CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 14 May 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2014 to 31 March 2014 showing a net profit for the period of:	PLN 98,172
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2014 to 31 March 2014 showing a total comprehensive income for the period of:	PLN 107,136
Interim Consolidated Balance Sheet as at 31 March 2014 showing total assets and total equity and liabilities of:	PLN 5,851,194
Interim Consolidated Cash Flow Statement for the period from 1 January 2014 to 31 March 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 85,956
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 31 March 2014 showing an increase in equity of:	PLN 107,136

Notes to the Interim Condensed Consolidated Financial Statements

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

Dominik Libicki President of the Management Board	Tomasz Szeląg Member of the Management Board	Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board

Warsaw, 14 May 2014

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 31 March 2014 unaudited	 31 March 2013 unaudited
Continuing operations			
Revenue	8	722,770	697,076
Operating costs	9	(507,463)	(512,966)
Other operating income and cost, net		3,613	504
Profit from operating activities		**218,920**	**184,614**
Gain/loss on investment activities, net	10	1,761	3,835
Finance costs	11	(108,758)	(80,075)
Share of the profit of jointly controlled entity accounted for using the equity method		633	762
Gross profit for the period		**112,556**	**109,136**
Income tax		(14,384)	(14,031)
Net profit for the period		**98,172**	**95,105**
Net profit attributable to equity holders of the Parent		98,172	95,105
Basic and diluted earnings per share (in PLN)		**0.28**	**0.27**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2014 unaudited	 31 March 2013 unaudited
Net profit for the period		**98,172**	**95,105**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	11,066	3,660
Income tax relating to hedge valuation	13	(2,102)	(696)
Currency translation adjustment		-	(4,304)
Items that may be reclassified subsequently to profit or loss		**8,964**	**(1,340)**
Other comprehensive income, net of tax		**8,964**	**(1,340)**
Total comprehensive income for the period		**107,136**	**93,765**
Total comprehensive income attributable to equity holders of the Parent		107,136	93,765

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

Interim Consolidated Balance Sheet - Assets

	31 March 2014 unaudited	31 December 2013
Reception equipment	395,393	407,579
Other property, plant and equipment	248,178	251,152
Goodwill	2,602,804	2,602,804
Brands	890,800	890,800
Other intangible assets	136,697	137,401
Non-current programming assets	107,548	71,571
Investment property	5,315	5,330
Non-current deferred distribution fees	26,502	29,551
Other non-current assets	6,430	20,803
Deferred tax assets	34,685	38,854
Total non-current assets	**4,454,352**	**4,455,845**
Current programming assets	228,936	181,341
Inventories	163,072	146,771
Trade and other receivables	398,589	374,424
Income tax receivable	365	183
Current deferred distribution fees	70,958	70,055
Other current assets	106,732	105,360
Cash and cash equivalents	428,190	342,251
Total current assets	**1,396,842**	**1,220,385**
Total assets	**5,851,194**	**5,676,230**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	31 March 2014 unaudited	31 December 2013
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Other reserves	-	(8,964)
Retained earnings	1,799,310	1,701,138
Equity attributable to equity holders of the Parent	**3,108,347**	**3,001,211**
Non-controlling interests	2	2
Total equity	**3,108,349**	**3,001,213**
Loans and borrowings	236,277	239,889
Senior Notes payable	1,396,071	1,340,010
Finance lease liabilities	166	227
Deferred tax liabilities	95,950	108,066
Deferred income	3,008	4,079
Other non-current liabilities and provisions	7,828	7,915
Total non-current liabilities	**1,739,300**	**1,700,186**
Loans and borrowings	240,921	245,994
Senior Notes payable	101,071	98,659
Finance lease liabilities	237	236
Trade and other payables	418,100	413,210
Income tax liability	12,203	4,520
Deposits for equipment	2,843	2,727
Deferred income	228,170	209,485
Total current liabilities	**1,003,545**	**974,831**
Total liabilities	**2,742,845**	**2,675,017**
Total equity and liabilities	**5,851,194**	**5,676,230**

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Interim Consolidated Cash Flow Statement

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Net profit		**98,172**	**95,105**
Adjustments for:		**86,532**	**70,557**
Depreciation, amortization, impairment and disposal	9	62,434	60,698
Payments for film licenses and sports rights		(109,421)	(44,320)
Amortization of film licenses and sports rights		40,084	46,049
(Gain)/loss on sale of property, plant and equipment and intangible assets		(53)	58
Cost of programming rights sold		41	3,504
Interest expense		90,381	46,368
Change in inventories		(16,302)	11,273
Change in receivables and other assets		(5,161)	(18,654)
Change in liabilities, provisions and deferred income		31,469	(36,840)
Change in internal production and advance payments		(13,309)	(1,048)
Valuation of hedging instruments		11,066	3,660
Share of the profit of jointly controlled entity accounted for using the equity method		(633)	(762)
Foreign exchange losses, net		10,337	25,976
Income tax		14,384	14,031
Net additions of reception equipment provided under operating lease		(30,564)	(40,920)
Other adjustments		1,779	1,484
Cash from operating activities		**184,704**	**165,662**
Income tax paid		(17,809)	(13,763)
Interest received from operating activities		2,165	3,544
Net cash from operating activities		**169,060**	**155,443**
Acquisition of property, plant and equipment		(19,433)	(21,703)
Acquisition of intangible assets		(19,987)	(13,377)
Acquisition of subsidiaries, net of cash acquired		-	(153)
Proceeds from sale of property, plant and equipment		337	350
Dividends received		2,530	-
Net cash used in investing activities		**(36,553)**	**(34,883)**

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Repayment of loans and borrowings	14	(37,394)	(49,813)
Finance lease – principal repayments		(62)	(78)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(9,095)	(16,846)
Net cash used in financing activities		**(46,551)**	**(66,737)**
Net increase in cash and cash equivalents		**85,956**	**53,823**
Cash and cash equivalents at the beginning of the period		**342,251**	**270,354**
Effect of exchange rate fluctuations on cash and cash equivalents		(17)	161
Cash and cash equivalents at the end of the period		**428,190**	**324,338**

* Includes impact of hedging instruments

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

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2014	**13,934**	**1,295,103**	**(8,964)**	**1,701,138**	**3,001,211**	**2**	**3,001,213**
Total comprehensive income	-	-	8,964	98,172	**107,136**	**-**	**107,136**
Hedge valuation reserve	-	-	*8,964*	-	***8,964***	**-**	***8,964***
Net profit for the period	-	-	-	*98,172*	***98,172***	**-**	***98,172***
Balance as at 31 March 2014 niebadany	**13,934**	**1,295,103**	**-**	**1,799,310**	**3,108,347**	**2**	**3,108,349**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(16,327)**	**1,175,693**	**2,468,403**
Total comprehensive income	-	-	(1,340)	95,105	**93,765**
Hedge valuation reserve	-	-	*2,964*	-	***2,964***
Currency translation adjustment	-	-	*(4,304)*	-	***(4,304)***
Net profit for the period	-	-	-	*95,105*	***95,105***
Balance as at 31 March 2013 niebadany	**13,934**	**1,295,103**	**(17,667)**	**1,270,798**	**2,562,168**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as the Internet access service provider and a Mobile Virtual Network Operator ('MVNO').

The Company was incorporated under the Notary Deed dated 30 October 1996.

The consolidated financial statements comprise the Parent and its subsidiaries (together with the Parent referred to as 'the Group' and individually as 'Group entities'), and the Group's interest in jointly controlled entity. The Group operates in two segments: (1) retail business which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

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

Statement of compliance

These interim condensed consolidated financial statements for the 3 months ended 31 March 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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

The Group applied the same accounting policies in the preparation of the financial data for the 3 months ended 31 March 2014 and the consolidated financial statements for the year 2013, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 and changes to the accounting policies presented in note 5. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 do not have a material impact on these interim condensed consolidated financial statements.

5. Changes of the accounting policies published in the most recent annual financial statements and estimates, which affect applied policies and presented amounts of assets, liabilities, income and expenses

The Group has changed the method of inventory measure. To the end of year 2013 cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. The estimation of the amount of the above mentioned change is impracticable.

Moreover, from 1 January 2014 estimates of the economic useful life and the depreciation method of programming assets, in particular purchased film licenses, applied by the Group has changed.

From 1 January 2014 the following depreciation rates, depending on the category of asset and permissible amount of broadcasts, apply:

- Films and series - amortization starts at the moment of first broadcast. The implementation of economic benefits is measured by the declining balance method based on a standard table of rates depending on the number of planned and available broadcast, generally in accordance with the following table:

	Feature films			
Amount of depreciable runs	**Rate per run**			
	I	II	III	IV
1	100%			
2	60%	40%		
3	40%	30%	30%	
4 and more	35%	25%	25%	15%

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	TV Series			
Amount of depreciable runs	**Rate per run**			
	I	II	III	IV
1	100%			
2	80%	20%		

- Licenses for channels, movies and series are mostly amortized in four or five broadcasts using rates of 25% and 20% respectively.

If the Group has not made changes in estimates affecting the depreciation method of programming assets, film licenses amortization costs for the three months period ended 31 March 2014 would have been about PLN 2,952 higher.

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 14 May 2014.

7. Information on Seasonality in the Group's Operations

Advertising and sponsoring revenue 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. Revenue from subscription fees is not directly subject to any seasonal trend.

8. Revenue

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Retail revenue	468,124	452,009
Advertising and sponsorship revenue	211,554	184,218
Revenue from cable and satellite operator fees	24,970	24,867
Sale of equipment	7,888	13,112
Other revenue	10,234	22,870
Total	**722,770**	**697,076**

Retail revenue consists of pay-TV, Internet access and MVNO subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

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9. Operating costs

	Note	for the 3 months ended	
		31 March 2014 unaudited	31 March 2013 unaudited
Programming costs		104,381	99,155
Distribution, marketing, customer relation management and retention costs		75,332	78,990
Cost of internal and external TV production and amortization of sport rights		78,751	75,604
Depreciation, amortization, impairment and disposal		62,434	60,698
Salaries and employee-related costs	a	44,638	43,090
Broadcasting and signal transmission costs		40,613	38,004
Amortization of purchased film licenses		27,519	32,661
Cost of equipment sold		10,276	25,923
Cost of settlements with mobile network operators and interconnection charges		23,151	15,759
Cost of debt collection services and bad debt allowance and receivables written off		6,721	6,430
Other costs		33,647	36,652
Total		**507,463**	**512,966**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Salaries	37,084	35,910
Social security contributions	6,392	5,971
Other employee-related costs	1,162	1,209
Total	**44,638**	**43,090**

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10. Gain/loss on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Interest income	2,663	3,573
Other interest	(357)	(1,386)
Other foreign exchange gains/(losses)	(564)	1,713
Other investment income	19	1
Other costs	-	(66)
Total	**1,761**	**3,835**

11. Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Interest expense on loans and borrowings	34,362	19,387
Impact of hedging instruments valuation on interest expense on loans and borrowings	5,086	27
Realization of hedging instruments (IRS)	3,040	1,379
Interest expense on *Senior Notes*	48,153	27,161
Impact of hedging instruments valuation on interest expense on *Senior Notes*	3,077	755
Foreign exchange differences on *Senior Notes*	10,320	30,442
Guarantee fees, bank and other charges	4,720	924
Total	**108,758**	**80,075**

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12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2014 and as at 31 December 2013:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	**348,352,836**	**13,934**	

The shareholders' structure as at 31 March 2014 and as at 31 December 2013 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd.[1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd.[2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

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

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

The shares held by Pola Investments and included in the proxy given to Pola Investments by Sensor Overseas Ltd. seated in Nicosia, Cyprus (the company controlled by Mr. Heronim Ruta), represent jointly more than 50% of votes at the general meeting of the Company. On 24 April 2014 the Company received notification concerning the revocation by Sensor Overseas Ltd. of the above mentioned proxy.

On 16 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning conditional increase in the share capital by the amount not exceeding PLN 11,648. The increase of the Company's share capital shall be effected by way of the issue of up to 291,193,180 series I and J ordinary bearer shares. All series I and J shares will be earmarked for acquisition by shareholders of Metelem Holding Company Limited ("Metelem").

On 24 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning the issuance of 291,193,180 registered subscription warrants. The warrants entitle their holders to acquire ordinary bearer shares and on 7 May 2014 were offered to the vendors of shares in Metelem (for details please refer to note 21). The Extraordinary General Meeting of Cyfrowy Polsat decided that the existing shareholders are deprived of all the preemptive rights *vis-à-vis* all of the new issue ordinary bearer shares which may be issued by the Company under the conditional increase of the Company's share capital adopted on 16 January 2014.

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On 2 April 2014 took place the registration of a conditional increase of the Company's share capital.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued.

(iii) Other reserves

Other reserves include hedge valuation effect.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2014	2013
Balance as at 1January	**(8,964)**	**(20,631)**
Valuation of cash flow hedges	-	2,878
Amount transferred to income statement	11,066	782
Deferred tax	(2,102)	(696)
Change for the period	**8,964**	**2,964**
Balance as at 31 March unaudited	**-**	**(17,667)**

Due to the repayment of existing on 31 March 2014 debt and its replacement with new credit facility (see note 21) the test for hedge effectiveness proved that hedging instruments are not effective as at 31 March 2013 and therefore the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 3 months ended 31 March 2013 the hedge was valued at PLN 2,878 (positive), with PLN 782 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 3,660 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 2,964 (positive), including deferred tax.

14. Loans and borrowings

Loans and borrowings	**31 March 2014 unaudited**	**31 December 2013**
Short-term liabilities	240,921	245,994
Long-term liabilities	236,277	239,889
Total	**477,198**	**485,883**

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

Change in loans and borrowings liabilities

	2014	2013
Loans and borrowings as at 1 January	**485,883**	**867,611**
Repayment of capital	(37,394)	(49,813)
Repayment of interest and commissions	(5,653)	(14,037)
Interest accrued	34,362	19,387
Loans and borrowings as at 31 March unaudited	**477,198**	**823,148**

Valuation of loans and borrowings was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of loans and borrowings divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The above described indebtedness was refinanced on 7 May 2014. For details, please refer to note 21.

15. Senior Notes

	31 March 2014 unaudited	31 December 2013
Short-term liabilities	101,071	98,659
Long-term liabilities	1,396,071	1,340,010
Total	**1,497,142**	**1,438,669**

Change in *Senior Notes* payable

	2014	2013
***Senior Notes* payable as at 1 January**	**1,438,669**	**1,413,735**
Unrealized foreign exchange losses	10,320	30,442
Interest accrued	48,153	27,161
***Senior Notes* payable as at 31 March unaudited**	**1,497,142**	**1,471,338**

Valuation of *Senior Notes* payable was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of *Senior Notes* payable divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The Senior Notes were paid on 7 May 2014. For details, please refer to note 21.

16. Operating segments

The Group operates in the following two segments:

1. retail business 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.

Retail business 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 postpaid services which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet
- production of set-top boxes.

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

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

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

The 3 months ended 31 March 2014	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	484,009	238,761	-	722,770
Inter-segment revenues	6,528	26,906	(33,434)	-
Revenues	**490,537**	**265,667**	**(33,434)**	**722,770**
EBITDA (unaudited)	**180,645**	**100,709**	**-**	**281,354**
Depreciation, amortization, impairment and disposal	53,392	8,371	671	62,434
Profit/(loss) from operating activities	**127,253**	**92,338**	**(671)**	**218,920**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	61,650*	8,770	-	70,420
Balance as at 31 March 2014				
Assets, including:	1,712,458	4,183,049**	(44,313)	5,851,194
Investments in jointly controlled entity	-	1,235	-	1,235

*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 69.6 million (not in thousands).

All material revenues are generated in Poland.

It should be noted that the 3 months ended 31 March 2014 is not comparable to the 3 months ended 31 March 2013 as Polskie Media was acquired and RS TV was disposed on 30 August 2013 (both allocated to the Broadcasting and television production segment).

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2013:

The 3 months ended 31 March 2013	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	476,659	220,417	-	697,076
Inter-segment revenues	5,372	24,827	(30,199)	-
Revenues	**482,031**	**245,244**	**(30,199)**	**697,076**
EBITDA (unaudited)	**164,678**	**80,634**	**-**	**245,312**
Depreciation, amortization, impairment and disposal	52,150	7,949	599	60,698
Profit/(loss) from operating activities	**112,528**	**72,685**	**(599)**	**184,614**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	72,536*	4,130	-	76,666
Balance as at 31 March 2013				
Assets, including:	1,593,733	4,109,258**	(73,517)	5,629,474
Investments in jointly controlled entity	-	3,484	-	3,484

*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 54.5 million (not in thousands).

Reconciliation of EBITDA and Net profit for the period:

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
EBITDA (unaudited)	**281,354**	**245,312**
Depreciation, amortization, impairment and disposal (note 9)	(62,434)	(60,698)
Profit from operating activities	**218,920**	**184,614**
Other foreign exchange rate differences, net (note 10)	(564)	1,713
Interest income (note 10)	2,663	3,573
Share of the profit of jointly controlled entity accounted for using the equity method	633	762
Interest costs (note 10 and 11)	(94,075)	(50,095)
Foreign exchange differences on *Senior Notes* (note 11)	(10,320)	(30,442)
Other	(4,701)	(989)
Gross profit for the period	**112,556**	**109,136**
Income tax	(14,384)	(14,031)
Net profit for the period	**98,172**	**95,105**

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

17. Transactions with related parties

Receivables

	31 March 2014 unaudited	31 December 2013
Jointly controlled entities	614	753
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	16,180	12,157
Total*	**16,794**	**12,910**

*Amounts presented above do not include deposits paid (31 March 2014 – PLN 2,558, 31 December 2013 – PLN 2,558)

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

Other assets

	31 March 2014 unaudited	31 December 2013
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	96,757	98,640
Total	**96,757**	**98,640**

Other current assets comprise mainly deferred costs (short- and long-term) related to the agreement with Mobyland Sp. z o.o. ("Mobyland") and Polkomtel S.A („Polkomtel").

On 27 March 2014 Cyfrowy Polsat signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the package for use in future periods is set at 20.1 million GB as at 31 December 2013. The payment was already made in previous periods.

On 27 March 2014, the Parent signed an agreement with Polkomtel as regards the provision of data transmission services which set the commercial start of these services at 1 January 2014. On signing the agreement, the Parent placed an order regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the package until 31 December 2016. Payment for the above order will be settled in monthly installments, starting from 1 January 2014.

More details regarding the above-mentioned agreements are presented in note 20.

Liabilities

	31 March 2014 unaudited	31 December 2013
Jointly controlled entities	1,515	567
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	35,420	3,989
Total	**36,935**	**4,556**

Liabilities due comprise *inter alia* liabilities resulting from the agreement with Polkomtel for the provision of data services.

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

Revenues

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Jointly controlled entities	87	87
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	6,722	9,142
Total	**6,809**	**9,229**

In 3 months ended 31 March 2014 the most significant transactions include sale of interconnect services, sponsoring and revenues from audiotext services. In 3 months ended 31 March 2013 the most significant transactions include license fees on programming assets, transponder rental fees, sale of equipment and interconnect services and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Jointly controlled entities	1,455	1,400
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	49,978	55,736
Total	**51,433**	**57,136**

Most significant transactions include expenses for programming assets, data transfer services, advertising services, property rental, telecommunication services with respect to the Group's customer call center, IT services, license fees for broadcasting Polsat Jim Jam and rental of filming and lighting equipment.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	-	47
Total	**-**	**47**

18. Litigations

Management believes that the provisions as at 31 March 2014 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

19. 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. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

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

	Category according to IAS 39	The level of the fair value hierarchy	31 March 2014 unaudited		31 December 2013	
			Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted to third parties	A	2	125	125	124	124
Trade and other receivables	A	2	391,154	391,154	369,868	369,868
Interest rate swaps	B	2	(5,117)	(5,117)	(8,041)	(8,041)
Cross-currency interest rate swaps	B	2	(3,418)	(3,418)	(4,054)	(4,054)
Cash and cash equivalents	A	2	428,190	428,190	342,251	342,251
Loans and borrowings	C	2	(479,734)	(477,198)	(516,472)	(485,883)
Senior notes	C	2	(1,542,442)	(1,497,142)	(1,553,126)	(1,438,669)
Finance lease liabilities	C	2	(387)	(403)	(442)	(463)
Accruals	C	2	(105,624)	(105,624)	(136,024)	(136,024)
Trade and other payables and deposits	C	2	(252,280)	(252,280)	(195,142)	(195,142)
Total			**(1,569,533)**	**(1,521,713)**	**(1,701,058)**	**(1,556,033)**
Unrecognized gain/(loss)				(47,820)		(145,025)

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 finance lease liabilities, forecasted cash flows from the reporting date December 2015 (assumed date of lease agreements termination) were analyzed. The discount rate for each month 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. Evaluation methods used to calculate fair values of loans granted to related and non-related parties are based on observable market data – WIBOR interest rates.

As at 31 March 2014 loans and borrowings comprised senior facility. When determining the fair value of senior facility as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2013, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk.

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

The fair value of bonds was calculated as their closing bid price as at the balance sheet date as quoted by Reuters multiplied by the EUR/PLN exchange rate as at the balance sheet date.
As at 31 March 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	31 March 2014 unaudited	Level 1	Level 2	Level 3
IRS			(5,117)	
CIRS			(3,418)	
Total		**-**	**(8,535)**	**-**

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

	31 December 2013	Level 1	Level 2	Level 3
IRS			(8,041)	
CIRS			(4,054)	
Total		**-**	**(12,095)**	**-**

20. Important agreements and events

Agreements for the provision of data transfer services

On 27 March 2014 Cyfrowy Polsat S.A. signed a subsequent Memorandum of Understanding ("Memorandum") to the agreement concluded between the Company and Mobyland on the provision of data transfer services. The Memorandum defines in particular a new price per 1 MB and terms and conditions of settlement of the unused data packages resulting from previous orders, and also specifies the volume and conditions of the next order the Company intends to place through Polkomtel Sp. z o.o. ("Polkomtel").
Under the signed Memorandum, the parties set a new, lower price per 1 MB of data transfer in the amount of PLN 0.00477 net (not in thousands) and decided that the unused as at the end of 2013, but already paid for data package will be recalculated in accordance with this new price. Thereby, as a result of the Memorandum, the volume of the unused, but already paid for data package in the HSPA+ and LTE technology, remaining at the Company's disposal as at the end of 2013, amounts to 20,1 million GB.

On 27 March 2014 a framework agreement ("Agreement") was signed between the Company and Polkomtel, concerning the terms of cooperation between parties as regards the provision of data transfer services by Polkomtel for the Company. The

parties agreed that the date of validity and moment of commercial start, following from the provisions of the abovementioned Agreement, will be 1 January 2014.
Within the framework of the aforesaid Agreement, Polkomtel will provide the Company with access to wireless data transfer, realized on the basis of LTE, HSPA+, HSPA and EDGE technologies. The maturity of the Agreement is unlimited and its value will be defined based on separate orders placed by the Company, regarding the purchase of Data Transfer Service, expressed as a number of GB.

On the Agreement date, the Company placed Order No. 1 with Polkomtel, regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the Order until 31 December 2016 and net price of PLN 0.00477 (not in thousands) per 1 MB. The total value of Order No. 1 amounts to PLN 297,953, and the payment will be settled in monthly installments, starting from January 2014, as follows:

(i) for every month from January to December 2014 - in the net amount of PLN 6,667;
(ii) for every month from January to December 2015 - in the net amount of PLN 10,000;
(iii) for every month from January to December 2016 - in the net amount of PLN 8,163.

21. Events subsequent to the reporting date

Conclusion of a facility agreement

On 11 April 2014 Cyfrowy Polsat S.A. as the borrower, together with Telewizja Polsat sp. z o.o., Cyfrowy Polsat Trade Marks sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement ("Senior Facilities Agreement") with a syndicate of Polish and foreign banks led by ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking ("Global Banking Coordinators") and comprising Société Générale Bank & Trust S.A., HSBC Bank plc, Bank Millennium S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., BNP Paribas Fortis SA/NV, Credit Agricole Bank Polska S.A., Credit Agricole Corporate & Investment Banking, DNB Bank ASA, DNB Bank Polska S.A., Erste Group Bank AG, mBank S.A., PZU FIZ AN BIS 1, Raiffeisen Bank Poska S.A., RBS Bank (Polska) S.A., Société Générale S.A., Oddział w Polsce, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., as well as UniCredit Bank AG, London Branch, acting as the Agent and the Security Agent.

The Senior Facilities Agreement envisages the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500,000 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500,000 ("Revolving Facility Loan").

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR rate (for indebtedness in PLN) or EURIBOR (for indebtedness in EUR) or LIBOR (for indebtedness in another currency permitted under the Senior Facilities Agreement) for the appropriate interest period and the applicable margin. The margin on the Term Facility and the Revolving Facility Loan will depend on the level of the "total leverage" ratio in such way that the lower it is, the lower the margin will also be. The Term Facility will be repaid in quarterly instalment of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019.

The receivables of the Company and the remaining debtors under the aforementioned facilities will be secured by security interests established by the Company and other entities. In particular, such security interests will include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over share in the Company's subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company's subsidiaries which are governed by foreign law.

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

1. for repaying the whole indebtedness arising from or referred to in the following documents:
a) the Senior Facilities Agreement of 31 March 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and
b) the Indenture of 20 May 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and
2. towards the general corporate and working capital purposes of the Group.

In addition, the Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of 17 February 2012 relating to pay-in-kind notes ("PIK Notes") issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem Holding Company Limited, which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

Furthermore, in accordance with the provisions of the Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the Term Facility Loan and the Revolving Facility Loan.

Execution of forward currency transactions

In connection with the indebtedness refinancing under the Senior Secured Notes issued pursuant to the Indenture dated 20 May 2011, Cyfrowy Polsat S.A. has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 17 April 2014, as a result of which the aggregate value of these transactions reached EUR 383 million (not in thousands). The date of settlement of these transactions was defined as 6 May 2014, with the median PLN/EUR exchange rate at the level of 4.1979 PLN/EUR.

Approval of prospectus by the Polish Financial Supervision Authority

On 28 April 2014 the Polish Financial Supervision Authority approved the prospectus of the Company's Series I and Series J shares prepared for the purposes of applying for the admission of these shares to trading on a regulated market operated by the Warsaw Stock Exchange.

Resolution on the payment of dividend

On 29 April 2014 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2013. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2013 in the amount of PLN 429,013 is appropriated as follows: (i) PLN 102,860 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326,153 to the supplementary capital.

Execution of forward currency transactions

For the purposes of changing the structure of indebtedness of the Metelem Holding Company Limited group (after a takeover of Metelem by the Company) by way of increasing the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem group through the repayment by Eileme 1 AB (publ), a subsidiary of Metelem, of its indebtedness under 14.25% PIK Notes due in 2020, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 7 May 2014, as a result of which the aggregate value of these transactions reached USD 290 million (not in thousands). The date of settlement of these transactions was defined as 23 May 2014, with the median exchange rate at the level of 3.0247 PLN/USD.

Repayment of the entire indebtedness under Senior Facilities and Senior Notes

On 7 May 2014 the Group repaid the entire indebtedness under:

(1) the senior facility granted to the Company on the basis of the Senior Facilities Agreement of 31 March 2011, as amended; and
(2) the senior secured notes issued by Cyfrowy Polsat Finance AB (publ) pursuant to the Indenture of 20 May 2011.

The funds for repayment of the facilities and the notes referred to above have been derived from a term facility issued to the Company on 11 April 2014.

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 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 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.

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

Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0,04 each.

Admission and introduction of series I shares to stock exchange trading and admission of J shares to stock exchange

On 12 May 2014 the Management Board of the Warsaw Stock Exchange (the "WSE") declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective 14 May 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on 14 May 2014.
Furthermore the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company's Series J shares are not shares of the same type as the Company's shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, it is the Company's intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company's shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

22. 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 SFA.

Commitments to purchase programming assets

As at 31 March 2014 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2014 unaudited	**31 December 2013**
within one year	158,294	190,320
between 1 to 5 years	80,736	80,520
Total	**239,030**	**270,840**

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

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

	31 March 2014 unaudited	31 December 2013
within one year	18,258	18,191
Total	**18,258**	**18,191**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of technical equipment was PLN 3,898 as at 31 March 2014 (PLN 4,864 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,022 as at 31 March 2014 (PLN 509 as at 31 December 2013). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2014 was PLN 24,771 (PLN 26,809 as at 31 December 2013).

23. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements, excluding changes in estimates described in note 5, were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2013.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 14 May 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period
from 1 January 2014 to 31 March 2014 showing a net loss for the period of: PLN 3,567

Interim Statement of Comprehensive Income for the period
from 1 January 2014 to 31 March 2014 showing a total comprehensive income for the period of: PLN 5,397

Interim Balance Sheet as at
31 March 2014 showing total assets and total equity and liabilities of: PLN 6,013,626

Interim Cash Flow Statement for the period
from 1 January 2014 to 31 March 2014 showing a net increase in cash and cash equivalents amounting to: PLN 3,972

Interim Statement of Changes in Equity for the period
from 1 January 2014 to 31 March 2014 showing an increase in equity of: PLN 5,397

Notes to the Interim Condensed Financial Statements

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

Dominik Libicki President of the Management Board	Tomasz Szeląg Member of the Management Board	Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board

Dorota Wołczyńska
Chief Accountant

Warsaw, 14 May 2014

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

Interim Income Statement

		for the 3 months ended	
	Note	31 March 2014 unaudited	31 March 2013 unaudited
Revenue	8	487,425	477,477
Operating costs	9	(381,051)	(383,175)
Other operating income, net		3,520	396
Profit from operating activities		**109,894**	**94,698**
Gain/loss on investment activities, net	10	2,177	23,372
Finance costs	11	(118,124)	(84,553)
Gross profit/(loss) for the period		**(6,053)**	**33,517**
Income tax		2,486	1,385
Net profit/(loss) for the period		**(3,567)**	**34,902**
Basic and diluted earnings per share (in PLN)		**(0.01)**	**0.10**

Interim Statement of Comprehensive Income

		for the 3 months ended	
	Note	31 March 2014 unaudited	31 March 2013 unaudited
Net profit / (loss) for the period		**(3,567)**	**34,902**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	11,066	3,660
Income tax relating to hedge valuation	13	(2,102)	(696)
Items that may be reclassified subsequently to profit or loss		**8,964**	**2,964**
Other comprehensive income, net of tax		**8,964**	**2,964**
Total comprehensive income for the period		**5,397**	**37,866**

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

Interim Balance Sheet - Assets

	31 March 2014 unaudited	**31 December 2013**
Reception equipment	395,393	407,579
Other property, plant and equipment	163,410	167,072
Goodwill	52,022	52,022
Other intangible assets	71,000	72,067
Investment property	1,886	1,905
Shares in subsidiaries	4,719,928	4,719,928
Non-current deferred distribution fees	26,502	29,551
Other non-current assets	2	12,300
Total non-current assets	**5,430,143**	**5,462,424**
Inventories	159,691	144,694
Trade and other receivables	215,528	214,305
Current deferred distribution fees	70,958	70,055
Other current assets	107,251	105,154
Cash and cash equivalents	30,055	26,075
Total current assets	**583,483**	**560,283**
Total assets	**6,013,626**	**6,022,707**

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

Interim Balance Sheet - Equity and Liabilities

	31 March 2014 unaudited	31 December 2013
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Hedge valuation reserve	-	(8,964)
Retained earnings	2,117,538	2,121,105
Total equity	**3,426,575**	**3,421,178**
Loans and borrowings	236,277	239,889
Issued bonds	1,387,188	1,322,758
Finance lease liabilities	1,320	1,498
Deferred tax liabilities	81,364	93,766
Deferred income	3,008	4,079
Other non-current liabilities and provisions	7,040	7,175
Total non-current liabilities	**1,716,197**	**1,669,165**
Loans and borrowings	240,921	297,283
Issued bonds	115,263	112,207
Finance lease liabilities	2,049	2,175
Trade and other payables	287,636	304,708
Income tax liability	8,031	3,923
Deposits for equipment	2,838	2,727
Deferred income	214,116	209,341
Total current liabilities	**870,854**	**932,364**
Total liabilities	**2,587,051**	**2,601,529**
Total equity and liabilities	**6,013,626**	**6,022,707**

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

Interim Cash Flow Statement

	Note	for the 3 months ended 31 March 2014 unaudited	31 March 2013 unaudited
Net profit/(loss)		**(3,567)**	**34,902**
Adjustments for:		**142,064**	**32,590**
Depreciation, amortization, impairment and disposal	9	52,444	52,322
(Gain)/loss on sale of property, plant and equipment and intangible assets		(26)	37
Interest expense		100,864	53,206
Change in inventories		(14,997)	10,558
Change in receivables and other assets		11,642	(19,375)
Change in liabilities, provisions and deferred income		2,588	(32,904)
Valuation of hedging instruments		11,066	3,660
Foreign exchange losses, net		10,649	30,294
Income tax		(2,486)	(1,385)
Net increase in reception equipment provided under operating lease		(30,564)	(40,920)
Dividends income		-	(24,379)
Other adjustments		884	1,476
Cash from operating activities		**138,497**	**67,492**
Income tax paid		(7,911)	(281)
Interest received from operating activities		328	268
Net cash from operating activities		**130,914**	**67,479**
Acquisition of property, plant and equipment		(12,596)	(18,935)
Acquisition of intangible assets		(16,262)	(12,739)
Dividends received		-	24,379
Share capital increase in subsidiaries		-	(131,000)
Proceeds from sale of property, plant and equipment		45	26
Net cash used in investing activities		**(28,813)**	**(138,269)**
Net cash from Cash Pool with paid interest		(51,288)	111,057
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(9,052)	(15,921)
Finance lease – principal repayments		(395)	(598)
Repayment of loans and borrowings	14	(37,394)	(49,813)
Net cash from/(used in) financing activities		**(98,129)**	**44,725**
Net increase/(decrease) in cash and cash equivalents		**3,972**	**(26,065)**
Cash and cash equivalents at the beginning of period		**26,075**	**59,316**
Effect of exchange rate fluctuations on cash and cash equivalents		8	(11)
Cash and cash equivalents at the end of period		**30,055**	**33,240**

* Includes impact of hedging instruments

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

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

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2014	**13,934**	**1,295,103**	**(8,964)**	**2,121,105**	**3,421,178**
Total comprehensive income	-	-	8,964	(3,567)	**5,397**
Hedge valuation reserve	-	-	*8,964*	-	***8,964***
Net profit/(loss) for the period	-	-	-	*(3,567)*	***(3,567)***
Balance as at 31 March 2014 unaudited	**13,934**	**1,295,103**	**-**	**2,117,538**	**3,426,575**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Statement of Changes in Equity for the 3 months ended 31 March 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(20,631)**	**1,692,092**	**2,980,498**
Total comprehensive income	-	-	2,964	34,902	**37,866**
Hedge valuation reserve	-	-	*2,964*	-	***2,964***
Net profit for the period	-	-	-	*34,902*	***34,902***
Balance as at 31 March 2013 unaudited	**13,934**	**1,295,103**	**(17,667)**	**1,726,994**	**3,018,364**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Financial Statements

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as Internet access services provider and a Mobile Virtual Network Operator ('MVNO').

The Company's activities comprise one segment – services rendered to general public.

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 ('Group'). The Group encompasses the Company, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, Telewizja Polsat Sp. z o.o. and its subsidiaries and jointly controlled entities, Redefine Sp. z o.o. and its subsidiary, Netshare Sp. z o.o., Gery.pl Sp. z o.o. and Frazpc.pl Sp. z o.o. The Group operates in two segments: (1) retail business which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 3 months ended 31 March 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Company applied the same accounting policies in the preparation of the financial data for the 3 months ended 31 March 2014 and the financial statements for the year 2013, presented in the annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 and changes to the accounting policies presented in note 5. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 do not have a material impact on these interim condensed financial statements.

5. Changes of the accounting policies published in the most recent annual financial statements

The Company has changed the method of inventory measure. To the end of year 2013 cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. The estimation of the amount of the above mentioned change is impracticable.

6. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 14 May 2014.

7. Information on Seasonality in the Company's Operations

Revenue from subscription fees is not directly subject to any seasonal trend.

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

8. Revenue

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Retail revenue	468,124	450,898
Sale of equipment	7,882	13,098
Other revenue	11,419	13,481
Total	**487,425**	**477,477**

Retail revenue consists of pay-TV, Internet access and MVNO subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

9. Operating costs

		for the 3 months ended	
	Note	**31 March 2014 unaudited**	**31 March 2013 unaudited**
Programming costs		119,646	116,391
Distribution, marketing, customer relation management and retention costs		76,508	78,796
Depreciation, amortization, impairment and disposal		52,444	52,322
Salaries and employee-related costs	a	30,078	26,954
Broadcasting and signal transmission costs		25,269	21,617
Cost of settlements with mobile network operators and interconnection charges		23,151	15,759
Cost of equipment sold		10,274	25,715
Cost of debt collection services and bad debt allowance and receivables written off		6,905	7,328
Other costs		36,776	38,293
Total		**381,051**	**383,175**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Salaries	24,645	22,069
Social security contributions	4,517	4,107
Other employee-related costs	916	778
Total	**30,078**	**26,954**

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

10. Gain/loss on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Dividends received	-	24,379
Guarantee fees from related parties	2,304	2,276
Interest	492	(519)
Other foreign exchange losses, net	(619)	(2,764)
Total	**2,177**	**23,372**

11. Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Interest expense on loans and borrowings	34,362	19,387
Impact of hedging instruments valuation on interest expense on loans and borrowings	5,086	27
Realization of hedging instruments (IRS)	3,040	1,379
Interest expense on issued bonds	56,829	31,139
Impact of hedging instruments valuation on interest expense on issued bonds	3,077	755
Foreign exchange differences on issued bonds	10,657	30,283
Guarantee fees	1,931	750
Bank and other charges	3,142	833
Total	**118,124**	**84,553**

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

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2014 and 31 December 2013:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	**348,352,836**	**13,934**	

The shareholders' structure as at 31 March 2014 and 31 December 2013 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd. [1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. [2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

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

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

The shares held by Pola Investments and included in the proxy given to Pola Investments by Sensor Overseas Ltd. seated in Nicosia, Cyprus (the company controlled by Mr. Heronim Ruta), represent jointly more than 50% of votes at the general meeting of the Company. On 24 April 2014 the Company received notification concerning the revocation by Sensor Overseas Ltd. of the above mentioned proxy.

On 16 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning conditional increase in the share capital by the amount not exceeding PLN 11,648. The increase of the Company's share capital shall be effected by way of the issue of up to 291,193,180 series I and J ordinary bearer shares. All series I and J shares will be earmarked for acquisition by shareholders of Metelem Holding Company Limited ("Metelem").

On 24 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning the issuance of 291,193,180 registered subscription warrants. The warrants entitle their holders to acquire ordinary bearer shares and on 7 May 2014 were offered to the vendors of shares in Metelem (for details please refer to note 20). The Extraordinary General Meeting of Cyfrowy Polsat decided that the existing shareholders are deprived of all the preemptive rights *vis-à-vis* all of the new issue ordinary bearer shares which may be issued by the Company under the conditional increase of the Company's share capital adopted on 16 January 2014.

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

On 2 April 2014 took place the registration of a conditional increase of the Company's share capital.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued.

13. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2014	2013
Balance as at 1January	**(8,964)**	**(20,631)**
Valuation of cash flow hedges	-	2,878
Amount transferred to income statement	11,066	782
Deferred tax	(2,102)	(696)
Change for period	**8,964**	**2,964**
Balance as at 31 March unaudited	**-**	**(17,667)**

Due to the repayment of existing on 31 March 2014 debt and its replacement with new credit facility (see note 20) the test for hedge effectiveness proved that hedging instruments are not effective as at 31 March 2013 and therefore the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 3 months ended 31 March 2013 the hedge was valued at PLN 2,878 (positive), with PLN 782 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 3,660 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 2,964 (positive), including deferred tax.

14. Loans and borrowings

Loans and borrowings	**31 March 2014 unaudited**	**31 December 2013**
Short-term liabilities	240,921	297,283
Long-term liabilities	236,277	239,889
Total	**477,198**	**537,172**

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

Change in loans and borrowings liabilities

	2014	2013
Loans and borrowings as at 1 January	**537,172**	**903,442**
Repayment of capital	(37,394)	(49,813)
Repayment of interest and commissions	(5,654)	(14,037)
Net cash from Cash Pool	(51,288)	111,591
Interest accrued	34,362	19,387
Loans and borrowings as at 31 March unaudited	**477,198**	**970,570**

Valuation of loans and borrowings was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of loans and borrowings divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The above described indebtedness was refinanced on 7 May 2014. For details, please refer to note 20.

15. Issued bonds

	31 March 2014 unaudited	31 December 2013
Short-term liabilities	115,263	112,207
Long-term liabilities	1,387,188	1,322,758
Total	**1,502,451**	**1,434,965**

Change in issued bonds payable

	2014	2013
Issued bonds payable as at 1 January	**1,434,965**	**1,409,271**
Unrealized foreign exchange losses	10,657	30,283
Interest accrued	56,829	31,139
Issued bonds payable as at 31 March unaudited	**1,502,451**	**1,470,693**

Valuation of bonds payable was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of bonds payable divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The bonds were repaid on 7 May 2014. For details, please refer to note 20.

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

16. Transactions with related parties

Receivables

	31 March 2014 unaudited	31 December 2013
Subsidiaries	6,394	7,339
Jointly controlled entities	586	725
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	9,209	5,796
Total	**16,189**	**13,860**

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

Other assets

	31 March 2014 unaudited	31 December 2013
Subsidiaries	4,063	2,160
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	96,757	98,640
Total	**100,820**	**100,800**

Other current assets comprise mainly deferred costs (short- and long-term) related to the agreement with Mobyland Sp. z o.o. ("Mobyland") and Polkomtel S.A („Polkomtel").

On 27 March 2014 the Company signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the package for use in future periods is set at 20.1 million GB as at 31 December 2013. The payment was already made in previous periods.

On 27 March 2014, the Company signed an agreement with Polkomtel as regards the provision of data transmission services which set the commercial start of these services at 1 January 2014. On signing the agreement, the Company placed an order regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the package until 31 December 2016. Payment for the above order will be settled in monthly installments, starting from 1 January 2014.

More details regarding the above-mentioned agreements are presented in note 19.

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

Liabilites

	31 March 2014 unaudited	31 December 2013
Subsidiaries	44,064	27,309
Jointly controlled entities	1,140	380
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	29,625	106
Total	**74,829**	**27,795**

Liabilities due comprise *inter alia* liabilities resulting from the agreement with Polkomtel for the provision of data services and from using "Cyfrowy Polsat" trade mark.

Bond liabilities

	31 March 2014 unaudited	31 December 2013
Subsidiaries	1,502,451	1,434,965
Total	**1,502,451**	**1,434,965**

Revenues

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Subsidiaries	5,909	4,815
Jointly controlled entities	3	3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	971	1,552
Total	**6,883**	**6,370**

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

Expenses

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Subsidiaries	50,513	49,772
Jointly controlled entities	704	716
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	31,648	16,969
Total	**82,865**	**67,457**

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

The most significant transactions include license fees for broadcasting programs: Polsat Film HD, Polsat Romans, Polsat Futbol, Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD, Polsat Film, Polsat News, Polsat Play, Polsat Cafe, Polsat Sport HD and Polsat Jim Jam.

The Company also incurs expenses for using 'Cyfrowy Polsat' trade mark, data transfer services, purchasing advertising time, telecommunication services with respect to the Company's customer call center and commissions for subscribers' acquisitions.

Gains and losses on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Subsidiaries	2,304	26,655
Total	**2,304**	**26,655**

Gains and losses on investment activities comprises chiefly dividends (in 2013) and also income from guarantees granted by the Company in respect to settlement of high yield notes issued by Cyfrowy Polsat Finance AB.

Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Subsidiaries	57,235	31,882
Total	**57,235**	**31,882**

Finance costs comprise chiefly interest on bonds and also guarantee fees in respect to settlement of Senior Facility loan.

17. Litigations

Management believes that the provisions as at 31 March 2014 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

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. They should be read in conjunction with the Company's annual financial statements as at 31 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

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

Fair value

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

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

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

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

			31 March 2014 unaudited		31 December 2013	
	Category according to IAS 39	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Trade and other receivables	A	2	213,486	213,486	210,957	210,957
IRS	B	2	(5,117)	(5,117)	(8,041)	(8,041)
CIRS	B	2	(3,418)	(3,418)	(4,054)	(4,054)
Cash and cash equivalents	A	2	30,055	30,055	26,075	26,075
Loans and borrowings	C	2	(479,734)	(477,198)	(567,761)	(537,172)
Issued bonds	C	2	(1,549,283)	(1,502,451)	(1,613,038)	(1,434,965)
Finance lease liabilities	C	2	(3,419)	(3,369)	(3,736)	(3,673)
Accruals	C	2	(95,774)	(95,774)	(123,389)	(123,389)
Trade and other payables and deposits	C	2	(153,976)	(153,976)	(132,235)	(132,235)
Total			**(2,047,180)**	**(1,997,762)**	**(2,215,222)**	**(2,006,497)**
Unrecognized gain/(loss)				(49,418)		(208,725)

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 June 2017 (assumed date of repayment of lease agreements termination) were analyzed. The discount rate for each month was calculated as an applicable WIBOR interest rate plus a margin regarding the Company's credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 31 March 2014 loans and borrowings comprised senior facility and as at 31 December 2013 senior facility and Cash Pool. When determining the fair value of senior facility as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2013, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin. The fair value of Cash Pool is set as the nominal value, which is equal to carrying amount.

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

When determining the fair value of issued bonds as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the bonds) were analyzed. When determining the fair value of issued bonds as at 31 December 2013, forecasted cash flows from the reporting date to 20 May 2018 (assumed maturity date of the bonds) were analyzed. EURIBOR interest rate plus margin was applied as a discount rate.

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

Liabilities measured at fair value	**31 March 2014 unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS			(5,117)	
CIRS			(3,418)	
Total		**-**	**(8,535)**	**-**

As at 31 December 2013, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value	**31 December 2013**	**Level 1**	**Level 2**	**Level 3**
IRS			(8,041)	
CIRS			(4,054)	
Total		**-**	**(12,095)**	**-**

19. Important agreements and events

Agreements for the provision of data transfer services

On 27 March 2014 the Company signed a subsequent Memorandum of Understanding ("Memorandum") to the agreement concluded between the Company and Mobyland on the provision of data transfer services. The Memorandum defines in particular a new price per 1 MB and terms and conditions of settlement of the unused data packages resulting from previous orders, and also specifies the volume and conditions of the next order the Company intends to place through Polkomtel Sp. z o.o. ("Polkomtel").

Under the signed Memorandum, the parties set a new, lower price per 1 MB of data transfer in the amount of PLN 0.00477 net (not in thousands) and decided that the unused as at the end of 2013, but already paid for data package will be recalculated in accordance with this new price. Thereby, as a result of the Memorandum, the volume of the unused, but already paid for data package in the HSPA+ and LTE technology, remaining at the Company's disposal as at the end of 2013, amounts to 20.1 million GB.

On 27 March 2014 a framework agreement ("Agreement") was signed between the Company and Polkomtel, concerning the terms of cooperation between parties as regards the provision of data transfer services by Polkomtel for the Company. The parties agreed that the date of validity and moment of commercial start, following from the provisions of the abovementioned Agreement, will be 1 January 2014.
Within the framework of the aforesaid Agreement, Polkomtel will provide the Company with access to wireless data transfer, realized on the basis of LTE, HSPA+, HSPA and EDGE technologies. The maturity of the Agreement is unlimited and its value will be defined based on separate orders placed by the Company, regarding the purchase of Data Transfer Service, expressed as a number of GB.

On the Agreement date, the Company placed Order No. 1 with Polkomtel, regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the Order until 31 December 2016 and net price of PLN 0.00477 (not in thousands) per 1 MB. The total value of Order No. 1 amounts to PLN 297,953, and the payment will be settled in monthly installments, starting from January 2014, as follows:

(i) for every month from January to December 2014 - in the net amount of PLN 6,667;
(ii) for every month from January to December 2015 - in the net amount of PLN 10,000;
(iii) for every month from January to December 2016 - in the net amount of PLN 8,163.

20. Events subsequent to the reporting date

Conclusion of a facility agreement

On 11 April 2014 the Company as the borrower, together with Telewizja Polsat sp. z o.o., Cyfrowy Polsat Trade Marks sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement ("Senior Facilities Agreement") with a syndicate of Polish and foreign banks led by ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking ("Global Banking Coordinators") and comprising Société Générale Bank & Trust S.A., HSBC Bank plc, Bank Millennium S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., BNP Paribas Fortis SA/NV, Credit Agricole Bank Polska S.A., Credit Agricole Corporate & Investment Banking, DNB Bank ASA, DNB Bank Polska S.A., Erste Group Bank AG, mBank S.A., PZU FIZ AN BIS 1, Raiffeisen Bank Poska S.A., RBS Bank (Polska) S.A., Société Générale S.A., Oddział w Polsce, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., as well as UniCredit Bank AG, London Branch, acting as the Agent and the Security Agent.

The Senior Facilities Agreement envisages the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500,000 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500,000 ("Revolving Facility Loan").

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR rate (for indebtedness in PLN) or EURIBOR (for indebtedness in EUR) or LIBOR (for indebtedness in another currency permitted under the Senior Facilities Agreement) for the appropriate interest period and the applicable margin. The margin on the Term Facility and the Revolving Facility Loan will depend on the level of the "total leverage" ratio in such way that the lower it is, the lower the margin will also be. The Term Facility will be repaid in quarterly instalment of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019.

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

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

1. for repaying the whole indebtedness arising from or referred to in the following documents:
a) the Senior Facilities Agreement of 31 March 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and
b) the Indenture of 20 May 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and
2. towards the general corporate and working capital purposes of the Group.

In addition, the Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of 17 February 2012 relating to pay-in-kind notes ("PIK Notes") issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem Holding Company Limited, which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

Furthermore, in accordance with the provisions of the Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the Term Facility Loan and the Revolving Facility Loan.

Execution of forward currency transactions

In connection with the indebtedness refinancing under the Senior Secured Notes issued pursuant to the Indenture dated 20 May 2011, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 17 April 2014, as a result of which the aggregate value of these transactions reached EUR 383 million (not in thousands). The date of settlement of these transactions was defined as 6 May 2014, with the median PLN/EUR exchange rate at the level of 4.1979 PLN/EUR.

Approval of prospectus by the Polish Financial Supervision Authority

On 28 April 2014 the Polish Financial Supervision Authority approved the prospectus of the Company's Series I and Series J shares prepared for the purposes of applying for the admission of these shares to trading on a regulated market operated by the Warsaw Stock Exchange.

Resolution on the payment of dividend

On 29 April 2014 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2013. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2013 in the amount of PLN 429,013 is appropriated as follows: (i) PLN 102,860 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326,153 to the supplementary capital.

Execution of forward currency transactions

For the purposes of changing the structure of indebtedness of the Metelem Holding Company Limited group (after a takeover of Metelem by the Company) by way of increasing the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem group through the repayment by Eileme 1 AB (publ), a subsidiary of Metelem, of its indebtedness under 14.25% PIK Notes due in 2020, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 7 May 2014, as a result of which the aggregate value of these transactions reached USD 290 million (not in thousands). The date of settlement of these transactions was defined as 23 May 2014, with the median exchange rate at the level of 3.0247 PLN/USD.

Repayment of the entire indebtedness under Senior Facilities and issued bonds

On 7 May 2014 the Company repaid the entire indebtedness under:

(1) the senior facility granted to the Company on the basis of the Senior Facilities Agreement of 31 March 2011, as amended; and
(2) the bonds issued by the Company.

The funds for repayment of the facilities and the notes referred to above have been derived from a term facility issued to the Company on 11 April 2014.

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 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 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 each.

Admission and introduction of series I shares to stock exchange trading and admission of J shares to stock exchange

On 12 May 2014 the Management Board of the Warsaw Stock Exchange (the "WSE") declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective 14 May 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on 14 May 2014.
Furthermore the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company's Series J shares are not shares of the same type as the Company's shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, it is the Company's intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company's shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

21. Off-balance sheet liabilities

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.

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 1,652 as at 31 March 2014 (PLN 1,895 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 103 as at 31 March 2014 (PLN 0 as at 31 December 2013). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2014 was PLN 1,235 (PLN 1,979 as at 31 December 2013).

22. Judgments, financial estimates and assumptions

The preparation of financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation on these interim condensed financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2013.