

## Notes to the Consolidated Financial Statements

### 1. The Parent Company

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

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

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

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

### 2. Composition of the Management Board of the Company

- Tobiasz Solorz	President of the Management Board (from 8 December 2015), Vice-President of the Management Board (from 10 December 2014 to 7 December 2015),
- Dariusz Działkowski	Member of the Management Board,
- Tomasz Gillner-Gorywoda	Member of the Management Board (from 8 December 2015), President of the Management Board (from 28 October 2014 to 7 December 2015),
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

### 3. Composition of the Supervisory Board of the Company

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

## 4. Basis of preparation of the consolidated financial statements

### Statement of compliance

These consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS EU). The Group applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2015 and the consolidated financial statements for the year 2014, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on 1 January 2015.

During the year ended 31 December 2015 the following became effective:

- (i) annual improvements – 2011-2013 reporting cycle
- (ii) IFRIC 21 *Leases*

The changes did not have a significant impact on these financial statements except for introducing certain new disclosures.

Standards published but not yet effective:

- (i) IFRS 9 *Financial instruments: Classification and measurement and Hedge accounting*
- (ii) IFRS 15 *Revenue from Contracts with Customers*
- (iii) amendments to IAS 1 *Disclosure Initiative*
- (iv) amendments to IAS 27 *Equity Method in Separate Financial Statements*
- (v) amendments to IAS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*
- (vi) amendments to IAS 10, IAS 12 and IAS 28 *Investment entities: Applying the Consolidation Exception*
- (vii) amendments to IAS 11 *Accounting for acquisitions of interests in joint operations*
- (viii) annual improvements – 2012-2014 reporting cycle
- (ix) annual improvements – 2010-2012 reporting cycle
- (x) amendments to IAS 19 *Employee Benefits*
- (xi) amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- (xii) IFRS 16 *Leasing*
- (xiii) amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- (xiv) amendments to IAS 7 *Disclosure Initiative*

The Group is currently analyzing the impact of the published standards that are not yet effective and assesses that they should not have a material impact on the financial statements (except for IFRS 15, IFRS 16, IFRS 9 and IAS 38), other than additional disclosures.

The Group assesses that IFRS 15 will have a significant impact on the financial statements due to the change in the recognition model of revenue from customer contracts. As at the date of publication of these consolidated financial statements the Group has not completed the analysis of the impact of the new standards, IFRS 15, IFRS 16, IFRS 9 and IAS 38.

Other published but not yet effective standards not included above are not relevant to the Group's operations.

## 5. Group structure

These consolidated financial statements for the year ended 31 December 2015 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%)	
			31 December 2015	31 December 2014
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) <sup>(a)</sup>	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k. (formerly Polsat Media Sp. z o.o.)	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Media-Biznes Sp. z o.o. <sup>(b)</sup>	Ostrobramska 77, Warsaw	television broadcasting and production	-	100%
Nord License AS	Vollsvseien 13B Lysaker Norway	trade of programming licences	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	holding activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, Warsaw	other sport relating activities	100%	100%

	Entity's registered office	Activity	Share in voting rights (%)	
			31 December 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	television broadcasting	100%	100%
Muzo.fm Sp. z o.o. (formerly Radio PIN S.A.)(c)	Ostrobramska 77, Warsaw	radio broadcasting and production	100%	-
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
Redefine Sp. z o.o.(d)	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	-	100%
Poszkole.pl Sp. z o.o.(e)	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	-	100%
Gery.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Frazpc.pl Sp. z o.o.(e)	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	-	100%
Netshare Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	electronic media (Internet) advertising broker	100%	100%
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	100%	100%
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%

		Share in voting rights (%)		
Entity's registered office		Activity	31 December 2015	31 December 2014
<b>Subsidiaries accounted for using full method (cont.)</b>				
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ)	Norrandsgatan 18 111 43 Stockholm Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Postępu 3 02-676 Warsaw	other activities supporting financial services	100%	100%
Plus TM Management Sp. z o.o.	Postępu 3 02-676 Warsaw	intellectual property rights management and rental	100%	100%
LTE Holdings Limited	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	100%	100%
TM Rental Sp. z o.o. (formerly Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna)	Postępu 3 02-676 Warsaw	intellectual property rights rental	100%	100%
Plus TM Group Sp. z o.o. <sup>(f)</sup>	Postępu 3 02-676 Warsaw	holding activities	-	100%

			Share in voting rights (%)	
	Entity's registered office	Activity	31 December 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Orsen Holding Ltd. <sup>(g)</sup>	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Orsen Ltd. <sup>(g)</sup>	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	-
Dwa Sp. z o.o. <sup>(g)</sup>	Al. Jerozolimskie 81, Warsaw	holding activities	100%	-
Interphone Service Sp. z o.o. <sup>(g)</sup>	ul. Inwestorów 8, Mielec	production of set-top boxes	100%	-
Teleaudio Dwa Sp. z o.o. s.k. <sup>(g)</sup>	Al. Jerozolimskie 81, Warsaw	premium rate services	100%	-
IB 1 FIZAN <sup>(g)</sup>	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	*	-
Grab Sarl <sup>(g)</sup>	6, rue Eugène Ruppert, L- 2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	-
Grab Investment SCSp <sup>(g)</sup>	6, rue Eugène Ruppert, L- 2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	-

(a) Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) was disposed on 4 January 2016.

(b) On 30 November 2015 Telewizja Polsat Holdings Sp. z o.o. merged with Media-Biznes Sp. z o.o.

(c) On 27 February 2015 Telewizja Polsat Sp. z o.o. acquired 100% shares of Radio PIN S.A. On 11 January 2016 a transformation of Rdio PIN S.A. into Muzo.fm Sp. z o.o. has been registered.

(d) On 30 June 2015 Cyfrowy Polsat S.A. merged with Redefine Sp. z o.o.

(e) On 31 December 2015 Netshare Sp. z o.o. merged with Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. merged with Poszkole.pl Sp. z o.o.

(f) On 28 December 2015 Polkomtel Sp. z o.o. merged with Plus TM Group Sp. z o.o.

(g) Companies consolidated from 1 April 2015 following acquisition of 100% shares of Orsen Holding Limited group (see note 37)

\* Cyfrowy Polsat S.A. indirectly holds 100% of certificates.

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%)	
			31 December 2015	31 December 2014
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wolaska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o.	Postępu 3, 02-676 Warsaw	maintenance of loyalty programs	49%	49%

Additionally, the following entities were included in these consolidated financial statements for the year ended 31 December 2015:

	Entity's registered office	Activity	Share in voting rights (%)	
			31 December 2015	31 December 2014
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, Radom	dormant	99%	99%
Litenite Limited**	Kostakis Pantelides Avenue 1 1010, Nicosia Cyprus	holding activities	49%	49%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, Warsaw	web portals activities	4.55%	4.55%

\* Investment accounted for at cost less any accumulated impairment losses

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

## 6. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by all entities within the Group.

### a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are stated at fair value.

**b) Going concern**

These consolidated financial statements have been prepared assuming that the Group's entities will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2015.

**c) Functional and presentation currency**

These consolidated financial statements are presented in the Polish zloty, rounded to million, the Group's functional currency.

**d) Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with EU IFRS 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. Information about critical estimates and judgments in applying accounting policies is included in note 49.

**e) Comparative financial information**

Comparative data or data presented in previously published financial statements has been updated, if necessary, in order to reflect presentational changes introduced in the current period. Due to final purchase allocation of Metelem the value of acquired assets and liabilities and share premium were restated (see note 37). Except above mentioned restatement, the changes had no impact on previously reported amounts of net income or equity.

It should be noted that the year ended 31 December 2015 may not be comparable to the year ended 31 December 2014 as Metelem Group was acquired on 7 May 2014, Radio PIN was acquired on 27 February 2015 and Orsen Holding Limited was acquired on 1 April 2015.

**f) Basis of consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Company and using the accounting policies that are consistent with those of the Company for like transactions and events.



*(ii) Joint arrangements*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint ventures equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(iii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*(iv) Entities acquired under common control*

Business combinations are governed by IFRS 3 "Business Combinations". However, this standard excludes from its scope transactions between entities under common control. According to IAS 8 par. 10-12, in the absence of an IFRS that specifically applies to a transaction, management shall use its judgment in developing and applying accounting policy that shall be consistently used for similar transactions.

Accordingly, the Group has chosen the acquisition method for entities acquired under common control in accordance with IFRS 3.

**g) Foreign currency transactions**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the Polish zloty at exchange rates in effect one day prior to the recording of these transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign currency exchange differences arising on translation of transactions denominated in foreign currencies and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-

monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the average NBP exchange rate in effect at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

## **h) Financial instruments**

### *(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other liabilities.

Non-derivative financial instruments, other than investments recognized at fair value through profit and loss, are recognized initially at fair value plus any directly attributable transaction costs (with certain exceptions as described below).

A financial instrument is recognized when the Group becomes a party to the contractual obligations of the instrument. The Group derecognises a financial asset when contractual rights to the cash flows from the financial assets expire, or it transfers the financial asset to another party in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Standardised transactions for sale or purchase of financial assets are recognized at the transaction date i.e. on the date the Group assumes an obligation to acquire or sell the asset. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

Principles for recognition of gains and losses on investment activities and costs are presented in note 6v.

### *Loans and receivables and other financial liabilities*

Loans and receivables which are not derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Other non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Cash and cash equivalents comprise cash on hand and call deposits. The cash and cash equivalents balance presented in the consolidated cash flow statement comprises the above mentioned elements of cash and cash equivalents.

### *(ii) Derivative financial instruments*

#### *Hedge accounting*

The Group may use derivative financial instruments such as forward currency contracts, foreign exchange call options, interest rate swaps and cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. The Group may use forward currency contracts, foreign exchange call options and cross-currency interest rate swaps as cash flow hedges of its exposure to foreign currency risk in forecasted EUR denominated fixed coupon payments on Eurobonds as well as interest rate swaps for its exposure to volatility in the interest payments on floating rate debt.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognized immediately in the income statement.

The amounts recognized within other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the related gain or loss is recognized in Finance costs or when a forecast sale occurs.

Gains and losses from the settlement of derivative instruments that are designated as, and are effective hedging instruments, are presented in the same position as the impact of the hedged item. The derivative instrument is divided into a current portion and a non-current portion only if a reliable allocation can be made.

#### *Other derivatives not designated for hedge accounting*

Derivative instruments that are not designated for hedge accounting are recognized initially at fair value, attributable transaction costs are recognized in the profit or loss as incurred. Subsequent to initial recognition, the Group measures those derivative financial instruments at fair value, and changes therein are recognized in profit or loss.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or divided into a current and non-current portion based on an assessment of the relevant facts and circumstances (i.e., the underlying contracted cash flows):

- Where the Group intends to hold a derivative instrument considered an economic hedge (for which hedge accounting is not applied) for a period exceeding 12 months after the reporting date, such derivative instrument is classified as non-current (or divided into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

### **i) Equity**

#### *Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

#### *Preference share capital*

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

### *Costs attributable to issue and public offering of shares*

Costs attributable to a new issue of shares are recognized in equity while costs attributable to a public offering of existing shares are recognized directly in finance costs. These costs relating to both new issue and sale of existing shares are recognized on a pro-rata basis in equity and finance costs.

### *Share premium*

Share premium includes the excess of the issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

### *Retained earnings*

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. This capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

## **j) Property, plant and equipment**

### *(i) Property, plant and equipment owned by the Group*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received.

The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### *(ii) Investment property*

Investment property is defined as a property (land, building, or both) held by the Group to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost. Once recognized all investment property held by the Group are measured using the cost model as set out in IAS 16. This means that the assets are recognized at cost and depreciated systematically over its useful life as presented in (i) above.

Investment property is removed from the balance sheet on disposal or when it is permanently withdrawn from use and no further economic benefits are expected from its disposal.

*(iii) Subsequent costs*

Subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the amount of the cost can be measured reliably. Replaced item is derecognized. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

*(iv) Depreciation*

Depreciation expense is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The following are estimated useful lives of respective group of property, plant and equipment:

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Reception equipment	3 or 5	years
Buildings and structures	2 - 61	years
Technical equipment and machinery	2 – 30	years
Vehicles	2 - 10	years
Other	2 - 26	years

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Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end and adjusted if appropriate.

*(v) Leased assets*

Assets used under lease, tenancy, rental or similar contracts which meet finance lease criteria, are classified as non-current assets and measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Set-top boxes, modems and routers that are provided to customers under operating lease agreements are recognized within property, plant and equipment (Reception equipment in the balance sheet).

Assets subject to the lease are depreciated in a manner that is consistent with the policies applied to similar Group-owned assets. Depreciation is based on the principles of IAS 16 *Property, plant and equipment*. Where it is not reasonably certain that the lessee will obtain ownership of the asset before the lease term ends, the asset is depreciated over its useful life or the lease term, if shorter.

Carrying amounts of reception equipment and other items of property, plant and equipment may be reduced by impairment losses whenever there is any indication that an asset may be impaired or there is uncertainty as to those assets' revenue generating potential or their future use in the Group's operations. The accounting policies relating to impairment are presented in 6o.

## **k) Intangible assets**

### *(i) Goodwill*

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to acquirer's cash-generating units for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### *(ii) Customer relationships*

Customer relationships acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives.

### *(iii) Brands*

Brands acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives, except where an indefinite period of use is justified. Brands with an indefinite useful life are tested annually for impairment or more frequently if impairment indicators exist. The estimated useful lives for respective brands are as follows:

- Polsat, TV4, TV6 and Ipla brands: indefinite useful life
- Plus brand: 51 years (i.e.2065).

### *(iv) Other intangible assets*

The Group capitalises costs of IT software internally generated, including employee-related expenses, directly resulting from generation and preparing asset to be capable of operating, if the Group is able to measure reliably the expenditure attributable to such development and when it can reliably establish the commencement as well as the completion date of the software development activities.

Other intangible assets acquired by the Group are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the profit or loss as incurred.

Amortization expense is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The recoverable amounts of intangible assets which are not yet available for use are measured as at each balance sheet date.

The estimated useful lives for respective intangible assets groups are as follows:

- Computer software: 2-15 years,
- Customer relationships: 3-13 years,

- Concessions: period resulting from an administrative decision,
- Other: 2-7 years.

## **I) Programming assets**

Programming assets comprise acquired formats, licences and copyrights for broadcasting feature films, series, news and shows, capitalized costs of commissioned external productions ordered by the Group, capitalized sports rights and advance payments made (including advance payments for sports rights).

### *(i) Initial recognition*

Programming rights, other than sports rights, are recognized at cost as programming assets when the legally enforceable licence period begins and all of the following conditions have been met:

- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the Group in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

Capitalized costs of productions include costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalized costs of productions are measured individually for each program at their respective production or acquisition costs, not to exceed their recoverable amounts.

Sports rights are recognized at cost at broadcast date. The rights to broadcast seasonal sports events, acquired in long term contracts (often for multiple seasons), are capitalized at cost based on a relative value assigned to a given season of the sport event as estimated by Group's internal experts.

Advance payments for acquired programming assets, prior to licence begin date, are recognized as prepayments for programming assets.

Signed and binding contracts for purchase of programming, which do not meet recognition criteria for programming assets are not recognized in the balance sheet and are instead disclosed as contractual commitments in the amount of the outstanding contract liability at the reporting date.

Programming assets are classified as non-current or current based on the estimate timing of the broadcast. A programming asset is recognized as current when the expected broadcast falls within 1 year from the reporting date. Sport rights and prepayments for sport rights are classified as current or non-current based on dates of related sport events.

*(ii) Amortization*

Programming assets are amortized using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements.

- Feature films and series – amortization starts at the first broadcast. Consumption of the economic benefits is measured using a declining balance method according to a standardized rate matrix and depends on the number of showings permitted or planned, primarily as described below:

		<b>Feature films</b>			
<b>Number of depreciable runs</b>		<b>Rate per run</b>			
		I	II	III	IV
1		100%			
2		60%	40%		
3		40%	30%	30%	
4 and more		35%	25%	25%	15%

  

		<b>TV series</b>	
<b>Number of depreciable runs</b>		<b>Rate per run</b>	
		I	II
1		100%	
2		80%	20%

- Feature films and series broadcasted on thematic channels are mainly amortized in four or five runs using the rates of 25% and 20%. respectively.
- Sport rights – 100% of the cost is recognized in profit or loss on the first broadcast or, where seasonal rights or rights for multiple seasons or competitions are acquired, such rights are principally amortized on a straight-line basis over the seasons or competitions.
- Commissioned external productions intended for only one run are fully amortized on their first broadcast.
- News programming is fully amortized at its first broadcast.
- General entertainment shows are fully amortized at their first broadcast.

Amortization of programming assets is presented in Content costs line in the operating costs of the income statement.

*(iii) Impairment*

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment losses are recognized on each license in case of withdrawal from broadcasting an item in the expected future (resulting from changes in strategic program scheduling, changing audience tastes, media law restrictions on the usability of films) and expected future losses anticipated on disposal of the rights.

Impairment write downs on programming assets are recognized as part of the cost of sales. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as cost of sales reductions.



**m) Inventories**

Inventories are measured at the lower of cost and net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost method.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in making them available for use or sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads determined based on normal operating capacity.

Net realisable value is the current market price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, mobile phones, modems and tablets, which under the business model applied by the Group are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

**n) Prepayments**

Prepayments for data transfer purchases are recognized in the nominal value upon payments made. The costs are recognized in the income statement based on the actual usage of data transmission and contractual fees. Prepayments, which will be settled after 12 months from the balance sheet date are presented as non-current assets.

**o) Impairment of assets**

*(i) Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis at each reporting date. The remaining financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to the cost of debt collection services and bad debt allowance and receivables written off. An allowance for receivables from individuals is estimated based on the historical pattern for overdue receivables collection.

All impairment losses are recognized in profit or loss statement in Cost of debt collection services and bad debt allowance and receivables written off.

Impairment losses are reversed if a subsequent increase in the recoverable amount of a financial asset can be objectively attributed to an event occurring after the impairment losses were recognized.

*(ii) Non-financial assets*

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Group. The recoverable amount of intangible assets which are not yet available for use as well as of goodwill and brands with indefinite useful life is estimated at each reporting date.

An impairment loss is recognized when the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit represents the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of thereof. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets that do not generate independent cash inflows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**p) Employee benefits**

*(i) Defined contribution plan*

All Group entities that act as employers have an obligation, under applicable legislation, to collect and remit contributions to the state pension fund. According to IAS 19 *Employee Benefits* such benefits represent state plans that are classified as defined contribution plans. Therefore, the Group's obligations for a given period are estimated as the amount of contributions to be remitted for that period.

*(ii) Defined benefit plan – retirement benefits*

The Group entities have an obligation, under applicable legislation, to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labor code. The minimum retirement benefit is as per the labor code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and expected future employment levels.

Changes in the amount of the retirement benefits liability are recognized in the income statement. Actuarial gains and losses are recognized in the equity, in other comprehensive income in full in the period they originated.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus, if the Group has a present legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

**q) Provisions**

A provision is recognized if, as a result of past event, the Group has a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Certain disclosures may not be included in these consolidated financial statements as they relate to sensitive information.

(i) *Warranties*

A provision for warranties is recognized when the underlying products or goods are sold. The amount of the provision is based on historical warranty data and a weighting of all possible outflows against their associated probabilities.

(ii) *Onerous contracts*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is established, the Group recognizes any impairment loss on the assets dedicated to that contract.

**r) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events, but its amount cannot be estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

The Group does not recognize a contingent liability, except for contingent liability assumed in a business combination.

Unless the possibility of any outflow in settlement is remote, the Group discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practice able:

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursement.

## **s) Revenue**

Revenue is measured at the fair value of the consideration received or receivable, representing the gross inflow of economic benefit from Group's operating activities, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then such discounts are recognized as a reduction of revenue when it is recognized.

The Group's main sources of revenue are recognized as follows:

- (a) Retail revenue consists primarily of monthly subscription fees paid by our pay digital television contract customers for programming packages, subscription fees paid by our contract customers for telecommunication services, fees for telecommunication services provided to our contract customers, which are not included in the subscription fee, payments for telecommunication services paid by our prepaid and mix customers, fees for the lease of set-top boxes, activation fees, penalties, and fees for additional services.

Services revenues are recognized in profit and loss in the period when related services are rendered.

Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited.

Revenue from the rental of reception equipment and activation fees are recognized on a straight-line basis over the minimum base period of the subscription contract.

- (b) Wholesale revenue comprises advertising and sponsorship revenue, revenue from cable and satellite operator fees, revenue from the lease of infrastructure, interconnect revenue, revenue from roaming, revenue from the sale of broadcasting and signal transmission services and revenue from the sale of licenses, sublicenses and property rights.

Advertising and sponsorship revenue is derived primarily from broadcasting of advertising content and is recognized in the period when the advertising is broadcast. Revenue is recognized in profit or loss in the amount due from customers net of value added tax, taxes on revenue from advertising of alcohol beverages and any rebates granted. Advertising and sponsorship revenue also comprises revenue on commissions on sales of commercial airtime when the Group acts as an agent on behalf of third parties. The commissions are recognized at amounts due from the buyers of advertising airtime or sponsorship services, less of any amounts due to television broadcasters. Revenue from commissions on sales of commercial airtime and from sponsorship is recognized in the consolidated income statement when these services are rendered.

Revenue from charges made to cable and satellite operators includes fees from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognized when the related programs are broadcast.

Services revenues are recognized in profit and loss in the period when related services are rendered, net of any discount given.

- (c) Revenue from sale of equipment is measured at the fair value of the consideration received or receivable, net of discounts, rebates and returns. Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.
- (d) Other revenue is recognized, net of any discount given, when the relevant goods or service are provided.  
Other revenue includes primarily revenue from the lease of premises and facilities, revenue from interest on installment plan purchase and other sales revenue.

When the Group sells goods and services in one bundled transaction, the total consideration from the arrangement is allocated to each element of such multiple-element arrangements based on residual method in such a way that the amount recognized for items already received cannot be higher than cash already received.

**t) Distribution fees**

Commissions payable to distributors for registering new subscribers and for retention of existing subscribers are recognized over the minimum base period of the subscription agreement.

Commissions for distributors which will be settled within 12 months of the reporting date are classified as other current assets, while the commissions, which will be settled more than 12-months after the reporting date, are classified as non-current assets.

**u) Barter revenue and cost**

Barter revenue is recognized when the services are rendered or goods delivered. Programming licences, products and services received are expensed or capitalized when received or used. The Group recognizes barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognized by the Group. Conversely, when advertising is broadcast before products or services are received, a receivable is recognized by the Group.

**v) Gains and losses on investment activities and finance costs**

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

Interest income and expense (other than interest expense on borrowings) is recognized as it accrues in profit or loss using the effective interest method. Dividends income is recognized in profit or loss on the date that the Group's right to receive payment is established.

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

**w) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**x) Income tax**

Income tax expense/benefit comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet approach, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities, respectively, using tax rates that are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. An amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realized. When not recognized deferred tax asset becomes recoverable, it is recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset by the Group companies.

#### **y) Earnings per share**

The Group presents basic and diluted earnings per share for its ordinary and preference shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from the continuing operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares, adjusted by the effects of all dilutive potential ordinary and preference shares.

#### **z) Segment reporting**

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group presents operating segments according to its internal management accounting principles applied in the preparation of periodical management reports which are regularly analysed by the Management Board of Cyfrowy Polsat S.A. These reports are analyzed on regular basis by management which was identified as the chief operating decision maker.

#### **aa) Cash flows statement**

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the consolidated balance sheet.

Purchases of set-top boxes to be provided to customers under operating lease contracts are classified in the cash flows statement within operating activities. The purchases and disposals of these set-top boxes are classified in the cash flows statement within operating activities and presented as "Net disposals/(additions) in reception equipment provided under operating lease".

Acquisition of items of property, plant and equipment or intangible assets are presented in their net amount (net of related value added tax).

Payments for film licences and sport rights are presented on a net basis (net of related value added tax) within operating activities. Expenditures on the acquisition of programming assets also include the amount of withholding tax paid to the relevant tax authorities.

## **7. Determination of fair values**

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### **(i) Derivatives**

The fair value of derivatives is calculated based on their quoted closing bid price at the balance sheet date or, in the lack thereof, other inputs that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices). In the second case, the fair value of derivatives is estimated as the present value of future cash flows, discounted using the market interest rate at the reporting date. Information on the structure of Polish and eurozone interest rates and Polish zloty exchange rate are used in order to estimate future cash flows and market interest rate.

### **(ii) Non-derivative financial assets**

The fair value of non-derivative financial asset for disclosure purposes is estimated as the present value of future cash flows discounted using the market rate of interest rate as at the balance sheet date.

### **(iii) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on liabilities' quoted closing bid price at the balance sheet date or, in the lack thereof, estimated on the present value of future principal and interest cash flows, discounted using the market interest rate at the reporting date. Market interest rate is estimated as interbank interest rate for a given currency zone (WIBOR, EURIBOR) plus a margin regarding the Group's credit risk. A market interest rate for a finance lease contract is estimated based on interest rates for similar lease contracts.

## **8. Approval of the Consolidated Financial Statements**

These consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 26 February 2016.

## 9. Revenue

	for the year ended	
	31 December 2015	31 December 2014
Retail revenue	6,553.1	5,084.7
Wholesale revenue	2,596.9	1,954.0
Sale of equipment	583.4	327.3
Other revenue	89.6	43.9
<b>Total</b>	<b>9,823.0</b>	<b>7,409.9</b>

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

## 10. Operating costs

	Note	for the year ended	
		31 December 2015	31 December 2014
Technical costs and cost of settlements with telecommunication operators		2,141.0	1,412.4
Depreciation, amortization, impairment and liquidation		1,699.3	1,295.9
Cost of equipment sold		1,332.8	925.2
Content costs		1,065.9	1,029.5
Distribution, marketing, customer relation management and retention costs		802.6	612.7
Salaries and employee-related costs	<b>a</b>	550.2	421.7
Cost of debt collection services and bad debt allowance and receivables written off		62.6	67.6
Other costs		213.5	212.1
<b>Total</b>		<b>7,867.9</b>	<b>5,977.1</b>

### a) Salaries and employee-related costs

	for the year ended	
	31 December 2015	31 December 2014
Salaries	464.1	358.4
Social security contributions	70.1	50.9
Other employee-related costs	16.0	12.4
<b>Total</b>	<b>550.2</b>	<b>421.7</b>



### Average headcount of non-production employees\*

	for the year ended	
	31 December 2015	31 December 2014
Employment contracts (full-time equivalents)	5,033	3,830

\* excluding workers who did not perform work in the reporting period due to long-term absences

### 11. Gain/loss on investment activities, net

	for the year ended	
	31 December 2015	31 December 2014
Interest income, net	33.1	47.5
Other foreign exchange losses, net	(0.7)	(23.8)
Other investment income	1.6	10.0
Other costs	(25.4)	(18.5)
<b>Total</b>	<b>8.6</b>	<b>15.2</b>

### 12. Finance costs

	for the year ended	
	31 December 2015	31 December 2014
Interest expense on loans and borrowings	396.4	343.5
Interest expense on issued bonds	371.4	291.1
Early redemption costs (note 31)	244.8	82.1
Cumulative catch-up (note 31)	(616.2)	-
Foreign exchange differences on issued bonds	223.6	360.8
Valuation and realization of hedging instruments	7.8	4.9
Valuation and realization of derivatives not used in hedge accounting	13.5	50.5
Guarantee fees, bank and other charges	23.3	13.1
<b>Total</b>	<b>664.6</b>	<b>1,146.0</b>

### 13. Income tax

#### (i) Income tax expense

	for the year ended	
	31 December 2015	31 December 2014
Current tax expense	270.6	161.8
Change in deferred tax	(100.0)	(139.9)
Correction of income tax returns of previous years	(1.6)	(0.2)
<b>Income tax expense in the income statement</b>	<b>169.0</b>	<b>21.7</b>

	for the year ended	
	31 December 2015	31 December 2014
<b>Change in deferred income tax</b>		
Tax losses carried forward	22.4	(0.8)
Receivables and other assets	(4.1)	(29.8)
Liabilities	(28.0)	(43.4)
Other property, plant and equipment and intangible assets	(119.0)	(85.3)
Other	28.7	19.4
<b>Change in deferred tax recognized in income statement – total</b>	<b>(100.0)</b>	<b>(139.9)</b>

**(ii) Income tax recognized in the statement of other comprehensive income**

	for the year ended	
	31 December 2015	31 December 2014
Change in deferred income tax on hedge valuation	1.1	(0.7)
<b>Income tax expense recognized in other comprehensive income - total</b>	<b>1.1</b>	<b>(0.7)</b>

**(iii) Effective tax rate reconciliation**

	for the year ended	
	31 December 2015	31 December 2014
Gross profit	1,332.4	314.2
<b>Income tax at applicable statutory tax rate of 19%</b>	<b>253.2</b>	<b>59.7</b>
Tax amortization of intangible assets	(8.9)	(21.3)
Other	(75.3)	(16.7)
<b>Tax expense for the year</b>	<b>169.0</b>	<b>21.7</b>
<b>Effective tax rate</b>	<b>12.7%</b>	<b>6.9%</b>

**(iv) Deferred tax assets**

	31 December 2015	31 December 2014 restated*
Tax losses carried forward	9.8	32.2
Liabilities	502.0	525.0
Tangible assets	76.0	66.6
Receivables and other assets	49.3	36.6
Other	14.0	28.5
<b>Total deferred tax assets</b>	<b>651.1</b>	<b>688.9</b>
Set off of deferred tax assets and liabilities	(563.5)	(407.8)
<b>Deferred tax assets in the balance sheet</b>	<b>87.6</b>	<b>281.1</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

**(v) Tax loss**

	31 December 2015	31 December 2014
2015 tax loss carried forward	6.6	-
2014 tax loss carried forward	22.9	87.3
2013 tax loss carried forward	4.5	3.3
2012 tax loss carried forward	24.4	38.0
2011 tax loss carried forward	18.6	44.8
2010 tax loss carried forward	-	46.6
<b>Tax losses carried forward – total</b>	<b>77.0</b>	<b>220.0</b>

**(vi) Tax losses recognized**

	31 December 2015	31 December 2014
2015 tax loss carried forward	4.1	-
2014 tax loss carried forward	22.9	87.3
2013 tax loss carried forward	4.5	1.7
2012 tax loss carried forward	14.8	38.0
2011 tax loss carried forward	4.8	32.3
2010 tax loss carried forward	-	11.0
<b>Tax losses carried forward – total</b>	<b>51.1</b>	<b>170.3</b>

As at 31 December 2015 the Group recognized deferred tax asset on tax losses to the extent that it was probable that they would be utilized in the future.

According to Art. 7 of the Polish Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilized in the subsequent five fiscal years. However, no more than 50% of a tax loss for any given year can be utilized in a single subsequent fiscal year.

**(vii) Deferred tax liabilities**

	31 December 2015	31 December 2014 restated*
Receivables and other assets	76.9	68.3
Liabilities	10.4	61.9
Tangible and intangible assets	1,033.2	1,142.8
Other	58.8	43.5
<b>Total deferred tax liabilities</b>	<b>1,179.3</b>	<b>1,316.5</b>
Set off of deferred tax assets and liabilities	(563.5)	(407.8)
<b>Deferred tax liabilities in the balance sheet</b>	<b>615.8</b>	<b>908.7</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

## 14. EBITDA (unaudited)

EBITDA (earnings before interest, taxes, depreciation, amortization, impairment and liquidation) presents the Group's key measure of earnings performance. The level of EBITDA measures the Group's ability to generate cash from recurring operations. The Group defines EBITDA as operating profit adjusted by depreciation, amortization, impairment and liquidation. EBITDA is not an IFRS EU measure, and as such can be calculated differently by other entities.

	for the year ended	
	31 December 2015	31 December 2014
Net profit for the period	1,163.4	292.5
Income tax	169.0	21.7
Gain/loss on investment activities, net	(8.6)	(15.2)
Finance costs	664.6	1,146.0
Share of the profit of joint venture accounted for using the equity method	(2.6)	(2.6)
Depreciation, amortization, impairment and liquidation*	1,699.3	1,295.9
<b>EBITDA (unaudited)</b>	<b>3,685.1</b>	<b>2,738.3</b>

\* Depreciation, amortisation, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets and net book value of disposed property, plant, equipment and intangible assets (excluding amortization of programming assets)

## 15. Basic and diluted earnings per share

At the reporting date, the Company did not have any financial instruments that could have a dilutive effect, therefore the diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2015	31 December 2014
Net profit	1,163.4	292.5
Weighted average number of ordinary and preference shares in the period	639,546,016	539,024,535
<b>Earnings per share in PLN (not in millions)</b>	<b>1.82</b>	<b>0.54</b>

## 16. Property, plant and equipment

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	Other property, plant and equipment
<b>Cost as at 1 January 2015 restated*</b>	<b>960.5</b>	<b>33.2</b>	<b>203.4</b>	<b>2,624.1</b>	<b>57.5</b>	<b>72.6</b>	<b>288.7</b>	<b>3,279.5</b>
Additions	137.2	-	13.1	245.2	19.3	6.4	156.3	440.3
Acquisition of subsidiary (see note 37)	-	0.9	9.5	6.7	0.3	0.3	-	17.7
Transfer from assets under construction	-	-	4.3	146.7	-	3.4	(154.4)	-
Disposals	(86.3)	(0.4)	(0.9)	(49.7)	(10.0)	(3.1)	(18.1)	(82.2)
Transfer between groups	-	-	-	0.1	-	(0.1)	(14.7)	(14.7)
<b>Cost as at 31 December 2015</b>	<b>1,011.4</b>	<b>33.7</b>	<b>229.4</b>	<b>2,973.1</b>	<b>67.1</b>	<b>79.5</b>	<b>257.8</b>	<b>3,640.6</b>
<b>Accumulated impairment losses as at 1 January 2015</b>	<b>(16.5)</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(1.0)</b>
Recognition	-	-	-	(3.4)	-	-	(10.7)	(14.1)
Reversal	4.0	-	-	-	-	-	0.1	0.1
Utilisation	2.9	-	-	3.2	-	-	1.1	4.3
<b>Accumulated impairment losses as at 31 December 2015</b>	<b>(9.6)</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>-</b>	<b>(0.1)</b>	<b>(9.9)</b>	<b>(10.7)</b>
<b>Accumulated depreciation as at 1 January 2015</b>	<b>522.9</b>	<b>-</b>	<b>37.0</b>	<b>477.7</b>	<b>16.9</b>	<b>32.0</b>	<b>-</b>	<b>563.6</b>
Additions	183.5	-	12.3	499.8	10.9	21.4	-	544.4
Additions (depreciation in the value of produced equipment)	-	-	-	1.5	-	-	-	1.5
Disposals	(75.6)	-	(0.8)	(16.7)	(8.3)	(2.5)	-	(28.3)
Transfer between groups	-	-	-	0.1	-	-	-	0.1
<b>Accumulated depreciation as at 31 December 2015</b>	<b>630.8</b>	<b>-</b>	<b>48.5</b>	<b>962.4</b>	<b>19.5</b>	<b>50.9</b>	<b>-</b>	<b>1,081.3</b>
<b>Carrying amount as at 1 January 2015 restated*</b>	<b>421.1</b>	<b>33.2</b>	<b>166.4</b>	<b>2,145.9</b>	<b>40.6</b>	<b>40.5</b>	<b>288.3</b>	<b>2,714.9</b>
<b>Carrying amount as at 31 December 2015</b>	<b>371.0</b>	<b>33.7</b>	<b>180.9</b>	<b>2,010.0</b>	<b>47.6</b>	<b>28.5</b>	<b>247.9</b>	<b>2,548.6</b>

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment provision is recognized in 'depreciation, amortization, impairment and liquidation'.

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	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	Other property, plant and equipment
<b>Cost as at 1 January 2014</b>	<b>823.1</b>	<b>6.9</b>	<b>105.9</b>	<b>245.0</b>	<b>40.4</b>	<b>28.7</b>	<b>7.8</b>	<b>434.7</b>
Additions	194.9	-	10.7	219.5	14.2	9.3	84.9	338.6
Acquisition of subsidiary (see note 37) restated*	-	26.3	86.4	2,109.3	10.9	36.0	281.7	2,550.6
Transfer from assets under construction	-	-	1.3	83.0	-	-	(84.3)	-
Disposals	(57.5)	-	(0.8)	(33.3)	(8.0)	(1.5)	(2.4)	(46.0)
Transfer from investment property	-	-	(0.1)	0.6	-	0.1	1.0	1.6
<b>Cost as at 31 December 2014 restated*</b>	<b>960.5</b>	<b>33.2</b>	<b>203.4</b>	<b>2,624.1</b>	<b>57.5</b>	<b>72.6</b>	<b>288.7</b>	<b>3,279.5</b>
<b>Accumulated impairment losses as at 1 January 2014</b>	<b>(17.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.1)</b>
Recognition	(2.4)	-	-	(1.2)	-	-	(4.2)	(5.4)
Reversal	0.4	-	-	-	-	-	0.1	0.1
Utilisation	3.0	-	-	0.7	-	-	3.7	4.4
<b>Accumulated impairment losses as at 31 December 2014</b>	<b>(16.5)</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(1.0)</b>
<b>Accumulated depreciation as at 1 January 2014</b>	<b>398.0</b>	<b>-</b>	<b>25.5</b>	<b>124.5</b>	<b>15.8</b>	<b>17.7</b>	<b>-</b>	<b>183.5</b>
Additions	171.8	-	12.3	377.1	8.2	15.4	-	413.0
Additions (depreciation in the value of produced equipment)	-	-	-	1.2	-	0.1	-	1.3
Disposals	(46.9)	-	(0.7)	(25.1)	(7.1)	(1.3)	-	(34.2)
Transfer from investment property	-	-	(0.1)	-	-	0.1	-	-
<b>Accumulated depreciation as at 31 December 2014</b>	<b>522.9</b>	<b>-</b>	<b>37.0</b>	<b>477.7</b>	<b>16.9</b>	<b>32.0</b>	<b>-</b>	<b>563.6</b>
<b>Carrying amount as at 1 January 2014</b>	<b>407.6</b>	<b>6.9</b>	<b>80.4</b>	<b>120.5</b>	<b>24.6</b>	<b>10.9</b>	<b>7.8</b>	<b>251.1</b>
<b>Carrying amount as at 31 December 2014 restated*</b>	<b>421.1</b>	<b>33.2</b>	<b>166.4</b>	<b>2,145.9</b>	<b>40.6</b>	<b>40.5</b>	<b>288.3</b>	<b>2,714.9</b>

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment provision is recognized in 'depreciation, amortization, impairment and liquidation'.

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

## 17. Goodwill

	2015	2014 restated*
<b>Balance as at 1 January</b>	<b>10,585.3</b>	<b>2,602.8</b>
Acquisition of 100% shares of Metelem Holding Company Limited (see note 37)	-	7,982.5*
Acquisition of 100% shares of Orsen Holding Limited (see note 37)	16.3	-
Acquisition of 100% shares of Radio PIN S.A. (see note 37)	4.8	-
<b>Balance as at 31 December</b>	<b>10,606.4</b>	<b>10,585.3*</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

	31 December 2015	31 December 2014 restated*
Goodwill recognized on the acquisition of Metelem Holding Company Ltd.	7,982.5	7,982.5*
Goodwill recognized on the acquisition of Telewizja Polsat S.A.	2,360.2	2,360.2
Goodwill recognized on the acquisition of entities comprising Ipla platform	145.1	145.1
Goodwill recognized on the acquisition of M.Punkt Holdings Ltd.	52.0	52.0
Goodwill recognized on the acquisition of Polskie Media S.A.	34.8	34.8
Goodwill recognized on the acquisition of Orsen Holding Limited	16.3	-
Goodwill recognized on the acquisition of Info-TV-FM Sp. z o.o.	10.7	10.7
Goodwill recognized on the acquisition of Radio PIN S.A.	4.8	-
<b>Total</b>	<b>10,606.4</b>	<b>10,585.3</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

Impairment tests performed on goodwill balances as at 31 December 2015 did not indicate impairment (see note 19 for impairment test assumptions).

## 18. Brands

	2015	2014 restated*
<b>Balance as at 1 January</b>	<b>2,085.9</b>	<b>890.8</b>
Acquisition of subsidiary – accounting for Plus brand (see note 37)	-	1,230.0*
Amortization of Plus brand	(5.3)**	(34.9)**
<b>Balance as at 31 December</b>	<b>2,080.6</b>	<b>2,085.9</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

\*\* The Group has finalized the purchase price allocation of Metelem (see note 37) however the depreciation, amortization, impairment and liquidation has not been restated in the comparable income statement due to the fact that the impact would have been non-material. Accordingly, the cumulative effect of restatement has been included in the 2015 income statement.

	31 December 2015	31 December 2014 restated*
Plus	1,189.8	1,195.1*
Polsat	840.0	840.0
TV4	33.7	33.7
TV6	9.3	9.3
Ipla	7.8	7.8
<b>Total</b>	<b>2,080.6</b>	<b>2,085.9</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

#### *Plus*

Following the acquisition of Metelem Holding Company Ltd., the Group recognized a value of the Plus brand. The brand is amortized over the useful life of 51 years (until the year 2065). The carrying amount of the brand was allocated to "Services to individual and business customers" cash-generating unit.

#### *Polsat*

The value of the Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (currently Telewizja Polsat Sp. z o.o.).

The Polsat brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to "Broadcasting and television production" cash-generating unit for the impairment testing purposes (see note 19). Impairment test performed on Polsat brand balance as at 31 December 2015 did not indicate impairment (see note 19 for impairment test assumptions).

#### *IPLA*

In the consolidated financial statements, as a result of acquisition of entities comprising IPLA platform, the Group has recognized in 2012 among others goodwill and IPLA brand. Value of IPLA brand as at 31 December 2015 amounted to PLN 7.8. The IPLA brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to "Services to individual and business customers" cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Ipla brand balance as at 31 December 2015 did not indicate impairment (see note 19 for impairment test assumptions).

#### *TV4 and TV6*

In the consolidated financial statements, as a result of acquisition of Polskie Media S.A., the Group has recognized in 2013 among others goodwill and TV4 and TV6 brands. Value of TV4 and TV6 brands as at 31 December 2015 amounted to PLN 43.0.

The TV4 and TV6 brands are not amortized as they are considered to have an indefinite useful life. The carrying amount of the brand was allocated to "Broadcasting and television production" cash-generating unit for the impairment testing purposes (see note 19). Impairment test performed on TV4 and TV6 brands balance as at 31 December 2015 did not indicate impairment (see note 19 for impairment test assumptions).



## 19. Goodwill and intangible assets with indefinite useful life

The Group recognized goodwill and brands with indefinite useful life in the consolidated financial statements. Their carrying amounts were allocated to the cash generating units which also represent the Group's operating segments.

Goodwill and brands with indefinite useful life are tested for impairment annually or more frequently if possible impairment is indicated. Goodwill and brands are allocated to the below cash-generating units for the purpose of testing for impairment. The allocation was made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and the brands were identified.

The Group tests the total carrying amount of the cash-generating units and any impairment identified is recognized in the profit or loss immediately with respect to goodwill first and is not subsequently reversed. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to the brands and other assets of the cash-generating unit on a pro rata basis.

	2015	2014 restated*
<b>“Services to individual and business customers” cash-generating unit</b>	<b>8,214.4</b>	<b>8,198.1</b>
Goodwill recognized on the acquisition of Metelem Holding Company Ltd.	7,982.5	7,982.5*
Goodwill recognized on the acquisition of entities comprising Ipla platform	145.1	145.1
Goodwill recognized on the acquisition of M.Punkt Holdings Ltd.	52.0	52.0
Goodwill recognized on the acquisition of Orsen Holding Limited	16.3	-
Goodwill recognized on the acquisition of Info-TV-FM Sp. z o.o.	10.7	10.7
Ipla brand	7.8	7.8
<b>“Broadcasting and television production” cash-generating unit</b>	<b>3,282.8</b>	<b>3,278.0</b>
Goodwill recognized on the acquisition of Telewizja Polsat S.A.	2,360.2	2,360.2
Goodwill recognized on the acquisition of Polskie Media S.A.	34.8	34.8
Goodwill recognized on the acquisition of Radio PIN S.A.	4.8	-
Polsat brand	840.0	840.0
TV4 brand	33.7	33.7
TV6 brand	9.3	9.3

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

The recoverable amounts of all the cash generating units have been determined based on the value-in-use calculations. These calculations were based on discounted free cash flows and involved the use of estimates related to cash flow before tax projections based on actual financial business plans covering the 5-year period until 2020. Cash flow projections after 5-year forecast period are estimated using the terminal growth. Terminal growth rate does not exceed the long-term average growth rate for the country in which the Group operates.

### **The key financial assumptions used in the value-in-use calculations**

The most sensitive key financial assumptions used in the value-in-use calculations of “Broadcasting and television production” cash-generating unit and “Services to individual and business customers” cash-generating unit were as follows:

- discount rate
- terminal growth rate used for estimating the cash flows beyond the period of financial plans.

*Discount rate* – the discount rate reflects the estimate made by the management of the risks specific to each cash-generating unit, taking into account the time value of money and risks specific to the asset. The discount rate was estimated on the basis of weighted average cost of capital method (WACC) and considered Group’s and its operating segments’ business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment excepted by the Group’s investors while cost of debt is based on the interest bearing debt instruments. Operating segment- specific risk is considered by the estimation of beta. Beta is estimated annually and is based on the market data.

*Terminal growth rate* – growth rates are based on widely available published market data such as IMF publications.

The key financial assumptions used for value-in-use calculations in 2015 and 2014 are as follows:

	Broadcasting and television production		Retail	
	2015	2014	2015	2014
Terminal growth	3%	3%	3%	3%
Discount rate before tax	9.7%	9.3%	8.2%	6.7%

The impairment tests for goodwill and brands allocated to “Broadcasting and television production” and “Services to individual and business customers” cash-generating units did not indicate impairment as at 31 December 2015.

### **Sensitivity analysis of key financial assumptions**

The Group believes that the key assumptions made in testing for impairment of the “Broadcasting and television production” and “Services to individual and business customers” cash-generating units as at 31 December 2015 are reasonable and are based on our experience and market forecasts that are published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the above mentioned cash-generating units’ recoverable amounts are based would not cause the impairment charge to be recognized.

## 20. Customer relationships and other intangible assets

	31 December 2015	31 December 2014 restated*
Customer relationships	3,638.5	4,255.8*
<b>Customer relationships total</b>	<b>3,638.5</b>	<b>4,255.8</b>
Software and licenses	680.9	640.7
Concessions	1,658.8	1,831.0
Other	11.7	13.8
Other intangible assets under development	70.8	105.9
<b>Other intangible assets total</b>	<b>2,422.2</b>	<b>2,591.4</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

The customer relationships and telecommunication concessions (900 MHz, 1800 MHz oraz 2100 MHz) were recognized in the balance sheets following the acquisition of Metelem Holding Company Limited based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to "Services to individual and business customers" cash-generating unit.

Customer relationships as at 31 December 2015 include the following:

	Amortization period
Customer relationships with retail clients	10 years
Customer relationships – infrastructure lease	3 years
Customer relationships – roaming	13 years
Customer relationships with wholesale clients (MVNO)	3 years

Concessions as at 31 December 2015 include the following:

	Expiry date
Concession GSM 900	24.02.2026
Concession GSM 1800	14.09.2029
Concession UMTS	01.01.2023
Concession (fixed-line telecommunication network)	31.12.2020

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	Customer relationships	Software and licenses	Concessions for broadcasting television programs	Other	Other intangible assets under development	Other intangible assets
<b>Cost</b>						
<b>Cost as at 1 January 2015 restated*</b>	<b>4,640.0</b>	<b>833.0</b>	<b>2,010.1</b>	<b>27.0</b>	<b>105.9</b>	<b>2,976.0</b>
Additions	-	142.2	0.1	0.1	11.1	<b>153.5</b>
Acquisition of subsidiary (see note 37)	-	0.3	1.1	-	-	<b>1.4</b>
Transfer from intangible assets under development	-	60.7	-	0.1	(60.8)	-
Disposals	-	(1.5)	(2.1)	(0.2)	-	<b>(3.8)</b>
Transfer between groups	-	-	-	-	14.7	<b>14.7</b>
<b>Cost as at 31 December 2015</b>	<b>4,640.0</b>	<b>1,034.7</b>	<b>2,009.2</b>	<b>27.0</b>	<b>70.9</b>	<b>3,141.8</b>
<b>Accumulated impairment losses as at 1 January 2015</b>	-	-	-	-	-	-
Recognition	-	0.5	-	-	-	<b>0.5</b>
<b>Accumulated impairment losses as at 31 December</b>	-	<b>0.5</b>	-	-	-	<b>0.5</b>
<b>Accumulated amortization as at 1 January 2015</b>	<b>384.2</b>	<b>192.3</b>	<b>179.1</b>	<b>13.2</b>	-	<b>384.6</b>
Additions	<b>617.3</b>	161.6	173.4	1.6	-	<b>336.6</b>
Additions (amortization included in the value of produced equipment)	-	0.2	-	0.6	-	<b>0.8</b>
Disposals	-	(0.7)	(2.1)	(0.1)	-	<b>(2.9)</b>
<b>Accumulated amortization as at 31 December 2015</b>	<b>1,001.5</b>	<b>353.4</b>	<b>350.4</b>	<b>15.3</b>	-	<b>719.1</b>
<b>Carrying amounts</b>						
<b>As at 1 January 2015 restated*</b>	<b>4,255.8</b>	<b>640.7</b>	<b>1,831.0</b>	<b>13.8</b>	<b>105.9</b>	<b>2,591.4</b>
<b>As at 31 December 2015</b>	<b>3,638.5</b>	<b>680.8</b>	<b>1,658.8</b>	<b>11.7</b>	<b>70.9</b>	<b>2,422.2</b>

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	Customer relationships	Software and licenses	Concessions for broadcasting television programs	Other	Other intangible assets under development	Other intangible assets
<b>Cost</b>						
<b>Cost as at 1 January 2014</b>	-	138.2	36.0	26.7	44.7	245.6
Additions	-	29.7	368.5	0.2	55.7	454.1
Acquisition of subsidiary (see note 37) restated*	4,640.0	627.7	1,600.0	-	60.5	2,288.2
Transfer from intangible assets under development	-	40.9	13.0	0.1	(54.0)	-
Disposals	-	(2.9)	(7.4)	-	-	(10.3)
Transfer between groups	-	(0.6)	-	-	(1.0)	(1.6)
<b>Cost as at 31 December 2014 restated*</b>	<b>4,640.0</b>	<b>833.0</b>	<b>2,010.1</b>	<b>27.0</b>	<b>105.9</b>	<b>2,976.0</b>
<b>Accumulated amortization as at 1 January 2014</b>						
Additions	384.2	106.5	175.9	1.7	-	284.1
Additions (amortization included in the value of produced equipment)	-	-	-	1.8	-	1.8
Disposals	-	(2.1)	(7.4)	-	-	(9.5)
<b>Accumulated amortization as at 31 December 2014</b>	<b>384.2</b>	<b>192.3</b>	<b>179.1</b>	<b>13.2</b>	<b>-</b>	<b>384.6</b>
<b>Carrying amounts</b>						
<b>As at 1 January 2014</b>	-	50.3	25.4	17.0	44.7	137.4
<b>As at 31 December 2014 restated*</b>	<b>4,255.8</b>	<b>640.7</b>	<b>1,831.0</b>	<b>13.8</b>	<b>105.9</b>	<b>2,591.4</b>

\* Restatement resulting from final purchase price allocation of Metelem (see note 37)

## 21. Programming assets

	31 December 2015	31 December 2014
Acquired film licenses	198.5	163.9
Capitalised cost of external production and sports rights	29.0	45.6
Co-productions	0.3	0.7
Prepayments	109.4	77.7
<b>Total</b>	<b>337.2</b>	<b>287.9</b>
<i>Current programming assets</i>	<i>192.2</i>	<i>152.1</i>
<i>Non-current programming assets</i>	<i>145.0</i>	<i>135.8</i>

### Change in programming assets

	2015	2014
<b>Net carrying amount as at 1 January</b>	<b>287.9</b>	<b>252.9</b>
Increase*:	259.6	294.2
<i>Acquisition of film licenses</i>	<i>170.6</i>	<i>147.1</i>
<i>Capitalized costs of sports rights</i>	<i>89.0</i>	<i>147.1</i>
Change in impairment losses:	3.4	(5.0)
<i>Film licenses</i>	<i>3.0</i>	<i>(4.7)</i>
<i>Capitalized cost of external production and sports rights</i>	<i>0.4</i>	<i>(0.3)</i>
Change in internal production*	3.9	2.8
Amortization of film licenses	(128.1)	(111.9)
Amortization of capitalized cost of sports rights	(88.3)	(107.5)
Disposals:	(1.2)	(30.5)
<i>Sale of film licenses</i>	<i>(1.2)</i>	<i>(0.4)</i>
<i>Capitalized costs of sports rights</i>	<i>-</i>	<i>(30.1)</i>
Other	-	(7.1)
<b>Net carrying amount as at 31 December</b>	<b>337.2</b>	<b>287.9</b>

\* includes change in prepayments

Commitments related to acquisition of programming assets by the Group are presented in note 48.

## 22. Deferred distribution fees

	31 December 2015	31 December 2014
Deferred distribution fees	296.0	222.7
<i>Of which: Current</i>	<i>212.7</i>	<i>141.7</i>
<i>Non-current</i>	<i>83.3</i>	<i>81.0</i>

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Group to profit or loss over the minimum base period of the subscription contracts.

As at 31 December 2015, the balance of distribution fees relating to agreements whose basic period as at the date of signing was more than 12 months amounted to PLN 295.1 (as at 31 December 2014: 221.1 PLN).

## 23. Other non-current assets

	31 December 2015	31 December 2014
Deferred costs	5.0	3.0
Non-current trade receivables	232.9	156.9
Loans granted to related parties	16.8	28.9
Shares	2.5	2.5
Investment in joint ventures	5.9	3.2
Deposits paid	2.8	2.8
Derivative instruments IRS/CIRS (note 38)	6.9	1.2
<b>Total</b>	<b>272.8</b>	<b>198.5</b>

As at 31 December 2015 and 31 December 2014 Non-current trade receivables include receivables from installment plan purchases.

As at 31 December 2015 and 31 December 2014 99% shares in Karpacka Telewizja Kablowa Sp. z o.o. ("KTK Sp. z o.o.") were included in "Shares".

## Investment in key joint ventures

The Group accounted for the following investments in a joint ventures using the equity method:

As at 31 December 2015:

Entity	Carrying amount	Country	Assets	Liabilities	Revenues	Profit / loss for the period	Share in voting rights
Polsat JimJam Ltd.	5.9	UK	16.1	3.5	12.3	5.9	50%
<b>Total</b>	<b>5.9</b>		<b>16.1</b>	<b>3.5</b>	<b>12.3</b>	<b>5.9</b>	

As at 31 December 2014:

Entity	Carrying amount	Country	Assets	Liabilities	Revenues	Profit / loss for the period	Share in voting rights
Polsat JimJam Ltd.	3.2	UK	12.7	6.1	11.8	5.2	50%
<b>Total</b>	<b>3.2</b>		<b>12.7</b>	<b>6.1</b>	<b>11.8</b>	<b>5.2</b>	

In 2014, the Group has received from Polsat JimJam a dividend in the amount of EUR 0.6 (equivalent of PLN 2.5). In 2015, no dividend has been paid.

## 24. Inventories

Types of inventories	31 December 2015	31 December 2014
Mobile phones	129.2	108.6
Laptops, tablets and modems	55.3	75.3
Set-top boxes and disc drives	13.2	42.5
Other inventories	83.3	75.0
<b>Total net book value</b>	<b>281.0</b>	<b>301.4</b>

Other inventories comprise primarily of raw materials used in the production of set-top boxes.

Write-downs of inventories	2015	2014
<b>Opening balance</b>	<b>21.4</b>	<b>4.5</b>
Increase	7.0	19.1
Utilisation	(6.5)	(0.2)
Decrease	(4.9)	(2.0)
<b>Closing balance</b>	<b>17.0</b>	<b>21.4</b>

## 25. Trade and other receivables

	31 December 2015	31 December 2014
Trade receivables from related parties	66.6	103.7
Trade receivables from third parties	1,391.7	1,267.0
Tax and social security receivables	91.9	45.9
Other receivables (see note 38)	68.9	36.8
<b>Total</b>	<b>1,619.1</b>	<b>1,453.4</b>

Trade receivables from third parties include primarily receivables from individual customers, media houses and distributors.

### Trade receivables by currency

Currency	31 December 2015	31 December 2014
PLN	1,382.5	1,338.4
EUR	40.2	27.0
USD	32.7	3.6
Other	2.9	1.8
<b>Total</b>	<b>1,458.3</b>	<b>1,370.8</b>



### Movements in the allowance for impairment of accounts receivable

	2015	2014
<b>Opening balance</b>	<b>75.0</b>	<b>33.9</b>
Acquisition of subsidiary	0.2	-
Increase	64.1	58.1
Reversal	(12.7)	(4.4)
Utilisation	(31.3)	(12.6)
<b>Closing balance</b>	<b>95.3</b>	<b>75.0</b>
<i>Of which:</i>		
<i>Short-term</i>	73.9	57.6
<i>Long-term</i>	21.4	17.4

### 26. Other current assets

	31 December 2015	31 December 2014
Derivative instruments forward/IRS/CIRS (note 38)	10.5	22.2
Other deferred income	-	0.3
Other deferred costs	389.0	137.6
<b>Total</b>	<b>399.5</b>	<b>160.1</b>

Other deferred costs in the amount of PLN 358.5 related to the agreement with Aero2 Sp. z o.o. (legal successor of Mobyland Sp. z o.o.) (see note 46).

### 27. Cash and cash equivalents

	31 December 2015	31 December 2014
Cash on hand	0.6	0.9
Current accounts	150.5	61.2
Deposits	1,360.9	1,673.2
<b>Total</b>	<b>1,512.0</b>	<b>1,735.3</b>

The Group places its cash and cash equivalents in banks and financial institutions with reliability proven by ratings awarded by universally recognized agencies Standard & Poor's, Moody's or Fitch, as required by the loan agreement and policies adopted therein. As at 31 December 2015 cash and cash equivalents were placed primarily with institutions rated A2 by Moody's Investors Service Ltd.

<b>Currency</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
PLN	1,424.4	1,647.6
EUR	41.2	42.8
USD	37.9	39.9
Other	8.5	5.0
<b>Total</b>	<b>1,512.0</b>	<b>1,735.3</b>

As the Group cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

Restricted cash in the amount of PLN 11.7 includes mainly guarantee deposits.

## 28. Equity

### (i) Share capital

Presented below is the structure of the Company's share capital as at 31 December 2014 and at 31 December 2015:

<b>Share series</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Type of shares</b>
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
<b>Total</b>	<b>639,546,016</b>	<b>25.6</b>	

The shareholders' structure as at 31 December 2015 was as follows:

	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>% of share capital held</b>	<b>Number of votes</b>	<b>% of voting rights</b>
Karswell Ltd. <sup>1</sup>	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. <sup>2</sup>	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. <sup>3</sup>	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. <sup>1</sup>	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
<b>Total</b>	<b>639,546,016</b>	<b>25.6</b>	<b>100%</b>	<b>818,963,517</b>	<b>100%</b>

<sup>1</sup> Entity is controlled by Mr. Zygmunt Solorz-Żak

<sup>2</sup> Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz-Żak

<sup>3</sup> Sensor Overseas Ltd. is controlled by EVO Foundation

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

#### Listing of Series J shares

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

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

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. <sup>1</sup>	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. <sup>2</sup>	154,204,296	6.2	24.11%	306,709,172	37.45%
Argumenol Investment Company Ltd. <sup>1</sup>	28,415,173	1.1	4.44%	28,415,173	3.47%
Sensor Overseas Ltd. <sup>3</sup>	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. <sup>1</sup>	29,648,775	1.2	4.64%	29,648,775	3.62%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
<b>Total</b>	<b>639,546,016</b>	<b>25.6</b>	<b>100%</b>	<b>818,963,517</b>	<b>100%</b>

<sup>1</sup> As at 31 December 2015 the entity was controlled by Mr. Zygmunt Solorz-Żak

<sup>2</sup> As at 31 December 2015 Reddev Investments Ltd. was a direct subsidiary of Pola Investments Ltd., an entity controlled by the TiVi Foundation, the parent entity of which is Mr. Zygmunt Solorz-Żak

<sup>3</sup> As at 31 December 2015 Sensor Overseas Ltd. was controlled by EVO Foundation

#### **(ii) Share premium**

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

#### **(iii) Retained earnings**

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

#### **(iv) Other reserves**

Other reserves include hedge valuation effect and actuarial gains.

## 29. Hedge valuation reserve

On 31 July 2014 and 1 August 2014 the Company executed Interest Rate Swap (IRS) transactions ("Transactions") consisting in exchanging interest payments based on the floating rate WIBOR 3M for interest payments based on an average fixed rate of 2.50% with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Spółka Akcyjna, Oddział w Polsce, Bank Zachodni WBK S.A., BNP Paribas SA and Bank Polska Kasa Opieki SA.

The Transactions were concluded for the period from 30 September 2014 until 31 December 2016 and the total nominal value of the loan being hedged by Transactions mentioned above is PLN 1,136.5.

### Impact of hedging instruments valuation on assets and liabilities as at 31 December 2015

	IRS	CIRS	Total
Liabilities			
Short-term	(8.3)	-	(8.3)
<b>Total</b>	<b>(8.3)</b>	<b>-</b>	<b>(8.3)</b>

### Impact of hedging instruments valuation on assets and liabilities as at 31 December 2014

	IRS	CIRS	Total
Liabilities			
Long-term	(7.0)	-	(7.0)
Short-term	(8.4)	-	(8.4)
<b>Total</b>	<b>(15.4)</b>	<b>-</b>	<b>(15.4)</b>

### Impact of hedging instruments valuation on hedge valuation reserve

	2015	2014
<b>Balance as at 1 January</b>	<b>(12.2)</b>	<b>(9.0)</b>
Valuation of cash flow hedges	-	-
Amount transferred to income statement	-	11.1
Deferred tax	-	(2.1)
<b>Change for the period (credit facility repaid in 2014)</b>	<b>-</b>	<b>9.0</b>
Hedging relationship designation	-	(15.0)
Valuation of cash flow hedges	6.6	-
Deferred tax	(1.1)	2.8
<b>Change for the period (credit facilities signed in 2014 and 2015)</b>	<b>5.5</b>	<b>(12.2)</b>
<b>Balance as at 31 December</b>	<b>(6.7)</b>	<b>(12.2)</b>

Due to the repayment of existing debt and its replacement with new credit facility in 2014 the hedge of existing debt was ended and the amounts presented in hedge valuation reserve were transferred to profit and loss. In connection with new

credit facility established in 2014 a new hedging relationship was designated. This relationship was maintained and linked with the loan facility established in 2015 (see note 30).

### 30. Loans and borrowings

Loans and borrowings	31 December 2015	31 December 2014
Short-term liabilities	1,230.9	1,322.6
Long-term liabilities	5,379.8	7,683.5
<b>Total</b>	<b>6,610.7</b>	<b>9,006.1</b>

Change in loans and borrowings liabilities:

	2015	2014
<b>Loans and borrowings as at 1 January</b>	<b>9,006.1</b>	<b>485.9</b>
Loans and borrowings on acquisition of entities (see note 37)	22.2	6,815.6
Facilities agreement	6,700.0	2,500.0
Revolving facility loan	120.0	300.0
Repayment of capital	(9,222.2)	(1,087.1)
Repayment of interest and commissions	(411.8)*	(351.8)*
Interest accrued	396.4	343.5
<b>Loans and borrowings as at 31 December</b>	<b>6,610.7</b>	<b>9,006.1</b>

\* Includes amount paid for costs related to the new financing

On 13 April 2015, Polkomtel Sp. z o. o. (an indirect subsidiary of the Company) made a voluntary prepayment of part of the senior facilities term loan in the amount of PLN 600. On 15 May 2015 Polkomtel made a voluntary prepayment in the amount of PLN 30. On 28 September 2015 Polkomtel made an early repayment of the loan in the amount of PLN 6,020.0. As a result of the said early repayment Polkomtel repaid its total indebtedness under the facilities agreement of 17 June 2013.

During 2015 the Company made scheduled payments of part of the Senior Facilities term loan in total amount of PLN 152. On 29 July 2015, the Company made a voluntary prepayment of part of the senior facilities term loan in the amount of PLN 1 billion (not in millions). On 28 September 2015 the Company made an early repayment of the loan in the amount of PLN 1,178.0. As a result of the said early repayment the Company repaid its total indebtedness under the facilities agreement dated 11 April 2014.

#### Facilities agreement between the Company and a consortium of financial institutions

On 21 September 2015, the Company, as the borrower, along 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. concluded a Senior Facilities Agreement with a consortium of Polish and foreign financial institutions, led by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Société Générale (Global Banking Coordinators) with the participation of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, BNP Paribas Fortis SA/NV, Bank Polska Kasa Opieki S.A., The Bank of Tokyo-Mitsubishi UFJ Ltd., Bank of China (Luxembourg) S.A., Credit Agricole Corporate & Investment Bank, Credit Agricole Bank Polska S.A., DNB Bank Polska S.A., DNB Bank ASA, HSBC Bank Polska S.A., HSBC Bank plc, Bank

Handlowy w Warszawie S.A., CaixaBank, S.A. (Spółka Akcyjna) Oddział w Polsce, mBank S.A., Bank Millennium S.A., Raiffeisen Bank Polska S.A., Goldman Sachs Bank USA, Erste Group Bank AG, Deutsche Bank Polska S.A., and UniCredit Bank AG, London Branch, acting as the Facility Agent and the Security Agent (the "CP Facilities Agreement").

Based on the CP Facilities Agreement the Company has been awarded a Term Facility Loan up to PLN 1,200 (the "CP Term Facility") and a Revolving Facility Loan up to PLN 300 (the "CP Revolving Facility").

The CP Term Facility and the CP Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the CP Term Facility and the CP Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin. The CP Term Facility and the CP Revolving Facility are to be repaid in quarterly installments of variable value with the final repayment date for each of these facilities set at 21 September 2020.

The CP Revolving Facility as at 31 December 2015 was not utilized.

The Company used the CP Term Facility and the CP Revolving Facility in particular to:

- (i) repay the indebtedness under the Senior Facilities Agreement of 11 April 2014 between the Company (as the borrower) and a consortium of financial institutions, and
- (ii) fund general corporate needs of the Group.

*Senior Facilities Agreement between Polkomtel sp. z o.o. ("Polkomtel") and a consortium of financial institutions*

On 21 September 2015, the Senior Facilities Agreement was concluded between a Company's subsidiary – Polkomtel as the borrower along with Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), Plus TM Management Sp. z o.o., TM Rental Sp. z o.o., Plus TM Group Sp. z o.o. a consortium of Polish and foreign financial institutions, led by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Société Générale (Global Banking Coordinators) with the participation of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, BNP Paribas Fortis SA/NV, Bank Polska Kasa Opieki S.A., The Bank of Tokyo-Mitsubishi UFJ Ltd., Bank of China (Luxembourg) S.A., Credit Agricole Corporate & Investment Bank, Credit Agricole Bank Polska S.A., DNB Bank Polska S.A., DNB Bank ASA, HSBC Bank Polska S.A., HSBC Bank plc, Bank Handlowy w Warszawie S.A., CaixaBank, S.A. (Spółka Akcyjna) Oddział w Polsce, mBank S.A., Bank Millennium S.A., Raiffeisen Bank Polska S.A., Goldman Sachs Bank USA, Erste Group Bank AG, Deutsche Bank Polska S.A., and UniCredit Bank AG, London Branch, acting as the Facility Agent and Citicorp Trustee Company Limited as the Security Agent (the "PLK Facilities Agreement").

Based on the PLK Facilities Agreement Polkomtel has been awarded a Term Facility Loan up to PLN 10,300 (the "PLK Term Facility") and a Revolving Facility Loan up to PLN 700 (the "PLK Revolving Facility").

The PLK Term Facility and the PLK Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the PLK Term Facility and the PLK Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin. The PLK Term Facility and the PLK Revolving Facility are to be repaid in quarterly installments of variable value with the final repayment date for each of these facilities set at 21 September 2020.

The PLK Revolving Facility as at 31 December 2015 was not utilized.

The PLK Term Facility and the PLK Revolving Facility will be utilized by Polkomtel in particular to:

- (i) fully repay the outstanding debt under the refinanced Polkomtel's Facilities Agreement dated 17 June 2013;
- (ii) fully repay the indebtedness under the senior notes issued on 26 January 2012 by Eileme 2 AB (publ) – a Company's subsidiary („HY Notes Indebtedness”); and
- (iii) fund general corporate needs of the Group.

In accordance with the provisions of the CP Facilities Agreement and PLK Facilities Agreement, the Company, Polkomtel and other members of the Group may incur additional facilities. The terms of such additional facilities will be established individually in separate additional facility accession deeds and their terms will have to satisfy certain criteria.

Claims related to the CP Facilities Agreement and the PLK Facilities Agreement are secured by collaterals established by the Company, Polkomtel and other members of the Group as a security. A detailed description of the established securities is presented in the Management Report in note 4.6.6.

*Amendment, Restatement and Consolidation Deed executed between the parties to the CP Facilities Agreement, PLK Facilities Agreement and certain members of the Group*

On 21 September 2015 the Amendment, Restatement and Consolidation Deed was concluded between the Company, Polkomtel Sp. z o.o., 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., Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), Plus TM Management Sp. z o.o., TM Rental Sp. z o.o., Plus TM Group Sp. z o.o. and the consortium of Polish and foreign financing institutions (the “Amendment, Restatement and Consolidation Deed”).

According to the Amendment, Restatement and Consolidation Deed, upon repayment of the HY Notes Indebtedness, the indebtedness under the PLK Facilities Agreement will be refinanced using the funds made available under the CP Facilities Agreement, as amended in the Amendment, Restatement and Consolidation Deed. The HY Notes Indebtedness were repaid 1 February 2016.

The Amendment, Restatement and Consolidation Deed amends the CP Facilities Agreement as follows:

- i. the maximum amount of the CP Term Facility will be PLN 11,500, and the maximum amount of the CP Revolving Facility will be PLN 1,000;
- ii. the Company and other Group members will establish additional collaterals for the facilities granted on this basis. These collaterals include, in particular, registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of certain members of the Group, registered and financial pledges on shares in the Group members, registered and financial pledges on receivables related to bank accounts kept for certain members of the Group, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares (interests) or assets of members of the Group, to be governed by foreign laws.

*Extraordinary General Meeting of the Company*

On 18 August 2015 the Extraordinary General Meeting of the Company adopted a resolution whereby it gives its consent to conclude a pledge agreement and to establish registered pledge on collection of movables and rights constituting the

organized entirety with variable composition, being the part of the Company's enterprise, to secure the payments resulting from the facilities agreements.

Events subsequent to the reporting date - Completion of refinancing

On 26 January 2016, Polkomtel (an indirect subsidiary of the Company) increased utilization of the PLN facility by PLN 4.8 billion (not in million) pursuant to the terms of the Amendment, Restatement and Consolidation Deed.

Agreement with Bank Pekao S.A.

On 7 May 2009 the Company signed an agreement with Bank Pekao S.A. defining rights and obligations of the parties should the Company order the bank to issue a guarantee or a letter of credit. Bank's total commitment regarding the issued guarantees and letters of credit may not exceed PLN 20.0. As at 31 December 2015 the bank issued guarantees in the total amount of PLN 2.7.

Agreement with PKO BP

On 29 November 2012 Company's indirect subsidiary signed a framework agreement with PKO BP S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding issued guarantees relating to tenders and trade agreements may not exceed PLN 60.0. As at 31 December 2015 the bank issued guarantees in the total amount of PLN 12.3 and EUR 3.5.

On 18 February 2015 Company's indirect subsidiary signed an annex to a framework agreement with PKO BP S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding issued guarantees relating to tenders and trade agreements may not exceed PLN 3.0. As at 31 December 2015 the bank issued guarantees in the total amount of PLN 2.5.

Agreement with ING Bank Śląski S.A.

On 12 February 2014 the Company's indirect subsidiary signed an agreement with ING Bank Śląski S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding the issued guarantees may not exceed PLN 2,5. As at 31 December 2015 the limit was unutilized..

## 31. Issued bonds

	31 December 2015	31 December 2014
Short-term liabilities	4,776.7	464.4
Long-term liabilities	975.3	4,550.2
<b>Total</b>	<b>5,752.0</b>	<b>5,014.6</b>



Change in issued bonds:

	2015	2014
<b>Issued bonds as at 1 January</b>	<b>5,014.6</b>	<b>1,438.7</b>
Bonds on acquisition as at 7 May 2014 (see note 37)	-	5,528.5
Issuance of bonds	1,000.0	-
Foreign exchange losses	223.6	360.8
Early redemption costs	244.8	82.1
Cumulative catch-up	(616.2)	-
Bonds redemption	-	(2,275.9)
Repayment of interest and commission	(486.2)**	(410.7)**
Interest accrued	371.4	291.1
<b>Issued bonds payable as at 31 December</b>	<b>5,752.0</b>	<b>5,014.6</b>

\* Includes payment of the early redemption costs

\*\* Includes amount paid for costs related to the new financing

On 21 July 2015, the Company registered 1,000,000 unsecured series A bearer bonds with a nominal value of PLN 1,000 each (not in millions) and a total nominal value of PLN 1,000,000,000 (not in millions) (the "Bonds") in the securities depository maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.). The Bonds mature in 6 years. The redemption date for the Bonds is 21 July 2021. The interest rate is floating and is based on the WIBOR 6M rate, increased by a margin which depends on the Leverage Ratio level (defined in the terms and conditions of the Bonds' issuance).

The Group entered into a new loan agreement in September 2015 and planned earlier redemption of HY Notes which resulted in a change of future expected cash flows. Accordingly, the Group recognized early redemption costs of PLN 244.8 and cumulative catch-up of PLN (-)616.2

#### Events subsequent to the reporting date - Completion of refinancing

On 1 February 2016, Eileme 2 (an indirect subsidiary of the Company) redeemed all of its issued senior notes in the total nominal value of EUR 542.5 and USD 500 due in 2020.

## **32. Group as a lessor and as a lessee**

### **a) Group as a lessor**

#### ***Operating lease***

The Group entered into contracts with third parties, which are classified as operating leases based on their economic substance. The contracts relate to the rental of reception equipment, lease of premises and call center equipment as well as vehicles. Reception equipment and call center equipment connected with such contracts are presented as part of property, plant and equipment. The premises is classified as operating lease and vehicles are recognized as financial leasing.

Lease contracts for set-top boxes are concluded for a base contractual period ranging from 12 to 29 months. After each base period, the contracts are converted into contracts with either indefinite or definite terms, unless terminated by the subscribers.

Future minimum lease payments with respect to operating lease are as follows:

	31 December 2015	31 December 2014
less than 1 year	12.7	7.8
between 1 and 5 years	2.7	1.3
<b>Total</b>	<b>15.4</b>	<b>9.1</b>

## b) Group as a lessee

### *Operating leases*

The Group entered into agreements, which are classified as operating lease contracts based on their economic substance. Assets leased under these contracts are not recorded in the financial statements. The contracts comprise leases of premises, lease of satellite transponders capacity, vehicles and other equipment as well as lease of land for network locations.

The table below presents a maturity analysis for such commitments:

	31 December 2015	31 December 2014
within one year	455.0	452.4
between 1 to 5 years	1,125.4	1,148.7
more than 5 years	381.4	415.9
<b>Total</b>	<b>1,961.8</b>	<b>2,017.0</b>

The table below presents future minimum payments relating to operating lease agreements to related parties:

	31 December 2015	31 December 2014
within one year	24.8	22.8
between 1 to 5 years	84.7	80.5
more than 5 years	53.1	69.9
<b>Total</b>	<b>162.6</b>	<b>173.2</b>

In 2015 the Group incurred costs related to operating lease agreements amounting to PLN 405.5 and in 2014 to PLN 371.2

### *Finance leases*

The total carrying amount of vehicles used under finance lease contracts amounted to PLN 24.2 as at 31 December 2015 and PLN 15.7 as at 31 December 2014.

The lease term is up to 5 years with respect to vehicles and other equipment.

Future minimum lease payments under finance leases are as follows:

	31 December 2015	31 December 2014
less than 1 year	4.3	7.4
between 1 and 5 years	20.8	12.8
<b>Total</b>	<b>25.1</b>	<b>20.2</b>

The present value of minimum lease payments amounted to PLN 18.5 as at 31 December 2014 and PLN 25.1 as at 31 December 2015.

### 33. UMTS license liabilities

Future payments	31 December 2015	31 December 2014
30 September 2015	-	119.4
30 September 2016	119.4	119.4
30 September 2017	119.4	119.4
30 September 2018	119.4	119.4
30 September 2019	119.4	119.4
30 September 2020	119.4	119.4
subsequent years	251.0	251.3
<b>Total payments</b>	<b>848.0</b>	<b>967.7</b>
Amounts representing discount	-78.2	-100.3
<b>Discounted minimum payments</b>	<b>769.8</b>	<b>867.4</b>
<i>Of which:</i>		
<i>Short-term</i>	117.0	117.1
<i>Long-term</i>	652.8	750.3

As a result of acquisition of shares in Metelem Holding Company Limited (see note 37) UMTS license liability has been recognized. The liability is denominated in EUR. The value of the liability is a subject to annual reduction due to subsequent installments paid to the regulator. UMTS license liability is due in 2022.

### 34. Other non-current liabilities and provisions

	31 December 2015	31 December 2014
Derivative instruments (IRS/CIRS) liabilities (note 38)	-	40.1
Provisions	113.9	131.9
Other	10.3	12.2
<b>Total</b>	<b>124.2</b>	<b>184.2</b>

### 35. Trade and other payables

	31 December 2015	31 December 2014
Trade payables to related parties	6.2	62.2
Trade payables to third parties	284.1	370.6
Taxation and social security payables	176.1	98.6
Payables relating to purchase of programming rights to related parties	1.4	1.4
Payables relating to purchase of programming rights to third parties	53.0	40.9
Payables relating to purchases of tangible and intangible assets	145.1	168.5
Accruals	594.5	531.7
Short-term provisions	112.1	127.9
Derivative instruments (IRS/CIRS) liabilities (note 38)	72.9	87.0
Other	40.0	34.2
<b>Total</b>	<b>1,485.4</b>	<b>1,523.0</b>

#### Accruals

	31 December 2015	31 December 2014
Salaries	84.0	76.6
License fees and royalties for copyright management organizations	66.0	50.9
Distribution costs	97.0	137.4
Costs of settlements with telecommunication operators	113.4	100.5
Other	234.1	166.3
<b>Total</b>	<b>594.5</b>	<b>531.7</b>

#### Short-term and long-term provisions

	2015	2014
<b>Opening balance as at 1 January</b>	<b>259.8</b>	<b>43.5</b>
Acquisition of subsidiary (see note 37)	0.1	186.2
Increases	7.8	47.5
Reversal	(36.0)	(11.4)
Utilisation	(5.8)	(6.0)
<b>Closing balance as at 31 December</b>	<b>225.9</b>	<b>259.8</b>
<i>Of which:</i>		
<i>Short-term</i>	112.1	127.9
<i>Long-term</i>	113.8	131.9

Provisions comprise *inter alia* of provision for license fees, litigation and disputes, warranty provision, provision for dismantling and onerous contracts.

### Trade payables and payables relating to purchases of programming rights and non-current assets by currency

Currency	31 December 2015	31 December 2014
PLN	414.4	570.0
USD	54.7	44.8
EUR	15.3	24.7
Other	5.4	4.1
<b>Total</b>	<b>489.8</b>	<b>643.6</b>

### Accruals by currency

Currency	31 December 2015	31 December 2014
PLN	533.0	460.0
EUR	51.1	60.5
Other	10.4	11.2
<b>Total</b>	<b>594.5</b>	<b>531.7</b>

## 36. Deferred income

	31 December 2015	31 December 2014
Deferred income	680.8	688.6
Of which: <i>Short-term</i>	676.1	683.9
<i>Long-term</i>	4.7	4.7

Deferred income comprises mainly deferred retail revenue (subscription fees paid in advance, prepaid services and rental fees for set-top boxes) as well as deferred wholesale revenue (prepaid advertising broadcasts).

## 37. Acquisition of a subsidiary

### Acquisition of shares in Metelem Holding Company Limited

On 7 May 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with all of Metelem's shareholders, that is the European Bank for Reconstruction and Development ("EBRD"), Karswell Limited ("Karswell"), Sensor Overseas Limited ("Sensor") and Argumenol Investment Company Limited ("Argumenol"). In these agreements the Company offered registered subscription warrants to the Metelem Shareholders and each of the shareholders accepted the offer of the Company and acquired free registered subscription warrants in such way that: (a) the EBRD acquired 47,260,690 Series I registered subscription warrants; (b) Karswell acquired 157,988,268 Series J registered subscription warrants; (c) Sensor acquired 27,880,274 Series J registered subscription warrants; and (d) Argumenol acquired 58,063,948 Series J registered subscription warrants. The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on 16 January 2014.

In executing the rights attached to the subscription warrants referred to above, on 7 May 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders. In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.

Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0.04 (not in millions) each.

Karswell and Argumenol are controlled by Mr. Zygmunt Solorz-Żak, ultimate controlling party of the Company. Sensor is controlled by Mr. Heronim Ruta. The Group uses the purchase accounting method for entities acquired under common control.

The acquisition date is 7 May 2014, when the title to the shares of the acquired company was transferred to Cyfrowy Polsat (that day were fulfilled all conditions included in the conditional investment agreements signed on 14 November 2013 and 19 December 2013). Following the acquisition the Group assumed control over Metelem Holding Company Limited and its subsidiaries, including telecommunication operator Polkomtel Sp. z o.o. (operator of 'Plus' mobile network).

In the year ended 31 December 2015 the Group has finalized the estimations of fair values of acquired assets, liabilities and consideration transferred, which resulted in restatement of comparable data in these consolidated financial statements. The depreciation, amortization, impairment and liquidation as well as income tax has not been restated in the comparable income statement due to the fact that the impact would have been not material.

**a) Consideration transferred**

	<b>Final value of transferred consideration</b>
Shares I and J series issued on 7 May 2014	5,894.4*
Net settlements between Orsen Group and the Group	24.6
<b>Total as at 7 May 2014</b>	<b>5,919.0</b>

\* restatement due to final fair value of transferred consideration (decrease of fair value of issued shares by PLN 63.4)

The fair value of shares issued was established based on the closing price of PLN 20.46 (not in millions) as per the stock exchange quotation as at 7 May 2014 decreased by the value of dividend per share, which was not applicable to shares J series.

**b) Reconciliation of transactional cash flow**

Cash transferred	-
Cash and cash equivalents received	1,800.6
<b>Cash increase in the period of 12 months ended 31 December 2014</b>	<b>1,800.6</b>

### c) Fair value valuation of net assets as at acquisition date

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair values of assets and liabilities acquired as at 7 May 2014:

	fair value as at the acquisition date (7 May 2014)
<b>Net assets:</b>	
Property, plant and equipment	2,550.6
Land	26.3
Buildings	86.4
Network systems and equipment	2,109.3
Vehicles	10.9
Other fixed assets	36.0
Assets under construction	281.7
Customer relationships	4,640.1
Concessions	1,600.0
Plus brand	1,230.0
Other intangible assets	688.2
Other non-current assets	7.9
Deferred tax assets	249.5
Inventory	155.2
Trade receivables and other receivables	1,070.0
Other current assets	125.5
Cash and equivalents	1,800.6
Loans and borrowings	(6,815.6)
Issued bonds	(5,528.5)
UMTS license liabilities	(957.9)
Finance lease liabilities	(9.2)
Deferred tax liabilities	(948.8)
Other non-current liabilities and provisions	(93.9)
Trade liabilities and other liabilities	(1,311.1)
Income tax liabilities	(39.4)
Deferred income	(476.7)
<b>Total net assets</b>	<b>(2,063.5)</b>
<b>Consideration transferred</b>	<b>5,919.0</b>
<b>Goodwill</b>	<b>7,982.5</b>

Following the completion of the purchase price allocation the fair value of identified assets and liabilities has been adjusted to reflect the final valuation performed by the external expert. The adjustment includes decrease in fair value of property, plant

and equipment by PLN 246.7, increase in fair value of customer relationships by PLN 110.1, increase in fair value of Plus brand by PLN 288.9, increase in deferred tax asset by PLN 46.8, increase in fair value of deferred tax liabilities by PLN 20.9. The comparable data as at 31 December 2014 have been restated to reflect the above adjustments. The Group has not restated the depreciation, amortization, impairment and liquidation as well as income tax in the comparable income statement due to the fact that the impact would have been not material.

During the purchase price allocation the Group identified and fair valued intangible assets of marketing nature, (i.e. customer relationships), key telecommunication concessions, umbrella brand 'Plus', roof tops and new towers as well as senior notes liabilities. The fair value of other items of assets and liabilities is estimated at book value as at the acquisition date.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method (MEEM). This method allows valuation of relationships with retail and wholesale customers based on an analysis of expected cash flows derived from those relationships. In order to determine the market value of the relationship, forecasted cash flows are discounted using the expected return/discount rate determined for the asset assuming a given period of economic usefulness of the relationship.

The fair value of key telecommunication concessions (900 MHz, 1800 MHz and 2100 MHz) is estimated based on the market approach and income approach (greenfield scenario).

During the purchase price allocation the Group identified an umbrella brand 'Plus'. The fair value of the brand in the amount of PLN 1.230 was estimated on the basis of relief from royalty method (income approach). This method involves determining the present value of future benefits resulting from owning a brand. The method is based on the assumption that the benefits of owning a brand are equivalent to the hypothetical costs the owner of the brand would have to incur, should the brand be licensed from another entity based on market rates. Management estimates that the brand has a definite useful life and thus the brand is amortized over 51 years, i.e. until 2065.

The fair value of telecommunication infrastructure (roof tops and new towers) is based on the replacement cost approach.

The fair value of senior notes liabilities in amount PLN 5,528.5 is estimated based on the market quotation as at the acquisition date. The book value of senior notes liabilities presented in balance sheet of Metelem group as at acquisition date was equal to PLN 4,574.1, and the difference between this amount and fair value of senior notes liabilities resulting from purchase price allocation is a result of fair valuation based on market quotation.

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations and the value of 'Plus' brand. Goodwill is allocated to the "Services to individual and business customers" operating segment.

The fair value of trade and other receivables is PLN 1,070 and includes trade receivables with a fair value of PLN 1,023. The gross contractual amount for trade receivables due is PLN 1,089, of which PLN 66 is expected to be uncollectible.

Acquisition-related consulting cost in the amount of PLN 5,5 have been recognized in the income statement for the 12 month period ended 31 December 2014 within the other costs category. Share issuance-related consulting costs in amount of PLN 3,9 have been recognized as a reduction of the share premium.



Acquisition of shares in Radio PIN S.A.

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

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

**a) Consideration transferred**

	<b>2015</b>
Purchase price	4.2
<b>Total as at 27 February 2015</b>	<b>4.2</b>

**b) Reconciliation of transactional cash flow**

	<b>2015</b>
Cash transferred	(4.2)
Cash and cash equivalents received	-
<b>Cash decrease in the period of 12 months ended 31 December 2015</b>	<b>(4.2)</b>

**c) Fair value valuation of net assets as at acquisition date**

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Fair values of assets and liabilities acquired as at 27 February 2015:

	<b>fair value as at the acquisition date (27 February 2015)</b>
<b>Net assets:</b>	
Property, plant and equipment	0.2
Other intangible assets	1.1
Other non-current assets	0.2
Trade receivables and other receivables	0.4
Loans and borrowings	(0.5)
Trade liabilities and other liabilities	(2.0)
<b>Total net assets</b>	<b>(0.6)</b>
<b>Consideration transferred</b>	<b>4.2</b>
<b>Value of goodwill</b>	<b>4.8</b>

The fair value of assets and liabilities does not differ significantly from the book value as at the acquisition date.

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

The revenue and net loss included in the consolidated income statement for the reporting period since 27 February 2015 contributed by the consolidation of Radio PIN S.A. amounted to PLN 0.2 and PLN 3.2, respectively. Had it been acquired on 1 January 2015 the revenue and net loss included in the consolidated income statement would amount to PLN 0.2 and PLN 3.7, respectively.

#### Acquisition of the shares in Orsen Holding Limited

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

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

#### **a) Consideration transferred**

	<b>2015</b>
Cash consideration	35.0
Net settlements between Orsen Group and the Group	(12.7)
<b>Total as at 1 April 2015</b>	<b>22.3</b>

Orsen Holding Limited and entities in which it holds shares are referred to as Orsen Group.

#### **b) Reconciliation of transactional cash flow**

	<b>2015</b>
Cash transferred	(35.0)
Cash and cash equivalents received	9.7
<b>Cash decrease in the period of 12 months ended 31 December 2015</b>	<b>(25.3)</b>

#### **c) Fair value valuation of net assets as at acquisition date**

The table below presents final fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Final fair values of assets and liabilities acquired as at 1 April 2015:

	fair value as at the acquisition date (1 April 2015)
<b>Net assets:</b>	
Property, plant and equipment	17.5
Other intangible assets	0.3
Deferred tax assets	0.5
Inventory	6.0
Trade receivables and other receivables	14.1
Other current assets	0.1
Cash and cash equivalents	9.7
Loans and borrowings	(22.2)
Lease liabilities	(0.6)
Trade liabilities and other liabilities	(19.4)
<b>Total net assets</b>	<b>6.0</b>
<b>Consideration transferred</b>	<b>22.3</b>
<b>Value of goodwill</b>	<b>16.3</b>

The fair value of assets and liabilities does not differ significantly from the book value as at the acquisition date.

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations. Goodwill is allocated to the "Services to individual and business customers" operating segment.

The revenue and net profit included in the consolidated income statement for the reporting period since 1 April 2015 contributed by the consolidation of Orsen Group amounted to PLN 15.7 and PLN 2.1, respectively. Had it been acquired on 1 January 2015 the revenue and net profit included in the consolidated income statement would have amounted to PLN 19.1 and PLN 5.4, respectively.

### 38. Financial instruments

#### Overview

Cyfrowy Polsat S.A. Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk:
  - (i) currency risk,
  - (ii) interest rate risk.

The Group's risk management policies are designed to reduce the impact of any adverse conditions on the Group's results.

The Management Board has overall responsibility for the oversight and management of the risks that the Group is subjected to in its activities. Therefore, the Management Board has established an overall risk management framework as well as specific risk management policies with respect to market, credit and liquidity risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these consolidated financial statements.

Bank loans, bonds, cash, foreign exchange call options, forwards, interest rate swaps, cross-currency interest rate swaps and short-term bank deposits are the main financial instruments used by the Group, with the intention of securing the financing for the Group's activities. The Group also holds other financial instruments including trade receivables and payables, payables relating to purchases of programming rights and payables relating to purchases of tangible and intangible assets which arise in the course of its business activities.

Financial assets	Carrying amount	
	31 December 2015	31 December 2014
<b>Loans and receivables, including:</b>	<b>3,300.6</b>	<b>3,341.2</b>
Loans granted	47.9	30.5
Trade and other receivables from related parties	64.5	103.7
Trade and other receivables from third parties	1,664.5	1,459.1
Cash and cash equivalents	1,512.0	1,735.3
Restricted cash	11.7	12.6
<b>Derivative instruments not designated as hedging instruments</b>	<b>17.4</b>	<b>23.4</b>
Forward transactions	10.5	20.3
Interest rate swaps	6.9	-
Cross-currency interest rate swaps	-	3.1

Financial liabilities	Carrying amount	
	31 December 2015	31 December 2014
<b>Other financial liabilities measured at amortized cost, including:</b>	<b>14,292.8</b>	<b>16,129.6</b>
Finance lease liabilities	25.2	18.5
Loans and borrowings	6,610.7	9,006.1
Senior Notes	5,752.0	5,014.6
UMTS license liabilities	769.8	867.4
Trade and other payables to third parties and deposits	510.0	599.7
Trade and other payables to related parties	30.6	91.6
Accruals	594.5	531.7
<b>Hedging derivative instruments</b>	<b>8.3</b>	<b>15.4</b>
Interest rate swaps	8.3	15.4
<b>Derivative instruments not designated as hedging instruments</b>	<b>64.6</b>	<b>111.7</b>
Forward transactions	33.3	105.6
Interest rate swaps	31.3	-
Cross-currency interest rate swaps	-	6.1

### Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging or other derivative transactions are undertaken,
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

The Group's exposure to credit risk is associated primarily with trade receivables. The Parent's customer base includes a large number of individual subscribers who are dispersed geographically over the entire country, and who are required to prepay their subscription fees. Receivables from Parent's sales network are covered with commission liabilities or deposits. Receivables from subscribers are continuously monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to a telephony client and Internet customer. Telewizja Polsat and its subsidiaries provide services with deferred payment which may cause the risk of delays. Assessment of the creditworthiness of the counterparties is regularly carried out and in principle the company does not require security in relation to the financial assets. Polkomtel's customer base is dispersed geographically over the entire country. In case of important postpaid clients services are rendered following positive credit approval while in case of individual retail clients the verification process is automatized and based on IT-supported customer relationship management system and characteristics of the billing systems. Receivables from Polkomtel's sales network are continuously monitored; sales limits and utilization limits are used.

The Group pursues a credit policy under which credit risk exposure is constantly monitored.

Due to diversification of risk in terms of the nature of individual entities, their geographical location and cooperation with highly-rated financial institutions, also taking into consideration the fair value of liabilities arising from derivative transactions, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

**Maximum exposure to credit risk**

	Carrying amount	
	31 December 2015	31 December 2014
Loans granted	47.9	30.5
Trade and other receivables from third parties	64.5	103.7
Trade and other receivables from related parties	1,664.5	1,459.1
Cash and cash equivalents	1,512.0	1,735.3
Restricted cash	11.7	12.6
<b>Derivative instruments not designated as hedging instruments:</b>	<b>17.4</b>	<b>23.4</b>
Forward transactions	10.5	20.3
Interest rate swaps	6.9	-
Cross-currency interest rate swaps	-	3.1
<b>Total</b>	<b>3,318.0</b>	<b>3,364.6</b>

The concentration of credit risk for trade and other receivables is presented in the tables below:

	Carrying amount	
	31 December 2015	31 December 2014
Receivables from subscribers	906.1	726.1
Receivables from media companies	221.0	153.2
Receivables from satellite and cable operators	13.7	24.7
Roaming and interconnect receivables	177.3	159.0
Receivables from distributors	153.2	186.4
Receivables and loans granted to related parties	112.2	134.1
Other receivables and loans granted to third parties	193.4	209.8
<b>Total</b>	<b>1,776.9</b>	<b>1,593.3</b>

	Carrying amount	
	31 December 2015	31 December 2014
Company A	54.4	81.3
Company B	31.4	34.9
Company C	28.9	26.1
Company D	21.0	21.9
Company E	18.6	21.0
Other	1,622.6	1,408.1
<b>Total</b>	<b>1,776.9</b>	<b>1,593.3</b>

Note: for each year 5 largest debtors are presented, not necessarily the same entities in both periods.

The ageing of trade and other receivables at the reporting date was:

	31 December 2015			31 December 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	1,381.0	23.9	1,357.1	1,300.3	26.3	1,274.0
Past due 0-30 days	192.2	6.0	186.2	168.8	4.2	164.6
Past due 31-60 days	84.3	7.0	77.3	57.3	2.6	54.7
Past due more than 60 days	232.7	76.4	156.3	141.9	41.9	100.0
<b>Total</b>	<b>1,890.2</b>	<b>113.3</b>	<b>1,776.9</b>	<b>1,668.3</b>	<b>75.0</b>	<b>1,593.3</b>

Credit quality of such not overdue receivables that are not impaired is very good.

Trade and other receivables with recognized impairment include not past due and past due trade and other receivables where partial recoverability is estimated. Usually impairment is recognized for trade and other receivables past due for more than 60 days or for trade and other receivables for which impairment indicator exists.

### Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Any surplus cash is invested mainly into bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of its cash requirements based on projected cash flows.

The following are the contractual maturities of the Group's financial liabilities.

	31 December 2015						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	6,610.7	8,603.2	(3,883.8)**	642.4	1,336.3	10,508.3	-
Senior Notes	5,752.0	6,018.7	4,783.8**	21.3	85.4	1,128.2	-
UMTS license liabilities	769.8	848.0	-	119.3	119.3	358.0	251.4
Finance lease liabilities	25.2	26.5	2.4	2.4	4.9	16.8	-
Trade and other payables to third parties and deposits	510.0	510.0	510.0	-	-	-	-
Trade and other payables to related parties	30.6	30.6	30.6	-	-	-	-
Accruals	594.5	594.5	594.5	-	-	-	-
Hedging derivative instruments:							
IRS*	8.3	6.6	4.4	2.2	-	-	-
Derivative instruments not designated as hedging instruments:							
IRS*	31.3	30.7	30.7	-	-	-	-
Forward transactions	33.3						-
– inflows	-	(2,411.7)	(2,411.7)	-	-	-	-
– outflows	-	2,446.7	2,446.7	-	-	-	-
	<b>14,365.7</b>	<b>16,668.8</b>	<b>2,107.6</b>	<b>787.6</b>	<b>1,545.9</b>	<b>12,011.3</b>	<b>251.4</b>

\*Pursuant to the agreements settlements shall be on a net basis

\*\*Planned earlier redemption of Notes financed using the funds made available under the PLK Term Facility



The following are the contractual maturities of the Group's financial liabilities.

	<b>31 December 2014</b>						
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months and less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
Loans and borrowings	9,006.1	10,289.4	606.0	751.6	1,620.2	7,311.6	-
Senior Notes	5,014.6	6,681.4	237.7	237.7	475.6	1,426.7	4,303.7
UMTS license liabilities	867.4	967.5	-	119.3	119.3	358.0	370.9
Finance lease liabilities	18.5	20.2	3.7	3.7	2.6	10.2	-
Trade and other payables to third parties and deposits	599.7	599.7	599.7	-	-	-	-
Trade and other payables to related parties	91.6	91.6	91.6	-	-	-	-
Accruals	531.7	531.7	531.7	-	-	-	-
Hedging derivative instruments:							
IRS*	15.4	15.7	3.7	4.8	7.2	-	-
Derivative instruments not designated as hedging instruments:							
IRS*	105.6	92.4	16.6	47.8	28.0	-	-
CIRS	6.1						-
– inflows	-	(135.8)	(135.8)	-	-	-	-
– outflows	-	142.1	142.1	-	-	-	-
	<b>16,256.7</b>	<b>19,295.9</b>	<b>2,097.0</b>	<b>1,164.9</b>	<b>2,252.9</b>	<b>9,106.5</b>	<b>4,674.6</b>

\*Pursuant to the agreements settlements shall be on a net basis

### Market risk

The Group has an active approach to managing its market risk exposure. The objectives of market risk management are:

- to limit fluctuations in profit/loss before tax,
- to increase the probability of meeting budget assumptions,
- to maintain the healthy financial condition and
- to support the process of undertaking strategic decisions relating to investing activity, with attention to sources of capital for this activity.

All the market risk management objectives should be considered as a whole, while their realisation is dependant primarily upon the internal situation and market conditions.

The Group applies an integrated approach to market risk management. This means a comprehensive approach to the whole spectrum of identified market risks, rather than to each of them individually. The primary technique for market risk management is the use in the Group of hedging strategies involving derivatives. Apart from this, natural hedging is also used to the extent available.

All of the potential hedging strategies and the selection of those preferred reflect the following factors: the nature of identified market risk exposures of the Group, the suitability of instruments to be applied and the cost of hedging, current and

forecasted market conditions. In order to mitigate market risk, derivatives are primarily used. The Group transacts only those derivatives for which it has the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, the Group relies on information obtained from particular market leading banks, brokers and information services.

It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

#### Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR). After the purchase of Telewizja Polsat Sp. z o.o. currency risk exposure is also associated to purchases of foreign programming licences (USD). After the purchase of Metelem Holding Company Ltd. currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR), roaming and interconnect agreements and some agreements concerning rental of space required for network locations and rental of office space (various currencies). Furthermore, acquisition of Metelem Holding Company Ltd. resulted in risk exposure related to EUR- and USD-denominated bonds.

In respect of licence fees and transponder capacity leases, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies. Some currency risk related to operational and interest payments is hedged by forwards and cross-currency interest rate swaps.

The Group does not hold any assets held for trading denominated in foreign currencies.

The Group's exposure to foreign currency was as follows based on currency amounts:

	31 December 2015					
	EUR	USD	CHF	GBP	SEK	XDR
Trade receivables	9.4	8.4	-	-	-	0.5
Cash and cash equivalents	9.7	9.7	1.9	0.1	2.5	-
Senior Notes	(569.1)	(524.2)	-	-	-	-
UMTS license liabilities	(180.6)	-	-	-	-	-
Trade payables	(3.6)	(14.0)	-	(0.1)	-	(0.9)
<b>Gross balance sheet exposure</b>	<b>(734.2)</b>	<b>(520.1)</b>	<b>1.9</b>	<b>-</b>	<b>2.5</b>	<b>(0.4)</b>
Forward transactions	390.9	482.1	-	-	-	-
<b>Net exposure</b>	<b>(343.3)</b>	<b>(38.0)</b>	<b>1.9</b>	<b>-</b>	<b>2.5</b>	<b>(0.4)</b>

	31 December 2014					
	EUR	USD	CHF	GBP	SEK	XDR
Trade receivables	6.3	1.0	-	-	0.4	0.3
Cash and cash equivalents	10.0	11.4	1.3	0.1	-	-
Senior Notes	(670.9)	(614.5)	-	-	-	-
UMTS license liabilities	(203.5)	-	-	-	-	-
Trade payables	(5.8)	(12.8)	(0.2)	-	-	(0.7)
<b>Gross balance sheet exposure</b>	<b>(863.9)</b>	<b>(614.9)</b>	<b>(1.1)</b>	<b>0.1</b>	<b>0.4</b>	<b>(0.4)</b>
Forward transactions	62.9	41.4	-	-	-	-
CIRS	31.9	23.4	-	-	-	-
<b>Net exposure</b>	<b>(769.1)</b>	<b>(550.1)</b>	<b>(1.1)</b>	<b>0.1</b>	<b>0.4</b>	<b>(0.4)</b>

The following foreign exchange rates were applied in the presented periods:

(in PLN)	Average rate		Rates at the reporting date	
	2015	2014	31 December 2015	31 December 2014
1 EUR	4.1839	4.1852	4.2615	4.2623
1 USD	3.7701	3.1551	3.9011	3.5072
1 GBP	5.7637	5.1934	5.7862	5.4648
1 CHF	3.9200	3.4460	3.9394	3.5447
1 XDR	5.2749	4.7898	5.4092	5.0768
1 SEK	0.4474	0.4601	0.4646	0.4532
1 AUD	2.8352	2.8437	2.8546	2.8735

For the purposes of the exchange rate sensitivity analysis as at 31 December 2015 and 31 December 2014, exchange rate volatility in the +/- 5% range was assumed as probable. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis below is performed on the same basis for 2014.

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	2015					2014				
	As at 31 December 2015		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	As at 31 December 2014		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
	in currency	in PLN				in currency	in PLN			
Trade receivables										
EUR	9.4	40.2	5%	2.0	-	6.3	27.0	5%	1.2	-
USD	8.4	32.7	5%	1.6	-	1.0	3.6	5%	0.1	-
XDR	0.5	2.6	5%	0.1	-	0.3	1.6	5%	-	-
SEK	-	-	5%	-	-	0.4	0.2	5%	-	-
Cash and cash equivalents										
EUR	9.7	41.2	5%	2.1	-	10.0	42.8	5%	2.0	-
USD	9.7	37.9	5%	1.9	-	11.4	39.9	5%	2.1	-
CHF	1.9	7.3	5%	0.4	-	1.3	4.7	5%	0.1	-
GBP	0.1	0.1	5%	-	-	0.1	0.3	5%	-	-
SEK	2.5	1.1	5%	0.1	-	-	-	5%	-	-
Senior Notes										
EUR	(569.1)	(2,425.2)	5%	(121.3)	-	(670.9)	(2,859.5)	5%	(143.1)	-
USD	(524.2)	(2,045.0)	5%	(102.3)	-	(614.5)	(2,155.1)	5%	(107.8)	-
UMTS license liabilities										
EUR	(180.6)	(769.6)	5%	(38.5)	-	(203.5)	(867.4)	5%	(43.4)	-
Trade payables										
EUR	(3.6)	(15.3)	5%	(0.8)	-	(5.8)	(24.7)	5%	(1.3)	-
USD	(14.0)	(54.7)	5%	(2.7)	-	(12.8)	(44.8)	5%	(2.1)	-
XDR	(0.9)	(4.9)	5%	(0.2)	-	(0.7)	(3.4)	5%	(0.2)	-
CHF	(0.1)	(0.2)	5%	-	-	(0.2)	(0.7)	5%	-	-
<b>Change in operating profit</b>				<b>(257.6)</b>	<b>-</b>				<b>(292.4)</b>	<b>-</b>

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<b>Forwards</b>											
	EUR	390.9	1,665.8	5%	83.3	-	62.9	268.0	5%	13.4	-
	USD	482.1	1,880.7	5%	94.0	-	41.4	145.2	5%	7.3	-
<b>CIRS</b>											
	EUR	-	-	5%	-	-	31.9	135.8	5%	6.8	-
	EUR	-	-	5%	-	-	23.4	82.2	5%	4.1	-
Income tax					15.3	-	49.6				
<b>Change in net profit</b>					<b>(65.0)</b>	-	<b>(211.2)</b>				

	2015					2014				
	As at 31 December 2015		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	As at 31 December 2014		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
	in currency	in PLN				in currency	in PLN			
Trade receivables										
EUR	9.4	40.2	-5%	(2.0)	-	6.3	27.0	-5%	(1.2)	-
USD	8.4	32.7	-5%	(1.6)	-	1.0	3.6	-5%	(0.1)	-
XDR	0.5	2.6	-5%	(0.1)	-	0.3	1.6	-5%	-	-
SEK	-	-	-5%	-	-	0.4	0.2	-5%	-	-
Cash and cash equivalents										
EUR	9.7	41.2	-5%	(2.1)	-	10.0	42.8	-5%	(2.0)	-
USD	9.7	37.9	-5%	(1.9)	-	11.4	39.9	-5%	(2.1)	-
CHF	1.9	7.3	-5%	(0.4)	-	1.3	4.7	-5%	(0.1)	-
GBP	0.1	0.1	-5%	-	-	0.1	0.3	-5%	-	-
SEK	2.5	1.1	-5%	(0.1)	-	-	-	-5%	-	-

Cyfrowy Polsat S.A. Group  
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(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Senior Notes											
EUR	(569.1)	(2,425.2)	-5%	121.3	-	(670.9)	(2,859.5)	-5%	143.1	-	
USD	(524.2)	(2,045.0)	-5%	102.3	-	(614.5)	(2,155.1)	-5%	107.8	-	
UMTS license liabilities											
EUR	(180.6)	(769.6)	-5%	38.5	-	(203.5)	(867.4)	-5%	43.4	-	
Trade payables											
EUR	(3.6)	(15.3)	-5%	0.8	-	(5.8)	(24.7)	-5%	1.3	-	
USD	(14.0)	(54.7)	-5%	2.7	-	(12.8)	(44.8)	-5%	2.1	-	
XDR	(0.9)	(4.9)	-5%	0.2	-	(0.7)	(3.4)	-5%	0.2	-	
CHF	(0.1)	(0.2)	-5%	-	-	(0.2)	(0.7)	-5%	-	-	
Change in operating profit				257.6	-	292.4				-	
Forwards											
EUR	390.9	1,665.8	-5%	(83.3)	-	62.9	268.0	-5%	(13.4)	-	
USD	482.1	1,880.7	-5%	(94.0)	-	41.4	145.2	-5%	(7.3)	-	
CIRS											
EUR	-	-	-5%	-	-	31.9	135.8	-5%	(6.8)	-	
USD	-	-	-5%	-	-	23.4	82.2	-5%	(4.1)	-	
Income tax				(15.3)	-	(49.6)				-	
Change in net profit				65.0	-	211.2				-	

	2015		2014	
	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
<b>Estimated change in exchange rate by 5 %</b>				
EUR	(59.2)	-	(133.1)	-
USD	(6.0)	-	(78.0)	-
CHF	0.3	-	0.1	-
SEK	-	-	-	-
XDR	(0.1)	-	(0.2)	-
<b>Estimated change in exchange rate by -5 %</b>				
EUR	59.2	-	133.1	-
USD	6.0	-	78.0	-
CHF	(0.3)	-	(0.1)	-
SEK	-	-	-	-
XDR	0.1	-	0.2	-

Had Polish zloty strengthened 5% against the basket of currencies as at 31 December 2015 and 31 December 2014, the Group's net profit would have decreased by PLN 65.0 and decreased by PLN 211.2, respectively and other comprehensive income would have been unchanged in 2015 and would have been unchanged in 2014. Had the Polish zloty weakened 5%, the Group's net profit would have correspondingly increased by PLN 65.0 in 2015 and increased by PLN 211.2 in 2014 and other comprehensive income would have been unchanged in 2015 and would have been unchanged in 2014, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

#### Interest rate risk

Changes in market interest rates have no direct effect on the Group's revenues, however, they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans.

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted (see note 29). In order to reduce interest rate risk exposure resulting from Metelem Holding Company Ltd. group interest payments on floating rate senior facilities the Group also uses interest rate swaps and for them hedge accounting was not adopted.

At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount	
	31 December 2015	31 December 2014
<b>Fixed rate instruments</b>		
Financial assets	1,158.5	1,663.5
Financial liabilities*	(4,262.4)	(4,084.4)
<b>Variable rate instruments</b>		
Financial assets*	411.5	110.0
Financial liabilities*	(7,725.1)	(9,080.0)
<b>Net interest exposure</b>	<b>(7,313.6)</b>	<b>(8,970.0)</b>

\*nominal debt

Cash flow sensitivity analysis for variable rate instruments (pre-tax effect):

	Income statement		Other comprehensive income		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
<b>31 December 2015</b>						
Variable rate instruments*	(73.1)	73.1	6.6	(6.6)	(66.5)	66.5
<b>Cash flow sensitivity (net)</b>	<b>(73.1)</b>	<b>73.1</b>	<b>6.6</b>	<b>(6.6)</b>	<b>(66.5)</b>	<b>66.5</b>
<b>31 December 2014</b>						
Variable rate instruments*	(48.8)	48.8	17.0	(17.0)	(31.8)	31.8
<b>Cash flow sensitivity (net)</b>	<b>(48.8)</b>	<b>48.8</b>	<b>17.0</b>	<b>(17.0)</b>	<b>(31.8)</b>	<b>31.8</b>

\* - include sensitivity in fair value changes of hedging instruments (interest rate swaps) due to changes in interest rates

For some instruments the Group applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN on senior facility hedged by interest rate swap.

### Fair value vs. carrying amount

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



Presented below are fair values and carrying amounts of financial assets and liabilities not measured in fair value.

	Category according to IAS 39	The level of the fair value hierarchy	31 December 2015		31 December 2014	
			Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	50.7	47.9	31.8	30.5
Trade and other receivables	A	*	1,729.0	1,729.0	1,562.8	1,562.8
Cash and cash equivalents and short-term deposits	A	*	1,512.0	1,512.0	1,735.3	1,735.3
Restricted cash	A	*	11.7	11.7	12.6	12.6
Loans and borrowings	C	2	(6,733.1)	(6,610.7)	(9,122.3)	(9,006.1)
Issued bonds	C	1	(5,773.0)	(5,752.0)	(4,840.8)	(5,014.6)
UMTS licence liabilities	C	2	(836.6)	(769.8)	(949.5)	(867.4)
Finance lease liabilities	C	2	(25.2)	(25.2)	(18.5)	(18.5)
Accruals	C	*	(594.5)	(594.5)	(531.7)	(531.7)
Trade and other payables and deposits	C	*	(540.6)	(540.6)	(691.3)	(691.3)
<b>Total</b>			<b>(11,199.6)</b>	<b>(10,992.2)</b>	<b>(12,811.6)</b>	<b>(12,788.4)</b>
Unrecognized gain/(loss)				(207.4)		(23.2)

A – loans and receivables

B – hedges

C – other liabilities

\* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

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

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

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the credit risk.

As at 31 December 2015 loans and borrowings comprised senior facilities and as at 31 December 2014 loans and borrowings comprised senior facilities and revolving facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk. When determining the fair value of senior facilities as at 31 December 2015, forecasted cash flows from the reporting date to 21 September 2020 (assumed dates of

repayment of the loans) were analyzed. When determining the fair value of senior facilities as at 31 December 2014, forecasted cash flows from the reporting date to 30 November 2017, 22 June 2018, 24 June 2019 and 11 April 2019 (assumed dates of repayment of the loans) were analyzed. When determining the fair value of revolving facility as at 31 December 2014, forecasted cash flows from the reporting date to 31 March 2015 (assumed date of repayment of the loan) were analyzed.

The fair value of bonds as at 31 December 2015 was calculated as their last transaction price as at the balance sheet date as quoted by Bloomberg multiplied by the EUR/PLN exchange rate or the USD/PLN rate respectively as at the balance sheet date for bonds issued by Polkomtel Sp. z o.o. and as their last transaction price as at the balance sheet date as quoted by GPW Catalyst for bonds issued by Cyfrowy Polsat S.A. The fair value of bonds as at 31 December 2014 was calculated as their last transaction price as at the balance sheet date as quoted by Bloomberg multiplied by the EUR/PLN exchange rate or the USD/PLN rate respectively as at the balance sheet date.

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

**Assets measured at fair value**

	31 December 2015	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Forwards		-	10.5	-
Interest rate swaps		-	6.9	-
<b>Total</b>		-	<b>17.4</b>	-

**Liabilities measured at fair value**

	31 December 2015	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Forwards		-	(33.3)	-
Interest rate swaps		-	(31.3)	-
Hedging derivative instruments:				
Interest rate swaps		-	(8.3)	-
<b>Total</b>		-	<b>(72.9)</b>	-

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

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

**Assets measured at fair value**

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

**Liabilities measured at fair value**

	31 December 2014	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	(15.4)	-
Hedging derivative instruments:				
Interest rate swaps		-	(105.6)	-
Cross-currency interest rate swaps		-	(6.1)	-
<b>Total</b>		-	<b>(127.1)</b>	-

**Items of income, costs, profit and losses recognized in profit or loss generated by loans and Senior Notes (including hedging transactions)**

**For the period from 1 January 2015 to 31 December 2015**

	Loans and borrowings	Senior Notes	Hedging instruments	Total
Interest expense on loans and borrowings	(396.4)	-	(7.8)	<b>(404.2)</b>
Interest expense on Senior Notes	-	(371.4)	-	<b>(371.4)</b>
Early redemption costs	-	(244.8)	-	<b>(244.8)</b>
Cumulative catch-up	-	616.2	-	<b>616.2</b>
Foreign exchange rate differences	-	(223.6)	-	<b>(223.6)</b>
Total finance costs	(396.4)	(223.6)	(7.8)	<b>(627.8)</b>
<b>Total gross profit/(loss)</b>	<b>(396.4)</b>	<b>(223.6)</b>	<b>(7.8)</b>	<b>(627.8)</b>
<b>Hedge valuation reserve</b>	-	-	<b>(6.6)</b>	<b>(6.6)</b>

**For the period from 1 January 2014  
to 31 December 2014**

	Loans and borrowings	Senior Notes	Hedging instruments	Total
Interest expense on loans and borrowings	(343.5)	-	(2.9)	<b>(346.4)</b>
Interest expense on Senior Notes	-	(291.1)	(2.0)	<b>(293.1)</b>
Early redemption costs	-	(82.1)	-	<b>(82.1)</b>
Foreign exchange rate differences	-	(360.8)	-	<b>(360.8)</b>
Total finance costs	(343.5)	(734.0)	(4.9)	<b>(1,082.4)</b>
<b>Total gross profit/(loss)</b>	<b>(343.5)</b>	<b>(734.0)</b>	<b>(4.9)</b>	<b>(1,082.4)</b>
<b>Hedge valuation reserve</b>	-	-	<b>(3.9)</b>	<b>(3.9)</b>

**Hedge accounting and derivatives**

Cash Flow Hedge of interest rate risk of interest payments

At 31 December 2015, the Group held a number of interest rate swaps not designated as hedges in order to reduce the risk of floating interest payments on senior facilities denominated in PLN.

Table below presents the basic parameters of IRS not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2015	31 December 2014
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	4,972.0	4,517.5
Fair value of hedging instruments	(24.4)	(105.6)
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 28 September 2018	Until 30 June 2016

At 31 December 2015, the Group held a number of interest rate swaps designated as hedges of floating interest payments on senior facility denominated in PLN. The interest rate swaps are being used to hedge the interest rate risk of the Group's floating rate financing in PLN.

The terms of the interest rate swaps have been negotiated to match the terms of the floating rate financing in PLN. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the income statement.

Table below presents the basic parameters of IRS designated as hedging instruments, including the periods in which cash flows occur due to cash flow hedges, periods they will affect the financial results and fair value in PLN of hedging instruments as at the balance sheet date.

	31 December 2015	31 December 2014
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	975.0	1,165.0
Fair value of hedging instruments	(8.3)	(15.4)
Hedge accounting approach	Cash Flow Hedge	Cash Flow Hedge
Expected period the hedge item affect income statement	Until 31 December 2016	Until 31 December 2016

Change in fair value of cash flow hedges is presented below (pre-tax):

	2015	2014
<b>Opening Balance</b>	<b>(15.4)</b>	<b>(8.0)</b>
Effective part of gains or losses on the hedging instrument	(0.6)	(16.1)
Reclassification to instruments for which hedge accounting is not adopted	0.1	5.1
Early settlement	-	0.4
Amounts recognized in equity transferred to the profit and loss statement, of which:	7.6	3.2
- adjustment of interest costs	7.6	3.0
- adjustment due to inefficiency of the hedge relationships	-	0.2
<b>Closing Balance</b>	<b>(8.3)</b>	<b>(15.4)</b>

#### Cash Flow Hedge of foreign exchange risk of interest payments

At 31 December 2015 the Group held a number of forwards not designated as hedges in order to reduce the risk of interest payments on EUR- and USD-denominated bonds. At 31 December 2014 the Group held a number of forwards not designated as hedges in order to reduce the risk of interest payments on EUR- and USD-denominated bonds.

Tables below present the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	<b>31 December 2015</b>	<b>31 December 2014</b>
Type of instrument	Forward	Forward
Exposure	Interest payments in euro	Interest payments in euro
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	381.9	36.9
Fair value of hedging instruments	155.6	2.6
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 27 January 2016	Until 27 January 2016

	<b>31 December 2015</b>	<b>31 December 2014</b>
Type of instrument	Forward	Forward
Exposure	Interest payments in American dollars	Interest payments in American dollars
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	479.1	39.7
Fair value of hedging instruments	(23.2)	15.2
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 27 January 2016	Until 27 January 2016

At 31 December 2015 the Group did not held a number of cross-currency interest rate swaps not designated as hedges in order to reduce the risk of interest payments on EUR- and USD-denominated bonds. At 31 December 2014 the Group held a number of cross-currency interest rate swaps not designated as hedges in order to reduce the risk of interest payments on EUR- and USD-denominated bonds.

Tables below present the basic parameters of CIRS not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	<b>31 December 2015</b>	<b>31 December 2014</b>
Type of instrument	n/a	Cross-currency interest rate swap
Exposure	n/a	Interest payments in euro
Hedged risk	n/a	Foreign exchange risk
Notional value of hedging instrument (EUR)	n/a	542.5
Fair value of hedging instruments	n/a	(6.1)
Hedge accounting approach	n/a	Hedge accounting not adopted
Expected period the hedge item affect income statement	n/a	Until 30 January 2015

	31 December 2015	31 December 2014
Type of instrument	n/a	Cross-currency interest rate swap
Exposure	n/a	Interest payments in American dollars
Hedged risk	n/a	Foreign exchange risk
Notional value of hedging instrument (EUR)	n/a	403.0
Fair value of hedging instruments	n/a	3.1
Hedge accounting approach	n/a	Hedge accounting not adopted
Expected period the hedge item affect income statement	n/a	Until 30 January 2015

#### Cash Flow Hedge of foreign exchange risk of operational payments

At 31 December 2015 the Group held a number of forwards not designated as hedges in order to reduce the risk of operational payments in EUR and USD. At 31 December 2014 the Group held a number of forwards not designated as hedges in order to reduce the risk of operational payments in EUR and USD.

Tables below present the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2015	31 December 2014
Type of instrument	Forward	Forward
Exposure	Operational payments in euro	Operational payments in euro
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	9.0	26.0
Fair value of hedging instruments	0.1	2.3
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 18 March 2016	Until 27 March 2015

	31 December 2015	31 December 2014
Type of instrument	Forward	Forward
Exposure	Operational payments in American dollars	Operational payments in American dollars
Hedged risk	Foreign exchange risk	Foreign exchange risk
Notional value of hedging instrument (EUR)	3.0	1.7
Fair value of hedging instruments	0.1	0.2
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 18 March 2016	Until 20 January 2015

## 39. Capital management

This note presents information about the Group's management of capital. Further quantitative disclosures are also included

throughout these financial statements.

The goal of capital management is to maintain the Group's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

The Group monitors capital on the basis of leverage ratio, which is calculated as a ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings and issued bonds less cash and cash equivalents (including restricted cash).

	Carrying amount	
	31 December 2015	31 December 2014
Loans and borrowings	6,610.7	9,006.1
Senior Notes	5,752.0	5,014.6
Cash and cash equivalents and restricted cash	(1,523.7)	(1,747.9)
<b>Net debt</b>	<b>10,839.0</b>	<b>12,272.8</b>
Equity	10,250.1	9,078.2
<b>Equity and net debt</b>	<b>21,089.1</b>	<b>21,351.0</b>
<b>Leverage ratio</b>	<b>0.51</b>	<b>0.57</b>

## 40. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

Services to individual and business customers segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;



- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet
- Premium Rate services based on SMS/IVR/MMS/WAP technology
- production of set-top boxes
- sale of telecommunication equipment and production of set-top boxes.

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

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

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

The year ended 31 December 2015	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	8,675.5	1,147.5	-	9,823.0
Inter-segment revenues	33.7	152.4	(186.1)	-
<b>Revenues</b>	<b>8,709.2</b>	<b>1,299.9</b>	<b>(186.1)</b>	<b>9,823.0</b>
<b>EBITDA (unaudited)</b>	<b>3,240.0</b>	<b>445.1</b>	<b>-</b>	<b>3,685.1</b>
Depreciation, amortization, impairment and liquidation	1,660.5	38.8	-	1,699.3
<b>Profit from operating activities</b>	<b>1,579.5</b>	<b>406.3</b>	<b>-</b>	<b>1,985.8</b>
Acquisition of property, plant and equipment, reception equipment and other intangible assets	688.3*	31.9	-	720.2
Balance as at 31 December 2015				
Assets, including:	22,110.8	4,421.8**	(42.5)	<b>26,490.1</b>
Investments in joint venture	-	5.9	-	5.9

\* This item also includes the acquisition of reception equipment for operating lease purposes.

\*\* Includes non-current assets located outside of Poland in the amount of PLN 15.9.

All material revenues are generated in Poland.

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

segment) and Orsen Holding Limited was acquired on 1 April 2015 (allocated to the Services to individual and business customers segment).

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 year ended 31 December 2014:

The year ended 31 December 2014	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,289.8	1,120.1	-	7,409.9
Inter-segment revenues	36.3	138.0	(174.3)	-
<b>Revenues</b>	<b>6,326.1</b>	<b>1,258.1</b>	<b>(174.3)</b>	<b>7,409.9</b>
<b>EBITDA (unaudited)</b>	<b>2,334.0</b>	<b>404.3</b>	<b>-</b>	<b>2,738.3</b>
Depreciation, amortization, impairment and liquidation	1,259.3	36.6	-	1,295.9
<b>Profit from operating activities</b>	<b>1,074.7</b>	<b>367.7</b>	<b>-</b>	<b>1,442.4</b>
Acquisition of property, plant and equipment, reception equipment and other intangible assets	488.6*	41.8	-	530.4
Balance as at 31 December 2014				
Assets, including:	23,202.3	4,233.8**	(54.9)	27,381.2
Investments in joint venture	-	3.2	-	3.2

\* 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 40.5.

Reconciliation of EBITDA and Net profit for the period:

	for the year ended	
	31 December 2015	31 December 2014
<b>EBITDA (unaudited)</b>	<b>3,685.1</b>	<b>2,738.3</b>
Depreciation, amortization, impairment and liquidation (note 10)	(1,699.3)	(1,295.9)
<b>Profit from operating activities</b>	<b>1,985.8</b>	<b>1,442.4</b>
Other foreign exchange rate differences, net (note 11)	(0.7)	(23.8)
Interest income, net (note 11)	33.1	47.5
Share of the profit of joint venture accounted for using the equity method	2.6	2.6
Cumulative catch-up (note 12)	616.2	-
Interest costs (note 12)	(789.1)	(690.0)
Foreign exchange differences on issued bonds (note 12)	(223.6)	(360.8)
Early redemption costs (note 12)	(244.8)	(82.1)
Other	(47.1)	(21.6)
<b>Gross profit for the period</b>	<b>1,332.4</b>	<b>314.2</b>
Income tax	(169.0)	(21.7)
<b>Net profit for the period</b>	<b>1,163.4</b>	<b>292.5</b>

## 41. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenue comprise revenue from services, products, goods and materials sold, costs comprise selling expenses.

	for the year ended	
	31 December 2015	31 December 2014
Revenues from barter transactions	59.9	41.0
Cost of barter transactions	60.9	37.3

  

	31 December 2015	31 December 2014
Barter receivables	14.3	16.3
Barter payables	5.7	5.0

## 42. Transactions with related parties

### Receivables

	31 December 2015	31 December 2014
Joint ventures	2.6	4.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	61.9	99.0
<b>Total*</b>	<b>64.5</b>	<b>103.7</b>

\*Amounts presented above do not include deposits paid (31 December 2015 – PLN 3.3, 31 December 2014 – PLN 2.7)

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

### Other assets

	31 December 2015	31 December 2014
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	358.5	107.1
<b>Total</b>	<b>358.5</b>	<b>107.1</b>

Other current assets comprise mainly deferred costs related to the agreement with Aero 2 Sp. z o.o., legal successor of Mobyland Sp. z o.o. ("Mobyland")

More details regarding the above-mentioned agreement are presented in note 46.

## Liabilities

	31 December 2015	31 December 2014
Joint ventures	1.9	1.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	28.7	93.0
<b>Total</b>	<b>30.6</b>	<b>94.9</b>

## Loans granted

	31 December 2015	31 December 2014
Joint ventures	43.0	29.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.4	0.5
<b>Total</b>	<b>43.4</b>	<b>30.4</b>

## Revenues

	for the year ended	
	31 December 2015	31 December 2014
Subsidiaries*	1.8	9.9
Joint ventures	1.6	13.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	482.9	244.9
<b>Total</b>	<b>486.3</b>	<b>268.6</b>

\*Concerns transaction with subsidiaries (under common control) executed prior to their acquisition

In both years the most significant transactions include revenues from sharing base transceiver stations and radio module and services relating to expansion of telecommunication network.

## Expenses and purchases of programming assets

	for the year ended	
	31 December 2015	31 December 2014
Subsidiaries*	6.5	11.4
Joint ventures	7.4	6.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	690.6	504.4
<b>Total</b>	<b>704.5</b>	<b>522.4</b>

\*Concerns transaction with subsidiaries (under common control) executed prior to their acquisition

In both years the most significant transactions include data transfer services, expenses for programming assets and advertising services, property rental, cost of electrical energy, telecommunication services with respect to the Group's customer call center and commission fees.

## Gain on investment activities, net

	for the year ended	
	31 December 2015	31 December 2014
Joint ventures	2.2	1.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.1	0.1
<b>Total</b>	<b>2.3</b>	<b>1.1</b>

## Finance costs

	for the year ended	
	31 December 2015	31 December 2014
Joint ventures	0.1	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.1	-
<b>Total</b>	<b>0.2</b>	<b>-</b>

The acquisition of shares in Metelem was presented in note 37.

## 43. Contingent liabilities

Management believes that the provisions as at 31 December 2015 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

### Proceedings before the Office of Competition and Consumer („UOKiK”)

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's indirect subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court (“SOKiK”). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4 (i.e. EUR 1). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. In management's opinion it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel, thus no provision was recognized.

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

On 27 December 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5. The company appealed to SOKiK against the decision. On 15 October 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5. On 10 February 2016 SOKiK's decision has been revoked thus re-establishing the penalty back at PLN 4.5. The company is considering a cassation appeal against the judgment.

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

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

On 15 December 2014 Polkomtel (Company's indirect subsidiary) received a claim from Orange for the total amount of PLN 21 related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On 13 January 2015 the company filed an answer to the claim. Pursuant to the decision of the District Court in Warsaw the penalty has been lowered to PLN 9.0. Polkomtel appealed against the verdict. In management's opinion the claim is groundless.

In September 2015, Polkomtel (Company's indirect subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of EUR 316 (including interest of PLN 85), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland SA, Polkomtel and T-Mobile Poland SA.

Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

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

#### 44. Remuneration of the Management Board

The table below presents the Management Board's remuneration.

<b>Name</b>	<b>Function</b>	<b>2015</b>	<b>2014</b>
Tobias Solorz	President of the Management Board (from 8 December 2015), Vice-President of the Management Board (from 10 December 2014 to 7 December 2015, Member of the Management Board (from 1st September 2014 to 9 December 2014)	1.5	0.5
Dariusz Działkowski	Member of the Management Board	0.7	0.7
Tomasz Gillner-Gorywoda	Member of the Management Board (from 8 December 2015), President of the Management Board (from 28 October 2014 to 7 December 2015)	1.3	0.2
Aneta Jaskólska	Member of the Management Board	0.9	0.7
Maciej Stec	Member of the Management Board	0.8	0.1
Tomasz Szelaąg	Member of the Management Board	0.9	0.7
Dominik Libicki	President of the Management Board (until 28 October 2014)	-	1.0
<b>Total</b>		<b>6.1</b>	<b>3.9</b>

The amounts of bonuses and other remuneration payable to each member of the Management Board for 2015 and 2014 are presented below:

<b>Name</b>	<b>Function</b>	<b>2015</b>	<b>2014</b>
Tobias Solorz	President of the Management Board (from 8 December 2015), Vice-President of the Management Board (from 10 December 2014 to 7 December 2015), Member of the Management Board (from 1st September 2014 to 9 December 2014)	3.5	1.4
Dariusz Działkowski	Member of the Management Board	1.0	0.9
Tomasz Gillner-Gorywoda	Member of the Management Board (from 8 December 2015), President of the Management Board (from 28 October 2014 to 7 December 2015),	2.1	0.6
Aneta Jaskólska	Member of the Management Board	1.5	2.1
Maciej Stec	Member of the Management Board	1.1	0.9
Tomasz Szelaąg	Member of the Management Board	3.2	3.1
Dominik Libicki	President of the Management Board	-	3.7
<b>Total</b>		<b>12.4</b>	<b>12.7</b>

#### 45. Remuneration of the Supervisory Board

The Supervisory Board members receive remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007.

Presented below total remuneration payable to the Supervisory Board members in 2015 and 2014:

<b>Name</b>	<b>Function</b>	<b>2015</b>	<b>2014</b>
Zygmunt Solorz-Żak	President of the Supervisory Board	0.2	0.2
Heronim Ruta	Member of the Supervisory Board	0.1	0.1
Andrzej Papis	Member of the Supervisory Board (until 2 April 2015)	0.0	0.1
Józef Birka	Member of the Supervisory Board (from 3 April 2015)	0.1	-
Aleksander Myszka	Member of the Supervisory Board (from 3 April 2015)	0.1	-
Robert Gwiazdowski	Independent Member of the Supervisory Board	0.1	0.1
Leszek Reksa	Independent Member of the Supervisory Board	0.1	0.1
<b>Total</b>		<b>0.7</b>	<b>0.6</b>

## 46. Important agreements and events

### Agreements for the provision of data transfer services

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

- a) PLK Memorandum – memorandum concluded between Polkomtel Sp. z o.o. ('Polkomtel'), a wholly owned subsidiary of the Company, and Mobyland Sp. z o.o. ("Mobyland") under the agreement on the provision of wholesale telecommunications services concluded between Mobyland and Polkomtel on 9 March 2012, and
- b) CP Memorandum - memorandum concluded between the Company and Polkomtel under the agreement on the provision of wholesale telecommunications services, concluded on 27 March 2014 (intercompany agreement that is eliminated on Group's consolidation).

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

- a) a new unit price per 1 GB in relation to telecommunication services related to data transmission in the net amount of PLN 2.40 (not in millions);
- b) the new price is applicable to both newly ordered data packages as well as unused data packages already partially paid for under previous orders;
- c) the new terms of cooperation were effective as of 1 January 2015 and the placed orders for data transmission will be valid for a period of 4 years;
- d) in the event when Mobyland introduces services based on other own frequencies or frequencies to which it acquires usage rights, Mobyland will extend the scope of services related to data transmission provided to Polkomtel.



Pursuant to the PLK Memorandum, on 3 March 2015 Polkomtel placed an order with Mobyland for the purchase of a data package of 1,571.7 million GB (the "PLK Order"). The total value of the PLK Order amounts to PLN 3,772.0 (net) and the surplus payments made for the previous order placed by Polkomtel with Mobyland, in relation to the actual usage, in the amount of PLN 144.6 were credited towards payments for the PLK Order. Payments for the PLK Order will be made in favor of Mobyland according to the following schedule:

- ii. PLN 119.3, net – for the first quarter of 2015 in three equal monthly installments,
- iii. PLN 132.0, net – for the second quarter of 2015 in three equal monthly installments,
- iv. PLN 245.0, net – for the third quarter of 2015 in three equal monthly installments,
- v. PLN 354.0, net – for the fourth quarter of 2015 in three equal monthly installments,
- vi. PLN 989.3, net – for the year 2016 in twelve equal monthly installments,
- vii. PLN 880.0, net – for the year 2017 in twelve equal monthly installments, and
- viii. PLN 907.9, net – for the year 2018 in twelve equal monthly installments.

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

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

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

*Reservation applications in the LTE frequency auction*

On 19 October 2015 the Office of Electronic Communications ("UKE") published the results of the auction for frequency licenses in the 800 MHz and 2,600 MHz bands ("Auction"). According to information published by UKE, Polkomtel Sp. z o.o., ("Polkomtel"), a wholly owned subsidiary of the Company, placed the highest bids in the Auction for four blocks in the 2,600 MHz band for the total price of PLN 155.7.

On 26 October 2015 Polkomtel submitted applications for reservations of frequencies, which were the subject of the Auction, and it intends to collect the allocated frequency reservations. Reservations for frequencies will remain valid for 15 years with a possibility of their extension.

The submission of reservation applications and subsequent receipt of allocated spectrums does not mean that Polkomtel will not seek compensation in relation to the questionable termination of the bidding process.

Events subsequent to the reporting date

On 25 January 2016 UKE issued a decision relating reservation of 4 frequency block of 2,600 MHz. On 5 February 2016 Polkomtel made payments for the received frequencies. Pursuant to the commitments made in the Auction, Polkomtel is required to start using the allocated frequencies not later than 36 months from the date of receipt of the 2,600 MHz frequency band.

## 47. Events subsequent to the reporting date

There were no significant events subsequent to reporting date other than those disclosed in the note 30, 31 and 46.

## 48. Other disclosures

### Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the Senior Facilities Agreement, SFA Agreement and Senior Notes. Detailed information in respect to the agreements is presented in the Management Report in note 4.6.6.

### Commitments to purchase programming assets

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

	31 December 2015	31 December 2014
within one year	178.1	117.0
between 1 to 5 years	116.4	104.4
<b>Total</b>	<b>294.5</b>	<b>221.4</b>

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

	31 December 2015	31 December 2014
within one year	15.9	13.6
<b>Total</b>	<b>15.9</b>	<b>13.6</b>

### **Contractual liabilities related to purchases of non-current assets**

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 136.3 as at 31 December 2015 (PLN 203.7 as at 31 December 2014). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 31 December 2015 was PLN 63.8 (PLN 72.1 as at 31 December 2014).

### **Contractual liabilities related to purchase of data transfer services**

Total amount of capital commitments resulting from agreements on data transfer services as at 31 December 2015 was PLN 2,777.2. Further details presented in note 46.

## **49. 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 most significant estimates and assumptions made primarily related to the following:

- *Classification of lease agreements*

The Group classifies leasing agreements as operating or financial based on the assessment as to what extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on the economical substance of each transaction. The Group concludes agreements for the rental of reception equipment (set-top boxes, modems and routers) to its customers in the course of its business operations. These lease agreements are classified as operating leases as the Group holds substantially all the risks and rewards incidental to ownership of the reception equipment. The Group also provides vehicles under operating lease agreements which were initially leased from MLeasing and recognized as financial leasing.

As a part of its business activities the Group has concluded agreements with Eutelsat for the rental of transponder capacity as well as an agreement with NagraVision for the lease of conditional access system (including SMART cards). These agreements were classified as operating leases as Eutelsat and NagraVision hold substantially all the risks and rewards incidental to the ownership of the transponders and the conditional access system. The Group also entered into land lease agreements (locations for network infrastructure) and leases of office and other premises which are classified as operating leases. For more information see note 32.

- *Depreciation rates of property, plant and equipment and intangible assets with definite useful lives*

Depreciation rates are based on the expected economic useful lives of property, plant and equipment (including reception equipment provided to customers under lease agreements) and intangible assets (including customer relationships and Plus brand). The expected economic useful lives are reviewed on an annual basis based on the experience of the entity.

The economic useful lives of the set-top boxes rented to customers under operating lease agreements are estimated for 5 years, modems and routers 3 years. For information on the useful lives of property, plant and equipment, programming assets and other intangible assets with definite useful lives see notes 6j and 6k. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives see notes 16 and 20.

- *Economic useful lives and amortization method of programming assets*

Economic useful life of programming assets is based on the shorter of the expected consumption of future economic benefits embodied in an asset and the license period. Amortisation method of programming assets reflects how these economical benefits are consumed. The estimation of the useful life and the amortization method requires assessment of the timing during which the Group is expecting to obtain the income from the acquired programming assets and the percentage apportionment of this income in the given period. For more information about the amortization method and amortization charge for the period by programming assets category see notes 6l and 21.

- *Indefinite useful life of Polsat, TV4, TV6 and IPLA brands*

As at the reporting date, the Group has reviewed whether relevant factors continue to indicate indefinite useful life of Polsat, TV4, TV6 and IPLA brands recognised in 2011-2013 on the acquisition of Telewizja Polsat S.A., Polskie Media S.A. and entities comprising IPLA network.

The Group has reviewed the following factors which are essential for estimating the economic useful life of the Polsat, TV4, TV6 and IPLA brands:

- The expected usage of the asset by the entity and whether the asset could be managed more efficiently
- Technical, technological, commercial or other types of obsolescence
- The stability of the industry in which the asset operates and changes in the market demand for media services
- Expected actions by competitors or potential competitors
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset
- Whether the useful life of the asset is dependent on the useful life of other asset of the entity.

Having analyzed the above factors, the Group has concluded that there is no foreseeable limit to the period over which the Polsat, TV4, TV6 and IPLA brands are expected to generate net cash inflows for the Group and thus the indefinite useful life was assumed. This means that the above brands are not subject to amortization but rather are tested for impairment on annual basis. The Management believes that Polsat, TV4 and TV6 brands have a positive impact on the revenues from advertising and sponsorship and IPLA brand has a positive impact on acquisition of new customers as well as increase of ARPU among current customers of Cyfrowy Polsat. Furthermore, the Polsat brand is widely recognized by media and is highly appreciated in numerous rankings, for example "Rzeczpospolita" journal's rankings or BAV Consulting's rankings. Numerous awards for employees, individuals associated with the brand as well as high Power Ratio index also indicate a strong position of the brand.

As at the balance sheet date the Management states there are no plans to cease using or significantly modify Polsat, TV4, TV6 or IPLA brands. The value assigned to the brands relate to the name "Polsat", "TV4", "TV6" and "ipla" respectively and the related logotypes both of which are reserved trademarks. In case the Group decides about discontinuance of use or significant modification of the name or logotype the Management would review whether events and circumstances continue to support an indefinite useful life assessment of the Polsat, TV4, TV6 and IPLA brands and assess whether there are indicators of possible impairment.

- *Fair value of assets and liabilities of Metelem Holding Company Limited*

The Group identified assets and liabilities and estimated their provisional fair value under the purchase price allocation process relating to the acquisition of Metelem Holding Company Limited. For more information see note 37.

- *The impairment of goodwill and intangible assets with indefinite useful lives*

The Group performed impairment test of a goodwill and of the intangible assets with indefinite useful lives (Polsat brand, TV4 and TV6 brands and Ipla brand). The impairment test was based on the value-in-use calculations of the cash-generating unit to which the goodwill and brands have been allocated on the initial recognition. Goodwill and brands with indefinite useful lives have been allocated to the following cash-generating units, which also represent the Group's business segments:

- "Services to individual and business customers" - goodwill recognized on the acquisition of M.Punkt Holdings, goodwill recognized on the acquisition of INFO-TVFM and the goodwill and IPLA brand recognized on the acquisition of entities comprising the IPLA platform and the goodwill recognized on the acquisition of Metelem;

- "Broadcasting and television production" - goodwill and Polsat brand recognized on the acquisition of TV Polsat and goodwill and TV4 and TV6 brands recognized on the acquisition of Polskie Media.

The value-in-use calculations included estimation of discounted cash flows for the given cash-generating unit and the relevant discount rate. The value of goodwill and brands tested at each cash-generating unit, the key assumptions used in the value-in-used calculations for each cash-generating unit, impairment test results and sensitivity analysis of reasonably possible changes in the key assumptions are presented in note 19.

The Group did not perform an impairment test of goodwill recognized on acquisition of Orsen Holding (allocated to the 'services to individual and business customers' segment) and on acquisition of Radio PIN (allocated to the 'broadcasting and television production segment') due to the fact, that the acquisition took place during the financial year ended 31 December 2015.

- *The impairment of non-financial non-current assets*

As at the reporting date the Group has assessed whether there are any indications that intangible and tangible assets with definite useful lives may be impaired. The impairment loss recognised equals the difference between net book value and recoverable amount. The impairment values are presented in note 16 and 20.

- *Impairment of receivables*

Judgment is required in evaluating the likelihood of collection of customer debt after revenue has been recognized. This evaluation requires estimates to be made including the level of bad debt allowance made for amounts with uncertain recovery profiles. Allowances are based on the probability of receivables collection, and on more detailed reviews of individually significant balances. Depending on the type of the customer and the source of the receivable, the assessment of the probability of receivable collection is done either based on the analysis of individual balances or based on the statistical probability of recoverability for each receivable's ageing profile. Recoverability rates are defined based on the analysis of the historical recoverability and the customers' behavior as well as other factors that, according to the Management Board, might influence the recoverability of the receivables. For more information see notes 6o, 25 and 38.

- *Impairment of inventories*

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and current marketing plans. The purchase cost or production cost is determined based on weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. For more information see notes 6m and 24.

- *Provisions for pending litigation*

During the normal course of its operations the Group participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Group, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Group's lawyers who participate in the current litigations and who estimate Group's possible future obligations taking the progress of litigation proceedings into account. The Group also recognizes provisions for potential unreported claims resulting from past events, should the Management Board find that the resulting outflow of economic benefits is likely. Provisions regarding probable claims are recognized as a result of Management Board's estimates based on accessible information regarding market rates for similar claims. Management believes that the provisions as at 31 December 2015 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

- *Provisions for dismantling*

The Group is required to dismantle equipment and restore sites. The provision is based on the best estimate of the amount required to settle the obligation. The provision for the cost of dismantling and removing the asset and restoring the site is revised, when necessary, along with the value of the relevant asset. The provision is discounted by applying a discount rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The discount rate used in calculating the provision for dismantling and removing the asset and restoring the site is 3.21% as at 31 December 2015. The discounting period reflects the management's best estimate regarding the expected time of dismantling the assets, taking into account the expiry dates of concessions held by the Group and the expected period of renewal.

- *Deferred tax*

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses. The key assumption in relation to deferred tax accounting is the assessment of the expected timing and manner of realization or settlement of the carrying amounts of assets and liabilities held at the reporting date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deductible temporary differences can be utilized. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For further details refer to note 6x and 13.

- *Fair value of financial instruments*

Fair value of financial instruments for which there is no active market is estimated using appropriate techniques of measurements. The techniques are chosen based on the professional judgment. For more information about the method of establishing the fair value of financial instruments and key assumption made see note 6h.