m – PLK Senior Notes;
- EUR 542.5m – PLK Senior Notes.

Under the PLK Facilities Agreement, Metelem Group hedges currency risks associated with the servicing of debts related to PLK Senior Notes denominated in EUR and in USD for a period of one year as a minimum. The Group does not hedge the servicing of PIK PLK Notes, as this instrument does not require day-to-day servicing due to its nature.

The analysis of sensitivity to foreign exchange rate fluctuations and additional information on currency risk exposures of Metelem Group are presented in Note 19 of the Metelem Group Consolidated Financial Statements.

Interest rate risk

Market interest rate fluctuations do not impact Metelem Group's revenue directly, but they do affect Group's cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through Metelem Group's costs of servicing variable rate bank loans and overdrafts.

The highest exposure to interest rate risk is related to the variable rate loan denominated in PLN, incurred under the PLK Facilities Agreement. Under the PLK Facilities Agreement, Metelem Group hedges interest rate risks related to the loan denominated in PLN in at least 50% of the total loan amount under the PLK Facilities Agreement over a period of 3 years as a minimum, starting on June 24th 2013.

Variable rate financial liabilities expose Metelem Group to interest rate risks related to cash flows from financing activities, while fixed rate financial liabilities expose Metelem Group to interest rate risks related to fair value.

The following table presents the value of Metelem Group's financial instruments with specified interest rates at the dates given.

	At December 31st 2013		
	Derivatives	Other financial instruments	Total
		(PLNm)	
Fixed rate instruments			
Financial assets	0.0	4.3	4.3
Financial liabilities	(55.1)	(5,418.0)	(5,473.1)
Total	**(55.1)**	**(5,413.7)**	**(5,468.8)**
Variable rate instruments			
Financial assets	0.0	1,340.1	1,340.1
Financial liabilities	(126.2)	(6,811.5)	(6,937.7)
Total	**(126.2)**	**(5,471.4)**	**(5,597.6)**

Source: Metelem Group Consolidated Financial Statements.

The analysis of sensitivity to interest rate fluctuations and additional information on interest rate risk exposures are presented in Note 19 of the Metelem Group Consolidated Financial Statements.

Other risks

Metelem, the parent of Metelem Group, is a company established under the laws of Cyprus. In the past several years, the Cypriot economy was impacted by the international economic crisis and instability of financial markets. The financial sector in Cyprus was heavily affected by the financial crisis in Greece, and Cypriot financial institutions were forced to introduce stringent limitations on the access to financing sources. Following downgrade of the country's credit rating, Cypriot financial institutions also find it more difficult to secure financing in the international market. To improve the country's financial condition, the Cypriot government is negotiating with the European Commission, the European Central Bank, and the International Monetary Fund, with a view to securing financial support.

Having regard to the economic situation at December 31st 2013 and the country's economic outlook, the Management Board of Metelem will decide whether provisions for the impairment of Metelem Group's financial assets should be recognised. Under accounting standards currently in force, impairment of assets may be recognised based on past events. The same accounting standards preclude the recognition of impairment of assets on the basis of future events, regardless of their probability. The Management Board of Metelem cannot predict future events which may have an impact on the Cypriot economy.

Considering that: (i) Metelem Group's operations are located in Poland and nearly all its revenues are generated in Poland; (ii) Metelem Group's external financing includes bank facilities granted by the consortium of Polish and international financial institutions, as well as long-term notes maturing in 2020, and (iii) pledges on Metelem Group's rights and assets were established in respect of institutions which provide financing to the Group, the Management Board of Metelem does not expect the economic situation in Cyprus to have an adverse effect Metelem Group's business, assets and financing. In view of the above, the Management Board of Metelem decided that there are no grounds to recognise provisions for liabilities and impairment losses in respect of assets.

Accounting policies and basis of consolidation

The accounting policies and basis of consolidation applied in all periods presented in the Metelem Group Consolidated Financial Statements are presented in Note 4 to the Metelem Group Consolidated Financial Statements.

MARKET ENVIRONMENT

Introduction

Poland has been one of the leading CEE economies since the early 1990s. According to Eurostat, Poland is also the only EU Member State reporting a steady GDP growth in real terms every single year since 2005. In 2010, Poland's real GDP growth was 3.9%, compared with the average GDP growth across the EU of only 2.0%. In 2011, Poland's real GDP growth was 4.5%, while the EU reported an average GDP growth of 1.6%; a year later, Poland reported a 2.0% real GDP growth, while GDP across the EU decreased by an average of (0.4%). In 2013, Poland ranked fifth in terms of year-on-year GDP growth compared with other EU Member States.

The following table presents GDP growth in real terms (in %) across the EU in 2010-2012.

Member State	2010	2011	2012	Member State	2010	2011	2012
EU (28 Member States)	**2.0**	**1.6**	**(0.4)**	Greece	(4.9)	(7.1)	(7.0)
Germany	4.0	3.3	0.7	Portugal	1.9	(1.3)	(3.2)
France	1.7	2.0	0.0	Bulgaria	0.4	1.8	0.6
UK	1.7	1.1	0.3	Hungary	1.1	1.6	(1.7)
Italy	1.7	0.4	(2.4)	Denmark	1.4	1.1	(0.4)
Spain	(0.2)	0.1	(1.6)	Slovakia	4.4	3.0	1.8
Poland	**3.9**	**4.5**	**2.0**	Ireland	(1.1)	2.2	0.2
Sweden	6.6	2.9	0.9	Slovenia	1.3	0.7	(2.5)
Netherlands	1.5	0.9	(1.2)	Estonia	2.6	9.6	3.9
Belgium	2.3	1.8	(0.1)	Latvia	(1.3)	5.3	5.2
Czech Republic	2.5	1.8	(1.0)	Lithuania	1.6	6.0	3.7
Finland	3.4	2.8	(1.0)	Cyprus	1.3	0.4	(2.4)
Austria	1.8	2.8	0.9	Luxembourg	3.1	1.9	(0.2)
Romania	(1.1)	2.3	0.6	Malta	4.1	1.6	0.6
Croatia	(2.3)	(0.2)	(1.9)				

Source: Eurostat.

Economic growth in Poland is accompanied by improved climate on the labour market. Poland's registered unemployment rate at December 31st 2013 was 13.4%. Gdańsk Institute for Market Economics (IBnGR) predicts that the country's registered unemployment rate will decrease to 12.6% in 2014. Improved climate on the labour market manifests itself also in the rise in average salary before tax, from PLN 3,399.52 in 2011, to PLN 3,521.67 in 2012, to PLN 3,650.06 in 2013.

According to the Central Statistical Office of Poland, at the end of 2012, 23.3 million Poles (or 60.6%) lived in urban areas, including about 7.8 million in cities (with the population over 200,000). At the same time, about 15.1 million Poles (or 39.4%) lived in rural areas.

The following table presents urban population in different EU Member States in 2012.

Member State	2010	2011	2012	Member State	2010	2011	2012
		(%)				(%)	
Germany	74	74	74	Greece	61	61	62
France	84	85	86	Portugal	60	61	62
UK	79	80	80	Bulgaria	72	73	74
Italy	68	68	69	Hungary	68	69	70
Spain	77	77	78	Denmark	87	87	87
Poland	**61**	**61**	**61**	Slovakia	55	55	55
Sweden	85	85	85	Ireland	62	62	63
Netherlands	82	83	84	Slovenia	50	50	50
Belgium	97	97	98	Estonia	69	69	70
Czech Republic	74	73	73	Latvia	68	68	68
Finland	83	84	84	Lithuania	67	67	67
Austria	67	68	68	Cyprus	70	70	71
Romania	53	53	53	Luxembourg	85	85	86
Croatia	57	58	58	Malta	94	95	95

Source: World Bank.

Pay TV market in Poland

In Poland, pay TV services are offered by DTH operators, cable TV operators and IPTV providers. At the end of 2013, Polish operators had a pay TV subscriber base of about 11 million in total.

The Polish pay TV market is supervised by competent public administration bodies, such as KRRiT, UKE, and the Ministry of Administration and Digital Technology.

Historically, cable TV has been the principal pay TV platform in Poland. Although the market of digital satellite platforms has been growing more rapidly over the recent years, DTH providers compete with cable TV operators only to a limited extent. CableTV operators focus on inhabitants of densely populated areas where highly developed network infrastructure already exists or on locations where the establishment of such infrastructure involves a relatively low cost per subscriber, whereas DTH providers are able to provide their services to customers residing in less densely populated areas with no, or limited cable TV infrastructure at no extra cost, as well as in urban areas.

In recent years, the number of subscribers to DTH platforms has been growing much faster than the number of subscribers to cable TV. The comparatively slow growth rate of cable TV households in recent years has been due to an already high penetration rate of cable TV in urban areas as well as to the reluctance of cable TV operators to make significant investments in cable TV infrastructure in the less-densely populated and rural areas of Poland. Polish towns with up to 50,000 inhabitants, suburban and rural areas are therefore natural target markets for DTH. The growth in the number of DTH subscribers in Poland also reflects the fact that DTH providers are able to offer much broader programming options, including more than 100 Polish language thematic channels as well as around 500 FTA channels, using both SD and HD technology.

The IPTV market is developing at a relatively slow rate in Poland, mainly due to technological constraints resulting from a lack of modern infrastructure with sufficient capacity to enable a high-quality and effective IPTV service. The launch of IPTV services by fixed line telecommunications service providers initially may have a negative impact primarily on the business of cable TV operators in Poland, and a less a significant effect on DTH providers, who are less dependent on customers living in densely populated areas. At the Prospectus date, it is difficult to assess when fixed line telecommunications service providers will significantly develop their IPTV offering in rural, suburban areas and small and medium-sized towns and the impact of such development on the business of DTH providers.

The terrestrial television digital switchover, completed in July 2013 in Poland, was a milestone in the development of the pay TV market. The Issuer believes that upon completion of this process, the Polish pay TV market, and in particular the DTH market, came close to full saturation.

The following table presents the structure of pay TV market in Poland by subscriber base at the end of 2013.

Pay TV market segment	2013
Cable TV operators[(1)]	42%
DTH operators[(2)], of which:	55%
Cyfrowy Polsat	33%
IPTV[(3)]	2%

Source:
[(1)]Data at the end of the third quarter of 2013, based on own estimates and data published by the Polish Chamber of Electronic Communication (PIKE).
[(2)]Data at the end of 2013, based on own estimates and data disclosed by operators (2013 annual reports published by Grupa TVN and Orange).
[(3)]Data at the end of 2013, based on own estimates and data disclosed by operators (2013 annual reports published by Orange and Netia S.A.).

Digital satellite pay TV operators

In 2013, there were two leaders of the Polish DTH pay TV market: Cyfrowy Polsat and nc+, the latter established in March 2013 following a merger between Cyfra+ and "n" platforms under strategic partnership agreements between Canal+ Cyfrowy Group and TVN. According to TVN Group, the nc+ subscriber base was 2.2 million at the end of 2013. In addition, there were about 300 thousand users of the "Telewizja na Kartę" (TNK) prepaid TV service at the end of 2013. Since 2006, Cyfrowy Polsat has been the leading operator in terms of subscriber base, with more than 3.5 million subscribers at December 31st 2013.

Cable TV operators

In 2013, the three major cable TV operators in Poland in terms of subscriber base were UPC Polska sp. z o.o., Vectra S.A. and Multimedia Polska S.A. In addition, there were more than 500 smaller cable TV operators. According to the Polish Chamber of Electronic Communication (PIKE), at the end of the third quarter of 2013 the Polish cable TV market was dominated by the three major operators, whose combined market share was approximately 68%. Eurostat estimates that the aggregate subscriber base of cable service providers in Poland was approximately 4.6 million at the end of the third quarter of 2013.

Internet Protocol Television (IPTV)

In terms of subscriber base, Poland's largest IPTV operator is Orange, primarily a fixed-line telephony operator; in 2006, Orange launched IPTV services offered to its broadband Internet access subscribers. At December 31st 2013, approximately 121 thousand subscribers were using Orange's IPTV services. The second largest operator of pay IPTV services is Netia S.A. According to data provided by that operator, at the end of 2013 Netia S.A. offered TV services (including IPTV and smooth streaming launched in the third quarter of 2012) to 120,321 subscribers.

Polish telecommunications market

Poland is the largest telecommunications services market in Central and Eastern Europe. According to UKE, the Polish telecommunications sector generated PLN 41.7bn in revenue in 2012,

mainly from the mobile telephony market as the key source of the telecommunications revenue. According to the PMR Report, total revenue generated by mobile operators in 2012 was PLN 25.2bn, which accounted for more than 60% of the aggregate revenue of Poland's telecommunications market in 2012.

The Polish telecommunications sector is supervised by competent public administration bodies such as UKE and the Ministry of Administration and Digital Technology.

Mobile telephony market

The Polish mobile telephony market is mature. Based on UKE data, in 2012 the market's penetration rate measured by reference to the number of SIM cards increased by 6.4 pp, to 140%, or 53.9m active SIM cards. According to UKE, the mobile telephony subscriber base in Poland has been penetrated to a large extent, and an increase in the number of SIM cards in the coming years will depend primarily on the customers who decide to use more than one phone. PMR expects further increase in the number of SIM cards used in Poland to 64.8 million cards in 2017, though the growth will be much slower than in previous years. As a result, the penetration rate will also increase from the current level of 140% to 168% in 2017 (PMR estimates).

The Polish mobile telephony market is highly competitive and relatively polarised. It is served by MNO and MVNO operators. Under the MVNO business model, existing infrastructure operators (MNOs) provide virtual operators (MVNOs) with licensed frequency allocation and the necessary infrastructure.

In Poland, there are four leading MNOs: Polkomtel (Plus network), Orange (PTK Centertel; Orange network), T-Mobile (formerly PTC; T-Mobile network) and P4 (Play network), as well as three smaller operators: CenterNet, Mobyland and Aero2. There are also more than ten MVNOs, but their market shares in terms of revenue and subscriber base are very low.

The following table presents the market shares of MNOs and MVNOs in terms of subscriber base at the end of 2012.

	Market share in terms of subscriber base
	2012
PTK Centertel (currently Orange)	27.6%
Polkomtel	25.6%
PTC (currently T-Mobile)	29.3%
P4	16.1%
Others	1.3%

Source: UKE.

The following table presents the market shares of MNOs and MVNOs in terms of revenue at the end of 2012.

	Market share in terms of revenue
	2012
PTK Centertel (currently Orange)	30.7%
Polkomtel	30.4%
PTC (currently T-Mobile)	26.1%
P4	12.5%
Others	0.3%

Source: UKE.

In 2012, the estimated value of the Polish mobile telephony market, calculated as total revenue from the provision of retail services generated by all operators, was PLN 18.9bn, having increased approximately 1% on 2011. More than 80% of that revenue was generated by post-paid subscribers. ARPU in the mobile telephony market has been following a downward trend, mainly due to reductions of wholesale mobile termination rates (MTRs). PMR estimates that in 2013 the value of the Polish mobile telephony market will decline by 6%, primarily due to significant MTR reductions. Assuming no further MTR reductions, PMR expects the market to stabilise within the next four years and then to grow at 0.7% CAGR until 2017, when the market's value will reach PLN 24.4bn. MTR is currently at PLN 0.0429 per minute, which, according to the BEREC Report, places Poland among the four European countries with the lowest MTRs.

Infrastructure operators (MNOs)

At the Prospectus date, there were seven MNOs operating commercially in Poland based on their own allocated frequency bands and infrastructure necessary to provide mobile telephony services on their own; this group included Polkomtel, Orange, T-Mobile, P4, and LTE Group (including Aero2, Mobyland, and CenterNet).

According to the UKE Report, Polkomtel, PTK Centertel (currently Orange), T-Mobile and P4 together accounted for approximately 99.7% of the revenue generated on the Polish mobile telephony market in 2012. The remaining revenue was generated by MVNOs and other MNOs.

- *Polkomtel* − Polkomtel operates under the umbrella Plus brand. At December 31st 2013, Polkomtel had approximately 14.1m subscribers representing about 25% of the market, according to the Central Statistical Office of Poland. At the same time, Polkomtel had the largest base of contract subscribers in Poland;

- *Orange* − Orange operates under the umbrella Orange brand and also has an alternative brand nju.mobile. According to the data provided by the operator, at December 31st 2013 Orange had ca. 15.3m mobile subscribers representing about 27% of the market, according to the Central Statistical Office of Poland;

- *T-Mobile* − T-Mobile operates under the umbrella T-Mobile brand and also uses additional brands such as Heyah, Blueconnect and Tu Biedronka. According to the data provided by the operator, at December 31st 2013 T-Mobile had ca. 15.6m mobile subscribers representing about 28% of the market, according to the Central Statistical Office of Poland;

- *P4* − P4 operates under the umbrella Play brand, and also has an additional brand Red Bull Mobile. According to the data provided by the operator, at December 31st 2013 P4 had ca. 10.7m mobile subscribers representing about 19% of the market, according to the Central Statistical Office of Poland;

- *LTE Group* − LTE Group operates on the wholesale market through companies Aero2, Mobyland and CenterNet. At the same time, Aero2 operates on the residential market, where it offers free broadband Internet access, and CenterNet provides residential services to over 54 thousand active subscribers, mainly in the prepaid model based on the "wRodzinie" brand.

Frequency allocations

The following table presents key information on the frequencies allocated to MNOs at March 3rd 2014.

MNO	Frequency band	Size of allocated band	Sum of allocated band	First allocation decision date	Allocation decision expiry date
Polkomtel...............	900 MHz	2 × 9 MHz		February 23rd 1996	February 24th 2026
	1800 MHz[(1)]	2 × 7.2 MHz		September 13th 1999	September 13th 2014
	2100 MHz	2 × 14.8 MHz + 1 × 5 MHz		December 20th 2000	January 1st 2023
	410-430 MHz[(2)]	2 × 2.5 MHz		May 25th 2006	December 31st 2020
CenterNet...............	1800 MHz	2 × 9.8 MHz + 1 × 200 kHz	177 MHz	November 30th 2007	December 31st 2022
Mobyland...............	1800 MHz	2 × 9.8 MHz + 1 × 200 kHz		November 30th 2007	December 31st 2022
Aero2	900 MHz	2 × 5 MHz		December 9th 2008	December 31st 2026
	2570-2620 MHz	1 × 50 MHz		November 10th 2009	December 31st 2024
Orange	900 MHz	2 × 6.8 MHz		July 5th 1999	July 5th 2014
	1800 MHz[(1)]	2 × 12 MHz	77 MHz	August 21st 1997	August 22nd 2027
	2100 MHz	2 × 14.8 MHz + 1 × 5 MHz		December 20th 2000	January 1st 2023
	450-470 MHz	2 × 4.5 MHz		December 16th 1991	December 17th 2016
T-Mobile................	900 MHz	2x9 MHz		February 23rd 1996	February 24th 2026
	1800 MHz	2 × 9.6 MHz	92 MHz	August 11th 1999	August 11th 2014
	1800 MHz	2 × 10 MHz		June 14th 2013	December 31st 2027
	2100 MHz	2 × 14.8 MHz + 1 × 5 MHz		December 20th 2000	January 1st 2023
P4...........................	900 MHz	2 × 5 MHz		December 9th 2008	December 31st 2023
	1800 MHz	2 × 15 MHz	75 MHz	June 14th 2013	December 31st 2027
	2100 MHz	2 × 14.8 MHz + 1 × 5 MHz		August 23rd 2005	December 31st 2022

(1) On December 24th 2013, Polkomtel applied for extension of the 1800 MHz band frequency allocation. Before applying for extension of the frequency allocation in the 1800 MHz band, on August 29th 2013 Polkomtel applied for a change of the entity holding the allocation in the 2.4 MHz frequency band, from the frequency range covered by the application to extend the allocation, to PTK Centertel, implementing the provisions of the agreement of July 22nd 2013 on transfer by Polkomtel of some of the frequencies from the 1800 MHz band to PTK Centertel. On February 28th 2014, the President of UKE issued a decision changing the frequency allocation by changing the entity holding the frequencies within the ranges covered by the application to Orange (the entity that merged with PTK Centertel, the acquiree, on December 31st 2013). Following the issue of the decision and rendering it immediately enforceable, Orange became the holder of the band with effect as of March 1st 2014. On March 3rd 2014, Polkomtel applied to UKE for reconsideration of the decision and suspension of its immediate enforceability. See "Overview of Metelem Group—Court, arbitration and administrative proceedings—Proceedings pending before the President of UKE, administrative courts, and the Antimonopoly Court—Proceedings before the President of UKE concerning reconsideration of the case relating to a change in frequency allocations".
(2) By Nordisk Polska Sp. z o.o.
Source: UKE.

For the purpose of designing, building and maintaining a new mobile telecommunications network, and participating in related tenders, PTK Centertel (currently Orange) and PTC (currently T-Mobile) formed a joint venture under the name NetWorks!, where each joint venturer holds a 50% interest; the joint venture began operations in September 2011. PTK Centertel and PTC also signed an agreement setting out the framework for the management of NetWorks! and shared access to the radio network, whereunder both parties have undertaken to provide network access services against payment, including, in particular, to maintain radio signal broadcasting for both parties in order to handle traffic generated by the other party's subscribers. Recently, the two operators have expanded their relationship by enabling Orange to provide LTE services using also the 1800 MHz frequencies held by T-Mobile. It is expected that this arrangement may be extended to include other frequencies as well. The network sharing agreement was signed for a period of 15 years, with an extension option. According to press releases, NetWorks! is currently engaged in the development of a joint radio network; the process is to be completed in 2014.

Additional frequency allocation

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

Virtual operators (MVNOs)

MVNOs are those operators who provide mobile telephony and/or mobile data transmission services, but do not hold any frequency allocations on their own and need not have their own infrastructure to provide such services. Under the MVNO business model, existing MNOs provide frequency resources and the necessary infrastructure to MVNOs. According to the UKE Report, 19 operators provided mobile services under the MVNO model in 2012.

Although the number of MVNOs is on the increase, none of them has significant market power. According to the UKE Report, the joint share of all MVNOs (including CenterNet and Mobyland) in the mobile subscribers market was 1.3% in 2012. However, the combined revenue of all MVNOs, including three MNOs (CenterNet, Mobyland and Aero2), accounted for only 0.3% of the total value of the Polish mobile telephony market in 2012.

Fixed-line telephony market

Fixed-line telephony segment in Poland shrank by approximately 7.7% in 2002-2012, mainly due to the ongoing replacement of fixed-line services with mobile services. The downward trend affected both the number of subscribers to fixed-line voice services (down from 10 million in 2008 to 7.4 million in 2012, according to the UKE Report), and the related ARPU (down 5.1% per year on average in 2008-2012). As a result, market penetration of fixed-line services in Poland decreased to 24.5% in 2012, according to the PMR Report. As a consequence, the voice traffic volume in fixed-line networks decreased to 13bn minutes in 2012, a one fifth of the mobile voice traffic volume reported at 69bn minutes.

Fixed-line operators

Fixed-line telephony market in Poland is dominated by Orange; however, the dominant operator is losing its market share to alternative operators. According to the PMR Report, the market share held by Orange in terms of the number of services decreased from 93.4% in 2000 to 65.3% in 2012.

The following table presents major fixed-line operators and their market shares in terms of revenue and subscriber base in 2012.

Operator	Market share, by revenue	Market share, by subscriber base
	(%)	
Orange	57.4	55.7
Netia S.A.	14.6	11.2
Telefonia Dialog sp. z o.o.	5.8	5.3
UPC Polska sp. z o.o.	4.4	6.3
Telekomunikacja Novum S.A.	2.4	3.0
T-Mobile	2.3	3.6
PTK Centertel (currently Orange)	1.6	2.7
Others	11.6	12.1

Source: UKE.

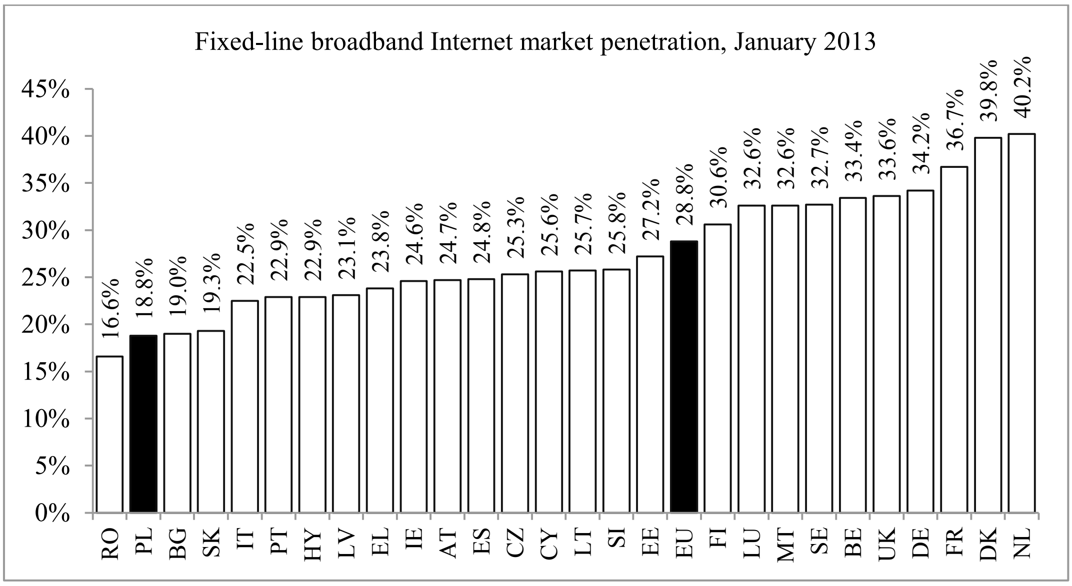
Polish broadband market

Broadband Internet access services can be provided through a wide range of different solutions based on fixed-line technologies, including (but not limited to) xDSL, cable modem, LAN-Ethernet, and WLAN, or mobile technologies such as 2G/3G/4G mobile modems (based on GPRS, EDGE, UMTS, HSPA or LTE technologies). Broadband Internet access in Poland is provided through fixed-line and wireless networks.

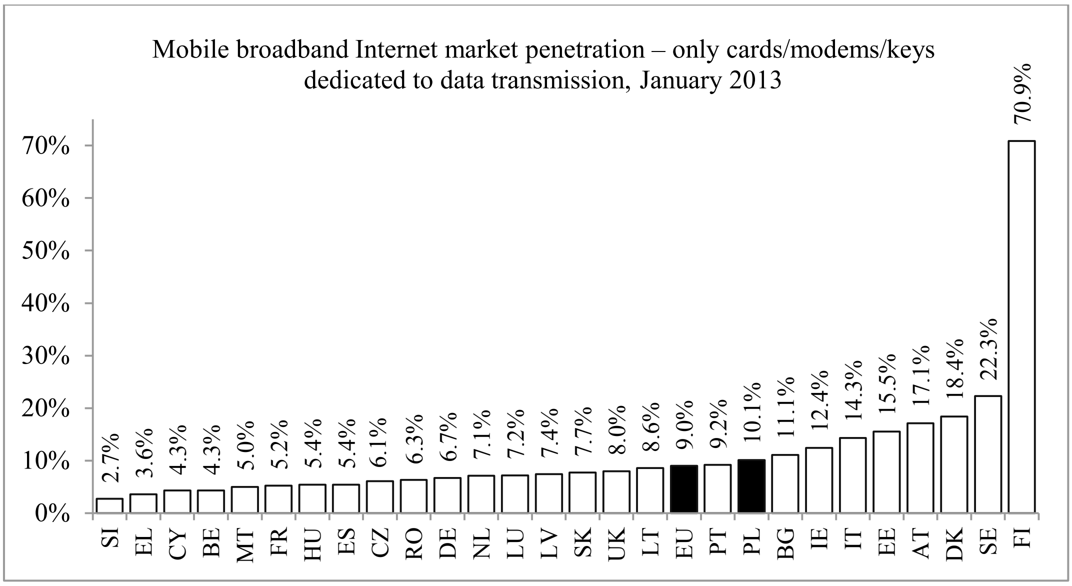
According to UKE data, 83.5% of Polish households had broadband Internet access in 2012, and the penetration rate was 29.3% per 100 inhabitants. In 2012, nearly 7.6 million Poles had fixed-line broadband Internet access (an increase of 13.4% on 2011) and more than 4.1 million used mobile Internet services (an increase of 24.2% on 2011). 1.6 million new Internet users were recorded, of which about a half had subscribed to mobile services.

According to the European Commission report "Digital Agenda Scoreboard 2013", Poland ranked ninth in the EU in terms of mobile Internet penetration per 100 inhabitants. Poland's mobile Internet penetration rate reached 10.1%, 1.1 pp above the EU average of 9%. The penetration rate of fixed broadband Internet access in Poland was 18.8%, that is 10 pp below the EU average (28.8%).

The following tables present market penetration rates for broadband Internet services in different European countries at January 2013.



Source: the European Commission report "Digital Agenda Scoreboard 2013".



Source: the European Commission report "Digital Agenda Scoreboard 2013".

The relatively low saturation of the broadband market and high potential for growth make mobile data transmission the fastest-growing segment of today's telecommunications market.

According to UKE data, the value of the Polish broadband market, measured in terms of revenue from sale of services, was PLN 4.4bn in 2012, up 10.7% on 2011. Despite the continued decline of revenues from xDSL-based services (largest share in the revenue structure), the revenue of operators offering services based on other access technologies increased. Revenue generated by services based on 2G/3G modems increased most rapidly, by 41.5% year to year. The average monthly revenue per user of Internet service (ARPU) in 2012 was PLN 31.5, which is less by 4.8% compared with the prior year.

The following table presents changes in the revenue structure by technology, as compared with the aggregate revenue from broadband Internet access services in 2011-2012.

Revenue structure, by technology	2011	2012
xDSL	38.0%	32.3%
2G/3G modem	18.2%	23.3%
TVK cable modem	23.1%	22.9%
LAN-Ethernet	9.3%	9.7%
WiFi	6.4%	6.9%
Other*	5.0%	4.9%

**Fixed Wireless Access (FWA), line rental, satellite links, CDMA and WiMax.*
Source: UKE.

PMR predicts that the market for Data Transmission, Line Rental and Internet Services Provision (DLISP) will remain the fastest-growing segment of Poland's telecommunications market. Further investments in the build-out of broadband network and expansion of LTE technologies will be the key drivers of the market growth. According to PMR's forecasts, until 2017 the market will grow at 3.9% CAGR and its value in 2017 will amount to PLN 8.05bn, including broadband Internet access segment of PLN 4.47bn and data transmission segment of PLN 2.34bn. In 2017, the number of subscribers to broadband Internet services in Poland is expected to increase to 14.7 million. At the same time, demand for mobile services will continue to grow, driven by factors such as lower prices of mobile services and the expanding coverage of 3G networks which directly improves service quality and continuity.

Another driver for the development of mobile Internet services and reduction of their prices is the build-out of new LTE-based networks. LTE-based mobile services are currently provided by three operators: Cyfrowy Polsat, Polkomtel and P4, and they offer higher data transfer speeds and network capacities, which are impossible to achieve with any radio technology available to date.

The following table presents expected growth of the broadband market (by the number of subscribers, in thousands) in 2013-2017.

	2013	2014	2015	2016	2017
Fixed-line access	7,360	7,551	7,726	7,891	8,050
Mobile access	5,001	5,557	5,993	6,349	6,654
Total	12,361	13,108	13,719	14,240	14,704

Source: PMR Report.

PMR predicts that in 2014-2017 the number of users of mobile broadband services will grow faster than the number of users of fixed-line access services. The observed CAGRs are expected to reach, respectively, 8.8% and 2.4% in that period.

Fixed-line broadband Internet access

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

Fixed-line broadband market is relatively fragmented. According to the UKE Report, the xDSL technology continues to be the most popular form of fixed-line broadband Internet access; in 2012, the xDSL-based services were provided to 2.8m subscribers, and their value remained constant in 2010-2012 despite the overall increase in the value of the entire market over the same period. In 2012, the value of the xDSL segment was PLN 1.4bn, down from PLN 1.5bn reported in 2011 (UKE Report). Orange Group remains the dominant operator in the xDSL segment, holding 76.1% of the overall xDSL subscriber base.

Cable modems offered by cable TV operators are the second most popular fixed-line broadband Internet access technology in Poland. According to the UKE Report, in 2012 the number of subscribers to cable-based broadband Internet access services was 2.2m, up 12% on 2011, generating annual revenue of PLN 1bn. Cable TV operators offer relatively high data transfer speeds, and therefore cable modems are an attractive option for Internet users. The share of revenue from broadband Internet access services based on cable modems is relatively stable, which is due to the fact that availability of cable infrastructure is restricted mainly to large urban areas. Considering the high cost of cable network build-out outside urban areas, the potential for growth of cable networks in the broadband Internet access market is limited.

According to the UKE Report, the segment of services based on wireless WiFi access and wired LAN-Ethernet access was highly fragmented. The market share of those technologies has been on the increase in recent years.

The UKE Report indicates that value of the LAN-Ethernet market reached PLN 0.4bn in 2012, with the subscriber base of 0.65 million.

PMR expects that the number of subscribers to xDSL-based access services is unlikely to increase in the coming years, and in 2017 xDSL technologies may lose market leadership to cable modems. In the meantime, the number of subscribers to mobile broadband services will continue to rise at the average rate of 8.8% per year, and the share of mobile technologies in the subscriber base is expected to increase steadily, from approximately 40% in 2013 to approximately 45% in 2017 (broadband Internet access via mobile phones or smartphones is not included in this forecast).

Fixed-line operators

According to the UKE Report, in 2012 there were three major fixed-line operators offering broadband Internet access services based on xDSL technology, of which Orange Group was the dominant operator holding 76.1% share of the market in terms of subscriber base.

The following table presents the market shares of fixed-line operators as a percentage of the total number of users of xDSL-based broadband Internet access services in 2012.

Operator	Market share in terms of subscriber base (%)
Orange[(1)]	76.1[(1)]
Netia S.A.	13.6
Telefonia Dialog sp. z o.o.	4.7
Others	5.6

[(1)] *Represented by Telekomunikacja Polska S.A. and PTK Centertel.*
Source: UKE.

Cable broadband Internet access

According to the UKE Report, in 2012 the cable broadband Internet access market was dominated by three major cable operators.

The following table presents the market shares of cable operators as a percentage of the total number of users of broadband Internet access services based on cable modems in 2012.

Operator	Market share in terms of subscriber base (%)
UPC Polska sp. z o.o.	38.3
Vectra S.A.	17.4
Multimedia Polska S.A.	14.9
Others	29.5

Source: UKE.

Mobile broadband Internet access

The market of broadband Internet access based on mobile technologies (defined as access via modems or dedicated SIM cards integrated with laptop computers or tablets) is dominated by four main providers of those services, jointly holding 95.1% of the market at December 31st 2012. However, estimates for the mobile broadband market may differ, depending on the source of data and the applied definition of mobile broadband Internet access.

Compared with other EU Member States, Polish mobile broadband market offers large potential for growth, which is related to (i) relatively low quality of the existing fixed-line infrastructure, which makes mobile broadband technology more attractive to Internet users as it offers better quality parameters in their respective area of residence; (ii) Poland's low urbanisation level, which often makes mobile access the only technology available in a given location; and (iii) attractive prices of mobile broadband services compared with fixed-line offerings.

In 2012, according to the UKE Report, revenue from mobile technologies developed at the fastest rate in the entire broadband Internet access market, and mobile broadband became the most popular Internet access technology in terms of the number of users, overtaking the segment of broadband Internet access services based on cable modems also in terms of revenue. The success of mobile broadband can be attributed to the mobility feature offered to users, the growing 3G and LTE network coverage, and increasing data transfer speeds − from the initial 56 Kbps/236 Kbps (GPRS/EDGE), through 42 Mbps (HSPA+), up to 150 Mbps (LTE).

Alternative mobile access technologies, such as WiMax or CDMA, are relatively less popular. This is due to heavier investments necessary to build a high-capacity network (WiMax), limited data transfer speeds offered (WiMax and CDMA), and the fast-growing alternative technologies offering much better data transfer parameters, such as LTE or HSPA+.

The continuing development of LTE and HSPA+ technologies, offering high-quality mobile broadband Internet access to the majority of the population of Poland, combined with the provision of new services and products (such as those based on video streaming), will make this form of broadband Internet access even more popular among Polish users. As network investments by fixed-line operators in suburban and rural areas are limited, mobile broadband technologies will be the key factor contributing to further increase in the penetration of broadband Internet access services in Poland. In addition, the high quality of LTE-based services will lead to increased data usage by subscribers, which will improve ARPU, reduce churn, and increase the market share of those operators who have access to the frequencies and infrastructure necessary to provide such services.

Mobile operators

The mobile access market in Poland is dominated by four major MNOs: Polkomtel, T-Mobile (formerly PTC), Orange (formerly PTK Centertel), and P4. According to the UKE Report, their joint market share in 2012 was 95.1% in terms of the number of 2G/3G modem users.

The following table presents the key providers of broadband access services based on 2G/3G modems and their respective market shares in 2012.

Operator	Market share in terms of subscriber base (%)
Polkomtel	27.4
PTK Centertel (currently Orange)	24.9
P4	22.5
PTC (currently T-Mobile)	20.3
Others	4.9

Source: UKE.

Integrated (converged) services market

The Polish media and telecommunications market has been converging as subscribers are increasingly seeking to receive their media and communications services from one provider at affordable prices. In response, service providers are integrating their pay TV, broadband Internet, and telephony services into packages, thus enabling their subscribers to purchase all of these services under a single contract, subscription fee and invoice. By offering integrated services, media and telecommunications service providers are not only able to meet subscribers' needs, but can also improve customer loyalty and thus reduce subscriber churn rates.

Integrated services in Poland are typically provided by cable TV operators and telecommunications service providers over fixed-line infrastructure. The integrated services offering of both cable TV operators and telecommunications service providers are chiefly available in large and medium-sized cities, which is mainly due to the limited geographical reach of their infrastructure and the generally poor telecommunications infrastructure in Poland. The integrated services market in Poland is underdeveloped in sparsely populated areas, and therefore has significant growth potential in suburbs, small towns and rural areas, where such services are now virtually unavailable. Apart from the low penetration rate of integrated services, also the quality of Internet services provided by cable operators in less densely populated areas is usually poor owing to the noticeably inadequate infrastructure. This creates an opportunity for pay TV operators, who do not have the same geographic and fixed network infrastructure limitations as cable TV operators and telecommunications service providers, to become the leading providers of high quality integrated services to consumers in suburbs, small towns and rural areas across Poland.

According to the European Commission's E-Communications Household Survey of November 2013, the saturation level of the integrated services market (defined as more than one service being delivered by a single provider) in Poland at the end of March 2013 was 25%, versus 45% in the European Union, and over 60% in Luxembourg and in the Netherlands (68% and 66%, respectively).

At present, triple-play services, comprising TV, Internet and telephony are offered by cable TV operators, such as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., by telecommunications operators, such as Orange Group (Orange), Netia S.A. (which launched a mobile TV service in 2011) and Telefonia Dialog Sp. z o.o. (acquired by Netia S.A. in 2011), and by DTH operators, such as Cyfrowy Polsat.

The consolidation trends manifest on the media and telecommunications market spell the emergence of provider groups offering bundled services and contributing to the development of the integrated services market. Since 2011, TVN S.A. and Orange have partnered to offer joint services – Internet and TV packages (the former "n" platform). At the end of 2012, TVN Group and Canal+ Cyfrowy Sp. z o.o. signed an agreement providing for the merger of their satellite platforms in March 2013. The partnership with Orange was maintained and transferred to the joint nc+ platform. The integrated services market is also developed by Cyfrowy Polsat, which announced a cross-selling partnership with Polkomtel in 2012. In November 2013, Cyfrowy Polsat signed a conditional purchase agreement for shares of Metelem, which indirectly holds 100% of the share capital of Polkomtel (see "Transaction").

TV production and broadcasting

Poland's television station market comprises public and commercial broadcasters transmitting channels of nationwide and regional coverage. A significant number of channels are available on a pay-to-view basis (through cable and DTH platforms).

In Poland, the first television programmes were broadcast in the 1950s by TVP, the state-owned TV broadcaster. TVP was the only television broadcaster on the Polish market until 1992, when as a result of the political transformation in Poland the TV broadcasting market was opened up to commercial operators. Since that time, the number of television stations has been steadily growing.

On July 23rd 2013, the switch-over to digital terrestrial television (DTT) was completed. First analogue signal switch-offs took place on November 7th 2012, and the last – on July 23rd 2013. As of the latter date, the analogue signal ceased to be available in Poland. Digital terrestrial TV currently comprises three multiplexes, which offer 20 free-to-air TV channels and reach 98% of Poland's population. Additionally, a tender was concluded for four more channels to be broadcast on MUX-1 (see "—Digital terrestrial TV (DTT) below). Potential entrants, who want to apply for broadcasting licences, must meet licence requirements related to the legally regulated content of channels as well as ownership structure of the companies.

The Polish market of licensed TV broadcasters is regulated by the National Broadcasting Council (KRRiT), whose purview includes broadcast licensing and day-to-day monitoring of active broadcasters (e.g. verification of compliance with licence terms applicable to individual channels) (see "Regulatory environment—Regulatory environment related to TV production and broadcasting and provision of digital pay TV services—Broadcasting licences").

Polish TV advertising market

According to ZenithOptimedia estimates, in 2013 Poland was the third largest advertising market (after Russia and Turkey), with a total net advertising expenditure of PLN 6.4 billion (after discounts or rebates) with a 5.6% decline compared to 2012. The value of Poland's TV advertising market amounted to over PLN 3.3bn (5.1% less than in 2012). Based on the ZenithOptimedia data, the TV advertising market's value is expected to increase by a net of 1.1% in 2014, and by an average of 1.1% (CAGR) in 2014-2016. Additionally, given the relation between the value of the Polish advertising market and GDP, there is still ample room for further growth. The Polish advertising market's value stands at 0.39% of GDP, substantially lower than in the United Kingdom (0.79%), Germany (0.66%) and the Czech Republic (0.57%).

The Polish TV market is characterised by high average daily TV viewing time, which was approximately 247 minutes in 2013 – an increase of four minutes on 2012. Thus in 2013, television continued to be the dominant advertising medium, accounting for 52% of the total advertising expenditure. According to ZenithOptimedia, the figure will remain relatively flat in the years to come. As lower spending has been recorded in the printed media segment, the significant expansion of Internet advertising has had little effect on TV advertising, which remains a highly effective means of communication with consumers. Furthermore, the high average TV viewing time warrants the assumption that the market will continue to be an attractive communication platform for advertisers.

Advertising expenditure by medium in 2011-2016:

	2011	2012	2013	2014	2015	2016
TV	52%	52%	52%	52%	51%	51%
Press	16%	14%	12%	10%	8%	6%
Outdoor	8%	7%	7%	7%	7%	6%
Radio	7%	7%	7%	7%	7%	7%
Internet	16%	18%	20%	23%	25%	28%
Cinema	2%	2%	2%	2%	2%	2%

Source: ZenithOptimedia.

Key TV channels

The Polish TV market is dominated by four major terrestrial channels: TVP1, TVP2, TVN and POLSAT. In 2013, they held in aggregate a 45.9% share of the audience in the commercial group. In 2013, significant fragmentation of the TV market was observed related to the termination of broadcasting of analogue terrestrial television and transition to digital terrestrial television (DTT). Smaller TV channels available on the multiplexes grew in importance, chiefly at the expense of the four major channels, which had so far broadcast on analogue terrestrial television.

In 2013, POLSAT, the Group's flagship channel, had the second highest all day audience share of 13.5% and its average annual technical coverage was nearly 99%. The Group's thematic channels held a combined audience share of 7.6%. Polsat Group's thematic offering comprises 22 channels covering various market segments (including sports, women's interest, men's interest, and news channels). The channels are distributed over cable and satellite as well as terrestrial networks, with the latter group composed of four MUX-2 channels (POLSAT, Polsat Sport News, TV4 and TV6). POLSAT competes with nationwide channels, such as TVN, TVP1 and TVP2, as well as with a number of minor channels available on digital terrestrial television.

In 2013, POLSAT's main competitor, TVN, had a 13.96% all day audience share, with average annual technical coverage at nearly 98%. Launched in 1997, the TVN channel belongs to TVN Group, which is controlled by ITI Group. In 2013, thematic channels offered by TVN Group had a combined all day audience share of 8.9%.

TVP Group broadcasts ten channels, including two nationwide stations previously available in analogue distribution – TVP1 and TVP2. In 2013, the main channels of TVP Group had 9.5% (TVP1) and 8.9% (TVP2) all day audience share. The technical coverage of both stations is nearly 100%. TVP's thematic channels had a 4.6% audience share. TVP Group is one of the major players on the Polish advertising market. In addition to advertising revenue, TVP – as the public broadcaster – receives additional revenue from television licence fees mandatory for all TV users pursuant to the Television License Fees Act of April 21st 2005 (Dz. U. of 2005, No. 85, item 728). Despite regulations preventing TVP from interrupting programmes to broadcast advertising, in 2012, licence fees accounted for only 18.3% of TVP's revenue.

Digital terrestrial TV (DTT)

On July 23rd 2013, Poland's switch-over from analogue TV broadcasting to the Digital Video Broadcasting – Terrestrial standard (DVB-T) was completed. The new technology is able to accommodate more channels, offers better image and sound quality, and eliminates signal interferences common in analogue broadcasting. Additionally, with the new technology, viewers can access an electronic programme guide, which allows them to compile lists of favourite programmes and configure parental control functions, and broadcasters are able to provide additional services, such as encoding additional audio channels (e.g. narration tracks) and offering a choice of subtitles in various languages.

Digital broadcasting has different bandwidth requirements than analogue transmission. To be able to receive digital terrestrial television, TV sets must be equipped with a tuner, or a special adapter (set-top box) in the case of older models. Thanks to the DVB-T broadcast transmission standard and MPEG-4 compression and encoding, a single multiplex is able to stream up to eight channels.

At the Prospectus date, three multiplexes offer free-to-air digital television services and one multiplex offers pay-to-view digital television access on mobile devices. It is expected that the process of digitalization in Poland may involve six multiplexes. A multiplex ("MUX") is a term used to describe the package of radio and TV channels, possibly enriched by additional services, transmitted digitally on a specific band.

The first multiplex (MUX-1) is shared between three public TV channels (TVP1, TVP2, TVP Info) and four commercial channels TVP is to release the multiplex space it currently occupies by April 27th 2014, to make it available to the following channels elected in a tender procedure: Telewizja TRWAM (society and religion), STOPKLATKA TV (film), Fokus TV (education and knowledge), and TVP ABC (channel for children aged 4 to

12). An earlier release of MUX-1 space by TVP for Telewizja TRWAM and TVP ABC took place on February 15th 2014. According to UKE estimates, the coverage of MUX-1 was 98.8% of Poland's population at the analogue terrestrial television switch-off date. MUX-2 is reserved for commercial broadcasters. At the switch-off date, the coverage of MUX-2 was estimated at 98.8%. MUX-3, operated exclusively by public broadcasters, has the largest coverage, estimated at 99.5% at the switch-off date. The superior coverage of MUX-3 is attributable to the larger number of broadcasting facilities than in the case of other multiplexes. The last stage of expansion of MUX-3 is be completed by the end of April 2014. MUX-4 is reserved for the use of Info-TV-FM (owned by Polsat Group), which has launched a mobile TV service on the multiplex.

According to UKE's announcement of November 6th 2013, new frequency resources had been made available and will be used to launch a new multiplex. As 19 companies have declared their interest in the new resources, preparations have begun to initiate allocation proceedings.

In additional to nationwide multiplexes, TV programming may also be broadcast locally. At the Prospectus date, two local multiplexes were in operation. The first one, launched on December 19th 2013 and broadcasting in the region of Radomsko, transmits the programming of NTL Radomsko, a local TV channel owned by TVN Group, and two nationwide channels. The other local multiplex, launched on December 20th 2013 and broadcasting in the region of Rybnik, transmits the programming of TVT, a local TV channel, and four nationwide channels.

BUSINESS OVERVIEW OF POLSAT GROUP

Introduction

Our Group is a leading provider of integrated multimedia services in Poland, with established leadership on the pay TV market in terms of the subscriber base. We also rank among leading private broadcasters in terms of the viewership and share in the advertising market. We offer the whole package of multimedia services designed for the entire family: satellite TV, mobile TV, online TV, broadband Internet access based on HSPA/HSPA+ and LTE technologies, as well as mobile telephony services.

Cyfrowy Polsat is one of Poland's leading providers of pay TV services and Europe's fourth DTH platform in terms of the subscriber base. At December 31st 2013, the share of Cyfrowy Polsat in the Polish digital pay TV market was approximately 33% and its subscriber base exceeded 3.5 million accounts. Cyfrowy Polsat's satellite pay TV subscribers have access to more than 140 Polish TV channels (of which 20 are offered exclusively by Cyfrowy Polsat) and to all main terrestrial TV channels available in Poland. Cyfrowy Polsat is the only satellite TV operator in the country to offer sports channels, which ranked first, second, third and fifth among top most viewed sports channels in Poland in 2013. The pay TV offering is complemented with additional services, such as VoD Home Movie Rental; mobile TV which provides subscribers with access to 20 encrypted channels (including 8 TV and 12 radio channels) and to all digital terrestrial TV channels through various mobile terminal devices (such as smartphones, tablets and laptops); broadband Internet access based on HSPA/HSPA+ and LTE technologies offered in cooperation with LTE Group; as well as mobile telephony services provided in cooperation with Polkomtel.

Telewizja Polsat Group is one of Poland's two leading private television groups in terms of the audience share and share in the TV advertising market. The Group's portfolio includes 24 channels, of which 5 are offered in the HD format. In 2013, POLSAT, the main channel, ranked second in terms of audience share (with the share of 13.5%), while the aggregate market share of Telewizja Polsat's all thematic channels, including TV4 and TV6 channels acquired in 2013, reached 7.6%. Telewizja Polsat Group also sells advertising time on its own channels and on certain channels of other broadcasters. Based on Starlink data, in 2013 we held 24.1% of the Polish TV advertising market, the value of which is estimated at about PLN 3.53bn.

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 terminal devices (including computers, tablets, smartphones, Internet-enabled TV sets, set-top boxes, and game consoles) and in terms of content volume. IPLA is 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 2013 the average number of unique users of the IPLA website/application was approximately 3.9 million.

Our Group operates in two segments: the residential segment, which provides digital pay TV, broadband Internet and mobile telephony services to residential subscribers, and the TV broadcasting and production segment. The segments generate different revenue flows: on the one hand, residential subscription fees and related revenue (in the residential segment), accounting for 62.9% of the Group's total revenue in the year ended December 31st 2013, and on the other hand – advertising revenue (mainly in the TV broadcasting and production segment), which represented 29.9% of the Group's total revenue in the same year. In the residential segment, our large subscriber base, regular monthly revenues from subscription fees, and relatively low subscriber churn rate guarantee rather predictable future revenues and regular cash flows, which proved very strong in the past, even in the face of economic stagnation. On the other hand, the TV advertising market is cyclical: revenues go up in the second and fourth quarter and go down in the first and third quarter of the year, and they tend to increase faster in the periods of economic growth but follow a downward trend during economic downturn.

In the residential segment, EBITDA margins were 34.4%, 35.0% and 29.3% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 8.7% over the three years. In the TV broadcasting and production segment, EBITDA margins were 34.6%, 36.7% and 31.9% in 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 17.3% over the same period.

Competitive advantages

We are the leading integrated multimedia group

We are Poland's only integrated multimedia group offering satellite pay TV, mobile TV and online TV services, TV broadcasting and production, broadband Internet access based on HSPA/HSPA+ and LTE technologies, as well as mobile telephony services. At December 31st 2013, our satellite pay TV services were used by over 3.5

million subscribers, which is about one-third more than the subscriber base of our main competitor on the satellite pay TV market in Poland. In Q3 2011, we were the first commercial service provider in Poland to launch LTE-based broadband Internet access service, offering technical features and quality parameters which can ultimately lead to the replacement of fixed-line Internet services, thus meeting the increasing demand of consumers and leveraging the potential offered by our network. In addition, LTE-based broadband access offers mobility, which is a feature that has been increasingly more popular among consumers. We believe that in the long-term horizon, as radio infrastructure and LTE-enabled mobile devices continue to develop, the LTE Internet service will revolutionise not only the broadband Internet access market, but also the online content streaming market, giving us a significant competitive advantage over other market players and further increasing our subscriber base for that service and for our multi-play services, and will stimulate sales of our programming content on the expanding market of mobile multimedia devices. In addition, thanks to our cooperation with Polkomtel, which involves cross-selling of services, our subscribers have access to a comprehensive range of products and services offered by the leading mobile telephony operator of the "Plus" network, while Polkomtel's subscribers may take advantage of the dedicated package of television services offered by Poland's largest pay TV platform.

We believe that the preferences of Polish consumers will follow the trends seen in highly developed European economies, evolving towards multi-play services, which will only strengthen our advantage on the competitive media services market. After the Transaction, we expect to become one of Poland's ten largest companies (in terms of market capitalisation) and the leading media and telecommunications group in the country and in the region, offering a unique portfolio of fully integrated and complementary multimedia and telecommunications services to the combined subscriber base of Cyfrowy Polsat and Polkomtel (estimated at nearly 17 million subscribers in about 6 million Polish households). With the acquisition of Polkomtel, we will become the only pay TV operator on the market able to offer its subscribers an all-inclusive range of services, covering both mobile and fixed-line broadband Internet access, video and voice services, and attractive TV programming content, as well as sale of devices capable of carrying all our current multimedia and telecommunications services and new services to be developed by the Group in the future

We have achieved good brand recognition and earned a good name among our customers and viewers

According to GFK Polonia, we have the highest (87%) brand recognition among digital satellite TV operators in Poland. We believe that our position as Poland's largest pay TV operator and good relations with our licensors are the reasons why we can offer quality programmes on favourable market terms. We are convinced that the offering of high-quality programme packages at competitive prices is what makes our services more attractive. In addition, our advertising sales arm, Polsat Media, was recognised as the best TV advertising team among the leading Polish nationwide broadcasters in the year ended December 31st 2013, and was distinguished for meeting highest customer service standards such as: transparent pricing policy, ability to respond to customers' needs quickly and efficiently, and a guarantee of high service quality. In the five-point scale used by the industry magazine "Media & Marketing Polska", where 5 is the highest score, Polsat Media scored 4.19 in total (to compare, TVN scored 3.67 and TVP scored 3.20), which was the highest ever score achieved by Polsat Media in the survey conducted by "Media & Marketing Polska" in cooperation with Millward Brown; this result is consistent with similar scores earned in 2009 and 2011. A very good opinion in the market and successful relations both with media houses and advertisers strengthen our position in the very competitive advertising market and increase the confidence of broadcasters, who sign contracts with us not only for the distribution of channels on our satellite platform, but also for the intermediation in sale of advertising time on their channels.

We use frequencies which support the provision of services based on the DVB-T technology

Through the company Info-TV-FM, we use frequencies in the 470-790 MHz band, which are allocated to the provision of mobile audiovisual media services in the DVB-T technology. Based on the frequencies made available to us, we are able to offer pay TV services through the mobile TV service, which is available on the most popular terminal devices and via the latest DVB-T set-top box from our in-house production. At the Prospectus date, the multiplex coverage includes about five million households and fifteen million people. The provision of DVB-T services also gave us strong competitive advantage in the context of the digital switchover process completed in 2013 and the analogue switch-off as of the end of July 2013. We expect that many households that have bought set-top boxes from us as part of the digital switchover will become subscribers of our pay TV services in the future.

We use a proprietary technology for multi-platform content distribution on the Internet

We believe that we have developed unique technological competencies in encoding and streaming audiovisual content on the Internet, as well as optimising distribution of this type of signal. Unlike our competitors, we apply proprietary solutions on our IPLA online video platform, which enables us to provide services optimised for the limited Internet infrastructure in Poland and the capacities of third-party systems with which our applications are integrated. As a result, we can offer higher service quality compared with the commonly used solutions. In particular, our system of HD video stream encoding helps reduce the broadband required to deliver the signal by half as compared with the solutions implemented by other operators on the Polish market, which ensures lower data usage and, by extension, lower costs for users, and increases the potential of our services in terms of the coverage and number of concurrent viewers. We believe that we are the only multimedia group in Poland offering online video services through such a wide range of terminal devices, including computers, tablets, smartphones, Internet-enabled TV sets, set-top boxes, game consoles, and home cinemas, and supporting all major equipment makes and operating systems. Our technological achievements and strategic approach to the development of proprietary technology have been appreciated by independent experts. In 2011, we were ranked among the five fastest-developing technology service providers in Central and Eastern Europe in the Rising Stars category of the Deloitte Technology Fast 50 ranking. In the same year, IPLA was distinguished in the international IBC Connected World, the ConnectedWorld TV Awards, ranking as one of the world's most interesting projects involving innovative business solutions for the media sector. A year earlier, IPLA was recognised as the most interesting broadband service and received the Broadband Forum award, granted to players that set trends in the broadband market by introducing products and services that drive market growth and competitiveness.

New players must overcome considerable legal and operational barriers to successfully compete in our markets

We believe that high barriers for new entrants on the Polish pay TV and broadcasting market will help us maintain leadership in both market segments. Unlike potential new players on the Polish pay TV market, we benefit from economies of scale and our loyal customer base, which allows us to spread the relatively high cost of acquisition or development of technologies necessary to operate in those markets over our large subscriber base. We also have more bargaining power, which results from our market leadership. Our effective subscriber retention programmes, penalties for early termination of fixed-term contracts, problems associated with a replacement of set-top boxes, and our nationwide sales network which now includes additional Polkomtel points of sale and enables broad distribution of our attractive programming offers – they all constitute significant entry barriers for potential competitors.

We have an operationally attractive platform with low customer churn and high subscriber loyalty rate

Thanks to our market position as Poland's largest pay TV operator, our robust subscriber retention schemes and good relations with licensors, we are able to maintain high subscriber loyalty rates by delivering quality programmes on attractive market terms. At the Prospectus date, our offering includes the Mini HD Package at PLN 14.90 per month, Rodzinny HD Package at PLN 19.90 per month, Familijny HD Package at PLN 39.90 per month, and Familijny Max HD Package at PLN 49.90 per month, which is equal to about 0.4%, 0.5%, 1.0% and 1.3% of average monthly salary before tax in Poland in the year ended December 31st 2013. We are convinced that we offer the most attractive programme packages on the Polish pay TV market in terms of value for money. We also believe that future development of our customer service and retention programmes and the offering of integrated multimedia services will further increase the satisfaction and loyalty among our subscribers.

We produce our own set-top boxes specifically designed to support our customised functionalities

We are Poland's only DTH operator to offer our own HD set-top boxes (also with the PVR functionality), as well as SD and DVB-T set-top boxes. By the end of 2013, we had produced nearly 5.5 million set-top boxes, including more than 3.3 million HD set-top boxes, which accounted for over 90% of all set-top boxes sold or made available to our subscribers. At our production facility, we can manufacture high-quality equipment at noticeably lower costs relative to the prices of equipment supplied by third-party vendors, and reduce the time of repair and modification of settings of our set-top boxes. We design the functionalities of our set-top boxes on our own, independently of any third-party software suppliers, based on a survey of subscribers' expectations, so we can be sure that we provide them with equipment that actually meets all their needs. In addition, the fact that we develop our own software and do not involve any third-party IT providers in the process allows us to respond faster to new market requirements compared with any company that outsources software development. In this respect, we are absolutely independent and flexible, which means that we can offer better and faster customer service and, as a result, expect higher customer loyalty and even lower customer attrition.

Our TV channels offer attractive content

In the year ended December 31st 2013, we were one of Poland's two leading private television groups in terms of audience share and share in the TV advertising market, and our main channel, POLSAT, came second in audience share. The Group's portfolio has 24 channels, including 5 channels in the HD format. Our offering includes entertainment, sports, news, business, lifestyle, movie and children's channels. We have the largest and most diverse portfolio in the Polish market, which makes us the leader in terms of audience share among all private television groups in Poland, which in turn translates directly into our share of the advertising market. As regards our own productions, our focus is mainly on the news, documentaries, entertainment shows and TV series based on international formats, as well as our own concepts. We also have contractual arrangements with the leading 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, and Monolith Films sp. z o.o., which give us access to a broad range of top films and TV series. Our offer also includes a wide choice of sports coverage, including the 2016 European Football Championship qualification round, the 2018 World Cup qualification round, volleyball tournaments, and many other disciplines. We believe that the access to attractive programming content, including programmes not offered by any other pay TV operator, puts us well ahead of our competitors in the Polish pay TV market.

We generate solid, stable and diversified cash flows

Our revenue is generated by two different revenue streams: from the residential segment and the TV broadcasting and production segment. In the residential segment, our large subscriber base, regular monthly revenues from subscription fees, and relatively low subscriber churn rate guarantee rather predictable future revenues and regular cash flows, which proved very strong in the past, even in the face of economic stagnation. On the other hand, the advertising revenue in the TV broadcasting and production segment is usually cyclical; it goes up faster in the periods of economic growth but follows a downward trend during economic downturn. To optimise our cost base, we focus on the development of our own products and systems with a view to improving quality and efficiency; examples include our own set-top boxes production facility, proprietary IT solutions, or centralisation of certain back-office functions for the entire Group, translating directly into higher profitability ratios. In the residential segment, EBITDA margins were 34.4%, 35.0% and 29.3% in the years ended December 31st 2013, 2012 and 2011, respectively, while CAGR of the segment revenue reached 8.7% over the three years. In the TV broadcasting and production segment, EBITDA margins were 34.9%, 36.7% and 31.9% in the years ended December 31st 2013, 2012 and 2011, respectively, while CAGR of the segment revenue was 17.3% over the same period. Our day-to-day operations require no significant outlays; as a result, our free cash flows fully cover the needs of our current business and debt service costs across the Group.

We have experienced management staff

Members of our management have served as directors or executives in the media, television and telecommunications industries, and have extensive relevant experience, while our Management Board President has held his position since 2001. In 2010 and 2013, we ranked second in Poland in the Euromoney survey "Best Managed Companies in Central and Eastern Europe", and in 2011, 2012 and 2013 we ranked respectively third, fifth, and again third in the "Management Expertise" category of the "Listed Company of the Year" ranking. In addition, both our business segments are managed by experienced managers who have expert knowledge and in-depth understanding of our markets, especially in terms of sales and marketing, customer relationship management, technology, and finance. Our management staff have contributed greatly to the growth of our subscriber base and market shares, the launch of new products combined with tight cost control and increase in cash flows, as well as the integration of our new acquirees, such as the successful integration of Telewizja Polsat, the IPLA companies, and Polskie Media S.A. (see "—Material agreements—Share transfer agreements"). In the context of the Transaction, we have established joint departments for strategic areas (marketing, sales, customer service and retention, and IT) for Polsat Group and Polkomtel Group, managed by experienced management staff of Cyfrowy Polsat and Polkomtel, so as to leverage the potential benefits of our cooperation in the shortest possible time.

Strategy

Our strategy is to create and deliver the most attractive TV content, telecommunications products and other services for households and residential subscribers, 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 primary objective is to become number one player on the Polish entertainment and telecommunications market. We intend to achieve this goal by providing high quality products and services to all our residential subscribers, and by acquiring and producing programming content of superior quality and delivering it to Polish households and residential subscribers.

The key elements of our strategy include:

- Building the value of our subscriber base by increasing the number of users, number of services offered to a single user, as well as average revenue per user (ARPU), and by maintaining high levels of customer satisfaction
- Maximising revenue from produced and purchased programming content through its broad distribution, by maintaining the audience share of our channels and improving the viewer profile;
- Effective management of the cost base by leveraging synergies across our integrated media and telecommunications group;

Building the value of our subscriber base by increasing the number of users, number of services offered to a single user, as well as average revenue per user (ARPU), and by maintaining high levels of customer satisfaction;

Since the beginning of our business, we have substantially increased our revenue from services to residential subscribers and we intend to further increase our revenue and market share by continuing to run marketing campaigns targeted at current and prospective subscribers.

The overriding goal of our strategy is to effectively increase our revenue from sale of services to our residential customers. Taking account of the ongoing market developments, we will continue to create products that meet the changing preferences of our customers.

We will seek to attain this goal also by attracting the highest possible number of new subscribers for our broadband mobile Internet service, which is the fastest-growing broadband Internet access technology in Poland according to independent market analysts. We believe that mobile technology (and LTE in particular) will allow us to offer top quality services in most areas inhabited by our customers, and this development, paired with the benefits derived from providing integrated services, should further improve both subscriber satisfaction and our ARPU.

The second driver of revenue growth is cross-selling within the current subscriber base of Cyfrowy Polsat and Polkomtel. Together with Polkomtel, we will create a unique combined portfolio of products for the subscriber base of both operators, estimated at nearly 17 million individuals in about 6 million Polish households. In each household to which we will address our offering there are, on average, four image, data or voice transmission devices, including (but not limited to) TV sets, mobile phones, computers, and tablets. As a result, the direct market for products offered by Polsat Group and Polkomtel covers about 25 million devices, and will undoubtedly continue to expand in line with the fast-growing sales of smartphones. Leveraging this potential, both through cross-selling of individual products and through complete multi-play offering, may help us considerably stimulate our sales to residential subscribers, thus improving our Average Revenue per User (ARPU). We also intend to use the combined customer base to increase the number of services offered to households and residential subscribers as our product portfolio expands.

The converged services market in Poland is still underdeveloped outside of large cities, and therefore offers a significant growth potential. Accordingly, we will continue to expand our products and services portfolio ourselves as well as through strategic alliances and acquisitions. We believe that our comprehensive and unique range of multi-play services and cross-selling of additional services, such as financial and banking products or electricity, over a diverse array of digital distribution platforms will give us significant competitive advantage to attract new customers on the Polish market for pay TV, telecommunications services and other services for households and residential subscribers, and will become an important element of our strategy.

In our opinion, the multi-play services market in Poland is still underdeveloped outside of large cities, and therefore has significant growth potential. We believe that our broad range of multi-play services and cross-selling over a diverse array of digital distribution platforms will give us significant competitive advantage to attract new customers on the pay TV and telecommunications markets in Poland, and will become an important element of our strategy.

We seek to attract as many viewers as possible by offering the best-value-for-money TV packages on the Polish market. We also intend to leverage the changes taking place on the Polish pay TV market and take advantage of the opportunities arising from the evolving needs and expectations of Polish consumers (such as increased interest in over-the-top services and growing usage of media content on mobile devices) by offering our subscribers an extensive package of additional services (VoD/PPV, catch-up TV, Internet-based video and music services, Multiroom and Mobile TV). By developing our pay TV offer and expanding it to include complementary products and services, we want to generate higher ARPU and improve customer satisfaction and loyalty.

Effective combination of our telecommunications and multimedia products creates new opportunities for the distribution of TV programming content. As a result, the broad array of our services and attractive programming content may be supplied through various, highly reliable distribution channels – including satellite (DTH), digital terrestrial television (DVB-T), or 3G, 4G and LTE mobile technologies, to all client devices – from TV sets and personal computers to tablets and smartphones.

Maximising revenue from produced and purchased programming content through its broad distribution, by maintaining the audience share of our channels and improving the viewer profile

The channels we produce and broadcast have strong and well-established positions on the Polish TV market and enjoy high ratings in their target groups. Under our current portfolio, we broadcast 24 channels, whose programming is designed to cater to most target groups within the Polish audience. We intend to maintain our audience share at a stable level and improve the viewer profile. We believe that by pursuing sensible programming investments and ensuring broad distribution of our channels, we will be able to gradually improve our viewer profile, which, in turn, will have a positive effect on the price of advertising time. Another crucial step in building the segment's value involves maximising the distribution of produced and purchased TV content, both in terms of customer groups (FTA and pay TV) and access technologies (terrestrial, satellite, Internet). These efforts, in our opinion, will not only allow us to enjoy the benefits of the wide-scale distribution of TV content, but will also ensure a higher level of satisfaction among our subscribers/viewers, who will be able to decide when and what to watch on their own.

Effective management of the cost base by leveraging synergies across our integrated media and telecommunications group

We are convinced that building an integrated media and telecommunications group is the way to achieve strong synergies and secure considerable competitive advantages. To make this possible, we have identified areas in which we manage costs at the Group level: (i) subscriber acquisition, retention and day-to-day service – where certain business units and processes are integrated; (ii) technology, and IT in particular – where information processes and systems, serving both business and operational areas of the entire company, are consolidated; (iii) synergies derived from consolidation of back-office infrastructure – which gives access to the benefits arising from the scale of combined businesses and the ability to share solutions; and (iv) the benefits of back-office integration, which directly support the business.

Our history

The Issuer was established in 1996. In 2003, we obtained a licence for the wireless broadcasting of satellite TV and radio programmes, and we acquired the assets of Telewizja Polsat necessary to operate the digital satellite platform. Since 2006, our core business encompasses radio and television broadcasting, telecommunications, data processing, IT, and advertising activities. In the same year, we positioned ourselves as a leader among Poland's top digital TV operators in terms of subscriber base. In 2007, we launched our own production of set-top boxes; a year later, the Company floated its shares on the Warsaw Stock Exchange. In 2010, we presented the multi-play offering to our subscribers, combining all three services (television, Internet and mobile telephony) under a single subscription agreement and a single invoice. A year later, we commercially launched LTE services and we acquired Telewizja Polsat Group, which currently operates as our TV broadcasting and production segment. In 2012, we acquired the shares of companies running the IPLA Internet service, began working with Polkomtel on the introduction of our multi-play offering and the cross-sale of standard products, and launched the Mobile TV service based on the digital terrestrial television technology. In 2013, we announced our intention to acquire the shares of Metelem, a company having indirect control of Polkomtel.

Our core business

Introduction

Our business is divided into two main segments: the residential segment and the TV broadcasting and production segment.

In the years ended December 31st 2013, 2012 and 2011, our residential segment (intersegment sales excluded) generated, respectively, PLN 1,914.6m, PLN 1,787.3m, and PLN 1,640.2m in revenue, and PLN 667.9m, PLN 632.0m, and PLN 482.0m in EBITDA, while our TV broadcasting and production segment generated (intersegment sales excluded), respectively, PLN 996.2m, PLN 990.9m, and PLN 725.7m in revenue and PLN 378.4m, PLN 400.2m, and PLN 253.2m in EBITDA.

The following table presents selected operational results at the date or for the period given.

	At the date or for the year ended December 31st		
	2013	2012	2011
Period-end number of subscribers	3,535,045	3,566,144	3,551,671
Average number of subscribers[(1)]	3,521,584	3,537,603	3,488,784
Subscriber churn rate (%)	9.5	8.6	9.8
Average Revenue Per User[(2)] (ARPU) (PLN)	41.2	39.3	37.3
Audience share (%)	21.1	20.5	20.8
Share of advertising market (%)	24.1	23.2	22.6

[(1)] *Calculated as the sum of the average number of subscribers in each month of the period, divided by the number of months in the period; the average number of subscribers in a given month is calculated as an average of the number of subscribers at the first and the last day of that month.*

[(2)] *Under IAS 18, starting from the beginning of 2012, the Group recognises lower revenue from contractual penalties paid by subscribers for early contract termination, based on revised accounting estimates related to the recognition and recoverability of such revenue. This revision of accounting estimates does not have any significant impact on the Group's performance, because the Group recognises correspondingly lower valuation allowance for write-downs of receivables; it does result in a slight decrease in the Group's ARPU, though the ARPU continues its stable increase. The Management Board believes that this approach reflects the Company's current condition and business position more accurately, and is more transparent for its market environment.*

Source: the Company (unaudited data).

Residential segment

Offering

In our residential segment, we offer the following services: (i) pay digital terrestrial TV (DTH); (ii) pay digital mobile TV (in the DVB-T technology); (iii) online TV through the IPLA service and VoD – Home Movie Rental; (iv) mobile broadband Internet access, including the LTE technology since 2011; (v) mobile telephony services; and (vi) multi-play (integrated) services, combining TV, Internet and mobile telephony services. We also provide broadcasting and signal transmission services to other TV and radio broadcasters, including access to specific transponder frequencies, signal encoding and broadcasting, and signal distribution to other operators' networks (including cable operators).

DTH

Our DTH offer includes digital satellite pay TV service provided directly to subscribers through set-top boxes and satellite antennas. At the Prospectus date, we offer four basic programming packages to our new subscribers (including promotional packages): Mini HD, Rodzinny HD, Familijny HD and Familijny Max HD, which differ in terms of the price and number of channels available in the Polish language (including HD channels). Subscribers of the Familijny HD and Familijny Max HD packages have also access to additional thematic channels offered under additional packages. In addition to pay TV programming packages, subscribers using our set-top boxes have access to over 500 free-to-air TV and radio channels available via the Hotbird satellite in Poland, including more than ten additional Polish language channels, foreign channels, and nine radio channels. In order to encourage our subscribers to find out more about our programming offer, every subscriber (regardless of the TV package selected) receives free-of-charge access to a higher or additional TV package for the first 6 months of the subscription period.

As of 2011, we also offer a Multiroom HD service to our subscribers, which provides access to the same range of TV channels through two set-top boxes in one household, for a single subscription fee.

Our Premium Offering, addressed to the most demanding subscribers, covers four additional packages and selected online services. In addition, our subscribers have access to additional services during first 6 months of the subscription period. Our Premium Offering comes with a benefit – the monthly subscription fee is lower than the sum of fees which would be payable separately for all included packages.

In addition, subscribers can visit our websites at www.cyfrowypolsat.pl and www.ipla.tv to gain access to the IPLA online TV service, as well as services such as HBO GO or FilmBox Live, on preferential terms.

Our DTH offering covers general, sports, movie, news, education, entertainment and children's channels. As a rule, programmes made available on our channels are distributed in accordance with licence agreements, under which we are granted non-exclusive licences for the distribution of those programmes in Poland in the Polish language. Licences are granted by Eurosport SAS, HBO Polska sp. z o.o. (see "—Material agreements—Licence agreements—Licence agreement executed on August 24th 2011 between Cyfrowy Polsat and HBO Polska sp. z o.o."), Viasat World Limited, BBC Worldwide Limited, TVN S.A., and Telewizja Polsat (see "—Material agreements—Licence agreements—Licence agreement executed on December 30th 2011 between Cyfrowy Polsat and Telewizja Polsat"), among others. Licence agreements are usually signed for a fixed term, and some contain provisions for automatic extension for another period if none of the parties has terminated the agreement. Licence fees paid to licensors are either fixed or depend on the number of subscribers. Licensing agreements also contain termination provisions, for instance in the event of a gross breach of contract and a failure to remedy the breach within the prescribed time limit, or delayed payment of licensing fees.

Our subscribers can either buy or lease their set-top boxes. The price of a set-top box depends on the selected package of pay TV programmes. As a rule, the higher the price of the pay TV package, the lower the price of the set-top box (and the higher the subsidy on our part). We believe that a subsidy to the price of set-top boxes is necessary if we want to attract new subscribers. Any changes in the prices of set-top boxes and our subsidies are in line with the prevailing market conditions. To ensure higher customer satisfaction, we also provide warranty service for the set-top boxes. Those set-top boxes which are made available to subscribers under lease remain our property, and their software is updated on an on-going basis. See also "—Technology and infrastructure—Pay TV technology and infrastructure—Set-top boxes" below.

Pay DVB-T mobile TV

In connection with the terrestrial television digital switchover process completed in Poland in 2013, our offering also includes DTT set-top boxes for the reception of digital terrestrial television. Our set-top boxes enable free access to all free-to-air TV channels broadcast within three digital terrestrial television multiplexes. Subscribers who decide to purchase our DTT set-top boxes are also offered a package of additional channels. In addition, our HD set-top boxes also contain the IPLA application and offer access to selected events through our pay-per-view service (since March 2013).

In June 2012, we expanded our service portfolio to include the Mobile TV service in the DVB-T standard. The Mobile TV service enables the reception of real-time television on mobile devices. TV programmes are received via a DVB-T set-top box, connecting through the radio network with the user's terminal mobile device, such as a smartphone, tablet or laptop; as a result, no Internet connection is necessary to use the service, which means that it generates no data transfer and no related fees.

Under the Mobile TV service, we offer 8 TV channels grouped in 4 thematic categories (sports, movies, news, children's channels) and 12 radio channels. This package, including a set-top box for the reception of digital terrestrial TV, is provided either on a subscription or a prepayment basis; in both cases, the reception of free-to-air digital terrestrial TV channels is offered free of charge.

In the subscription model, new subscribers may purchase the package on promotional terms, together with set-top boxes (fixed and mobile), which are either sold or leased to the subscriber. Additionally, customers are granted up to 6 months of access to the package free of charge, depending on the term of agreement.

At the Prospectus date, the subscriber in the prepayment model pays one-off fees for the set-top boxes, and receives free access to the package for 6 months. After the end of the promotional period, the subscriber may continue to use the package on standard terms, as per the price list. In addition, depending on top-up amount, the subscriber may use the package either for longer time (relative to the value of the top-up) or at a lower price for a period of 12 months. We also have promotional offers for the purchase of a pay service.

IPLA online TV and VoD

The IPLA online TV service offers access to: (i) about 1,500 feature films and over 100 TV series, (ii) more than 25 TV channels, (iii) about 200 hours per month of live sports coverage in the HD format, and (iv) Poland's largest authorised library of television content, comprising approximately 48 thousand items. The IPLA television also comprises a vast library of content available free of charge (90% of the entire resources), which is made available with commercials. Our subscribers have had access to the service since 2012.

Broadcasting of programming content over the Internet is based on two settlement models: the first one consists in payment of a fixed monthly fee for the right to broadcast a given programme; the other one - in obtaining a percentage share of the advertising revenue generated by advertisements broadcast in proximity to the material. In the case of the IPLA service, about 75% of total revenue is generated by sales of advertisements, and about 25% is derived from content purchases by the service users.

IPLA offers access to TV content grouped in thematic packages, which are activated for a period of 30 or 90 days or on a one-off basis in the form of 48-hour access to selected items. Subscribers to Cyfrowy Polsat's satellite TV enjoy special price reductions. In addition, our satellite TV subscribers are offered, as part of their subscription fee, a package of the IPLA content (IPLA MIX) for a period of three months or for the entire term of the contract, depending on the thematic package purchased by the subscriber.

The IPLA content is made available to users of computers with Windows and Windows 8 operating systems, smartphones, tablets, Internet-enabled TV sets, and game consoles, as well as subscribers of cable operators such as TOYA sp. z o.o. or Netia S.A. IPLA can be used also via set-top boxes of Cyfrowy Polsat.

As of 2009 our subscribers can also use the VoD – Home Video Rental service, offering paid access to popular feature films 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 subscribers who have an HD set-top box. VoD is based on 19 satellite channels, with nearly 50 films available per month. Our subscribers may usually choose from a selection of about 20 titles per day, which are updated on a regular basis and can be rented for 24 hours. Movie rental fees are paid on a one-off basis and depend on the film category, or as monthly flat fees under the VoD monthly Movie Catalogue service, which offers unlimited access to movies within a given catalogue category.

Broadband Internet access

We offer mobile broadband Internet services using HSPA and HSPA+ technologies from 2010, and using LTE technology – from 2011. Our broadband Internet offering is universal, and provides broadband Internet access via all supported technology platforms, for a single monthly fee.

We offer several data plans with different allowances and price tiers, tailored to subscribers' individual needs. After a transfer allowance is reached, full bandwidth is still available – both during the day and at night – either by paying for every extra MB of transfer, or by purchasing a one-off data package. The Internet connection parameters, including data transfer speeds, are not throttled down, so subscribers, regardless of their subscription fee, always have access to speeds achievable given the current network conditions and the equipment used by the subscriber.

We are continuously expanding our mobile broadband offering. In particular: (i) we offer unlimited access to selected Internet content, including popular social networks, websites, and video, (ii) we offer test runs of the broadband Internet access service for a defined trial period, for no additional cost, for persons considering subscription, with an option to resign from the service after returning the modem, (iii) for subscribers who already own connection equipment, we offer SIM-only data plans, (iv) for customers who use mobile Internet occasionally, we offer access to the service without obligatory monthly payments or prepaid recharges, (v) for subscribers who own more than one device and need several SIM cards, we offer shared data plans for all cards for no additional subscription fee, and (vi) our customers can set the maximum amount they want to spend on the broadband Internet access. We also encourage our satellite TV platform subscribers to purchase LTE broadband Internet access by offering them a choice of extra monthly data plans or subscription discounts.

Our offering includes a wide selection of devices enabling access to our broadband Internet service, in particular a range of modems, including LTE-enabled devices, as well as mobile and fixed-line routers. Prices of these devices vary by type of contracts and data plans. Typically, device prices are lower and the selection of offered models is larger for tariffs with higher monthly fees or longer contract periods. We also offer instalment purchases of tablets and laptop computers.

In order to provide LTE-based broadband Internet access, we use modems, which are also compliant with HSPA/HSPA+ and EDGE/GPRS technologies. With this solution, subscribers of Cyfrowy Polsat can use a single modem to access the Internet through LTE or HSPA/HSPA+ services and the EDGE/GPRS network, which covers the entire territory of Poland. At the Prospectus date, our offering includes Huawei modems with maximum download speeds of up to 150 Mb/s or 100 Mb/s, compatible with all mobile and desktop computers with a USB 2.0 port and a majority of leading operating systems. Per customer request, the devices may be bundled with an outdoor magnetic base antenna (attachable to window sill) or with fixed-site antenna, which improve signal quality and expand coverage area, thus providing higher data transfer speeds. Our offering also features several routers, including a fixed-line LTE/HSPA/HSPA+/UMTS/EDGE/GPRS router supporting download speeds of up to 150 Mb/s.

In addition, our customers may purchase HSPA+- and LTE-enabled tablets with download speeds of up to 100 Mb/s and 150 Mb/s, respectively. Our offering also includes other tablets and Windows 8 laptop computers, which can provide a quick and easy Internet connection through a modem.

Mobile telephony services

In 2008, we launched MVNO mobile telephony as an add-on service, to expand our pay TV offering. We provide MVNO mobile telephony services over networks of leading mobile operators under national roaming agreements. We use our own billing system, which ensures complete control over our offering. The MVNO mobile telephony services are offered as 2G and 3G services, based on the GSM/UMTS/HSPA networks of our MNO partners. The services comprise voice traffic, SMS, MMS, and GPRS/EDGE/UMTS/HSPA data transfer. Our subscribers may also make international calls and use international roaming service.

On April 2nd 2012, we signed cooperation and distribution agreements with Polkomtel; thus we abandoned active sales of our own MVNO mobile telephony services, in order to offer the Plus network services to our subscribers. The agreements set out the terms of cooperation involving joint marketing of converged services and mutual sales of standard products of each of the partners. Following execution of the cooperation agreement, we are able to provide to our subscribers a special offering of Polkomtel's mobile telephony services. Under the distribution agreement, Polkomtel offers dedicated Cyfrowy Polsat TV services to its subscribers. New customers, who previously have not used the services of either company, may take advantage of a converged offering with additional benefits from each of the services. The remuneration under these agreements is commission-based and depends on such factors as season, sales volume, product type, contract term, and customer activity. The agreements contain non-compete clauses, under which the parties undertake not to engage as intermediaries in execution of telecommunications and pay TV service contracts on behalf of entities from outside Polsat Group. The agreements were executed for indefinite term and may be terminated with a three-month notice, or – in certain cases defined in the agreements – with immediate effect.

Converged services offering

Converged services, introduced to our offering in 2010, are designed for new and existing subscribers, who can add broadband Internet to their TV package at any time during the term of their contract. Each month, subscribers to both services are granted a free additional data package (of up to 5GB) or a rebate on their broadband Internet access subscription fee. As part of the converged services offering, our subscribers may also take advantage of dedicated mobile telephony services provided by Polkomtel (see "Mobile telephony services" above).

The converged services offering is a tool for expanding our subscriber base and increasing revenue streams, as well as for improving subscriber satisfaction and loyalty. In the long-term, we believe the converged services will enable us to increase ARPU and further reduce churn rates. For example, the "Twój Multimedialny Dom" offering combines Cyfrowy Polsat pay TV with LTE broadband Internet access (which in this case is available with unlimited access to selected Internet content, including websites, video and social networks), as well as Mobile TV and online services such as IPLA, HBO GO, FlimBox Live available on smartphones, tablets, laptop computers and, in the case of IPLA, via Cyfrowy Polsat set-top boxes.

Seeing the benefits of converged services and in anticipation of further development of Cyfrowy Polsat and Polkomtel, which will operate within one group following the Transaction, in February 2014 both companies decided to strengthen their partnership by appointing jointly managed departments within their organisations. These departments, led by executives appointed by Cyfrowy Polsat and Polkomtel, were established to oversee areas of key importance for both companies, that is marketing, sales, customer service and retention, and IT.

Also, based on the foregoing and to supplement the shared offerings, in February 2014 both companies launched their joint Smart Dom programme. Under the programme, subscribers can combine any of the services, such as pay TV, LTE broadband Internet access and telephony, and are offered discounts for each service they choose from the combined portfolio of both operators. In the coming months, the programme will be expanded to include other products, such as banking services and supply of electricity. The programme addressed to the existing subscribers who pay a certain minimum subscription fee and may be joined by: (i) combining services that are already used, or reviewing one of the services; (ii) buying an additional service; or (iii) buying at least two services from Polkomtel or Cyfrowy Polsat. Up to nine different services may be combined under the programme.

Sales and marketing, customer service and retention

Sales of services

We offer our services through a countrywide sales network. Our products and services are distributed using two channels: retail sales and direct door-to-door sales (D2D), which enables us to directly access selected customer groups, to maintain direct contact with customers, and to expand the reach of the sales network.

At December 31st 2013, our sales network comprised 728 retail points of sale and 14 D2D sales offices. Thanks to the collaboration with Polkomtel, operator of the "Plus" network, launched in April 2012, at the end of 2013 our standard offering was available at 774 of Polkomtel's points of sale (see "Mobile telephony services" above). At December 31st 2013, customers could purchase access to broadband Internet services at 715 authorised points of sale located within the technical range of the HSPA and LTE networks, or by contacting a direct sales representative at one of the 14 regional offices.

To support both of our distribution channels, we have established our own central warehouse and logistics system. The central warehouse has a total area of ca. 9,500 m^2 and stores set-top boxes, modems, accessories, and components necessary to ensure efficient logistics and sales operations, including packaging and promotional materials. Our logistics systems and central warehouse enable us to secure continuity of supplies and stock the full range of devices used to provide Cyfrowy Polsat services, including support materials used in the sales process.

Customer service

We use an advanced customer relationship management system (CRM), which was developed by our experts based on an integrated platform supporting communication with customers by telephone, fax, e-mail, SMS, TTS (text-to-speech), as well as standard mail. Our customer relationship management system enables us to handle all customer requests in a comprehensive, timely and efficient manner.

Our Call Centre, operating on a 24/7 basis, consists of over 600 telephone stations and ca. 330 back-office stations for the processing of written requests (including fax and email). Call Centre agents provide customers with information about our services, facilitate signing of subscription contracts, receive customer complaints, provide information about payments, and offer other customer support.

Our Internet Customer Service Centre enables customers to check the status of their services, payments, and subscribed packages, to obtain online technical support, and to use various other functionalities. Furthermore, users of the Internet Customer Service Centre may modify their contact data, print out money transfer forms or payment orders, check technical specifications of their devices, print out relevant manuals, restore satellite connection, restore factory PIN settings of their set-top boxes, and contact us via a contact form. At our Customer Service Centre, some of the employees dedicated exclusively to handling customer requests concerning our mobile telephony and broadband Internet access services, use dedicated technical solutions deployed to ensure the highest level of subscriber satisfaction.

Our website is an important information outlet for the growing number of subscribers and potential customers. It enables the users to learn about Cyfrowy Polsat's programme, multimedia, and telecommunications offer, and to order selected reception equipment and programme packages or locate the nearest point of sale. On our website, Internet users may also find TV listings for 420 channels updated daily, and a customised schedule based on user-selected criteria. Subscribers may also use our website to learn about current VoD offering and to purchase access to the service. We also showcase the IPLA online TV, which provides access to videos, show reruns and live broadcast of selected channels. In the Online Services tab, subscribers of our HBO HD package can access the paid HBO GO offering.

Customer retention

In 2009, we introduced a new customer retention programme in order to reduce churn rates, retain subscribers and increase revenues. We are continuously developing and adjusting our customer retention programmes so as to present to our subscribers a service offer that meets their needs. Within our corporate structure, we have set up a separate department dedicated to customer retention. Our customer retention programmes are either reactive or proactive.

As part of the reactive programmes, the process begins when a subscriber wants to discontinue further use of our services. A customer retention department employee contacts the subscriber and presents a new and attractive offering, to encourage the customer to continue using our services. In the proactive programmes, retention efforts begin before the subscriber's contract expires. Using various communication channels, we present contract extension offers to subscribers, suggesting e.g. upgrade of their set-top box or extension of the channel package.

Our converged services offering is also useful in customer retention efforts. At any time, customers may expand the services package by adding mobile telephony or broadband Internet access services to their pay TV package. Subscribers may also upgrade their TV packages or purchase extra packages for telecommunications services.

Marketing and branding

Purchasing decisions of a majority of customers are driven by image and brand loyalty. Cyfrowy Polsat is currently the strongest and most recognisable brand among digital satellite pay TV operators, with the spontaneous awareness ratio of as much as 87% reached in 2013, according to a GFK Polonia survey. Association with a favourable offering (understood as low subscription rates and best quality at reasonable price) is an important element of our brand's perception, which sets it apart from the competition.

TV (commercials, sponsorship billboards and product placement) is our primary advertising channel. We also carry out nationwide advertising campaigns on the Web, radio and press, as well as various local campaigns. We support our key campaigns on Cyfrowy Polsat's facebook page. At the authorised points of sale, we promote our offerings using a variety of non-standard advertising formats. Our website is also an important channel of communication with new and existing customers. In addition, we maintain communication with our existing customers using telemarketing tools, email bulletins, a dedicated subscriber channel with information on subscriptions, and the Internet Customer Service Centre.

Technology and infrastructure

Pay TV technology and infrastructure

Conditional access system

The access to television channels offered as part of our DTH paid programme packages is protected with a conditional access system leased from Nagravision S.A. The system is used to control the access to paid programme packages. Upon signing a satellite pay TV contract, each subscriber obtains a set-top box with a SMART card which enables the reception of the pay TV programme. The Company has consistently been taking steps designed to identify unauthorised access to our services, given the material risks which such unauthorised access poses to our operations and thus our revenue.

Pursuant to the agreement with Nagravision S.A., if an unauthorised access to our services is identified and another solution is infeasible, Nagravision S.A., under certain conditions, replaces the conditional access system together with the cards delivered to our subscribers and, whenever necessary, adapts set-top boxes to the new system. The agreement with Nagravision S.A. is described in "—Material agreements—Conditional access agreements" below.

We also cooperate with Irdeto B.V. ("**Irdeto**") on the protection of digital content transmitted in the DVB-T technology. Irdeto has granted to the Company a non-exclusive, non-transferable licence for the use of the conditional access system, including the right to sub-licence it to Info-TV-FM, as well as the necessary technical support and specialist, comprehensive Internet monitoring supporting registration and analysis of events which might violate the copyrights of the Group entities. The Company pays to Irdeto a licence fee equal to the product of the number of the Company's active subscribers using the conditional access technology and the rate defined in the agreement. The agreement may be terminated by either party in circumstances provided for therein, including termination by Irdeto in the event of a change of control of the Company. The agreement is governed by the Dutch law.

Satellite centre

Our satellite centre, built in 2006 and extended in 2009, is located at ul. Łubinowa 4A, Warsaw, and allows us to transmit TV signals to our transponders on the Eutelsat satellites. In 2012, we once again upgraded the transmission system, which facilitates playout of as many as 100 TV channels. The components of the satellite centre are the following facilities owned by the Company: (i) transmitting station; (ii) broadcasting unit supporting the distribution, processing and broadcasting of audio and video materials, as well as logos; (iii) digital archive of video materials; (iv) compression, multiplex and conditional access unit; and (v) control and monitoring unit. Our satellite centre is equipped with IT systems, as well as audio and video systems, which allow us to broadcast TV channels in the SD and HD formats. At December 31st 2013, the carrying amount of the satellite centre was PLN 15.7m. We deem the property, plant and equipment forming the satellite centre, with the carrying amount of PLN 15.3m at December 31st 2013, material to our operations.

Under an agreement with Eutelsat S.A., the Company leases capacities on three transponders for the SD signal and on two transponders for the HD signal. The Company also uses a portion of the capacity of additional transponder for the purposes of mobile television. The agreements with Eutelsat S.A. are described below in subsection "—Material agreements—Transponder capacity lease agreements".

In order to protect our satellite centre and its individual components against the risk of damage or shut-down, the crucial elements of our broadcasting equipment are protected. Moreover, whenever necessary, Eutelsat S.A. is obliged to make substitute capacity available to us. In 2013, the Company commenced to mount broadcasting equipment at our back-up satellite centre located in ul. Warszawska 222, Radom, scheduled to be completed in 2014.

Distribution of services supported by the DVB-T technology

Under an agreement concluded with a third-party provider, the Company operates a network of radio transmitters in the 31 largest cities in Poland, which enables us to provide the Mobile TV service in the DVB-T technology on the dedicated mobile TV multiplex. The service is supported by frequencies in the range of 470–790 MHz owned by the Company's subsidiary, Info-TV-FM, and designed to provide audio and video media services, including the distribution of radio and television programmes all over the country. Multiplex coverage includes almost five million households and ca. 15 million people.

Set-top boxes

We launched production of our own SD and HD set-top boxes in November 2007 and in April 2010, respectively. The launch of set-top box production enabled the company to cut the cost of a single box by ca. 20% when compared with the cost of boxes purchased from third-party suppliers, and thus to offer price-competitive packages and increase our operational efficiency. The Company has also standardised the software and interface of set-top boxes, which renders it easier for our customers to switch between various STB models. Owing to the launch of production of our own set-top boxes, the Company is able to more flexibly customise the software in response to subscribers' needs and changes in our offer, as well as to adapt production volumes to our needs.

To manufacture set-top boxes, we operate technological lines, which we deem material property, plant and equipment and which are located in our STB production plant in ul. Łubinowa 4A, Warsaw. Set-top boxes are manufactured by the Issuer, which operates the necessary technological lines under a lease agreement with CPTM. At December 31st 2013, the carrying amount of the lines was PLN 2.7m. At the Prospectus date, the maximum production capacity is ca. 80 thousand set-top boxes a month.

To the date, nine different models of set-top boxes have left our production lines: four for the reception of standard quality signal and five supporting the reception of the HD signal, including one model with in-built hard drive and recording functionality and three models operating in the DVB-T transmission standard, as well as a 320 GB USB hard drive. All our models supporting HD television are also equipped with access to the IPLA application. In 2013, our set-top boxes accounted for more than 90% of all the set-top boxes sold or otherwise made available by the Company. At the end of 2013, our production plant had manufactured almost 5.5m set-top boxes, including over 3.3m HD set-top boxes.

We maintain cooperation with third-party suppliers, primarily with Samsung, Echostar and Sagem, but since 2010 we have been limiting purchases of set-top boxes from third parties to the most technologically advanced equipment, such as PVR set-top boxes, equipped with additional functions including 'record', 'rewind' and 'pause' active during programme broadcasting. We also cooperate with Valups Cooperation, which supplies us with portable set-top boxes for receiving Mobile TV in the DVB-T technology.

For the purposes of set-top box manufacturing, we use licences granted by Dolby Laboratories Licensing Corporation and HDMI Licensing, LLC. Under those licences we may use Dolby Digital Plus Consumer Decoder and High Definition Multimedia Interface technologies in STB manufacturing. The licence agreement with HDMI Licensing, LLC is valid until May 17th 2020, while the licence agreement with Dolby Laboratories Licensing Corporation − until September 30th 2014; at the Prospectus date, we intend to extend this agreement.

The agreements under which we make set-top boxes available to our customers without purchase option are classified as operating lease agreements, given their economic contents. Accordingly, set-top boxes covered by such agreements are disclosed in the balance sheet under "reception equipment". We deem the reception equipment which we make available to our customers and whose carrying amount stood at PLN 407.5m at December 31st 2013 a material item of our property, plant and equipment.

Internet content distribution

The Company provides the IPLA online TV service using our own technology adapted to our operating systems and the broad range of equipment used by our customers, as well as based on our technological competencies in encoding and streaming audiovisual content on the Internet and in optimising distribution of signal of this type. Unlike our competitors, we distribute Internet content using proprietary solutions, which enable us to provide services of higher quality, optimally adjusted to the limited Internet infrastructure in Poland and the capacities of third-party systems with which our applications are integrated. For instance, our system of HD video stream encoding (used to provide the IPLA service) helps reduce the broadband required to deliver the signal by half as compared with the solutions implemented by other operators on the Polish market. Moreover, the DRM protection system supporting IPLA enables us to offer pay content on mobile devices.

For the purposes of maintaining the IPLA service, the Company uses the Company-owned infrastructure located in Warsaw (ul. Łubinowa 4A, ul. Ostrobramska 77, ul. Grochowska 21A, al. Gen. W. Sikorskiego 9 and al. Stanów Zjednoczonych 61A), comprising servers, deemed our material property, plant and equipment, and the content distribution network (CDN) service purchased from specialist third parties, supporting the transmission of VoD material to end users and providing disc space for saving VoD materials. At December 31st 2013, the carrying amount of the servers supporting IPLA services was PLN 1.7m. We intend to modernise this infrastructure in 2014 through the purchase of dedicated routers, development of server infrastructure, extension of linear channel transmission system (additional 50 channels) and purchase of equipment for online transmission of the SDI signal. At the Prospectus date, the Company planned capital expenditure on the IPLA infrastructure to total PLN 3.9m, financed with internally generated funds.

Broadband Internet access technology and infrastructure

Wireless broadband Internet services are provided using the radio infrastructure of LTE Group companies and Polkomtel. Following an agreement executed with Mobyland, we gained LTE and HSPA+ data transfer capabilities at 1800 MHz and 900 MHz (see "LTE—Agreement between Cyfrowy Polsat and Mobyland"), whereas the trilateral agreement with Mobyland and Polkomtel provided for the use of HSPA/HSPA+ and EDGE/GPRS wireless data transfer at frequencies in the 900 MHz and 2100 MHz range.

The 900 MHz HSPA+ network operates at the maximum download transfer speed of 21 Mb/s and upload transfer speed of 5.7 Mb/s. With the development of the HSPA+ MIMO technology, download transfer speed has increased to 28.8 Mb/s. The MIMO technology supports simultaneous transfer of several different data streams, thus increasing the aggregate transmission speed, providing higher quality and enabling frequency resources use to be optimised. This, in turn, enables users to freely use any Internet application, such as Web browsing, file downloading and uploading, film playback or online transmission of HD and 3D materials. At the Prospectus date, almost entire population of Poland is within the reach of the HSPA+ Internet.

The 1800 MHz LTE network operates at the maximum download transfer speed of 150 Mb/s and upload transfer speed of up to 50 Mb/s. Compared with the HSPA+ technology, LTE offers larger capacity and higher data transmission speeds, shorter latency times, thus supporting simultaneously a larger number of users, who are able to use freely interactive and multimedia services requiring large capacity and real-time transmission (e.g., online games, video communication or HD Internet TV). At the Prospectus date, almost 76% of Poland's population is within the reach of the LTE Internet.

The 2,100 MHz and 900 MHz, HSPA/HSPA+ and EDGE/GPRS radio networks operate at the maximum download transfer speed of 42 Mb/s (supported by HSPA+ Dual Carrier technology) and upload transfer speed of 5.7 Mb/s. At the Prospectus date, the EDGE/GPRS networks cover the entire country.

TV production and broadcasting segment

Introduction

The two key revenue sources for our TV broadcasting and production segment are: (i) sale of advertising time and sponsoring time slots on our TV channels; and (ii) sale of broadcasting rights to the Group's channels to cable and satellite networks.

TV channel advertising and sponsoring time sale

<u>Our channels</u>

At the Prospectus date, our portfolio comprises 24 channels, including our flagship POLSAT, available in SD and HD formats, and 22 thematic channels.

POLSAT, broadcast since December 5th 1992, was the first commercial channel in Poland to obtain the nationwide licence for analogue broadcasting. POLSAT ranks second among Polish TV channels in terms of share in the commercial audience, aged 16-49, totalling 13.5% for full 2013. Telewizja Polsat broadcasts daily, 24/7. The channel is on the second multiplex (MUX-2) in the digital terrestrial TV channel list. Apart from terrestrial signal, POLSAT is also available in SD and HD formats from most cable networks and satellite platforms. The channel features a broad range of films (a significant share of which are produced by major American film studios), entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.

Thematic channels are television channels delivered primarily over the cable/satellite (pay) and in the terrestrial network over multiplexes (free), which broadcast themed content, such as children's programmes, films, sports, lifestyle, news or weather.

A factor with a bearing on our revenue from advertising and sponsoring time sale is our share in the total audience (viewership). 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 dayparts.

The table below presents our portfolio of channels at the Prospectus date, and our channels' shares in the audience in the periods given.

Channel	Signal distribution	Broadcast coverage(1)	Year ended December 31st 2011	2012	2013
			Share (SHR%)		
POLSAT	terrestrial/cable/satellite*	98.8%	16.45	15.71	13.51
Thematic channels:					
Polsat Sport	cable/satellite**	49.4%	0.65	0.67	0.79
Polsat Sport Extra	cable/satellite**	34.0%	0.17	0.17	0.21
Polsat Film	cable/satellite**	48.1%	0.39	0.42	0.53
Polsat Café	cable/satellite**	53.3%	0.33	0.36	0.39
Polsat Play	cable/satellite**	43.1%	0.33	0.39	0.57
Polsat2	cable/satellite**	63.0%	1.45	1.49	1.82
Polsat News	cable/satellite**	54.4%	0.66	0.74	0.81
Polsat Biznes(2)	cable/satellite**	54.5 %	0.02	0.02	0.06
Polsat Jim Jam(3)	cable/satellite**	39.7%	0.30	0.38	0.33
Polsat Sport News(4)	terrestrial/cable/satellite*	78.0%	-	0.28	0.33
Polsat Crime & Investigation Network(5)	cable/satellite**	35.3%	-	0.12	0.11
Polsat Food(6)	satellite**	20.8%	-	-	0.08
Polsat Viasat Explorer(7)	satellite**	22.2%	0.01	0.01	0.06
Polsat Viasat Nature(7)	satellite**	19.2%	-	-	0.02
Polsat Viasat History(7)	cable/satellite**	31.5%	0.02	0.02	0.16
TV4(8)	terrestrial/cable/satellite*	97.0%	2.77	2.74	2.92
TV6(8) (9)	terrestrial/cable/satellite*	81.6%	0.07	0.23	0.68
Polsat Romans(10)	cable/satellite**	24.7%	-	-	0.08

(1) NAM, share of TV households which are able to receive a given channel; arithmetic mean of monthly coverages in the year ended December 31st 2013.
(2) Until February 2013, the channel's name was TV Biznes.
(3) The licence owner is Polsat JimJam Ltd., a non-Group company under joint control, holding 50% shares with 50% voting rights at the general meeting of Polsat JimJam Ltd.
(4) Audience measurement since November 2012 (data for the period).
(5) Audience measurement since January 2012.
(6) In Polsat Group portfolio since November 2012.
(7) In Polsat Group portfolio since March 2013.
(8) In Polsat Group portfolio since August 2013.
(9) Audience measurement since June 2011 (data for the period).
(10) Audience measurement since September 2013 (data for the period). Broadcast coverage data for the period since channel launch.
** FTA (free-to-air).*
*** non-FTA (non-free-to-air).*

Source: NAM, target group: all 16-49, all day. The Company.

The table below provides an overview of our thematic channels.

Channel	Target group/Target audience share in 2013	Category	Content	Additional details/Channel launch
Polsat Sport......	men, aged 16–59 1.11%	sports	The first sports channel in Polsat Group's channel mix. Sporting events and thematic programmes. Leading sport disciplines: (i) volleyball (World Championship, World Grand Prix, Plus Liga, Orlen Liga), (ii) athletics (e.g. Diamond League), (iii) football , (iv) handball , (v) boxing (vi) KSW Federation and other MMA events.	Most popular sports channel in 2013 both in the commercial and target groups. Available in SD and HD formats. August 11th 2000
Polsat Sport Extra	men, aged 16–44 0.3%	sports	Sporting events, including Formula 1 races (full coverage, including practice runs) top tennis tournaments (e.g. Wimbledon) or the Champions League in handball.	Available in SD and HD formats. October 15th 2005
Polsat Sport News................	men, aged 16–44 0.51%	sports	Includes sports news, sporting events coverage and sports commentary shows.	The third most popular sports channel among men aged 16-44 in 2013, also in the commercial group. May 30th 2011
Polsat Film.......	aged 16–49, cable and satellite TV viewers 0.66%	film	Broad range of films, mainly produced by Sony Pictures Television International and 20th Century Fox International Television, Inc.; also independent productions.	Available in SD and HD formats. October 2nd 2009
Polsat Café.......	women, aged 16–44 0.5%	lifestyle	Lifestyle programmes - fashion, beauty and lifestyle, cuisine. Own productions and foreign editions of various programmes.	October 6th 2008
Polsat Play	men, aged 16–44 0.75%	lifestyle	Male hobbies, such as fishing, automotive, documentary and DIY series, lifestyle, trendy gadgets.	October 6th 2008
Polsat2	all aged 16–49 1.82%	general audience	reruns of programmes first run on other Polsat Group channels	Tenth most popular channel in Poland in 2013. Also available in other countries (e.g. the US) over the satellite. March 1st 1997
Polsat News	all aged 16–49 0.81%	news	24-hour news channel, mostly live coverage of events in Poland and worldwide.	Available in SD and HD formats. June 7th 2008
Polsat Biznes....	Managerial staff 0.11%	business	Latest news and commentaries on significant market events.	Purchased by Polsat Group in February 2007. Until February 2013 broadcast as TV Biznes. February 8th 2007
Polsat Jim Jam(1)................	children aged 4-6 4.32%	children's	Children's entertainment shows.	Broadcast under joint venture agreement between Polsat Group and ChelloZone. August 2nd 2010
Polsat Crime & Investigation Network	aged 16–49, cable and satellite TV viewers 0.18%	crime	Factual story crime television programmes. Documentaries showing the police, detectives or forensic labs at work.	Joint project of Polsat Group and A+E Networks UK. November 24th 2011
Polsat Food	women, aged 16–49 0.11%	lifestyle	Culinary channel Based on programmes offered by the Food Network.	Joint project of Polsat Group and Scripps Networks Interactive. November 22nd 2012

Channel	Target group/Target audience share in 2013	Category	Content	Additional details/Channel launch
Polsat Viasat Explorer	men, aged 16–49 0.06%	lifestyle	Men's channel featuring extreme competitions, sports, exploration adventure shows.	Joint project of Polsat Group and Viasat Broadcasting. March 1st 2013
Polsat Viasat Nature	all aged 16–49 0.02%	nature	Nature family content, covering both wildlife and domestic animals.	Joint project of Polsat Group and Viasat Broadcasting. March 1st 2013
Polsat Viasat History	all aged 16–49 0.16%	history	Varied programmes covering various historical periods.	Joint project of Polsat Group and Viasat Broadcasting. March 1st 2013
TV4.................	all aged 16–49 2.92%	general audience	Films, TV series, quality entertainment.	Offered by Polsat Group since August 2013. Eighth most popular channel in 2013. April 1st 2000
TV6.................	all aged 16–49 0.68%	entertainment	TV series, including animated films, soap operas, reality shows, game shows.	Offered by Polsat Group since August 2013. May 30th 2011
Polsat Romans .	women, aged 16–49 0.08%	women's	Women's channel, broadcasting feature films and series, both Polish and foreign.	September 1st 2013

(1) The licence owner is Polsat JimJam Ltd., a non-Group company under joint control, holding 50% shares with 50% voting rights at the general meeting of Polsat JimJam Ltd.

Source: the Company.

There are two primary communication channels for TV advertising: (a) advertising spots sold for commercial breaks, and (b) sponsoring as sponsor boards during previews, before and after the sponsored programme, and during commercial breaks in the course of the sponsored programmes.

Advertising airtime sale

Broadcasters offer spots in two formats: (i) sale of GRP points, and (ii) sale as per the price list for a given month. The sale of GRP points involves providing the advertiser with specific audience based on the viewership measurement results. The quotation is based on the cost of a single rating point. The price list-based sale follows the prices listed by the broadcaster for the respective commercial breaks. The advertiser selects specific breaks and pays as per the price list. The terms of cooperation with media houses and direct customers govern negotiated GRP point prices (for the respective months), any discounts on price lists, as well as declared minimum expenditures. Prices and discounts depend on the declared annual expenditures.

Advertising quotations are intended to maximise revenue under the statutorily prescribed advertising time limits and considering the estimated attractiveness of the respective programming, where the respective commercial breaks are inserted. Advertising break viewership estimates are prepared for each calendar month and are based on the overall viewership, share of the channel in that viewership, and seasonality (highest advertising prices are paid in October and November, before the Christmas season, and the lowest in January and February, as well as in July and August).

With a view to ensuring a flexible offering for our customers, we offer (i) price list-based advertising valuation, (ii) and GRP point-based valuation. Advertising price lists are published each month by the advertisement office of Polsat Media. Advertisers select commercial breaks which, based on their judgement, best correspond with the group they want to target with the advertising message (channel profile as a whole may differ significantly from the viewer profile of the respective programmes it broadcasts).

GRP prices are set each month by the advertisement office of Polsat Media for the respective channels or groups of channels. The advertisement office offers the price for the provision of the contractually agreed audience in the case of GRP block contracts. Advertising sold as rating points is allocated to whatever free slots are available in the selected commercial breaks after reservation is made for price-list based advertising. We believe that this is the optimum system from the standpoint of maximised revenue. In 2013, price list-based advertising sales accounted for 38.3% sales of POLSAT, the flagship channel of the Group.

TV channel sponsoring time sale

Sponsoring projects are sold across the year and are tailored-made in cooperation with customers. Prices and discounts are negotiated on a case-by-case basis for each customer and sponsoring campaign. The valuation of specific programme sponsoring is to ensure maximised revenue that the Group is able to generate, considering its programming offering and legislation defining sponsoring limits. The valuation is based on the relation between the programming content and the target audience, programming quality, brands recognisability, and attractiveness of specific dayparts where a given programme is inserted. To enable flexibility, each sponsoring contract is negotiated separately, accounting for all the criteria indicated above. Sponsoring revenue depends on the programming quality and marketing appeal of the products and their target groups. In effect, sponsoring revenue is not directly dependent on the economic standing, as is the case for advertising revenue.

Sales team

Advertising and sponsoring represent key revenue sources in the TV broadcasting and production segment we operate in (about 80% of total revenue in 2013). The revenue is almost entirely generated by the Group's advertisement office, Polsat Media, which operates on the market as an advertising agency for the Group (sales house). Polsat Media is responsible for selling all advertising formats: commercial spots, sponsorship and other related contracts.

In 2013, Polsat media sold advertising time on all channels of the Group, as well as seven TV channels owned by non-Group entities. Polsat Media's main trading partners are international media houses, which act as intermediaries, negotiating contract terms and running advertising campaigns for their customers. Advertising time is sold under both year-long contracts with media houses and direct orders from customers. In 2013, ten largest media houses generated 71% of the advertising and sponsoring revenue, whereas no direct customer of Polsat Media generated more than 1% of the advertising and sponsoring revenue. Similarly to other Polish broadcasters, Polsat Media has a relatively stable advertiser base.

Apart from selling advertising and sponsoring deals, Polsat Media is responsible for the planning of campaigns, aftersales review, improving relationships with current and potential advertisers, market surveys and other research based on independent industry reports and consumer research. Additionally, in order to guarantee an adequate level of support in planning advertising campaigns on the Group's channels, the Polsat Media team works closely with customers and media houses on non-standard advertising actions, such as sponsorship campaigns and cross-promotions. In cooperation with the programming planning department, the Polsat Media team receives daily feedback on viewership of the channels covered by audience measurement conducted by NAM. The input is then analysed and compared with competitive channel data in order to ensure most efficient scheduling of commercial breaks with a view to providing the most-effective target group reach for advertisers. The advertisement office is also responsible for the scheduling of commercial spots in line with customers' expectations as to the programming context and airtime of individual campaigns. In this connection, Polsat Media implemented a new IT system dedicated to advertising sales in 2009. The system is fully compatible with the system used by the Group i.e. for airtime management.

Polsat Media is a member of EGTA (association of television and radio sales houses) and takes the opportunity to cooperate with sales houses from all over Europe.

Schedule

Programmes are selected and assigned to specific time slots in such a way as to create an audience which, due to its demographic characteristics, would be attractive to advertisers. Data on audience share is studied during the planning process to determine which programmes attract viewers, and to predict market trends. In this way, the Group can be certain that its programme offering fully meets the expectations of both the audience and advertisers.

The programming planning considers two commercially vital periods, namely spring (March-May) and autumn (September-November). These are the advertising peaks during the year. This is also the time for first runs (première shows). In summer and winter months the channel's offering primarily includes reruns first aired in high season.

Maintaining customer loyalty is crucial when preparing a new schedule. Successive programmes must appeal to viewers and positively influence their decision to continue to watch a channel. This is particularly important for times from early afternoon until prime time (5pm-11pm in 2014). In order to achieve the desired effect, programmes with the same running time are placed in the same time slots on weekdays (Monday to Friday), so that viewers can easily remember the schedule. The policy is usually applied between 4pm and 8pm. After 8pm, the channel broadcasts feature films (e.g. Monday, Tuesday), talent shows (Wednesday, Friday, Sunday) and popular series (Thursday).

Sources for Polish programming

We strive to balance out programming sources, in order to ensure efficient production cost management. This helps us choose from a broad range of opportunities which are both attractive and cost effective. We organise competitions for our own productions in order to contract producers offering both top quality and attractive price. Polish productions are typically outsourced, however some are delivered by the Group. Polish productions account for some 50% of all programming content.

Contracted programmes are referred to external producers in order to obtain additional support in production where necessary. This enables us to avoid cost overrides (both personal and equipment) in the Group's operations. There are about 20 Polish and foreign entities on our list of third-party producers. The list includes such names as ATM Grupa S.A., Akson Studio sp. z o.o., Tako Media sp. z o.o., Constantin Entertainment Polska sp. z o.o., Rochstar sp. z o.o. and Jake Vision sp. z o.o. We use smaller, local production providers for the programming content for Polsat Play and Polsat Café. Polsat News is produced mostly by our own effort. Sports channels primarily rely on the coverage of sporting events we purchase rights to, and such coverage is produced mostly by the Group itself.

In most cases we apply standardised production contracts. Whenever programming production is contracted out, the producers transfer on us all economic and ancillary copyrights to the programme, along with the exclusive right to exercise the ancillary copyright, or grant us the exclusive licence. The production costs includes, apart from actual production, the transfer of copyright and intellectual property rights to the programme (or, alternatively, licensing fees), as well as permits and authorisations. All production contracts provide for a specific contractual term, typically covering the production time of a given programme, with an option of extension to cover subsequent releases of the programme. Producers are bound by the duty to conclude, with authors and artists, agreements on the purchase of economic and ancillary copyrights to the extent necessary to produce a programme, and to transfer on us all economic copyrights to the programmes produced in performance of the contract, as well as to purchase, to the same extent, the licence or ancillary rights to artistic performance of the copyrighted work. Producers are also liable for breaches of personality rights, copyright and ancillary rights of third parties to the programmes, and are required to pay any cost of defending our rights following the breach, as well as to satisfy claims for compensation from the injured parties. As a rule, we reserve the contractual right to supervise programming and financial aspects of the production of individual episodes of a series.

Programmes produced by Telewizja Polsat's own effort include sports, news, commentaries and special events. Key infrastructure used for programming production by Telewizja Polsat comprises: (i) four digital television studios – a studio used by Polsat News and the main news programme "Wydarzenia", fully HD-ready); (ii) five digital outside broadcast trucks, including four state-of-the-art HD trucks and one small SD van for quick production of short broadcasts; (iii) two-camera Slow Motion HD truck; (iv) 13 digital satellite vans for signal transmission from any location, five of which are HD, and the remaining ones SD; (v) multiplexer system for effective broadcast of our eleven channels; (vi) multi-channel automatic broadcasting system; (vii) digital routing system for the broadcasting centre's channels; (viii) IT network for processing; (ix) editing system in the IT processing network; (x) over 80 SD and HD cameras; (xi) digital programming library with a modern MAM system; (xii) process systems for signal exchange at the centre and with regional offices; and (xiii) two-engine utility helicopter EC-135 used by Polsat News and POLSAT, fitted with specialised audio and video equipment, and with HD signal transmission capability of up to 100 km, and SD signal of up to 200 km. The total book value of those assets was PLN 63.8m at December 31st 2013. Apart from outside broadcast trucks, located on our premises at ul. Łubinowa 4A in Warsaw, all of the above major fixed assets are located at ul. Ostrobramska 77 in Warsaw. We own all the assets described above.

Sources for foreign programming

Foreign programming licences we buy primarily include rights to feature films, series and sporting events.

Our key partners for feature film and series are the greatest American film studios. Those include 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. Typically, we conclude two- or three-year agreements, under which we are granted non-exclusive licences for distribution in Polish in Poland. The agreements also provide for the number of broadcasts. They are denominated in American dollars or euros. We typically follow one of the patterns in the purchase of broadcasting rights: (i) volume contracts, that is the purchase of a certain number of films or series, or (ii) spot contracts – whereby we purchase specific films or series. Licensing fees depend on the classification of a given film (e.g. "hit", "super hit", "premium"), or are fixed. Licensing agreements also contain termination provisions, for instance in the event of a gross breach of contract and a failure to remedy the breach within the prescribed time limit, or delayed payment of licensing fees. Those licence agreements are in most cases governed by foreign jurisdictions.

Purchase of rights to sporting events

Significant sports event licences purchased by the Group include rights to Formula 1 races and volleyball competitions (World League, World Grand Prix, World Cup, European Volleyball Championship). The term of the contracts is typically aligned with the cycle of a given event, and is from three to five years. The contracts are denominated in euros in most cases. After purchasing the rights to cover a given sports event, we produce a programme with a commentary by Polish journalists, and a studio dedicated to the coverage. In 2012, we purchased the right to broadcast Polish national football team matches at the qualifier stage of the football World Cup in Brazil in 2014, as well as friendly games of the national side. In 2014, we purchased the exclusive licence for the qualifier stage to the 2016 UEFA European Championship in football, as well as the competition's finals to be held in 2016. We also purchased broadcasting rights to the football World Cup in 2018 in Russia From 2010, we have been holding the broadcasting licence from the Polish Professional Volleyball League for Plus Liga and Orlen Liga competitions.

Sales of Group channel broadcasting rights to cable and satellite networks

The second revenue item in the television production and broadcasting segment is the sale of rights to broadcast channels of our Group on cable and satellite networks. This revenue source accounted for 17.5% of the segment's total revenue in 2013.

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 (under the contract with ITI Neovision S.A.). Our agreements with third-parties provide for a non-exclusive licence 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.

Technology and infrastructure

Television broadcasting

We broadcast TV channels over the digital terrestrial TV, cable networks and digital satellite platforms. Analogue terrestrial broadcasting finished on July 23 2013.

POLSAT as well as Polsat Sport News, TV4 and TV6 are broadcast over the nationwide network of digital terrestrial transmitters, forming part of MUX-2, supported by Emitel (third party). We have a contract in place with Emitel for the broadcast, transmission, multiplexing and monitoring of the four channels in the digital network (see "—Material agreements—Agreements on broadcast of TV channels by terrestrial signal"). The remaining channels of Telewizja Polsat are broadcast exclusively over the cable and satellite networks.

We have an agreement with Eutelsat S.A. in place for the use of satellite transponders, enabling us to broadcast over digital satellite platforms. The agreements with Eutelsat S.A. are described below in "—Material agreements—Transponder capacity lease agreements".

Material agreements

Presented below is information on significant agreements executed by the Company and the Group Companies in the two years preceding the Prospectus date, or earlier if the agreements give rise to material rights and obligations of the Company or the Group companies at the Prospectus date. Significant agreements for data transmission services executed with companies of LTE Group are not included. For more information on the agreements, see "LTE—Collaboration of Cyfrowy Polsat with Mobyland and Polkomtel" .

In the Company's opinion, the following agreements are significant to the Group at the Prospectus date: (i) agreements executed outside the ordinary course of the Group's business, including Investment Agreements, financing agreements and agreements for the purchase of shares in significant entities, and (ii) agreements executed in the ordinary course of the Group's business, including satellite capacity lease agreements, conditional access system agreements, terrestrial programming distribution agreements, certain licence agreements, and data transmission service agreements; both categories of agreements are significant in the context of the Group's business.

In view of the material liabilities incurred by the Group to finance its acquisition of Telewizja Polsat and refinance the debt contracted, the finance agreements discussed below are considered significant. The share purchase agreements discussed below enabled us to expand our operations to include TV broadcasting and production segments as well as to add pay and mobile TV services to our offering, while the Investment Agreements will enable us to execute the Transaction. The satellite capacity lease agreements and terrestrial programming distribution agreements are significant to our operations, as they give us access to the infrastructure and services necessary to provide our services to the subscribers. The conditional access system agreements are significant to our operations, as they allow us to control the access to individual paid programme packages. In our opinion, the selected lease agreements described below are significant to our operations, as they are vital to the appeal of our programming. The data transmission service agreements are significant to our operations, as they enable us to provide LTE services.

In our opinion, with respect to its core business, the Group is not materially dependent on any trade or financial agreements.

The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem

Cyfrowy Polsat executed two investment agreements to purchase 100% of shares in Metelem, which indirectly holds 100% of the share capital of Polkomtel – the operator of the "Plus" mobile telephony network. On November 14th 2013, the Issuer executed a conditional investment agreement ("**Investment Agreement I**") with three Metelem shareholders, i.e. Argumenol Investment Company Limited ("**Argumenol**"), Karswell Limited ("**Karswell**") and Sensor Overseas Limited ("**Sensor**"). In addition, on December 19th 2013 Cyfrowy Polsat, Metelem, the three Metelem shareholders referred to above and another Metelem shareholder – the EBRD, executed the second conditional investment agreement ("**Investment Agreement II**"; "**Investment Agreements**" when jointly with Investment Agreement I).

The Investment Agreements provide for the transfer to Cyfrowy Polsat of 100% shares in Metelem as contribution in kind in exchange for the New Shares to be issued by Cyfrowy Polsat and acquired by Metelem Shareholders upon terms set forth in the Investment Agreements, at a price of PLN 21.12. Pursuant to Investment Agreement I, Argumenol, Karswell and Sensor agreed to subscribe for 58,063,948, 157,988,268 and 27,880,274 New Shares, respectively, in exchange for a total of 1,675,672 shares in Metelem, representing 83.77% of Metelem's share capital. Pursuant to Investment Agreement II, the EBRD agreed to subscribe for 47,260,690 New Shares in exchange for 324,653 shares in Metelem representing 16.23% of Metelem's share capital. To enable the acquisition of the New Shares, Cyfrowy Polsat will issue Warrants which will be subscribed for by the Metelem Shareholders free of charge and will then be exchanged for New Shares paid for with the contribution referred to above.

Pursuant to the Investment Agreements, once the Closing Conditions (defined below) have been fulfilled, Metelem shareholders who are parties to the relevant agreement will acquire the Warrants free of charge and, upon the exercise of their rights under these Warrants, will make a representation on the subscription for the New Shares and will then transfer the ownership of the shares in Metelem to Cyfrowy Polsat. Subsequently, the New Shares will be registered in the securities accounts of the Metelem shareholders who are parties to the relevant Investment Agreement, and the Management Board will promptly submit an application for Admission. Prior to the transfer of ownership of the shares in Metelem, the Metelem shareholders who are parties to the relevant Investment Agreement will take steps necessary to release security interests over the shares and to remove any other restrictions on the transferability of the Shares.

The Investment Agreements' effectiveness will depend on the fulfilment of the Closing Conditions (defined below). All of the Closing Conditions (defined below) should be fulfilled within 12 months of the relevant Investment Agreement's execution, with the possibility of extending the term by a further 3 months ("**Final Deadline**"). If the Closing Conditions have not been fulfilled by the Final Deadline, the Investment Agreements will expire.

Pursuant to Investment Agreement I, the parties will be obliged to execute the transaction if: (i) the General Meeting has adopted resolutions on the issue of the Warrants, on the conditional share capital increase and on the waiver of the pre-emptive rights of the Company's existing shareholders (the resolutions are discussed in "Admission of securities to trading—Key information on New Shares"), (ii) the conditional capital increase has been registered with the registry court, and (iii) refinancing has been obtained and the debt of Cyfrowy Polsat under the Senior Facilities Agreement and the Senior Notes Indenture (see "—Material agreements—Financing agreements") has been repaid in full ("**Closing Conditions I**"). Investment Agreement II sets out the following additional conditions which must be met before the transaction is effected: (i) this Prospectus has been approved, (ii) a framework agreement between Cyfrowy Polsat and the EBRD has been executed whereby Cyfrowy Polsat undertook to observe the EBRD Designated Performance Requirements and to follow the EBRD Anti-Corruption Guidelines, (iii) a legal opinion with respect to specific aspects of the Polish legal system relevant to the transaction provided for in the agreement, as specified in Investment Agreement II, has been submitted to the EBRD, (iv) in the period following the execution of Investment Agreement II, no Material Adverse Effect (as defined below) has occurred with respect to Cyfrowy Polsat, Telewizja Polsat or the Group, (v) Closing Conditions I have been fulfilled, and (vi) in the period from Investment Agreement II execution date to the closing date of the transaction provided for in the agreement, Cyfrowy Polsat's financial debt has not exceeded PLN 3.5bn ("**Closing Conditions II**" or "**Closing Conditions**" when jointly with Closing Conditions I). In accordance with the Issue Resolutions, offering Warrants to eligible persons is subject to prior passing of the resolution on dividend (cf. description of the Issue Resolutions presented in "Admission of securities to trading—Overview of New Shares").

Pursuant to the Investment Agreements, the EBRD and Cyfrowy Polsat are exempted from the obligation to close the Transaction if Metelem or Polkomtel are affected by a Material Adverse Effect understood as: (i) a material adverse effect with respect to a given company's value, business, assets, property, financial condition, results of operations or other status, exceeding 10% of the value of the company's shares (for Metelem shares, the reference amount is the value of the shares acquired under Investment Agreement I), or (ii) events, actions or circumstances preventing the performance of actions necessary for Cyfrowy Polsat to be able to acquire the shares in Metelem or preventing the performance of the obligations under Investment Agreement II.

Furthermore, under the Investment Agreements the parties have the right to terminate the Investment Agreements in certain circumstances. In particular, the Company may terminate the Investment Agreements if, at its own discretion, it determines that it will not be able to obtain debt refinancing on acceptable terms. Furthermore, Cyfrowy Polsat may terminate the relevant Investment Agreement if the restrictions on the operations of Metelem and its subsidiaries (including Polkomtel) are breached in the period from the Agreement's execution date to the closing date of the transaction provided for in the Agreement, or if any of the parties sells or encumbers its shares and the breach is not remedied within the timeframe specified in the Agreement. The Metelem Shareholders may terminate the relevant Investment Agreement if Cyfrowy Polsat breaches its operating restrictions and the breach is not removed within a timeframe specified in the Agreement. The operating restrictions referred to above include prohibitions against: (i) issuing or allotting shares or other securities convertible into shares, as well as incurring an obligation to issue or allot such shares or securities, (ii) issuing, allotting or redeeming options or subscription rights for shares, or incurring an obligation to issue, allot or redeem such options or subscription rights, (iii) reducing the share capital or retiring shares, (iv) materially altering the core business, and (v) changing key accounting policies or practices, except where such a change is required under applicable legal regulations and financial documents (in accordance with the definitions set out in the Investment Agreements). Furthermore, under Investment Agreement II, during the period specified above Cyfrowy Polsat is not allowed to pay dividend (or declare any dividend) or make any similar payments. In addition, if any party to an Investment Agreement fails to perform its obligations with respect to the preparation to or execution of the transaction provided for in the agreement, the other party will have the right to terminate the relevant agreement.

The Investment Agreements are governed by English law, and any disputes arising with respect to the agreements will be submitted to an arbitration court in London, England. However, the parties to Investment Agreement II submit to non-exclusive jurisdiction of English courts for the benefit of the EBRD, and therefore the EBRD may instigate proceedings before any court having relevant jurisdiction.

The Investment Agreements meet the criteria of Significant Agreements.

Refinancing agreements

Introduction

The refinancing agreements presented below were executed in connection with refinancing of debt under Senior Facilities Agreement and Senior Notes Indenture (see "Transaction—Refinancing" and "—Financing agreements" below), contracted to finance the Company's acquisition of all shares in Telewizja Polsat (see "—Share transfer agreements—Acquisition of Telewizja Polsat"), whereby the loans may be used to repay debt under PIK PLK Notes (see "Overview of Metelem Group—Metelem Group financing agreements—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders") and to finance acquisition and other payments. The Refinancing will be financed with funds obtained by the Company under the Senior Facilities Agreement of April 11th 2014. Concurrently with the Senior Facilities Agreement, an intercreditor agreement (whose parties included the facility agents, the Company and its related parties) was executed on April 11th 2014 to determine seniority of claims under the Senior Facilities Agreement Claims arising under the Refinancing were secured on the assets of the Company and its subsidiaries. The Company expects that the repayment of the existing debt to meet the conditions precedent to closing the Transaction, which include the condition to secure the Refinancing, will be made on or about May 8th 2014 (see "Transaction—Refinancing").

The agreements referred to above meet the criteria of a Significant Agreement.

Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate

On April 11th 2014, the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media executed a Senior Facilities Agreement with a syndicate of Polish and foreign banks, including: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking and UniCredit Bank AG, London Branch ("**Senior Facilities Agreement**").

The New Senior Facilities Agreement provides for a Term Facility Loan of up to PLN 2,500m ("**New Term Facility Loan**") and a multi-currency Revolving Facility Loan of up to the equivalent of PLN 500m ("**Revolving Facility Loan**"). The New Term Facility Loan bears interest at a variable rate based on WIBOR for relevant interest periods plus margin. The New Revolving Facility Loan bears interest at a variable rate based on WIBOR, EURIBOR or LIBOR for relevant interest periods, depending on the currency in which the loan was contracted (PLN, EUR or other currency provided for in the New Senior Facilities Agreement, respectively), plus margin. The New Term Facility Loan is repayable in varying quarterly instalments, starting on June 30th 2014. The final repayment date of the New Term Facility Loan and the New Revolving Facility Loan is April 11th 2019.

The Company will use the New Term Facility Loan and the New Revolving Facility Loan to (i) repay the entire debt under the Senior Facilities Agreement and the Senior Notes Indenture (see "—Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate, as amended" and "—The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions" below); and (ii) finance the Group's day-to-day operations.

The New Senior Facilities Agreement also permits (i) the use of the loans listed above to repay debt under PIK PLK Notes (see "Overview of Metelem Group—Metelem Group financing agreements—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders"), and (ii) the use of the loans to finance acquisitions and other payments permitted under the New Senior Facilities Agreement. Notwithstanding the foregoing, at the Prospectus date the Company can give no assurance that it will redeem or repay PIK PLK Notes or finance any other acquisitions or liabilities, or make any estimates as to the date or actual occurrence of such transactions.

Under the terms of the New 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 each time determined 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 New Term Facility Loan and the New Revolving Facility Loan.

The New Senior Facilities Agreement provides for conditions precedent commonly used in such agreements, whose fulfilment determines payment of the facility, as well as an obligation to satisfy conditions subsequent commonly used in such agreements after the facility has been disbursed.

The Group companies issued guarantees and intend to establish a number of encumbrances over the Group's assets in favour of the Security Agent to secure the repayment of claims under the New Senior Facilities Agreement (see "—Security" below).

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

The New 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.

Intercreditor Agreement of April 11th 2014 between the Group companies and bank syndicate

On April 11th 2014, the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media executed an Intercreditor Agreement with a syndicate of Polish and foreign banks, including: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking and UniCredit Bank AG, London Branch, as the security agent ("**New Security Agent**").

The purpose of the agreement is to determine seniority of claims under the New Senior Facilities Agreement ("**Secured Claims**"), in particular the priority of satisfying such claims if satisfaction is sought from the security established over the Secured Claims.

The above 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 the secured creditors to instigate proceedings before any court having relevant jurisdiction.

Security

The Group companies are required to establish the following encumbrances over the Group's assets in favour of the New Security Agent to secure claims under the New Senior Facilities Agreement (see "Transaction—Refinancing").

a) registered pledges over various objects and rights comprising corporate assets of the Company, CPTM, Polsat Media and Telewizja Polsat;

b) financial and registered pledges over the shares in CPTM and Telewizja Polsat, governed by Polish law, with power of proxy to exercise corporate rights attached to shares in those companies;

c) financial and registered pledges over receivables under bank account agreements of the Company, CPTM, Polsat Media and Telewizja Polsat, governed by Polish law;

d) authorisations to administer bank accounts of the Company, CPTM, and Telewizja Polsat, governed by Polish law;

e) ordinary and registered pledges over the trademark protection rights attributable to Polsat Brands (*einfache Gesellschaft*), governed by Polish law;

f) assignment by way of security of property rights in Polsat Media, governed by Polish law;

g) joint contractual mortgage over properties owned by the Company, governed by Polish laws;

h) assignment by way of security of receivables under hedging agreements payable to the Company, governed by English laws;

i) assignment by way of security of rights under insurance of the assets referred to in item a) and g) above;

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

k) assignment by way of security of (i) receivables due from various debtors; (ii) receivables and rights under bank account agreements; and (iii) rights under insurance contracts for the benefit of Polsat License Ltd, governed by Swiss law;

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

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

n) representations on submission to enforcement under a notarial deed, made by the Company, CPTM, Polsat Media and Telewizja Polsat, governed by Polish law; and

o) guarantees established pursuant to the New Senior Facilities Agreement, governed by the same law as their respective agreements.

As a rule, the maximum aggregate amount of security under the security documents referred to above is PLN 6,000m, and the date of expiry of the financial pledges and the deadline for applying for the writ of execution for enforcement orders is December 31st 2022. Information that Group companies have established these encumbrances over the Group's assets in favour of the New Security Agent will be published by the Group as a current report. If the information on encumbrances materially changes the Company will publish the information in the form of a supplement to this Prospectus, or once the Prospectus is approved by the PFSA - in accordance with Art. 51 of the Act on Public Offering, if such disclosure is required by law.

Financing agreements

Introduction

The financing agreements discussed below were executed to finance the Company's acquisition of 100% of Telewizja Polsat's share capital under share sale agreements of April 20th 2011 (see "—Share transfer agreements—Acquisition of Telewizja Polsat"). The acquisition of Telewizja Polsat's shares was financed with the funds obtained by the Company under the Senior Facilities Agreement and the Bridge Facility Agreement, which were executed on March 31st 2011. Concurrently with the facility agreements, an Intercreditor Agreement, whose parties included facility agents, the Company and its related parties, was executed. Claims arising under these financing agreements were secured on the Company's assets. On April 20th 2011, Telewizja Polsat and its subsidiaries executed the Senior Facilities Agreement and the Intercreditor Agreement and established limited security for claims arising under the Senior Facilities Agreements and the Bridge Facility Agreement. Furthermore, on May 20th 2011 CP Finance, a subsidiary of Cyfrowy Polsat, issued Senior Secured Notes, and the issue proceeds were used to acquire intra-Group notes issued by Cyfrowy Polsat. Cyfrowy Polsat's proceeds from the notes were used to repay its debts under the Bridge Facility Agreement. The Company executed an agreement setting out the terms of the Senior Notes issue, and a trustee acting in the name of Senior Note holders acceded to the Intercreditor Agreement of March 31st 2011, as a result of which the security established by Cyfrowy Polsat and the above-mentioned subsidiaries also secures the claims under the Senior Notes issue. On June 17th and 20th 2011, following the transformation of Telewizja Polsat into a limited liability company (spółka z ograniczoną odpowiedzialnością), Telewizja Polsat and its subsidiaries established security for the claims under the Senior Facilities Agreement, the Bridge Facility Agreement and the Senior Notes issue.

Pursuant to the New Senior Facilities Agreement (for a description of the New Senior Facilities Agreement, see "—Refinancing agreements—Senior Facilities Agreement of April 11th 2014 between the Group companies and bank syndicate" above), the debt under Senior Facilities Agreement and Senior Notes is to be repaid with funds from the New Senior Facilities Agreement (see "Transaction—Refinancing"). The Company expects that the repayment of such debt to meet the conditions precedent to closing the Transaction, which include the condition to secure the Refinancing, will be made on or about May 8th 2014 (see "Transaction—Refinancing").

The agreements referred to above meet the criteria of a Significant Agreement.

Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate, as amended

On March 31st 2011, the Company, CPT, CPTM and mPunkt Polska S.A. executed the Senior Facilities Agreement, with a syndicate composed of Polish and foreign banks led by Citibank, N.A., London Branch, Bank

Handlowy w Warszawie S.A., Crédit Agricole CIB, and The Royal Bank of Scotland plc. The remaining Group companies then acceded to the agreement ("**Senior Facilities Agreement**").

The Senior Facilities Agreement provides for a Term Facility Loan of up to PLN 1,400m and a Revolving Facility Loan of up to PLN 200m. The Term Facility Loan and the Revolving Facility Loan bear interest at a variable rate based on WIBOR for applicable interest periods plus a margin. The Term Facility Loan is repayable in varying quarterly instalments, starting on June 30th 2011. The final repayment date of the Term Facility Loan and the Revolving Facility Loan is December 31st 2015. At December 31st 2013, no amounts had been drawn under the Revolving Loan Facility.

To hedge the interest rate risk associated with the Term Facility Loan, the Group companies utilise interest rate swaps (IRS). The interest rate swaps binding at the Prospectus date are presented in Note 30 to the Polsat Group Consolidated Financial Statements for 2012.

A debt prepayment is required under the Senior Facilities Agreement, amounting to: (i) 65% of surplus cash flows generated in a given financial year (or 25% if the net debt/EBITDA ratio is below 2.0 at the end of the two last quarters), (ii) proceeds from the disposal of assets for transactions exceeding PLN 10m for individual transactions or PLN 40m for all transactions (until the entire debt is repaid), (iii) specific proceeds from insurance policies, and (iv) proceeds from the issue, offering or sale of equity or debt instruments (including but not limited to the proceeds from borrowings) if the net debt/EBITDA ratio is equal to or above 2.0 as the end of the two last quarters.

Furthermore, pursuant to the Senior Facilities Agreement, if the net debt/EBITDA ratio for the preceding quarter is above 2.25:1, the debt under the Senior Notes (see "—Financing agreements—The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions") can only be repaid concurrently with the repayment of the debt under the Term Facility Loan and the Revolving Facility Loan using exclusively surplus cash flows which have not been allocated to the mandatory debt prepayment. The minimum amount of a voluntary prepayment is PLN 10m.

Pursuant to the Senior Facilities Agreement, the Group is to maintain its financial ratios at specific levels. The debt service cover ratio for the twelve months ended December 31st 2013 should be at least 1.50:1. The interest cover ratio for the twelve months ended December 31st 2013 should be at least 3.50:1. The total leverage ratio for the twelve months ended December 31st 2013 should be below 3.00:1. The financial ratios are tested each quarter.

The Senior Facilities Agreement imposes a number of restrictions on the Group companies, including restrictions on: (i) purchasing 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) granting credit facilities, loans or other debt instruments, (v) significantly changing the core business, (vi) incurring new debt or issuing shares, and (vii) distributing funds (including the payment of dividend, redemption or re-purchase of 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).

The Group companies issued guarantees and established a number of encumbrances over the Group's assets in favour of the Security Agent to secure the repayment of claims under the Senior Facilities Agreement (see "—Security" below).

Pursuant to the Senior Facilities Agreement, if Zygmunt Solorz-Żak (or a specific related person) loses control of the Company, the debt under the Senior Facilities Agreement, together with accrued interest, becomes immediately payable. 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.

The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions

On May 20th 2011, the Company, CP Finance, CPT, CPTM, mPunkt Polska S.A., The Bank of New York Mellon, London Branch, and The Bank of New York Mellon (Luxembourg) S.A. executed an Indenture setting out the terms and conditions of CP Finance's issue of unsecured senior notes with a total nominal amount of

EUR 350m, maturing in 2018 ("**Senior Notes**"), to which other Group companies then acceded ("**Senior Notes Indenture**"). The Senior Notes were sold on the date of their issue. The Senior Notes were rated Ba2 and BB by Moody's Investor Service Inc. and Standard & Poor's Rating Services, respectively. CP Finance is a special purpose vehicle and a wholly-owned subsidiary of the Company, established for the purpose of issuing the Senior Notes.

Pursuant to the Senior Notes Indenture, the interest on the Senior Notes accrues from May 20th 2011 (inclusive), assuming that a year is 360 days and comprises 12 months of 30 days each. The interest on the Senior Notes is 7.125% per year, payable semi-annually, in arrears, on May 20th and November 20th, with the first payment due on November 20th 2011.

To hedge future cash flows on scheduled interest payments under EUR-denominated Senior Notes, the Group companies executed cross currency interest rate swaps (CIRS). The CIRS binding at the Prospectus date are presented in Note 30 to the Polsat Group Consolidated Financial Statements for 2012.

The Senior Notes Indenture imposes a number of restrictions on the Company (and its subsidiaries which are subject to such restrictions), including restrictions on: (i) incurring new debt, (ii) making certain restricted payments (e.g. payment of dividend to related parties or re-purchase of shares), (iii) transferring asset ownership or selling assets, (iv) entering into transactions with related parties, (v) creating certain encumbrances or taking actions which could have a material adverse effect on the security established for the benefit of Senior Note holders, (vi) restricting the right of subsidiaries subject to such restrictions to pay dividend or make other payments, (vii) issuing guarantees by subsidiaries subject to restrictions, and (viii) merging with other entities.

The Group companies issued guarantees and established a number of encumbrances over the Group's assets in favour of the Security Agent in order to secure repayment of claims under the Senior Notes Indenture (see "—Security" below).

In the event of a change in control, CP Finance will offer to redeem all Senior Notes on the terms specified in the Senior Notes Indenture. In the event of a change in control, CP Finance will offer to pay 101% of the total nominal amount of the Senior Notes to be redeemed plus the due unpaid interest on the Senior Notes accrued to the redemption date. The Senior Notes are listed on the Luxembourg Stock Exchange.

The Senior Notes Indenture and the Senior Notes 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 Senior Notes are resolved within the non-exclusive jurisdiction of the courts in the borough of Manhattan, New York City.

The Intercreditor Agreement of March 31st 2011 between the Group companies and a bank syndicate, as amended

On March 31st 2011, the Company, CPT, CPTM and mPunkt Polska S.A. executed the Intercreditor Agreement, with a syndicate composed of Polish and foreign banks led by Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB and The Royal Bank of Scotland plc, and Citicorp Trustee Company Limited ("**Security Agent**"). The remaining Group companies then acceded to the agreement.

The purpose of the agreement is to determine seniority of claims under the Senior Facilities Agreement and the Senior Notes (see "—Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate, as amended" and "—The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions" above) ("**Secured Claims**"), in particular the priority of satisfying such claims if satisfaction is sought from the security established over the Secured Claims.

The above 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 the secured creditors to instigate proceedings before any court having relevant jurisdiction.

The agreement for the sale of the Company's Series A notes, executed on May 19th 2011 between the Company and CP Finance

On May 20th 2011, the Company issued Series A notes with a nominal amount of EUR 35m per share and a total nominal amount of EUR 350m ("**Series A Notes**"), and CP Finance subscribed for the notes using the proceeds for the Senior Bonds Issue. The Series A Notes are unsecured interest-bearing notes maturing on May 20th 2018. The holders of Series A Notes are free to dispose of them in any way, including selling. The Series A

Notes bear interest at a fixed rate, and the accrued interest is payable semi-annually, in arrears, on November 20th and May 20th of each year. Pursuant to the terms and conditions of the Series A Notes, CP Finance may request redemption of all Series A Notes before the maturity date if all or part of the Senior Notes are redeemed before maturity. In each case where CP Finance is required to pay additional amounts pursuant to the Senior Notes Indenture, the Company will pay to CP Finance such additional amounts for all Series A Notes on the payment date specified in the Senior Notes Indenture.

Security

A number of encumbrances over assets of the Group were established by the Group companies in favour of the Security Agent to secure the repayment of claims under the Senior Facilities Agreement and the Senior Notes. The security referred to in this section will be released after the planned repayment of debt under Senior Facilities Agreement and Senior Notes (see "Transaction—Refinancing"). Until then and at the Prospectus date, the following security was established over assets of the Group:

a) financial and registered pledges over the shares in CPTM, FrazPC.pl sp. z o.o., Gery.pl sp. z o.o., Info-TV-FM, Media-Biznes sp. z o.o., Netshare sp. z o.o., Polsat Media Biuro Reklamy sp. z o.o., Poszkole.pl sp. z o.o., Redefine, Telewizja Polsat, and Telewizja Polsat Holdings sp. z o.o., governed by Polish law;

b) ordinary and registered pledges over the shares in Polsat Media, governed by Polish law;

c) pledges over the shares in CP Finance, Nord License AS and Polsat License Ltd., governed by the laws of the jurisdiction of the respective companies' registered offices;

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

e) ordinary and registered pledges over the trademark protection rights contributed by the Group companies to Polsat Brands (*einfache Gesellschaft*), governed by Polish law;

f) registered pledges over groups of various assets and rights of the following companies: the Issuer, CPTM, FrazPC.pl sp. z o.o., Gery.pl sp. z o.o., Media-Biznes sp. z o.o., Netshare sp. z o.o., Polsat Media, Polsat Media Biuro Reklamy sp. z o.o., Poszkole.pl sp. z o.o., Redefine, Telewizja Polsat, Telewizja Polsat Holdings sp. z o.o., governed by Polish law;

g) financial and registered pledge over the Series A Notes issued by the Company, governed by Polish law;

h) financial and registered pledges over receivables under bank account agreements of CP Finance, governed by Polish law;

i) pledge over receivables under bank account agreements of CP Finance, governed by Swedish law;

j) security assignment of receivables, due from various debtors to the following companies: the Issuer, CPT (to which the Company is a legal successor), CP Finance, CPTM, FrazPC.pl sp. z o.o., Gery.pl sp. z o.o., Media-Biznes sp. z o.o., mPunkt Polska S.A. (to which the Company is a legal successor), Netshare sp. z o.o., Polsat Media, Polsat Media Biuro Reklamy sp. z o.o., Poszkole.pl sp. z o.o., Redefine, Telewizja Polsat, Telewizja Polsat Holdings sp. z o.o., governed by Polish law;

k) security assignment of receivables, due from various debtors to the Issuer, governed by English law;

l) security assignment of receivables, due from various debtors to Polsat License Ltd., governed by Swiss law;

m) security assignment of rights under a licence agreement by Telewizja Polsat and Polsat License Ltd., governed by Swiss law;

n) security assignment of receivables under the bank account agreement of Polsat Brands (*einfache Gesellschaft*), by Telewizja Polsat and Polsat License Ltd., governed by Swiss law;

o) security assignment of receivables, due from various debtors to Nord License AS, governed by Norwegian law;

p) sub-charge established by Telewizja Polsat over the security assignment of intra-Group receivables by Nord License AS, governed by Norwegian law;

q) contractual mortgage over the real property owned by the Issuer and Telewizja Polsat, governed by Polish law;

r) representations on submission to enforcement under a notarial deed, made by the following companies: the Issuer, CPTM, FrazPC.pl sp. z o.o., Gery.pl sp. z o.o., Media-Biznes sp. z o.o., Netshare sp. z o.o., Polsat Media, Polsat Media Biuro Reklamy sp. z o.o., Poszkole.pl sp. z o.o., Redefine, Telewizja Polsat, Telewizja Polsat Holdings sp. z o.o., governed by Polish law; and

s) guarantees established pursuant to the Senior Facilities Agreement and the Senior Notes Indenture, governed by the same law as their respective agreements.

As a rule, the maximum amount of security under the security documents referred to above is PLN 4,500m, and the date of the expiry of the financial pledges and the deadline for applying for the writ of execution for the enforcement orders is May 31st 2021.

Transponder capacity lease agreements

On February 26th 2009 and October 1st 2009, Cyfrowy Polsat and Eutelsat S.A. ("**Eutelsat**") executed four agreements, as amended, for the lease of capacity on transponders 74, 78 and 79 of the Eutelsat Hot Bird 13B satellite and on transponder 112 of the Eutelsat Hot Bird 13C satellite. The agreements remain in effect until December 31st 2017.

On July 6th 2012, Cyfrowy Polsat and Eutelsat executed an agreement for the lease of capacity on transponder C6 of the Eutelsat 33A satellite. The agreement was executed for a period of five years until April 30th 2017; however, the term may be extended by another five years provided that Cyfrowy Polsat expresses its intention to do so not later than six months prior to the expiry of the original term of the agreement.

On November 15th 2013, Cyfrowy Polsat and Eutelsat executed an agreement for the lease of 100% capacity on transponder 120 of the Eutelsat Hot Bird 13C satellite. The agreement remains in effect until December 31st 2017.

In addition, on December 8th 2010 Telewizja Polsat and Eutelsat executed an agreement for the lease of satellite capacity, under which Telewizja Polsat was granted the right to use transponder 132 of the Hot Bird 6 satellite. The agreement remains in effect until December 31st 2017 and may be extended by Telewizja Polsat by another seven years on the same terms. At Eutelsat's request and upon consent of Telewizja Polsat, on February 29th 2012 the service was moved to transponder 132 of the Eutelsat Hot Bird 13C satellite.

On June 6th 2012, Telewizja Polsat and Eutelsat executed two agreements for the allocation of satellite capacity, under which Telewizja Polsat was granted the right to use the capacity on transponders F3 and F4 of the Atlantic Bird 1 satellite until May 19th 2017 and June 5th 2017, respectively.

On June 27th 2012, Telewizja Polsat and Eutelsat executed an agreement for the allocation of satellite capacity, under which Telewizja Polsat was granted the right to use the capacity on transponder C6 of the Eutelsat 33A satellite until June 30th 2017.

The above agreements are governed by the French law, and any disputes arising in connection therewith are resolved within the exclusive jurisdiction of the commercial court in Paris.

All agreements between the Issuer and Eutelsat referred to above meet the criteria of Significant Agreements.

Conditional access agreements

On November 2nd 2004, the Issuer and Nagravision S.A. ("**Nagravision**") executed an agreement for the lease, licensing and installation of a conditional access system and for the sale of SMART cards (as amended), under which Nagravision provides the Conditional Access System (CAS) to the Company, with the necessary installation and maintenance services, including lease of equipment, software licence, technical and maintenance support (including security services), installation of CAS, and sale of SMART cards. CAS is used by Cyfrowy Polsat to control user access to individual DTH pay programme packages. Upon signing a satellite pay TV contract, each subscriber obtains a set-top box with a SMART card which enables the reception of the pay TV programme. In exchange for the service, Cyfrowy Polsat pays to Nagravision a monthly fee, equal to the product by of the number of active SMART cards and a fixed monthly rate. The agreement provides for replacement of SMART cards by Nagravision in the event of a breach of security rules which is not removed within a prescribed time limit. In addition, in the event of any breach of CAS, Cyfrowy Polsat is entitled to receive a reduction of the monthly fees paid by Cyfrowy Polsat to Nagravision. The agreement remains in effect until December 31st 2020. Nagravision may terminate the agreement in writing with a three-month notice if the aggregate amount of overdue fees from the Company exceeds the total amount of the last three invoices. The agreement may also be terminated by Nagravision in writing with a 12-month notice if (without limitations) the Company is in serious breach of contract and the breach is not removed within three months from the receipt of a relevant notice demanding that the Company remove the breach. Upon receipt of a termination notice and at the request of Cyfrowy Polsat, Nagravision is obliged to provide support for the Company's migration to a new conditional access system against payment of a fee which is consistent with prevailing market rates. The agreement is governed by the Swiss law, and any disputes arising in connection with the agreement are to be resolved by arbitration by the London Court of International Arbitration in London.

The above agreement met the criteria of a Significant Agreement.

On July 18th 2012, Cyfrowy Polsat and Nagravision executed an agreement for the installation of components of a conditional access system in set-top boxes produced by Cyfrowy Polsat. Under the agreement, Nagravision granted a non-exclusive licence to the Issuer to use Nagravision's software preinstalled and used in set-top boxes produced by Cyfrowy Polsat and undertook to provide technical support services to integrate Nagravision software with Cyfrowy Polsat set-top boxes. The agreement remains in effect for four years, until March 31st 2016. Each party may terminate the agreement if the other party is declared bankrupt or is in a serious breach of contract, unless the defaulting party removes such breach within the time limit prescribed in the agreement. Under the licence, Cyfrowy Polsat pays a licence fee for every set-top box which uses the licensor's software. In addition, if Nagravision is contracted to provide technical support services, Cyfrowy Polsat will also pay a daily integration fee to Nagravision for such services. The agreement is governed by the Swiss law, and any disputes arising in connection with the agreement are to be resolved by arbitration by the court of arbitration of the Swiss Chamber of Commerce.

For more details on the conditional access system, see "Business overview of Polsat Group—Our core business—Technology and infrastructure—Pay TV technology and infrastructure—Conditional access system".

Terrestrial programme distribution agreements

On September 29th 2010, Telewizja Polsat and Polskie Media S.A. executed agreements with Emitel on access to terrestrial stations for digital signal broadcasting. Under the agreements, Emitel undertook to provide digital signal transmission services in the DVB-T technology for the purpose of terrestrial distribution of POLSAT, POLSAT News, TV4 and TV6 on MUX-2. The agreements were concluded for a period of 10 years and may be terminated with a one month's notice in the cases provided for therein. In exchange for the provision of signal transmission services, Emitel receives a flat monthly fee in the amount specified separately for each of the 48 transmitter stations; Telewizja Polsat and Polskie Media S.A. also pay a flat monthly fee for the DVB-T multiplexing services. At the end of each semi-annual calendar period, the fee payable to Emitel is adjusted by half the inflation rate.

Emitel may be held liable for any damage resulting from the non-performance or improper performance of the agreements, subject to the limitation of liability for lost profit up to the amount specified in the agreements with respect to events occurring in a given calendar year. The agreements also provide for contractual penalties to be paid to Telewizja Polsat and Polskie Media S.A. in the event of non-availability of services with respect to events occurring in a given calendar year. The payment of contractual penalties shall not preclude the right of Telewizja Polsat and Polskie Media S.A. to seek compensation in excess of the contractual penalties, on general terms.

Licence agreements

Licence agreement executed on December 30th 2011 between Cyfrowy Polsat and Telewizja Polsat

On December 30th 2011, Cyfrowy Polsat and Telewizja Polsat executed a licence agreement (as amended). Under the agreement, Telewizja Polsat granted a licence to the Company for distribution of the following programmes: POLSAT (version SD/HD), POLSAT2, POLSAT Sport (version SD/HD), POLSAT Sport Extra (version SD/HD), POLSAT Sport News, POLSAT Café, POLSAT Play, POLSAT News, POLSAT Biznes, POLSAT Film (version SD/HD), and Polsat Romans.

As a rule, those licences are non-exclusive; however, the Company obtained an exclusive licence to distribute POLSAT Sport and POLSAT Sport Extra programmes. Under the acquired rights, the Company may distribute programmes through various channels, depending on the programme, including by way of: (i) wireless satellite distribution, (ii) ADSL, (iii) the Internet, and (iv) the DVB-T technology. In the case of Internet distribution, the Company may distribute programmes both in its own name and through Redefine as the sub-licensee, as part of the IPLA service package.

In exchange for the obtained licences, Telewizja Polsat shall receive monthly licence fees, in the amount depending on the distribution channels used by the Company. In exchange for the licence for distribution by way of: (i) wireless satellite technology, (ii) ADSL, or (iii) DVB-T technology – the Company shall pay a monthly flat fee. On the other hand, monthly licence fee for distribution of programmes over the Internet is calculated based on: (i) average monthly number of subscribers or (ii) number of service packages sold and the audience share of individual programmes, with the proviso that the rate applying to the Company's direct subscribers is lower than the rate paid for the sub-licensee's subscribers (i.e. Redefine).

The agreement was executed for an indefinite term and may be terminated by either party with six-month notice, both in its entirety and in relation to any given programme. In cases provided for therein, the parties may terminate the agreement without a period of notice, subject to the proviso that breaks and interruptions in programmes shall not constitute a breach of contract and may only be used as a basis for claiming the reduction of licence fees.

The above agreement met the criteria of a Significant Agreement.

Licence agreement executed on August 24th 2011 between Cyfrowy Polsat and HBO Polska sp. z o.o.

On August 24th 2011, Cyfrowy Polsat and HBO Polska sp. z o.o. ("**HBO Polska**") executed an agreement for the distribution of channels broadcast by HBO Polska and other HBO Group companies.

Under the said agreement, Cyfrowy Polsat was granted a three-year licence for the distribution of the following programmes, either separately or in packages: HBO, HBO HD, HBO2, HBO Comedy, HBO2 HD and HBO Comedy HD.

In exchange for the distribution of those programmes, Cyfrowy Polsat shall pay to HBO Polska a monthly licence fee per each subscriber who is granted access, or who pays for the access, to at least one of the programmes distributed by the Company. Therefore, the amount of monthly licence fee depends on the bills paid by the Company's subscribers and shall not be lower than the minimum rate in USD specified in the agreement.

Each party may terminate the agreement in the event of a gross breach thereof, unless the breach is removed within the time limit prescribed in the agreement. The agreement may be terminated by either party with immediate effect in the event of bankruptcy or liquidation and in the case of delays in the payment of licence fees. The agreement was executed for a fixed term until January 1st 2014 and may be automatically extended for another three years, unless it is terminated by any party thereto not later than six months prior to the expiry date. On June 21st 2013, Cyfrowy Polsat terminated the agreement in accordance with the above provisions; as a result, the agreement expired on January 1st 2014. At the Prospectus date, the parties cooperate based on a verbal arrangement, which is to be formalised in a new licence agreement.

The above agreement meets the criteria of a Significant Agreement considering the total amount of all agreements concluded between Polsat Group and Time Warner Inc. Group within 12 months preceding the date of its execution.

Share transfer agreements

Acquisition of Telewizja Polsat

On November 15th 2010, Cyfrowy Polsat executed an investment agreement, as amended, ("**Agreement**") with Karswell Limited, Sensor Overseas Limited, Mat Fundusz Inwestycyjny Zamknięty, Koma Fundusz Inwestycyjny Zamknięty ("**Sellers**") and Mr Zygmunt Solorz-Żak and Mr Heronim Ruta, concerning the acquisition of 100% shares of Telewizja Polsat.

The agreement was executed under a number of conditions precedent: (i) performance by the Company and the Sellers of all obligations arising from the Agreement; (ii) meeting the obligations related to the stabilisation period; (iii) execution of subscription agreements related to the acquisition by the Sellers of subscription warrants conferring the right to the Company shares; (iv) execution of credit facility agreements by the Company for the partial financing of the acquisition of Telewizja Polsat shares, in the total amount not lower than PLN 2,600m, and obtaining the Supervisory Board's earlier consent to the establishment of security instruments specified therein; (v) obtaining the consent of the Supervisory Board of Telewizja Polsat to the sale of shares by the Sellers; (vi) non-exercise by the owners of Telewizja Polsat shares of their pre-emptive right to the acquisition of shares; and (vii) adoption and registration of a resolution to increase the Company's share capital and adoption of a resolution to issue subscription warrants.

As the Conditions Precedent listed in the Agreement were fulfilled on April 20th 2010, the Company acquired the total of 2,369,467 shares of Telewizja Polsat, representing 100% of Telewizja Polsat's share capital and conferring the right to 100% of the voting rights at the general meeting of Telewizja Polsat, for a total price of PLN 3,750m ("**Price**"). Under the Agreement, 69.33% of the Price (i.e. PLN 2,600m) was paid by bank transfer to the accounts of the Sellers on the date of transfer of the ownership title to Telewizja Polsat shares, and the remaining part of the Price (i.e. PLN 1,150m), was paid by offsetting the Company's receivables due from the Sellers on account of the payment for the Company's series H shares acquired by the Sellers in connection with the exercise of the rights conferred by registered series H subscription warrants, against the receivables of the Sellers due from the Company on account of the payment of a part of the price for Telewizja Polsat shares in connection with the sale of those shares to the Company.

On March 31st 2011, the Company executed credit facility agreements earmarked entirely for the acquisition of Telewizja Polsat's shares, and established security instruments for the repayment of borrowings arising from those agreements. For more details about credit facility agreements and the related security instruments, see "—Material agreements—Financing agreements" above.

On April 20th 2011, under the share acquisition agreements, the Sellers transferred the ownership of shares of Telewizja Polsat to the Company. Also on April 20th 2011, with regard to the remaining conditions precedent set forth in the Agreement, the Company's Management Board confirmed: (i) performance of the obligations arising from the Agreement and the obligations relating to the stabilisation period; (ii) obtaining the consent of the Supervisory Board of Telewizja Polsat for the sale of 100% of the Company's shares; (iii) non-exercise by the owners of Telewizja Polsat shares of their pre-emptive right to the acquisition of the shares to be sold, as a result of registration by the District Court of an amendment to the articles of association of Telewizja Polsat, deleting the provision granting the right of pre-emption to the owners of the shares to be sold.

Following fair value measurement of the consideration paid on April 20th 2011, the cost of Telewizja Polsat shares held by the Company was adjusted by PLN 148.9m (in effect, the value of Telewizja Polsat shares was PLN 3,898.9m).

The above agreement met the criteria of a Significant Agreement.

Acquisition of Info-TV-FM

On October 28th 2011, Cyfrowy Polsat, Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited executed a conditional agreement on the sale of shares of Info-TV-FM, for a total price of PLN 29.3m. Under the agreement, Cyfrowy Polsat acquired: (i) from Narodowy Fundusz Inwestycyjny Magna Polonia S.A. – 2,427 shares of Info-TV-FM, representing 61.2% of the voting rights at the meeting of shareholders; and (ii) from Evotec Management Limited – 1,537 shares of Info-TV-FM, representing 38.8% of the voting rights at the meeting of shareholders. The acquired shares represented 100% of the share capital and conferred the right to exercise 100% of the voting rights at the acquiree's meeting of shareholders. The shares of Info-TV-FM were transferred to Cyfrowy Polsat on January 30th 2012, after the applicable conditions precedent had been fulfilled, including the demerger of Info-TV-FM (partial division in the form of a spin-off). The agreement was executed as part of Polsat Group's strategy aimed at the broadest possible distribution of its programming content using all available state-of-the-art technologies. In connection with the acquisition of Info-TV-FM, Cyfrowy Polsat acquired frequencies from the 470–790 MHz band, along with the related frequency allocations, dedicated to the provision of mobile audiovisual media services based on the DVB-T technology. On the basis of the acquired assets, Cyfrowy Polsat was able to extend its portfolio by adding mobile television services and a pay package offered under the digital terrestrial television service.

Acquisition of the IPLA companies

On March 12th 2012, Cyfrowy Polsat and Bithell Holdings Limited with its registered office in Nicosia executed agreements on the sale of shares of companies running the IPLA service, leader of the Polish video online streaming market (both in terms of its compatibility with a broad range of terminal devices and in terms of content volume). Under the said agreement, the Issuer acquired (i) 100% shares of Redefine; (ii) 100% shares of Frazpc.pl sp. z o.o.; (iii) 100% shares of Gery.pl sp. z o.o. (in liquidation); and (iv) 100% shares of Netshare sp. z o.o. The acquired shares represented 100% of the share capital and conferred the right to exercise 100% of the voting rights at the acquirees' meetings of shareholders. The total price paid for those shares reached PLN 42.9m (including the price paid for shares and subsequent adjustments thereto resulting from a difference between the value of net debt estimated at the agreement date and net debt recognised in the balance sheet drawn up at March 12th 2012). Under the above agreements, the title to shares was transferred to Cyfrowy Polsat on April 2nd 2012.

Acquisition of Polskie Media S.A.

On March 28th 2013, Telewizja Polsat, Karswell Limited and Sensor Overseas Limited executed two preliminary agreements on the sale of shares of Polskie Media S.A., the broadcaster of TV4 and TV6 programmes distributed both in the terrestrial and cable/satellite technology, for a total price of PLN 72.6m (including the price paid for shares and fair-value adjustments). Under the said agreements, Telewizja Polsat has undertaken to acquire: (i) from Karswell Limited – 12,312,551 registered shares of Polskie Media S.A., representing 84.9% of the voting rights at the general meeting; and (ii) from Sensor Overseas Limited – 2,184,949 registered shares of Polskie Media S.A., representing 15.1% of the voting rights at the general meeting, i.e. the total of 14,500,000 registered shares of Polskie Media S.A. The preliminary agreements on the sale of shares were performed on August 30th 2013. The acquired shares represented 100% of the share capital and conferred the right to exercise 100% of the voting rights at the acquiree's general meeting.

On December 31st 2013, Polskie Media S.A. (as the acquiree) merged with Telewizja Polsat (as the acquirer).

Licences

Broadcasting licences

In accordance with of the Act on Television and Radio Broadcasting, TV programme broadcasting by DTH providers requires registration by the Chairman of the National Broadcasting Council and is not subject to any licensing requirement.

Given the nature of our TV production and broadcasting operations, we are subject to regulation and required to obtain specific licences granted by licensing authorities (see "Regulatory environment—Regulatory environment related to TV production and broadcasting and provision of digital pay TV services—Broadcasting licences"). Before a licence expires, we can apply for a licence for another period or for a new licence. Even though a licence for another period or a new licence are not granted automatically, we believe that we will be able to extend expiring or obtain new licences in due time. At the Prospectus date, we held all licences required for our operations under the law.

In our TV production and broadcasting segment, we held 31 broadcasting licences, including six universal licences and 25 licences for thematic TV channels. Three licences are for DTT broadcasting only (POLSAT and TV4 channels), three licences are for both DTT and satellite broadcasting (Polsat Sport News and TV6 channels), 20 broadcasting licences are only for satellite transmission, and five are licences for local broadcasting, in specified regions of Poland (TV Odra).

The table below presents the Group's licences at the Prospectus date.

Channel	Licence holder	Licence type	Authority granting licence	Expiry date
POLSAT	TV Polsat	Terrestrial (digital) broadcasting licence	National Broadcasting Council	March 2nd 2024
Polsat Sport News	TV Polsat	Satellite broadcasting licence/Terrestrial (digital) broadcasting licence	National Broadcasting Council	August 29th 2020
Polsat2	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	January 18th 2024
Polsat Sport	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	January 18th 2024
Polsat Café	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	July 28th 2024
Polsat Sport Extra	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	October 26th 2025
Polsat Play	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	November 15th 2025
Polsat HD	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	May 18th 2028
Polsat Sport HD	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	May 18th 2028
Polsat News	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	May 18th 2028
Polsat Film	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	June 4th 2029
Polsat Biznes(1)	Media-Biznes sp. z o.o.	Satellite broadcasting licence	National Broadcasting Council	October 5th 2024
TV4	TV Polsat	Terrestrial (digital) broadcasting licence	National Broadcasting Council	February 2 2029
TV6	TV Polsat	Satellite broadcasting licence /Terrestrial (digital) broadcasting licence	National Broadcasting Council	July 22nd 2030
Polsat Romans	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	October 15th 2023
Polsat Sport Weekend(2)	TV Polsat	Satellite broadcasting licence	National Broadcasting Council	October 15th 2023
TV ODRA – Jelenia Góra(3)	TV Polsat	Local broadcasting licence	National Broadcasting Council	April 13th 2015
TV ODRA – Zielona Góra(3)	TV Polsat	Local broadcasting licence	National Broadcasting Council	April 13th 2015
TV ODRA – Wrocław(3)	TV Polsat	Local broadcasting licence	National Broadcasting Council	April 13th 2015
TV ODRA – Lubin(3)	TV Polsat	Local broadcasting licence	National Broadcasting Council	April 13th 2015
TV ODRA – Gorzów Wielkopolski(3)	TV Polsat	Local broadcasting licence	National Broadcasting Council	April 13th 2015

(1) *Until February 2013, the channel's name was TV Biznes.*
(2) *Licence obtained in October 2013, channel is yet to be broadcast.*
(3) *These are regional channels, not broadcast at the Prospectus date. It will be possible to create local MUXs for them in the future.*
Source: the Company.

Moreover, Polsat JimJam Ltd., an entity controlled jointly as part of the joint venture between Telewizja Polsat and JimJam CEE Limited, in which we hold a 50% interest, holds a licence for satellite broadcasting of Polsat JimJam, granted by Ofcom for an indefinite term.

Frequency allocations

Our operations related to mobile telephony, mobile audio and video services, and broadband Internet access services require registration by the President of the Office of Electronic Communications and are subject to regulation (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access"). We are entered in the register of telecommunications undertakings and we have obtained the right to use numbering resources, frequency allocations, as well as radio permits for the use of radio equipment in terrestrial satellite stations. At the Prospectus date, we believe that we meet all material legal requirements to provide telecommunications services.

The table below presents the Group's frequency allocations at the Prospectus date.

Entity	Frequency band	Size of allocated band	Allocation decision date	Allocation decision expiry date
Info-TV-FM	470-790 MHz	8 MHz	June 26th 2009	December 31st 2023

Source: the Company.

Environmental protection

In our operations, we are obliged to comply with environmental laws, in particular the regulations governing waste management, waste electrical and electronic equipment, as well as protection from electromagnetic fields (see "Regulatory environment—Other regulations—Environmental protection"). We make every effort to ensure that our operations do not breach environmental regulations and that we meet all environmental obligations applicable to us.

As an entity using the environment, we are obliged to submit appropriate notifications to relevant public administration authorities once a year. However, in our operations we are not required to obtain any permits for waste management, handling of waste equipment or protection from electromagnetic fields, as our field generation does not exceed the legally permitted levels.

We have undergone numerous inspections of compliance with environmental regulations, which did not reveal any material breach or negligence. At the Prospectus date, no proceedings regarding breach of such environmental regulations were pending against us.

Research and development

Our research and development activities focus on the development of IT systems and systems for set-top boxes manufactured in our plant. We also conduct research work on the construction of our set-top boxes. In the years ended December 31st 2013, December 31st 2012 and December 31st 2011, our R&D expenditure amounted to PLN 3.6m, PLN 5.1m, and PLN 6.0m, respectively.

IT systems

In the retail business segment, we use IT systems facilitating effective and efficient management of our subscriber base. The systems include a customer relationship management system, sales support system, the Internet Customer Service Centre, and a transaction support system. Within our systems designed for set-top boxes, we also use applications and software enabling us to offer our products as efficiently as possible. These are our proprietary, internally developed systems. As the owner of the systems and holder of intellectual property rights related to them, we are able to respond quickly and successfully to any subscriber needs. Moreover, in our residential business segment we use systems licensed from third parties, such as a conditional access system securing access to channels offered in our paid DTH channel packages.

In pursuit of the integration of Polkomtel and Cyfrowy Polsat and relying on the Group's existing IT solutions, Polsat Group plans to develop a shared system environment to develop joint multi-product offers comprising the services of both Cyfrowy Polsat and Polkomtel. These efforts will also enable us to achieve further cost optimisation and leverage significant synergies in both know-how and resources.

Our TV production and broadcasting segment uses in its operations IT systems that support show production management, data storage, graphics development, keeping of our programme library, and licence management. All these systems are sourced from third-party suppliers.

Intellectual property

Industrial property rights

At the Prospectus date, in our residential business segment we held protection rights to 74 trademarks. With respect to 70 trademarks, we have applied to competent public administration bodies to establish protection rights for those trademarks. At the Prospectus date, registration proceedings were pending.

Among the trademarks with respect to which we hold protection rights, the most important ones in our residential business segment are the "Cyfrowy Polsat" word mark and the "Cyfrowy Polsat" combination mark, to which our subsidiary CPTM holds protection rights, following their registration with both Polish Patent Office and the Office for Harmonisation of the Internal Market (OHIM). CPTM also holds economic copyright to the logotype of the "Cyfrowy Polsat" combination mark. Within this operating segment, a majority of intellectual property rights are managed by CPTM, while some protection rights to those trademarks that are less important to the residential business segment's operations remain with Cyfrowy Polsat.

At the Prospectus date, in our TV production and broadcasting segment we hold protection rights to 26 trademarks, following their registration with the Polish Patent Office. In the case of 22 of those trademarks, protection rights are held by our Swiss company Polsat Brands (*einfache Gesellschaft*), and Telewizja Polsat holds protection rights to the four remaining trademarks. With respect to five trademarks, we have filed and paid for applications for establishing protection rights with the Polish Patent Office (three applications filed by Telewizja Polsat, and two by Polsat Brands (*einfache Gesellschaft*)). At the Prospectus date, relevant proceedings were pending. Moreover, we have made notifications concerning the POLSAT 2 trademark in the United States and Canada. At the Prospectus date, relevant proceedings were pending.

Among the trademarks to which we hold protection rights, the most important ones in our TV production and broadcasting segment is the "POLSAT" combination mark, to which Polsat Brands (*einfache Gesellschaft*) holds protection rights following registration with the Polish Patent Office (these are protection rights to subsequent displays of the trademark's logotype). Moreover, on March 9th 2011 Telewizja Polsat applied for protection of the "POLSAT" word mark; at the Prospectus date the proceedings were pending. Within this operating segment, a majority of intellectual property rights is managed by Polsat Brands (*einfache Gesellschaft*), while some protection rights to those trademarks that are less important to the TV production and broadcasting segment's operations remain with Telewizja Polsat.

Moreover, our Group companies hold protection rights to industrial designs and community industrial designs. At the Prospectus date, before the Polish Patent Office and the European Patent Office proceedings were pending for grant of patents for software and transceiver equipment.

In our opinion, the Group is not largely dependent on any patents or licences, industrial agreements or new production processes.

Copyright and neighbouring rights

Digital platform operators and TV broadcasters are obliged to make quarterly payments to the Polish Film Institute, amounting to 1.5% of their revenue from operations (see "Regulatory environment—Other regulations—Cinematography Act"). In the years ended December 31st 2013, December 31st 2012 and December 31st 2011, our payments to the Polish Film Institute amounted to PLN 37.4m, PLN 36.3m and PLN 31.2m, respectively.

In accordance with the Copyright Law, we enter into agreements with organisations for collective copyright management ("**Copyright Collectives**"), which are entitled to collect royalty payments for use of works (see "Regulatory environment—Other regulations—Organisations for collective administration of copyrights"). At the Prospectus date, there were 15 Copyright Collectives in Poland and we signed agreements with some of them.

Internet domains

The Group has registered 245 Internet domains. In our residential business segment, we have registered 237 domains, the most important of which are www.cyfrowypolsat.pl, www.ipla.tv, www.ipla.pl, and www.infotvfm.pl. In the TV production and broadcasting segment, we have registered eight domains, the most important of which are www.polsat.pl and www.polsatsport.pl.

Insurance

We maintain insurance coverage for our companies and their operations, substantially against all risks and with sums insured at levels typical of pay-TV providers and TV broadcasters operating in Poland.

At the Prospectus date, all Group companies are insured under joint insurance programmes. As regards property and civil liability insurance, the Group companies are covered by a common insurance policy, taken out for the Group by Cyfrowy Polsat. Under the policy, Cyfrowy Polsat is the policyholder, and the individual companies are the insured. In the case of fleet insurance, a uniform insurance programme is in force, but each company has signed its own general insurance contract with the insurer, with the same terms and conditions as the other companies.

Insurance agreements are concluded with leading insurance companies, such as Powszechny Zakład Ubezpieczeń S.A., Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A., Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A., Europ Assistance Polska sp. z o.o., AIG Europe Limited sp. z o.o. Polish Branch, and ACE European Group Limited sp. z o.o. Polish Branch.

Insurance policies in force at the Prospectus date concern in particular: (i) civil liability insurance, including business insurance and bookkeeper's insurance, (ii) management liability insurance, (iii) electronic equipment insurance; (iv) plant and equipment insurance, (v) professional liability insurance in respect of broadcasting activities, (vi) all-risk property insurance, (vii) loss-of-profit insurance, (viii) property insurance in national and international transport, and (ix) foreign business travel medical insurance.

At the Prospectus date, insurance policies with the highest sums insured are as follows: (a) electronic equipment all-risk insurance policy taken out with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., with the sum insured at PLN 386.1m; (b) all-risk property insurance policy taken out with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., with the sum insured at PLN 370.5m; and (c) civil liability insurance policy for the Management Board members, taken out with AIG Europe Limited, Polish Branch, with the sum insured at PLN 50m.

We believe that our insurance coverage is in line with the practice followed by other pay-TV providers and TV broadcasters operating in Poland.

With the exception of the policies referred to in items (i) and (ii) above and the fleet insurance policies, our rights under the insurance policies have been assigned to Citicorp Trustee Company Limited of London, acting as the security agent under the Senior Facilities Agreement and the Senior Notes Indenture (see "—Material agreements—Financing agreements"). Despite the assignment, the Group companies are the beneficiaries entitled to receive payment of claims under the policies.

Employment

Employees

In the years ended December 31st 2013, December 31st 2012, and December 31st 2011, Polsat Group had an average workforce of 1,472, 1,454 and 1,267 permanent non-production employees, respectively. Employee turnover at the Group is relatively stable and in the years ended December 31st 2013, December 31st 2012, and December 31st 2011 was at 8.49%, 10.18% and 10.27%, respectively. The headcount increase by 187 employees in 2012 from the 2011 level was chiefly a result of acquisition of the IPLA companies.

Polsat Group does not employ a significant number of temporary staff.

The following table presents the Group's average workforce under employment contracts, by operating segments, at the dates presented.

Operating segment	At December 31st 2013	2012	2011
Residential segment	887	805	752
TV production and broadcasting segment	585	649	515
Total	**1,472**	**1,454**	**1,267**

Source: the Company.

By the Prospectus date, the data presented in the table above had not changed significantly.

The following table presents the Group's workforce by sex and age at December 31st 2013.

Age	< 31	31-39	40-49	50-59	=> 60	Total
Women	213	304	102	51	10	680
Men	309	479	205	120	32	1145
TOTAL	**522**	**783**	**307**	**171**	**42**	**1,825**

Source: the Company.

Labour relations within the Group are governed by mandatory laws, in particular the Labour Code, and the work regulations. We are not party to any company or inter-company collective bargaining agreements.

In the residential business segment, we normally offer contracts of employment for a trial period. After a trial-period contract expires, we decide whether the next contract should be concluded for a fixed or indefinite term, depending on the assessment of the employee's performance. In exceptional circumstances, and only in the case of executive positions, the first contract of employment can be signed for an indefinite term. Additionally, all employed on management positions sign non-disclosure and non-compete agreements. The provisions and duration of these agreements depend on the position's place in the organisational structure.

In the TV production and broadcasting segment, we usually enter into long-term contracts of employment for a specified period (usually for the term of the licence obtained), as well as employment contracts for an indefinite period. Both contract types are often preceded by trial period contracts.

The Group has not experienced any employee strikes or labour disputes.

Trade unions

At the Prospectus date, no trade unions were active at the Group.

Remuneration system and pension benefits obligations

Remuneration system

Our Group has not introduced a uniform remuneration system. Below we present an overview of the remuneration system in place at the Company and Telewizja Polsat, which are the workplace for most of the Group's employees.

Cyfrowy Polsat and Telewizja Polsat operate a time wage system. As a rule, an employee's base pay is defined in their employment contract. Any matters relating to remuneration, including its additional components, such as length-of-service benefits and severance payments, are subject to mandatory provisions of the Labour Code and internal remuneration rules. Formal rules for periodic employee assessment have been implemented only in Cyfrowy Polsat.

Cyfrowy Polsat operates four employee reward systems: the commission system, two bonus systems, and an incentive system. The commission system applies to shift managers at the customer retention and internal sales unit. In that system, commission accrues on a monthly basis in accordance with the commission table and is paid once a quarter. The bonus system is designed for key account managers and regional representatives, and provides for monthly and quarterly payment of additional remuneration in specified maximum amounts. In addition, the Company has introduced a bonus system covering all employees, linked with the results of interim assessments, with a twelve-month settlement period. Under this system, an employee can receive up to 100% of their monthly salary, with the average payment assumed at 66%. The Company has also adopted an incentive system for point-of-sale managers and commercial representatives and for customer service points' employees, whereby an employee covered by the incentive system receives a bonus as part of their monthly salary. At December 31st 2013, provisions for employee bonuses amounted to PLN 9.2m. Telewizja Polsat has not introduced a formal bonus system.

As part of an additional benefit package, Cyfrowy Polsat and Telewizja Polsat provide their employees with group life insurance (at Telewizja Polsat, the premiums are paid by employees), as well as a medical services package funded by the employer.

Cyfrowy Polsat and Telewizja Polsat have established the Company Social Benefits Fund, which is used to pay additional benefits to employees, in amounts depending on the individual circumstances of an employee. The Fund is used to finance housing loans, financial or in-kind assistance in emergencies, financial hardship support, or in other justified cases, as well as to finance cultural and sporting events, recreational activities, Christmas parties, celebrations or other similar benefits, including purchase of gifts for employees or their children. The amount spent from the Company Social Benefits Fund in 2011-2013 was PLN 12.3m. At December 31st 2013, the amount accrued in the Company Social Benefits Fund was PLN 3.9m.

Pension benefits obligations

Pension benefits obligations with respect to Group employees amounted to PLN 1.0m at December 31st 2013.

Polsat Group does not provide any additional employee benefits in the event of retirement, death, work disability, illness or resignation from work. Neither does it offer any individual pension arrangements or schemes for the management staff.

OHS

In accordance with the Labour Code and the secondary legislation thereto, in order to protect the life and health of our employees we provide them with initial and periodic training in occupational health and safety, and require them to take compulsory medical tests. In accordance with applicable regulations, we also have our own OHS services (as well as the OHS Commission at companies where it is so required by law), acting in an advisory and monitoring capacity with respect to health and safety at work. We also have social labour inspectors. Our employees have the right to refuse to perform dangerous work.

Court, arbitration and administrative proceedings

In the ordinary course of business, our Group companies are involved in many court proceedings, which are in most cases typical and recurrent, and which, taken individually, do not have any significant impact on the Group or its financial condition and operations. Typical court proceedings in which the Group companies are involved are mainly proceedings concerning contract performance and payment.

Most court proceedings in which the Group companies are involved are those involving the Issuer and Telewizja Polsat. The value of court proceedings in which other Group companies are involved has no significant impact on the Group or its financial condition and operations.

At December 31st 2013, Cyfrowy Polsat was party to 43 court proceedings. Cyfrowy Polsat was a plaintiff in 18 cases, with the amount in dispute totalling approximately PLN 4.5m, including 10 cases in which Cyfrowy Polsat had sought payment of amounts in dispute totalling PLN 0.6m. Cyfrowy Polsat was the defendant in 22 cases, with the amount in dispute totalling approximately PLN 1.2m. In other cases, Cyfrowy Polsat was a participant, the applicant, or a party whose right or obligations depended on the outcome of the case. At December 31st 2013, except for one court and administrative proceeding without a specified amount in dispute, concerning the issue of an individual tax law interpretation, in which Cyfrowy Polsat appeared as a complainant, Cyfrowy Polsat was not party to any court and administrative proceedings.

At December 31st 2013, Telewizja Polsat was party to 72 court proceedings. Telewizja Polsat was the plaintiff in four cases, in which it sought payment of amounts in dispute totalling approximately PLN 21m. Telewizja Polsat was the defendant in 15 cases, with the amount in dispute totalling approximately PLN 1.9m. In other cases, Telewizja Polsat was a participant or creditor. At December 31st 2013, Polsat appeared as the complainant in 50 court and administrative proceedings, in which the amount in dispute was PLN 113m.

As part of the Group's operations, the Group companies are also parties to administrative proceedings, including, among others, proceedings before the President of the Office of Competition and Consumer Protection and the President of the Office of Electronic Communications, as well as proceedings before the National Broadcasting Council, including proceedings concerning fulfilment of the obligations imposed on the Group companies pursuant to the Telecommunications Law and the Act on Radio and Television Broadcasting, proceedings concerning monetary penalties, as well as proceedings for obtaining administrative decisions, including licences required in the Group's operations. As a result of several administrative proceedings, penalties were imposed on the Group companies, which, however, are not in any way material for the Group.

At the Prospectus date and during the 12 months preceding the Prospectus date, the Group companies were not parties to or participants in any significant administrative, judicial or arbitration proceedings that could have a material effect on the Group's financial position or profitability. In addition, to the Company's knowledge, at the Prospectus date, there are no grounds to believe that in the future the Group companies may become involved in any significant administrative, judicial or arbitration proceedings that could have a material effect on the Group's financial position or profitability.

Property, plant and equipment

In the Issuer's opinion, significant property, plant and equipment includes: (i) real property; (ii) reception equipment; (iii) TV service equipment; (iv) the satellite centre; (v) production equipment used to manufacture electronic equipment; (vi) servers for the IPLA service; and (vii) the telecommunications system. The assets are significant due to their importance for the Group's business.

All properties representing significant items of the Group's property, plant and equipment, excluding assets held by Info-TV-FM, are elements of sets of objects and rights which are encumbered with registered pledges created for the benefit of Citicorp Trustee Company Limited of London, which acts as the security agent under the Senior Facilities Agreement and the Senior Notes Indenture (see "—Material agreements—Financing agreements").

In connection with the Refinancing, the registered pledges in favour of Citicorp Trustee Company Limited will be released (see "Transaction—Refinancing").

The New Senior Facilities Agreement provides for the obligation to establish registered pledges over the Group's material property, plant and equipment representing sets of objects and rights, which applies only to the Company, CPTM, Polsat Media and Telewizja Polsat. The pledges will be established in favour of UniCredit Bank AG, London Branch, acting as the Security Agent under the New Senior Facilities Agreement, once the loans under the agreement are disbursed (see "Transaction—Refinancing").

Real estate

Introduction

At the Prospectus date, we use properties on the basis of our rights in rem (ownership) or civil law agreements (rental and lease agreements). Moreover, Polsat Group also holds owner-like possession of the land it uses.

At the Prospectus date, all properties entered in the land and mortgage register and owned by the Issuer or one of the Group companies, including the properties situated at ul. Łubinowa in Warsaw, are encumbered with a mortgage of up to PLN 4,500m for the benefit of Citicorp Trustee Company Limited, acting as the security agent under the Senior Facilities Agreement and the Senior Notes Indenture (see "—Material agreements—Financing agreements").

The following table presents information on mortgaged real estate properties, at the Prospectus date.

Description of real estate property	Legal title	Owner	Area (m^2)	Land and mortgage register entry No.	Development and use
Land property comprising plot No. 27, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	3,831	WA3M/00102 149/9	Office, production and storage space housing, inter alia, Cyfrowy Polsat's set-top box manufacturing plant
Land property comprising plots No. 34/7 and 34/8, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	4,894	WA3M/00136 943/2	Office space, warehouses
Land property comprising plots No. 33/1 and 33/2, situated at ul. Łubinowa in the Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	8,054	WA3M/00102 615/7	Production and storage space where components of the transceiver station, among other things, are located
Land property comprising plots No. 33/6 and 33/7, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District	Freehold	Cyfrowy Polsat	3,758	WA3M/00101 039/8	Office space, warehouses

Description of real estate property	Legal title	Owner	Area (m^2)	Land and mortgage register entry No.	Development and use
of Targówek.					
Land property comprising plot No. 34/1, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	8,356	WA3M/00132 063/1	Antenna field forming part of the transceiver station, production and storage space where components of the transceiver station, among other things, are located
Land property comprising plot No. 26, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	2,518	WA3M/00104 992/7	Office, production and storage space
Land property comprising plot No. 31, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	782	WA3M/00100 109/3	Production and storage space where Cyfrowy Polsat's set-top box manufacturing plant, among other things, is situated
Land property comprising plots No. 28/1 and 28/2, situated in the Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	6,458	WA3M/00103 400/4	Office space as well as production and storage space where Cyfrowy Polsat's set-top box manufacturing plant, among other things, is situated
Land property comprising plot No. 30, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	706	WA3M/00100 110/3	Production and storage space where Cyfrowy Polsat's set-top box manufacturing plant, among other things, is situated
Land property comprising plots No. 36/1, 37/1, 29/3 and 29/4, geodetic district 4-11-14, situated at ul. Łubinowa, Warsaw District of Targówek.	Freehold	Cyfrowy Polsat	21,912	WA3M/00131 411/9	Antenna field forming part of the transceiver station, office space, production and storage space where components of the transceiver station, among other things, are located
Land property comprising plots No. 117/2, 117/3, 117/4, 129/2, 127/2. 127/3 and 127/4, situated at ul. Dowódców 2, 2b and 2c, Warsaw District of Rembertów*.	Freehold	Telewizja Polsat	927	WA6M/00177 836/9	Residential property

**The property is also encumbered with a contractual mortgage of PLN 300m in favour of Citicorp Trustee Company Limited to secure claims under the Revolving Facility Loan (see "—Material agreements—Financing agreements—Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate").*
Source: the Company.

In connection with the Refinancing, the mortgages in favour of Citicorp Trustee Company Limited will be released (see "Transaction—Refinancing").

Pursuant to the New Senior Facilities Agreement (see "—Material agreements—Refinancing agreements"), Cyfrowy Polsat's property referred to above will be encumbered with a joint mortgage of up to PLN 6,000m in favour of UniCredit Bank AG, London Branch, acting as the Security Agent under the New Senior Facilities Agreement.

The New Senior Facilities Agreement does not provide for establishment of mortgages over property of other Group companies.

Residential segment

Properties we consider material for our residential business segment are those situated at ul. Łubinowa 4A in Warsaw, ul. Chałubińskiego 8 in Warsaw, and ul. Warszawska 222 in Radom. On these properties, with a total area of 95,823 m^2, we have placed our satellite TV infrastructure, offices (including our registered office), the set-top-box manufacturing plant, and the central warehouse.

The total area of the property situated at ul. Łubinowa 4A is 91,756 m^2, of which 61,269 m^2 are owned by us, 7,212 m^2 are used by us under lease agreements, and 23,275 m^2 are held by us in owner-like possession. The properties we own are the location for the registered office of Cyfrowy Polsat, the telephone customer service centre, the production and storage facilities housing, among others, the set-top-box manufacturing plant and the central warehouse, as well as for the components of the transceiver station and the antenna field. On the leased properties, there is situated, in particular, the antenna field forming part of the transceiver station, and on the land which we hold in owner-like possession there is situated, among other facilities, the set-top box manufacturing plant.

The total area of the properties situated at ul. Chałubińskiego 8 in Warsaw is 3,708 m^2. We use the properties for office and warehouse purposes, under lease agreements with third parties.

From Heronim Ruta, Chairman of the Supervisory Board, we lease a property situated at ul. Warszawska 222 in Radom, with a total area of 359 m^2, of which 263 m^2 is used as the site for our transmitter stations (satellite antennas).

TV production and broadcasting segment

Properties material for our TV production and broadcasting segment are those situated at ul. Ostrobramska 77 in Warsaw, and at ul. Łubinowa 4A in Warsaw, with a total area of 5,935 m^2, which we use under lease and rental agreements.

The properties situated at ul. Ostrobramska 77, with a total area of 4,735 m^2, are used as office, studio and editing facilities. The property situated at ul. Łubinowa 4A, with a total area of 1,200 m^2, is used as production and storage space with a garage section and infrastructure for outside broadcasting vans.

Telecommunications system

To provide telecommunications services, such as wireless broadband Internet access and mobile telephony, we use a system consisting of the following assets: (i) server and software for managing the components of the telecommunications system, (ii) mobile switching centre (MSC); (ii) register of system subscribers (HLR/HSS), (iii) module for SMS messaging (SMSC), and (iv) system (server and software) for monitoring and managing the components of the telecommunications system. All those assets are situated at ul. Łubinowa 4A, Warsaw. maintenance services for those assets are provided by Nokia Solutions and Networks sp. z o.o. under a care contract of September 14th 2007. At December 31st 2013, the carrying amount of the telecommunications system was PLN 5.7m, and the carrying amount of the property, plant and equipment comprising the system was PLN 5.4m.

Other material property, plant and equipment

For a description of TV service equipment, see "—Our core business—TV broadcasting and production segment—TV channel advertising and sponsoring time sale—Sources for Polish programming".

Description of receiving sets, satellite centre, equipment for electronic equipment manufacturing, and servers for the purposes of the IPLA service is presented in "—Our core business—Residential segment—Technology and infrastructure".

For information on planned material property, plant and equipment, see "—Our core business—Residential segment—Technology and infrastructure—Pay TV technology and infrastructure—Internet content distribution".

OVERVIEW OF METELEM GROUP

At the Prospectus date, Metelem Group companies are not controlled by the Issuer, nor are they part of Polsat Group. The information on Metelem Group presented in this section is as available to the Issuer's Management Board, and relies on public disclosures and data obtained by the Issuer from Metelem Group. As a result, regardless of due diligence applied by the Issuer's Management Board, information presented in this section may not be exhaustive.

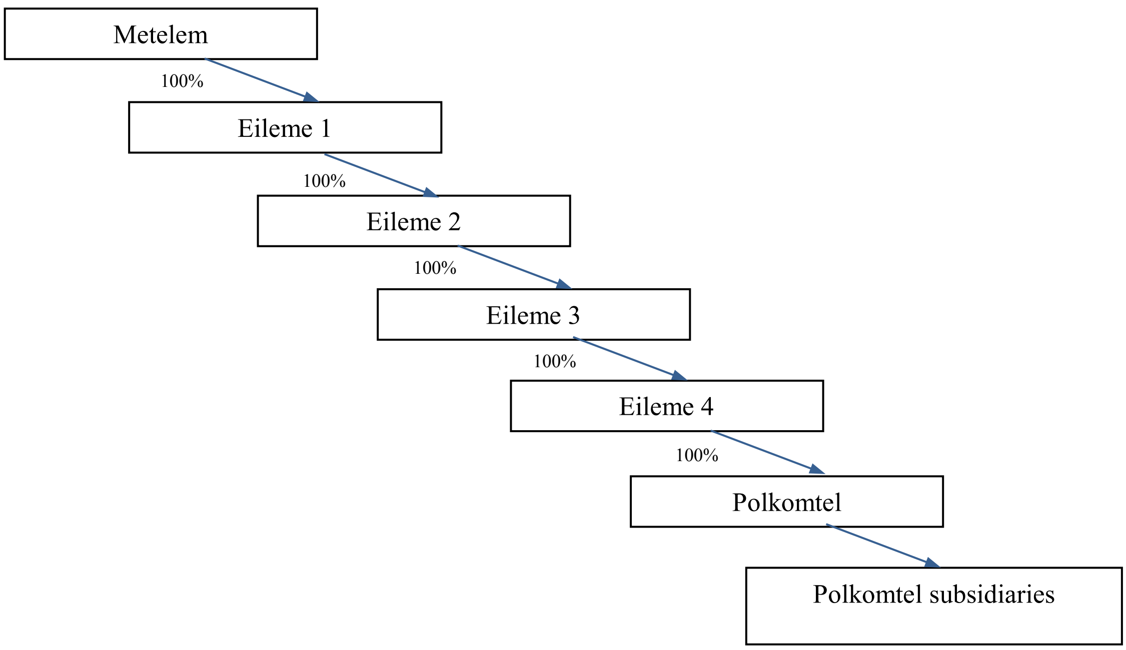
Introduction

As disclosed in section "Transaction—Transaction overview", the Issuer intends to acquire Metelem Holding Company Limited ("**Metelem**"), a special-purpose vehicle organised under the laws of Cyprus, indirectly controlled by Mr Zygmunt Solorz-Żak, which in turn controls Polkomtel, operator of the Polish mobile telecommunications network "Plus".

Metelem Group was established to prepare and execute Polkomtel acquisition by Spartan Capital Holdings sp. z o.o. ("**Spartan**"), a special-purpose vehicle organised under the laws of Poland. In particular, on June 30th 2011 Spartan and the then shareholders of Polkomtel executed a preliminary conditional agreement for the purchase of Polkomtel shares, performed on November 9th 2011. In order to provide a portion of the funding to purchase Polkomtel shares, on June 30th 2011 the companies forming Metelem Group signed with a consortium of banks the Senior Facilities Agreement, the High Yield Bridge Facility Agreement and the Pay-in-Kind Bridge Facility Agreement. Subsequently, Eileme 2 and Eileme 1, respectively, issued PLK Senior Notes and PIK PLK Notes in January and February 2012; funds thus obtained were applied to repayment of the debt under the bridge facility agreements. In May 2012, Polkomtel was transformed into a limited liability company, and in February 2013 it was combined with Spartan, following the transfer of all Spartan assets to Polkomtel.

Both Metelem and Eileme Companies are holding companies and do not conduct business activities; in particular, they do not have any assets or liabilities other than the assets and liabilities closely related to Spartan's acquisition of Polkomtel and to the servicing of the debt incurred in connection with that transaction. Accordingly, if not indicated otherwise, the discussion below and the information presented in this section is about Polkomtel Group, which is the only entity in Metelem Group which conducts business activities other than in connection with Spartan's acquisition of Polkomtel.

Below is presented the simplified structure of Metelem Group at the Prospectus date. The structure of Polkomtel Group is presented in subsection "—Polkomtel Group structure" below.



Overview of Polkomtel's operations

Introduction

Polkomtel is a leading Polish mobile telecommunications network operator, the second largest based on 2012 revenue among the mobile telecommunications network operators in Poland (UKE Report, June 28th 2013).

Polkomtel provides a wide range of mobile telecommunications services. Its offering includes retail services, comprising contract and prepaid voice services, SMS and MMS services, as well as mobile broadband services and data transmission services (including LTE technology), offered under the established umbrella Plus brand. Polkomtel also provides wholesale services to other mobile telecommunications network operators, including in interconnection, international and national roaming, and infrastructure sharing. Polkomtel's retail offering is addressed to residential and business customers, including corporate major 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. In addition, Polkomtel, in partnership with "Pątnów-Adamów-Konin" S.A. power plants, launched electricity sales to business customers in November 2013. Polkomtel also intends to enter the retail segment of the electricity market.

Polkomtel is Poland's third largest mobile telecommunications network operator in terms of reported subscribers. At December 31st 2013, Polkomtel reported 14.1 million subscribers, including 7.4 million contract subscribers (52.4% of the reported subscriber base) and 6.7 million prepaid subscribers (47.6% of the total).

Polkomtel is also among the leading players in all other retail segments of the Polish mobile telecommunications market which are of key significance for Polkomtel's operations. The following table presents an overview of Polkomtel's market positions and market shares in selected segments of the Polish mobile telecommunications market in May 2013

	May 2013	
Market segment	Market Share (%)	Market position
Business contract segment	30.9	1
Corporate major accounts	46.0	1
Small and medium enterprises	33.2	1
SOHO	27.6	2
Residential contract segment (voice)	29.8	2
Mix	49.5	1
Residential prepaid segment (voice)	23.1	3

Source: IQS report.

History

Polkomtel was incorporated in December 1995. Polkomtel began to serve contract subscribers under the "Plus" brand in October 1996, and in June 1998 it introduced the first prepaid offering in the Polish market under the "Simplus" brand. In March 2000, Polkomtel launched its GSM-1800 service and, at the end of the same year, was awarded a licence to operate in the 2100 MHz frequency band using the European UMTS telecommunications standard. In 2004, Polkomtel became the first operator in Poland to offer third generation (3G) mobile telephony services. In 2005, Polkomtel added mobile broadband access to its contract offering. In 2009, Polkomtel acquired Nordisk Polska, a holder of the allocation for 410-430 MHz frequencies, used to provide CDMA services. Polkomtel launched HSPA+ services in 2009, and was the first operator in Poland to test HSPA+ Dual Carrier standard in June 2010.

On November 9th 2011 all Polkomtel shares were sold to Spartan, fully controlled by Metelem, which was combined with Polkomtel in February 2013. Following Spartan's acquisition of Polkomtel, already in November 2011, Polkomtel launched, in cooperation with LTE Group, LTE mobile data transmission services using 1800 MHz frequencies reserved to entities of LTE Group, indirectly controlled by Zygmunt Solorz-Żak (for description of cooperation between Polkomtel and LTE, see "LTE").

Core business

Introduction

Polkomtel's core business includes mobile telecommunications services for business and residential subscribers under the umbrella "Plus" brand (retail business), and services for other mobile telecommunications network operators (wholesale business). Polkomtel's revenue from retail and wholesale business accounted for 82.2% and 17.8%, respectively, of Metelem Group's total revenue for the year ended December 31st 2013.

The following table presents Polkomtel's selected operational results at the date or for the period indicated.

	At the date or for the year ended December 31st		
	2013	2012	2011
Period-end number of subscribers (million)	14,129.1	13,838.6	13,993.3
including:			
contract	7,400.1	7,439.5	7,417.0
prepaid	6,729.1	6,399.1	6,576.3
Churn rate (%)			
contract	1.2	1.1	1.1
prepaid	4.2	4.5	4.1
Average revenue per user (ARPU) (PLN)	35.0	39.5	40.7
contract	54.6	60.3	62.6
prepaid	12.9	15.5	16.0

Source: Polkomtel (unaudited data).

Retail business

Polkomtel is a mobile telecommunications network operator providing a wide range of retail mobile services to business and residential subscribers under the umbrella Plus brand. The offering includes voice, SMS and MMS services, as well as wireless data transmission (including in particular LTE mobile broadband Internet access). The offering is complemented by a range of *value-added services*, including entertainment and information. In addition, Polkomtel, in partnership with "Pątnów-Adamów-Konin" S.A. power plants, launched electricity sales to business customers in November 2013. Polkomtel also intends to enter the retail segment of the electricity market.

The business subscribers' segment comprises:

- the corporate segment (Corporate Major Accounts and Small and Medium Enterprises); and
- the Small Office/Home Office segment.

At December 31st 2013, the business segment comprised some 2.6 million subscribers. In the year ended December 31st 2013, the business subscribers' segment generated approximately one-third of Polkomtel's retail revenue.

The residential subscribers' segment comprises:

- the residential contract segment, with postpaid and Plus mix subscribers, and
- the prepaid segment.

At December 31st 2013, Polkomtel had some 4.8 million and 6.7 million, respectively, residential contract and prepaid subscribers (residential subscribers segment). In the year ended December 31st 2013, revenue from the services provided to residential contract and prepaid subscribers accounted for approximately 50% and 15%, respectively, of Polkomtel's retail revenue.

Polkomtel offers data transmission services to both residential and business subscribers as dedicated contract and prepaid tariffs for mobile broadband Internet access (broadband access via modems, tablets, laptops, routers, etc.) and as an extra service to mobile handset (smartphone mainly) users as data, service or application packs with data transmission. All of the above services may be extended to include optional value-added services. In the year ended December 31st 2013, revenue from the sale of data transmission products and services provided both on the basis of dedicated tariffs, or as separately-paid packs to voice service subscriptions, accounted in total for approximately 15% of Polkomtel's overall retail revenue.

Products and services for the specific subscriber segments as well as the various pricing options offered by Polkomtel are described in "—Product and service offering" and "—Tariff plans" below.

Product and service offerings

Mobile voice telephony

Polkomtel offers mobile voice telephony services to business and residential subscribers. Mobile voice telephony services are available over both Polkomtel's GSM and UMTS networks.

Mobile voice services for business subscribers

Corporate Major Accounts and Small and Medium Enterprises subscribers are mainly offered contract solutions, often on the basis of solicited tenders for their mobile requirements on a competitive basis, which are tailor made and adjusted to the specific needs of the corporation. Polkomtel also offers fixed telephony services, LAN (*local area network*)/WAN (*wide area network*) solutions, mobile broadband and other dedicated solutions. Business contracts specify the tariff, contract duration and the value of the monthly subscription fee. The contract may provide for a subsidised handset that can be chosen from a broad selection. Since tariffs for business subscribers are often prepared according to the needs of the particular business, instead of offering a greater number of minutes for the same subscription fee, the tariff may offer additional services, for example, additional data transmission quotas.

Business mobile voice services for Small Office/Home Office subscribers are more standardised. The offering comprises several monthly subscription fee options, taking into account the specific preferences of this segment. Small Office/Home Office contracts have a fixed term, which is usually 24 months.

Within the corporate segment, Polkomtel benefits from its business relationship with Vodafone group and is Vodafone group's preferred partner for their global corporate customers (so-called Vodafone passport). This makes Vodafone global corporate customers with operations in Poland often opt for Polkomtel services, both for international roaming and core telecommunications services provided in Poland.

Residential mobile voice services

Contract offerings

Polkomtel's residential contract offer is standardised and includes a variety of contract plans. At the Prospectus date, it is available as a postpaid residential offer or the Plus Mix offer.

The postpaid residential offer is based on a monthly subscription fee which includes a specified number of minutes or services (e.g. text messaging). In addition, a renewable data transmission service can be purchased with the base subscription. The contracts are for fixed term, typically 24 months in the case of contracts with subsidised handsets. Contract plans allow subscribers to either choose from a broad selection of subsidised handsets or to select a contract plan without a handset.

The Plus Mix offer combines the characteristics of a prepaid and contract offer. In exchange for a subsidised handset, subscribers undertake to make a specified number of top-ups of specified values. Unlike traditional contract plans, the period for providing services is not fixed and the subscriber is only required to make one top-up in the specified value at least once every 30 days.

Prepaid offering

Polkomtel's prepaid offerings allow subscribers to gain access to Polkomtel's network upon the purchase of a starter pack (SIM card with a fixed amount of credits to be used for mobile services). In general, there are no monthly subscription fees or obligations to top-up in a prepaid offer. All prepaid plans provide that the top-up can be made at any time with the use of a prepaid top-up available from agents, dealers and other sales channels. Since no handset subsidies are provided, the subscribers must use their own handsets. An exception is e.g. prepaid packs with older-generation phones, which can be subsidised to a limited extent to free up warehouse stock, or prepaid packs with cheap handsets from non-major brands. Prepaid voice services are offered under the umbrella brand "Plus na Kartę", targeted at the mass market. In addition, Polkomtel offers data transmission starters and prepaid tariffs under the brand "Plus Internet na Kartę".

A vast majority of Polkomtel-distributed starters and prepaid tariffs provide continued use of outgoing call services for a specified period from the last top-up. Polkomtel also launched a prepaid tariff named "Więcej przez rok" (more for a year), with outgoing call support for one year from the last top-up.

Data services

Polkomtel provides a comprehensive array of data services to both business and residential subscribers. Data transmission services encompass pure mobile broadband services and a MMS, as well as a Wireless Application Protocol portal (providing multimedia, localization and social networks) and business-focused services such as Virtual Private Networks.

Subscribers deciding to use Polkomtel's data services may choose between (i) a contract plan; (ii) a prepaid plan; or (iii) limited data packs offered as an addition to the voice offering and (iv) Pay As You Go services.

Dedicated mobile broadband Internet access is offered in contract tariffs. Contract plans dedicated to pure mobile broadband are based on a monthly access fee allowing for unlimited data transfer, with a defined data transfer limit covered by a monthly access fee, while any data exceeding the limit is transferred at reduced speed. Additional transfer limits may be purchased through SMS and are credited to the subscriber's account. Similar to the voice offer, subscribers using contract plans are offered better terms and may purchase subsidised access devices (including a dongle, a router, a mobile phone, a netbook, a laptop or a tablet).

Prepaid plans are generally charged on a per-kilobyte basis. Data transfer continues for as long as the account limit is not reached. In addition, in dedicated data prepaid tariffs, subscribers receive a specific extra data pack with each top-up, with the amount of additional data allowance and the grace period depending on the top-up value.

Data packs are generally available without limitations but include a "funnel" restriction, under which once a subscriber uses the data limit, the transfer speed decreases, but there are no extra costs for further data usage.

Under pay as you go services subscribers (both contract and prepaid) are charged on a per-kilobyte basis at a standard rate.

In providing the above data services, Polkomtel uses GSM/EDGE/CDMA/UMTS/HSPA+/HSPA+ Dual Carrier technologies and frequencies directly owned by Polkomtel Group, as well as LTE/HSPA+ technologies, offered jointly with LTE Group using frequencies owned by LTE Group (see "LTE").

Tariff plans

Polkomtel's offerings are designed around postpaid payment or prepaid payment methods. Polkomtel has consolidated both postpaid and prepaid offerings under the umbrella brand, Plus, which facilitates subscribers' migration from prepaid to postpaid offerings.

Contract tariffs

Polkomtel maintains three main types of contract tariffs: residential postpaid, business postpaid and the mix tariff.

Postpaid tariffs for residential subscribers focus on a monthly subscription fee level with a set number of inclusive minutes (exchangeable to other services, such as SMS or data), additional call packs and data packs, as well as standard rates per minute and SMS. In postpaid tariffs, the general rule is that the price per minute decreases with the increase of the subscription fee.

Postpaid tariffs are offered with subsidised handsets, without subsidised handsets (SIM-only option), and under instalment plans. As smartphones continue to grow in popularity, Polkomtel offers postpaid tariffs with a range of additional data transmission services and products. Polkomtel also offers postpaid tariffs with unlimited voice calls and text messages. Every 12 to 18 months, Polkomtel revises its postpaid tariffs for specific customer segments.

Business tariffs differ from retail tariffs. They have a traditional structure, where the subscription fee covers a fixed number of voice call minutes to be used per month. However, tariffs offering unlimited all-net calls have been gaining in popularity. An important component of Polkomtel's offering are unlimited on-net voice calls and voice calls to fixed-line numbers also in tariffs with lower subscription fees, which makes it possible for business customers to communicate within their organisations at relatively low cost. All business tariffs include the mobile broadband service. In low-fee tariffs, data packages come at an additional price, while tariffs with medium to high subscription fees include data transmission at no extra charge.

An additional contract tariff option is the Plus Mix offer, which is based on a prepaid payment solution, but with a subsidised handset and an obligation to make a specific number and value of top-ups specified in a contract. The contracted number and value of top-ups determines the price of the handset. In general, the higher the number and value of top-ups, the lower the handset price. Moreover, the main difference in the Plus Mix tariffs is the decreasing rate for calls depending on the value of contractual top-ups. Under the Plus Mix offer there is no obligation of minimum contract time duration, while the maximum duration is determined based on the contracted number of top-ups and the obligation to top-up at least once a month.

Prepaid tariffs

Prepaid tariffs are designed for customers preferring better control over costs of services and focusing on rates per minute, per SMS, per MMS or per MB Just as in the case of postpaid tariffs, our prepaid customers are also offered additional benefits, such as call packs, free calls to selected numbers and SMS packs. Other benefits in the prepaid tariffs are related to top-ups. For example, Polkomtel offers to extend a subscriber account validity in exchange for a specific value of top-ups or offers additional bonuses for calls. Prepaid tariffs are subject to frequent adjustments in order to meet the changing needs and expectations of customers.

Data services tariffs

Polkomtel offers comprehensive tariff plans for data services and allows for both postpaid and prepaid payments.

The details of tariffs for mobile broadband access to the Internet focus on a monthly subscription fee level and monthly data allowances available at flat rates. Upon exceeding the data transfer limit, the transfer speed is downgraded, but the subscriber may purchase an additional data package which resumes the data transfer at full speed. Subscribers may also purchase the "Night Data Transfer" service comprising an additional data allowance at night (currently up to 50 GB), which encourages subscribers to increase their data usage and helps shift the traffic away from peak traffic hours. Subscribers using higher data transmission tariffs are offered unlimited browsing of standard websites or selected online video services, depending on the tariff.

Polkomtel's data transmission tariffs offer the same prices irrespective of the technology used by the subscriber. As a result, subscribers may use all available technologies, including LTE and HSPA+, and the only limitation is related to the capacity of their equipment and technology geographical coverage. Polkomtel offers data transmission to its subscribers at maximum transmission speeds available at a given place and time, provided that the subscriber does not exceed the basic data allowance. Upon exceeding the data transfer limit, the transfer speed is downgraded, until the subscriber purchases or activates another data package.

Another dedicated type of tariff is offered for smartphone devices (for both residential and business subscribers) and includes extensive data packs covered by the monthly subscription fee with a set number of inclusive minutes (exchangeable to SMS), additional call packs and data packs, as well as standard rates per minute and per SMS. Generally, the higher monthly subscription fees will offer lower prices per minute.

Value-added services

Polkomtel's subscribers are offered access to a number of basic services and optional value-added services, such as calling line identification presentation (CLIP), calling line identification restriction (CLIR), voice mail, call forwarding, call waiting, call barring, and conference calls.

Moreover, depending on the offer and the devices used, subscribers may use a broad selection of more sophisticated VAS which include:

- *Broadband Internet Access and Data Transmission*, including Plus Internet (mobile broadband Internet access) or Software as a Service;
- *Personal Communication*, covering voice calls, text messaging, and other services such as the handling of telephone calls (for instance, voice mail and notification of unsuccessful call attempts) or fixed-line telephony services through prefix pre-selection;
- *Corporate Solutions* such as unified numbering of office and mobile phones; digital Private Mobile Radio (PMR) system based on a dedicated CDMA network; immediate access to SMS or MMS centres, or a private Access Point Name (private APN), all available to business subscribers only; and

- *Multimedia and Mobile Content* such as the mobile web portal (plus.pl), audiobooks and e-books, online video streaming (TV and Video on Demand), games, as well as news and entertainment services.

As part of the above services, certain content is delivered by third-party suppliers, including: Telewizja Polsat sp. z o.o., Universal Music Polska sp. z o.o., EMI Music Poland sp. z o.o. and Warner Music Poland sp. z o.o., among others. Polkomtel has also entered into an agreement with ZAiKS, under which ZAiKS has granted a licence to Polkomtel for the use of certain fragments of textual, musical, and textual/musical works as part of specific services provided by Polkomtel.

In addition, Polkomtel, in partnership with "Pątnów-Adamów-Konin" S.A. power plants, launched electricity sales to business customers in November 2013. Polkomtel also intends to enter the retail segment of the electricity market.

International roaming

In the retail business segment, Polkomtel provides international roaming services to its subscribers, who can use telecommunications services (including voice calls, text messaging and data transmission) while abroad and logged into foreign networks.

The majority of roaming calls made by Polkomtel's subscribers are directed through European networks. Vodafone is Polkomtel's key partner in wholesale international roaming.

The retail offering of international roaming services is determined by the maximum level of retail prices in European Union and EEA countries. These regulations determine a schedule for reduction of maximum retail prices for the voice calls and SMS in the international roaming in the European Union and the EEA countries (see "Regulatory environment").

Handset offerings

Polkomtel offers a wide range of handsets. The offering changes depending on trends in demand and supply. Most of the handsets offered by Polkomtel cost up to EUR 100. Polkomtel buys handsets from third-party vendors such as Sony, LG, Samsung and Nokia.

Under Polkomtel's strategy, handsets offered to subscribers are subsidised; higher subsidies are offered higher value subscribers, subscribers choosing smartphone handsets, and loyal subscribers using e-shop transactions.

As smartphones have recently been gaining in popularity in Poland, Polkomtel is promoting the sale of such handsets combined with the up-selling of additional data transmission services and products. Polkomtel also offers a number of smartphones using the Android operating system, under the "Plus Kazam" brand. These handsets are offered at the unit price of less than EUR 100, which makes it possible to offer Plus Kazam smartphones also to subscribers who opted for lower subscription fees, still at relatively low prices. The share of smartphones in Polkomtel's total sales of mobile phones went up from 36.5% in 2011 to 67.3% in 2013.

In 2013, Polkomtel introduced contract tariffs combined with the sale of equipment on an instalment basis. Under this option, subscribers usually sign two separate contracts: one for the provision of telecommunications services, and the other one for the instalment purchase of selected equipment. As the instalment sales are becoming more popular, Polkomtel is now able to offer equipment attractive to subscribers, including (but not limited to) tablets, laptops, and more expensive smartphones, with a limited impact on Polkomtel's costs. In addition, instalment sale of equipment such as tablets or laptops can be combined with data transmission services provided by Polkomtel under a separate contract.

Wholesale business

As part its wholesale business, Polkomtel offers network interconnection, international roaming, national roaming, services to MVNOs, shared access to network assets, lease of network infrastructure, and other telecommunications and non-telecommunications services provided to other telecommunications operators (such as, for instance, wholesale of handsets and call centre services provided to MVNOs).

The Polish market for text message and voice call termination in networks of mobile and fixed operators is regulated by the President of UKE. Those regulations apply to termination services for text messages and voice calls in mobile and fixed networks. For more information on text message and voice call termination rates in mobile telecommunications networks, see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—MTR (Mobile Termination Rates)".

Network interconnection

Polkomtel's telecommunications infrastructure used in interconnection cooperation enables Polkomtel to effectively manage telecommunications traffic routing to all operators domestically and abroad. At December 31st 2013, Polkomtel was party to 24 interconnection agreements with national and international operators.

As part of interconnection cooperation with other operators, Polkomtel actively uses 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 Polkomtel to substantially reduce its interconnection costs.

International roaming

Within its wholesale business Polkomtel provides roaming in services to 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 Polkomtel's network and outside their home network. Polkomtel also enters into international roaming wholesale agreements in order to provide, both to its own subscribers and the subscribers of MVNOs, international roaming services in the networks of Polkomtel's roaming partners.

Cooperation with roaming partners represents a major part of sales in the wholesale segment. Polkomtel is developing its international roaming services by offering roaming services over its own network to subscribers of foreign operators who are currently staying in Poland. In addition, Polkomtel offers the wholesale roaming service over its own network to foreign operators under discount agreements in exchange for favourable terms offered by foreign partners for the handling of roaming traffic generated by Polkomtel's subscribers who use roaming services abroad. This helps reduce costs of wholesale international roaming services paid by Polkomtel and enables the provision of competitive international roaming services (in terms of their price and quality) to its own subscribers. Polkomtel has a dedicated wholesale services team, responsible for the verification and re-negotiating of international roaming agreements. Vodafone is Polkomtel's key partner in wholesale international roaming.

International roaming costs and revenues are affected, to a large extent, on EU regulations imposing a price cap on maximum wholesale rates for international roaming services provided in the EU and the EEA (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—International roaming in mobile telecommunications networks").

At December 31st 2013, Polkomtel offered its international roaming services for voice calls in 476 networks in 206 countries and designated areas. In addition, the international roaming service offers packet data transmission to Polkomtel's subscribers in 348 networks in 157 countries and designated areas.

National roaming and virtual operators (MVNOs)

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

National roaming with P4

As part of the wholesale national roaming service, Polkomtel offers voice calls, text messaging and packet data transmission services to P4, the operator of Play network. P4's subscribers use Polkomtel's mobile telecommunications network in areas not covered by the P4 network, within the scope offered by P4. The minimum total value of roaming services which P4 agreed to purchase from Polkomtel between January 1st 2010 and December 31st 2015 is over PLN 600m. See "—Material agreements—Polkomtel's roaming agreements—National roaming agreement with P4" below for more details on the national roaming agreement with P4.

Virtual operators (MVNOs)

Mobile Virtual Network Operators (MVNOs) are operators that provide mobile telephony and data services 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.

As part of the cooperation with MVNOs, Polkomtel provides 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 its own billing platform, customer support, as well as other services, depending on the needs and selected technical model of cooperation.

Polkomtel was Poland's first mobile operator to open its network to MVNOs (in 2006). At December 2013, Polkomtel cooperated with more than ten MVNOs operating in the telecommunications, finance or media sectors. As part of those activities, Polkomtel provides services also to the Issuer.

Its broad scope of services allows Polkomtel to cooperate within various MVNOs wholesale models, from technologically advanced models for partners who have their own telecommunications infrastructure (for instance, their own points of interconnect with operators and IT platforms), through interim models to models that require from MVNO partners only marketing and sales channels.

Marketing and branding

Marketing

Polkomtel's marketing strategy is focused on the following objectives: (i) retention of existing subscribers; (ii) protection of existing revenue sources; and (iii) development of new growth opportunities.

In order to retain its existing subscriber base, Polkomtel focuses on building a high quality customer experience. Polkomtel's efforts are not only limited to when subscribers contact its points of sale or call centres but it strives to provide a high quality customer experience by managing its subscribers through the entire "life cycle" (life cycle management; LCM), from activating the subscriber in the network through resolving subscribers' complaints on services, to collecting payments from the subscriber, to handling fraud prevention processes, and to various subscriber retention activities. The purpose is to increase the value of customers through more effective up-selling and by encouraging subscribers to sign contracts or to migrate to higher tariffs.

In order to protect the existing revenue sources and create new opportunities for growth, Polkomtel takes action to stimulate subscriber migration from prepaid segment to contract segment which generates higher revenues.

Polkomtel also focuses on the development of its data transmission services and promotion of smartphones. Polkomtel stimulates the usage of data transmission services by extending its offering (in both prepaid and postpaid segment) and prepares comprehensive offers of terminal devices (modems, routers, mobile phones, laptops and tablets) and value-added services. In addition, Polkomtel takes action to stimulate demand for smartphones in order to increase demand for data transmission services. To this end, Polkomtel introduced tariff plans which include data transmission packages.

Branding

Purchasing decisions of a majority of customers are driven by image and brand loyalty. Therefore, Polkomtel works to promote a consistent image of the "Plus" brand and to further increase satisfaction of users of Polkomtel's services, especially with respect to the available range of products and services, quality, usefulness and availability of customer service, and usability of self-information and self-service channels.

To capitalise on this brand recognition and to leverage the efficiency of its advertising, Polkomtel decided to unify its brand architecture and migrated all sub-brands under the umbrella brand, Plus, in 2011. In 2013, Polkomtel launched new communication platforms to increase the awareness of Polkomtel's offering. As a result of those (and other) activities, "Plus" is currently one of the most recognised telecommunications brands in Poland. According to a study of Poland's telecommunications market carried out by Ipsos sp. z o.o. in August and September 2013 ("Retail market segmentation"), aided awareness of the "Plus" brand reached 97% in the voice segment and 96% in the data transmission segment.

Polkomtel markets its products mainly through intensive TV advertising, with the remaining media platforms such as press, radio, out-of home advertising and the Internet playing a supportive role. Polkomtel's advertising campaigns are geared toward building positive brand image not only by presenting its specific products and services, but also by building Polkomtel's image as the mobile operator offering the largest coverage of LTE-based broadband data transmission services in Poland.

Polkomtel builds the value of its "Plus" brand also through Corporate Social Responsibility activities, for instance by supporting sports and culture, emergency and rescue services (including the Water Volunteer Rescue

Service and the Mountain Volunteer Rescue Service), and public benefit organisations, and by taking action to protect the environment.

Sales and distribution

Polkomtel's sales network comprises chiefly its own points of sale and agencies operating on an exclusive basis, as well as independent sellers selling prepaid services offered by Polkomtel and other operators. The sales network is supported by remote sales channels, including telemarketing and the Internet shop.

Points of sale

Polkomtel's sales network comprises 62 own points of sale, including 27 large-format stores with sales floors in excess of 150 square meters each. In addition, Polkomtel's sales network also includes about 720 agencies offering company's products on an exclusive basis, as well as independent sellers who sell prepaid services offered by Polkomtel and other operators. In order to optimise its sales network, the company decided to reduce the number of agencies from 887 at December 31st 2011 to 782 at December 31st 2013. At December 31st 2013, Polkomtel had agreements with 21 non-exclusive independent dealers of its prepaid services, with a total of approximately 75 thousand outlets selling starter kits and scratch cards and approximately 130 thousand outlets selling electronic top-ups.

The main source of revenue generated by agents are commissions on the sale of Polkomtel's products and services. Agents organise training and manage the sales network, including by monitoring customer service standards, searching new locations, and training the staff to enhance their product-related knowledge and selling skills. Polkomtel provides professional marketing support, training and materials on Polkomtel and its "Plus" brand.

In addition, as part of cooperation between Cyfrowy Polsat and Polkomtel, which started in 2012, subscribers of Cyfrowy Polsat can benefit from Polkomtel's all-inclusive offering, and Polkomtel's subscribers can use dedicated television services offered by Cyfrowy Polsat. At December 31st 2013, the combined sales network of Cyfrowy Polsat and Polkomtel covered 782 Polkomtel's points of sale and 728 Cyfrowy Polsat's retail points of sale; it should be noted that all those points of sale offer additional benefits to all customers of Cyfrowy Polsat and Polkomtel. In addition, Polkomtel and Cyfrowy Polsat introduced the "Smart Dom" customer loyalty scheme, under which subscribers who purchase another service of Cyfrowy Polsat or Polkomtel can benefit from discounts (see "Business overview of Polsat Group—Our core business—Residential segment—Offering—Converged services offering").

Additional distribution channels

Polkomtel operates its own e-shop with products and services available to all types of customers. Polkomtel also has a telemarketing channel which has low subscribers' connection cost. It is divided into internal and external telemarketing function. The internal function is aimed at reducing the level of potential churn and build around the call centre facility, with dedicated teams within the call centre who take care of subscribers who have a high propensity to churn. The external telemarketing function is based on our cooperation with six external partners, focused mainly on retention of active subscribers.

Distribution to business subscribers

Corporate accounts (excluding smaller entrepreneurs who are classified as SMEs), comprising approximately 8,700 entities at the Prospectus date, are managed by a group of about 50 Key Account Managers and about 50 account managers.

Smaller SMEs (Small and Medium Enterprises) and larger customers in the SOHO segment (Small Office/Home Office), i.e. subscribers having at least five SIM cards and generating revenue higher than the average SOHO subscriber (accounting for about 36,800 entities in total at the Prospectus date), are managed by about 400 authorised business advisers.

The remaining Small Office/Home Office subscribers, along with residential subscribers, are served by both Polkomtel's own and authorised POS, call centre, six telesales partners and Polkomtel's e-shop.

In 2013, Polkomtel introduced new market segmentation to improve effectiveness of the company's distribution network for the business segment and to improve the quality of customer service. In addition to new market segmentation, the company introduced a new remuneration scheme for the intermediate channel sales staff, by increasing commissions for attracting new subscribers and by introducing commission for retaining existing subscribers; the system provides more active protection of Polkomtel's existing subscriber base in the SME segment. In November 2013 Polkomtel also extended the scope of its business to include sales of electricity to business accounts, with a view to better leveraging the potential of its sales network in the business segment.

Customer service and retention

Customer service

Polkomtel's customer service policy is focused on the provision of standardised high-quality services, also combined with a wide range of state-of-the-art self-service channels. Customer service covers the entire process of the customer's life cycle management. Most of Polkomtel's customer service processes apply subscriber segmentation based on two main criteria: (i) subscriber type ((x) contract or prepaid, and (y) Corporate Major Accounts, other business or residential) and (ii) subscriber value, understood as the average value of bills or top-ups of a given customer over the last three months.

Polkomtel's call centre, which handled approximately 7.9 million calls in 2013, is the core of the company's customer service. This system comprises of three operating call centres in various locations (two in Warsaw and one in Łódź) that act as one call centre through an intelligent call routing system. It guarantees reliability and an uninterrupted twenty-four hour, seven-day a week phone service. The intelligent distribution system handles calls depending on the subject matter and forwards the call to appropriate agents, which reduces customer service time.

The post-sale telephone customer service involves active up-selling of products. Based on subscriber's historical data, a dedicated system generates a personalised offer, which is subsequently presented to the subscriber. In addition, in its telemarketing channel Polkomtel implemented a system to improve effectiveness of sales and customer retention activities. The system provides telemarketers with information on the entire offering as well as online information on availability of the equipment. The system also supports complete automation of the sales process, from the selection of an offer to dispatch of the equipment to the subscriber customer.

Polkomtel also offers a wide range of self-service account management options to its subscribers. The tools including Interactive Voice Response, SMS, and Unstructured Supplementary Service Data (USSD), i.e. short codes entered through the phone key-pad. In addition, the proposed customer service solutions include an Internet-based self-care system (Plus online), including, but not limited to, FAQs, an online contact form based on the mechanism that ensures automated analysis of subscribers' queries and automatic response sent to the subscriber prior to forwarding the question to an agent, and an online communication channel offering support to subscribers via electronic mail and online chats. Excluding the most popular form of contact, i.e. USSD, about 91% of customer interaction takes place through self-care solutions; call-centre agents are involved in handling only the remaining cases.

In 2000, Polkomtel received an ISO 9001 certificate. In addition, in 2011 Polkomtel received a certificate for meeting the requirements of the European Standard EN 15838:2009—the "Customer Contact Centers—Requirements for Service Provision", issued by the Austrian Standards plus Certification (AS+C). This certificate is valid for six years and covers inbound customer care services and outbound up-sales activities. In October 2013, Polkomtel was successfully audited by DEKRA Certification sp. z o.o. for compliance with quality management standards.

Polkomtel also operates an automatic control system to ensure accuracy of settlements with subscribers. In addition to certain safeguards required by law (for instance, an option to bar premium rate and foreign services), Polkomtel offers a number of additional options to its subscribers to make sure they have better control over the service charges paid to Polkomtel (for instance, an option to specify the maximum usage limit after which services are automatically blocked, an SMS/e-mail notification whenever there is a risk that such limits can be exceeded, or an automatic call to the call centre agent if the limit is reached).

As part of its environment-friendly initiatives, Polkomtel encourages its subscribers to use electronic invoices available in the on-line self-care system and sent to the subscriber's e-mail address. E-invoices are currently used by over a half of residential subscribers and one-third of business subscribers.

Customer retention policy

The key assumptions and objectives of Polkomtel's retention policy are: (i) protection of subscriber base through minimisation of churn and building value upon retention; (ii) cost optimisation for actions taken in active retention (calls, mailing, SMS) (these actions vary depending on the subscribers' value, churn propensity as well as the contract end date); (iii) focus on high-value subscribers and providing them with more attractive offers (even six months prior to the end of the contract); (iv) consistent strengthening of our brand image of a mobile operator rewarding loyal subscribers through better offers; (v) simplification of procedures for contract renewal; (vi) offering extra benefits to subscribers with a tenure of more than six months; (vii) stabilization of our active prepaid subscriber base

In order to reduce subscriber churn, Polkomtel has appointed special teams in its call centres to manage churn-prone subscribers. Polkomtel also cooperates with two external partners whose task is to take active measures to retain subscribers.

Material agreements

Below is presented information on material agreements that Polkomtel or Metelem Group companies were parties to in the two years preceding the Prospectus date, or earlier, if the agreements provide for material rights and obligations of Polkomtel or Metelem Group companies at the Prospectus date. The description below does not cover material agreements executed with LTE Group entities. Information on these agreements can be found in the "LTE" section.

The following agreements are considered material for Metelem Group at the Prospectus date: (i) executed outside the regular course of business, including financing agreements, and (ii) agreements executed within the regular course of business, including international roaming agreements, interconnect agreements, handsets and accessories supply contracts, as well as telecommunications infrastructure agreements. Both types of agreements are of material significance for the operations of Metelem Group.

Metelem Group financing agreements

Introduction

Metelem Group's financing agreements described below are primarily related to the acquisition of Polkomtel by Spartan on November 9th 2011 in performance of the obligations contained in the preliminary conditional share purchase agreement of June 30th 2011.

The acquisition of Polkomtel was partly financed with funds raised by Metelem Group under the Senior Facilities Agreement, and two bridge facility agreements: the High Yield Bridge Facility Agreement and the Pay-in-Kind Bridge Facility Agreement, made on June 30th 2011, for total amounts of PLN 8,273.4m and EUR 1,145.0m, respectively. On January 26th 2012 and February 17th 2012, Eileme 2 and Eileme 1, respectively, issued PLK Senior Notes and PIK PLK Notes, for total amounts of EUR 542.5m, USD 500.0m, and USD 201.0m. Proceeds from the issues were applied to repay Metelem Group's debt under the bridge facility agreements.

Concurrently with the facility agreements, intercreditor agreements were executed, whose parties included facility agents, Spartan (whose legal successor is Polkomtel) and its related parties. In connection with the execution of the financing agreements, security regarding claims under the Senior Facilities Agreement and the bridge facility agreements was established over Spartan's assets. On December 21st 2011 Polkomtel joined the Senior Facilities Agreement (however Polkomtel was only permitted to take out a revolving facility loan) and the relevant intercreditor agreement, and limited security for the revolving facility loan tranche under the Senior Facilities Agreements was established over the assets of Polkomtel and its subsidiaries. Upon transformation into a limited liability company on June 1st 2012, Polkomtel joined the Senior Facilities agreement in respect of all the facilities, and the PLK Senior Notes Indenture. In addition, Polkomtel and its subsidiaries established additional security under the Senior Facilities Agreement and the PLK Senior Notes Indenture. Following Spartan's combination with Polkomtel on February 1st 2013, Polkomtel assumed all rights and obligations of Spartan.

The debt under the Senior Facilities Agreement of June 30th 2011 was repaid by Metelem Group companies using the finance raised by them under the PLK Facilities Agreement, however the debt under the PLK Facilities Agreement is covered by the security documents referred to above.

The Senior Facilities Agreement of June 17th 2013 was executed by and between Eileme 2, Eileme 3, Eileme 4, Polkomtel and a consortium of banks and financial institutions.

On June 17th 2013 Polkomtel, Eileme 2, Eileme 3, and Eileme 4 executed the 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 companies of Polkomtel Group ("**PLK Facilities Agreement**").

The PLK Facilities Agreement provides for Term Loan Facilities A, B and C of up to PLN 2,650m, PLN 3,300m and PLN 1,700m, respectively, as well as a Revolving Loan Facility of up to PLN 300m. Interest rates of the term facilities and the revolving facility are variable rates being the sum of: WIBOR rate for the respective interest periods (and in the case of the revolving facility − also EURIBOR or LIBOR, depending on the currency in which the debt under the revolving facility was contracted) and a margin. Term Loan Facility A is repayable in varying quarterly instalments, starting on March 31st 2014. Term Loan Facility B and C should be repaid on June 24th 2018 and June 24th 2019, respectively. The final repayment date for Term Loan Facility A and the Revolving Loan Facility is November 30th 2017. At December 31st 2013, no amounts had been drawn under the Revolving Loan Facility.

The PLK 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 the 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 the 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 50m for all transactions combined (in a given financial year of Eileme 2); and (iv) certain proceeds from insurance policies.

Furthermore, pursuant to the PLK Facilities Agreement, voluntary repayment of debt under the PLK Senior Notes (see "—Metelem Group financing agreements—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders"), if the net debt/EBITDA ratio for the preceding quarter is above 2.25:1, can only proceed concurrently with the repayment of debt under the term facilities, using exclusively the surplus cash flows which have not been allocated to the mandatory debt prepayment. The company is authorised to make voluntary prepayments in the amount of at least PLN 40m.

Pursuant to the PLK Facilities Agreement, Metelem Group is to maintain its financial ratios at specific levels. The debt service cover for the twelve months ended December 31st 2013 should be at least 1.20:1. The interest cover ratio for the twelve months ended December 31st 2013 should be at least 1.90:1. The total leverage ratio for the twelve months ended December 31st 2013 should not exceed 4.75:1. The financial ratios are tested each quarter.

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

In addition, the PLK Facilities Agreement imposes additional obligations on Metelem Group companies which are parties to the PLK Facilities Agreement, such as obligation to hedge interest rate and currency exchange risks in respect of a specific part of the debt under the PLK Facilities Agreement and the PLK Senior Notes issue, obligation to maintain specific insurance policies, or obligation to provide intellectual property protection. Metelem Group companies hedge the interest rate risk with interest rate swaps (IRS).

Under the PLK Facilities Agreement, change of control of Polkomtel, understood as the change of control within the meaning of the PLK Senior Notes Indenture, or the PIK PLK 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 Facilities Agreement, including the accruing interest, becoming immediately due and payable. The sale of all or a substantial part of Metelem Group companies or Metelem Group's assets will also accelerate the existing debt.

Metelem Group companies issued guarantees and established a number of encumbrances over Metelem Group's assets in favour of the PLK Security Agent in order to secure the repayment of claims under the PLK Facilities Agreement (see "—Security" below).

The PLK 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.

Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders

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

On February 17th 2012 Eileme 1, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, Citigroup Global Markets Deutschland AG executed the Indenture governing the issue by Eileme 1 of pay-in-kind notes for a total nominal amount of USD 201m, maturing in 2020 ("**PIK PLK Notes**") ("**PIK PLK Notes Indenture**" and jointly with the PLK Senior Notes Indenture, the "**PLK Notes Indentures**"). The PIK PLK Notes were sold on the date of their issue. Eileme 1 is a special purpose vehicle and a parent company for Polkomtel, established for the purpose of issuing PIK PLK Notes.

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 31st and July 31st.

Pursuant to the PIK PLK Notes Indenture, the interest on the PIK PLK Notes accrues on the assumption that a year is 360 days, or 12 months of 30 days each. The interest on the PIK PLK Notes is 14.25% per year, paid semi-annually, in arrears, on February 15th and August 15th. The interest can be paid entirely in cash or entirely as the issue of additional notes, whose nominal amount equals the amount of due interest (compounded interest).

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

The PLK Notes Indentures restrict e.g. 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 favour 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 favour 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 Notes Indentures, additional obligations are binding on Eileme 1 and Eileme 2 (and their subsidiaries covered by the restriction), e.g. regarding the maintenance of corporate existence, and maintenance of the PLK Senior Notes and the PIK PLK Notes listing on the Luxembourg Stock Exchange.

In the event of change of control (as defined in the agreement), Eileme 1 or Eileme 2, respectively, are required to make a repurchase offer for all PLK Senior Notes or PIK PLK Notes on the terms set forth in the relevant PLK Notes Indenture. In the event of change of control, Eileme 1 or Eileme 2, respectively, will offer cash payment equal to 101% of the total nominal amount of the repurchased PLK Senior Notes or the PIK PLK Notes, inclusive of interest, due but not paid until the repurchase date, on the repurchased PLK Senior Notes or the PIK PLK Notes (subject to the rights of the PLK Senior Notes holders or the PIK PLK Notes holders, inuring to them at the date of determining those rights, to receive interest at the relevant interest payment date).

Metelem Group companies issued guarantees and established a number of encumbrances over Metelem Group's assets in favour of the PLK Security Agent in order to secure the repayment of claims under the PLK Senior Notes Indenture (see "—Security" below).

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

The PLK Notes, the PLK Senior Notes and the PIK PLK Notes Indentures 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 Senior Notes are resolved within the non-exclusive jurisdiction of the courts in Manhattan, New York.

Intercreditor agreements executed on June 30th 2011 between Metelem, Eileme 1, Eileme 2, Eileme 3, Eileme 4, Spartan (whose legal successor is Polkomtel) and subsidiaries and a consortium of banks

On June 30th 2011, Metelem, Eileme 1, Eileme 2, Eileme 3, Eileme 4 and Spartan (whose legal successor is Polkomtel) executed intercreditor agreements with a consortium of Polish and international banks, including: Crédit Agricole CIB, Deutche Bank AG, London Branch, Société Générale, The Royal Bank of Scotland plc and Citicorp Trustee Company Limited ("**PLK Security Agent**").

The purpose of the first of those agreements is to determine the priority of claims under, inter alia, the PLK Facilities Agreement and the PLK Senior Notes Indenture, and of claims by parties related to the issuer (see "—The Senior Facilities Agreement of June 17th 2013 was executed by and between Eileme 2, Eileme 3, Eileme 4, Polkomtel and a consortium of banks and financial institutions" and "—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders" above), in particular the priority of satisfying those claims if the satisfaction is sought from the established security.

The purpose of the second agreement is to determine the priority of claims under, inter alia, the PIK PLK Notes, and of claims by parties related to the issuer (see "—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders" above), in particular the priority of satisfying those claims if the satisfaction is sought from the established security.

The agreements are governed by the English law, and any disputes arising in connection with those agreements are resolved within the exclusive jurisdiction of English courts. However, the governing law clauses permit the secured creditors to instigate proceedings before any court having relevant jurisdiction.

Intragroup notes issued by Metelem Group companies

In connection with the raising of funds by companies of Metelem Group to partly finance the acquisition of Polkomtel by Spartan, and then to partly refinance the debt, Metelem Group companies issued debt instruments listed below, of which the following remain outstanding at the Prospectus date:

- Series D and E notes of Spartan (whose legal successor is Polkomtel), with a total nominal amount of EUR 542.5m and USD 500m, respectively, acquired by Eileme 3 ("*Series D and E Notes*"),

- Series F notes of Spartan (whose legal successor is Polkomtel), with a total nominal amount of USD 201m, acquired by Eileme 3 ("*Series F Notes*"),

- promissory notes, with a total nominal amount of USD 201m, issued by Eileme 2 and acquired by Eileme 1 ("*Eileme 2 Promissory Notes*")

- promissory notes, with a total nominal amount of EUR 542.5m and USD 701m, issued by Eileme 3 and acquired by Eileme 2 ("*Eileme 3 Promissory Notes*")

Series D and E Notes

Series D and E Notes are unsecured registered notes with a total nominal amount of EUR 542.5m and USD 500m, respectively, issued in accordance with Polish laws. They fall due on January 31st 2020. Holders of Series D and E Notes are free to dispose of them in any way, including selling or pledging. The interest rate on Series D and E Notes equals the interest rate on the PLK Senior Notes issued under the Indenture of January 26th 2012 (see "—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders"), plus margin. Interest periods for Series D and E Notes are the same as interest periods for the PLK Senior Notes, denominated, respectively, in EUR and USD. At the issue date of Series D and E Notes interest was payable semi-annually on January 31st and July 31st. The terms of Series D and E Notes provide for an option for Eileme 3 to demand early repurchase of Series D and E Notes, if there arises an obligation binding on Eileme 2 to repay a portion of or the entire debt under the PLK Senior Notes denominated, respectively, in EUR and USD.

Series F Notes

Series F Notes are unsecured registered notes with a total nominal amount of USD 201m, issued in accordance with Polish laws. They fall due on August 15th 2020. Holders of Series F Notes are free to dispose of them in any way, including selling or pledging. The interest rate on Series F Notes equals the interest rate on the PIK PLK Notes issued under the Indenture of February 17th 2012 (see "—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders"), plus margin. Interest periods for Series F Notes are the same as the interest periods for the PIK PLK Notes. At the issue date of Series F Notes interest was payable semi-annually on February 15th and August 15th. The terms of Series F Notes also provide for interest compounding if, under the PIK PLK Notes Indenture, interest accrued on debt under the PIK PLK Notes is compounded. Then, upon the notice by the issuer of Series F Notes, interest for a given interest period will not be payable at the end of that interest period, but at the date of repurchase or early repurchase of Series F Notes, on the following terms: (i) in subsequent interest periods starting from the first day upon the expiry of the interest period to which the notice pertained, and until the date of repurchase or early repurchase, the amount of compounded interest will bear interest at the rate applicable to the principal (nominal amount) of Series F Notes, and (ii) on each first day of each subsequent interest period until the day of repurchase or early repurchase, the amount of compounded interest will be increased by the interest accrued as indicated in (i) above in the preceding interest period. The terms of Series F Notes provide for an option for Eileme 3 to demand early repurchase of Series F Notes, if there arises an obligation binding on Eileme 1 to repay a portion of or the entire debt under the PIK PLK Notes.

Eileme 2 Promissory Notes

Eileme 2 Promissory Notes, with a nominal amount of USD 201m, were issued under Swedish laws. Their maturity, interest, as well as options for and terms of early repurchase are set forth by reference to the relevant terms of the PIK PLK Notes.

Eileme 3 Promissory Notes

Eileme 3 Promissory Notes, with a nominal amount of EUR 542.5m, USD 500m, and USD 201m, were issued under Swedish laws. Their maturity date, interest, as well as options for and terms of early promissory note repurchase are set forth by reference to the relevant terms of the PLK Senior Notes and the PIK PLK Notes.

Security

A number of encumbrances over assets of Metelem Group were established by Polkomtel and its related parties in favour of the PLK 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 Group was established at the Prospectus date:

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

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

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

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

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

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

g) financial and registered pledges over Series D and E, as well as Series F Notes, governed by Polish laws;

h) pledges and letters of confirmation for pledges over Eileme 2 Promissory Notes and Eileme 3 Promissory Notes, governed by Swedish laws;

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

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

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

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

m) assignment by way of security of the rights of Polkomtel and LTE Holdings under the Additional LTE Agreement, 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;

n) assignment by way of security of Plus TM Group sp. z o.o.'s rights as the general partner of Plus TM Group SKA, governed by Polish laws;

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

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

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

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

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

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

As a rule, the maximum amount of security under the security documents referred to above is PLN 6,500m, and the date of the expiry of the financial pledges and the deadline for applying for the writ of execution for the enforcement orders is December 31st 2021.

In addition, pledge over shares of Eileme 1 was established as security for the repayment of PIK PLK Notes.

Polkomtel's roaming agreements

National roaming agreement with P4

On June 8th 2006, Polkomtel entered into a national roaming agreement with P4 pursuant to which Polkomtel renders national roaming services to P4 to allow P4 to offer its subscribers the possibility to use Polkomtel's radio network in areas where P4 does not have its own radio network coverage. According to the agreement, in the period from January 1st 2010 to December 31st 2015 Polkomtel is required to sell and P4 is required to buy roaming services with a total minimum value of over PLN 600 million. Polkomtel is required not to discriminate against P4's subscribers and to treat them at least as well as its own end users. Polkomtel is required to enable P4 to render to P4's subscribers telecommunications services based on certain functionalities of Polkomtel's network within the scope of the national roaming. The agreement was entered into for an unspecified term but may not be terminated until December 31st 2015. Both Polkomtel and P4 may terminate the agreement prior to the above date in specific cases, for instance if P4 is delayed with payment for the national roaming services (termination by Polkomtel), or if Polkomtel fails to provide national roaming services according to service level agreement conditions defined in the agreement (termination by P4). The national roaming agreement with P4 is material for Polkomtel's financial results.

International roaming agreements

Polkomtel is a party to over 400 roaming agreements with international mobile telecommunications network operators pursuant to which Polkomtel offers voice, SMS and data services in approximately 200 countries. These roaming agreements, among other things, regulate billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreements, testing, security, information on signalling interconnection and connectivity. Additionally, the roaming agreements, in order to prevent fraudulent activities, provide for the exchange of information on roaming services on a near real-time basis. The visiting operator pays the host operator directly on a monthly basis and then bills the amount for the provision of roaming service to the subscribers.

Roaming agreements signed by Polkomtel generally remain in force unless one of the parties terminates upon six-month notice or earlier, in the event of a material breach or an insolvency event. The particular terms of each agreement vary by country.

Based on these roaming agreements Polkomtel provides roaming services to its end users as well as to customers of MVNOs logging into Polkomtel's network.

Interconnect agreements

Polkomtel is a party to a number of interconnect agreements with Polish mobile telecommunications network operators, as well as with selected foreign operators. In effect, its subscribers are able to call the subscribers of those operators. With regard to interconnection agreements with Polish operators, each party charges the other party for terminating calls according to MTR, which are set and frequently adjusted by the President of UKE.

Handsets and accessories supply contracts

Polkomtel is a party to a number of agreements with third-party handsets and accessories suppliers. The terms of those contracts are typically standardised. Under the contracts suppliers are required to supply specific products to Polkomtel based on the latter's orders. The suppliers are also required to charge prices which are not higher than those offered to certain other customers operating in Poland. Contracts for the supply of handsets and accessories are entered into for indefinite term, with a 90-day termination notice, as well as for definite terms with a renewal option, and each party may terminate the contract with immediate effect in specific cases, including in the case of material breach of its terms (subject to remedy period). Certain contracts may also be terminated with immediate effect in the case of change of control.

Telecommunications infrastructure agreements

Polkomtel, jointly with Aero2, is a party to a number of agreements with telecommunications hardware manufacturers on the supply of telecommunications hardware, as well as maintenance and extension of the telecommunications infrastructure. Polkomtel's cooperation with those entities (such as Nokia Siemens Networks sp. z o.o., Ericsson sp. z o.o. and Huawei Polska sp. z o.o.) is based on framework agreements, without specific obligations in place regarding infrastructure development. Those agreements also set forth terms for support services, such as software upgrades and updates, or telecommunications infrastructure repair.

Licences

Polkomtel holds a licence (issued in 1996 and renewed in 2011) to provide mobile telephony services in Poland, with frequencies allocated in the 900 MHz band, due to expire on February 24th 2026; a licence (issued in 1999) to provide mobile telephony services, with frequencies allocated in the 1800 MHz band, due to expire on September 13th 2014; and a licence (issued in 2000) to provide mobile telephony services in the 2100 MHz band, due to expire on January 1st 2023. Currently, there is no regulatory requirement to hold a licence to provide telecommunications services. The right to use allocated frequencies (frequency allocation) can be extended for further periods by the President of UKE. All frequency allocations are technology neutral and can also be used to provide services in each of the technologies currently in use (including GSM, UMTS, LTE). Nordisk Polska holds a frequency allocation for provision of services in the CDMA technology. The allocation was made in 2006 and expires on December 31st 2020. In accordance with the Telecommunications Law, Polkomtel can apply for the extension of a frequency allocation within 12 to 6 months before the expiry of a given allocation. On December 24th 2013, Polkomtel applied for the extension of frequency allocation in the 1800 MHz band. See "Regulatory environment—Legal environment of mobile telephony and broadband Internet access—Frequency allocations" for information on the allocation procedure and proceedings for frequency allocation, and "Market environment—Polish telecommunications market—Mobile telephony market—Frequency allocations", for more details on frequency allocations held by mobile infrastructure operators in Poland, including Polkomtel. In addition, Polkomtel has a number of licences for radio equipment constituting the components of Polkomtel's radio network.

Polkomtel also holds a licence for electricity trading, due to expire on December 31st 2030. In accordance with the Energy Law, Polkomtel may apply for extension of the licence 18 months before its expiry date.

At December 31st 2013, the net book value of the licences was PLN 1,406.6m, while the licence fees payable after December 31st 2013 were EUR 255m.

Environmental protection

Mobile network operators, including Polkomtel, are obliged to comply with environmental laws, in particular the regulations governing waste management, waste electrical and electronic equipment, as well as protection from electromagnetic fields (see "Regulatory environment—Legal environment of mobile telephony and broadband Internet access" and "Regulatory environment—Other regulations—Environmental protection").

As an entity using the environment, Polkomtel is obliged to submit, once a year, appropriate notifications to relevant public administration authorities. However, in its operations Polkomtel is not required to obtain any permits for waste management, handling of waste equipment or protection from electromagnetic fields, as its field generation does not exceed the legally permitted levels.

In the course of its operations, Polkomtel has undergone numerous inspections of compliance with environmental regulations, which did not reveal any material breach or negligence. At the Prospectus date, no proceedings regarding breach of such environmental regulations were pending against Polkomtel.

Research and development

Polkomtel regularly tests new equipment and systems, installs new equipment and systems that it considers useful or cost-effective, undertakes modifications to existing equipment and systems and tests the network quality on a regular basis.

Network and infrastructure

Technologies

Polkomtel operates an integrated 2G and 3G mobile communication network. Polkomtel's network supports GSM/GPRS/EDGE (2G) and UMTS/HSPA+/HSPA+ Dual Carrier (3G) technologies. Polkomtel also has an extensive CDMA network.

The table below presents the frequencies allocated to Polkomtel Group, and the technologies in which its services are provided at the Prospectus date, in bands indicated.

Frequency band	Size of allocated band	Technologies used at Prospectus date
900 MHz	2x9 MHz	GSM, GPRS, EDGE
1800 MHz[(1)]	2x7.2 MHz	GSM, GPRS, EDGE
2100 MHz	2x14.8 MHz + 1x5 MHz	UMTS, HSPA+, HSPA+ Dual Carrier
410-430 MHz	2x2.5 MHz	CDMA

[(1)] On December 24th 2013, Polkomtel applied for extension of the 1800 MHz band frequency allocation. Before applying for extension of the frequency allocation in the 1800 MHz band, on August 29th 2013 Polkomtel applied for a change of the entity holding the allocation in the 2.4 MHz frequency band, from the frequency range covered by the application to extend the allocation, to PTK Centertel, implementing the provisions of the agreement of July 22nd 2013 on transfer by Polkomtel of some of the frequencies from the 1800 MHz band to PTK Centertel. On February 28th 2014, the President of UKE issued a decision changing the frequency allocation by changing the entity holding the frequencies within the ranges covered by the application to Orange (the entity that merged with PTK Centertel, the acquiree, on December 31st 2013). Following the issue of the decision and rendering it immediately enforceable, Orange became the holder of the band with effect as of March 1st 2014. On March 3rd 2014, Polkomtel applied to UKE for reconsideration of the decision and suspension of its immediate enforceability. See "Overview of Metelem Group—Court, arbitration and administrative proceedings—Proceedings pending before the President of UKE, administrative courts, and the Antimonopoly Court—Proceedings before the President of UKE concerning reconsideration of the case relating to a change in frequency allocations".

Source: UKE, Polkomtel.

As in mobile telecommunications networks it is possible to automatically switch between technologies, uninterrupted service functionality for end users is ensured, while the parameters (e.g. data transmission rate) improve when the user comes within the coverage of a more technologically advanced network.

Moreover, together with LTE Group, Polkomtel is developing a nationwide mobile telecommunications network based on HSPA+ and LTE technologies (also referred to as the 4G technologies). The table below presents the frequencies allocated to LTE Group companies and the technologies in which its services are provided in the bands indicated.

Frequency band	Size of allocated band	Technologies currently used commercially
900 MHz	2x5 MHz	HSPA+
1800 MHz	4x9.8 MHz + 2x200kHz	LTE
2570–2620 MHz	1x50 MHz	------------

For information on Polkomtel's cooperation with LTE Group, see "LTE".

Coverage and capacity

The table below presents Polkomtel's technology coverage by population and area at December 31st 2013:

- excluding coverage area of LTE Group stations:

	GSM		UMTS/HSPA	
Coverage/Technology	Indoor	Outdoor	Indoor	Outdoor
Population	98.89%	99.91%	49.90%	64.74%
Area	91.37%	99.53%	7.66%	20.44%

Source: Polkomtel.

- including coverage area of the LTE Group stations

	GSM		UMTS/HSPA		LTE	
Coverage/Technology	Indoor	Outdoor	Indoor	Outdoor	Indoor	Outdoor
Population	98.89%	99.91%	93.26%	99.61%	42.48%	66.66%
Area	91.37%	99.53%	70.76%	97.34%	4.05%	17.39%

Source: Polkomtel.

At December 31st 2013, excluding the transmitters operating based on the frequencies held by LTE Group, Polkomtel's 2G access network consisted of 6,771 base stations, while the 3G network consisted of 3,645 NodeB stations, of which 3,589 supported the HSPA technology (including 2,522 HSPA Dual Carrier). The CDMA network included 570 base transceiver stations. As of the Prospectus date, the LTE/HSPA+ network operated by LTE Group and being developed jointly with Polkomtel, consisted of approximately 4,670 HSPA+ base stations and approximately 3,860 LTE base stations (see "LTE").

Polkomtel's access network is supported by an appropriate transmission network using mainly packet data transmission technologies. The network is divided into the access layer (180 Mb/s and 360 Mb/s microwave links, and fibre optic links), an aggregation network (mainly fibre optic, using Carrier Ethernet Transport MPLS-TP technology, mainly 10 Gb/s), and a backbone network (solely fibre optic, using the IP/MPLS technology, with bit rates being multiples of 10 Gb/s, and since 2014, also of 100 Gb/s).

The backhaul microwave network is composed of 7,662 PHD links. The aggregation layer of the backhaul network is composed of 523 nodes with high-capacity CET switches, and the backbone layer has 10 nodes with redundant IP/MPLS routers. In the physical layer, 53 DWDM nodes operate, equipped with facilities enabling traffic transfer at the multiple of the 100 Gb/s bit rate (the multiple is adjusted to current needs of a given node). The transport network is used to provide dedicated services to the business segment, such as virtual private network (with broadband Internet access), PBX switchboards and leased lines.

Polkomtel's fibre optic network comprises 3,293 km of Polkomtel's own fibre optic cables and 4,196 km of leased fibre optic cables.

The core network, solely owned by Polkomtel, ensures central handling of subscriber services, integrating them for the 2G/3G/4G technologies (*Single Core*). In this way, Polkomtel is able to provide subscribers with access to its services irrespective of the radio technology applied, enabling an evolutionary transition of voice services from 2G (GSM), through 3G (including higher quality voice services), to 4G (with voice services based on CSFB or, in the future, VoLTE). The same strategy was used for data transmission services, enabling subscribers to use the broadband Internet access both in the 3G (HSPA+, HSPA+ Dual Carrier) and the 4G (LTE) networks. The core network architecture facilitates effective and easy capacity expansion to match the growth of the subscriber base and increased service demand.

Upgrade and maintenance

Polkomtel is the owner of both passive infrastructure (such as towers, masts, containers, power systems, and air-conditioning systems) and active infrastructure (including base transceiver stations, base station controllers and transmission systems). Active infrastructure is provided by leading international suppliers, such as Nokia Solutions and Networks and Ericsson (2G/3G hardware), as well as Huawei, Ericsson and NEC (transmission layer). Typically, Polkomtel enters into framework agreements, without defining in detail the obligations regarding network expansion, combined with support services, such as software upgrades and updates as well as repairs and troubleshooting with respect to the development of Polkomtel's network.

Polkomtel regularly upgrades and expands its network in order to provide its subscribers with technologically advanced services and optimise the network's technical performance and efficiency. Network modifications include increasing the capacity of the network's existing elements, hardware replacement and installation of additional hardware, as well as continuous optimisation achieved by reconfiguring the network parameters. At the Prospectus date, Polkomtel had completed the expansion of its 2G access network, which currently is subject only to maintenance, repairs and modifications aimed at its optimisation.

Polkomtel's network is monitored and maintained through the main network management centre (NMC) and four regional operation and maintenance centres (OMC). The maintenance centres are responsible for continuous monitoring and supervision of Polkomtel's access network, handling of failures and defects, integration and configuration work, and coordination of repair work carried out by field maintenance teams. The network management centre provides support of the core network and the platforms for Polkomtel's value added services (to the same extent as the maintenance centres) and also serves as Polkomtel's central contact point for state administration bodies, as well as for other domestic and foreign operators in crisis situations and in the event of failures.

As part of the optimisation process covering all components of the network operated by Polkomtel, including the access network, transport network, core network and all network contact points, traffic distribution and certain network and service parameters are constantly monitored and analysed.

Polkomtel has a stock of spare parts, which, together with appropriate network maintenance processes and procedures, helps achieve a high rate of network availability and reliability. At the Prospectus date, the availability of Polkomtel's radio network to subscribers was maintained at over 99%. The network's quality indicators are monitored and overseen in a continuous manner, using a dedicated NORS (*Network Operations Reporting System*) tool. The network software is updated regularly to ensure their correct operation and availability of new functionalities. Software upgrades and updates are made under framework agreements with software vendors.

Expansion of the LTE/HSPA+ network in collaboration with LTE Group

Polkomtel intends to achieve LTE coverage in Poland based on the frequencies held by LTE Group. In particular, cooperation with LTE Group enables Polkomtel to simultaneously provide HSPA+ Dual Carrier services on its own frequencies in the 2100 MHz band and LTE services in the 1800 MHz band, which improves data transmission quality and speed. In addition, thanks to the cooperation with LTE Group, Polkomtel is able to combine the HSPA+ Dual Carrier capacity within the 2100 MHz band with the HSPA+ coverage offered in the 900 MHz band, together forming a coherent layer of 3G technologies.

By using access to the LTE Group's 1800 MHz band, instead of the 2100 MHz band, for the purposes of LTE services, as well as the 900 MHz band instead of the 2100 MHz band for 3G coverage, Polkomtel has been able to optimise the number of required base stations and increase the broadband data transmission coverage. Lower frequencies allow for easier, compared with higher frequencies, transmission of signal through and around various types of obstacles (e.g. buildings).

Provision of LTE/HSPA+ services by Polkomtel based only on its own frequencies in the 2100 MHz band while delivering coverage of Poland's population similar to that achieved in collaboration with LTE Group would require Polkomtel to significantly increase the number of base stations, which would require substantially more time and capital expenditure to roll out the LTE/HSPA+ network. Thanks to the cooperation with LTE Group, Polkomtel is primarily focused on modernising the existing sites to adapt them to the HSPA+ and LTE technology requirements, which reduces Polkomtel's operating costs and significantly shortens the time needed to roll out the network.

IT systems

IT systems are critical to the operations of Polkomtel. In network management, Polkomtel manages all network infrastructure elements with respect to their availability, performance and security to control traffic and plan capacity of the network in line with expected business needs. With regard to customer activation and billing, Polkomtel uses systems that allow for flexible billing for different contract and prepaid plans. Polkomtel's customer service systems enable the company to address the needs of its subscribers through different communication channels (such as call centres, e-mail, Interactive Voice Response, SMS, POS and Internet). Polkomtel's B2B and B2C division uses wide range of applications that support customer segmentation, product definition and the selection of sales channel and communication methodology. In addition, Polkomtel uses management systems that include, among other things, financial control, revenue assurance, anti-fraud, rating and scoring systems and those that support reporting process for internal and regulatory purposes. Apart from the main data centre, Polkomtel maintains an off-site back-up facility in a disaster recovery centre to ensure that, in the event of a disaster, it can switch to such a centre and continue to provide critical services.

Polkomtel uses a wide range of systems, applications and specialised software solutions developed in-house and by leading local and international vendors (such as Oracle, HP and IBM). Simplification and modernisation of software development processes and their reorientation towards specific business goals has played an important part in improving the efficiency of Polkomtel's IT systems in recent years. At the same time, growing competitiveness among Polkomtel's suppliers has helped to considerably reduce IT system costs in many areas.

Intellectual property

Industrial property rights

Polkomtel Group owns the protection rights to 711 trademarks, granted by the Patent Office of the Republic of Poland (including to the "Plus" trademark), the right in registration of a Community Trade Mark (CTM) ( ) granted by the Office for Harmonization in the Internal Market (OHIM), the right in registration of an industrial design granted by the Patent Office, the right in trademark applications in the Patent Office, and author's economic rights to individual trademarks and industrial designs. Those intellectual property rights are managed by the subsidiary company Plus TM Group SKA (Polkomtel being its sole shareholder and Plus TM Group being its sole general partner).

Polkomtel Group grants licences to its registered trademarks solely for performing rights and obligations under particular contracts entered into with third parties, such as authorised vendors and agents. Polkomtel Group also enters into agreements for use of registered third-party trademarks in cases when Polkomtel Group companies sell products or services of those third parties using their trademarks.

At the Prospectus date, Polkomtel is not party to any major dispute relating to trademarks or other intellectual property used in the course of Polkomtel's business.

Internet domains

Polkomtel Group also uses nearly 200 registered Internet domains, including: 36i6.pl, 5-plus.pl, czasoumilacz.pl, e-book.pl, funskan.pl, iplus.pl, kongrestechnologiczny.pl, musicpack.pl, muzodajnia.pl, plac-komorka.pl, plus.pl, plusfon.pl, plusliga.pl, plusnet.pl, polkomtel.com.pl, polkomtel.pl, prefiks1069.pl, samiswoi.pl, siatkarskieplusy.pl, and simplus.pl.

Insurance

Polkomtel Group maintains insurance coverage which, in Polkomtel's opinion, is in line with the standards adopted used by telecommunications companies in Poland.

The Polkomtel group's insurance policies include: insurance against property damage in the company's assets and the loss of revenue due to business interruption; third-party liability insurance against personal injury and/or property damage occurring in connection with the company's business activities or assets; third-party liability insurance of a lessor and third-party liability insurance of an employer against accidents at work, as well as third-party liability insurance against damage caused by a sudden and accidental environmental pollution; vehicle insurance; and third-party liability insurance for members of management and supervisory boards.

Insurance agreements are concluded with leading insurance companies, such as Powszechny Zakład Ubezpieczeń S.A, AIG Europe Limited Sp. z o.o. Oddział w Polsce (Polish Branch), and Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.

At the Prospectus date, Polkomtel Group's insurance policies with the highest sums insured included: (i) policy covering insurance of Polkomtel's property with the sum insured of PLN 850.0m and insurance against loss of revenue with the sum insured of PLN 500.0m in total and PLN 95.5m per single damage; (ii) third-party insurance policy for Polkomtel with the sum insured of PLN 60.0m, and (iii) third-party insurance policy for members of management boards of Polkomtel Group companies, with the sum insured of PLN 50.0m.

Claims under Polkomtel's insurance policies were assigned to the PLK Security Agent to secure the PLK Facilities Agreement and the PLK Senior Notes Indenture (see "—Material agreements—Metelem Group financing agreements—Security" above).

Employment

Employees

At December 31st 2013, 2012 and 2011, Polkomtel Group employed, respectively, 3,464, 3,450 and 3,967 permanent employees (at full-time equivalents). In addition, at December 31st 2013 Polkomtel Group employed 606 temporary employees through a temporary employment agency (full-time equivalents). In 2013, the average number of temporary workers employed by Polkomtel Group was 564 (at full-time equivalents). In the same year, Polkomtel Group had relatively stable staff turnover (17.6%). Other companies of Metelem Group, i.e. Eileme and Metelem, do not (and did not) employ any permanent or temporary staff.

The following table presents the headcount of Polkomtel Group's permanent employees (at full-time equivalents), at the date given, by key areas of business.

	December 31st		
Business area	2013	2012	2011
Sales and marketing	897	899	1,420
Customer service	1,298	1,210	1,026
Other expenses	1,269	1,341	1,521
Total	**3,464**	**3,450**	**3,967**

Source: *Polkomtel*

A decline in headcount at December 31st 2012 compared with December 31st 2011 is a consequence of the measures taken in 2012 with a view to optimising the operational efficiency of Polkomtel Group, also in the form of a voluntary termination programme.

Polkomtel Group companies are not party to any company or inter-company collective labour agreements.

Trade unions

Two trade unions are active at Polkomtel Group: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions). At December 31st 2013, 304 employees, or 8.4% of the total workforce of Polkomtel Group, were trade union members. At the Prospectus date, we are not involved in, or aware of, any dispute with trade unions or any form of collective bargaining.

Remuneration system and provisions for mandatory employee benefits

Remuneration system

Polkomtel monitors remuneration levels in Poland and responds accordingly in order to attract and retain key personnel. Additional benefit packages include medical coverage offered to Polkomtel's employees.

In addition, Polkomtel has established the Company Social Benefits Fund, which is used to pay additional benefits to employees, in amounts depending on the individual circumstance of an employee. Such benefits include financial assistance covering a part of holiday expenses, subsidies to holidays for children and teenagers, special assistance granted in cash or in kind as a hardship benefit, and financial assistance offered to employees in particularly difficult financial condition. At December 31st 2013, the amount accrued in the Company Social Benefits Fund was PLN 1.1m.

Provisions for mandatory employee benefits

At December 31st 2013, provisions for mandatory retirement benefits for Polkomtel Group's employees totalled PLN 6.3m. Polkomtel does not offer any additional disability, retirement or similar benefits to its employers.

Court, arbitration and administrative proceedings

In the ordinary course of business, Polkomtel and other companies of Polkomtel Group are party to various court or administrative proceedings which we believe will have no material impact on Polkomtel's or Metelem Group's business. The proceedings include mostly civil law cases, including commercial and enforcement proceedings, as well as matters regarding bankruptcy law. In particular, at December 31st 2013 Polkomtel Group was party to 904 bankruptcy proceedings as a creditor, with a total amount of claimed receivables of PLN 6.9m (of which three were related to claims exceeding PLN 100,000). In addition, Polkomtel Group companies are also party to labour-related proceedings.

At December 31st 2013, the total value of disputed claims in actions in which Polkomtel or another Polkomtel Group company was a defendant amounted to PLN 4.7m. This amount does not include the claim of GoMobile sp. z o.o. and the claim for deactivation of over 225 thousand SIM cards allegedly owned by Polkomtel's former subscriber (see below).

Presented below are court and administrative proceedings in the past 12 months, which might have or have recently had a material impact on the financial condition or profitability of Polkomtel or Metelem Group. Except for the proceedings described below, in the past 12 months neither Polkomtel nor other Metelem Group companies were party to any court, arbitration or administrative proceedings which have or could have a material impact on the profitability and financial condition of Polkomtel or Metelem Group. Further, the Issuer has no knowledge of any potential court, arbitration or administrative proceedings threatened against Polkomtel or any other Metelem Group company which could have a material impact on the profitability and financial condition of Polkomtel or Metelem Group.

Litigation

GoMobile sp. z o.o.

GoMobile sp. z o. o. ("**GoMobile**") has initiated two proceedings against Polkomtel with the amount in dispute totalling, respectively, (i) PLN 49.8m and (ii) PLN 0.6m. Both proceedings were related to the agreement for the provision of text messaging services, executed on July 4th 2003 by and between GoMobile and Polkomtel. The original expiry date of the agreement was July 4th 2009; however, it was terminated earlier by Polkomtel due to a gross breach of contract by GoMobile related to excessive fees charged by GoMobile. According to Polkomtel, the agreement was effectively terminated on October 15th 2007. However, GoMobile claims that Polkomtel had no right to terminate the agreement and demands that: (i) the loss incurred due to unjustified termination of the agreement be compensated; (ii) damages be paid for the loss incurred due to a failure by Polkomtel to perform its obligations to develop cooperation between the parties and promote of the service provided under the agreement; (iii) payment for the services provided by GoMobile be made. Polkomtel applied to court for dismissal of actions brought to court in both proceedings initiated by GoMobile against Polkomtel in their entirety.

The claim for deactivation of over 225 thousand SIM cards allegedly owned by Polkomtel's former subscriber

A claim for compensation was brought to court against Polkomtel in relation to deactivation of 225 thousand SIM cards allegedly owned by Polkomtel's former subscriber. The total amount of claims under those proceedings is PLN 1,411m. The plaintiff claims to have filed a complaint with Polkomtel in relation to deactivation of 225 thousand SIM cards owned by that individual and Polkomtel never responded to that complaint, which, in the plaintiff's opinion, means that the complaint had been accepted. In the judgement of April 24th 2013, the Regional Court in Warsaw dismissed all claims against Polkomtel. In the course of court proceedings, the plaintiff provided no evidence that the complaint had actually been filed. Irrespective of the fact that the filing of complaint has never been proven by the plaintiff, the Regional Court accepted Polkomtel's argumentation that there had been no legal relationship between Polkomtel and the plaintiff which could give rise to the plaintiff's claim. However, the judgement is not final as it was appealed by the plaintiff. On October 9th 2013, Polkomtel replied to that appeal requesting that the appeal be dismissed in its entirety. Until now, the date of appeal hearing has not been set.

Proceedings before the President of the Office of Competition and Consumer Protection and court proceedings relating to the so-called abusive contract clauses

At the Prospectus date, Polkomtel is party to a number of proceedings before the President of the Office of Competition and Consumer Protection (UOKiK). These proceedings mainly concern the alleged infringement of collective interests of consumers, antitrust matters and allegedly abusive contract clauses. Below is a description of the most significant proceedings before the UOKiK

Proceedings regarding the infringement of collective interests of consumers and abusive contract clauses

Polkomtel is party to four proceedings pending before the President of UOKiK relating to the alleged infringement of the collective interests of consumers arising out of allegedly misleading information contained in the terms and conditions of certain of Polkomtel's offers.

The first of these proceedings, initiated by decision of the President of UOKiK of November 5th 2013, is related to the failure to provide consumers, together with the respective contract, with the rules of the promotional offer effective at the date of that contract and the proposed amendments to the terms and conditions of the contract set out in those rules, as well as the failure to inform customers, in the notifications relating to expiry of the promotional offer, of the possibility and manner of cancelling the itemised billing service.

The second case which is currently pending concerns the allegedly misleading information included in one of advertising campaigns relating to the "iPlus dla Ciebie z komputerem" promotion, which suggested that consumers could buy a laptop with the iPlus modem for a price of PLN 1, whereas the actual price of the computer was more than PLN 1. In relation to the allegedly misleading information, the President of UOKiK imposed a fine of PLN 849 thousand on the company, and this decision was subsequently upheld by the Antimonopoly Court and by the Court of Appeals. Polkomtel filed an effective appeal in cassation against that decision to the Supreme Court, which reversed the judgement of the Court of Appeals and remanded the case back to the Court of Appeals for reconsideration; the Court of Appeals subsequently reversed the judgement of the Antimonopoly Court and remanded the case back to the Antimonopoly Court to be reconsidered. After reconsideration of the case by the court of first instance, on October 9th 2012 the Antimonopoly Court issued a judgement upholding its former ruling and dismissing Polkomtel's appeal in its entirety. Polkomtel appealed against the judgement. On March 31st 2014, the Court of Appeals reduced the amount of fine imposed on Polkomtel to PLN 424 thousand. As the ruling was final, Polkomtel paid the fine as awarded by the Court of Appeals.

The third case was related to the use of certain slogans in the advertising campaign of a promotional offer, which suggested that the rate per voice call minute applied to all voice calls in the Plus Mix tariff, whereas that rate could actually apply only if the user activated an additional service package and used up all minutes available within that package. In that case, the President of UOKiK imposed a financial penalty of PLN 1.9m on Polkomtel, in addition to taking other measures. Polkomtel appealed against that decision to the Antimonopoly Court. In the judgement of November 8th 2013, the Antimonopoly Court dismissed Polkomtel's appeal. Polkomtel has appealed against this judgement; at the date of the Prospectus, the appeal procedure is pending.

The last of these four proceedings concerns the alleged infringement of the collective interests of consumers by Polkomtel, consisting in the publication of general terms and conditions in one of Polkomtel's contract forms in the manner which was claimed to be unclear, which allegedly made it difficult for consumers to terminate the contract. In connection with the alleged infringement of collective interests of consumers, the President of UOKiK imposed penalties on the company in a total amount of PLN 11.7m. The decision was appealed by Polkomtel; on September 12th 2012, by judgement of the Antimonopoly Court, the penalty of PLN 3.6m was upheld, while the penalty of PLN 8.1m was reduced to PLN 5.7m after the Antimonopoly Court decided that the forbidden practice had been applied only for a short time and discontinued prior to the institution of the administrative proceedings. On October 15th 2012, Polkomtel appealed against the said judgement in the part which was unfavourable to the company. By judgement of May 8th 2013, the Court of Appeal upheld the reduction of one penalty to PLN 5.7m and annulled the second penalty of PLN 3.6m. Following that judgement, Polkomtel paid the penalty of PLN 5.7m, but subsequently filed an appeal in cassation with the Supreme Court.

Polkomtel is also party to a number of investigation proceedings initiated by UOKiK, which are pending at the Prospectus date, with respect to potential infringement of collective interests of consumers, including in relation to misleading information presented to consumers and imposition of undue penalties for contract termination.

In addition, at December 31st 2013 Polkomtel was party to five proceedings before the Antimonopoly Court, including four in the first instance and one before the Court of Appeal, in cases relating to certain provisions of Polkomtel's standard contracts with consumers which are considered abusive. In particular, on March 31st 2011 the Antimonopoly Court partially accepted the claim brought to court by Organizacja Konsumentów Usług Telekomunikacyjnych (Association of Telecommunications Consumers) against Polkomtel and decided that certain clauses in Polkomtel's standard contract were abusive and must not be applied in contracts with consumers; these clauses allowed Polkomtel to demand that subscribers pay damages, on general terms, for a breach of contract in excess of the agreed contractual penalty. Polkomtel appealed against the judgement of the Antimonopoly Court; the appeal was dismissed by the Court of Appeal in Warsaw. After Polkomtel filed an appeal in cassation, on August 29th 2013 the Supreme Court reversed the contested judgement in the part dismissing the earlier appeal and remanded the case back to the Court of Appeal in Warsaw for reconsideration and decision as to the costs of the cassation procedure. On April 11th 2014, the Court of Appeal issued a ruling in which it accepted the Polkomtel's appeal and changed the challenged Antimonopoly Court's ruling by dismissing the action in full and awarding the costs of cassation, appeal and first-instance proceedings to be paid by the plaintiff to Polkomtel. The plaintiff has the right to file a cassation complaint against the Court of Appeal's ruling.

Proceedings regarding antitrust matters

On September 21st 2010, the President of UOKiK initiated antitrust proceedings concerning, inter alia, the alleged application of anticompetitive practices in relation to Polkomtel's refusal to sign the agreement with Info-TV-FM (the winning bidder in the tender organised by the President of UKE for the frequencies allocated to the provision of wholesale audiovisual services), which was considered unfavourable by Polkomtel. According to public press reports, the remaining three major operators, i.e. T-Mobile, Orange and P4, also refused to enter into similar agreements.

As a result, on November 23rd 2011 the President of UOKiK decided that Polkomtel's refusal was against the law and imposed a penalty of PLN 33.5m on the company. Polkomtel did not agree with this decision and appealed against it to the Antimonopoly Court.

In the course of the proceedings, on February 24th 2011 the President of UOKiK imposed another penalty on Polkomtel in the amount of PLN 130.7m for the alleged procedural breach of the provisions of the Competition and Consumer Protection Act in relation to the alleged refusal to cooperate with the officers from the Office of Competition and Consumer Protection. The company challenged that claim; at the Prospectus date, the decision was not yet final, because Polkomtel appealed to the Antimonopoly Court, arguing that the company's actions were in accordance with the law.

On March 18th 2013, the President of UOKiK instituted antitrust proceedings against Polkomtel, T-Mobile and Orange in relation to the alleged abuse of their collective dominant position in the Polish retail mobile telephony market, consisting in the application of different retail prices to voice calls made by individual end users calling P4's network (i.e. higher than the retail prices applied by Polkomtel, T-Mobile and Orange to voice calls made by individual consumers from their own network to the network of any of those three operators), which do not correspond to the differences in the voice call termination rates in their networks and in P4's network. Polkomtel believes that the allegations of the President of UOKiK are in fact entirely unjustified. However, if UOKiK finds that infringement actually took place, a financial penalty may be imposed on Polkomtel and the company will be forced to pay the penalty unless it is cancelled by the competent court.

A number of investigation proceedings are also pending before the President of UOKiK in relation to the alleged breach of antitrust laws.

Proceedings pending before the President of UKE, administrative courts, and the Antimonopoly Court

At December 31st 2013, Polkomtel was party to 34 administrative proceedings before the President of UKE. Those proceeding were related to settlement rates applied in interconnect agreement, among other matters. In the period from 2006 until December 31st 2013, the President of UKE imposed the total of PLN 4.4m in penalties on the company on account of infringements of the applicable laws and regulations. In addition, at December 31st 2013 Polkomtel was party to nine proceedings before administrative courts initiated as a result of appeals against the administrative decisions or rulings of the President of UKE, including in relation to the action taken by Polkomtel to cancel the results of the 2013 tender for the allocation of 1800 MHz frequencies, under which P4 and T-Mobile were the winning bidders.

At December 31st 2013, Polkomtel was party to 39 proceedings before the Antimonopoly Court and the Court of Appeals, and also before the Supreme Court in relation to appeals in cassation relating mainly to appeals against decisions of the President of UKE setting or changing effective MTRs.

Proceedings before the President of UKE concerning reconsideration of the case relating to a change in frequency allocations

At the Prospectus date, Polkomtel is party to proceedings pending before the President of UKE concerning reconsideration of the case relating to a change in frequency allocations with respect to the entity to which frequencies were allocated. On December 24th 2013, Polkomtel applied to the President of UKE for extension of the 1800 MHz band frequency allocation. Before applying for extension of the frequency allocation in the 1800 MHz band, on August 29th 2013 Polkomtel applied for a change of the entity holding the allocation in the 2.4 MHz frequency band, from the frequency range covered by the application to extend the allocation, to PTK Centertel. The said request was made in accordance with the agreement executed on July 22nd 2013 between Polkomtel and PTK Centertel concerning the transfer by Polkomtel of the 2.4 MHz frequency band, part of the 1800 MHz frequency range held by Polkomtel, to PTK Centertel. The agreement with PTK Centertel was signed subject to the condition that the relevant decision would be issued by the President of UKE. On September 10th 2013, Telekomunikacja Polska S.A. (currently Orange) announced in its current report No. 98/2013 that PTK Centertel and T-Mobile had signed an annex to the agreement on the use of their mobile access networks on a reciprocal basis, under which Orange was granted the right to use the 1800 MHz frequencies allocated to T-Mobile. In the notice dated October 22nd 2013, Polkomtel informed the President of UKE that the change in frequency allocation requested in the application filed by Polkomtel may, in light of the above circumstances, require an opinion of an antitrust authority on the compliance with the rules of competition. On February 28th 2014, the President of UKE issued a decision changing the frequency allocation by changing the entity holding the frequencies within the ranges covered by the application to Orange, operating formerly as Telekomunikacja Polska S.A., i.e. the entity that had merged (as the acquirer) with PTK Centertel and Orange Polska sp. z o.o. (as the acquirees) on December 31st 2013. After the decision was issued by the President of UKE and rendered immediately enforceable at the request of Orange, Orange became the holder of the frequency band with effect from March 1st 2014. On March 3rd 2014, Polkomtel applied to UKE to reconsider the case and to stay the order of immediate enforceability, arguing that the said decision has a significant legal defect in that it infringes the applicable substantive and procedural laws, in particular in relation to Polkomtel's right to present its position as to all the documents and evidence adduced in the case and as to the immediate enforceability of the decision, as well as the fact that the President of UKE should take into account that Polkomtel had modified its application with respect to the entity holding frequency allocations. As a result, on March 8th 2014 the President of UKE called on Polkomtel to declare whether Polkomtel's application would be changed accordingly (with respect to the entity holding frequency allocations). At the Prospectus date, the appeal procedure is pending.

On March 28th 2014, Polkomtel received from Orange a notice to pay four contractual penalties totalling PLN 12m due for four alleged breaches of the agreement of July 22nd 2013, referred to above, involving Polkomtel filing with the President of UKE (a) specific letters in the course of the proceedings to change the entity holding the 2.4 MHz frequency allocation in the 1800 MHz band, which allegedly affected the course of the proceedings, and (b) the application of March 3rd 2014 to reconsider the case and to stay the order of immediate enforceability of the relevant decision of the President of UKE. Polkomtel considers Orange's claims as groundless.

Property, plant and equipment

Material items under Metelem Group's property, plant and equipment include network systems and equipment (including mainly the telecommunications network technical infrastructure and devices) as well as real estate property, in each case assessed in terms of their importance for Metelem Group's business.

To secure repayment of liabilities arising from the PLK Facilities Agreement and the Senior Notes PLK Indenture, registered pledges were established in favour of the PLK Security Agent over specific groups of tangible property and property rights (the individual components of which may change) comprising the corporate assets of Polkomtel and certain other companies of Metelem Group (see "—Material agreements—Metelem Group financing agreements—Security" above).

Network systems and equipment

The carrying amount of network systems and equipment at December 31st 2013 was PLN 2,460.3m. The Group's network systems and equipment include mainly the telecommunications network technical infrastructure and devices described in "—Network and infrastructure".

Real estate

Metelem Group's real estate includes land, buildings and structures. The most important of the Group's real estate is located at ul. Puławska in Warsaw (entered in the Land and Mortgage Register under No. WA2M/00210976/8). It covers land with an area of 4.7991 hectares owned by Polkomtel, with the carrying amount of PLN 20.2m at December 31st 2013, as well as a building with a total usable floor area of 6,264 square meters, with the carrying amount of PLN 83.7m at December 31st 2013. In addition, Polkomtel uses the adjacent land with an area of 0.0138 hectares under a lease agreement with the Capital City of Warsaw. This land is used as a technical station of the switching centre for mobile communications services, for the set-up of calls and circuit switching during transmission.

To secure the repayment of liabilities arising from the PLK Facilities Agreement and the Senior Notes PLK Indenture, mortgages (a mortgage up to PLN 900m and a joint mortgage of up to PLN 6.2bn) over the said property, and a joint mortgage (of up to PLN 6.2bn) over another Polkomtel's property located at ul. LG in Biskupice Podgórne (entered in the Land and Mortgage Register under No. WR1K/00238462/3), used as a Mobile Switching Centre (MSC) were established in favour of the PLK Security Agent, by agreement of the parties, (see "—Material agreements—Metelem Group financing agreements—Security" above).

At December 31st 2013, the total carrying amount of Metelem Group's real estate was PLN 124.4m.

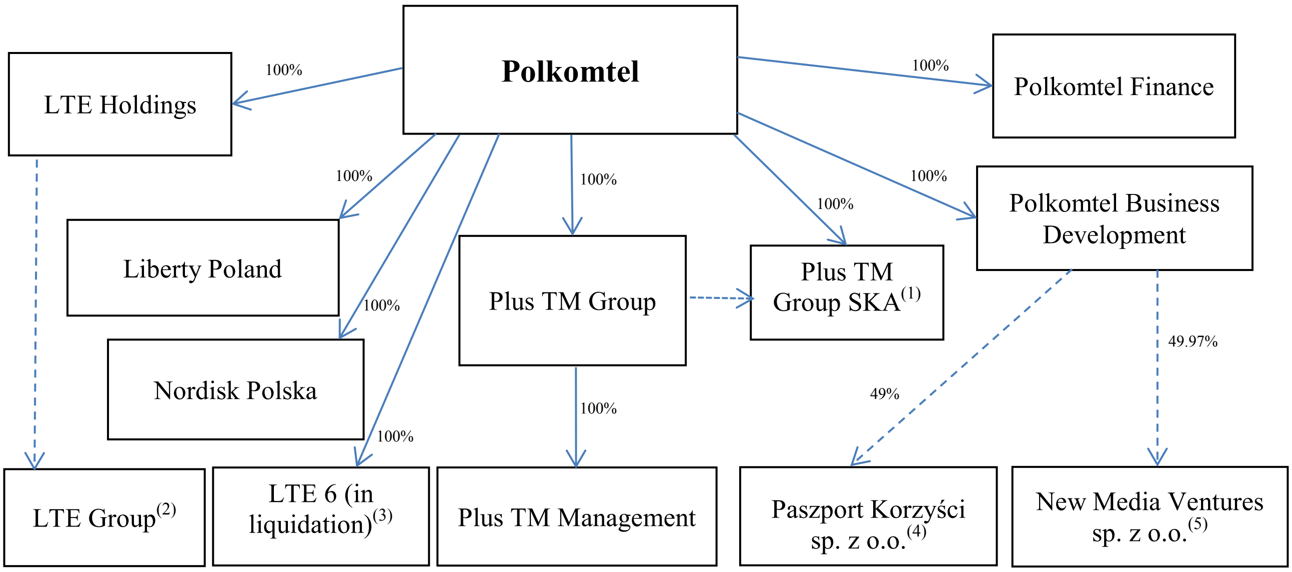
In addition, the key real properties used by Metelem Group in its business activities include Polkomtel's head office located at ul. Postępu 3 in Warsaw, administration and office space located at ul. Postępu 6 in Warsaw, office space and technical facilities located at ul. Wołoska 16 in Warsaw, administration and office space located at ul. Traktorowa 143 and 148/158 in Łódź (used as a call centre), as well as administration and office space located at ul. Katowicka 47 in Chorzów, used by Metelem Group companies under lease agreements. In addition, on April 5th 2013 Polkomtel signed a lease agreement for lease of administration and office space located at ul. Konstruktorska 4 in Warsaw, and on August 27th 2012 the company signed a preliminary lease agreement for lease of office space and technical facilities located at ul. Zachodnia in Grodzisk Mazowiecki (to be used as a switching centre for mobile communications services).

In addition to the above key real properties, at December 31st 2013 Metelem Group leased office space and technical facilities used as switching centres for mobile communications services in Katowice, Kraków, Poznań, Łódź, Gdynia and Szczecin, as well as in Gdańsk and Wrocław; however, the lease agreements for the buildings used as switching centres in Gdańsk and Wrocław expired on February 28th 2014 and on March 31st 2014, respectively, and were not extended.

Polkomtel Group companies are also parties to a large number of lease agreements for lease of retail properties used by the sales and customer service network (usually signed for five-year terms), as well as lease agreements for lease of properties used for the purposes related to the telecommunications infrastructure (mainly base station sites).

Polkomtel Group's structure

The structure of Polkomtel Group is presented below.



(1) Polkomtel holds a 100% interest in Plus TM Group SKA, and Plus TM Group is the sole general partner of Plus TM Group SKA.
(2) LTE Group is not part of the Polkomtel Group. LTE Holdings holds 49% of the share capital of Litenite (see "LTE—Additional arrangements related to the LTE Group companies and their cooperation with Polkomtel" for more information on the call option and repurchase agreements concerning Litenite shares.
(3) On February 19th 2013, the extraordinary general meeting of LTE 6 sp. z o.o. decided that the company shall be dissolved and put into liquidation. On June 4th 2010, the general meeting approved the company's liquidation report. On April 16th 2014, a request was filed with the registry court to delete the company from the register. By the Prospectus date, the company has not been deleted from the register.
(4) Paszport Korzyści sp. z o.o. is a jointly-controlled entity of Polkomtel Group, but not a part of Polkomtel Group.
(5) New Media Ventures sp. z o.o. is a jointly-controlled entity of Polkomtel Group, but not a part of Polkomtel Group. The company offers customer loyalty solutions on the Polish market under the "Freebee" brand.

Polkomtel subsidiaries

Presented below is the overview of Polkomtel Group companies. For more details about Polkomtel Group subsidiaries, see Note 17 of the Metelem Group Consolidated Financial Statements.

Liberty Poland

Name and form of incorporation:	Liberty Poland S.A.
Registered office and address:	ul. Katowicka 47, 41-500 Chorzów, Poland
Share capital:	PLN 14,680,000
Principal business activity:	sales, telecommunications and marketing

Nordisk Polska

Name and form of incorporation:	Nordisk Polska sp. z o.o.
Registered office and address:	ul. Postępu 3, 02-676 Warsaw, Poland
Share capital:	PLN 36,730,000
Principal business activity:	wireless telecommunications

Polkomtel Business Development

Name and form of incorporation:	Polkomtel Business Development sp. z o.o.
Registered office and address:	ul. Postępu 3, 02-676 Warsaw, Poland
Share capital:	PLN 32,005,000
Principal business activity:	financial services

Polkomtel Finance

Name and form of incorporation:	Polkomtel Finance AB (publ)
Registered office and address:	Norrlandsgatan 18, 111 43, Stockholm, Sweden

Share capital:	SEK 500,000
Principal business activity:	financial services

Plus TM Group SKA

Name and form of incorporation:	Plus TM Group sp. z o.o. S.K.A.
Registered office and address:	ul. Postępu 3, 02-676 Warsaw, Poland
Share capital:	PLN 50,000 On December 23rd 2013, the general meeting passed a resolution to increase the company's share capital to PLN 1,050,000. At the Prospectus date, the share capital increase had not been registered.
Principal business activity:	licensing activities

LTE 6 (in liquidation)

Name and form of incorporation:	LTE 6 sp. z o.o. w likwidacji (in liquidation)
Registered office and address:	ul. J.P. Woronicza 78 lok. 1, 02-640 Warsaw, Poland
Share capital:	PLN 100,000
Principal business activity:	wireless telecommunications

Plus TM Group

Name and form of incorporation:	Plus TM Group sp. z o.o.
Registered office and address:	ul. Postępu 3, 02-676 Warsaw, Poland
Share capital:	PLN 100,000
Principal business activity:	activities of holding companies

LTE Holdings

Name and form of incorporation:	LTE Holdings Limited
Registered office and address:	Kostaki Pantelidi 1, 1010 Nicosia, Cyprus
Share capital:	EUR 51,000
Principal business activity:	activities of holding companies

Plus TM Management

Name and form of incorporation:	Plus TM Management sp. z o.o.
Registered office and address:	ul. Postępu 3, 02-676 Warsaw, Poland
Share capital:	PLN 106,000
Principal business activity:	wireless telecommunications

LTE

Introduction

LTE Group offers wholesale mobile broadband access based on the HSPA+ and LTE technologies. In partnership with LTE Group, Cyfrowy Polsat was the first operator to offer mobile broadband services to its Polish subscribers using LTE technology, the fastest available mobile data transmission technology in the 1800 MHz frequency band. Working with LTE Group, Polkomtel was the first Polish MNO to offer LTE/HSPA+ mobile broadband services to its Polish subscribers.

LTE Group is not an entity of Polsat Group or Metelem Group. The Issuer has no influence over the operations of LTE Group, and the information on LTE Group provided in this section relies on public data and information obtained by the Issuer from Polkomtel, and therefore may not be exhaustive.

LTE Group is indirectly controlled by Mr Zygmunt Solorz-Żak (through Karswell Limited and Ortholuck Limited with their registered offices in Nicosia, Cyprus). LTE Group is led by Litenite, a company incorporated under the laws of Cyprus; 51% of shares in Litenite are held by Ortholuck, and the remaining 49% shares are indirectly held by Polkomtel (through LTE Holdings, a special purpose vehicle incorporated under the laws of Cyprus). Litenite holds a 65.99% interest in Midas S.A., a public company which owns 100% of shares in operating companies of LTE Group, i.e.:

- Aero2, which holds frequency allocation for the 900 MHz and 2570-2620 MHz bands and develops its own mobile telecommunications network infrastructure, and
- CenterNet and Mobyland, holders of frequency allocations for the 1800 MHz band.

The principal business activity of CenterNet involves collaboration with Mobyland on the shared use of the 1800 MHz band frequencies allocated to CenterNet and Mobyland, and provision of prepaid mobile telecommunications services to residential subscribers under the brand name "wRodzinie", including voice services, text messaging, and international calls. Mobyland's business consists in the provision of wholesale mobile data transmission services to third parties. In providing those services Mobyland uses the frequencies allocated to both CenterNet and Mobyland, purchases HSPA+ data transmission services from Aero2, which the latter provides using its own infrastructure and Polkomtel's infrastructure operated by Aero2 under an agreement with Polkomtel (see "—Collaboration between Polkomtel and LTE Group companies—Shared network operation agreement" below), and uses the frequencies allocated to Aero2.

The table below presents frequencies allocated to LTE Group's operating companies, as well as technologies in which the services are provided in the indicated bands, including an overview of key benefits of providing services based on a specific technology in a specific frequency band.

LTE Group company	Frequency held	Technology supported	Maximum download speed	Key benefits
Aero2..................	900 MHz (2 × 5 MHz)	HSPA+	21 Mb/s or 42 Mb/s if Dual Carrier technology is used (maximum theoretical download speed)	— offers increased coverage and better indoor penetration compared with 1800 MHz and 2570-2620 MHz — requires fewer base stations (and consequently less time to develop) to achieve the same coverage
	2570-2620 MHz (50 MHz)	LTE TDD	————	— offers spare capacity, capable of supporting LTE — offers higher capacity, compared to 900 MHz and 1800 MHz, capable of supporting more subscribers without affecting quality — optimal for "hotspot" coverage
CenterNet	1800 MHz (2 × 9.8 MHz) + 1 × 200 kHz	LTE	150 Mb/s (maximum theoretical download speed)	— offers increased coverage and better indoor penetration compared with 2570-2620 MHz band — requires fewer base stations (and consequently less time to develop) than 2570-2620 MHz to achieve the same coverage — offers higher capacity, compared to 900 MHz, capable of supporting more subscribers without affecting quality — shared use of CenterNet and Mobyland frequencies offers the largest (19.8 MHz) continuous block of spectrum in the 1800 MHz band currently available to Polish MNOs, significantly increasing the maximum speed of data transfer — it is the de facto European Union standard for LTE.
Mobyland............	1800 MHz (2 × 9.8 MHz) + 1 × 200 kHz			

Source: Polkomtel.

Collaboration of Cyfrowy Polsat with Mobyland and Polkomtel

Introduction

On December 15th 2010, Cyfrowy Polsat executed an agreement with Mobyland which defines the terms of provision by Mobyland of wholesale LTE and HSPA/HSPA+ data transmission services to Cyfrowy Polsat using LTE Group's frequencies in the 1800 MHz band (LTE) and the 900 MHz band (HSPA/HSPA+) (see "—Collaboration between Cyfrowy Polsat and Mobyland—Wholesale data transmission agreement" below).

In response to the growing number of subscribers using mobile broadband services offered by Cyfrowy Polsat and the growing data usage by Cyfrowy Polsat subscribers, and with a view to securing a capacity reserve which, in the opinion of Cyfrowy Polsat, will enable it to further develop the service in the mid-term, on March 27th 2014 Cyfrowy Polsat entered into an agreement with Polkomtel for the provision of wholesale telecommunications services, under which Cyfrowy Polsat can purchase LTE, HSPA/HSPA+ and EDGE wholesale transmission services (see "—Collaboration between Cyfrowy Polsat and Polkomtel—Wholesale Agreement" below).

In addition, on March 27th 2014, Cyfrowy Polsat executed separate agreements with Mobyland and Polkomtel providing for: (i) terms of mutual settlements for wholesale data transmission services provided to Cyfrowy Polsat; and (ii) in the case of the agreement between Cyfrowy Polsat and Polkomtel – terms of allocation and settlement of traffic generated by Cyfrowy Polsat subscribers under wholesale data transmission services provided to Cyfrowy Polsat by Mobyland and Polkomtel (see "—Collaboration between Cyfrowy Polsat and Mobyland—Memorandum of Understanding between Cyfrowy Polsat and Mobyland" below and "—Collaboration between Cyfrowy Polsat and Polkomtel—Memorandum of Understanding between Cyfrowy Polsat and Polkomtel" below).

Collaboration between Cyfrowy Polsat and Mobyland

Wholesale data transmission agreement

On December 15th 2010, Cyfrowy Polsat executed an agreement with Mobyland which defines the terms of provision by Mobyland of wholesale LTE and HSPA/HSPA+ data transmission services to Cyfrowy Polsat using LTE Group's frequencies in the 1800 MHz band (LTE) and the 900 MHz band (HSPA/HSPA+) ("**CP Wholesale Data Transmission Agreement**", and for the purposes of this subsection – the "**Agreement**").

The Agreement may be terminated: (i) by Mobyland if the President's of UKE decision relating to the allocation of the 1800 MHz and 900 MHz frequency bands is validly repealed or amended in a manner preventing or restricting Mobyland's ability to perform the Agreement; (ii) by either party in the event of a material breach of the Agreement, with at least 60 days' notice, and if the breach is not remedied within 30 business days of receiving notice thereof, and (iii) by either party giving at least a 12-month notice, with termination effective as of the end of a calendar month.

On the Agreement execution date, Cyfrowy Polsat placed order No. 1 for the purchase of 12 million GB of data transmission. In January 2012, Cyfrowy Polsat placed order No. 2 for the purchase of a further 13 million GB. On September 28th 2012, Cyfrowy Polsat and Mobyland executed a memorandum of understanding to the Agreement ("**CP Memorandum 1**"), under which Cyfrowy Polsat placed order No. 3 for the purchase of 31 million GB in data transmission, for a total price of PLN 204.7m VAT-exclusive (i.e. at a unit price of PLN 0.00645 VAT-exclusive per 1 MB), which included an amount of PLN 139.1m VAT-exclusive, corresponding to the instalments paid by Cyfrowy Polsat by August 31st 2012 for unused transfer under orders No. 1 and No. 2, applied towards payment for order No. 3. In total, order No. 3 comprised: (i) 7.6 million GB under order No. 1 and 13 million GB under order No. 2, unused by Cyfrowy Polsat by August 31st 2012; and (ii) additional 10.4 million GB under order No. 3. At December 31st 2013, 17.8 million GB remained unused ("**Unused Services**").

Memorandum of Understanding between Cyfrowy Polsat and Mobyland

On March 27th 2014, Cyfrowy Polsat and Mobyland executed a memorandum of understanding to the CP Wholesale Data Transmission Agreement ("**CP Memorandum 2**"), under which the parties agreed that:

(a) If Cyfrowy Polsat places order No. 4 with Mobyland under the CP Wholesale Data Transmission Agreement by March 30th 2014; or

(b) If, under the agreement with Cyfrowy Polsat, Polkomtel places a wholesale data transmission order (relating to the provision by Mobyland of wholesale data transmission services to Cyfrowy Polsat through Polkomtel) with Mobyland by March 30th 2014,

for a total of at least 51 million GB, then the unit price per 1 MB of data transmission under the CP Wholesale Agreement will be reduced to PLN 0.00477, VAT-exclusive.

In connection with the CP Wholesale Agreement and the memorandum of understanding thereto executed by Cyfrowy Polsat and Polkomtel (see "—Collaboration between Cyfrowy Polsat and Polkomtel" below), and in accordance with the memorandum of understanding to the PLK Wholesale Agreement between Polkomtel and Mobyland, on March 27th 2014 Polkomtel placed with Mobyland order No. 3 under the PLK Wholesale Agreement, which included an order for wholesale data transmission services to be provided to Cyfrowy Polsat, as referred to in item (b) above (see "—Collaboration between Polkomtel and LTE Group companies—Wholesale Agreement" below).

Therefore, pursuant to CP Memorandum 2, the price for the transmission of 1 MB of data under the CP Wholesale Agreement was reduced from PLN 0.00645 PLN, VAT-exclusive, to PLN 0.00477 PLN, VAT-exclusive, per 1 MB. In addition, the data transmission unit price under the Unused Service was also reduced to PLN 0.00477 PLN, VAT-exclusive, per 1 MB, and the remaining data volume available for use was recalculated at the reduced unit price. Thus, under CP Memorandum 2, the volume of the Unused Service increased to 20.1 million GB. In addition, Cyfrowy Polsat was released from the obligation to make certain payments due to Mobyland under CP Memorandum 1.

Collaboration between Cyfrowy Polsat and Polkomtel

Wholesale Agreement

On March 27th 2014, Cyfrowy Polsat and Polkomtel executed an agreement for the provision of wholesale telecommunications services ("**CP Wholesale Agreement**", and for the purposes of this subsection − the "**Agreement**"). The Agreement defines (i) the terms of collaboration to secure Polkomtel's provision of wholesale data transmission services to Cyfrowy Polsat, and (ii) the terms of Cyfrowy Polsat's provision, to other entities, of wholesale data transmission services purchased from Polkomtel under the Agreement. The parties agreed that the agreement takes effect on January 1st 2014.

Pursuant to the Agreement, Cyfrowy Polsat may at any times place orders with Polkomtel for data transmission services. The parties set the minimum volume of the first order at 61 million GB. Each subsequent order must be for 1 million GB or a multiple thereof. Purchased data must be used within 36 months of the receipt of a respective order by Polkomtel.

Pursuant to the Agreement, Polkomtel must provide Cyfrowy Polsat with access to LTE, HSPA+, HSPA and EDGE data transmission services using Polkomtel's own mobile telecommunications network and a mobile telecommunications network operated by Polkomtel under separate agreements with LTE Group.

The Agreement was concluded for an indefinite term. The Agreement may be terminated: (i) by Cyfrowy Polsat giving at least a five-month notice in the event of termination by Mobyland of a separate agreement with Polkomtel; and (ii) by either party giving at least a 12-month notice (however, neither party may terminate the Agreement under the clause within 36 months from January 1st 2014).

Furthermore, the Agreement may also be terminated without notice by:

(a) Cyfrowy Polsat: (i) if the President of UKE issues a final decision repealing the decision allocating the frequencies specified in the Agreement, or amending those allocations in a manner preventing or restricting Polkomtel's ability to perform the Agreement; (ii) if Mobyland's right to use the 1800 MHz or 900 MHz band allocations held by Aero2 and CenterNet, or the network infrastructure under the agreement with Aero2, is revoked or restricted, and (iii) if Polkomtel fails to provide the services over a specific period of time, in the cases stipulated in the Agreement;

(b) Polkomtel: (i) if Cyfrowy Polsat is in breach of the Agreement with respect to the terms on which it provides, to other entities, the data transmission services purchased from Polkomtel under the Agreement; and (ii) if any payment due from Cyfrowy Polsat to Polkomtel under the Agreement is delayed.

Memorandum of Understanding between Cyfrowy Polsat and Polkomtel

On the date of the execution of the CP Wholesale Agreement (i.e. on March 27th 2014), Cyfrowy Polsat and Polkomtel signed an additional memorandum of understanding to the Agreement. Under the memorandum, Cyfrowy Polsat placed order No. 1 with Polkomtel on the memorandum date, providing for the purchase of wholesale data transmission of 61 million GB for a total price of PLN 298.0m, VAT-exclusive (i.e. at a price of PLN 0.00477 VAT-exclusive per 1 MB), which included: (a) an order under CP Memorandum 2 for the purchase of data transmission services provided by Mobyland to Cyfrowy Polsat through Polkomtel (see "—Collaboration of Cyfrowy Polsat with Mobyland and Polkomtel—Collaboration between Cyfrowy Polsat and Mobyland—Memorandum of Understanding between Cyfrowy Polsat and Mobyland" above); and (b) an order for the purchase of data transmission services to be provided directly by Polkomtel using its own mobile telecommunications network. The memorandum defines the terms of mutual settlements between the parties with respect to order No. 1 and the terms of allocation and settlement of traffic generated by Cyfrowy Polsat subscribers and attributable to wholesale data transmission services provided to Cyfrowy Polsat by Mobyland and Polkomtel under, accordingly, the CP Wholesale Data Transmission Agreement and the CP Wholesale Agreement. Pursuant to the memorandum, payments due under order No. 1 will be made by Cyfrowy Polsat to Polkomtel in monthly instalments, whose amounts are determined in the memorandum, from January 2014 to December 2016.

Collaboration between Polkomtel and LTE Group companies

Introduction

Mobyland provides LTE and HSPA+ wholesale data transmission services to Polkomtel. Furthermore, using frequencies held by LTE Group and Polkomtel, Aero2 and Polkomtel jointly design and develop a mobile telecommunications network dedicated for the services and products based on the HSPA+ (900 MHz band) and LTE (1800 MHz band) data transmission standards.

Prior to the execution of the collaboration agreements between Polkomtel and Mobyland (wholesale mobile data transmission), and between Polkomtel and Aero2 (joint mobile telecommunications network design and development), Polkomtel had signed letters of intent with Mobyland and Aero2 and obtained the opinion of an independent financial consultant, Booz & Company GmbH, confirming that the terms of those agreements comply with the arm's length principle and do not prejudice Metelem Group, and that the terms of the wholesale mobile transmission agreement are not less advantageous for Metelem Group than the terms of any other agreement for the provision of frequencies or wholesale mobile transmission services between LTE Group and Cyfrowy Polsat or between LTE Group and any of Cyfrowy Polsat's subsidiaries or related entities.

At the Prospectus date, the LTE Group-operated LTE/HSPA+ network, developed jointly with Polkomtel, comprised about 4,670 HSPA+ base stations and about 3,860 LTE base stations, which, in combination with Polkomtel's base stations operating in the 2100 MHz range, reached 99% and 67% of Poland's population in HSPA+ and LTE technologies (both outdoor coverage), respectively. For more information on the Polkomtel network's coverage and capacity, see "Overview of Metelem Group—Network and infrastructure—Coverage and capacity".

Wholesale Agreement

On March 9th 2014, Mobyland and Polkomtel executed an agreement for the provision of wholesale telecommunications services (the "**PLK Wholesale Agreement**", and for the purposes of this subsection – the "**Agreement**"). The Agreement defines (i) the terms of providing Polkomtel with access to the public mobile telecommunications network operated by Mobyland (the "**Mobyland Network**"), (ii) the terms of Mobyland's provision to Polkomtel of specific LTE and WCDMA (including HSPA+) wholesale transmission services, and (iii) the terms of provision by Polkomtel to other entities (including Cyfrowy Polsat) of wholesale data transmission services purchased from Mobyland under the Agreement.

Pursuant to the Agreement, Polkomtel may at any times place orders with Mobyland for data transmission services. Each order must be for 1 million GB or a multiple thereof. Purchased data must be used within 36 months of the receipt a respective order by Mobyland. Mobyland must accept any order, except where the volume of an order exceeds 51 million GB in a given one-year period and Mobyland has no technical capacity to fulfil the order.

Mobyland's fee for data transmission services provided under a given order is calculated at the settlement rates stipulated in the Agreement. The net base rate depends on the volume of a given order and is no more than PLN 0.036 per 1 MB and no less than PLN 0.00477 per 1 MB, subject to volume discounts depending on amounts of data purchased in any one-year period. Payments for each order are made in equal monthly instalments, whose number may not however be less than twelve.

If no order is placed in a given settlement period, Polkomtel shall place a relevant order upon Mobyland's request (within 30 days of such request).

The Agreement requires Mobyland to enable Polkomtel's use of LTE and WCDMA (including HSPA+) data transmission services, in both cases based on the Mobyland Network available at a given time. Furthermore, Mobyland undertook to make every effort to: (a) satisfy Polkomtel's requirements with respect to extending the Mobyland Network's coverage to include further areas and with respect to the Mobyland Network's planned capacity; (b) consistently expand the Mobyland Network required for the provision of the services to Polkomtel, to meet increased demand for Polkomtel's telecommunications services; and (c) ensure that the use of the Mobyland Network by other entities does not affect the quality of data transmission services provided to Polkomtel. Subject to the terms of the Agreement, the data transmission services purchased from Mobyland under the Agreement may be resold by Polkomtel to other entities (including Cyfrowy Polsat).

The Agreement was concluded for five years. If neither party advises the other, at least two years before the end of that period, of its intent to terminate the Agreement upon its expiry, the Agreement will be automatically extended for another five-year period. If neither party advises the other, at least two years prior to the lapse of such five-year period, of its intent to terminate the Agreement upon its expiry, the Agreement will be extended for an indefinite term and each party will have the right to terminate the Agreement giving a 24-month notice.

The Agreement may be terminated by Polkomtel without notice if: (i) the President's of UKE decision relating to the allocation of the 1800 MHz and 900 MHz frequency bands to LTE Group is validly repealed or amended in a manner preventing or restricting Mobyland's ability to perform the Agreement; (ii) Mobyland's right to use the 1800 MHz or 900 MHz band allocations under agreements with Aero2 and CenterNet, or the network infrastructure under the agreement with Aero2, is revoked or restricted; and (iii) Mobyland fails to provide the services over a specific period of time, in the cases stipulated in the Agreement.

The Agreement may be terminated by Mobyland giving at least a six-month notice if a competitive telecommunications operator (as defined in the Agreement) acquires control of Polkomtel, provided that the termination notice is served within three months of such acquisition of control. Furthermore, the Agreement may be terminated by either party giving at least a six-month notice if the other party is in material breach of the Agreement and fails to remedy the breach within 30 business days of being so advised.

On March 27th 2014, Polkomtel and Mobyland executed a memorandum of understanding to the Agreement ("**PLK Memorandum**"). Prior to its execution date, Polkomtel placed two orders under the Agreement, for the purchase of data transmission services for an aggregate of 33 million GB for a total price of PLN 222.0m VAT-exclusive. In the PLK Memorandum, the parties laid down the terms for order No. 3 placed under the Agreement, for the purchase of 306 million GB in data transmission. The parties agreed that order No. 3 is to be used within 36 months from January 1st 2014.

On the PLK Memorandum execution date (March 27th 2014), Polkomtel placed order No. 3 under the Agreement, and Mobyland accepted the order. Pursuant to the PLK Memorandum, order No. 3 is for the purchase of 306 million GB in data transmission and includes: (a) data transmission services unused by Polkomtel at December 31st 2013 (approximately 8 million GB), covered by order No. 2 under the Agreement placed in 2012, and (b) data transmission purchase order placed by Polkomtel with Mobyland in connection with the order placed by Cyfrowy Polsat with Polkomtel under the CP Wholesale Agreement, as stipulated in CP Memorandum 2 ("**CP Order**") (see "—Collaboration of Cyfrowy Polsat with Mobyland and Polkomtel—Collaboration between Cyfrowy Polsat and Mobyland—Memorandum of Understanding between Cyfrowy Polsat and Mobyland" above). The total value of order No. 3 is PLN 1,442.3m, VAT-exclusive, and the average unit price under order No. 3 (including the unused data transmission volumes covered by order No. 2 under the Agreement, included in order No. 3, and the CP Order) is PLN 0.0046031, VAT-exclusive, per 1 MB, including the discount granted to Polkomtel. Pursuant to the Agreement and the PLK Memorandum, Polkomtel will be entitled to receive further discounts on its subsequent orders, however no greater than 25% of the unit price of PLN 0.00477, VAT-exclusive, per 1 MB, once the amount of data purchased under order No. 3 has been used up.

Payments due under order No. 3 will be made by Polkomtel in monthly instalments, whose amounts were determined in the PLK Memorandum, from January 2014 to December 2016.

Shared network operation agreement

On March 30th 2012, in connection with the letter of intent signed by Polkomtel and Aero2 on November 29th 2011, Aero2 and Polkomtel executed an agreement whereby they undertook to collaborate in the provision of services using their telecommunications infrastructures (the "**Shared Network Operation Agreement**", and for the purposes of this subsection – the "**Agreement**").

The Agreement defines the terms of collaboration between Polkomtel and Aero2 with respect to the development, shared use and maintenance of the telecommunications infrastructure of Polkomtel and Aero2 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 LTE Group.

The purpose of the Agreement is to enable the parties to reduce telecommunications infrastructure maintenance costs, to further technology optimisation, and to improve the quality of the telecommunications services provided by the parties.

Pursuant to the Agreement, each party undertook to provide the following specific services to the other party: (i) RAN services; (ii) Site services, and (iii) Site transmission services (in combination with Site services).

The RAN services consist in (i) establishment and maintenance of technical conditions for radio signal broadcasting at base stations; (ii) transmission, by the service provider, of the service user's data to the networks' interconnect point in order to enable the service user to provide voice transmission, data transmission and short messaging services to its customers; as well as (iii) establishment and maintenance of proper technical conditions at the base stations. Relevant permits and licences must be obtained by the parties before the RAN services can be provided.

With respect to Site services, each party undertook to lease to the other party (for a fee specified in each order) base station space to enable the lessee to use that space (at its own expense) for the installation of the transceiver equipment specified in the order, in particular any equipment supporting LTE or HSPA+ technologies.

A party placing the order for a Site service may also order the Site transmission service whereby the party's traffic will be transmitted from its base station to its trunk network.

As the Agreement is a framework agreement, the exact scope of services to be provided by the parties is determined in individual orders placed under the Agreement, and neither party may be held liable for refusal to accept the other party's order. Each order must specify, in particular, the type of ordered services and the period of time over which the services are to be provided.

The total fee due for the provision of each of the services is determined based on the unit price for a given service provided through a single base station, multiplied by the number of base station locations (for the purposes of this subsection – the "**Location**") through which the services are to be provided; the unit price depends on the type of services, including the type and number of systems and technologies used, as well as any investments made at a given Location by the party providing the service. Further, the parties are remunerated for their availability to provide the contracted services. The Agreement also defines detailed terms on which the parties are to remedy and settle any damage sustained under the Agreement.

The Agreement was concluded for five years. If neither party advises the other party, at least one year before the end of that period, of its intent to terminate the Agreement, the Agreement will be automatically extended for another five-year period; and if neither party advises the other party, at least one year prior to the lapse of such five-year period, of its intent to terminate the Agreement, the Agreement will be extended for an indefinite term and each party will have the right to terminate the Agreement giving a 12-month notice.

The Agreement may also be terminated by either party without notice if, as a result of a final administrative decision or a final court judgement:

- Either party loses its frequency allocation (so that the parties are unable to cooperate in respect of the RAN services) or radio permit necessary to use the RAN services at individual Locations (to the extent applicable to those Locations); and
- Either party, CenterNet or Mobyland, loses the radio permit necessary to use the Site services at individual Locations (to the extent applicable to those Locations).

The Agreement further stipulates that the party providing services to the other party is authorised to terminate the Agreement by giving a two-month notice, relating to specific Locations if, for reasons beyond its control, continuing operations at a given Location is not possible, entails obstacles which are difficult to overcome or becomes unprofitable; where possible, the party providing the Service will offer to the other party a comparable Location.

Furthermore, if a third party acquires control of a party to the Agreement, the other party may, by giving a two-month notice, terminate the entire Agreement or its part relating to the Services provided by it to the party over which a third party has acquired control.

In 2012-2013, Aero2 placed with Polkomtel a number of orders under the Agreement, specifying the type and detailed scope of the ordered services. In connection with the orders, and as part of the collaboration between the parties under the Agreement, Polkomtel invested in the LTE/HSPA+ network developed together with LTE Group (see "Operating and financial review of Metelem Group— Capital expenditures"). On April 7th 2014, Aero2 placed another order with Polkomtel under the Agreement for the provision of RAN services by Polkomtel. Pursuant to the order, the RAN services will be provided at each such Location for five years from the date on which Polkomtel declares its readiness to provide services at a given Location. The order's value, calculated based on the five-year period of service delivery, is PLN 260.6m. Payments due under the order will be made by Aero2 monthly, in accordance with the Agreement.

Additional arrangements regarding LTE Group companies and their collaboration with Polkomtel

On November 9th 2011, in connection with the financing granted under the PLK Facilities Agreement and the PLK Notes Indentures (see "—Material agreements—Metelem Group financing agreements"), Spartan (whose legal successor is Polkomtel), Ortholuck, Litenite, Eileme companies, and the PLK Security Agent executed the LTE Side Agreement.

The LTE Side Agreement provided for the obligatory execution of specific agreements and imposed contractual limitations on Ortholuck and Litenite with respect to LTE Group's operations.

In performance of the obligations imposed by the LTE Side Agreement, Polkomtel established LTE Holdings, a special purpose vehicle, which subsequently acceded to the LTE Side Agreement. A pledge for the benefit of the PLK Security Agent was established by Polkomtel over the shares of LTE Holdings, corresponding to the company's entire share capital, in order to secure the claims under the PLK Facilities Agreement and the PLK Senior Notes Indenture. In connection with the pledges established over Polkomtel shares for the benefit of the PLK Security Agent, as well as the pledge discussed above, the rights under the agreements described below serve as security for the creditors on whose behalf the PLK Security Agent acts in respect of claims arising under the PLK Facilities Agreement and the PLK Senior Notes.

Pursuant to the LTE Side Agreement, LTE Holdings purchased 49% of Litenite's share capital from Ortholuck. Subsequently, in 2012, a call option agreement was executed between Ortholuck and LTE Holdings, for the purchase of shares representing the remaining 51% of Litenite's share capital held by Ortholuck. Pursuant to the call option agreement, LTE Holdings may demand that Ortholuck sell its shares in Litenite at market price if Aero2, CenterNet, Litenite or Mobyland are declared insolvent or if Aero2 or Mobyland are in breach of the Shared Network Operation Agreement or the PLK Wholesale Agreement, which would entitle Polkomtel to terminate these agreements, as well as in other cases stipulated in the agreement.

In addition, a pledge over Ortholuck's interest in Litenite, corresponding to 51% of its share capital, was established for the benefit of Polkomtel, which may take the Litenite shares into ownership or sell them to satisfy claims from the pledge in cases where LTE Holdings is able to exercise the call option referred to above. Furthermore, on June 1st 2012, Polkomtel assigned by way of security its rights under the call option agreement and the agreement establishing the pledge over Litenite Limited shares held Ortholuck for the benefit of the PLK Security Agent.

In connection with the pledge over LTE Holdings shares established for the benefit of the Security Agent, if specific rights under the pledge are exercised, the call option may be exercised as instructed by the PLK Security Agent. The exercise of the call-back option referred to below, as well as the repayment of debt under the PLK Facilities Agreement, PLK Senior Notes and PIK PLK Notes, will cause the call option to expire.

In 2012, in connection with the LTE Side Agreement, Ortholuck and LTE Holdings executed a call-back option agreement, under which Ortholuck may demand from LTE Holdings the call-back of Litenite shares if the leverage ratio specified in the PLK Facilities Agreement falls below 2.75:1 and no grounds exist for the exercise of the call option referred to above. The exercise of the call option in full, as well as the acquisition or sale by Polkomtel of the remaining 51% interest in Litenite in Polkomtel's performance of the pledge agreement, will cause the call-back option to expire. Under the PLK Notes Indentures (see "—Material agreements—Metelem Group financing agreements—Indentures governing the terms of the issue of notes executed on January 26th 2012 and February 17th 2012 between, respectively, Eileme 2, Eileme 3, Eileme 4, their subsidiaries, Ortholuck as well as Ortholuck and Eileme 1 and the lenders"), Ortholuck waived its rights under the option until satisfaction or repayment of the PLK Senior Notes and the PIK PLK Notes.

The LTE Side Agreement imposes restrictions on: (i) making dispositions with respect to Litenite shares and issuing shares or other instruments incorporating the right to acquire Litenite shares; (ii) Aero2, CenterNet, Litenite, Mobyland and Ortholuck making dispositions with respect to their assets; (iii) amending specific terms of the Shared Network Operation Agreement and the PLK Wholesale Agreement; (iv) funds distributions by Litenite (e.g. dividend payment, cancellation or repurchase of treasury shares or other cash transfer methods, repayment of principal and interest, payment of remuneration for management and consultancy services, prepayments and other payments to related parties); (v) payment by Aero2, CenterNet and Mobyland of remuneration for management or consultancy services, as well as other fees, to the shareholders of Litenite and Ortholuck. Pursuant to the agreement, the restrictions referred to in (iv) and (v) above apply only if the leverage ratio specified in the PLK Facilities Agreement, and the corresponding ratio for Aero2, CenterNet, Mobyland and Litenite, is equal to or greater than 2.75:1.

The LTE Side Agreement also provides that, save for certain exceptions, Aero2, CenterNet, Litenite, Mobyland and Ortholuck may not participate in transactions with any of LTE Group's related parties (including, but not limited to, Metelem Group companies) where the total value of the transaction exceeds a certain limit, unless the terms of the transaction are not less advantageous to Aero2, CenterNet, Litenite and Mobyland than the terms they would obtain in a comparable arm's length transaction with an entity other than a related party. In addition, if the total value of the transaction exceeds a certain limit, the opinion of an independent financial consultant must be sought to confirm that the transaction is at arm's length for Aero2, CenterNet, Litenite and Mobyland from the financial point of view or that its terms are not materially less advantageous than the terms that could be obtained in a comparable arm's length transaction with an entity other than LTE Group's related party.

REGULATORY ENVIRONMENT

TV production and broadcasting, as well as provision of digital pay TV, broadband and mobile telephony services are regulated by Polish and EU laws. The Act on Television and Radio Broadcasting and the Telecommunications Law are the two key normative instruments effective in Poland. The following public administration bodies exercise supervision over the industry: (i) President of the Office of Electronic Communications (UKE); (ii) minister competent for communications (Minister of Administration and Digital Technology at the Prospectus date); (iii) the National Broadcasting Council (KRRiT); (iv) President of the Office of Competition and Consumer Protection (UOKiK); and (v) Inspector General for Personal Data Protection (GIODO).

This section summarises material legislation regulating the business activities specified above.

Regulatory environment related to TV production and broadcasting and provision of digital pay TV services

Key legal acts

TV production, broadcasting and provision of digital pay TV services in Poland are governed by the Act on Television and Radio Broadcasting, secondary legislation thereto, and the Telecommunications Law.

The Act on Television and Radio Broadcasting implements the following EU directives on provision of audiovisual media services into Polish law:

- Directive 89/552/EC of the European Parliament and the Council of October 3rd 1989 on the coordination of certain provisions laid down by Law, Regulation or Administrative Action in Member States concerning the pursuit of television broadcasting activities (OJ L 298 of October 17th 1989, p. 23) (Audiovisual Media Services Directive, **"AMSD"**);

- Directive 97/36/EC of the European Parliament and the Council of June 30th 1997 amending the AMSD (OJ L 202 of July 30th 1997, p. 60-70);

- Directive 2007/65/EC of the European Parliament and the Council of December 11th 2007 amending the AMSD (OJ L 332 of December 18th 2007, p. 27); and

- Directive 2010/13/EC of the European Parliament and the Council of March 10th 2010 amending the AMSD (OJ L 95 of April 15th 2010, p. 1).

Poland is also party to the European Convention on Transfrontier Television, signed on May 5th 1989 in Strasbourg (Dz. U. of 1995, No. 32, item 160).

Furthermore, Polsat JimJam Limited, one of our jointly-controlled entities, is required to comply with the UK law, in particular with respect to the business activities specified in the UK Communications Act of 2003.

Key regulatory bodies

The National Broadcasting Council ("**KRRiT**") is the body responsible for supervision of TV production and broadcasting in Poland. KRRiT is a constitutional body competent for matters pertaining to television and radio broadcasting in Poland, and the body responsible for enforcing the Act on Television and Radio Broadcasting. KRRiT also grants broadcasting licences and oversees TV providers in Poland.

In addition, TV broadcasting depends on decisions of the President of UKE, whose authority includes radio frequency spectrum management, also with respect to the frequencies used for television and radio broadcasting. The duties of the President of UKE include frequency allocation, as well as oversight over compliance with terms of such allocations and radio broadcasting licences.

Broadcasting licences

TV broadcasting in Poland and the UK requires a licence. On the other hand, satellite television (DTH) operators distributing TV channels in Poland do not require a licence, and must only notify their activities to the register maintained by the Chairperson of KRRiT.

As a rule, KRRiT grants non-transferable broadcasting licences valid for 10 years. If the licensed TV or radio channel requires a frequency allocation, the President of UKE grants the frequency immediately at the broadcaster's request by way of a separate decision.

KRRiT revokes the licence if: (i) a final decision has been issued to the effect that the broadcaster is not authorised to conduct the activity covered by the licence; (ii) the broadcaster is in gross violation of the Act on Television and Radio Broadcasting or the licence; (iii) the activity covered by the licence is contrary to the Act on Television and Radio Broadcasting or the terms of the licence, and the broadcaster failed the remedy the breach within the prescribed deadline; or (iv) the broadcaster failed to start broadcasting within the deadline prescribed in the licence or permanently ceased (for more than three consecutive months) to broadcast without a valid reason.

Furthermore, KRRiT may revoke the licence if: (i) the broadcast threatens the interest of national culture, security or defence and is contrary to good morals; (ii) the broadcaster is declared bankrupt; (iii) the broadcast has caused the broadcaster to achieve dominance over mass media channels on a given relevant market; or (iv) another person assumes direct or indirect control of the broadcaster's business.

The broadcaster may apply for a licence for another period no later than 12 months before the expiry of the existing licence. KRRiT may refuse to extend the licence only if with respect to the broadcaster circumstances arise in which the licence could be justifiably revoked.

Switchover to digital terrestrial television

On July 23rd 2013, the switchover to digital terrestrial television was completed. The process of digitisation, which consists in transition from analogue terrestrial television to digital television to ensure better use of the frequency range by increasing the number of TV channels on one radio channel, improving sound and image quality, was launched following execution of the Final Act of the Regional Radiocommunication Conference of the ITU (International Telecommunication Union), dated June 16th 2006, and the European Commission Communication on accelerating the transition from analogue to digital broadcasting, dated May 24th 2005. In Poland, the Act on Introduction of Digital Terrestrial Television was adopted on June 30th 2011.

In line with applicable regulations, digital television is broadcast, against consideration, by a multiplex operator selected in accordance with a procedure defined in the Telecommunications Law. At the Prospectus date, all multiplexes broadcasting in Poland (MUX-1, MUX-2 and MUX-3) are operated by Emitel. If the broadcaster's licence provides for distribution of content through a given multiplex, the operator is obliged to offer, broadcast and distribute the licence holder's radio and television programming using that multiplex. Detailed terms of cooperation between the broadcaster and the multiplex operator are defined in a relevant agreement. The operator's activities are subject to supervision by the President of UKE, who may amend the terms of the agreement, especially if they discriminate the broadcaster.

Restrictions on foreign participation

The Act on Television and Radio Broadcasting limits the involvement of foreign nationals in TV broadcasting companies. Pursuant to the Act on Television and Radio Broadcasting, broadcasting licences may be granted to:

- natural persons who are Polish citizens and residents, as well as legal persons or partnerships under civil law with registered offices in Poland;
- foreign persons, entities and subsidiaries of such foreign entities domiciled or registered in one of the EEA countries; or
- entities operating in Poland, whose owner is not registered or domiciled in any of the EEA countries if: (i) the equity interest of such person does not exceed 49% of the entity's share capital, (ii) the voting rights held or controlled by non-EEA residents or their subsidiaries do not exceed 49% of the total voting rights at the company, and (iii) the company's articles of association provide that the majority of the company's supervisory and management board members or persons authorised to represent or manage the company are Polish citizens and residents.

Further, purchase or acquisition of shares in a Polish licensed broadcaster by non-EEA residents or their subsidiaries is subject to prior consent of the Chairperson of KRRiT.

Restrictions on programmes and advertising

The Act on Television and Radio Broadcasting imposes detailed regulations and restrictions on advertising. All of these restrictions are usually described in detail in the broadcasting licences granted by KRRiT and stipulate:

- the minimum daily TV programme broadcasting time;
- the minimum percentage share of individual categories of programmes in the monthly and daily broadcasting time;
- the minimum requirements for the broadcast of programming originally produced in the Polish language and programming of European origin and the requirement to ensure that at least 10% of the broadcaster's programming is obtained from independent producers;
- the maximum percentage share of the daily and weekly broadcasting time of shows and other transmissions produced exclusively by the broadcaster or ordered from independent producers, and
- the obligations to ensure that minor viewers do not have access to transmissions containing acts of violence and to encrypt programmes broadcast at specified times or to ensure that previews of transmissions containing erotic content will not be broadcast during certain hours.

In addition, the applicable laws provide for specific requirements related to advertising, including the following:

- commercial breaks and teleshopping windows must be readily recognisable and distinguishable from editorial content;
- commercial breaks and teleshopping windows must not exceed 12 minutes in any given clock hour, however, this limitation does not apply to announcements made by the broadcaster in connection with its own programmes and ancillary products directly derived from those programs (these announcements are not to exceed two minutes in any given clock hour) as well as to announcements required by the provisions of law (in particular, the sponsorship announcements);
- commercial breaks and teleshopping windows should be inserted between programs, however, transmission of movies made for TV (excluding series, serials and documentaries) as well as cinematographic works may be interrupted by advertising and/or teleshopping spots only once for each period of full 45 minutes of the programme and provided that at least 20 minutes in a TV programme service has elapsed between each successive break in the programme; with respect to transmission of sports events, which by their nature are interrupted by breaks, advertising and teleshopping spots can only be transmitted during such natural breaks; news and current affairs programmes, programmes with religious content, commentaries and documentaries, the duration of which is less than 30 minutes, and programmes intended for children, must not be interrupted with advertising spots at any time;
- teleshopping windows must be contain clearly identified visual and audio disclaimers and must be broadcast continuously for at least 15 minutes.

Separate regulations provide for product-specific advertising restrictions, including:

- alcohol − advertising is forbidden as a rule, with the exception of beer, which may be advertised between 8.00 pm and 6.00 am;
- tobacco and gambling − advertising is forbidden at all times;
- pharmaceuticals − advertising must meet certain requirements, in particular it must not be misleading and it must inform the recipients of the reasonable use of the medication;
- health services − advertising may not encourage use of such services and should be purely informative;
- psychotropic drugs, intoxicants, foodstuffs or other substances regulated by the Act on Drug Abuse Prevention of July 29th 2005 (consolidated text: Dz. U. of 2005, No. 179, item 1485) ("**Act on Drug Abuse Prevention**").

Restrictions on sponsorship

Sponsorship is regulated by the Act on Television and Radio Broadcasting and the KRRiT Regulation of July 6th 2000 on sponsorship of programmes and other transmissions (Dz. U. of 2000, No. 65, item 785, as amended) ("**Regulation on Sponsorship of Programmes**"). The Regulation on Sponsorship of Programmes permits sponsorship of programmes, subject to a number of conditions. In particular, the Regulation limits the duration of information about the sponsorship and imposes an additional obligation to provide a clear and unambiguous identification of the sponsor. Sponsored programmes and broadcasts must be clearly identified as such through the use of the sponsor's name, logo or other designation or relevant reference to its products, services or trademarks.

Restrictions on product placement and commercial breaks

The Act on Television and Radio Broadcasting provides for a general prohibition of product placement in audiovisual broadcasts, save for a number of exceptions. Such exceptions allow product placement in cinematographic works, films and series produced for use by audiovisual media service providers, as well as entertainment and sports programmes, or placement of products and services made available free of charge for use in the programme, especially as a prop or a prize. These exceptions do not apply to children's programmes.

Entities providing product placement services are legally obliged to ensure that relevant programmes are clearly marked with a graphic sign indicating the use of product placement. The mark must be shown at the beginning and end of the programme, as well as after every commercial break. In addition, programmes using product placement may not expose the product excessively, and the programme should not encourage the viewers to purchase or hire the relevant product or service, in particular by making promotional references to such products or services. Furthermore, it is strictly forbidden to use product placement to advertise tobacco, alcohol, health services, pharmaceuticals, psychotropic drugs, intoxicants, as well as foodstuffs and other substances listed in the Act on Drug Abuse Prevention. The broadcasters are also obliged to keep records of all programmes which use product placement.

Regulatory environment related to provision of mobile telephony and broadband Internet access services

Telecommunications activities conducted in the territory of Poland are heavily regulated and must be registered with the President of UKE. Polkomtel and Cyfrowy Polsat are listed in the Register of Telecommunications Service Providers under No. 3 and No. 85, respectively.

Key legal acts

At the European level, telecommunications activities are regulated by the following key legal acts:

- the set of directives of the European Parliament and of the Council of March 7, 2002, referred to as Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services (OJ L 108 of April 24th 2002, p. 33-50) ("**Framework Directive**"), Directive 2002/20/EC on the authorisation of electronic communications networks and services (OJ L 108 of April 24th 2002, p. 21-32) ("**Authorisation Directive**"), Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (OJ L 108 of April 24th 2002, p. 51-77) ("**Universal Service Directive**") and Directive 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities (OJ L 108 of April 24th 2002, p. 7-20) ("**Access Directive**");

- Directive 2009/136/EC of the European Parliament and of the Council of November 25th 2009 amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No. 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (OJ L 108 of April 24th 2002, p. 21-32);

- Directive 2009/140/EC of the European Parliament and the Council of November 25th 2009 amending Directives 2002/21/EC on a common regulatory framework for electronic communications networks and services, 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities, and 2002/20/EC on the authorisation of electronic communications networks and services (OJ L 337 of December 18th 2009, p. 37-69);

- Directive 2002/58/EC of the European Parliament and of the Council of July 12th 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (OJ L 201 of July 31st 2002, p. 37) ("**Directive on Privacy and Electronic Communications**");

- Directive 2006/24/EC of the European Parliament and the Council of March 15th 2006 on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks and amending Directive 2002/58/EC (OJ L 105 of April 13th 2006) ("**Data Retention Directive**"); and

- Regulation (EC) No. 544/2009 of the European Parliament and the Council of June 18th 2009 amending Regulation (EC) No. 717/2007 on roaming on public mobile telephone networks within the Community and Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services (OJ L 167 of June 29th 2009, p. 12) ("**Regulation No. 544/2009**").

Polish Telecommunications regulations are, to a large extent, based on EC regulations and European Union directives implemented into the Polish legal system. The main legal act regulating telecommunications in Poland is the Telecommunications Law together with secondary legislation which includes the Regulation of the Minister of Infrastructure of December 16th 2010 on the terms of using special rights in public telephone networks (Dz. U. of 2010, No. 249, item 1670), and Regulation of the Minister of Administration and Digital Technology on the tender and contest for the allocation of frequencies or orbital resources, dated July 19th 2013 (Dz. U. of 2013, item 835). The Telecommunications Law is not a simple transposition of EU directives into the Polish legal system, as it includes additional provisions governing obligations related to national defence and security, public safety and order, steps to be taken by operators in the event of an emergency, structure and responsibilities of authorities in charge of communications, and the manner in which inspection proceedings are to be conducted.

At present, the European Parliament is working on the Regulation on single market for telecommunications (Proposal for a Regulation of the European Parliament and the Council laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) No. 1211/2009 and (EU) No. 531/2012. The general objective of the European Council's proposal is to move towards a single market for electronic communications in which:

- citizens and businesses can access electronic communications services wherever they are provided in the Union, without cross-border restrictions or unjustified additional costs;

- companies providing electronic communications networks and services can operate and provide them wherever they are established or their customers are situated in the EU.

The proposal establishes rules governing:

- coordinated European frameworks for the assignment of harmonised radio spectrum for wireless broadband communications services;

- harmonisation of rules related to rights of end-users and the promotion of effective competition in retail markets;

- phasing out of unjustified surcharges for intra-Union communications and roaming communications within the EU;

- introduction of a single EU authorisation for electronic communications providers operating in the EU-28.

On April 3rd 2014, the European Parliament adopted the proposal. In line with the schedule adopted by the European Parliament, the final draft of the proposal should be approved by the Member States by the end of 2014. The new regulations are expected to take effect in December 2015.

Telecommunications market supervision

Pursuant to the Telecommunications Law, the minister responsible for communications (currently, the Minister of Administration and Digital Technology) and the President of UKE are the administration authorities in Poland responsible for the communications sector in Poland. These regulators cooperate with the telecommunications sector and focus in particular on supporting competition to increase service quality, representing consumer interests, promoting investment in new technology and infrastructure, developing measures to increase the safety and security of the telecommunications system and fostering cooperation at the European level.

Minister of Administration and Digital Technology

The powers of the Minister of Administration and Digital Technology under the Telecommunications Law include, most notably, the power to issue regulations concerning, among other things, tenders and contests for the allocation of frequencies, the domestic numbering plan, charges for using the numbering resource, the telecommunications charge, specific requirements for the provision of telecommunications access and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the complaint process therefor.

President of UKE

Under the Telecommunications Law the President of UKE has broad authority to regulate and inspect the telecommunications services markets, radio frequency spectrum management, orbital resources and numbering as well as the right to monitor compliance with electromagnetic compatibility requirements, the development of draft legislation specified by the minister competent for communications, analysis and evaluation concerning the functioning of the telecommunications services markets and to intervene in matters related to the functioning of these markets, including resolving disputes between telecommunications operators.

The President of UKE is also authorised to commence and conduct inspections concerning the compliance of telecommunications providers with relevant telecommunications law, regulations, decisions and statements, as well as to inspect equipment being traded or used.

In the event that telecommunications providers do not fulfil the obligations imposed on them by the Telecommunications Law or a decision issued by a regulatory authority, the President of UKE may, after conducting an investigation, issue recommendations in which the telecommunications provider is instructed to remedy any irregularities or to explain within a specified period of time why it failed to remedy such irregularities. If the telecommunications provider fails to remedy a particular irregularity or if the explanation it provides is insufficient, the President of UKE may order the telecommunications provider to remedy the irregularity and may indicate how the irregularity should be remedied, specify the time limit within which the irregularity must be remedied, impose a financial penalty (up to 3% of the revenue that the provider being penalised earned in the previous calendar year) and in certain circumstances, impose a fine on the principal manager of the telecommunications provider (up to 300% of that manager's monthly salary). If the irregularities in question have also occurred previously and are of a serious nature, and if the telecommunications provider does not comply with the decision of the President of UKE, the President of UKE may ban the telecommunications provider from performing telecommunications activities.

The President of UKE generally consults with interested parties before taking any regulatory action.

European Commission

Under Article 7 of the Framework Directive, the EC has certain powers to limit the power of the President of UKE in the event where a measure taken by the President of UKE could affect trade between Member States. The European Commission may demand that the President of UKE withdraw or change the remedial measure proposed. The European Commission has exercised this right on a number of occasions, rejecting draft decisions or submitting comments to draft decisions concerning relevant markets.

BEREC

BEREC (Body of European Regulators of Electronic Communications) was established in 2009 under the Regulation of the Council and the European Parliament (EC) No. 1211/2009 of November 25th 2009 (OJ L 337 of December 18th 2009, p. 1-10). Its main objective is to foster cooperation and to act as intermediary between national regulators and the European Commission, with a view to supporting the development of an internal market for electronic communications networks and services. BEREC helps the European Commission and the national regulatory authorities implement the EU regulatory framework on electronic communications by issuing opinions as part of consultations carried out by the President of UKE in cases provided for in the Telecommunications Law, for instance when determining relevant markets or imposing regulatory obligations on companies with significant market power.

Market analyses by the President of UKE

Pursuant to the Framework Directive, the European Commission, in accordance with the provisions of the competition law, defines the individual markets for products and services in the electronic communications sector through the issuance of recommendations. In a recommendation dated February 11th 2003 (Commission Recommendation of February 11th 2003 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communication networks and services (2003/311/EC)) the EC defined seven retail markets and eleven wholesale markets. On December 17th 2007 this recommendation was replaced with recommendation 2007/879/EC, which reduced the number of markets susceptible to ex ante regulation from 18 to 7: one retail market and six wholesale markets.

The President of UKE is required to analyse certain markets in the Polish telecommunications sector and an operator's position in each of those markets and to determine whether competition in such markets is sufficient. As a rule, the analysis of relevant markets should be carried out no later than within three years of the previous report on the market, with the proviso that the term may be extended by up to three years upon consent of the European Commission. If competition is deemed to be insufficient, the President of UKE has the power to remedy this by imposing regulatory obligations. If the President of UKE deems that regulatory steps have been unsuccessful, an operator with a significant market share may be required to adjust its prices. Price tariffs may require prior approval, or prices may be determined by the President of UKE on the operator's behalf. Should market analysis show that an entity no longer has a significant market share or that competition in the respective market is sufficient, the President of UKE will lift the imposed regulatory obligations.

The President of UKE may impose special obligations on entities with significant market power, for instance to regulate (i) non-discrimination; (ii) transparency of cost-based pricing; (iii) submission of a price list or rules of provision of services for approval; (iv) provision of infrastructure and circuits enabling access to mobile telephony networks; (v) application of specific rates in interconnect settlements; (vi) provision of access to specified components of infrastructure/collocation; or (vii) offering wholesale services for resale. The President of UKE may also determine the terms of interconnect agreements.

The President of UKE determined that Polkomtel has significant market power over three wholesale markets: (i) call termination to a public mobile telecommunications network; (ii) SMS termination to a public mobile telecommunications network; and (iii) call termination to a public fixed line network.

The President of UKE also determined that Cyfrowy Polsat has significant market power over two wholesale markets: (i) call termination to a public mobile telecommunications network and (ii) SMS termination to a public mobile telecommunications network.

In 2010, the President of UKE began analysing the competitiveness of the market for wholesale access and call origination services in the Polish public mobile telecommunications network, which covers national roaming services provided to other telecommunications businesses. In its decision of July 29th 2011, the President of UKE found there to be sufficient competition in this market.

MTR (Mobile Termination Rates)

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

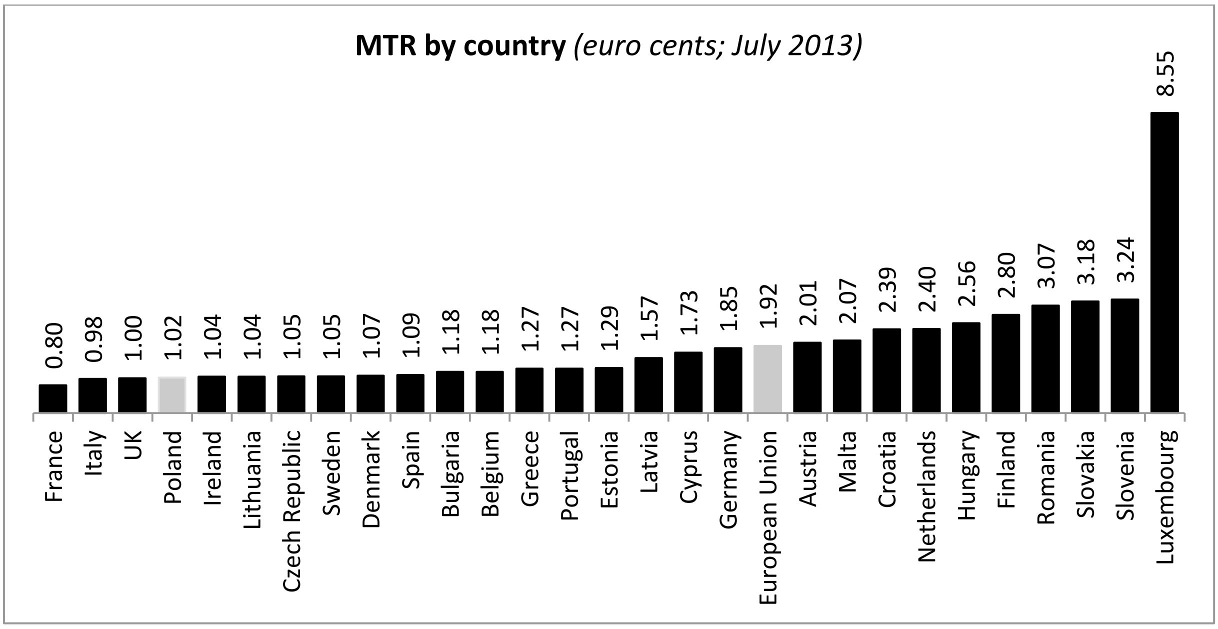
Over the years the President of UKE has issued decisions that decrease interconnect rates for certain services or introduce other modifications to existing interconnection agreements between telecommunications companies operating in Poland.

As a result of the President's of UKE decision issued on September 30th 2008, rates for mobile termination voice services charged by largest operators were reduced while new market entrants were not required to charge such decreased rates. Pursuant to this decision, the mobile termination voice services on Polkomtel's network were set at PLN 0.2162 per minute beginning on January 1st 2009 and were further reduced to PLN 0.1677 per minute on July 1st 2009. In general, these decreases result in a high asymmetry of rates in favour of new operators or operators with smaller market shares.

In late 2010, the President of UKE updated her position and decided that the MTR asymmetry for new entrants in Polish markets will be effective for no more than four years from their market entry (with the exception of P4 which will take advantage of the asymmetry until the end of 2012). The President's of UKE position on asymmetric MTR rates was challenged by the European Commission, which established that the President of UKE was in breach of Community regulations, because the rates had not been set on a cost-incurred basis, and therefore should have been symmetrical.

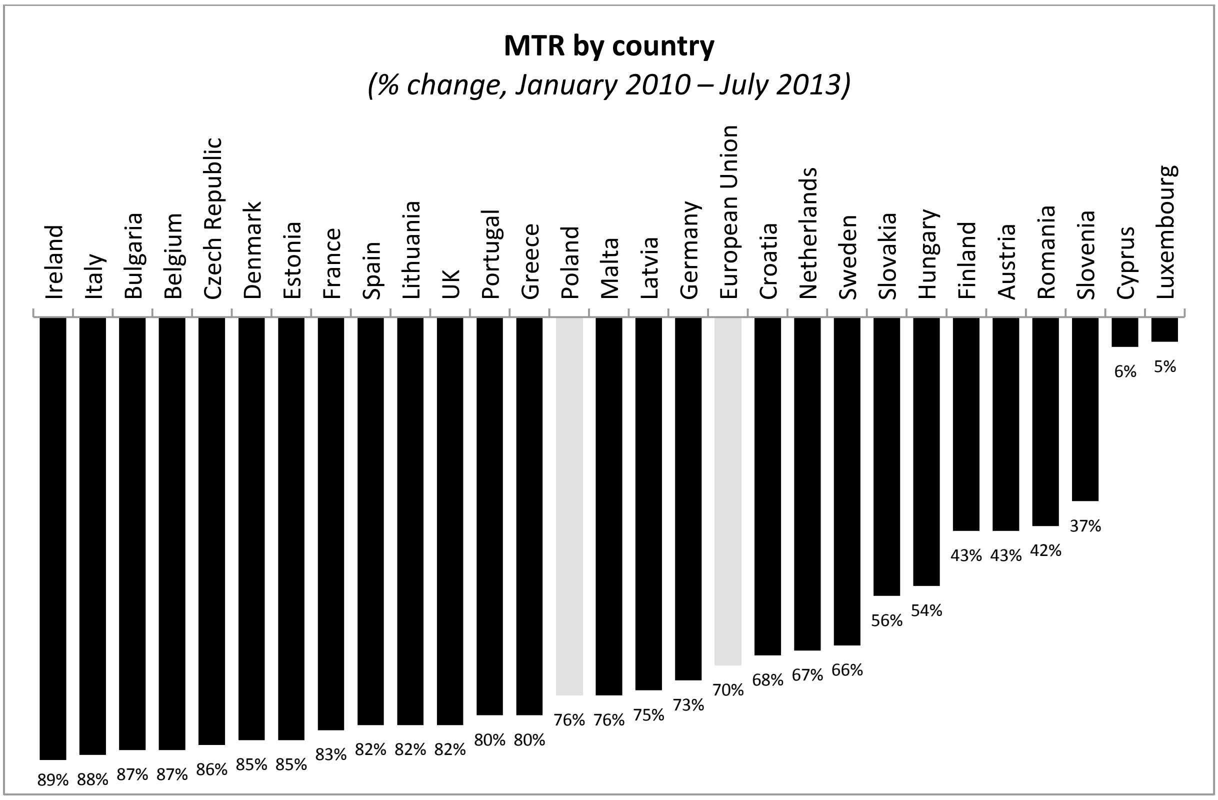
The current system of rates applied by all operators was established under the President's of UKE decision of December 14th 2012 on identifying entities with significant power over the market for services related to voice call termination to public mobile telecommunications networks, as well as on imposing,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

The table below presents MTR rates in euro cents in different EU Member States.



Source: BEREC.

The table below presents the decline in MTR rates in different EU Member States in the period January 2012-July 2013, in percentage terms.



The SMS termination services market is also regulated by the President of UKE. The timeline for subsequent SMS termination rates reductions was defined by mobile operators without the participation of the President of UKE, based on bilateral agreements executed as annexes to relevant interconnect agreements. Before December 31st 2010, the wholesale rate for SMS termination in a mobile telecommunications network in Poland was PLN 0.15 per message. As of January 1st 2011, the rate was reduced to PLN 0.08 per SMS, and subsequently fell to PLN 0.07 as of July 2012, PLN 0.06 as of January 1st 2012, and PLN 0.05 as of July 1st 2012, which is the currently applicable rate.

International roaming on mobile telecommunications networks

International roaming rates in the EU are regulated by the Regulation of the European Parliament and the Council (EU) No. 531/2012 of June 4th 2012 on roaming on public mobile communications networks within the Union (OJ L 172 of June 30th 2012, p. 10-35) ("**Roaming Regulation**"). The Roaming Regulation covers retail and wholesale charges for voice (outbound and inbound calls), SMS, MMS and data roaming services, by determining average wholesale rates and maximum retail charges for the services. The Regulation provides for further reduction of rates applied by the operators, as specified in the table below.

Current and proposed retail price caps (excluding VAT)

	At Prospectus date	As of July 1st 2014
Data (1 MB)	45 euro cents	20 euro cents
Outbound voice calls (minute)	24 euro cents	19 euro cents
Inbound voice calls (minute)	7 euro cents	5 euro cents
SMS (1 SMS)	8 euro cents	6 euro cents

Current and proposed wholesale (interconnect) price caps

	At Prospectus date	As of July 1st 2014
Data (1 MB)	15 euro cents	8 euro cents
Voice calls (minute)	10 euro cents	5 euro cents
SMS (1 SMS)	2 euro cents	no change

Under the Roaming Regulation, as of July 1st 2014 the operators are obliged to provide subscribers with an ability to switch to an alternative roaming services provider within the EU (decoupling). The introduction of this functionality will cause Polkomtel to incur significant financial expenditure.

The proposal for regulation on unified telecommunications market foresees complete removal of roaming charges in the EU.

Frequency licensing

Frequency licensing procedures

The national strategy for frequency usage is prepared by the President of UKE, taking into account national and social needs as well as international agreements. As a rule, frequency licences must be applied for and, whenever there are more interested parties than available frequency resources, licences are awarded by way of a tender or auction procedure ("**Selection Procedure**").

If the Selection Procedure is a tender, the assessment criteria taken include i) compliance with competition requirements; ii) the amount the participant is willing to pay for allocation; as well as iii) other criteria defined in the tender documentation. In the case of auctions, the sole criterion is the amount declared by the auction participant. Based on the relevant criteria, the President of UKE assesses and determines the order in which individual bidders may seek allocation of frequencies through a tender procedure or auction. The participants selected in the course of the Selection Procedure may request grant of a frequency licence. The President of UKE allocates the frequency upon completion of a separate procedure ("**Allocation Procedure**"). Frequencies allocated in the course of Allocation Procedure may be granted to entities meeting the statutory requirements, provided that there are no grounds for refusal of allocation under the Telecommunications Law. Any entity participating in the Selection and Allocation Procedures may appeal against their results.

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

A frequency licence is awarded for a specified term (historically, frequency licences have been usually awarded for 15 years, but the term may vary), and the telecommunications operators may apply, 12 to 6 months before the expiry of the frequency licence, for renewal of the frequency allocation for a further period. The President of UKE may renew the frequency allocation without following the tender proceedings described above, provided that the applicant has not infringed the conditions for utilization of frequency set forth in the Telecommunications Law, secondary legislation and the frequency allocation decision. 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.

In addition, the use of radio equipment requires radio permission, which is issued for set periods of time. The permission may be changed or withdrawn for certain reasons, including, for example, if the use of radio equipment interferes with the operation of other equipment or telecommunications networks or if the beneficiary fails to start using the frequencies covered by a separate frequency licence within twelve months of the specified date.

Proceedings regarding frequency allocation

1800 MHz

On February 13th 2013, frequencies in the 1800 MHz band (five allocations in the 1729.9 - 1754.9 MHz and 1824.9 - 1849.9 MHz ranges) were awarded by the President of UKE under the tender procedure launched on August 20th 2012. The frequencies can be used for mobile data transmission or broadband Internet services. Each of the allocations, awarded to P4 and T-Mobile, confers the right to use the frequencies until December 31st 2027. Polkomtel is taking steps to have the results of the tender nullified. However, the closing date of the proceedings, as well as their final result, cannot be reliably predicted. For instance, the proceedings concerning cancellation of the tender procedure for the 900 MHz and 2100 MHz bands took five and six years, respectively, and in both cases the results of the original tenders were sustained.

Numbering

The decision to assign numbering is made by the President of UKE. Application for assignments may be refused if less than 75% of previously assigned numbering has not been used. Assignments may be withdrawn or changed if numbering is not used in accordance with the terms and conditions, changes in national numbering have been made or the applicant does not pay the specified fees. Mobile operators are also required to enable customers to transfer their numbers to other mobile telecommunications network operators.

A single emergency services number, 112, has been established for all operators in Poland. Operators are required, when requested, to provide information on the geographic position of emergency number users to the emergency services.

Data retention

The requirement to retain connection data, introduced at the European level by the Data Retention Directive and implemented in the Polish legal system in 2009 by an amendment to the Telecommunications Law, is particularly important to operators. The requirement applies to several data categories, which are necessary to establish the source, recipient, date, time and duration of a connection, the communications tool used and its location. The EU Member States are to retain the data for six to twenty-four months, whereas in Poland the data must be stored for 12 months.

Obligations of the telecommunications service provider

By March 31st every year, all telecommunications service providers are required to submit reports to the President of UKE, including information on the type and scope of services offered, as well as sales volumes. Entities whose turnover exceeded PLN 4 million in the previous year are also required to submit annual financial statements. The information is used by the President of UKE to prepare reports on the telecommunications market in Poland. The information may also be made available to other regulatory bodies. Although operators may specify that certain information is confidential, the President of UKE may still decide to disclose this information. In addition, the President of UKE is entitled to ask for more information based on the President's of UKE general right to demand information necessary for the performance of their tasks and duties.

As regards processing of subscriber and end-user data, the Telecommunications Law provides for specific requirements to maintain telecommunications confidentiality, which protects information such as user data, content of individual messages, data transmissions, location data or information on attempted connections.

Telecommunications providers are required to perform tasks and obligations related to national defence, security and public safety and order, within the scope and under the terms specified in the Telecommunications Law and secondary legislation. In particular, such entities are required to maintain up-to-date agreed emergency action plans, and to provide access to telecommunications infrastructure to the extent necessary to carry out rescue operations. In addition, they are required to prepare and maintain the telecommunication network elements for the needs of a national security management system, primarily by ensuring technical and organisational conditions for access as well as retention of telecommunications messages and data.

Other regulations

Protection of Competition and Consumers

Protection of competition is monitored at the European level by the European Commission and at the national level by the President of the Office of Competition and Consumer Protection (UOKiK). Pursuant to the Telecommunications Law, the President of UKE is required to cooperate with the President of UOKiK with regard to the observance of the rights of entities using postal and telecommunications services, as well as counteracting competition-restricting practices and anti-competitive concentrations involving postal operators, telecommunications undertakings or their associations. The President of UKE is required to notify the President of UOKiK of any consulting proceedings, as well as to seek the opinion of the President of UOKiK if there is no effective competition in a given market, if a telecommunications provider having significant market power is identified or if the President of UKE is conducting a frequency allocation tender.

Furthermore, the Telecommunications Law does not exclude the application of the Competition Act which applies to all matters relating to counteracting competition-restricting practices and anti-competitive concentrations of business entities.

Under the Competition Act, the President of UOKiK is empowered to conduct proceedings concerning: (i) anticompetitive transactions; (ii) abuse of dominant position; (iii) planned concentrations; (iv) infringements of collective consumer interests. The proceedings may be conducted by the President of UOKiK as: (i) explanatory proceedings (conducted in a specific case and not against an entrepreneur; for instance: on April 11th 2014, the President of UOKiK instigated explanatory proceedings to determine whether the collaboration between telecommunications operators in areas such as shared operation of networks and frequencies restricts competition); (ii) antitrust proceedings (conducted against a specific entrepreneur); (iii) proceedings concerning infringement of collective consumer interests; and (iv) proceedings concerning imposition of fines. Explanatory proceedings aim to initially determine whether an infringement of the competition protection laws has occurred. As part of explanatory and antitrust proceedings, the President of UOKiK may also consider potential violations of Art. 101 and 102 of the Treaty on the Functioning of the European Union. Should the explanatory proceedings reveal any irregularities, the President of UOKiK may instigate antitrust proceedings or proceedings concerning practices infringing collective consumer interests.

If as part of the antitrust proceedings or proceedings concerning infringement of collective consumer interests, the President of UOKiK finds that a given company applied unlawful practices, the President of UOKiK may ban a given practice and impose on such company a fine in the amount of up to 10% of the company's revenue generated in the financial year preceding the year in which the fine is imposed. Moreover, if a company, even unintentionally, fails to provide the President of UOKiK with the required information or provides misleading information, it may be subject to a fine of up to EUR 50,000,000. In the case of less grave violations, the President of UOKiK may refrain from imposing a fine, and only impose an obligation on a party to take certain steps specified in the President's administrative decision (e.g. to discontinue the violations and to publish information on such discontinuation).

The President of UOKiK also has the right to monitor the form of consumer contracts and may, consequently, bring action before the Antimonopoly Court for the registering of a given clause as prohibited. Contractual clauses which have been included in the list of forbidden clauses maintained by the President of UOKiK must be excluded from all legal transactions with consumers. Furthermore, in order to protect consumer interests, the President of UOKiK cooperates with the local consumer ombudsman and non-governmental organisations financed by the State Treasury.

Notwithstanding the foregoing, the President of UOKiK also has vast inspection powers. The President of UOKiK may carry out inspections at any time and without prior notice, at all sites where an entrepreneur conducts operations, and demand to be provided with all the necessary documents or electronic records. An entrepreneur who fails to cooperate in the course of such inspection may be penalised with a fine of up to EUR 50,000,000.

Also the European Commission has similar powers regarding protection of competition, though its scope of activity is limited to situations which may have a negative impact on competition at the EU common market level.

Personal data protection

Personal data protection regulations are especially important to entrepreneurs entering into agreements with natural persons, and vast numbers of our customers are natural persons.

Personal data must be processed in strict compliance with the relevant laws, mainly laws of general application such as the Act on Personal Data Protection dated August 29th 1997, and with the use of technical and organisational measures which ensure safety of the processed personal data (Dz. U. of 1997, No. 133, item 883, as amended).

At the Prospectus date, work is under way in the European Parliament on regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation), which, once adopted, will be directly applicable in the EU Member States. The new regulations, which are expected to come into force in 2014, envisage the possibility of imposition of fines of up to the higher of EUR 100m and 5% of the global revenue in the case of violation of personal data protection regulations.

Environmental protection

Entrepreneurs are required to comply with laws and regulations concerning protection of the environment, and in particular those concerning packaging waste, handling of used electrical and electronic equipment and protection against electromagnetic fields.

Requirements concerning packaging waste

The Act on Management of Packaging and Packaging Waste (Dz. U. of 2013, item 888, as amended) introduces the obligation (which does not apply to products in multi-material packaging or hazardous materials in packaging) to attain by December 31st 2014 and in the following years: a recovery rate of at least 61% of the total packaging waste comprising all types of packaging, and a recycling rate of at least 56% of the total packaging waste comprising all types of packaging. The Act introduces also packaging waste recycling levels for individual packaging types. Failure to attain the minimum level of recovery or recycling of packaging waste in a given year, including the required recycling rate for the total of all types of packaging, results in an obligation to pay a product fee.

Requirements concerning waste electrical and electronic equipment

EU legislation supporting collection and recycling of waste. Directive 2002/96/EC of the European Parliament and of the Council of January 27th 2003 on waste electrical and electronic equipment (OJ L 037 of February 13th 2003, p. 24-39) (the "**WEEE Directive**") applies as of February 2003. In Poland, the WEEE Directive was implemented by virtue of the Act on Waste Electrical and Electronic Equipment, dated July 29th 2005 (Dz. U. of 2005, No. 180, item 1495) (the "**WEEE Act**"), which specifies certain requirements for entrepreneurs introducing electrical and electronic equipment to the Polish market. These requirements include the requirement to organise and finance the collection from WEEE collection points, and processing and recovery (including recycling and safe disposal) of waste equipment from households. This obligation is deemed to have been fulfilled if an entrepreneur enters into an agreement with a waste collection organisation, which will perform these obligations for the entrepreneur.

The Act requires that certain regulatory recovery rates are achieved for specific product groups (e.g. mobile headphones, DTH set-to-boxes). Failure to attain these rates results in the obligation to pay a product fee.

Protection against electromagnetic fields

Matters concerning protection against electromagnetic fields are governed by provisions of the Environmental Protection Law and secondary legislation. Such protection consists in guaranteeing the best possible environmental conditions by maintaining actual levels of electromagnetic field below the admissible levels or at least at the reference levels. Regulation of the Minister of Environment on permitted levels of electromagnetic field in the environment and methods for checking compliance with these levels, dated October 10th 2003 (Dz. U. of 2003, No. 192, item 1883) defines different levels for land intended for housing development, areas accessible for people, as well as the range of EMF frequencies for which physical parameters are determined to assess the EMFs impact on the environment.

Entrepreneurs using broadcasting equipment have the obligation to measure electromagnetic fields emitted by their installations. In accordance with the Regulation of the Minister of Environment on the ranges and methods to monitor electromagnetic field exposure levels in the environment, dated November 12th 2007, (Dz. U. of 2007, No. 221, item 1645), compliance with maximum permissible EMF exposure levels in the environment is assessed in the vicinity of the installations emitting such fields directly before the start-up of the installation, following each change in the operations of the installation, provided that such change may affect the EMFs permissible levels and upon receipt by administration authorities of complaints regarding the operation of certain installations.

Collective copyright management organisations

In accordance with the Copyright Law, collective copyright management organisations are organisations associating authors, performers, producers, as well as radio and television organisations, whose mission, as identified in their statutes, is to collectively manage and protect the copyrights and related rights entrusted to them, as well as to exercise the rights provided for in the Copyright Law. Collective copyright management organisations may for instance enter into agreements to grant licences for use of copyrighted works and works protected by related rights, and to collect related fees on the terms and conditions specified in such agreements. Based on the decisions issued by the Minister of Culture and National Heritage under Art. 104.1 of the Code of

Administrative Procedure (Dz. U. of 1960, No. 30, item 168, as amended) and Art. 104.3 of the Copyright Law, there are 15 collective copyright management organisations in Poland.

A collective copyright management organisation collects fees from users of copyrighted work calculated on the basis of the minimum rates specified in the minimum fee tables. The fee tables, proposed by a given collective copyright management organisation, are submitted for approval to the Copyright Commission. The Commission has the right to change content of the tables submitted for approval. A participant of proceedings before the Copyright Commission is entitled to request that the case concerning approval of a fee table be taken to a court of general jurisdiction, where the approval proceedings will be conducted in accordance with the rules applicable to civil proceedings. Any fee tables which have been approved are binding both on the collective copyright management organisation and the potential user of a copyrighted work in the sense that the parties are not allowed to agree on fees for the use of copyrighted work (and work protected by derivative-work copyright) that would be lower than those provided for in the fee table.

Local Taxes and Charges Act

Real estate tax is charged on real estate or building objects such as land, buildings, parts of buildings, as well as structures or parts of structures used for business purposes. Under the Local Taxes and Charges Act, a structure is a building object (as defined in the building laws) other than a building or a landscaping element, or a building installation (as defined in the building laws) associated with a building object that is necessary for the building object to be used for its intended purpose.

In the case of buildings and their parts, the tax base is the net floor area of the building or its part, whereas in the case of structures or their parts used for business purposes, as a general rule tax is assessed by reference to their value, as defined in the Polish Corporate Income Tax Act and the Polish Personal Income Tax Act, determined at January 1st of the fiscal year, that serves as the basis for charging depreciation in this year (but without deducting the depreciation charges), and in the case of fully depreciated structures – their value at January 1st of the year in which the last depreciation charge was made. If buildings or their parts are not depreciated, tax is assessed on the basis of their market value, as defined by the taxpayer for the date when the tax obligation arose.

The rates of real estate tax applicable within a given municipality or commune are defined by resolutions adopted by the appropriate municipal or commune council, provided, however, that the rates may not exceed the annual limits specified in the Local Taxes and Charges Act. In the case of buildings or their parts used for business purposes, as of January 1st 2014 the real estate tax rate may not exceed PLN 23.03 per 1 sq m of net floor area, and in the case of structures it may not exceed 2% of their value as referred to above.

Property tax laws give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to tax. In particular, much controversy surrounds the interpretation and practical use of the definition of a structure under the Local Taxes and Charges Act. Uncertainty as to the interpretation of the concept may lead to disputes with tax authorities, which may in consequence lead to additional, unforeseen financial charges.

In its ruling of September 13th 2011, court docket No. P 33/09, the Polish Constitutional Court pointed out that the definition of a structure under the Local Taxes and Charges Act, which is based on a reference to the building laws, raises serious doubts. As a consequence, in the Court's opinion, it would be advisable that legislators determine an autonomous definition of a structure for the needs of the Local Taxes and Charges Act, due to the fact that there are higher standards of unambiguity and specificity of legal provisions applicable in the tax laws when compared with the administrative laws.

The ongoing work on amendments to the Local Taxes and Charges Act aim in particular at clarifying the definitions of a building and of a structure under the Act. Given the early stage of the legislative process, the final amendments remain unknown. The final form of the amended definition of a structure under the Local Taxes and Charges Act may have a significant effect on how the subject of taxation and the tax base are determined for the purpose of the real estate tax.

Cinematography Act

In accordance with the Cinematography Act of June 30th 2005 (Dz. U. of 2005, No. 132, item 1111, as amended), cinema operators, distributors, digital platform operators, cable TV operators and TV broadcasters have the obligation to make quarterly payments to the Polish Film Institute, of 1.5% of their revenue generated from their respective businesses (i.e. from broadcasting advertisements, sales by TV markets and sponsored broadcasts, as well as from subscription fee income in the case of TV broadcasters and fees for access to TV programmes broadcast or re-broadcast via a digital platform in the case of digital platform operators). The Act provides also that a parent company may offset the amounts it owes to the Polish Film Institute with the amounts the Institute received from a subsidiary of the company.

MANAGEMENT AND SUPERVISORY BOARDS

Pursuant to the Companies Code, the Management Board and the Supervisory Board are the Company's management and supervisory bodies, respectively. The following description of the Management Board and the Supervisory Board has been prepared on the basis of the Companies Code, the Issuer's Articles of Association, the Rules of Procedure of the Management Board, and the Rules of Procedure of the Supervisory Board effective at the Prospectus date.

Management Board

Composition, operation, and powers and responsibilities of the Management Board

Composition of the Management Board

At the Prospectus date, the Management Board is composed of four members appointed for a joint three-year term of office.

The following table presents basic information on Management Board members in office at the Prospectus date.

Name and surname of the Management Board member	Position held	Date of first appointment
Dominik Libicki	President of the Management Board	March 5th 2001
Dariusz Działkowski	Member of the Management Board – Technology	August 1st 2007
Tomasz Szeląg	Member of the Management Board – Finance	May 14th 2009
Aneta Jaskólska	Member of the Management Board – Legal Affairs, Human Resources, Administration, and Security	July 13th 2010

Source: the Company.

The Management Board's current term of office began on June 11th 2013 and expires on June 11th 2016.

The mandate of a Management Board member in office at the Prospectus date expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held their office, i.e. on the date of the resolution approving the financial statements for the financial year ended on December 31st 2015. The terms of office of the Management Board members also expire upon the member's removal from the Management Board, their death or resignation. The mandate of a Management Board member appointed prior to the expiry of a term of office of the Management Board expires simultaneously with the mandates of the other Management Board members.

All Management Board members discharge their duties at the Company's offices at ul. Łubinowa 4A, 03-878 Warsaw.

For an overview of the qualifications and professional experience of the individual Management Board members see "—Education and experience of Management Board members".

Operation, powers and responsibilities of the Management Board

Pursuant to the Issuer's Articles of Association, the Management Board, chaired by the President of the Management Board, manages the Company's affairs and represents it before third parties. Declarations of will on behalf of the Company (representations) may be made and executed by the President of the Management Board individually, two Management Board members acting jointly or one Management Board member acting jointly with a commercial proxy. The Management Board operates in accordance with its Rules of Procedure, as adopted by the Management Board and approved by the Supervisory Board.

The Management Board consists of one or more members, including the President of the Management Board. Pursuant to the Issuer's Articles of Association, Management Board members are appointed for a joint three-year term of office by the Supervisory Board, which also determines their number. Management Board members may be removed by the Supervisory Board at any time, which does not invalidate their claims under employment contracts. The Issuer's Articles of Association provide that Polish citizens and residents are to constitute the majority in the Company's Management Board.

As a rule, Management Board resolutions are adopted at Board meetings. Meetings of the Management Board are held as frequently as needed to ensure proper operation of the Company, either at the Company's registered office or at another address specified in an invitation to the meeting. Meetings of the Management Board are convened by the President of the Management Board or a Management Board member authorised to do so by the President. Meetings of the Management Board are convened by the President of the Management Board on his or her own initiative or at the request of another Management Board member. Management Board meetings are chaired by the President of the Management Board or, in his or her absence, by a Management Board member selected by other Management Board members present at the meeting. Pursuant to the Rules of Procedure of the Management Board, the members may attend Management Board meetings using means of remote communication enabling simultaneous communication between Management Board members, such as in particular audiovisual technologies (e.g. tele- and video-conferencing), computer systems and networks.

Management Board meetings may also be held without being formally convened, provided that all members of the Management Board are present and none of them objects to the holding of the meeting or to the proposed agenda. The principle applies accordingly to situations where all Management Board members vote on resolutions using means of remote communication.

Management Board resolutions are passed with an absolute majority of votes cast by Management Board members present at the meeting. The Management Board may adopt its resolutions by written ballot in accordance with the Rules of Procedure of the Management Board or by means of remote communication. In the case of a tie in voting on resolutions to be adopted by the Management Board, the President of the Management Board has the casting vote. The Management Board may adopt resolutions if at least half of its members are present at the meeting, and all Management Board members have been notified of the meeting. If the Management Board adopts a resolution in writing or using means of remote communication, minutes are drawn up which should specify, in particular, the adoption procedure and, if the members used means of remote communication to attend the meeting, the minutes should specify the means of remote communication used.

For information on matters in which the Management Board is required to seek approval of the Supervisory Board, see "—Composition, operation, and powers and responsibilities of the Supervisory Board—Operation, powers and responsibilities of the Supervisory Board".

Education and experience of Management Board members

Dominik Libicki – President of the Management Board

Dominik Libicki graduated from the Faculty of Environmental Engineering of the Wrocław University of Technology. He also completed a training course for members of supervisory boards of state-owned companies, organised by the Polish Ministry of Economy.

Mr Libicki is a member of the Supervisory Board of Telewizja Polsat and serves as President of the Management Board of Info-TV-FM. He has served as Vice-President of the Management Board of the Union of Private Media Employers of the Polish Confederation of Private Employers "Lewiatan" (Związek Mediów przy Polskiej Konfederacji Pracodawców Prywatnych Lewiatan) since February 2005. His previous career was mainly in the television production industry. He was Deputy Managing Director at PAI Film in 1995-2001, and President of the Management Board of Trans Media Group Sp. z o.o. in 1996-2006. Mr Libicki also ran his own company, Studio Meg, a producer of TV commercials and programmes. In 2006, he served as President of the Management Board of Praga Business Park Sp. z o.o. In 2005-2006, Mr Libicki served as Member, and in 2006-2008 as Deputy Chairman of the Supervisory Board of Polska Telefonia Cyfrowa Sp. z o.o., one of Polish mobile telephony network operators. From May 1999 to March 2011, he sat on the Supervisory Board of Polskie Media S.A. Additionally, Mr Libicki is President of the Management Board of Info-TV-FM and Member of the Supervisory Boards of Telewizja Polsat and Polski Operator Telewizyjny Sp. z o.o. He has received multiple accolades in recognition of his management skills.

Mr Dominik Libicki was first appointed to the Management Board pursuant to the Supervisory Board Resolution of March 5th 2001.

Dariusz Działkowski – Member of the Management Board – Technology

Mr Działkowski graduated from the Faculty of Electronics of the Warsaw University of Technology with a degree in radio and television broadcasting technology. He also holds a *Master of Business Administration* degree from the University of Maryland.

He has served as Technical Director of Cyfrowy Polsat S.A. since November 2001. He is also Member of the Management Boards of Info-TV-FM, Redefine, Netshare Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., and Frazpc.pl Sp. z o.o. Mr Działkowski has sat on the Management Board of the Polish Chamber of Information Technology and Telecommunications since 2010, and is Chairman of the Audit Committee of Stowarzyszenie Sygnał. Mr Działkowski's career included the position of Technical Director at Canal+ Cyfrowy S.A. and Services Sales Department Manager at Ericsson Sp. z o.o. He is one of the founders of Centrum Telemarketingowe Sp. z o.o.

Mr Dariusz Działkowski was first appointed to the Management Board pursuant to the Supervisory Board Resolution of July 30th 2007.

Tomasz Szeląg – Member of the Management Board – Finance

He graduated from the Faculty of National Economy of the Wrocław University of Economics, with a degree in International Economic and Political Relations, specialising in Foreign Trade. He holds a PhD degree in Economics.

In 2000-2003, he was a research assistant at the Foreign Trade Department of the Wrocław University of Economics. In May 2003, Mr Szeląg defended a PhD thesis in hedging transactions used by global copper producers and became an assistant professor at the Department of International Economic Relations of the Wrocław University of Economics. In 2003-2004, he also served as an assistant professor at the Department of International Economic Relations of the Wrocław School of Banking. Concurrently with academic development, Mr Szeląg pursued a professional career by gaining experience as a financial and investment manager. He became Chief Specialist in the Foreign Exchange Risk Department at KGHM Polska Miedź S.A., and later occupied the same position at the Research and Market Risk Department, eventually becoming its Director in September 2004. Between December 2004 and March 2007, Mr Szeląg served as Director of the Hedging Department at KGHM Polska Miedź S.A. From April 2007 to June 2008, he served as Director of the Wrocław Branch of Société Générale. In July 2008, Mr Szeląg became Vice-President of the Management Board in charge of Finance at Telefonia Dialog S.A. and held the position until March 2009. At Telefonia Dialog S.A., his responsibilities included finance management, accounting, controlling and budgeting, corporate governance and equity investments, logistics and procurement, project management, and IT. He is President of the Management Boards of CPTM and Telewizja Polsat Holdings Sp. z o.o. and Member of the Management Boards of Telewizja Polsat, CP Finance, Info-TV-FM, Redefine, Netshare Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Frazpc.pl Sp. z o.o., CPSPV1 Sp. z o.o., and CPSPV2 Sp. z o.o. In 2012, Mr Szeląg was awarded in the "CFO of the Year" competition organised by the Forbes monthly.

Mr Tomasz Szeląg was first appointed to the Management Board pursuant to the Supervisory Board Resolution of May 14th 2009.

Aneta Jaskólska – Member of the Management Board – Legal Affairs, Human Resources, Administration, and Security

Aneta Jaskólska, who is a legal counsel, graduated from the Faculty of Law and Administration of the University of Warsaw and completed legal counsel training with the District Chamber of Legal Counsels in Warsaw. Ms Jaskólska also holds a degree in Copyright, Publishing and Press Law from the Faculty of Management and Social Communication of the Jagiellonian University.

She has been Director of the Legal and Regulatory Department of Cyfrowy Polsat since 2007. As Member of the Management Board, she is responsible for the Legal Department, Administration Department, Human Resources Department, and Information Protection and Security Department. She is also Member of the Management Boards of CPTM, Info-TV-FM, Redefine, Netshare Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Frazpc.pl Sp. z o.o., CPSPV1 Sp. z o.o., and CPSPV2 Sp. z o.o. In 2004-2007, she served as Commercial Proxy and Director of Legal Department at UPC Polska Sp. z o.o. She sat on the Copyright Commission. Ms Jaskólska has more than ten years of experience in the provision of advisory and legal services to corporate clients. Her management skills have been recognised in numerous rankings, including the "100 Businesswomen" ranking.

Ms Aneta Jaskólska was first appointed to the Management Board pursuant to the Supervisory Board Resolution of July 13th 2010.

Positions held by the members of the Management Board outside the Group

At the Prospectus date, Dominik Libicki serves as Member of the Supervisory Board of Polski Operator Telewizyjny Sp. z o.o. and is the only Management Board member to have held a position on the administrative, management or supervisory bodies of outside the Group or to have been a partner in a company outside the Group within the last five years.

Supervisory Board

Composition, operation, and powers and responsibilities of the Supervisory Board

Composition of the Supervisory Board

At the Prospectus Date, the Supervisory Board is composed of five persons, appointed for a joint three-year term of office.

The following table presents basic information on Supervisory Board members in office at the Prospectus date.

Name and surname of the Supervisory Board member	Position held	Date of first appointment	Business address
Zygmunt Solorz-Żak	Chairman of the Supervisory Board	July 4th 2008	ul. Ostrobramska 77, 04-175 Warszawa, Poland
Robert Gwiazdowski	Independent Supervisory Board Member	July 4th 2008	ul. Sienna 39, 00-121 Warszawa, Poland
Andrzej Papis	Member of the Supervisory Board	September 20th 2007	ul. Ostrobramska 77, 04-175 Warszawa, Poland
Leszek Reksa	Independent Supervisory Board Member	July 4th 2008	ul. Dewajtis 3, 01-815 Warszawa, Poland
Heronim Ruta	Member of the Supervisory Board	January 12th 2001	ul. Warszawska 220, Radom, Poland

Source: the Company.

The Supervisory Board's current term of office began on June 5th 2012 and expires on June 5th 2015.

The mandate of each Supervisory Board member in office at the Prospectus date shall expire on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held their office, i.e. on the date of the resolution approving the financial statements for the financial year ended on December 31st 2014. The terms of office of the Supervisory Board Members also expire upon the member's removal from the Supervisory Board, their death or resignation. The mandate of a Supervisory Board member appointed prior to the expiry of a term of office of the Supervisory Board expires simultaneously with the mandates of the other Supervisory Board members.

For an overview of the qualifications and professional experience of the individual Supervisory Board members can be found below in "—Education and experience of Supervisory Board members".

Operation, powers and responsibilities of the Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board exercises ongoing supervision over all aspects of the Company's operations. Members of the Supervisory Board exercise their rights and discharge their duties in person.

The Supervisory Board consists of five to nine members, including the Chairperson of the Supervisory Board. Pursuant to the Articles of Association, the General Meeting determines the number of members of the Supervisory Board prior to appointing the members for a new term of office. Polish citizens and residents are to represent the majority of the Company's Supervisory Board members The Supervisory Board elects the Chairperson of the Supervisory Board from among its members, in a secret ballot. Pursuant to the Articles of Association, within the period when the Shares are traded on a regulated market within the meaning of the Act on Trading in Financial Instruments, the composition of the Supervisory Board may include two members meeting the criteria of an independent member of the Supervisory Board, provided for in the regulations applicable to the regulated market on which the Company shares are traded.

Pursuant to the Articles of Association, the powers of the Supervisory Board cover the matters reserved for it under the Companies Code, including in particular: (a) examination of the financial statements for their consistency with the accounting records, documentary evidence and actual state of affairs, examination of the Directors' periodic and annual reports, the Management Board's proposals concerning the distribution of profit or coverage of loss and submitting to the General Meeting a written report on findings of such examination; (b) preparation, on an annual basis, and presentation to the General Meeting of a concise assessment of the Company's standing, including an assessment of the internal control system and management system for risks material to the Company's business; (c) appointment of Management Board members; (d) delegation of Supervisory Board members to temporarily replace Management Board members unable to perform their duties; (e) suspension of individual or all Management Board members from duties for important reasons; (f) approval of the Rules of Procedure of the Management Board; (g) determining the rules of remuneration of the Management Board members; (h) appointment of an auditor to audit the financial statements of the Company; and (i) approval of interim dividend for a given financial year. The powers of the Supervisory Board also include: (a) assessment of the Management Board operations and presentation of the assessment to the Annual General Meeting; (b) examination of and giving opinion on the matters to be voted on by the General Meeting; (c) approval of annual and long-term plans of the Company's operations, prepared by the Management Board; (d) determining the amounts of remuneration of the Supervisory Board members delegated to temporarily replace Management Board members; (e) approval of Management Board members' participation in other companies; (f) approval of the appointment, removal and suspension of members of subsidiaries' governing bodies; (g) approval of the Company's entering in a material agreement with a related party; (h) approval of the Company's executing a transaction resulting in contracting a liability, with the exception of: (i) a transaction contemplated in the annual plan of the Company's operations, approved by the Supervisory Board or (ii) a transaction resulting in contracting a liability in an amount of up to PLN 10,000,000 (including granting sureties or guarantees, as well as issuing or guaranteeing promissory notes) executed in the ordinary course of business, including in particular the operations of digital pay TV and mobile virtual network operator; (i) issuing, upon the Management Board's request, opinions on all matters material to the Company. The Rules of Procedure of the Supervisory Board provide that, acting without prejudice to the powers of other governing bodies of the Company, the Supervisory Board may issue opinions on all matters relating to the Company's business, which includes submitting requests and proposals to the Management Board.

As a rule, Supervisory Board resolutions are to be adopted at its meetings. In addition, pursuant to the Articles of Association and Rules of Procedure of the Supervisory Board, the Board may adopt resolutions by using means of remote communication. A Supervisory Board member may also vote in writing through another Board member. Pursuant to the Articles of Association, the Supervisory Board meets at least once a quarter. Pursuant to the Rules of Procedure of the Supervisory Board, meetings of the Supervisory Board are held at the Company's registered offices or another venue specified by the person convening a given meeting. The Chairperson of the Supervisory Board or another Supervisory Board member appointed by the Chairperson convenes Supervisory Board meetings. The meeting of the Supervisory Board may also be convened without a formal notice if all Supervisory Board members are present and have consented to the meeting. The above provision applies accordingly if all members of the Supervisory Board participate in adopting resolutions using means of instant remote communication.

Pursuant to the Articles of Association, resolutions of the Supervisory Board are passed with a simple majority of votes cast. In case of a tie vote, the Chairperson has the casting vote. Resolutions adopted by the Supervisory Board are valid provided that all the Supervisory Board members have been invited to the meeting and at least half of them are present. Resolutions of the Supervisory Board are passed in an open ballot, unless any Supervisory Board member requests a secret ballot.

Committees of the Supervisory Board

At the Prospectus date, the Audit Committee and Remuneration Committee operate at the Company. The Supervisory Board appoints each committee from among its members, by virtue of a resolution. A committee elects its chairperson from among its members, by virtue of a resolution. The committee chairperson supervises the preparation of agenda, organisation of document distribution and preparation of minutes of committee meetings. The mandate of a committee member expires simultaneously with the expiry of their mandate of the Supervisory Board member. By virtue of a resolution, the Supervisory Board may decide to remove a member of a Board committee prior to the expiry of their mandate of the Supervisory Board member. Removal of a member from a committee is not tantamount to their removal from the Supervisory Board. Meetings of a committee are convened as needed to enable the committee to perform its tasks and responsibilities. Pursuant to the Rules of Procedure of the Supervisory Board, the provisions of the Rules apply accordingly to the meetings, resolutions and minutes of meetings of Board committees.

Audit Committee

The responsibilities of the Audit Committee include monitoring of financial reporting processes, internal control, internal audit and risk management systems. At the Prospectus date, the Audit Committee is composed of the following Supervisory Board members: Heronim Ruta, Robert Gwiazdowski and Leszek Reksa. The Chairman of the Audit Committee is Heronim Ruta.

Pursuant to the representations made before the Company, at the Prospectus date, Leszek Reksa is qualified in the field of accounting or financial auditing within the meaning of the Act on Qualified Auditors.

<u>*Remuneration Committee*</u>

The tasks and responsibilities of the Remuneration Committee include giving opinions on and developing remuneration rules and policy for Management Board members. At the Prospectus date, the Remuneration Committee is composed of the following Supervisory Board members: Zygmunt Solorz-Żak and Heronim Ruta.

Education and experience of Supervisory Board members

Zygmunt Solorz-Żak – Chairman of the Supervisory Board

Mr Zygmunt Solorz-Żak is an alumnus of a secondary technical school.

He is active in various business sectors of Poland's economy. At the end of the 1980s, he founded Przedsiębiorstwo Zagraniczne SOLPOL, a foreign trade enterprise. At the beginning of the 1990s, Mr Solorz-Żak entered the media sector by investing in Kurier Polski Sp. z o.o., a daily newspaper. In 1993, he launched Polsat, the first private satellite television in Poland, which was later that year awarded a broadcasting licence and transformed into a nationwide television channel. Within the first few years of its operations, Telewizja Polsat became one of the leaders of the TV broadcasting market in Poland.

At the Prospectus Date, Mr Solorz-Żak focuses his business activities on the media and telecommunication sectors, where he operates chiefly through such companies as Cyfrowy Polsat (being also its founder), Telewizja Polsat, Polkomtel and companies of Midas Group (formerly: Narodowy Fundusz Inwestycyjny Midas S.A.). Mr Solorz-Żak has many years' experience in serving on the governing bodies of commercial-law companies, which includes positions on the Supervisory Boards of such companies as Telewizja Polsat, Polkomtel, Midas S.A. (formerly: Narodowy Fundusz Inwestycyjny Midas S.A.), Plus Bank S.A. (formerly: Invest-Bank S.A.) and Zespół Elektrowni Pątnów-Adamów-Konin S.A.

Mr Zygmunt Solorz-Żak was first appointed to the Supervisory Board pursuant to the Annual General Meeting Resolution of July 4th 2008.

Robert Gwiazdowski – Independent Supervisory Board Member

Robert Gwiazdowski holds a post-doctoral degree of Habilitated Doctor (doctor habilitatus) in law and is a professor at Łazarski University. Mr Gwiazdowski is an active attorney-at-law and tax advisor and has served as President of Adam Smith Centre since 2004.

In 2006-2007, he served as Chairman of the Supervisory Board of the Polish Social Insurance Institution (Zakład Ubezpieczeń Społecznych). At present, Mr Gwiazdowski serves as Member of the Supervisory Boards of the following listed companies: DGA S.A., SARE S.A., Dom Maklerski IDM S.A., and MNI S.A., which operates on the telephony and TV markets.

Mr Robert Gwiazdowski was first appointed to the Supervisory Board pursuant to the Annual General Meeting Resolution of July 4th 2008.

Andrzej Papis – Member of the Supervisory Board

Andrzej Papis, who is a legal counsel, graduated from the Faculty of Law and Administration of the University of Warsaw and completed legal counsel training with the District Chamber of Legal Counsels in Warsaw.

In 1998-1999, he was an assistant in the team of Prof. Michał Kulesza in charge of Poland's administration reform and then an associate of the Government Plenipotentiary Office for Implementation of the General Health Insurance Programme. Since 2000, he has worked as a lawyer for Telewizja Polsat Sp. z o.o. and since 2001 – for Inwestycje Polskie Sp. z o.o., where he also serves as commercial proxy. He has served as Member of the Management Board of TFP Sp. z o.o. since 2004, becoming its President in 2013, and as Member of the Supervisory Board of Elektrim S.A. since 2004. Mr Papis was also Member of the Supervisory Board of Media-Biznes sp. z o.o. in 2007-2010 and President of the Management Board of Market sp. z o.o. in 2010-2013. He was appointed to the Supervisory Board of Polkomtel Sp. z o.o. in 2011, where he served until February 2014, and to the Supervisory Board of Teleaudio Dwa Sp. z o.o. S.K.A. in 2012. As a legal counsel, Mr Papis specialises in commercial and copyright laws as well as construction and civil laws, with a particular focus on real property use.

Mr Andrzej Papis was first appointed to the Supervisory Board pursuant to the Extraordinary General Meeting Resolution of September 20th 2007.

Leszek Reksa – Independent Supervisory Board Member

Leszek Reksa graduated from the Foreign Trade Faculty of the Central School of Planning and Statistics in Warsaw (currently: Warsaw School of Economics). He has also completed numerous specialist seminars and courses in management and finance, including a seminar on corporate management at the Faculty of Finance at DePaul University in Chicago.

He has vast experience in managerial positions at various companies, including 20 years in the banking sector (Powszechna Kasa Oszczędności Bank Polski S.A.). Mr Reksa also has many years' experience in serving on the governing bodies of commercial-law companies, which includes the positions of President of the Management Board of PHU BIMOT S.A., Member of the Supervisory Board of Bankowy Fundusz Leasingowy S.A., and Member of the Supervisory Board of Zakłady Azotowe Kędzierzyn S.A.

Mr Leszek Reksa was first appointed to the Supervisory Board pursuant to the Annual General Meeting Resolution of July 4th 2008.

Heronim Ruta – Member of the Supervisory Board

Heronim Ruta graduated from the Faculty of Electrical Engineering of the Warsaw University of Technology.

From 1978 to 1979, he was a specialist supervising the development of an experimental car for ultrasonic detection of cracks in rail tracks at the National Railway Technology Research Centre (Centralny Ośrodek Badań Techniki Kolejnictwa). In 1980-1987, he was head of Wytwórczo-Usługowa Spółdzielnia Pracy (a production and services cooperative). In 1987, he founded Herom Sp. z o.o., where he was President until 1992. In 1992-1994, he was President of Ster Sp. z o.o. In 2002-2005, he was Member of the Management Board of Polaris Finance B.V., and from 2002 to 2004 – Member of the Supervisory Board of Uzdaroji Akcine Bendrove "Baltijos Televizja". At the Prospectus Date, Mr Ruta serves on the Supervisory Boards of various companies, including Plus Bank S.A., PAI Media S.A. w likwidacji (in liquidation), Dolnośląskie Centrum Aktywności Gospodarczej S.A. (formerly: Gurex S.A.), Cyfrowy Polsat and Telewizja Polsat. From November 2011 to February 2014, he was also Chairman of the Supervisory Board of Polkomtel, where he now serves as Deputy Chairman.

Mr Heronim Ruta was first appointed to the Supervisory Board pursuant to the Extraordinary General Meeting Resolution of January 12th 2001.

Positions held by the members of the Supervisory Board outside the Group

The table below presents information on companies outside the Group at which the Supervisory Board members have held positions on the administrative, management or supervisory bodies, or have been partners, within the last five years. In the case of public companies, whose shares have been admitted to trading on the regulated market, the information on shares held by the Supervisory Board members is provided where such shareholding represents 5% or more of total voting rights at such company's general meeting.

First name and surname	Non-Group company	Position	Is the position held at the Prospectus date?
Zygmunt Solorz-Żak	Dwa Sp. z o.o.	Shareholder	Yes
	East Grove	Shareholder	No
	Inwestycje Polskie Sp. z o.o.	Shareholder	Yes
	Kurier Polski Sp. z o.o.	Shareholder	No
	Pablo Soft Sp. z o.o.	Shareholder	No
	Polisa-Życie Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	Member of the supervisory board	No
	Polisa-Życie Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	Shareholder	No
	Teleaudio Sp. z o.o.	Shareholder	No
	ATM S.A.	Shareholder	No
	Bioton S.A.	Member of the supervisory board	No
	Bithell Holdings Limited	Shareholder	Yes
	Dolnośląskie Centrum Aktywności Gospodarczej S.A. (formerly Gurex S.A.)	Member of the supervisory board	Yes
	Dolnośląskie Centrum Aktywności Gospodarczej S.A. (formerly Gurex S.A.)	Shareholder	Yes
	Elektrim S.A.	Member of the supervisory board	Yes
	IT Polpager S.A.	Member of the supervisory board	No
	Karswell Limited	Shareholder	Yes
	Lambo SA SICAV-SIF Compartment B	Shareholder	No
	Market Sp. z o.o.	Shareholder	Yes
	Midas S.A. (Formerly Narodowy Fundusz Inwestycyjny Midas S.A.)	Member of the supervisory board	Yes
	PAI Media S.A.	Shareholder	No
	PAI Media S.A. w likwidacji (in liquidation)	Member of the supervisory board	Yes
	Plus Bank S.A. (formerly Invest-Bank S.A.)	Member of the supervisory board	Yes
	Plus Bank S.A. (formerly Invest-Bank S.A.)	Shareholder	Yes
	Polaris Finance B.V.	Shareholder	No
	Polkomtel	President of the management board	No
	Polkomtel	Member of the supervisory board	Yes
	Polsat Nieruchomości Sp. z o.o.	Shareholder	Yes
	Polskie Nieruchomości Sp. z o.o.	Shareholder	Yes
	Przedsiębiorstwo Handlowo-Usługowe Market Sp. z o.o.	Shareholder	Yes
	Sferia S.A.	Member of the supervisory board	No
	Spartan	Shareholder	No
	TFP Sp. z o.o.	Shareholder	Yes
	Zespół Elektrowni Pątnów-Adamów-Konin S.A.	Member of the supervisory board	Yes
Robert Gwiazdowski	Gwiazdowski + Capital Investments Sp. z o.o. S.K.A.	General partner	Yes
	Sport Medica S.A.	Member of the supervisory board	Yes
Andrzej Papis	Elektrim S.A.	Member of the supervisory board	Yes
	Elektrim S.A.	Shareholder	Yes
	Market Sp. z o.o.	President of the management board	No
	Polkomtel	Member of the supervisory board	No
	Teleaudio Dwa Sp. z o.o. S.K.A.	Member of the supervisory board	Yes
	TFP Sp. z o.o.	President of the management board	Yes
Heronim Ruta	Dwa Sp. z o.o.	Shareholder	Yes
	Inwestycje Polskie Sp. z o.o.	Shareholder	Yes
	Teleaudio Sp. z o.o.	Shareholder	No
	Bithell Holdings Limited	Shareholder	Yes
	DCAG S.A.	Shareholder	Yes
	Diasen Limited	Director	No
	Dolnośląskie Centrum Aktywności Gospodarczej S.A. (formerly Gurex S.A.)	Member of the supervisory board	Yes
	HR Fund Sp. z o.o.	Shareholder	Yes
	Lambo SICAV	Shareholder	No
	PAI Media S.A. w likwidacji (in liquidation)	Shareholder	No
	PAI Media S.A. w likwidacji (in liquidation)	Member of the supervisory board	Yes

First name and surname	Non-Group company	Position	Is the position held at the Prospectus date?
	Plus Bank S.A. (formerly Invest-Bank S.A.)	Deputy Chairman of the supervisory board	Yes
	Plus Bank S.A. (formerly Invest-Bank S.A.)	Shareholder	Yes
	Polaris Finance B.V.	Shareholder	No
	Polkomtel	Deputy Chairman of the supervisory board	Yes
	Przedsiębiorstwo Handlowo-Usługowe Market Sp. z o.o.	Shareholder	Yes
	Sensor Overseas Limited	Shareholder	Yes
	Ster Sp. z o.o.	Shareholder	Yes
	Teleaudio Dwa Sp. z o.o. S.K.A.	Member of the supervisory board	Yes
	Towarzystwo Ubezpieczeniowo Reasekuracyjne Polisa S.A.	Shareholder	No

Source: the Company.

Other information on the Management and Supervisory Board members

Remuneration and other benefits of the Management and Supervisory Board members

Rules of remuneration for members of the Management Board

In accordance with the Issuer's Articles of Association, determination of the rules of remuneration for Management Board members falls within the remit of the Supervisory Board.

Under Supervisory Board's Resolution No. 01/05/02/2009 of February 5th 2009 effective at the Prospectus date, the Supervisory Board authorised its Chairman to represent it in relations between the Company and Management Board members, in particular to execute contracts with Management Board members and negotiate the terms and amounts of their remuneration.

Amounts of remuneration and value of non-cash benefits received by members of the Management Board in 2013

The table below presents the amounts of remuneration paid and value of non-cash benefits provided in 2013 by the Company and its subsidiaries to all members of the Management Board serving in 2013.

Name and surname of the Management Board member	Amount of remuneration (gross) paid by the Company in 2013	Amount of remuneration (gross) paid by the Company's subsidiaries in 2013	Total estimated value of non-cash benefits provided by the Company in 2013 (1)
Dominik Libicki	PLN 4,080 thousand	PLN 9 thousand	PLN 0.1 thousand
Dariusz Działkowski	PLN 1,024 thousand	PLN 36 thousand	PLN 0.1 thousand
Tomasz Szeląg	PLN 2,124 thousand	PLN 60 thousand	PLN 0.1 thousand
Aneta Jaskólska	PLN 1,624 thousand	PLN 42 thousand	PLN 0.1 thousand

(1) Includes non-public medical care. In 2013, the Company's subsidiaries did not award any non-cash benefits to members of the Management Board.

Source: the Company (unaudited data).

For information on the total amount of remuneration paid to Management Board members by the Company and its subsidiaries in the years ended December 31st 2013, December 31st 2012 and December 31st 2011, see "Related-party transactions—Transactions between the Group companies and members of the Management Board and the Supervisory Board—Transactions between the Group companies and members of the Management Board".

Rules of remuneration for members of the Supervisory Board

In accordance with the Issuer's Articles of Association, Supervisory Board members are entitled to remuneration in the amount determined by the General Meeting, and determination of the rules of remuneration for Supervisory Board members delegated to temporarily replace Management Board members falls within the remit of the Supervisory Board. In accordance with the Rules of Procedure for the Supervisory Board, remuneration of Supervisory Board members should reflect the duties and responsibilities of the position held and the Company's capitalisation, and its amount should be reasonable in the light of the Company's financial performance.

At the Prospectus date, the remuneration of Supervisory Board members has been determined in Resolution No. 4 of the Extraordinary General Meeting of September 5th 2007. In accordance with the resolution, the monthly remuneration of Supervisory Board members is PLN 10,000, and the monthly remuneration of the Chairman of the Supervisory Board is PLN 15,000. Supervisory Board members are entitled to reimbursement of expenses incurred in connection with their participation in Supervisory Board's activities, subject to rules defined in a separate resolution. At the Prospectus date, no resolution on reimbursement of such expenses has been passed.

Amounts of remuneration and value of non-cash benefits received by members of the Supervisory Board in 2013

The table below presents the amounts of remuneration paid and value of non-cash benefits provided in 2013 by the Company and its subsidiaries to all members of the Supervisory Board serving in 2013.

Name and surname of the Supervisory Board member	Amount of remuneration (gross) paid by the Company in 2013	Amount of remuneration (gross) paid by the Company's subsidiaries in 2013	Total estimated value of non-cash benefits provided by the Company's subsidiaries in 2013 (1)
Zygmunt Solorz-Żak	PLN 180 thousand	PLN 1,260 thousand	–
Robert Gwiazdowski	PLN 120 thousand	–	–
Andrzej Papis	PLN 120 thousand	PLN 104 thousand	PLN 0.1 thousand(2)
Leszek Reksa	PLN 120 thousand	–	–
Heronim Ruta	PLN 120 thousand	PLN 878 thousand	PLN 0.1 thousand(3)

(1) *In 2013, the Company did not award any non-cash benefits to Supervisory Board members.*

(2) *Includes non-public medical care, sports and leisure package and gift vouchers.*

(3) *Includes non-public medical care.*

Source: the Company (unaudited data).

For information on the total amount of remuneration paid to Supervisory Board members by the Company and its subsidiaries in the years ended December 31st 2013, December 31st 2012 and December 31st 2011, see "Related-party transactions—Transactions between the Group companies and members of the Management Board and the Supervisory Board—Transactions between the Company and members of the Supervisory Board".

Contracts with Management and Supervisory Board members providing for payment of benefits on termination of service

At the Prospectus date, members of the Company's Management Board and Supervisory Board were parties to managerial contracts and non-compete agreements, each of which provided for payment of benefits on termination of service on the Company's Management Board.

The managerial contracts executed by the Company provide for termination notice periods of six months (in the case of Dominik Libicki, President of the Management Board) and four months (in the case of other Management Board members, i.e. Dariusz Działkowski, Tomasz Szeląg and Aneta Jaskólska). In the event of termination of a managerial contract (including its expiry), a Management Board member is entitled to receive a payment (severance pay) in the amount and on the terms specified below:

- in the event of contract termination or lack of its renewal (if the competent bodies of Cyfrowy Polsat do not appoint a member of the Company's Management Board for a subsequent term of office or if no new managerial contract is executed) for reasons attributable to Cyfrowy Polsat – PLN 330,000 (net) (in the case of Dominik Libicki) or PLN 240,000 (net) (in the case of other Management Board members); Cyfrowy Polsat will pay the severance on the contract termination date or if it is not renewed;

- if Cyfrowy Polsat terminates the contract with notice – PLN 330,000 (net) (in the case of Dominik Libicki) or PLN 240,000 (net) (in the case of other Management Board members); Cyfrowy Polsat will pay the severance on the last day of the notice period.

In addition, Management Board members are parties to non-compete agreements executed with the Company, under which they are entitled to receive monthly remuneration of PLN 55,000 (in the case of Dominik Libicki) or PLN 40,000 (in the case of other Management Board members), multiplied by the number of months of the non-compete period.

Supervisory Board members are not parties to any agreements specifying payments to be made at the termination of service on the Supervisory Board, nor are they entitled to any additional benefits upon termination of service.

Obligations under retirement, disability and other benefits for Management and Supervisory Board members

The Company and the Group companies did not recognise any provisions for retirement, disability or other similar benefits for members of the Management and Supervisory Boards.

Existing Shares and options for Shares held by Management and Supervisory Board members

In accordance with the representations made to the Company, at the Prospectus date the following members of the Management and Supervisory Boards held Existing Shares: Dominik Libicki – 1,497 Existing Shares, Heronim Ruta – 25,341,272 Existing Shares held indirectly through Sensor Overseas Limited, Zygmunt Solorz-Żak – 154,204,296 Existing Shares held indirectly through TiVi Foundation and Pola Investments Limited.

Lock-up agreements relating to the Shares executed by Management and Supervisory Board members

For information on lock-up arrangements relating to the Shares executed with members of the Management and Supervisory Boards, see "Admission of securities to trading—Lock-up arrangements relating to Shares".

Save for the above, there are no other lock-up arrangements relating to the Shares which would be binding on the members of the Management and Supervisory Boards.

Representations of Management and Supervisory Board members

According to the representations made by the members of the Management Board and Supervisory Board, with the exception of cases described in this section, within the last five years before the Prospectus date, no member of the Management Board or Supervisory Board has been:

- a member of an administrative, management or supervisory body of, or a partner in, any non-Group companies;
- convicted for fraud;
- officially and publicly charged by any statutory or regulatory bodies (including recognised professional organisations) or subjected to any sanctions by any statutory or regulatory bodies (including recognised professional organisations);
- disqualified by a court from holding positions in administrative, management or supervisory bodies of any company or from performing managerial functions or conducting the affairs of any company.

In the last five years, the following entities were subject to insolvency proceedings when Zygmunt Solorz-Żak and Andrzej Papis held positions in their administrative, management and supervisory bodies, or when Zygmunt Solorz-Żak and Andrzej Papis held senior management positions at these entities:

- Elektrim S.A.: On August 9th 2007, the management board of Elektrim S.A. filed for insolvency with arrangement option. On August 21st 2007, the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Insolvency and Arrangement Division, issued a decision on Elektrim S.A.'s insolvency with arrangement option. At the request of the creditors, the insolvency proceedings were discontinued by the court's decision of December 17th 2010. On January 10th 2011, the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Insolvency and Arrangement Division, ruled that the decision to discontinue the insolvency proceedings against Elektrim S.A. of December 17th 2010 was final. The discontinuation of the insolvency proceedings was recorded in the register of entrepreneurs of the National Court Register. The reason behind the petition for insolvency was the need to ensure that claims of all company's creditors would be satisfied fairly. Despite the fact that the company's assets allowed it to fully satisfy its liabilities, almost all assets were held as security of up to EUR 725m in favour of the company's noteholders, as a result of which the company was unable to sell them and raise the funds which it could not otherwise generate as it did not conduct any business activities. In effect, the company was unable to meet its liabilities. In the opinion of the management board of Elektrim S.A. the petition for insolvency was designed to settle relations with noteholders and other company's creditors.

In the last five years, the following entities were placed in liquidation when all Management Board members, excluding Dominik Libicki, held positions in their administrative, management and supervisory bodies, or when they held senior management positions at these entities:

- Gery.pl Sp. z o.o.: On May 25th 2009, the general meeting resolved to wind up the company for business reasons, chiefly due to lack of growth prospects. The new business opportunities for Gery.pl Sp. z o.o. which occurred after its acquisition by Cyfrowy Polsat made it reasonable to discontinue the liquidation process, which was approved by Gery.pl Sp. z o.o.'s general meeting in its resolution of December 21st 2012.

In addition, in the last five years, the following entities were placed in liquidation when Zygmunt Solorz-Żak and Heronim Ruta held positions in their administrative, management and supervisory bodies, or when Zygmunt Solorz-Żak and Heronim Ruta held senior management positions at these entities:

- PAI Media S.A. w likwidacji (in liquidation): On October 1st 2013, the extraordinary general meeting resolved to wind up the company. The rationale for the resolution was the fact that the company's business became irrelevant due to a change in strategy by its owners.

According to the representations made, with the exception of cases described above, no member of the Management Board and Supervisory Board has been a member of an administrative, management or supervisory body or has held a senior management position at entities which within the last five years have been: (i) subject to insolvency proceedings (or a petition for insolvency of such entity has been dismissed due to lack of funds to cover the costs of insolvency proceedings); (ii) placed in liquidation; (iii) subject to recovery proceedings; or (iv) placed under administration.

According to the representations made, with the exception of cases described in this section, at the Prospectus date, no family links existed between the members of the Management Board and the Supervisory Board, no member of the Management Board and the Supervisory Board (with the exception of holding positions at management or supervisory bodies of other entities) conducted, outside the Company, any activity which would have a material effect on the Company, nor were any of these persons – with the exception of Robert Gwiazdowski who is a member of the Supervisory Board of MNI S.A., which operates on the telephony and TV market – involved in any actual or potential conflict of interests between their obligations towards the Company and their respective private interests or other obligations. In the Issuer's opinion, Robert Gwiazdowski's activities as member of the Supervisory Board of MNI S.A. do not give rise to any actual or potential conflict of interests with his obligations as member of the Supervisory Board.

Corporate governance

Code of Best Practice for WSE Listed Companies

Cyfrowy Polsat is required to comply with the corporate governance principles set forth in the Code of Best Practice for WSE Listed Companies, which is an appendix to the WSE Management Board's Resolution No. 12/1170/2007 of July 4th 2007, as amended by the following WSE Management Board's Resolutions: No. 17/1249/2010 of May 19th 2010, No. 15/1282/2011 of August 31st 2011, No. 20/1287/2011 of October 19th 2011, and No. 19/1307/2012 of November 21st 2012.

The Code of Best Practice is a set of recommendations and principles of conduct applicable, in particular, to governing bodies and shareholders of listed companies. The document was prepared by the WSE and made available at the WSE's premises and on its website dedicated to corporate governance (http://corp-gov.gpw.pl).

Corporate governance principles with which the Company did not comply and reasons for non-compliance

We make every effort to comply with the corporate governance principles set forth in the document referred to above, striving to implement all best practice recommendations for listed companies, management and supervisory boards and shareholders at each stage of our operations.

In general, in 2013 we complied with all applicable principles described in Section II, III, and IV of the Code of Best Practice for WSE Listed Companies, to which the "comply or explain" principle applies.

However, the Company did not change the organisation of the General Meeting to comply with the principle concerning direct broadcast of the Meeting, ensuring bilateral communication during the Meeting, and publishing the record of the Meeting on the Company's website in an audio or video format. Thus, at the Annual

General Meeting held on June 11th 2013 the Company did not comply with the principles set forth in Sections IV.10 and II.I.9a. At the Prospectus date, the Management Board had no plans to change the organisation of the General Meeting. It is a priority for the Management Board to ensure that General Meetings are conducted efficiently and at reasonable cost. In view of the low popularity of conducting general meetings using means of electronic communication and of the fact that the market is not fully prepared for such a procedure, creating a risk of organisational and technical issues, the Management Board decided to consider the implementation of these changes at a later time.

Further, due to legal considerations, we decided not to comply with the recommendation specified in Section I.12., under which shareholders should be able to exercise voting rights during a General Meeting in person or through a proxy from a location other than the venue of the General Meeting using means of electronic communication. The Management Board's key objective is to ensure that the General Meeting proceeds efficiently and that the resolutions passed are valid, and at the Prospectus date it did not plan any changes in the voting procedure.

Also, the Company did not comply with recommendation I.5. concerning determination of rules of remuneration for members of the management and supervisory bodies. The regime for the remuneration for members of the Company's management and supervisory bodies was not based on the European Commission's recommendation and not all of its provisions have been implemented. In accordance with Art. 24.d of the Issuer's Articles of Association, determining the remuneration of Supervisory Board members falls within the remit of the General Meeting, with the exception of remuneration of Supervisory Board members delegated to temporarily replace Management Board members, which under Art. 19.2.d of the Issuer's Articles of Association is determined by the Supervisory Board. Remuneration reflects the duties and responsibilities of the position held and the Company's capitalisation, and its amount is reasonable in the light of the Company's financial performance. Remuneration of Management Board members is determined by the Supervisory Board and reflects the duties and responsibilities of each Management Board member.

Members of the Company's Supervisory and Management Board are appointed by the General Meeting and the Supervisory Board, respectively, based on their qualifications and experience, and taking into account the duties and responsibilities to be entrusted to the candidates. In the process of selecting members of the Company's governing bodies factors such as sex are disregarded. The Company's management believes that this approach ensures that persons most suitable for a given position are selected to perform the management and supervisory duties.

As a result, at the Prospectus date the Company did not comply with recommendation I.9. designed to ensure a balanced proportion of women and men in management and supervisory functions in companies.

MAJOR SHAREHOLDERS

Major shareholders

At the Prospectus date, the Company's share capital was represented by 348,352,836 Existing Shares. Pursuant to the Articles of Association, Series A, B and C share, as well as 166,917,501 Series D shares carry preference in terms of voting rights: each share confers the right to two votes at the General Meeting. The remaining 8,082,499 Series D shares and Series E, Series F and Series H shares confer the right to one vote at the General Meeting. Save for the voting preference referred to above, the Existing Shares carry no other preference rights, including with respect to payment of dividend or distribution of assets in the event of the Company's liquidation, and all rights carried by the shares are the same. In accordance with the Issuer's Articles of Association, a shareholder may request that registered shares be converted into bearer shares. Conversion of bearer shares into registered shares is impermissible.

Cyfrowy Polsat's major shareholders holding, directly or indirectly, 5% or more of the Company's share capital at the Prospectus date are as follows:

	At Prospectus date			
Shareholder	*Existing Shares*	*(%)*	*No. of votes*	*(%)*
Zygmunt Solorz-Żak (indirectly), through:	**154,204,296**	**44.27**	**306,709,172**	**58.11**
TiVi Foundation (indirectly), through:	*154,204,296*	*44.27*	*306,709,172*	*58.11*
Pola Investments Limited, including:	*154,204,296*	*44.27*	*306,709,172*	*58.11*
preference registered shares	*152,504,876*	*43.78*	*305,009,752*	*57.79*
ordinary bearer shares	*1,699,420*	*0.49*	*1,699,420*	*0.32*
Heronim Ruta (indirectly), through:	**25,341,272**	**7.27**	**50,382,647**	**9.55**
Sensor Overseas Limited, including:	*25,341,272*	*7.27*	*50,382,647*	*9.55*
preference registered shares	*25,041,375*	*7.19*	*50,082,750*	*9.49*
ordinary bearer shares	*299,897*	*0.09*	*299,897*	*0.06*
Other	**168,807,268**	**48.46**	**170,678,518**	**32.34**
Total	**348,352,836**	**100.00**	**527,770,337**	**100.00**

TiVi Foundation

TiVi Foundation, a family foundation established under the laws of Liechtenstein, holds indirectly through Pola Investments Limited 154,204,296 Existing Shares, representing 44.27% of the Issuer's share capital and conferring the right to 306,709,172 votes at the General Meeting.

TiVi Foundation's parent is Zygmunt Solorz-Żak.

Pola Investments Limited

Pola Investments Limited, a company established under the laws of Cyprus, holds directly 154,204,296 Existing Shares, representing 44.27% of the Issuer's share capital and conferring the right to 306,709,172 votes, or 58.11% of total vote, at the General Meeting. Pola Investments Limited does not hold any Existing Shares indirectly.

Pola Investments Limited's ultimate parent is Zygmunt Solorz-Żak (through TiVi Foundation).

Sensor Overseas Limited

Sensor Overseas Limited, a company established under the laws of Cyprus, holds directly 25,341,272 Existing Shares, representing 7.27% of the Issuer's share capital and conferring the right to 50,382,647 votes, or 9.55% of total vote, at the General Meeting. Sensor Overseas Limited does not hold any Existing Shares indirectly.

Sensor Overseas Limited's parent is Heronim Ruta.

Save for the voting rights described above, at the Prospectus date the Company's major shareholders did not hold any voting rights at the General Meeting.

Control over the Company and arrangements which may result in change of control over the Company

Control over the Company

At the Prospectus date, given that Pola Investments Limited holds a majority of votes at the General Meeting, it is the Company's immediate parent within the meaning of Art. 4.14 of the Act on Public Offering and Art. 4.1.4 of the Companies Code.

As such, Pola Investments Limited may have crucial influence on decisions concerning such matters as amendments to the Issuer's Articles of Association, share capital increase through the issue of new shares, issue of bonds convertible into shares or dividend payment.

Pola Investments Limited's ultimate parent is Zygmunt Solorz-Żak (through TiVi Foundation).

Mechanisms preventing control abuse

Other than mechanisms defined by generally applicable laws, including the Companies Code, there are no other mechanisms which would significantly prevent abuse of control over the Company by its parent. In particular, the Issuer's Articles of Association do not provide for any such mechanisms.

Arrangements which may result in change of control over the Company

On November 14th 2013, we signed a conditional agreement for purchase of shares in Metelem, which is indirectly controlled by Zygmunt Solorz-Żak and which indirectly holds 100% of the share capital of Polkomtel, with three Metelem shareholders: Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas Limited. Further, on December 19th 2013 we signed a conditional share purchase agreement with Metelem's fourth shareholder – the EBRD. Metelem shares are to be transferred to the Company in the form of a non-cash contribution made by the sellers to pay for the New Shares to be issued by the Company (see "Transaction—Transaction overview").

Subject to satisfaction of all conditions precedent and completion of the Transaction, the existing shareholders' interests in the Existing Shares will be diluted (see "—Expected post-Transaction shareholder structure").

Expected post-Transaction shareholder structure

The New Shares will represent up to 45.53% of the entire increased share capital of the Company and confer the right to up to 35.56% of the total vote at the General Meeting.

As a result of the Transaction the existing shareholders' interests in the Existing Shares will be diluted. Following the Transaction, the Existing Shares will represent 54.47% of the Company's share capital and confer the right to 64.44% of the total vote at the General Meeting. If all Existing Shares are subscribed for as described in "Transaction", the share of Zygmunt Solorz-Żak's and Heronim Ruta's subsidiaries in the Issuer's share capital and total vote at the General Meeting will increase accordingly. The table below presents the Company's post-Transaction shareholder structure assuming that the Transaction is completed as described in "Transaction":

Shareholder	Post-Transaction			
	Shares	*(%)*	*No. of votes*	*(%)*
Zygmunt Solorz-Żak (indirectly), through:	**370,256,512**	**57.89**	**522,761,388**	**63.83**
TiVi Foundation (indirectly), through:	*154,204,296*	*24.11*	*306,709,172*	*37.45*
Pola Investments Limited, including:	*154,204,296*	*24.11*	*306,709,172*	*37.45*
preference registered shares	*152,504,876*	*23.85*	*305,009,752*	*37.24*
ordinary bearer shares	*1,699,420*	*0.27*	*1,699,420*	*0.21*
Argumenol Investment Company Limited	*58,063,948*	*9.08*	*58,063,948*	*7.09*
Karswell Limited	*157,988,268*	*24.70*	*157,988,268*	*19.29*
Heronim Ruta (indirectly), through:	**53,221,546**	**8.32**	**78,262,921**	**9.56**
Sensor Overseas Limited, including:	*53,221,546*	*8.32*	*78,262,921*	*9.56*
preference registered shares	*25,041,375*	*3.92*	*50,082,750*	*6.12*
ordinary bearer shares	*28,180,171*	*4.41*	*28,180,171*	*3.44*
European Bank for Reconstruction and Development	**47,260,690**	**7.39**	**47,260,690**	**5.77**
Other	**168,807,268**	**26.39**	**170,678,518**	**20.84**
Total	**639,546,016**	**100.00**	**818,963,517**	**100.00**

GENERAL INFORMATION ON THE GROUP

Information on the Issuer

Name and legal form:	Cyfrowy Polsat Spółka Akcyjna
Abbreviated name:	Cyfrowy Polsat S.A.
Registered office and address:	ul. Łubinowa 4A, 03-878 Warsaw, Poland
Phone:	+48 22 356 66 00
Fax No.:	+48 22 356 60 03
Website:	www.cyfrowypolsat.pl
Email address:	recepcja@cyfrowypolsat.pl
Number of entry in the National Court Register (KRS):	0000010078
Industry Identification Number (REGON):	670925160
Tax Identification Number (NIP):	7961810732

The Issuer operates as a joint-stock company under the provisions of the Companies Code and other generally applicable laws. The Issuer's Articles of Association were executed on October 30th 1996. On June 21st 2001, the Issuer was entered in the register of entrepreneurs of the National Court Register, maintained by the District Court for the capital city of Warsaw, 21st Commercial Division of the National Court Register, under KRS No. 0000010078. The Issuer was established for indefinite period.

At present, the Issuer conducts its business under the name Cyfrowy Polsat Spółka Akcyjna. The Issuer may also use an abbreviated name Cyfrowy Polsat S.A. and a distinctive logo.

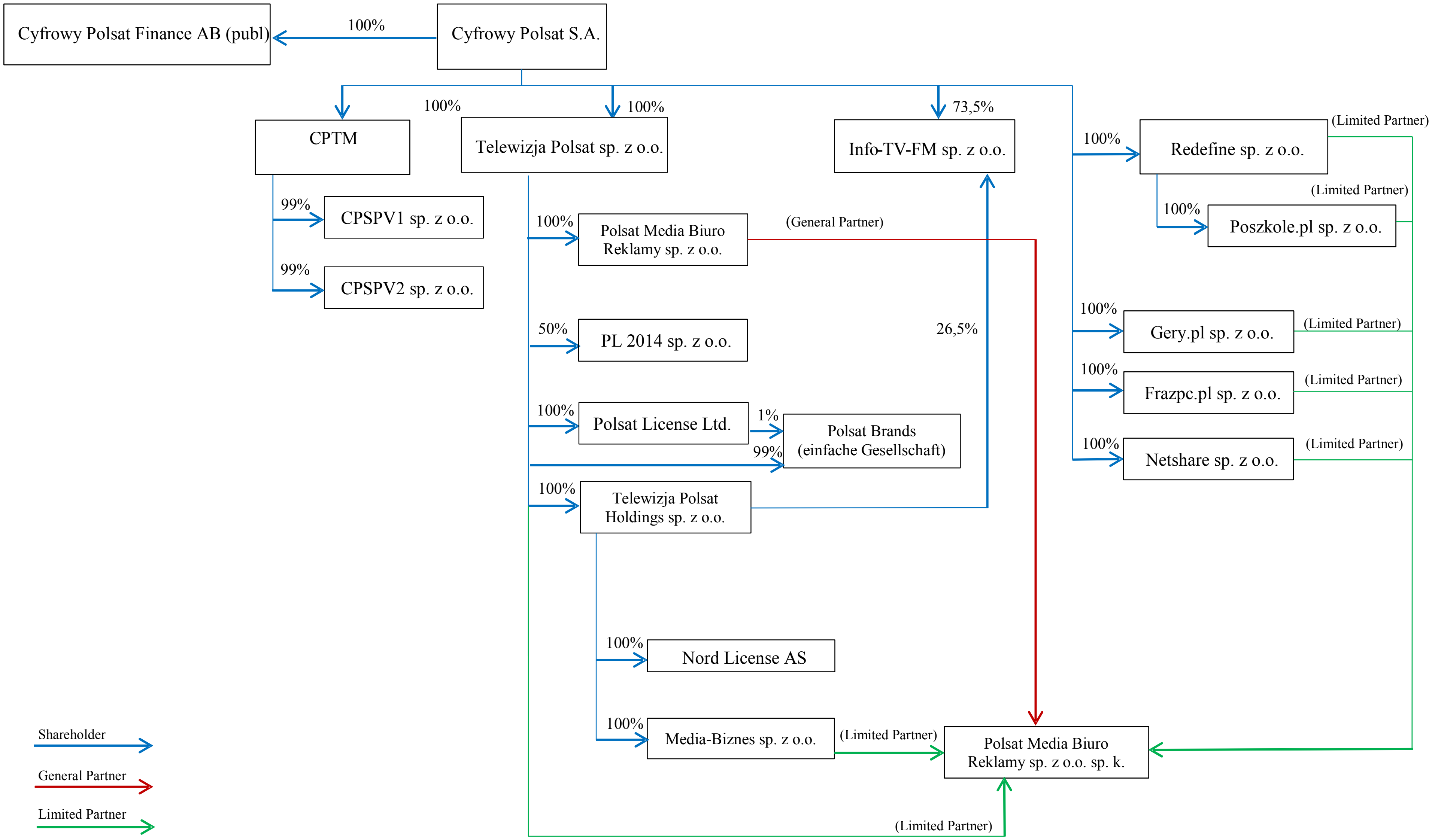
Business profile

The Company's principal business activities include radio, television, telecommunications and other services specified in detail in Art. 7 of the Issuer's Articles of Association (see Appendix).

Structure of the Group

At the Prospectus date, the Group comprises the Company and its 19 direct or indirect subsidiaries operating principally in the media and telecommunications sectors.

Below is presented the structure of the Group at the Prospectus date.



Source: The Issuer.

Below is presented key information on the Group and the Issuer as the Group's Parent.

Cyfrowy Polsat

The Issuer is the parent of Polsat Group. For other information on the Issuer, see "—Information on the Issuer" and "—Business profile" above, and "Share capital and Shares—General".

Cyfrowy Polsat Finance

The Issuer holds directly all shares in Cyfrowy Polsat Finance, representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Cyfrowy Polsat Finance AB (publ)
Registered office and address:	Stureplan 4C, 4 TR 114 35, Stockholm, Sweden
Share capital:	SEK 500,000
Principal business activity:	Financial transactions

CPTM

The Issuer holds directly all shares in CPTM, representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Cyfrowy Polsat Trade Marks sp. z o.o.
Registered office and address:	ul. Łubinowa 4A, Warsaw, Poland
Share capital:	PLN 615,445,000.00
Principal business activity:	Management of plant and equipment and intellectual property rights

Telewizja Polsat

The Issuer holds directly all shares in Telewizja Polsat, representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Telewizja Polsat Sp. z o.o.
Registered office and address:	ul. Ostrobramska 77, Warsaw, Poland
Share capital:	PLN 236,946,700.00
Principal business activity:	TV production and broadcasting

Polsat Media

The Issuer holds all shares in Polsat Media indirectly through Telewizja Polsat, Telewizja Polsat Holdings Sp. z o.o., Media-Biznes Sp. z o.o., Polsat Media Biuro Reklamy Sp. z o.o., Redefine, Poszkole Sp. z o.o., Netshare Sp. z o.o., Gery.pl Sp. z o.o. and Frazpc.pl Sp. z o.o. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k.
Registered office and address:	ul. Ostrobramska 77, Warsaw, Poland
Share capital:	not applicable
Principal business activity:	Advertising

Polsat Media Biuro Reklamy Sp. z o.o.

The Issuer holds all shares in Polsat Media Biuro Reklamy Sp. z o.o. indirectly through Telewizja Polsat. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polsat Media Biuro Reklamy Sp. z o.o.
Registered office and address:	ul. Ostrobramska 77, Warsaw, Poland
Share capital:	PLN 37,900.00
Principal business activity:	Advertising

Nord License AS

The Issuer holds all shares in Nord License AS indirectly through Telewizja Polsat and Telewizja Polsat Holdings Sp. z o.o. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Nord License AS
Registered office and address:	Vollsvseien 13B, Lysaker, Norway
Share capital:	USD 710,084.00
Principal business activity:	Trade in programming licences

Polsat License Ltd.

The Issuer holds all shares in Polsat License Ltd. indirectly through Telewizja Polsat. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polsat License Ltd.
Registered office and address:	Poststrasse 9, 6300 Zug, Switzerland
Share capital:	CHF 1,000,000
Principal business activity:	Trade in programming licences

Polsat Brands (einfache Gesellschaft)

The Issuer holds all shares in Polsat Brands *(einfache Gesellschaft)* indirectly through Telewizja Polsat and Polsat License Ltd. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polsat Brands *(einfache Gesellschaft)*
Registered office and address:	Poststrasse 9, 6300 Zug, Switzerland
Share capital:	not applicable
Principal business activity:	Management of intellectual property rights

Telewizja Polsat Holdings Sp. z o.o.

The Issuer holds all shares in Telewizja Polsat Holdings Sp. z o.o. indirectly through Telewizja Polsat. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Telewizja Polsat Holdings Sp. z o.o.
Registered office and address:	ul. Ostrobramska 77, Warsaw, Poland
Share capital:	PLN 64,030,000.00
Principal business activity:	activities of holding companies

Media-Biznes sp. z o.o.

The Issuer holds all shares in Media-Biznes Sp. z o.o. indirectly through Telewizja Polsat and Telewizja Polsat Holdings Sp. z o.o. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Media-Biznes sp. z o.o.
Registered office and address:	ul. Ostrobramska 77, Warsaw, Poland
Share capital:	PLN 19,254,000.00

Principal business activity:	TV services

Info-TV-FM

The Issuer holds directly 73.5% of shares in Info-TV-FM, and 26.5% indirectly through Telewizja Polsat and Telewizja Polsat Holdings Sp. z o.o. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Info-TV-FM Sp. z o.o.
Registered office and address:	ul. Łubinowa 4A, Warsaw, Poland
Share capital:	PLN 7,380,279.00
Principal business activity:	Radio and TV services

Redefine

The Issuer holds directly all shares in Redefine, representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Redefine Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 61A, Warsaw, Poland
Share capital:	PLN 537,500.00
Principal business activity:	Web portals

Poszkole.pl Sp. z o.o.

The Issuer holds all shares in Poszkole.pl Sp. z o.o. indirectly through Redefine. The shares held represent 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Poszkole.pl Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 61A, Warsaw, Poland
Share capital:	PLN 2,500,000.00
Principal business activity:	Web portals

Gery.pl Sp. z o.o.

The Issuer holds directly all shares in Gery.pl Sp. z o.o., representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Gery.pl Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 61A, Warsaw, Poland
Share capital:	PLN 125,000.00
Principal business activity:	Web portals

Frazpc.pl Sp. z o.o.

The Issuer holds directly all shares in Frazpc.pl Sp. z o.o., representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Frazpc.pl Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 61A, Warsaw, Poland
Share capital:	PLN 77,500.00
Principal business activity:	Web portals

Netshare Sp. z o.o.

The Issuer holds directly all shares in Netshare Sp. z o.o., representing 100% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Netshare Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 61A, Warsaw, Poland
Share capital:	PLN 115,000.00
Principal business activity:	Intermediation in sale of advertising space in electronic media (Internet)

CPSPV1 Sp. z o.o.

The Issuer holds 99% of shares in CPSPV1 Sp. z o.o. indirectly through CPTM. The shares held represent 99% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	CPSPV1 Sp. z o.o.
Registered office and address:	ul. Łubinowa 4A, Warsaw, Poland
Share capital:	PLN 5,000.00
Principal business activity:	Provision of technical services

CPSPV2 Sp. z o.o.

The Issuer holds 99% of shares in CPSPV2 Sp. z o.o. indirectly through CPTM. The shares held represent 99% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	CPSPV2 Sp. z o.o.
Registered office and address:	ul. Łubinowa 4A, Warsaw, Poland
Share capital:	PLN 5,000.00
Principal business activity:	Provision of technical services

PL 2014 Sp. z o.o.

The Issuer holds 50% of shares in PL 2014 Sp. z o.o. indirectly through Telewizja Polsat. Due to voting preference attached to the shares, the shares held represent 60% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	PL 2014 Sp. z o.o.
Registered office and address:	Al. Stanów Zjednoczonych 53, Warsaw, Poland
Share capital:	PLN 5,000.00
Principal business activity:	Other sports activities

Information on equity holdings

Below is presented information on non-Group companies, in which Polsat Group companies hold an interest of 10% or more of the share capital.

Karpacka Telewizja Kablowa Sp. z o.o.

The Issuer holds directly 85% of shares in Karpacka Telewizja Kablowa Sp. z o.o., representing 85% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Karpacka Telewizja Kablowa Sp. z o.o.
Registered office and address:	ul. Chorzowska 3, Radom, Poland

Share capital:	PLN 874,500.00
Principal business activity:	(Dormant)

Polsat JimJam Ltd.

The Issuer holds 50% of shares in Polsat JimJam Ltd. indirectly through Telewizja Polsat. The shares held represent 50% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polsat JimJam Ltd.
Registered office and address:	105-109 Salisbury Road, London NW6 6RG, United Kingdom
Share capital:	EUR 100
Principal business activity:	TV services

Polski Operator Telewizyjny Sp. z o.o.

The Issuer holds 50% of shares in Polski Operator Telewizyjny Sp. z o.o. indirectly through Telewizja Polsat. The shares held represent 50% of total voting rights at the company's general meeting.

Basic information

Name and legal form:	Polski Operator Telewizyjny Sp. z o.o.
Registered office and address:	ul. Huculska 6, Warsaw, Poland
Share capital:	PLN 300,000.00
Principal business activity:	Telecommunications services and radio broadcasting

RELATED-PARTY TRANSACTIONS

Introduction

In the period covered by the Polsat Group Consolidated Financial Statements and until the date of this Prospectus the Company executed, and intends to execute in the future, related-party transactions within the meaning of IAS 24.

In the period covered by the Polsat Group Consolidated Financial Statements and until the date of this Prospectus the following related-party transactions were executed within the Group:

- intra-group transactions, which pursuant to IAS 24.4 are eliminated in full on consolidation;
- transactions between the Group companies and the Group companies' related parties; and
- transactions between the Company and members of the Management Board and the Supervisory Board.

In the Company's opinion, related-party transactions have been executed on an arm's-length basis. At the Prospectus date, tax authorities have not challenged the terms of related-party transactions executed with the Group companies' related parties. In particular, tax authorities have not asserted that any of those terms were in breach of the arm's-length principle.

Save for the transaction disclosed in this section, in the period covered by the Polsat Group Consolidated Financial Statements and at the Prospectus date, no related-party transactions have been executed which would, on their own or in aggregate, be significant to the business of the Company or the Group. Due to the nature of the financial reporting systems in place at Polsat Group, this section presents data which is available and as close as possible to the data at the Prospectus date. At the Prospectus date, no material transactions have been executed on terms other than those disclosed in this section.

Significant reportable agreements executed between the Company or the Group companies and related parties in the period covered by the Polsat Group Consolidated Financial Statements and at the Prospectus date are presented in "Business overview of Polsat Group—Material agreements" and "LTE—Agreement between Cyfrowy Polsat and Mobyland". Relevant references are included in the summaries of the respective transactions below.

Transactions between the Company and Group entities

The table below presents selected financial data on transactions executed between the Company and the Group entities in the reviewed periods and at the dates indicated.

	At the date or for the two months ended February 28th	At the date or for the year ended December 31st		
	2014*	2013	2012	2011
Revenue and expenses		(PLNm)		
Operating revenue	4.7	22.7	9.8	8.7
Operating costs	31.7	207.8	168.9	130.7
Profit and loss from investing activities	1.5	312.4	306.7	208.4
Finance costs	20.5	127.5	128.5	83.9
Assets				
Receivables	6.9	7.3	1.9	2.7
Other assets	3.5	2.2	1.2	1.2
Total	10.4	**9.5**	**3.1**	**3.9**
Liabilities				
Liabilities	42.5	27.3	48.2	70.5
Notes payable	1,459.5	1,435.0	1,409.3	1,517.0
Total	**1,502.0**	**1,462.3**	**1,457.5**	**1,587.5**

*Source: Company separate financial statements for the financial years ended December 31st 2013 and December 31st 2012; *The Company (unaudited data).*

The most important transactions between the Company and the Group entities included in the key financial items presented in the table are discussed below.

Operating revenue

The table below presents operating revenue derived by the Company from transactions with the Group companies in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Operating revenue		*(PLNm)*		
CPT	-	-	3.7	4.2
CPTM	0.2	1.4	1.4	1.4
Info-TV-FM	1.1	8.7	1.7	-
Media-Biznes sp. z o.o.	-	0.2	0.2	0.2
Netshare Sp. z o.o.	-	0.1	-	-
Polsat Futbol Ltd	-	-	0.5	1.2
Polsat Media	0.1	0.6	-	-
Polskie Media S.A.	-	0.7	-	-
Redefine	1.7	3.4	0.2	-
Telewizja Polsat	1.6	7.6	2.1	1.7
Total	**4.7**	**22.7**	**9.8**	**8.7**

Source: the Company (unaudited data).

Operating revenue derived from the Company's transactions with the Group companies mainly related to accounting services provided to Group companies (since 2012), warranty maintenance services provided to CPT (until 2012), lease of space to CPTM and CPT (until 2012), grant of sub-licence to Redefine, signal broadcasting services for Telewizja Polsat and Polsat Futbol Ltd. (during the period when the Polsat Futbol channel was broadcast, that is from 2009 to May 2012), as well as broadcasting station encoding services and grant of a licence for channel distribution to Info-TV-FM.

Operating costs

The table below presents operating costs incurred by the Company in transactions with the Group companies in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Operating costs		*(PLNm)*		
CPT	-	-	1.0	-
CPTM	10.1	57.4	54.6	35.8
Info-TV-FM	4.7	30.1	2.6	-
Media-Biznes sp. z o.o.	-	0.2	0.2	0.2
mPunkt Polska S.A.	-	-	-	6.2
Netshare Sp. z o.o.	0.4	0.4	0.1	-
Polsat Futbol Ltd	-	-	0.2	-
Polsat Media	2.9	34.1	29.4	9.5
Polskie Media S.A.	-	0.5	-	-
Redefine	0.4	5.5	2.0	-
Telewizja Polsat	13.2	79.6	78.8	79.0
Total	**31.7**	**207.8**	**168.9**	**130.7**

Source: the Company (unaudited data).

The operating costs incurred by the Company in transactions with the Group companies mainly included licence fees paid to Telewizja Polsat for the broadcast of the following channels: Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD (since June 2012), Polsat Film, Polsat Film HD (since September 2013), Polsat Futbol (until May 2012), Polsat News, Polsat Play, Polsat Café, Polsat Sport HD, Polsat Romans (since September 2013), and Polsat Jim Jam (see "Business overview of Polsat Group—Material agreements—Licence agreements—Licence agreement executed on December 30th 2011 between Cyfrowy Polsat and Telewizja Polsat"). The Company's operating costs also included fees paid to CPTM for the use of the "Cyfrowy Polsat" trademark, advertising time purchased from Polsat Media and payments to Info-TV-FM for mobile audiovisual media services.

Profit and loss from investing activities

The table below presents gains and losses on investing activities generated by the Company from transactions with the Group companies in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Profit and loss from investing activities		*(PLNm)*		
Cyfrowy Polsat Finance	1.5	9.3	9.5	11.3
CPT	-	-	-	0.2
CPTM	-	24.4	-	-
mPunkt Holdings Ltd	-	-	-	0.1
Telewizja Polsat	-	278.7	297.2	196.8
Total	**1.5**	**312.4**	**306.7**	**208.4**

Source: the Company (unaudited data).

Profit and loss from the Company's investing activities primarily included income from dividends received from the Group companies and guarantees provided by the Company as security for Senior Notes issued by Cyfrowy Polsat Finance (see "Business overview of Polsat Group—Material agreements—Financing agreements—The Indenture of May 20th 2011, executed between the Company, CP Finance, other Group companies, and specific financing institutions" and "—Security").

The table below presents Company's income from dividends received from the Group companies in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Income from dividends		*(PLNm)*		
Cyfrowy Polsat Finance	-	0.1	-	-
CPTM	-	24.4	-	-
CPT	-	-	-	0.2
Telewizja Polsat	-	278.7	297.2	196.8
Total	-	**303.2**	**297.2**	**197.0**

Source: the Company (unaudited data).

Finance costs

The table below presents finance costs incurred by the Company in transactions with the Group companies in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Finance costs		*(PLNm)*		
Cyfrowy Polsat Finance	20.1	125.2	125.0	80.5
CPTM	0.1	1.3	1.6	1.7
Nord License AS	-	-	0.1	0.1
Polsat Media	-	0.1	0.1	0.1
Polskie Media S.A.	0.2	-	-	-
RS TV S.A.	-	-	0.1	0.1
Telewizja Polsat	0.1	0.9	1.6	1.4
Total	**20.5**	**127.5**	**128.5**	**83.9**

Source: the Company (unaudited data).

Finance costs primarily included interest expense on Series A Notes issued by the Company, paid by the Company to Cyfrowy Polsat Finance (see "Business overview of Polsat Group—Material agreements—Financing agreements—The agreement for the sale of the Company's Series A notes, executed on May 19th 2011 between the Company and CP Finance") and the cost of guarantees advanced by the Group companies as security for the Senior Facilities Agreement (see "Business overview of Polsat Group—Material agreements—Financing agreements—Senior Facilities Agreement of March 31st 2011 between the Group companies and the bank syndicate, as amended" and "Business overview of Polsat Group—Material agreements—Financing agreements—Security").

Notes payable

The table below presents notes payable under the notes issued by the Company to its subsidiary, Cyfrowy Polsat Finance, at the dates specified.

	At February 28th	At December 31st		
	2014	2013	2012	2011
Notes payable		*(PLNm)*		
Cyfrowy Polsat Finance	1,459.5	1,435.0	1,409.3	1,517.0
Total	**1,459.5**	**1,435.0**	**1,409.3**	**1,517.0**

Source: the Company (unaudited data).

Liabilities under notes included liabilities under Series A Notes, issued by the Company on May 20th 2011, owed to a subsidiary, Cyfrowy Polsat Finance (see "Business overview of Polsat Group—Material agreements—Financing agreements—The agreement for the sale of the Company's Series A notes, executed on May 19th 2011 between the Company and CP Finance"). The interest on Series A Notes accrues at the fixed rate of 8.16% per year and is payable semi-annually, in arrears, on May 20th and November 20th, starting on November 20th 2011. Series A Notes are to be redeemed on May 20th 2018, by ways of cash payment in an amount equal to the nominal amount of the Notes.

Assets and liabilities

The table below presents Company's assets (receivables and other assets) and liabilities from transactions with the Group companies at the dates indicated.

	At February 28th	At December 31st		
	2014	2013	2012	2011
Assets		*(PLNm)*		
Receivables:				
CPT	-	-	-	0.4
Info-TV-FM	2.1	1.5	0.9	-
Media-Biznes sp. z o.o.	-	-	-	0.1
Polsat Futbol Ltd	-	-	-	1.5
Polsat Media	0.1	0.1	-	-
Polskie Media S.A.	-	0.8	-	-
Redefine	1.9	2.6	-	-
Telewizja Polsat	2.8	2.3	1.0	0.7
Total	**6.9**	**7.3**	**1.9**	**2.7**
Other assets:				
Cyfrowy Polsat Finance	2.6	1.0	1.0	1.2
Redefine	0.9	1.2	0.2	-
Total	**3.5**	**2.2**	**1.2**	**1.2**
Liabilities				
CPT	-	-	-	20.0
CPTM	15.1	9.1	20.7	41.2
Info-TV-FM	5.1	4.9	-	-
Netshare Sp. z o.o.	-	-	0.1	-
Polsat Media	3.3	3.4	10.6	2.9
Polskie Media S.A.	-	0.2	-	-
Redefine	0.7	0.6	0.8	-
Telewizja Polsat	18.3	9.1	16.0	6.4
Total	**42.5**	**27.3**	**48.2**	**70.5**

Source: the Company (unaudited data).

Transactions between the Group companies and the Group companies' related parties

The table below presents selected financial data on transactions executed between the Group companies and their related parties in the reviewed periods and at the dates indicated.

	At the date or for the two months ended February 28th	At the date or for the year ended December 31st		
	2014*	2013	2012	2011
Operating revenue		(PLNm)		
Jointly-controlled entities	0.1	0.5	0.6	0.5
Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over Cyfrowy Polsat	2.5	38.4	35.9	17.1
Total	**2.6**	**38.9**	**36.5**	**17.6**
Operating costs and programming assets purchase				
Jointly-controlled entities	0.8	5.0	5.6	6.7
Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over Cyfrowy Polsat	32.1	229.7	170.3	104.6
Total	**32.9**	**234.7**	**175.9**	**111.3**
Receivables				
Jointly-controlled entities	0.8	0.8	0.5	0.8
Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over Cyfrowy Polsat	16.6	12.1	15.9	11.6
Total	**17.4**	**12.9**	**16.4**	**12.4**
Liabilities				
Jointly-controlled entities	1.1	0.6	1.0	0.6
Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over Cyfrowy Polsat	14.2	4.0	27.5	7.1
Total	**15.3**	**4.6**	**28.5**	**7.7**
Other assets				
Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over Cyfrowy Polsat	88.0	98.6	160.2	94.3
Total	**88.0**	**98.6**	**160.2**	**94.3**

*Source: Polsat Group Consolidated Financial Statements; *the Company (unaudited data).*

The most important transactions between the Group companies and their related parties included in the key financial items presented in the table are discussed below.

Operating revenue

The table below presents operating revenue derived by the Group from transactions between the Group companies and their related parties in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Operating revenue		(PLNm)		
Aero 2 sp. z o.o.(1)	-	0.6	0.7	-
ATM GRUPA S.A. (1)	0.7	4.1	0.9	-
ATM SYSTEM sp. z o.o. (1)	0.1	1.4	1.1	0.2
Centernet S.A. (1)	-	-	0.1	-
Dom Sprzedaży Radia PIN sp. z o.o. (1)	-	-	-	0.1
Media-Biznes sp. z o.o. (1)	-	-	-	0.1
Nordisk Polska sp. z o.o. (1)	-	-	0.1	-
Polsat Futbol Ltd(1)	-	-	-	0.4
Plus Bank S.A. (1)	-	0.6	0.7	1.4
Polkomtel(1)	0.4	11.9	11.9	0.9
Polsat Jim Jam Ltd(2)	0.1	0.5	0.6	0.5
Polskie Media(1)	-	12.0	12.0	4.6
PRN Polska sp. z o.o. (1)	-	0.1	0.1	0.3
RADIO PIN S.A. (1)	-	0.5	0.8	0.6
Redefine(1)	-	-	0.5	2.0
SFERIA S.A. (1)	-	-	0.1	0.5
Ster Sp. z o.o. (1)	-	-	0.2	0.1
Superstacja Sp. z o.o. (1)	0.1	0.4	0.2	0.1

TELEAUDIO DWA Sp. z o.o. [(1)]	1.2	6.6	6.4	5.2
Telewizja Polsat [(1)]	-	-	-	0.5
TFP Sp. z o.o. [(1)]	-	0.2	0.1	0.1
Total	**2.6**	**38.9**	**36.5**	**17.6**

[(1)] Entity controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company.
[(2)] Jointly-controlled entity.
Source: the Company (unaudited data).

The Group companies' transactions with their related parties from which the Group companies derived operating revenue mainly included sales of licences for films and TV series by Polsat License Ltd. and Telewizja Polsat to Polskie Media, the broadcaster of the TV4 and TV6 channels (revenue generated prior to Telewizja Polsat's acquisition of shares in Polskie Media on August 30th 2013), lease of transponders to Polskie Media by Telewizja Polsat (revenue generated prior to Telewizja Polsat's acquisition of shares in Polskie Media on August 30th 2013), rendering of interconnect services and sale of equipment (terrestrial TV sets) to Polkomtel, and rendering of audiotext services under an agreement between Telewizja Polsat and Teleaudio Dwa Sp. z o.o. sp. k. for the provision of audiotext services in connection with contests and interactive programmes (revenue from SMS, IVR and telephone calls).

Operating costs and programming assets purchase

The table below presents operating costs incurred by the Group companies and the Group companies' purchases of programming assets as part of transactions between the Group companies and their related parties in the reviewed periods.

	Two months ended February 28th	Year ended December 31st		
	2014	2013	2012	2011
Operating costs and programming assets purchase		*(PLNm)*		
Aero 2 sp. z o.o.[(1)]	-	-	0.1	-
ATM GRUPA S.A.[(1)]	6.6	46.9	39.8	23.6
ATM STUDIO Sp. z o.o.[(1)]	0.1	0.3	0.1	-
ATM SYSTEM Sp. z o.o.[(1)]	0.4	2.4	2.1	1.6
Baltmedia Sp. z o.o.[(1)]	-	3.1	3.6	0.6
Centernet S.A.[(1)]	-	-	-	0.1
Dom Sprzedaży Radia PIN Sp. z o.o.[(1)]	-	0.1	-	0.2
Elektrim S.A.[(1)]	-	-	2.2	2.0
Polsat Foundation[(1)]	-	1.5	2.1	2.0
Inwestycja Polskie Sp. z o.o.[(1)]	3.2	19.3	19.0	12.3
IT Polpager S.A.[(1)]	-	-	-	0.3
Laris Investments Sp. z o.o.[(1)]	0.5	2.9	0.4	-
Mobyland[(1)]	10.0	73.1	37.1	12.3
PAI MEDIA S.A.[(1)]	-	2.0	1.7	1.3
Plus Bank S.A.[(1)]	0.1	0.1	0.3	0.8
Polkomtel[(1)]	6.0	8.1	8.3	1.8
Polsat Jim Jam Ltd[(2)]	0.8	5.0	5.6	6.7
Polsat Media[(1)]	-	-	-	0.1
Polsat Nieruchomości Sp. z o.o.[(1)]	0.1	0.6	0.6	0.4
Polskie Media S.A.[(1)]	-	43.5	25.6	0.4
Polskie Nieruchomości Sp. z o.o.[(1)]	0.3	1.9	0.1	-
PRN Polska Sp. z o.o.[(1)]	0.2	3.4	3.3	-
RADIO PIN S.A.[(1)]	-	0.1	0.2	0.2
Redefine[(1)]	-	-	4.8	2.8
SFERIA S.A.[(1)]	-	0.1	0.1	0.2
SIROCCO MOBILE Sp. z o.o.[(1)]	-	0.1	-	-
Ster Sp. z o.o.[(1)]	-	0.1	0.1	0.1
STUDIO A Sp. z o.o.[(1)]	-	-	-	6.8
Superstacja Sp. z o.o.[(1)]	0.6	2.9	3.1	0.4
TELEAUDIO DWA Sp. z o.o.[(1)]	2.7	11.3	12.9	9.5
Telewizja Polsat[(1)]	-	-	-	22.5
TFP Sp. z o.o.[(1)]	1.1	3.2	2.4	1.5
Tower Sevice Sp. z o.o.[(1)]	-	-	0.1	-
Wrocławski Klub Sportowy Śląsk Wrocław S.A.[(1)]	-	0.3	-	-
Other expenses	0.2	2.4	0.2	0.8

Total	**32.9**	**234.7**	**175.9**	**111.3**

[1] Entity controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company.
[2] Jointly-controlled entity.
Source: the Company (unaudited data).

Operating costs incurred and purchases of programming assets made by the Group companies as part of transactions with the Group companies' related parties mainly included Telewizja Polsat's purchases of programming assets used for production of TV programmes by ATM Grupa S.A. (e.g. "Świat według Kiepskich", "Pierwsza Miłość"), Studio A Sp. o.o. and Baltmedia Sp. z o.o.; data transmission services (mainly cost of services provided under an agreement concluded between the Company and Mobyland; see "—Other assets" below); advertising time purchases; Polsat Media's payments for TV4 and TV6 advertising time purchases from Polskie Media (expenses incurred prior to Telewizja Polsat's acquisition of the shares in Polskie Media on August 30th 2013); lease of real property and advertising space in Warsaw, including in particular Telewizja Polsat's payments to Inwestycje Polskie Sp. z o.o. for the lease of office, studio, storage and garage space in the building located at ul. Ostrobramska 77, Warsaw; call centre services provided to the Company by Teleaudio Dwa Sp. z o.o. sp. k. (charges for call centre services and sales commissions); domestic roaming and interconnect services purchased by Cyfrowy Polsat from Polkomtel (mobile traffic and interconnect fees); Polsat Jim Jam Ltd.'s grant to Telewizja Polsat of a licence for broadcasting the Polsat Jim Jam channel (payments of licence fees); advertising and IT services, as well as well as hire of film and video production equipment and lighting equipment provided to the Group companies by their related entities.

Assets and liabilities

The table below presents Group companies' assets (receivables and other assets) and liabilities from transactions with the Group companies' related parties at the dates indicated.

	At February 28th	At December 31st		
	2014	2013	2012	2011
Assets		*(PLNm)*		
Receivables:				
Aero 2 Sp. z o.o. [1]	-	-	0.2	-
ATM GRUPA S.A. [1]	0.4	0.4	0.3	-
ATM SYSTEM Sp. z o.o. [1]	0.1	0.1	-	-
Core Technology Sp. z o.o. [1]	-	0.9	-	-
Inwestycja Polskie Sp. z o.o.[1]	2.5	-	-	0.3
Plus Bank S.A. [1]	-	-	-	0.1
Polkomtel[1]	9.7	7.0	7.4	1.2
Polsat Jim Jam Ltd[2]	0.8	0.8	0.5	0.8
Polskie Media S.A.[1]	-	-	3.4	-
PRN Polska sp. z o.o. [1]	-	-	-	0.3
RADIO PIN S.A. [1]	-	-	0.1	0.1
Redefine[1]	-	-	-	3.2
SFERIA S.A. [1]	-	-	-	0.2
Superstacja Sp. z o.o. [1]	1.2	1.0	0.9	1.0
TELEAUDIO DWA Sp. z o.o. [1]	2.7	2.7	3.5	5.2
TFP Sp. z o.o. [1]	-	-	0.1	-
Total	**17.4**	**12.9**	**16.4**	**12.4**
Other assets:				
Mobyland[1]	88.0	98.0	160.2	94.3
Polkomtel[1]	-	0.6	-	-
Total	**88.0**	**98.6**	**160.2**	**94.3**
Liabilities				
ATM GRUPA S.A. [1]	3.4	1.6	5.9	4.0
Baltmedia Sp. z o.o.[1]	-	-	1.7	-
Inwestycja Polskie Sp. z o.o.[1]	-	0.2	0.4	0.2
Mobyland[1]	-	-	10.6	-
PAI MEDIA S.A.[1]	-	0.2	0.2	0.2
Plus Bank S.A. [1]	0.1	-	-	0.1
Polkomtel[1]	7.9	0.5	0.7	1.0
Polsat Jim Jam Ltd[2]	1.1	0.6	1.0	0.6
Polsat Nieruchomości Sp. z o.o.[1]	-	-	0.1	-
Polskie Media S.A.[1]	-	-	6.2	-

PRN Polska sp. z o.o. (1)	-	0.4	0.6	0.7
Redefine(1)	-	-	-	0.2
SIROCCO MOBILE Sp. z o.o.(1)	0.1	-	0.2	-
Superstacja Sp. z o.o. (1)	0.5	0.3	0.5	0.1
TELEAUDIO DWA Sp. z o.o. (1)	1.7	-	-	-
TFP Sp. z o.o. (1)	0.5	0.7	0.4	0.5
Other(3)	-	0.1	-	0.1
Total	**15.3**	**4.6**	**28.5**	**7.7**

(1) Entity controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company.
(2) Jointly-controlled entity.
(3) Entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company.
Source: the Company (unaudited data).

Other assets primarily included prepayments and accrued income (short-term and long-term) under the agreement between the Company and Mobyland, dated December 15th 2010, whereby Mobyland renders to Cyfrowy Polsat wireless data transmission services using LTE Group-owned frequencies in the 1800 MHz (LTE technology) and 900 MHz (HSPA+ technology) bands (see "LTE—Agreement between Cyfrowy Polsat and Mobyland").

Acquisitions

Other than those described above, in the period covered by the Polsat Group Consolidated Financial Statements, the Group companies concluded with their related parties a number of share ownership transfer agreements. In particular, in 2012 Cyfrowy Polsat acquired from Bithell Holdings Limited of Nicosia (an entity controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company) shares in the IPLA companies (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of the IPLA companies"); in 2013 Telewizja Polsat acquired from Karswell and Sensor (entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company) shares in Polskie Media (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Polskie Media S.A."); and in 2011, under an agreement with Karswell, Sensor, Mat Fundusz Inwestycyjny Zamknięty, Koma Fundusz Inwestycyjny Zamknięty (entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company), Zygmunt Solorz-Żak and Heronim Ruta, Cyfrowy Polsat purchased shares in Telewizja Polsat (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Telewizja Polsat").

Further, in 2013 Cyfrowy Polsat, Argumenol, Karswell, Sensor and Metelem (entities controlled by a person (or close relatives of such person) who controls, jointly controls, or has significant influence over the Company) executed conditional investment agreements for transfer to Cyfrowy Polsat of 100% shares in Metelem as a contribution in kind for New Shares, to be issued by Cyfrowy Polsat and acquired by Argumenol, Karswell and Sensor on the terms set forth in Investment Agreement I (see "Business overview of Polsat Group—Material agreements—The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem").

Transactions between the Company and members of the Management Board and the Supervisory Board

In the period covered by the Polsat Group Consolidated Financial Statements and at the Prospectus date, members of the Management Board and the Supervisory Board received, respectively, remuneration under management service contracts and for appointment as members of the Supervisory Board. The Company did not advance any loans or similar benefits to members of the Management Board and the Supervisory Board in the reviewed period.

Transactions between the Company and members of the Management Board

The table below presents total base salaries of the members of the Management Board paid for their management roles in the Company in the reviewed periods.

	Position held	Two months ended February 28th 2014*	Year ended December 31st 2013	2012	2011
			(PLNm)		
Dominik Libicki	President of the Management Board	0.2	1.1	1.0	1.0
Dariusz Działkowski	Member of the Management Board	0.1	0.6	0.6	0.6
Tomasz Szeląg	Member of the Management Board	0.1	0.6	0.6	0.6
Aneta Jaskólska	Member of the Management Board	0.1	0.6	0.6	0.6
Total		**0.5**	**3.0**	**2.9**	**2.9**

*Source: Company separate financial statements for the financial years ended December 31st 2013 and December 31st 2012; *The Company (unaudited data).*

The table below presents bonuses and additional remuneration paid by the Company to the members of the Management Board in the reviewed periods.

	Position held	Two months ended February 28th 2014*	Year ended December 31st 2013	2012	2011
			(PLNm)		
Dominik Libicki	President of the Management Board	-	3.0	3.2	4.1
Dariusz Działkowski	Member of the Management Board	-	0.4	0.7	1.0
Tomasz Szeląg	Member of the Management Board	-	1.5	1.8	2.7
Aneta Jaskólska	Member of the Management Board	-	1.0	0.9	1.4
Total		-	**5.9**	**6.6**	**9.2**

*Source: Company separate financial statements for the financial years ended December 31st 2013 and December 31st 2012; *The Company (unaudited data).*

Transactions between the Company and members of the Supervisory Board

Remuneration of the members of the Supervisory Board is paid under Resolution of the Extraordinary General Meeting of September 5th 2007.

The table below presents total remuneration due from the Company to the members of the Supervisory Board in the reviewed periods.

	Position held	Two months ended February 28th 2014*	Year ended December 31st 2013	2012	2011
		(PLNm)			
Zygmunt Solorz-Żak	Chairman of the Supervisory Board	0.03	0.2	0.2	0.2
Heronim Ruta	Supervisory Board Member	0.02	0.1	0.1	0.1
Andrzej Papis	Supervisory Board Member	0.02	0.1	0.1	0.1
Robert Gwiazdowski	Independent Supervisory Board Member	0.02	0.1	0.1	0.1
Leszek Reksa	Independent Supervisory Board Member	0.02	0.1	0.1	0.1
Total		**0.1**	**0.6**	**0.6**	**0.6**

*Source: Company separate financial statements for the financial years ended December 31st 2013 and December 31st 2012; *The Company (unaudited data).*

ADMISSION OF SECURITIES TO TRADING

Overview of New Shares

Based on this Prospectus, the Issuer intends to seek admission and introduction to trading on the regulated market (main market) operated by the WSE of up to 291,193,180 New Shares, including up to 47,260,690 Series I Shares and up to 243,932,490 Series J Shares. The Company will not carry out any offering, including a public offering, of New Shares or any other securities of the Company based on this Prospectus.

At the Prospectus date, New Shares have not been issued, offered or subscribed for. New Shares will be issued pursuant to Issue Resolutions: the Conditional Share Capital Increase Resolution and the Warrant Issue Resolution. In accordance with these resolutions, the Company's share capital has been conditionally increased by up to PLN 11,647,727.20 through an issue of up to 291,193,180 ordinary bearer shares with a par value of PLN 0.04 per share, including up to 47,260,690 Series I Shares and up to 243,932,490 Series J Shares. The issue price of New Shares is PLN 21.12. All New Shares will be paid for with a non-cash contribution in the form of shares in Metelem with a total estimated value of PLN 6,150,000,000. The application for registration of the conditional share capital increase was filed with the registry court on January 29th 2014. During the registration proceedings, the qualified auditor issued an unqualified opinion on the audit of the Management Board's report on the non-cash contribution made as payment for New Shares. The conditional share capital increase approved by way of the Issue Resolutions was entered in the register of entrepreneurs of the National Court Register on April 2nd 2014.

Only the persons who subscribe for the Warrants issued under the Warrant Issue Resolution will be entitled to subscribe for the New Shares. Each Warrant will carry the right to subscribe for one New Share. Pursuant to the Warrant Issue Resolution, 47,260,690 Series I Warrants will be offered to the EBRD, which holds 324,653 shares in Metelem and which in exchange for the shares will be entitled to acquire 47,260,690 Series I Shares, while Series J Warrants will be offered to other Metelem shareholders at the time the Series J Warrants are offered. At the date of the Warrant Issue Resolution, the entities, other than the EBRD, that are Metelem shareholders included: (i) Argumenol Investment Company Limited holding 398,865 shares in Metelem, which in exchange for the shares would acquire 58,063,948 Series J Shares; (ii) Karswell Limited holding 1,085,286 shares in Metelem, which in exchange for the shares would acquire 157,988,268 Series J Shares; and (iii) Sensor Overseas Limited holding 191,521 shares in Metelem, which in exchange for the shares would acquire 27,880,274 Series J Shares. The pre-emptive rights of the existing shareholders were waived with respect to New Shares and Warrants. Warrants will confer the right to subscribe for New Shares until June 30th 2015.

The Warrant Issue Resolution will take effect upon the fulfilment of the following conditions: (i) repayment by the Company of its entire debt under the Senior Facilities Agreement and the Senior Notes issued pursuant to the Senior Notes Indenture (for description of the Senior Facilities Agreement and the Senior Notes Indenture, see "Business overview of Polsat Group—Material agreements—Financing agreements"), and (ii) adoption by the Annual General Meeting approving the Company's financial statements for the financial year ended December 31st 2013 of a resolution concerning the payment of dividend by the Company in a total amount of no less than PLN 100m, or if such dividend is not paid, adoption by the Management Board, subject to approval by the Supervisory Board, of a resolution concerning payment of interim dividend for 2014 in a total amount of no less than PLN 100m, provided that the payment, in each case, of the dividend or interim dividend to the shareholders will be conditional upon delivery of New Shares, prior to the dividend day, to the holders of Warrants and the acquisition by the Company of 1,675,672 shares in Metelem, and the resolution's adoption date and the dividend day will be determined in a way that will enable such payment. At Prospectus date, the Company expects that it will repay on or about May 8th 2014 the entire debt outstanding under the Senior Facilities Agreement and Senior Notes issued in accordance with the Senior Notes Indenture, and that on April 29th 2014 the Annual General Meeting will adopt a resolution concerning the payment of dividend by the Company in a total amount of no less than PLN 100m.

For description of the rights attached to the Shares, including New Shares, see "Share capital and Shares—Shareholders' rights". Those rights will apply to New Shares as of their issue date. It is the Company's intention that New Shares be issued in or around the second quarter of 2014, provided that no unforeseeable circumstances occur.

Unsuccessful issue of New Shares

Apart from the conditions for the Warrant Issue Resolution to take effect, as described in "—Overview of New Shares" above, the successful issue of New Shares depends on the fulfilment of a number of Closing Conditions specified in the Investment Agreements concluded in connection with the Transaction. In addition, provisions of the Investment Agreements release the parties from the obligation to execute the Transaction in certain, specifically defined, circumstances or grant them the right to rescind the Investment Agreements. For a detailed description of the Closing Conditions and circumstances releasing the parties to the Investment Agreements from the obligation to execute the Transaction or granting the parties the right to rescind the Investment Agreements, see "Business overview of Polsat Group—Material agreements—The Investment Agreements executed between Cyfrowy Polsat, Metelem Shareholders and Metelem".

The issue of New Shares will be rendered, in whole or part, unsuccessful, if the conditions for the Warrant Issue Resolution to take effect or the Closing Conditions are not fulfilled, or if either party exercises its right not to execute the Transaction or to rescind the Investment Agreement. If an event occurs rendering, in whole or part, the issue of New Shares unsuccessful, the Company will disclose such information in the form of a current report, and where required by law – in the form of a supplement to this Prospectus, once approved by the PFSA, as prescribed by Art. 51 of the Act on Public Offering.

Different rights attached to Series I Shares and Series J Shares

Given that Series I Shares and Series J Shares carry different dividend and interim dividend rights, Series I Shares and Series J Shares will not be shares of the same type on their issue date.

Pursuant to the provisions of the Conditional Share Capital Increase Resolution, Series I Shares will carry the right to dividend subject to the following: (i) if Series I Shares are recorded for the first time in securities accounts before or on the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series I Shares will carry the right to profit distribution starting from the previous financial year, i.e. from the first day of January of the financial year immediately preceding the year in which Series I Shares are recorded for the first time in securities accounts, on a par with other shares of the Company; or (ii) if Series I Shares are recorded for the first time in securities accounts on a day falling after the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series I Shares will carry the right to profit distribution starting from the financial year in which they are recorded for the first time in securities accounts, i.e. from the first day of January of that financial year, on a par with other shares of the Company.

Pursuant to the provisions of the Warrant Issue Resolution, Series J Shares will carry the right to dividend subject to the following: (i) if Series J Shares are recorded for the first time in securities accounts before or on the dividend record date set out in the Company's General Meeting resolution concerning 2013 profit distribution, Series J Shares will carry the right to profit distribution starting from the following financial year, i.e. from the first day of January of the financial year in which Series J Shares are recorded for the first time in securities accounts, on a par with other shares of the Company, subject to the provisions of item (iii) below; (ii) if Series J Shares are recorded for the first time in securities accounts on a day falling after the dividend record date set out in the Company's General Meeting resolution concerning 2013 profit distribution, Series J Shares will carry the right to profit distribution starting from the financial year in which they are recorded for the first time in securities accounts, i.e. from the first day of January of that financial year, on a par with other shares of the Company, subject to the provisions of item (iii) below; and (iii) if Series J Shares are recorded for the first time in securities accounts before or on the interim dividend record date related to interim dividend to be paid in 2014, Series J Shares will carry the right to interim dividend starting from the following financial year, i.e. from the first day of January of the financial year immediately following the year in which Series J Shares are recorded for the first time in securities accounts, on a par with other shares of the Company.

Considering the above, Series J Shares will become shares of the same type, as regards the rights attached to them, as Series I Shares and other Company shares listed on the WSE ("**Book-Entry Shares**") starting from (i) the day immediately following the dividend record date at which the list of shareholders entitled to dividend from the Company's profit for the financial year ended December 31st 2014 will be determined, if the General Meeting adopts a resolution concerning distribution of profit for that year; or (ii) the day immediately following the date of a General Meeting resolution concerning the distribution of profit for the financial year ended December 31st 2014 in a manner other than for dividend payment, if such a resolution is adopted ("**Date of Unification of Rights Attached to Shares**").

Registration of New Shares and ISIN code

The New Shares will be registered in the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw, ul. Książęca 4, 00-498, Warsaw, Poland, ("**the Polish NDS**") which will support the exercise of Issuer shareholders' corporate rights in accordance with applicable regulations.

Given that Series J Shares and the Book-Entry Shares carry different dividend and interim dividend rights, Series J Shares cannot be registered at the depository for securities maintained by the Polish NDS under the same ISIN code as is now assigned to the Book-Entry Shares. Therefore, the Company intends to seek assignment of a different ISIN code to Series J Shares. After the Date of Unification of Rights Attached to Shares the Company will seek assimilation of Series J Shares with the Book-Entry Shares. The assimilated Series J Shares will then be assigned the ISIN code which is now assigned to the Book-Entry Shares, i.e. PLCFRPT00013.

Given that Series I Shares are shares of the same type as the Book-Entry Shares in terms of the rights attached to the shares, it is the Company's intention that the Series I Shares be assigned the same ISIN code as the code assigned to the Book-Entry Shares, i.e. PLCFRPT00013.

Pursuant to the Warrant Issue Resolution, the payment of dividend or interim dividend to shareholders will be effected on condition that prior to the dividend record date the holders of Warrants receive New Shares under the conditional increase in the Company's share capital, in accordance with the Conditional Share Capital Increase Resolution, and provided that the resolution date and dividend record date are set in a manner enabling such payment. Considering the above, the Company will seek registration of the New Shares with the Polish NDS before the dividend record date set by the Annual General Meeting, as of which the list of shareholders entitled to dividend from the Company's profit for the financial year ended December 31st 2013 is determined.

The Annual General Meeting, whose agenda includes adoption of a resolution on distribution of profit for the financial year ended December 31st 2013, has been convened for April 29th 2014.

Admission and introduction of the New Shares to trading

The Book-Entry Shares are traded on the regulated market (main market) operated by the WSE (ticker code: CPS).

Based on this Prospectus, the Company intends to seek admission and introduction to trading on the regulated market (main market) operated by the WSE of up to 291,193,180 New Shares, including up to 47,260,690 Series I Shares and up to 243,932,490 Series J Shares. The Company does not intend to list allotment certificates for the New Shares on the WSE.

The admission of New Shares to trading on the WSE requires that certain conditions be met, including: (i) conclusion by the Company and the Polish NDS of an agreement for the registration of the shares in the depository maintained by the Polish NDS; and (ii) adoption by the WSE's Management Board of resolutions concerning the admission and introduction of the New Shares to trading on the WSE.

Given that Series J Shares are not shares of the same type as Book-Entry Shares in terms of the rights attached to the shares (see "—Different rights attached to Series I Shares and Series J Shares" above), until the Date of Unification of Rights Attached to Shares, Series J Shares may not be listed together with the Book-Entry Shares. Therefore, the Company intends to seek admission of Series J Shares to trading on the WSE immediately after the PFSA approves this Prospectus. Series J Shares are assumed to be introduced to trading on the regulated market (main market) operated by the WSE, and first listed on the WSE, not earlier than on the Date of Unification of Rights Attached to Shares.

Series I Shares are shares of the same type as the Book-Entry Shares in terms of the rights attached to the shares, and therefore the Company intends to seek admission and introduction of Series I Shares to trading on the regulated market (main market) operated by the WSE immediately after the PFSA approves this Prospectus.

It is the Company's intention that Series I Shares be admitted and introduced to trading, and Series J Shares be admitted to trading on the WSE in or around the second quarter of 2014, bar any unforeseen circumstances. Series J Shares are assumed to be introduced to trading on the WSE not earlier than on the Date of Unification of Rights Attached to Shares, i.e. not earlier than in the second quarter of 2015.

It should be noted that admission of New Shares to trading on the regulated market (main market) operated by the WSE is conditional upon fulfilment of the requirements specified in the WSE Rules. Given that Series J Shares differ from the Book-Entry Shares in terms of the rights attached to the shares, pursuant to the WSE Rules their admission to trading is conditional upon fulfilment of the requirements specified in Par. 3 of the WSE Rules, applicable only to Series J Shares (i.e. separately from the Book-Entry Shares). Given that Series J Shares will be acquired only by Metelem shareholders (excluding the EBRD) at the time Series J Warrants are offered for subscription (i.e. Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas at the date of the Warrant Issue Resolution), it is expected that despite the satisfaction of the dispersion requirement by

Series J Shares under the Regulation on Official Market, the dispersion requirement set forth in Par. 3.2.2 of the WSE Rules will not be fulfilled. Therefore, the admission of Series J Shares to trading on the regulated market (main market) operated by the WSE will require that with respect to Series J Shares the Management Board of the WSE waives the dispersion requirement set forth in Par. 3.2.2 of the WSE Rules, pursuant to the provisions of Par. 3.3 of the WSE Rules. At the Prospectus date it is not certain whether the Management Board of the WSE will exercise its power under Par. 3.3. of the WSE Rules (see "Risk factors – Risks relating to the Admission, capital market and secondary trade in the Shares – The Company's failure to meet the requirements stipulated in the WSE Rules or the Regulation on Official Market may lead to the New Shares not being admitted or introduced to trading on the regulated market (main market) operated by the WSE").

Any information on changes in the Admission timetable, including the information on the Management Board of the WSE not exercising its power under Par. 3.3. of the WSE Rules, and therefore on the Company's withdrawal from seeking admission and introduction to trading of Series J Shares on the regulated market (main market) operated by the WSE pursuant to this Prospectus, if such decision is made, will be published in accordance with Art. 52.2 of the Act on Public Offering, in the form of an update announcement, unless the significance of the change in the Admission timetable requires that a supplement to the Prospectus be published, subject to approval by the PFSA, in accordance with Art. 51 of the Act on Public Offering.

Lock-up arrangements relating to Shares

In connection with the conditional increase of the Company's share capital pursuant to the Conditional Share Capital Increase Resolution, on January 22nd 2014, Sensor Overseas Limited, a company controlled by Heronim Ruta, and Argumenol Investment Company Limited and Karswell Limited, companies controlled by Zygmunt Solorz-Żak, submitted representations to Cyfrowy Polsat to the effect that if the companies acquire New Shares in the number specified in Investment Agreement I ("**Acquired Shares**"), in the period of 360 days from submission of the representations on acquisition of Acquired Shares, the companies will not offer to sell or sell any Acquired Shares or securities convertible into or exchangeable for the Acquired Shares, or securities which would make it possible to acquire Acquired Shares through the exercise of rights conferred by such securities, other rights to acquire Acquired Shares, or any other securities or financial instruments whose value is determined directly or indirectly by reference to the price of Acquired Shares used as underlying instrument, including swap contracts, futures contracts, and options, and will not execute any other transactions which may result in offer or sale of Acquired Shares, except for disposal to entities of the given company's group or entities established by entities of the given company's group, provided that prior to such disposal, the relevant company ensures that such entity submits to Cyfrowy Polsat a representation substantially in the form of the representation submitted to Cyfrowy Polsat by the relevant company, covering the period from the acquisition of Acquired Shares by such entity until the lapse of 360 days from the date of submission of representation on acquisition of Acquired Shares.

For the avoidance of any doubt, the restrictions referred to in the preceding paragraph do not exclude the rights of the companies which submitted the representations to encumber the entirety of, part of, or any of the Acquired Shares with any property right, or to establish any other security, including pledge (in any form) on the entirety of, part of, or any of the Acquired Shares.

To the Company's knowledge, the EBRD has not made any lock-up commitment with respect to the New Shares. Also, the Company has no information whether the EBRD plans to make any such commitment.

SHARE CAPITAL AND SHARES

General

Introduction

Cyfrowy Polsat is a joint-stock company incorporated and existing under Polish law. The Company's legal status, as well as shareholders' rights and obligations are, as a rule, governed by the provisions of Polish law.

This section contains key information on the Company's share capital, as well as an outline of the rights, obligations and legal restrictions concerning the ownership of the Shares, with the exception of such rights, obligations and legal restrictions regulated under the Polish legal regulations governing the capital market, which are described in "Regulations governing the capital market in Poland, and obligations related to acquisition and disposal of large holdings of shares". The following description must not be construed as legal advice concerning the exercise of such rights, performance of such obligations or such legal restrictions. An investor should seek legal advice before making any decision concerning the exercise of such rights, performance of such obligations or such legal restrictions.

Share capital and types of Shares

At the Prospectus date, the Company's share capital amounts to PLN 13,934,113.44 and is divided into 348,352,836 Existing Shares, with a par value of PLN 0.04 per share, including: (i) 2,500,000 Series A registered shares; (ii) 2,500,000 Series B registered shares; (iii) 7,500,000 Series C registered shares; (iv) 175,000,000 Series D shares (including 166,917,501 registered shares and 8,082,499 bearer shares); (v) 75,000,000 Series E bearer shares; (vi) 5,825,000 Series F bearer shares; and (vii) 80,027,836 Series H bearer shares. The currency of the Shares is the Polish złoty (PLN). The Shares have been issued in accordance with the applicable provisions of the Companies Code and the Articles of Association.

The Existing Shares have been issued and paid up in full. Pursuant to the Articles of Association, Series A, B and C Shares, as well as 166,917,501 Series D Shares carry preference in terms of voting rights: each Share confers the right to two votes at the General Meeting. The other Shares, that is 8,082,499 Series D Shares, as well as Series E, F and H Shares, carry no preference and all confer the same rights; in particular, each such Share entitles the holder to one vote at the General Meeting.

At the Prospectus date, all registered shares in the Company, that is 179,417,501 shares, including: (i) 2,500,000 Series A shares; (ii) 2,500,000 Series B shares; (iii) 7,500,000 Series C shares; and (iv) 166,917,501 Series D shares, exist in certificated form (jointly: "**Certificated Shares**"), while all bearer shares in the Company, that is 168,935,335 shares, including: (i) 8,082,499 Series D shares; (ii) 75,000,000 Series E shares; (iii) 5,825,000 Series F shares; and (iv) 80,027,836 Series H shares, exist in book-entry form (jointly: "**Book-Entry Shares**"). The rules governing the conversion of registered shares into bearer shares and bearer shares into registered shares are described in "—Conversion of Shares" below.

At January 1st and December 31st 2013, and at the Prospectus date, all Book-Entry Shares were traded on a regulated market − the main market operated by the WSE.

The Articles of Association do not contain any provisions authorising an increase in the Company's share capital up to the amount of authorised capital. At the Prospectus Date, none of the Existing Shares has been issued within the limits of authorised capital.

At the Prospectus date, other than the Warrants and New Shares to be issued on the terms and conditions described in "Admission of securities to trading—Overview of New Shares": (i) no shares exist which would not represent the Company's share capital (an interest in the Company's share capital); (ii) there are no securities which would be convertible into or exchangeable for the Company securities (including Shares); the Company has issued no securities with warrants; (iii) there are no other acquisition rights or obligations with respect to the authorised, non-issued capital, or commitments to increase the Company's share capital; (iv) no options exist over the Company's share capital or the share capital of any of the Group companies; there are no arrangements, whether conditional or unconditional, whereby options would be created over the share capital of any of the aforementioned entities; (v) the Company holds no treasury shares and no Company Shares are held by any third party acting for or on behalf of the Company.

The table below summarises key information on the Existing Shares at the Prospectus date.

Series	Number of shares	Type	No. of votes at GM	Par value (PLN)
A	2,500,000	registered, carrying preference in terms of voting rights (2:1)	5,000,000	100,000.00
B	2,500,000	registered, carrying preference in terms of voting rights (2:1)	5,000,000	100,000.00
C	7,500,000	registered, carrying preference in terms of voting rights (2:1)	15,000,000	300,000.00
D	166,917,501	registered, carrying preference in terms of voting rights (2:1)	333,835,002	6,676,700.04
D	8,082,499	ordinary bearer	8,082,499	323,299.96
E	75,000,000	ordinary bearer	75,000,000	3,000,000.00
F	5,825,000	ordinary bearer	5,825,000	233,000.00
H	80,027,836	ordinary bearer	80,027,836	3,201,113.44
Total	**348,352,836**		**527,770,337**	**13,934,113.44**
	179,417,501	*registered*	*358,835,002*	*7,176,700.04*
including:	*168,935,335*	*publicly traded*	*168,935,335*	*6,757,413.40*

Source: the Company.

Changes in the share capital in the period covered by the historical financial information

On December 17th 2010, the General Meeting adopted (i) Resolution No. 6 concerning an increase in the Company's share capital by way of the issue of up to 80,027,836 Series H shares and (ii) Resolution No. 8 concerning the issue of 80,027,836 Series H registered subscription warrants, each of which entitled its holder to acquire one Series H share. The issues were designed to support the execution of the Company's plans to acquire all shares in the share capital of Telewizja Polsat. The acquisition of Telewizja Polsat shares was financed with debt (see "Business overview of Polsat Group—Material agreements—Share transfer agreements—Acquisition of Telewizja Polsat") and by way of contractual set-off of claims discussed below. The conditional share capital increase was entered in the register of entrepreneurs on December 28th 2010. On April 1st 2011, the Company concluded four subscription agreements with: MAT Fundusz Inwestycyjny Zamknięty, KOMA Fundusz Inwestycyjny Zamknięty, Karswell Limited and Sensor Overseas Limited (jointly: "**Sellers**"), for acquisition of a total of 80,027,836 Series H registered subscription warrants. On April 20th 2011, the Sellers made representations concerning the acquisition of a total of 80,027,836 Series H shares with a total par value of PLN 3,201,113.44 and the total issue price of PLN 1,150,000,003.32, that is the issue price of PLN 14.37 per Series H share. On the same day, Series H shares were paid up by way of a contractual set-off the Sellers' claims against the Company for the payment of price of Telewizja Polsat shares, with the Company's claims against the Sellers for a cash contribution in return for Series H shares. On the same day, April 20th 2011, the Company delivered to the Sellers the certificates of Series H shares. As a result, in accordance with Art. 452.1 of the Companies Code, the share capital of the Company was increased on the same day. Amendments to the Articles of Association relating to the increase in the Company's share capital effected upon the delivery of the certificates of Series H shares to the Sellers were entered into the register of entrepreneurs on May 13th 2011.

For information on changes in the Company's share capital resulting from the issue of the Warrants and New Shares see "Admission of securities to trading—Overview of New Shares".

Other than the cases described above, in the period covered by the historical financial information, no event was recorded of over 10% of the Company share capital being covered with a non-cash contribution.

Conversion of New Shares into book-entry form

For information on the conversion of New Shares into book-entry form and introduction thereof to trading on a regulated market see "Regulations governing the capital market in Poland, and obligations related to acquisition and disposal of large holdings of shares—Conversion into book-entry form".

Shareholders' rights

Shareholders' rights related to the General Meeting

Convening the General Meeting, agenda and draft resolutions

Time of convening the General Meeting

An Annual General Meeting should be held within six months following the end of each financial year of the Company. The matters discussed by the General Meeting should include:

- review and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year;
- adoption of a resolution concerning distribution of profit or coverage of loss;
- grant of discharge to members of the Company's governing bodies with respect to their duties.

Extraordinary General Meeting may be convened in the cases provided for in the Companies Code and − pursuant to the Company's Articles of Association − if the Company's governing bodies or a person entitled to convene an Extraordinary General Meeting deem it advisable.

Entities entitled to convene the General Shareholders Meeting

Pursuant to the Companies Code, the General Meeting is convened by the Management Board. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to do so in due time specified in the Companies Code or Articles of Association, or an Extraordinary General Meeting if the Supervisory Board deems it advisable.

Moreover, pursuant to the Companies Code, a shareholder or shareholders representing at least one-twentieth of the Company's share capital may request that an Extraordinary General Meeting should be held and specific matters should be put on its agenda. If the Extraordinary General Meeting is not convened within two weeks of the submission of the request, the registry court may authorise the shareholders submitting the request to convene the Extraordinary General Meeting. The Chairperson of such General Meeting is appointed by the court.

Right to put matters on the agenda of a General Meeting

Pursuant to the Companies Code, a shareholder or shareholders representing at least one-twentieth of the Company's share capital may demand that specific matters should be put on the agenda of the next General Meeting. The request should include grounds for, or a draft resolution pertaining to, the proposed agenda item. The request should be submitted to the Management Board at least twenty one (21) days prior to the date of the General Meeting. The Management Board is obliged to promptly (and in any case no later than eighteen days prior to the scheduled date of the General Meeting) announce any changes to the agenda introduced at the request of shareholders. The changes are announced on the Company's website and in the manner provided for the in publication of current information under the Act on Public Offering, i.e. as current reports.

Right to propose draft resolutions of the General Meeting

Pursuant to the Companies Code, prior to the date of the General Meeting a shareholder or shareholders representing at least one-twentieth of the Company's share capital may submit to the Company draft resolutions on the matters included in the agenda or matters to be put on the agenda, in writing or with the use of electronic means of communication. The Company is required to promptly publish such draft resolutions on its website. During a General Meeting, each Company shareholder may submit draft resolutions concerning the items on the agenda.

Manner of convening the General Meeting

Pursuant to the Companies Code, the General Meeting of a public company is announced on the Company's website and in the manner provided for in the publication of current information under the Act on Public Offering, i.e. as current reports. The notice should be made at least twenty six (26) days before the date of the General Meeting.

A notice convening a General Meeting should include, without limitation: (a) the date, time and venue of the General Meeting and a detailed agenda; (b) a precise description of the procedures relating to the attendance of the General Meeting and the exercising of voting rights, especially regarding: (i) the shareholders' right to request that certain items be placed on the agenda of the General Meeting, (ii) the shareholders' right to propose draft resolutions concerning items that have been placed on the agenda for the General Meeting or are to be placed on the agenda prior to the General Meeting, (iii) the shareholders' right to propose draft resolutions concerning items placed on the agenda during the General Meeting, (iv) the manner of exercising voting rights by proxy, including in particular information on forms used when voting by proxy and the manner of notifying the Company of appointing a proxy by electronic means of communication, (v) the possibility of participating in the General Meeting by electronic means of communication, (vi) the possibility of speaking at the General Meeting by electronic means of communication, (vii) the possibility of exercising voting rights by postal ballot or by electronic means of communication; (c) the date of registration of attendance for the General Meeting; (d) information that only persons being the Company shareholders at the date of registration of attendance for the General Meeting may attend the General Meeting; (e) information on where and how a person entitled to attend the General Meeting may obtain a complete copy of the documentation to be presented to the General Meeting, as well as draft resolutions or, where no resolutions are planned to be adopted, comments by the Management Board or the Supervisory Board on the matters placed on the agenda or matters to be placed on the agenda before the date of the General Meeting; and (f) address of the Company's website where information on the General Meeting will be made available.

A General Meeting is validly held if the shareholders present jointly represent more than 50% of the total voting rights at the Company. The General Meeting may adopt resolutions only on matters which are included in the agenda, unless the entire share capital of the Company is represented and none of the shareholders present objects to the adoption of such resolutions.

Participation in and voting at the General Meeting

<u>*Venue of the General Meeting*</u>

General Meetings are held at the Company's offices.

<u>*Persons authorised to attend the General Meeting and exercise voting rights*</u>

The General Meeting may be attended only by the persons who were the Company's shareholders sixteen days before the date of the General Meeting (the date of registration of attendance for the General Meeting).

At the request of a holder of rights attached to the Book-Entry Shares, submitted not earlier than after the General Meeting is announced and not later than on the first business day following the date of registration of attendance for the General Meeting, the entity maintaining a relevant securities account will issue a certificate to such holder's name confirming the holder's right to participate in the General Meeting.

Certificates confirming the right to participate in the General Meeting issued by the entity maintaining the securities account serve as the basis for making records which are then submitted to the Polish NDS as the entity operating the depository for securities. On the basis of the records, the Polish NDS draws up a list of entities entitled to participate in the General Meeting as holders of rights attached to the Shares. The list prepared by the Polish NDS is submitted to the Company and forms the basis for preparation by the Company of a list of entities entitled to participate in the General Meeting as holders of rights attached to the Shares.

A shareholder may transfer the Shares in the period from the date of registration of attendance for the General Meeting of Shareholders to the date of closing the Meeting.

<u>*Participation in the General Meeting and exercise of voting rights*</u>

Other than Series A, B and C Shares, as well as 166,917,501 Series D Shares, which are preferred shares in that each of them confers the right to two votes at the General Meeting, each Share confers the right to one vote at the General Meeting. Shareholders may vote each of their shares in a different manner.

The Issuer's Articles of Association contain restrictions on exercising voting rights, whereby votes exercised by foreign nationals and subsidiaries, within the meaning of the Companies Code, controlled by foreign nationals may not account for more than 49% of the total vote at the General Meeting. The restrictions do not apply to foreign nationals who have their place of residence or registered office in an EEA country.

A General Meeting is opened by the Chairperson of the Supervisory Board or a person designated by him/her. The General Meeting then appoints the Chairperson to chair the meeting and appoints the secretary, who records attendance and the number of shares, and voting rights, held by each attendee. The attendance list is signed by the Chairperson of the General Meeting and displayed during the Meeting.

The Company shareholders may attend the General Meeting and vote in person or by proxy. A shareholder who intends to participate in a General Meeting by proxy must issue an authorisation for the proxy, in written or electronic form (but the written form is not required for validity), with the proviso that a power of proxy in electronic form does not require a secure electronic signature verifiable by means of a valid qualified certificate. A form of powers of proxy is made available on the Company's website upon convening the General Meeting. A shareholder granting power of proxy in electronic form is required to notify the Company in a manner specified in the Rules of Procedure for the General Meeting or, in their absence, by the Management Board.

If a member of the Management Board, member of the Supervisory Board, liquidator, employee of the Company, or member of the governing bodies or employee of a subsidiary company or subsidiary cooperative of the Company acts as a shareholder's proxy at the General Meeting, the relevant powers of proxy may apply to one General Meeting only. The proxy is obliged to disclose to the shareholder any circumstances leading to any actual or potential conflict of interests. The proxy may not grant further powers of proxy. A proxy who is a Management Board member, Supervisory Board member, liquidator, employee of the Company or member of the governing bodies or employee of a subsidiary company or subsidiary cooperative, votes as instructed by the Company shareholder.

A shareholder may not vote, either in person or by proxy, or as a proxy for another shareholder, on resolutions concerning their liability towards the Company on any account, including, without limitation, approval of performance of their duties, release from liability towards the Company, or a dispute between the shareholder and the Company. A shareholder of a public company may vote on such resolutions as a proxy.

Resolutions are voted in an open ballot. A secret ballot is ordered in the case of voting on election or removal from office of members of the Company's governing bodies or its liquidators, on bringing them to account and on personnel matters. A secret ballot is also ordered if at least one shareholder present or represented at the General Meeting so demands.

Powers and responsibilities of the General Meeting

The General Meeting is authorised to make decisions, by way of resolutions, with respect to the Company's organisation and operation. Pursuant to the Issuer's Articles of Association, resolutions are passed by an absolute majority of votes cast, unless the Companies Code or the Issuer's Articles of Association provide for stricter terms. Pursuant to the Issuer's Articles of Association, and in accordance with Art. 417.4 of the Companies Code, the Company may change its principal business activity having to repurchase its shares. If the income statement prepared by the Management Board shows a loss which exceeds the sum of its statutory reserve funds, capital reserves and one-third of the share capital, resolutions on the dissolution of the Company are adopted by a two-thirds majority of cast votes.

Pursuant to the Issuer's Articles of Association, the key powers and responsibilities of the General Meeting include, without limitation:

- Review and approval of the Directors' Report, report of the Supervisory Board and financial statements for the previous financial year,
- Decisions on profit distribution or coverage of loss,
- Granting discharge to members of the Management Board and the Supervisory Board in respect of their duties,
- Appointment and removal from office of Members of the Supervisory Board and determining their remuneration, with the proviso that the remuneration of Supervisory Board members delegated to temporarily perform the duties of a Management Board member is determined by the Supervisory Board,
- Amendments to the Issuer's Articles of Association,
- Change of the Company's business profile,

- Increase or reduction of the Company's share capital,
- Merger or transformation of the Company,
- Dissolution and liquidation of the Company,
- Issue of notes,
- Sale and lease of the business and creation of usufruct rights in the business or sale of Company's manufacturing premises,
- Purchase, for the Company, of real property or equipment for permanent use, for a price exceeding one-fifth of the share capital paid, if the purchase were to take place within two years of the Company's registration,
- All decisions concerning claims for redress of any damage inflicted in connection with establishing the Company or in connection with managing or supervising the Company,
- Other matters provided for in the Companies Code.

Right to view the list of shareholders or to request that such list be sent to the shareholder

The list of Company shareholders entitled to participate in the General Meeting, signed by the Management Board, should be displayed at the Management Board's offices for three business days prior to the General Meeting.

Shareholders of the Company have the right to view the list of shareholders entitled to participate in the General Meeting and to request that a copy of the list be sent to them against reimbursement of the costs of making the copy.

In a public company, each shareholder may request that the list of shareholders be sent to them free of charge via electronic mail to the e-mail address provided by the shareholder.

Right to request a copy of proposals concerning the matters included in the agenda of the General Meeting

Each shareholder of the Company may request to be provided with a copy of proposals concerning the matters included in the agenda of the next General Meeting within a week prior to such General Meeting. Such request must be submitted to the Management Board.

Right to request a copy of annual financial statements

Each shareholder of the Company may request copies of the Directors' Report and financial statements, including copies of the Supervisory Board's report and the auditor's report. The copies of the documents referred to in the preceding sentence are to be provided no later than 15 days prior to the General Meeting.

Right to view the list of shareholders attending the General Meeting

Immediately upon the appointment of the Chairperson of the General Meeting, an attendance list of all shareholders attending the General Meeting should be prepared, stating the number of shares each of them represents and the number of votes attached to the shares. The attendance list should be signed by the Chairperson of the General Meeting and displayed during the Meeting.

Upon request of shareholders holding one-tenth of the share capital represented at the General Meeting, the attendance list should be reviewed by an elected committee composed of at least three members. The requesting shareholders are entitled to elect one member of the committee.

Right to request that the Supervisory Board be appointed by block voting

Upon request of shareholders representing at least one-fifth of the Company's share capital, members of the Supervisory Board should be appointed at the next General Meeting by way of block voting, even if the Issuer's Articles of Association provide for another procedure for the appointment of the Supervisory Board. Shareholders representing the number of Shares equal to the quotient of the total number of Shares represented at the General Meeting and the number of the Supervisory Board members may establish a separate block to elect one member of the Supervisory Board, however, they do not participate in the election of other Supervisory Board members. If a position on the Supervisory Board that should be filled by an appropriate block remains vacant, it is filled by the vote of all shareholders not participating in the block voting. If shareholders representing at least one-fifth of the Company's share capital request that the Supervisory Board be appointed by block voting, the provisions of the Issuer's Articles of Association providing for a different appointment procedure do not apply, with the proviso that if the Supervisory Board includes a member appointed by an entity specified in separate statutes, only the remaining Supervisory Board members may be elected by block voting.

Right to request that the Management Board provide information on the Company

At the General Meeting, the Management Board is obliged to provide, upon demand by a shareholder, information on the Company where this is reasonably required for the assessment of a matter included on the agenda. The Management Board may refuse to provide information where its provision could be harmful to the interests of the Company, an associated company, a subsidiary company or subsidiary cooperative, including without limitation through disclosure of technical, commercial or organisational trade secrets. A Management Board member may refuse to provide information where its provision could make such member of the Management Board liable under criminal, civil or administrative laws. Such a request for information is deemed fulfilled if relevant information is available on the Company's website in the section dedicated to shareholder questions and answers to such questions. For a good reason, the Management Board may provide such information in writing outside the General Meeting, in response to a shareholder's request. The Management Board is required to provide the requested information not later than within two weeks from the submission of the request at the General Meeting of Shareholders. If a shareholder requests information on the Company outside the General Meeting, the Management Board may provide such information to the shareholder in writing, provided that disclosing such information will not adversely affect the Company, as referred to above. Such information, along with indication of when and to whom it was provided, should be disclosed by the Management Board in writing in the materials to be presented at the next General Meeting. Information submitted at the next General Meeting need not include information which has been made publicly available and information provided at the General Meeting.

A shareholder who was refused the requested information in the course of the General Meeting and requested that their objection be recorded in the minutes of the General Meeting may submit a request to the registry court for obliging the Management Board to provide the information. Such request should be submitted within one week from the closing of the General Meeting at which the shareholder was refused the requested information. A shareholder may also submit a request to the registry court for obliging the Company to disclose information provided to another shareholder outside the General Meeting. In accordance with the Regulation on Reports, the Company will be required to disclose, in a current report, the information provided to a shareholder as a result of the obligation imposed on the Management Board by the registry court in the cases referred to above.

Shareholder's right to bring action for a resolution of a General Meeting to be revoked or declared invalid

Petition for a resolution to be revoked

A resolution of the General Meeting which is in conflict with the Issuer's Articles of Association or good practice or is harmful to the Company's interests or intended to harm a shareholder, may be appealed against by way of action against the Company for revoking of the resolution. An action for revoking a resolution of the General Meeting may be brought by the following Company shareholders: (i) a shareholder who voted against the resolution and, upon its adoption, requested that their objection be recorded in the minutes of the General Meeting; the voting requirement does not apply to shareholders holding non-voting shares, (ii) a shareholder who was illegitimately refused the right to attend the General Meeting, and (iii) a shareholder who did not attend the General Meeting, only if the Meeting was convened in a defective manner or the resolution was adopted on a matter not included in the agenda. An action for revoking of a General Meeting resolution should be brought within one month of the date of receiving information on the resolution, however, no later than within three months of the resolution date.

Petition for a resolution to be declared invalid

Shareholders entitled to bring action for revoking a resolution of the General Meeting have the right to bring action against the Company to declare invalid a resolution which is in conflict with statutory provisions. An action for declaring a General Meeting resolution invalid should be brought within thirty days of the date of announcement of the resolution, however, no later than within three months of the resolution date.

A shareholder's appeal against a resolution of the General Meeting which has been filed in line with the above rules does not suspend proceedings aimed at registering such resolution with the registry court. However, the registry court may suspend the registration proceedings after the appeal is heard. If the action brought is evidently groundless, the court, acting upon the Company's request, may award an amount of up to tenfold the court expenses plus fees of one solicitor or legal counsel to be paid by the plaintiff. The award does not exclude the right to claim compensation under laws of general application.

Right to dividend

Persons entitled to dividend

The right to dividend accrues to the persons in whose securities accounts Existing Shares are registered at the dividend record date. Series I Shares will carry the right to dividend as follows: (i) if Series I Shares are recorded for the first time in securities accounts before or on the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series I Shares will carry the right to profit distribution starting from the previous financial year, i.e. from the first day of January of the financial year immediately preceding the year in which Series I Shares are recorded for the first time in securities accounts, on a par with other shares of the Company; (ii) if Series I Shares are recorded for the first time in securities accounts on a day falling after the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series I Shares will carry the right to profit distribution starting from the financial year in which they are recorded for the first time in securities accounts, i.e. from the first day of January of that financial year, on a par with other shares of the Company. Series J Shares will carry the right to dividend as follows: (i) if Series J Shares are recorded for the first time in securities accounts before or on the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series J Shares will carry the right to profit distribution starting from the following financial year, i.e. from the first day of January of the financial year immediately preceding the year in which Series J Shares are recorded for the first time in securities accounts, on a par with other shares of the Company, subject to the provisions of item (iii) below; (ii) if Series J Shares are recorded for the first time in securities accounts on a day falling after the dividend record date set out in the Company's General Meeting resolution concerning profit distribution, Series J Shares will carry the right to profit distribution starting from the financial year in which they are recorded for the first time in securities accounts, i.e. from the first day of January of that financial year, on a par with other shares of the Company, subject to the provisions of item (iii) below; and (iii) if Series J Shares are recorded for the first time in securities accounts before or on the interim dividend record date related to interim dividend to be paid in 2014, Series J Shares will carry the right to interim dividend starting from the following financial year, i.e. from the first day of January of the financial year immediately following the year in which Series J Shares are recorded for the first time in securities accounts, on a par with other shares of the Company.

Date on which the entitlement to dividend arises

Shareholders have the right to share in the Company's profit disclosed in the Company's audited financial statements and allocated by the General Meeting for distribution to shareholders.

The dividend record date is the date on which the list of shareholders entitled to dividend is determined. Pursuant to the Companies Code, the dividend record date and dividend payment date are determined by the Annual General Meeting. The dividend record date may be set for the date of the relevant resolution or within three months from that date.

Pursuant to the Polish NDS Rules, the dividend payment date must fall at least ten business days after the dividend record date, excluding any statutory holidays and Saturdays.

The Polish NDS forwards the information on the dividend record date received from the Company to all direct participants of the Polish NDS system, whereupon the participants calculate the number of securities conferring the right to dividend and registered in the securities accounts they maintain. Each participant is required to provide the Polish NDS with: (i) if the dividend is to be paid in the Polish złoty (PLN) – information on the amount of cash to be delivered for dividend payment and on the total amount of the corporate income tax which the issuer should withhold on the dividends paid out through that participant, and (ii) information on the number of corporate income tax remitters entitled to the dividend, excluding those whose identity has not be revealed.

For information on the Company's dividend policy, see "Dividend and dividend policy".

Date after which the entitlement to dividend lapses

A shareholder may claim payment of dividend from the Company within ten years from the date on which the General Meeting passes a resolution to allocate profit, in whole or in part, for distribution to the shareholders. After this time limit, the Company may avoid payment of dividend on the grounds of the statute of limitation. Dividend is paid out through the agency of the Polish NDS, by transfer to the relevant bank account maintained for a shareholder.

Restrictions and procedures applicable to dividend payment to non-resident holders of the New Shares

For information on restrictions and procedures applicable to dividend payment to holders of the New Shares, see Taxation".

Dividend amount

The Companies Code contains detailed rules governing the amount of the Company's profit which the General Meeting may, by way of a resolution, allocate for distribution to the shareholders as dividend. Shareholders have the right to share in the Company's profit disclosed in the Company's audited financial statements and allocated by the General Meeting for distribution to shareholders. The amounts which may be paid to the Company's shareholders as dividend are determined based on the Company's separate financial statements and may differ materially from the amounts disclosed in the consolidated financial statements.

The amount allocated for distribution among the shareholders may not be higher than the profit for the last financial year, increased by the amount of any undistributed profit from previous years and amounts transferred from distributable statutory reserve funds and capital reserves created from profit. However, the amount for distribution must be decreased by the amount of uncovered losses, treasury shares and the amount of profit for the last year which, pursuant to statutory provisions or the Issuer's Articles of Association, should be allocated to statutory reserve funds or capital reserves. Moreover, pursuant to Art. 396 of the Companies Code, until the Company's statutory reserve funds are less than one-third of the Company's share capital, at least 8% of a financial year's profit should be contributed to the Company's statutory reserve funds. At the Prospectus Date, the Company's statutory reserve funds satisfy the minimum level requirements specified in the Companies Code.

The per-share amount of dividend payable to shareholders is a quotient of the portion of the Company's profit allocated to distribution and the number of its Shares.

Interim dividend

Pursuant to the Issuer's Articles of Association, the Management Board is authorised to pass a resolution on the distribution of interim dividend to shareholders, provided that the Company holds sufficient funds to do so. Payment of interim dividend requires the Supervisory Board's approval.

Pursuant to the Companies Code, the payment of interim dividend is conditional upon the Company's having posted a profit in the approved audited financial statements for the previous financial year. The interim dividend amount may not be higher than half of the profit made from the end of the previous financial year as stated in the audited financial statements, increased by the amount of capital reserves created from profit, which the Management Board may allocate to payment of interim dividend, and decreased by the amount of uncovered losses and treasury shares.

Rights connected with the liquidation of the Company

Pursuant to the Companies Code, the Management Board members serve as the Company's liquidators, unless otherwise provided in the Issuer's Articles of Association or in a General Meeting resolution. The Issuer's Articles of Association do not provide otherwise. Upon request of shareholders representing at least one-tenth of the Company's share capital, the registry court may increase the number of liquidators by appointing one or two additional liquidators.

In the event of liquidation, each of the Company shares carries the right to a pro rata share in the Company's assets left after satisfying or securing creditors' claims. The distribution of assets may be performed not earlier than one year after the last announcement of opening the liquidation and calling the Company's creditors to file their claims against the Company.

During liquidation, the Company is not allowed to pay dividend or distribute it assets, either in whole or in part, before all claims are satisfied.

Pre-emptive rights

The Company's shareholders hold the right to subscribe for the new shares in proportion to the number of Shares they hold (pre-emptive right). A resolution on increasing the Company's share capital should specify the pre-emptive right record date, provided that the shareholders' pre-emptive rights have not been waived in full. The pre-emptive right record date must be determined no later than within six months of the resolution date.

By way of a resolution, the General Meeting may waive pre-emptive rights in whole or in part if the following conditions are met: (i) waiver of pre-emptive rights serves the Company's interests; (ii) the General Meeting resolution on the waiver has been passed with a majority of at least four-fifths of the votes in order to be valid; (iii) the resolution on the waiver was included in the announced agenda of the General Meeting; (iv) before the resolution on the waiver of pre-emptive rights is adopted, the Company's Management Board has submitted to the General Meeting a written opinion giving the reasons for the waiver and the proposed issue price of new shares or a manner of determining the price.

The requirement to meet the above-mentioned conditions, including the requirement of the four-fifths majority, does not apply if: (i) the resolution to increase the share capital provides that all new shares are to be acquired by a financial institution (an underwriter), which is obliged to subsequently offer them to the existing shareholders so they can exercise their pre-emptive rights on the terms and conditions laid down in the resolution, and (ii) the resolution stipulates that new shares may be acquired by an underwriter in the event that the entitled shareholders fail to acquire all or some of the offered shares in exercise of their pre-emptive rights.

Cancellation of Shares

The Companies Code provides for the possibility of cancelling shares in a joint-stock company if the company's articles of association so provide. Shares may be cancelled upon the shareholder's consent, through purchase of the shares by the company (voluntary cancellation), or without the shareholder's consent (compulsory cancellation). Pursuant to the Companies Code, voluntary cancellation may not be effected more frequently than once within a given financial year. The reasons for and procedure of share cancellation are specified in the articles of association. Share cancellation requires a resolution of the general meeting and a reduction of the company's share capital. The resolution concerning share capital reduction should be adopted at the same general meeting which resolves to cancel the shares. The cancellation of shares is effective upon the reduction of the share capital, that is upon the registration of the reduced share capital in the register of entrepreneurs maintained for the company.

Pursuant to the Issuer's Articles of Association, the Shares may be cancelled under a General Meeting resolution if (i) a resolution has been adopted to reduce the Company's share capital or (ii) the Company has purchased its own Shares. Shares may be cancelled upon a shareholder's request. Pursuant to the Issuer's Articles of Association, the cancelled Shares are redeemed at their carrying amounts; however, if the Company is listed on the stock exchange, the redemption price is determined based on the average Share prices in the 30 days preceding the date of the General Meeting resolution on share cancellation.

Conversion of Shares

Pursuant to the Companies Code, registered shares may be converted to bearer shares and bearer shares to registered shares if a shareholder so requests, unless the Companies Code or the articles of association provide otherwise. In accordance with the Issuer's Articles of Association, a shareholder may request that registered shares be converted into bearer shares. Conversion of bearer shares into registered shares is impermissible.

Mandatory Share buy-out and sell-out

For information on mandatory Share buy-out at the request of majority shareholders and mandatory Share sell-out at the request of minority shareholders, see "Regulations governing the capital market in Poland, and obligations related to acquisition and disposal of large holdings of shares—Requirements in connection with major holdings in public companies under the Act on Public Offering—Mandatory buy-out of Shares upon demand by majority shareholder (drag-along rights)" and "—Mandatory sell-out of Shares upon demand by a minority shareholder (tag-along rights)".

Special purpose auditor

In a public company, upon request of a shareholder or shareholders holding at least 5% of the total number of votes, the general meeting may resolve that a specific matter relating to the incorporation of the company or the management of its affairs be reviewed by an auditor (special purpose auditor), with the cost of such review to be covered by the company. The shareholder or shareholders referred to above may request that an extraordinary general meeting be convened to adopt the resolution referred to above, or that such resolution be included in the agenda of the next general meeting.

Only an entity with expertise and qualifications required to review the matter set forth in the resolution of the general meeting and prepare a reliable and objective report on the review may be appointed as a special purpose auditor. An entity which during the period covered by the review provided services to the company, its parent entity or subsidiary, or its parent undertaking or major investor as defined in the Accountancy Act, may not be appointed as a special purpose auditor. Neither may an entity of the same group of companies as the entity which provided the above services during the period covered by the review be appointed a special purpose auditor.

A resolution concerning the review of a specific matter relating to the incorporation of a company or the management of its affairs by a special purpose auditor should be adopted by a general meeting whose agenda includes consideration of the request concerning the adoption of such resolution.

If the general meeting fails to pass a resolution according to the above request, or passes such resolution in breach of the regulations of the Act on Public Offering concerning its wording, the requesting parties may, within 14 days of the resolution date, file a request with the registry court to have a specific entity appointed as a special purpose auditor. The registry court may, at the request of the management board, make the decision to appoint a special purpose auditor contingent on the provision of appropriate security by the requesting shareholders. If following the review, the special purpose auditor concludes that there was no violation of laws, the registry court, at the request of the management board, may decide on forfeiture of the security for the benefit of the company. The court's decision on forfeiture of the security may be appealed against.

The registry court refuses to appoint the special purpose auditor if the appointment of the entity designated by the requesting shareholder(s) would violate the requirements concerning special purpose auditors as specified in the Act on Public Offering. It may also refuse to appoint the special purpose auditor if, for other reasons, such an appointment would not guarantee that the report on findings of the review would be reliable and objective.

The management board and the supervisory board of the public company are required to provide the special purpose auditor with the documents specified in the resolution of the general meeting concerning the review of a specific matter relating to the incorporation of the company or the management of its affairs, or in the court's decision to appoint the special purpose auditor, and to provide all the clarifications necessary for the performance of the review. The special purpose auditor submits a written report on the review findings to the company's management board and supervisory board. The management board is required to publish the report in a current report in accordance with Art. 56.1 of the Act on Public Offering. The report prepared by the special purpose auditor must not disclose any information comprising technical, trade or organisational secrets of the company, unless its disclosure is necessary to justify the position stated in the report. The management board presents a report on its response to the review findings at the next general meeting.

REGULATIONS GOVERNING THE CAPITAL MARKET IN POLAND, AND OBLIGATIONS RELATED TO ACQUISITION AND DISPOSAL OF LARGE HOLDINGS OF SHARES

Introduction

Since the New Shares will be covered by applications for the admission and introduction to trading on the primary market (official market for stock exchange listings) of the WSE, trading in the New Shares will be subject to Polish regulations governing the trading in securities, as well as the WSE and the Polish NDS regulations.

The information provided in this section is general in nature, does not constitute legal advice, and provides an overview of the regulatory framework at the Prospectus date.

Key regulations

Trading in securities on the regulated market (primary market) operated by the WSE in Poland is subject to Polish laws, and in particular the Act on Public Offering and the Act on Trading in Financial Instruments, as well as the WSE and the Polish NDS regulations, including the WSE Rules and the Polish NDS Rules. The organisation and methods of supervision of the Polish capital market by the PFSA are provided for in the Act on Capital Market Supervision, the Act on Financial Market Supervision, the Act on Public Offering and the Act on Trading in Financial Instruments.

Issuers of securities admitted to trading on the regulated market are required to concurrently disclose information about certain events and circumstances to the PFSA, the WSE, and the general public. The disclosure requirements are fulfilled using the electronic system for information transmission (ESPI), managed by the PFSA. The type and scope of such information is specified in the Act on Public Offering, the Act on Trading in Financial Instruments, and secondary regulations thereto, including in the Regulation on Reports, as well as in EU regulations. Such information is disclosed to the general public as current and periodic reports (whose contents are regulated in particular by the Regulation on Reports), or reports containing "confidential information" (see "—Inside information" below).

In addition, under the Act on Public Offering, upon approval of the Prospectus by the PFSA, the Company will be required to promptly submit to the PFSA, and in any case not later than within two business days of occurrence, or of coming to the company's attention, any information about material errors or inaccuracies in the Prospectus, or material factors which may have an effect on the assessment of New Shares, occurring subsequent to the Prospectus approval date, or coming to the Company's attention after its approval, and before the Prospectus expiry date. Such information is submitted to the PFSA as a supplement to the Prospectus, including an application for its approval. Upon approval of a supplement to the Prospectus, the Company will promptly, and in any case not later than within 24 hours, publish the supplement in the same way it published this Prospectus (see "Material information—Amendments to this Prospectus—Supplements to this Prospectus").

The Act on Public Offering provides that the Prospectus validity term is 12 months from the approval date. However, the Prospectus expires upon admission to trading on the regulated market of all securities covered by the Prospectus. In addition, the Prospectus also expires on the date of: (i) the Company's submission to the PFSA of the declaration on withdrawal from applying for admission to trading on the regulated market of all securities covered by the Prospectus which has not yet been published, or (ii) the Company's publication of a notice, in accordance with Article 47.1 of the Act on Public Offering, that it withdraws from the application for admission to trading on the regulated market of all securities covered by the Prospectus which has already been published.

Information causing the contents of the Prospectus, or any published supplements thereto, to change with respect to the admission of the Company's securities to trading on a regulated market, other than material errors or inaccuracies in the Prospectus, or material factors which may have an effect on the assessment of the Company's securities covered by the Prospectus, may be published by the Company without following the disclosure procedure described above, i.e. as an update announcement, in the same way it published this Prospectus. The update announcement must be concurrently submitted to the PFSA (see "Material information—Amendments to this Prospectus—Update announcements").

Trading in securities and transaction clearing

Securities trading on the WSE is conducted through the agency of investment firms (such as brokerage houses, banks licensed to conduct brokerage activities, or foreign investment firms licensed to conduct brokerage activities in Poland), which are members of the WSE. The list of current WSE members is published on the WSE website. In terms of technical aspects, securities trading on the WSE is supported by the Universal Trading Platform (UTP) transaction system.

The transaction system determines prices of securities on the basis of sell and buy orders. The summary of buy and sell orders is prepared in order to determine the price of a given security. The transactions are matched in accordance with specific rules, and executed during stock exchange sessions. In order to promote liquidity of the listed instruments, members of the WSE or other entities may act as market makers, by placing (under the relevant agreement with the WSE) buy and sell orders for a given instrument on their own account. The liquidity of financial instruments may also be supported by entities acting as market makers for the issuer, under a relevant agreement with the issuer of financial instruments.

In principle, in accordance with Article 20 of the Act on Trading in Financial Instruments, the management board of the WSE may suspend the trading in financial instruments, e.g. (i) on a motion from the issuer, in order to ensure investors' common and equal access to information, and (ii) if the instruments no longer meet the criteria in effect on the relevant market operated by the WSE, provided that it does not materially affect the investors' interests or pose a threat to the smooth operation of the market. Furthermore, the management board of the WSE suspends trading in financial instruments for a period of up to one month at the request of the PFSA made in accordance with the Act on Trading in Financial Instruments. In addition, the WSE Rules provide that the WSE management board may suspend trading in financial instruments also in other cases, including if the issuer is in breach of the WSE regulations.

According to the WSE Rules, stock exchange sessions on the WSE take place regularly, from Monday to Friday, from 8:30 to 17:35. In particularly justified circumstance, the WSE management board may change the stock exchange session times. At the Prospectus date and until December 31st 2014, stock exchange sessions are held from 8:30 to 17:05. Trading in futures contracts starts at 8:45 and in cash market instruments − at 9:00.

Transactions on the WSE can be executed in one of the following quotation systems: continuous trading or single-price system. Additionally, for large packets of financial instruments block trades are allowed.

The opening and closing prices in the continuous trading system are determined on the basis of broker-placed orders, whose types are determined by the WSE management board. The following rules apply to the determination of opening and closing prices, in the specified order: (i) maximising trading volume, (ii) minimising the difference between the number of financial instruments in buy and sell orders which can be executed at a specific price, (iii) minimising the difference between the price being determined and the reference price.

Stock prices in the single-price system are also determined in accordance with the rules presented above, based on broker orders with and without price limits.

Price volatility limits are in place both in the continuous trading and cash price trading systems. As a rule, static price volatility limits are 10% for equities and 3% for bonds/notes. In particularly justified circumstances, price volatility limits may be changed, suspended, or repealed.

Block transactions, that is transactions executed outside the continuous trading and single-price systems, may be executed, in principle, if at least one WSE member submits a buy or sell order for the same number of financial instruments, at the same price and with the same settlement date. The minimum value of a block trade in effect for the subsequent 12 months, starting from April 1st of a given calendar year, is determined by the WSE management board annually, on the last trading day in March of that year. Until otherwise determined by the WSE management board by way of a resolution, the minimum value of block trades in shares of companies admitted to trading for the first time in a calendar year, and in shares of companies admitted to trading for the first time in December of the previous year may not be lower than:

- PLN 2m for shares included in the WIG 20 and WIG 30 indices;
- PLN 1m for shares included in the mWIG 40 index, except for shares which are also included in the WIG 30 index;
- PLN 0.25m for other shares.

Under resolution No. 389/2014 of the WSE management board of March 31st 2014 concerning the minimum value of block trades in financial instruments listed on the regulated market, the minimum value of block trades for the Shares listed on the regulated market operated by the WSE is PLN 1,250,000.

The difference between the price of the financial instrument specified in the order and the closing price of that instruments in the stock exchange session may not exceed 10%. Block transactions executed outside stock exchange session hours may be completed on the condition that the difference between the price of the financial instrument in the order and the reference price does not exceed 40% (10% for notes and covered bonds), however the reference price is equal to the arithmetic mean of volume-weighted prices of all transactions executed during the last session. In particularly justified circumstances, the WSE management board may authorise transactions which fail to meet the limits for the minimum value and price deviation. The method and terms of executing block trades in derivative instruments and ETF fund units are determined by the WSE management board.

Commissions charged by entities licensed to conduct brokerage activities in Poland are not set by the WSE or any regulatory authorities. Rather, they depend on the value of transactions and rates adopted by the entity executing the transaction and, in the case of WSE transactions, on transaction fees collected by the WSE from its members.

Transactions involving shares admitted to trading on the regulated market are cleared by the clearing house KDPW_CCP S.A. ("**KDPW_CCP**"), whereas other transactions are cleared by the Polish NDS acting as a clearing house. The clearing of transactions involving financial instruments involves determination of cash and other dues resulting from the transactions under the adopted clearing system, which parties to the clearing are required or authorised to conduct. In order to perform the obligations of the counterparties, the Polish NDS clears transactions involving financial instruments by recording the transfer of securities between the relevant deposit accounts, and then by debiting or crediting the omnibus account or the securities account, respectively, in connection with the financial instruments acquisition or disposal transaction and, in correspondence to the amounts of dues determined in the course of clearing, crediting or debiting the bank account or cash account indicated by the party to the transaction or clearing.

Under Article 7 of the Act on Trading in Financial Instruments, the transfer of book-entry shares (see "—Conversion into book-entry form" below) to another entity in secondary trading occurs only upon making the relevant entry in the securities account. Securities accounts for investors are managed by entities holding the Polish NDS member status, which can be e.g. brokerage houses, banks licensed to conduct brokerage activities or maintain securities accounts, or foreign investment firms licensed to conduct brokerage activities in Poland as branch offices.

In accordance with applicable laws, all transactions on the regulated market of the WSE are executed on a delivery vs. payment basis, and rights are transferred three days after the transaction date. As a rule, each investor must have a securities account and a cash account with an investment firm or an entity which conducts custodian activities in Poland, and each investment firm and entity offering custodian services must hold appropriate accounts with the Polish NDS and a cash account with a clearing bank. Entities qualified to operate securities accounts may also operate, as part of a securities depositary or the securities registration system maintained by the National Bank of Poland, omnibus accounts in which book-entry securities owned by persons other than those for whom the accounts are kept may be registered. Omnibus accounts may be operated exclusively for entities named in the Act on Trading in Financial Instruments.

In accordance with the regulations of the WSE and Polish NDS, KDPW_CCP is obliged to clear transactions executed by WSE members, on the basis of a transaction list (after-trading lists) provided by the WSE. WSE members, in turn, coordinate settlements with clients on whose accounts transactions were executed.

Conversion into book-entry form

Introduction

The conversion of securities into book-entry form means that securities: (i) offered in a public offering, or (ii) admitted to trading on the regulated market, or (iii) admitted to the alternative trading system, or (iv) issued by the State Treasury or the National Bank of Poland, do not have a documentary form from the moment of their registration in the securities deposit by the Polish NDS.

If so decided by the issuer, the conversion into book-entry form may not apply to: (i) securities offered in a public offering which are not admitted to trading on the regulated market, or (ii) securities introduced to the alternative trading system only.

In order to complete the conversion of securities into book-entry form, the issuer must execute with the Polish NDS an agreement on the registration of those securities in the securities deposit maintained by the Polish NDS.

The agreement on the registration of shares with the depositary for securities also serves as the basis for registration of subscription rights attached to those shares with the depositary.

Rights attached to book-entry securities arise as of their first-time registration in the securities account and inure to the benefit of the owner of the securities account. In the case of securities registered in omnibus accounts, rights attaching to those securities do not inure to the benefit of that account's holder. In Poland, the person holding rights attached to book-entry securities registered in an omnibus account is the person indicated to the entity maintaining that account by the holder of the account, and the holders of those rights are as many as indicated.

The agreement on transfer of book-entry securities transfers the securities as of the moment an appropriate entry is made in the securities account. If book-entry securities are acquired following a legal event causing the transfer of such securities by operation of the relevant Act, the entry in the securities account of the buyer is made at the latter's request.

The operator of the securities account issues, at the request of the account owner, a deposit certificate in the name of the owner, separate for each type of securities registered in the account. Such a certificate confirms the entitlement to exercise the rights attached to the securities specified therein, which are not or cannot be exercised based solely on entries in the securities account, excluding the right to participate in the general meeting. Deposit certificates may be issued by a brokerage house, bank licensed to conduct brokerage activities, custodian bank, foreign investment firms and foreign legal persons licensed to conduct brokerage activities in Poland through a branch, the Polish NDS or the National Bank of Poland (NBP) – if the designation of a given account enables the identification of the persons holding the rights attached to the securities.

As of the date the certificate is issued, the number of securities specified in the certificate cannot be traded until the expiry of the certificate validity period or its surrender to the certificate issuer. For this period, the certificate issuer blocks an appropriate number of securities in the account. The same securities may be specified in more than one certificate, provided that the purpose of issuing each certificate is different. In such a case, a note is made in subsequent certificates that the securities have been blocked as other certificates have been issued before.

Conversion into book-entry form of New Shares covered by the Prospectus

In order to satisfy the requirements of the Act on Public Offering in connection with the Admission, the Issuer intends to execute with the Polish NDS an agreement on the registration of the New Shares with the depositary maintained by the Polish NDS (conversion of shares into book-entry form). The Issuer will then apply to the WSE for admission and introduction of the New Shares to stock exchange trading.

Conversion of shares back into certificated form

At the request of the issuer with the registered office in the Republic of Poland, the PFSA authorises the conversion of shares back into certificated form upon the conditions established by the Act on Public Offering are met. The authorisation has a legal effect of releasing the issuer from the obligations under the Act on Public Offering, arising in connection with a public offering of shares or their admission to trading on a regulated market in the Republic of Poland, and obligations relating to major holdings of shares in public companies, stipulated in the Act on Public Offering. In the authorisation, the PFSA specifies the period, of up to one month, upon the lapse of which the aforementioned legal effect takes place.

The issuer may submit the request for conversion of shares into certificated form to the PFSA if the issuer's general meeting passes a resolution on the conversion with four-fifths of the votes in favour cast in the presence of shareholders representing at least half of the share capital. The request to convene an extraordinary general meeting and include in its agenda the resolution on the conversion of shares back into certificated form may be submitted by a shareholder or shareholders representing at least one-twentieth of the share capital.

A shareholder or shareholders requesting that a resolution concerning conversion of the company shares into certificated form be included in the agenda are required to first announce a tender offer for the company shares, addressed to all other shareholders. A shareholder or shareholders requesting that a resolution concerning conversion of the company shares into certificated form be included in the agenda of the general meeting may acquire shares in the company in the period between the submission of the request and the closing of the tender offer, only by way of the tender offer.

The obligation to announce the tender offer does not apply if the request to include a resolution concerning the conversion in the agenda of the general meeting is submitted by all the company's shareholders.

Market manipulation

The Act on Trading in Financial Instruments forbids manipulation of financial instruments, which includes:

- placing orders or executing transactions which mislead or may mislead as to the actual demand, supply or price of a financial instrument, unless the reasons behind such activities are legitimate, and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions which result in the price of one or more financial instruments moving to an abnormal or artificial level, unless the reasons behind such activities are legitimate, and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions with the intention to produce legal effects other than the actual objective of a given legal transaction;
- the dissemination, through the media, including the Internet, or by any other means, of false or inaccurate information or rumours which are or may be misleading as regards financial instruments: (a) by a journalist – if they failed to exercise due professional care or if they obtained a direct or indirect financial or personal gain for themselves or another person by disseminating such information, even when acting with due professional care, (b) by another person – if the person knew or, acting with due care could have known, that such information was false or misleading;
- placing orders or executing transactions while simultaneously misleading market participants, or using the fact that market participants are being misled, as regards the price of financial instruments;
- securing control over the demand for or supply of a financial instrument in breach of the principles of fair trading or in a manner resulting in a direct or indirect fixing of the purchase or selling prices of financial instruments;
- the acquisition or disposal of financial instruments at the close of trading with the effect of misleading investors who act on the basis of closing prices;
- deriving a financial gain from the influence of opinions concerning financial instruments or their issuers, expressed in the media on an occasional or a regular basis, on the price of the financial instruments held, unless an existing conflict of interest has been fully and reliably disclosed to the public.

Anyone who engages in market manipulation is liable to a fine of up to PLN 5m or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly. Anyone who engages in collusion with another person for the purpose of manipulation is liable to a fine of up to PLN 2m. Furthermore, in the case of some manipulations, the PFSA may impose a fine of up to PLN 200,000 or a fine of up to ten times the economic benefit derived, or both these penalties jointly.

Inside information

Definition of inside information

Inside information is any precise information relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would likely have a significant effect on the prices of financial instruments or related derivative financial instruments, with the proviso that the information:

- is precise and indicates circumstances and events which occurred or can reasonably be expected to occur, and is detailed enough to enable assessment of the potential impact of the circumstances or events on the price or value of financial instruments or related derivative financial instruments;
- if made public, would materially affect the price or value of financial instruments or related derivative financial instruments, and a rational investor could rely on it while making investment decisions;
- with respect to persons executing instructions related to financial instruments, information is deemed to be inside information also when provided to such a person by an investor or other person aware of the

instructions, and when it relates to acquisition or disposal instructions issued by the investor, upon fulfilment of the conditions above.

Anyone who: (i) holds inside information through membership of the governing bodies of a company, through holding an equity interest in a company, or as a result of having access to inside information in connection with employment, practised profession, or a mandate contract or any other contract of a similar nature, (ii) holds inside information as a result of committing an offence, or (iii) holds inside information obtained otherwise, if the person knew or having exercised due care could have known that it was inside information, is prohibited from: (a) using such information, (b) making such information public, or (c) recommending acquisition or disposal or inducing other persons to acquire or dispose financial instruments to which the information is relevant, based on the inside information.

Acquisition or disposal of financial instruments for one's own account or for the account of a third party, effected on the basis of inside information held by a given person, and any other legal transaction undertaken for one's own account or for the account of a third party which leads or might lead to disposal of such financial instruments constitute use of inside information.

Misuse of inside information is punishable by a fine of up to PLN 5m or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly. Members of the governing bodies, commercial proxies or attorneys-in-fact of the issuer, its employees, qualified auditors or other persons related to the issuer under a mandate contract or any legal relation of a similar nature are liable to a penalty of imprisonment for a period of six months to eight years, which could be imposed jointly with a fine.

Disclosure of inside information consists in providing, enabling or facilitating access to inside information referred to in the Act on Trading in Financial Instruments to unauthorised persons.

Disclosure of inside information is punishable by a fine of up to PLN 2m or a penalty of imprisonment of up to three years, or by both these penalties jointly.

Issuing recommendations to dispose of financial instruments to which the information is relevant or inducing another person to do so based on inside information is subject to a fine of up to PLN 2m, or a penalty of imprisonment of up to three years, or to both these penalties jointly.

Restrictions on acquisition of shares in public companies during restricted periods

Members of the management board, supervisory board, proxies or attorneys-in-fact of the issuer, its employees, qualified auditors or other persons related to the issuer under any mandate contract or any legal relation of a similar nature (persons having access to first-level inside information) may not, during restricted periods, acquire or dispose of, for their own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not make for their own account or for the account of a third party any other legal transactions which lead or might lead to the disposal of such financial instruments. The persons referred to above may not, during restricted periods, acting as a governing body of a legal entity, take transactions whose objective is to effect this legal entity's acquisition or disposal, for its own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not make for their own account or for the account of a third party any transactions which lead or might lead to the disposal of such financial instruments.

The restrictions referred to above do not apply to operations executed:

- by a brokerage entity contracted by the person having access to inside information to manage a portfolio of financial instruments in a manner which excludes the person's influence on investment decisions made for its account; or
- to discharge an obligation to dispose of or acquire any shares in a public company, derivative rights attached thereto or other financial instruments related to such shares, where such obligation results from a written agreement with the date certified by a notary public, concluded before a given restricted period starts; or
- following the submission, by a person having access to inside information, of a response to an announced tender or exchange offer for shares, in accordance with the provisions of the Act on Public Offering; or

- in connection with the performance, by a person having access to inside information, of their obligation to announce a tender or exchange offer for shares, in accordance with the provisions of the Act on Public Offering; or
- in connection with the exercise, by an existing shareholder of the public company, of their pre-emptive rights; or
- in connection with an offering addressed to employees or members of the issuer's governing bodies provided for in the articles of association, provided that the information on such offering has been publicly available before a given restricted period starts.

Restricted period means:

- the period between the time when a person having access to inside information gains inside information concerning the issuer's shares, derivative rights attached thereto or other the financial instruments related to such shares and the time when such information is made public;
- in the case of an annual report – the period of two months preceding the publication of such report or, if shorter, the period between the end of a given financial year and the publication of such report; unless the person with access to inside information had no access to the financial data on the basis of which such report was prepared;
- in the case of a semi-annual report – the period of one month preceding the publication of such report or, if shorter, the period between the end of a given half year and the publication of such report, unless the person with access to inside information had no access to the financial data on the basis of which such report was prepared;
- in the case of a quarterly report – the period of two weeks preceding the publication of such report or, if shorter, the period between the end of a given quarter and the publication of such report, unless the person with access to inside information had no access to the financial data on the basis of which such report was prepared.

Each person having access to inside information who violates the prohibition referred to above is liable to a penalty of up to PLN 200 thousand imposed by the PFSA.

Persons who are members of the issuer's management and supervisory bodies or who are issuer's proxies, as well as other persons who hold managerial positions in the organisational structure of the issuer, have permanent access to inside information related, whether directly or indirectly, to the issuer and are authorised to make decisions affecting the issuer's development and business prospects are obliged to notify the PFSA and the issuer of any transactions executed by them for their own account, whereby they acquire or dispose of any issuer shares, derivative rights attached thereto and other financial instruments related to the issuer shares, admitted or sought to be admitted to trading on a regulated market. The obligation also refers to transactions executed by persons related to the persons referred to above.

A person violating the obligations referred to above is liable to a fine of up to PLN 100 thousand, imposed by the PFSA.

Requirements in connection with major holdings in public companies under the Act on Public Offering

Notification requirements in connection with the acquisition and disposal of major holdings in public companies

Pursuant to the Act on Public Offering, any shareholder that:

- has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total vote in a public company, or
- held at least 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its shareholding, holds 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% or less of the total vote, respectively,

– is required to promptly notify the PFSA and the public company of the fact within four business days from the date on which the shareholder becomes, or by exercising due care could have become, aware of such change, or – if the change results from the acquisition of shares in a public company effected in a transaction concluded on a regulated market – within six trading days of the transaction date. Trading days are defined by the company operating the regulated market (the WSE), pursuant to the Act on Trading in Financial Instruments, and announced by the PFSA on the web page.

The requirement to notify the PFSA and the public company also arises if:

- a shareholder's holding of over 10% of the total vote has changed by at least: (a) 2% of the total vote – in the case of a public company whose shares have been admitted to trading on the official stock-exchange market; or (b) 5% of the total vote – in the case of a public company whose shares have been admitted to trading on another regulated market;
- a shareholder's holding of over 33% of the total vote has changed by at least 1% of the total vote.

The notification may be prepared in English.

The requirement to notify the PFSA and the company does not arise if, upon the settlement by the depository for securities of a series of transactions executed on a regulated market on a single day, the change in the share of the total vote in a public company at the end of the settlement date does not result in reaching or exceeding any shareholding threshold which triggers the notification requirement.

A public company is required to promptly forward the information received from its shareholder in performance of the obligations described above simultaneously to the public, the PFSA, and the company operating the regulated market on which the company shares are listed.

Any person who acquires or disposes of securities in breach of the prohibition described above, may be fined up to PLN 1m by virtue of a relevant decision of the PFSA.

The PFSA may exempt the public company from the obligation to make the information available to the public if this could:

- compromise the public interest, or
- cause a material damage to the company's interests – unless absence of appropriate information causes an incorrect assessment of the securities by investors.

Tender or exchange offers for shares in a public company

Introduction

At the Prospectus date, legislation work is under way to amend the Act on Public Offering with respect to tender or exchange offers for shares in public companies. The description below is based on the regulations effective at the Prospectus date.

Tender or exchange offer under Art. 72 of the Act on Public Offering

Acquisition of shares in a public company in a number which increases a shareholder's share in the total vote by more than:

- 10% within a period shorter than 60 days, in the case of a shareholder holding less than 33% of the total vote at the company,
- 5% within a period shorter than 12 months, in the case of a shareholder holding at least 33% of the total vote at the company,

– may be effected only by way of a tender offer to acquire or exchange the shares in a number of not less than 10% or 5% of the total vote, respectively.

Tender or exchange offer under Art. 73 of the Act on Public Offering

Except in the case discussed in the next paragraph, a shareholder may exceed 33% of the total vote in a public company only as a result of a tender or exchange offer concerning a number of shares in that company which guarantees the reaching of 66% of the total vote, unless the shareholder is to exceed the 33% threshold as a result of a tender or exchange offer concerning all remaining shares in the company.

If a shareholder exceeds the threshold of 33% of the total vote as a result of an indirect acquisition of shares (i.e. obtains the status of the parent in a corporation or other legal person holding shares in a public company, or other corporation or legal person being the parent towards such public company, and acquisition of or subscription for shares in a public company by a direct or indirect subsidiary), subscription for new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder, or the entity which has indirectly acquired the shares, is required, within three months from exceeding the 33% threshold, to:

- announce a tender or exchange offer concerning a number of the company shares that will result in reaching 66% of the total vote, or
- dispose of a sufficient number of shares so as to hold shares conferring the right to not more than 33% of the total vote,

unless within that period the share of such shareholder or the entity which has indirectly acquired the shares in the total vote decreases to or below 33% of the total vote as a result of a share capital increase, amendments to the company's articles of association, or expiry of preference rights attached to shares held.

If a shareholder exceeds the 33% threshold as a result of inheritance, then the obligation to announce a tender or exchange offer will apply only if following such acquisition the shareholder's share in the total votes increases further. The timeframe for performing the obligation commences on the day of the event leading to a further increase in the shareholder's share in the total vote.

Tender or exchange offer under Art. 74 of the Act on Public Offering

Except in the case discussed in the next paragraph, a shareholder may exceed 66% of the total vote in a public company only as a result of a tender or exchange offer concerning all remaining shares in the company.

If a shareholder exceeds the 66% threshold as a result of an indirect acquisition of shares, subscription for new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder, or the entity which has indirectly acquired the shares, is required, within three months from exceeding the 66% threshold, to announce a tender or exchange offer concerning all remaining shares in the company unless within that period the share of such a shareholder, or the entity which has indirectly acquired the shares, in the total vote decreases below 66% as a result of a share capital increase, amendments to the company's articles of association, or expiry of preference rights attached to such shareholder's shares.

If within six months from a tender or exchange offer concerning all remaining shares in a public company the shareholder acquires further shares in the company at a price higher than the price set in the tender or exchange offer otherwise than by way of a tender or exchange offer or mandatory sell-out of shares upon demand by a minority shareholder, such shareholder is obliged, within a month from such acquisition, to pay the difference in the share price to all persons that sold shares by accepting the tender or exchange offer, except for those from whom the shares were acquired at a reduced price (in the case where shares representing at least 5% of all shares in the target company have been acquired from a person that tendered shares in response to the offer and where the entity obliged to announce the offer and such person agreed to reduce the share price).

If a shareholder exceeds the 66% threshold as a result of inheritance, then the obligation to announce a tender or exchange offer will apply only if following such acquisition the shareholder's share in the total votes increases further. The timeframe for performing the obligation commences on the day of the event leading to a further increase in the shareholder's share in the total vote.

Exceptions to the obligation to announce tender offer

The obligation to announce a tender or exchange offer under Art. 72 of the Act on Public Offering does not arise if the shares are acquired on the primary market, as a result of their contribution to a company, or as a result of a merger or demerger of a company.

The obligation to announce a tender or exchange offer under Art. 72 and Art. 73 of the Act on Public Offering does not apply if the shares are acquired from the State Treasury: (a) in an initial public offering; (b) within three years from the closing of the sale of shares by the State Treasury through an initial public offering.

The obligation to announce a tender or exchange offer under Art. 72-74 of the Act on Public Offering does not apply in the case of purchase of shares:

- in a company whose shares are introduced to trading in an alternative trading system only or are not traded as part of organised trading;
- from a member of the same group of companies;
- by way of a procedure provided for in bankruptcy and recovery regulations, or enforcement proceedings;
- under an agreement on the provision of financial security between qualifying entities, concluded on the terms and conditions defined in the Act on Certain Types of Financial Security;
- encumbered with a pledge in order to satisfy a pledgee entitled under other statutes to satisfy its claims by foreclosure of the pledged asset;
- by inheritance, except in the cases referred to in "—Tender or exchange offer under Art. 73 of the Act on Public Offering" and "—Tender or exchange offer under Art. 74 of the Act on Public Offering", where the obligation to announce an offer arises even though the shares are acquired by inheritance.

Rules of announcing tender or exchange offer

In the case of tender or exchange offers referred to in Art. 72 and Art. 73 of the Act on Public Offering, only the following financial instruments may be acquired in exchange for the shares subject to the offer: (a) existing in book-entry form: (i) shares in another company; (ii) depository receipts; (iii) mortgage bonds; or (b) treasury bonds. In the case of tender or exchange offers referred to in Art. 74 of the Act on Public Offering, only shares in another company or other transferable securities in book-entry form carrying voting rights may be acquired in exchange for the tendered shares. If the tender or exchange offer is made for all remaining shares in a company, the terms of the offer must include an option for the shareholders accepting the offer to sell the shares at a price established pursuant to detailed provisions of the Act on Public Offering, discussed below.

A tender or exchange offer is announced after a guarantee is provided for not less than 100% of the value of the shares subject to the offer. The guarantee should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the guarantee.

A tender or exchange offer is announced and carried out through the agency of an entity which conducts brokerage activities in the Republic of Poland; such entity is obliged, no later than 14 business days before the opening of the period for submitting responses to the offer, to simultaneously notify the PFSA and the company operating the regulated market on which given shares are listed, of the intent to announce the tender or exchange offer, attaching a copy of the tender or exchange offer to the notification.

A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares in a public company after the first tender offer is announced. A tender or exchange offer concerning all remaining shares in a given company, announced under Art. 74 of the Act on Public Offering, may be abandoned only if another entity announces a tender or exchange offer concerning all remaining shares in the company at a price not lower than the price of the first offer.

Upon receipt of a notification of the intention to announce a tender or exchange offer, the PFSA may, no later than three business days before the opening of the period for submitting responses to the offer, request that the tender or exchange offer document be amended or supplemented as necessary or that clarifications of its wording be provided within a timeframe specified in the request, which must not be shorter than two days. When delivered to the broker acting as an agent in announcing and carrying out the tender or exchange offer, the request is deemed delivered to the entity obliged to announce the offer. The opening of the subscription period is suspended until the activities specified in the PFSA's request are performed by the entity obliged to announce a tender.

In the period between the notification being submitted to the PFSA and the company operating the regulated market, and the closing of the tender or exchange offer, the entity obliged to announce the offer, its subsidiary or parent, or an entity with which it concluded a written or oral agreement on acquisition of shares in a public company, on voting in concert at the general meeting or implementing a consistent policy with respect to the company, may acquire shares in the company whose shares are covered by the offer only as part of the offer and in a manner defined therein, and may not dispose of shares in the company whose shares are covered by the offer, or enter into any agreement under which they would be obliged to dispose of the shares, nor may they indirectly acquire shares in the public company whose shares are covered by the tender or exchange offer, during the offer.

After the tender or exchange offer is announced, the entity obliged to announce the offer and the management board of the public company whose shares are subject to the offer provide information on the offer, including the wording of the tender or exchange offer document, to the representatives of trade unions active at the company, and if there are no such trade unions at the company, directly to employees.

Upon completion of the tender or exchange offer, the entity announcing the offer is obliged to provide information, in the manner described in "—Notification requirements in connection with the acquisition and disposal of major holdings in public companies," on the number of shares acquired in the tender or exchange offer and the percentage share in the total vote achieved as a result of the offer.

Share price proposed in the tender offer

If any shares in the company are traded on a regulated market, the share price proposed in the tender or exchange offer may not be lower than: (i) the average market price from the six months preceding the offer announcement, during which the shares were traded on the main market; or (ii) the average market price for a shorter period, if the shares were traded on the main market for a period shorter than specified above.

If the price cannot be determined in accordance with the rules described above or in the case of a company in relation to which arrangement or bankruptcy proceedings have been commenced, the price proposed in the tender or exchange offer may not be lower than the fair value of the shares.

Also, the share price proposed in the tender or exchange offer may not be lower than: (i) the highest price paid for the shares subject to the offer within 12 months preceding its announcement by the entity obliged to announce the offer, its subsidiary or parent entity, or a party to an agreement concluded with the entity obliged to announce the offer with regard to acquisition of shares in the public company, voting in concert at the company's general meeting, or conducting a consistent policy with respect to the company, or (ii) the highest value of assets or rights delivered in exchange for the shares subject to the offer within 12 months preceding its announcement by the entity obliged to announce the offer or the entities referred to above.

Also, the share price offered in a tender or exchange offer concerning all remaining shares in a public company, announced under Art. 74 of the Act on Public Offering, may not be lower than the average market price from the three months preceding the offer announcement, during which the shares were traded on the regulated market.

The share price proposed in a tender or exchange offer may be lower than the price determined as specified above with respect to shares representing 5% or more of all shares in the target company which are to be acquired from a person that tendered shares in response to the offer, if the entity obliged to announce the tender offer and the person so agreed.

If the average market price of the shares subject to the tender or exchange offer, determined as specified herein, significantly diverges from the fair value of those shares due to:

- granting to the shareholders of pre-emptive rights, right to dividend, right to acquire shares of the acquiring company in connection with demerger of the public company through a spin-off, or other property rights related to their holding of shares in the public company,
- considerable deterioration of the financial condition or assets of the company due to events or circumstances that could not have been foreseen or prevented by the company,
- threat of permanent insolvency of the company,

the entity announcing the tender or exchange offer may apply to the PFSA for consent to propose a price that does not meet the criteria specified above. The PFSA may grant such consent provided that the proposed price is not lower than the fair value of the shares and the announcement of the offer does not breach the legitimate interest of the shareholders, and may determine in its decision a time limit within which a tender or exchange offer with the price specified in the decision should be announced. The PFSA is required to announce its decision on whether to grant the consent, and to state grounds for the decision. If the PFSA grants its consent, the price offered in the tender or exchange offer may be lower than the price specified in the PFSA's decision with respect to shares representing at least 5% of all shares in the target company which will be acquired from a specific person that tendered shares in response to the offer, if the entity obliged to announce the offer and such person so agree.

The price offered in an exchange offer is the value of the shares of another company in book-entry form that will be transferred in exchange for the shares subject to the offer. With respect to shares traded on a regulated market, the value of the shares is determined: (a) at the average market price from the six months of trading in such shares on the regulated market preceding the date of announcement of the offer; or (b) at the average price from a shorter period if the shares were traded on the regulated market for a period shorter than specified above. If the value of the shares cannot be established in accordance with the rules set out in the preceding sentence – they should be priced at fair value.

The average market price referred to in the regulations described above means the arithmetical mean of the average daily price weighed by trading volume.

In the previous financial year and until the Prospectus date, one public tender offer concerning the Issuer shares was carried out. On March 1st 2013, TiVi Foundation, acting through Pola Investment Limited, announced a tender offer for 36,500 Shares at PLN 15.60. No Shares were acquired as a result of the tender offer.

Sanctions for non-compliance with the regulations governing tender or exchange offers

A shareholder required to perform all the obligations specified in Art. 73.2 and Art. 72.3 of the Act on Public Offering (see "—Tender or exchange offer under Art. 73 of the Act on Public Offering" above) or in Art. 74.2 and Art. 74.5 of the Act on Public Offering (see "—Tender or exchange offer under Art. 74 of the Act on Public Offering" above) may not, until such obligations have been met, directly or indirectly acquire or subscribe for shares in the public company, in which the shareholder exceeded the percentage of total vote threshold specified in those provisions.

A shareholder may not exercise voting rights attached to shares in a public company which are the subject of a legal action or other legal event as a result of which the shareholder will reach or exceed a given threshold of the total vote in breach of the obligation to announce a tender or exchange offer under Art. 72 of the Act on Public Offering.

A shareholder may not exercise voting rights attached to all the shares in the public company, if the percentage of total vote threshold was exceeded in breach of the obligations specified in Art. 73.1 (see "—Tender or exchange offer under Art. 73 of the Act on Public Offering" above) or in Art. 74.1 of the Act on Public Offering (see "—Tender or exchange offer under Art. 74 of the Act on Public Offering" above). The prohibition to exercise voting rights referred to in the preceding sentence applies also to all public company shares held by the subsidiaries of the shareholder or of the entity that acquired the shares in breach of the obligations specified in Art. 73.1 or in Art. 74.1 of the Act on Public Offering.

A shareholder that exceeded the percentage of total vote threshold specified, as applicable, in Art. 73.2 or Art. 73.3 (see "—Tender or exchange offer under Art. 73 of the Act on Public Offering" above) or in Art. 74.2 or Art. 74.5 (see "—Tender or exchange offer under Art. 74 of the Act on Public Offering" above) of the Act on Public Offering may not exercise voting rights attached to all the shares in the public company, unless the shareholder performs the obligations defined in these articles by the prescribed deadline. The prohibition to exercise voting rights referred to in the preceding sentence applies also to all public company shares held by the subsidiaries of the shareholder or of the entity that failed to meet the obligations specified in Art. 73.2, Art. 73.3, Art. 74.2 or Art. 74.5 of the Act on Public Offering.

A shareholder may not exercise voting rights attached to shares in a public company acquired as part of a tender offer at a price determined in breach of Art. 79 of the Act on Public Offering (see "—Share price proposed in the tender offer" above).

An entity that acquired or subscribed for shares in a public company in breach of the prohibition referred to in Art. 77.4.3 of the Act on Public Offering (prohibition to indirectly acquire shares in the public company whose shares are subject to a tender or exchange offer, by the entity obliged to announce a tender or exchange offer and the entities referred to in Art. 79.2.1 of the Act on Public Offering, in the period between the notification of the intention to announce a tender or exchange offer and the closing of the offer) and its subsidiaries may not exercise the voting rights attached to such shares. The prohibition referred to in the preceding sentence applies also to any entity that acquired or subscribed for shares in breach of the prohibition referred to in the first paragraph of this section, as well as to the entities which in accordance with Art. 77.4.1 of the Act on Public Offering in the period between the notification of the intention to announce a tender or exchange offer and the closing of the offer may acquire shares in the company whose shares are subject to the offer only as part of the offer and in the manner defined therein.

Subject to other statutory provisions, the right to vote conferred by shares in a public company that is exercised in breach of the prohibitions referred to in the preceding paragraphs, and the voting right of the entity referred to in the fourth paragraph of this section, is not counted when establishing the result of a vote on a resolution of the general meeting.

Special cases connected with major holdings of shares in public companies

The obligations described in this section which arise in connection with major holdings of shares in public companies apply also to:

a) any shareholder who reaches or exceeds a threshold of the total vote defined in the Act on Public Offering as a result of acquisition or disposal of depository receipts issued in connection with shares in a public company;

b) an investment fund – also if it has reached or exceeded a given threshold of the total vote defined in the laws concerning major holdings of shares in public companies in connection with shares held jointly by: (i) other investment funds managed by the same investment fund management company, and (ii) other investment funds established outside of the territory of the Republic of Poland, managed by the same company;

c) a shareholder who has reached or exceeded a given threshold of the total vote specified in the laws concerning major holdings of shares in public companies in connection with shares held: (i) by a third party in its own name but upon instruction or for the benefit of the shareholder, except for shares acquired in performance of the activities consisting in the execution of orders to acquire or dispose of financial instruments, for the account of the client, (ii) in connection with activities involved in the management of portfolios including one or more financial instruments, in accordance with the provisions of the Act on Trading in Financial Instruments and the Act on Investment Funds, in relation to shares in a managed securities portfolio, under which the shareholder, as the manager, may exercise voting rights at the general meeting on behalf of the principals, (iii) by a third party with which the shareholder entered into an agreement on the transfer of right to exercise voting rights;

d) a proxy who, in its capacity as a representative of a shareholder at the general meeting, has been authorised to exercise voting rights attached to shares in a public company, unless the shareholder provided binding written instructions on how the proxy is to vote;

e) jointly all entities bound by a written or oral agreement on the acquisition of shares in a public company, or on voting in concert at the general meeting, or on conducting a fixed policy with respect to the company, even if only one of the entities has taken or intends to take actions giving rise to such obligations;

f) entities which enter into the agreement referred to above, holding shares in a public company whose aggregate number confers the right to such a number of votes which results in reaching or exceeding a given threshold of the total vote defined in the Act on Public Offering.

In the cases referred to in (e) and (f) above, the obligations defined in the Act on Public Offering concerning major holdings in public companies may be performed by one of the parties to the agreement, designated by the parties thereto.

The obligations set out in the Act on Public Offering concerning major holdings of shares in public companies also arise when voting rights are attached to securities deposited or registered with an entity which may dispose of them at its discretion.

An agreement concerning acquisition of shares in a public company, or voting in concert at the general meeting, or conducting a fixed policy with respect to the company, is deemed to exist where shares of the public company are held by: (a) spouses, their ascendants, descendants, persons related through blood or marriage in the first degree in the kinship line, as well as persons under their care or tutelage, and adoptive children; (b) persons sharing a household; (c) a principal or the principal's agent, other than an investment firm, authorised to place orders to acquire or sell securities in a securities account; and (d) related undertakings within the meaning of the Accountancy Act.

The number of votes which gives rise to the obligations referred to in the Act on Public Offering with respect to major holdings of shares in public companies includes: (a) on the part of the parent entity – the votes held by its subsidiaries; (b) on the part of a proxy who has been authorised by a shareholder to vote shares in a public company at the general meeting on behalf of the shareholder – the number of votes attached to the shares covered by the power of proxy; (c) the votes attached to all shares, even if exercising these votes is restricted or prohibited under the articles of association, contract or provisions of law.

Mandatory buy-out of shares upon demand by majority shareholder (drag-along rights)

A shareholder in a public company, who individually or jointly with its subsidiaries or parent undertakings, or entities with which it has entered into a written or oral agreement on acquisition of shares in a public company or on voting in concert at the general meeting or on conducting a fixed policy with respect to the company, has reached or exceeded 90% of the total vote in the company, has the right to demand, within three months of reaching or exceeding the threshold, that the other shareholders sell all the shares held in the company.

The share price in a mandatory buy-out is determined pursuant to Art. 79.1-79.3 of the Act on Public Offering, concerning the determination of price in a tender or exchange offer, provided that if the 90% threshold has been reached or exceeded due as a result of a tender or exchange offer for all remaining shares in the company, announced pursuant to Art. 74 of the Act on Public Offering, the price in such a mandatory buy-out cannot be lower than the price offered in the offer.

In the case of a mandatory buy-out, shares are acquired without the consent of the shareholder.

A mandatory buy-out is announced after security is provided for not less than 100% of the value of the shares subject to the mandatory buy-out. The guarantee should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the guarantee.

A squeeze-out is announced and carried out through the agency of an entity conducting brokerage activities in the Republic of Poland, which is obliged, not later than 14 business days prior to the commencement of the squeeze-out, to simultaneously notify the PFSA and the company operating the regulated market on which given shares are listed, or if the company shares are listed on more than one regulated market – all such companies, of the intent to announce the squeeze-out, attaching information on the squeeze-out to the notification.

An announced mandatory buy-out may not be abandoned.

Mandatory sell-out of shares upon demand by a minority shareholder (tag-along rights)

A shareholder in a public company may demand that their shares be acquired by another shareholder who has reached or exceeded 90% of the total vote in the company. Such demand must be made in writing within three months from the day on which the 90% threshold has been reached or exceeded by such other shareholder.

If information about the fact that the 90% threshold of the total vote has been reached or exceeded has not been disclosed as required under the Act on Public Offering, the period for submitting the demand starts on the day when the shareholder entitled to demand the buy-out of shares becomes, or by exercising due care could have become, aware of the 90% threshold having been reached or exceeded by another shareholder.

The obligation to respond, within 30 days from the date the demand referred to above is submitted, rests, jointly and severally, with the shareholder who reaches or exceeds 90% of the total vote and on its subsidiaries and parent undertakings. The obligation to acquire the shares from the shareholder rests also jointly and severally on each party to a written or oral agreement on acquisition of shares in a public company or on voting in concert at the general meeting or on conducting a fixed policy with respect to the company if the parties to the agreement jointly hold, together with their subsidiaries and parent entities, at least 90% of the total vote.

A shareholder demanding that its shares be bought is entitled to receive a price not lower than a price determined in accordance with Art. 79.1-79.3 of the Act on Public Offering concerning the determination of share price in a tender or exchange offer, provided that if the 90% threshold has been reached or exceeded as a result of a tender or exchange offer for all remaining shares in the company, announced pursuant to Art. 74 of the Act on Public Offering, the price in mandatory buy-out cannot be lower than the price in the offer.

Notification requirement under the Companies Code for entities which become the parent of another company

A shareholder in a company which becomes its parent company within the meaning of Art. 4.1.4) of the Companies Code is obliged to notify its subsidiary of the fact of becoming the parent within two weeks from becoming the parent, or else the voting rights held by the parent in excess of 33% of the subsidiary's share capital are suspended. A resolution passed by the general meeting in breach of the regulations of the Companies Code concerning the requirement to provide a notification of becoming the parent is void unless the quorum and majority requirements are met despite the invalid votes being excluded.

A parent company, within the meaning of the Companies Code, is a company which: (a) holds, whether directly or indirectly, the majority of votes at the general meeting, including as a pledgee or usufructuary, or on the management board, also under agreements with other entities, or (b) is entitled to appoint or remove the majority of members of the management board, also under agreements with other entities, or (c) is entitled to appoint or remove the majority of members of the supervisory board, also under agreements with other entities, or (d) members of its management board represent more than half of the management board of another company, or (e) holds, whether directly or indirectly, the majority of votes in a subsidiary partnership or at the general meeting of a subsidiary cooperative, also under agreements with other entities, or (f) has a decisive influence on another company's business, in particular under agreements for management of the company or transfer of profit by the company.

A company shareholder or member of the management or supervisory board may request that a commercial company which is the company's shareholder provide information whether it is the parent or a subsidiary of a given commercial company or cooperative which is also a shareholder in the company. An entitled shareholder may also request disclosure of information on the number of shares or votes held by the commercial company to which the request was addressed at the general meeting of the company, also as a pledgee, usufructuary or under agreements with other persons. The request for disclosure of such information should be submitted in writing. Answers to questions asked by an entitled shareholder should be submitted to the shareholder and the company within ten days from receiving the request. If a request to provide an answer was delivered later than two weeks before the date for which the general meeting was convened, the period prescribed for providing the answer begins on the day following the day on which the general meeting was closed. From the beginning of the period prescribed for providing the answer until the answer is given, the company obliged to provide the answer may not exercise the rights attached to the shares held by it.

The regulations described above apply accordingly when a company ceases to be the parent company. In such case, the company which ceased to be the parent of another company is obliged to submit a notification of the fact.

Notification obligations under antitrust regulations

EU regulations

A concentration involving businesses operating in Poland may also be subject to EC laws. The EU Merger Regulation applies to the so-called concentrations with a "Community dimension". A concentration has a Community dimension, where:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5bn, and
- the aggregate EU-wide turnover of each of at least two of the undertakings concerned is more than EUR 250m,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover in one and the same Member State.

A concentration with respect to which the above thresholds are not reached has a Community dimension when all of the following criteria are satisfied:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5bn, and
- in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100m, and
- in each of at least three Member States considered for the purposes indicated in the preceding item, the aggregate turnover of each of at least two of the undertakings concerned is more than EUR 25m, and
- the aggregate EU-wide turnover of each of at least two of the undertakings concerned is more than EUR 100m,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover in one and the same Member State.

A concentration which is subject to the EU Merger Regulation arises where a lasting change of control results from:

- a merger of two or more previously independent undertakings or parts of undertakings; or
- acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, whether by purchase of securities or assets, by contract or by any other means, of direct or indirect control of the whole or parts of one or more undertakings.

The creation of a joint venture performing on a lasting basis all the functions of an autonomous economic entity is also considered a concentration within the meaning of the EU Merger Regulation.

Concentrations with a Community dimension, as defined in the EU Merger Regulation, must be notified to the European Commission prior to their implementation or following the conclusion of the agreement, the announcement of a public takeover bid or the acquisition of a controlling interest, however in certain definite cases a concentration may be notified at an earlier stage. The implementation of concentrations should be suspended until a final decision of the Commission has been taken or until the lapse of the deadline for issuing such a decision. If a notified concentration does not significantly restrict competition on the common market or a substantial part of it, in particular as a result of creating or reinforcing an incumbent entity, the European Commission deems the concentration compatible with the common market.

As a rule, concentrations which fall within the scope of the EU Merger Regulation are not subject to notification to the antitrust authority of the relevant Member State.

Act on Competition and Consumer Protection

An intended concentration of undertakings is subject to notification to the President of UOKiK where:

- the combined aggregate worldwide turnover of all the undertakings concerned in the financial year immediately preceding the year of notification exceeds the equivalent of EUR 1bn; or
- the combined aggregate turnover of all the undertakings concerned in the territory of Poland in the financial year directly preceding the year of notification exceeds the equivalent of EUR 50m.

The turnover referred to above includes both:

- the turnover of the undertakings concerned, and
- the turnover of other undertakings which are part of the groups to which the undertakings concerned belong.

The President of UOKiK consents to the concentration provided that it does not materially restrict competition on the market, in particular through the creation or strengthening of a dominant position on the market.

The provisions of the Act on Competition and Consumer Protection apply not only to undertakings within the meaning of the regulations on freedom of business activity, but also, inter alia, to natural persons exercising control, within the meaning of the Act on Competition and Consumer Protection, over at least one undertaking, even where such person does not engage in business activity within the meaning of the regulations on freedom of business activity, if such person takes further actions falling within the scope of supervision over concentrations under the Act on Competition and Consumer Protection.

The obligation to notify an intended concentration to the President of UOKiK applies to an intended: (i) combination of two or more independent undertakings, (ii) taking over, by way of acquisition of or subscription for shares or other securities, or otherwise, direct or indirect control over one or more undertakings by one or more undertakings, (iii) establishing a joint undertaking by one or more undertakings, (iv) acquiring by an undertaking a part of the assets of another undertaking (a business or its part), where the turnover generated by the assets acquired in the territory of Poland exceeded the equivalent of EUR 10m in any of the two financial years directly preceding the notification.

Within the meaning of the Act on Competition and Consumer Protection, taking over control includes any form of an undertaking's direct or indirect acquisition of powers which, severally or jointly, all legal or factual circumstance having been taken into consideration, enable the acquiring undertaking to exert decisive influence upon another undertaking or undertakings.

An intended concentration is not subject to notification if the aggregate turnover of the undertaking the control of which is to be taken over and its subsidiaries did not exceed in the territory of Poland the equivalent of EUR 10m in any of the two financial years directly preceding the notification. Furthermore, an intended concentration is not subject to notification if it:

- consists in temporary acquisition of or subscription for shares by a financial institution with a view to reselling them, where the principal business activity of such institution includes making investments, for its own account or for the account of a third party, in shares of other undertakings, provided that the shares are resold within a year from the acquisition or subscription date, and that (a) such institution does not exercise rights attached to those shares, other than the right to dividend, or (b) it exercises those rights exclusively with a view to preparing for resale, in whole or in part, of the business, its assets or the shares;
- consists in temporary acquisition of or subscription for shares by an undertaking with a view to securing claims, provided that such undertaking does not exercise rights attached to those shares, other than the right to dispose of the shares;
- occurs in the course of bankruptcy proceedings, except for taking over control by a competitor or entities from the groups of competitors of the undertaking being taken over;
- involves undertakings belonging to the same group.

The undertakings involved in a notifiable concentration are obliged to postpone the implementation of such concentration until the President of UOKiK has issued a decision giving consent to the concentration or until the deadline for issuing such decision has lapsed. The legal action pursuant to which the concentration is to take place may be effected only after the President of UOKiK has issued a decision giving consent to the concentration or after the statutory deadlines for issuing such decision has lapsed. The implementation of a public tender to buy or exchange shares of which the President of UOKiK has been notified is not deemed a breach of the statutory obligation to refrain from effecting the concentration referred to above until the President has issued consent to the concentration or until the deadline for issuing such consent has lapsed, if the purchaser does not exercise the voting rights attached to the purchased shares or does so solely for the purpose of maintaining the full value of its equity investment or prevent material damage to the undertakings involved in the concentration.

If an undertaking has effected concentration without the required consent of the President of UOKiK, the President may, inter alia, impose on such undertaking, by way of decision, pecuniary penalty of up to 10% of the revenue reported by such undertaking in the financial year immediately preceding the year in which the penalty is imposed.

TAXATION

This section provides information on the most important tax consequences of acquiring, holding, exercising the rights attached to or selling New Shares under Polish laws. The information is general in nature and in no way does it purport to be complete and exhaustive. Therefore, professional tax advice, or an official position from competent administration authorities, should be sought in individual cases.

The information below is based solely on tax laws effective in Poland at the Prospectus date. Statements contained in this Prospectus may no longer be valid if the legislation is amended or if interpretation of tax laws changes, including as a result of judgements and orders delivered by administrative courts, or the practice of tax authorities. Such changes and amendments may have a retroactive effect.

Except for the tax effects of exemptions discussed in this section, the discussion below does not cover specific tax effects which apply in the case of income tax exemptions applicable to specific taxpayers or specific types of taxable income (i.e. relating to Polish or foreign investment funds).

The term "dividend" as used below, as well as any other expression, has the meaning ascribed to it by Polish tax laws.

Income tax on disposal of securities for consideration

Personal income tax

Income tax of natural persons subject to unlimited tax obligation in Poland (i.e. having their tax residency in Poland).

Natural persons are subject in Poland to tax on their entire income, regardless of where such income is earned (unlimited tax obligation), if they are domiciled in the Republic of Poland (Art. 3.1 of the Polish Personal Income Tax Act).

A person domiciled in the Republic of Poland is a natural person who:

- has his/her centre of personal or economic interests (centre of life interests) in the Republic of Poland, and
- his/her sojourn in the Republic of Poland in a given fiscal year is longer than 183 days (Art. 3.1a of the Polish Personal Income Tax Act).

The above provision is applied with due regard for double tax treaties to which the Republic of Poland is party (Art. 4a of the Polish Personal Income Tax Act). Those treaties may use a different definition of "domicile" of a natural person or of "centre of life interests".

Income gained in Poland by natural persons subject to unlimited tax obligation from sale of securities (including shares) for consideration is subject to personal income tax in accordance with the Polish Personal Income Tax Act.

Income derived from disposal of securities for consideration is the difference between the sum of income generated from such disposals in a calendar year and deductible expenses, as specified in the Polish Personal Income Tax Act (Art. 30b.2.1, in conjunction with Par. 6 of the Polish Personal Income Tax Act).

Income derived from disposal of securities for consideration is the value expressed as the selling price as indicated in the relevant agreement, less the deductible expenses of the disposal for consideration. If, however, the price unreasonably deviates from the market value of those securities, income derived from the disposal of securities for consideration is determined by the tax authority or tax audit authority as the market value of those securities (Art. 19.1, in conjunction with Art. 17.2 of the Polish Personal Income Tax Act).

Income derived from the disposal of securities for consideration is the income which is due, even if not actually received (Art. 17.1.6.a of the Polish Personal Income Tax Act).

The deductible expenses for disposal of securities for consideration include expenses incurred to purchase or subscribe for such securities. Such expenses may be deducted only upon generation of income derived from disposal of securities for consideration (Art. 23.1.38 of the Polish Personal Income Tax Act).

In the event of disposal of securities for consideration, repurchase by the issuer of securities acquired by the taxpayer as inheritance, the deductible expenses are those incurred by the testator or intestate to subscribe for or acquire the securities (Art. 22.1m of the Polish Personal Income Tax Act).

Income generated from the disposal of securities received as a gift is not subject to income tax in its portion equivalent to the amount paid in the inheritance and gift tax (Art. 21.1.105 of the Polish Personal Income Tax Act).

If a taxpayer sells securities acquired at different prices and it is not possible to establish their purchase price, then the income derived from such sale is calculated in accordance with the principle that in each case the first shares purchased are the first shares sold. The principle referred to in the preceding sentence is applied separately to each securities account (Art. 24.10 of the Polish Personal Income Tax Act).

The rate of tax on income derived from the disposal of securities (including shares) for consideration by natural persons having their tax residency in Poland, is 19% (Art. 30b.1 of the Polish Personal Income Tax Act).

In the case of income derived from the disposal of securities for consideration, there is no obligation to withhold any tax by tax remitters or pay any income tax prepayments during a fiscal year. After the end of a fiscal year, the remitter, using personal income information received from sole traders, legal persons or organisational entities without legal personality by the end of February of the year following the fiscal year in which income derived from the disposal of securities for consideration was earned, is required to report the income earned in a given year from disposal of securities for consideration, and if taxable income is thus generated, to compute the income tax due in a separate tax return where income earned (loss incurred) in a given fiscal year is provided (Art. 30b.6 of the Polish Personal Income Tax Act). The deadline for submitting tax returns is April 30th of the year following the fiscal year in which income derived from the disposal of securities for consideration was earned. The same deadline applies to the payment of the tax due as reported in that tax return.

Income derived from disposal of securities for consideration is not aggregated with income derived from other sources (Art. 30b.5 of the Polish Personal Income Tax Act).

If in a given fiscal year a taxpayer records a loss on disposal of securities for consideration, the loss may reduce the taxpayer's income derived from that source in the next five consecutive fiscal years, with a proviso that in any of these years the amount of reduction must not exceed 50% of that loss. Such loss is not aggregated with losses from other sources, incurred by the taxpayer (Art. 9.6 of the Polish Personal Income Tax Act).

The above rules do not apply if the disposal of securities for consideration is part of business activity (Art. 30b.4 of the Polish Personal Income Tax Act). In this case, the income is classified as revenue from business activities and taxed using progressive or flat rates, depending on the selection made by the taxpayer and subject to his/her compliance with additional requirements.

Income tax of natural persons subject to limited tax obligation in Poland (i.e. not having their tax residency in Poland)

In principle, the rules for the taxation of income derived from disposal of securities for consideration discussed above also apply to income earned in the Republic of Poland from disposal of securities for consideration by persons not having their tax residency in Poland.

Such persons are subject to tax exclusively on their income (revenue) earned in the Republic of Poland (limited tax obligation – Art. 3.2a of the Personal Income Tax Act).

The above rules for the taxation of income derived from disposal of securities for consideration, earned in the Republic of Poland by taxpayers not having their tax residency in the Republic of Poland, apply with due regard for the relevant double tax treaties to which the Republic of Poland is party. However, pursuant to Art. 30b.3 of the Personal Income Tax Act, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence.

Tax on corporate income and on income earned by entities without legal personality

Corporate income tax applicable to legal persons subject to unlimited tax obligation in Poland (i.e. having their registered office or management in Poland)

Corporate income taxpayers are legal persons, companies in organisation and entities without legal personality (except for unincorporated partnerships) (Art. 1.1 and 1.2 of the Polish Corporate Income Tax Act).

Furthermore, the Polish Corporate Income Tax Act also applies to partnerships limited by shares having their registered office or management in the Republic of Poland (Art. 1.3.1 of the Polish Corporate Income Tax Act).

Taxpayers having their registered office or management in the Republic of Poland are subject to tax on their entire income, regardless of where such income is earned (unlimited tax obligation – Art. 3.1 of the Polish Corporate Income Tax Act).

Income of taxpayers subject in Poland to unlimited tax obligation from disposal of securities (including shares) for consideration, is subject to corporate income tax on general terms, set forth in the Polish Corporate Income Tax Act.

The income is the surplus of revenue over deductible expenses, earned in the fiscal year (Art. 7.2 of the Polish Corporate Income Tax Act).

Income derived from disposal of securities for consideration is the value expressed as the selling price indicated in the relevant agreement. If, however, the price unreasonably deviates from the market value of those securities, income derived from the disposal of securities for consideration is determined by the tax authority or tax audit authority as the market value of those securities (Art. 14.1 of the Polish Corporate Income Tax).

The deductible expenses for disposal of securities for consideration include expenses incurred to purchase or subscribe for such securities. Such expenses may be deducted only upon generation of revenue from disposal of securities for consideration (Art. 16.1.8 of the Polish Corporate Income Tax Act).

Income derived from disposal of securities for consideration and the related deductible expenses are aggregated with other income and deductible expenses of a given reporting period. Pursuant to Art. 19.1 of the Polish Corporate Income Tax Act, the tax on income earned by corporate income taxpayers is 19% of the tax base.

If income is earned on disposal of securities for consideration, the taxpayers themselves account for the tax due on the disposal, and no tax is withheld by the remitter. The taxpayer accounts for the income tax by stating, in the tax return, the amount of income earned or loss incurred in the fiscal year (Art. 27.1 of the Polish Corporate Income Tax Act). The taxpayer must file the tax return before the end of the third month following the relevant fiscal year. The same deadline applies to the payment of the tax due as reported in the tax return.

Corporate income tax applicable to legal persons subject to limited tax obligation in Poland (i.e. not having their registered office or management in Poland)

In principle, the rules for the taxation of income derived from disposal of securities for consideration discussed above also apply to income earned in the Republic of Poland from disposal of securities for consideration by persons not having their registered office or management in Poland. Provisions of the Act also apply to income earned in the Republic of Poland by unincorporated partnerships having their registered office or management in another state, if, under the tax laws of that state, they are treated as legal persons subject to income tax on their entire income, regardless of where it was earned (Article 1.3.2 of the Polish Corporate Income Tax Act).

Pursuant to Art. 3.2 of the Polish Corporate Income Tax Act, such persons are subject to tax exclusively on their income earned in the Republic of Poland (limited tax obligation).

The above rules for the taxation of income derived from disposal of securities for consideration in the Republic of Poland, earned by corporate income taxpayers not having their registered office or management in the Republic of Poland, apply with due regard for the relevant double tax treaties to which the Republic of Poland is party. However, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence.

Income tax on dividend and other profit distributions by legal persons

Personal income tax

Income tax of natural persons subject to unlimited tax obligation in Poland (i.e. having their tax residency in Poland)

The rate of tax on income (revenue) from profit distributions made by legal persons having their registered office in the Republic of Poland, earned by natural persons subject to unlimited tax obligation in Poland, is 19% (flat rate) of the income (Art. 30a.1.4 of the Polish Personal Income Tax Act).

Income (revenue) from profit distributions made by legal persons is the income (revenue) actually earned from such distributions (Art. 24.5 of the Polish Personal Income Tax Act). It comprises income derived from dividend and other profit distributions by legal persons (including from cancellation of shares or acquisition of assets of a legal person or company in connection with its liquidation).

The entity which pays out or releases to the taxpayer cash or cash equivalents constituting the income (revenue) referred to above is required to withhold and remit tax on paid out or released cash or cash equivalents at a flat rate (Article 41.4 of the Polish Personal Income Tax Act). The remitter is under the obligation to file the annual tax return on the prescribed form with the competent tax office by the end of January of the year following the relevant fiscal year (Art. 42.1a of the Polish Personal Income Tax Act).

The remitter is under the obligation to send personal tax information on the prescribed form to the taxpayer and the tax authority competent for the taxpayer's domicile (Art. 42.2.1 of the Polish Personal Income Tax Act).

However, pursuant to Art. 45.3b of the Polish Personal Income Tax Act, if the tax is not withheld by the tax remitter, the natural person has the obligation to account for the tax themselves in the annual tax return filed by the end of April in the year following the relevant fiscal year.

A particular case is the income on securities registered in securities accounts or omnibus accounts, within the meaning of the Act on Trading in Financial Instruments. Tax on dividend income, on income derived from cancellation of shares, on the value of assets received in connection with the liquidation of a legal person or an unincorporated partnership and – in the case of a merger or demerger of companies – on additional cash payments obtained by shareholders of the acquiree, or of the merged or demerged companies, is withheld by entities (remitters) operating securities accounts for the taxpayers, if the income was earned in the Republic of Poland and was related to the securities registered in those accounts, and the payment to the taxpayer is made through the agency of those entities (Art. 41.4d of the Polish Personal Income Tax Act). With respect to securities registered in omnibus accounts, the income tax on dividend, on income derived from cancellation of shares, on the value of assets received in connection with the liquidation of a legal person or an unincorporated partnership and – in the case of a merger or demerger of companies – on additional cash payments obtained by shareholders of the acquiree, or of the merged or demerged companies, is remitted by the entities operating those omnibus accounts through which such amounts are paid. The tax is withheld on the date when a given amount due is released to an omnibus account holder (Art. 41.10 of the Polish Personal Income Tax Act).

If dividend income and other income derived from profit distributions made by legal persons is transferred to beneficial owners of securities registered in omnibus accounts whose identities have not been disclosed to the tax remitter pursuant to relevant provisions of the Act on Trading in Financial Instruments, the tax is withheld by the tax remitter at 19% of the total income that the tax remitter has transferred to all such taxpayers through the agency of the omnibus account holder (Art. 30a.2a of the Polish Personal Income Tax Act). If the remitter makes the payment in the manner described above, then the remitter, in respect of all such taxpayers, is under no obligation to prepare personal income information (Art. 42.8 of the Polish Personal Income Tax Act). Rather, the taxpayers themselves are under the obligation to account for such income in their annual tax returns (Art. 45.3c of the Polish Personal Income Tax Act).

Income tax of natural persons subject to limited tax obligation in Poland (i.e. not having their tax residency in Poland)

In principle, the above taxation rules for dividend income and other income derived from profit distributions made by legal persons having their registered office in the Republic of Poland also apply to income earned by natural persons subject to limited tax liability in Poland.

The above rules for the taxation of income derived from profit distributions made by legal persons, earned by persons not having their tax residency in Poland, apply with due regard for the relevant double tax treaties to which the Republic of Poland is party. However, pursuant to Art. 30a.3 of the Personal Income Tax Act, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence.

The remitter is under the obligation to send personal tax information on the prescribed form to the taxpayer and the tax office competent for the taxation of foreign residents (Art. 42.2.2 of the Polish Personal Income Tax Act). Furthermore, at a written request of the taxpayer, the tax remitter is under the obligation – within 14 days of submission of the request – to prepare and deliver to the taxpayer and to the tax office competent for the taxation of foreign residents the personal tax information referred to above (Art. 42.4 of the Polish Personal Income Tax Act).

If dividend income and other income derived from profit distributions made by legal persons is transferred to taxpayers who are beneficial owners of securities registered in omnibus accounts, whose identities have not been disclosed to the tax remitter pursuant to relevant provisions of the Act on Trading in Financial Instruments, the tax remitter is under no obligation to prepare and deliver the personal income information (Art. 42.8 of the Polish Personal Income Tax Act).

Tax on corporate income and on income earned by entities without legal personality

Corporate income tax applicable to legal persons subject to unlimited tax obligation in Poland (i.e. having their registered office or management in Poland)

The rate of tax on income derived from profit distributions made by legal persons having their registered office or management in the Republic of Poland, earned by corporate income taxpayers subject to unlimited tax obligation in Poland, is 19% (flat rate) of the income (Art. 22.1 of the Polish Corporate Income Tax Act).

Income gained from profit distributions made by legal persons is the income actually gained from such distributions (shares) (Art. 10.1 of the Polish Corporate Income Tax Act). It comprises income derived from dividend and other profit distributions by legal persons (including from cancellation of shares or acquisition of assets of a legal person or company in connection with its liquidation).

The entity paying out the above income (tax remitter) is under the obligation to withhold flat-rate tax on such disbursements (Art. 26.1 of the Polish Corporate Income Tax Act).

The tax remitter is under the obligation to file the annual tax return on the prescribed form with the competent tax office by the end of the first month in the year immediately following the relevant fiscal year (Art. 26a of the Polish Corporate Income Tax Act). Tax remitters are also under the obligation to deliver to taxpayers information on the tax withheld by the seventh day of the month following the month in which the tax was withheld (Art. 26.3.1 and 26.3a of the Polish Corporate Income Tax Act).

Corporate income tax applicable to legal persons subject to limited tax obligation in Poland (i.e. not having their registered office or management in Poland)

In principle, the above taxation rules apply to dividend income and other income derived from profit distributions made by legal persons having their registered office or management in the Republic of Poland, earned by corporate income taxpayers subject to limited tax liability in Poland.

Income derived from dividend and other profit distributions made by legal persons, earned in the Republic of Poland by persons subject to limited tax obligation, is subject to the taxation rules discussed above, unless double taxation treaties to which the Republic of Poland is party provide otherwise (Art. 22a of the Polish Corporate Income Tax Act). However, pursuant to Art. 26.1 of the Corporate Income Tax Act, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence.

The remitter disbursing income derived from dividend and other profit distributions made by legal persons, earned by corporate income taxpayers subject to limited tax obligation in Poland, delivers the payment and withholding tax information to the tax office competent for taxation of foreign residents before the end of the third month following the fiscal year in which the payment was made (Art. 26.3.2 and 26.3a of the Polish Corporate Income Tax Act). At a written request of the taxpayer, the tax remitter is under the obligation – within

14 days of submission of the request – to prepare and deliver to the taxpayer and to the tax office competent for the taxation of foreign residents the information referred to above (Art. 26.3b of the Polish Corporate Income Tax Act).

Tax exemption applicable to income derived from Shares, earned by major shareholders which are Polish or foreign legal persons

Under specific circumstances, the income referred to above, earned by corporate income taxpayers subject both to unlimited and limited tax obligation, is exempt from corporate income.

The tax exemption applies to dividend income and other income derived from profit distributions made by legal persons, earned by a company whose entire income (regardless of where it has been earned) is taxed in the Republic of Poland or another EU Member State, or in an EEA country (Art. 22.4 of the Polish Corporate Income Tax Act), if the following conditions are jointly met:

- the remitter disbursing the dividend or other income derived from profit distributions made by legal persons is a company which is a taxpayer with its registered office or management in the Republic of Poland;
- the company receiving dividend or other income derived from profit distributions made by legal persons directly holds at least 10% of the share capital of the entity paying out the dividend or other form of profit distributions made by legal persons;
- the company receiving dividend or other income derived from profit distributions made by legal persons directly holds the percentage of shares specified above for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years expires after the date such income has been earned. However, if the above condition is not satisfied, the entity exempt from tax is under the obligation to pay the tax plus default interest, at the rate of 19% of the income, by the 20th day of the month following the month in which the entity lost its right to apply the exemption. The interest is charged from the day following the day on which the company first exercised the exemption (Art. 22.4a and 22.4b of the Polish Corporate Income Tax Act);
- the company receiving dividend income or other income derived from profit distributions made by legal persons does not exercise the corporate tax exemption on its entire income, regardless of where it has been earned, and on the condition that the company delivers to the remitter a written representation that the condition has been satisfied;
- the registered office of a foreign company which has earned the income is documented by a certificate of tax residency issued by the competent foreign tax authority (Art. 26.1c.1 of the Polish Corporate Income Tax Act).

If the above conditions are satisfied, the tax exemption also applies as appropriate if dividends or other profit distributions made by legal persons are distributed to a permanent establishment abroad (within the meaning of Art. 4a.11 of the Polish Corporate Income Tax Act) of a company subject to tax on its entire income (regardless of where such income is earned) in the Republic of Poland or another EU Member State, or in another EEA country in the territory of a EU Member State, or in another EEA country, or in the Swiss Confederation. The company which exercises the exemption should however confirm the operation of a permanent establishment abroad with a certificate issued by a competent tax authority of the country of its registered office or management, or by a competent tax authority of the country where the permanent establishment is located (Art. 26.1c.2 the Polish Corporate Income Tax Act).

The exemption is also applicable if the shares are held under an ownership title, or with respect to income derived from shares held under an ownership title or another title, provided that the income would have been subject to such exemption if the property right to such shares had not been transferred.

The exemption may also apply to income distributed to entities (companies) which are subject to income tax on their entire income in the Swiss Confederation, regardless of where such income is earned, on condition that the direct interest in the share capital of the entity paying out dividend is no less than 25% (Art. 22.4c.2 and 22.6 of the Polish Corporate Income Tax Act). Also in this case tax residency must be confirmed with a relevant certificate issued by a competent foreign tax authority.

The exemption referred to above also applies as appropriate to cooperatives established under Regulation 1435/2003/EC of July 22nd 2003 on the Statute for a European Cooperative Society (SCE) (OJ EC L 207/1 of August 18th 2003, as amended).

The above exemption applies on condition that, under a double tax treaty or another ratified international agreement to which the Republic of Poland is party, there exists for the tax authorities a legal basis to obtain tax information from the tax authorities of a state other than the Republic of Poland, in which the taxpayer has its registered office or where the income was earned (Art. 22b of the Polish Corporate Income Tax Act).

Tax on transactions under civil law with respect to securities purchase agreements

The tax applies to agreements for purchase and exchange of objects and property rights (including securities) if such agreements govern purchase of exchange of objects located in the Republic of Poland, or property rights (including securities) exercisable in the Republic of Poland (Art. 1.1.1.a, in conjunction with Art. 1.4 of the Act on Tax on Civil Law Transactions).

In principle, the sale of shares of companies having their registered office in the Republic of Poland is regarded as the sale of property rights exercisable in the Republic of Poland, and as such it is subject to the tax on civil law transaction applies at a rate of 1%. The tax base is the market value of the object or economic right concerned (Art. 6.1.1 of the Act on Tax on Civil Law Transactions). In the case of a purchase agreement, the duty to pay the tax rests with the buyer, and arises upon execution of the civil law transaction (Art. 3.1.1 and Art. 4.1 of the Act on Tax on Civil Law Transactions). Each taxpayer is under the obligation to submit, without being prompted to do so by a tax authority, a tax return with respect to tax on civil law transactions, and to compute and pay the tax within 14 days as from the date on which the tax liability arises. The above obligation does not apply if the tax is withheld by the remitter which, in the case of civil law transactions executed in the form of notarial deeds, is the notary (Art. 10.1 and 10.2 of the Act on Tax on Civil Law Transactions).

The sale of property rights in the form of financial instruments is exempt from the tax on civil law transactions if: (i) instruments are sold to investment firms or foreign investment firms; or (ii) the transaction is executed through the agency of investment firms or foreign investment firms; or (iii) the transaction is executed within organised trade; or (iv) the transaction is executed out of organised trade by investment firms or foreign investment firms, if the firms involved acquired relevant property rights within organised trade; – within the meaning of the Act on Trading in Financial Instruments (Art. 9.9 of the Act on Tax on Civil Law Transactions).

Inheritance and gift tax on securities acquired by natural persons

The inheritance and gift tax applies to the acquisition, by a natural person, of the ownership of objects located in the Republic of Poland or property rights (including securities) exercisable in the Republic of Poland, by way of, inter alia, succession, legacy, further legacy, testamentary instruction, gift or a donor's instruction (Art. 1.1 of the Inheritance and Gift Tax Act). The tax obligation rests with the acquirer of the ownership title to objects and property rights (Art. 5 of the Inheritance and Gift Tax Act), and the moment the obligation arises depends on the form of its acquisition (Art. 6 of the Inheritance and Gift Tax Act).

In principle, the tax base is the value of acquired objects and property rights, net of debt and charges (net succession), determined based on the condition of objects and property rights at the acquisition date and market prices at the date as of which the tax liability arises.

The amount of tax depends on the acquirer's personal relation to the person from or after whom the objects and property rights have been acquired. The inheritance and gift tax is charged at progressive rates ranging from 3% to 20% of the tax base, depending on the tax bracket in which the acquirer falls. For each bracket, the tax-exempt amount is also defined.

With the exception of cases where the tax remitter withholds the tax, the taxpayer is under the obligation to deliver, to the competent tax office, the tax return on the prescribed form, concerning the acquisition of objects or property rights, within one month as from the date as of which the tax liability arises (Art. 17a.1 and 17a.2 of the Inheritance and Gift Tax Act). The tax is payable within 14 days of service to the taxpayer of the decision under which the amount of tax liability is assessed.

The acquisition of securities by immediate family (the spouse, a descendant, ancestor, stepchild, sibling or step-parent) is exempt from the tax, provided that the relevant notification is filed with the competent tax office within a prescribed deadline (Art. 4a.1 of the Inheritance and Gift Tax Act). The above exemption applies if, at the time of acquisition, the acquirer was a Polish citizen or a citizen of a EU Member State or a Member State of the European Free Trade Association (EFTA) – party to the EEA Agreement, or was domiciled in the territory of Poland or such a state (Art. 4.4 of the Inheritance and Gift Tax Act).

The tax does not apply to the acquisition of property rights (including securities) exercisable in the Republic of Poland if – on the acquisition date – neither the acquirer nor the testator/intestate or donor is a Polish citizen, or has a permanent residence/registered offices in the Republic of Poland (Art. 3.1 of the Inheritance and Gift Tax Act).

Obligations of tax remitters

A tax remitter who has failed to perform the obligation to compute, withhold and remit tax to the competent tax authority is liable for the tax that has not been withheld, or has been withheld but not remitted, up to the full value of the remitter's assets (Art. 30.1 to 30.3 of the Tax Law Act). However, the above provisions do not apply if separate regulations provide otherwise or if the tax has not been withheld for reasons attributable to the taxpayer. In such a case, the competent tax authority issues a decision concerning the taxpayer's liability.

ADDITIONAL INFORMATION

Auditors

The independent auditor of the Company is: PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością of Warsaw, with registered office at Al. Armii Ludowej 14, 00-638 Warsaw, Poland ("**PwC**").

PwC is a member of the National Board of Qualified Auditors entered in the list of qualified auditors of financial statements under Reg. No. 144. PwC does not have any significant interests in the Company, and in particular holds no Company shares at the Prospectus date.

PwC audited the consolidated financial statements of the Group for the years ended December 31st 2013 and December 31st 2012 and issued unqualified opinions thereon. The opinions on the audit of the consolidated financial statements of the Group for the years ended December 31st 2013 and December 31st 2012 were signed on behalf of PwC by Ewa Giel, qualified auditor No. 12148, and Wojciech Maj, qualified auditor No. 6128.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. ("**KPMG**") audited the consolidated financial statements of the Group for the year ended December 31st 2011 and issued an unqualified opinion thereon. The opinion on the audit of these consolidated financial statements was signed on behalf of KPMG by Marek Strugała, qualified auditor No. 9645, and Krzysztof Kuśmierski, qualified auditor No. 90106.

No resignation or dismissal of a qualified auditor authorised to audit the Company's and the Group's financial statements occurred in the period covered by the Polsat Group Consolidated Financial Statements.

Pursuant to the Articles of Association, it is within the powers of the Supervisory Board to appoint the auditor of the Company's financial statements.

Experts

The Prospectus does not contain any representations of or reports by persons referred to experts.

Entities involved

The law firm Greenberg Traurig Grzesiak spółka komandytowa of Warsaw, with registered office at ul. Książęca 4, 00-498 Warsaw, Poland ("**Greenberg Traurig**"), provides legal services to the Company in connection with the Admission.

Greenberg Traurig has provided, provides, and may provide in the future, legal services to the Company in relation to its business under relevant legal advisory agreements. Greenberg Traurig does not have any significant interests in the Company, and in particular holds no Company shares at the Prospectus date. At the Prospectus date there are no conflicting interests of material relevance to the Admission between Greenberg Traurig and the Company.

Documents available for inspection

During the validity period of the Prospectus, the following documents or their copies will be available for inspection at the Company's registered office (ul. Łubinowa 4A, 03-878 Warsaw, Poland) and on the Company's website (www.cyfrowypolsat.pl):

- the Articles of Association;
- current copy of the Company's entry in the Register of Entrepreneurs;
- the Conditional Share Capital Increase Resolution;
- the Warrant Issue Resolution;
- Resolution No. 15 of the Extraordinary General Meeting of January 24th 2014 concerning authorisation of the Management Board to take any actions necessary for the conversion of shares into book-entry form and admission to trading on the regulated market organised by the Warsaw Stock Exchange of the ordinary bearer shares issued under the conditional increase of the Company's share capital; and

- the Polsat Group Consolidated Financial Statements with opinions of qualified auditors on the audit of the Polsat Group Consolidated Financial Statements.

Also, during the validity period of the Prospectus, the separate financial statements of the Group companies for the years ended December 31st 2013 and December 31st 2012 with reports and opinions of qualified auditors on the audits thereon, are available for inspection at the Company's registered office.

REPRESENTATIONS MADE UNDER THE PROSPECTUS REGULATION

Representation of Cyfrowy Polsat Spółka Akcyjna

On behalf of Cyfrowy Polsat Spółka Akcyjna of Warsaw, I hereby represent that, to the best of my knowledge and having taken all reasonable care to ensure that this is the case, the information contained in this Prospectus is reliable and in accordance with the facts, and contains no omission likely to affect its import.

Dominik Libicki *President of the Management Board*	....
Dariusz Działkowski *Member of the Management Board, Technology*	....
Tomasz Szeląg *Member of the Management Board, Finance*	....
Aneta Jaskólska *Member of the Management Board, Legal Affairs, Human Resources, Administration, and Security*	....

Representation of Greenberg Traurig Grzesiak spółka komandytowa

On behalf of Greenberg Traurig Grzesiak spółka komandytowa of Warsaw, with registered office at ul. Książęca 4, 00-498 Warsaw, Poland, I hereby represent that, to the best of my knowledge and having taken all reasonable care to ensure that this is the case, the information contained in the parts of this Prospectus for whose preparation Greenberg Traurig Grzesiak spółka komandytowa is responsible, is true, reliable and in accordance with the facts, and contains no omission likely to affect its import.

The responsibility of Greenberg Traurig Grzesiak spółka komandytowa as an entity responsible for preparing this Prospectus is limited to the following sections: "Regulations on the Polish securities market and requirements involved in the acquisition and disposal of shares" and "Taxation".

Rafał Sieński *Proxy*

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ACRONYMS AND DEFINITIONS

Unless the context requires otherwise, the following definitions apply throughout this document:

Glossary of general terms

Aero2	Aero2 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767.
Shares	Existing Shares and New Shares jointly.
Existing Shares	The Issuer Shares existing at the Prospectus date, i.e. 348,352,836 shares with a par value of PLN 0.04 per share.
New Shares	Series I Shares and Series J Shares jointly.
Series I Shares	Up to 47,260,690 Series I ordinary bearer shares with a par value of PLN 0.04 per share, to be issued as part of a conditional increase of the Company's share capital on the basis of the Issue Resolutions.
Series J Shares	Up to 243,932,490 Series J ordinary bearer shares with a par value of PLN 0.04 per share, to be issued as part of a conditional increase of the Company's share capital on the basis of the Issue Resolutions.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
CenterNet	CenterNet Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000144651.
CHF	Swiss franc, the lawful currency of the Swiss Confederation.
CP Finance, Cyfrowy Polsat Finance	Cyfrowy Polsat Finance AB (publ), a company under Swedish law, registered under No. 556842-4435.
CPT	Cyfrowy Polsat Technology spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000254220. Deleted from the register following its acquisition by Cyfrowy Polsat.
CPTM	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
Admission	The seeking of admission and introduction of the New Shares to trading on the regulated market (the main market) operated by the WSE, including, if the context so requires, the admission and introduction of the New Shares to trading on that market.
Directive 2004/39/WE	Directive 2004/39/EC of the European Parliament and of the Council of April 21st 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Directive 93/22/EEC (OJ L 145/1 of April 30th 2004, as amended).
Directive 2010/73/EU	Directive 2010/73/EU of the European Parliament and of the Council of November 24th 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (OJ L 327/1 of December 11th 2010).
Dz. U.	Dziennik Ustaw, Journal of Laws of the Republic of Poland.
OJ	Official Journal of the European Union.
Date of Unification of Rights Attached to Shares	The day when Series J Shares will become shares of the same type in terms of the rights attached to them, as Series I Shares and other Company shares traded on the WSE, i.e. (i) the day immediately following the dividend record date at which the list of shareholders entitled to dividend from the

	Company's profit for the financial year ended December 31st 2014 is to be determined (if the General Meeting adopts a resolution concerning distribution of profit for that year); or (ii) the day immediately following the date of a General Meeting resolution concerning the distribution of profit for the financial year ended December 31st 2014 in a manner other than for dividend payment (if such a resolution is adopted).
EBRD	European Bank for Reconstruction and Development, an international organisation established by virtue of a treaty signed on May 29th 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.
Emitel	TP Emitel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000060959. Deleted from the register following its acquisition by Emitel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000371135.
Issuer, the Company, Cyfrowy Polsat	Cyfrowy Polsat Spółka Akcyjna, issuer of the New Shares, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
EEA	European Economic Area, a free trade area covering the Member States of the European Union and the European Free Trade Association (excluding Switzerland)
EUR	Euro, the lawful currency in the 18 EU states participating in the third phase of EU Economic and Monetary Union.
Central and Eastern Europe	A group of countries comprising Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.
GIODO	Generalny Inspektor Ochrony Danych Osobowych, Inspector General for the Protection of Personal Data.
WSE, the Warsaw Stock Exchange	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna, with its registered office at ul. Książęca 4, 00-498 Warsaw, Poland, and, unless the context requires otherwise, the regulated market it operates (WSE main market).
LTE Group	Litenite and the indirect and direct subsidiaries of Litenite.
Metelem Group	Metelem jointly with the following companies: Eileme 1, Eileme 2, Eileme 3, Eileme 4, Polkomtel, Nordisk Polska, Liberty Poland, Polkomtel Finance, LTE 6 (in liquidation), Polkomtel Business Development, Plus TM Group SKA, Plus TM Group, LTE Holdings, and Plus TM Management.
Polkomtel Group	Polkomtel jointly with the following companies: Nordisk Polska, Liberty Poland, Polkomtel Finance, LTE 6 (in liquidation), Polkomtel Business Development, Plus TM Group SKA, Plus TM Group, LTE Holdings, and Plus TM Management.
Telewizja Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
Polsat Group, the Group	The Issuer and the indirect and direct subsidiaries of the Issuer.
GUS	Główny Urząd Statystyczny, Polish Central Statistical Office.
Info-TV-FM	Info-TV-FM spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No.

	KRS 0000173341.
Polish Civil Code	Polish Civil Code of April 23rd 1964 (consolidated text in: Dz. U. of 2014, item 121).
Polish NDS	Polish National Depository for Securities, Krajowy Depozyt Papierów Wartościowych S.A. with its registered office at ul. Książęca 4, 00-498 Warsaw, Poland, and, unless the context requires otherwise, the depository for securities it operates.
PFSA	Komisja Nadzoru Finansowego, Polish Financial Supervision Authority.
Polish Criminal Code	Polish Criminal Code of April 6th 1997 (Dz. U. of 1997, No. 88, item 553, as amended).
Polish Labour Code	The Polish Labour Code of June 26th 1974 (Dz. U. of 1998, No. 21, item 94, as amended).
European Commission	The EU Executive Body.
Kodeks Postępowania Cywilnego, Polish Code of Civil Procedure	The Polish Code of Civil Procedure of November 17th 1964 (consolidated text in Dz. U. of 2014, item 101).
Revolving Facility Loan	The revolving facility loan of up to PLN 200m, issued under the Senior Facilities Agreement, whose final repayment date is December 31st 2015.
Term Facility Loan	The term facility loan of up to PLN 1,400m, issued under the Senior Facilities Agreement, whose final repayment date is December 31st 2015.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
KRS	Krajowy Rejestr Sądowy, National Court Register.
Companies Code	Polish Companies Code of September 15th 2000 (consolidated text in Dz. U. of 2013, item 1030).
Liberty Poland	Liberty Poland spółka akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 127573.
Litenite	Litenite Limited, a company under Cypriot law, registered under No. 240249.
LTE 6 (in liquidation)	LTE 6 spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation), entered in the register of entrepreneurs of the National Court Register under entry No. KRS 379182.
LTE Holdings	LTE Holdings Limited, a company under Cypriot law, registered under No. 399788.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591.
Mobyland	Mobyland spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000269979.
IAS	The International Accounting Standards published in the period 1973-2001, adopted by virtue of Commission Regulation (EC) No. 1126/2008 of November 3rd 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 29th 2008, as amended).
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 29th 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19th 2002 on the application of international accounting standards (OJ L 243/1 of September 11th 2002, as amended).

Extraordinary General Meeting	The Issuer's Extraordinary General Meeting.
NBP	National Bank of Poland, Polish central bank with registered office in Warsaw.
Unaudited Pro Forma Financial Information	The unaudited pro forma financial information, consisting of the unaudited consolidated pro forma balance sheet at December 31st 2013, unaudited consolidated pro forma income statement of Polsat Group for the financial year ended December 31st 2013, and notes to the pro forma financial information.
Nordisk Polska	Nordisk Polska spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000249744.
New Lugano Convention	Convention on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters, signed in Lugano on October 30th 2007 (OJ L 339/3 of December 21st 2007).
New Senior Facilities Agreement	The Senior Facilities Agreement of April 11th 2014 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media, and a syndicate of Polish and foreign banks, covering the New Term Facility Loan and the New Revolving Facility Loan.
New Revolving Facility Loan	The multi-currency revolving facility loan of up to the equivalent of PLN 500m, issued under the New Senior Facilities Agreement, whose final repayment date is April 11th 2019.
New Term Facility Loan	The term facility loan of up to PLN 2,500m, issued under the New Senior Facilities Agreement, whose final repayment date is April 11th 2019.
PIK PLK Notes	Pay-in-kind notes with a total initial nominal amount of USD 201m, maturing in 2020, issued by Eileme 1.
Senior Notes	Senior secured notes with a value of EUR 350,000,000, bearing interest at a rate of 7.125%, issued by Cyfrowy Polsat Finance under the Senior Notes Indenture, maturing in 2018.
PLK Senior Notes	Senior notes with a total nominal amount of EUR 542.5m and USD 500m, maturing in 2020, issued by Eileme 2.
Series A Notes	Unsecured, interest-bearing Series A notes, with a nominal amount of EUR 35m each and a total nominal amount of EUR 350m, issued by the Company and subscribed for by CP Finance, maturing in 2018.
OECD	Organisation for Economic Cooperation and Development.
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.
Tax Legislation	Tax Legislation Act of August 29th 1997 (consolidated text in Dz. U. of 2012, item 749, as amended).
Ortholuck	Ortholuck Limited, a company under Cypriot law, registered under No. 286778.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207.
Member State	A Member State of the European Union.
PIKE	Polska Izba Komunikacji Elektronicznej, Polish Chamber of Electronic Communication.
GDP	Gross Domestic Product.
PLN	Złoty, the lawful currency in the Republic of Poland.
Plus TM Group	Plus TM Group spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 373023, previously operating under the name of Once 2 spółka z ograniczoną odpowiedzialnością.
Plus TM Group SKA	Plus TM Group spółka z ograniczoną odpowiedzialnością spółka

	komandytowo-akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 474497, previously operating under the name of Cinco spółka z ograniczoną odpowiedzialnością – XXI – spółka komandytowo-akcyjna.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 378997.
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 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.
Polsat Media	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k., entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000467579.
Copyright Law	Copyright and Neighbouring Rights Act of February 4th 1994 (consolidated text in Dz. U. of 2006, No. 90, item 631, as amended).
Polish Energy Law	Polish Energy Law of April 10th 1997 (consolidated text in Dz. U. of 2012, item 1059).
Environmental Protection Law	Environmental Protection Law of April 27th 2001 (consolidated text in: Dz. U. of 2008, No. 25, item 150, as amended).
Telecommunications Law	Telecommunications Law of July 16th 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Prospectus	This prospectus.
PTC	Polska Telefonia Cyfrowa spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000029159. Deleted from the register following its transformation into T-Mobile.
PTK Centertel	Polska Telefonia Komórkowa spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000006107. Deleted from the register following its acquisition by Orange.
Supervisory Board	The Issuer's Supervisory Board.
Redefine	Redefine spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000287684.
WSE Rules	Rules of the Warsaw Stock Exchange as adopted by Resolution No. 1/1110/2006 of the WSE Management Board of January 4th 2006, as amended (consolidated text incorporating all amendments at January 1st 2014).
Rules of the Polish NDS	Rules of the Polish NDS as adopted by Resolution No. 8/58/98 of the Polish NDS of July 24th 1998 (consolidated text at February 3rd 2014).
Regulation on Reports	The Polish Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-Member State, dated February 19th 2009 (consolidated text in Dz. U. of 2014, item 133).
Regulation on the Market	Regulation of the Minister of Finance of May 12th 2010 on detailed conditions to be met by an official stock exchange market and issuers of

	securities admitted to trading on such market (Dz. U. of 2010, No. 84, item 547).
Prospectus Regulation	Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (OJ L 149/1 of April 30th 2004, as amended).
EU Merger Regulation	Council Regulation (EC) No. 139/2004 of January 20th 2004 on the control of concentrations between undertakings (OJ L 24/1 of January 29th 2004, as amended).
SEK	Swedish crown, the lawful currency of the Kingdom of Sweden.
Polsat Group Consolidated Financial Statements	Consolidated financial statements of Polsat Group for the years ended December 31st 2013, December 31st 2012 and December 31st 2011, prepared in accordance with IFRS.
Metelem Group Consolidated Financial Statements	Metelem Group consolidated financial statements for the years ended December 31st 2013, December 31st 2012 and December 31st 2011, prepared in accordance with IFRS.
Polkomtel Group 2011 Consolidated Financial Statements	Polkomtel Group consolidated financial statements for the year ended December 31st 2011, prepared in accordance with IFRS.
Antimonopoly Court	Regional Court of Warsaw, 17th Division – Antimonopoly Court.
Spartan	Spartan Capital Holdings spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000308530. Deleted from the register following its acquisition by Polkomtel.
Eileme Companies	Jointly Eileme 1, Eileme 2, Eileme 3 and Eileme 4.
Financial Statements	Jointly the Polsat Group Consolidated Financial Statements and the Metelem Group Consolidated Financial Statements.
Articles of Association	The Issuer's Articles of Association.
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.
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.
Transaction	The term is used in such meaning as defined in "Transaction—Transaction overview".
Warrant Issue Resolution	Resolution No. 12 of the Extraordinary General Meeting of January 24th 2014 on the issue of subscription warrants.
Conditional Share Capital Increase Resolution	Resolution No. 7 of the Extraordinary General Meeting of January 16th 2014 on a conditional increase of the Company's share capital through the issue of Series I shares.
Issue Resolutions	Jointly the Conditional Share Capital Increase Resolution and the Warrant Issue Resolution.
EU	The European Union.
UKE	Urząd Komunikacji Elektronicznej, Office of Electronic Communications.
PIK PLK Notes Indenture	The PIK PLK Notes Indenture of February 17th 2012, made between Eileme 1, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New

	York Branch, and Citigroup Global Markets Deutschland.
Senior Notes Indenture	The Senior Notes Indenture of May 20th 2011, between the Company, CP Finance, CPT, CPTM, mPunkt Polska S.A. the Bank of New York Mellon, London Branch, and the Bank of New York Mellon (Luxembourg) S.A.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26th 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.
Investment Agreement I	Investment Agreement of November 14th 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas Limited.
Investment Agreement II	Investment Agreement of December 19th 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited Sensor Overseas Limited, and the EBRD.
Senior Facilities Agreement	The Senior Facilities Agreement of March 31st 2011, as amended, between the Company, CPT, CPTM and mPunkt Polska S.A., and a bank syndicate, covering the Term Facility Loan and the Revolving Facility Loan.
PLK Facilities Agreement	The senior facilities agreement of June 17th 2013 between Eileme 2, Eileme 3, Eileme 4, Polkomtel and subsidiaries, and a bank syndicate.
PLK Notes Indentures	Jointly the PIK PLK Notes Indenture and the PLK Senior Notes Indenture.
Investment Agreements	Jointly Investment Agreement I and Investment Agreement II.
UOKiK	Urząd Ochrony Konkurencji i Konsumentów, Office of Competition and Consumer Protection.
Act on Qualified Auditors	Act on Qualified Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision of May 7th 2009 (Dz. U. of 2009, No. 77, item 649, as amended).
Act on Financial Market Supervision	Act on Financial Market Supervision of July 21st 2006 (consolidated text in Dz. U. of 2012, item 1149, as amended).
Act on Capital Market Supervision	Act on Capital Market Supervision of July 29th 2005 (Dz. U. of 2005, No. 183, item 1537, as amended).
Act on Certain Types of Financial Security	Act on Certain Types of Financial Security of April 2nd 2004 (consolidated text in Dz. U. of 2012, item 942, as amended).
Act on Trading in Financial Instruments	Act on Trading in Financial Instruments of July 29th 2005 (consolidated text in Dz. U. of 2014, item 94).
Act on Competition and Consumer Protection	Act on Competition and Consumer Protection of February 16th 2007 (Dz. U. of 2007, No. 50, item 331, as amended).
Act on Public Offering	The Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (consolidated text in Dz. U. of 2013, item 1382).
Local Taxes and Charges Act	Local Taxes and Charges Act of January 12th 1991 (consolidated text in Dz. U. of 2010, No. 95, item 613, as amended).
PIT Act, Polish Personal Income Tax Act	Personal Income Tax Act of July 26th 1991 (consolidated text in Dz. U. of 2012, item 361, as amended).
CIT Act, Polish Corporate Income Tax Act	Corporate Income Tax Act of February 15th 1992 (consolidated text in Dz. U. of 2011, No. 74, item 397, as amended).
Act on Tax on Civil Law Transactions	Act on Tax on Civil Law Transactions of September 9th 2000 (consolidated text in Dz. U. of 2010, No. 101, item 649, as amended).
Inheritance and Gift Tax Act	Inheritance and Gift Tax Act of July 28th 1983 (consolidated text in Dz. U. of 2009, No. 93, item 768, as amended).
Accountancy Act	Accountancy Act of September 29th 1994 (consolidated text in Dz. U. of 2013, item 330, as amended).
Act on Television and Radio Broadcasting	Act on Television and Radio Broadcasting of December 29th 1992 (consolidated text in Dz. U. of 2011, No. 41, item 226, as amended).

VAT	The value added tax, levied on the terms and to the extent specified in the Value Added Tax Act of March 11th 2004 (consolidated text in Dz. U. of 2011, No. 177, item 1054, as amended).
General Meeting	The Issuer's General Meeting.
Warrants	Jointly Series I and Series J Warrants.
Series I Warrants	47,260,690 Series I registered subscription warrants, issued in accordance with the Warrant Issue Resolution.
Series J Warrants	243,932,49 Series J registered subscription warrants, issued in accordance with the Warrant Issue Resolution.
Metelem Shareholders	Karswell Limited of Cyprus, Sensor Overseas Limited of Cyprus, Argumenol Investment Company Limited of Cyprus and the EBRD.
Polish Copyright Association ZAiKS	Stowarzyszenie Autorów ZAiKS, a Polish collective copyright management organisation. The acronym ZAiKS derives from Związek Autorów i Kompozytorów Scenicznych, a former organisation with a similar mission.
Management Board	The Issuer's Management Board.
Significant Agreement	A significant agreement within the meaning of the Regulation on Reports (i.e. an agreement whose disclosure is required to be made in the form of a current report), to which a Group company is a party and whose value is equal to, or exceeds, 10%: (i) of the Issuer's equity, or (ii) if the equity value is not a proper criterion to assess the agreement's significance – of the Group's sales revenue in the four financial quarters immediately preceding the agreement date. If a Group company enters into two or more agreements with one entity, or, provided that with the exercise of due care by the Issuer it is possible to determine the existence of subsidiarity – with the entity's subsidiary, over a period shorter than 12 months, and if the aggregate value of such agreements meets the criteria referred to in the preceding sentence, then such agreements are deemed to constitute a significant agreement. In the case of long-term agreements, the value of an agreement is the total value of goods and/or services provided under the agreement, determined for its entire term. The value of an agreement concluded for an indefinite term is the total value of goods and/or services provided under the agreement over a period of five years.

Glossary of technical terms

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.
Subscriber	For Cyfrowy Polsat: A person who has concluded an agreement with Cyfrowy Polsat for the provision of digital pay TV services, obliged to pay fees for access to a package or packages of television and radio programmes, or who uses these packages as part of digital pay TV services upon prior payment of a monthly fee, without concluding such an agreement. For Polkomtel: The number of subscribers is reported on the basis of the number of SIM cards which are registered on network and have not been deactivated. SIM cards of prepaid users are in principle deactivated if the user does not top up the account before the expiry of the grace period (which is typically 12 months from the expiry of paid services in the account, or from using up credits on the prepaid card). The subscriber and grace period as defined by Polkomtel may not be the same as the meanings ascribed to those terms by other mobile operators. Since it is not known how Polkomtel's competitors define subscribers, Polkomtel is not in able to explain the differences, if any. As a result, comparisons with other operators contained in this Prospectus may not fully reflect Polkomtel's and such other operators' competitive positions.
ARPU	For Cyfrowy Polsat: The average monthly net revenue per subscriber to our services, calculated as the quotient of the total net revenue generated by our subscribers to our digital pay TV services in a given month and the average number of subscribers to whom we provided services in the given month. For Polkomtel: The average revenue per user is calculated as the revenue from services and the average number of reported SIM cards (average subscriber base) in a given period. ARPU is calculated monthly, and therefore annual and quarterly ARPUs are calculated on the basis of the average monthly revenue from services. Fees for inbound calls are included in the ARPU calculation, but certain other sources of revenue are excluded and may be included by other operators, such as revenue from fixed-line services provided to retail customers, roaming services provided to subscribers of other Polish or foreign mobile telecommunications networks, network transit services, activation fees, revenue from handset and accessories sale, revenue from the expiry of unused top-ups, early cancellation charges imposed on contract subscribers, impact of the valuation of obligations under loyalty schemes on the revenue stream, revenue from services provided through the SMS centre, as well as certain other services. Revenue for ARPU calculation is not reduced by the cost of third-party content. The average monthly number of SIM cards is calculated as the average of the numbers of SIM cards at the beginning and at the end of the month. The average quarterly and monthly number of SIM cards is calculated as the average of monthly averages. Data ARPU, that is ARPU for data transmission, is revenue generated directly from data transmission by subscribers using their smartphones and less sophisticated handsets, as well as from dedicated mobile broadband services, however excluding contracts combining voice and data services. Revenue from dedicated broadband Internet contracts is included in ARPU.
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, W_{rp} – value in start year, W_{rk} – 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.
Add-on sales	Sales technique combining cross-selling and up-selling.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
EDGE	Cellular telecommunications technology supporting faster data transmission as a backward-compatible extension of the 2G network. EDGE increases the capacity of the radio interface and ensures more convenient use of data transmission services. Its maximum design speed is nearly 1 Mb/s (Enhanced Data rates for GSM Evolution).
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GPRS	Mobile data transmission service for GSM users (General Packet Radio Service).
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transfer technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology

	(Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
IPLA	Internet platform providing access to video content, operated by Redefine Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
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.
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).
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.
PVR	Electronic commodity hardware for digital recording of TV programmes on its hard drive (Personal Video Recorder).
IQS report	The report of the IQS sp. z o.o. Group of July 12th 2013 on Polkomtel's market position.
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).
SD	Standard-resolution television signal (Standard Definition).
residential segment	Our operations comprising the residential customer segment.
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.
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).
Share in advertising market	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to Starlink).
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).
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.

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.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
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.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
Churn	For Cyfrowy Polsat: the ratio of agreements terminated in a 12-month period to the average annualised number of agreements executed in the same period. The number of terminated agreements is reduced by the number of subscribers who entered into an agreement no later than by the end of the 12-month period and the number of subscribers who had more than one agreement and terminated one of them to subscribe for the Multiroom service. For Polkomtel: the total number of SIM cards for which the telecommunications services contract was terminated or, in the prepaid segment, for which the user has failed to top up the account before the end of the grace period (which is typically 12 months from the expiry of paid services in the account, or from using up credits on the prepaid card), as a result of which the user account is deactivated. Churn for the contract segment (postpaid and mix) and the prepaid segment also covers the number of reported subscribers moving between segments in a given period. The churn and grace period as defined by Polkomtel may not be the same as the meanings ascribed to those terms by other mobile operators. As a result, comparisons with other operators contained in this Prospectus may not fully reflect Polkomtel's and such other operators' competitive positions.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.

FINANCIAL OVERVIEW

Polsat Group Consolidated Financial Statements

As the Company is a public company whose Book-Entry Shares are traded on the regulated market (main market) of the WSE, and is therefore subject to the disclosure obligations imposed by applicable laws and stock exchange regulations, certain information is incorporated in this Prospectus by reference. Such information has been sourced from documents published or submitted by the Company to the PFSA prior to the Prospectus date.

The Polsat Group Consolidated Financial Statements, including opinions and audit reports of an independent auditor, are incorporated in this Prospectus by reference to:

- the consolidated annual report of Polsat Group for the year ended December 31st 2013 – only the section covering the Polsat Group Consolidated Financial Statements for the year ended December 31st 2013, including the opinion of an independent auditor from the audit of those statements, published by the Company on February 27th 2014;
- the consolidated annual report of Polsat Group for the year ended December 31st 2012 – only the section covering the Polsat Group Consolidated Financial Statements for the year ended December 31st 2012, including the opinion of an independent auditor from the audit of those statements, published by the Company on March 12th 2013;
- the consolidated annual report of Polsat Group for the year ended December 31st 2011 – only the section covering the Polsat Group Consolidated Financial Statements for the year ended December 31st 2011, including the opinion of an independent auditor from the audit of those statements, published by the Company on March 12th 2012.

The Polsat Group Consolidated Financial Statements are available on the Company's website (cyfrowypolsat.pl), "Investor Relations" tab.

Subject to the above, the content of the Company's website, or any website referred to on the Company's website, is not included in this Prospectus.

Metelem Group Consolidated Financial Statements

This section presents the Metelem Group consolidated financial statements for the financial years ended December 31st 2013, December 31st 2012, and December 31st 2011, including the opinion of an independent auditor.

Metelem Holding Company Limited Group

Opinion of the Independent Auditor

Financial Years ended
31 December 2013, 31 December 2012
and 31 December 2011

The opinion contains 2 pages
Opinion of the independent auditor
on the consolidated financial statements
for the finacial years ended
31 December 2013, 31 December 2012 and 31 December 2011

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of Metelem Holding Company Limited

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Metelem Holding Company Limited with its registered office in Nicosia, Cyprus, Costakis Pantelides 1 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, 31 December 2012 and 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the parent entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of Metelem Holding Company Limited Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013, 31 December 2012 and 31 December 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

....
Marek Strugała
Key Certified Auditor
Registration No. 9645
Director

26 February 2014

METELEM HOLDING COMPANY LIMITED

Consolidated Financial Statements

for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Revenue and other operating income		**6,790.8**	**7,232.3**	**1,084.8**
Revenue	7	6,682.3	7,133.4	1,064.4
Other operating income	9	108.5	98.9	20.4
Operating expenses	**8**	**-5,763.9**	**-6,477.0**	**-1,262.4**
Costs of goods sold		-1,250.7	-1,253.3	-166.3
Amortisation and depreciation, disposals and impairment		-1,831.0	-2,031.5	-430.0
Materials and energy		-102.2	-99.2	-16.9
Interconnect and roaming charges		-872.5	-1,271.6	-188.7
External services		-1,035.6	-1,100.3	-262.2
Employee benefits		-365.9	-397.5	-98.5
Taxes and charges		-136.1	-125.0	-17.3
Marketing costs and overheads		-138.7	-154.1	-33.4
Other operating expenses	10	-31.2	-44.5	-49.1
Operating profit		**1,026.9**	**755.3**	**-177.6**
Finance income	11	80.6	586,3	108.1
Finance costs	12	-1,565.0	-1,860.5	-503.8
Loss before tax		**-457.5**	**-518.9**	**-573.3**
Income tax expense	13	140.8	119.3	46.9
Net loss for the period		**-316.7**	**-399.6**	**-526.4**
Total comprehensive income for the period		**-316.7**	**-399.6**	**-526.4**

The accompanying notes are an integral part of these consolidated financial statements.

METELEM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, exept where stated otherwise)

ASSETS

	Note	31/12/2013	31/12/2012	31/12/2011
Non-current assets		**15,993.4**	**17,143.5**	**18,750.0**
Property, plant and equipment	14	2,977.9	3,131.8	3,729.1
Goodwill	15	6,560.4	6,560.4	6,560.4
Customer relationships	16	3,358.6	3,903.8	4,449.1
Telecommunication licenses	16	1,406.6	1,731.7	2,047.8
Trademarks	16	959.8	1,024.5	1,089.2
Other intangible assets	16	719.7	764.9	844.7
Deferred tax assets	13	4.5	7.9	11.3
Derivatives	31	0.0	3.7	0.0
Other non-current assets	22	5.9	14.8	18.4
Current assets		**2,934.6**	**2,366.3**	**2,707.4**
Inventories	20	121.5	138.6	110.4
Trade and other receivables	21	1,361.4	1,070.1	989.3
Corporate income tax receivables	21	0.0	5.5	0.0
Cash and cash equivalents	23	1,451.3	1,147.0	1,545.2
Derivatives	31	0.0	1.3	30.1
Other current assets	22	0.4	3.8	32.4
TOTAL ASSETS		**18,928.0**	**19,509.8**	**21,457.4**

The accompanying notes are an integral part of these consolidated financial statements.

METELEM HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, exept where stated otherwise)

EQUITY AND LIABILITIES	Note	31/12/2013	31/12/2012	31/12/2011
Shareholders' equity		**3,556.3**	**3,873.0**	**4,271.8**
Share capital	25	8.4	8.4	8.3
Reserve capital	26	4,790.7	4,790.7	4,789.9
Accumulated losses		-1,242.8	-926.1	-526.4
Non-current liabilities		**12,305.9**	**12,776.8**	**9,590.8**
Notes payable	29	4,058.9	3,969.8	0.0
Loans	30	6,447.7	6,714.1	7,362.7
UMTS license liability	27	822.4	899.5	1,010.2
Finance lease liabilities	28	2.5	3.2	6.6
Derivatives	31	44.3	114.4	0.0
Deferred tax liabilities	13	839.4	985.1	1,131.1
Provision for employee benefits	33	6.2	6.8	6.7
Other provisions	33	84.5	83.9	73.5
Current liabilities		**3,065.8**	**2,860.0**	**7,594.8**
Trade and other payables	32	940.1	516.2	536.8
Corporate income tax liabilities	32	22.5	8.1	13.7
Notes payable	29	422.8	424.1	0.0
Loans	30	358.9	612.2	5,689.6
UMTS license liability	27	113.9	60.1	65.0
Finance lease liabilities	28	2.4	3.4	1.6
Derivatives	31	137.1	114.2	6.4
Provision for employee benefits	33	0.1	0.3	0.5
Other provisions	33	86.6	99.3	126.1
Accrued expenses	34	499.3	450.5	517.6
Deferred income	35	482.1	571.6	637.5
TOTAL EQUITY AND LIABILITIES		**18,928.0**	**19,509.8**	**21,457.4**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Share Capital	Reserve capital	Accumulated losses	Total
Balance as of 09/05/2011		**0.0**	**0.0**	**0.0**	**0.0**
Share capital increase	25, 26	8.3	4,789.9	0.0	4,798.2
Total comprehensive income for the period		0.0	0.0	-526.4	-526.4
Balance as of 31/12/2011		**8.3**	**4,789.9**	**-526.4**	**4,271.8**

		Share Capital	Reserve capital	Accumulated losses	Total
Balance as of 01/01/2012		**8.3**	**4,789.9**	**-526.4**	**4,271.8**
Share capital increase	25, 26	0.1	0.8	0.0	0.9
Total comprehensive income for the period		0.0	0.0	-399.7	-399.7
Balance as of 31/12/2012		**8.4**	**4,790.7**	**-926.1**	**3,873.0**

	Share Capital	Reserve capital	Accumulated losses	Total
Balance as of 01/01/2013	**8.4**	**4,790.7**	**-926.1**	**3,873.0**
Total comprehensive income for the period	0.0	0.0	-316.7	-316.7
Balance as of 31/12/2013	**8.4**	**4,790.7**	**-1,242.8**	**3,556.3**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Operating activities				
Loss before tax:		**-457.5**	**-518.9**	**-573.3**
Adjustments for:				
Interest expense and discount, net	24	1,450.1	1,495.9	296.9
Foreign exchange losses / (gains)	24	-1.7	-501.2	67.1
Amortisation and depreciation	24	1,753.5	1,990.0	372.1
Disposals and impairment on property, plant and equipment and intangibles		77.5	41.5	57.9
Net (gain)/ loss on derivatives		67.9	296.4	101.1
Profit on disposal of property, plant and equipment, net		-3.6	-1.8	-0.1
Commissions on loans and bank guarantees		28.2	16.5	7.1
Other adjustments		-0.6	-0.2	8.8
Cash from operating activities before movements in working capital		**2,913.8**	**2,818.2**	**337.6**
Change in:				
Inventories		17.1	-28.2	33.6
Trade and other receivables		-290.4	-80.7	58.4
Trade and other payables	24	274.9	91.1	-132.1
Accrued expenses	24	50.1	-13.7	-5.1
Deferred income		-89.5	-65.9	-33.1
Provisions	24	-10.1	-23.3	40.8
Net cash flows from operating activities before taxes		**2,865.9**	**2,697.5**	**300.1**
Income tax refund/ (Income tax paid)	24	18.5	-75.9	-58.3
Net cash from operating activities		**2,884.4**	**2,621.6**	**241.8**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (cont.)
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in PLN, except where stated otherwise)

Investing activities	**Note**	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Proceeds from disposal of property, plant and equipment		3.1	8.8	1.3
Purchase of property, plant and equipment and intangibles		-551.1	-492.0	-160.6
Other investing activities - derivatives		-14.4	-39.1	-85.0
UMTS license liability payments		-63.2	-61.7	0.0
Loans given		-4.3	0.0	0.0
Acquisition of subsidiaries and associates		-0.1	-20.2	-14,936.3
Acquisition of other financial assets		0.0	0.0	-1,010.5
Net cash used in investing activities		**-630.0**	**-604.2**	**-16,191.1**
Financing activities				
Outflows due to:				
Bank loans, notes and overdrafts		-8,479.8	-5,513.0	0.0
Interest paid		-947.3	-1,215.0	-12.6
Finance lease payments		-2.0	-2.1	-0.3
Result on realisation of derivatives		-95.5	-10.1	0.0
Other (commissions on loans, notes and other financing related expenses)		-75.5	-169.4	-559.2
Proceeds from:				
Bank loans, notes and overdrafts		7,650.0	4,476.9	13,268.3
Capital increase		0.0	0.8	4,798.3
Other (funding fee refund, guarantee premiums)		0.0	16.3	0.0
Net cash from financing activities		**-1,950.1**	**-2,415.6**	**17,494.5**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**304.3**	**-398.2**	**1,545.2**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1,147.0**	**1,545.2**	**0.0**
including effect of foreign exchange rate changes		0.0	-5.4	5.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1,451.3**	**1,147.0**	**1,545.2**
Restricted cash		*15.9*	*24.3*	*125.6*

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Metelem Holding Company Limited (hereinafter the "Company", the "Parent Company","Metelem"), with its registered office at Kostakis Pantelides 1, Nicosia (Cyprus) operates as a limited liability company and was incorporated under the Cyprus Companies Law, Cap. 113 on May 9, 2011. The Company's registration number is HE286591.

As of December 31, 2013 Metelem Holding Company Limited Group (hereinafter the "Group" or the "Metelem Group") comprised the Parent Company and its subsidiaries: Eileme 1 AB (Publ) (hereinafter: "Eileme 1"), Eileme 2 AB (Publ) (hereinafter: "Eileme 2"), Eileme 3 AB (Publ) (hereinafter: "Eileme 3"), Eileme 4 AB (Publ) (hereinafter: "Eileme 4"), Polkomtel Sp. z o.o. (Polkomtel S.A. until May 7, 2012, hereinafter: "Polkomtel"), Nordisk Polska Sp. z o.o., Liberty Poland S.A., Polkomtel Business Development Sp. z o.o., Polkomtel Finance AB (Publ), Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.), LTE 6 Sp. z o.o. under liquidation, LTE Holdings Limited, Plus TM Group Sp. z o.o. and Plus TM Group Sp. z o.o. Spółka komandytowo-akcyjna (partnership limited by shares) (previously Cinco Sp. z o.o. – XXI – Spółka komandytowo-akcyjna). The Company also has an investment in joint venture New Media Ventures Sp. z o.o. Until February 1, 2013 the Group comprised also Spartan Capital Holdings Sp. z o.o. (hereinafter "Spartan").

On February 1, 2013 the District Court in Warsaw registered the merger of Polkomtel and Spartan (the „Merger"). The Merger was conducted in accordance with article 492 § 1 point 1 of the Polish Commercial Companies Code, i.e. the whole assets of Spartan (the acquiree) were transferred to Polkomtel (the acquirer) in return of shares of Polkomtel granted to Eileme 4, being the sole shareholder of Spartan. Spartan ceased to exist and Eileme 4 became the sole Polkomtel's shareholder.
Additional information regarding the entities included in these consolidated financial statements has been presented in note 17 to these consolidated financial statements.

The scope of the Group's business activities includes among others:

- designing, installing, operating and managing telecommunication systems and networks in Poland, as well as any required infrastructure, in particular wireless technologies;
- developing and selling products and services in Poland, directly or indirectly using the aforementioned systems, networks and infrastructure;
- conducting any other activities with regard to the provision of telecommunication and related services in Poland (value added services, accompanying information services as well as services aimed at promoting the systems used, networks and provided services),
- property and personal insurance, reinsurance, activities of insurance agents and brokers and other insurance related activities;
- electricity trading.

The Parent Company and its subsidiaries Eileme 1, Eileme 2, Eileme 3 and Eileme 4 are holding companies which were incorporated in order to facilitate the acquisition of Polkomtel and in particular to organize the financing of the Acquisition (further described in note 18).

As of the date of approval of these consolidated financial statements the Company's Management Board comprised Mr Charalambos Hadjiyiangou.

During the periods covered by these consolidated financial statements there were no changes in the composition of the Management Board.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU IFRS") effective for periods beginning on or after January 1, 2013, applied consistently for all of the three periods covered by these financial statements. These consolidated financial statements are not the Group's statutory financial statements for the year ended December 31, 2013 whose preparation obligation derives from the Cypriot law. The Group's statutory consolidated financial statements for the year ended December 31, 2013 will be prepared by the Group and will be subject to audit by a certified auditor according to the Cypriot laws and regulations.

These consolidated financial statements were authorized for issue by the Company's Management Board on February 26, 2014.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis save for derivative financial instruments stated at fair value.

(c) Functional and presentation currency

The functional currency of the Parent Company and the currency in which these consolidated financial statements are presented is the Polish zloty (PLN).

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

The areas where critical judgements have been made in applying accounting policies and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements include:

- Revenue recognition,
- Loss allowances for loans granted and receivables,
- Economic useful lives, and depreciation and amortization methods for property, plant and equipment and intangible assets,
- Impairment losses on property, plant and equipment and intangible assets,
- Decommissioning liabilities in respect of property, plant and equipment,
- Valuation of derivatives and other financial instruments,
- Deferred tax assets and liabilities and utilization of tax losses,
- Contingencies,
- Provisions and
- Fair value of assets and liabilities acquired in business combinations as at the acquisition date.

In preparing these consolidated financial statements, the significant judgements, assumptions and uncertainties regarding the judgments made by the management in applying the Group's accounting policies have been consistently applied by the management in the reporting periods. Notes 13, 18, 19, 33, 36, 37 (*Income tax, Business combinations, Financial instruments and financial risk management, Provisions, Operating leases, Contingencies*) include summary of key decisions, uncertainties and assumptions related to judgements made by the management.

3. Issued International Financial Reporting Standards and Interpretations whose application is not mandatory

The EU IFRS include all International Accounting Standards, International Financial Reporting Standards and Interpretations, save for the Standards and Interpretations which have not yet been endorsed by the European Union or which have already been endorsed by the EU but are not yet effective.

In preparing these consolidated financial statements, the Group did not early adopt any new Standards which have already been published and adopted by the European Union and for which early application for periods beginning after January 1, 2013 was not mandatory.

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on December 31, 2013:

- IFRS 10 *Consolidated financial statements* (amendments effective for periods beginning on or after January 1, 2014),
- IFRS 11 *Joint Arrangements* (amendments effective for periods beginning on or after January 1, 2014),
- IFRS 12 *Disclosure of Interests in Other Entities* (amendments effective for periods beginning on or after January 1, 2014),
- IAS *27 (2011) Separate Financial Statements* (amendments effective for periods beginning on or after January 1, 2014),

- IAS *28 (2011) Investments in Associates and Joint Ventures* (amendments effective for periods beginning on or after January 1, 2014),
- Amendments to IFRS 10, IFRS 11 and IFRS 12 (amendments effective for periods beginning on or after January 1, 2014),
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities* (amendments effective for periods beginning on or after January 1, 2014),
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (amendments effective for periods beginning on or after January 1, 2014),
- Amendments to IAS 36 *Impairment of Assets*- Recoverable Amount Disclosures for Non-Financial Assets (effective for periods beginning on or after January 1, 2014),
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - *Novation of Derivatives and Continuation of Hedge Accounting* (effective for periods beginning on or after January 1, 2014. Earlier application is permitted).

New International Financial Reporting Standards and Interpretations yet to be endorsed by the EU:

- IFRS 9 *Financial Instruments (2009)* (effective for application without mandatory effective date),
- Amendments to IFRS 9 *Financial Instruments (2010)* (effective for application without mandatory effective date),
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (effective for application without mandatory effective date),
- IFRIC 21 *Levies* (effective for periods beginning on or after January 1, 2014),
- Amendments to IAS 19 *Employee Benefits entitled Defined Benefit Plans: Employee Contributions* (effective for periods beginning on or after July 1, 2014),
- Improvements to IFRS 2010-2012 (effective for periods beginning on or after July 1, 2014),
- Improvements to IFRS 2011-2013 (effective for periods beginning on or after July 1, 2014).

The Parent Company's Management Board is analyzing the expected impact of these standards and interpretations, however, currently it appears that the adoption of these regulations would not have a significant impact on the Group's consolidated financial statements.

4. Accounting and consolidation policies

The accounting policies applied by the Group for these consolidated financial statements have been consistently applied by the Group with respect to all of the three reporting periods covered by these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Goodwill that arises on the acquisition of subsidiaries is equal to the surplus of the purchase price equal to fair value of the consideration transferred over the Group's share in the identifiable assets, the liabilities and contingent liabilities of the acquired entity, all measured at fair value. The goodwill is tested annually for impairment, as described in point 4(k)(ii). Any negative goodwill that arises, i.e. any gain on a bargain purchase, is recognized in profit or loss immediately.

Acquisition costs, except for issue costs of debt and equity securities, are recognized in profit or loss as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Parent Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies applied by the subsidiaries have been unified when necessary to conform with the policies adopted by the Group.

(iii) Investments in associates (equity accounted investments)

Associates are those entities in which the Group has significant influence, but neither control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment in associate includes transaction costs. The carrying amount of the Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of equity accounted investees, after adjustments to unify the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(iv) Joint arrangements

Investments in joint arrangements are accounted for in the consolidated financial statements with the equity method and are recognized initially at cost. The cost of investment in a joint arrangement includes transaction costs. The carrying amount of the Group's investment in a joint arrangement includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of equity accounted investees, subject to adjustments applied to unify the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

(v) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to PLN (i.e. the functional currency of the Group entities) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to PLN at the average National Bank of Poland ("NBP") exchange rate at that date and gains or losses resulting from the foreign exchange valuation are recognized generally in profit or loss.

Non-monetary items denominated in foreign currencies are translated to PLN at the NBP exchange rates at the dates of the transactions.

(c) Revenue recognition

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received or due, exclusive of any related value added tax and any returns and discounts.

The Group principally obtains revenue from providing the following telecommunication services: subscription fees, airtime usage, text messaging, interconnect fees, data transmission services and information provision, activation fees and equipment sales. Products and services may be sold separately or in bundled packages. Revenues from subscription fees, airtime usage and text messaging are recognized at the time the services are performed, with unearned revenue from services to be provided in future periods deferred. For contract services, subscriber acquisition and retention costs are recognized as an expense for the period in which they are incurred. Revenue from interconnect fees is recognized at the time the services are performed. Revenue from the sale of prepaid credits is deferred until the final customer uses the airtime, or credit expires. The revenue is recognized at gross value, with simultaneous recognition of the cost of prepaid products distributed.

Revenues from the sale of premium rate services (data transmission and information provision), which are inseparably associated with additional customer benefits (content), are recognized when the Group has performed the related service. These revenues are recognized either at their gross amounts, where the Group acts as a principal (i.e. bears the significant risks associated with delivery of the content), or net of related amounts due to a content provider, if the Group acts as an agent (i.e. where the significant risks associated with delivery of the content are on the provider's side).

Revenues from the sale of mobile phones and accessories are recognized when the products are delivered and accepted by the customer. For device sales made to intermediaries, revenue is recognized if the significant risks associated with a device are transferred to the customer.

For contracts which include identifiable, separate elements, the amount received or due from the customer is allocated to these elements based on their relative fair values. The relative fair value of each individual element and thus the revenue recognized for this unit of account, however, is limited to the amount due from or paid by the customer, which does not depend on the delivery of additional elements. For example, the Group generally limits the fair value of individual equipment elements to the price paid by end-customer for that equipment on a standalone basis.

The Group maintains a loyalty program for its customers with related award credits (points) recognized as a separately identifiable component of an arrangement. The portion of arrangement revenue attributed to the award credits is deferred until such date that their redemption is made by the customer taking into account the expected level of points' redemption (or as the obligation lapses). The expenses related to discretionary points within the loyalty program are accrued until such date that the award credits are redeemed or expire.

(d) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax value determined for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on tax regulations that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied witihin the same tax jurisdiction on the same taxable entity, or on different tax entities that intend to settle current tax liabilities and assets on net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured in the consolidated statement of financial position at cost, increased by extension or modernization costs, when it is expected that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Spare parts, which are accounted for as items of property, plant and equipment, are measured at cost, less accumulated depreciation charges.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Included as part of the initial cost are also estimated costs of dismantling and removing the assets and restoring the site on which they are located, where applicable. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are capitalized if the conditions of IAS 23 are met.

Spare parts costs of items of property, plant and equipment incurred in the future are capitalized if their amount can be estimated reliably and it is probable that the economic benefits associated with these items of property, plant and equipment will flow to the Group. The removed parts of an item of property, plant and equipment are derecognized. Expenditures incurred in connection with the ongoing maintenance of property, plant and equipment are recognized in profit or loss for the period when incurred.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

(ii) Depreciation

Depreciation of property, plant and equipment is calculated over the depreciable amount being the cost of an asset, less its residual value and commences when an asset is ready for its intended use. All items of property, plant and equipment, other than land and property under construction, are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	in years
Buildings and structures	20 – 40
Network systems and equipment	3.3 –14.3
Motor vehicles	5 – 7.1
Other property, plant and equipment	3.3 – 10

When an item of property, plant and equipment comprises significant individual components for which different depreciation rates are appropriate, each component is depreciated separately. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition leased assets are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are measured less accumulated depreciation charges and less any accumulated impairment losses.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and such leased assets are not recognized on the Group's consolidated statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent to initial recognition, goodwill is carried at cost less accumulated impairment losses. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investment.

(ii) Other intangible assets

Intangible assets, other than goodwill, include telecommunication licences (GSM 900, DCS 1800, UMTS and CDMA), trademarks and customer relationships as well as other licences and software.

The telecommunication licenses are measured at cost less accumulated amortization and any accumulated impairment losses. The costs of the licenses are amortized using the straight-line method over the period from the later of the acquisition or the commercial commencement of the telecommunication services until the end of the license term.

Trademark and client relationships are depreciated on a straight-line basis over the periods of their estimated economic useful lives as presented in the table below:

	in years
Trademarks	17
Relationships with clients	3 – 9

Other intangible assets are measured in the consolidated statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Amortization of other intangible assets commences when the assets are ready for their intended use. Other intangible assets are amortized on a straight line basis over their expected economic useful lives. Amortization is recognized in the profit or loss for the reporting period.

Any gain or loss on disposal of an item of other intangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

(h) Inventory

As at the balance sheet date inventory is stated at the lower of cost and net realizable value. Cost comprises purchase price or production cost (including direct materials and, where applicable, direct labor costs and those overheads and charges (i.e. customs duties and border fees) that have been incurred in bringing the inventories to their present location and condition). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The inventory is valued with the weighted average method. Regarding the handsets sold in promotional offers, in its estimation of the net realizable value, the Group takes into account the expected revenues from monthly subscription fees.

(i) Financial instruments

(i) Non-derivative financial instruments

The Group initially recognizes loans, receivables, deposits and issued debt securities on the date that they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Non-derivative financial instruments comprise financial assets held-to-maturity, loans and receivables, other financial liabilities and financial assets available-for-sale. Non-derivative financial instruments are recognized initially at fair value and, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Held-to-maturity financial assets

Held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables and other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Other non-derivative financial liabilities are recognized initially at amortized cost using the effective interest method. Other financial liabilities comprise loans, borrowings and other debt securities issued and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

Financial assets available-for-sale

Financial assets available-for-sale comprise equity securities. Subsequent to initial recognition, financial assets available-for-sale are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Accounting for finance income and costs is discussed in note 4 (n) “Finance income and costs”.

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured by the Group at fair value, and changes therein are recognized immediately in profit or loss.

Financial assets held-for-trading

Financial assets held-for-trading include assets acquired in order to achieve the economic benefits of short-term fluctuations in prices and other market factors or short duration of the acquired instrument, as well as other financial assets, regardless of the intentions considered concluding the contract, when they comprise a portfolio of similar financial assets for which there is higly probable that the expected short-term economic benefits would be realized.

Financial assets held-for-trading include derivative financial instruments.

Financial assets held-for-trading are measured at fair value whereas periodic valuation effects are recognized as finance income or expenses of the reporting period in which the revaluation occurred.

Financial liabilities held-for-trading

Financial liabilities held-for-trading, including derivative financial instruments not designated in a hedge relationship, are recognized at fair value, and revaluation gains and losses are recognized immediately in profit or loss.

In order to hedge its exposure to certain foreign currency exchange risks, the Group enters into forward currency exchange contracts and swap contracts. The Group does not apply hedge accounting under IAS 39.

(j) Share capital

Share capital is presented at the total nominal value of the registered shares of the Parent Company.

(k) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group assesses evidence of impairment of loans, receivables and held-to-maturity financial assets both for individual asset and for groups of assets. All individually significant assets are individually assessed for impairment. The remaining financial assets are collectively assessed for impairment divided into groups with similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted with the original effective interest rate.

An impairment loss in respect of receivables is calculated including the probability of collection and allowances are charged to other operating expenses or finance expenses based on the nature of the underlying receivable balance.

Impairment losses on available-for-sale financial assets are recognized based on their fair values.

Impairment losses related to financial assets are recognized in profit or loss. An impairment of available-for-sale financial assets is recognized when there is objective evidence that the asset is impaired, by reclassification to profit or loss the cumulative loss that had been recognised in fair value reserve as a result of decline in the fair value of these assets.

An impairment loss is reversed if the reversal can be related to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of this business combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Employee benefits

(i) Defined contribution plans

All the Group's Polish entities are obligated, under Polish law, to collect and remit social security premiums on behalf of their employees. Such obligations for contributions to defined contribution pension plans, including Poland's state pension fund (ZUS), are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other employee benefits

The Group's net obligation in respect of long-term employee benefits other than the state pension plan (such as death benefits and disability benefits) is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Valuation of the provision is performed using the Projected Unit Method.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognized when the Group, as a result of a past event, has a present obligation (legal or constructive) that can be estimated reliably and it is probable that the Group will be required to settle that obligation (an outflow of economic benefits will be required). Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

(n) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and gains on the re-measurement to fair value of any pre-existing interest in an acquiree. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive the dividend is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial instruments at fair value through profit or loss and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are separated into gains and losses arising on borrowings, telecommunication licences and operating activities and reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position for each category.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes to respective assets and liabilities.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

(b) Intangible assets

The fair value of trademarks acquired in a business combination is based on the income approach using discounted estimated royalty payments. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, which is based on the analysis of the future cash flows related with the assets. The fair value of licenses is based on the market approach (multiplier method) using transactions of purchase/ sale of similar assets in the period close to the valuation date.

(c) Inventory

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Equity and debt security

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques applied include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(e) Trade and other receivables

For trade and other receivables and various deposits, the Group considers their carrying amounts be the best estimates of fair values, due to the short-term nature and high liquidity of these instruments.

This fair value is determined for disclosure purposes or when acquired in a business combination.

(f) Derivatives

The fair value of derivative financial instruments is calculated by discounting expected future cash flows at zero-coupon rates for a given currency. Fair value amounts are translated to PLN at the National Bank of Poland's period-end exchange rate.

The forward currency exchange contracts, interest rate swaps and cross-currency interest rate swaps are valued taking into account the changes in currency spot rates and changes in the interest rate differential.

All methods and assumptions used in the valuation of derivative financial instruments are based on commonly used models and techniques.

(g) Non-derivative financial liabilities

For trade accounts payable and deposits received from customers, the Group considers their carrying amounts to be the best estimation of their respective fair values, determined for disclosure purposes, due to the short term nature and high liquidity of these instruments. Fair value of non-derivative financial liabilities other than trade accounts payable and deposits, is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

6. Business combinations under common control

Business combinations of entities under common control are excluded from the scope of IFRS 3 *Business combinations*. Based on IAS 8 *Accounting policies, changes in accounting estimates and errors*, paragraphs 10-12, the Group applies accounting policies compliant with the stipulations of the Polish Accounting Act.

In case of a combination, in which the parent entity is acquired and a subsidiary is the acquiring entity who continues the activities, the financial statements of the acquirer after the combination are the continuation of the consolidated financial statements of the parent company. Accounting for this kind of transaction as of the combination date involves adding individual line items for assets, liabilities, revenue and expenses of respective entities, unification of the valuation methods and applying the consolidation adjustments. Assets and liabilities identified on the acquisition date are recognized in the financial statements of the acquirer, including goodwill related to the acquisition and the impact of fair value valuation of assets and liabilities of the subsidiary, performed as of the acquisition date.

Share capital of the acquirer is eliminated and the remaining equity items of the acquired entity are added to the respective equity line items of the acquirer. Intercompany receivables and payables as of the common control combination date as well as revenues and expenses from transactions between the acquirer and the acquired entity for the period between the beginning of the financial year and the date of the common control combination are eliminated.

6a. Amendments to the previously approved financial statements

The Group has made the following amendments to the financial information as compared to the consolidated financial statements for the year ended December 31, 2012 approved on July 29, 2013 and for the period from May 9, 2011 to December 31, 2011 approved on July 27, 2012:

(a) change in presentation of other operating income and other operating expenses in the consolidated statement of comprehensive income, resulting from netting of items of other operating income and other operating expenses previously presented gross (the amendment did not affect the Group's net comprehensive income, as other operating income and other operating expenses in the consolidated statement of comprehensive income were decreased by the same amount of PLN 129.8 million for the year ended December 31, 2012 and by PLN 4.8 million for the period from May 9, 2011 to December 31, 2011 respectively);

(b) change in presentation of finance income and finance costs in the consolidated statement of comprehensive income due to separation of debt-related items and related change in netting of other finance income and finance expense items (amendment with no effect on the net comprehensive income, resulting in the increase in finance income and finance costs in the consolidated statement of comprehensive income by PLN 47.8 million for year 2012 and by PLN 58.1 million for the period from May 9, 2011 to December 31, 2011 respectively);

(c) separation of "Intangible assets" in the consolidated statement of financial position into the following items: "Customer relationships", "Telecommunication licenses and license acquisition costs" and "Trademarks";

(d) separate presentation in the consolidated statement of financial position of long-term and short-term assets and liabilites arising from the valuation of derivatives;

(e) consolidation of Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.) in year 2012 and in the period from May 9, 2011 to December 31, 2011 aimed at comparability of the financial information – the subsidiary was not consolidated in the previous periods as it did not perform any operating activities;

(f) presentation in the consolidated statement of financial position of investments in other entities within other non-current assets due to immateriality of the line item to the Group's consolidated financial statements.

The effects of the above adjustments on the Group's consolidated statement of comprehensive income for year 2012 and for the period from May 9, 2011 to December 31, 2011 and on the consolidated statement of financial position for the year ended December 31, 2012 and the period ended December 31, 2011 are presented in detail in the following tables.

(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

	year ended 31/12/2012 as previously approved on July 29, 2013	Change in presentation of other operating income and other operating expenses	Change in presentation of finance income and finance costs	year ended 31/12/2012 as amended
Revenue and other operating income	**7,362.1**	**-129.8**	**0.0**	**7,232.3**
Revenue	7,133.4			7,133.4
Other operating income	228.7	-129.8		98.9
Operating expenses	**-6,606.8**	**129.8**	**0.0**	**-6,477.0**
Costs of goods sold	-1,253.3			-1,253.3
Amortisation and depreciation, disposals and impairment	-2,031.5			-2,031.5
Materials and energy	-99.2			-99.2
Interconnect and roaming charges	-1,271.6			-1,271.6
External services	-1,100.3			-1,100.3
Employee benefits	-397.5			-397.5
Taxes and charges	-125.0			-125.0
Marketing costs and other overheads	-154.1			-154.1
Other operating expenses	-174.3	129.8		-44.5
Operating profit	**755.3**	**0.0**	**0.0**	**755.3**
Finance income	538.5		47.8	586.3
Finance costs	-1,812.7		-47.8	-1,860.5
Loss before tax	**-518.9**	**0.0**	**0.0**	**-518.9**
Income tax expense	119.3			119.3
Net loss for the period	**-399.6**	**0.0**	**0.0**	**-399.6**
Total comprehensive income for the period	**-399.6**	**0.0**	**0.0**	**-399.6**

(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

	Period from 09/05/2011 to 31/12/2011			Period from 09/05/2011 to 31/12/2011
	as previously approved on July 27, 2012	Change in presentation of other operating income and other operating expenses	Change in presentation of finance income and finance costs	as amended
Revenue and other operating income	**1,089.6**	**-4.8**	**0.0**	**1,084.8**
Revenue	1,064.4			1,064.4
Other operating income	25.2	-4.8		20.4
Operating expenses	**-1,267.2**	**4.8**	**0.0**	**-1,262.4**
Costs of goods sold	-166.3			-166.3
Amortisation and depreciation, disposals and impairment	-430.0			-430.0
Materials and energy	-16.9			-16.9
Interconnect and roaming charges	-188.7			-188.7
External services	-262.2			-262.2
Employee benefits	-98.5			-98.5
Taxes and charges	-17.3			-17.3
Marketing costs and other overheads	-33.4			-33.4
Other operating expenses	-53.9	4.8		-49.1
Operating profit	**-177.6**	**0.0**	**0.0**	**-177.6**
Finance income	50.0		58.1	108.1
Finance costs	-445.7		-58.1	-503.8
Loss before tax	**-573.3**	**0.0**	**0.0**	**-573.3**
Income tax expense	46.9			46.9
Net loss for the period	**-526.4**	**0.0**	**0.0**	**-526.4**
Total comprehensive loss for the period	**-526.4**	**0.0**	**0.0**	**-526.4**

(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

ASSETS	as of 31/12/2012 as previously approved on July 29, 2013	Separation of intangible assets	Change in presentation of long-term and short-term derivatives	Consolidation of shares in Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.)	Presentation of investments in other entities under other non-current assets	as of 31/12/2012 as amended
Non-current assets	**17,139.9**	**0.0**	**3.7**	**-0.1**	**0.0**	**17,143.5**
Property, plant and equipment	3,131.8					3,131.8
Goodwill	6,560.4					6,560.4
Customer relationships	0.0	3,903.8				3,903.8
Telecommunication licenses	0.0	1,731.7				1,731.7
Trademarks	0.0	1,024.5				1,024.5
Other intangible assets	7,424.9	-6,660.0				764.9
Investments in other entities	0.5			-0.1	-0.4	0.0
Deferred tax assets	7.9					7.9
Derivatives	0.0		3.7			3.7
Other non-current assets	14.4				0.4	14.8
Current assets	**2,370.0**	**0.0**	**-3.7**	**0.0**	**0.0**	**2,366.3**
Inventories	138.6					138.6
Trade and other receivables	1,070.1					1,070.1
Corporate income tax receivables	5.5					5.5
Cash and cash equivalents	1,147.0					1,147.0
Derivatives	5.0		-3.7			1.3
Other current assets	3.8					3.8
TOTAL ASSETS	**19,509.9**	**0.0**	**0.0**	**-0.1**	**0.0**	**19,509.8**

(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

EQUITY AND LIABILITIES	as of 31/12/2012 as previously approved on July 29, 2013	Separation of intangible assets	Change in presentation of long-term and short-term derivatives	Consolidation of shares in Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.)	Presentation of investments in other entities under other non-current assets	as of 31/12/2012 as amended
Shareholders' equity	**3,873.1**	**0.0**	**0.0**	**-0.1**	**0.0**	**3,873.0**
Share capital	8.4					8.4
Reserve capital	4,790.7					4,790.7
Accumulated losses	-926.0			-0.1		-926.1
Non-current liabilities	**12,662.4**	**0.0**	**114.4**	**0.0**	**0.0**	**12,776.8**
Notes payable	3,969.8					3,969.8
Bank loans	6,714.1					6,714.1
UMTS license liability	899.5					899.5
Finance lease liabilities	3.2					3.2
Long-term financial liabilities	0.0		114.4			114.4
Deferred tax liabilities	985.1					985.1
Provision for employee benefits	6.8					6.8
Other provisions	83.9					83.9
Current liabilities	**2,974.4**	**0.0**	**-114.4**	**0.0**	**0.0**	**2,860.0**
Trade and other payables	516.2					516.2
Corporate income tax liabilities	8.1					8.1
Notes payable	424.1					424.1
Bank loans	612.2					612.2
UMTS license liability	60.1					60.1
Finance lease liabilities	3.4					3.4
Derivatives	228.6		-114.4			114.2
Provision for employee benefits	0.3					0.3
Other provisions	99.3					99.3
Accrued expenses	450.5					450.5
Deferred income	571.6					571.6
TOTAL EQUITY AND LIABILITIES	**19,509.9**	**0.0**	**0.0**	**-0.1**	**0.0**	**19,509.8**

(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

ASSETS	as of 31/12/2011 as previously approved on July 27, 2012	Separation of intangible assets	Change in presentation of long-term and short-term derivatives	Consolidation of shares in Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.)	Presentation of investments in other entities under other non-current assets	as of 31/12/2011 as amended
Non-current assets	**18,750.0**	**0.0**	**0.0**	**0.0**	**0.0**	**18,750.0**
Property, plant and equipment	3,729.1					3,729.1
Goodwill	6,560.4					6,560.4
Customer relationships	0.0	4,449.1				4,449.1
Telecommunication licenses	0.0	2,047.8				2,047.8
Trademarks	0.0	1,089.2				1,089.2
Other intangible assets	8,430.8	-7,586.1				844.7
Investments in other entities	0.2				-0.2	0.0
Deferred tax assets	11.3					11.3
Other non-current assets	18.2				0.2	18.4
Current assets	**2,707.4**	**0.0**	**0.0**	**0.0**	**0.0**	**2,707.4**
Inventories	110.4					110.4
Trade and other receivables	989.3					989.3
Cash and cash equivalents	1,545.2					1,545.2
Derivatives	30.1					30.1
Other current assets	32.4					32.4
TOTAL ASSETS	**21,457.4**	**0.0**	**0.0**	**0.0**	**0.0**	**21,457.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

6a. Amendments to the previously approved financial statements (cont.)

EQUITY AND LIABILITIES	as of 31/12/2011 as previously approved on July 27, 2012	Separation of intangible assets	Change in presentation of long-term and short-term derivatives	Consolidation of shares in Plus TM Management Sp. z o.o. (previously LTE 5 Sp. z o.o.)	Presentation of investments in other entities under other non-current assets	as of 31/12/2011 as amended
Shareholders' equity	**4,271.8**	**0.0**	**0.0**	**0.0**	**0.0**	**4,271.8**
Share capital	8.3					8.3
Reserve capital	4,789.9					4,789.9
Accumulated losses	-526.4					-526.4
Non-current liabilities	**9,590.8**	**0.0**	**0.0**	**0.0**	**0.0**	**9,590.8**
Notes payable	0.0					0.0
Bank loans	7,362.7					7,362.7
UMTS license liability	1,010.2					1,010.2
Finance lease liabilities	6.6					6.6
Deferred tax liabilities	1,131.1					1,131.1
Provision for employee benefits	6.7					6.7
Other provisions	73.5					73.5
Current liabilities	**7,594.8**	**0.0**	**0.0**	**0.0**	**0.0**	**7,594.8**
Trade and other payables	536.8					536.8
Corporate income tax liabilities	13.7					13.7
Notes payable	0.0					0.0
Bank loans	5,689.6					5,689.6
UMTS license liability	65.0					65.0
Finance lease liabilities	1.6					1.6
Derivatives	6.4					6.4
Provision for employee benefits	0.5					0.5
Other provisions	126.1					126.1
Accrued expenses	517.6					517.6
Deferred income	637.5					637.5
TOTAL EQUITY AND LIABILITIES	**21,457.4**	**0.0**	**0.0**	**0.0**	**0.0**	**21,457.4**

(all amounts in millions of PLN, except where stated otherwise)

7. Revenue

The Group's revenues for the reporting period are as follows:

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Billing charges	2,668.3	2,979.5	446.9
Monthly fees	2,455.2	2,419.7	335.4
Interconnect and roaming revenues	936.2	1,360.7	198.3
Other	393.3	225.8	28.8
Total sales of services	**6,453.0**	**6,985.7**	**1,009.4**
Sales of cellular handsets and accessories	229.3	147.7	55.0
Total sales of goods	**229.3**	**147.7**	**55.0**
Total sales revenue	**6,682.3**	**7,133.4**	**1,064.4**

The Group operates as one operating segment with a single group of related services and products (telecommunication services and cellular handsets and accessories sales). Consequently, management monitors operating results on a group-wide basis for the purpose of making decisions about resource allocation and performance assessment.

Revenue is generated almost entirely on the territory of Poland (1.0% of total revenue for the year ended December 31, 2013, 1.2% of total revenue for the year ended December 31, 2012 and about 0.9% of total revenue for the period from May 9, 2011 to December 31, 2011 was derived from entities registered outside Poland).

No individual customer with whom the Group concludes transactions had a share of 10% or more in the Group's total sales revenues in the years ended December 31, 2013 and December 31, 2012 and December 31, 2011.

8. Operating expenses

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Costs of goods sold	1,250.7	1,253.3	166.3
Materials and energy	102.2	99.2	16.9
Interconnect and roaming charges	872.5	1,271.6	188.7
External services including dealer commission and lease of land	1,035.6	1,100.3	262.2
Taxes and charges	136.1	125.0	17.3
Wages and salaries	309.1	341.0	83.8
Social security costs and other personal costs	56.8	56.5	14.7
Amortisation and depreciation, disposals and impairment of non-current assets	1,831.0	2,031.5	430.0
Marketing costs and other overheads	138.7	154.1	33.4
Other operating expenses	31.2	44.5	49.1
Total operating expenses	**5,763.9**	**6,477.0**	**1,262.4**

(all amounts in millions of PLN, except where stated otherwise)

9. Other operating income

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Gain on sale of property, plant and equipment	3.6	1.8	0.1
Grants	0.2	0.1	0.0
Contract cancellation charges and other penalties	33.0	33.7	6.1
Reversal of trade receivables allowances	0.0	0.0	7.4
Reversal of provisions	3.8	0.0	0.0
Sales of receivables	27.5	29.4	0.0
Other	40.4	33.9	6.8
Total other operating income	**108.5**	**98.9**	**20.4**

10. Other operating expenses

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Donations	6.9	7.2	2.3
Provisions for liabilities	0.0	9.7	38.3
Trade receivables allowances	7.7	7.6	0.0
Written off receivables, penalties and loss on disposal of receivables	0.6	5.9	0.3
Other	16.0	14.1	8.2
Total other operating expenses	**31.2**	**44.5**	**49.1**

11. Finance income

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Interest received on deposits	45.8	70.6	46.9
Interest on loans granted and on leases	0.0	0.3	0.0
Other interest on operating activities	3.1	9.5	3.1
Foreign exchange rate gains – loans and notes	13.9	419.5	0.0
Foreign exchange rate gains – UMTS license liability	0.0	81.7	0.0
Foreign exchange rate gains – operating activities	17.3	0.0	58.1
Other	0.4	4.7	0.0
Total finance income	**80.6**	**586.3**	**108.1**

(all amounts in millions of PLN, except where stated otherwise)

12. Finance costs

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Discount on UMTS liability	27.7	27.8	3.9
Interest on loans and bonds	1,422.0	1,467.6	292.9
Other interest and impairment on interest receivable - operating activities	6.7	12.2	1.6
Loss on derivatives – financial	65.3	213.5	0.0
Loss on derivatives – operational	2.6	82.9	12.6
Loss on derivatives – other	0.0	0.0	88.5
Foreign exchange rate losses – loans and notes	0.0	0.0	62.9
Foreign exchange rate losses – UMTS license liability	12.2	0.0	4.2
Foreign exchange rate losses – operating activities	0.0	37.7	0.0
Commissions on loans and bank guarantees	28.2	16.5	7.1
Other	0.3	2.3	30.1
Total finance costs	**1,565.0**	**1,860.5**	**503.8**

13. Income tax

Income tax expense

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Current income tax expense	-56.8	-62.7	-34.3
Deferred income tax expense	142.3	142.6	81.2
Tax refund for prior years - tax relief for new technologies	55.3	39.4	0.0
Income tax expense	**140.8**	**119.3**	**46.9**

Effective tax rate reconciliation

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Loss before tax	-457.5	-518.9	-573.3
Tax calculated at the currently enacted tax rate in Poland of 19%	86.9	98.6	108.9
Unrecognised deferred tax assets on tax losses	0.1	-19.1	-31.5
Tax impact of non-taxable revenues and non-deductible costs	-1.5	0.4	-30.5
Income tax expense recognised in the consolidated statement of comprehensive income	85.5	79.9	46.9
Effective tax rate	19%	15%	8%
Tax refund for prior years - tax relief for new technologies	55.3	39.4	0.0
Income tax expense	**140.8**	**119.3**	**46.9**

(all amounts in millions of PLN, except where stated otherwise)

Deferred tax

Deductible temporary differences	**31/12/2013**	**31/12/2012**	**31/12/2011**
Inventory write-downs	18.0	12.1	5.6
Valuation allowance for receivables	22.4	21.9	14.5
Valuation of loans and derivatives (net)	197.0	244.6	27.6
Finance lease liabilities	4.9	6.6	8.2
Provisions	86.5	87.6	114.5
Accrued expenses	448.7	510.2	567.9
Deferred income	482.1	571.6	637.5
Commisions on loans accounted for with amortized cost method	0.0	0.0	118.3
Other deductible temporary differences	1.3	9.8	27.5
Total deductible temporary differences	**1,260.9**	**1,464.4**	**1,521.6**
Tax losses	3.8	17.0	37.6
Tax rate	19%	19%	19%
Deferred tax assets	**240.3**	**281.5**	**296.2**
Offsetting against deferred tax liability	-235.8	-273.6	-284.9
Deferred tax asset presented in the consolidated statement of financial position	**4.5**	**7.9**	**11.3**

Taxable temporary differences	**31/12/2013**	**31/12/2012**	**31/12/2011**
Valuation of telecommunication licenses	453.9	753.5	951.8
Valuation of customer relationships	3,358.6	3,903.9	4,449.1
Valuation of trademark	959.9	1,024.5	1,089.2
Other intangibles	507.5	445.5	372.7
Property, plant and equipment	179.1	277.8	387.9
Accrued interest	9.9	21.3	14.9
Accrued revenues	134.0	130.6	147.3
Valuation of notes and derivatives (net)	18.6	26.2	23.7
Other taxable temporary differences	37.2	41.6	15.9
Total taxable temporary differences	**5,658.7**	**6,624.9**	**7,452.5**
Tax rate	19%	19%	19%
Deferred tax liabilities	**1,075.2**	**1,258.7**	**1,416.0**
Offsetting against deferred tax assets	-235.8	-273.6	-284.9
Deferred tax liabilities presented in the consolidated statement of financial position	**839.4**	**985.1**	**1,131.1**

(all amounts in millions of PLN, except where stated otherwise)

	31/12/2013	31/12/2012	31/12/2011
Net deferred tax assets as at the beginning of the period	7.9	11.3	0.0
Net deferred tax liabilities as at the beginning of the period	-985.1	-1,131.1	0.0
Net deferred tax assets as at the end of the period	4.5	7.9	11.3
Net deferred tax liabilities as at the end of the period	-839.4	-985.1	-1,131.1
Change in deferred tax assets and liabilities	142.3	142.6	-1,119.8
Change in deferred tax assets and liabilities resulting from business combination	0.0	0.0	38.9
Change in deferred tax assets and liabilities resulting from fair value valuation of net assets of acquired entity recognised in goodwill	0.0	0.0	1,162.1
Deferred tax in the net profit for the period	**142.3**	**142.6**	**81.2**

Unrecognised deferred tax assets	31/12/2013	31/12/2012	31/12/2011
Tax losses	2.2	2.4	31.5
Commisions on loans to be accounted for under amortized cost	0.0	0.0	14.4
Other	0.0	0.0	13.9
Total unrecognised deferred tax assets	**2.2**	**2.4**	**59.8**

The tax losses as of December 31, 2013 expire in the following years:

Tax year	Year of expiration	Tax loss recognised	Tax loss unrecognised	Total tax loss
2010	2015	3.8	0.0	3.8
2011	2016	0.0	0.6	0.6
2012	2017	0.0	11.1	11.1
2013	2018	0.0	0.1	0.1
Total		**3.8**	**11.8**	**15.6**

The tax losses as of December 31, 2012 expire in the following years:

Tax year	Year of expiration	Tax loss recognised	Tax loss unrecognised	Total tax loss
2009	2014	3.4	0.0	3.4
2010	2015	13.6	0.0	13.6
2011	2013	0.0	165.9	165.9
2011	2016	0.0	1.3	1.3
2012	2013	0.0	87.9	87.9
2012	2017	0.0	11.1	11.1
Total		**17.0**	**266.2**	**283.2**

(all amounts in millions of PLN, except where stated otherwise)

The tax losses as of December 31, 2011 expire in the following years:

Tax year	Year of expiration	Tax loss recognised	Tax loss unrecognised	Total tax loss
2007	2012	1.0	0.0	1.0
2008	2013	6.7	0.0	6.7
2009	2014	9.0	0.0	9.0
2010	2015	19.6	0.0	19.6
2011	2013	0.0	165.9	165.9
2011	2016	1.3	0.0	1.3
Total		**37.6**	**165.9**	**203.5**

As of December 31, 2013, December 31, 2012 and December 31, 2011 the Group recognized deferred tax asset on tax losses to the extent that it was probable they they would be utilized in the future.

In accordance with the Polish Corporate Income Tax Act, tax loss carry-forwards can be utilized within the next five fiscal years, whereby in one fiscal year not more than 50% of a tax loss regarding a single fiscal year can be utilized.

(all amounts in millions of PLN, except where stated otherwise)

14. Property, plant and equipment

	Land	Buildings & constructions	Network system & equipment	Motor vehicles	Other fixed assets	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Gross book value as of 01/01/2013	**26.3**	**115.8**	**3,645.8**	**21.8**	**97.0**	**345.6**	**0.1**	**4,252.4**
Additions	0.0	2.3	575.6	0.3	1.1	631.7	0.0	1,211.0
Disposals	0.0	-1.9	-49.4	-1.3	-1.9	-591.0	-0.1	-645.6
Other adjustments	0.0	0.0	0.0	0.0	0.0	-1.2	0.0	-1.2
Balance as of 31/12/2013	**26.3**	**116.2**	**4,172.0**	**20.8**	**96.2**	**385.1**	**0.0**	**4,816.6**
Accumulated depreciation as of 01/01/2013	**0.0**	**12.6**	**1,025.5**	**7.5**	**43.9**	**0.0**	**0.0**	**1,089.5**
Depreciation charge for the period	0.0	7.3	678.8	5.7	14.1	0.0	0.0	705.9
Disposals	0.0	-1.8	-28.7	-0.8	-1.3	0.0	0.0	-32.6
Accumulated depreciation as of 31/12/2013	**0.0**	**18.1**	**1,675.6**	**12.1**	**56.7**	**0.0**	**0.0**	**1,762.8**
Impairment losses as of 01/01/2013	**0.0**	**0.0**	**7.1**	**0.0**	**0.0**	**24.0**	**0.0**	**31.1**
Additions	0.0	0.0	37.6	0.1	0.0	35.0	0.0	72.7
Reversal	0.0	0.0	-0.6	0.0	0.0	-18.8	0.0	-19.4
Use	0.0	0.0	-8.0	0.0	0.0	-0.5	0.0	-8.5
Impairment losses as of 31/12/2013	**0.0**	**0.0**	**36.1**	**0.1**	**0.0**	**39.7**	**0.0**	**75.9**
Net book value as of 01/01/2013	**26.3**	**103.2**	**2,613.2**	**14.3**	**53.1**	**321.6**	**0.1**	**3,131.8**
Net book value as of 31/12/2013	**26.3**	**98.1**	**2,460.3**	**8.3**	**39.5**	**345.4**	**0.0**	**2,977.9**

In 2013 the Group recorded an allowance for telecommunication infrastructure in amount of PLN 37.6 million and for capitalized expenditure on telecommunication network elements which will not be utilized by the Group in the amount of PLN 35.0 million.

Reversals of impairment allowance amounted to PLN 19.4 million, of which PLN 18.3 million regarded reversal of impairment allowance for capitalized costs of rearrangement of points of sale and the remaining part related to impairment allowance for telecommunication network. Impairment allowance for property, plant and equipment is disclosed in the consolidated statement of comprehensive income under the line item “Amortisation and depreciation, disposals and impairment”.

(all amounts in millions of PLN, except where stated otherwise)

14. Property, plant and equipment (cont.)

	Land	Buildings & constructions	Network system & equipment	Motor vehicles	Other fixed assets	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Gross book value as of 01/01/2012	**35.2**	**114.3**	**3,253.8**	**26.4**	**88.3**	**421.3**	**5.2**	**3,944.5**
Additions	0.0	1.5	406.5	0.7	12.1	365.7	0.0	786.5
Disposals	-3.7	0.0	-14.5	-5.3	-3.4	-444.2	-5.1	-476.2
Other adjustments	-5.2	0.0	0.0	0.0	0.0	2.8	0.0	-2.4
Gross book value as of 31/12/2012	**26.3**	**115.8**	**3,645.8**	**21.8**	**97.0**	**345.6**	**0.1**	**4,252.4**
Accumulated depreciation as of 01/01/2012	**0.0**	**2.1**	**167.8**	**3.3**	**13.3**	**0.0**	**0.0**	**186.5**
Depreciation charge for the period	0.0	10.5	863.6	8.2	32.7	0.0	0.0	915.0
Disposals	0.0	0.0	-5.9	-4.0	-2.1	0.0	0.0	-12.0
Accumulated depreciation as of 31/12/2012	**0.0**	**12.6**	**1,025.5**	**7.5**	**43.9**	**0.0**	**0.0**	**1,089.5**
Impairment losses as of 01/01/2012	**0.0**	**0.0**	**7.1**	**0.0**	**0.0**	**21.8**	**0.0**	**28.9**
Additions	0.0	0.0	0.0	0.0	0.0	12.4	0.0	12.4
Reversals	0.0	0.0	0.0	0.0	0.0	-1.1	0.0	-1.1
Use	0.0	0.0	-1.2	0.0	0.0	-9.1	0.0	-10.3
Other adjustments	0.0	0.0	1.2	0.0	0.0	0.0	0.0	1.2
Impairment losses as of 31/12/2012	**0.0**	**0.0**	**7.1**	**0.0**	**0.0**	**24.0**	**0.0**	**31.1**
Net book value as of 01/01/2012	**35.2**	**112.2**	**3,078.9**	**23.1**	**75.0**	**399.5**	**5.2**	**3,729.1**
Net book value as of 31/12/2012	**26.3**	**103.2**	**2,613.2**	**14.3**	**53.1**	**321.6**	**0.1**	**3,131.8**

In 2012 the Group recorded an impairment allowance for property, plant and equipment under construction in the amount of PLN 12.4 million, of which PLN 5.3 million related to rearrangement of points of sale. The total amount of impairment allowance for the rearrangement of points of sale as of December 31, 2012 amounted to PLN 18.4 million.

The use of impairment allowance (PLN 9.1 million) related to write-offs of capital expenditure for telecommunication equipment and other property, plant and equipment under construction written off during the period.

Impairment allowance on property, plant and equipment is disclosed in the consolidated statement of comprehensive income under the line item“Amortisation and depreciation, disposals and impairment”.

(all amounts in millions of PLN, except where stated otherwise)

14. Property, plant and equipment (cont.)

	Land	Buildings & constructions	Network system & equipment	Motor vehicles	Other fixed assets	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Gross book value as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Additions relating to business combination	35.2	113.6	3,121.8	26.7	66.7	386.8	0.2	3,751.0
Additions	0.0	0.7	165.5	0.5	22.3	220.3	5.0	414.3
Disposals	0.0	0.0	-43.9	-0.8	-0.7	-189.8	0.0	-235.2
Other adjustments	0.0	0.0	10.4	0.0	0.0	4.0	0.0	14.4
Gross book value as of 31/12/2011	**35.2**	**114.3**	**3,253.8**	**26.4**	**88.3**	**421.3**	**5.2**	**3,944.5**
Accumulated depreciation as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Depreciation charge for the period	0.0	2.1	169.1	3.5	13.4	0.0	0.0	188.1
Disposals	0.0	0.0	-1.3	-0.2	-0.1	0.0	0.0	-1.6
Accumulated depreciation as of 31/12/2011	**0.0**	**2.1**	**167.8**	**3.3**	**13.3**	**0.0**	**0.0**	**186.5**
Impairment losses as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Additions	0.0	0.0	7.1	0.0	0.0	21.6	0.0	28.7
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Impairment losses as of 31/12/2011	**0.0**	**0.0**	**7.1**	**0.0**	**0.0**	**21.8**	**0.0**	**28.9**
Net book value as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net book value as of 31/12/2011	**35.2**	**112.2**	**3,078.9**	**23.1**	**75.0**	**399.5**	**5.2**	**3,729.1**

In 2011 the Group recorded an impairment allowance of PLN 21.6 million. This amount includes PLN 13.1 million of impairment allowance for capitalized expenditure on the rearrangement of points of sale which will not be continued. An allowance for capitalized expenditure on telecommunications network elements which will not be utilized by the Group amounts to PLN 8.5 million.

Impairment allowance on property, plant and equipment is disclosed in the consolidated statement of comprehensive income under the line item “Amortisation and depreciation, disposals and impairment”.

(all amounts in millions of PLN, except where stated otherwise)

15. Goodwill

	31/12/2013	31/12/2012	31/12/2011
Acquisition of Polkomtel	6,560.4	6,560.4	6,560.4
Total	**6,560.4**	**6,560.4**	**6,560.4**

Goodwill results from the acquisition executed on November 9, 2011 of 100% stake in the share capital of Polkomtel and its subsidiaries by Spartan for the total consideration of PLN 15,400.6 million fully paid in cash (the "Acquisition", as defined in note 18 *Business combinations*), whereby PLN 10,757.0 million was paid with funds received from bank loans described in more details in note 29 *Notes payable* and in note 30 *Bank loans*. Additionally, the Group incurred acquisition-related costs of PLN 67.4 million related to external legal and advisory fees. For more information on goodwill related to the Acquisition of Polkomtel please refer to note 18 *Business combinations*.

The goodwill is attributable primarily to the reputation of Polkomtel Group, the skills and technical talent of its workforce, as well as the future potential of telecommunications market in Poland, also in the context of expected synergies to be achieved once joint product offerings are developed by Polkomtel Group and the Acquirer's other operations.

The goodwill recognized in the financial statements is not expected to be deductible for income tax purposes.

In accordance with the provisions of IAS 36 *Impairment of Assets*, for the purpose of impairment testing, goodwill is allocated to the Polkomtel Group as a whole, which in management's assessment represents the lowest level at which the goodwill is monitored for internal management purposes. The impairment test of the cash generating unit (CGU) containing the allocation of goodwill was based on its value in use and was determined by discounting the projected future cash flows that are expected to be generated from the continuing use of the CGU. Based on the test performed no impairment was identified in respect of the CGU and the related goodwill.

The key assumptions used in the impairment tests as of December 31, 2013, December 31, 2012 and December 31, 2011 are: the period of cash flow projections of 5 years (2014 – 2018) for the test performed as of December 31, 2013 , 9 years (2013 – 2021) for the test performed as of December 31, 2012 and 9 years (2012 – 2020) for the test performed as of December 31, 2011, the discount rate (the weighted average cost of capital) of 8.8% for the test performed as of December 31, 2013 (9.1% for the test performed as of December 31, 2012 and 9.7% for the test performed as of December 31, 2011) and the terminal growth rate in the residual period of 1% (applied in all tests).

(all amounts in millions of PLN, except where stated otherwise)

16. Intangible assets

	Telecommunication licenses	Trademarks	Customer relationships	Other intangible assets: Software and other intangibles	Other intangible assets: Intangibles under development	Other intangible assets: Total - other intangible assets
Gross book value as of 01/01/2013	**2,100.6**	**1,100.0**	**4,540.0**	**875.7**	**65.3**	**941.0**
Additions	0.0	0.0	0.0	80.3	75.2	155.5
Disposals	0.0	0.0	0.0	-0.9	-80.3	-81.2
Other adjustments	0.0	0.0	0.0	0.0	1.3	1.3
Balance as of 31/12/2013	**2,100.6**	**1,100.0**	**4,540.0**	**955.1**	**61.5**	**1,016.6**
Accumulated amortization as of 01/01/2013	**368.9**	**75.5**	**636.2**	**176.1**	**0.0**	**176.1**
Amortization charge for the period	317.1	64.7	545.2	120.6	0.0	120.6
Disposals	0.0	0.0	0.0	-0.8	0.0	-0.8
Accumulated amortization as of 31/12/2013	**686.0**	**140.2**	**1,181.4**	**295.9**	**0.0**	**295.9**
Impairment losses as of 01/01/2013	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Additions	8.0	0.0	0.0	1.0	0.0	1.0
Impairment losses as of 31/12/2013	**8.0**	**0.0**	**0.0**	**1.0**	**0.0**	**1.0**
Net book value as of 01/01/2013	**1,731.7**	**1,024.5**	**3,903.8**	**699.6**	**65.3**	**764.9**
Net book value as of 31/12/2013	**1,406.6**	**959.8**	**3,358.6**	**658.2**	**61.5**	**719.7**

Amortisation charge of intangible assets for all years covered by these consolidated financial statements is disclosed in the consolidated statement of comprehensive income within the line item "Amortisation and depreciation, disposals and impairment".

As of December 31, 2013 the balance of telecommunication licences comprised the following items:

Telecommunication licences as of 31/12/2013	**Gross book value**	**Carrying amount**	**Expiration date**
Licence GSM 900	920.0	780.5	24/02/2026
Licence GSM 1800	580.0	150.5	13/09/2014
Licence UMTS	590.0	475.6	01/01/2023
CDMA license	10.6	0.0	31/12/2020
Total	**2,100.6**	**1,406.6**	

(all amounts in millions of PLN, except where stated otherwise)

16. Intangible assets (cont.)

	Telecommunication licenses	Trademarks	Customer relationships	Other intangible assets		
				Software and other intangibles	Intangibles under development	Total - other intangible assets
Gross book value as of 01/01/2012	**2,100.6**	**1,100.0**	**4,540.0**	**682.9**	**191.2**	**874.1**
Additions	0.0	0.0	0.0	190.9	70.0	260.9
Disposals	0.0	0.0	0.0	-3.4	-193.1	-196.5
Other adjustments	0.0	0.0	0.0	5.3	-2.8	2.5
Gross book value as of 31/12/2012	**2,100.6**	**1,100.0**	**4,540.0**	**875.7**	**65.3**	**941.0**
Accumulated amortization as of 01/01/2012	**52.8**	**10.8**	**90.9**	**29.4**	**0.0**	**29.4**
Amortization charge for the period	316.1	64.7	545.3	148.9	0.0	148.9
Disposals	0.0	0.0	0.0	-2.2	0.0	-2.2
Accumulated amortization as of 31/12/2012	**368.9**	**75.5**	**636.2**	**176.1**	**0.0**	**176.1**
Net book value as of 01/01/2012	**2,047.8**	**1,089.2**	**4,449.1**	**653.5**	**191.2**	**844.7**
Net book value as of 31/12/2012	**1,731.7**	**1,024.5**	**3,903.8**	**699.6**	**65.3**	**764.9**

As of December 31, 2012 the balance of telecommunication licenses comprised the following items:

Telecommunication licences as of 31/12/2012	Gross book value	Carrying amount	Expiration date
Licence GSM 900	920.0	844.7	24/02/2026
Licence GSM 1800	580.0	349.4	13/09/2014
Licence UMTS	590.0	528.4	01/01/2023
CDMA license	10.6	9.2	31/12/2020
Total	**2,100.6**	**1,731.7**	

(all amounts in millions of PLN, except where stated otherwise)

16. Intangible assets (cont.)

	Telecommunication licenses	Trademarks	Customer relationships	Other intangible assets		
				Software and other intangibles	Intangibles under development	Total - other intangible assets
Gross book value as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Additions	0.0	0.0	0.0	44.3	102.1	146.4
Additions relating to business combination	2,100.6	1,100.0	4,540.0	638.1	146.7	784.8
Disposals	0.0	0.0	0.0	0.0	-43.1	-43.1
Other adjustments	0.0	0.0	0.0	0.5	-14.5	-14.0
Gross book value as of 31/12/2011	**2,100.6**	**1,100.0**	**4,540.0**	**682.9**	**191.2**	**874.1**
Accumulated amortization as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Amortization charge for the period	52.8	10.8	90.9	29.5	0.0	29.5
Disposals	0.0	0.0	0.0	-0.1	0.0	-0.1
Accumulated amortization as of 31/12/2011	**52.8**	**10.8**	**90.9**	**29.4**	**0.0**	**29.4**
Impairment losses as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Additions	0.0	0.0	0.0	0.2	0.0	0.2
Reversals	0.0	0.0	0.0	-0.2	0.0	-0.2
Impairment losses as of 31/12/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net book value as of 09/05/2011	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net book value as of 31/12/2011	**2,047.8**	**1,089.2**	**4,449.1**	**653.5**	**191.2**	**844.7**

As of December 31, 2011 the balance of telecommunication licences comprised the following items:

Telecommunication licences as of 31/12/2011	Gross book value	Carrying amount	Expiration date
Licence GSM 900*	920.0	909.3	24/02/2026
Licence GSM 1800	580.0	546.9	13/09/2014
Licence UMTS	590.0	581.2	01/01/2023
CDMA license	10.6	10.4	31/12/2020
Total	**2,100.6**	**2,047.8**	

(all amounts in millions of PLN, except where stated otherwise)

17. Subsidiaries

Name of the entity	Headquarters	Activities	Parent Company's percentage share in capital as of 31/12/2013	as of 31/12/2012	as of 31/12/2011
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	Holding and financial activities	100%	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	Holding and financial activities	100%	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	Holding and financial activities	100%	100%	100%
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	Holding activities	100%	100%	100%
Spartan Capital Holdings Sp. z o.o.*	Postępu 3 02-676 Warsaw Poland	Holding activities	0%	100%	100%
Polkomtel Sp. z o.o.	Postępu 3 02-676 Warsaw Poland	1. designing, installing, operating and managing telecommunication systems and networks in Poland, as well as any required infrastructure, in particular wireless technologies; 2. developing and selling products and services in Poland, directly or indirectly using the aforementioned systems, networks and infrastructure; 3. conducting any other activities with regard to the provision of telecommunication and related services in Poland	100%	100%	100%
Nordisk Polska Sp. z o.o.	Postępu 3 02-676 Warsaw Poland	1. wireline telecommunications; 2. wireless (mobile) telecommunications; 3. other communications operations	100%	100%	100%
Polkomtel Finance AB (publ)	Norrlandsgatan 18 111 43 Stockholm Sweden	Financial activities	100%	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów Poland	1. sales activities – wholesale and retail in the field of sale of telecommunication equipment (handsets and accessories in particular); 2. provision of services in the following areas: telecommunications and IT as well as marketing and advertising 3. activities of agents specializing in selling specified goods or specific group of goods not classified anywhere else; 4. other telecommunications operations	100%	100%	100%
Polkomtel Business Development Sp. z o.o.	Postępu 3 02-676 Warsaw Poland	Other activities supporting financial services excluding insurance and pension funds	100%	100%	100%

(all amounts in millions of PLN, except where stated otherwise)

Name of the entity	Headquarters	Activities	Parent Company's percentage share in capital as of 31/12/2013	as of 31/12/2012	as of 31/12/2011
Plus TM Group Management Sp. z o.o. (previously LTE 5 Sp. z o.o.)****	Postępu 3 02-676 Warsaw Poland	1. wireline and wireless telecommunication, excluding satellite telecommunication; 2. other types of telecommunication 3. management of intellectual property rights	100%	100%	100%
LTE 6 Sp. z o.o.***	Postępu 3 02-676 Warsaw Poland	1. wireline and wireless telecommunication, excluding satellite telecommunication; 2. other types of telecommunication	100%	100%	100%
LTE Holdings Limited**	Kostaki Pantelidi 1 1010, Nicosia Cyprus	Holding activities	100%	100%	0%
Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna (previously Cinco spółka z ograniczoną odpowiedzialnością - XXI-Spółka komandytowo – akcyjna) *****	Postępu 3 02-676 Warszawa Polska	Lease of intellectual property and similiar rights	100%	0%	0%
Plus TM Group Sp. z o.o.****	Postępu 3 02-676 Warszawa Polska	Holding activities	100%	0%	0%

*On February 1, 2013 Polkomtel Sp. z o.o. and Spartan Capital Holdings Sp. z o.o. merged, as described in note 1.

** On January 13, 2012 Polkomtel set up a subsidiary, LTE Holdings Limited seated in Cyprus. On 6 February 2012, LTE Holdings Limited purchased a 49% share in Litenite Limited (the "LTE Group") from a Cyprus-based company Ortholuck Limited. Litenite Limited is the owner of approximately 66% share in NFI Midas S.A. controlling the telecommunication companies Centernet S.A., Mobyland Sp.z o.o. and Aero2 Sp. z o.o.

Simultaneously Ortholuck Limited received a call back option, exercisable for EUR 1, for the repurchase of 49% of shares in Litenite Limited, which can be exercised subject to certain conditions listed in the agreement. The purchase of 49% stake in LTE Group and the call back option are perceived as linked transactions and are treated as a collateral received by Polkomtel.

LTE Holdings Limited also received an option, exercisable at fair market value, for a future purchase from Ortholuck Limited of the remaining 51% of the shares in Litenite Limited upon occurrence of events listed in certain agreements.

Additionally, on February 6, 2012 51% of the shares in Litenite Limited owned by Ortholuck Limited were pledged in favour of Polkomtel as a security for obligations of the LTE Group. As a result, the options were not subject to fair value valuation. Moreover, on June 1, 2012 Polkomtel made an assignment of contractual rights resulting from the deed of pledge of 51% shares in Litenite Limited for the benefit of Citicorp Trustee Company Limited, acting as the Security Agent.

Due to the restrictions in the right to dividend and the construction of the above described linked transactions, the 49% stake in Litenite Limited is accounted for as an investments in associates without equity pick-up.

*** On February 19, 2013 Extraordinary Shareholders' Meeting of LTE 6 Sp. z o.o. decided to liquidate the company. Until the date of issuing these consolidated financial statements the liquidation process has not been completed.

**** On December 18, 2013 the change of name of LTE 5 Sp. z o.o. to Plus TM Management Sp. z o.o. was registered. On December 23, 2013 Polkomtel disposed of its shares in Plus TM Management Sp. z o.o. to the subsidiary Plus TM Group Sp. z o.o.

***** Further details regarding the acquisition of Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna (previously Cinco spółka z ograniczoną odpowiedzialnością - XXI-Spółka komandytowo – akcyjna) by the Group have been disclosed in note 18.

18. Business combinations

A. On May 31, 2011 for the consideration of SEK 500,000, Metelem acquired from Bolagsrätt Sundsvall AB 100% of shares in Goldcup 100071 AB (Publ) seated in Stockholm, Sweden (from June 29, 2011 operating under name "Eileme 1 AB (Publ)") being a direct or indirect 100 % owner of the following entities:

- Eileme 2,
- Eileme 3,
- Eileme 4,

all seated in Stockholm, Sweden.

As of the date of the acquisition the equity of Eileme 1 comprised only share capital amounting to SEK 500 thousand, divided into 500,000 ordinary shares of nominal value of SEK 1.00 each and the company had not carried any business activity by May 31, 2011. Considering this, no goodwill was recognised on the acquisition.

Subsequent to the acquisition Metelem made the following cash contributions to the supplementary capital of Eileme 1:

- SEK 400 thousand (not in millions) transferred on June 8, 2011,
- PLN 2,400,000 thousand (not in millions) thousand transferred on June 27, 2011,
- PLN 100,000 thousand (not in millions) transferred on June 28, 2011,
- PLN 1,473,219 thousand (not in millions) transferred on October 28, 2011,
- PLN 824,425 thousand (not in millions) transferred on November 4, 2011.

On June 10, 2011 Eileme 4, under its previous name Cesar 4 AB, acquired 100% of shares of Spartan by entering into the agreement for the sale of shares concluded with Mr Zygmunt Solorz-Żak. The consideration for the shares of Spartan of PLN 50 thousand was paid in cash on June 13, 2011. No goodwill was recognized in relation to this acquisition. On June 27, 2011 the share capital of Spartan was increased by PLN 25,000 thousand (not in millions) to PLN 25,050 thousand (not in millions) through issuance of 500,000 new shares. All newly issued shares were paid in cash by Eileme 4 and the share premium of PLN 2,475,000 thousand increased supplementary capital of Spartan. On October 28, 2011 the share capital of Spartan was further increased by PLN 22,972 thousand (not in millions) to PLN 48,022 thousand (not in millions) through issuance of 459,445 new shares. All new shares were fully paid by Eileme 4 and the share premium of PLN 2,254,256 thousand (not in millions) increased the supplementary capital of Spartan.

B. Pursuant to the Preliminary Agreement for the Sale of Shares dated June 30, 2011 and the Agreement for the Sale of Shares dated November 9, 2011 concluded between Spartan and KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., Polski Koncern Naftowy Orlen S.A., Vodafone Americas Inc., Vodafone International Holdings B.V. and Weglokoks S.A., on November 9, 2011 Spartan acquired 100% stake in the share capital of Polkomtel (the "Acquisition") and its subsidiaries (further "Polkomtel Group"). Polkomtel has been an unlisted company whose core activities include the provision of telecommunication services on the territory of Poland.

(all amounts in millions of PLN, except where stated otherwise)

	Fair value recognised on the Acquisition
Property, plant and equipment, including:	**3,751.0**
Land, buildings and contructions	*148.8*
Network system & equipment	*3,121.8*
Motor vehicles	*26.7*
Other fixed assets	*66.7*
Property, plant and equipment under construction	*386.8*
Prepayments for property, plant and equipment	*0.2*
Intangible assets, including:	**8,525.4**
Software and other intangibles	*638.1*
Intangibles under development	*146.7*
Licenses, incl. licence acquisition costs	*2,100.6*
Customer relationships- retail	*4,300.0*
Other customer relationships	*240.0*
"Plus" trademark	*1,100.0*
Other non-current assets	0.2
Deferred tax asset	10.2
Inventories	144.0
Trade and other receivables	1,047.7
Derivatives	37.5
Cash and cash equivalents	464.3
Total assets	**13,980.3**
Deferred tax liabilities	-1,219.8
Non-current provisions	-76.2
Notes payable	-1,007.2
UMTS license liability	-1,061.3
Finance lease liabilities	-8.5
Trade and other payables	-514.5
Corporate income tax liabilities	-28.9
Current provisions	-85.8
Derivatives	-6.2
Accrued expenses	-461.1
Deferred income	-670.6
Total liabilities	**-5,140.1**
Total net assets	**8,840.2**
Fair value of the consideration paid	15,400.6
Goodwill arising on acqusition	**6,560.4**

From the date of gaining control, i.e. from November 9, 2011, until December 31, 2011 Polkomtel Group generated revenues and other operating income in the amount of PLN 1,089.6 million and net losses of PLN 12.9 million, both included in the Group's consolidated financial statements for the period from May 9, 2011 to December 31, 2011. Had Metelem Holding Limited Group existed from January 1, 2011 and had the acquisition of Polkomtel Group taken place on January 1, 2011, the estimated revenue and other operating income in the consolidated statement of comprehensive income would have amounted to PLN 7,502.0 million (unaudited) and the net loss for year ended December 31, 2011 would have amounted to PLN 61.5 million (unaudited).

Assumptions applied for the purpose of calculation of the above pro-forma figures

Net loss estimated for financial year 2011 does not include additional financing costs with regard to the acquisition of Polkomtel which were borne in the periods preceding the acquisition. The net estimated loss does not include the impact of costs recognized in the consolidated financial statements of Polkomtel Group in relation to impairment loss attributable to assets connected with provision of services in the CDMA technology of PLN 93.1 million and provisions for penalties imposed by the decisions of the Office for Competition and Consumer Protection ("UOKiK") in the total amount of PLN 35.3 million which were recognized as part of goodwill. The net estimated loss includes the impact of PLN 648.6 million resulting from the increase of depreciation connected with the fair value valuation of property, plant and equipment and of intangible assets and recognition of new assets as of the date of the acquisition of Polkomtel by Spartan.

The above estimates are based on the assumption that hypothetical fair value adjustments of liabilities of Polkomtel Group as of January 1, 2011 would not differ materially from the actual adjustments as of the acquisition date.

Analysis of cash flows on acqusition:

Consideration paid on November 9, 2011 for 100% of shares	15,400.6
Net cash acquired with the subsidiaries	-464.3
Net cash flow on acqusition	**14,936.3**

C. On December 20, 2013 Polkomtel acquired 100% shares in Plus TM Group Sp. z o.o. for the amount of PLN 5,000 (not in millions). Plus TM Group Sp. z o.o. is the unlimited partner of the partnership limited by shares – the entity Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna (previously Cinco Spółka z ograniczoną odpowiedzialnością-XXI-Spółka Komandytowo Akcyjna). No goodwill was recognized on the transaction. Subsequently, also on December 20, 2013, based on the resolution of the Extraordinary Shareholders' Meeting, the share capital of Plus TM Group Sp. z o.o. was increased from PLN 5,000 (not in millions) to PLN 100,000 (not in millions) through issuance of 1,900 new, equal and indivisible shares, of nominal value of PLN 50 each. All newly issued shares in the total amount of PLN 95,000 (not in millions) were taken up by Polkomtel.

D. On December 12, 2013 Polkomtel acquired 100% shares in a partnership limited by shares Cinco spółka z ograniczoną odpowiedzialnością - XXI-Spółka komandytowo-akcyjna (now Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna) for PLN 50,000 (not in millions). No goodwill was recognized on the transaction. On December 21, 2013 the Extraordinary Shareholders' Meeting of Cinco Spółka z ograniczoną odpowiedzialnością-XXI-Spółka Komandytowo Akcyjna resolved to change the company's name to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna.

On December 23, 2013 Polkomtel made a contribution in kind to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna of its rights to the trademarks and to the industrial design.

(all amounts in millions of PLN, except where stated otherwise)

19. Financial instruments and financial risk management

This note presents information regarding the financial instruments which the Group used during the reporting period and includes information on the Group's exposure to specific categories of financial risks as well as the policies of risk and capital management. The disclosures concerning the amount of the Group's exposure to financial risks are also presented in other notes accompanying these financial statements.

1. *Categories, classes and fair values of financial instruments*

The tables below present fair values of financial assets and liabilities compared to their carrying amounts presented in the statement of financial position:

December 31, 2013	Measured at fair value through profit or loss – held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Assets	**0.0**	**0.0**	**2,471.6**	**0.0**	**0.0**	**2,471.7**	**2,471.7**
Trade and other receivables	0.0	0.0	1,016.1	0.0	0.0	1,016.1	1,016.1
Cash and cash equivalents	0.0	0.0	1,451.3	0.0	0.0	1,451.3	1,451.3
Loans granted to jointly controlled entities	0.0	0.0	4.3	0.0	0.0	4.3	4.3
Liabilities	**-181.4**	**0.0**	**0.0**	**0.0**	**-13,153.1**	**-13,334.5**	**-14,516.6**
UMTS license liability	0.0	0.0	0.0	0.0	-936.3	-936.3	-985.0
Finance lease liabilities	0.0	0.0	0.0	0.0	-4.9	-4.9	-4.9
Notes payable	0.0	0.0	0.0	0.0	-4,481.7	-4,481.7	-5,537.0
Loans	0.0	0.0	0.0	0.0	-6,806.6	-6,806.6	-6,884.7
Trade and other payables	0.0	0.0	0.0	0.0	-573.6	-573.6	-573.6
Accrued expenses	0.0	0.0	0.0	0.0	-350.0	-350.0	-350.0
Derivatives	-181.4	0.0	0.0	0.0	0.0	-181.4	-181.4
Total	**-181.4**	**0.0**	**2,471.7**	**0.0**	**-13,153.1**	**-10,862.8**	**-12,044.9**

(all amounts in millions of PLN, except where stated otherwise)

December 31, 2012	Measured at fair value through profit or loss – held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Assets	**5.0**	**0.0**	**2,064.2**	**0.0**	**0.0**	**2,069.2**	**2,069.2**
Trade and other receivables	0.0	0.0	917.2	0.0	0.0	917.2	917.2
Cash and cash equivalents	0.0	0.0	1,147.0	0.0	0.0	1,147.0	1,147.0
Derivative financial instruments	5.0	0.0	0.0	0.0	0.0	5.0	5.0
Liabilities	**-228.6**	**0.0**	**0.0**	**0.0**	**-13,435.0**	**-13,663.6**	**-15,022.8**
UMTS license liability	0.0	0.0	0.0	0.0	-959.5	-959.5	-1,038.7
Finance lease liabilities	0.0	0.0	0.0	0.0	-6.6	-6.6	-6.6
Notes payable	0.0	0.0	0.0	0.0	-4,393.9	-4,393.9	-5,363.6
Loans	0.0	0.0	0.0	0.0	-7,326.3	-7,326.3	-7,636.6
Trade and other payables	0.0	0.0	0.0	0.0	-427.9	-427.9	-427.9
Accrued expenses	0.0	0.0	0.0	0.0	-320.8	-320.8	-320.8
Derivatives	-228.6	0.0	0.0	0.0	0.0	-228.6	-228.6
Total	**-223.6**	**0.0**	**2,064.2**	**0.0**	**-13,435.0**	**-11,594.4**	**-12,953.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2013, December 31, 2012 and December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

December 31, 2011	Measured at fair value through profit or loss – held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Assets	**30.1**	**0.0**	**2,436.5**	**0.0**	**0.0**	**2,466.6**	**2,466.6**
Trade and other receivables	0.0	0.0	891.3	0.0	0.0	891.3	891.3
Cash and cash equivalents	0.0	0.0	1,545.2	0.0	0.0	1,545.2	1,545.2
Derivatives	30.1	0.0	0.0	0.0	0.0	30.1	30.1
Liabilities	**-6.4**	**0.0**	**0.0**	**0.0**	**-14,961.3**	**-14,967.7**	**-15,458.1**
UMTS license liability	0.0	0.0	0.0	0.0	-1,075.2	-1,075.2	-1,094.6
Finance lease liabilities	0.0	0.0	0.0	0.0	-8.2	-8.2	-8.2
Loans	0.0	0.0	0.0	0.0	-13,052.3	-13,052.3	-13,523.3
Trade and other payables	0.0	0.0	0.0	0.0	-446.3	-446.3	-446.3
Accrued expenses	0.0	0.0	0.0	0.0	-379.3	-379.3	-379.3
Derivatives	-6.4	0.0	0.0	0.0	0.0	-6.4	-6.4
Total	**23.7**	**0.0**	**2,436.5**	**0.0**	**-14,961.3**	**-12,501.1**	**-12,991.5**

It is assumed that the fair value of cash and cash equivalents is their nominal value and therefore no valuation techniques were applied to these items.

For trade receivables and liabilities as well as other short-term receivables and liabilities and accrued expenses, the Group considers their carrying amounts be the best estimates of fair values, due to the short-term nature and high liquidity of these instruments.

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.

Fair value of liabilities from Senior Notes and PIK Notes was determined based on market prices of these debt instruments quoted on the active market.

The fair value of liabilities from term loans drawn by the Group based on the SFA Loan Agreement and New SFA Loan Agreement (therafter “SFA Loan Agreements”), is determined on the basis of net present value of cash flows that comprise estimated future interest and principal payments. The applicable discount rate includes the variable component (WIBOR 3M quoted as of the balance sheet date) and the market-based risk premium of the Group. The risk component has been determined as of the dates of SFA Loan Agreements and takes into account the characteristics of the Group’s business operations, the amount of its indebtedness, debt collaterals and financial leverage ratios. As of December 31, 2013 a decrease in the margin level of 100 basis points would increase the fair value of the term loans by PLN 246,389 thousand (not in millions) and as of December 31, 2012 a decrease in the margin level of 100 basis points would increase the fair value of the term loans by PLN 302,744 thousand (not in millions).

Fair value of finance lease liabilities is calculated based on the present value of future cash flows, discounted at the market interest rate at the reporting date. Market interest rate is determined by reference to similar lease agreements.

The Group performs fair valuation of derivatives 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. Derivatives are presented as assets when their valuation is positive and as liabilities when the valuation is negative. Gain and losses on fair value valuation of derivatives are recognized in the profit or loss for the period.

The Group classifies fair values by the fair value hierarchy levels which takes into account materiality of inputs. The Group uses the following hierarchy for determining and disclosing fair value of financial instruments depending on valuation technique applied:

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

Level 2: inputs other than quoted prices classified as Level 1 which are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for valuation of assets and liabilities that are not based on observable market data (unobservable inputs).

(all amounts in millions of PLN, except where stated otherwise)

	December 31, 2013			December 31, 2012			December 31, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets									
Trade and other receivables			X			X			X
Cash and cash equivalents			X			X			X
Derivatives		X			X			X	
Liabilities									
UMTS license liability			X			X			X
Finance lease liabilities			X			X			X
Notes payable	X			X					
Loans			X			X			X
Trade and other payables			X			X			X
Accrued expenses			X			X			X
Derivatives		X			X			X	

For the financial years ended December 31, 2013 and December 31, 2012 and in the period from May 9, 2011 to December 31, 2011 the Group did not transfer any classes of assets and liabilities within the levels in the fair value hierarchy.

(all amounts in millions of PLN, except where stated otherwise)

2. Financial assets used for hedging liabilities or contingent liabilities

All the financial assets have been pledged in connection with accessing the New SFA Agreement, as described in note 38.

3. Hedge accounting

The Group does not use hedge accounting for the purpose of managing the volatility of revenues and costs.

4. Revenue, cost, profit or loss items

Items of income, expense, gains or losses	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Period from May 9, 2011 to December 31, 2011**
Finance gains/income			
Financial assets and liabilities at fair value through profit or loss	0.0	0.0	0.1
Loans and receivables	48.9	80.4	50.0
Total	**48.9**	**84.0**	**50.1**
Finance losses/costs			
Financial assets and liabilities at fair value through profit or loss	67.9	296.4	101.1
Other financial liabilities at amortized cost	1,484.6	1,524.1	305.6
Total	**1,552.5**	**1,820.5**	**406.7**

Foreign currency gains and losses from cash, trade receivables and liabilities, notes payable and license liabilities	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Period from May 9, 2011 to December 31, 2011**
Foreign currency losses (net)	0.0	0.0	8.9
Foreign currency gains (net)	19.0	463.5	0.0

Financial revenues on financial assets and liabilities valued at fair value through profit or loss include profit from valuation and sale of derivatives. Financial income on loans and receivables includes interest.

Financial expenses on financial assets and liabilities valued at fair value through profit or loss include loss from valuation and sale of derivatives. Financial expenses on other financial liabilities valued at amortised cost include the discount on the UMTS license liability, interest on loans and notes issued, other interest and commissions on loans.

5. Finance risk management

While conducting its operations, the Group is exposed to the following financial risks:

1. credit risk,
2. liquidity risk,
3. market risk:
   i. currency risk,
   ii. interest rate risk.

Risk management performed by the Group is aimed at reducing the impact of adverse factors on the financial results of the Group. The note presents information about the Group's exposure to specific risks, the Group's objectives, policies and processes of risk measurement and risk management. The disclosures regarding the scale of the Group's exposure to these risks are presented also in other notes to the Group's consolidated financial statements.

Risk management framework

The Group's Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. As of December 31, 2013 the Group's risk management strategies and decisions are derived from legal provisions, the requirements of the New SFA Agreement and from internal policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls. Risk management policies are reviewed regularly to reflect changes in the Group's environment and market conditions.

5.1 Credit risk

Credit risk is a risk of incurring financial loss by the Group in a situation when a customer, a trade partner or a party to a financial instrument fails to fulfill the obligations of a contract. Credit risk is mainly associated with receivables from customers, cash and cash equivalents as well as derivatives.

The Group did not record any significant concentration of credit risk in the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

Cash and cash equivalents are deposited in banks and financial institutions having standing confirmed by ratings given by generally recognized rating agencies, namely Standard & Poor, Moody's or Fitch, in accordance with the requirements of the New SFA Agreement and the policy adopted by the Group. As of December 31, 2013 the largest amount of cash concentrated at one bank (with the Standard & Poor's AA- level rating) amounted to PLN 496.2 million (34.2% of the total cash balance) as compared to PLN 548.5 million (48% of the total cash balance) as at December 31, 2012 and PLN 996.9 million (64.5% of the total cash balance) as at December 31, 2011.

(all amounts in millions of PLN, except where stated otherwise)

For trade receivables, the credit risk is limited due to the fact that the Group has a large and diversified customer base, dispersed across Poland. Major postpaid services accounts are subject to verification of their credit standing. For retail customers the creditworthiness verification process is automated and relies on the customer relations management IT system and on the billing system functionalities. Business relations with the network sales partners and agents are based on the Group's internal creditworthiness assessment policies which govern the rules for granting trade credits. The Group applies utilization limits, sales limits and monitors outstanding receivable balances on an on-going basis and may terminate co-operation with customers or business partners in case of breach of these limits.

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**
Trade receivables from third parties	927.4	901.3	860.4
Trade and other receivables from related parties	72.5	5.3	2.6
Other receivables	16.2	10.6	28.3
Loans granted to jointly controlled entities	4.3	0.0	0.0
Cash and cash equivalents	1,451.3	1,147.0	1,545.2
Derivatives	0.0	5.0	30.1
Total	**2,471.7**	**2,069.2**	**2,466.6**

The Group creates an impairment allowance that represents its estimate of losses incurred in respect of trade and other receivables. Based on prior experience and best knowledge the Group believes that there is no need to create additional trade receivables impairment allowance. Please refer to note 21 for details regarding movements in the trade receivables impairment allowance.

The ageing of trade and other receivables indicates that not overdue short-term receivables comprise the majority of receivables.

(all amounts in millions of PLN, except where stated otherwise)

December 31, 2013	Total	Not due and overdue up to 1 month	over 1 month to 2 months	over 2 months to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 12 months
Trade and other receivables	1,381.1	1,009.9	32.2	24.3	74.3	140.1	100.3
Total	**1,381.1**	**1,009.9**	**32.2**	**24.3**	**74.3**	**140.1**	**100.3**
Allowance for doubtful accounts	-365.0	-47.5	-14.9	-20.8	-64.9	-122.9	-94.0
Trade and other receivables, net	**1,016.1**	**962.4**	**17.3**	**3.5**	**9.4**	**17.2**	**6.3**

December 31, 2012	Total	Not due and overdue up to 1 month	over 1 month to 2 months	over 2 months to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 12 months
Trade and other receivables	1,190.5	935.9	24.4	32.9	34.8	52.6	109.9
Total	**1,190.5**	**935.9**	**24.4**	**32.9**	**34.8**	**52.6**	**109.9**
Allowance for doubtful accounts	-273.3	-52.7	-19.1	-25.0	-32.0	-43.5	-101.0
Trade and other receivables, net	**917.2**	**883.2**	**5.3**	**7.9**	**2.8**	**9.1**	**8.9**

December 31, 2011	Total	Not due and overdue up to 1 month	over 1 month to 2 months	over 2 months to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 12 months
Trade and other receivables	1,171.9	901.7	12.4	8.8	22.1	45.3	181.6
Total	**1,171.9**	**901.7**	**12.4**	**8.8**	**22.1**	**45.3**	**181.6**
Allowance for doubtful accounts	-280.6	-45.2	-6.4	-6.9	-19.0	-35.4	-167.7
Trade and other receivables, net	**891.3**	**856.5**	**6.0**	**1.9**	**3.1**	**9.9**	**13.9**

5.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is assessed in conjunction with the Group's budgeted cash flows and by managing a proper current liabilities structure. Unexpected business circumstances that may lead to deteriorating liquidity position are balanced with the demand for the Company's debt, reflected in credit margins offered by banks, which are at least as favourable as margins offered to the other companies in a similar financial situation. The method of measuring the liquidity risk is based on the analysis of the cover of current liabilities with available financing including loans and bonds.

Please also refer to notes 27, 28, 29 and 30 for more details regarding UMTS license liability, finance lease liabilities, notes payable and loans.

The tables below present the analysis of contractual maturities of the Group's financial liabilities as at the end of the reporting periods, based on the period remaining to the maturity date. It is not expected that cash flows included in the maturity analysis could occur significantly earlier, or in significantly different amounts.

(all amounts in millions of PLN, except where stated otherwise)

December 31, 2013	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Notes payable	-4,481.7	-8,561.4	-219.7	-219.7	-439.4	-1,318.3	-6,364.3
Loans	-6,806.6	-8,415.8	-184.9	-186.0	-1,024.5	-5,351.3	-1,669.1
Finance lease liabilities	-4.9	-5.2	-1.4	-1.4	-1.2	-1.2	0.0
Trade and other payables	-573.6	-573.6	-573.6	0.0	0.0	0.0	0.0
Accrued expenses	-350.0	-350.0	-350.0	0.0	0.0	0.0	0.0
UMTS license liability	-936.3	-1,057.5	0.0	-116.1	-116.1	-348.4	-476.9
Non-derivative financial liabilities	**-13,153.1**	**-18,963.5**	**-1,329.6**	**-523.2**	**-1,581.2**	**-7,019.2**	**-8,510.3**
Forward contracts	-10.1	-12.7	-11.3	-0.8	-0.6	0.0	0.0
- Outflow	-10.1	-443.2	-407.8	-17.8	-17.6	0.0	0.0
- Inflow	0.0	430.5	396.5	17.0	17.0	0.0	0.0
Interest rate swaps (IRS) (net)	-126.2	-157.8	-48.6	-49.4	-42.1	-17.7	0.0
Cross currency interest rate swaps (CIRS)	-45.1	-53.2	-19.3	-15.7	-18.2	0.0	0.0
- Outflow	-45.1	-661.4	-222.1	-218.4	-220.9	0.0	0.0
- Inflow	0.0	608.2	202.8	202.7	202.7	0.0	0.0
Derivative financial instruments (net)	**-181.4**	**-223.7**	**-79.2**	**-65.9**	**-60.9**	**-17.7**	**0.0**

(all amounts in millions of PLN, except where stated otherwise)

December 31, 2012	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Notes payable	-4,393.9	-9,079.4	-220.4	-220.4	-440.8	-1,322.3	-6,875.5
Loans	-7,326.3	-10,733.1	-320.8	-326.8	-1,159.0	-3,688.2	-5,238.3
Finance lease liabilities	-6.6	-7.0	-1.9	-1.9	-1.6	-1.6	0.0
Trade and other payables	-427.9	-427.9	-427.9	0.0	0.0	0.0	0.0
Accrued expenses	-320.8	-320.8	-320.8	0.0	0.0	0.0	0.0
UMTS license liability	-959.6	-1,103.8	0.0	-61.3	-114.5	-343.4	-584.6
Non-derivative financial liabilities	**-13,435.1**	**-21,672.0**	**-1,291.8**	**-610.4**	**-1,715.9**	**-5,355.5**	**-12,698.4**
Forward contracts	-20.1	-29.3	-21.7	-7.6	0.0	0.0	0.0
- Outflow	-20.4	-767.0	-515.6	-251.4	0.0	0.0	0.0
- Inflow	0.3	737.7	493.9	243.8	0.0	0.0	0.0
Interest rate swaps (IRS) (net)	-148.7	-53.6	-12.8	-13.4	-19.6	-7.8	0.0
Cross currency interest rate swaps (CIRS)	-54.8	-98.1	-21.7	-17.8	-38.8	-19.8	0.0
- Outflow	-59.5	-1,241.7	-252.3	-248.8	-495.2	-245.4	0.0
- Inflow	4.7	1,143.6	230.6	231.0	456.4	225.6	0.0
Derivative financial instruments (net)	**-223.6**	**-181.0**	**-56.2**	**-38.8**	**-58.4**	**-27.6**	**0.0**

(all amounts in millions of PLN, except where stated otherwise)

December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Notes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-13,052.3	-17,909.0	-5,321.0	-527.5	-1,190.7	-4,121.5	-6,748.3
Finance lease liabilities	-8.2	-9.0	-1.0	-1.0	-3.5	-3.5	0.0
Trade and other payables	-446.3	-446.3	-446.3	0.0	0.0	0.0	0.0
Accrued expenses	-379.2	-379.2	-379.2	0.0	0.0	0.0	0.0
UMTS license liability	-1,075.2	-1,258.8	0.0	-66.3	-66.3	-371.0	-755.2
Non-derivative financial liabilities	**-14,961.2**	**-20,002.3**	**-6,147.5**	**-594.8**	**-1,260.5**	**-4,496.0**	**-7,503.5**
Forward contracts	26.8	26.7	25.9	0.8	0.0	0.0	0.0
- Outflow	-3.4	-749.5	-488.7	-260.8	0.0	0.0	0.0
- Inflow	30.2	776.2	514.6	261.6	0.0	0.0	0.0
Interest rate swaps (IRS) (net)	-3.1	-0.1	0.0	0.0	-0.1	0.0	0.0
Derivative financial instruments (net)	**23.7**	**26.6**	**25.9**	**0.8**	**-0.1**	**0.0**	**0.0**

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates or interest rates, which will affect the Group's profit or loss or the values of financial instruments held by the Group. The Group has developed the market risk management policy to manage these risks which defined the measurement principles for respective risks and exposure factors, as well the parameters and the time horizon of hedges and other instruments used in response to these risks. The market risk management policies are implemented and exercised by the Group's dedicated organizational units, and are supervised and monitored by the Group's Management. The objective of market risk management is to manage and control market risk exposures within acceptable limits defined by the adopted parameters, while simultaneously striving to optimize the rate of return.

(all amounts in millions of PLN, except where stated otherwise)

5.3.1. Currency risk

The Group's revenues are denominated primarily in PLN while a substantial portion of operating expenses and capital expenditure is incurred in foreign currencies.

Major operating sources of the Group's currency risk include: the UMTS license liability denominated in EUR, contracts with vendors of goods (mainly handsets), contracts with suppliers of telecommunication network equipment denominated mainly in EUR, rental agreements for the land under telecommunication network, office rental agreements as well as roaming and interconnect agreements for which the rates are denominated in foreign currencies. In order to mitigate the currency risk, the Group enters into foreign currency hedge transaction (forward contracts). Decisions on the volume of hedge contracts are based on an ongoing analysis of the budgets.

Major financing sources of the Group's currency risk relate to liabilities for notes denominated in foreign currencies:

- USD 201.0 million PIK Notes,
- USD 500.0 million Senior Notes USD,
- EUR 542.5 million Senior Notes EURO.

For more details regarding characteristics of these debt instruments and their carrying amounts please refer to note 29.

The SFA Agreement and New SFA Agreement (hereinafter: SFA Agreements) impose the requirement that the Group hedges foreign currency cash flows related to Senior Notes interest coupon payments. Please refer to note 31 for detailed description of hedge arrangements made by the Group in this respect.

The below table presents carrying amount of the Group's balance sheet items denominated in foreign currencies and fair value of derivatives.

Foreign currency denominated	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**
Trade and other receivables	**10.3**	**17.6**	**11.1**
- EUR	*8.3*	*14.0*	*9.3*
- USD	*0.3*	*1.6*	*0.6*
- other currencies	*1.7*	*2.0*	*1.2*
Cash and cash equivalents	**32.8**	**204.2**	**544.0**
- EUR	*22.7*	*199.5*	*543.3*
- USD	*10.1*	*4.6*	*0.2*
- other currencies	*0.0*	*0.1*	*0.5*
UMTS license liability	**-936.3**	**-959.6**	**-1,075.2**
- EUR	*-936.3*	*-959.6*	*-1,075.2*
Trade and other payables	**-18.0**	**-11.5**	**-102.6**
- EUR	*-11.4*	*-5.9*	*-97.8*
- USD	*-3.7*	*-3.0*	*-2.4*
- other currencies	*-2.9*	*-2.6*	*-2.4*
Loans	**0.0**	**-398.6**	**-5,125.1**
- EUR	*0.0*	*-398.6*	*-5,125.1*
Notes payable	**-4,597,1**	**-4,518.5**	**0.0**
- EUR	*-2,289.6*	*-2,249.9*	*0.0*
- USD	*-2,307.5*	*-2,268.6*	*0.0*
Carrying amount without derivatives	**-5,508.3**	**-5,666.4**	**-5,747.8**
FX derivative contracts EUR/PLN and CIRS contracts	-31.7	-50.8	24.5
FX derivative contracts USD/PLN and CIRS contracts	-23.5	-24.1	2.3
Total derivative contracts	**-55.2**	**-74.9**	**26.8**
Carrying amount including derivatives	**-5,563.5**	**-5,741.3**	**-5,721.0**

(all amounts in millions of PLN, except where stated otherwise)

Significant exchange rates applied during the period:

	December 31, 2013	December 31, 2012	December 31, 2011
Reporting date spot rate			
USD	3.0120	3.0996	3.4174
EUR	4.1472	4.0882	4.4168
Reporting period average spot rate*			
USD	3.1615	3.2581	3.0209
EUR	4.1976	4.1852	4.2028

** For 2011 the average foreign exchange rate is calculated for the period from May 9, 2011 to December 31, 2011*

Sensitivity analysis

A strengthening or weakening of PLN, as indicated below, against all foreign currencies would have increased or decreased, respectively, profit or loss before taxes by the amounts presented below. The below sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. Exchange rate volatility in the +/-5% range was assumed as probable. The analysis assumes that all other variables, in particular interest rates, remain constant.

Profit or loss	**December 31, 2013**	**December 31, 2012**	**December 31, 2011**
Strengthening of PLN by 5%			
sensitivity of gross exposure	275.4	283.3	287.4
sensitivity of hedging contracts	-53.5	-93.2	-37.0
Sensitivity net	**221.9**	**190.1**	**250.4**
Weakening of PLN by 5%			
sensitivity of gross exposure	-275.4	-283.3	-287.4
sensitivity of hedging contracts	53.5	93.2	37.0
Sensitivity net	**-221.9**	**-190.1**	**-250.4**

Should at December 31, 2013, December 31, 2012 and December 31, 2011, the PLN exchange rate against a monetary basket be higher by 5% the Group's net result would have increased respectively by PLN 221.9 million, PLN 190.1 million and PLN 250.4 million. The weakening of the Polish zloty by 5% would result in a decrease in net result by PLN 221.9 million, PLN 190.1 million and PLN 250.4 million.

5.3.2. Interest rate risk

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

At the reporting date the interest rate profile of the Group’s interest-bearing financial instruments was as follows:

(all amounts in millions of PLN, except where stated otherwise)

	December 31, 2013			December 31, 2012			December 31, 2011		
	Derivatives	Non-derivative financial instruments	Total	Derivatives	Non-derivative financial instruments	Total	Derivatives	Non-derivative financial instruments	Total
Fixed rate instruments									
Financial assets	0.0	4.3	4.3	747.0	0.0	**747.0**	776.2	0.0	**776.2**
Financial liabilities	-55.1	-5,418.0	-5,473.1	-826.6	-5,360.1	**-6,186.7**	-795.3	-1,083.4	**-1,878.7**
Total	**-55.1**	**-5,413.7**	**-5,468,8**	**-79.6**	**-5,360.1**	**-5,439.7**	**-19.1**	**-1,083.4**	**-1,102.5**
Variable rate instruments									
Financial assets	0.0	1,340.1	1,340.1	4.7	922.4	**927.1**	42.8	400.0	**442.8**
Financial liabilities	-126.2	-6,811.5	-6,937.7	-148.7	-7,326.3	**-7,475.0**	0.0	-13,052.3	**-13,052.3**
Total	**-126.2**	**-5,471.4**	**-5,597.6**	**-144.0**	**-6,403.9**	**-6,547.9**	**42.8**	**-12,652.3**	**-12,609.5**

Fixed rate financial instruments comprise fixed interest rate loans granted, UMTS license liability, liabilities on Senior Notes and PIK Notes, lease liabilities (as of December 31, 2012 and December 31, 2011), forward contracts and cross currency interest rate swaps (CIRS). Interest rate changes affect valuation of derivatives and fair value of other instruments which is determined only for disclosure purposes.

Variable rate financial instruments comprise SFA A, B and C loans, bank deposits and interest rate swaps (IRS) and lease liabilities (as of December 31, 2013).

The SFA Agreements have imposed the requirement that the Group hedges cash flows related to variable rate bank loans interest payments. Please refer to note 31 for detailed description of hedge arrangements made by the Group in this respect.

Sensitivity analysis

A change of 100 basis points in interest rates would have increased (decreased) valuation of financial instruments as at the reporting date by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(all amounts in millions of PLN, except where stated otherwise)

Cash flow sensitivity	Risk factor	December 31, 2013	December 31, 2012	December 31, 2011
100 bp increase				
Variable rate instruments (excluding derivatives)				
	WIBOR	-54.7	-66.9	-92.3
	EURIBOR	0.0	-4.0	-50.6
Derivatives				
	WIBOR	88.5	101.8	10.1
	USDLIBOR	0.1	-7.3	-2.6
	EURIBOR	0.1	0.5	-0.1
Sensitivity (net)		**34.0**	**24.1**	**-135.5**

Cash flow sensitivity	Risk factor	December 31, 2013	December 31, 2012	December 31, 2011
100 bp decrease				
Variable rate instruments (excluding derivatives)				
	WIBOR	54.7	66.9	92.3
	EURIBOR	0.0	4.0	50.6
Derivatives				
	WIBOR	-88.5	-105.2	-10.1
	USDLIBOR	-0.1	7.3	2.6
	EURIBOR	-0.1	-0.5	0.1
Sensitivity (net)		**-34.0**	**-27.5**	**135.5**

5.4 Other risks

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. Due to the Greek sovereign debt crisis that affected Cypriot financial sector, Cypriot financial institutions considerable tightened financing ability. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial assets by considering the economic situation and outlook at the end of the reporting period. Accounting standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. The Group's management is unable to predict all developments which could have an impact on the Cyprus economy.

Due to the fact that:

- the Group's operations are based in Poland, vast majority of the Group's revenue is realized in Poland,
- the Group's external financing is established in a form of a combination of bank loans drawn by Polkomtel from the consortium of Polish and international financial institutions and long-term notes due in 2020,
- pledge arrangements were established in favour of the Group's debt holders (as described in these financial statements),

the Group's management does not expect a significant adverse impact of events in the Cyprus economy with respect to the Group's operations, assets and financing.

On the basis of the evaluation performed, the Group's management has concluded that no provisions or impairment charges are necessary.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

6 Capital management

The Group's Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and support the Group's operational and strategic needs. The Management Board maintains a relevant capital base in order to meet the Group's operational and strategic needs as well as to maintain the trust of the market's participants.

The purpose of capital management is to maintain going concern by financial discipline, ensuring simultaneously appropriate flexibility to profitable development and expected remuneration for shareholders.

Capital management includes result on activities, cash flows, investment plans, terms of current financing and ability to incur new debt, terms of profit distribution as well as current market environment.

(all amounts in millions of PLN, except where stated otherwise)

20. Inventories

Inventories	31/12/2013	31/12/2012	31/12/2011
Materials	0.3	0.3	1.2
Trading goods	121.2	138.3	109.2
Total inventories	**121.5**	**138.6**	**110.4**

Inventory write-downs	31/12/2013	31/12/2012	31/12/2011
Opening balance	12.1	5.6	0.0
- increase	13.1	9.6	6.6
- decrease - use	-3.3	-2.7	-1.0
- decrease - release	-3.8	-0.4	0.0
Total inventory write-downs	**18.1**	**12.1**	**5.6**

21. Trade and other receivables

	31/12/2013	31/12/2012	31/12/2011
Trade accounts receivable from other entities	1,292.4	1,174.6	1,141.0
Trade and other accounts receivable from related parties	72.5	5.3	2.6
Corporate income tax receivables	0.0	5.5	0.0
Other tax receivables	312.8	67.9	42.9
Other receivables	16.2	10.6	28.3
Prepaid expenses	32.5	85.0	55.1
Allowance for doubtful accounts	-365.0	-273.3	-280.6
Total trade and other short-term receivables	**1,361.4**	**1,075.6**	**989.3**

Trade accounts receivable allowances	31/12/2013	31/12/2012	31/12/2011
Opening balance	273.3	280.6	0.0
- increase	241.5	142.4	6.1
- increase resulting from business combinations	0.0	0.0	291.5
- decrease - use	-134.3	-138.0	-1.6
- decrease - release	-15.5	-11.7	-15.4
Total trade accounts receivables allowances	**365.0**	**273.3**	**280.6**

Trade accounts receivable include estimated accrued revenues in the total amount of PLN 192.9 million as of December 31, 2013, PLN 243.2 million as at December 31, 2012 and 265.2 million PLN as at December 31, 2011.

Trade accounts receivable allowances are recognized in operating expenses or finance costs (accrued interest) in the consolidated statement of comprehensive income based on the nature of the underlying receivable balance.

22. Other assets

	31/12/2013	31/12/2012	31/12/2011
Investments in other entities	4.7	0.4	0.2
Other non-current assets	1.2	14.4	18.2
Total other non-current assets	**5.9**	**14.8**	**18.4**

	31/12/2013	31/12/2012	31/12/2011
Other current assets	0.4	3.8	32.4
Total other current assets	**0.4**	**3.8**	**32.4**

On December 6, 2013 Polkomtel Business Development Sp. z o.o. acquired 49.97% of shares in share capital of New Media Ventures Sp. z o.o. (“NMV”) and as a result the Group gained joint control over NMV. The remaining shares are held by entities not being part of the Group – 49.97 % of shares are held by NMVC New Media Ventures Cyprus Ltd and 0.06% by IT Polpager S.A.

On November 27, 2013 and December 19, 2013 under the agreement from November 25, 2013 the Group granted loans to NMV in the total amount of PLN 4.3 million (PLN 2.6 million and PLN 1.7 million respectively). The interest rate of both loans is 8% p.a. Repayment of interest due falls on the last day of each calendar quarter, starting from March 31, 2015, and the first interest payment payable on March 31, 2015 includes all interest accrued until that date. The outstanding loan balance is finally due on December 31, 2017.

Interest income on the above loan accrued for year 2013 and included in the consolidated Group’s financial statements amounted to PLN 24 thousand (not in millions).

The loan granted is secured by assignment of NMV’s receivables and pledges on NMV’s assets.

Other assets recognized in the consolidated statement of financial position as of December 31, 2013 comprise capitalized debt acquisition deferred costs related to the New Revolving Loan Facility and amortized over its availability perod. The New Revolving Loan Facility was not drawn as of December 31, 2013. Refer to note 30 for detailed disclosures regarding the New Revolving Loan Facility.

Other assets recognized in the consolidated statement of financial position as of December 31, 2012 and December 31, 2011 include capitalized debt acquisition deferred costs related to theRevolving Loan Facility in the total amount of up to PLN 600 million – the loan was not drawn as of December 31, 2012 and as of December 31, 2011. Refer to note 30 for detailed disclosures regarding the Revolving Loan Facility.

Additionally, other assets as of December 31, 2011 comprise debt acquisition cost related to the issue Senior Notes and PIK Notes planned for year 2012. Refer to note 29 for detailed disclosure on the issue of Senior Notes and PIK Notes.

(all amounts in millions of PLN, except where stated otherwise)

23. Cash and cash equivalents

	31/12/2013	31/12/2012	31/12/2011
Cash in hand	0.4	0.3	0.2
Cash in bank (current accounts)	56.1	53.4	1,036.2
Short term bank deposits	1,394.6	1,093.3	508.7
Cash in transit	0.2	0.0	0.1
Total cash and cash equivalents	**1,451.3**	**1,147.0**	**1,545.2**

Restricted cash amounted to PLN 15.9 million as of December 31, 2013, PLN 24.3 million as of December 31, 2012 and PLN 125.6 million as of December 31, 2011 and included mainly guarantee deposits and employee benefit fund.

24. Supplementary information to the statement of cash flows

a) Interest expense and discount, net	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Interest expense on notes and loans	1,422.0	1,467.6	292.9
Discount on telecommunication license	27.7	27.8	3.9
Interest on lease liabilities	0.4	0.5	0.1
Total	**1,450.1**	**1,495.9**	**296.9**

b) Foreign exchange losses/ (gains)	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Foreign exchange losses/ (gains) on UMTS license	12.2	-81.7	4.2
Foreign exchange losses/ (gains) on notes and loans	-13.9	-419.5	62.9
Total	**-1.7**	**-501.2**	**67.1**

c) Amortisation and depreciation	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Amortisation of intangible assets	1,047.6	1,075.0	184.0
Depreciation of tangible fixed assets	705.9	915.0	188.1
Total	**1,753.5**	**1,990.0**	**372.1**

d) Change in trade and other receivables	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Change in trade and other receivables	-291.4	-80.8	-989.3
Change in accounts receivable resulting from business combinations	0.0	0.0	1,047.8
VAT and maintenance costs unpaid	1.2	0.0	0.0
Commissions on loans paid upfront reclassified to financing activities	-0.2	0.0	0.0
Total	**-290.4**	**-80.8**	**58.5**

(all amounts in millions of PLN, except where stated otherwise)

e) Change in trade and other payables	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Change in trade and other payables	423.9	-20.6	536.7
Change in accounts payable resulting from business combinations	0.0	0.0	-514.5
Compensation of CIT payables with VAT receivables	0.0	43.0	0.0
Change in capital expenditure liabilities	-149.0	63.5	-150.0
Settlement of advisory liabilities related to 2011 debt acquisition	0.0	5.2	-4.3
Total	**274.9**	**91.1**	**-132.1**

f) Change in accrued expenses	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Total change in accrued expenses	48.8	-67.1	517.6
Change in accrued expenses of associate resulting from business combinations	0.0	0.0	-461.1
Change in accruals for interest expenses	0.0	0.0	0.2
Change in accruals for advisory costs related to acquisition of Polkomtel made in 2011 disclosed in investing activities	1.3	33.5	-40.3
Change in accruals for advisory costs related to 2011 debt acquisition	0.0	19.9	-21.5
Total	**50.1**	**-13.7**	**-5.1**

g) Change in provisions	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Total change in provisions for liabilities and provision for pension benefits and similar	-12.9	-16.4	206.9
Change in provisions resulting from business combination	0.0	0.0	-162.0
Total change in provision for costs of dismantling and removing assets and restoring sites	-1.1	-11.1	-4.4
Discount on provision for costs of dismantling and removing assets and restoring sites	3.9	4.2	0.3
Total	**-10.1**	**-23.3**	**40.8**

h) Income tax refund/ (Income tax paid)	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Income tax effectively paid in the current period	-36.8	-72.3	-58.3
Tax refund for prior years - tax relief for new technologies	55.3	39.4	0.0
Offsetting of CIT overpayment against VAT payables	0.0	-43.0	0.0
Total	**18.5**	**-75.9**	**-58.3**

25. Share capital

Authorised:	31/12/2013	31/12/2012	31/12/2011
Karswell Limited	4.5	4.5	5.9
Sensor Overseas Limited	0.8	0.8	1.0
Argumenol Investment Company Limited	1.7	1.7	0.0
European Bank for Reconstruction and Development*	1.4	1.4	1.4
at the end of the reporting period	**8.4**	**8.4**	**8.3**

*further: "EBRD"

The Company's authorised, issued and fully paid share capital, according to the records in the Company's Corporate Register, as of December 31, 2013 as well as of December 31, 2012 amounted to EUR 2,000,325 (not in millions), being equivalent of PLN 8,352,752 (not in millions), and as of December 31, 2011 to EUR 2,000,000 (not in millions), being equivalent of PLN 8,351,431 (not in millions), divided into class A and B ordinary shares as follows:

	31/12/2013	31/12/2012	31/12/2011
Number of A class shares at par value of 1.00 EUR each	1,675,672	1,675,672	1,675,400
Number of B class shares at par value of 1.00 EUR each	324,653	324,653	324,600
Total	**2,000,325**	**2,000,325**	**2,000,000**

Class A shares have voting rights.

Class B shares do not have voting rights but they have a customary set of minority shareholders veto rights over certain matter and they have pro-rata rights to any distributions of the Company with the holders of any other shares.

All classes of shares are entitled to participate in any income, bonus shares and capital distribution.

Ownership structure

	31/12/2013		31/12/2012		31/12/2011	
Shareholders:	**number of shares**	**% of shares**	**number of shares**	**% of shares**	**number of shares**	**% of shares**
Karswell Limited	1,085,286	54.26%	1,085,286	54.26%	1,424,090	71.20%
Sensor Overseas Limited	191,521	9.57%	191,521	9.57%	251,310	12.57%
Argumenol Investment Company Limited	398,865	19.94%	398,865	19.94%	0	0.00%
European Bank for Reconstruction and Development	324,653	16.23%	324,653	16.23%	324,600	16.23%
Total number of shares	**2,000,325**	**100.00%**	**2,000,325**	**100.00%**	**2,000,000**	**100.00%**

As of December 31, 2013 54.26% of shares of Metelem were held by Karswell Limited seated in Nicosia, Cyprus (54.26% as of December 31, 2012 and 71.20% as of December 31, 2011), 9.57% (9.57% as of December 31, 2012 and 12.57% as of December 31, 2011) were held by Sensor Overseas Limited seated in Nicosia, Cyprus, 19.94% were held by Argumenol Investment Company Limited seated in Nicosia, Cyprus (19.94% as of December 31, 2012 and none as of December 31, 2011) and 16.23% (unchanged since December 31, 2011) were held by the European Bank for Reconstruction and Development seated in London, United Kingdom. As of December 31, 2013 Karswell Limited was the ultimate parent of Metelem.

As of December 31, 2013 the Company was indirectly controlled by Mr Zygmunt Solorz-Żak and Mr Heronim Ruta.

The ownership structure as of December 31, 2013 remained unchanged till the date of issuing these financial statements.

Movements in share capital between the incorporation date (i.e. May 9, 2011) and the date of these financial statements (amounts not in millions of PLN):

- issue of 1,000 shares to Charalambos Hadjiyiangou (50%) and Marios Lazarou (50%) in the total nominal value of EUR 1,000 being the equivalent of PLN 3,938 at the Company's incorporation on May 9, 2011 (the date when the Company's deed was signed);
- the transfer of all of existing shares on May 28, 2011 from Mr Charalambos Hadijyiangou and Mr Marios Lazarou to Karswell Limited, who acquired 850 shares being 85% of the share capital, and to Sensor Overseas Limited who acquired 150 shares being 15% of the share capital;
- an increase in share capital on June 7, 2011 by issue of 125 new shares of EUR 1.00 each amounting in total to EUR 125 being the equivalent of PLN 500; as a result, the number of shares increased to 1,125 and share capital increased to EUR 1,125 being the equivalent of PLN 4,438; 106 of the newly created shares were acquired by Karswell Limited and 19 shares were acquired by Sensor Overseas Limited; the shareholders structure remained unchanged with Karswell Limited holding 956 shares (85% of the share capital) and Sensor Overseas Limited holding 169 shares (15% of the share capital);
- an increase in share capital on June 30, 2011 by issue of 1,000,000 new shares of EUR 1.00 each amounting in total to EUR 1,000,000 being the equivalent of PLN 3,990,000; as a result, the number of shares increased to 1,001,125 and share capital increased to EUR 1,001,125 being the equivalent of PLN 3,994,438; 850,000 of the newly created shares were acquired by Karswell Limited and 150,000 shares were acquired by Sensor Overseas Limited; the shareholders structure remained unchanged with Karswell Limited holding 850,956 shares (85% of the share capital) and Sensor Overseas Limited holding 150,169 shares (15% of the share capital);
- a reclassification of 1,001,125 existing shares to Class A shares on October 27, 2011;
- an increase in authorised share capital on October 27, 2011 by 674,275 new Class A shares of EUR 1.00 each and 324,600 Class B shares of EUR 1.00 each amounting in total to EUR 998,875 being the equivalent of PLN 4,356,993 – as a result, the number of authorised shares increased to 2,000,000 and authorised share capital increased to EUR 2,000,000 being the equivalent of PLN 8,351,431;
- an increase of share capital on November 4, 2011 by issue of 324,600 Class B shares of EUR 324,600 being the equivalent of PLN 1,415,873 which were acquired by the European Bank for Reconstruction and Development ("EBRD"); as a result, EBRD became the Company's new shareholder and the shareholders' structure changed with Karswell Limited holding 71.20% of the share capital, Sensor Overseas Limited 12.57% and EBRD 16.23% and the value of the share capital amounted to EUR 2,000,000 being the equivalent of PLN 8,351,431.

- transfer of 265,285 of existing Class A shares by Karswell Limited and of 46,815 of existing Class A shares by Sensor Overseas Limited to Argumenol Investment Company Limited seated in Nicosia, Cyprus (referred to thereafter as "Argumenol") on March 19, 2012. As a result Argumenol became the Company's new shareholder and the shareholders' structure changed with Karswell Limited holding 57.94% of the share capital, Sensor Overseas Limited 10.22%, Argumenol 15.61% and EBRD 16.23%.
- transfer of 12,495 of existing Class A shares by Karswell Limited and of 2,205 of existing Class A shares by Sensor Overseas Limited to Argumenol on July 20, 2012. As a result, the shareholders' structure changed with Karswell Limited holding 57.32% of the share capital, Sensor Overseas Limited 10.11%, Argumenol 16.34% and EBRD 16.23%.
- transfer of 61,200 of existing Class A shares by Karswell Limited and of 10,800 of existing Class A shares by Sensor Overseas Limited to Argumenol on October 12, 2012. As a result, the shareholders' structure changed with Karswell Limited holding 54.26% of the share capital, Sensor Overseas Limited 9.57%, Argumenol 19.94% and EBRD 16.23%.
- an increase of share capital on December 21, 2012 by issue of 272 Class A shares of EUR 272 and of 53 Class B shares of EUR 53; total nominal value of new shares was the equivalent of PLN 1,321. The nominal value of new shares is EUR 1 each, with a share premium of EUR 619 per share. The share premium increased the reserve capital by EUR 201,175, being the equivalent of PLN 817,676. The shareholders' structure remained unchanged.

Please refer above for details of the Company's shareholders structure as of December 31, 2013, December 31, 2012, December 31, 2011 and as of the date of issuing these consolidated financial statements.

Pledges on shares

On November 1, 2011 Karswell Limited and Sensor Overseas Limited granted: (a) a first priority pledge over 275,399 class A shares of the Company's share capital in favour of EBRD and (b) a first priority equitable mortgage and charge over the pledge shares to and in favour of EBRD. On December 21, 2012 the first priority pledge in favour of EBRD was extended over 45 newly issued Class A shares, whereby Karswell Limited pledged 38 shares and Sensor Overseas Limited pledged 7 shares. As a result, as of December 31, 2013 the number of shares pledged for the benefit of EBRD amounted to 275,444.

Moreover, pursuant to the transfers of shares to Argumenol described above, Argumenol granted a pledge on 398,800 of the acquired Class A shares for the benefit of Karswell Limited (338.980 shares) and Sensor Overseas Limited (59,820 shares), as follows:

- on March 19, 2012 Argumenol pledged 312.100 shares (265.285 for the benefit of Karswell Limited and 46.815 for the benefit of Sensor Overseas Limited), regarding the transfer of shares dated March 19, 2012,
- on July 30, 2012 Argumenol pledged 14.700 shares (12.495 for the benefit of Karswell Limited and 2,205 for the benefit of Sensor Overseas Limited), regarding the transfer of shares dated July 30, 2012 and
- on October 12, 2012 Argumenol pledged 72.000 shares (61.200 for the benefit of Karswell Limited and 10,800 for the benefit of Sensor Overseas Limited), regarding the transfer of shares dated October 12, 2012.

The pledged shares shall at all times represent the Pledge Shares Percentage, being one class A share less than 13.77% of the total shares in the Company, except in the case where the Pledgee's ownership interest in the Company falls below 16.23% of the total shares in the Company, the Pledge Shares Percentage shall be reduced pro rata, and any Pledge Shares in excess of such amended Pledge Shares Percentage shall be released from the pledge and charge and promptly returned to the Pledgors.

26. Reserve capital

	31/12/2013	31/12/2012	31/12/2011
Reserve capital	4,790.7	4,790.7	4,789.9
Total	**4,790.7**	**4,790.7**	**4,789.9**

The Company’s reserve capital was established by means of unconditional share premium cash contributions from the shareholders through allocation of share premiums paid on share acquisitions. The following payments to supplementary capital were made:

- PLN 499,500 (not in millions) being the equivalent of EUR 124,875 (not in millions) on June 7, 2011,
- PLN 2,396,010,000 (not in millions) being the equivalent of EUR 600,503,760 (not in millions) on June 30, 2011,
- PLN 100,000,000 (not in millions) being the equivalent of EUR 25,062,640 (not in millions) on June 27, 2011,
- PLN 1,470,408,880 (not in millions) being the equivalent of EUR 337,102,840 (not in millions) on October 28, 2011,
- PLN 823,009,617 (not in millions) being the equivalent of EUR 188,681,450 (not in millions) on November 4, 2011,
- PLN 817,676 (not in millions), being the equivalent of EUR 201,175 (not in millions) on December 21, 2012.

Share Premium is not distributable.

(all amounts in millions of PLN, except where stated otherwise)

27. UMTS licence liability

Future payments:	31/12/2013	31/12/2012	31/12/2011
September 30, 2012	0.0	0.0	66.3
September 30, 2013	0.0	61.3	66.3
September 30, 2014	116.1	114.5	123.7
September 30, 2015	116.1	114.5	123.7
September 30, 2016	116.1	114.5	123.7
September 30, 2017	116.1	114.5	123.7
September 30, 2018	116.1	114.5	123.7
thereafter	477.0	470.0	507.7
Total payments	**1,057.5**	**1,103.8**	**1,258.8**
Amounts representing discount	-121.2	-144.2	-183.6
Discounted minimum payments	**936.3**	**959.6**	**1,075.2**
Current portion	113.9	60.1	65.0
Non-current portion	822.4	899.5	1,010.2

28. Finance lease liabilities

Finance lease liabilities are payable as follows:	31/12/2013	31/12/2012	31/12/2011
a) payable within 1 year	2.8	3.8	2.1
b) payable from 1 year up to 3 years	2.5	3.2	7.0
Total minimum lease payments	**5.3**	**7.0**	**9.1**
Interest	-0.4	-0.4	-0.9
Total present value of minimum lease payments including:	**4.9**	**6.6**	**8.2**
Current liabilities	2.4	3.4	1.6
Non-current liabilities	2.5	3.2	6.6

Total present value of minimum lease payments	31/12/2013	31/12/2012	31/12/2011
a) payable within 1 year	2.4	3.4	1.6
b) payable from 1 year up to 3 years	2.5	3.2	6.6
Total present value of minimum lease payments	**4.9**	**6.6**	**8.2**

(all amounts in millions of PLN, except where stated otherwise)

29. Notes payable

Notes payable	31/12/2013	31/12/2012	31/12/2011
Non-current portion	4,058.9	3,969.8	0.0
Current portion	422.8	424.1	0.0
Total	**4,481.7**	**4,393.9**	**0.0**

Notes – breakdown as of 31 December 2013:

Instrument	Maturity date	Currency	Nominal value as of 31/12/2013	Issue price in currency	Interest rate	Carrying amount as of 31/12/2013	Carrying amount as of 31/12/2012	Carrying amount as of 31/12/2011
Senior Notes EURO	January 31, 2020	EUR	542.5	522.3	11.750%	2,235.8	2,190.9	0.0
Senior Notes USD	January 31, 2020	USD	500.0	490.5	11.625%	1,517.2	1,556.0	0.0
PIK Notes*	August 15, 2020	USD	246.9	236.9	14.250%	728.7	647.0	0.0
Total						**4,481.7**	**4,393.9**	**0.0**

* On February 17, 2012 the nominal value and the issue price of PIK Notes amounted to USD 201.0 million and USD 190.9 million accordingly. From the issue date till December 31, 2013 the nominal value and the issue price of the PIK Notes has been increased as a result of the following issues of additional PIK Notes being the settlement of interest coupons due: USD 14.2 million on August 15, 2012, USD 15.3 million on February 15, 2013 and USD 16.4 million on August 15, 2013.

Movements during the year/period	For the financial year/period ended		
	31/12/2013	31/12/2013	31/12/2013
Balance as of January, 1	4,393.9	0.0	0.0
Bonds issuance	0.0	4,476.9	0.0
Interest accrued (*)	577.2	520.5	0.0
Repayment of interest, commission and other debt acquisition costs	-452.0	-367.8	0.0
Foreign exchange differences	-37.4	-235.7	0.0
Balance as of December, 31	**4,481.7**	**4,393.9**	**0.0**

(*) Including interest settled in the form of additional notes.

The High Yield Bridge Facility and the Senior Notes

In connection with the Acquisition, on November 9, 2011 Eileme 2, Eileme 3, Eileme 4 and Spartan (subsidiaries of Metelem) entered with the Mandated Lead Arrangers into the High Yield Bridge Facility Agreement dated June 30, 2011 (subsequently amended) ('HY Bridge Facility') for the amount of EUR 900 million.

The funds obtained from the HY Bridge Facility were drawn by Eileme 2 and transferred to Spartan for the purpose of financing the Acquisition. The HY Bridge Facility was repaid with proceeds from the issue of the Senior Notes as discussed below.

On January 26, 2012 Eileme 2 as the issuer and Citibank N.A. as the Agent, the Guarantors (Eileme 3, Eileme 4, Spartan) and Ortholuck Limited entered into an indenture ('HY Indenture Agreement') for the issuance of Senior Notes due in 2020. Pursuant to the HY Indenture Agreement on January 26, 2012 Eileme 2 issued, in two separate tranches within one prospectus, EURO 542.5 million 11.75% ('Senior Notes EURO') and USD 500.0 million 11.625 % Senior Notes ('Senior Notes USD') due in 2020 with actual proceeds after the discount of EUR 522.3 million and USD 490.5 million respectively. Polkomtel, Spartan and Eileme 4 guaranteed redemption of the Senior Notes as well as repayment of other liabilities of Eileme 2 related thereto.

The proceeds from the issue of Senior Notes were utilized by Eileme 2 to repay the HY Bridge Facility. At repayment of the HY Bridge Facility Eileme 2 settled interest charges accrued thereon until the date of the repayment.

Interest coupons on the Senior Notes are due semi-annually on January 31 and July 31 each year with the first coupon due and paid on July 31, 2012.

The Pay In Kind Bridge Facility and Pay In Kind Notes

In connection with the Acquisition, on November 9, 2011 Eileme 1, entered into the Pay-In-Kind Bridge Facility agreement (subsequently amended) for the amount of EUR 137.9 million ('PIK Bridge Facility').

The funds obtained from the PIK Bridge Facility were transferred to Spartan for the purpose of financing the Acquisition.

The PIK Bridge Facility was repaid with proceeds obtained from the PIK Notes issue on February 17, 2012, as discussed below.

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

Pursuant to the PIK Indenture Agreement on February 17, 2012 Eileme 1 issued USD 201.0 million 14,25% PIK Notes due in year 2020 with actual proceeds of USD 190.9 thousand after the discount.

The proceeds from the issue of the PIK Notes were utilized by Eileme 1 to repay the PIK Bridge Facility. At repayment of the PIK Bridge Facility interest charges accrued thereon were capitalized and settled against the proceeds from the issue of PIK Notes.

Interest on the PIK Notes is payable in the form of additional notes or in cash at the discretion of the Issuers, on each February 15 and August 15, with the first coupon due on August 15, 2012. Interest coupons on PIK notes due on August 15, 2012, on February 15, 2013 and August 15, 2013 were settled in the form of additional notes.

(all amounts in millions of PLN, except where stated otherwise)

30. Loans

	31/12/2013	31/12/2012	31/12/2011
Non-current portion	6,447.7	6,714.1	7,362.7
Current portion	358.9	612.2	5,689.6
Total	**6,806.6**	**7,326.3**	**13,052.3**

Instrument	Maturity date as of 31/12/2013	Currency	Maximal debt/ /nominal value (in currency)	Nominal value as of 31/12/2013 (in currency)	Nominal value as of 31/12/2012 (in currency)	Nominal value as of 31/12/2011 (in currency)	Interest rate	Carrying amount as of 31/12/2013	Carrying amount as of 31/12/2012	Carrying amount as of 31/12/2011
New RCF	November 30, 2017	PLN	300.0	-	-	-	WIBOR + margin	-	-	-
SFA A	November 30, 2017*	PLN	2,650.0	2,108.2	-	-	WIBOR + margin	2,097.5	-	-
SFA B	June 24, 2018	PLN	3,300.0	3,120.7	-	-	WIBOR + margin	3,100.3	-	-
SFA C	June 24, 2019	PLN	1,700.0	1,621.1	-	-	WIBOR + margin	1,608.8	-	-
RCF	Repaid**	PLN	600.0	-	-	-	WIBOR + margin	-	-	-
SFA Loan A	Repaid***	PLN	3,400.0	-	2,654.9	3,400.0	WIBOR + margin	-	2,554.6	3,306.5
SFA Loan B - PLN	Repaid***	PLN	3,120.4	-	2,927.4	3,120.4	WIBOR + margin	-	2,875.3	3,100.3
SFA Loan B - EURO	Repaid***	EUR	107.1	-	98.2	107.1	EURIBOR + margin	-	332.0	401.2
SFA Loan C	Repaid***	PLN	1,753.0	-	1,672.6	1,753.0	WIBOR + margin	-	1,564.4	1,656.6
HY Bridge Facility	Repaid****	EUR	900.0	-	-	900.0	EURIBOR + margin	-	-	3,984.6
PIK Bridge Facility	Repaid*****	EUR	137.9	-	-	137.9	EURIBOR + margin	-	-	602.5
Intercompany loan from Karswell Ltd	Repaid******	PLN	0.17	-	-	0.17	5%	-	-	0.2
Intercompany loan from Sensor Overseas Ltd	Repaid******	PLN	0.03	-	-	0.03	5%	-	-	-
Intercompany loan from Anokymma Ltd	Repaid******	EUR	0.10	-	-	0.10	3%	-	-	0.4
Total								**6,806.6**	**7,326.3**	**13,052.3**

* Repayment in installments until November 30, 2017,
** Replaced by the New RCF in June 2013, as described below,
*** Repaid in June 2013, as described below
**** Repaid on January 26, 2012 as described in note 29
***** Repaid on February 17, 2012 as described in note 29
****** Intercompany loans repaid on December 28, 2012

(all amounts in millions of PLN, except where stated otherwise)

Movements during the year/period	For the financial year/period ended		
	31/12/2013	31/12/2012	31/12/2011
Balance as of January, 1	7,326.3	13,052.3	0.0
Drawings	7,650.0	0.0	13,268.3
Interest accrued	844.8	947.1	292.9
Repayments	-8,479.8	-5,513.9	0.0
Repayment of interest, commission and other debt acquisition costs	-558.2	-975.4	-571.8
Foreign exchange differences	23.5	-183.8	62.9
Balance as of December, 31	**6,806.6**	**7,326.3**	**13,052.3**

Bank loans

Bridge Facility Agreements

For details related to HY Bridge Facility and PIK Bridge Facility please refer to note 29.

Senior Facilities Agreement (loans repaid on June 24, 2013, as discussed below)

In connection with the Acquisition, Eileme 2, Eileme 3, Eileme 4 and Spartan (Metelem's subsidiaries) entered into the Senior Facilities Agreement dated June 30, 2011 (subsequently amended) with the Consortium of Polish and foreign banks led by: Credit Agricole Corporate and Investment Bank and Deutsche Bank AG, London Branch ('Global Coordinators'), Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Powszechna Kasa Oszczędności Bank Polski S.A., Societe Generale, London Branch and the Royal Bank of Scotland PLC ('Mandated Lead Arrangers'), Citibank International PLC as Agent, and Citicorp Trustee Company Limited ('Security Agent') ('SFA Agreement').

The SFA Agreement included the following loans granted to Spartan and Eileme 3:

1. The Senior Facilities Term Loan A in the amount of PLN 3,400.0 million ('SFA Loan A') was granted to Spartan and was originally scheduled to be repaid in quarterly uneven installments of which final installment was due in November 2017.
2. The Senior Facilities Term Loan B PLN in the amount of PLN 3,120.4 million ('SFA Loan B-PLN') and SFA Senior Facilities Term B-EURO in the amount of EUR 107.1 million ('SFA Loan B-EURO') both originally scheduled to be repaid in full in May 2018. The SFA Loan B-PLN was granted to Spartan and the SFA Loan B-EURO was granted to Eileme 3.
3. The Senior Facilities Term Loan C in the amount of PLN 1,753.0 million ('SFA Loan C') was granted to Spartan and was originally scheduled to be repaid in full in November 2018.
4. Multicurrency revolving loan facility of up to PLN 600.0 million ('RCF'). The final repayment of the RCF was scheduled to be in November 2017.

On December 28, 2012 the Group voluntarily prepaid the SFA A, B-PLN, B-EURO and C Loans in the total amount of PLN 800.0 million as follows: SFA Loan A (PLN 490.1 million), SFA Loan B-PLN (PLN 193.0 million), SFA Loan B-EURO (EUR 8.9 million) and SFA Loan C (PLN 80.5 million).

As a result of the Merger with Spartan, on February 1, 2013 Polkomtel assumed all rights and obligations from contractual arrangements concluded by Spartan.

The Senior Facilities Term Loans related to SFA Agreement were repaid by the Group on June 24, 2013 as described below.

The New Senior Facilities Agreement

On June 17, 2013 Eileme 2, Eileme 3, Eileme 4 and Polkomtel (Metelem's subsidiaries) concluded the Senior Facilities Agreement ('New SFA Agreement') with the Consortium of Polish and foreign banks and financial institutions led by:

- Bank Polska Kasa Opieki S.A, Powszechna Kasa Oszczędności Bank Polski S.A. (acting as 'Global Coordinators'),
- Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Powszechny Zakład Ubezpieczeń S.A. (acting as 'Senior Mandated Lead Arrangers'),
- Bank DnB NORD Polska S.A., Bank Millennium S.A., BNP Paribas Bank Polska S.A., BNP Paribas Fortis S.A./N.V., BRE Bank S.A., Credit Agricole Bank Polska S.A., DNB Bank ASA, HSBC Bank PLC, HSBC Bank Polska S.A., ING Bank N.V., Nordea Bank Polska S.A., PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, Raiffeisen Bank International AG, Raiffeisen Bank Polska S.A., Societe Generale, London Branch, The Royal Bank of Scotland PLC (acting as 'Mandated Lead Arrangers'),
- Unicredit Bank AG, London Branch (acting as Agent) and
- Citicorp Trustee Company Limited (acting as 'Security Agent').

The New SFA Agreement includes the following loans granted to Polkomtel:

1. The Senior Facilities Term Loan A ('SFA A') in the amount of PLN 2,650.0 million fully drawn on June 24, 2013. The SFA A loan is scheduled for repayment in quarterly uneven installments of which final installment is due in November 2017.
2. The Senior Facilities Term Loan B ('SFA B') in the amount of PLN 3,300.0 million drawn in two tranches in the amount of PLN 2,409.9 million and PLN 395.1 million respectively on June 24, 2013 and July,24 2013. The SFA B loan is scheduled for full repayment in June 2018.
3. The Senior Facilities Term Loan C ('SFA C') in the amount of PLN 1,700.0 million fully drawn on June 24, 2013. The SFA C loan is scheduled for full repayment in June 2019.
4. Multicurrency revolving loan facility of up to PLN 300.0 million ('New RCF'). The final repayment of the New RCF is scheduled to be in November 2017. Until December 31, 2013 the New RCF was not utilized.

The proceeds from the New SFA Agreement drawings made on June 24, 2013 were utilized by the Group to repay the SFA Agreement term loans as follows: SFA Loan A (nominal value of PLN 2,654.9 million as of repayment date), SFA Loan B-PLN (nominal value of PLN 2,927.4 million as of repayment date) and SFA Loan C (nominal value of PLN 1,672.6 million as of repayment date).

Moreover, on June 24, 2013 the Group repaid from its own funds the SFA Loan B-EURO in the amount of EUR 98.2 million as of repayment date.

As a result of the repayment of the term loans drawn under the SFA Agreement, the Group substantially decreased interest expense related to the long-term financing.

Voluntary prepayment

On November 18, 2013 the Group voluntarily prepaid the SFA A, B and C loans in the total amount of PLN 800.0 million as follows: SFA A (PLN 541.8 million), SFA B (PLN 179.3 million) and SFA C (PLN 78.9 million).

The SFA A prepayment amount was credited against the following scheduled installments: March 2014 (PLN 83,5 million), June 2014 (PLN 148.4 million), September 2014 (PLN 148.4 million), December 2014 (PLN 148.4 million) and March 2015 (PLN 13.1 million).

Collaterals

The collaterals provided as of date of these financial statements in relation to New SFA Agreement are presented in note 38 *Pledges and collaterals*.

Other

The New SFA Agreement imposes a number of restrictions, disclosure requirements, covenants and other obligations. The description of interest rate risk, currency risk and liquidity risk is presented in note 19.

Other loan arrangements

Metelem concluded the following loan agreements with related parties:

- on August 5, 2011 with Karswell Limited and Sensor Overseas Limited as lenders (nominal loan amounts of PLN 170,000 (not in millions) and PLN 30,000 (not in millions) respectively, received on August 8, 2011), and
- on December 4, 2011 with Anokymma Limited as a lender (nominal loan amount of EUR 100,000 (not in PLN millions), received on December 6, 2011).

The above mentioned loans were repaid on December 28, 2012.

31. Derivatives

The interest rate hedge contracts implemented in order to fulfill the requirements of the SFA Agreement

Pursuant to the SFA Agreement within 120 days after November 9, 2011 the Group was required to implement the following hedges regarding cash flows related to interest payments connected with SFA Loans A, B-PLN, B-EURO and C (described in note 30) and Senior Notes EURO and Senior Notes USD (described in note 29):

a) interest rate hedging in respect of not less than 50% of the aggregate amounts available under the SFA Agreement for a minimum of 3 years from November 9, 2011,

b) foreign exchange hedging, related to PLN/EUR and PLN/USD exchange rates, in respect of the full payments resulted from the debt service in relation to SFA Loan B-EURO and Senior Notes for a minimum of 3 years when the Leverage Ratio defined by the SFA Agreement is equal to or greater than 3.00: 1 or, to the extent the Leverage Ratio defined by the SFA Agreement is less than 3.50:1, a minimum of 2 years.

In order to fulfill these requirements in 2012 the Group implemented the following hedges:

- 19 Interest Rate SWAP (IRS) contracts - for the purpose of hedging future cash flows regarding the interest payments connected with SFA Agreement, in which the Group pays PLN fixed rate and receives floating PLN WIBOR rate for the notional amount of PLN 5,330.0 million. As of December 31, 2012 the maturity dates of implemented hedges matched the SFA Loans A, B-PLN and C interest maturity dates falling into subsequent quarters, wherein 15 contracts for the notional amount of PLN 4,330.0 million are due for the last time on December 31, 2014 and 4 contracts for notional amount of PLN 1,000.0 million are due for the last time on September 30, 2015.
- 8 Cross Currency Interest Rate SWAP (CCIRS) contracts, for the purpose of hedging future cash flows regarding the Senior Notes EURO interest payments, in which the Group pays fixed PLN rate and receives fixed EUR rate. As of December 31, 2012 the maturity dates and hedged volumes related to the implemented contracts matched the whole amount of Group liabilities (see definition in note 29) to payments of interest coupons related to Senior Notes denominated in EURO for the notional amount of EUR 542.5 million, falling until January 31, 2015.
- 11 Cross Currency Interest Rate SWAP (CCIRS) contracts, for the purpose of hedging future cash flows regarding the Senior Notes USD interest payments, in which the Group pays fixed PLN rate and receives fixed USD rate. As of December 31, 2012 the maturity dates and hedged volumes resulting from the implemented contracts matched the whole amount of Group liabilities (see definition in note 29) to payments of interest coupons related to Senior Notes denominated in USD for the notional amount of USD 500.0 million, falling until January 31, 2015.
- 1 Cross Currency Interest Rate SWAP (CCIRS) contract, for the purpose of hedging future cash flows regarding the SFA Loan B-EURO interest payment in which the Group pays floating PLN WIBOR rate and receives floating EUR EURIBOR rate for the notional amount of EUR 107.1 million. As of December 31, 2012 the maturity dates of implemented hedges matched the SFA Loan B-EURO interest maturity dates falling in respective quarters until December 31, 2014.

Changes in hedging during 2013, including those resulted from New SFA Agreement

Change in hedging requirements resulted from New SFA Agreement

The New SFA Agreement dated June 17, 2013 impose on Group within 120 days after June 24, 2013 the following requirements for conclusion the hedges regarding cash flows related to interest payments connected with SFA A, B, and C loans (described in note 30) and Senior Notes EURO and Senior Notes USD (described in note 29):

a) the requirement for the interest rate hedging in respect of not less than 50% of the aggregate amounts available under the New SFA Agreement for a minimum of 3 years from the June 24, 2013,
b) the requirement for foreign exchange hedging, related to PLN/EUR and PLN/USD exchange rate, in respect of the full payments resulted from debt service in relation to Senior Notes for a minimum of 1 year, when the Leverage Ratio defined by the New SFA Agreement is equal to or greater than 3.00:1,

however, the hedge transactions concluded during 2012 are in line with the requirements of New SFA Agreement.

The hedge contracts concluded or terminated during 2013 in order to adjust the hedging level to the requirements of New SFA Agreement:

Changes in cash flows hedges related to interest payments resulted from New SFA Agreement:

- In connection with the repayment of the SFA Loan B-EURO, the Group has closed the Cross Currency Interest Rate SWAP (CCIRS) contract in which the Group was paying floating PLN WIBOR rate and was receiving floating EUR EURIBOR rate.

- The Group has closed 1 Interest Rate SWAP (IRS) contract, concluded in 2012 for the purpose of hedging cash flows regarding the interest payments connected with SFA Agreement in which the Group was paying PLN fixed rate and has received floating PLN WIBOR rate for the notional amount of PLN 220.0 million.

- The Group has concluded 9 new Interest Rate SWAP (IRS) contracts - for the purpose of hedging future cash flows regarding the interest payments connected with New SFA Agreement, in which the Group pays PLN fixed rate and receives floating PLN WIBOR rate for the notional amount of PLN 3,517.5 million. The maturity dates of implemented hedges matched the SFA A, B and C loans interest maturity dates falling into subsequent quarters from March 31, 2015 to June 30, 2016.

Changes in cash flows hedges related to the Senior Notes' interest payments in relation to payments of interest coupons related to the USD Senior Notes for the notional amount of USD 97.0 million:

- The Group has closed the 2 Cross Currency Interest Rate SWAP (CCIRS) contracts, concluded in 2012 for the purpose of hedging future cash flows regarding the Senior Notes USD interest payments, in which the Group pays fixed PLN rate and receives fixed USD rate.

- The Group has concluded 3 Currency Forward contracts for the purpose of hedging future cash flows regarding the Senior Notes interest payments denominated in USD, in which the Group receive, on semi-annually basis in the period from January 29, 2014 to January 28, 2015, the agreed amount of USD at fixed USD/PLN rate established at contract conclusion date.

(all amounts in millions of PLN, except where stated otherwise)

Currency forward contracts related to hedging of operating activity

Currency forward contracts related to hedging of operating activity are described in note 19.

Recognition of hedge contracts in financial statements

The Group does not apply hedge accounting according to IAS 39 and thus the effects of valuation of hedge contracts have been recognized through the consolidated statement of comprehensive income.

32. Trade and other payables

	31/12/2013	31/12/2012	31/12/2011
Trade and other accounts payable to third parties	190.3	223.9	182.9
Trade accounts payable to related parties	7.2	14.9	4.5
Investment liabilities	342.0	159.0	231.1
Corporate income tax liabilities	22.5	8.1	13.7
Other tax liabilities	364.3	85.7	87.6
Other account payable	36.3	32.7	30.7
Trade and other payables	**962.6**	**524.3**	**550.5**

33. Provisions

Provision for employee benefits	**31/12/2013**	**31/12/2012**	**31/12/2011**
Provision for employee benefits – OB	7.1	7.2	0.0
- increase	0.0	1.6	7.5
- decrease (used during the period)	0.0	-0.1	-0.1
- decrease (released during the period)	-0.8	-1.6	-0.2
Provision for employee benefits – CB	**6.3**	**7.1**	**7.2**
Non - current	6.2	6.8	6.7
Current	0.1	0.3	0.5
Other provisions	**31/12/2013**	**31/12/2012**	**31/12/2011**
Provision for costs of dismantling and removing assets and restoring sites – OB	83.3	72.3	0.0
- increase	7.4	14.4	72.3
- decrease (released during the period)	-6.2	-3.4	0.0
Provision for costs of dismantling and removing assets and restoring sites – CB	84.5	83.3	72.3
Provision for restructuring – OB	0.0	38.9	0.0
- increase	0.0	0.0	38.9
- decrease (used during the period)	0.0	-38.9	0.0
Provision for restructuring – CB	0.0	0.0	38.9
Other – OB	99.9	88.4	0.0
- increase	14.0	17.3	90.5
- decrease (used during the period)	-12.4	-2.4	-0.2
- decrease (released during the period)	-14.9	-3.4	-1.9
Other – CB	86.6	99.9	88.4
Total other provisions – OB.	183.2	199.6	0.0
- increase	21.4	31.7	201.7
- decrease (used during the period)	-12.4	-41.3	-0.2
- decrease (released during the period)	-21.1	-6.8	-1.9
Total other provisions – CB	**171.1**	**183.2**	**199.6**
Non - current	84.5	83.9	73.5
Current	86.6	99.3	126.1

(all amounts in millions of PLN, except where stated otherwise)

1) The provision for employee benefits has been calculated based on the market return on 10- year treasury bonds, assumptions related to inflation and the forecasted growth of salaries.
2) The provision for the point-based loyalty program is established for liabilities towards customers resulting from the discretionary points granted to customers of the loyalty program. These points will be exchanged by customers for awards in the future.
3) The Group is required to restore assets to their original condition. The provision is based on the best estimate of the amount required to settle the obligation. It is subject to periodic review and adjustments where appropriate, with a corresponding adjustment to the asset to which it relates.
   The provision for restoring assets to their original condition is discounted by applying a discount rate that reflects the time value of money and the risk specific to the liability. The discount rate used in determination of the present value of the costs of restoring to the original condition and dismantling was 4.64% as of December 31, 2013, 4.66% as of December 31, 2012 and 5.62% as of December 31, 2011.
4) Within the restructuring of Polkomtel, its employees were offered participation in the Voluntary Redundancy Programme (‘The Programme’). Approximately 10% of the employees enrolled in the Programme. As of December 31, 2011 the benefits for the participants of the Programme were covered by a restructuring reserve.
5) The item ‘Other provisions’ contains a provision for disputed claims (incl. cases related to taxes) as well as interest on liabilities.

34. Accrued expenses

	31/12/2013	31/12/2012	31/12/2011
Interconnect and roaming	101.6	150.0	155.2
Dealers’ commissions	100.6	108.0	78.7
Other external services	66.3	58.6	139.3
Accrued wages, salaries and vacation pay	72.1	57.6	92.1
Accruals for SMS Premium costs	26.2	21.9	24.8
Other	132.5	54.4	27.5
Total accrued expenses	**499.3**	**450.5**	**517.6**

35. Deferred income

	31/12/2013	31/12/2012	31/12/2011
Monthly access fee billed in advance	179.9	258.2	301.9
Prepaid cards	271.1	266.5	282.0
Other	31.1	46.9	53.6
Total deferred income	**482.1**	**571.6**	**637.5**

36. Operating leases

The Group is commited to make payments under operating leases of land and other locations used for telecommunications network locations of Polkomtel as well as office rental agreements and other. Lease agreements are concluded for undefined or defined periods of time. The amounts commited presented below were calculated for contracts for undefined periods of time based on the respective termination periods and for contracts for defined periods of time representing the period between the end of the reporting period and the date of contract expiration. The table below includes commitments at nominal value, before discounting.

(all amounts in millions of PLN, except where stated otherwise)

Non-cancellable operating lease rentals	31/12/2013	31/12/2012	31/12/2011
< 1 year	259.4	252.9	250.8
1 – 5 years	671.1	688.5	684.5
> 5 years	351.4	351.0	330.7
Total	**1,281.9**	**1,292.4**	**1,266.0**

Lease expense recognized in the consolidated statement of comprehensive income amounted to PLN 285.5 million for the year ended December 31, 2013, PLN 274.3 million for the year ended December 31, 2012 and PLN 46.1 million for the period from May 9, 2011 to December 31, 2011.

37. Contingencies

Guarantees in ordinary course of business

Promissory notes and bank guarantees issued for the Group companies for the benefit of other contracting parties and aimed at guaranteeing due performance of contracts by the Group companies amounted to PLN 13.4 million as of December 31, 2013 (PLN 13.4 million as of December 31, 2012 and PLN 9.9 million as of December 31, 2011), included in this a guarantee issued to WAN 11 Sp. z o.o. amounted to EUR 1.5 million.

Proceedings by UKE and UOKiK

Polkomtel's operations are regulated by, among others, the Telecommunication Law Act of July 16, 2004 ("Telecommunication Law") and by the Competition and Consumer Protection Act of February 16, 2007.

In accordance with the Telecommunication Law, in case of non-fulfilment of the requirements determined in the Act, the President of the Electronic Communication Office (the "UKE President") may impose on an entity a penalty in the amount of up to 3% of the revenue reported in the previous calendar year. In accordance with the provisions of the Competition and Consumer Protection Act, the President of the Office for Competition and Consumer Protection (the "UOKiK President") may impose a penalty on an enterprise in the amount of up to 10% of the revenue reported in the financial year preceding the year of imposing the penalty for a breach of law or a penalty in the amount up to EUR 50.0 million for infringement of regulations (e.g. non fulfilment of the obligation to provide information).

On March 15, 2011 Polkomtel received the decision of the President of the Office for Consumer and Competition Protection (the "UOKiK") regarding a penalty in the amount of PLN 130.7 million for alleged lack of cooperation during an inspection carried out by the UOKiK in Polkomtel. The inspection was carried out in the investigation of a preliminary determination of whether actions taken by entrepreneurs in relation to mobile TV services may constitute a violation of the Competition and Consumer Protection Act, including whether the case is an antitrust violation.
Polkomtel appealed to the Consumer and Competition Protection Court (the "SOKiK") against the decision of the UOKiK President. In the Polkomtel's view, during the inspection the Company had fully and at all times cooperated with the UOKiK within the scope provided by the law. In the opinion of the Company's management it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel, and therefore no provisions were raised in this respect as of December 31, 2013, December 31, 2012 and December 31, 2011.

On November 23, 2011 Polkomtel received a decision of the UOKiK President 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 UOKiK President Polkomtel was charged a penalty in the amount of PLN 33.5 million. In the opinion of Polkomtel, no agreement had been concluded between the parties. The Company appealed to the SOKiK against the UOKiK President's decision regarding the penalty. As of December 31, 2013, December 31, 2012 and December 31, 2011 a provision was raised for the full amount of the penalty imposed.

On December 27, 2012 the UOKiK President 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 UOKiK President Polkomtel was charged a penalty in the amount of PLN 4.5 million. The Company appealed to the SOKiK against the decision. As of December 31, 2013 and December 31, 2012 a provision was raised for the full amount of the penalty.

The UOKiK President is also conducting proceedings related to some aspects of carrying out activities by telecommunication enterprises.

Other administrative and legal proceedings

On July 3, 2012 Polkomtel received the statement of claim for the amount of PLN 1,411.0 million. The claimant, a natural person, claims the above amount as damages and compensation on account of the alleged loss that the claimant suffered as a result of deactivation of SIM cards and as reimbursement for the value of these cards, in connection with non-acceptance of his complaints related to the provided telecommunication services. In the opinion of the Management Board of Polkomtel the claim is unjustified. On April 24, 2013 District Court in Warsaw dismissed the complaint against Polkomtel. The judgement is non-binding. The claimant appealed against the Court's decision. The Management Board of Polkomtel believes that the final verdict in the case will be favorable to Polkomtel and thus did not raise any provisions for the claim as of December 31, 2013 and December 31, 2012.

In addition to the matters described above, the Group's entities are parties to other legal and administrative proceedings, whose amount is not material to these consolidated financial statements.

Tax contingent liabilities

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations change frequently which often leads to lack of their clarity and integrity. Furthermore, frequent contradictions in tax interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. These facts impose tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.

Tax authorities may examine accounting records up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Polish subsidiaries may be subject to additional tax liabilities, which may arise as a result of tax audits. The Management Board of the Parent Company believes that adequate provisions have been recorded for all known and quantifiable risks in this regard.

The Management Board of the Parent Company believes that adequate provisions were made for all known and probable liabilities for which a reliable estimate can be made.

38. Pledges and collaterals

Collaterals related to the New SFA Agreement

Guarantees

The following Metelem Group entities provided a guarantee in relation to drawings made by Polkomtel under the New SFA Agreement dated June 17, 2013:

- Eileme 3 and Eileme 4 – effective from June 17, 2013;

- Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna, Plus TM Group Sp. z o.o., and Plus TM Management Sp. z o.o. – effective from December 23, 2013.

Pledges and other collaterals

As of date of these financial statements Metelem Group has established the following collaterals on its assets and rights with respect to the New SFA Agreement:

- Financial and register pledges on shares of the companies within Metelem Group except for shares in Eileme 1 held by Metelem;
- Assignment of contractual rights resulting from the LTE Side Agreement, the call option related to 51% shares in Litenite Limited, and the deed of pledge of 51% shares in Litenite Limited;
- Assignment of Metelem Group rights to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna;
- Pledges on rights resulting from intercompany promissory notes issued by the companies within Metelem Group;
- Financial and registered pledge on receivables from bank account agreements concluded by: Eileme 3, Eileme 4, Polkomtel, Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna, Plus TM Group Sp. z o.o., oraz Plus TM Management Sp. z o.o.;
- Registered pledges on movables and property rights of a variable set of companies: Polkomtel, Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna, Plus TM Group Sp. z o.o., oraz Plus TM Management Sp. z o.o.;
- Mortgage on properties owned by Polkomtel;
- Assignment of rights from insurance policies of Polkomtel;
- Assignment of rights resulting from the currency risk and interest rate risks hedging contracts with respect to the New SFA Agreement;
- Assignment of rights under license agreements concluded by Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna;
- Civil and registered pledges over protective rights of Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna with respect to ten trademarks;
- Declaration of submission to enforcement according to the Polish law by Polkomtel, Eileme 3, Plus TM Group Sp. z o.o., oraz Plus TM Management Sp. z o.o.

(all amounts in millions of PLN, except where stated otherwise)

Collaterals related to Senior Notes

Guarantees

The following Metelem Group entities provided a guarantee for amounts payable under the Senior Notes:

- Eileme 3, Eileme 4 and Spartan - effective from January 26, 2012;

- Polkomtel – effective from June 1, 2012;

- Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna, Plus TM Group Sp. z o.o., and Plus TM Management Sp. z o.o. – effective from December 23, 2013.

In connection with the merger between Polkomtel and Spartan, on February 1, 2013 Spartan's liabilities related to the above mentioned guarantees assumed by Polkomtel.

Pledges and other collaterals

As of date of these financial statements Metelem Group has established collaterals on its assets and rights related to the Senior Notes in the scope matching the scope of collaterals established in relations to the New SFA Agreement, as described above.

Collaterals related to PIK Notes

Pledges and other collaterals

As of the date of these financial statements the Group has established the financial and registered pledge on the shares of Eileme 1 held by Metelem, as a collateral in relation to the Group's PIK Notes liabilities.

39. Related party transactions

Purchases from related parties include mainly commissions on sale of telecommunication equipment and services performed by agents, purchase of LTE data transmission and audiotext services.

Sales to related parties include mainly sales of telecommunication equipment and payments for using the Polkomtel's network for providing telecommunication services.

The value of sales and purchases presented in the tables below has been determined based on the invoices recorded in the books of the Group entities during the reporting period.

Purchases	**Year ended 31/12/2013**	**Year ended 31/12/2012**	**Period from 09/05/2011 to 31/12/2011**
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	137.8	239.	33.6
Total	**137.8**	**239.8**	**33.6**

(all amounts in millions of PLN, except where stated otherwise)

Sales	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	243.4	60.1	2.9
Total	**243.4**	**60.1**	**2.9**

Accounts payable	31/12/2013	31/12/2012	31/12/2011
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	7.2	14.9	27.1
Total	**7.2**	**14.9**	**27.1**

Loans received	31/12/2013	31/12/2012	31/12/2011
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	0.0	0.0	0.6
Total	**0.0**	**0.0**	**0.6**

Other payables	31/12/2013	31/12/2012	31/12/2011
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	35.8	1.3	3.3
Total	**35.8**	**1.3**	**3.3**

Accounts receivable	31/12/2013	31/12/2012	31/12/2011
Jointly controlled entities	0.2	0.0	0.0
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	72.3	5.3	2.6
Total	**72.5**	**5.3**	**2.6**

Loans granted	31/12/2013	31/12/2012	31/12/2011
Jointly controlled entities	4.3	0.0	0.0
Total	**4.3**	**0.0**	**0.0**

Other assets	31/12/2013	31/12/2012	31/12/2011
Entites controlled by the person (or close family members) who controls, jointly controls or has significant influence over Metelem Holding Company Limited	2.6	49.7	0.0
Total	**2.6**	**49.7**	**0.0**

(all amounts in millions of PLN, except where stated otherwise)

40. Transactions with management and close family members of the Parent Company

Compensation of key management personnel of the Group is comprised of the compensation of key management personnel of the subsidiaries.

	Year ended 31/12/2013	Year ended 31/12/2012	Period from 09/05/2011 to 31/12/2011
Compensation of Management Board members*	10.1	12.9	23.7
Compensation of Supervisory Board members	3.9	2.6	0.6
Total	**14.0**	**15.5**	**24.3**

*The amounts include social security contributions.

41. Headcount

Actual headcount of the Group (per employment agreements):

Actual headcount:	**31/12/2013**	**31/12/2012**	**31/12/2011**
Operating Division	1,298	1,210	1,026
Sales and Marketing Division, B2B and B2C*	897	899	1,420
Other	1,269	1,341	1,521
Total	**3,464**	**3,450**	**3,967**

* As of December 31, 2011 Sales and Marketing Division and B2B and B2C reflect headcount of Sales and Marketing Division jointly (B2B and B2C did not exist as of December 31, 2011).

42. Other significant events

Intercompany transfer of intellectual property rights

On December 12, 2013 Polkomtel acquired 100% shares in limited partnership by shares Cinco spółka z ograniczoną odpowiedzialnością - XXI-Spółka komandytowo-akcyjna, whose sole unlimited partner as of December 31, 2013 was Plus TM Group Sp. z o.o., a 100% subsidiary of Polkomtel. On December 21, 2013 Extraordinary Shareholders' Meeting of Cinco Spółka z ograniczoną odpowiedzialnością-XXI-Spółka Komandytowo Akcyjna resolved to change the company's name to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna. On December 23, 2013 Polkomtel made a contribution in kind to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna by contributing its rights to the trademarks and to the industrial design ("Intellectual Property Rights"). The transfer of the Intellectual Property Rights to Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna in form of a contribution in kind is aimed at reorganization of Polkomtel Group's structure in order to separate the Group's core operating activities, i.e. provision of telecommunication services, from its auxiliary activities, comprising intellectual property rights management.

Announcement of the acquisition of the Metelem Group by the Cyfrowy Polsat Group

On November 14, 2013 Cyfrowy Polsat S.A. seated in Warsaw ("Cyfrowy Polsat"), a company listed on a stock exchange, announced in its current report number 22/2013 that a conditional investment agreement ("Investment Agreement") was concluded in relation to the transfer of shares in Metelem as an in-kind contribution to Cyfrowy Polsat in exchange for the shares to be issued by Cyfrowy Polsat to three Metelem's shareholders: Argumenol

Investment Company Limited seated in Nicosia, Cyprus, Karswell Limited seated in Nicosia, Cyprus and Sensor Overseas Limited seated in Nicosia, Cyprus, whose shares represent approximately 83.77% of shares in Metelem (the "Vendors").

According to the report:

- Pursuant to the Investment Agreement, the Vendors will acquire in aggregate 243,932,490 shares in the conditionally increased share capital of Cyfrowy Polsat at the issue price of PLN 21.12 per each share (the "New Shares"). The New Shares will be acquired for a contribution in-kind in the form of shares in Metelem constituting in aggregate approximately 83.77% of Metelem's share capital. In order to enable the acquisition of the New Shares by the current shareholders of Metelem, the Company shall issue subscription warrants to be acquired by them free of charge, which will then be exchanged for New Shares paid for with the contribution in-kind referred to above.
- The Investment Agreement does not provide for any contractual penalties.
- The obligation of Cyfrowy Polsat to issue shares to the Vendors and the Vendors' obligation to transfer the title to the shares in Metelem to Cyfrowy Polsat is subject to the following conditions precedent:

  a) adoption by the Shareholders' Meeting of Cyfrowy Polsat of resolutions pertaining to the conditional share capital increase of Cyfrowy Polsat (the "Conditional Share Capital Increase");

  b) registration of the Conditional Share Capital Increase by the registry court; and

  c) refinancing by Cyfrowy Polsat that will provide for repayment of the entire indebtedness of Cyfrowy Polsat arising under the Senior Facilities Agreement dated March 31, 2011, as amended, and the Senior Secured Notes issued pursuant to the Indenture dated May 20, 2011.

- Cyfrowy Polsat is entitled to terminate the Investment Agreement if it determines in its sole discretion that it will not be able to achieve the refinancing and repayment of its financial indebtedness on terms and conditions acceptable to it.
- Furthermore, Cyfrowy Polsat will not be obliged to proceed with closing of the transaction described above if a Material Adverse Effect, as defined in detail in the Investment Agreement, occurs, i.e., in general, a material adverse change in the value, business, assets, properties or condition (financial, operational or otherwise) of Metelem and its subsidiaries, including Polkomtel, or any event, action or circumstance that prohibits the shareholders of Metelem from consummating the transactions contemplated by the Investment Agreement or otherwise performing their respective obligations under the Ivestment Agreement.

On December 19, 2013 Cyfrowy Polsat announced in its current report number 27/2013 the conditional investment agreement regarding the transfer of Metelem shares held by the EBRD to Cyfrowy Polsat as a contribution in-kind in exchange for the new shares of Cyfrowy Polsat which will be issued by Cyfrowy Polsat and acquired by the EBRD on the terms set out in that agreement (the "EBRD Investment Agreement").

According to the report:

- Pursuant to the EBRD Investment Agreement, the EBRD will acquire 47,260,690 shares in the conditionally increased share capital of Cyfrowy Polsat at the issue price of PLN 21.12 per each share (the "New Shares"). The New Shares will be acquired for a contribution in-kind in the form of shares in Metelem constituting in aggregate approximately 16.23% of Metelem's share capital. In order to enable the acquisition of the New Shares by the EBRD, Cyfrowy Polsat shall issue subscription warrants to be acquired by the EBRD free of charge, which will be then exchanged for New Shares paid for with the contribution in-kind referred to above.
- The EBRD Investment Agreement does not provide for any contractual penalties.
- The obligation of Cyfrowy Polsat to isue shares to the EBRD and the obligation of EBRD to transfer the title to the shares in Metelem to Cyfrowy Polsat is contingent to the satisfaction of the following conditions precedent:

  a) adoption by the Shareholders' Meeting of Cyfrowy Polsat of the resolutions in the matter of the Conditional Share Capital Increase;

  b) registration of the Conditional Share Capital Increase by the registry court; and

  c) refinancing by Cyfrowy Polsat that will provide for repayment of the entire indebtedness of Cyfrowy Polsat arising under the Senior Facilities (Agreement dated March 31, 2011 as amended, and the Senior Secured Notes issued pursuant to the Indenture dated May 20, 2011;

  (d) approval by the Polish Financial Supervision Authority of the prospectus for the New Shares for the purpose of applying for their admission to trading on a regulated market operated by the Warsaw Stock Exchange ("WSE");

  (e) execution by the EBRD and Cyfrowy Polsat of a framework agreement concerning in particular the obligations vested in Cyfrowy Polsat to pursue its operations in compliance with the requirements and policies followed or adopted by as standard by the EBRD;

  (f) obtaining by the EBRD of a legal opinion concerning selected Polish law issues in the context of the contemplated transaction;

  (g) absence, in the period from the execution of the EBRD Investment Agreement of a Material Adverse Effect for Cyfrowy Polsat, concerning in principle (i) a material adverse change of the value, operations, assets, real property or standing (financial, operational or otherwise) of Cyfrowy Polsat, Telewizja Polsat Sp. z o.o. or the Cyfrowy Polsat Group, whose value exceeds 10% of the aggregate value of all outstanding shares of Cyfrowy Polsat (understood that any changes in the price of shares of Cyfrowy Polsat in the WSE trading do not constitute a Material Adverse Effect), or (ii) any event, action or circumstances preventing Cyfrowy Polsat from performing actions envisaged by the EBRD Investment Agreement or the fulfillment of its obligations specified therein;

  (h) satisfaction of the conditions precedent set forth in the Investment Agreement of November 14, 2013 between Cyfrowy Polsat, Karswell Limited, Sensor Overseas Limited and Argumenol Investment Company Limited;

  (i) absence, in the period from the execution of the EBRD Investment Agreement until the closing of the transaction under the EBRD Investment Agreement, of financial indebtedness (as defined in the EBRD Investment Agreement) in excess of PLN 3.5 billion.

- Cyfrowy Polsat is entitled to terminate the EBRD Investment Agreement if it determines in its sole discretion that it will not be able to achieve the refinancing and repayment of its financial indebtedness on terms and conditions acceptable to it.

- Furthermore, Cyfrowy Polsat will not be obliged to proceed with closing of the transaction described above if a Material Adverse Effect affecting Metelem or Karswell Limited, Sensor Overseas Limited and Argumenol Investment Company Limited, as defined in detail in the EBRD Investment Agreement, occurs, i.e. in general, a material adverse change in the value, business, assets, properties or conditio (financial, operational or otherwise) of Metelem and its subsidiaries, including Polkomtel, or any other event, action or circumstance that prevents Karswell Limited, Sensor Overseas Limited and Argumenol Investment Company Limited from consummating the transactions contemplated by the EBRD Investment Agreement signed with those entities or otherwise performing their respective obligations thereunder.

On January 17, 2014 Cyfrowy Polsat announced in its current report number 4/2014 the resolution adopted by the Extraordinary General Meeting of Cyfrowy Polsat regarding the Conditional Share Capital Increase. According to the report, the persons entitled to acquire New Shares are persons who shall acquire the registered subscription warrants referred to below.

On January 25, 2014 Cyfrowy Polsat announced in its current report number 13/2014 the resolution adopted by the Extraordinary General Meeting of Cyfrowy Polsat regarding the issuance of subscription warrants entitling their holders to acquire the New Shares.According to the report, the subscription warrants will be offered the EBRD and to other entities than the EBRD that are shareholders of Metelem as of the date of offering the subscription warrants subject to:

(a) Cyfrowy Polsat repaying its debt arising from or referred to in the following documents: (i) the Senior Facilities Agreement dated March 31, 2011, as amended, concluded between Cyfrowy Polsat (as borrower) and certain finance parties; (ii) the Indenture dated May 20, 2011, relating to Senior Secured Notes; and

(b) the Annual General Meeting approving the financial statements of Cyfrowy Polsat for the financial year ended December 31, 2013, adopting the resolution regarding the payment of dividend in the total amount of no less than PLN 100,000,000.00 (one hundred million Polish zloty), and in the cases of non-payment of such dividend, the Management Board adopting, subject to the Supervisory Board's approval, the resolution on the payment by Cyfrowy Polsat of the interim dividend for 2014 in the total amount no less than 100,000,000.00 (one hundred million Polish zloty), provided that the payment, in each case, of the dividend or interim dividend to the shareholders will be conditional under the delivery, prior to the dividend day, to the holders of the subscription warrants of the ordinary shares of Cyfrowy Polsat under the Conditional Share Capital Increase and the acquisition of by Cyfrowy Polsat of 1,675,672 shares in Metelem, and the resolution's adoption date and the dividend day shall be determined in a way that will enable such payment.

43. Events after the reporting period

On January 30, 2014 in line with the repayment schedule the Group repaid the interest coupon on the Senior Notes. Interest coupon due on the PIK Notes payable on February 15, 2014 was settled in form of issuance of additional PIK Notes.

On January 27, 2014 Polkomtel Business Development acquired 49% of shares in Paszport Korzyści Sp. z o.o. Hereby the Group acquired joint control over the company. The remaining shares are held by an entity not belonging to the Group.

Signatures:

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Charalambos Hadjiyiangou

Member of the Management Board

Nicosia, Cyprus, February 26, 2014

Polkomtel Group 2011 Consolidated Financial Statements

This section presents the Polkomtel Group consolidated financial statements for the year ended December 31st 2011, prepared in accordance with IFRS, including the opinion of an independent auditor.

Polkomtel S.A. Group

Opinion
of the Independent Auditor
Financial year ended
December 31, 2011

The opinion contains 2 pages
Opinion of the independent auditor
on the consolidated financial statements
for the finacial year ended
December 31, 2011

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of Polkomtel S.A.

We have audited the accompanying consolidated financial statements of Polkomtel S.A. Group, seated in Warsaw, ul. Postępu 3 (“the Group”), which comprise the consolidated statement of financial position as of December, 31 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder’s equity and the consolidated statement of cash flows for the year ended December 31, 2011 and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management of Polkomtel S.A. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of Polkomtel S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as of December 31, 2011, and its financial performance and its cash flows for the financial year ended December 31, 2011, in accordance with International Financial Reporting Standards as adopted by European Union.

On behalf of KPMG Audyt Sp. z o.o.
regstration number 458
ul. Chłodna 51, 00-867 Warsaw

....	....
Certified Auditor No. 11368	Certified Auditor No. 9645
Karolina Graś	Director
	Marek Strugała

March 1, 2012
Warsaw, Poland

POLKOMTEL S.A. GROUP

Consolidated Financial Statements

as of and for the year ended December 31, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Operating revenues and other operating income		**7,502.1**	**7,850.9**
Revenue	6	7,311.9	7,673.1
Other operating income	8	190.2	177.8
Operating expenses	**7**	**-6,074.2**	**-6,301.7**
Costs of goods sold		-1,035.0	-1,145.6
Amortisation and depreciation, disposals and impairment		-1,398.9	-1,369.7
Materials and energy		-102.0	-100.6
Interconnect and roaming charges		-1,338.2	-1,490.1
External services		-1,191.3	-1,207.0
Employee benefits		-516.4	-490.6
Taxes and charges		-111.8	-100.3
Marketing costs and other overheads		-217.4	-276.2
Other operating expenses	9	-163.2	-121.7
Operating profit		**1,427.9**	**1,549.1**
Finance income	10	85.6	48.2
Finance costs	11	-232.0	-157.4
Share of profits of associates	18	0.3	2.1
Gain on derecognition of investment	18	0.8	0.0
Profit before tax		**1,282.6**	**1,442.0**
Income tax expense	12	-240.7	-285.2
Net profit for the period		**1,041.9**	**1,156.8**
Total comprehensive income for the period		**1,041.9**	**1,156.8**

EARNINGS PER SHARE			
Basic (PLN)	13	50.8	56.4
Diluted (PLN)	13	50.8	56.4

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31 2011
(all amounts in millions of PLN, except where stated otherwise)

ASSETS	Note	December 31, 2011	December 31, 2010
Non-current assets		**6,043.8**	**6,564.0**
Property, plant and equipment	14	3,889.3	4,392.7
Goodwill	15	28.3	15.5
Intangible assets	16	2,114.7	2,125.7
Investments in associates and other related entities	19	0.2	30.1
Deferred tax assets	12	11.3	0.0
Current assets		**1,686.1**	**1,353.9**
Inventories	21	110.4	140.6
Trade and other receivables	22	972.1	1,174.3
Cash and cash equivalents	23	573.5	29.2
Derivatives	20	30.1	9.8
TOTAL ASSETS		**7,729.9**	**7,917.9**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont.)
as of December 31 2011
(all amounts in millions of PLN, except where stated otherwise)

EQUITY AND LIABILITIES	Note	December 31, 2011	December 31, 2010
Shareholders' equity		**3,896.0**	**3,879.1**
Share capital	25	2,050.0	2,050.0
Supplementary capital	26	683.4	683.4
Retained earnings		1,162.6	1,145.7
Non-current liabilities		**1,933.3**	**1,884.2**
Notes payable	30	953.4	959.2
UMTS license liability	28	880.8	807.5
Finance lease liabilities	29	6.6	7.8
Deferred tax liabilities	12	12.3	43.3
Provision for employee benefits	33	6.7	6.1
Other provisions	33	73.5	60.3
Current liabilities		**1,900.6**	**2,154.6**
Trade and other payables	32	530.4	668.9
Notes payable	30	64.6	56.2
UMTS license liability	28	63.9	57.3
Corporate income tax liabilities		13.7	7.6
Overdraft facilities and bank loans	31	0.0	100.7
Finance lease liabilities	29	1.6	1.5
Derivatives	20	6.4	38.4
Provision for employee benefits	33	0.5	0.5
Other provisions	33	126.1	86.8
Accrued expenses	34	455.9	559.7
Deferred income	35	637.5	577.0
TOTAL EQUITY AND LIABILITIES		**7,729.9**	**7,917.9**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Share Capital	Supplementary capital	Retained earnings	Total
Balance as of January 1, 2010		**2,050.0**	**642.2**	**631.4**	**3,323.6**
Total comprehensive income for the period		0.0	0.0	1,156.8	1,156.8
Distribution of profit (statutory)		0.0	41.2	-41.2	0.0
Dividends paid in the period for 2009	27	0.0	0.0	-98.6	-98.6
Dividends paid in the period (advance) for 2010	27	0.0	0.0	-502.7	-502.7
Balance as of December 31, 2010		**2,050.0**	**683.4**	**1,145.7**	**3,879.1**
Balance as of January 1, 2011		**2,050.0**	**683.4**	**1,145.7**	**3,879.1**
Total comprehensive income for the period		0.0	0.0	1,041.9	1,041.9
Dividends paid	27	0.0	0.0	-1,025.0	-1,025.0
Balance as of December 31, 2011		**2,050.0**	**683.4**	**1,162.6**	**3,896.0**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Year ended December 31, 2011	Year ended Decemebr 31, 2010
Operating activities			
Profit before tax:		**1,282.6**	**1,442.0**
Adjustments for:			
Share of profits of associates	18	-0.3	-2.1
Gain on derecognition of investment	18	-0.8	0.0
Interest expense / (income) and discount	24	106.6	108.0
Foreign exchange losses / (gains)		105.6	-31.3
Income tax paid		-278.2	-324.1
Amortisation and depreciation	7	1,261.5	1,328.6
Disposal and impairment on property, plant and equipment and goodwill	24	152.9	41.1
(Gain) / loss on investing activities	24	-44.3	11.7
Profit on disposal of property, plant and equipment	8	-4.2	-4.8
Other adjustments		7.4	7.6
Cash from operating activities before movements in working capital		**2,588.8**	**2,576.7**
Increase / decrease in:			
Inventories	24	34.1	-8.6
Trade and other receivables	24	251.2	18.4
Trade and other payables	24	-123.9	69.8
Accrued expenses	24	-109.8	-46.1
Deferred income		60.5	24.1
Provisions	24	41.9	7.8
Cash flows from operating activities		**2,742.8**	**2,642.1**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (cont.)
for the year ended December 31, 2011
(all amounts in millions of PLN, except where stated otherwise)

	Note	Year ended December 31, 2011	Year ended December 31, 2010
Investing activities			
Proceeds from disposal of property, plant and equipment		12.6	6.3
Purchase of property, plant and equipment and intangibles		-928.4	-798.5
UMTS license liability payments		-66.2	-59.8
Dividends received		2.3	2.0
Other investing activities - derivatives		9.9	-11.6
Net cash outflow on acquisition of subsidiaries and associates	18	-27.8	-11.0
Net cash used in investing activities		**-997.6**	**-872.6**

Financing activities			
Dividends paid		-1,029.9	-608.6
Repayments of borrowings:			
bank loans and overdrafts		-101.2	-2,562.5
notes		-58.9	-571.0
interest paid		-1.6	-45.3
finance lease payments		-2.2	-1.1
other		-7.1	-4.2
Proceeds from:			
bank loans and overdrafts		0.0	540.0
notes		0.0	1,488.5
Net cash used in financing activities		**-1,200.9**	**-1,764.2**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**544.3**	**5.3**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**29.2**	**23.9**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**573.5**	**29.2**
Restricted cash		*13.8*	*13.5*

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Polkomtel S.A. (hereinafter, the "Company", the "Parent Company"), with its registered office at 3 Postepu St. in Warsaw, Poland, operates as a joint stock company and was incorporated by the Notarial Deed dated December 19, 1995. The Company is registered in the National Court Register kept by the District Court in Warsaw, XIII Business Department of the National Court Register, Entry No. KRS 0000020908.

As of December 31, 2011 the Polkomtel S.A. Group (the "Group") comprised the Parent Company and its subsidiaries: Nordisk Polska Sp z o.o., Liberty Poland S.A. (from April 1, 2011), Polkomtel Finance AB (publ.), LTE 5 Sp. z o.o. and LTE 6 Sp. z o.o. and Polkomtel Business Development Sp. z o.o. Additional information about the entities included in these consolidated financial statements is presented in Notes 17 and 19.

The scope of the Group's business activities includes, among others:

- designing, installing, operating and managing telecommunication systems and networks in Poland, as well as any required infrastructure, in particular wireless technologies;
- developing and selling products and services in Poland, directly or indirectly using the aforementioned systems, networks and infrastructure;
- conducting any other activities with regard to the provision of telecommunication and related services in Poland (value added services, accompanying information services as well as services aimed at promoting the systems used, networks and provided services), personal insurance and property insurance, reinsurance, activities of insurance agents and brokers and other activities auxiliary to insurance.

As of the date of approval of these financial statements, the composition of the Company's Management Board was as follows:

- Zygmunt Solorz-Żak, President of the Management Board;
- Jarosław Bauc, Management Board Member;
- Martin James Moorhouse, Management Board Member.
- Wojciech Wiktor Pytel, Management Board Member,
- Tobias Markus Solorz, Management Board Member.

The following changes in the Company's Management Board took place during the period covered by the financial statements:

- on October 26, 2011 Wojciech Wiktor Pytel was appointed to the position of Member of the Board;
- on November 9, 2011 Tobias Markus Solorz was appointed to the position of Member of the Board;
- on November 9, 2011 Jarosław Bauc submitted his resignation from the position of President of the Management Board and appointed to the position of Member of the Board;
- on November 9, 2011 Zygmunt Solorz-Żak (a Member of the Supervisory Board) was delegated to the position of President of the Management Board;
- on November 9, 2011 Wojciech Dylewski submitted his resignation from the position of Member of the Board, Operations Director;
- on December 13, 2011 Bogusława Matuszewska resigned from the position of Member of the Board;

- on December 13, 2011 Krzysztof Kilian resigned from the position of Member of the Board.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU IFRS") and other applicable regulations.

These consolidated financial statements were approved by the Company's Management Board on March 1, 2012.

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis save for derivative financial instruments stated at fair value.

(c) Functional and presentation currency

The national currency of Poland is the Polish Zloty ("PLN"), which is the functional currency of the Parent Company as well as of its consolidated subsidiaries. PLN is also the currency in which these consolidated financial statements are presented.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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 areas where critical judgements have been made in applying accounting policies and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements include:

- Revenue recognition,
- Loss allowances for loans and receivables,
- Economic useful lives, and depreciation and amortization methods for property, plant and equipment and intangible assets,
- Decommissioning liabilities in respect of property, plant and equipment,
- Valuation of derivatives and other financial instruments,
- Deferred tax assets and liabilities,
- Contingencies, and
- Provisions.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

3. Issued International Financial Reporting Standards and Interpretations whose application is not mandatory

The EU IFRS include all International Accounting Standards, International Financial Reporting Standards and Interpretations, save for the Standards and Interpretations which have not yet been endorsed by the European Union or which have already been endorsed by the EU but are not yet effective.

In preparing these consolidated financial statements, the Group did not early adopt any new Standards which have already been published and adopted by the European Union and which should be applied for periods beginning on or after January 1, 2012.

New International Financial Reporting Standards and Interpretations yet to be adopted by the EU:

- Amendments to IFRS 1 *First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for periods beginning on or after July 1, 2011),
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (effective for periods beginning on or after July 1, 2012),
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets* (effective for periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective for periods beginning on or after January 1, 2013),
- IFRS 9 *Financial Instruments (2009)* (effective for periods beginning on or after January 1, 2015. Earlier application is permitted),
- Additions to IFRS 9 *Financial Instruments* (2010) (effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted),
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (effective for periods beginning on or after January 1, 2015),
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively when there is a change in the control conclusion. Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied earlier),
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied earlier),
- Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (effective for periods beginning on or after January 1, 2012). Earlier application is permitted.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively. Earlier application is permitted),

- IFRS 13 *Fair Value Measurement* (Effective prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted),
- amended IAS 19 *Employee Benefits* (effective for annual periods beginning on or after January 1, 2013),
- IAS 27 (2011*) Separate Financial Statements* (Effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied earlier),
- IAS 28 (2011) *Investments in Associates and Joint Ventures* (Amendments effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied earlier),
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for periods beginning on or after January 1, 2014),
- IFRIC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine* (effective for periods beginning on or after January 1, 2013).

The Parent Company's Management Board is analyzing the expected impact of these standards and interpretations, however currently does not believe the adoption of these regulations would have a significant impact on the Group's financial statements.

4. Accounting and consolidation policies

The accounting policies applied by the Group in these consolidated financial statements have been consistently applied by the Group and are consistent across the reported periods.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognized initially at cost. The carrying amount of the Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to PLN (i.e. the functional currency of the Group) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to PLN at the average National Bank of Poland exchange rate at that date with the resulting foreign exchange gains and losses recognized generally in profit or loss.

(c) Revenue

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received, exclusive of value added tax and any returns and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data transmission services and information provision, activation fees and equipment sales. Products and services may be sold separately or in bundled packages. Revenues from access charges, airtime usage and messaging are recognized at the time the services are performed, with unearned revenue from services to be provided in future periods deferred. For contract services, subscriber acquisition and retention costs are recognized as an expense for the period in which they are incurred. Revenue from interconnect fees is recognized at the time the services are performed, while revenues from activation fees are recognized at the moment of service activation. Revenue from the sale of prepaid credits is deferred until the final customer uses the airtime, or credit expires. The revenue is recognized at gross value, with simultaneous recognition of the cost of prepaid products distributed.

Revenues from the sale of premium rate services (data transmission and information provision), which are inseparably associated with additional customer benefits (content), are recognized when the Group has performed the related service. These revenues are recognized either at their gross amounts, where the Group acts as a principal (i.e. bears the significant risks associated with delivery of the content), or net of related amounts due to a content provider, if the Group acts as an agent (i.e. where the significant risks associated with delivery of the content are on the provider's side).

Revenues from the sale of mobile phones and accessories are recognized when the products are delivered and accepted by the customer. For device sales made to intermediaries, revenue is recognized if the significant risks associated with a device are transferred to the customer.

For contracts which include identifiable, separate elements, the amount received or due from the customer is allocated to these elements based on their relative fair values. The relative fair value of each individual element and thus the revenue recognized for this unit of account, however, is limited to the amount due from or paid by the customer, which does not depend on the delivery of additional elements. For example, the Group generally limits the fair value of individual equipment elements to the price paid by end-customer for that equipment on a standalone basis.

The Group maintains a loyalty program for its customers with related award credits (points) recognized as a separately identifiable component of an arrangement. The portion of arrangement revenue attributed to the award credits is deferred until such date that their redemption is made by the customer taking into account the expected level of points' redemption (or as the obligation lapses). The expenses related to discretionary points within the loyalty program are accrued until such date that the award credits are redeemed or expire.

(d) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items are recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured in the consolidated statement of financial position at cost, increased by extension or modernization costs, when it is expected that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Spare parts, which are accounted for as items of property, plant and equipment, are measured at cost, less accumulated depreciation charges.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Included as part of the initial cost are also estimated costs of dismantling and removing the assets and restoring the site on which they are located, where applicable. Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized if the conditions of IAS 23 are met.

(ii) Depreciation

Depreciation of property, plant and equipment, which is calculated over the depreciable amount, which is the cost of an asset, less its residual value, commences when an asset is ready for its intended use. All items of property, plant and equipment, other than land and property under construction, are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	in years
Buildings and structures	20 – 40
Network systems and equipment	3.3 –14.3
Motor vehicles	5 – 7.1
Other property, plant and equipment	3.3 – 10

When an item of property, plant and equipment comprises individual components for which different depreciation rates are appropriate, each component is depreciated separately. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and such leased assets are not recognized on the Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(g) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial recognition, goodwill is carried at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Intangible assets, other than goodwill, include telecommunication licences (GSM 900, DCS 1800, UMTS and CDMA), trade marks and customer relationships as well as other licences and software.

The telecommunication licenses are measured at cost less accumulated amortization and any accumulated impairment losses. As the payments are deferred beyond normal credit terms the cost of a license is its cash price equivalent (present value of licence payments discounted by the Company's marginal interest rate at the date of inception of the license period). The difference between this amount and total nominal payments is recognized as an interest expense using the effective interest method. The costs of the licenses are amortized using the straight-line method over their estimated useful lives, from the commercial commencement of the telecommunication services stipulated by a given license until the end of the license term.

Other intangible assets are measured in the consolidated statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Amortization of other intangible assets commences when the assets are ready for their intended use. Other intangible assets are amortized on a straight line basis over their expected economic useful lives.

The gain or loss arising on disposal or retirement of an item of intangible assets is determined as the difference between the proceeds and the carrying amount of the asset on disposal/retirement date and is recognized in the consolidated statement of comprehensive income in operating profit.

(h) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on the weighted average method and comprises purchase price or production cost (including direct materials and, where applicable, direct labor costs and those overheads and charges (i.e. customs duties and border fees) that have been incurred in bringing the inventories to their present location and condition). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Regarding the handsets sold in promotional offers, in its estimation of the net realizable value, the Group takes into account the expected revenues from monthly access fees.

(i) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Accounting for finance income and costs is discussed in note 4 (n) “Finance income and costs”.

Available-for-sale financial assets

The Group’s investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

In order to hedge its exposure to certain foreign currency exchange risks, the Group enters into forward currency exchange contracts and swap contracts. The Group does not apply hedge accounting under IAS 39.

(j) Share capital

Share capital is presented at the total nominal value of the registered shares of the Parent Company.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Employee benefits

(i) Defined contribution plans

All the Group's Polish entities are obligated, under Polish law, to collect and remit social security premiums on behalf of their employees. Such obligations for contributions to defined contribution pension plans, including Poland's state pension fund (ZUS), are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other employee benefits

The Group's net obligation in respect of long-term employee benefits other than the state pension plan (such as death benefits, retirement and disability benefits) is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The provision is determined quarterly by means of an actuarial valuation using the Projected Unit Method. The related actuarial gains and losses are recognized in profit or loss in the period in which they arise.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognized when the Group, as a result of a past event, has a present obligation (legal or constructive) that can be estimated reliably and it is probable that the Group will be required to settle that obligation (an outflow of economic benefits will be required). Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

(n) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive the dividend is established, which in the case of securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial instruments at fair value through profit or loss and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive ordinary shares.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

4a. Restatement of previously approved consolidated financial statements

The Group introduced the amendments to the consolidated financial statements for the year ended December 31, 2010 as compared to the consolidated financial statements previously approved by the Management Board of the Parent Company on November 23, 2011. The cost and income resulting from movements in bad debt allowance and provisions were offset against each other by PLN 74.2 million, which resulted in the decrease in other operating income and other operating expenses in the consolidated statement of comprehensive income.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

(b) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(c) Trade and other receivables

For trade and other receivables and various deposits, the Group considers their carrying amounts be the best estimates of fair values, due to the short-term nature and high liquidity of these instruments. This fair value is determined for disclosure purposes or when acquired in a business combination.

(d) Derivatives

The fair value of derivative financial instruments is determined using the present value of estimated future cash flows, discounted using interest rates observed by the Group at the end of the period. The forward currency exchange contracts, interest rate swaps and cross-currency interest rate swaps are valued taking into account the changes in currency spot rates and changes in the interest rate differential. All methods and assumptions used in the valuation of derivative financial instruments are based on commonly used models and techniques. Based on the market value hierarchy provided by IFRS 7 the Group believes the fair values of its derivative instruments to be Level 2 measurements.

(e) Non-derivative financial liabilities

For trade accounts payable and deposits received from customers, the Group considers their carrying amounts to be the best estimation of their respective fair values, determined for disclosure purposes, due to the short term nature and high liquidity of these instruments. Fair value of non-derivative financial liabilities other than trade accounts payable and deposits, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(all amounts in millions of PLN, except where stated otherwise)

6. Revenue

The Group's revenues for the reporting periods are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Billing charges	3,214.1	3,428.9
Monthly fees	2,365.6	2,463.3
Interconnect and roaming revenues	1,402.9	1,517.2
Other	165.8	131.5
Total sales of services	**7,148.4**	**7,540.9**
Sale of cellular handsets and accessories	163.5	132.2
Total sales of goods	**163.5**	**132.2**
Total revenues	**7,311.9**	**7,673.1**

The Group operates as one operating segment with a single group of related services and products (telecommunication services and cellular handsets and accessories sales). Consequently, management monitors operating results on a group - wide basis for the purpose of making decisions about resource allocation and performance assessment.

Revenue is generated almost entirely on the territory of Poland (approximately 0.9% of total revenue is derived from entities registered outside of Poland).

No individual customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the years ended December 31, 2011 and December 31, 2010.

7. Operating expenses

	Year ended December 31, 2011	Year ended December 31, 2010
Costs of goods sold	1,035.0	1,145.6
Materials and energy	102.0	100.6
Interconnect and roaming charges	1,338.2	1,490.1
External services including dealer commission and lease of land	1,191.3	1,207.0
Taxes and charges	111.8	100.3
Wages and salaries	433.9	415.1
Social security costs and other personal costs	82.5	75.5
Amortisation and depreciation	1,261.5	1,328.6
Disposals and impairment	137.4	41.1
Marketing costs and other overheads	217.4	276.2
Other operating expenses	163.2	121.7
Total operating expenses	**6,074.2**	**6,301.7**

(all amounts in millions of PLN, except where stated otherwise)

8. Other operating income

	Year ended December 31, 2011	Year ended December 31, 2010
Profit on disposal of property, plant and equipment	4.2	4.8
Grants	0.0	0.4
Contract cancellation charges and similar	92.7	116.3
Sales of receivables	28.8	15.5
Rental income	14.6	16.4
Other	49.9	24.4
Total other operating income	**190.2**	**177.8**

9. Other operating expenses

	Year ended December 31, 2011	Year ended December 31, 2010
Donations	9.5	23.3
Provisions for liabilities	73.6	7.1
Trade receivables allowances	32.8	62.1
Written off debt, penalties and sold receivables	8.5	14.3
Impairment of goodwill	15.5	0.0
Other	23.3	14.7
Total other operating expenses	**163.2**	**121.7**

10. Finance income

	Year ended December 31, 2011	Year ended December 31, 2010
Interest received	28.4	21.2
Gain on valuation and disposal of derivatives (swap)	12.8	6.2
Gain on valuation and disposal of other derivatives	44.3	0.0
Impairment of investments	0.0	6.3
Exchange rate gains, net	0.0	10.0
Other	0.1	4.5
Total finance income	**85.6**	**48.2**

(all amounts in millions of PLN, except where stated otherwise)

11. Finance costs

	Year ended December 31, 2011	Year ended December 31, 2010
Discount on UMTS liability	40.4	41.2
Interest on bank overdraft, loans and bonds	8.3	50.5
Other interest and impairment on interest receivable	12.9	18.5
Interest on notes and commercial paper	61.5	18.0
Loss on valuation and disposal of derivatives (swap)	15.6	8.6
Loss on valuation and disposal of other derivatives	0.0	18.0
Exchange rate losses, net	92.4	0.0
Other	0.9	2.5
Total finance costs	**232.0**	**157.4**

12. Income tax

Income tax expense	Year ended December 31, 2011	Year ended December 31, 2010
Current income tax expense	-284.0	-299.1
Deferred income tax expense	43.3	13.9
Income tax expense for the period	**-240.7**	**-285.2**

Effective tax rate reconciliation	Year ended December 31, 2011	Year ended December 31, 2010
Profit before tax	1,282.6	1,442.0
Tax calculated at the currently enacted tax rate in Poland of 19%	-243.7	-274.0
Tax impact of non-taxable revenues and non-deductible costs	3.0	-11.2
Income tax expense recognised in the consolidated statement of comprehensive income	-240.7	-285.2
Effective tax rate	19%	20%

(all amounts in millions of PLN, except where stated otherwise)

Deferred tax

Deductible temporary differences	December 31, 2011	December 31, 2010
Valuation allowance for shares in affiliated company	0.0	13.1
Valuation allowance for inventory	5.6	19.2
Valuation allowance for receivables	14.5	16.3
Valuation of derivatives (net)	0.0	28.6
Valuation of loans	27.6	21.1
Lease liabilities	8.2	9.3
Estimated cost of rebates for roaming services granted (accruals)	25.6	28.8
Provision for employee benefits	7.2	6.6
Other provisions for liabilities	107.3	72.2
Accrued expenses	542.0	653.8
Deferred income - monthly fees	301.9	246.8
Deferred income- telecards	282.0	257.2
Other deferred income	53.6	73.0
Other deductible temporary differences	4.2	2.7
Total deductible temporary differences	**1,379.7**	**1,448.6**
Tax losses	37.6	45.6
Tax rate	19%	19%
Deferred tax assets	**269.3**	**283.9**

Taxable temporary differences	December 31, 2011	December 31, 2010
Valuation of telecommunication licenses	352.0	588.7
Other intangibles	325.1	252.5
Property, plant and equipment owned	539.1	682.4
Property, plant and equipment leased	8.9	10.3
Accrued interest on loan granted to affiliated company	7.2	3.3
Accrued interest and other prepayments	3.3	1.3
Accrued billing revenues	29.5	38.8
Accrued revenues from prepaid	1.3	1.2
Accrued value of rebates referring to roaming services	63.6	56.3
Accrued rebates for prepaid services	19.4	20.0
Accrued revenues for marketing support and other	33.5	40.2
Valuation of derivatives (net)	23.7	0.0
Trade liabilities - estimated rebates for phones	15.9	27.2
Total taxable temporary differences	**1,422.5**	**1,722.2**
Tax rate	19%	19%
Deferred tax liabilities	**270.3**	**327.2**

	December 31, 2011	December 31, 2010
Net deferred tax assets as at the beginning of the period	0.0	0.0
Net deferred tax liabilities as at the beginning of the period	-43.3	-57.2
Net deferred tax assets as at the end of the period	11.3	0.0
Net deferred tax liabilities as at the end of the period	-12.3	-43.3
Change in deferred tax assets and liabilities	42.3	13.9
Change in deferred tax assets and liabilities resulting from fair value of net assets of acquired entity recognised in goodwill	1.0	0.0
Deferred tax in the net profit for the period	**43.3**	**13.9**

(all amounts in millions of PLN, except where stated otherwise)

The Group recognized deferred tax assets on all deductible temporary differences based on managements' assessment that future taxable profit would be available against which the Group could utilize the benefits there from.

The tax losses as of December 31, 2011 expire in the following years:

Tax year	Year of expiration	Tax loss
2007	2012	1.0
2008	2013	6.7
2009	2014	9.0
2010	2015	19.6
2011	2016	1.3
Total		**37.6**

The tax losses as of December 31, 2010 expire in the following years:

Tax year	Year of expiration	Tax loss
2006	2011	0.9
2007	2012	2.0
2008	2013	10.5
2009	2014	12.5
2010	2015	19.7
Total		**45.6**

(all amounts in millions of PLN, except where stated otherwise)

13. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

At the reporting date and during the year then ended, the Company did not have any financial instruments that could have a dilutive effect on earnings per share. Therefore, its basic earnings per share and diluted earnings per share, presented below, are equal.

	Year ended December 31, 2011	Year ended December 31, 2010
Net profit	1,041.9	1,156.8
Net profit attributable to ordinary shareholders	1,041.9	1,156.8
Weighted average number of ordinary shares (mln)	20.5	20.5
Basic EPS (PLN)	50.8	56.4
Diluted EPS (PLN)	50.8	56.4

14. Property, plant and equipment

	Land	Buildings & constructions	Network system & equipment	Motor vehicles	Other fixed assets	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Gross book value as of January 1, 2011	**31.9**	**141.4**	**10,564.6**	**51.3**	**167.1**	**474.9**	**0.2**	**11,431.4**
Additions	0.0	3.0	663.9	1.7	28.4	658.6	5.1	1,360.7
Additions relating to business combination	0.0	2.4	0.9	0.7	0.0	0.1	0.0	4.1
Disposals	0.0	0.0	-370.6	-12.7	-7.2	-697.6	-0.1	-1,088.2
Other adjustments	0.0	0.0	0.0	0.0	0.0	9.7	0.0	9.7
Balance as of December 31, 2011	**31.9**	**146.8**	**10,858.8**	**41.0**	**188.3**	**445.7**	**5.2**	**11,717.7**
Accumulated depreciation as of January 1, 2011	**0.0**	**51.4**	**6,794.1**	**23.1**	**133.1**	**0.0**	**0.0**	**7,001.7**
Depreciation charge for period	0.0	5.8	996.4	8.0	20.5	0.0	0.0	1,030.7
Disposals	0.0	0.0	-321.2	-12.0	-7.0	0.0	0.0	-340.2
Accumulated depreciation as of December 31, 2011	**0.0**	**57.2**	**7,469.3**	**19.1**	**146.6**	**0.0**	**0.0**	**7,692.2**
Impairment losses as of January 1, 2011	**0.0**	**0.0**	**13.0**	**0.0**	**0.0**	**24.0**	**0.0**	**37.0**
Additions	0.0	0.0	94.0	0.0	0.0	21.7	0.0	115.7
Reversal	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
Use	0.0	0.0	-12.9	0.0	0.0	0.0	0.0	-12.9
Other adjustments	0.0	0.0	-3.5	0.0	0.0	0.0	0.0	-3.5
Impairment losses as of December 31, 2011	**0.0**	**0.0**	**90.5**	**0.0**	**0.0**	**45.7**	**0.0**	**136.2**
Net book value as of December 31, 2011	**31.9**	**89.6**	**3,299.0**	**21.9**	**41.7**	**400.0**	**5.2**	**3,889.3**
Net book value as of January 1, 2011	**31.9**	**90.0**	**3,757.5**	**28.2**	**34.0**	**450.9**	**0.2**	**4,392.7**

14. Property, plant and equipment (cont.)

	Land	Buildings & constructions	Network system & equipment	Motor vehicles	Other fixed assets	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Gross book value as of January 1, 2010	**31.9**	**137.3**	**10,067.0**	**42.3**	**187.8**	**513.0**	**0.2**	**10,979.5**
Additions	0.0	4.4	620.1	18.3	10.4	655.2	0.0	1,308.4
Disposals	0.0	-0.3	-140.5	-9.3	-31.1	-644.2	0.0	-825.4
Other adjustments	0.0	0.0	18.0	0.0	0.0	-49.1	0.0	-31.1
Gross book value as of December 31, 2010	**31.9**	**141.4**	**10,564.6**	**51.3**	**167.1**	**474.9**	**0.2**	**11,431.4**
Accumulated depreciation as of January 1, 2010	**0.0**	**46.7**	**5,867.3**	**24.1**	**147.5**	**0.0**	**0.0**	**6,085.6**
Depreciation charge for period	0.0	5.0	1,048.1	7.3	16.5	0.0	0.0	1,076.9
Disposals	0.0	-0.3	-121.3	-8.3	-30.9	0.0	0.0	-160.8
Accumulated depreciation as of December 31, 2010	**0.0**	**51.4**	**6,794.1**	**23.1**	**133.1**	**0.0**	**0.0**	**7,001.7**
Impairment losses as of January 1, 2010	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**13.1**	**0.0**	**13.1**
Additions	0.0	0.0	16.8	0.0	0.0	11.1	0.0	27.9
Reversals	0.0	0.0	-0.5	0.0	0.0	-0.2	0.0	-0.7
Use	0.0	0.0	-3.5	0.0	0.0	0.0	0.0	-3.5
Other adjustments	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Impairment losses as of December 31, 2010	**0.0**	**0.0**	**13.0**	**0.0**	**0.0**	**24.0**	**0.0**	**37.0**
Net book value as of December 31, 2010	**31.9**	**90.0**	**3,757.5**	**28.2**	**34.0**	**450.9**	**0.2**	**4,392.7**
Net book value as of January 1, 2010	**31.9**	**90.6**	**4,199.7**	**18.2**	**40.3**	**499.9**	**0.2**	**4,880.8**

15. Goodwill

	December 31, 2011	December 31, 2010
Acquisition of Nordisk Polska Sp. z o.o.	0.0	15.5
Acquisition of Liberty Poland S.A.	28.3	0.0
Total goodwill	**28.3**	**15.5**

Goodwill results from the acquisition of 100% of the shares in Nordisk Polska Sp. z o.o. in 2009 and the acquisition of 100% of the shares in Liberty Poland S.A. (38.42% of the shares in 2008, 11% of the shares in May 2010 and 50.58% of the shares in April 2011). For more information on goodwill related to the acqusition of Liberty Poland S.A. refer to note 18 Business combinations.

In accordance with the provisions of IAS 36 *Impairment of Assets*, as of the balance sheet date the Group performed impairment testing with regard to the carrying amounts of cash generating units (CGUs) to which the goodwill balances had been allocated. The approach and assumptions used by the management in the above impairment testing are described in points 15.a and 15.b below, along with the results thereof.

15.a Impairment testing for the cash-generating unit containing goodwill of Nordisk Polska Sp. z o.o.

The Group identified a separate CGU comprising the assets of Nordisk Polska Sp. z o.o. as well as an allocation of related goodwill, along with the CDMA assets owned by Polkomtel S.A., as these assets generate cash inflows from services rendered based on the application of the CDMA technology, which are largely independent of the cash flows of the Group's other assets or groups thereof.

The following assets subject to impairment testing were identified and allocated to the CGU:

Carrying amount of the CDMA CGU as of December 31, 2011	
CDMA license	13.9
PP&E re. CDMA and intangible assets re. CDMA software	122.6
Receivables from prepayments for usage of CDMA frequency	1.0
Carrying amount of the CDMA CGU, prior to goodwill allocation	**137.5**
Goodwill resulting from the acquisition of Nordisk Polska Sp. z o.o.	**15.5**
Carrying amount of the CDMA CGU, incl. goodwill, prior to impairment	**153.0**

The recoverable amount of the CDMA CGU was based on its value in use and was determined by discounting the projected future cash flows to be generated from the continuing use of the CGU.

As of the reporting date the carrying amount of the CGU was determined to be higher than its recoverable amount, and accordingly, the Group recognized an impairment loss of PLN 118.3 million which resulted from the post-acquisition revision of the CDMA business plan. The impairment was allocated as follows: PLN 15.5 million reduced the carrying amount of goodwill and was recognized in other operating expenses and PLN 102.8 million reduced the carrying amounts of property, plant and equipment (by PLN 90.4 million) and intangible assets (by PLN 12.4 million) and was recognized in operating expenses under "Amortization and depreciation, disposals and impairment".

(all amounts in millions of PLN, except where stated otherwise)

15.b Impairment testing for the cash-generating unit containing goodwill of Liberty Poland S.A.

The Group also identified a separate CGU comprising the assets of Liberty Poland S.A. as well as allocation of related goodwill, as these assets generate cash inflows from telecommunication agency services, which are largely independent of the cash flows of the Group's other assets or groups thereof.

Carrying amount of the Liberty Poland S.A. CGU as of December 31, 2011	
Net assets of Liberty Poland S.A.	33.9
Goodwill	28.3
Carrying amount of the Liberty S.A. CGU, incl. goodwill	**62.2**

The recoverable amount of the CGU containing the allocation of goodwill on the acquisition of Liberty Poland S.A. was based on its value in use and was determined by discounting the projected future cash flows to be generated from the continuing use of the CGU.

Based on the test performed no impairment was identified in respect of the CGU and the related goodwill resulting from the acquisition of Liberty Poland S.A.

The key assumptions of the management of the Parent Company used in the cash flow projections of the above CGUs as of December 31, 2011 are as follows: the period of projections of 5 years (2012 – 2016), the discount rate (the weighted average cost of capital) of 10.3% and the terminal growth rate that exceeds the long-term average growth for the industries, to which the CGUs are dedicated and varies from 0% to 2.5%

(all amounts in millions of PLN, except where stated otherwise)

16. Intangible assets

	Telecommunication licenses and cost of organisation of licenses	Software and other intangibles	Intangibles under development	Total
Gross book value as of January 1, 2011	**2,819.4**	**1,366.1**	**238.5**	**4,424.0**
Additions	0.0	268.8	229.9	498.7
Additions relating to business combination	0.0	9.6	0.0	9.6
Disposals	0.0	-13.1	-267.7	-280.8
Other adjustments	0.0	-0.1	-9.6	-9.7
Balance as of December 31, 2011	**2,819.4**	**1,631.3**	**191.1**	**4,641.8**
Accumulated amortization as of January 1, 2011	**1,358.7**	**937.8**	**0.0**	**2,296.5**
Amortization charge for period	139.6	91.2	0.0	230.8
Disposals	0.0	-12.6	0.0	-12.6
Accumulated amortization as of December 31, 2011	**1,498.3**	**1,016.4**	**0.0**	**2,514.7**
Impairment losses as of January 1, 2011	**0.1**	**0.0**	**1.7**	**1.8**
Additions	3.6	8.8	0.0	12.4
Reversal	-0.1	0.0	-1.7	-1.8
Impairment losses as of December 31, 2011	**3.6**	**8.8**	**0.0**	**12.4**
Net book value as of December 31, 2011	**1,317.5**	**606.1**	**191.1**	**2,114.7**
Net book value as of January 1, 2011	**1,460.6**	**428.3**	**236.8**	**2,125.7**

As of December 31, 2011 the balance of telecommunication licences comprised the following:

Telecommunication licences as of December 31, 2011	Telecommunication licences	Cost of organisation of licenses	Gross book value	Carrying amount	Expiration date
Licence GSM 900*	846.2	10.4	856.6	0.0	24/02/2026
Licence GSM 1800	194.5	0.0	194.5	35.8	13/09/2014
Licence UMTS	1,741.7	9.3	1,751.0	1,271.4	01/01/2023
CDMA license	14.1	3.2	17.3	10.3	31/12/2020
Total	**2,796.5**	**22.9**	**2,819.4**	**1,317.5**	

* In January 2011, the Company received a decision of the President of the Office of Electronic Communications granting the extension of the GSM license for frequencies of 900 MHz till February 24, 2026. The prolongation does not entail any additional expenses.

(all amounts in millions of PLN, except where stated otherwise)

16. Intangible assets (cont.)

	Telecommunication licenses and cost of organisation of licenses	Software and other intangibles	Intangibles under development	Total
Gross book value as of January 1, 2010	**2,819.4**	**1,239.0**	**164.1**	**4,222.5**
Additions	0.0	158.9	202.2	361.1
Disposals	0.0	-31.8	-158.9	-190.7
Other adjustments	0.0	0.0	31.1	31.1
Gross book value as of December 31, 2010	**2,819.4**	**1,366.1**	**238.5**	**4,424.0**
Accumulated amortization as of January 1, 2010	**1,169.6**	**903.9**	**0.0**	**2,073.5**
Amortization charge for period	189.1	65.5	0.0	254.6
Disposals	0.0	-31.7	0.0	-31.7
Other adjustments	0.0	0.1	0.0	0.1
Accumulated amortization as of December 31, 2010	**1,358.7**	**937.8**	**0.0**	**2,296.5**
Impairment losses as of January 1, 2010	**0.0**	**0.6**	**0.0**	**0.6**
Additions	0.1	0.1	2.5	2.7
Reversals	0.0	-0.5	-0.1	-0.6
Use	0.0	-0.2	-0.7	-0.9
Impairment losses as of December 31, 2010	**0.1**	**0.0**	**1.7**	**1.8**
Net book value as of December 31, 2010	**1,460.6**	**428.3**	**236.8**	**2,125.7**
Net book value as of January 1, 2010	**1,649.8**	**334.5**	**164.1**	**2,148.4**

As of December 31, 2010 the balance of telecommunication licences comprised the following:

Telecommunication licences as of December 31, 2010	Telecommunication licences	Cost of organisation of licenses	Gross book value	Carrying amount	Expiration date
Licence GSM 900	846.2	10.4	856.6	9.9	23/02/2011
Licence GSM 1800	194.5	0.0	194.5	49.2	13/09/2014
Licence UMTS	1,741.7	9.3	1,751.0	1,386.0	01/01/2023
CDMA license	14.1	3.2	17.3	15.5	31/12/2020
Total	**2,796.5**	**22.9**	**2,819.4**	**1,460.6**	

17. Consolidated subsidiaries

Name of the entity	Headquarters	Activities	Parent Company's percentage share in capital as of December 31, 2011	Parent Company's percentage share in capital as of December 31, 2010
Nordisk Polska Sp. z o.o.	02-676 Warszawa ul. Postępu 3	1. wireline telecommunications; 2. wireless (mobile) telecommunications; 3. other communications operations.	100%	100%
Polkomtel Finance AB (publ)	Norrlandsgatan 18, 111 43 Stockholm, Sweden	1. issuer of the Notes (see note 30); 2. other financial activities, including lending.	100%	100%
Liberty Poland S.A.	ul. Wrocławska 58 41-902 Bytom	1. sales activities – wholesale and retail in the field of sale of telecommunication equipment (handsets and accessories in particular); 2. provision of services in the following areas: telecommunications and IT as well as marketing and advertising; 3. activities of agents specializing in selling specified goods or specific group of goods not classified anywhere else; 4. other telecommunications operations.	100%	49%
Polkomtel Business Development Sp. z o.o.*	02-676 Warsaw ul. Postępu 6	Other activities supporting financial services excluding insurance and pension funds	100%	0%

* On August 11, 2011, Polkomtel S.A. purchased from Liberty Poland S.A. 100% of the shares of Polkomtel Business Development Sp. z o.o. for PLN 5 thousand. On August 12, 2011, the Extraordinary Stakeholders Meeting of Polkomtel Business Development Sp. z o.o. approved a capital increase of PLN 32 million. New 640,000 shares with the nominal value of PLN 50 each were acquired by Polkomtel S.A. The consideration for the new shares in the total amount of PLN 32 million was settled in cash on August 16, 2011.

18. Business combinations

On April 1, 2011, the Group gained full control over its former associate, Liberty Poland S.A, an unlisted company specializing mainly in sale of telecommunication equipment and provision of telecommunication services. The above business combination was achieved in three stages. The first agreement was concluded by and between Polkomtel S.A. and Telera Holding B.V. on March 6, 2008 by virtue of which Polkomtel S.A. obtained the right to acquire 38.42% of the shares of Liberty Poland S.A. The agreement came into effect on July 16, 2008. Under the agreement of May 20, 2010 Polkomtel S.A. acquired a further 11% stake in Liberty Poland S.A. and agreed to purchase the remaining 50.58% of the shares on April 1, 2011. Following the execution of the above agreement, the Parent Company became the sole shareholder of Liberty Poland S.A.

The purpose of the acquisition was to secure the Group's distribution channels.

Goodwill and the fair values of identifiable assets and liabilities of Liberty Poland S.A as of the date of acquisition were as follows:

	Fair value recognised on acquisition
Assets	
Intangible assets	9.6
Property, plant and equipment	4.2
Inventories	3.9
Receivables and prepayments	49.0
Cash and cash equivalents	22.9
Deferred tax asset	0.5
Total assets	**90.1**
Liabilities	
Provision for employee benefits and similar	0.7
Payables	57.7
Deferred tax liability	1.4
Total liabilities	**59.8**
Total identifiable net assets at fair value	**30.3**
Fair value of the consideration paid	29.9
Fair value of equity interest before the business combination	28.7
less total indentifiable net assets at fair value	-30.3
Goodwill arising on acqusition	**28.3**

From the date of acquisition of the controlling stake by the Group (April 1, 2011), Liberty Poland S.A. has contributed PLN 25.5 million of revenue and PLN 3.5 million net profit to the Group for the year ended December 31, 2011. Had the combination taken place at the beginning of the year, revenue of the Group would have been PLN 7,507.0 million and net profit of the Group would have been PLN 1,043.5 million for the year ended December 31, 2011.

(all amounts in millions of PLN, except where stated otherwise)

Analysis of cash flows on acqusition:

Consideration paid on April 1, 2011 for 50,58% of the shares	50.7
Net cash acquired with the subsidiary (included in cash flows from investing activities)	-22.9
Net cash flow on acqusition	**27.8**

Gain on derecognition of investment	Year ended December 31, 2011	Year ended December 31, 2010
Gain on derecognition of investment in Liberty Poland S.A.	0.8	0.0
Total gain on derecognition of investment	**0.8**	**0.0**

The table below presents the financial information relating to the share in profit of Liberty Poland S.A. recognised in the statement of comprehensive income prior to the acquisition of 100% of the shares.

	Year ended December 31, 2011	Year ended December 31, 2010
Total revenue of Liberty Poland S.A. in the period before the acqusition (April 1, 2011)	158.9	640.3
Total profit of Liberty Poland S.A. in the period before the acqusition (April 1, 2011)	0.5	4.7
Group's share of profits of associates	**0.3**	**2.1**

19. Investments in associates and other related entities

	Investments in associates and other entities as of December 31, 2011		
	shares in associates accounted for under equity method	**shares in other related entities**	**Total**
Investments in associates and other entities at the beginning of the period (opening balance)	**29.9**	**0.2**	**30.1**
- increase	51.0	0.0	51.0
acquisition	50.7	0.0	50.7
share in profit of associates	0.3	0.0	0.3
- decrease	-80.9	0.0	-80.9
impairment	-20.8	0.0	-20.8
reclassification of associate into subsidiary	-60.1	0.0	-60.1
Investments in associates and other entities at the end of the period (closing balance)	**0.0**	**0.2**	**0.2**

	Investments in associates and other entities as of December 31, 2010		
	shares in associates accounted for under equity method	**shares in other related entities**	**Total**
Investments in associates and other entities at the beginning of the period (opening balance)	**17.1**	**0.1**	**17.2**
- increase	**18.8**	**0.1**	**18.9**
acquisition	10.4	0.1	**10.5**
impairment reversal	6.3	0.0	**6.3**
share in profit of associates	2.1	0.0	**2.1**
- decrease	**-6.0**	**0.0**	**-6.0**
dividends received	-2.0	0.0	**-2.0**
impairment	-4.0	0.0	**-4.0**
Investments in associates and other entities at the end of the period (closing balance)	**29.9**	**0.2**	**30.1**

19. Investments in associates and other related entities (cont.)

Name of the entity and its legal form	Headquarters	Activities	Nature of the association	Date of obtaining a significant influence or control	Investment cost	Carrying amount	Stake in share capital as of December 31, 2011	Net profit (loss) for the year ended December 31, 2011
4MNO Sp. z o.o.	01-031 Warsaw Al. Jana Pawła II 61C	Provision of mobile TV services	associate	2008	0.11	0.11	25%	-0.01
LTE 5 Sp. z o.o.*	02-676 Warsaw ul. Postępu 3	The scope of operations of the two companies covers, among others, operations in the field of wireline and wireless telecommunications, excluding satellite telecommunications, as well as operations in the field of other types of telecommunications.	subsidiary	2010	0.05	0.05	100%	-0.02
LTE 6 Sp. z o.o.*	02-676 Warsaw ul. Postępu 3	The scope of operations of the two companies covers, among others, operations in the field of wireline and wireless telecommunications, excluding satellite telecommunications, as well as operations in the field of other types of telecommunications.	subsidiary	2010	0.05	0.05	100%	-0.02
					TOTAL	**0.21**		

* LTE 5 Sp. z o.o. and LTE 6 Sp. z o.o. are not consolidated as these entities are either dormant or in development stage and their inclusion would not influence the economic decisions of users of the Group's consolidated financial statements.

20. Financial instruments and risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
  (i) currency risk
  (ii) interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Management Board is supported by the Audit Committee regarding compliance with legal provisions and internal standards and policies in the area of financial risk management.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers as well as cash and cash equivalents.

The Group had no significant concentrations of credit risk during the years ended December 31, 2011 and December 31, 2010.

Cash deposits are limited to high credit quality financial institutions only. With respect to trade accounts receivable the risk is limited due to the fact that the Group has a large and diversified base of customers who are dispersed geographically over the entire country. Also, the provision of contract services to significant customers is preceded by appropriate verification of their creditworthiness. Retail customer verification and dunning processes are more automatic and are based on CRM and billing systems functionalities. The Group applies usage limits, sales limits and monitors accounts receivable balances on an ongoing basis and if necessary ceases business with customers who exceed their limits.

(all amounts in millions of PLN, except where stated otherwise)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was:

Carrying amount	December 31, 2011	December 31, 2010
Trade receivables from third parties	861.6	945.4
Trade receivables from related parties	1.4	45.4
Cash and cash equivalents	573.5	29.2
Other financial assets and derivative financial instruments	30.1	9.8
Total	**1,466.6**	**1,029.8**

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Management believes there is no further credit risk allowance required in excess of the normal allowance for bad and doubtful accounts receivable.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off directly.

For movement in the allowance for impairment in respect of trade receivables during the period, refer to note 22 Trade and other receivables.

Based on past experience and its best knowledge, the Group believes that, apart from the above, no additional impairment allowance for trade receivables is necessary.

The aging of trade receivables at the reporting date was:

December 31, 2011	TOTAL	Not due and overdue up to 1 month	over 1 month to 2 months	over 2 months to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 12 months
Trade receivables	1,143.6	873.5	12.4	8.8	22.1	45.3	181.5
Total	**1,143.6**	**873.5**	**12.4**	**8.8**	**22.1**	**45.3**	**181.5**
Allowance for doubtful accounts	-280.6	-45.2	-6.4	-6.9	-19.0	-35.4	-167.7
Trade receivables, net	**863.0**	**828.3**	**6.0**	**1.9**	**3.1**	**9.9**	**13.8**

December 31, 2010	TOTAL	Not due and overdue up to 1 month	over 1 month to 2 months	over 2 months to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 12 months
Trade receivables	1,367.6	1,013.5	15.9	10.5	29.7	72.9	225.1
Total	**1,367.6**	**1,013.5**	**15.9**	**10.5**	**29.7**	**72.9**	**225.1**
Allowance for doubtful accounts	-376.8	-56.7	-8.5	-8.4	-27.1	-61.6	-214.5
Trade receivables, net	**990.8**	**956.8**	**7.4**	**2.1**	**2.6**	**11.3**	**10.6**

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is assessed in conjunction with the Group's budgeted cash flows and by managing a proper current liabilities structure. Unexpected business circumstances that may lead to deteriorating liquidity position are balanced with the demand for the Company's debt, reflected in credit margins offered by banks, which are at least as favourable as margins offered to the other Polish companies in a similar financial situation. The method of measuring the liquidity risk consists of the analysis of the cover of current liabilities with available financing including loans and bonds.

Refer also to notes 28, 29 and 30 for more details on, respectively, UMTS license liability, Finance lease liabilities, Notes payable and the contractual maturities of these financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The following are the contractual maturities of financial liabilities and derivatives including estimated interest payments and excluding the impact of netting agreements:

December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Notes payable	1,018.0	-1,241.4	-32.7	-33.0	-65.5	-1,110.2	0.0
Finance lease liabilities	8.2	-9.0	-1.0	-1.0	-3.5	-3.5	0.0
Trade payables	181.9	-181.9	-181.9	0.0	0.0	0.0	0.0
UMTS license liability	944.7	-1,258.9	0.0	-66.3	-66.3	-371.0	-755.3
Non-derivative financial liabilities	**2,152.8**	**-2,691.2**	**-215.6**	**-100.3**	**-135.3**	**-1,484.7**	**-755.3**
Forwards	26.8	26.7	25.9	0.8	0.0	0.0	0.0
- Outflow	-3.4	-749.5	-488.7	-260.8	0.0	0.0	0.0
- Inflow	30.2	776.2	514.6	261.6	0.0	0.0	0.0
Interest rate swaps	-3.1	-0.1	0.0	0.0	-0.1	0.0	0.0
- Outflow	-3.1	-16.7	-2.1	-2.1	-4.2	-8.3	0.0
- Inflow	0.0	16.6	2.1	2.1	4.1	8.3	0.0
Derivative financial instruments (net)	**23.7**	**26.6**	**25.9**	**0.8**	**-0.1**	**0.0**	**0.0**

December 31, 2010	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Notes payable	1,015.4	-1,267.1	-28.3	-28.7	-57.1	-1,153.0	0.0
Overdraft facilities and bank loans	100.7	-100.7	-100.7	0.0	0.0	0.0	0.0
Finance lease liabilities	9.3	-10.7	-1.0	-1.0	-4.4	-4.3	0.0
Trade payables	234.9	-234.9	-234.9	0.0	0.0	0.0	0.0
UMTS license liability	864.8	-1,188.1	0.0	-59.4	-59.4	-281.2	-788.1
Non-derivative financial liabilities	**2,225.1**	**-2,801.5**	**-364.9**	**-89.1**	**-120.9**	**-1,438.5**	**-788.1**
Forwards	-37.0	-37.0	-36.0	-1.0	0.0	0.0	0.0
- Outflow	-38.2	-762.9	-571.9	-191.0	0.0	0.0	0.0
- Inflow	1.2	725.9	535.9	190.0	0.0	0.0	0.0
Interest rate swaps	8.4	1.2	-0.8	5.0	-0.8	-2.2	0.0
- Outflow	-0.2	-57.0	-3.8	-36.5	-4.2	-12.5	0.0
- Inflow	8.6	58.2	3.0	41.5	3.4	10.3	0.0
Derivative financial instruments (net)	**-28.6**	**-35.8**	**-36.8**	**4.0**	**-0.8**	**-2.2**	**0.0**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. The Group does not apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group's revenues are denominated primarily in PLN while a substantial portion of operating costs and capital expenditures are incurred in foreign currencies. The main specific sources of the Group's currency risk are: the UMTS license agreement, agreements with the suppliers of goods (mainly handsets), agreements with the suppliers of equipment for telecommunication networks, agreements for the lease of land on which the elements of telecommunication networks are installed, office lease agreements, as well as roaming and interconnect agreements. In order to mitigate the currency risk the Group enters into forward currency exchange transactions and acquires currency options and swaps on a regular basis to reduce its exposure against currency risk. The exposure that is hedged results from the analysis of the budget plans.

The Group's exposure to foreign currency risk (for the most significant currencies) is illustrated in the table below as the carrying amounts of the Group's financial instruments denominated in foreign currencies, translated to PLN using the National Bank of Poland's rate as of the reporting date. At the end of each respective period presented, the Group was exposed to currency risk primarily in respect of EUR exchange rate variability with EUR exposure accounting for approximately 95% of the total in any given period:

Foreign currency denominated	**December 31, 2011**	**December 31, 2010**
Trade and other receivables	11.1	14.7
Cash and cash equivalents	1.8	2.1
UMTS license liability	-944.7	-864.8
Trade and other payables	-97.2	-40.0
Gross exposure	**-1,029.0**	**-888.0**
FX derivative contracts EUR	733.2	683.2
FX derivative contracts USD	20.5	29.6
Total derivative contracts	**753.7**	**712.8**
Net exposure	**-275.3**	**-175.2**

The following significant exchange rates applied during the period:

	December 31, 2011	**December 31, 2010**
Reporting date spot rate		
USD	3.4174	2.9641
EUR	4.4168	3.9603
Reporting period average spot rate		
USD	2.9634	3.0157
EUR	4.1201	3.9946

(all amounts in millions of PLN, except where stated otherwise)

Sensitivity analysis

A strengthening or weakening of PLN, as indicated below, against all foreign currencies would have increased or decreased, respectively, profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Profit or loss	**December 31, 2011**	**December 31, 2010**
Strengthening of PLN by 5%		
sensitivity of gross exposure	51.5	44.4
sensitivity of hedging contracts	-37.0	-35.6
Sensitivity net	14.5	8.8
Weakening of PLN by 5%		
sensitivity of gross exposure	-51.5	-44.4
sensitivity of hedging contracts	37.0	36.0
Sensitivity net	**-14.5**	**-8.4**

(ii) Interest rate risk

The Group's moderate financial leverage reduces the potential effect of changes in interest rates on its financial results. The Group is exposed to interest rate risk resulting from, primarily, the variability of future cash flows in respect of its variable rate debt, including floating rate notes as well as various bank loans and overdrafts. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying amount	**December 31, 2011**	**December 31, 2010**
Fixed rate instruments		
Financial assets	776.2	725.9
Financial liabilities	-1,748.3	-1,694.7
	-972.1	**-968.8**
Variable rate instruments		
Financial assets	442.8	99.9
Financial liabilities	-1,018.0	-1,149.9
	-575.2	**-1,050.0**

Fixed rate financial instruments consist of UMTS license liability, leasing liability and derivatives. Interest rate changes affect derivatives only.

Floating rate financial instruments consist of a series of loans, deposits, notes and derivatives all of which are exposed to interest rate variability.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(all amounts in millions of PLN, except where stated otherwise)

The analysis below represents the fair value sensitivity of derivatives and cash flow sensitivity of the underlying and hedging instruments.

Cash-flow sensitivity	Risk factor	December 31, 2011	December 31, 2010
100 bp increase			
Variable rate instruments (excluding derivatives)	**WIBOR**	-9.6	-11.0
Derivatives			
	WIBOR	10.1	11.8
	EURIBOR	-2.6	-2.0
	USDLIBOR	-0.1	-0.1
Sensitivity (net)		**-2.2**	**-1.3**
100 bp decrease			
Variable rate instruments (excluding derivatives)	**WIBOR**	9.6	11.0
Derivatives			
	WIBOR	-10.1	-11.8
	EURIBOR	2.6	2.0
	USDLIBOR	0.1	0.1
Sensitivity (net)		**2.2**	**1.3**

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. The Group may issue shares, increase debt or sell assets in order to maintain or improve its equity structure.

(all amounts in millions of PLN, except where stated otherwise)

(f) Accounting classifications and fair values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows::

December 31, 2011	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Assets	**30.1**	**0.0**	**1,436.5**	**0.0**	**0.0**	**1,466.6**	**1,466.6**
Trade and other receivables	0.0	0.0	863.0	0.0	0.0	863.0	863.0
Cash and cash equivalents	0.0	0.0	573.5	0.0	0.0	573.5	573.5
Derivative financial instruments	30.1	0.0	0.0	0.0	0.0	30.1	30.1
Liabilities	**-6.4**	**0.0**	**0.0**	**0.0**	**-2,152.8**	**-2,159.2**	**-2,309.4**
UMTS license liability	0.0	0.0	0.0	0.0	-944.7	-944.7	-1,094.6
Finance lease liabilities	0.0	0.0	0.0	0.0	-8.2	-8.2	-8.2
Notes payable	0.0	0.0	0.0	0.0	-1,018.0	-1,018.0	-1,018.3
Trade and other payables	0.0	0.0	0.0	0.0	-181.9	-181.9	-181.9
Derivative financial instruments	-6.4	0.0	0.0	0.0	0.0	-6.4	-6.4
Total	**23.7**	**0.0**	**1,436.5**	**0.0**	**-2,152.8**	**-692.6**	**-842.8**

December 31, 2010	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Fair value
Assets	**9.8**	**0.0**	**1,020.0**	**0.0**	**0.0**	**1,029.8**	**1,029.8**
Trade and other receivables	0.0	0.0	990.8	0.0	0.0	990.8	990.8
Cash and cash equivalents	0.0	0.0	29.2	0.0	0.0	29.2	29.2
Derivative financial instruments	9.8	0.0	0.0	0.0	0.0	9.8	9.8
Liabilities	**-38.4**	**0.0**	**0.0**	**0.0**	**-2,225.1**	**-2,263.5**	**-2,368.2**
UMTS license liability	0.0	0.0	0.0	0.0	-864.8	-864.8	-969.1
Finance lease liabilities	0.0	0.0	0.0	0.0	-9.3	-9.3	-9.3
Notes payable	0.0	0.0	0.0	0.0	-1,015.4	-1,015.4	-1,015.9
Bank loans and overdrafts	0.0	0.0	0.0	0.0	-100.7	-100.7	-100.7
Trade and other payables	0.0	0.0	0.0	0.0	-234.9	-234.9	-234.9
Derivative financial instruments	-38.4	0.0	0.0	0.0	0.0	-38.4	-38.4
Total	**-28.6**	**0.0**	**1,020.0**	**0.0**	**-2,225.1**	**-1,233.7**	**-1,338.4**

Items of income, expense, gains or losses	Year ended December 31, 2011	Year ended December 31, 2010
Finance gains/income		
Financial assets and liabilities at fair value through profit or loss	57.1	6.2
Loans and receivables	28.4	21.2
Total	**85.5**	**27.4**
Finance losses/costs		
Financial assets and liabilities at fair value through profit or loss	15.6	26.6
Financial liabilities measured at amortised cost	123.1	128.3
Total	**138.7**	**154.9**

Foreign currency gains and losses from cash, liabilities, trade receivables and license liabilities	Year ended December 31, 2011	Year ended December 31, 2010
Foreign currency losses (net)	92.4	0.0
Foreign currency gains (net)	0.0	10.0

(all amounts in millions of PLN, except where stated otherwise)

21. Inventories

Inventories	December 31, 2011	December 31, 2010
Materials	1.2	2.3
Trade goods	109.2	138.3
Total inventories (carrying amount)	**110.4**	**140.6**

Allowance for inventories	December 31, 2011	December 31, 2010
Opening balance	19.2	22.2
- increase	6.2	5.2
- decrease - use	-16.9	-6.2
- decrease - release	-2.9	-2.0
Closing balance	**5.6**	**19.2**

22. Trade and other receivables

	December 31, 2011	December 31, 2010
Trade accounts receivable from other entities	1,142.2	1,322.2
Receivables from related parties	1.4	45.4
Tax receivables	42.9	111.8
Other receivables	11.1	21.7
Prepaid expenses	55.1	50.0
Allowance for doubtful accounts	-280.6	-376.8
Total trade and other receivables	**972.1**	**1,174.3**

Trade accounts receivable allowances	December 31, 2011	December 31, 2010
Opening balance	376.8	475.8
- increase	77.9	119.6
- decrease - use	-138.0	-170.8
- decrease - release	-36.1	-47.8
Total trade accounts receivables allowances	**280.6**	**376.8**

Trade accounts receivable from other entities include accrued income that amounted to PLN 265.2 million on December 31, 2011 and PLN 287.4 million on December 31, 2010.

Trade accounts receivable allowances are charged to other operating expenses or finance costs (accrued interest) in the consolidated statement of comprehensive income based on the nature of the underlying receivable balance.

23. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash in hand	0.2	0.1
Cash in bank (current accounts)	65.2	10.2
Short term bank deposits	508.0	18.9
Cash in transit	0.1	0.0
Total cash and cash equivalents	**573.5**	**29.2**

24. Supplementary statement of cash flow information

a) Interest expense / (income) and discount	Year ended December 31, 2011	Year ended December 31, 2010
Interest expenses on notes	61.5	18.0
Interest expenses on bonds	0.0	5.4
Discount on telecommunication license	40.4	41.2
Interest expenses on loans and overdrafts	1.2	40.9
Interest on lease liabilities	0.6	0.1
Net interest expenses on SWAP	2.9	2.4
Total	**106.6**	**108.0**

b) Disposal and impairment on property, plant and equipment and intangibles	Year ended December 31, 2011	Year ended December 31, 2010
Impairment loss and net loss on disposal of property, plant and equipment and intangibles	137.4	41.1
Impairment of goodwill	15.5	0.0
Total	**152.9**	**41.1**

c) (Gain) / loss on investing activities	Year ended December 31, 2011	Year ended December 31, 2010
Valuation of shares in associates	0.0	-6.3
Net (gain)/loss loss on derivatives	-44.3	18.0
Total	**-44.3**	**11.7**

d) Change in inventories	Year ended December 31, 2011	Year ended December 31, 2010
Total change in inventories	30.2	-8.6
Change in inventories resulting from business combination	3.9	0.0
Total	**34.1**	**-8.6**

e) Change in trade and other receivables	Year ended December 31, 2011	Year ended December 31, 2010
Change in trade and other receivables	202.2	18.4
Change in accounts receivables resulting from business combinations	49.0	0.0
Total	**251.2**	**18.4**

f) Change in trade and other payables	Year ended December 31, 2011	Year ended December 31, 2010
Change in trade and other payables	-138.5	79.5
Change in accounts payable resulting from business combinations	-50.4	0.0
Advance payment for dividends approved but not paid	0.0	-4.9
Dividends for prior year paid in the current year	4.9	12.3
Compensation of CIT payables with VAT receivables	0.0	23.9
Commission on loans paid upfront reclassified to financing activities	-0.1	0.0
Change in investment liabilities	60.2	-41.0
Total	**-123.9**	**69.8**

(all amounts in millions of PLN, except where stated otherwise)

g) Change in accrued expenses	Year ended December 31, 2011	Year ended December 31, 2010
Total change in accrued expenses	-103.8	-50.6
Change in accrued expenses of associate resulting from business combinations	-6.4	0.0
Civil tax on shares purchase paid upfront reclassified to investing activities	0.0	0.6
Change in accruals for interest expenses	0.4	3.9
Total	**-109.8**	**-46.1**

h) Change in provisions	Year ended December 31, 2011	Year ended December 31, 2010
Total change in provisions for liabilities and provision for pension benefits and similar	53.1	21.8
Change in provisions resulting from business combination	-0.7	0.0
Total change in provision for costs of dismantling and removing assets and restoring sites	-13.8	-17.1
Discount on provision for costs of dismantling and removing assets and restoring sites	3.3	3.1
Total	**41.9**	**7.8**

(all amounts in millions of PLN, except where stated otherwise)

25. Share capital

Authorised:	**December 31, 2011**	**December 31, 2010**
20.5 million ordinary shares with par value of PLN 100, each	2,050.0	2,050.0
at the end of the reporting period	**2,050.0**	**2,050.0**

As of December 31, 2011 and December 31, 2010, the share capital of the Parent Company, according to the respective entry in the Court Register, amounted to PLN 2,050 million divided into 20,500,000 ordinary shares with nominal value of PLN 100.00 each (one class of shares).

Ownership structure

	December 31, 2011		**December 31, 2010**	
Shareholders:	**number of shares**	**% of shares**	**number of shares**	**% of shares**
Spartan Capital Holdings Sp. z o.o.*	20,500,000	100.00%	-	-
Polski Koncern Naftowy ORLEN S.A.	-	-	5,000,266	24.39%
KGHM Polska Miedź S.A.	-	-	5,000,266	24.39%
PGE Polska Grupa Energetyczna S.A.	-	-	4,479,191	21.85%
Vodafone Americas, Inc.	-	-	4,019,780	19.61%
Węglokoks S.A.	-	-	1,020,011	4.98%
Vodafone International Holdings B.V.	-	-	980,486	4.78%
Total number of shares	**20,500,000**	**100.00%**	**20,500,000**	**100.00%**

*71.20 % of the shares are owned indirectly by Zygmunt Solorz-Żak, 12.57 % of the shares are owned indirectly by Heronim Ruta and 16.23% of the shares are owned indirectly by EBRD.

On November 9, 2011 Spartan Capital Holdings Sp. z o.o. acquired 100% of Polkomtel S.A. shares and was registered in Polkomtel S.A. share register as the sole shareholder.

26. Supplementary capital

	December 31, 2011	**December 31, 2010**
Supplementary capital	683.4	683.4
Total	**683.4**	**683.4**

In accordance with the Commercial Companies Code, the Parent Company establishes supplementary capital in the amount of 8% of the profit for a given financial year, until this capital reaches at least one third of its share capital. The net profit, generated by the Parent Company for a given financial year, less the allowance for supplementary capital as per the Commercial Companies Code, is available for the payment of dividends to shareholders.

(all amounts in millions of PLN, except where stated otherwise)

27. Dividends paid

Dividend payments:

The dividend for 2009, in the amount of PLN 45.77 per share (total dividend of PLN 938.4 million), was settled as follows:

- the amount of PLN 464.3 million was paid to the shareholders on December 29, 2009 as an advance;
- the amount of PLN 98.6 million was paid on June 30, 2010;
- the amount of PLN 375.5 million was allocated to reserve capital and distributed as a dividend on July 29, 2011.

The dividend for 2010, in the amount of PLN 56.19 per share (total dividend of PLN 1,151.9 million), was settled as follows:

- the amount of PLN 317.6 million was paid on November 4, 2010 as an advance;
- the amount of PLN 185.1 million was paid on December 28, 2010 as an advance;
- the amount of PLN 649.2 million was paid on July 29, 2011.

In addition, a dividend of PLN 0.3 million was paid on July 29, 2011 from reserve capital.

The above amounts are presented gross of witholding tax on dividends.

28. UMTS license liability

Payments outstanding:	December 31, 2011	December 31, 2010
September 30, 2011	0.0	59.4
September 30, 2012	66.3	59.4
September 30, 2013	66.3	59.4
September 30, 2014	123.7	110.9
September 30, 2015	123.7	110.9
thereafter	878.8	788.1
Total payments	**1,258.8**	**1,188.1**
Amounts representing discount	-314.1	-323.3
Discounted minimum payments	**944.7**	**864.8**
Current portion	63.9	57.3
Non-current portion	880.8	807.5

(all amounts in millions of PLN, except where stated otherwise)

29. Finance lease liabilities

Finance lease liabilities are payable as follows:	December 31, 2011	December 31, 2010
a) payable within 1 year	2.1	2.0
b) payable from 1 year up to 3 years	7.0	8.7
Total minimum lease payments	**9.1**	**10.7**
Interest	-0.9	-1.4
Total present value of minimum lease payments including:	**8.2**	**9.3**
Current liabilities	1.6	1.5
Non-current liabilities	6.6	7.8

Total present value of minimum lease payments	December 31, 2011	December 31, 2010
a) payable within 1 year	1.6	1.5
b) payable from 1 year up to 3 years	6.6	7.8
Total present value of minimum lease payments	**8.2**	**9.3**

30. Notes payable

Notes payable	December 31, 2011	December 31, 2010
Current portion	64.6	56.2
Non-current portion	953.4	959.2
Total	**1,018.0**	**1,015.4**

The notes denominated in PLN were issued by Polkomtel Finance AB (publ.) in September 2010. The applicable interest on notes is based on WIBOR6M plus margin and is payable every six months. The principal due date is on Septemer 6, 2015. During November 2011, the notes were acquired by the Company's shareholder (Spartan Capital Holdings Sp. z o.o.).

31. Available borrowing facilities

	December 31, 2011	December 31, 2010
Overdraft facilities	0.0	100.7
Total short term interest bearing loans and borrowings	**0.0**	**100.7**

The carrying amounts of these financial instruments approximate their fair value.

Indebtedness as of December 31, 2011 **Instrument**	**Maturity**	**Currency**	**Limit / nominal value**	**Utilization**	**Interest rate**
Loan*	June 30, 2017	PLN	600.0	0.0	'WIBOR + margin
Overdraft	December 18, 2012	PLN	0.6	0.0	'WIBOR + margin
Total overdraft facilities and bank loans			**600.6**	**0.0**	
Notes (Euro Medium Term Note Programme)**** - first tranche	September 6, 2015	PLN	1,000.0	1,000.0	'WIBOR + margin
Total loans, overdrafts and notes			**1,600.6**	**1,000.0**	

(all amounts in millions of PLN, except where stated otherwise)

Indebtedness as of December 31, 2010

Instrument	Maturity	Currency	Limit / nominal value	Utilization	Interest rate
Loan**	July 6, 2011	PLN	1,600.0	0.0	'WIBOR + margin
Loan	July 16, 2012	PLN	140.0	0.0	'WIBOR + margin
Overdraft	April 22, 2011	PLN	100.0	60.9	'WIBOR + margin
Overdraft	November 4, 2011	PLN	50.0	19.7	'WIBOR + margin
Overdraft	February 21, 2011	PLN	100.0	5.7	'WIBOR + margin
Overdraft	February 28, 2011	PLN	100.0	14.4	'WIBOR + margin
Overdraft	April 20, 2011	PLN	100.0	0.0	'WIBOR + margin
Overdraft	February 19, 2011	PLN	50.0	0.0	'WIBOR + margin
Overdraft	March 30, 2011	PLN	100.0	0.0	'WIBOR + margin
Total overdraft facilities and bank loans			**2,340.0**	**100.7**	
Notes (CP)***	May 25, 2015	PLN	1,000.0	0.0	'WIBOR + margin
Notes (Euro Medium Term Note Programme)**** - first tranche	September 6, 2015	PLN	1,000.0	1,000.0	'WIBOR + margin
Total loans overdrafts and notes			**4,340.0**	**1,100.7**	

* On December 21, 2011 the Company entered into a 6-year revolving facility agreement amounting to PLN 600,000,000.00 (Tranche RCF) which is a part of the Senior Facilities Agreement ("SFA Agreement") available from December 21, 2011. The SFA Agreement was signed by Spartan Capital Holdings Sp. z o.o. with a group of banks on June 30, 2011. The purpose of the loan is among others general needs and financing of current activities. The interest rate is based on WIBOR rate plus a bank's margin. The facility is secured by the Company's assets (see note 38). As of the balance sheet date the available credit was not used.
** On July 6, 2006 the Company entered into a 5-year revolving facility agreement for the amount of PLN 1,600.0 million with a group of 8 banks. The facility has been taken for general purposes, including dividend payments to the Company's Shareholders. On January 26, 2011 the Company concluded a 5-year revolving loan agreement, with a consortium of banks for the total amount of PLN 1,200.0 million. The purpose of the Agreement was to refinance the existing facility which was provided on the basis of the facility agreement concluded on July 6, 2006. The loan facility was available from July 6, 2011 and was closed on November 18, 2011.
*** On May 25, 2010, the Company established a five-year program which involves issuing non-public bonds on the local market, in accordance with the Bonds Act, with the maximum issue amount of PLN 1,000.0 million. The program was closed on November 10, 2011.
**** On May 12, 2010, the Company established an EMTN Program via its Swedish subsidiary, Polkomtel Finance AB (publ). The program enables the issue of Eurobonds with a maximum value of EUR 1,000. million. The program has been registered at the Stock Exchange in Luxembourg. On September 6, 2010 Polkomtel Finance AB issued the first tranche of notes with an aggregated nominal value of PLN 1,000 million due in 2015. The issued bonds are listed on the alternative trading market administered by BondSpot S.A. In November 2011, the notes were acquired by the Company's shareholder (Spartan Capital Holdings Sp. z o.o.).

Additionally, the Parent Company has been financing its on-going operations by short-term loans.

32. Trade and other payables

	December 31, 2011	December 31, 2010
Trade accounts payable to third parties	177.5	233.7
Trade accounts payable to related parties	4.5	1.2
Investment liabilities	231.1	311.8
Other account payable	117.3	122.2
Trade and other payables	**530.4**	**668.9**

(all amounts in millions of PLN, except where stated otherwise)

33. Provisions

	December 31, 2011	December 31, 2010
Provision for employee benefits – OB	6.6	5.5
- increase	0.8	1.1
- decrease (used during the period)	-0.1	0.0
- decrease (released during the period)	-0.1	0.0
Provision for employee benefits – CB	**7.2**	**6.6**
Non - current	6.7	6.1
Current	0.5	0.5

Other provisions	**December 31, 2011**	**December 31, 2010**
Provision for loyalty program – points granted for clients – OB	16.3	18.2
- increase	3.0	4.1
- decrease (used during the period)	-9.0	-4.9
- decrease (released during the period)	0.0	-1.1
Provision for loyalty program – points granted for clients – CB	10.3	16.3
Provision for costs of dismantling and removing assets and restoring sites – OB	58.4	41.4
- increase	24.2	23.9
- decrease (released during the period)	-10.4	-6.9
Provision for costs of dismantling and removing assets and restoring sites – CB	72.2	58.4
Provision for restructuring – OB	0.0	0.0
- increase	38.9	0.0
Provision for restructuring – CB	38.9	0.0
Provision for Universal Services Fund – OB	25.0	20.0
- increase	5.0	5.0
- decrease (used during the period)	-30.0	0.0
Provision for Universal Services Fund – CB	0.0	25.0
Other – OB	47.4	46.8
- increase	40.9	33.7
- decrease (used during the period)	-0.2	-2.3
- decrease (released during the period)	-9.9	-30.8
Other – CB	78.2	47.4
Total other provisions – OB.	147.1	126.4
- increase	112.0	66.7
- decrease (used during the period)	-39.2	-7.2
- decrease (released during the period)	-20.3	-38.8
Total other provisions – CB	**199.6**	**147.1**
Non - current	73.5	60.3
Current	126.1	86.8

The provision for the point-based loyalty program is established for liabilities towards customers resulting from the discretionary points granted to customers of the loyalty program. These points will be exchanged by customers for awards in the future.

The provision for employee benefits has been calculated based on the market return on 10-year treasury bonds, assumptions related to inflation and the forecasted growth of salaries.

The Group is required to restore assets to their original state. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the provision is based on the best estimate of the amount required to settle the obligation. It is subject to periodic review and adjustments where appropriate, with a corresponding entry to the asset to which it relates.

(all amounts in millions of PLN, except where stated otherwise)

The provision for restoring assets to their original state is discounted by applying a discount rate that reflects the passage of time and the risk specific to the liability. The discount rate used in determination of the present value of the costs of restoring to the original condition and dismantling was 5.62%.

The item 'Other' contains a provision for disputed claims (incl. cases related to taxes) as well as interest on liabilities.

34. Accrued expenses

	December 31, 2011	December 31, 2010
Interconnect and roaming	155.2	178.4
Dealers' commissions	78.7	133.9
Other external services	77.6	75.6
Accrued wages, salaries and vacation pay	92.1	103.4
Accruals for SMS Premium costs	24.8	28.9
Other	27.5	39.5
Total accrued expenses	**455.9**	**559.7**

35. Deferred income

	December 31, 2011	December 31, 2010
Monthly access fee billed in advance	301.9	246.8
Prepaid cards	282.0	257.2
Other	53.6	73.0
Total deferred income	**637.5**	**577.0**

36. Commitments

The Group is committed to make payments under operating leases of land and other locations used for its telecommunications network locations as well as under office and telecom stores space rental agreements. Lease agreements are concluded for undefined or defined periods of time. The amounts committed presented below were calculated for contracts for undefined periods of time based on the respective termination periods and for contracts for defined periods of time representing the period between the reporting date and the date of contract expiration. The table below includes commitments at nominal value, before discounting.

Commitments	December 31, 2011	December 31, 2010
< 1 year	290.7	204.3
1 – 5 years	613.4	612.4
> 5 years	440.4	352.5
Total	**1,344.5**	**1,169.2**

Lease costs, as included in the consolidated statement of comprehensive income for the years ended December 31, 2011 and 2010, amounted to PLN 186,2 million and PLN 227,5 respectively.

37. Contingencies

Promissory notes and bank guarantees issued for the Company for the benefit of other contracting parties and aimed at guaranteeing due performance of contracts by the Company amounted to PLN 9.9 million as of December 31, 2011, with the amount of EUR 1.4 million being a guarantee issued to WAN 11 Limited Liability Company.

The Company issued a guarantee to the holders of notes issued under the Euro Medium Term Note Programme by Polkomtel Finance AB (publ) on September 6, 2010. During November 2011, the notes were acquired by Spartan Capital Holdings Sp. z o.o. (the new shareholder of Polkomtel S.A.). The guarantee secures the holder's interests, especially as regards the issuer's obligations related to payments resulting from the notes. The maximum value of the notes issue under the above program is EUR 1,000.0 million, until December 31, 2011 the Company issued notes in the amount of PLN 1,000.0 million.

In connection with Polkomtel S.A. accessing, on December 21, 2011, the Revolving Tranche (RCF Tranche) of the Senior Facilities Agreement, the Company has become the Underwriter for the RCF Tranche up to its full amount (600,000,000.00 PLN) in respect of the drawdowns made by Spartan Capital Holdings Sp. z o.o. and its subsidiaries who have joined or will join the Senior Facilities Agreement as additional borrowers. As of December 31, 2011 neither Spartan Capital Holdings Sp. z o.o., nor its subsidiaries made any drawdowns from the RCF Tranche. Collaterals on assets of Polkomtel S.A. are described in Note 38.

Proceedings by UKE and UOKiK

The Company's operations are regulated, by, among others, the Telecommunication Law Act of July 16, 2004 ("Telecommunication Law") and by the Competition and Consumer Protection Act of February 16, 2007.

In accordance with the Telecommunication Law, in case of non-fulfilment of the requirements determined in the Act, the President of the Electronic Communication Office ("UKE President) may impose on the entity a penalty in the amount of up to 3% of the revenue reported in the previous calendar year. In accordance with the provisions of the Competition and Consumer Protection Act, the President of the Office for Competition and Consumer Protection ("UOKiK President") may impose a penalty on the enterprise in the amount of up to 10 % of the revenue reported in the financial year preceding the year of imposing the penalty for breach of law or a penalty in the amount up to EUR 50,000,000 for infringement of regulations (e.g. non fulfilment of the obligation to provide information).

On March 15, 2011, the decision of the President of the Office for Consumer and Competition Protection ("UOKiK") was delivered to Polkomtel S.A. regarding a penalty in the amount of PLN 130,689,900 for alleged lack of cooperation during a UOKiK inspection of Polkomtel S.A. The inspection was carried out in the investigation of a preliminary determination of whether actions taken by entrepreneurs for mobile TV services may constitute a violation of the Competition and Consumer Protection Act, including whether the case is an antitrust violation.

Polkomtel S.A. appealed to the Consumer and Competition Protection Court against the decision of the UOKiK President. In the Company's opinion, during the inspection the Company had fully and at all times cooperated with UOKiK within the scope provided by the law. In the opinion of the Company's management it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel S.A. Therefore, as of December 31, 2011 the Company has not recognized a provision for this penalty in its financial statements.

On November 23, 2011 Polkomtel S.A. received a decision of the UOKiK President in which UOKiK recognized the alleged agreement between Polkomtel S.A., PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic retail market of mobile telecommunication services as well as on the domestic wholesale market of mobile TV services for DVB-H technology. By the decision of the UOKiK President Polkomtel S.A. was charged a penalty in the amount of 33,463,218.16 PLN. In the opinion of Polkomtel S.A., no agreement had been concluded between the parties. The Company appealed to the Court for Competition and Consumer Protection (SOKiK) against the UOKiK President's decision regarding the penalty. A provision in the amount of 33,463,218.16 PLN was set up.

On December 23, 2010 the UOKiK President started investigations connected with suspected practices of Polkomtel S.A. which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. On December 14, 2011 the UOKiK President issued decision in relation to one investigation in which UOKiK recognized that the Company's practices infringed upon collective interests of consumers. By the decision of the UOKiK President Polkomtel S.A. was charged a penalty in the amount of 1,859,067 PLN. The Company appealed to the Court for Competition and Consumer Protection (SOKiK). A provision in the amount of 1,859,067 PLN was set up. As of the date of the financial statements, both proceedings are still in progress.

UOKIK President is also conducting explanatory proceedings related to some aspects of carrying out activities by telecommunication enterprises.

Other administrative and legal proceedings

In addition to the matters described above, the Company is party to other legal and administrative proceedings.
The Company believes that adequate provisions were made for all known and probable liabilities for which a reliable estimate can be made.

Tax contingent liabilities

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations change frequently which often leads to lack of their clarity and integrity. Furthermore, frequent contradictions in tax interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.

Tax authorities may examine accounting records up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of tax audits. The Company believes that adequate provisions have been recorded for all known and quantifiable risks in this regard.

38. Pledges and collaterals

By virtue of the Financial and Registered Pledge Agreement for Polkomtel S.A. Shares, dated 30 June 2011, 20,500,000 of the Company's shares were at the moment of their acquisition encumbered by Spartan Capital Holdings Sp. z o.o., with its registered office in Warsaw, with Financial and Registered Pledge in favor of Citicorp Trustee Company Limited with registered office in London.

On 21 December 2011 POLKOMTEL S.A. (the Company) accessed the Revolving Tranche (the RCF Tranche), in the amount of 600,000,000.00 PLN and being part of the Senior Facilities Agreement concluded on 30 June 2011 (subsequently amended on 6 September 2011 and then amended on 3 November 2011) by and between, among others, Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), and Spartan Capital Holdings Sp. z o.o. as well as Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale, London Branch, The Royal Bank of Scotland Plc and Citibank International Plc as the Agent (the Agent) as well as Citicorp Trustee Company Limited as the Security Agent (the Security Agent).
In connection with accessing the Senior Facilities Agreement, Polkomtel S.A. provided the following collateral related to its assets to the Security Agent:

- Financial and registered pledge on the receivables from the Company's bank account agreements,
- Registered pledge on the Company's assets,
- Financial and registered pledge on the stakes and shares in the Company's subsidiaries,
- Mortgage on the property owned by the Company,

The value of the collateral has been agreed of a maximum of 900,000,000.00 PLN for the mortgages and 1,200,000,000.00 PLN for the remaining elements of the collateral. In addition, Polkomtel established conditional assignment of its rights from insurance policies.
No drawdowns were made under the RCF Tranche by Spartan Capital Holdings Sp. z o.o. or Polkomtel S.A. until 31 December 2011.

(all amounts in millions of PLN, except where stated otherwise)

39. Related party transactions

Purchases from related parties include mainly rental fees for base transreceiver stations, leases of optical fibre lines, connection fees, remuneration to Liberty Poland S.A. for its dealer function and related advertising and marketing services.

The sales to related parties comprise mainly fees for telecommunication services, the sales of telecommunication equipment (handsets and accessories in particular) and the sales of phones, accessories and prepaid cards to Liberty Poland S.A. acting as a dealer.

Purchases	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Spartan Capital Holdings Sp. z o.o.**	0.0	0.0
Liberty Poland S.A.***	87.5	286.2
Cyfrowy Polsat S.A.**	0.4	0.0
Telewizja Polsat S.A.**	0.7	0.0
Teleaudio DWA Sp. z o.o. S.K.A. **	8.9	0.0
Polski Koncern Naftowy Orlen S.A.*	4.6	5.5
Other Orlen Group entities*	0.2	0.0
KGHM Polska Miedź S.A.*	0.1	0.2
Other KGHM Group entities*	2.5	0.0
PGE Polska Grupa Energetyczna S.A.*	0.1	0.0
Other PGE Group entities*	28.5	0.0
Other Vodafone Group entities*/****	4.0	0.0
Others	0.2	0.0
Total	**137.7**	**291.9**

Sales	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Spartan Capital Holdings Sp. z o.o.**	0.0	0.0
Liberty Poland S.A.***	65.9	275.0
Cyfrowy Polsat S.A.**	0.8	0.0
Telewizja Polsat S.A.**	1.0	0.0
Polski Koncern Naftowy Orlen S.A.*	55.8	62.5
Other Orlen Group entities*	3.2	0.0
KGHM Polska Miedź S.A.*	1.6	1.3
Other KGHM Group entities*	7.0	0.0
PGE Polska Grupa Energetyczna S.A.*	0.5	0.3
Other PGE Group entities*	30.4	0.0
Vodafone Americas, Inc.*	0.2	0.0
Other Vodafone Group entities*/*****	1.4	0.0
Others	0.1	0.0
Total	**167.9**	**339.1**

*Transactions with the Company's Shareholders holding a stake exceeding 5% of Polkomtel S.A. shares till the day of acquisition of Polkomtel S.A. by Spartan Capital Holdings Sp. z o.o. as well as transactions with the companies from the Shareholders' groups in which the ultimate parent company holds directly or indirectly at least 5% stake in shares (purchases and sales for the period January-October 2011);

**Transactions with the related parties after the day of acquisition of Polkomtel S.A. shares by Spartan Capital Holdings Sp. z o.o. (purchases and sales for the period November-December 2011);

*** The value of purchases and sales for the period from January 1, 2011 to March 31, 2011;

**** The value of purchases includes (PLN 15.6 million) of discount notes for the years 2008-2010 issued in 2011 to individual counterparties of the Vodafone Group;

*****The value of sales includes (PLN 10.4 million) discount notes for the years 2009-2010 introduced in 2011 to individual counterparties of the Vodafone Group.

(all amounts in millions of PLN, except where stated otherwise)

Amounts payable	December 31, 2011	December 31, 2010
Spartan Capital Holdings Sp. z o.o.*	0.0	0.0
Cyfrowy Polsat S.A.*	0.1	0.0
Telewizja Polsat S.A.*	0.8	0.0
Teleaudio DWA Sp. z o.o. S.K.A. *	3.4	0.0
Polski Koncern Naftowy Orlen S.A.	0.0	0.4
Liberty Poland S.A.	0.0	0.8
Others	0.2	0.0
Total	**4.5**	**1.2**

Amounts receivable	December 31, 2011	December 31, 2010
Spartan Capital Holdings Sp. z o.o.*	0.0	0.0
Cyfrowy Polsat S.A.*	0.1	0.0
Telewizja Polsat S.A.*	1.2	0.0
Polski Koncern Naftowy Orlen S.A.	0.0	12.2
KGHM Polska Miedź S.A.	0.0	0.3
PGE Polska Grupa Energetyczna S.A.	0.0	0.1
Liberty Poland S.A.	0.0	32.9
Others	0.1	0.0
Total	**1.4**	**45.4**

* Transactions with entities which became related parties after the date of acquisition of Polkomtel S.A. by Spartan Capital Holdings Sp. z o.o. (as of December 31, 2011) as discussed in Note 25.

40. Transactions with management and close family members of the Parent Company

	Year ended December 31, 2011	Year ended December 31, 2010
Short-term employee benefits	38.4	13.5
Post-employment benefits	0.0	1.6
Termination benefits	1.4	0.0
Total	**39.8**	**15.2**

Compensation of key management personnel of the Group is comprised of the compensation of key management personnel of the Parent Company.

41. Related-party transactions of entities included in of the Capital Group

(in '000s PLN)	Sales in year 2011	Purchases in year 2011	Sales in year 2010	Purchases in year 2010
Legal entities	27.8	246.0	60.0	322.0
Private persons	0.0	71.7	0.0	296.5
Total	**27.8**	**317.7**	**60.0**	**618.5**

42. Headcount

Actual headcount of the Group:

Actual headcount:	December 31, 2011	December 31, 2010
Operating Division	1,129	1,140
Sales Division	1,198	949
Marketing Division	229	289
Other	1,532	1,305
Total	**4,088**	**3,683**

43. Events after the reporting period

A Capital Group for Tax Purposes, composed of Spartan Capital Holdings Sp. z o.o. and Polkomtel S.A., was registered in January 2012. The Group will start its operation from March 1, 2012.

On January 13, 2012 Polkomtel S.A. set up a new subsidiary LTE Holdings Limited seated in Cyprus. On February 6, 2012 LTE Holdings Limited purchased a 49% share in Litenite Limited (the "LTE Group") from Cyprus-based Ortholuck Limited. Litenite Limited is the owner of approx. 66% share in NFI Midas S.A. controlling the telecommunication companies Centernet S.A., Mobyland Sp. z o.o. and Aero2 Sp. z o.o. LTE Holdings Limited also received an option for a future purchase from Ortholuck Limited of the remaining 51% of the shares in Litenite Limited. Simultaneously, Ortholuck Limited received a call back option for the repurchase of 49% of shares in Litenite Limited, which can be exercised subject to certain conditions listed in the agreement. Additionally, 51% of the shares in Litenite Limited owned by Ortholuck Limited was pledged in favour of Polkomtel S.A. as a security for obligations of the LTE Group.

In connection with the financing of the acquisition of shares in Polkomtel S.A. by Spartan Capital Holdings Sp. z o.o. Senior Notes were issued in two separate tranches under one Offering Memorandum amounting to EUR 542.5 million and USD 500 million by Eileme 2 AB. Eileme 2 AB is indirectly the sole shareholder of Spartan Capital Holdings Sp. z o.o. In addition, in February 2012, Eileme 1 AB, the sole shareholder of Eileme 2 AB issued PIK notes amounting to USD 201 million.

On January 11, 2012 Polkomtel S.A. Management Board passed a resolution to initiate the process of transforming Polkomtel S.A. into a limited liability company ("Transformation'). After the transformation, the Company will become a guarantor of the notes (mentioned above) and shall access the SFA Agreement and become a guarantor in relation to the whole SFA Agreement.

Within the restructuring of the Company the employees were offered with the Voluntary Redundancy Programme ("The Programme"). About 10% of the employees benefited from the Programme. As of December 31, 2011 the benefits for the participants of the Programme are covered by a restructuring reserve.

On October 12, 2011 Polkomtel S.A. and Aero2 entered into "Preliminary LTE Framework Agreement". Subsequently, on November 29, 2011, in order to facilitate trials/tests of the services intended to be provided by each party to allow the Parent Company to commence a commercial soft launch of Polkomtel LTE service, the Parent Company executed a letter of intent with Mobyland with respect to the Wholesale Agreement and with Aero2 with respect to the Network Sharing Agreement. The parties intend to enter into the Agreements in 2012.

Signatures of Management Board Members

....	....
Zygmunt Solorz-Żak President of the Management Board	Jarosław Bauc Member of the Management Board
....	....
Martin Moorhouse Member of the Management Board	Wojciech Pytel Member of the Management Board
....	
Tobias Solorz Member of the Management Board	

Warsaw, March 1, 2012

APPENDICES

Appendix 1 – Articles of Association

CONSOLIDATED TEXT OF
ARTICLES OF ASSOCIATION OF CYFROWY POLSAT SPÓŁKA AKCYJNA
SEATED IN WARSAW

(consolidated text with amendments implemented on June 11, 2013, adopted by the resolution no 07/11/06/2013 of the Supervisory Board dated June 11, 2013, based on the authorization granted in the resolution no 21 of the Annual General Meeting of the Company dated June 11, 2013)

CHAPTER I
General provisions

Art. 1

The persons arriving are the founders of a joint-stock company, herein referred to as the Company.

Art. 2

1. The business name of the Company is: Cyfrowy Polsat Spółka Akcyjna.
2. The Company may also use its abbreviated name: Cyfrowy Polsat S.A. and its distinctive logo.

Art. 3

The registered office for the Company is in Warsaw.

Art. 4

The Company conducts its activity on the territory of the Republic of Poland and abroad.

Art. 5

The Company may establish branches as well as other organizational entities, incorporate companies, join already existing companies and other business organizations.

Art. 6

The term of the Company is unlimited.

CHAPTER II
The object of the Company

Art. 7

The object of the Company is:

1. radio and television business;
2. telecom business;
3. data processing;
4. database business;
5. IT business;
6. call center services;
7. arts and literary business;
8. entertainment business;
9. film, audio and video recordings, production and distribution, purchase and sale of copyrights;
10. advertising business;
11. printing business;
12. electrical equipment installation, repair and maintenance services;
13. radio and television transmitter installation, repair and maintenance services;
14. construction business;
15. real estate management;
16. real estate development, purchase, sale, rental and management;

17. telecom, television and radio equipment and machinery production;
18. electrical and electronic equipment production;
19. rental and lease;
20. loading, storing and warehousing of goods;
21. trade business (wholesale and retail), commission sale;
22. performance of research and technical analysis;
23. research and development activities within technical sciences;
24. holding business;
25. business and management advisory services;
26. financial services;
27. financial mediation;
28. bookkeeping service;
29. payroll and personnel services;
30. economic and financial consulting services;
31. activity of insurance agents and brokers;
32. Web portal business;
33. IT advisory services;
34. retail mail-order sale or retail Web sale.

An activity for which a concession or permit is required shall be undertaken by the Company after such concession or permit has been obtained.

CHAPTER III
Share capital. Shares

Art. 8

Share capital of the Company amounts to 13,934,113.44 (thirteen million nine hundred thirty four thousand one hundred and thirteen 44/100) zlotys, and is divided into 348,352,836 (three hundred forty eight million three hundred fifty two thousand eight hundred and thirty six) shares of face value of four groszy (0.04 zlotys) each, including:

1. 2,500,000 (two million five hundred thousand) registered shares series A, privileged as to the voting rights, identified by the numbers A No. 1 - 2,500,000. Each A series share gives a right to two (2) votes in a General Meeting.
2. 2,500,000 (two million five hundred thousand) registered shares series B, privileged as to the voting rights identified by the numbers B No. 1 - 2,500,000. Each B series share gives a right to two (2) votes in a General Meeting.
3. 7,500,000 (seven million five hundred thousand) registered shares series C, privileged as to the voting rights identified by the numbers C No. 1 - 7,500,000. Each C series share gives a right to two (2) votes in a General Meeting.
4. 175,000,000 (one hundred seventy five million) shares series D, identified by the numbers D No. 1 - 175,000,000 including:
a) 166,917,501 (one hundred sixty six million nine hundred seventeen thousand five hundred and one) registered shares, privileged as to the voting rights in a manner that each of the shares entitles to two (2) votes in a General Meeting identified by the numbers D No. 1 - 166,917,501,
b) 8,082,499 (eight million eighty two thousand four hundred and ninety nine) bearer shares identified by the numbers D No. 166,917,502 - 175,000,000.
5. 75,000,000 (seventy five million) ordinary, bearer shares series E identified by the numbers E No. 1 - 75,000,000.
6. 5,825,000 (five million eight hundred twenty five thousand) ordinary, bearer shares series F identified by the numbers F No. 1 - 5,825,000.
7. 80,027,836 (eighty million twenty seven thousand eight hundred and thirty six) bearer shares identified by the numbers H No. 1 - 80,027,836.

Art. 9

The Shares shall be paid up at 1/4 (one fourth) of their face value before the Company registration, and the reminder in installments and dates indicated in a resolution of the General Meeting.

Art. 10

1. Conversion of shares from registered into bearer shares is done upon the motion of a shareholder.
2. The possibility of conversion of the bearer shares into registered shares is excluded.

Art. 11

1. The share capital may be increased:
a) through new shares issue,
b) through share face value increase.
2. Company shares are issued in series marked with subsequent letters of the alphabet.
3. A decrease of the share capital may be effected through:
a) a decrease in the share face value,
b) redemption of a part of shares, or
c) share consolidation.

Art. 12

1. Shares may be redeemed pursuant to a resolution of the General Meeting in the case of:
a) resolving to decrease the share capital,
b) purchase of own shares by the Company.
2. Redemption of shares requires a decrease in the share capital of the Company.
3. Shares may be redeemed upon a shareholder's request.
4. The repayment of redeemed shares shall be made according to the book value. In the case a the company being a listed one, the repayment price is determined as an average share price of the Company for the 30 previous days prior the resolution of the General Meeting regarding the redemption.

CHAPTER IV

Authorities of the Company

Art. 13

The authorities of the Company's are:

I. The Management Board
II. The Supervisory Board
III. The General Meeting of Shareholders

I. THE MANAGEMENT BOARD

Art. 14

1. The Management Board conducts the Company's daily business under the lead of the President of the Board and represents it in external relations.
2. All matters related to the business of the Company, not restricted by the law or the Articles of Association to the competence of the Supervisory Board or the General Meeting are within the scope the business of the Board.
3. A detailed procedure for the conduct of the Board of the Company is set out by the Regulations of the Board, adopted by the Board and approved by the Supervisory Board.

Art. 15

1. The Management Board shall be composed of one (1) member, including the President of the Board.
2. The Supervisory Board appointing members of the Board sets out their number.

3. The term of the First Board is two years. The term of each subsequent Board is three years. The term of the Board is a joint one.
4. Members of the Board may be dismissed at any time by the Supervisory Board, not preventing them from forwarding claims resulting from their employment agreements.
5. In a case of equal number of votes upon passing resolution by the Board, the President's vote shall be the decisive one.

Art. 16

The following are entitled to issue statements on behalf on the Company:
- in the case of one person board - the President of the Board acting solely,
- in the case of group board - the President of the Board acting solely, two members of the Board acting jointly, or a member of the board acting jointly with a proxy.

Art. 17

All the members of the Board must grant their consent to establishment of a proxy.
Each member of the Board may revoke the power of proxy.

Art. 18

The Supervisory Board is authorized to enter into agreements with members of the Board on behalf of the Company.

II. THE SUPERVISORY BOARD

Art. 19

1. The Supervisory Board exercises permanent supervision over the Company's activities in all areas. Within their supervisory competence, the Supervisory Board may claim any information or document regarding the activities of the Company.
2. Competencies of the Supervisory Board include matters set out by the commercial companies code, in particular:
a) audit of financial statements both with regards to its compliance with the books and documents and the factual state, audit of interim and annual reports of the Board, and motions of the Board regarding appropriation of profits and covering for the losses and forwarding a written report on results of the audits to the General Meeting,
b) creating, once a year, and present before the Annual General Meeting a concise evaluation of the situation of the Company, considering the evaluation of the internal control system, and the system for managing risks relevant for the Company,
c) appointing members of the Board
d) delegating members of the Supervisory Board to temporarily perform functions of the members of the Board who are unable to perform their duties,
e) suspending particular or all members of the Board for material reasons,
f) approving the regulations of the Board,
g) establishment of rules of setting remuneration for the members of the Board,
h) appointment of the auditors of the financial statements of the Company,
i) granting consent to disburse a down-payment toward a future dividend to shareholders.
3. Moreover, the following matters belong the competencies of the Supervisory Board:
a) creation and presentation of evaluation of the work of the Board before the Annual General Meeting,
b) discussion and issuing an opinion regarding matters to be subject of resolutions of the General Meeting,
c) approval of annual and long-term programs of activities of the Company developed by the Board,
d) determination of the level of remuneration for the members of the Supervisory Board delegated to temporary performance of duties of a member of the Board,
e) granting consent for participation in other companies,

f) granting consent for appointing, dismissing and suspending members of authorities of the subsidiaries,
g) granting consent for entering into a material agreement by the Company with a related party,
h) granting consent for the Company to perform activities resulting in incurring liabilities with exception of:
(i) activities anticipated in the annual plan of activities for the Company approved by the Supervisory Board, or
(ii) activities resulting in incurring liabilities up to the amount of 10,000,000 zlotys (ten million zlotys), including granting guarantees and issuing and guaranteeing bills of exchange, performed in the course of daily business, including the business of pay television and MVNO.
i) issuing, upon a request of the Board, opinions on all matters relevant for the Company.
4. A detailed procedure of proceedings of the Supervisory Board, including the regulations of activities of particular committees in its composition, is set out by the Regulations of the Supervisory Board set out by them.

Art. 20

1. The Supervisory Board comprises from five to nine members including the Chairman of the Supervisory Board.
2. The General Meeting, prior to election of members of the Supervisory Board for a new term, determines the number of members the Supervisory Board.
3. The Supervisory Board, in a secret ballot, elects the Chairman of the Supervisory Board from among its members.
4. The term of the Supervisory Board is three years and is performed jointly.

Art. 20a

In the period in which the shares of the Company shall be subject to public trade on a regulated market as set out in the Law darted 29 July 2005 on trade in financial instruments, the Supervisory Board may comprise two members meeting the criteria of an independent member of the Supervisory Board, set out in the rules governing the regulated market on which the shares of the Company are traded.

Art. 21

1. Meetings of the Supervisory Board are held at least once a quarter.
2. The Chairman of the Supervisory Board, or a member of the Supervisory Board indicated by the Chairman convenes meetings of the Supervisory Board. The meetings of the Supervisory Board are chaired by the Chairman, an in the case of their absence by a member of the Supervisory Board appointed by the Chairman in writing, or another member of the Supervisory Board appointed by the members present in the meeting.
3. Moreover, the Chairman convenes meetings of the Supervisory Board upon a motion of a member of the Board, or a member of the Supervisory Board or upon a motion of shareholders representing at least 1/10 (one tenth) of the share capital. Meetings of the Supervisory Board shall be convened at the latest within 14 days of submitting a written motion to the Chairman.

Art. 22

1. Resolutions of the Supervisory Board are adopted by majority of votes cast. In the case equal number of votes the Chairman's vote is decisive.
2. For the validity of resolutions of the Supervisory Board inviting all the members of the Supervisory Board is required, and also presence of at least half of the composition of the Board.
3. Resolutions of the Supervisory Board may be adopted by means of remote direct communication, and moreover, a member of the Board may cast their vote in writing through another member of the Supervisory Board.

Art. 23

Members of the Supervisory Board exercise their rights and duties personally.

III. GENERAL MEETING

Art. 24

The General Meeting of Shareholders takes decisions limited to matters set out in the commercial companies code and in the Articles of Association herein.

The following matters, in particular, require a resolution of the General Meeting:

a) discussion and approval of the report of the Board and the Supervisory Board, financial statements for the previous year,

b) decision regarding appropriation of profits or covering for a loss,

c) approval of duties of the Supervisory Board and the Board,

d) appointment and revocation of members the Supervisory Board and determination of their remuneration, with observation of provisions of 19,

e) amendments to the Articles of Association of the Company,

f) change to the business of the Company,

g) increase or decrease in the share capital,

h) merger or transformation of the Company,

i) dissolution or liquidation of the Company,

j) share issue,

k) sale or lease of the entity and assignment of usufruct rights and sale of factory premises for the Company,

l) purchase of real estate or equipment for the Company, serving for permanent usufruct for a price exceeding by 1/5 (one fifth) the paid-up share capital if the purchase takes place within two years of the Company's registration,

m) all provisions regarding claims for compensation for damage caused upon establishment of the Company, or exercise of management or supervision.

n) other issues set out by the provisions of the commercial companies code.

Art. 25

1. The General Meeting of Shareholders holds its meetings as ordinary or extraordinary.
2. Annual General Meeting shall take place no later than six month after conclusion of the fiscal year of the Company.
3. The Extraordinary General Meeting is convened in cases set out in the Articles of Association herein, and when bodies or persons authorized to convene General Meetings deem it advisable.

Art. 26

General Meetings are held in the Company's registered office.

Art. 27

1. The General Meeting shall be valid if attended by shareholders representing jointly more than 50% of the total number of votes in the Company.
2. Shareholders may take part in the General Meeting personally or through representatives.
3. Members of the Supervisory Board and the Board participate in proceedings of the General Meeting.

Art. 28

1. Resolutions of the General Meeting are normally adopted by regular majority of votes cast, unless the provisions of the Commercial Companies Code or the Articles of Association set out stricter conditions.
2. With observation of provisions of art. 417 § 4 of the Commercial Companies Code a change of business of the Company may be executed without a share buyback.
3. In cases, when the balance sheet presented by the Board indicates a loss in excess of reserve and surplus capitals, and 1/3 (one third) of the share capital (art. 397 of Commercial Companies Code) a resolution regarding dissolution of the Company shall be passed with 2/3 (two thirds) of votes cast.

Art. 29

Proceedings of the General Meeting are open by the Chairman of the Supervisory Board or a person indicated by them. Next the Meeting elects a Chairman of the Meeting, who takes over the management of the proceedings and appoints a secretary, whose task is to prepare a list of attendance with indication of shares held by each participant and the number of votes they are entitled to. The attendance list signed by the Chairman of the Meeting shall be made available during the proceedings.

ACCOUNTS OF THE COMPANY

Art. 30

The fiscal year corresponds to a calendar year.

Art. 31

The first fiscal year of the Company ends on 31 December 1996.

Art. 32

The Board of the Company is obligated to prepare, within three months of end of a fiscal year, and present before the Supervisory Board an annual financial statements and a detailed written report on the activities of the Company in the period.

Art. 33

The Company creates following capitals and funds:

a) Share Capital,

b) Reserve Capital,

c) other capitals and funds set out by the provisions of law.

Art. 34

The net profit of the Company may be appropriated in particular to:

1. reserve capital,
2. other capitals and funds set out by the provisions of law,
3. dividend for shareholders,
4. other purposes set out in a resolution of the General Meeting.

Art. 35

1. Dividend date and the dividend payment date are set by the Annual General Meeting of Company.
2. The Management Board is authorized to disburse a down-payment towards the future dividend expected at the end of the fiscal year to shareholders.

FINAL PROVISIONS

Art. 36

To all matters, which are not regulated by these Articles of Association, the provisions of the Commercial Companies Code shall apply.

Art. 37

1. The share of votes in the General Meeting of foreign persons and subsidiaries of foreign persons, as set out by the Commercial Companies Code, shall not exceed 49 %.
2. Members of the Board of the Company and the Supervisory Board of the Company must be, in their majority, Polish persons residing permanently in Poland.
3. The limitations set out in section 1 do not apply to foreign persons whose registered office or place of residence is with the member state of the European Commercial Area.