

## **REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD OF CYFROWY POLSAT S.A. IN 2013**

The Supervisory Board presents the report on its activities in the financial year 2013, comprising, in particular, an assessment of the Management Board's report on activities of Cyfrowy Polsat S.A. ("the Company") in the financial year 2013, financial statements of the Company for the financial year 2013 and of the motion for distribution of profit generated by the Company in the financial year 2013, as well as an assessment of the internal control system and system of management of risks relevant to the Company.

### **1. Composition of the Supervisory Board**

In the period from January 1, 2013 to December 31, 2013 the Supervisory Board comprised:

- 1) Mr. Zygmunt Solorz- Żak;
- 2) Mr. Heronim Ruta;
- 3) Mr. Andrzej Papis;
- 4) Mr. Robert Gwiazdowski;
- 5) Mr. Leszek Reksa.

In 2012, all members of the Supervisory Board were appointed for another 3-year term pursuant to the resolutions of Annual General Meeting adopted on June 5, 2012.

Robert Gwiazdowski and Pan Leszek Reksa were appointed as independent members of the Supervisory Board, thereby complying with principle No. III.6 of the Code of Best Practices for WSE Listed Companies, adopted by a resolution of the WSE Supervisory Board of July 4, 2007 with further amendments, according to which at least two members of the Supervisory Board should fulfill the criteria of independence from the Company and parties related to the Company.

In the period from January 1, 2013 to December 31, 2013 Mr. Zygmunt Solorz-Żak held the position of Chairman of the Supervisory Board.

### **2. The scope of activities of the Supervisory Board**

The Supervisory Board acts on the basis of Commercial Companies Code as well as the Company's Articles of Association and Regulations of the Supervisory Board of the Company dated December 3, 2007.

In 2013, the Supervisory Board performed constant supervision over the activities of the Company in all the branches of the enterprise. The Supervisory Board devoted particular attention to the analysis of the financial performance, mainly in the context of building the position of market leader by the Company in all areas of activity, especially through the development of the Company's services including online video services, internet access in LTE technology and integrated services based on the cooperation with Polkomtel. Sp. z o.o., as well as strengthening the market position of Telewizja Polsat Sp. z o.o. through the acquisition of Polskie Media S.A.

The Supervisory Board has also closely followed the changes occurring on the Polish DTH and telecommunications markets, as well as the process of implementation of digital terrestrial television, monitoring the risks and the Company's readiness to face the

challenges related to them, in particular through the acquisition of Polkomtel Sp. z o.o., operator of the mobile network "Plus".

The Supervisory Board, upon familiarizing themselves with the plan of activities for 2013 and the budget allocated to its execution, approved and adopted the budget of the Company and the budget of Cyfrowy Polsat Capital Group for 2013.

In 2013, the Supervisory Board focused in particular on supervising the compliance by the companies of Cyfrowy Polsat Capital Group with the terms and conditions of the Senior Facilities Agreement concluded on March 31, 2011, to finance the acquisition of Telewizja Polsat.

Pursuant to article 19 section 3 point e), g) and h) of the Company's Articles of Association, the Supervisory Board:

- agreed to the acquisition of shares in Metelem Holding Company Limited („Metelem”) and the conclusion by the Company of an investment agreement with the present shareholders of Metelem concerning the transfer of shares in Metelem as in-kind contribution for shares to be issued by the Company within the conditionally increased share capital;
- agreed to an increase in the share capital of the Company's subsidiaries: Redefine Sp. z o.o., Frazpc.pl Sp. z o.o., Netshare Sp. z o.o. and Gery.pl Sp. z o.o. by way of issue of new shares and for Cyfrowy Polsat S.A. to acquire the new shares;
- agreed for Cyfrowy Polsat S.A. to establish registered and financial pledges on all new shares in the increased share capital of the companies: Redefine Sp. z o.o., Frazpc.pl Sp. z o.o., Netshare Sp. z o.o. and Gery.pl Sp. z o.o. in favor of Citicorp Trustee Company Limited;
- agreed for the companies Telewizja Polsat Holdings Sp. z o.o. and Polskie Media S.A. to enter the Cash pool agreement and established a limit on the indebtedness of the companies within the framework of the Cash pool agreement;
- repeatedly agreed to incur liabilities exceeding PLN 10,000,000 (including i.a. conclusion/prolongation of license agreements and purchase of additional transponder capacity).

Pursuant to article 19 section 2 point c) of the Articles of Association, the Supervisory Board, pursuant to the resolutions of June 11, 2013, appointed Dominik Libicki for the position of President of the Management Board of Cyfrowy Polsat S.A. and Aneta Jaskólska, Dariusz Działkowski and Tomasz Szelaąg for the position of Member of the Management Board of Cyfrowy Polsat S.A. All Members of the Management Board were appointed for a joint three year term.

Acting Pursuant to article 19 section 2 point g) of the Articles of Association, the Supervisory Board determined the monthly remuneration of the President of the Management Board of the Company and awarded special bonuses to Members of the Management Board for a significant contribution to the development of the Company.

Acting pursuant to article 19 section 3 point f) of the Articles of Association, the Supervisory Board repeatedly approved the appointment or dismissal of members of authorities of the Company's subsidiaries.

Based on the authorization granted by the Annual General Meeting, in 2013 the Supervisory Board adopted the consolidated text of the Company's Articles of Association, amended by the resolution of the Annual General Meeting on June 11, 2013, concerning the change in the object of the Company's activity.

Since August 4, 2008, when the Supervisory Board appointed the Audit Committee and the Remuneration Committee, the Audit Committee has comprised: Heronim Ruta, Robert Gwiazdowski and Leszek Reksa, and the Remuneration Committee has comprised: Zygmunt Solorz-Żak and Heronim Ruta (both Committees were appointed in unchanged composition on the day of formation of the Supervisory Board for the new term).

Members of the Audit Committee and the Remuneration Committee held meetings with the Management Board to discuss issues related to the evaluation of the internal control system and the system of management of risks relevant to the Company.

Acting pursuant to article 382 § 3 of the Commercial Companies Code, article 19 section 2 point a) and b) of the Articles of Association of the Company and point III.1.1 of the Code of Best Practices for WSE-Listed Companies, the Supervisory Board approved the report on its activities in the financial year 2012, containing in particular results of the evaluation of the Management Board's report on the Company's activities in the financial year 2012, of the financial statements of the Company for the financial year 2012 and of the motion of the Management Board concerning the distribution of the profit generated by the Company in the financial year 2012, as well as the evaluation of the internal control system and the system of management of risks relevant to the Company.

In 2013, the Supervisory Board recommended to the Annual General Meeting to approve the financial statements for the financial year 2012 and to grant a vote of approval for the performance of duties in 2012 to the Members of the Management Board. After analyzing the motion of the Management Board regarding the allocation of the total profit for 2012 in the amount of PLN 529,837,249.45 to the reserve capital, the Supervisory Board gave a positive opinion on it.

The Supervisory Board of the Company appointed PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw to conduct the audit of the financial statements of the Company and the consolidated financial statements for the financial year 2013.

In 2013 the Supervisory Board did not conduct any control or explanatory process, and did not suspend members of the Company's Management Board.

### **3. Assessment of the internal control system and the system of management of risks relevant to the Company**

In the Company there is an internal control system and the Management Board of the Company is responsible for its efficiency. The internal control system covers the main processes of the Company's activities, where there is a need of establishing control mechanisms in order to monitor and limit the risks relevant to the Company. The primary

task of this system is to assure realization of business goals of the Company. The Company maintains and updates the organizational structure, incorporating clearly defined reporting lines, responsibilities and levels of authorization on daily basis, which enables offsetting the risks related to the business conducted. In the opinion of the Supervisory Board, the system of internal control and management of risks relevant to the Company is at a satisfactory level.

#### **4. Assessment of report of the Management Board's report on activities of the Company in the financial year 2013, financial statements of the Company for the financial year 2013 and the motion of the Management Board regarding distribution of profit generated by the Company in the financial year 2013**

The Supervisory Board of Cyfrowy Polsat S.A. seated in Warsaw presents a report on the results of assessment of the following reports of the Company for the financial year 2013:

1. Financial Statements of the Company
2. The Management Board's report on activities of the Company and
3. Evaluation of the motion of the Management Board regarding distribution of profit.

##### **Ad. 1**

The Supervisory Board, having considered the opinion and report of the certified auditor on the course and results of the audit of the financial statements of the Company for the year 2013 and having evaluated the report, states that the financial statements of the Company for the financial year 2013 were prepared based on properly held ledgers, are compliant in terms of form and contents with the provisions of law in force and fairly present all the information relevant to the evaluation of profitability and financial results in the audited period, as well as of the financial and economical situation of the Company as at December 31, 2013. Moreover, the Supervisory Board acknowledges that the financial statements of the Company for the financial year 2013 are compliant with the books and documents of the Company as well as with the actual state. Therefore, the Supervisory Board puts forward a motion to the General Meeting to approve the financial statements of the Company for the financial year 2013.

##### **Ad. 2**

The Supervisory Board, having analyzed and evaluated the Management Board's report on activities of the Company in 2013, acknowledges that the Management Board's report on activities of the Company in the financial year 2013 is compliant with the books and documents of the Company as well as with the actual state. Therefore, the Supervisory Board approves the presented report and puts forward a motion to the General Meeting to approve it. Moreover, the Supervisory Board puts forward a motion to the General Meeting to grant a vote of approval for the performance of duties in the financial year 2013 to the President of the Management Board - Mr. Dominik Libicki, and Members of the Management Board: Mr. Tomasz Szelaż, Mr. Dariusz Działkowski and Mrs. Aneta Jaskólska.

**Ad. 3**

The Supervisory Board, having considered the motion of the Management Board regarding the allocation of the net profit for the financial year 2013 in the amount of PLN 429,012,674.99 as follows:

- (i) the amount of PLN 102,859,516.76 shall be allocated to the dividend payment to the shareholders of the Company,
- (ii) the remaining net profit in the amount of PLN 326,153,158.23 shall be allocated to the reserve capital,

issues a positive opinion and puts forward the motion to the General Meeting to adopt a resolution regarding distribution of profit in the way proposed by the Management Board.