CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the six month period ended
June 30, 2015

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015

POLSAT GROUP AT A GLANCE

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

- pay digital TV services offered by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe. We offer our customers access to over 160 TV channels, including over 45 channels in high definition standard, as well as additional services such as PPV, VOD Home Movie Rental, TV online, catch-up TV and Multiroom. We also provide online video services through IPLA – the leader on Poland's online video market.
- mobile telecommunication services, including voice and data transmission services, which we provide mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators;
- mobile broadband Internet, offered under two alternative brands: Cyfrowy Polsat and Plus. We provide these services in the state-of-the-art LTE technology. We offer the largest LTE coverage in Poland and our customers attain the highest data transmission speed among offers provided by national mobile network operators technologies;
- broadcasting and television production through Telewizja Polsat, leading commercial TV broadcaster on the Polish market, offering 26 popular TV channels, including 5 in HD standard.
- wholesale services to other operators, including i.a. network interconnection, national and international roaming shared access to network assets and lease of network infrastructure.

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

Our vision and main strategic goals

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

Our superior goal is to become the number one player on the Polish entertainment and telecoms markets. To achieve this objective we will continue to provide high quality products and services to all our customers as well as acquire and produce superior quality content and deliver it to Polish households and individual users.

The key elements of our strategy include:

- building the value of our customer base by increasing the number of users as well as maximizing the number of services offered to each customer while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
- maximizing revenue from produced and purchased content by expanding its distribution, maintaining the audience shares of our channels and improving our viewer profile, and
- effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies.

DISCLAIMERS

This constitutes the semi-annual report of Cyfrowy Polsat Capital Group S.A. prepared as required by Paragraph 82 section 1 and 2 and Paragraph 90 of the Regulation of the Minister of Finance of February 19, 2009 concerning the submission of current and periodic information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union.

Presentation of financial data and other information

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

Financial and operating data

This semi-annual report contains financial statements and financial information relating to the Company and the Group. In particular, this semi-annual report contains our interim condensed consolidated financial statements for the 6-month period ended June 30, 2015, quarterly condensed consolidated financial statements for 3 and 6-month periods ended June 30, 2015, interim condensed financial statements for the 6-month period ended June 30, 2015 and quarterly condensed financial statements for the 3 and 6-month periods ended June 30, 2015. The financial statements attached to this interim report have been prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" ("IAS 34") and are presented in million zlotys. The financial statements were not audited, however, the interim condensed consolidated financial statements for the 6-month period ended June 30, 2015 and the interim condensed financial statements for the 6 months ended June 30, 2015 were reviewed by an independent auditor.

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

Currency presentation

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

Forward looking statements

This Report contains forward looking statements relating to future expectations regarding our business, financial and operating results. These statements are expressed, without limitation, through words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to base investment decisions on such statements, which speak only as at the date of this Report.

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

Industry and market data

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

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

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the 3 and 6-month periods ended June 30, 2015 and June 30, 2014. The selected financial data presented in the tables below is expressed in millions PLN, unless otherwise stated. This information should be read in conjunction with interim condensed consolidated financial statements for the 6-month period ended June 30, 2015 and interim condensed consolidated financial statements for the 3 and 6-month periods ended June 30, 2015 and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

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

Selected financial data:

- from the consolidated income statement for the 3-month periods ended June 30, 2015 and June 30, 2014 have been converted into euro at a rate of PLN 4.0890 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from April 1 to June 30, 2015;
- from the consolidated income statement and the consolidated cash flow statement for the 6 month periods ended June 30, 2015 and June 30, 2014 have been converted into euro at a rate of PLN 4.1420 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to June 30, 2015;
- from the consolidated balance sheet data as at June 30, 2015 and December 31, 2014 have been converted into euro at a rate of PLN 4.1944 per EUR 1.00 (average exchange rate published by NBP on June 30, 2015).

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

It should be noted that data for the periods of 3 and 6 months ended June 30, 2015 are not fully comparable to data for the periods of 3 and 6 months ended June 30, 2014 due to the acquisition, on May 7, 2014, of 100% of shares of Metelem Holding Company Limited, the indirect parent of Polkomtel, the acquisition of 100% of shares in Radio PIN S.A. on February 27, 2015 and the acquisition of 100% of shares in Orsen Holding Ltd. on April 1, 2015. However, given that the results of Radio PIN S.A. as well as Orsen Holding Ltd. and its subsidiaries do not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group’s financial situation.

	June 30, 2015		December 31, 2014, restated [1]	
	mPLN	mEUR	mPLN	mEUR
Consolidated balance sheet				
Cash and cash equivalents [2]	1,439.7	343.2	1,747.9	416.7
Assets	27,141.8	6,471.0	27,338.7	6,517.9
Non-current liabilities	13,339.2	3,180.2	14,093.3	3,360.0
Current liabilities	4,244.8	1,012.0	4,167.2	993.5
Equity	9,557.8	2,278.7	9,078.2	2,164.4
Share capital	25.6	6.1	25.6	6.1

(1) Restatement due to final purchase price allocation of Metelem

(2) Includes Cash and cash equivalents, short-term deposits and restricted cash.

	For the 6-month period ended			
	June 30, 2015		December 31, 2014	
	mPLN	mEUR	mPLN	mEUR
Consolidated cash flow statement				
Net cash flow from operating activities	1,304.3	314.9	649.6	156.8
Net cash flow from/(used in) investment activities	(347.6)	(83.9)	1,394.1	336.6
Net cash flow used in financial activities	(1,310.0)	(316.3)	(478.3)	(115.5)
Net change in cash and cash equivalents	(353.3)	(85.3)	1,565.4	377.9

	for the 3 month period ended June 30				for the 6 month period ended June 30			
	2015		2014		2015		2014	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Consolidated income statement								
Retail revenue	1,652.0	404.0	1,204.5	294.6	3,289.2	794.1	1,672.3	403.7
Wholesale revenue	688.7	168.4	479.1	117.2	1,242.0	299.9	721.3	174.1
Sale of equipment	106.9	26.1	55.4	13.5	225.3	54.4	63.3	15.3
Other sales revenue	21.6	5.3	6.9	1.7	41.7	10.1	12.3	3.0
Revenue	2,469.2	603.8	1,745.9	427.0	4,798.2	1,158.4	2,469.2	596.1
Content costs	(274.0)	(67.0)	(260.9)	(63.8)	(509.5)	(123.0)	(471.5)	(113.8)
Distribution, marketing, customer relation management and retention costs	(193.2)	(47.2)	(132.2)	(32.3)	(382.4)	(92.3)	(207.6)	(50.1)
Depreciation, amortization, impairment and liquidation	(393.5)	(96.2)	(311.3)	(76.1)	(861.4)	(208.0)	(373.8)	(90.2)
Technical costs and cost of settlements with mobile network operators	(522.4)	(127.8)	(288.0)	(70.4)	(1,004.7)	(242.6)	(359.3)	(86.7)
Salaries and employee-related costs	(140.8)	(34.4)	(108.2)	(26.5)	(269.9)	(65.2)	(152.8)	(36.9)
Cost of equipment sold	(291.7)	(71.3)	(189.7)	(46.4)	(624.3)	(150.7)	(200.0)	(48.3)
Cost of debt collection services and bad debt allowance and receivables written off	(27.8)	(6.8)	(18.1)	(4.4)	(46.5)	(11.2)	(24.8)	(6.0)
Other costs	(56.1)	(13.7)	(43.4)	(10.6)	(109.8)	(26.5)	(69.4)	(16.8)
Total operating cost	(1,899.5)	(464.5)	(1,351.8)	(330.6)	(3,808.5)	(919.5)	(1,859.2)	(448.9)
Other operating income, net	13.8	3.4	3.5	0.9	22.5	5.4	7.1	1.7
Profit from operating activities	583.5	142.7	397.6	97.2	1,012.2	244.4	617.1	149.0
Gain/(loss) on investment activities, net	(11.9)	(2.9)	23.9	5.8	17.0	4.1	25.1	6.1
Financial costs	(222.1)	(54.3)	(273.4)	(66.9)	(483.4)	(116.7)	(382.1)	(92.3)
Share of the profit of joint venture accounted for using the equity method	0.9	0.2	0.7	0.2	1.4	0.3	1.3	0.3
Gross profit for the period	350.4	85.7	148.8	36.4	547.2	132.1	261.4	63.1
Income tax	(45.9)	(11.2)	(16.7)	(4.1)	(71.9)	(17.4)	(31.1)	(7.5)
Net profit for the period	304.5	74.5	132.1	32.3	475.3	114.8	230.3	55.6
Basic and diluted earnings per share in PLN (not in millions)	(0.48)	(0.12)	(0.25)	(0.06)	(0.74)	(0.18)	(0.53)	(0.13)
Weighted number of issued shares	639,546,016		524,348,714		639,546,016		436,836,951	
Other consolidated financial data								
EBIDTA (1)	977.0	238.9	708.9	173.3	1,873.6	452.4	990.9	239.2
EBITDA margin	39.6%	39.6%	40.6%	40.6%	39.0%	39.0%	40.1%	40.1%
Operating margin	23.6%	23.6%	22.8%	22.8%	21.1%	21.1%	25.0%	25.0%
Capital expenditures, net (2)	107.9	26.4	98.9	24.2	264.4	63.8	138.0	33.3

(1) We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, net value of disposed property, plant and equipment and intangible assets, revenue obtained from interest, finance costs, positive/(negative) exchange rate differences, income taxes and share of net results of joint ventures. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets and net value of disposed property, plant and equipment and intangible assets.
We believe EBITDA serves as a useful supplementary financial indicator in measuring the profitability of media and telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

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

1 Organization of Cyfrowy Polsat S.A. Capital Group

1.1 Composition and structure of Polsat Group

The following table and graph below present the organizational structure of Polsat Group as at June 30, 2015, indicating the consolidation method.

Company name	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2015	December 31, 2014
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Cyfrowy Polsat Finance AB (1)	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
Nord License AS	Vollsvseien 13B, Lysaker Norway	trade of programming licenses	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	100%	100%
Polsat Ltd.	238A King Street, London W6 0RF, Great Britain	television broadcasting	100%	100%
Radio PIN S.A. (2)	Ostrobramska 77, Warsaw	radio broadcasting and production	100%	-
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	holding activities	100%	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television activities	100%	100%
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	Intellectual property rights management	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
Redefine Sp. z o.o. (3)	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	-	100%
Poszkole.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Gery.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Frazpc.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Netshare Sp. z o.o	Stanów Zjednoczonych 61 A, Warsaw	electronic media (Internet) advertising broker	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%

Company name	Registered office	Activity	Share in voting rights (%) as at June 30, 2015	Share in voting rights (%) as at December 31, 2014
PL 2014 Sp. z o.o.	Stanów Zjednoczonych 53, Warsaw	other activity related to sports	100%	100%
Metelem Holding Company Limited (4)	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	100%	100%
Eileme 1 AB (publ) (4)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ) (4)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ) (4)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 4 AB (publ) (4)	Stureplan 4C, 114 35 Stockholm, Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) (4)	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	100%	100%
Liberty Poland S.A. (4)	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	other activities supporting financial services	100%	100%
Plus TM Management Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	intellectual property rights management and rental	100%	100%
LTE Holdings Limited (4)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	100%
Plus TM Group Spółka z ograniczoną odpowiedzialnością S.K.A. (4)(5)	Postępu 3, 02-676 Warsaw	intellectual property rights rental	100%	100%
Plus TM Group Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	holding activities	100%	100%
Orsen Holding Ltd. (6)	Level 2 West. Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Orsen Ltd. (6)	Level 2 West. Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Grab Sarl (6)	6, rue Eugène Ruppert. L-2453 Luxembourg., Grand Duchy of Luxembourg	holding activities	100%	-
Dwa Sp. z o.o. (6)	Al. Jerozolimskie 81, Warsaw	holding activities	100%	-
Grab Investment SCSp (6)	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	-
IB 1 FIZAN (6)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	(7)	-
Interphone Service Sp. z o.o. (6)	Inwestorów 8, Mielec	production of set-top boxes	100%	-
Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością S.k. (6)	Al. Jerozolimskie 81, 02-001 Warsaw	provision of Premium-Rate services	100%	-
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG, Great Britain	television activities	50%	50%

Company name	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2015	December 31, 2014
Polski Operator Telewizyjny Sp. z o.o.	Huculska 6, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.(4)	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o. (4)	Postępu 3, 02-676 Warsaw	maintenance of loyalty programs	49%	49%

(1) The company changed its business name to Rioni 1 AB on August 20, 2015.
(2) Company consolidated since February 27, 2015.
(3) On June 30, 2015 Cyfrowy Polsat merged with Redefine.
(4) Company consolidated since May 7, 2014.
(5) Company transformed into TM Rental Sp. z o.o. on August 3, 2015.
(6) Company consolidated since April 1, 2015.
(7) Cyfrowy Polsat owns indirectly 100% of certificates.

Additionally, the following entities were included in the consolidated financial statements for the 3-and 6-month periods ended June 30, 2015:

Company name	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2015	December 31, 2014
Karpacka Telewizja Kablowa Sp. z o.o. (1)	Warszawska 220, 26-600 Radom	dormant	99%	99%
Litenite Limited (2)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding company	49%	49%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	Market and public opinion research	4.55%	4.55%

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

Changes in the organizational structure of Polsat Group and their effects

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

Date	Change
February 27, 2015	Acquisition by Telewizja Polsat of 100% of shares in the share capital of Radio PIN S.A.
April 1, 2015	Acquisition by Polsat Group of 100% shares in the share capital of Orsen Holding Limited.
June 30, 2015	Registration of merger of Cyfrowy Polsat S.A. and Redefine Sp. z o.o.
August 3, 2015	Registration of the transformation of Plus TM Group Sp. z o.o. S.K.A. into TM Rental Sp. z o.o.
August 5, 2015	Transfer of 100% of shares owned by Polkomtel in TM Rental Sp. z o.o. to Plus TM Group Sp. z o.o. as in-kind contribution.
August 20, 2015	Cyfrowy Polsat Finance AB changed its business name to Rioni 1 AB.

1.2 Shareholders holding material bundles of shares of Cyfrowy Polsat

The following table presents shareholders of Cyfrowy Polsat possessing – according to our best knowledge – no less than 5% of votes at the General Meeting of the Company as at the date of publication of this Report. Information included in the table is based on the information received from shareholders pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Reddev Investments Limited (1), including:	154,204,296	24.11%	306,709,172	37.45%
- privileged registered shares	152,504,876	23.85%	305,009,752	37.24%
- ordinary bearer shares	1,699,420	0.27%	1,699,420	0.21%
Embud Sp. z o.o. (2)	58,063,948	9.08%	58,063,948	7.09%
Karswell Limited (2)	157,988,268	24.70%	157,988,268	19.29%
Sensor Overseas Limited (3), including:	54,921,546	8.59%	81,662,921	9.97%
- privileged registered shares	26,741,375	4.18%	53,482,750	6.53%
- ordinary bearer shares	28,180,171	4.41%	28,180,171	3.44%
Others	214,367,958	33.52%	214,539,208	26.20%
Total	639,546,016	100.00%	818,963,517	100.00%

(1) Reddev Investments Limited is an indirect subsidiary Mr. Zygmunt Solorz-Żak.
(2) Entity controlled by Mr. Zygmunt Solorz-Żak.
(3) Entity controlled by EVO Foundation with its registered seat in Vadus, Liechtenstein.

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

On June 5, 2015 the Company received a notification from IB Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw (the "Association"), on behalf of a fund managed by the Association, IB 8 Funduszu Inwestycyjnego Zamkniętego Aktywów Niepublicznych (IB 8 Closed-end Investment Fund of Non-Public Assets) (the "Fund"), regarding the increase of the Fund's indirect share in the total number of votes in the Company to over 5%.

The change of the share in the total number of votes in the Company resulted from creating new shares of FIZAN Limited, with its registered office in Limassol ("FIZAN Ltd"), which the Fund has obliged to take up, after the fulfillment of the conditions of the Share Subscription Agreement of March 12, 2015, in a manner causing the Fund to obtain the status of dominant entity to FIZAN Ltd. FIZAN Ltd is a dominant entity to Embud which holds 58,063,948 shares of the Company.

Prior to taking over control of the entity indirectly holding shares of the Company, neither the Fund nor any other funds managed by the Association, held any shares of the Company.

After acquiring control over the entity indirectly holding shares of the Company, the Fund indirectly holds 58,063,948 shares of the Company, constituting 9.08% of the Company's share capital and representing 58,063,948 votes at the general meeting of the Company, which constitute 7.09% of the total number of votes at the general meeting of the Company.

1.3 Shares of Cyfrowy Polsat owned by Management Board and Supervisory Board members

Management Board of Cyfrowy Polsat S.A.

As at the date of publication of this Report, i.e. August 26, 2015 and as at the date of publication of the previous periodic report (quarterly report for the first quarter of 2015) on May 14, 2015, the members of the Company's Management Board did not hold, directly or indirectly, shares of the Company.

Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares controlled directly or indirectly by members of the Company's Supervisory Board as at the date of publication of this Report, i.e. August 26, 2015, and changes in their holdings since the date of publication of the previous financial report (quarterly report for the first quarter of 2015) on May 14, 2015. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as at 14.05.2015	Increases	Decreases	Balance as at 26.08.2015
Zygmunt Solorz-Żak (1) *Chairman of the Supervisory Board*	370.256.512	-	-	370.256.512

(1) Mr. Zygmunt Solorz-Żak does not hold directly any shares in the Company. Information on entities controlled by Mr. Zygmunt Solorz-Żak that hold shares in the Company is presented in item 1.2 hereinabove.

2 BUSINESS REVIEW OF POLSAT GROUP

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

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

In the segment of services to individual and business customers we provide services including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, wholesale services for other telecommunications operators as well as sales of telecommunication equipment and production of set-top boxes. As at June 30, 2015 we had 6.0 million contract customers and companies from our Group provided a total of over 16.3 million RGUs both contract and prepaid.

Our broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2.1 Segment of services to individual and business customers

Pay TV

We are the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services as well as market share. As at June 30, 2015 we provided 4.4 million active pay TV services (including almost 0.9 million Multiroom services).

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family, at attractive prices. At present we provide access to 160 TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. In addition, we offer our customers access to over 45 HD channels and also provide VOD/PPV, online TV, catch-up TV and Multiroom HD services.

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

As the only operator in Poland, we offer our subscribers our own high-quality set-top boxes at affordable prices. In the second quarter of 2015, our set-top boxes accounted for 95% of all the set-top boxes sold or otherwise made available to our pay TV customers. By the end of June 2015 we had manufactured a total of over 6.7 million set-top boxes, including 5.1 million HD units.

Online video

The IPLA service offered by our Group is the leader of the Polish video online streaming market, both in terms of compatibility with a broad range of end-user devices (including computers, tablets, smartphones, TV sets with Internet access, set-top boxes, and game consoles) and in terms of content volume. IPLA also enjoys a leading position in terms of the number of users and the average time spent by a single user on watching streamed content. According to our data, in the second quarter of 2015 the average number of unique users of the IPLA website/application was approximately 4.6 million per month.

IPLA online television offers access to 36 linear TV channels, a vast library of feature films, Poland's largest legal TV content database, comprising approximately 50,000 video materials including over 100 series and TV programs aired on over 30 TV channels, as well as around 200 hours of major sports events coverage per month. IPLA television also comprises a wide selection of content available free of charge with commercials (90% of the entire resources).

Access to IPLA resources is available to users of computers running Windows and Windows 8 through the www.ipla.tv website and dedicated applications, mobile devices powered by iOS, Android and Windows Phone, TV sets with internet connections (Samsung, LG, Sony, Panasonic, Philips, Sharp, Ikea (TV UPPLEVA), Toshiba, Thomson, TCL), set-top boxes (Cyfrowy Polsat, cable TV TOYA, Netia), game consoles (PlayStation 3) and Blu-ray.

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

Mobile telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators and the 2014 market leader in terms of revenue (according to the "Report on the telecommunications market in Poland in 2014", published by UKE in June 2015). As at June 30, 2015 we provided nearly 10.3 million active mobile telephony services.

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

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

Broadband Internet

In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service, offering technical features and quality parameters which allows to compete effectively with fixed-line Internet services, thus meeting the increasing demand of consumers. In addition, LTE-based broadband access offers mobility, which is a feature that has been increasingly more popular among consumers. As at the end of June 2015, LTE Internet and HSPA/HSPA+ Internet cover over 90% and nearly 100% of Poland's population, respectively. As at June 30, 2015 we provided nearly 1.7 million broadband Internet access services.

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

Bundled services

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

smartDOM

As part of our strategy of integrating modern home products and services, Cyfrowy Polsat and Polkomtel launched smartDOM (smartHOME), a joint program which enables bundling of innovative services offered by both operators to the benefit of their customers. Under the new program, customers can combine, in a flexible way, such products as satellite TV, broadband LTE Internet, telephone, electricity and banking services, and make savings for each service added to their package.

Since May 2014, as part of the smartDOM program we offered a promotional scheme „Drugi produkt za połówkę, trzeci za złotówkę" (second product for half-price, third product for 1 zloty). The promotion was based on a simple and flexible mechanism: a client who had one service from the Group's portfolio would be given attractive rebates on purchasing additional products for the whole period of the agreement.

In May 2015, we launched a new phase of the smartDOM program. The refreshed offer allows for purchasing up to six services from the Group's portfolio, five of which are offered with rebates. The promotion is addressed to existing and new clients. The first service (television, Internet or telephone) – owned or purchased – is fully paid. Two other services from other categories are offered with rebates up to 50%. Three additional telephone activations are offered with a discount of PLN 10 per month each. All rebates apply over the whole period of using the services purchased from Plus and Cyfrowy Polsat, not only over the original term of the given agreement.

smartFIRMA

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

Wholesale business

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

Network interconnection

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad. As at June 30, 2015 we were party to 25 interconnection agreements with national and international operators.

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

Shared access to network assets and lease of telecommunications infrastructure

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

International roaming

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

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

National roaming and virtual operators (MVNOs)

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

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

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

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

2.2 Broadcasting and television production segment

Production and sale of television channels

Our portfolio comprises 26 channels, including our flagship POLSAT, available in SD and HD formats and 24 thematic channels. 5 channels are available in HD standard.

POLSAT, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain the nationwide license for analogue broadcasting. POLSAT is the leader among Polish TV channels in terms of share in the commercial audience, aged 16-49, totaling 13.4% for the first half of 2015. Telewizja Polsat broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2). Apart from terrestrial signal, POLSAT is also available in SD and HD formats from most cable networks and satellite platforms. The channel features a broad range of films (a significant share of which are produced by major American film studios), entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.

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

Thematic channel	Description
Polsat Sport Polsat Sport HD	Sports channel broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, handball, world class boxing and MMA contests), which include live broadcast. Polsat Sport HD broadcasts the content of the corresponding sports channel in HD standard.
Polsat Sport Extra Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat Sport Extra HD broadcasts the content of the corresponding sports channel in HD standard.
Polsat Sport News	Sports channel dedicated to sports news, it is an FTA channel broadcast within the DTT technology.
Polsat Film Polsat Film HD	Movie channel broadcasting movie hits, top box office productions and non-mainstream movies from a library of major US movie studios. Polsat Film HD is a version of our movie channel offering high definition broadcast.
Polsat Cafe	Channel dedicated to women focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat2	Channel broadcasting reruns of programs that premiered on our other channels, it is also broadcast to Polish communities abroad (mainly in the US).
Polsat News Polsat News HD	24-hour news channel covering primarily news from Poland and key international events, also broadcast in high definition.

Thematic channel	Description
CI Polsat	Criminal channel that takes its viewers to the world of crime providing the insight to criminal laboratories, police archives and courtrooms.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society and international affairs. Addressed to viewers interested in economics.
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
Polsat Food	Culinary channel, based on the content library of Food Network, one of the most popular channels on American television. This is a joint venture of TV Polsat and Scripps Network Interactive.
Polsat Viasat Explore	Channel dedicated to men. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature	Nature channel targeted at the entire family. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History	Channel offering high-quality programs on world history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
TV4	Nationwide entertainment channel available in DTT, the programming offer of which includes feature movies, series, entertainment programs and sports. The channel is available in digital terrestrial television.
TV6	Nationwide entertainment channel available in DTT, broadcasting popular entertainment formats in original versions, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Polsat Romans	Channel dedicated to women. The programming offer includes both feature movies and popular and much-liked Polish and foreign series.
MUZO.TV	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. MUZO.TV is the second music channel in Polsat's programming offer.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on data from Starlink, we estimate that in the second quarter of 2015 we captured 25.4% of the Polish TV advertising market worth approximately PLN 1,110.2 million in that period. Based on the same estimates, in the first half of 2015 our share in the Polish TV advertising market was 25.3%, while the market was estimated at PLN 1,983.1 million in that period.

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

Sale of channel broadcasting rights

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

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

3 SIGNIFICANT EVENTS

3.1 Corporate events

Appointment of members of the Supervisory Board

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

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

Early prepayment of part of the PLK Term Loan

On April 13, 2015, Polkomtel made an early prepayment of part of the PLK Term Loan in the amount of PLN 600 million. Furthermore, on May 15, 2015, Polkomtel made a prepayment of part of the PLK Term Loan in the amount of PLN 30 million.

Introduction to trading of Series J shares

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

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

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

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

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

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

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

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

Framework Agreement with the EBRD

On June 29, 2015 the Company concluded a Framework Agreement with the European Bank for Reconstruction and Development ("EBRD"). The Framework Agreement was concluded in connection with the EBRD considering the acquisition of bonds issued by the Company.

In the Framework Agreement the Company undertook to act in compliance with EBRD's Designated Performance Requirements and anti-corruption guidelines. The Framework Agreement sets out certain obligations of the Company, in particular with respect to environmental protection. The Framework Agreement may expire on the terms and conditions set forth therein, if EBRD the stake of the Company's bonds held by the EBRD will decrease below the value set forth in the Framework Agreement.

Basing on the Framework Agreement, the EBRD took part in the subscription for Bonds and was one of the 52 entities to whom the Series A Bonds were allotted on July 21, 2015.

Merger of Cyfrowy Polsat and Redefine

Following the decision of the Management Board of the Company of April 14, 2015, approved by the Extraordinary General Meeting on May 18, 2015, the merger of Cyfrowy Polsat and Redefine was effected in June 30, 2015. The merger was effected by transferring to the Company – as the sole shareholder – all the assets of Redefine and termination of Redefine without liquidation.

As a result of the merger, Cyfrowy Polsat assumed all rights and obligations of Redefine, effective on the date of the merger. Given that the Company held all the shares of Redefine, the merger was effected without increasing the share capital of the Company. The aim of the merger was to optimize costs and simplify the organizational structure of the Group in line with our long-term strategy.

3.2 Business related events

Acquisition of Radio PIN S.A.

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

Purchase of data transmission services by Polkomtel

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

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

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

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

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

Purchase of data transmission services by the Company

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

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

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

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

- PLN 48.82 million, net – for the first quarter of 2015 in three equal monthly installments,
- PLN 53.94 million, net – for the second quarter of 2015 in three equal monthly installments,
- PLN 98.17 million, net – for the third quarter of 2015 in three equal monthly installments,
- PLN 140.14 million, net – for the fourth quarter of 2015 in three equal monthly installments,
- PLN 385.48 million, net – for the year 2016 in twelve equal monthly installments,
- PLN 342.78 million, net – for the year 2017 in twelve equal monthly installments, and
- PLN 353.23 million, net – for the year 2018 in twelve equal monthly installments.

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

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

On March 10, 2015, Polkomtel made a decision to discontinue its participation in active bidding for the spectrum blocks from the 800 MHz band and switched to the so-called passive approach. As at the date of publication of this Report, Polkomtel continues to actively bid in the auction of 2600 MHz frequency blocks.

Extension of LTE network coverage

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

On March 24, 2015, Midas Group launched the first in Poland commercial LTE 800 network. In line with the provisions of the agreements concluded between Midas Group and Polsat Group, following the launch of services based on the 800 MHz frequencies Midas Group extended the scope of services related to data transmission provided to Polsat Group. As a result of the roll-out of the LTE 800 network, including over 2000 locations at the end of June 2015, as of the second quarter of 2015 over 90% of Poles lived within the coverage of LTE Internet service offered by Plus and Cyfrowy Polsat. Midas Group announced that, bearing in mind the optimal coverage, the roll-out of the LTE 800 network may consist in the construction of over 5000 stations in total.

Acquisition of Teleaudio Dwa and Interphone Service

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

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

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

Acquisition of sports rights

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

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

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

In June 2015, Telewizja Polsat acquired broadcasting rights to the Polish football competition "I liga", thus expanding its programming offer.

Order of network sharing services placed by Midas Group with Polkomtel

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

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

Under the abovementioned agreement and in connection with the roll-out by Midas Group of the LTE network on the 800 MHz frequencies, on April 22 and June 10, 2015, Polkomtel accepted consecutive orders placed by Aero2 for the purchase of SITE sharing services and SITE transmission services provided by Polkomtel in favor of Aero2. SITE sharing services consist in the lease to the other party of base station space for the installation of transceiver equipment, in particular any equipment supporting LTE or HSPA+ technologies. SITE transmission services consist in the transmission of traffic of the party using the service from its base station to its core network.

3.3 Events after the balance sheet date

Issue of bonds

Pursuant to the resolution of the Management Board adopted on July 2, 2015, the Company issued on July 21, 2015 1,000,000 unsecured series A bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 1 billion (“Bonds”, “Series A Bonds”). The issue price of one bond was equal to its nominal value and amounts to PLN 1,000. The maturity date of the bonds is July 21, 2021. The interest rate on the Bonds is floating and is based on the WIBOR rate for 6-month deposits, increased by a margin, which depends on the debt ratio. The coupon is paid biannually in January and July.

The Bonds were allotted to 52 investors in total, including the EBRD.

On the issue date, i.e. July 21, 2015, the Bonds were registered in the securities depository maintained by the National Depository for Securities. The Bonds were introduced to trading in the alternative trading system organized by the Warsaw Stock Exchange within the Catalyst market on August 12, 2015.

The Bonds are described in detail in item 4.3.5. – *Operating and financial review of Polsat Group – Review of the Group’s financial situation – Liquidity and capital resources – Series A Bonds.*

Prepayment of the CP Term Loan

On July 29, 2015, the Company made an early prepayment of a part of the CP Term Loan under the CP Senior Facilities Agreement in the amount of PLN 1 billion.

Consent of the Extraordinary General Meeting to conclude a pledge agreement and establish a registered pledge

Given that the Management Board of the Company has taken actions to obtain financing in order to refinance the indebtedness of the Group, the Extraordinary General Meeting of the Company, convened on August 18, 2015, authorized the Company to execute a pledge agreement and take all other legal and factual actions in order to establish a registered pledge (registered pledges) on a collection of movables and rights constituting the organized entirety with variable composition, being the property of Company’s enterprise, up to the maximum amount of the security interest being up to 200% of the principal amount of a given facility.

4 Operating and financial review of Polsat Group

4.1 Operating review of the Group

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

It must be emphasized that the key performance indicators presented below for the 3 and 6-month periods ended June 30, 2014 have been prepared to present the potential effect that the performance of Metelem Group, Polkomtel in particular, would have had on the Group's operating results if Metelem had been part of our Capital Group in the compared periods. These key performance indicators have been prepared for illustrative purposes only and because of their nature they present a hypothetical situation rather than the actual performance of the Group for the given periods.

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

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

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

	for the 3 month period ended June 30			for the 6 month period ended June 30		
	2015	2014	change / %	2015	2014	change / %
Total number of RGUs (contract + prepaid)	16,349,090	16,250,497	0.6%	16,349,090	16,250,497	0.6%
CONTRACT SERVICES						
Total number of RGUs, including:	12,377,021	12,023,369	2.9%	12,377,021	12,023,369	2.9%
Pay TV, including:	4,374,517	4,255,544	2.8%	4,374,517	4,255,544	2.8%
Multiroom	*886,305*	*771,481*	*14.9%*	*886,305*	*771,481*	*14.9%*
Mobile telephony	6,519,311	6,644,687	-1.9%	6,519,311	6,644,687	-1.9%
Internet	1,483,193	1,123,138	32.1%	1,483,193	1,123,138	32.1%
Number of customers	5,990,051	6,221,111	-3.7%	5,990,051	6,221,111	-3.7%
ARPU per customer [PLN]	87.0	85.3	2.0%	86.4	85.0	1.6%
Churn per customer	10.1%	8.8%	1.3p.p.	10.1%	8.8%	1.3p.p.
RGU saturation per customer	2.07	1.93	7.3%	2.07	1.93	7.3%
Average number of RGUs, including:	12,391,326	11,981,389	3.4%	12,383,965	11,983,794	3.3%
Pay TV, including:	4,397,999	4,243,880	3.6%	4,400,770	4,235,665	3.9%
Multiroom	*881,296*	*759,922*	*16.0%*	*871,061*	*748,119*	*16.4%*
Mobile telephony	6,532,488	6,670,820	-2.1%	6,551,416	6,710,108	-2.4%
Internet	1,460,839	1,066,689	37.0%	1,431,779	1,038,021	37.9%
Average number of customers	6,031,638	6,242,450	-3.4%	6,068,444	6,258,700	-3.0%
PREPAID SERVICES						
Total number of RGUs, including:	3,972,069	4,227,128	-6.0%	3,972,069	4,227,128	-6.0%
Pay TV	41,517	66,578	-37.6%	41,517	66,578	-37.6%
Mobile telephony	3,737,282	3,923,778	-4.8%	3,737,282	3,923,778	-4.8%
Internet	193,270	236,772	-18.4%	193,270	236,772	-18.4%
ARPU per total prepaid RGU [PLN]	18.3	17.9	2.2%	17.8	17.2	3.5%
Average number of RGUs, including:	4,006,108	4,285,747	-6.5%	4,037,377	4,341,892	-7.0%
Pay TV	61,165	79,253	-22.8%	64,569	78,516	-17.8%
Mobile telephony	3,755,130	3,975,410	-5.5%	3,776,276	4,033,509	-6.4%
Internet	189,813	231,084	-17.9%	196,532	229,867	-14.5%
TELEVISION						
Audience share	24.7%	23.6%	4.4%	24.3%	23.0%	5.6%
Advertising market share	25.4%	24.8%	2.4%	25.3%	24.7%	2.5%

4.1.1 Segment of services to individual and business customers

As at June 30, 2015, in the segment of services to individual and business customers, our Group provided a total of 16,349,090 active services, both in the contract and prepaid models, which constitutes an increase of 0.6% compared to 16,250,497 active services provided as at June 30, 2014. This increase was due to the growing number of broadband Internet access services provided in the contract model and a higher number of pay TV services (including Multiroom) provided in the first half of 2015 compared to the corresponding period of the prior year, and was partially offset by a decline in the number of provided prepaid services in the analyzed period.

As at June 30, 2015 the share of contract services in the total number of provided, active services was 75.7%. This indicator increased from 74.0% as at June 30, 2014.

Contract services

As at June 30, 2015 we provided contract services to a total of 5,990,051 customers, i.e. 3.7% less compared to 6,221,111 as at June 30, 2014. The main drivers behind this decrease are the merging of contracts under one common contract for the household and the outflow of single-play customers, i.e. customers with only one service, mobile telephony in particular.

The number of active contract services provided by us increased by 353,652 that is 2.9%, to 12,377,021 as at June 30, 2015 from 12,023,369 as at June 30, 2014. This change is primarily the effect of an increase of the number of broadband Internet access services by 360.055, i.e. 32.1%, which in turn is due to the growing number of Internet users in Poland and our strategy of actively promoting sales of services provided in the LTE/HSPA+ technologies, i.a. by actively expanding LTE coverage. The total number of pay TV services provided in the contract model increased by 2.8%, in the first half of 2015 to 4,374,517 as at June 30, 2015 from 4,255,544 as at June 30, 2014 due to a significant increase in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased from 6,644,687 as at June 30, 2014 to 6,519,311 as at June 30, 2015 due to the fact that the Polish mobile telephony market is highly competitive and mature. We believe that further saturation of our customer base with integrated services, including our product smartDOM, will positively influence the growth of the number of contract RGUs provided by us in the future.

ARPU per customer increased by 2.0%, to PLN 87.0, in the second quarter of 2015 from PLN 85.3 in the second quarter of 2014. In the first half of 2015 ARPU per customer increased by 1.6%, to PLN 86.4, compared to PLN 85.0 in the corresponding period of 2014. The long-term goal of our Group is to maximize revenue per contract customer through sales of additional products and services to the joined customer bases of Cyfrowy Polsat and Polkomtel, among others within the framework of our program smartDOM, which has a positive impact on ARPU per contract customer.

Our churn rate was equal to 10.1% in the twelve-month period ended June 30, 2015 compared to 8.8% in the twelve-month period ended June 30, 2014 due to the fact the a larger number of contracts with our customers expired in the first half of 2015 as compared to the first half of 2014.

The saturation of our customer base with multi-play services is systematically growing. As at June 30, 2015, each customer in our customer base had on average 2.07 active contract services, which constitutes an increase of 7.3% compared to 1.93 active contract services per customer as at June 30, 2014. The increase in RGU saturation per customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to one customer.

The smartDOM program records excellent sales results and has a positive effect on both the level of RGU saturation per one customer and ARPU per contract customer. Since its launch in mid-February 2014 until the end of the first half of 2015, 791 thousand customers had joined the program and had bought a total of 2.41 million RGUs. The rate of cross-sales of products in the smartDOM program remains at a high level – the number of RGUs provided in the smartDOM program increased by ca. 184 thousand in the second quarter of 2015. RGU saturation per customer in this group was slightly above 3.0 as at June 30, 2015. Bearing in mind the long-term goal of our Group, which is to maximize revenue per contract customer through sales of additional products and services, the smartDOM program is perfectly in line with the implementation of our strategy.

Prepaid services

The number of prepaid services provided by us as at June 30, 2015 decreased by 255,059, that is 6.0%, to 3,972,069 from 4,227,128 as at June 30, 2014. This change was caused by a migration of customers from prepaid tariffs towards the contract services segment driven by relatively more attractive terms of post-paid tariffs as well as discounts offered in the smartDOM program.

ARPU per prepaid RGU increased by 2.2% in the second quarter of 2015, to PLN 18.3 from PLN 17.9 in the second quarter of 2014. In the first half of 2015 ARPU per prepaid RGU increased by 3.5% to PLN 17.8 from PLN 17.2 in the first half of 2014.

4.1.2 Braodcasting and television production segment

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

Audience shares

	3 months ended June 30			6 months ended June 30		
	2015	2014	*change [%]*	2015	2014	*change [%]*
Audience share[(1) (2)], including:	24.65%	23.60%	*4.45%*	24.29%	23.01%	*5.56%*
POLSAT (main channel)	13.35%	13.52%	*-1.26%*	13.40%	13.35%	*0.37%*
Thematic channels[(2)]	11.30%	10.08%	*12.10%*	10.89%	9.67%	*12.62%*
Polsat2	1.42%	1.68%	*-15.48%*	1.42%	1.61%	*-11.80%*
Polsat News	0.85%	0.90%	*-5.56%*	0.79%	0.93%	*-15.05%*
Polsat Sport	0.58%	0.63%	*-7.94%*	0.46%	0.52%	*-11.54%*
Polsat Sport Extra	0.12%	0.14%	*-14.29%*	0.10%	0.13%	*-23.08%*
Polsat Sport News	0.53%	0.30%	*76.67%*	0.40%	0.28%	*42.86%*
Polsat Film	0.70%	0.69%	*1.45%*	0.73%	0.65%	*12.31%*
Polsat JimJam	0.14%	0.19%	*-26.32%*	0.15%	0.22%	*-31.82%*
Polsat Cafe	0.44%	0.38%	*15.79%*	0.41%	0.40%	*2.50%*
Polsat Play	0.67%	0.66%	*1.52%*	0.69%	0.63%	*9.52%*
CI Polsat	0.12%	0.10%	*20.00%*	0.11%	0.09%	*22.22%*
Polsat News 2 [(3)]	0.10%	0.07%	*42.86%*	0.09%	0.06%	*50.00%*
Polsat Food	0.08%	0.08%	*0.00%*	0.08%	0.08%	*0.00%*
Polsat Viasat Explore[(4)]	0.05%	0.05%	*0.00%*	0.06%	0.05%	*20.00%*
Polsat Viasat History	0.11%	0.13%	*-15.38%*	0.11%	0.13%	*-15.38%*
Polsat Viasat Nature	0.03%	0.01%	*200.00%*	0.03%	0.02%	*50.00%*
Polsat Romans	0.12%	0.13%	*-7.69%*	0.14%	0.13%	7.69%
Disco Polo Music[(5)]	0.30%	0.26%	*15.38%*	0.26%	0.26%	0.00%
TV4	3.51%	2.78%	*26.26%*	3.44%	2.66%	*29.32%*
TV6	1.42%	0.99%	*43.43%*	1.42%	1.00%	*42.00%*
Muzo.tv[(6)]	0.02%	-	*n/a*	0.02%	-	*n/a*
Advertising market share[(4)]	25.4%	24.8%	*2.4%*	*25.3%*	*24.7%*	*2.5%*

1) Nielsen Audience Measurement, All day ages 16-49 audience share.
2) When calculating the total audience share of Polsat Group and audience shares of thematic channels, we take into account the moment of including the channel into our portfolio.
3) Until June 9, 2014 the channel operated under the name "Polsat Biznes", currently it operates under "Polsat News 2".
4) Until April 29, 2014 the channel operated under the name "Polsat Viasat Explorer".
5) Channel broadcast since May 2014, data for the period of broadcasting.
6) Channel launched on September 26, 2014, data for the period of broadcasting.
7) Our estimates based on Starlink data.

Viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.07 million viewers in the second quarter of 2015, which translated into a 17.9% audience share, as well as the series *First Love*, which gathered an average of over 0.93 million viewers (24.8% audience share).

The results of the second quarter were significantly influenced by novelties included in the spring scheduling. The largest audience was gathered by the reality show *Hell's Kitchen,* which attracted an average of 1.02 million viewers (16.1% audience share). Another show from the spring schedule, *Your face sounds familiar,* gathered on average 0.96 million viewers and had an audience share of 19.3%. Another programming position was the talent show *Must be the Music,* which attracted an average of 0.92 million viewers and gained an audience share of 14.2%. Another important programming position in the spring schedule was the continuation of the reality show *Top Chef,* which gathered on average 0.92 million viewers with an audience share of 14.4%.

It is worth mentioning that the festival *Polsat Superhit Festiwal 2015* also achieved high viewership results, gathering an average of 1.06 million viewers, which translated into a 21.0% audience share.

The qualifying match of the UEFA European Championships in football between Poland and Georgia was a significant event, which gathered an average audience of 1.5 million viewers, translating into an audience share of 43.6%

The presidential debate between Bronisław Komorowski and Andrzej Duda, aired on May 17, attracted 1.03 million viewers which gave an audience share of 14.1%.

When analyzing the first half of 2015, the most significant positions in the spring schedule comprised: the Monday Mega Hit slot (1.13 million viewers and an audience share of 18.6%) and its counterpart on Tuesday – 0.94 million viewers and an audience share of 15.3%. The series *Pierwsza Miłość* (*First Love*), another fixed slot, gathered an audience of over 1.0 million gaining an audience share of 23.0%.

In the first half of 2015, the aforementioned positions in the spring schedule played a significant role in maintaining high viewership results of our channels. *Hell's Kitchen* was an important show in the spring schedule, with an average of 1.03 million viewers, or an audience share of 16.2%. The show *Your face sounds familiar* attracted an average of 1.04 million viewers (19.8% audience share). Another spring program, *Must be the Music*, gathered an average of 0.97 million viewers and reached an audience share of 14.5%. Another key programming position was the reality show *Top Chef*, which had, on average, 0.93 million viewers with an audience share of 14.5%. *Dancing with the Stars* remained a popular show with an average audience of 0.88 million viewers and an audience share of 15.0%. The novelty of the spring scheduling, *Celebrity Splash!*, gathered on average 0.86 million viewers, which translated into an audience share of 14.3%.

The qualifying match of the UEFA European Championships in football between Poland and Ireland, aired on March 29, 2015, gathered a significant audience. On average the event had 2.84 million viewers on the Polsat channel and gained a 36.9% audience share.

The results of the anniversary concert *25-lecie RMF FM* (25th Anniversary of RMF FM) are worth notice. An average of 1.2 million viewers watched the concert, which gave an audience share of 19.3%.

Both the second quarter and the first half of 2015, the highest audience shares among thematic channels were recorded by TV4, Polsat2, TV6 and Polsat News. The thematic channels with the highest growth dynamics of audience shares (vs. the first half of 2014) include Polsat News 2, Polsat Viasat Nature, Polsat Sport News, TV6 and TV4. The audience results of Polsat Group also include the audience of the new channel MUZO.TV.

Distribution and technical reach

Technical reach[1]	3 months ended June 30			6 months ended June 30		
	2015	2014	*Change / %*	2015	2014	*Change / %*
Polsat	99.9%	99.9%	*0.00%*	99.9%	99.8%	*0.10%*
Polsat2	61.8%	64.4%	*-4.04%*	61.7%	64.5%	*-4.34%*
Polsat News	55.5%	56.2%	*-1.25%*	55.5%	55.8%	*-0.54%*
Polsat Sport	47.9%	49.6%	*-3.43%*	48.0%	49.9%	*-3.81%*
Polsat Sport Extra	34.6%	35.2%	*-1.70%*	34.8%	35.3%	*-1.42%*
Polsat Sport News	93.3%	89.6%	*4.13%*	93.7%	89.0%	*5.28%*
Polsat Film	50.1%	51.1%	*-1.96%*	49.9%	50.9%	*-1.96%*
Polsat JimJam	43.1%	42.9%	*0.47%*	43.1%	42.5%	*1.41%*
Polsat Cafe	53.8%	54.8%	*-1.82%*	53.9%	54.7%	*-1.46%*
Polsat Play	46.8%	47.1%	*-0.64%*	46.9%	46.8%	*0.21%*
CI Polsat	37.4%	38.1%	*-1.84%*	37.5%	37.8%	*-0.79%*
Polsat News 2[2]	54.0%	55.6%	*-2.88%*	53.9%	55.7%	*-3.23%*
Polsat Food	20.1%	21.0%	*-4.29%*	20.2%	21.2%	*-4.72%*
Polsat Viasat Explore [3]	25.4%	24.6%	*3.25%*	26.5%	25.2%	*5.16%*
Polsat Viasat History	33.4%	34.7%	*-3.75%*	33.6%	35.5%	*-5.35%*
Polsat Viasat Nature	25.5%	23.1%	*10.39%*	25.9%	23.6%	*9.75%*
Polsat Romans	42.8%	39.3%	*8.91%*	44.0%	38.0%	*15.79%*
Disco Polo Music [4]	44.2%	35.5%	*24.51%*	44.5%	35.5%	*25.35%*
TV4	99.8%	99.5%	*0.30%*	99.8%	99.5%	*0.30%*
TV6	92.9%	89.9%	*3.34%*	93.2%	89.5%	*4.13%*
MUZO.TV[5]	38.1%	-	*n/a*	38.5%	-	*n/a*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Until June 9, 2014 the channel operated under the name "Polsat Biznes", currently it operates under "Polsat News 2".
3) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".
4) Channel broadcast since May 2014, data for the period of broadcasting.
5) Channel launched on September 26, 2014.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. Comparing data for both the second quarter and first half of 2015 with corresponding periods of 2014, the highest growth dynamics in technical reach were recorded by channels launched recently – Polsat Romans and Disco Polo Music. Other stations which improved their technical reach include Polsat Viasat Nature, Polsat Sport News and TV6. MUZO.TV is a new channel launched in September 2014.

We observe a decline in the technical reach of the majority of channels distributed via cable and satellite in both in the second quarter and the first half of 2015. This is due to the continued impact of the process of digitization – the technical reaches of channels distributed via DTT, including Polsat Group's channels, is noticeably increasing.

Advertising and sponsoring market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first half of 2015 amounted to PLN 1,983.1 million and increased year-on-year by 3.3%. Based on these data, we estimate that in the first half of 2015 our TV advertising market share increased y-o-y to 25.3% from 24.7% in the first half of 2014. In the second quarter of 2015, expenditures on TV advertising and sponsoring increased to PLN 1,110.2 million, which constitutes a y-o-y increase of 3.0%. In the second quarter of 2015 our market share increased to 25.4% from 24.8%.

In the first half of 2015, we generated 10.3% more GRPs compared to the corresponding period of 2014.

4.2 Key positions in the consolidated income statement

Following the acquisition of Metelem Holding Company Limited on May 7, 2014, the consolidated financial statements of Polsat Group consolidate the results of Metelem and its subsidiaries, including the telecommunications operator Polkomtel. In connection with the above, we have modified the presentation of operating revenue and operating costs in the consolidated income statement in order to better reflect the business model and strategy of our Group. None of the introduced modifications have affected the amounts of revenue, costs, net profit for the period, EBITDA or total equity, presented earlier.

Revenue

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

Retail revenue

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

Wholesale revenue

Our wholesale revenue comprises:

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

Sale of equipment

Sale of equipment consists mostly of revenue from sale of set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers, mobile handsets, smartphones and accessories to our customers when they enter into agreements with us.

Other revenue

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

Operating costs

Operating costs consist of:

(i) content costs;
(ii) distribution, marketing, customer relation management and retention costs;
(iii) depreciation, amortization, impairment and liquidation;
(iv) technical costs and cost of settlements with mobile network operators;
(v) salaries and employee-related costs;
(vi) cost of equipment sold;
(vii) cost of debt collection services and bad debt allowance and receivables written off; and
(viii) other costs.

Content costs

Content costs consist of:

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

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

Amortization of purchased film licenses includes amortization of rights to TV programming content produced by third parties and licensed to us. Amortization is based on the estimated number of showings and the type of programming content.

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

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of (i) commissions due to our distributors and retail points of sale when they conclude sale or retention agreements with our customers for pay television and telecommunication services and (ii) costs of courier services, distribution of reception equipment and costs associated with services of our regional agents. Marketing expenses consist of expenses on TV and radio commercials, press, online and outdoor advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. Customer relation management and retention costs consist of mailing costs, call center costs and other customer relation management costs.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs primarily consist of (i) depreciation of network systems components and telecommunication network equipment (access and core network equipment, network management systems and software), (ii) amortization of costs of telecommunications concessions acquired by Polkomtel, (iii) depreciation of set-top boxes leased to our customers, (iv) depreciation of plant and equipment, TV and broadcasting equipment, (v) amortization of intangible assets, including customer relationships, trademarks and IT programs, (vi) non-current assets impairment allowance and (vii) net value of disposed property, plant and equipment as well as intangible assets, no longer suitable for use.

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators comprise:

(i) telecommunications and IT infrastructure lease costs;
(ii) electric energy costs connected with the functioning of our telecommunications network;
(iii) telecommunication network maintenance costs and fees;
(iv) IT systems maintenance costs;
(v) payments for the lease of satellite transponder capacity;
(vi) payments for the use of conditional access system based on the number of access cards;
(vii) TV broadcasting costs (digital terrestrial transmission and DVB-T);
(viii) cost of settlements with mobile network operators and interconnection charge; and
(ix) other costs.

Salaries and employee-related costs

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

Cost of equipment sold

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

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

In this group of costs we present:

(i) bad debt recovery fees;
(ii) bad debt allowance and the cost of receivables written off; and
(iii) gains and losses from the sales of liabilities.

Other costs

Key items of other costs include:

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

Other operating income/costs, net

Other operating income/costs consist of:

(i) inventory impairment write-downs/reversals; and
(ii) other operating revenue/costs, not derived in the ordinary course of business.

Gains and losses on investment activities, net

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

Finance costs

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

4.3 Review of the Group's financial situation

The following review of results for the three and six-month period ended June 30, 2015 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2015, and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2015, prepared in accordance with International Accounting Standard 34 and internal analysis.

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

In 2014, the results of the Metelem and its subsidiaries ("Metelem Group"), acquired on May 7, 2014, were consolidated since the date of acquisition. Furthermore, on February 27, 2015 we acquired shares in Radio PIN S.A. and on April 1, 2015 – shares in Orsen Holding Ltd therefore our results for the 3 and 6-month periods ended June 30, 2015 are not fully comparable with the results for the corresponding periods of 2014. For comparability reasons, in the following comparison of results for the 3- and 6-month periods ended June 30, 2015 with results for the corresponding periods of 2014 we exclude, where possible, the effect of consolidation of the results of Metelem Group. However, given that the results of Radio PIN and Orsen Holdings Ltd. do not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group's financial situation.

In the 6 month-period ended June 30, 2015 the Group has finalized the estimations of fair values of acquired assets, liabilities and consideration transferred, which resulted in the restatement of comparable data in our condensed interim consolidated financial statements. The depreciation, amortization, impairment and liquidation as well as income tax have not been restated in the comparable income statement due to the fact that the impact would have been immaterial.

4.3.1 Income statement analysis

Review of financial results for the 3-month period ended June 30, 2015 compared with the corresponding period of the prior year

Revenue

Our total revenue for the second quarter of 2015 increased by PLN 723.3, or 41.4%, to PLN 2,469.2 from PLN 1,745.9 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total revenue increased by PLN 44.9 or 5.7%, to PLN 837.9 in the second quarter of 2015 from PLN 793.0 in the second quarter of 2014. Revenue grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 3-month period ended June 30, 2015	for the 3 month period ended June 30		change	
		2015	2014	[mPLN]	[%]
Retail revenue	1,652.0	485.4	471.1	14.3	3.0%
Wholesale revenue	688.7	330.3	304.0	26.3	8.7%
Sale of equipment	106.9	14.0	12.8	1.2	9.4%
Other revenue	21.6	8.2	5.1	3.1	60.8%
Revenue	2,469.2	837.9	793.0	44.9	5.7%

Retail revenue

Retail revenue increased by PLN 447.5, or 37.2%, to PLN 1,652.0 in the second quarter of 2015 from PLN 1,204.5 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, retail revenue increased by PLN 14.3 or 3.0%, to PLN 485.4 in the second quarter of 2015 from PLN 471.1 in the second quarter of 2014. This increase was primarily due to an increase in revenue from telecommunication services, mainly mobile Internet services, and an increase in revenue from pay TV subscription fees related mainly to the increasing popularity of the Multiroom service.

Wholesale revenue

Wholesale revenue increased by PLN 209.6, or 43.7%, to PLN 688.7 in the second quarter of 2015 from PLN 479.1 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, wholesale revenue increased by PLN 26.3, or 8.7%, to PLN 330.3 in the second quarter of 2015 from PLN 304.0 in the second quarter of 2014. This increase is primarily due to higher revenue from advertising in TV Polsat Group on both the main channel and thematic channels as well as to the recognition of revenue from premium services provided to other telecommunications operators in connection with the indirect acquisition of the company Teleaudio Dwa Sp. z o.o. S.K.A.

Sale of equipment

Revenue from the sale of equipment increased by PLN 51.5 or 93.0%, to PLN 106.9 in the second quarter of 2015 from PLN 55.4 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, revenue from the sale of equipment increased by PLN 1.2, or 9.4%, to PLN 14.0 in the second quarter of 2015 from PLN 12.8 in the second quarter of 2014. This increase was due to higher revenue from sales of set-top boxes and television sets, which was partially offset by lower revenue from sales of laptops compared to the corresponding period of 2014.

Other revenue

Other revenue increased by PLN 14.7, or 213.0%, to PLN 21.6 in the second quarter of 2015 from PLN 6.9 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other revenue increased by PLN 3.1, or 60.8%, to PLN 8.2 in the second quarter of 2015 from PLN 5.1 in the second quarter of 2014, i.a. due to an increase in revenue from the lease of premises and equipment.

Operating costs

Our total operating costs for the second quarter of 2015 increased by PLN 547.7, or 40.5%, to PLN 1,899.5 from PLN 1,351.8 for the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total operating costs increased by PLN 26.2, or 4.5%, to PLN 605.1 in the second quarter of 2015 from PLN 578.9 in the second quarter of 2014. Operating costs grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 3-month period ended June 30, 2015	for the 3 month period ended June 30		change	
		2015	2014	[mPLN]	[%]
Content costs	274.0	267.1	259.4	7.7	3.0%
Distribution, marketing, customer relation management and retention costs	193.2	73.7	76.2	(2.5)	(3.3%)
Depreciation, amortization, impairment and liquidation	393.5	65.9	65.5	0.4	0.6%
Technical costs and cost of settlements with mobile network operators	522.4	101.2	73.8	27.4	37.1%
Salaries and employee-related costs	140.8	46.0	48.4	(2.4)	(5.0%)
Cost of equipment sold	291.7	18.0	14.4	3.6	25.0%
Cost of debt collection services and bad debt allowance and receivables written off	27.8	5.4	12.1	(6.7)	(55.4%)
Other costs	56.1	27.8	29.1	(1.3)	(4.5%)
Operating costs	1,899.5	605.1	578.9	26.2	4.5%

Content costs

Content costs increased by PLN 13.1, or 5.0%, to PLN 274.0 in the second quarter of 2015 from PLN 260.9 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, content costs increased by PLN 7.7, or 3.0%, to PLN 267.1 in the second quarter of 2015 from PLN 259.4 in the second quarter of 2014. This increase is due primarily to higher costs of programming licenses resulting partially from a higher number of purchased premium pay TV packages, which should increase customer satisfaction in the future and partially due to the depreciation of the PLN versus the USD in the second quarter of 2015.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 61.0, or 46.1%, to PLN 193.2 in the second quarter of 2015 from PLN 132.2 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, distribution, marketing, customer relation management and retention costs decreased by PLN 2.5, or 3.3%, to PLN 73.7 in the second quarter of 2015 from PLN 76.2 in the second quarter of 2014.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 82.2, or 26.4%, to PLN 393.5 in the second quarter of 2015 from PLN 311.3 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, depreciation, amortization, impairment and liquidation costs remained at a similar level in both analyzed periods and amounted to PLN 65.9 in the second quarter of 2015 compared to PLN 65.5 in the second quarter of 2014.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators increased by PLN 234.4, or 81.4%, to PLN 522.4 in the second quarter 2015 from PLN 288.0 in the second quarter 2014.

Excluding the effect of consolidation of the results of Metelem Group, technical costs and cost of settlements increased by PLN 27.4, or 37.1%, to PLN 101.2 in the second quarter 2015 from PLN 73.8 in the second quarter 2014. This increase is primarily due to higher costs of data transfer within our broadband Internet access service, which result from the dynamic growth of our Internet user base, especially in the smartDOM program, and consequently a rapidly increasing volume of transferred data.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 32.6, or 30.1%, to PLN 140.8 in the second quarter of 2015 from PLN 108.2 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, salaries and employee-related costs decreased by PLN 2.4, or 5.0%, to PLN 46.0 in the second quarter of 2015 from PLN 48.4 in the second quarter of 2014, mainly as a result of additional costs related to the transaction of acquisition of shares in Metelem incurred in the second quarter of 2014.

Cost of equipment sold

Cost of equipment sold increased by PLN 102.0, or 53.8%, to PLN 291.7 in the second quarter of 2015 from PLN 189.7 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of equipment sold increased by PLN 3.6, or 25.0%, to PLN 18.0 in the second quarter of 2015 from PLN 14.4 in the second quarter of 2014. This increase was mainly driven by higher sales of set-top boxes, sales of TV sets in the second quarter of 2015 (there were no sales of TV sets in the corresponding period of 2014), as well as dynamically growing sales of modems related to the rapidly increasing number of users of our broadband Internet access service.

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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 9.7, or 53.6%, to PLN 27.8 in the second quarter of 2015 from PLN 18.1 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 6.7, or 55.4%, to PLN 5.4 in the second quarter of 2015 from PLN 12.1 in the second quarter of 2014.

Other costs

Other costs increased by PLN 12.7, or 29.3%, to PLN 56.1 in the second quarter of 2015 from PLN 43.4 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other costs decreased by PLN 1.3, or 4.5%, to PLN 27.8 in the second quarter of 2015 from PLN 29.1 in the second quarter of 2014.

Other operating income and costs, net

Other operating income, net increased by PLN 10.3, or 294.3%, to PLN 13.8 in the second quarter of 2015 from PLN 3.5 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other operating income, net amounted to PLN 7.0 in the second quarter of 2015, which constitutes an increase by PLN 8.0 compared to other operating costs, net in the amount of PLN 1.0 in the second quarter of 2014.

Gains/(losses) on investment activities, net

Net losses on investment activities amounted to PLN 11.9 in the second quarter of 2015 compared to net gains on investment activities in the amount of PLN 23.9 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, net gains on investment activities decreased by PLN 10.5, or 80.8%, to PLN 2.5 in the second quarter of 2015 from PLN 13.0 in the second quarter of 2014, mainly due to the recognition of profit from USD forward transactions in the corresponding period of 2014.

Finance costs

Finance costs amounted to PLN 222.1 in the second quarter of 2015 and decreased by PLN 51.3, or 18.8%, compared to PLN 273.4 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, finance costs decreased by PLN 102.2, or 80.5%, to PLN 24.8 in the second quarter of 2015 from PLN 127.0 in the second quarter of 2014. This decrease is the effect of the lack in the second quarter of 2015 of interest costs on Senior Notes and foreign exchange costs related to the valuation of the 350 EUR Senior Notes issued in 2011 by Cyfrowy Polsat Finance due to their redemption in May 2014, as well as bank charges, incurred in the second quarter of 2014, in the amount of PLN 82.1 related to the premature redemption of the aforementioned Senior Notes.

Net profit

Net profit increased by PLN 172.4, or 130.5%, to PLN 304.5 in the second quarter of 2015 from PLN 132.1 in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, net profit increased by PLN 86.9, or 93.7%, to PLN 179.6 in the second quarter of 2015 from PLN 92.7 in the second quarter of 2014, primarily due to the reduction of debt service costs.

EBITDA & EBITDA margin

EBITDA increased by PLN 268.1, or 37.8%, to PLN 977.0 in the second quarter of 2015 from PLN 708.9 in the second quarter of 2014. EBITDA margin decreased slightly to 39.6% in the second quarter of 2015 from 40.6% in the second quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, EBITDA increased by PLN 27.1, or 9.7%, to PLN 305.7 in the second quarter of 2015 from PLN 278.6 in the second quarter of 2014. EBITDA margin increased from 35.1% in the second quarter of 2014 to 36.5% in the second quarter of 2015.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5,056 full-time equivalents in the second quarter of 2015, as compared to 3,813 full-time equivalents in the corresponding period of 2014. The increase in employment in the second quarter of 2015 was due mainly to the fact that in the corresponding period of 2014 the consolidation of Metelem Group did not comprise a full quarter, as well as to the acquisition of the companies Teleaudio Dwa and Interphone.

Comparison of financial results for the 6-month period ended June 30, 2015 with the results for the corresponding period of 2014

Revenue

Our total revenue increased by PLN 2,329.0, or 94.3%, to PLN 4,798.2 in the first half of 2015 from PLN 2,469.2 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total revenue increased by PLN 91.7, or 6.0%, to PLN 1,608.0 in the first half of 2015 from PLN 1,516.3 in the first half of 2014. Revenue grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 6-month period ended June 30, 2015	for the 6 month period ended June 30, 2015		change	
		2015	2014	[mPLN]	[%]
Retail revenue	3,289.2	971.6	938.9	32.7	3.5%
Wholesale revenue	1,242.0	589.9	546.2	43.7	8.0%
Sale of equipment	225.3	27.8	20.7	7.1	34.3%
Other revenue	41.7	18.7	10.5	8.2	78.1%
Revenue	4,798.2	1,608.0	1,516.3	91.7	6.0%

Retail revenue

Retail revenue increased by PLN 1,616.9 or 96.7%, to PLN 3,289.2 in the first half of 2015 from PLN 1,672.3 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, retail revenue increased by PLN 32.7, or 3.5%, to PLN 971.6 in the first half of 2015 from PLN 938.9 in the first half of 2014. This increase was primarily due to an increase in revenue from telecommunication services, mainly mobile Internet services, and an increase in revenue from pay TV subscription fees related mainly to the increasing popularity of the Multiroom service.

Wholesale revenue

Wholesale revenue increased by PLN 520.7 or 72.2%, to PLN 1,242.0 in the first half of 2015 from PLN 721.3 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, wholesale revenue increased by PLN 43.7, or 8.0%, to PLN 589.9 in the first half of 2015 from PLN 546.2 in the first half of 2014. This increase is primarily due to higher revenue from advertising and sponsorship generated by TV Polsat Group on both the main channel and thematic channels.

Sale of equipment

Revenue from the sale of equipment increased by PLN 162.0, or 255.9%, to PLN 225.3 in the first half of 2015 from PLN 63.3 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, revenue from the sale of equipment increased by PLN 7.1, or 34.3%, to PLN 27.8 in the first half of 2015 from PLN 20.7 in the first half of 2014. This increase was due to increased revenue from sales of set-top boxes and television sets.

Other revenue

Other revenue increased by PLN 29.4, or 239.0%, to PLN 41.7 in the first half 2015 from PLN 12.3 in the first half 2014.

Excluding the effect of consolidation of the results of Metelem Group, other revenue increased by PLN 8.2, or 78.1%, to PLN 18.7 in the first half 2015 from PLN 10.5 in the first half 2014, i.a. due to an increase in revenue from the lease of premises and equipment.

Operating costs

Our total operating costs increased by PLN 1,949.3, or 104.8%, to PLN 3,808.5 in the first half of 2015 from PLN 1,859.2 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total operating costs increased by PLN 98.7, or 9.1%, to PLN 1,185.1 in the first half of 2015 from PLN 1,086.4 in the first half of 2014. Revenue grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 6-month period ended June 30, 2015	for the 6 month period ended June 30, 2015		change	
		2015	2014	[mPLN]	[%]
Content costs	509.5	497.0	470.1	26.9	5.7%
Distribution, marketing, customer relation management and retention costs	382.4	160.0	151.5	8.5	5.6%
Depreciation, amortization, impairment and liquidation	861.4	134.7	128.0	6.7	5.2%
Technical costs and cost of settlements with mobile network operators	1,004.7	195.0	145.2	49.8	34.3%
Salaries and employee-related costs	269.9	92.5	93.0	(0.5)	(0.5%)
Cost of equipment sold	624.3	37.9	24.7	13.2	53.4%
Cost of debt collection services and bad debt allowance and receivables written off	46.5	14.6	18.9	(4.3)	(22.8%)
Other costs	109.8	53.4	55.0	(1.6)	(2.9%)
Operating costs	3,808.5	1,185.1	1,086.4	98.7	9.1%

Content costs

Content costs increased by PLN 38.0, or 8.1%, to PLN 509.5 in the first half of 2015 from PLN 471.5 for first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, content costs increased by PLN 26.9, or 5.7%, to PLN 497.0 in the first half of 2015 from PLN 470.1 in the first half of 2014. This increase is primarily due to (i) higher internal TV production costs resulting from the enhancement of our scheduling on thematic channels, (ii) the exploitation of sport licenses, including those relating to Qualifiers to the UEFA European Football Championship France 2016 and (iii) higher costs of programming licenses resulting partially from a higher number of purchased premium pay TV packages, which should increase customer satisfaction in the future and partially due to the depreciation of the PLN versus the USD in the first half of 2015.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 174.8, or 84.2%, to PLN 382.4 in the first half of 2015 from PLN 207.6 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, distribution, marketing, customer relation management and retention costs increased by PLN 8.5, or 5.6%, to PLN 160.0 in the first half of 2015 from PLN 151.5 in the first half of 2014, mainly due to higher costs related to the acquisition of customers in the smartDOM program.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 487.6, or 130.4%, to PLN 861.4 in the first half of 2015 from PLN 373.8 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, depreciation, amortization, impairment and liquidation costs increased by PLN 6.7, or 5.2%, to PLN 134.7 in the first half of 2015 from PLN 128.0 in the first half of 2014. The increase in depreciation, amortization, impairment and liquidation resulted primarily from the dynamic increase in the number of set-top-boxes, modems, STB hard disks and routers leased to customers of our satellite platform.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators increased by PLN 645.4, or 179.6%, to PLN 1,004.7 in the first half of 2015 from PLN 359.3 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, technical costs and cost of settlements increased by PLN 49.8, or 34.3%, to PLN 195.0 in the first half of 2015 from PLN 145.2 in the first half of 2014. This increase is primarily due to higher costs of data transfer within our broadband Internet access service, which result from the dynamic growth of our Internet user base, especially in the smartDOM program, and consequently a rapidly increasing volume of transferred data.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 117.1, or 76.6%, to PLN 269.9 in the first half of 2015 from PLN 152.8 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, in the first half of 2015 salaries and employee-related costs remained at a practically unchanged and amounted to PLN 92.5 compared to PLN 93.0 in the first half of 2014.

Cost of equipment sold

Cost of equipment sold increased by PLN 424.3, or 212.2%, to PLN 624.3 in the first half of 2015 from PLN 200.0 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of equipment sold increased by PLN 13.2, or 53.4%, to PLN 37.9 in the first half of 2015 from PLN 24.7 in the first half of 2014. This increase was mainly due to higher sales of set-top boxes, the sales of TV sets in the first half of 2015 (there were no sales of TV sets in the corresponding period of 2014), as well as dynamically growing sales of modems and tablets, related to the rapidly increasing number of users of our broadband Internet access service.

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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 21.7, or 87.5%, to PLN 46.5 in the first half of 2015 from PLN 24.8 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 4.3 or 22.8%, to PLN 14.6 in the first half of 2015 from PLN 18.9 in the first half of 2014.

Other costs

Other costs increased by PLN 40.4, or 58.2%, to PLN 109.8 in the first half of 2015 from PLN 69.4 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other costs decreased by PLN 1.6, or 2.9%, to PLN 53.4 in the first half of 2015 from PLN 55.0 in the first half of 2014.

Other operating income/costs, net

Other operating income, net increased by PLN 15.4, or 216.9%, to PLN 22.5 in the first half of 2015 from PLN 7.1 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other operating income net increased by PLN 7.0, or 259.3%, to PLN 9.7 in the first half of 2015 from PLN 2.7 in the first half of 2014.

Gains/(losses) on investment activities, net

Net gains on investment activities decreased by PLN 8.1, or 32.3%, to PLN 17.0 in the first half of 2015 from PLN 25.1 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, net losses on investment activities amounted to PLN 3.6 compared to net gains on investment activities of PLN 14.2 in the first half of 2014, mainly due to the recognition of profits from USD forward transactions in the first half of 2014 and higher foreign exchange costs in the first half of 2015 due to the depreciation of the PLN versus the USD in this period.

Finance costs

Finance costs amounted to PLN 483.4 in the first half of 2015 and increased by PLN 101.3, or 26.5%, compared to PLN 382.1 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, finance costs decreased by PLN 186.8, or 79.2%, to PLN 49.0 in the first half of 2015 from PLN 235.8 in the first half of 2014. This decrease is the net effect of: (i) the lack in the first half of 2015 of interest costs on the 350 EUR Senior Notes issued in 2011 by Cyfrowy Polsat Finance and foreign exchange costs related to the valuation of those notes due to their redemption in May 2014, (ii) bank charges, incurred in the first half of 2014, in the amount of PLN 82.1 related to the premature redemption of the aforementioned notes, (iii) the lack of interest costs on our previous term loan granted under the Senior Facilities Agreement concluded in 2011 due to premature repayment of the debt in April 2014, and (iv) higher interest costs related to the CP Term Loan and CP Revolving Facility Loan under the CP Senior Facilities Agreement concluded in April 2014.

Net profit

Net profit increased by PLN 245.0, or 106.4%, to PLN 475.3 in the first half of 2015 from PLN 230.3 in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, net profit increased by PLN 126.6, or 66.3%, to PLN 317.5 in the first half of 2015 from PLN 190.9 in the first half of 2014, primarily due to the reduction of debt service costs.

EBITDA & EBITDA margin

EBITDA increased by PLN 882.7, or 89.1%, to PLN 1,873.6 in the first half of 2015 from PLN 990.9 in the first half of 2014. EBITDA margin decreased to 39.0% in the first half of 2015 from 40.1% in the first half of 2014.

Excluding the effect of consolidation of the results of Metelem Group, EBITDA increased by PLN 6.7, or 1.2%, to PLN 567.3 in the first half of 2015 from PLN 560.5 in the first half of 2014. EBITDA margin decreased to 35.3% in the first half of 2015 from 37.0% in the first half of 2014.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5,066 full-time equivalents in the first half of 2015, as compared to 2.640 full-time equivalents in the corresponding period of 2014. The increase in employment in the first half of 2015 was due mainly to the fact that in the corresponding period of 2014 the consolidation of Metelem Group comprised the period from May 7 until June 30, 2014, as well as to the acquisition of the companies Teleaudio Dwa and Interphone.

4.3.2 Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

Services to individual and business customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services and revenues are generated mainly by pay TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- online TV services (IPLA), which generate revenues mainly from subscription fees and advertising on the Internet;
- premium rate services based on SMS/IVR/MMS/WAP technologies;
- production of set-top boxes;
- sale of telecommunication and TV reception equipment.

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended June 30, 2015:

The 6 months ended June 30, 2015 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,244.4	553.8	-	4,798.2
Inter-segment revenues	16.7	75.4	(92.1)	-
Revenues	4,261.1	629.2	(92.1)	4,798.2
EBITDA (unaudited)	1,639.7	233.9	-	1,873.6
Depreciation, amortization, impairment and liquidation	842.1	19.3	-	861.4
Profit from operating activities	797.6	214.6	-	1,012.2
Acquisition of property, plant and equipment, reception equipment and other intangible assets	337.6*	14.5	-	352.1
Balance as at June 30, 2015 (unaudited)				
Assets, including:	22,942.1	4,275.1**	(75.4)	27,141.8
Investments in joint ventures	-	4.6	-	4.6

* This item also includes the acquisition of reception equipment for operating lease purposes.
**This item includes non-current assets located outside of Poland in the amount of PLN 19.3.

All material revenues are generated in Poland.

It should be noted that the 6 months ended June 30, 2015 is not comparable to the 6 months ended June 30, 2014 as Metelem Holding Company Limited was acquired on May 7, 2014 (allocated to the Services to individual and business customers segment), Radio PIN S.A. was acquired on February 27, 2015 (allocated to the Broadcasting and television production segment) and Orsen Holding Ltd. was acquired on April 1, 2015 (allocated to the Services to individual and business customers segment).

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended June 30, 2014:

The 6 months ended June 30, 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,936.4	532.8	-	2,469.2
Inter-segment revenues	15.4	58.6	(74.0)	-
Revenues	1,951.8	591.4	(74.0)	2,469.2
EBITDA (unaudited)	773.8	217.1	-	990.9
Depreciation, amortization, impairment and liquidation	355.9	17.9	-	373.8
Profit/(loss) from operating activities	417.9	199.2	-	617.1
Acquisition of property, plant and equipment, reception equipment and other intangible assets	181.3*	23.9	-	205.2
Balance as at June 30, 2014 (unaudited)				
Assets, including:	23,681.1	4,202.0**	(119.4)***	27,763.7
Investments in joint ventures	-	1.9	-	1.9

*This item also includes the acquisition of reception equipment for operating lease purposes.
** This item includes non-current assets located outside of Poland in the amount of PLN 73.1.
*** This item includes mainly dividend receivable from Telewizja Polsat Sp. z o.o. in the amount of PLN 75.0.

Reconciliation of EBITDA and net profit for the period:

	for the 6 months ended	
	June 30, 2015 unaudited	June 30, 2014 unaudited
EBITDA (unaudited)	1,873.6	990.9
Depreciation, amortization, impairment and liquidation	(861.4)	(373.8)
Profit from operating activities	1,012.2	617.1
Other foreign exchange rate differences, net	11.3	4.6
Interest income	20.5	19.7
Share of the profit of jointly controlled entity accounted for using the equity method	1.4	1.3
Interest costs	(361.8)	(278.1)
Foreign exchange differences on issued bonds	(115.4)	(15.5)
Early redemption costs	-	(82.1)
Other	(21.0)	(5.6)
Gross profit for the period	547.2	261.4
Income tax	(71.9)	(31.1)
Net profit for the period	475.3	230.3

4.3.3 Balance sheet analysis

As at June 30, 2015 and December 31, 2014, our balance sheet amounted to PLN 27,141.8 and PLN 27,338.7 respectively.

Assets

As at June 30, 2015 and December 31, 2014, our non-current assets were PLN 22,867.6 and PLN 23,356.1, respectively, and accounted for 84.3% and 85.4% of the total assets, respectively.

As at June 30, 2015 and December 31, 2014, our current assets amounted to PLN 4,274.2 and PLN 3,982.6, respectively, and accounted for 15.7% and 14.6% of the total assets, respectively.

The value of reception equipment amounted to PLN 401.1 as at June 30, 2015 and decreased by PLN 20.0, or 4.7%, compared to PLN 421.1 as at December 31, 2014.

The value of other property, plant and equipment amounted to PLN 2,541.2 as at June 30, 2015 compared to PLN 2,714.9 as at December 31, 2014, which constitutes a decrease of PLN 173.7, or 6.4%. This decrease is mainly due to the recognition of the cost of amortization for the first half of 2015.

The value of goodwill increased by PLN 21.1, or 0.2%, to PLN 10,606.4 as at June 30, 2015 from PLN 10,585.3 as at December 31, 2014 as an effect of the acquisition of shares in Radio PIN S.A. and Orsen Holding Ltd.

The value of customer relationships decreased by PLN 311.2, or 7.3%, to PLN 3.944.6 as at June 30, 2015 compared to PLN 4,255.8 as at December 31, 2014, i.a. due to the recognition of amortization. The key component of this position is the valuation of Polkomtel's relationships with individual and business customers, who have signed term agreements with the operator as well as customers of prepaid services.

As at June 30, 2015, the value of brands was PLN 2,092.7 and increased by PLN 6.8, or 0.3%, from PLN 2,085.9 as at December 31, 2014.

The value of other intangible assets amounted to PLN 2,525.8 as at June 30, 2015 which constitutes a decrease of PLN 65.6, or 2.5%, compared to PLN 2,591.4 as at December 31, 2014. The main reason behind this decrease is the amortization of telecommunication licenses, IT software and programming licenses.

The value of non-current and current programming assets increased by PLN 57.1, or 19.8%, to 345.0 as at June 30, 2015 from PLN 287.9 as at December 31, 2014. The increase was mainly due to the purchase of additional film rights and incurred internal production costs related to the expansion of our scheduling which translates into higher attractiveness of our programming offer and therefore has a positive impact on the viewership results of our channels.

Investment property amounted to PLN 5.2 as at June 30, 2015 and remained almost unchanged compared to the balance as at December 31, 2014.

The value of non-current and current deferred distribution fees increased by PLN 45.7, or by 20.5%, to PLN 268.4 as at June 30, 2015 from PLN 222.7 as at December 31, 2014 mainly due to an increase in the value of deferred distribution fees in Metelem Group.

The value of other non-current assets amounted to PLN 232.8 as at June 30, 2015 and increased by PLN 34.3, or 17.3%, compared to PLN 198.5 as at December 31, 2014, mainly as a result of an increase of receivables from installment plan sales of equipment.

The value of deferred tax assets amounted to PLN 260.9 as at June 30, 2015, which constitutes a decrease of PLN 20.2, or 7.2%, compared to PLN 281.1 as at December 31, 2014. This change was due to the final purchase price allocation of Metelem.

The value of inventories was PLN 261.7 as at June 30, 2015 and decreased by PLN 39.7, or 13.2%, from PLN 301.4 as at December 31, 2014. This decrease was caused by primarily by a fall in the stock of set-top boxes, tablets, laptops, sets of equipment and accessories, which was partially offset by an increase in the stock of handsets and modems.

The value of trade and other receivables increased by PLN 535.2, or 36.8%, to PLN 1,988.6 as at June 30, 2015 from PLN 1,453.4 as at December 31, 2014, primarily due to a return deposit of PLN 209.4 in total, paid to UKE in the first half 2015 in connection with Polkomtel's participation in the auction of frequencies from the 800 and 2600 MHz bands, as well as higher public receivables connected with the settlement of the acquisition of the "Plus" trademark.

The value of other current assets amounted to PLN 226.2 as at June 30, 2015, which constitutes an increase of PLN 66.1, or 41.3%, compared to PLN 160.1 as at December 31, 2014, primarily due to the purchase of a data package under certain agreements with Midas Group as well as the consolidation of the company Teleaudio Dwa.

The value of cash and cash equivalents, restricted cash and short-term deposits decreased by PLN 308.2, or 17.6%, to PLN 1,439.7 as at June 30, 2015 from PLN 1,747.9 as at December 31, 2014, due to the repayment of the CP Term Loan and PLK Term Loan in the total amount of PLN 782.0.

Equity and liabilities

Equity increased by PLN 479.6, or by 5.3%, to PLN 9,557.8 as at June 30, 2015 from PLN 9,078.2 as at December 31, 2014, primarily due to profit generated for the period ended June 30, 2015 in the amount of PLN 475.3 and the change in valuation of hedging instruments.

As at June 30, 2015 and December 31, 2014 the value of our non-current liabilities amounted to PLN 13,339.2 and PLN 14,093.3, which constituted 75.9% and 77.2% of the Group's total liabilities, respectively.

As at June 30, 2015 and December 31, 2014 the value of our current liabilities amounted to PLN 4,244.8 and PLN 4,167.2, which constituted 24.1% and 22.8% of the Group's total liabilities, respectively.

Loans and borrowings (long and short-term) decreased by PLN 801.6, or 8.9%, to PLN 8,204.5 as at June 30, 2015 from PLN 9,006.1, mainly due to the early prepayments of the PLK Term Loan in the amount of PLN 630.0 and repayment according to schedule of the capital under the CP Term Loan.

Senior Notes liabilities (long and short-term) increased by PLN 47.3, or by 0.9%, to PLN 5,061.9 as at June 30, 2015 from PLN 5,014.6 as at December 31, 2014, primarily due to the higher valuation of the PLK Senior Notes in connection with the depreciation of the PLN versus the USD.

Finance lease liabilities (long and short-term) amounted to PLN 19.4 as at June 30, 2015 and remained at a similar level compared to PLN 18.5 as at December 31, 2014.

UMTS license liabilities (long and short-term) amounted to PLN 864.6 as at June 30, 2015 and remained at a similar level compared to PLN 867.4 as at December 31, 2014.

Deferred income tax liabilities decreased by PLN 87.6, or 9.6%, to PLN 821.1 as at June 30, 2015 from PLN 908.7 as at December 31, 2014. This change was due to the final purchase price allocation of Metelem.

Non-current and current deferred income decreased by PLN 11.6, or by 1.7%, to PLN 677.0 as at June 30, 2015 from PLN 688.6 as at December 31, 2014, mainly due to a decline in prepayments for services provided in the prepaid model, which was partially compensated by an increase in the value of deferred activation payments received from customers.

The value of other non-current liabilities and provisions amounted to PLN 132.4 as at June 30, 2015, which constitutes a decrease of PLN 51.8, or 28.1%, compared to PLN 184.2 as at December 31, 2014. This change was primarily due to a decrease in liabilities related to IRS/CIRS hedging instruments.

The value of trade and other payables amounted to PLN 1,670.4 as at June 30, 2015 which constitutes an increase of PLN 146.0, or 9.6%, compared to PLN 1,524.4 as at December 31, 2014. This increase is the net effect of higher public liabilities in Polkomtel Group related to the settlement of the acquisition of the “Plus” trademark as well as lower liabilities towards third-parties and lower liabilities related to the purchase of non-current and intangible assets.

Income tax liabilities increased by PLN 84.7, or 176.5%, to PLN 132.7 as at June 30, 2015 from PLN 48.0 as at December 31, 2014.

4.3.4 Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the six month period ended June 30, 2015 as well as the six month period ended June 30, 2014. All data is expressed in millions PLN.

	Data including group Metelem for the 6-month period ended June 30		Data excluding group Metelem for the 6-month period ended June 30	
	2015	2014	2015	2014
Net cash from operating activities	1,304.3	649.6	359.1	312.2
Net cash from/(used in) investing activities	(347.6)	1,394.1	(68.7)	(945.4)
Net cash from/(used in) financing activities	(1,310.0)	(478.3)	(249.7)	474.7
Net increase in cash and cash equivalents	(353.3)	1,565.4	40.6	(158.5)

Net cash from operating activities

Net cash from operating activities amounted to PLN 1,304.3 in the first half of 2015, which constitutes an increase of PLN 654.7 compared to PLN 649.6 in the first half of 2014.

Excluding the effect of consolidation of Metelem Group, net cash from operating activities amounted to PLN 359.1 in the first half of 2015 and increased by PLN 46.9 compared to net cash from operating activities generated in the corresponding period of 2014. The increase in net cash from operating activities was mainly the result of higher net profit by PLN 126.6 in the first half of 2015, amounting to PLN 317.5, adjusted by a series of factors, the most significant being:

- a decrease in liabilities, provisions and deferred income in the first half of 2015 compared to an increase in liabilities, provisions and deferred income in the corresponding period of 2014;
- higher income tax resulting from higher gross profit and lower value of income tax paid;
- lower interest costs, primarily due to the lack in the first half of 2015 of interest costs related to the Senior Notes;
- a lower increase in receivables and other assets in the first half of 2015 compared to the corresponding period of 2014;
- lower payments for film licenses and sport broadcasting rights combined with higher amortization costs of film licenses and sport broadcasting rights;
- a decrease in inventories in the first half of 2015 compared to an increase in inventories in the corresponding period of 2014;

- income from foreign exchange differences recognized in the first half of 2015 versus costs related to foreign exchange differences in the corresponding period of 2014, primarily due to the valuation of the Senior Notes in the first half of 2014;
- higher costs of depreciation, amortization, impairment and liquidation related to increased costs of depreciation of reception equipment leased to our customers, and
- an increase of the net value of set-top boxes provided under operating lease;

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 347.6 in the first half of 2015 and comprised primarily expenditures on the purchase of property, plant and equipment, as well as intangible assets in the amount of PLN 277.7, short-term deposits equal to PLN 42.7 and expenditures related to the acquisition of shares in Radio PIN S.A. and Orsen Holding Ltd., net of cash acquired.

Excluding the effect of consolidation of Metelem Group, net cash used in investing activities amounted to PLN 68.7 in the first half of 2015 and comprised mainly capital expenditure on the purchase of property, plant and equipment, and intangible assets in the amount of PLN 38.6 as well as expenditures related to the acquisition of shares Orsen Holding Ltd., net of cash acquired.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 1,310.0 in the first half of 2015 and consisted primarily of prepayments of the PLK Term Loan in the total amount of PLN 630.0 and repayments according to schedule of the CP Term Loan in the first half of 2015, as well as the repayment of interest on loans, bonds, Cash Pool, financial leasing and paid fees.

Excluding the effect of consolidation of Metelem Group, net cash used in financing activities amounted to PLN 249.7 in the first half of 2015, mainly as a result of: (i) repayment of the CP Term Loan, (ii) payment of interest on loans, bonds, Cash Pool, financial leasing and paid fees and (iii) cash obtained from the CP Revolving Term Loan.

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

In the first half of 2015 cash expenditures of Polsat Group on the purchase of property, plant and equipment and intangible assets amounted to PLN 277.7 and comprised among others, the continued extension of telecommunications networks as well as the implementation of the HD-Voice technology in order to accommodate the increasing volume of data transmission and to ensure the highest quality of services expected by our customers, modernization of the intelligent network platform IN, which manages prepaid services, investments related to the development of our offer, sales and customer service processes, as well as expenditure related to the construction of the new recording studio to meet the needs of TV Polsat and replacement of part of the cameras.

4.3.5 Liquidity and capital resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

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

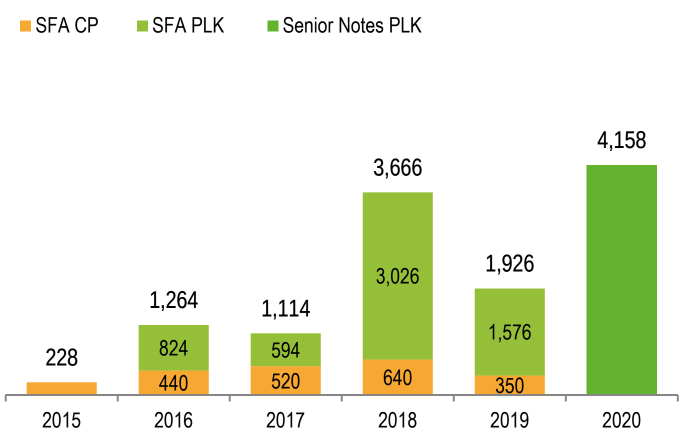
The table below presents a summary of the indebtedness of the Group as at June 30, 2015.

	Balance value [mPLN]	Nominal value [mPLN]	Coupon / interest	Maturity date
CP Term Loan (PLN)	2,145.3	2,178.0	WIBOR + margin	2019
CP Revolving Facility Loan	70.0	70.0	WIBOR + margin	2019
PLK Term Loan – Tranche A(PLN)	1,413.9	1,418.0	WIBOR + margin	2017
PLK Term Loan – Tranche B (PLN)	3,010.2	3,026.3	WIBOR + margin	2018
PLK Term Loan – Tranche C (PLN)	1,565.2	1,575.8	WIBOR + margin	2019
PLK Revolving Facility Loan	0.0	0.0	WIBOR + margin	2017
PLK Senior Notes (EUR) [1)]	2,777.6	2,275.5	11.75%	2020
PLK Senior Notes (USD) [2)]	2,284.3	1,882.3	11.63%	2020
Leasing	19.4	19.4	-	-
Cash and cash equivalents [3)]	1,439.7	1,439.7	-	-
Net debt	11,846.2	11,005.6	-	-
EBITDA LTM, pro-forma [4)]	3,621.2	3,621.2	-	-
Net debt / EBITDA 12M	3.3	3.0	-	-

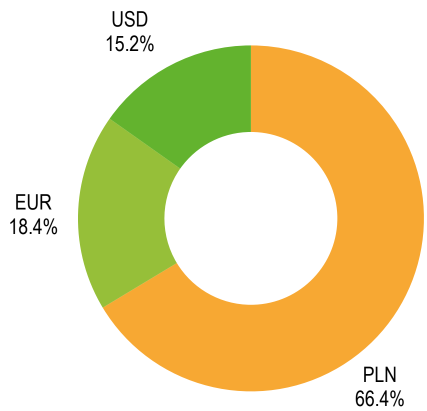
1) Equivalent of the nominal value of EUR 542.5m, translated at the average PLN/EUR foreign exchange rate of the Polish National Bank of 4.1944 as at June 30, 2015. Balance value estimated to fair value at the moment of purchase of Metelem.
2) Equivalent of the nominal value of USD 500m, translated at the average PLN/USD foreign exchange rate of the Polish National Bank of 3.7645 as at June 30, 2015. Balance value estimated to fair value at the moment of purchase of Metelem.
3) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
4) EBITDA LTM, pro-forma, including the consolidated pro-forma EBITDA of Cyfrowy Polsat Group assuming the consolidation of Metelem group results over the period of the last 12 months.

The graphs below present the aging balance of the Group's debt and its currency composition as at June 30, 2015, expressed in nominal values and excluding the debt under the CP Revolving Facility Loan.

Debt maturing profile [(1)]
as at June 30, 2015 [mPLN]



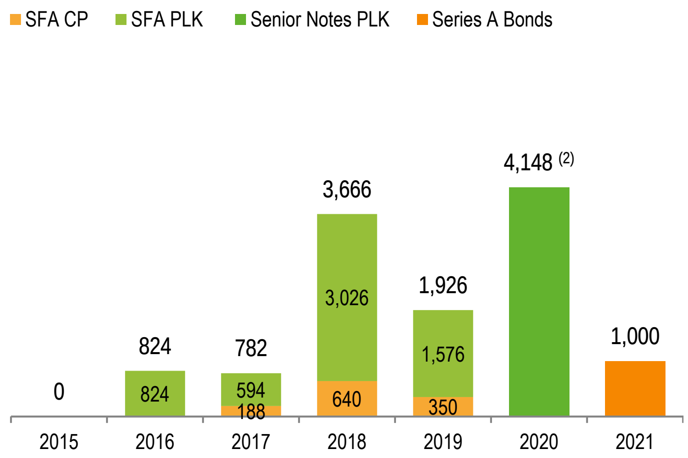
Currency composition of our debt [(1)]
as at June 30, 2015



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

The aging balance of the debt changed after the balance date following the issue of Series A Bonds in the total nominal value of PLN 1 billion on July 21, 2015 and the early voluntary prepayment of the CP Term Loan in the amount of PLN 1 billion on July 29, 2015. The graph below presents the aging balance of the Group's debt as at August 24, 2015, expressed in nominal values and excluding the debt under the CP Revolving Facility Loan.

Debt maturing profile [(1)]
as at August 24, 2015 [mPLN]



(1) Nominal value of debt, excluding the CP Revolving Facility Loan.
(2) Equivalent of the nominal value of EUR 542.5m and USD 500m PLK Senior Notes calculated at the average foreign exchange rates of the Polish National Bank as at August 24, 2015 of PLN/EUR 4.2390 and PLN/USD 3.6971, respectively.

Senior Facilities Agreement executed by Cyfrowy Polsat

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

The CP SFA envisages granting a term loan up to a maximum amount of PLN 2,500.0 ("CP Term Loan") and a multicurrency revolving facility loan ("CP Revolving Facility Loan") up to a maximum amount of the equivalent of PLN 500.0.

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

As at June 30, 2015 we drew PLN 70.0 under the CP Revolving Facility Loan.

On July 29, 2015, after the balance date, the Company made a voluntary prepayment of part of the CP Term Loan in the amount of PLN 1,000.0.

The receivables of the Company and the remaining debtors under the aforementioned facilities are secured by security interests established by the Company and other entities. In particular, such security interests include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over shares in the Company's subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company's subsidiaries which are governed by foreign law (for a detailed description of established securities see item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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

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

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

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

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

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

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

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

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

PLK Senior Facilities Agreement

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

The PLK Senior Facilities Agreement provides for PLK Term Loans A, B and C of up to PLN 2,650.0, PLN 3,300.0 and PLN 1,700.0, respectively, as well as a revolving loan facility (PLK Revolving Facility Loan) of up to PLN 300.0. Interest rates of the PLK Term Loans and the PLK Revolving Facility Loan are variable rates being the sum of: the WIBOR rate for the respective interest periods (and in the case of the PLK Revolving Facility Loan − also EURIBOR or LIBOR, depending on the currency in which the debt under the revolving facility was contracted) and a margin. Term Loan Facility A should be repaid in varying quarterly installments, starting on March 31, 2014. Term Loan Facility B and C should be repaid on June 24, 2018 and June 24, 2019, respectively. The final repayment date for Term Loan Facility A and the PLK Revolving Facility Loan is November 30, 2017.

As at June 30, 2015, no amounts had been drawn under the PLK Revolving Facility Loan.

The PLK Senior Facilities Agreement provides for a mandatory prepayment of the debt in the amount of:

(i) 50%-75% of the funds obtained as a result of admission of specific companies' shares to trading on a regulated market (if net debt/EBITDA is equal to or greater than 2.25);

(ii) 25%-75% of the generated cash flow surplus in a given financial year (if net debt/EBITDA is equal to or greater than 3.0);

(iii) certain proceeds from the sale of assets in transactions in excess of PLN 50.0 for all transactions combined (in a given financial year of Eileme 2) and

(iv) certain proceeds from insurance policies.

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

On April 13 and May 15, 2015, Polkomtel effected prepayments of a part of the PLK Term Loan in the respective amounts of PLN 600.0 and PLN 30.0.

The PLK Senior Facilities Agreement imposes on subsidiaries of Metelem, which are parties to the agreement, restrictions in respect of:

(i) acquiring or subscribing for shares (or other participation units), in particular as part of mergers and acquisitions or joint-venture investments;

(ii) selling or encumbering assets;

(iii) issuing guarantees or sureties;

(iv) advancing loans or other debt instruments;

(v) significantly changing the principal business activity;

(vi) incurring new debt and issuing shares;

(vii) distributing funds (including the payment of dividend, redemption or repurchase of own shares, other cash transfers, payment of certain debt and interest, payment of remuneration for management or advisory services, prepayments and other payments to related parties) and

(viii) repayment of the debt under the PLK Senior Notes and amendments to the terms of the related documents.

In addition, the PLK Senior Facilities Agreement imposes additional obligations on subsidiaries of Metelem, which are parties to the agreement, such as the obligation to hedge interest rate and currency exchange risks in respect of a specific part of the debt under the PLK Senior Facilities Agreement and the PLK Senior Notes issue, the obligation to maintain specific insurance policies, or the obligation to provide intellectual property protection.

Under the PLK Senior Facilities Agreement, change of control of Polkomtel, understood as the change of control within the meaning of the PLK Senior Notes Indenture disruption in continuity of the full control between Eileme 1 and Polkomtel, the loss of holding, under various conditions, of from 30% to 50% of the share capital of Eileme 2, or the overall number of votes at Eileme 2 shareholders meeting by Mr. Zygmunt Solorz-Żak (or a person related to him), or acquisition by another entity of a greater share in the share capital, or the overall number of votes at Eileme 2 shareholders meeting, will result in the debt under the PLK Senior Facilities Agreement, including the accruing interest, becoming immediately due and payable. The sale of all or a substantial part of Metelem's subsidiaries or assets of Metelem or its subsidiaries will also result in the necessity of immediate repayment of the existing debt.

Specified subsidiaries of Metelem issued guarantees and established a number of encumbrances over assets belonging to Metelem and its subsidiaries in favor of Citicorp Trustee Company Limited, acting as the Security Agent of the PLK Senior Facilities Agreement in order to secure the repayment of claims under the PLK Senior Facilities Agreement (for a detailed description of established securities see item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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

PLK Senior Notes

On January 26, 2012 Eileme 2, Eileme 3, Eileme 4, Spartan (whose legal successor is Polkomtel), Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, Citigroup Global Markets Deutschland AG, executed an Indenture on the issue of senior notes by Eileme 2 for a total nominal amount of EUR 542.5 million and USD 500.0 million, maturing in 2020, subsequently joined by selected Polkomtel subsidiaries ('PLK Senior Notes Indenture').

On or after January 31, 2016, Eileme 2 AB publ may redeem all or a part of the PLK Senior Notes denominated in EUR and/or USD at the redemption price (expressed as percentages of principal amount) set out below plus accrued and unpaid interest on the notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on January 31 of the years indicated below, subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date:

(i) in 2016 the redemption price is 105.875% for the PLK Senior Notes denominated in EUR and 105.813% for the PLK Senior Notes denominated in USD,

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

(iii) thereafter the redemption price is 100.000% both for PLK Senior Notes denominated in EUR and PLK Senior Notes denominated in USD. Unless Eileme 2 defaults in the payment of the redemption price, interest will cease to accrue on the notes (or portions thereof) called for redemption on the applicable redemption date.

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

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

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

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

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

Specified subsidiaries of Metelem issued guarantees and established a number of encumbrances over their assets in favor of the Security Agent of the PLK Senior Notes Indenture in order to secure the repayment of claims under the PLK Senior Notes Indenture (for a detailed description of established securities see item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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

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

Series A Bonds

Pursuant to the resolution of the Management Board adopted on July 2, 2015, Cyfrowy Polsat issued on July 21, 2015 1,000,000 unsecured, unsubordinated series A bearer bonds with a nominal value of PLN 0.001 each and a total nominal value of PLN 1,000.0, maturing on July 21, 2021 (the “Bonds”). The Bonds were issued by way of a public offering. Detailed terms and conditions of the Bonds’ issuance, redemption and payment of interest are specified in the Bonds Terms.

The interest rate on the Bonds is floating and based on the WIBOR rate for six-month deposits denominated in PLN, increased by a margin whose value depends on the value of the Leverage Ratio (defined in the Bonds Terms as ratio of the net financial indebtedness to EBITDA):

(i) the margin amounts to 250 bps if the Leverage Ratio in the given period is less than or equal to 3.5:1;

(ii) the margin amounts to 250 bps + 25 bps if the Leverage Ratio in the given period is greater than 3.5:1 but less than or equal to 4.0:1;

(iii) the margin amounts to 250 bps + 75 bps if the Leverage Ratio in the given period is greater than 4.0:1.

The coupon is paid biannually on January 21 and July 21.

In accordance with the provisions of the Bonds Terms, the Company may exercise at any time an early redemption of of all or part of the Bonds, however, the early redemption may not apply to Bonds that constitute less than 10% of the total nominal value of the Series A Bonds. An early redemption shall be exercised based on the Bonds' nominal value together with the accrued interest plus an applicable premium depending on the date of redemption, specified as follows:

(i) if the early redemption occurs before or on July 21, 2016, the premium shall be equal to 3% of the nominal value of the Bonds subject to the early redemption;

(ii) if the early redemption occurs between July 21, 2016 and July 21, 2017, the premium shall be equal to 2% of the nominal value of the Bonds subject to the early redemption;

(iii) if the early redemption occurs between July 21, 2017 and July 21, 2018, the premium shall be equal to 1% of the nominal value of the Bonds subject to the early redemption;

(iv) if the early redemption occurs after July 21, 2018, the Bonds shall be redeemed according to their nominal value.

Additionally, pursuant to the Bonds Terms, the Company and its subsidiaries are obliged to maintain required levels of certain financial ratios and are subject to restrictions, with respect to (but not limited to):

(i) acquisition or taking up of shares in other companies;

(ii) extending guarantees or granting sureties, accession to debt or release from liability;

(iii) granting loans;

(iv) disposing of assets;

(v) payment of dividends or advance dividends, payment of the price for own shares, or returns of additional payments to shareholders;

(vi) incurring of financial indebtedness and

(vii) entering into composition agreements.

In the event of a breach of restrictions specified in the Bonds Terms, Bondholders are entitled to demand an early redemption of Bonds held by those Bondholders with the consent of the Meeting of Bondholders.

In the event of change of control, as defined in the Bonds Terms, cessation of business activity or insolvency by the Company, i.a. by declaring bankruptcy or liquidation of the Company, Bondholders are entitled to demand an early redemption of Bonds held by those Bondholders.

The Series A Bonds were introduced to trading in the alternative trading system on the Catalyst market managed by WSE.

The Bonds are issued under Polish law and any disputes related to the Bonds shall be resolved in proceedings at the Polish common court having jurisdiction over the registered office of the Company.

Contractual obligations

Contractual commitments to purchase programming assets

As at June 30, 2015 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2015 (unaudited) [mPLN]	31 December 2014 [mPLN]
within one year	203.5	117.0
between 1 to 5 years	129.5	104.4
Total	333.0	221.4

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

	30 June 2015 (unaudited) [mPLN]	31 December 2014 [mPLN]
within one year	20.2	13.6
Total	20.2	13.6

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 158.8 as at June 30, 2015 (PLN 203.7 as at December 31, 2014). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at June 30, 2015 was PLN 72.2 (PLN 72.1 as at December 31, 2014).

Ratings

The table below presents a summary of ratings assigned to certain companies of Polsat Group as at the date of publication of this Report.

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

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

S&P's decision is based on the positive assessment of both the contemplated refinancing of the Group's total debt and the executed integration of Cyfrowy Polsat and Polkomtel, as well as the business potential of the combined Group.

4.3.6 Information on guarantees granted by the Company or subsidiaries

Securities related to the Senior Facilities Agreement executed by Cyfrowy Polsat

In order to secure the repayment of claims under the CP Senior Facilities Agreement of April 11, 2014, the following encumbrances over assets of the Group were established by the Group companies as at the date of publication of this Report:

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

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

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

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

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

(vi) assignment by way of security of property rights in Polsat Media Biuro Reklamy, governed by Polish law;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) financial and registered pledges over shares of Polkomtel, Polkomtel Business Development Sp. z o.o., Nordisk Polska Sp. z o.o., Plus TM Group, Plus TM Management, New Media Ventures Sp. z o.o. and Paszport Korzyści Sp. z o.o., shares of Liberty Poland S.A. and a financial pledge over shares of TM Rental Sp. z o.o. (previously Plus TM Group S.K.A. – as at the date of publication of this Report the pledge was not yet registered), governed by Polish laws;

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

(iii) registered pledges over various objects and rights comprising corporate assets of the following companies: Polkomtel, TM Rental Sp. z o.o. (previously Plus TM Group S.K.A.), Plus TM Group and Plus TM Management, governed by Polish laws;

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

(v) financial pledges and registered pledges over receivables under bank account agreements of the following companies: Polkomtel, Eileme 3, Eileme 4, TM Rental Sp. z o.o. (previously Plus TM Group S.K.A.), Plus TM Group, Plus TM Management, governed by Polish laws;

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

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

(viii) financial and registered pledges over series 1/2014 Notes, issued on July 7, 2014 by Polkomtel in favor of TM Rental Sp. z o.o. (previously Plus TM Group S.K.A.);

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

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

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

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

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

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

(xv) assignment by way of security of rights under licensing agreements executed by TM Rental Sp. z o.o. (previously Plus TM Group S.K.A.) and of rights under licensing agreements executed by Plus TM Management, governed by Polish law;

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

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

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

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

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

(xxi) guarantees provided by Polkomtel, Eileme 3, Eileme 4, TM Rental Sp. z o.o. (previously Plus TM Group S.K.A.), Plus TM Group and Plus TM Management under the PLK Senior Facilities Agreement and the PLK Senior Notes Indenture, governed by the respective applicable laws of the financing agreements.

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

5.1 Transactions concluded with related parties on conditions differing from market conditions

Transactions concluded in the first half of 2015 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 19 of the interim condensed consolidated financial statements for the six months ended June 30, 2015.

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

Cyfrowy Polsat had not published any financial forecasts.

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

The Management of Cyfrowy Polsat believes that the provisions for litigations as at June 30, 2015 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer

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

On November 23, 2011 Polkomtel received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5 million. In management's opinion, no such agreement had been concluded between the parties. The Company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty. Following SOKiK's verdict dated June 19, 2015 the penalty has been revoked in full. The verdict is non-binding. The President of UOKiK may appeal against the verdict.

On December 27, 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK, Polkomtel was charged with a penalty in the amount of PLN 4.5 million. The Company appealed to SOKiK against the decision. On October 15, 2014, SOKiK issued a decision where the penalty has been reduced to PLN 1.5 million. The judgment is not final.

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

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

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

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

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

5.4.1 Factors related to social-economic environment

Economic situation in Poland

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

In the sluggish world economy of 2011-2013, Poland continued to record one of the highest real GDP growth rates in the EU. According to Eurostat, Poland's real GDP growth in 2011, 2012 and 2013 was 4.8%, 1.8% and 1.7%, respectively, with the corresponding figures for the EU 28 at 1.7%, -0.5% and 0.1%, respectively. Despite the Polish economy's relatively good condition, the downturn on the global markets in 2011-2013 adversely impacted the volume of advertising spending in Poland, including on TV advertising.

Based on Eurostat data, a noticeable recovery of economies both of Poland and other EU countries took place in 2014. The estimated GDP growth for Poland in 2014 was 3.4%, while forecasted GDP growth in 2015 and 2016 is 3.3% and 3.4%, respectively. GDP growth in 28 EU countries is estimated at 1.4% in 2014, 1.8% in 2015 and 2.1% in 2016.

We believe that average consumer spending, including spending on pay TV, mobile telephony, Internet access and bundle services generally will grow in line with the overall GDP growth in Poland, and will support our future revenue growth. We expect that the economic recovery, anticipated in 2015-2016, will also have a positive impact on the advertising expenditures in Poland.

Situation on the pay TV market in Poland

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

The market on which we operate is very dynamic and competitive. Strong competition and the evolving market environment (including consolidation processes on the satellite and cable TV market as well as the development of digital terrestrial television) impact promotional offerings to our new customers. In addition, due to the heavy competition, we continuously invest in customer retention programs and loyalty building.

Currently, we consider our programming packages to offer the best value-for-money on the Polish DTH market. We believe that it gives us a chance to attract a significant portion of migrating customers to our platform. Moreover, we offer pay TV services as part of our integrated offer under the smartDOM program, which has a positive impact of the loyalization of our customer base and contributes to maintaining a relatively low churn rate.

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

Development of advertising market in Poland

Part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising air-time is highly correlated with the macro-economic situation. ZenithOptimedia Media House forecasts a 2.6% growth y-o-y of total net TV advertising expenditure in 2015, while in 2016 this segment will increase by 2.4%. Given that TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still a substantial growth potential for TV advertising in Poland in the long term, and the expected economic recovery in 2015-2016 will positively influence the level of advertising expenditure in Poland. It is worth noticing, that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily thanks to new technical opportunities, which include an increasing number of HD channels and VOD, as well as thanks to a growing number of smart-TVs.

The Internet advertising market is characterized by dynamic growth. According to the IAB AdEx report, online advertising expenditures increased at a rate of 7.2% in 2014 compared to 2013, while expenditures on the video advertising segment, in which we generate our revenue, increased by 16% during this period and represented 7.5% of the total expenditures on online advertising. According to PwC forecasts (Global entertainment and media outlook: 2014-2018) the online video advertising in Poland will grow by an average 45.1% (CAGR) in the years 2013-2018. We believe that thanks to the leading position on the online video market (through IPLA internet television) we may benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

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

Fixed-mobile substitution and growth of mobile broadband Internet saturation

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

In Poland the fixed-mobile substitution has a larger scale than in most of the EU countries. Based on the data by UKE, in 2014 the volume of voice traffic in fixed networks amounted to 10.4 billion minutes and was already almost 8 times lower than the voice traffic volume in mobile networks – which exceeded 82.6 billion minutes.

At the same time the availability of fixed-line broadband services is limited mainly to urban areas. Outside urban areas, high-quality fixed-line broadband services are offered only to a limited extent, which is due to historical underinvestment resulting i.a. from the high cost of build-out of local loops (the so called "last mile").

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

Growing demand for smartphones and data transmission

Popularity and sales of smartphones in Poland has been gradually growing. In the first half of 2015 90% of handsets sold by us to our telecommunication service customers were smartphones and this share is systematically growing. At the same time, we estimate that at the end of June 2015 nearly half of the phones used by our customers were smartphones. This disproportion shows that the smartphones' penetration among our mobile services customers will grow consistently in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to data presented in the Ericsson Mobility Report dated June 2015, the volume of transmitted data will increase 11 times in the years 2014 - 2020. We offer data transmission mainly under primary subscriptions and additional data packs. Customers who do not purchase a recurring data pack may use the data transmission in the so-called "pay-as-you-go" model (i.e. charged per every MB used).

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

Seasonality of advertising market

Our advertising revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to the increased consumer spending during the Christmas season. In the year ended December 31, 2014, TV Polsat Group generated approximately 21.6% of advertising revenue in the first quarter, 28.0% in the second quarter, 20.7% in the third quarter and 29.7% in the fourth quarter.

Seasonality of the telecommunication market

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

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

5.4.2 Factors related to the operations of the Group

Growing importance of integrated services

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

In this context, the acquisition of Polkomtel, one of the leading mobile operators on the Polish market, is significant. Together with Polkomtel we create a unique portfolio of products which are simultaneously targeted at customers of both operators. Our programs smartDOM (addressed to individual customers) and smartFIRMA (addressed to business customers) allow our customers to combine in a flexible way products into packages, on which we offer attractive discounts. The program smartDOM, launched in mid-February 2014, yields excellent sales results. The possibility to sell additional products and services (cross-selling) to current customers of Cyfrowy Polsat and Plus network has a positive impact both on our revenue and the level of ARPU per contract client.

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

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

Providing Internet access services in LTE technology

We provide broadband Internet access services in numerous available mobile technologies, including mainly HSPA/HSPA+ and the latest LTE technology. LTE Internet is considered to be the future of mobile broadband Internet and successor of commonly used UMTS standard. Thanks to its technical characteristics and quality parameters, mobile LTE Internet replaces fixed-line connections and satisfies increasingly demanding customers. In addition, it has the advantage of mobility, which is more desired by consumers. We strongly believe that over the long term, as the necessary radio infrastructure and LTE-enabled devices develop, the technology will revolutionize not only the broadband Internet market but also content distribution. The wide availability of our LTE Internet service constitutes a significant competitive advantage and it will help us to further increase our customer base both of stand-alone and integrated services.

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

On March 24, 2015, Midas Group launched the first in Poland commercial LTE 800 network. In line with the provisions of the agreements concluded between Midas Group and Polsat Group, following the launch of services based on the 800 MHz frequencies Midas Group extended the scope of services related to data transmission provided to Polsat Group. As a result of the roll-out of the LTE 800 network, including over 2000 locations at the end of June 2015, as of the second quarter of 2015 over 90% of Poles lived within the coverage of LTE Internet service offered by Plus and Cyfrowy Polsat. Midas Group announced that, bearing in mind the optimal coverage, the roll-out of the LTE 800 network may consist in the construction of over 5000 stations in total.

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

New terms of provision of data transmission services

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

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

Development of IPLA

IPLA, the leader on online video market, strengthens our position as aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV. Developing IPLA is a source of synergies in terms of costs and revenues. Costs synergies come from jointly executed content acquisition and investments in technology development, marketing activities, use of the same infrastructure as well as optimized use of back-office resources. Revenues synergies come from cross-selling and from increased attractiveness of current and new products introduced, that positively impact the customers' satisfaction level.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in Ericsson Mobility Report dated June 2015, mobile video traffic is expected to grow at an average annual rate of 55% between 2014 and 2020. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future.

Attractive content of our TV channels

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

5.4.3 Factors related to the regulatory environment

International roaming in mobile networks

International roaming rates in the EU are regulated by the Regulation of the European Parliament and the Council of the European Union. The Regulation covers retail and wholesale charges for voice (outbound and inbound calls), SMS, MMS and data roaming services, by determining average wholesale rates and maximum retail charges for the services. Starting from July 1, 2014, the Regulation led to a further reduction of rates applied by the operators within the EU, as specified in the table below.

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

Under the proposal of the Telecommunications Single Market Regulation, the possibility of levelling retail roaming charges with domestic charges applied within the EU (*Roam like at home)* is being analysed. The date of the implementation of this solution, initially set at the turn of 2015 and 2016, was postponed until a later date in June 2015. Currently, the EU is considering introducing roaming charges within the Union equal to domestic fees at the beginning of June 2017, which depends on the ability to establish a set of detailed regulations with respect to, among others, the level of wholesale roaming charges, the levelling of MTR rates applied in specific Member States and adopting the *Fair Usage Policy*, which would protect the interests of operators across the EU. As at the date of publication of this Report, no detailed guidelines regarding this proposal were available.

As an interim solution, another reduction of maximum retail roaming charges is to be implemented as of April 2016. The level of these charges is to be determined as the sum of retail fees for domestic calls increased by the maximum wholesale rate, equal to:

- 5 euro cents per minute in the case of outgoing voice calls;
- 2 euro cents per short text message;
- 5 euro cents per 1MB of data transfer;
- the average European MTR rate for incoming voice calls.

As at the date of publication of this Report, a mechanism of determining domestic retail charges has not been established. It is expected that BEREC will issue guideline on the calculation of the said charges by December 2015.

Reservation of frequencies

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

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

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

As a result of switching off analogue television in 2013, certain frequency resources have become available under the so-called Digital Dividend. An announcement about the auction for the reservation of frequencies in 800 MHz and 2600 MHz bands was published on December, 30, 2013. On February 11, 2014 the President of UKE decided to cancel the auction, and on April 4, 2014 announced the next stage of consultations regarding a new auction for the reservation of the aforementioned frequency. Following the publication of opinions of interested parties, on October 10, 2014 the President of UKE once again announced the auction on 5 blocks in the 800 MHz band and 14 blocks in the 2600 MHz band. The opening bid for one block in the 800 MHz band is set at PLN 250 million and for one in the 2600 MHz band – at PLN 25 million. The auction documentation determines, i.a. detailed conditions of conducting the auction, limitations regarding joining frequency blocks by entities, who receive frequency allocations through the auction and conditions of use of allocated frequencies. Six entities submitted initial bids: Orange, P4, Hubb Investments Sp. z o.o., T-Mobile, Polkomtel and NetNet Sp. z o.o., all of which qualified to the second stage of the auction. The auction began on February 10, 2015 and at the date of publication of this Report had not ended.

On March 10, 2015, Polkomtel made a decision to discontinue its participation in active bidding for the spectrum blocks from the 800 MHz band and switched to the so-called passive approach (for details see item 3.2. – *Significant events – Business related events - Decision to discontinue active participation in the auction for the spectrum from the 800 MHz band).*

5.4.4 Financial factors

Exchange rates fluctuations

Zloty (PLN) is our functional and reporting currency. Our revenue is primarily denominated in PLN, whereas a portion of our expenses, capital expenditures and debt service costs is denominated in foreign currencies, in particular USD and EUR.

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments for (i) licensing fees paid to TV broadcasters, (ii) signal transmission-related charges, (iii) access to the offering of leading film and TV studios, and of other programming suppliers and producers, including sports federations; (iv) set-top box parts, and other hardware and software; (v) transponder capacity lease; (vi) telecommunication equipment for mobile telephony customers; (vii) UMTS license fees; (viii) telecommunication network equipment; (ix) selected leases of land for telecommunication network sites; (x) selected office building lease agreements; (xi) international roaming and interconnect agreements; and (xii) other trade obligations.

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

We have no control over how exchange rates will change in the future, and consequently foreign exchange rate fluctuations will continue to affect (positively or negatively) our operations and financial results. Considering our open exposure to the currency exchange risk, the Group has in place a market risk management policy and uses, inter alia, natural hedging and hedging transactions.

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

In consequence of the transaction of acquisition of shares in Metelem, the company and its capital group is consolidated within the consolidated financial statements of Cyfrowy Polsat Group from May 7, 2014.

The obligation to service substantial debt of Metelem Group, in particular the debt under the PLK Senior Facilities Agreement and PLK Senior Notes, increases financial costs incurred by us related to capital and interest payments, and therefore it has a material effect on the level of net profit generated by our Group.

Additionally, in order to refinance the debt under the Term Loan related to the acquisition of Telewizja Polsat and Senior Notes, both incurred in 2011, the Company concluded in April 2014 the CP Term Loan maturing in 2019. Moreover, in July 2015 we issued the Series A Bonds. In consequence we will continue to incur interest costs on debt financing.

The CP Term Loan and PLK Term Loans have a built-in mechanism of bank margin reduction parallel to the decrease in the net debt to EBITDA ratio defined in both agreements, which means that by generating cash from operating and investing activities and by maintaining a high level of EBITDA we are able to decrease interest costs and payments. Furthermore, the CP Term Loan, the PLK Term Loans and the Series A Bonds are based on a floating market interest rate, therefore fluctuations of interest rates in Poland will have an effect on value of current debt costs related to those loans.

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

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

6 RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may lose revenues generated pursuant to our national roaming agreement with P4 or such revenues may be materially lower than anticipated

In 2006 Polkomtel entered into, and renegotiated serveral times, a national roaming agreement with P4, under which Polkomtel renders domestic roaming services allowing P4 to offer mobile telecommunications services to its customers in areas where it does not have its own radio network coverage. According to this agreement, Polkomtel is required to sell and P4 is required to buy, in 2010-2015, domestic 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 or in consecutive years. 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 25, 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, P4’s or 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, a change in P4's strategy or financial condition or due to any other factors outside Polkomtel's control, the financial condition, results of operations or prospects of the Group may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the risk of fraudulent activities by customers

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

We might be unable to maintain good name of the Cyfrowy Polsat, Plus, Telewizja Polsat, IPLA, TV4 and TV6 brands

The good name of the 'Cyfrowy Polsat', 'Plus', 'Telewizja Polsat', 'IPLA', 'TV4' and 'TV6' brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. Our reputation may suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of the 'Cyfrowy Polsat', 'Plus', 'Telewizja Polsat', 'IPLA', 'TV4' and 'TV6' brands, will not materialise in the future. Any damage to our good name may have a material adverse effect on our business, financial condition, results of operations or prospects.

Goodwill and brand value may be impaired

Following the acquisitions made in the past, in particular of Telewizja Polsat and Metelem Holding Company Limited, indirectly holding Polkomtel, we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on our business, financial condition, results of operations.

We may lose our management staff and key employees

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

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

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV customers the option to purchase or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer to our customers at our newly acquired facility in Mielec. At the end of the second quarter of 2015, our set-top boxes accounted for more than 95% of all the set-top boxes sold or otherwise made available to our pay TV customers. Should any batch of the set-top boxes we have manufactured prove defective and need to be withdrawn from the market, we are under the obligation to replace the set-top boxes we have made available to our customers and to cover (potentially considerable) costs of replacing or repairing any set-top boxes we have sold on the market. Furthermore, the withdrawal of reception equipment due to its defectiveness could be harmful to our reputation. Any problems with production of set-top boxes would force us to acquire larger numbers of set-top boxes from third-party suppliers. There can be no assurance that we will be able to purchase a sufficient number of set-top boxes from third-party suppliers when required. Furthermore, the cost of acquiring from third-party suppliers of the vast majority of set-top box models we offer would be much higher than the cost of manufacturing them at our own plant. If we were unable to obtain set-top boxes from third-party suppliers on satisfactory pricing terms, we might have to raise the prices for our customers to cover our increased depreciation expense. Moreover, if the deliveries of set-top boxes we managed to procure were insufficient to meet the demand, our reputation among our current and potential customers would suffer. As our production of set-top boxes is based on components purchased from third-party contractors, there is a risk that we lose access to such components, for instance due to discontinuation of their production or changes in technologies or products. Losing access to certain components would force us to redesign our set-top boxes, which could affect continuity of their production and supplies to our customers. Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation and lead to erosion of our brand value, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

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

The mobile telecommunications business depends on providing customers with both 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.

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

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

Our further effective cooperation with Midas Group may prove impossible in the future

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

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

Midas 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 Midas Group. Midas Group's competitors have taken a number of steps, some of which may lead to retraction of the decisions regarding frequency allocations granted to Midas Group, including the 1800 MHz band frequency allocation, which is currently integral to the offering of LTE services.

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

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

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

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

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy "Solidarność" (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions). As at June 30, 2015, 169 employees (expressed as full-time equivalents), or 4.9% of the total workforce of Polkomtel Group, were trade union members. At the date of publication of this Report, we had no knowledge of any disputes with trade unions or any other collective disputes at Polkomtel. However, involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimise the employment level or labour costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or increase in employment costs may disrupt Polkomtel's operations, preventing it from timely or cost-effective provision of services to its customers, which can have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

Our broadcasting licences may be revoked or may not be renewed

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

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

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

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

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

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

All frequency allocations have been issued to Polkomtel for a definite term. There can be no assurance that Polkomtel's frequency allocations will be extended prior to their expiry. In particular, pursuant to the Telecommunications Law, Polkomtel's frequency allocation may not be extended or may be revoked by the President of UKE in case of a substantial 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 Polkomtel Group.

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 often change, there can be no assurance that Polkomtel will not breach any laws or regulations related to frequency allocation or any terms of such allocation.

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

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

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

Following the analogue TV switch-off in 2013, certain frequency resources became available within the ‘digital dividend'; in February 2013, following an auction for frequencies in the 1800 MHz band, the frequencies were allocated to T-Mobile and P4. In addition, on December 30, 2013, a notice on auction for frequency allocation in the 800 MHz and 2600 MHz bands was published. On February 11, 2014, the President of UKE cancelled the auction; on April 4, 2014, the President of UKE opened a new stage of consultations on a new auction for those frequencies. Following the publication of opinions of interested parties, on October 10, 2014 the President of UKE once again announced the auction of 5 blocks in the 800 MHz band and 14 blocks in the 2600 MHz band. The opening bid for one block in the 800 MHz band is set at PLN 250 million and for one in the 2600 MHz band – at PLN 25 million. The auction documentation specifies, i.a. detailed conditions of conducting the auction, limitations regarding aggregating frequency blocks by entities, who may receive frequency allocations through the auction and conditions of use of allocated frequencies. Six entities submitted initial bids: Orange, P4, Hubb Investments Sp. z o.o., T-Mobile, Polkomtel and NetNet Sp. z o.o., all of which qualified to the second stage of the auction. The auction began on February 10, 2015. On March 10, 2015, Polkomtel made a decision to discontinue its participation in active bidding for the spectrum blocks from the 800 MHz band and switched to the so-called passive approach. As at the date of this Report, the auction was still in process

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

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

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

We cannot rule out that the 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.

6.2 Risk factors associated with the Group's financial profile

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

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

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

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

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

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

Moreover, we may need to incur a significant amount of new debt in the future. In particular, the terms and conditions of the CP Senior Facilities Agreement as well as the Series A Bonds Terms 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 CP Senior Facilities Agreement, or other liabilities; (ii) require us to apply a considerable portion of operating cash flows towards debt repayment, restricting the availability of cash used to finance our investment activities, working capital, and other corporate needs and business opportunities; (iii) reduce our competitiveness relative to other market players with lower debt levels; (iv) affect our flexibility in business planning or responding to the overall unfavorable economic conditions or to specific adverse developments in our sector; and (v) impair our ability to borrow new funds, increase our borrowing costs and/or affect our equity financing capacity. In consequence, any additional debt would further reduce our ability to secure external financing for our operations, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

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

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

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

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

6.3 Risks related to market environment and economic situation

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

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

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

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

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

The Polish mobile telecommunications market is highly competitive

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

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

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

The Group's ability to effectively develop its operations on the Polish telecommunications services market may be also adversely affected by the imposition of new regulatory requirements or new fees or payments 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 and the highly consolidated nature of the Polish mobile telephony market may result in increased pricing pressure and our ability to compete effectively will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices. It cannot be ruled out that we will be forced to reduce prices for certain products and services in response to the pricing policies of our major competitors, which may have an adverse effect on our future revenue and profitability.

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

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

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. New technologies, such as video on demand (VoD), Internet streaming and downloading, have broadened and may continue to broaden the selection of entertainment options available to existing and potential users of our services. The growing variety of leisure and entertainment options offered by our current and future competitors may bring about a decrease in demand for our products and services, and weaken the effect of television as an advertising medium. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

In the first half of 2015, ca. 83% 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. On the Polish advertising market television competes with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. There can be no guarantee that TV commercials will maintain their position on the Polish advertising market, or that changes in the regulatory regime will not favor other advertising media or other broadcasters. The growing competitive pressure among advertising media, driven by the increasing prominence of Internet advertising in Poland, significantly higher spending on thematic channels, and the development of new forms of advertising may have an adverse effect on advertising revenue generated by our TV production and broadcasting segment, and thus on our operations, financial condition, performance, and cash flows.

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

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

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

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

Following completion of the terrestrial television digital switchover process in Poland in July 2013, there are currently 24 TV channels broadcast terrestrially. According to Nielsen Audience Measurement, in the first half of 2015 the audience shares of all DTT channels in the 16-49 age group reached 68.3% compared to 66.0% in the corresponding period of 2014. The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 42.6% in first quarter of 2015 compared to 45.0% in the corresponding period of 2014. The aggregate audience share of the other DTT channels was 25.7% in the first half of 2015 vs. 21.0% in the first half of 2014, which reflects the growing market fragmentation, to a large extent at the expense of the leading TV channels, including POLSAT. This trend may have a material adverse effect on our performance and financial condition. Our main competitors on the TV advertising markets are other broadcasters, such as TVN − a leading commercial broadcaster, and TVP − the broadcaster financed partly from public funds, which provides public service. Because TVP is the public broadcaster, it cannot interrupt programmes and films with commercial breaks. Any changes in this respect may contribute to the strengthening of TVP's competitive position, reducing our advertising revenue. Furthermore, we will be forced to compete with current and future market participants for terrestrial and satellite broadcasting licences in Poland. Such participants may include major broadcasters with greater resources and more recognisable brands. This is especially true in the case of companies from other EU countries, which may find the Polish TV market attractive for various reasons, including its current regulatory environment (which allows TV stations to broadcast more advertising during programmes and films than in other countries), as well as the increasing extent of other permitted advertising activities. And lastly, continued growth of cable TV, DTH and DDT providers in Poland may lead to further market and audience fragmentation, which may make advertisers reluctant to buy air-time on our channels. Losing customers and advertisers to our competitors may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

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

We are exposed to currency risks

Our business is exposed to risk related to fluctuations in foreign exchange rates. While our revenue is denominated mainly in the Polish złoty, part of our operating costs is denominated in other currencies. We have trade payables (including amounts due for access to the catalogues of the leading film and TV studios as well as other suppliers and producers of programming content, purchase of modems, parts of set-top boxes, other hardware and software, as well as lease of transponder capacities) that are denominated in foreign currencies, mainly in euro and US dollars. Significant components of costs, including costs of purchase of handsets, UMTS license fees, costs of purchase of network equipment and IT systems, roaming, as well as the costs of lease of certain office areas and locations of elements of our mobile network infrastructure are denominated in foreign currency, in particular in EUR. Fluctuations in foreign exchange rates are outside our control and any adverse changes in the exchange rates of foreign currencies against the Polish złoty may significantly increase our costs and expenses translated into the Polish złoty, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects.

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

If we decide to take out a loan in foreign currencies under the multi-currency CP Revolving Facility Loan, we may be exposed to currency risk, since movements in the exchange rate of the euro, dollar or any other currency provided for in the CP Senior Facilities Agreement dated 11 April 2014 against the złoty may increase the złoty-denominated amounts required to service principal and interest payments under the CP Revolving Facility Loan.

We are exposed to interest rate risk

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

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

6.4 Risk factors associated with the legal and regulatory environment

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

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

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

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

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

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

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

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

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

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

The tax regime applicable to our operations and the sector in which we operate creates numerous uncertainties

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

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

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

Property tax laws give rise to numerous interpretation uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

Polkomtel's roaming rates are also regulated. European Union regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level). At present, the roaming rates in the EU are regulated by the Regulation (EU) No. 531/2012 of June 13, 2012, which imposed further cuts in roaming rates as of July 1, 2014. The proposal for regulation on unified telecommunications market foresees the levelling of retail roaming charges within the EU with domestic charges. On April 3, 2014, the European Parliament approved the draft regulation. In line with the schedule adopted by the European Parliament, the final draft of the proposal should have been approved by the Member States by the end of 2014. The new regulations were expected to take effect in December 2015. In July 2015 the European Union Council published a draft regulation amending, inter alia, Regulation (EU) No. 531/2012, suggesting a further reduction of maximum retail fees as of April 2016 as an interim solution. The levelling of roaming rates with domestic rates was postponed for one and a half years (currently, the proposed date is June 2017). Reduction or removal of roaming charges in the EU may have an adverse effect on our revenue, and consequently on its performance and financial standing.

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

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

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

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

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

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

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

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

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

An important and active role in ensuring the observance of telecommunications laws and regulations by entities operating in the telecommunications market in Poland is played by the regulators of the Polish telecommunications market, including in particular the President of the Office of Electronic Communications (UKE). The President of UKE has a number of regulatory and supervisory powers, including those 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 by the President of UKE. If the President of UKE was to declare that Polkomtel breached a provision of the Telecommunications Law, the company could be forced to pay a fine of up to 3% of the revenue it generated in the year prior to the imposition of the fine and it could be prohibited from providing further telecommunications services in Poland.

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 customer network access) which may then apply to the President of UKE to be compensated by the other telecommunications operators, including Polkomtel, on the justified net costs basis.

The Minister of Administration and Digital Technology, responsible for telecommunications, also exercises broad regulatory authority over the telecommunications market in Poland. The powers of the Minister of Administration and Digital Technology include the power to issue regulations concerning, among other things, tenders and contests for the allocation of frequencies, charges for using the domestic numbering resources, 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. Polkomtel's operations are also supervised by the President of the Office of Competition and Consumer Protection, General Inspector 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 result of potential violation of such requirements or laws that, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

6.5 Risk factors associated with the Bonds, the offering of the Bonds and their introduction to the ATS

The Bonds may not be repaid

Investing in Bonds is connected with the Company's credit risk, the extent of which is determined by the Company's ability to repay its debts. This risk can materialise if the Bonds are not redeemed, the interest on the Bonds is not paid, or both of these payments are not made on the dates indicated in the Bonds Terms. The Company's ability to repay its debts depends on numerous factors, both within and outside the Company's control. Some of the existing or future financial liabilities of the Company, including loans, or other liabilities of similar nature can become due before the Bonds' redemption date. If the Company is unable to generate sufficient cash flows, it may not have the funds to repay all or part of its debts as they become due, including the debt under the Bonds.

The Company's ability to service its debt depends, among others, on: (i) the Company's financial situation at a given time; and (ii) in case of refinancing – the limitations regarding the ability to incur debt, which are indicated in the facility agreements to which the Company or its assets are subject, as well as on the market conditions based on which the debt could potentially be refinanced. The availability of refinancing in the future on terms and conditions acceptable for the Company cannot be guaranteed. Moreover, the possibility of raising additional funds in the future cannot be guaranteed. If refinancing or raising additional funds proves impossible in the future, the Company may be forced to sell its assets in circumstances which may prevent it from obtaining optimum terms of such sale.

Materialisation of the Company's credit risk may have material adverse impact on the value of the Bonds, leading to a situation in which the Bondholders will not be able to recover the amounts that they have invested in the Bonds, or they may recover amounts which are lower than invested.

The Bonds are not secured by collateral

The Bonds will not entitle the Bondholder to security interests in any collateral. Some of our debts have been secured by establishing mortgages or pledges over our assets, or by transferring or assigning our assets. In the future we may also grant other security interests, whether collateralised or not, in connection with existing or future debt. This means that if creditors seek to collect from our assets, assets that serve as collateral will used to satisfy the claims of creditors who have collateralised claims first. It cannot be ruled out that in such a situation the value of the remaining assets intended to satisfy other creditors, including the Bondholders, may prove insufficient to satisfy their claims and hence the Bondholders may not recover the amounts they invested in the Bonds, or they may recover amounts lower than invested.

The Bonds may be subject to early redemption at a Bondholder's request

The Bondholders may demand an early redemption of the Bonds in situations specified in the Bonds Act. Additionally, the Bonds Terms provide for the possibility of Bondholders' requesting early redemption of the Bonds they hold, following an Event of Default. The Bondholders should be aware that with regard to a majority of Events of Default, the right to request early redemption can be exercised only upon obtaining the consent of the Bondholders' Meeting. If only some of the

Bondholders request early redemption of the Bonds, redemption of only part of the Bonds may have a negative impact on the Bonds' liquidity, and consequently on their value.

The Bonds may be subject to early redemption due to reasons other than a Bondholder's request

In accordance with the Bonds Terms, the Company is entitled, at any time, to redeem the Bonds early. This right can be exercised at any time before the redemption date, both with regard to all the Bonds as well as a part of the Bonds which have been issued and have not been redeemed, however such redemption should cover no less than 10% of the total nominal value of the Bonds or of all unredeemed Bonds, if their total nominal value was lower than the above mentioned amount. Moreover, pursuant to Article 74 section 5 of the Bonds Act, in the event of the liquidation of the Company, the Bonds are subject to immediate redemption at the moment when the liquidation proceedings start, even if the redemption date has not occurred yet. Pursuant to Article 74 section 4 of the Bonds Act, in the event of a merger of the Company with another entity, its demerger or change of legal form the Bonds are subject to immediate redemption insofar as they provide for a monetary performance, if the entity which assumes the Company's obligations related to the Bonds has no power and authority to issue the Bonds under the Bonds Act.

In the event of the liquidation of the Company, its merger with another entity, demerger, change of legal form as described above or exercising by the Company of the right of early redemption of the Bonds, the Bondholder's investment horizon will shorten in relation to the Bonds covered by redemption, which may result in a rate of return on the investment in Bonds lower than expected.

Our debt may increase and we may take other actions which may not be in the Bondholders' best interest

The Company and its subsidiaries may increase their debt by, among other things, taking out loans and borrowings or issuing new debt securities. In addition we may implement changes in the Group's structure, dispose of our assets, or enter into specific transactions, especially intra-group transactions, as well as distribute profits to our shareholders. In some circumstances these actions may not be in the best interest of the Bondholders and may, on the one hand, adversely affect our ability to meet our obligations under the Bonds (and our overall financial situation), while on the other hand they may potentially restrict the Bondholders' ability to exercise their rights resulting from the Bonds.

The Bondholders' Meeting may fail to pass some resolutions, or may pass resolutions which are contradictory to the interest of the Bondholders voting against such resolutions or not present at the Bondholders' Meeting

Some of the decisions related to the Bonds are passed by the Bondholders' Meeting. Convening a Bondholders' Meeting requires specific actions to be taken while the decisions are carried by a majority of votes or unanimously. For instance, unanimous decision is required (i) to adopt a resolution on decreasing the nominal value of the Bonds; or (ii) if the Bonds are traded in an ATS – to adopt a resolution changing the qualified Bonds Terms within the meaning of Article 49 Section 1 of the Bonds Act. Moreover, Bondholders' Meeting is deemed valid if attended by Bondholders representing at least 50% of the Adjusted Total Nominal Value of the Bonds. The Bondholders' Meeting will thus be unable to pass any resolutions if attended by Bondholders representing less than the above indicated nominal value of the Bonds.

Therefore, there is a risk that actions taken as a result of resolutions passed by the Bondholders' Meetings may conflict with the interest of the Bondholders voting against these resolutions, or those who do not attend the Bondholders' Meeting. In addition there is a risk that Bondholders seeking adoption of a specific resolution, in particular a resolution changing the Bonds Terms or authorizing the Bondholder to exercise its right to demand early redemption of the Bonds in some situations, may not gain the required majority of votes or there may be no quorum as required for passing such a resolution.

Resolutions of the Bondholders' Meeting may be challenged

Pursuant to Article 70 Section 1 of the Bonds Act, a resolution of the Bondholders' Meeting that manifestly prejudices the Bondholders' interests or is contrary to good customs can be challenged through a lawsuit filed against the Company seeking to repeal the resolution. Pursuant to Article 71 Section 1 of the Bonds Act, a resolution of the Bondholders' Meeting that is unlawful can be challenged through a lawsuit filed against the Company seeking to invalidate the resolution.

It cannot be ruled out that some Bondholders may attempt to challenge the resolutions adopted by the Bondholders' Meeting. If they succeed in challenging the resolution of the Bondholders' Meeting authorizing the Bondholders to request early redemption of the Bonds, the Bondholders may be deprived of this possibility. If certain resolutions of the Bondholders' Meeting concerning amendments to the Bonds Terms are successfully challenged, it may adversely affect the Company's ability to timely discharge its obligations under the Bonds, in particular its capacity to make payments under the Bonds.

After the Record Date for redemption of the Bonds, the Bonds can be excluded from trading

Pursuant to Article 8 Section 6 of the Bonds Act, after a group of bondholders entitled to receive payment for redemption of a dematerialised bond, the rights attached to such bond cannot be transferred. The Bonds Terms provide that the Bonds will be registered in the securities depository maintained by the NDS. This means that as long as the Bonds remain registered therein or are otherwise dematerialised, after the lapse of the Record Date for redemption of the Bonds the rights attached to the Bonds will no longer be transferable. In particular, it will not be possible to sell the Bonds should the Company fail to redeem them as scheduled. In these situations, a Bondholder may be unable to exit the investment in the Bonds even if it finds a person interested in purchasing the Bonds.

The Bonds' prices and liquidity may be subject to fluctuations

There can be no assurance that a liquid market for the Bonds will exist following their introduction to trading on the ATS. It is impossible to predict the degree of investor interest in the Bonds. Hence, it is impossible to rule out substantial fluctuations in the Bonds' prices, or that the investors will not be able to buy or sell the Bonds at the expected prices or on the expected dates. The prices of the Bonds may in addition be affected by numerous other factors, including general economic trends, changes in the overall situation on the financial markets, changes in law and other regulations in Poland and in the EU, changes in forecasts issued by securities analysts as well as actual or forecasted changes in our operations, our situation and our financial results. Fluctuations in the securities market in the future can also negatively impact the price of Bonds, irrespective of our operations, our financial situation or results and our development prospects.

Interest rate risk

We cannot rule out that interest rates, including the base rate for the Bonds, will change substantially following the issue date, i.e. July 21, 2015. The interest rate for the Bonds for a given interest period consists of the base rate (equal to the 6-month WIBOR rate for PLN deposits), plus the margin. A reduction in interest rates, including the base rate for the Bonds, in particular when connected with a deteriorating economic situation, may lead to a reduced yield from the Bonds. On the other hand, significant growth in interest rates, including the base rate for the Bonds, may increase the cost of servicing the debt under the Bonds or other sources of debt capital, and it may adversely affect our financial situation and our operating results, consequently having a bearing on the value of the Bonds and our ability to make the payments under the Bonds.

The Bonds Terms do not contain a tax gross up clause

Investment in the Bonds may entail the necessity of Bondholders paying taxes.

The Bonds Terms do not contain a tax gross up clause related to payments to the Bondholders. If any payment on account of Bonds entails the obligation to collect and pay any tax, charge or other public imposts, the Company shall not be obliged to pay to the Bondholders any amounts compensating the collected taxes, charges or other public imposts, or to make any other payments.

The obligation to pay any taxes connected with acquiring, holding (in terms of any payments under the Bonds), or selling the Bonds may result in a lower than expected rate of return on the investment in the Bonds.

We are subject to the restrictions specified in the Bonds Terms

The Bonds Terms impose certain obligations on us which restrict our ability to finance future operations or investments or to take advantage of other business opportunities which may be of our interest. The Bonds Terms impose on us an obligation to maintain specified financial ratios at required levels while also restricting, inter alia, the following:

- acquisition or taking up of shares in other companies;
- extending guarantees or granting sureties, accession to debt or release from liability;
- granting loans;
- disposing of assets;
- payment of dividends or advance dividends, payment of the price for own shares, or returns of additional payment to shareholders;
- incurring of financial indebtedness; and
- entering into composition agreements.

The full list of restrictions applicable can be found in the Bonds Terms.

The restrictions found in the Bonds Terms may affect our ability to operate our business and may limit our ability to respond to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments, restructure our organisation or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under our financial indebtedness other than under the Bonds.

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments, including the Bonds. Any such actions could force us into bankruptcy or liquidation, which could mean that the Bondholders will not recover the amounts they have invested in Bonds, or they will recover amounts lower than invested.

Collection of claims against the Company or the members of its corporate authorities may prove difficult

The Company is a company organised under, and governed by, Polish law. The Group operates mainly in Poland. All of the Group's material fixed tangible assets are located in Poland. Furthermore, all members of the management board and the supervisory board of the Company are Polish residents. Therefore, investors outside the jurisdiction of the courts of Poland may face difficulties in effecting service of process on the Company or the above mentioned persons in connection with proceedings instituted by such entities or individuals outside Poland. Moreover, enforcing judgments issued outside Poland, and in particular outside the EU, against the Company or the above mentioned persons, may prove difficult or impossible for investors.

Trading in the Bonds may be suspended

Pursuant to Art 78 section 3 of the Trading in Financial Instruments Act of July 29, 2005, when trading in specified financial instruments takes place in circumstances which indicate a possibility of the proper functioning of the alternative trading system or the security of trading in that alternative trading system being jeopardised, or of harm to the interests of investors, the investment company which organises the alternative trading system, at the request of the Polish Financial Supervision Authority, shall be obliged to suspend trading in these instruments for a period of no longer than a month.

The WSE, being the relevant organiser of the alternative trading system, may, by virtue of § 11 of the ATS Rules, suspend trading in financial instruments for a period of no longer than three months:

- at the request of the Company;
- if they conclude that it is required by the interests and security of participants in trading.

Moreover, the WSE may suspend trading in debt instruments for an unspecified period of time before taking a decision to exclude these instruments from trading, and in the case described in point – *The WSE may impose penalties on the Company based on its regulations* – below.

We may not rule out that, following the listing of the Bonds, grounds for suspending trading in the Bonds may arise. During the period of suspension of trading in the Bonds, investors would have no possibility to buy or sell such securities on the ATS, which would have a negative impact on liquidity. Sale of the Bonds outside the ATS may be effected at substantially lower prices as compared to the most recent prices obtained in transactions carried out on the ATS.

The Bonds may be excluded from trading

Pursuant to Art 78 section 4 of the Trading in Financial Instruments Act of July 29, 2005, at the request of the Polish Financial Supervision Authority, the organiser of an alternative trading system shall exclude the financial instruments indicated by the Polish Financial Supervision Authority from trading if trading in these instruments materially jeopardises the proper functioning of the alternative trading system or the security of trading in this alternative trading system, or if it causes harm to the interests of investors.

In accordance with the ATS Rules, the WSE as the relevant organiser of the alternative trading system may exclude financial instruments from trading:

- at the request of the Company; however, in this case the Company may be required to fulfil additional conditions;
- if any of the organizers recognise that it is required in the interests and security of the participants in trading;
- as a result of declaration of the Company's bankruptcy, or in the case of a court repealing a motion for the declaration of bankruptcy due to a lack of funds in the Company's estate sufficient to satisfy the costs of the bankruptcy proceedings;
- as a result of initiation of the Company's liquidation;

The WSE may also exclude financial instruments from trading as a result of a decision being taken to merge the Company with another entity or to divide or transform the Company, however, the exclusion of financial instruments from trading may occur not earlier than on the date of the merger, division (spinning off) or transformation, respectively.

Moreover, the WSE may exclude financial instruments from trading in the case described in point – *The WSE may impose penalties on the Company based on its regulations* – below.

In addition, the WSE shall exclude financial instruments from trading:

- in situations defined by law;
- when the transferability of those instruments is restricted;
- in case of a reversal of the dematerialisation of these instruments;
- after the lapse of 6 months from either the date on which a declaration of the Company's bankruptcy, including liquidation of its assets, or the date on which a court's decision to dismiss the application to declare bankruptcy due to a lack of funds in the Company's estate sufficient to satisfy the costs of the bankruptcy proceedings, becomes final.

We are unable to predict whether any circumstances giving grounds for the exclusion of the Bonds from trading will occur in the future. Once the Bonds are excluded from trading, the investors lose the possibility of trading in the Bonds on the ATS, which may adversely affect their liquidity. The sale of the Bonds outside the ATS may be effected at substantially lower prices compared to the most recent prices obtained in transactions carried out on the ATS.

The WSE may impose penalties on the Company based on its regulations

Pursuant to § 17c section 1 of the ATS Rules, if the Company does not observe the rules or the regulations applicable on the ATS or does not fulfil or improperly fulfils the obligations defined in the ATS Rules, including in particular the Company's information duties, the WSE may issue a warning or impose a financial penalty in the amount of up to PLN 50,000. When deciding on the warning or the financial penalty, the WSE may set a deadline for the Company to cease the violations or to take actions to prevent such violations in the future. In particular, the WSE may oblige the Company to publish relevant documents or information in the manner and on the terms applicable on the ATS.

Moreover, pursuant to the ATS Rules, if the Company:

- does not comply with the imposed penalty; or
- in spite of the penalty, continues to violate the rules or the regulations applicable on the ATS, or
- does not fulfil or improperly fulfils the obligations specified in Chapter V of the ATS Rules, or
- does not fulfil the obligations related to cessation, by the deadline set by the WSE, the existing violations or fails to take actions aimed at preventing such violations in the future (including by publishing specific documents or information in the in the manner and on the terms applicable in on the ATS)

—then the WSE may:

- impose a financial penalty on the Company, however such a penalty, together with the penalty imposed by virtue of the regulations mentioned in the above paragraph, may not exceed PLN 50,000;
- suspend trading in the Company's debt instruments on the ATS;
- exclude the Company's debt instruments from trading on the ATS.

Moreover, the WSE may publish information on its website indicating the infringement by the Company of the principles or regulations applicable on the ATS, on non-performance or improper performances of its obligations by the Company, or on imposing a penalty on the Company.

If any of the above circumstances occur, it may have an adverse impact on the value of the Bonds.

Tomasz Gillner-Gorywoda
President of the Management Board

Tobias Solorz
Vice-President of the Management Board

Dariusz Działkowski
Member of the Management Board

Aneta Jaskólska
Member of the Management Board

Maciej Stec
Member of the Management Board

Tomasz Szeląg
Member of the Management Board

Warsaw, August 25, 2015

GLOSSARY

Capitalised terms used herein and not defined in this Report shall have the meaning assigned to them below, unless the context requires otherwise.

Glossary of general terms

Term	Definition
Argumenol	Argumenol Investment Company Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
ATS Rules	Alternative Trading System Rules governing the alternative trading system organized by the WSE, adopted by resolution no. 147/2007 of the management board of the WSE on March 1, 2007, as amended.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Bonds, Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Management Board's Resolution No. 01/02/07/2015 dated July 2, 2015.
Bonds Terms	Terms and conditions of Bonds issuance together with the supplement
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Copyright Law	Copyright and Neighboring Rights Act of February 4, 1994 (consolidated text in Journal of Laws of 2006, No. 90, item 631, as amended).
CP Finance, Cyfrowy Polsat Finance	Cyfrowy Polsat Finance AB (publ), a company under Swedish law, registered under No. 556842-4435. On August 20, 2015 the Company changed its business name to Rioni 1 AB.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
Cyfrowy Polsat Trade Marks	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
EBRD	European Bank for Reconstruction and Development, an international organization established by virtue of a treaty signed on May 29, 1990 in Paris, having its registered office in the United Kingdom of Great Britain and Northern Ireland.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668.
Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684.
Eileme Companies	Jointly Eileme 1, Eileme 2, Eileme 3 and Eileme 4.
Embud	Embud spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000165473.
Environmental Protection Law	Environmental Protection Law of April 27, 2001 (consolidated text in: Dz. U. of 2008, No. 25, item 150, as amended).
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).

Term	Definition
Investment Agreements	Jointly the Investment Agreement of November 14, 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas Limited and Investment Agreement of December 19, 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited Sensor Overseas Limited, and the EBRD.
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
LTE Group	Litenite Limited, a company under Cypriot law, registered under No. 240249 and the indirect and direct subsidiaries of Litenite.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel.
Metelem Group	Metelem jointly with the following companies: Eileme 1, Eileme 2, Eileme 3, Eileme 4, Polkomtel, Nordisk Polska, Liberty Poland, Polkomtel Finance, Polkomtel Business Development, TM Rental, Plus TM Group, LTE Holdings, and Plus TM Management.
Midas Group	Midas spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000025704 and the indirect and direct subsidiaries of Midas S.A.
Mobyland	Mobyland spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000269979.
NDS	National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych, KDPW*)
Orange	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207.
PIK Notes Indenture	The PIK Notes Indenture of February 17, 2012, between Eileme 1, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PIK Notes	Pay-in-kind notes with a total initial nominal amount of USD 201.0 million, maturing in 2020, issued by Eileme 1, redeemed in full in 2014.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Senior Notes	Unsubordinated senior notes with a total nominal amount of EUR 542.5 million and USD 500.0 million, maturing in 2020, issued by Eileme 2.
PLK Senior Facilities Agreement	The Senior Facilities Agreement of June 17, 2013 between Eileme 2, Eileme 3, Eileme 4, Polkomtel and subsidiaries, and a syndicate of banks.
PLK Term Loans	The Term Facility Loans A, B and C issued under the PLK Senior Facilities Agreement of up to PLN 2.65 billion, PLN 3.3 billion and PLN 1.7 billion with maturity dates falling in years 2017, 2018 and 2019, respectively.
PLK Revolving Facility Loan	The multicurrency revolving facility loan of up to PLN 300 million, issued under the PLK Senior Facilities Agreement, whose final repayment date is 2017.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Group	Plus TM Group spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 373023, previously operating under the name of Once 2 spółka z ograniczoną odpowiedzialnością.
Plus TM Group S.K.A.	Plus TM Group spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 474497, previously operating under the name of Cinco spółka z ograniczoną odpowiedzialnością – XXI – spółka komandytowo-akcyjna. On August 3, 2015, the company was transformed into TM Rental.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 378997.
Pola	Pola Investments Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
Polish Energy Law	Polish Energy Law of April 10, 1997 (consolidated text in Journal of Laws of 2012, item 1059).

Term	Definition
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 377416.
Polkomtel Finance	Polkomtel Finance AB (publ), a company under Swedish law, registered under No. 556807-4594.
Polkomtel Group	Polkomtel jointly with the following companies: Nordisk Polska Sp. z o.o., Liberty Poland S.A., Polkomtel Finance, Polkomtel Business Development, TM Rental, Plus TM Group, LTE Holdings, and Plus TM Management.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Polskie Media	Polskie Media Spółka Akcyjna, previously entered in the register of entrepreneurs of the National Court Register under entry No. 0000049216. On December 31, 2013 Polskie Media merged with Telewizja Polsat.
Redefine	Redefine spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000287684. On June 30, 2015, Cyfrowy Polsat merged with Redefine.
CP Revolving Facility Loan	The multi-currency revolving facility loan of up to the equivalent of PLN 500 million, issued under the CP Senior Facilities Agreement, whose final repayment date is April 11, 2019.
Shares	Shares of Cyfrowy Polsat S.A. admitted to trading on the Warsaw Stock Exchange in Warsaw S.A.
CP Senior Facilities Agreement	The Senior Facilities Agreement of April 11, 2014 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media, and a syndicate of Polish and foreign banks, covering the CP Term Loan and the CP Revolving Facility Loan.
Senior Notes	Unsubordinated senior secured notes with a value of EUR 350 million, bearing interest at a rate of 7.125%, issued by Cyfrowy Polsat Finance in 2011, redeemed in full in 2014.
Sensor	Sensor Overseas Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
CP Term Loan	The term facility loan of up to PLN 2.5 billion, issued under the CP Senior Facilities Agreement, whose final repayment date is April 11, 2019.
TiVi Foundation	TiVi Foundation, a family foundation of Kirchstrasse 12, 9490 Vaduz, Liechtenstein.
T-Mobile	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 567976.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to Starlink).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
CDMA	A family of mobile telecommunications standards developed by the 3rd Generation Partnership Project 2, comprising e.g. CDMAOne and CDMA2000. CDMA is mainly used for data transmission services in rural areas. Its maximum transmission speed is 3.1 MB/s. CDMA also supports direct communication between user terminals and restriction of access to selected devices, and the technology is therefore used for digital trunked communications.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue)
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
DVR	Set-top boxes equipped with a hard drive enabling the recording of TV programs (Digital Video Recorder)
EDGE	Cellular telecommunications technology supporting faster data transmission as a backward-compatible extension of the 2G network. EDGE increases the capacity of the radio interface and ensures more convenient use of data transmission services. Its maximum design speed is nearly 1 Mb/s (Enhanced Data rates for GSM Evolution).

Term	Definition
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 transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to video content, operated by Redefine Group, Frazpc.pl Sp. z o.o., Gery.pl Sp. z o.o. and Netshare Sp. z o.o.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
IVR	A telecommunications system enabling human-computer interaction using voice or tone signals (Interactive Voice Response).
LTE	A standard for faster data transmission for wireless networks (Long Term Evolution). It supports the maximum design transmission speed of 326.4 Mb/s.
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology;
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on two television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
Node B	A device for wireless connection between a mobile terminal and a fixed part of the third-generation telecommunications network.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue)
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).

Term	Definition
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kb/s (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

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

Tomasz Gillner-Gorywoda, President of the Management Board,
Tobias Solorz, Vive-president of the Management Board,
Dariusz Działkowski, Member of the Management Board,
Aneta Jaskólska, Member of the Management Board,
Maciej Stec, Member of the Management Board,
Tomasz Szeląg, Member of the Management Board

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2015 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board's report on the activities contains a true image of the Group's development, achievements, and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2015 pursuant to relevant provisions of the national law and industry norms.

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

Dariusz Działkowski	Aneta Jaskólska	Maciej Stec
Member of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 25 August 2015

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Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Cyfrowy Polsat S.A. and its subsidiaries (the 'Group') as of June 30, 2015 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

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

Conclusion

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

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

August 25, 2015
Warsaw, Poland

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CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 25 August 2015, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2015 to 30 June 2015 showing a net profit for the period of:	PLN 475.3
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2015 to 30 June 2015 showing a total comprehensive income for the period of:	PLN 479.6
Interim Consolidated Balance Sheet as at 30 June 2015 showing total assets and total equity and liabilities of:	PLN 27,141.8
Interim Consolidated Cash Flow Statement for the period from 1 January 2015 to 30 June 2015 showing a net decrease in cash and cash equivalents amounting to:	PLN 353.3
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2015 to 30 June 2015 showing an increase in equity of:	PLN 479.6

Notes to the Interim Condensed Consolidated Financial Statements

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

Tomasz Gillner-Gorywoda President of the Management Board	Tobias Solorz Vice-President of the Management Board	Tomasz Szeląg Member of the Management Board
Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board	Maciej Stec Member of the Management Board

Warsaw, 25 August 2015

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

Interim Consolidated Income Statement

	Note	for the 6 months ended 30 June 2015 unaudited	for the 6 months ended 30 June 2014 unaudited
Continuing operations			
Revenue	8	4,798.2	2,469.2
Operating costs	9	(3,808.5)	(1,859.2)
Other operating income, net		22.5	7.1
Profit from operating activities		**1,012.2**	**617.1**
Gain/(loss) on investment activities, net	10	17.0	25.1
Finance costs	11	(483.4)	(382.1)
Share of the profit of joint venture accounted for using the equity method		1.4	1.3
Gross profit for the period		**547.2**	**261.4**
Income tax		(71.9)	(31.1)
Net profit for the period		**475.3**	**230.3**
Net profit attributable to equity holders of the Parent		475.3	230.3
Basic and diluted earnings per share (in PLN)		**0.74**	**0.53**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 6 months ended 30 June 2015 unaudited	for the 6 months ended 30 June 2014 unaudited
Net profit for the period		**475.3**	**230.3**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	14	5.3	11.1
Income tax relating to hedge valuation	14	(1.0)	(2.1)
Items that may be reclassified subsequently to profit or loss		**4.3**	**9.0**
Other comprehensive income, net of tax		**4.3**	**9.0**
Total comprehensive income for the period		**479.6**	**239.3**
Total comprehensive income attributable to equity holders of the Parent		479.6	239.3

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2015 unaudited	31 December 2014 restated*
Reception equipment		401.1	421.1
Other property, plant and equipment		2,541.2	2,714.9
Goodwill	12	10,606.4	10,585.3
Customer relationships		3,944.6	4,255.8
Brands		2,092.7	2,085.9
Other intangible assets		2,525.8	2,591.4
Non-current programming assets		174.6	135.8
Investment property		5.2	5.3
Non-current deferred distribution fees		82.3	81.0
Other non-current assets		232.8	198.5
includes derivative instruments assets		-	*1.2*
Deferred tax assets		260.9	281.1
Total non-current assets		**22,867.6**	**23,356.1**
Current programming assets		170.4	152.1
Inventories		261.7	301.4
Trade and other receivables		1,988.6	1,453.4
Income tax receivable		1.5	26.0
Current deferred distribution fees		186.1	141.7
Other current assets		226.2	160.1
includes derivative instruments assets		*27.3*	*22.2*
Short-term deposits		43.1	-
Cash and cash equivalents		1,383.8	1,735.3
Restricted cash		12.8	12.6
Total current assets		**4,274.2**	**3,982.6**
Total assets		**27,141.8**	**27,338.7**

* Restatement due to final purchase price allocation of Metelem (see note 17)

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2015 unaudited	31 December 2014 restated*
Share capital	13	25.6	25.6
Share premium	13	7,174.0	7,174.0
Other reserves	14	(7.9)	(12.2)
Retained earnings		2,366.1	1,890.8
Equity attributable to equity holders of the Parent		**9,557.8**	**9,078.2**
Non-controlling interests		**-**	-
Total equity		**9,557.8**	**9,078.2**
Loans and borrowings	15	7,034.6	7,683.5
Issued bonds	16	4,582.5	4,550.2
Finance lease liabilities		15.7	11.7
UMTS license liabilities		747.9	750.3
Deferred tax liabilities		821.1	908.7
Deferred income		5.0	4.7
Other non-current liabilities and provisions		132.4	184.2
includes derivative instruments liabilities		*2.0*	*40.1*
Total non-current liabilities		**13.339.2**	**14,093.3**
Loans and borrowings	15	1,169.9	1,322.6
Issued bonds	16	479.4	464.4
Finance lease liabilities		3.7	6.8
UMTS license liabilities		116.7	117.1
Trade and other payables		1,670.4	1,524.4
includes derivative instruments liabilities		*79.0*	*87.0*
Income tax liability		132.7	48.0
Deferred income		672.0	683.9
Total current liabilities		**4,244.8**	**4,167.2**
Total liabilities		**17,584.0**	**18,260.5**
Total equity and liabilities		**27,141.8**	**27,338.7**

* Restatement due to final purchase price allocation of Metelem (see note 17)

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

Interim Consolidated Cash Flow Statement

		for the 6 months ended	
	Note	30 June 2015 unaudited	30 June 2014 unaudited
Net profit		**475.3**	**230.3**
Adjustments for:		**852.7**	**505.4**
Depreciation, amortization, impairment and liquidation	9	861.4	373.8
Payments for film licenses and sports rights		(115.2)	(148.9)
Amortization of film licenses and sports rights		90.5	85.1
Gain on sale of property, plant and equipment and intangible assets		(4.8)	(0.7)
Cost of programming rights sold		0.5	0.1
Interest expense		348.5	248.5
Change in inventories		45.6	(41.8)
Change in receivables and other assets		(581.2)	(29.2)
Change in liabilities, provisions and deferred income		69.3	(73.8)
Change in internal production and advance payments		(7.6)	(1.5)
Valuation of hedging instruments		5.3	11.1
Share of the profit of jointly controlled entity accounted for using the equity method		(1.4)	(1.3)
Foreign exchange losses, net		99.2	8.8
Income tax		71.9	31.1
Net additions of reception equipment provided under operating lease		(72.2)	(65.3)
Net loss on derivatives		33.9	16.5
Other adjustments		9.0	92.9
Cash from operating activities		**1,328.0**	**735.7**
Income tax paid		(44.2)	(99.5)
Interest received from operating activities		20.5	13.4
Net cash from operating activities		**1,304.3**	**649.6**
Acquisition of property, plant and equipment		(187.0)	(93.0)
Acquisition of intangible assets		(90.7)	(46.6)
Acquisition of subsidiaries, net of cash acquired	17	(29.5)	1,800.4
Proceeds from sale of property, plant and equipment		13.3	1.6
Short-term deposits		(42.7)	(270.0)
Granted loans		(8.9)	(5.8)
Other investing activities – derivatives		(2.1)	5.0
Dividends received		-	2.5
Net cash from/(used in) investing activities		**(347.6)**	**1,394.1**

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

Repayment of loans and borrowings	15	(954.2)	(547.1)
Loans and borrowings inflows	15	120.0	2,800.0
Bonds repayment		-	(2,275.9)
Finance lease – principal repayments		(3.5)	(0.3)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(472.3)	(348.3)
Dividends paid		-	(102.9)
Payment of share issuance-related consulting costs		-	(3.8)
Net cash used in financing activities		**(1,310.0)**	**(478.3)**
Net increase/(decrease) in cash and cash equivalents		**(353.3)**	**1,565.4**
Cash and cash equivalents at the beginning of the period		**1,747.9****	**342.2**
Effect of exchange rate fluctuations on cash and cash equivalents		2,0	(0.7)
Cash and cash equivalents at the end of the period		**1,396.6*****	**1,906.9**

* Includes impact of hedging instruments, premium paid for early bonds' repayment and amount paid for costs related to new financing
** Includes restricted cash amounting to PLN 12.6
*** Includes restricted cash amounting to PLN 12.8

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2015

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2015 restated**	**25.6**	**7,174.0**	**(12.2)**	**1,890.8**	**9,078.2**	**-**	**9,078.2**
Total comprehensive income	-	-	4.3	475.3	479.6	-	**479.6**
Hedge valuation reserve	-	-	*4.3*	-	*4.3*	-	***4.3***
Net profit for the period	-	-	-	*475.3*	*475.3*	-	***475.3***
Balance as at 30 June 2015 unaudited	**25.6**	**7,174.0**	**(7.9)**	**2,366.1**	**9,557.8**	**-**	**9,557.8**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17)

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

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**1,701.2**	**3,001.2**	**-**	**3,001.2**
Issue of shares	11.7	5,878.9**	-	-	5,890.6	-	**5,890.6**
Dividend declared and paid	-	-	-	(102.9)	(102.9)	-	**(102.9)**
Total comprehensive income	-	-	9.0	230.3	239.3	-	**239.3**
Hedge valuation reserve	-	-	*9.0*	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*230.3*	*230.3*	-	***230.3***
Balance as at 30 June 2014 unaudited restated**	**25.6**	**7,174.0**	**-**	**1,828.6**	**9,028.2**	**-**	**9,028.2**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17)

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

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

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

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

2. Composition of the Management Board of the Company

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

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

Statement of compliance

These interim condensed consolidated financial statements for the 6 months ended 30 June 2015 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Group applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 2015 and the consolidated financial statements for the year 2014, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015 do not have a material impact on these interim condensed consolidated financial statements.

It should be noted that the data for 6 months ended 30 June 2015 is not comparable to the 6 months ended 30 June 2014 as Metelem Holding Company Limited was acquired on 7 May 2014, Radio PIN was acquired on 27 February 2015 and Orsen Holding Limited was acquired on 1 April 2015.

In the 6 month-period ended 30 June 2015 the Group has finalized the purchase price allocation of Metelem which resulted in restatement of comparable data in these condensed interim consolidated financial statements (details are presented in toe 17).

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

5. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2015 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2015	31 December 2014
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k. (formerly Polsat Media Sp. z o.o.)	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Nord License AS	Vollsvseien 13B Lysaker Norway	trade of programming licences	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	holding activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Al. Stanów Zjednoczonych 53, Warsaw	other sport relating activities	100%	100%

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

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London UK	television broadcasting	100%	100%
Radio PIN S.A.*	Ostrobramska 77, Warsaw	radio broadcasting and production	100%	-
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
Redefine Sp. z o.o.**	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	-	100%
Poszkole.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Gery.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Frazpc.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Netshare Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	electronic media (Internet) advertising broker	100%	100%
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	100%	100%
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o.	Postępu 3 02-676 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Postępu 3 02-676 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ)	Norrlandsgatan 18 111 43 Stockholm Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Postępu 3 02-676 Warsaw	other activities supporting financial services	100%	100%
Plus TM Management Sp. z o.o.	Postępu 3 02-676 Warsaw	intelectual property rights management and rental	100%	100%
LTE Holdings Limited	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	100%	100%
Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna	Postępu 3 02-676 Warsaw	intelectual property rights rental	100%	100%
Plus TM Group Sp. z o.o.	Postępu 3 02-676 Warsaw	holding activities	100%	100%

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

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Orsen Holding Ltd.***	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Orsen Ltd. ***	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Dwa Sp. z o.o. ***	Al. Jerozolimskie 81, Warszawa	holding activities	100%	-
Interphone Service Sp. z o.o. ***	ul. Inwestorów 8, Mielec	production of set-top boxes	100%	-
Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa***	Al. Jerozolimskie 81, Warszawa	premium rate services	100%	-
IB 1 FIZAN***	Al. Stanów Zjednoczonych 61A, 04-028 Warszawa	financial activities	****	-
Grab Sarl***	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	-
Grab Investment SCSp***	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	-

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

** On 30 June 2015 the Cyfrowy Polsat S.A. merged with Redefine Sp. z o.o.

*** Companies consolidated from 1 April 2015

**** Cyfrowy Polsat S.A. indirectly holds 100% of certificates.

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

Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2015**	**31 December 2014**
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Huculska 6, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o.	Postępu 3 02-676 Warsaw	maintenance of loyalty programs	49%	49%

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2015:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2015**	**31 December 2014**
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, Radom	dormant	99%	99%
Litenite Limited**	Kostakis Pantelides Avenue 1 1010, Nicosia Cyprus	holding activities	49%	49%
Polskie Badania Internetu Sp. z o.o.	Aleje Jerozolimskie 65/79, Warsaw	web portals activities	4.55%	4.55%

* Investment accounted for at cost less any accumulated impairment losses

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

6. Approval of the Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 25 August 2015.

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

7. Information on seasonality in the Group's operations

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer.

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

8. Revenue

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 Unaudited**
Retail revenue	3,289.2	1,672.3
Wholesale revenue	1,242.0	721.3
Sale of equipment	225.3	63.3
Other revenue	41.7	12.3
Total	**4,798.2**	**2,469.2**

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

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

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

9. Operating costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Technical costs and cost of settlements with telecommunication operators	1,004.7	359.3
Depreciation, amortization, impairment and liquidation	861.4	373.8
Cost of equipment sold	624.3	200.0
Content costs	509.5	471.5
Distribution, marketing, customer relation management and retention costs	382.4	207.6
Salaries and employee-related costs	269.9	152.8
Cost of debt collection services, bad debt allowance and receivables written off	46.5	24.8
Other costs	109.8	69.4
Total	**3,808.5**	**1,859.2**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Salaries	224.7	127.9
Social security contributions	38.6	20.4
Other employee-related costs	6.6	4.5
Total	**269.9**	**152.8**

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

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Interest income	20.5	19.7
Other interest expense	(2.9)	(0.9)
Other foreign exchange gains, net	11.3	4.6
Other investment income	0.8	6.2
Other costs	(12.7)	(4.5)
Total	**17.0**	**25.1**

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

11. Finance costs

	for the 6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
Interest expense on loans and borrowings	189.3	112.0
Interest expense on issued bonds	175.6	118.6
Early redemption costs	-	82.1
Foreign exchange differences on issued bonds	115.4	15.5
Valuation and realization of hedging instruments	3.6	4.6
Valuation and realization of instruments not under hedge accounting	(9.6)	42.0
Guarantee fees, bank and other charges	9.1	7.3
Total	**483.4**	**382.1**

12. Goodwill

Balance as at 1 January 2014	**2,602.8**
Acquisition of 100% shares of Metelem Holding Company Limited (see note 17)	7,982.5
Balance as at 31 December 2014*	**10,585.3**
Acquisition of 100% shares of Orsen Holding Limited (see note 17)	16.3
Acquisition of 100% shares of Radio PIN S.A. (see note 17)	4.8
Balance as at 30 June 2015 unaudited	**10,606.4**

* Restatement due to final purchase price allocation of Metelem (see note 17)

13. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2015 and 31 December 2014:

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

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

The shareholders' structure as at 30 June 2015 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

[2] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz-Żak

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

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

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

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Argumenol Investment Company Ltd. [1]	28,415,173	1.1	4.44%	28,415,173	3.47%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	29,648,775	1.2	4.64%	29,648,775	3.62%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

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

(ii) Share premium

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

(iii) Retained earnings

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

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

14. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2015	2014
Balance as at 1 January	**(12.2)**	**(9.0)**
Amount transferred to income statement	-	11.1
Deferred tax	-	(2.1)
Change for the period (old credit facility)	**-**	**9.0**
Valuation of cash flow hedges	3.6	-
Amount transferred to income statement	1.7	-
Deferred tax	(1.0)	-
Change for the period (new credit facility)	**4.3**	**-**
Balance as at 30 June unaudited	**(7.9)**	**-**

In the six months ended 30 June 2014, due to the repayment of then existing debt and its replacement with new credit facility, the hedge of existing debt was terminated and the amounts presented in hedge valuation reserve were transferred to profit and loss. In connection with the new credit facility a new hedging relationship was designated.

15. Loans and borrowings

Loans and borrowings	**30 June 2015 unaudited**	**31 December 2014**
Short-term liabilities	1,169.9	1,322.6
Long-term liabilities	7,034.6	7,683.5
Total	**8,204.5**	**9,006.1**

Change in loans and borrowings liabilities:

	2015	2014
Loans and borrowings as at 1 January	**9,006.1**	**485.9**
Loans and borrowings on acquisition as at 7 May 2014 (see note 17)	-	6,815.6
Loans and borrowings on acquisition as at 1 April 2015 (see note 17)	22.2	
Term facility loan	-	2,500.0
Revolving facility loan	120.0	300.0
Repayment of capital	(954.2)	(547.1)
Repayment of interest and commissions	(178.9)	(126.0)*
Interest accrued	189.3	112.0
Loans and borrowings as at 30 June unaudited	**8,204.5**	**9,540.4**

* Includes amount paid for costs related to the new financing

16. Issued bonds

	30 June 2015 unaudited	31 December 2014
Short-term liabilities	479.4	464.4
Long-term liabilities	4,582.5	4,550.2
Total	**5,061.9**	**5,014.6**

Change in issued bonds:

	2015	2014
Issued bonds as at 1 January	**5,014.6**	**1,438.7**
Bonds on acquisition as at 7 May 2014 (see note 17)	-	5,528.5
Foreign exchange losses	115.4	15.5
Early redemption costs	-	82.1
Bonds redemption	-	(2,275.9)
Repayment of interest and commission	(243.7)	(188.7)*
Interest accrued	175.6	118.6
Issued bonds payable as at 30 June unaudited	**5,061.9**	**4,718.8**

* Includes settlement of the early redemption costs

17. Acquisition of a subsidiary

Acquisition of shares in Metelem Holding Company Limited

On 7 May 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with all of Metelem's shareholders. that is the European Bank for Reconstruction and Development (“EBRD”), Karswell Limited ("Karswell"), Sensor Overseas Limited ("Sensor") and Argumenol Investment Company Limited ("Argumenol"). In these agreements the Company offered registered subscription warrants to the Metelem Shareholders and each of the shareholders accepted the offer of the Company and acquired free registered subscription warrants in such way that: (a) the EBRD acquired 47,260,690 Series I registered subscription warrants; (b) Karswell acquired 157,988,268 Series J registered subscription warrants; (c) Sensor acquired 27,880,274 Series J registered subscription warrants; and (d) Argumenol acquired 58,063,948 Series J registered subscription warrants. The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on 16 January 2014.

In executing the rights attached to the subscription warrants referred to above, on 7 May 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders. In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.
Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0.04 (not in millions) each.

Karswell and Argumenol as at the acquisition date were controlled by Mr. Zygmunt Solorz-Żak, ultimate controlling party of the Company. Sensor was controlled by Mr. Heronim Ruta as at the acquisition date. The Group uses the purchase accounting method for entities acquired under common control.

The acquisition date is 7 May 2014, when the title to the shares of the acquired company was transferred to Cyfrowy Polsat (that day were fulfilled all conditions included in the conditional investment agreements signed on 14 November 2013 and 19 December 2013). Following the acquisition the Group assumed control over Metelem Holding Company Limited and its subsidiaries, including telecommunication operator Polkomtel Sp. z o.o. (operator of 'Plus' mobile network).

In the 6 month-period ended 30 June 2015 the Group has finalized the estimations of fair values of acquired assets, liabilities and consideration transferred, which resulted in restatement of comparable data in these condensed interim consolidated financial statements. The depreciation, amortization, impairment and liquidation as well as income tax has not been restated in the comparable income statement due to the fact that the impact would have been not material.

a) Consideration transferred

	Final value of transferred consideration
Shares I and J series issued on 7 May 2014	5,894.4*
Net settlements between Orsen Group and the Group	24.6
Total as at 7 May 2014	**5,919.0**

* restatement due to final fair value of transferred consideration (decrease by PLN 63.4)

The fair value of shares issued was established based on the closing price of PLN 20.46 (not in millions) as per the stock exchange quotation as at 7 May 2014 decreased by the value of dividend per share, which was not applicable to shares J series.

b) Reconciliation of transactional cash flow

Cash transferred	-
Cash and cash equivalents received	1,800.6
Cash increase in the period of 12 months ended 31 December 2014	**1,800.6**

c) Fair value valuation of net assets as at acquisition date

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

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

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

	fair value as at the acquisition date (7 May 2014)
Net assets:	
Property, plant and equipment	2,550.6
Land	26.3
Buildings	86.4
Network systems and equipment	2,109.3
Vehicles	10.9
Other fixed assets	36.0
Assets under construction	281.7
Customer relationships	4,640.1
Concessions	1,600.0
Plus brand	1,230.0
Other intangible assets	688.2
Other non-current assets	7.9
Deferred tax assets	249.5
Inventory	155.2
Trade receivables and other receivables	1,070.0
Other current assets	125.5
Cash and equivalents	1,800.6
Loans and borrowings	(6,815.6)
Issued bonds	(5,528.5)
UMTS license liabilities	(957.9)
Finance lease liabilities	(9.2)
Deferred tax liabilities	(948.8)
Other non-current liabilities and provisions	(93.9)
Trade liabilities and other liabilities	(1,311.1)
Income tax liabilities	(39.4)
Deferred income	(476.7)
Total net assets	**(2,063.5)**
Consideration transferred	5,919.0
Goodwill	**7,982.5**

Following the completion of the purchase price allocation the fair value of identified assets and liabilities has been adjusted to reflect the final valuation performed by the external expert. The adjustment includes decrease in fair value of property, plant and equipment by PLN 246.7, increase in fair value of customer relationships by PLN 110.1, increase in fair value of Plus brand by PLN 288.9, increase in deferred tax asset by PLN 46.8, increase in fair value of deferred tax liabilities by PLN 20.9. The comparable data as at 31 December 2014 have been restated to reflect the above adjustments. The Group has not restated the depreciation, amortization, impairment and liquidation as well as income tax in the comparable income statement due to the fact that the impact would have been not material.

During the purchase price allocation the Group identified and fair valued intangible assets of marketing nature, (i.e. customer relationships), key telecommunication concessions, umbrella brand 'Plus', roof tops and new towers as well as senior notes liabilities. The fair value of other items of assets and liabilities is estimated at book value as at the acquisition date.

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

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

During the purchase price allocation the Group identified an umbrella brand 'Plus'. The fair value of the brand in the amount of PLN 1.230 was estimated on the basis of relief from royalty method (income approach). The method is based on the assumption that the benefits of owning a brand are equivalent to the hypothetical costs the owner of the brand would have to incur, should the brand be licensed from another entity based on market rates. Management estimates that the brand has a definite useful life and thus the brand is amortized over 51 years, i.e. until 2065.

The fair value of telecommunication infrastructure (roof tops and new towers) is based on the replacement cost approach.

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

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

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

Acquisition-related consulting cost in the amount of PLN 5,5 have been recognized in the income statement for the 12 month period ended 31 December 2014 within the other costs category. Share issuance-related consulting costs in amount of PLN 3,9 have been recognized as a reduction of the share premium.

Acquisition of shares in Radio PIN S.A.

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

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

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

a) Consideration transferred

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

b) Reconciliation of transactional cash flow

	2015
Cash transferred	(4.2)
Cash and cash equivalents received	-
Cash decrease in the period of 6 months ended 30 June 2015	**(4.2)**

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

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

Provisional fair values of assets and liabilities acquired as at 27 February 2015:

	fair value as at the acquisition date (27 February 2015)
Net assets:	
Property, plant and equipment	0.2
Other intangible assets	1.1
Other non-current assets	0.2
Trade receivables and other receivables	0.4
Loans and borrowings	(0.5)
Trade liabilities and other liabilities	(2.0)
Total net assets	**(0.6)**
Consideration transferred	4.2
Provisional value of goodwill	**4.8**

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

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

The revenue and net profit included in the interim consolidated income statement for the reporting period since 27 February 2015 contributed by the consolidation of Radio PIN S.A. amounted to PLN 0.1 and PLN 0.3, respectively. Had it been acquired on 1 January 2015 the revenue and net loss included in the interim consolidated income statement would amount to PLN 0.1 and PLN 0.2, respectively.

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Acquisition of the shares in Orsen Holding Limited

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

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

a) Consideration transferred

	2015
Cash consideration	35.0
Net settlements between Orsen Group and the Group	(12.7)
Total as at 1 April 2015	**22.3**

Orsen Holding Limited and entities in which it holds shares are referred to as Orsen Group.

b) Reconciliation of transactional cash flow

	2015
Cash transferred	(35.0)
Cash and cash equivalents received	9.7
Cash decrease in the period of 6 months ended 30 June 2015	**(25.3)**

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

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

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

Provisional fair values of assets and liabilities acquired as at 1 April 2015:

	fair value as at the acquisition date (1 April 2015)
Net assets:	
Property, plant and equipment	17.5
Other intangible assets	0.3
Deferred tax assets	0.5
Inventory	6.0
Trade receivables and other receivables	14.1
Other current assets	0.1
Cash and cash equivalents	9.7
Loans and borrowings	(22.2)
Lease liabilities	(0.6)
Trade liabilities and other liabilities	(19.4)
Total net assets	**6.0**
Consideration transferred	22.3
Provisional value of goodwill	**16.3**

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

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

The revenue and net loss included in the interim consolidated income statement for the reporting period since 1 April 2015 contributed by the consolidation of Orsen Group amounted to PLN 3.7 and PLN 0,4, respectively. Had it been acquired on 1 January 2015 the revenue and net profit included in the interim consolidated income statement would have amounted to PLN 14.4 and PLN 1.5, respectively.

18. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

Services to individual and business customers segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet
- Premium Rate services based on SMS/IVR/MMS/WAP technology
- production of set-top boxes
- sale of telecommunication and TV reception equipment.

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

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2015:

The 6 months ended 30 June 2015 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,244.4	553.8	-	4,798.2
Inter-segment revenues	16.7	75.4	(92.1)	-
Revenues	**4,261.1**	**629.2**	**(92.1)**	**4,798.2**
EBITDA (unaudited)	**1,639.7**	**233.9**	**-**	**1,873.6**
Depreciation, amortization, impairment and liquidation	842.1	19.3	-	861.4
Profit from operating activities	**797.6**	**214.6**	**-**	**1,012.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	337.6*	14.5	-	352.1
Balance as at 30 June 2015 (unaudited)				
Assets, including:	22,942.1	4,275.1**	(75.4)	**27,141.8**
Investments in joint venture	-	4.6	-	4.6

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

** Includes non-current assets located outside of Poland in the amount of PLN 19.3.

All material revenues are generated in Poland.

It should be noted that the data for 6 months ended 30 June 2015 is not comparable to the 6 months ended 30 June 2014 as Metelem Holding Company Limited was acquired on 7 May 2014 (allocated to the Services to individual and business customers segment), Radio PIN was acquired on 27 February 2015 (allocated to the Broadcasting and television production segment) and Orsen Holding Limited was acquired on 1 April 2015 (allocated to the Services to individual and business customers segment).

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended 30 June 2014:

The 6 months ended 30 June 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,936.4	532.8	-	2,469.2
Inter-segment revenues	15.4	58.6	(74.0)	-
Revenues	**1,951.8**	**591.4**	**(74.0)**	**2,469.2**
EBITDA (unaudited)	**773.8**	**217.1**	**-**	**990.9**
Depreciation, amortization, impairment and liquidation	355.9	17.9	-	373.8
Profit from operating activities	**417.9**	**199.2**	**-**	**617.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	181.3*	23.9	-	205.2
Balance as at 30 June 2014 (unaudited)				
Assets, including:	23,681.1	4,202.0**	(119.4)***	27,763.7
Investments in jointly controlled entity	-	1.9	-	1.9

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

** Includes non-current assets located outside of Poland in the amount of PLN 73.1.

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

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
EBITDA (unaudited)	**1,873.6**	**990.9**
Depreciation, amortization, impairment and liquidation (note 9)	(861.4)	(373.8)
Profit from operating activities	**1,012.2**	**617.1**
Other foreign exchange rate differences, net (note 10)	11.3	4.6
Interest income (note 10)	20.5	19.7
Share of the profit of joint venture accounted for using the equity method	1.4	1.3
Interest costs (note 10 and 11)	(361.8)	(278.1)
Foreign exchange differences on issued bonds (note 11)	(115.4)	(15.5)
Early redemption costs (note 11)	-	(82.1)
Other	(21.0)	(5.6)
Gross profit for the period	**547.2**	**261.4**
Income tax	(71.9)	(31.1)
Net profit for the period	**475.3**	**230.3**

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

19. Transactions with related parties

Receivables

	30 June 2015 unaudited	31 December 2014
Joint ventures	2.7	4.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	101.2	99.0
Total*	**103.9**	**103.7**

*Amounts presented above do not include deposits paid (30 June 2015 – PLN 3.3, 31 December 2014 – PLN 2.7)

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

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

Other assets

	30 June 2015 unaudited	31 December 2014
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	128.7	107.1
Total	**128.7**	**107.1**

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

Liabilities

	30 June 2015 unaudited	31 December 2014
Joint ventures	1.5	1.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	76.9	93.0
Total	**78.4**	**94.9**

The majority of liabilities as at 31 December 2014 and 30 June 2015 are represented by liability resulting from data transfer services.

Loans granted

	30 June 2015 unaudited	31 December 2014
Joint ventures	38.1	29.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.2	0.5
Total	**38.3**	**30.4**

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

Revenues

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Subsidiaries*	1.8	0.4
Joint ventures	1.2	0.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	228.6	75,7
Total	**231.6**	**76.3**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 6 months ended 30 June 2015 the most significant transactions include revenues from sharing base transceiver stations and radio module, services relating to expansion of telecommunication network, sale of advertisements and revenues from audiotext services. In 6 months ended 30 June 2014 the most significant transactions include sale of interconnect services, sponsoring and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Subsidiaries*	6.5	11.2
Joint ventures	3.0	3.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	299.5	140.7
Total	**309.0**	**155.1**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 6 months ended 30 June 2015 the most significant transactions include data transfer services, expenses for programming assets, advertising services, property rental, cost of electrical energy, telecommunication services with respect to the Group's customer call center and commission fees. In 6 months ended 30 June 2014 the most significant transactions include expenses for programming assets, data transfer services, advertising services, property rental, telecommunication services with respect to the Group's customer call center, IT services, license fees for broadcasting Polsat Jim Jam and rental of filming and lighting equipment.

Gain on investment activities, net

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Joint ventures	1.0	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	-	0.1
Total	**1.0**	**0.1**

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

Finance costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.2	-
Total	**0.2**	**0.0**

The acquisitions of shares in Radio PIN S.A. and in Orsen Holding Limited were presented in note 17.

20. Litigations

Management believes that the provisions for litigations as at 30 June 2015 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

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

On 23 November 2011 Polkomtel (Company's indirect subsidiary) received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5. In management's opinion, no such agreement had been concluded between the parties. The company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty. Following SOKiK's verdict dated 19 June 2015 the penalty has been revoked in full. The verdict is non-binding. The President of UOKiK may appeal against the verdict.

On 27 December 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5. The company appealed to SOKiK against the decision. On 15 October 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5. The judgment is not final.

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

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

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

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

21. Risk and fair value

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2014. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2014.

Liquidity risk

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

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

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

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

			30 June 2015 unaudited		31 December 2014	
	Category according to IAS 39	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted to third parties	A	2	1.7	1.6	0.1	0.1
Loans granted to related parties	A	2	41.3	38.3	31.7	30.4
Trade and other receivables	A	2	1,838.2	1,838.2	1,562.8	1,562.8
Cash and cash equivalents and short-term deposits	A	*	1,426.9	1,426.9	1,735.3	1,735.3
Restricted cash	A	*	12.8	12.8	12.6	12.6
Loans and borrowings	C	2	(8,277.2)	(8,204.5)	(9,122.3)	(9,006.1)
Issued bonds	C	1	(4,819.6)	(5,061.9)	(4,840.8)	(5,014.6)
UMTS licence liabilities	C	2	(929.7)	(864.6)	(949.5)	(867.4)
Finance lease liabilities	C	2	(19.4)	(19.4)	(18.5)	(18.5)
Accruals	C	2	(521.1)	(521.1)	(531.7)	(531.7)
Trade and other payables and deposits	C	2	(564.0)	(564.0)	(691.3)	(691.3)
Total			**(11,810.1)**	**(11,917.7)**	**(12,811.6)**	**(12,788.4)**
Unrecognized gain/(loss)				107.6		(23.2)

A – loans and receivables
B – derivatives
C - other
* It is assumed that the fair value of cash and cash equivalents (including restricted cash) and short-term deposits is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

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

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

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate (for PLN loans granted), EURIBOR interest rate (for EUR loans granted) or LIBOR (for GBP loans granted) plus a margin regarding the credit risk.

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

As at 30 June 2015 as well as at 31 December 2014 loans and borrowings comprised senior facilities and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk. When determining the fair value of senior facilities as at 30 June 2015 as well as at 31 December 2014, forecasted cash flows from the reporting date to 30 November 2017, 22 June 2018, 24 June 2019 and 11 April 2019 (assumed dates of repayment of the loans) were analyzed. When determining the fair value of revolving facility as at 30 June 2015, forecasted cash flows from the reporting date to 31 July 2015 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 31 December 2014, forecasted cash flows from the reporting date to 31 March 2015 (assumed date of repayment of the loan) were analyzed.

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

The fair value of bonds as at 30 June 2015 as well as at 31 December 2014 was calculated as their last transaction price as at the balance sheet date as quoted by Bloomberg multiplied by the EUR/PLN exchange rate or the USD/PLN rate respectively as at the balance sheet date.

As at 30 June 2015, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 June 2015 unaudited	Level 1	Level 2	Level 3
forward contracts		-	27.3	-
Total		**-**	**27.3**	**-**

Liabilities measured at fair value

	30 June 2015 unaudited	Level 1	Level 2	Level 3
forward contracts		-	(3.0)	-
IRS		-	(78.0)	-
Total		**-**	**(81.0)**	**-**

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

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

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

22. Important agreements and events

Agreements for the provision of data transfer services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Voluntary prepayment of the term loan

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

Listing of Series J shares

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

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

On 14 April 2015 the Management Board of the Company resolved to merge Cyfrowy Polsat (Taking-over Company) with Redefine Sp. z o. o. (Acquired Company), in which Cyfrowy Polsat holds 100% of share capital, and approved the merger plan. The planned merger of the two companies was concluded by transferring all the assets of the Acquired Company to the Taking-over Company as at 30 June 2015. As a result of the merger, the Acquired Company was terminated without liquidation. The aim of the merger was to optimize costs and simplify the organizational structure of the Group in line with the Group's long-term strategy.

23. Events subsequent to the reporting date

Issuance of bonds

On 21 July 2015, the Company registered 1,000,000 unsecured series A bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 1,000,000,000 (the "Bonds") in the securities depository maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.). The Bonds mature in 6 years. The redemption date for the Bonds is 21 July 2021. The interest rate is floating and is based on the WIBOR 6M rate, increased by a margin which depends on the Leverage Ratio level (defined in the terms and conditions of the Bonds' issuance).

Voluntary prepayment of the term loan

On 29 July 2015, the Company made a voluntary prepayment of part of the senior facilities term loan in the amount of PLN 1 billion (not in thousand).

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

Transformation of an entity

On 3 August 2015 a transformation of Plus TM Group spółka z ograniczoną odpowiedzialnością SKA into TM Rental Sp. z o.o. has been registered.

Extraordinary General Meeting of the Company

On 18 August 2015 the Extraordinary General Meeting of the Company adopted a resolution whereby it gives its consent to conclude a pledge agreement and to establish registered pledge on collection of movables and rights cinstituting the organized entirety with variable composition, being the part of the Company's enterprise, to secure the payments resulting from the facilities agreements.

24. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the loan agreements. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Commitments to purchase programming assets

As at 30 June 2015 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2015 unaudited	**31 December 2014**
within one year	203.5	117.0
between 1 to 5 years	129.5	104.4
Total	**333.0**	**221.4**

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

	30 June 2015 unaudited	**31 December 2014**
within one year	20.2	13.6
Total	**20.2**	**13.6**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 158.8 as at 30 June 2015 (PLN 203.7 as at 31 December 2014). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 June 2015 was PLN 72.2 (PLN 72.1 as at 31 December 2014).

25. Judgments, financial estimates and assumptions

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2014.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 6 months ended 30 June 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 30 June 2015 unaudited	for the 3 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2015 unaudited	for the 6 months ended 30 June 2014 unaudited
Continuing operations					
Revenue	5	2,469.2	1,745.9	4,798.2	2,469.2
Operating costs	6	(1,899.5)	(1,351.8)	(3,808.5)	(1,859.2)
Other operating income, net		13.8	3.5	22.5	7.1
Profit from operating activities		**583.5**	**397.6**	**1,012.2**	**617.1**
Gain/loss on investment activities, net		(11.9)	23.9	17.0	25.1
Finance costs		(222.1)	(273.4)	(483.4)	(382.1)
Share of the profit of jointly controlled entity accounted for using the equity method		0.9	0.7	1.4	1.3
Gross profit for the period		**350.4**	**148.8**	**547.2**	**261.4**
Income tax		(45.9)	(16.7)	(71.9)	(31.1)
Net profit for the period		**304.5**	**132.1**	**475.3**	**230.3**
Net profit attributable to equity holders of the Parent		304.5	132.1	475.3	230.3
Basic and diluted earnings per share (in PLN)		**0.48**	**0.25**	**0.74**	**0.53**

Interim Consolidated Statement of Comprehensive Income

	for the 3 months ended 30 June 2015 Unaudited	for the 3 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2015 unaudited	for the 6 months ended 30 June 2014 unaudited
Net profit for the period	**304.5**	**132.1**	**475.3**	**230.3**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	5.9	-	5.3	11.1
Income tax relating to hedge valuation	(1.1)	-	(1.0)	(2.1)
Items that may be reclassified subsequently to profit or loss	**4.8**	-	**4.3**	**9.0**
Other comprehensive income, net of tax	**4.8**	**-**	**4.3**	**9.0**
Total comprehensive income for the period	**309.3**	**132.1**	**479.6**	**239.3**
Total comprehensive income attributable to equity holders of the Parent	**309.3**	**132.1**	**479.6**	239.3

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

Interim Consolidated Balance Sheet - Assets

	30 June 2015 unaudited	31 December 2014 restated*
Reception equipment	401.1	421.1
Other property, plant and equipment	2,541.2	2,714.9
Goodwill	10,606.4	10,585.3
Customer relationships	3,944.6	4,255.8
Brands	2,092.7	2,085.9
Other intangible assets	2,525.8	2,591.4
Non-current programming assets	174.6	135.8
Investment property	5.2	5.3
Non-current deferred distribution fees	82.3	81.0
Other non-current assets	232.8	198.5
includes derivative instruments assets	-	*1.2*
Deferred tax assets	260.9	281.1
Total non-current assets	**22,867.6**	**23,356.1**
Current programming assets	170.4	152.1
Inventories	261.7	301.4
Trade and other receivables	1,988.6	1,453.4
Income tax receivable	1.5	26.0
Current deferred distribution fees	186.1	141.7
Other current assets	226.2	160.1
includes derivative instruments assets	*27.3*	*22.2*
Short-term deposits	43.1	-
Cash and cash equivalents	1,383.8	1,735.3
Restricted cash	12.8	12.6
Total current assets	**4,274.2**	**3,982.6**
Total assets	**27,141.8**	**27,338.7**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	30 June 2015 unaudited	31 December 2014 restated*
Share capital	25.6	25.6
Share premium	7,174.0	7,174.0
Other reserves	(7.9)	(12.2)
Retained earnings	2,366.1	1,890.8
Equity attributable to equity holders of the Parent	**9,557.8**	**9,078.2**
Non-controlling interests	**-**	-
Total equity	**9,557.8**	**9,078.2**
Loans and borrowings	7,034.6	7,683.5
Issued bonds	4,582.5	4,550.2
Finance lease liabilities	15.7	11.7
UMTS license liabilities	747.9	750.3
Deferred tax liabilities	821.1	908.7
Deferred income	5.0	4.7
Other non-current liabilities and provisions	132.4	184.2
includes derivative instruments liabilities	*2.0*	*40.1*
Total non-current liabilities	**13,339.2**	**14,093.3**
Loans and borrowings	1,169.9	1,322.6
Issued bonds	479.4	464.4
Finance lease liabilities	3.7	6.8
UMTS license liabilities	116.7	117.1
Trade and other payables	1,670.4	1,524.4
includes derivative instruments liabilities	*79.0*	*87.0*
Income tax liability	132.7	48.0
Deferred income	672.0	683.9
Total current liabilities	**4,244.8**	**4,167.2**
Total liabilities	**17,584.0**	**18,260.5**
Total equity and liabilities	**27,141.8**	**27,338.7**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Consolidated Cash Flow Statement

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Net profit	**475.3**	**230.3**
Adjustments for:	**852.7**	**505.4**
Depreciation, amortization, impairment and liquidation	861.4	373.8
Payments for film licenses and sports rights	(115.2)	(148.9)
Amortization of film licenses and sports rights	90.5	85.1
(Gain)/loss on sale of property, plant and equipment and intangible assets	(4.8)	(0.7)
Cost of programming rights sold	0.5	0.1
Interest expense	348.5	248.5
Change in inventories	45.6	(41.8)
Change in receivables and other assets	(581.2)	(29.2)
Change in liabilities, provisions and deferred income	69.3	(73.8)
Change in internal production and advance payments	(7.6)	(1.5)
Valuation of hedging instruments	5.3	11.1
Share of the profit of jointly controlled entity accounted for using the equity method	(1.4)	(1.3)
Foreign exchange losses, net	99.2	8.8
Income tax	71.9	31.1
Net additions of reception equipment provided under operating lease	(72.2)	(65.3)
Net loss on derivatives	33.9	16.5
Other adjustments	9.0	92.9
Cash from operating activities	**1,328.0**	**735.7**
Income tax paid	(44.2)	(99.5)
Interest received from operating activities	20.5	13.4
Net cash from operating activities	**1,304.3**	**649.6**
Acquisition of property, plant and equipment	(187.0)	(93.0)
Acquisition of intangible assets	(90.7)	(46.6)
Acquisition of subsidiaries, net of cash acquired	(29.5)	1,800.4
Proceeds from sale of property, plant and equipment	13.3	1.6
Short-term deposits	(42.7)	(270.0)
Granted loans	(8.9)	(5.8)
Other investing activities - derivatives	(2.1)	5.0
Dividends received	-	2.5
Net cash from/(used in) investing activities	**(347.6)**	**1,394.1**

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

Repayment of loans and borrowings	(954.2)	(547.1)
Loans and borrowings inflows	120.0	2,800.0
Bonds repayment	-	(2,275.9)
Finance lease – principal repayments	(3.5)	(0.3)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*	(472.3)	(348.3)
Dividends paid	-	(102.9)
Payment of share issuance-related consulting costs	-	(3.8)
Net cash used in financing activities	**(1,310.0)**	**(478.3)**
Net increase/(decrease) in cash and cash equivalents	**(353.3)**	**1,565.4**
Cash and cash equivalents at the beginning of the period	**1,747.9****	**342.2**
Effect of exchange rate fluctuations on cash and cash equivalents	2.0	(0.7)
Cash and cash equivalents at the end of the period	**1,396.6*****	**1,906.9**

* Includes impact of hedging instruments
** Includes restricted cash amounting to PLN 12.6
*** Includes restricted cash amounting to PLN 12.8

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2015

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2015 restated**	**25.6**	**7,174.0**	**(12.2)**	**1,890.8**	**9,078.2**	**-**	**9,078.2**
Total comprehensive income	-	-	4.3	475.3	479.6	-	**479.6**
Hedge valuation reserve	-	-	*4.3*	-	*4.3*	-	***4.3***
Net profit for the period	-	-	-	*475.3*	*475.3*	-	***475.3***
Balance as at 30 June 2015 unaudited	**25.6**	**7,174.0**	**(7.9)**	**2,366.1**	**9,557.8**	**-**	**9,557.8**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**1,701.2**	**3,001.2**	**-**	**3,001.2**
Issue of shares	11.7	5,878.9**	-	-	5,890.6	-	**5,890.6**
Dividend declared and paid	-	-	-	(102.9)	(102.9)	-	**(102.9)**
Total comprehensive income	-	-	9.0	230.3	239.3	-	**239.3**
Hedge valuation reserve	-	-	*9.0*	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*230.3*	*230.3*	-	***230.3***
Balance as at 30 June 2014 unaudited restated**	**25.6**	**7,174.0**	**-**	**1,828.6**	**9,028.2**	**-**	**9,028.2**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

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

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

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

2. Composition of the Management Board of the Company

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

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

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

Statement of compliance

These interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2015 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Group applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2015 and the consolidated financial statements for the year 2013, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 do not have a material impact on these interim condensed consolidated financial statements.

5. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Retail revenue	1,652.0	1,204.5	3,289.2	1,672.3
Wholesale revenue	688.7	479.1	1,242.0	721.3
Sale of equipment	106.9	55.4	225.3	63.3
Other revenue	21.6	6.9	41.7	12.3
Total	**2,469.2**	**1,745.9**	**4,798.2**	**2,469.2**

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

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

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

6. Operating costs

	for the 3 months ended		**for the 6 months ended**	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Content costs	274.0	260.9	509.5	471.5
Distribution, marketing, customer relation management and retention costs	193.2	132.2	382.4	207.6
Depreciation, amortization, impairment and liquidation	393.5	311.3	861.4	373.8
Technical costs and cost of settlements with telecommunication operators	522.4	288.0	1,004.7	359.3
Salaries and employee-related costs	140.8	108.2	269.9	152.8
Cost of equipment sold	291.7	189.7	624.3	200.0
Cost of debt collection services and bad debt allowance and receivables written off	27.8	18.1	46.5	24.8
Other costs	56.1	43.4	109.8	69.4
Total	**1,899.5**	**1,351.8**	**3,808.5**	**1,859.2**

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim balance sheet of Cyfrowy Polsat S.A. (the 'Company') as of June 30, 2015 and the related interim income statement, interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

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

Conclusion

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

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

August 25, 2015
Warsaw, Poland

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CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 25 August 2015, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period
from 1 January 2015 to 30 June 2015 showing a net profit for the period of: PLN 358.4

Interim Statement of Comprehensive Income for the period
from 1 January 2015 to 30 June 2015 showing a total comprehensive income for the period of: PLN 362.7

Interim Balance Sheet as at
30 June 2015 showing total assets and total equity and liabilities of: PLN 13,020.3

Interim Cash Flow Statement for the period
from 1 January 2015 to 30 June 2015 showing a net increase in cash and cash equivalents amounting to: PLN 83.6

Interim Statement of Changes in Equity for the period
from 1 January 2015 to 30 June 2015 showing an increase in equity of: PLN 472.4

Notes to the Interim Condensed Financial Statements

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

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

Warsaw, 25 August 2015

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

Interim Income Statement

	Note	for the 6 months ended 30 June 2015 unaudited	30 June 2014 unaudited
Revenue	7	1,032.3	987.3
Operating costs	8	(863.0)	(790.5)
Other operating income, net		9.0	2.5
Profit from operating activities		**178.3**	**199.3**
Gain/(loss) on investment activities, net	9	255.5	176.1
Finance costs	10	(51.7)	(248.0)
Gross profit for the period		**382.1**	**127.4**
Income tax		(23.7)	9.4
Net profit for the period		**358.4**	**136.8**
Basic and diluted earnings per share (in PLN)		**0.56**	**0.31**

Interim Statement of Comprehensive Income

	Note	for the 6 months ended 30 June 2015 unaudited	30 June 2014 unaudited
Net profit for the period		**358.4**	**136.8**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	5.3	11.1
Income tax relating to hedge valuation	13	(1.0)	(2.1)
Items that may be reclassified subsequently to profit or loss		**4.3**	**9.0**
Other comprehensive income, net of tax		**4.3**	**9.0**
Total comprehensive income for the period		**362.7**	**145.8**

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Interim Balance Sheet - Assets

	Note	30 June 2015 unaudited	31 December 2014 restated*
Reception equipment		401.3	421.1
Other property, plant and equipment		157.5	164.8
Goodwill	15	197.0	52.0
Other intangible assets		79.9	75.6
Investment property		1.8	1.8
Shares in subsidiaries	11	11,424.8	11,498.1
Non-current deferred distribution fees		34.0	35.1
Other non-current assets		46.4	35.3
Total non-current assets		**12,342.7**	**12,283.8**
Inventories		101.9	124.0
Trade and other receivables		321.9	260.5
Income tax receivables		-	26.0
Current deferred distribution fees		80.2	74.5
Other current assets		76.7	30.9
Cash and cash equivalents		96.9	13.3
Total current assets		**677.6**	**529.2**
Total assets		**13,020.3**	**12,813.0**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2015 unaudited	31 December 2014 restated*
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Hedge valuation reserve	13	(7.9)	(12.2)
Retained earnings		2,663.6	2,195.5
Total equity		**9,855.3**	**9,382.9**
Loans and borrowings	14	1,689.1	1,846.2
Finance lease liabilities		-	0.8
Deferred tax liabilities		107.0	97.7
Deferred income		5.0	4.7
Other non-current liabilities and provisions		13.4	18.5
includes derivative instruments (IRS) liabilities		*2.0*	*7.0*
Total non-current liabilities		**1,814.5**	**1,967.9**
Loans and borrowings	14	861.2	927.1
Finance lease liabilities		0.1	0.8
Trade and other payables		263.9	318.2
includes derivative instruments (IRS) liabilities		*7.7*	*8.4*
Income tax liability		4.5	-
Deferred income		220.8	216.1
Total current liabilities		**1,350.5**	**1,462.2**
Total liabilities		**3,165.0**	**3,430.1**
Total equity and liabilities		**13,020.3**	**12,813.0**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2015 unaudited	for the 6 months ended 30 June 2014 unaudited
Net profit		**358.4**	**136.8**
Adjustments for:		**(231.7)**	**86.4**
Depreciation, amortization, impairment and liquidation	8	114.2	108.2
Gain on sale of property, plant and equipment and intangible assets		(0.2)	(0.3)
Interest expense		48.0	138.0
Change in inventories		22.1	(4.2)
Change in receivables and other assets		(60.8)	(20.0)
Change in liabilities, provisions and deferred income		(51.5)	(1.4)
Valuation of hedging instruments		5.3	11.1
Foreign exchange losses, net		-	22.7
Income tax		23.7	(9.4)
Net increase in reception equipment provided under operating lease		(72.4)	(65.3)
Dividends income	9	(260.7)	(166.8)
Other adjustments		0.6	73.8
Cash from operating activities		**126.7**	**223.2**
Income tax received/(paid)		15.5	(30.0)
Interest received from operating activities		0.1	0.7
Net cash from operating activities		**142,3**	**193.9**
Dividends received		227.2	91.2
Merger with related entities		47.2	-
Proceeds from forward instruments (USD)		-	8.1
Proceeds from sale of property, plant and equipment		0.4	0.7
Loans granted		(4.5)	(4.0)
Acquisition of property, plant and equipment		(11.2)	(17.0)
Acquisition of intangible assets		(10.9)	(22.1)
Share capital increase in subsidiaries and acquisition of shares		(34.9)	(883.7)
Net cash from/(used in) investing activities		**213.3**	**(826.8)**
Loans and borrowings inflows	14	120,0	2,800.0
Net cash from Cash Pool with paid interest		(47.1)	170.6
Proceeds from forward instruments (EUR)		-	2.9
Finance lease – principal repayments		(0.3)	(1.0)
Payment of share issuance-related consulting costs		-	(3.8)
Dividend paid		-	(102.9)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(42.6)	(209.2)
Repayment of loans and borrowings	14	(302.0)	(547.1)
Bonds redemption		-	(1,472.0)
Net cash from/(used in) financing activities		**(272.0)**	**637.5**
Net increase in cash and cash equivalents		**83.6**	**4.6**
Cash and cash equivalents at the beginning of period		**13.3**	**26.1**
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at the end of period		**96.9**	**30.7**

* Includes impact of hedging instruments, premium paid for early bonds' repayment and amount paid for costs related to new financing

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Interim Statement of Changes in Equity for the 6 months ended 30 June 2015

	Note	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2015 restated**		**25.6**	**7,174.0**	**(12.2)**	**2,195.5**	**9,382.9**
Total comprehensive income		-	-	4.3	358.4	**362.7**
Hedge valuation reserve		-	-	*4.3*	-	***4.3***
Net profit for the period		-	-	-	*358.4*	***358.4***
Merger with Redefine Sp. z o.o.	15	-	-	-	109.7	**109.7**
Balance as at 30 June 2015 unaudited		**25.6**	**7,174.0**	**(7.9)**	**2,663.6**	**9,855.3**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**2,121.2**	**3,421.2**
Issue of shares	11.7	5,878.9**	-	-	**5,890.6**
Dividend declared and paid	-	-	-	(102.9)	**(102.9)**
Total comprehensive income	-	-	9.0	136.8	**145.8**
Hedge valuation reserve	-	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*136.8*	***136.8***
Balance as at 30 June 2014 unaudited restated**	**25.6**	**7,174.0**	**-**	**2,155.1**	**9,354.7**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

Notes to the Interim Condensed Financial Statements

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

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

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). The Group encompasses the Company, Metelem Holding Company Limited ('Metelem') and its subsidiaries and joint ventures, Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, Orsen Holding Limited and its subsidiaries, Netshare Sp. z o.o., Gery.pl Sp. z o.o., Frazpc.pl Sp. z o.o. and Poszkole.pl Sp. z o.o.

2. Composition of the Management Board of the Company

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

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4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 6 months ended 30 June 2015 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU).

The Company applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 2015 and the financial statements for the year 2014, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2015. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015 do not have a material impact on these interim condensed financial statements.

The information presented in the balance sheet as at 30 June 2015 is not fully comparable with the information presented as at 31 December 2014 due to the merger of Redefine Sp. z o.o. with the Company. The merger had no impact on the income statement for the period of 6 months ended 30 June 2015 as the merger was registered on 30 June 2015.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 25 August 2015.

6. Information on seasonality in the Company's operations

Retail revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Retail revenue	971.9	938.9
Wholesale revenue	20.8	18.4
Sale of equipment	25.4	20.7
Other revenue	14.2	9.3
Total	**1,032.3**	**987.3**

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

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8. Operating costs

		for the 6 months ended	
	Note	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Content costs		261.2	242.3
Distribution, marketing, customer relation management and retention costs		159.1	155.9
Technical costs and costs of settlements with telecommunication operators		156.5	111.3
Depreciation, amortization, impairment and liquidation		114.2	108.2
Salaries and employee-related costs	a	60.3	64.1
Cost of equipment sold		35.3	24.7
Cost of debt collection services, bad debt allowance and receivables written off		14.6	19.1
Other costs		61.8	64.9
Total		**863.0**	**790.5**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Salaries	50.4	53.4
Social security contributions	8.6	8.6
Other employee-related costs	1.3	2.1
Total	**60.3**	**64.1**

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

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Dividends received	260.7	166.8
Guarantee fees from related party	-	3.3
Interest expense	(1.8)	(0.1)
Other foreign exchange losses, net	(3.4)	(2.0)
Realization of USD forward	-	8.1
Total	**255.5**	**176.1**

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10. Finance costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Interest expense on loans and borrowings	42.6	56.7
Interest expense on issued bonds	-	70.4
Early redemption costs	-	82.1
Foreign exchange differences on issued bonds	-	22.7
Valuation and realization of hedging instruments	3.6	4.6
Valuation and realization of instruments not under hedge accounting	-	4.2
Guarantee fees	2.8	3.0
Bank and other charges	2.7	4.3
Total	**51.7**	**248.0**

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11. Shares in subsidiaries

Shares in subsidiaries as at 30 June 2015

	Company's registered office	Activity	Voting rights percentage	Cost and carrying amount
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	100%	6,778.0
Telewizja Polsat Sp. z o.o.	ul. Ostrobramska 77, Warsaw	broadcasting and television production	100%	3,899.0
Cyfrowy Polsat Trade Marks Sp. z o.o.	ul. Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	615.4
Orsen Holding Limited	Elia Zammit Street, St. Julian's STJ 3155, Malta	holding and financial activities	99.9%	34.9
INFO-TV-FM Sp. z o.o.	ul. Łubinowa 4a, Warsaw	radio and TV activities	73.5%	29.3
Netshare Sp. z o.o.	al. Stanów Zjednoczonych 61 A, Warsaw	electronic media (Internet) advertising broker	100%	23.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	ul. Ostrobramska 77, Warsaw	advertising activities	30.5%	20.3
Gery.pl Sp. z o.o.	al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	15.3
Frazpc.pl Sp. z o.o.	al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	6.5
Karpacka Telewizja Kablowa Sp. z o.o.	ul. Warszawska 220, Radom	dormant	99%	2.4
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	0.2
Poszkole.pl Sp. z o.o.	al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	0.1
Polskie Badania Internetu Sp. z o.o.	Aleje Jerozolimskie 65/79, Warsaw	web portals activities	4.55%	0.1
			Total	**11,424.8**

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

	31 December 2014 restated*	Additions	Decreases	30 June 2015
Metelem Holding Company Limited	6,778.0	-	-	6,778.0
Telewizja Polsat Sp. z o.o.	3,899.0	-	-	3,899.0
Cyfrowy Polsat Trade Marks Sp. z o.o.	615.4	-	-	615.4
Redefine Sp. z o.o. (see note 15)	128.7	-	(128.7)	-
Orsen Holding Limited	-	34.9	-	34.9
INFO-TV-FM Sp. z o.o.	29.3	-	-	29.3
Netshare Sp. z o.o.	23.3	-	-	23.3
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k. (see note 15)	-	20.3	-	20.3
Gery.pl Sp. z o.o.	15.3	-	-	15.3
Frazpc.pl Sp. z o.o.	6.5	-	-	6.5
Karpacka Telewizja Kablowa Sp. z o.o.	2.4	-	-	2.4
Cyfrowy Polsat Finance AB	0.2	-	-	0.2
Poszkole.pl Sp. z o.o. (see note 15)	-	0.1	-	0.1
Polskie Badania Internetu Sp. z o.o. (see note 15)	-	0.1	-	0.1
Total	**11,498.1**	**55.4**	**(128.7)**	**11,424.8**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015) – decrease by PLN 63.4

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

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12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2015 and 31 December 2014:

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

The shareholders' structure as at 30 June 2015 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

[2] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz-Żak

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

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

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

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6,3	24,70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6,2	24,11%	306,709,172	37.45%
Argumenol Investment Company Ltd. [1]	28,415,173	1,1	4,44%	28,415,173	3.47%
Sensor Overseas Ltd. [3]	54,921,546	2,2	8,59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	29,648,775	1,2	4,64%	29,648,775	3.62%
Pozostali	214,367,958	8,6	33,52%	214,539,208	26.20%
Razem	**639,546,016**	**25,6**	**100%**	**818,963,517**	**100%**

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

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

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

(ii) Share premium

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

(iii) Retained earnings

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

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13. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2015	2014
Balance as at 1 January	**(12.2)**	**(9.0)**
Amount transferred to income statement	-	11.1
Deferred tax	-	(2.1)
Change for the period (old credit facility)	**-**	**9.0**
Valuation of cash flow hedges	3.6	-
Amount transferred to income statement	1.7	-
Deferred tax	(1.0)	-
Change for the period (new credit facility)	**4.3**	**-**
Balance as at 30 June unaudited	**(7.9)**	**-**

In the six months ended 30 June 2014, due to the repayment of then existing debt and its replacement with new credit facility, the hedge of existing debt was terminated and the amounts presented in hedge valuation reserve were transferred to profit and loss. In connection with the new credit facility a new hedging relationship was designated.

14. Loans and borrowings

Loans and borrowings	**30 June 2015 unaudited**	**31 December 2014**
Short-term liabilities	861.2	927.1
Long-term liabilities	1,689.1	1,846.2
Total	**2,550.3**	**2,773.3**

Change in loans and borrowings liabilities:

	2015	2014
Loans and borrowings as at 1 January	**2,773.3**	**537.2**
Revolving facility loan	120.0	300.0
Repayment of capital	(302.0)	(547.1)
Repayment of interest and commissions	(38.5)	(62.1)*
Term facility loan	-	2,500.0
Net cash from Cash Pool	(45.1)	170.9
Interest accrued	42.6	56.7
Loans and borrowings as at 30 June unaudited	**2,550.3**	**2,955.6**

* Includes amount paid for costs related to new financing

15. The impact of merger with Redefine Sp. z o.o. on assets, equity and liabilities

On June 30, 2015 the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register registered the merger of the Company with Redefine Sp. z o.o. ('Redefine') seated in Warsaw.

The merger was effected by:

i. transferring to Company, as the sole shareholder of Redefine, all the assets of Redefine by the way of universal succession, and

ii. termination of Redefine without liquidation.

As a result of the merger, Cyfrowy Polsat assumed all rights and obligations of Redefine, effective on the date of the merger. Given that Company held all the shares of Redefine the merger was effected without increasing the share capital of Company.

The detailed terms of the merger are specified in the Merger Plan prepared on April 14, 2015 and made publicly available, free of charge, on the website of the Company. The merger was performed in order to optimize costs of operations and simplify the organizational structure of Cyfrowy Polsat Group.

For business combinations under common control the Company applies a method based on historical values as presented in the consolidated financial statements of the parent company (a higher-level parent), which produces consolidated financial statements. The method based on historical values, as applied by the Company, is based on the combination of balance sheets values and results of the merging companies from the date of business combination under common control (not the date of acquisition and establishing control over the merging entity by the capital group). The Company's balance sheet as at the date of business combinations under common control includes relevant assets, equity and liabilities of the merging entity as presented in the consolidated financial statements of the capital group as at the date of the merger, with appropriate eliminations. As a consequence, goodwill, trademark, other assets and liabilities (excluding deferred tax liability) presented in the historical consolidated financial statements are recognized following the merger of the entities. The value of shares held by the Company in the merging entity and the value of equity of the merging entity as at the date of establishing control by the capital group are eliminated. Following this elimination, the difference between assets and liabilities is recognized in the retained earnings. Receivables and liabilities between the Company and the merging entity are also eliminated. The Company's income statement includes financial results of the merging entity from the date of the merger.

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

The merger's effects on the Company's assets and liabilities were as follows:

	Change resulting from the merger as at 30 June 2015
Shares in Redefine (see note 11)	(128.7)
Shares in subsidiaries	20.5
Other property, plant and equipment	(0.6)
Goodwill	145.0
Other intangible assets	6.4
Receivables	23.8
Other current assets	(0.7)
Cash and cash equivalents	47.2
Non-current liabilities	3.1
Current liabilities	(6.3)
Total	**109.7**

As a result of the merger, net assets of Cyfrowy Polsat increased by PLN 109.7, which was reflected in a increase in retained earnings.

16. Transactions with related parties

Receivables

	30 June 2015 unaudited	31 December 2014
Subsidiaries	90.9	35.0
Joint ventures	0.3	0.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.0	1.3
Total	**92.2**	**36.6**

A significant portion of receivables as at 30 June 2015 is represented by dividend receivable from Telewizja Polsat Sp. z o.o. and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services. A significant portion of receivables as at 31 December 2014 is represented by receivables related to sale Polkomtel services.

Other assets

	30 June 2015 unaudited	31 December 2014
Subsidiaries	68.6	28.9
Total	**68.6**	**28.9**

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

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

Liabilites

	30 June 2015 unaudited	31 December 2014
Subsidiaries	53.9	63.7
Joint ventures	1.1	1.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.4	3.1
Total	**56.4**	**67.9**

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

Loans granted

	30 June 2015 unaudited	31 December 2014
Subsidiaries	3.2	-
Joint ventures	10.5	10.2
Total	**13.7**	**10.2**

Revenues

	for the 6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
Subsidiaries	49.8	16.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.1	1.7
Total	**50.9**	**18.0**

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

Expenses

	for the 6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
Subsidiaries	224.7	120.4
Joint ventures	1.4	1.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	8.8	47.5
Total	**234.9**	**169.3**

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

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

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

Gain on investment activities, net

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Subsidiaries	260.8	170.2
Joint ventures	0.2	-
Total	**261.0**	**170.2**

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

Finance costs

	for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Subsidiaries	2.8	155.8
Total	**2.8**	**155.8**

Finance costs comprise mostly of interest on bonds (in 2014) and also guarantee fees in respect to settlement of Term Facility (including Senior Facility loan which was repaid as well as Term Facility loan currently taken).

17. Litigations

Management believes that the provisions for litigations as at 30 June 2015 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

18. Risk and fair value

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

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2014. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2014.

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

Liquidity risk

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

Fair value

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

			30 June 2015 unaudited		31 December 2014	
	Category according to IAS 39	Level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted to non-related parties	A	2	1.3	1.3	-	-
Loans granted to related parties	A	2	13.4	13.7	10.5	10.2
Trade and other receivables	A	2	327.3	327.3	262.4	262.4
Cash and cash equivalents	A	*	96.9	96.9	13.3	13.3
Loans and borrowings	C	2	(2,577.3)	(2,550.3)	(2,831.7)	(2,773.3)
Finance lease liabilities	C	2	(0.1)	(0.1)	(1.6)	(1.6)
Accruals	C	2	(80.9)	(80.9)	(115.4)	(115.4)
Trade and other payables and deposits	C	2	(148.2)	(148.2)	(169.8)	(169.8)
Total			**(2,367.6)**	**(2,340.3)**	**(2,832.3)**	**(2,774.2)**
Unrecognized loss				(27.3)		(58.1)

A – loans and receivables
B – hedges
C - other

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

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

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

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate (for PLN loans granted), EURIBOR interest rate (for EUR loans granted) or LIBOR (for GBP loans granted) plus a margin regarding the credit risk.

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

As at 30 June 2015 and 31 December 2014 loans and borrowings comprised senior facility, revolving facility loan and Cash Pool. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 June 2015 and 31 December 2014, forecasted cash flows from the reporting date to 11 April 2019 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 30 June 2015, forecasted cash flows from the reporting date to 31 July 2015 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 31 December 2014, forecasted cash flows from the reporting date to 31 March 2015 (assumed date of repayment of the loan) were analyzed. The fair value of Cash Pool is set as the nominal value, which is equal to carrying amount.

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

As at 30 June 2015, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	30 June 2015 unaudited	**Level 1**	**Level 2**	**Level 3**
IRS		-	(9.7)	-
Total		**-**	**(9.7)**	**-**

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

Liabilities measured at fair value

	31 December 2014	**Level 1**	**Level 2**	**Level 3**
IRS		-	(15.4)	-
Total		**-**	**(15.4)**	**-**

19. Important agreements and events

Agreements for the provision of data transfer services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing of Series J shares

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

20. Events subsequent to the reporting date

Issuance of bonds

On 21 July 2015, the Company registered 1,000,000 unsecured series A bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 1,000,000,000 (the "Bonds") in the securities depository maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.). The Bonds mature in 6 years. The redemption date for the Bonds is 21 July 2021. The interest rate is floating and is based on the WIBOR 6M rate, increased by a margin which depends on the Leverage Ratio level (defined in the terms and conditions of the Bonds' issuance).

Early partial prepayment of the term loan

On 29 July 2015 the Company made a voluntary prepayment of part of the Senior Facilities term loan in the amount of PLN 1 billion (not in thousands).

Extraordinary General Meeting of the Company

On 18 August 2015 the Extraordinary General Meeting of the Company adopted a resolution whereby it gives its consent to conclude a pledge agreement and to establish registered pledge on collection of movables and rights constituting the organized entirety with variable composition, being the part of the Company's enterprise, to secure the payments resulting from the facilities agreements.

21. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the SFA. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Other securities

The Company provided to its subsidiary a guarantee in the amount of EUR 13.3 in respect to a programming purchase contract.

Contractual liabilities related to purchases of non-current assets

Total amount of capital commitments resulting from agreements on property construction and improvements was PLN 2.3 as at 30 June 2015 (PLN 8.4 as at 31 December 2014). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2015 was PLN 0.3 (PLN 0.3 as at 31 December 2014).

22. Judgments, financial estimates and assumptions

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

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

The key accounting estimates and assumptions applied in preparation on these interim condensed financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2014.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 and 6 months ended 30 June 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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

Interim Income Statement

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Revenue	6	516.2	499.4	1,032.3	987.3
Operating costs	7	(428.5)	(409.5)	(863.0)	(790.5)
Other operating income/(costs), net		6.3	(1.1)	9.0	2.5
Profit from operating activities		**94.0**	**88.8**	**178.3**	**199.3**
Gain/loss on investment activities, net		54.4	174.5	255.5	176.1
Finance costs		(26.1)	(129.8)	(51.7)	(248.0)
Gross profit for the period		**122.3**	**133.5**	**382.1**	**127.4**
Income tax		(13.0)	6.9	(23.7)	9.4
Net profit for the period		**109.3**	**140.4**	**358.4**	**136.8**
Basic and diluted earnings per share (in PLN)		**0.17**	**0.27**	**0.56**	**0.31**

Interim Statement of Comprehensive Income

	for the 3 months ended		for the 6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Net profit for the period	**109.3**	**140.4**	**358.4**	**136.8**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	5.9	-	5.3	11.1
Income tax relating to hedge valuation	(1.1)	-	(1.0)	(2.1)
Items that may be reclassified subsequently to profit or loss	**4.8**	**-**	**4.3**	**9.0**
Other comprehensive income, net of tax	**4.8**	**-**	**4.3**	**9.0**
Total comprehensive income for the period	**114.1**	**140.4**	**362.7**	**145.8**

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

Interim Balance Sheet - Assets

	30 June 2015 unaudited	31 December 2014 restated*
Reception equipment	401.3	421.1
Other property, plant and equipment	157.5	164.8
Goodwill	197.0	52.0
Other intangible assets	79.9	75.6
Investment property	1.8	1.8
Shares in subsidiaries	11,424.8	11,498.1
Non-current deferred distribution fees	34.0	35.1
Other non-current assets	46.4	35.3
Total non-current assets	**12,342.7**	**12,283.8**
Inventories	101.9	124.0
Trade and other receivables	321.9	260.5
Income tax receivables	-	26.0
Current deferred distribution fees	80.2	74.5
Other current assets	76.7	30.9
Cash and cash equivalents	96.9	13.3
Total current assets	**677.6**	**529.2**
Total assets	**13,020.3**	**12,813.0**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Balance Sheet - Equity and Liabilities

	30 June 2015 unaudited	31 December 2014 restated*
Share capital	25.6	25.6
Share premium	7,174.0	7,174.0
Hedge valuation reserve	(7.9)	(12.2)
Retained earnings	2,663.6	2,195.5
Total equity	**9,855.3**	**9,382.9**
Loans and borrowings	1,689.1	1,846.2
Finance lease liabilities	-	0.8
Deferred tax liabilities	107.0	97.7
Deferred income	5.0	4.7
Other non-current liabilities and provisions	13.4	18.5
includes derivative instruments (IRS) liabilities	*2.0*	*7.0*
Total non-current liabilities	**1,814.5**	**1,967.9**
Loans and borrowings	861.2	927.1
Finance lease liabilities	0.1	0.8
Trade and other payables	263.9	318.2
includes derivative instruments (IRS) liabilities	*7.7*	*8.4*
Income tax liability	4.5	-
Deferred income	220.8	216.1
Total current liabilities	**1,350.5**	**1,462.2**
Total liabilities	**3,165.0**	**3,430.1**
Total equity and liabilities	**13,020.3**	**12,813.0**

* Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**
Net profit	**358.4**	**136.8**
Adjustments for:	**(231.7)**	**86.4**
Depreciation, amortization, impairment and liquidation	114.2	108.2
Gain on sale of property, plant and equipment and intangible assets	(0.2)	(0.3)
Interest expense	48.0	138.0
Change in inventories	22.1	(4.2)
Change in receivables and other assets	(60.8)	(20.0)
Change in liabilities, provisions and deferred income	(51.5)	(1.4)
Valuation of hedging instruments	5.3	11.1
Foreign exchange losses, net	-	22.7
Income tax	23.7	(9.4)
Net increase in reception equipment provided under operating lease	(72.4)	(65.3)
Dividends income	(260.7)	(166.8)
Other adjustments	0.6	73.8
Cash from operating activities	**126.7**	**223.2**
Income tax received/(paid)	15.5	(30.0)
Interest received from operating activities	0.1	0.7
Net cash from operating activities	**142,3**	**193.9**
Dividends received	227.2	91.2
Merger with related entities	47.2	-
Proceeds from forward instruments (USD)	-	8.1
Proceeds from sale of property, plant and equipment	0.4	0.7
Loans granted	(4.5)	(4.0)
Acquisition of property, plant and equipment	(11.2)	(17.0)
Acquisition of intangible assets	(10.9)	(22.1)
Share capital increase in subsidiaries and acquisition of shares	(34.9)	(883.7)
Net cash from/(used in) investing activities	**213.3**	**(826.8)**
Loans and borrowings inflows	120,0	2,800.0
Net cash from Cash Pool with paid interest	(47.1)	170.6
Proceeds from forward instruments (EUR)	-	2.9
Finance lease – principal repayments	(0.3)	(1.0)
Payment of share issuance-related consulting costs	-	(3.8)
Dividend paid	-	(102.9)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*	(42.6)	(209.2)
Repayment of loans and borrowings	(302.0)	(547.1)
Bonds redemption	-	(1,472.0)
Net cash from/(used in) financing activities	**(272.0)**	**637.5**
Net increase in cash and cash equivalents	**83.6**	**4.6**
Cash and cash equivalents at the beginning of period	**13.3**	**26.1**
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Cash and cash equivalents at the end of period	**96.9**	**30.7**

* Includes impact of hedging instruments, premium paid for early bonds' repayment and amount paid for costs related to new financing

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

Interim Statement of Changes in Equity for 6 months ended 30 June 2015

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2015 restated**	**25.6**	**7,174.0**	**(12.2)**	**2,195.5**	**9,382.9**
Total comprehensive income	-	-	4.3	358.4	**362.7**
Hedge valuation reserve	-	-	*4.3*	-	***4.3***
Net profit for the period	-	-	-	*358.4*	***358.4***
Merger with Redefine Sp. z o.o.	-	-	-	109.7	**109.7**
Balance as at 30 June 2015 unaudited	**25.6**	**7,174.0**	**(7.9)**	**2,663.6**	**9,855.3**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

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

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**2,121.2**	**3,421.2**
Issue of shares	11.7	5,878.9**	-	-	**5,890.6**
Dividend declared and paid	-	-	-	(102.9)	**(102.9)**
Total comprehensive income	-	-	9.0	136.8	**145.8**
Hedge valuation reserve	-	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*136.8*	***136.8***
Balance as at 30 June 2014 unaudited restated**	**25.6**	**7,174.0**	**-**	**2,155.1**	**9,354.7**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.
** Restatement due to final purchase price allocation of Metelem (see note 17 in interim condensed consolidated financial statements for the 6 months ended 30 June 2015)

Notes to the Interim Condensed Financial Statements

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

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

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). The Group encompasses the Company, Metelem Holding Company Limited ('Metelem') and its subsidiaries and joint ventures, Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, Orsen Holding Limited and its subsidiaries, Netshare Sp. z o.o., Gery.pl Sp. z o.o., Frazpc.pl Sp. z o.o. and Poszkole.pl Sp. z o.o.

2. Composition of the Management Board of the Company

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

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

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for 3 and 6 months ended 30 June 2015 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU).

The Company applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2015 and the financial statements for the year 2014, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2015. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015 do not have a material impact on these interim condensed financial statements.

5. Information on seasonality in the Company's operations

Retail revenue is not directly subject to any seasonal trend.

6. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Retail revenue	485.7	471.1	971.9	938.9
Wholesale revenue	11.1	11.0	20.8	18.4
Sale of equipment	13.7	12.8	25.4	20.7
Other revenue	5.7	4.5	14.2	9.3
Total	**516.2**	**499.4**	**1,032.3**	**987.3**

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

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

7. Operating costs

	for the 3 months ended		for the 6 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Content costs	133.7	122.5	261.2	242.3
Distribution, marketing, customer relation management and retention costs	74.6	79.3	159.1	155.9
Technical costs and costs of settlements with mobile network operators	81.6	57.0	156.5	111.3
Depreciation, amortization, impairment and liquidation	56.4	55.7	114.2	108.2
Salaries and employee-related costs	28.7	34.0	60.3	64.1
Cost of equipment sold	17.5	14.4	35.3	24.7
Cost of debt collection services and bad debt allowance and receivables written off	5.5	12.2	14.6	19.1
Other costs	30.5	34.4	61.8	64.9
Total	**428.5**	**409.5**	**863.0**	**790.5**