

# KINO POLSKA TV S.A.

ANNUAL REPORT 2014



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**I. LETTER OF THE PRESIDENT OF THE  
MANAGEMENT BOARD OF  
KINO POLSKA TV S.A.**

**Dear Shareholders and Investors,**

the media industry is in a constant state of evolution. Companies that wish to keep up, must evolve alongside. We are proud that Kino Polska, starting up more than 11 years ago as one of many niche channels, is today a large media group, extending its business in new areas and successfully entering new markets.

The pay TV industry, facing the growing competition from VoD services and from emerging thematic channels - only in 2014 there were created several new ones, and several more came back updated and - in our opinion, the best prospects are there for the premium segment: channels offering a unique and sought after content, presented in a coherent, easily identified by the viewer offer. Our most important premium product, Filmbox Extra/Premium, recorded more than a 20% increase in the number of subscribers in 2014. FilmBox Arthouse, launched at the end of 2013, while being narrowly profiled, nevertheless also proved to be successful.

At the opposite end of the market, there are free terrestrial channels - and they also have a very good time ahead. Therefore, one of our most important projects of last year was the launch of Stopklatka TV, a film channel broadcast via digital terrestrial television. The channel created by Kino Polska TV S.A., Stopklatka S.A. and Agora S.A. provided for the audience's requirements. After just half a year of operation it reached 1% of the average monthly audience share of the commercial group (age 16-49) for the first time. The independent surveys also placed it as one of the most promising terrestrial offers. We see here a great potential for growth, especially that we are constantly expanding the content library of Stopklatka TV. By creating this project, we are also able to use marketing synergies resulting from Stopklatka TV ties with the media of Agora Group.

The technological innovations, such as the development of UltraHD / 4K, have undoubtedly had a strong impact on the market. This which until recently seemed a momentary trend, appears to respond to the real needs of the customers. Therefore, there is a growing supply of equipment that supports this technology and, just as importantly, appropriate content in this resolution. Our Group have significantly contributed to this trend: in 2014 the VoD platform FilmBox Live, in our distribution, in cooperation with a leading producer of televisions, offered the viewers one of the biggest up-to-date UltraHD video libraries, available on demand to users of 4K television receivers. This is only the beginning of our work on UHD technology. We expect that the true turning point in this area will be the combination between the highest-resolution and the interactive services and content for use on mobile devices (second screen).

The video on demand is often considered as a competition for television, but our strategy encompasses VoD as the perfect complement to other content. The FilmBox Live platform, as mentioned above, is the ultimate output of this model which combines a constantly expanding VoD library with live streaming of, among others, our linear film channels. This is also a great scope for collaboration with partners outside the media industry. We very favourably evaluate the effects of our pilot project with one of the FMCG producers: the VoD subscription proves to be a great marketing tool. Another such platform, allowing for interesting projects in the generally considered media segment, is the launched in 2014 project TV Okazje - a teleshopping start-up with a great development potential.



The new projects, however, must not obscure the good results of our core business. In 2014 we have significantly improved the viewership numbers of the channel Kino Polska Muzyka, despite the growing competition, we have maintained a number of over 8.3 million subscribers of Kino Polska Telewizja, our movie channels appeal to new customers not only in Central and Eastern Europe, but also in the African markets. Another successful year is behind Cyfrowe Repozytorium Filmowe sp. z o.o. specializing in project management of digital restoration of films.

The growing EBITDA Kino Polska TV S.A. is also a reflection of this year's success. Additionally, due to a good financial condition of the Company and its cash generation from operations, we will be particularly pleased to recommend to the Supervisory Board and to the General Shareholders' Meeting the payment to the Shareholders of Kino Polska TV S.A. a dividend for 2014 in the amount of PLN 1 gross per share.

Thanking you for your confidence so far, I also hope that we will continue to work together to build the value of Kino Polska TV S.A.

I invite you to read the full report of our activities in 2014.

Sincerely,

Bogusław Kisielewski

President of the Management Board of Kino Polska TV S.A.

## **II. THE REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS OF KINO POLSKA TV SPÓŁKA AKCYJNA IN 2014**

**Warsaw, 23 March 2015**

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Legal basis: § 91 sec. 1 point 4 of the Regulation of Minister of Finance of 19 February 2009 on current and periodic information, published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.

## **1 INFORMATION SET OUT IN THE PRINCIPLES OF ACCOUNTING**

### **1.1 Information about events materially affecting the operations of Kino Polska TV S.A., which occurred in the fiscal year and thereafter until the date of approval of these financial statements**

	<b>Event</b>
<b>2014</b>	
<b>February</b>	<ul style="list-style-type: none"> <li>– On 18 February 2014, the company signed a distribution agreement with Filmbox International Ltd. The subject of the Agreement is the provision by Filmbox International Ltd. (a subsidiary of the Company) to the Issuer of a license (exclusive on the Polish territory, and non-exclusive in other countries in the global territory) including the right to rebroadcast of the film channels of the FilmBox brand (to which Filmbox International Ltd. holds licenses), along with the right to grant sub-licenses to cable and satellite operators or operating other broadcast and re-broadcast techniques (the "Operators"). In accordance with the provisions of the Agreement, in exchange for the acquired rights, the Company shall pay Filmbox International Ltd. of monthly license fees based on the revenues received by the Issuer from the Operators and the cash advertising revenue generated on the channels of the FilmBox brand (in accordance with a subsequent annexe to the Agreement), decreased by a fixed on market conditions margin and the cost of sales agents. The agreement is concluded for a period of five years and after this time it shall be extended for another 5-year -long period, unless one of the parties provides the other party of the termination of this Agreement at least six months before its expiry date. In addition, each party has the option to terminate this Agreement upon a 90 days' notice. (The Issuer gave notice on the conclusion of the above agreement in a current report no 4/2014);</li> <li>– On 19 February 2014, the Issuer received a decision dated 3 February 2014 on making registered changes in the share capital of Kino Polska TV S.A. and the amendment to the Statute of the Company by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, resulting from the issuance of 6,000,000 of series C shares of Kino Polska TV S.A. with a par value of PLN 0.10 per one share. After completing of the above changes, the share capital of the Issuer amounts to PLN 1,982,140.40 and is divided into 13,821,404 of ordinary series A bearer shares and 6,000,000 of series C shares. The total number of votes at the General Shareholders' Meeting of Kino Polska TV S.A. resulting from all the issued shares of the Company amounts to 19,821,404 (the</li> </ul>

	<p>Issuer gave notice on the fact in a current report no. 5/2014);</p> <ul style="list-style-type: none"> <li>– Convening of the Extraordinary General Shareholders' Meeting of the Company on 28 March 2014, at 12 o'clock (current report no 9/2014);</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>– In connection with meeting on 21 February 2014 of the conditions specified in the investment agreement signed in 23 February 2013 between Kino Polska TV S.A. ("KPTV") and Agora S.A. ("Agora"), about which the Company gave notice in a current report no. 11/2013, on 12 March 2014, Agora S.A. accepted the offer made by the Issuer on 22 February 2013 concerning the irrevocable and binding offer of sale of 933.850 of shares of Stopklatka S.A. (the „Shares”). As the consequence of the above, on 12 March 2014. an agreement for the sale of Shares was concluded between Agora and KPTV, under which on 12 March 2014 KPTV sold to Agora S.A. of 933,850 shares of Stopklatka S.A. The Issuer currently holds 933,851 of Stopklatka S.A. shares S.A. corresponding to 933,851 votes at the General Shareholders’ Meeting of Stopklatka S.A. and representing 41.04% of the total number of votes in this company (current report no.10/2014);</li> <li>– On 28 March 201, Piotr Reisch resigned from his duties as the President of the Management Board of the Company with effect on 28 March 2014. Furthermore, on 28 March 2014, as per a resolution of the Supervisory Board of the Company, Bogusław Kisielewski, acting so far as the Member of the Management Board of the Company became the new President of Kino Polska TV S.A. Piotr Reisch will continue to engage in operations of Kino Polska TV S.A as a member of its Supervisory Board. In connection with the development plans of the Issuer abroad, the Supervisory Board also decided to appoint Berk Uziyel as a Member of the Management Board of the Company (current report no. 12/2014);</li> <li>– On 28 March 2014, the Extraordinary General Shareholders' Meeting of the Company adopted several resolution among other on removing of Krzysztof Szymański from the function of the Member of the Supervisory Board of the Company (the resolution of the Supervisory Board does not contain the reasons for this removal), and to appoint two new members to the composition of the Supervisory Board of Kino Polska TV S.A.: Berrin Avcilar and Piotr Reisch (current report no. 13/2014 and 14/2014);</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>– On 15 May 2014, Kino Polska TV S.A. gave notice about the change of the consolidated EBITDA profit forecast of Kino Polska TV S.A Group for 2014 presented in the current report no. 28/2013. The forecast of the consolidated EBITDA profit of Kino Polska TV S.A. Group before correction: PLN 55 million. The forecast of the consolidated EBITDA profit of Kino Polska TV S.A. Group after correction: PLN 42 million. The decrease in EBITDA profit forecast for 2014 is mainly a consequence of the merger nc + and the associated outflow of a part of the subscribers of the newly created platform, which affected the decrease in revenues of Kino Polska TV S.A. Group by approximately 35% obtained from this contractor.</li> </ul>

	<p>Moreover, in connection with a significant competition from television channels distributed by free digital terrestrial television, the revenues on the broadcast of film channels of the FilmBox brand in the Czech Republic were at a lower level than expected. (current report no. 19/2014);</p> <ul style="list-style-type: none"> <li>– On 15 May 2014, Kino Polska TV S.A. gave notice the change in dividend policy announced in the current report no. 29/2013. Having regard to the wording of Article 348 § 1 of the Code of Commercial Companies (the "CCC"), pursuant to which the amount available for distribution to shareholders may not exceed the profit for the last financial year, increased by any undistributed profits from previous years and the amounts transferred from the profit of the supplementary and reserve capitals, that may be used to pay the dividend, while the amount should be reduced by accumulated losses, treasury shares and the amounts that should be allocated from the profit for the last financial year for supplementary and reserve capitals, the total amount that the Issuer may allocate for the payment of dividend for 2013 amounts to PLN 6,269,693,62. The amount allocated to the payment of dividend for 2013 consists of the following components: 1) The Issuer's net profit for 2013 in the amount of PLN 3,458,236.10; 2) The Issuer's supplementary capital as at 31 December 2013, which, according to the provisions of the Code of Commercial Companies may be allocated for distribution generated from the profits in the period 2007 - 2012 in the amount of PLN 2,811,457.52. In the adopted dividend pay-out policy in 2013-2014, the Management Board of Kino Polska TV S.A. assumed that the supplementary capital for the period 2003-2006 resulting from payments of shareholders in the amount of PLN 6,386,911.27 would be fully allocated for the payment of dividend to shareholders for 2013, which for formal reasons proved to be impossible. The Management Board of the Issuer recommended at the General Shareholders' Meeting of Kino Polska TV S.A. to exclude the right to dividend for 2013 in relation to 6 million series C shares acquired by Oblio International B.V. in exchange for 100% of shares in Filmbox International Ltd. the dividend for 2013 covered 13,821,404 of the Issuer's shares and its amount per one share amounted to PLN 0.45 (the total amount of the dividend PLN 6,219,631.80) – dividend payment date: 14 August 2014. In addition, the Company announces that it would recommended that the dividend to shareholders of Kino Polska TV S.A for 2014 be paid in the maximum possible amount resulting from the profit earned by the Issuer in 2014 and from relevant provisions of the Code of Commercial Companies (current report no. 20/2014);</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>– On 2 June 2014, Kino Polska TV S.A. received a decision dated 26 May 2014 on registration of the following amendments to the Statute of the Company by the District Court for the Capital City Warsaw - XIII Commercial Division of the National Court Register, in the scope of §11 sec. 4. The original wording of paragraph §11 sec. 4 of the Statute of the Company was as follows:</li> </ul>



	<p>„4. Resolutions of the Management Board are passed by a simple majority vote. In the event of a tie, the Chairman shall have the casting voice”. Current wording of §11 sec. 4 of the Statute of the Company is as follows: „4. Resolutions of the Management Board are passed unanimously”. These amendments were made on the basis of resolution no 8 of the Extraordinary General Shareholders’ Meeting of Kino Polska TV S.A. held on 28 March 2014. (current report no. 25/2014);</p> <ul style="list-style-type: none"> <li>– On 2 June 2014, the Supervisory Board of the Company adopted a resolution on the positive assessment of the motion of the Management Board of the Issuer on the distribution of profit for 2013 in the amount of PLN 3 458 236.10 and the profit in the amount of PLN 2 761 395.70 for previous years, in such way, that the profits would be paid out to shareholders as dividend. (current report no. 26/2014);</li> <li>– Convening of Ordinary General Shareholders’ Meeting of the Company as at 30 June 2014 11:00 o’clock (current report no. 27/2014);</li> <li>– On 30 June 2014 the Ordinary General Shareholders’ Meeting of Kino Polska TV S.A. was held during which, the following resolutions, among other, were adopted: on the approval of financial statements for 2013, appointment of new members of the Supervisory Board of the company for the next term, and on the distribution of profit as per the motion of the Management Board of the Issuer i.e.: <ul style="list-style-type: none"> <li>1) the Company's net profit for the fiscal year ended 31 December 2013 in the amount of PLN 3,458,236.10 to be distributed among the shareholders of the Company through the payment of dividend,</li> <li>2) to transfer the amount of PLN 2,761,395.70 from the supplementary capital of the Company created from the profit for the period 2007 - 2012 and distribute among the shareholders of the Company through the payment of dividend. In the connection with the above, the Ordinary General Shareholders’ Meeting of the Company decided the amount of the of PLN 6,219,631.80 as the amount of the total dividend allocated to the shareholders of the Company (current reports no 28/2014 and 30/2014);</li> </ul> </li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>– On 7 July 2014, the Supervisory Board of the Company, pursuant to §17 sec. 1 point 2-3 of the Statute of Kino Polska TV S.A., in accordance with applicable laws and professional standards, adopted a resolution on the designation of PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, at Al. Armii Ludowej 14, entered on the list of entities authorized to audit financial statements under No. 144, to audit the separate financial statements of the Company for the period: from 01.01.2014 to 31.12.2014 and consolidated financial statements of the Group of the Company for the period: from 01.01.2014 to 31.12.2014 and to audit the separate and consolidated financial statements of the Company and its Group for the first half of 2014. At the same time, the Supervisory Board of Kino Polska TV S.A. authorized the Company to enter into agreement with PricewaterhouseCoopers Sp. z o.o. on the above-mentioned services (current report no. 31/2014);</li> </ul>

<b>September</b>	<ul style="list-style-type: none"> <li>– On 5 September 2014 , the Supervisory Board of the Company has adopted a resolution to authorize the acquisition by Kino Polska TV S.A. of 80% of shares of the company TV Okazje Sp. z o.o. with its registered office in Gdynia (the "Shares") at a price of PLN 59,500.00 (fifty-nine thousand five hundred zloty) and to grant by Kino Polska S.A. a loan to TV Okazje Sp. z o.o in an amount not exceeding EUR 250,000.00 (two hundred and fifty thousand euro) allocated for the development operations of this company (current report no. 32/2014);</li> <li>– On 18 September 2014, an agreement was signed between the Company and Michał Cieśla on the acquisition by Kino Polska TV S.A of 80% of the shares of the company TV Okazje Sp. z o.o with its registered office in Gdynia for the price of PLN 59,500.00 (fifty-nine thousand five hundred zloty). On the intention to enter into the agreement in question, the Company gave notice in the current report no 32/2014. TV Okazje Sp. z o.o. is an entity making its debuts on the media market, involved in sales of teleshopping products, obtained from external distributors, by means of television, e-commerce markets, and retail chains. Kino Polska TV S.A. estimates that the above-described investment will have a positive impact on the EBITDA profit of the Company already in 2015 (current report no. 33/2014);</li> </ul>
<b>October</b>	<ul style="list-style-type: none"> <li>– On 31 October 2014 a decision was made on a planned merger (the "Merger") between Kino Polska TV S.A. with its registered office in Warsaw and its subsidiary - Kino Polska Program TV Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (the "Acquired Company") formerly known as Kino Polska Program Spółka z ograniczoną odpowiedzialnością S.K.A., jointly referred to as the "Companies" resulting in the adoption of a Merger Plan between the Acquiring Company and the Acquired Company (the "Merger Plan") the content of which (including attachments to the Merger Plan) was published on the Issuer's web site. The aim of the Merger is to simplify the structures of Kino Polska TV S.A. Group (hereinafter referred to as the "Group") as part of its business economic operations in Poland and to obtain operational and cost synergies. It is expected that the Merger will bring a number of operational benefits and financial savings, including: <ul style="list-style-type: none"> <li>-Strengthening of the market, financial and negotiation position towards suppliers of Kino Polska TV S.A. by creating a unified strong business entity whose principal activity is the broadcast and production of television channel,</li> <li>-Accumulation of marketing activities in the parent entity of the Group i.e. in Kino Polska TV S.A, as well as the centralization of the functions currently implemented by two separate entities and delivering of a consistent marketing message,</li> <li>-Ensuring the consolidation of the assets of the merging Companies, including fixed assets, inventories, materials, and expertise (know-how),</li> <li>-Simplification of the organizational structure and the way of operation of the Group and hence the increase in the efficiency of its operations, simplification of the flow, reduction of the amount of paperwork, the elimination of mutual settlements of the</li> </ul> </li> </ul>

	<p>merging Companies,</p> <p>-Financial savings in the administrative and organizational area, thereby reducing operating costs due to the simplification of the structure of the Group.</p> <p>The Merger was held pursuant to Article 492 §1 point 1) of the Code of Commercial Companies ("CCC") i.e. by transferring all assets of the Acquired Company to the Acquiring Company. Given the fact that the Acquiring Company held the share in the share capital of the Acquired Company, the Merger was held pursuant to Article 515 §1 of the Code of Commercial Companies without the share capital increase of the Acquiring Company. The Statute of the Acquiring Company was not amended. Pursuant to Article 516 §6 of the Code of Commercial Companies, the Merger was implemented in the so-called simplified procedure, without subjecting of the Merger Plan to a qualified auditor. The transfer of the assets of the Acquired Company to the Acquiring Company took place on the day of entering of the Merger into the Business Register maintained by the Registration Court in Warsaw kept for Kino Polska TV S.A. (the "Merger Date") i.e. on 23 December 2014. Pursuant to Article 14 point 5 of the Act as at 16 February 2007 on competition and consumer protection the hereinafter Merger is not subject to notification of the intention of concentration to the President of the Office of Competition and Consumer Protection, as the companies participating in the Merger belong to the same Group (current report no. 34/2014);</p>
<b>November</b>	<ul style="list-style-type: none"> <li>- Convening of the Extraordinary General Shareholders' Meeting of the Company on 10 December 2014, at 10 o'clock (current report no. 36/2014);</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>– On 11 December 2014 the Polish Financial Supervision Authority approved the prospectus drawn up by the Issuer in connection with the intention to apply for admission and introduction to trading on a regulated market (the main market) operated by the Stock Exchange in Warsaw S.A. of 6,000,000 ordinary series C bearer shares (the "Prospectus"). This hereinafter Prospectus does not apply to the issue and offering of shares. It was drawn up in accordance with the provisions of Resolution no. 5 of the Extraordinary General Shareholders' Meeting as at 7 October 2013 the content of which was published in current report no. 46/2013. The Prospectus was published in an electronic form on the Issuer's website <a href="http://kinopolska.pl/">http://kinopolska.pl/</a> on 15 December 2014 (current report no. 41/2014);</li> <li>– On 23 December 2014, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register (the "Registry Court") made an entry in the register of entrepreneurs of the merger between the Issuer and its subsidiary - Kino Polska Program TV Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (the "Acquired Company"), formerly: Kino Polska Program Spółka z ograniczoną odpowiedzialnością S.K.A. (the "Merger"). The Merger was held pursuant to Article 492 §1 point 1) of the Code of Commercial Companies ("CCC") i.e. by transferring all assets of the Acquired Company to the</li> </ul>

	<p>Acquiring Company. Given the fact that the Acquiring Company had held 100% of the share in the share capital of the Acquired Company, the Merger was held pursuant to Article 515 §1 of the Code of Commercial Companies without the share capital increase of the Acquiring Company. The Statute of the Acquiring Company was not amended. Pursuant to Article 516 §6 of the Code of Commercial Companies, the Merger was implemented in the so-called simplified procedure, without subjecting of the Merger Plan to a qualified auditor. The transfer of the assets of the Acquired Company to the Acquiring Company took place on the day of entering of the Merger into the Business Register maintained by the Registration Court in Warsaw kept for Kino Polska TV S.A (current report no. 42/2014);</p>
<b>2015</b>	
<b>January</b>	<ul style="list-style-type: none"> <li>– On 7 January 2015, Kino Polska TV S.A. received resolution no. 8/15 dated 5 January 2015 from the Management Board of the National Depository for Securities S.A. of the following statement: §11. Pursuant to §40 sec. 2 and 4a and §2 sec.1 and 4 of the Regulations of the National Depository for Securities, the Management Board of the National Depository for Securities having considered an application of KINO POLSKA TV S.A., decided to register in the depository of securities of 6,000,000 (six million) ordinary bearer series C shares of KINO POLSKA TV S.A. of the nominal value of PLN 0.10 (ten groszy) each, and to assign them the code PLKNOPL00014, provided that the company operating the regulated market should adopt a decision to admit such shares to trading on the same regulated market on which other shares of the Issuer, to which the code PLKNOPL00014 was assigned, were admitted, subject to sec 2.2. The registration of the shares referred to in sec. 1 shall be carried out within three days from the date of receipt by the National Depository for Securities of the decision referred to in sec.1, not earlier, however, than on the date indicated in the said decision as the date of admission of these shares to trading. § 2 Information on the registration of the shares indicated in §1 sec. 1 shall be provided in the form of an announcement of the National Depository for Securities. § 3 The resolution becomes effective upon adoption.” (current report no. 1/2015);</li> <li>– On 16 January 2015, the Company received a resolution no. 65/2015 dated 16 January 2015 from the Management Board of the Warsaw Stock Exchange concerning the admission and introduction to trading on the Warsaw Stock Exchange Main List of ordinary bearer series C shares of Kino Polska TV S.A. of the following statement: „§ 1 The Management Board of WSE represents that pursuant to §19 sec.1 and 2 of the WSE Rules, 6,000,000 (PLN six million) ordinary bearer series C shares of KINO POLSKA TV S.A., with a nominal value of PLN 0.10 (PLN 10/100) each, shall be admitted to trading on the main market of the WSE. §2 Pursuant to §38 sec.1 and 3 of the WSE Rules, the Management Board of WSE resolves to admit as of 20 January 2015, by way of an ordinary procedure to admit trading on the main market</li> </ul>

	<p>of the shares of KINO POLSKA TV S.A., mentioned in §1 conditional on the registration of those shares and their coding as "PLKNOPL00014" by the National Depository for Securities on 20 January 2015. §3 The resolution becomes effective upon adoption.” (current report no. 2/2015);</p> <ul style="list-style-type: none"> <li>– On 20 January 2015, 6.000.000 (PLN six million) of series C shares of Kino Polska TV S.A. denoted with ISIN PLKNOPL00014 were registered in the deposit of securities kept by the National Depository for Securities S.A. (current report no. 3/2015);</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>– On 23 March 2015, the Company gave notice on the change of the consolidated EBITDA profit forecast of Kino Polska TV S.A. Group for 2014 presented in the current report of the Company no. 19/2014. The forecast of the consolidated EBITDA profit of Kino Polska TV S.A. Group before correction: PLN 42 mln. The forecast of the consolidated EBITDA profit of Kino Polska TV S.A. Group after correction: PLN: 35.6 mln. The decrease in EBITDA profit forecast for 2014 is mainly a consequence of lower than expected revenues resulting from, among other, a change in the approach to the recognition of the sale of licenses (recognition of revenue at the commencement of the term of the granted license), as well as from lower than estimated proceeds from the sale of advertising on Kino Polska Television channel and broadcast of the movie channels of the FilmBox brand. In addition, the negative EBITDA of TV Okazje Sp. z o.o., debuting on the media market in September 2014, in which the Issuer holds 80% of shares, had also an effect on lowering the forecast results;</li> </ul>

## **1.2 Information on the expected development of the entity**

The strategic objective of the Company, which will have an effect on its future financial performance, is among other, strengthening of its position in the foreign territory. The Issuer intends to systematically improve the sales of produced and distributed by the Kino Polska TV S.A. Group channels in foreign markets, where they are now available: the Czech Republic, Slovakia, Bulgaria, Romania, Hungary, Estonia and Ukraine. In addition, the introduction of advertising on the channel FilmBox Basic in selected countries is also being considered. Kino Polska TV S.A. does not exclude the investment in new markets, in the event of an interesting offer being available.

The Company also intends to expand its operations in the area of the so-called "new media", which in the opinion of the Issuer, is an interesting prospect for the future (early in 2014, Kino Polska TV S.A. started distributing the 4K content among the producers of SmartTVs and on the FilmBox Live platform).

## **1.3 Information on major achievements in the fields of research and development**

The Company does not conduct operations related to research and development.

## **1.4 Information on current and future financial standing**

In the opinion of the Management Board of Kino Polska TV S.A., the financial standing of the Company is stable

and it is not in danger of losing liquidity.

The Management Board of the Issuer assumes a systematic increase in the Company's revenue in the coming years.

A detailed description of the financial performance of Kino Polska TV S.A. is presented in point 3 of this part of the Report.

**1.5 Information on the purchase of treasury shares, and in particular the aim of their purchase, number and nominal value, indicating the proportion of the share capital they represent, the purchase price and the selling price of these shares if sold**

In 2014, the Issuer did not make transactions to purchase of treasury shares.

**1.6 Information on the held by the entity branches or plants**

In 2014, the Company did not held branches or plants.

**1.7 Information on the financial instruments concerning:**

**a) Risks: price risk, credit, significant disruptions to cash flow and liquidity risk to which the entity is exposed**

Kino Polska TV S.A. during the analysed period was not exposed to the risk associated with price changes having a significant impact on cash flow disruptions that could affect the loss of liquidity. The Company when acquiring services, materials and goods seeks to negotiate the best level of prices.

From the perspective of meeting the current liabilities of the Issuer, an important fact is the signing on 25 June 2014. of annex nr 9 to the agreement of credit in the current account with Bank Polska Kasa Opieki S.A. (the „Bank”) The subject of the annex is to renew the credit line on overdraft facility in the amount of PLN 8 000 000.00 for the next 12 month period (the “Credit”)

The Credit interest rate is variable, fixed at WIBOR 1M + daily margin of the Bank.

The legal security of the Credit facility:

- an assignment of receivables of two trade agreements,
- a blank promissory note filed by the Issuer at the Bank's disposal,
- granting power of proxy to the Bank to administer the funds in the current accounts of the Company held by the Bank with promissory note declaration,
- declaration of submission by the Issuer to execution of an amount of up to 150% of the amount of the Credit facility including any claims of the Bank arising from the credit line overdrafts No 3/2008 and its annexes.

According to the provisions of the Annex, the Credit facility payment period expires on 30 June 2015.

**b) The entity's objectives and methods of financial risk management, including insurance methods of planned material transactions for which hedge accounting is applied**

The Company does not apply financial risk management. Details of the financial risks to which the Company may be exposed and the management of these risks are set out in note 3 to the separate financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.

**1.8 Financial and non-financial indicators, including information relating to environmental matters and employment, as well as additional explanations of amounts reported in the financial statements**

The major financial and non-financial indicators of the Company in 2013 and 2014 were as follow:

Indicator	Formula	12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)
Return on assets	Net profit / average annual asset	6.02%	11.89%
Return on equity	Net profit / average annual equity	7.86%	15.58%
Net profit margin	Net profit / revenue	14.33%	19.24%
Gross profit margin	Profit on sales / revenue	30.12%	33.26%
Liquidity ratio I	Current assets total / current liabilities	2.22	1.67
Liquidity ratio II	Current assets total - inventories / current liabilities	2.20	1.66
Liquidity ratio III	Cash / current liabilities	0.79	0.32
Receivables turnover in days	Average annual trade receivables up to 12 months x 360 days/ revenue	60	76
Liabilities turnover in days	Average annual trade liabilities up to 12 months x 360 days/ finance costs	64	60
Debt ratio	Total liabilities / total equity and liabilities	20.06%	26.56%
Equity to total liabilities	Equity / total liabilities	3.98	2.77
Fixed capital to non-current assets	(equity + non-current liabilities) / current assets	1.15	1.10
Financing sustainability ratio	( equity + non-current liabilities ) / total assets	0.90	0.88

A detailed description of the financial performance of Kino Polska TV S.A. is presented in point 3 of this part of the Report.

The table below presents the structure of employment of Kino Polska TV S.A. by major departments.

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<i>Management Board</i>	2	2
<i>Senior Managers (by departments)</i>	9	10
<i>Administration</i>	9	7
<i>TV channels</i>	59	52
<b>Total</b>	<b>79</b>	<b>71</b>

Environmental issues do not apply to the Company.

(\*)The Company restated the comparative data in the financial statements for the fiscal year ended 31 December 2014 as a result of the recognition of error adjustment, change in the presentation and settlement of the merger with a subsidiary. Causes and effects of the changes were described in detail in Note 4 to the financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.



## 2 THE SELECTED FINANCIAL DATA INCLUDING BASIC ITEMS OF THE FINANCIAL STATEMENTS

		12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)	12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)
		in PLN	in PLN	in EUR	in EUR
I	Revenues	99 118 099.21	95 179 174.34	23 659 823.65	22 719 589.03
II	Operating profit	16 834 669.79	19 400 610.35	4 018 492.30	4 630 990.94
III	Profit before income tax	16 004 341.15	19 336 640.41	3 820 290.06	4 615 721.10
IV	Net profit from continuing operations	14 201 012.75	18 314 956.39	3 389 829.51	4 371 841.69
V	Weighted average value of shares	19 821 404.00	14 396 746.47	19 821 404.00	14 396 746.47
VI	Treasury shares	-	-	-	-
VII	Earnings per share	0.72	1.27	0.17	0.30
VIII	Net cash from operating activities	30 659 630.90	29 792 889.60	7 318 557.01	7 111 662.95
IX	Net cash from investing activities	(10 689 313.64)	(11 842 499.90)	(2 551 575.12)	(2 826 844.56)
X	Net cash from financing activities	(11 327 043.88)	(15 193 484.97)	(2 703 803.47)	(3 626 735.96)
XI	Closing balance cash and cash equivalents	17 834 217.96	9 194 961.46	4 257 087.81	2 194 868.23
		Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
		in PLN	in PLN	in EUR	in EUR
XII	Non-current assets	181 030 738.01	192 201 264.10	42 472 547.22	45 093 321.47
XIII	Current assets	50 002 269.69	48 387 267.47	11 731 288.20	11 352 384.27
XIV	Total assets	231 033 007.70	240 588 531.57	54 203 835.42	56 445 705.74
XV	Non-current liabilities	23 831 323.18	34 839 099.33	5 591 188.60	8 173 779.26
XVI	Current liabilities	22 523 334.03	29 052 462.70	5 284 314.58	6 816 146.85
XVII	Equity	184 678 350.49	176 696 969.54	43 328 332.24	41 455 779.64
XVIII	Share capital	1 982 140.40	1 382 140.40	465 040.10	324 271.03

The financial statements of the Company for the fiscal year ended 31 December 2014 presents the combined financial data of Kino Polska TV S.A. and its subsidiary Kino Polska Program TV Sp. z o.o., a merger of which has been registered by the Registration Court on 23 December 2014. For the settlement of the merger, the Company applied the method of historical value, according to which, the summed value of the items from the statements of financial position, as well as income and expenses and profits and losses of the merging entities from the date when such entities were under common control of the Group to which the Company belongs (i.e. from October 2012). The Company restated comparative data in the financial statements for the fiscal year ended 31 December 2014.

The above financial data for 2014 and 2013 were converted into EUR by the following:

- Assets and liabilities – at the average exchange rate announced by the National Bank of Poland as at 31 December 2014 – 4.262300 PLN/EUR;
- Items of the statement of comprehensive income and statement of cash flows - average exchange rate, calculated as an average of the rates prevailing on the last day of each month during the period of 1 January 2014 – 31 December 2014 announced by the National Bank of Poland – 4.189300 PLN/EUR.

(\*)The Company restated the comparative data in the financial statements for the fiscal year ended 31 December 2014 as a result of the recognition of error adjustment, change in the presentation and settlement of the merger with a subsidiary. Causes and effects of the changes were described in detail in Note 4 to the financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.



### 3 OVERVIEW OF KEY ECONOMIC AND FINANCIAL FACTORS, DESCRIPTION OF FACTORS AND EVENTS, INCLUDING NON-RECURRING, WITH A SIGNIFICANT IMPACT ON THE OPERATIONS OF THE ISSUER AND ITS PERFORMANCE ON GAINS OR LOSSES INCURRED IN THE FINANCIAL YEAR, AND DESCRIPTION OF BUSINESS DEVELOPMENT PROSPECTS OF AT LEAST THE COMING FISCAL YEAR

#### 3.1 Overview of key economic and financial factors and events, including non-recurring, with a significant impact on the operations of the Issuer and its performance on gains or losses incurred

##### Financial performance

Selected economic and financial data	2014 (in PLN)	2013 (in PLN) Converted (*)	% change
Revenues	99 118 099.21	95 179 174.34	+4%
Operating profit	16 834 669.79	19 400 610.35	-13%
Net profit from continuing operations	14 201 012.75	18 314 956.39	-22%
<b>EBITDA<sup>1</sup></b>	<b>33 843 307.92</b>	<b>25 935 614.85</b>	<b>+30%</b>

The revenue of Kino Polska TV S.A. for the period of 12 months ended 31 December 2014 amounted to PLN 99,118,099.21, meaning a 4% increase compared with the same period of the previous year. This was largely due to an increase in advertising revenues of the Company (mainly derived from the sale of advertising time on the channel of Kino Polska Muzyka and FilmBox Basic channel), as well as an increase in revenues from licensing rights and the provision of the content library to the channels of the FilmBox brand.

The Issuer's EBITDA for 2014 amounted to PLN 33,843,307.92 which represents a 30% increase compared with 2013.

In the above mentioned period, the Company has reviewed the factors affecting the determination of the estimated useful life of the license associated with own film production and co-productions ("Own films and co-productions") as a result of which it changed the assessment of this estimate considering that the expected period during which those licenses would bring the Company finance income is a period of 10 years.

In connection with the above change in the estimate, the Company tested these assets for impairment.

The estimated recoverable amount of Own films and co-productions in the amount of PLN 2 553 084.00 was determined based on value in use method. These calculations were based on estimated cash flow projections for each license for a five-year period. The main financial assumptions adopted for discounting cash flows is a terminal growth rate of 2.5% and a discount rate of 9.71%.

<sup>1</sup> The Company defines EBITDA as operating profit adjusted for depreciation and impairment of fixed assets and intangible assets and the result on disposal of Stopklatka S.A. and participation in its loss. In addition, in the calculation of EBITDA the Company eliminates Exchange differences and budget interest expense and recognizes income from interest paid.

The test conducted as at 30 June 2014 indicated that there occurred an impairment loss of Own films and co-productions in the amount of PLN 1 748 916.00. The hereinafter impairment loss was recognized in the statement of comprehensive income for the period of 12 months ended 31 December 2014 in the line item Cost of products sold. Starting from 1 July 2014, the Company commenced amortization of licenses related to own production of films and co-productions by means of the straight-line method for a period of 10 years. In addition, in connection with the merger of Kino Polska TV S.A. with Kino Polska Program TV Sp. z o.o. the Company recorded a significant increase in depreciation (PLN 12,323,416.33 in 2014 compared with PLN 6,193,171.33 in the previous year) - the merger in question was registered by the district court on 23 December 2014. - a detailed description is given in point 1.1 of this part of the Report). In addition, due to the high exchange rate of the euro and the dollar, the Issuer recorded a significant increase in foreign exchange losses - largely unrealized - whose balance in the period amounted to PLN 1,642,252.03.

The net profit of the Company in 2014 amounted to PLN 14,201,012.75 - 22% less than in 2013, when it stood at PLN 18,314,956.39. The impact on the situation beyond the above mentioned impairment, had the fact of qualifying Kino Polska Program Sp. z o.o. SKA (after restatement: Kino Polska Program TV Sp. z o.o.) as the payer of the corporate income tax. The books of Kino Polska Program Sp. z o.o. S.K.A. recognized the income tax for the first time in August 2014 - due to changes in the interpretation of tax in terms of the possibility of extending the financial year in limited joint-stock partnership (spółki komandytowo akcyjne), in this month, the company recognized a income tax liability for the period from 1 January 2014 to 31 August 2014. The total liability of the company to 31 August 2014 amounted to PLN 2,015,124.00, thus burdening the Company's results for the analysed period. Negative impact on the Company's net profit for 2014 was also the loss on the sale of shares of Stopklatka S.A. amounting to PLN 1,043,886.19 (method of calculation of the amount in question is described in note 11 to the separate financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014). In addition, among other, in connection with agreement on the lease of trademark „PL Kino Polska” signed on 1 October 2013 between the Issuer and KPTV Media Sp. z o.o lease agreement trademark "PL Kino Polska", the Company recorded PLN 757,313.74 in interest expense related to finance leasing.

In addition, a decision was made on the restatement of comparative data for previous years, related to the selected intangible assets with indefinite useful lives- the Issuer presents below a detailed description of this issue.

As at 31 December 2013, the Company disclosed under the item "intangible assets", among other works, interviews and other licenses with a total carrying value of PLN 6,436,026.37 (collected mainly in the years 2003-2010), which were not depreciated since the assessment of the Company they had an indefinite useful life. However, taking into account the structure of the above assets, consisting of tens of thousands of items, the Company made the assessment of impairment. The last test for impairment of these assets was conducted as at 31 December 2013. As a result of the test, the Company decided to recognise the impairment loss in the amount of PLN 715,114.04.

In the course of 2014, the Management Board of Kino Polska TV S.A. conducted a detailed analysis of the records of the intangible assets, based on which it assessed that the capitalized expenditure on intangible assets on the above intangible assets do not meet as at the balance sheet date 31 December 2014 and did not meet as at the previous

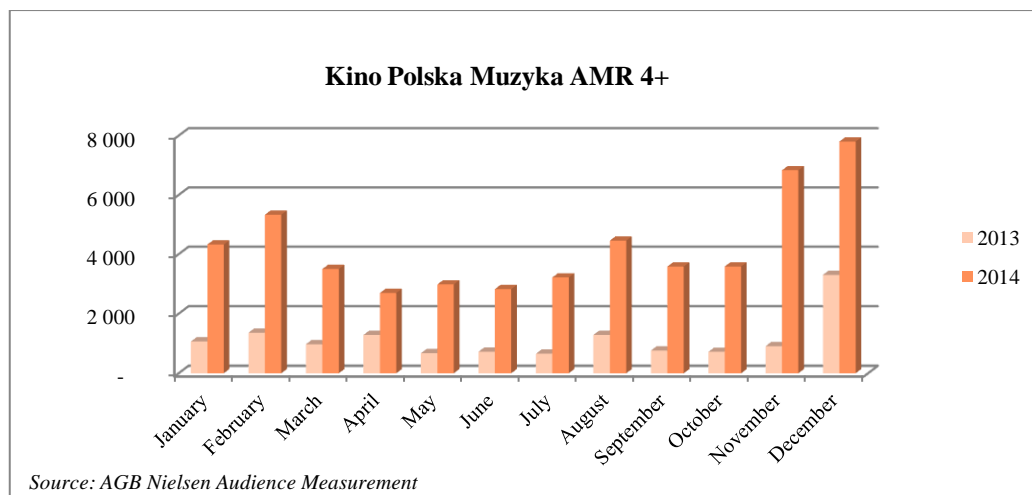
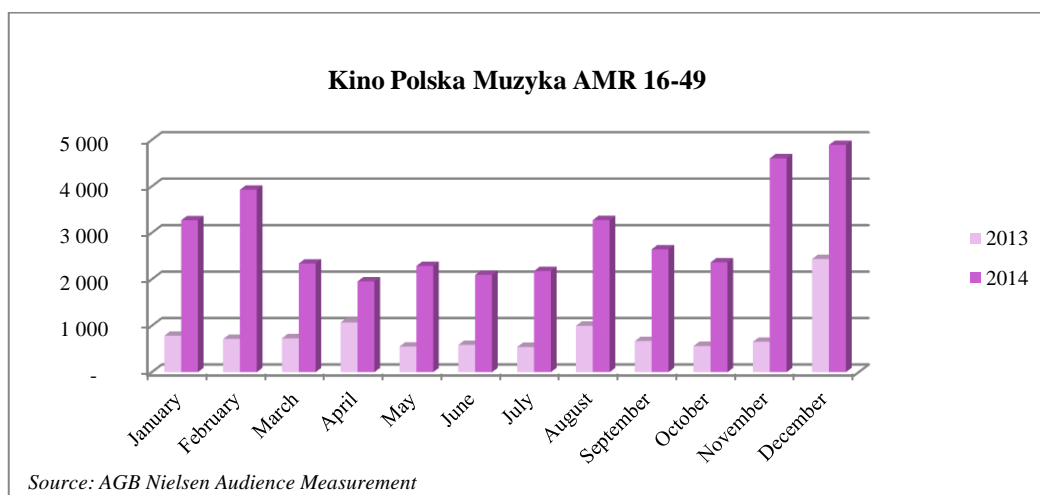
balance sheet dates the criteria for capitalization as an intangible asset. Therefore, in accordance with the guidelines of the IAS 8, which requires that the adjustment of errors be accounted for retrospectively by changing comparative data and converting the retained earnings at the beginning of the earliest period presented, the Company has decided that the above intangible assets with an aggregate carrying value of PLN 6,436,026.37 be written off as an adjustment of error to equity on the opening balance sheet, which was presented in the financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014., and thus the Company did not make adjustments of errors of previously published financial data. The Company also notes that these changes did not adversely affect the net profit and EBITDA of Kino Polska TV S.A. for 2014.

(\*)The Company restated the comparative data in the financial statements for the fiscal year ended 31 December 2014 as a result of the recognition of error adjustment, change in the presentation and settlement of the merger with a subsidiary. Causes and effects of the changes were described in detail in Note 4 to the financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.

### **Viewership**

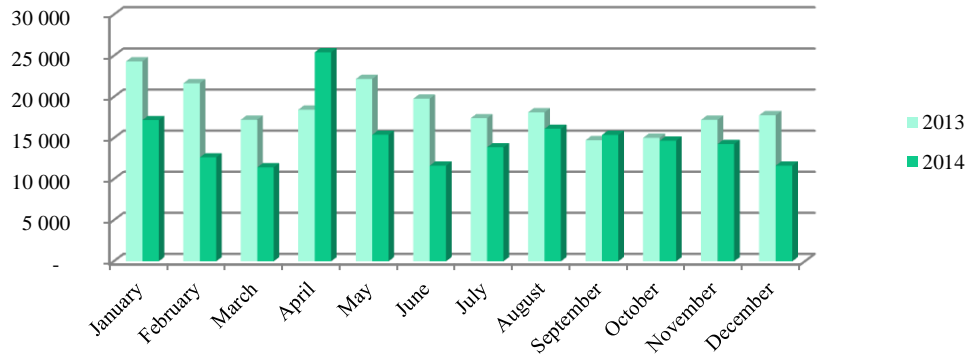
The following graphs present the viewership of Kino Polska Television, Kino Polska Muzyka and the Filmbox channel in each month of 2014 and 2013.

#### **KINO POLSKA MUZYKA**



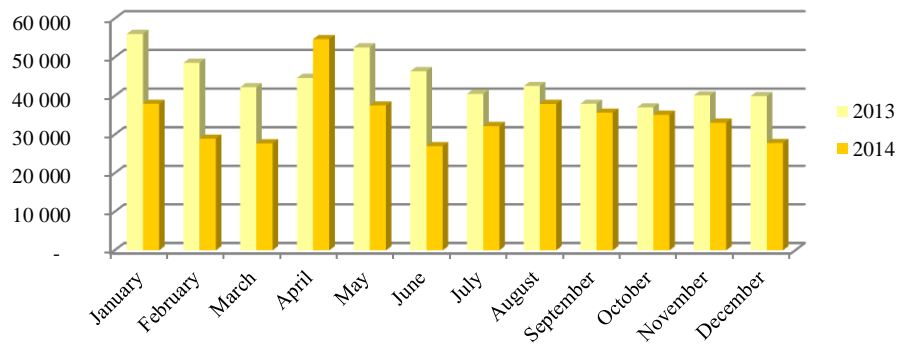
## KINO POLSKA TELEVISION

### Kino Polska Television AMR 16-49



Source: AGB Nielsen Audience Measurement

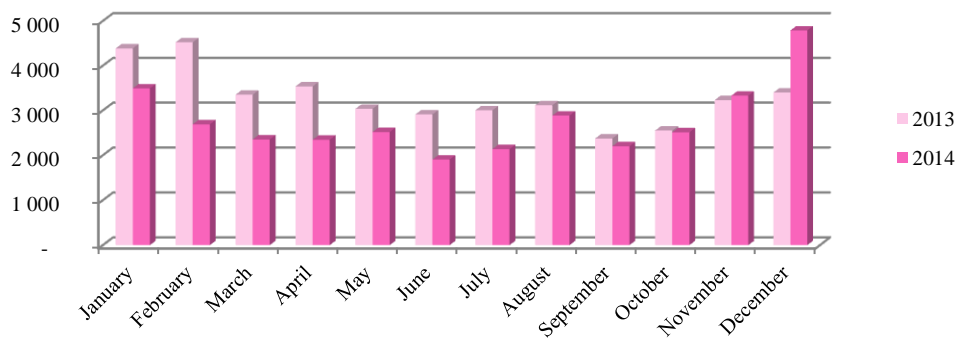
### Kino Polska Television AMR 4+



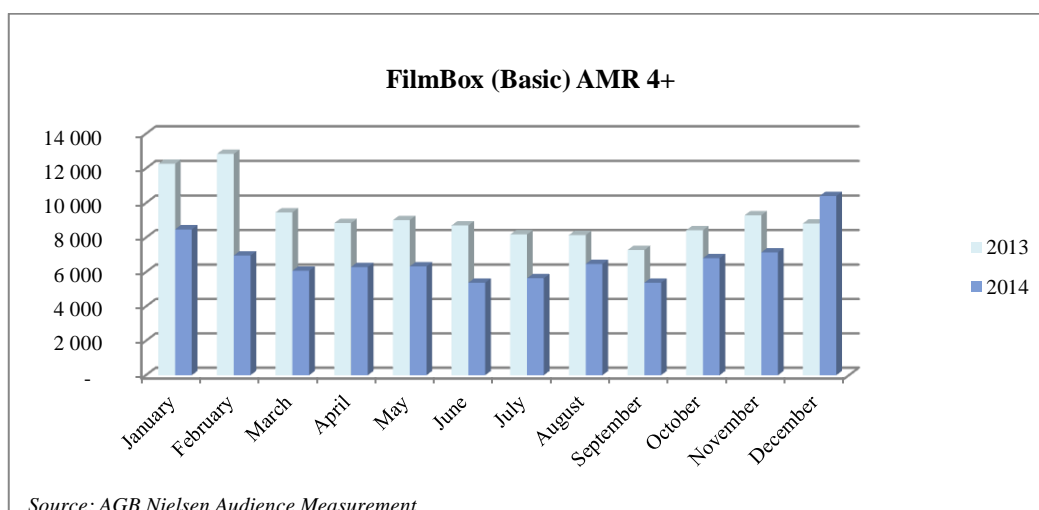
Source: AGB Nielsen Audience Measurement

## FILMBOX (basic)

### FilmBox (Basic) AMR 16-49



Source: AGB Nielsen Audience Measurement



In 2014, the Polish television market observed the flow of the audience from cable and satellite distributed channels to digital terrestrial television. This was connected, among other, with the emergence of new terrestrial channels. The cable-satellite channels were also increasing in number, which further fragmented the market. The effects of these trends have also had an impact on the position of the channels produced and distributed by Kino Polska TV S.A.

In 2014, Kino Polska Television accumulated an average of 34.6 thousand of viewers 4+ age group (AMR), including an average of more than 14.9 thousand from the commercial group (age 16-49). This meant respectively 0.54% of share (SHR) in the 4+ audience and of 0.59% in the 16-49 audience. The channel, compared with 2013, recorded a decrease in the average audience of approx. 20%. This was due not only to the market trends described above, but also to the end of the license period of several popular productions that build the audience in 2013. The channel has already taken steps to making the content more attractive, it also intensifies its marketing operations.

Kino Polska Muzyka achieved very good results in 2014: in the key for this station group 16-49, the average audience share increased from 0.03% in 2013 to 0.12% in 2014. The increase in the share in total audience (age 4+) was also significant: from 0.02% to 0.07%. This placed the channel in the top five of music channels in Poland. The increase in technical coverage was undoubtedly a positive impulse: by being included in the satellite distribution, Kino Polska Muzyka, reaching previously to 16.5% of households, since December 2013 started to be available in more than 44% of them. The channel also introduced a number of improvements in the programming schedule which were well received by the audience. The evidence of the above is, among other things, an increase in ATS in the commercial group: in the IVQ of 2014 it amounted to 31 minutes 23 seconds, i.e. by approx. 50% more than in the same period of 2013.

The cheapest paid package channels are subject of the highest pressure from the free terrestrial television offer. Thus, FilmBox Basic was also the subject of the effects of changes in the market situation. In 2014, the channel received an average of 0.11% of 4+ audience shares and the same percentage of the audience 16-49. In comparison with the previous year, this meant a decline in viewership in both segments by approx. 15%. In 2015, the portfolio of the FilmBox channels underwent reorganization and rebranding, which will increase the awareness of the offer

among subscribers. Attractive license purchases were also made which should result in increases in the share of the channel in the market.

### **Technical coverage**

In 2014, the Company consistently strengthened its position on the media market, thereby increasing the technical coverage of its produced and distributed channels.

The table below shows the dynamics of technical coverage of selected channels as at 31 December 2014 and 31 December 2013.

<b>CHANNEL</b>	<b>Percentage change</b>	<b>Number of active subscribers as at 31.12.2014</b>	<b>Number of active subscribers as at 31.12.2013</b>
Kino Polska	-0.1%	8 311	8 322
Kino Polska Muzyka	+17%	6 505	5 540
FilmBox Basic	+8%	5 498	5 110
FilmBox Premium	+21%	2 090	1 725

The presented above table provides information regarding the number of active subscribers with access to different channels within the services provided by cable and satellite operators in Poland.

### **3.2 Prospects for the development of the Issuer's operations**

The prospects for the development of the Issuer's operations were described in point 1.2. of this part of the Report.

## **4 DESCRIPTIONS OF SIGNIFICANT RISKS AND HAZARDS RELATING TO THE ISSUER'S OPERATIONS**

### **Risks relating to the operations of the Issuer**

#### **Risk of loss of concession / not being granted the concession after duration of validity**

The operations of Kino Polska TV S.A. in the production and distribution of the channel Kino Polska Television is based on a concession No 238/K//2003-T for the terrestrial satellite coded broadcast of the channel named Kino Polska. This concession is valid until 17 December 2023.

Kino Polska TV S.A. holds also the following concessions:

- 1) Nr 489/2011-T for the channel „Kino Polska Muzyka”, expiring on 6 December 2021.
- 2) Nr 540/2013-T for the channel „Kino Polska International”, expiring on 15 October 2023.
- 3) Nr 541/2013-T for the channel „Kino Polska Muzyka International”, expiring on 15 October 2023.

There exists the risk that potential failure to fulfil the obligations of the concession, especially in the scope of the program content or the maximum commercial air time, or permanent failure to broadcast, may effect sanctions on

the part of the National Broadcasting Council (a request to remedy the breach, pecuniary fines of up to 50% of the annual fee for using the allotted frequency, or up to 10% of the Issuer's income for the previous fiscal year or the withdrawal of the concession). There is the risk that the National Broadcasting Council will refuse the re-granting of the concession after the original concession expires, it is not possible to exclude the risk that the conditions of the new concession (or agreements connected with the concession, e.g. to rent a transponder or to render a broadcasting service) will, from the point of view of Kino Polska TV S.A. less favourable than for the currently-held concessions.

### **Risk of failure to extend cooperation agreements with cable and digital operators**

The base of the Company's revenues are the fees paid by the operators of cable television and digital satellite platforms for the rebroadcast of television channels produced / distributed by Kino Polska TV S.A.

The Issuer signed agreements to re-broadcast the channel Kino Polska Television with all the operators of satellite platforms and with most operators of cable television, including all the major ones (UPC, Multimedia Polska, Vectra, Toya, Inea); the coverage of the major operators amounts to 74.82% of cable television subscribers in Poland. Moreover, this channel is also available in the *international* version („Kino Polska International”) in the U.S.A. through the platform Dish Network. The Company signed agreements to distribute the channel FilmBox with all the operators of satellite platforms and with most operators of cable television, including all the major ones (UPC, Multimedia Polska, Vectra, Toya, Inea). Kino Polska TV S.A. signed agreements to distribute the package of FilmBox Premium channel with all the operators of satellite platforms and more than 100 operators of cable television including all the major ones (UPC, Multimedia Polska, Vectra, Toya, Inea). The channel Kino Polska Muzyka is available in the offers of selected cable operators (including UPC, Multimedia Polska, Vectra, Toya, Inea) and on nc + platform. In addition, the channel is also available in the international version ("Kino Polska Muzyka International") in the U.S.A. through the platform Dish Network.

Part of the agreements with the operators assumes flat-rate income and the other part subjects the amount of revenue from the actual number of subscribers of the channels in a given month.

The agreements concluded with the major operators are concluded for:

- a) the period of 1 up to 3 years with the possibility to terminate the agreement at the earliest three months before the expiration of the first contractual period; the agreement being subject to an automatic extension for a another fixed period of time unless terminated,
- b) an unlimited period of time, usually with a clause providing for a three-month notice period.

It is not possible to exclude the risk of the operators terminating their agreement/agreements or failing to extend the agreement/agreements for another period. Termination/failure to extend an agreement, especially by the operator with a large number of subscribers, would significantly adversely influence the Issuer's income and financial standing. The Company tries to mitigate the above risk by building an interesting offer for its television channels and by negotiating appropriate contractual provisions, including the conditions of their terminating and extending.

### **Risk of business model**

In 2003 – 2008, the business operations of the Company focused around broadcasting of Kino Polska Television – a

specialized film channel, broadcasting exclusively Polish films or films with participation of Polish directors, actors, script writers, etc. The possibility to increase the income and the results of the operation based on such a niche product must relatively soon encounter a barrier of market saturation.

In 2009, the Issuer significantly expanded its product portfolio (and its operation market) introducing to its offer the distribution and production of film television channels intended for other market niches (FilmBox channel and FilmBox Premium package). In 2011, the Issuer's portfolio was enriched with a music channel – Kino Polska Muzyka. At the moment, Kino Polska TV S.A. also produces and distributes the channels Kino Polska International and Kino Polska Muzyka International. It is not possible to exclude the risk that in the future the Issuer's program offer may not be in line with the changing expectations of the viewers or that it may not be able to introduce more attractive products, as current markets gradually become saturated.

In order to minimize this risk, since 2012, the Company has been systematically increasing its operations among others, by means of mobile application FilmBox Live, the presence of Kino Polska Television on Mobile TV of Cyfrowy Polsat and the availability of the channels: Kino Polska Television, FilmBox and FightBox on live internet TV - Orange Tu i Tam.

Furthermore, on 27 November 2013, the Issuer acquired 100% of shares in Filmbox International Ltd., due to which the operations related to the production and distribution of the film channels of the FilmBox brand in the global territory are currently controlled by Kino Polska TV S.A. Group.

#### **Risk of breaks in transmission of television signal**

The risk associated with the occurrence of breaks in the transmission of television signals is a typical and characteristic element for all television broadcasters. The Company provides its customers, operators of cable television and of digital satellite platforms mainly with a signal transmitting the Issuer's television programmes via satellite. The satellite signal for each of the channels is coded. The technical service necessary for the signal transmission of the Company's channels was outsourced to specialized entities.

There exists a risk, however, that despite the signed agreements and the application of technological solutions, there may occur a break in receiving of the Company's one or many channels by the operators, or by end viewers, especially in the event of defective functioning or damage of devices or fibre optics networks or in the event of force majeure (e.g. natural catastrophe). The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and the financial standing of the Company.

The Company takes efforts to minimize the risk of breaks in transmitting the television signal. The equipment used to produce and transmit the Issuer's television channels is equipped with a number of control devices to minimize the risk of occurrence and the consequences of a potential malfunction.

#### **Risk of loss of managers and key personnel**

The operations and the development of the Issuer are contingent on the knowledge and experience of the managers and employees of the Company. Conducting this type of activity requires well-qualified senior managers. Loss or



lack of the possibility to find qualified staff for key posts may have a significant adverse impact on the operating activity or development prospects of the Company.

The operation of Kino Polska TV S.A. in the field of television media requires acquiring and retention of employees with a specific education background and experience, the supply of whom is quite limited on the Polish market. Additionally, there are media sector enterprises and holdings operating on the Polish market that generate demand for such employees (especially specialists dealing with technical service and preparation of programs) and are in the position to offer more favourable conditions of employment.

Consequently, it is not possible to exclude the risk of difficulty to find or retain employees necessary to run the business operations, which may contribute to increase in the employment costs incurred by the Issuer.

#### **Risk of third party services**

The specific business operations of the Company cause third party services to have a substantial share in the operating costs. Third party services include: license and distribution fees, fees for specialist services regarding the production and distribution of television channels as well as fees for various kinds of typical services rendered for the enterprise. It is not possible to exclude the risk that the trade conditions for the Issuer's purchase of one or many third party services will deteriorate, especially the costs of licenses or increase in the cost of broadcasting of programmes via satellite.

#### **Risk of the main shareholder dominating the Company's operations**

SPI International B.V. holds 13,082,126 of the Issuer's shares, which constitutes 66% of shares and votes at the General Shareholders' Meeting of the Issuer. It is not possible to exclude the risk that the interests and operations of the majority shareholder may not be in line with those of minority shareholders. Especially, it is not possible to exclude the risk that the majority shareholder may take a decision to change the sequence of the realization of the Issuer's strategy, or change the scope of operations of the Company. It is not possible to exclude the risk that the majority shareholder may be able to exert decisive influence on the Issuer's decisions, including the influence on the contents of the resolutions adopted by the General Shareholders' Meeting.

#### **Risk related to distribution and production agreements for the FilmBox channels**

Since 2009, the Company has been offering a new product that rapidly gained an increasing share in the Issuer's total revenues: production and distribution of the channels of the FilmBox brand. In 2009 – 2010 the Group offered FilmBox channels to the operators of cable and satellite television channels based on a frame cooperation agreement between the Issuer and SPI International Polska Sp. z o.o. (dated 17 December 2008) which concluded relevant agreements with the owners of individual concessions. Since 1 January 2011 the Issuer has distributed the channels of the FilmBox brand based on the agreement dated 1 September 2010 signed directly with the concession owner - SPI TV Ltd. (new name: Filmbox International Ltd.). This agreement was replaced by an agreement signed between the Issuer and Cinephil France S.A.S. on 30 September 2011. On 18 February 2014, a distribution agreement was concluded between the Company and Filmbox International Ltd. (the „Agreement”). Under the Agreement, Filmbox International Ltd. (a subsidiary of the Issuer) grants to the Issuer a license (exclusive on the Polish territory and non-exclusive in other countries in the global territory) including the rights to rebroadcast the movie channels of the

FilmBox brand (to which Filmbox International Ltd. holds concessions), along with the possibility to sublicense to cable and satellite operators operating in other techniques of transmission and rebroadcast (the “Operators”). This Agreement replaced, in the aforementioned scope, the distribution agreement concluded on 30 September 2011 between the Issuer and Cinephil France S.A.S. to which on 18 February 2014 an annex was signed, limiting its provisions only to the distribution by Kino Polska TV S.A. of thematic channels such as: FASHIONBOX, FIGHTBOX, DOCUBOX, FASTNFUNBOX, 360TUNEBOX, EROX, EROXXX and the application FILMBOX LIVE.

Kino Polska TV S.A. signed also two agreements: a production and a telecommunication one, concluded on 1 September 2010 with SPI TV Ltd. (new name: Filmbox International Ltd.), concerning operations related to the preparation of the channels of the FilmBox brand. They entered into force on 1 January 2011.

It is not possible to exclude the risk that the above agreements may not be extended for another period of time or that new, less favourable trade conditions may be negotiated. Neither is it possible to exclude the risk that for reasons beyond the Company's control, the concessionaire may lose one or more concessions, which would have a significant adverse effect on the results and the financial position of the Issuer.

In order to minimize these risks, Kino Polska TV S.A. has taken actions to take ownership of the operations related to the production and distribution of the film channels of the FilmBox brand in the global territory, which entered into force on 27 November 2013.

### **Risk factors related to the Company's environment**

#### **Risk of competition**

The Company operates on a highly competitive market with many film television channels competing for end receivers which broadcast in the Polish and foreign languages, either in regular or *High Definition* and offering variety of films and television programs produced in Poland, the U.S.A, Europe or elsewhere.

Additionally, the Issuer's offer is in competition against a number of broadcasters of general television channels or those that do not offer films. This is especially noticeable in the offer of cable television operators, where the finite capacity of a cable connection limits the offer to several dozen channels, which entails a regular exchange of the least interesting channels in the offer. The end receiver's interest can also be determined by the conditions created by the operator that can be influenced by the Company to only a negligible extent, among other the offer structure of basic and additional television channels, contents of the packages compared to their prices and to competitors' offers, signal availability, offered set-top-boxes, etc. The channels distributed via the free terrestrial television also constitute a significant competition for the programs offered by the Company. The Issuer seeks to maintain an attractive program offer of their channels, however, it may not be excluded that, in spite of this, the competition in the segment of a film programmes or in the entire media industry may rise severely, which could cause a decrease in viewership of the Company's programmes and consequently adversely affect its financial standing.

### **Risk of macroeconomic situation and the condition of households**

The level of the Issuer's revenues depends on the well-being of Polish citizens (especially the inhabitants of big cities) that alters depending on the economic situation, including: dynamics of the economic growth, level of unemployment, individual consumption, consumers' optimism ratios, exchange rate of EUR to PLN and the state of fiscal policy. There exists a risk that in the case of a protracted impairment or another deterioration of the economic outlook, the demand for the services offered by the Company may decrease, which may adversely impact its financial standing.

The financial standing of Kino Polska TV S.A is also affected by many factors related to the domestic and global economic situation. The negative impact on the financial standing of the Company and its prospects may have both economic factors - including decline in Gross Domestic Product, inflation and rising interest rates, a decline in consumer spending, as well as the legal factors - including deterioration of regulatory conditions in the conduct of domestic entrepreneurial operations.

### **The risk of infringement of intellectual property rights**

The operations conducted by the Company are based primarily on using intellectual property rights and concluded license agreements. The Company is convinced it does not infringe any intellectual property of third parties in its operations. However, the Issuer may not exclude cases in which it might involuntarily breach such rights. Consequently, the Company allows that under such circumstances claims will be raised in relation to breach of intellectual property rights. A consequence of such claims may be the necessity to pay the compensation. The above-described factors may adversely impact the Issuer's financial standing and its development prospects.

### **Risk of the volatility of the law, in particular regulating the operations of the Company**

Due to the fact that the Polish legal system is subject to frequent changes, they may have an adverse impact on the operations of Kino Polska TV S.A. and entail serious risks in business operations. In particular, the operations of the Company may be affected by changes in the law governing the conducted operations, including the Broadcasting Act and the regulations of this Act, the Copyright Act, EU regulations concerning the functioning of the organization of collective management of copyright and changing legislation governing the operations of the capital market in Poland.

The new legal regulations may potentially pose some risk related to interpretation issues, lack of history of relevant court decisions, unfavourable interpretations adopted by courts or public administration bodies, etc. The tax system in Poland is characterized by high volatility. Any possible changes of interpretations of the provisions of the tax law as published by tax bodies and which may exert influence on the operating activity and the financial standing of Kino Polska TV S.A. The Issuer is also exposed to risks associated with the possibility of changes in the interpretation of tax law issued by the tax authorities, which affect the operations and financial standing of Kino Polska TV S.A. In order to minimize this risk, the Company is working with a consulting company and owns the necessary insurance. In addition, the employees and associates of Kino Polska TV S.A. participate in training/workshops on current changes in the law governing the operations of the Company.

## **Foreign exchange risk**

Kino Polska TV S.A. bears the costs of broadcasting services and other ancillary services for each of the television programs in the usually accepted for this type of agreement currency, among other, in EUR. Thus, the value of particular costs of the Company is exposed to foreign exchange risk. Any significant weakening of the zloty against the euro or dollar could cause a decrease in the profitability of the channels of the FilmBox brand. In order to minimize this risk, the Company owns foreign currency current accounts, based on the transactions that are settled in foreign currencies.

The above-described factors may adversely impact the Company's financial standing and its development prospects.

Further details on the financial risks to which the Company is exposed and the management of these risks are set out in note 3 to the separate financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.

## **5 CORPORATE GOVERNANCE COMPLIANCE**

### **5.1 Indication of a set of corporate governance, rules which the Issuer is required to follow, and where these rules are publicly available**

The Management Board of the Issuer endeavours to provide all shareholders with equal access to information about the Company. In order to ensure full transparency of the Company from the moment when Kino Polska TV S.A. gained the status of a listed company, a large part of the good practices of listed companies is implemented. Since 22 March 2011, the Issuer has been preparing current and periodic reports which are made publicly available by being published on the corporate website. The Company complies with the regulations governing public companies as specified in the "Good Practices of Companies Listed on the Stock Exchange". These regulations are published at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

The editors of the channels produced by the Company comply with all rules of professional conduct, which are generally accepted by the professional circles. The foundation, on which the rules of their work are based, is the Media Ethic Charter. In addition, the editors are also familiar with the Journalists' Code of Conduct, as published by the Association of Journalists of the Republic of Poland and the Journalists' Code of Ethics of the Association of Polish Journalists, which are documents specifying desirable rules of conduct.

### **5.2 Indication of the extent to which the Issuer has withdrawn from applying the corporate governance code, as referred to above, indication of the provisions and explanation of reasons for such departure, as well as explanation how the company intends to remedy the consequences, if any, of the Issuer's failure to apply a particular rule, or what steps it intends to take to reduce the risk of future failure to apply a specific rule**

The extent to which the Issuer departed from the corporate governance principles laid down in the "Best Practices of WSE Listed Companies", an indication of the principles and explanation of the reasons, as well as how the company intends to remove possible consequences of not complying with the rule or what steps it intends to take to reduce the risk of non-compliance with the rule in the future are presented below. At the same time, in terms of Rule II.1 point

9a), the Issuer will take actions to enable audio recording of meeting of the general shareholders' meeting and uploading of the recording on the website in the Investor Relations tab at the earliest time possible to implement such technology. Because of the legal risks, the requirement will be implemented subject to the approval on the audio recording of all participants of the general shareholders' meeting.

## **RULE II.1**

The Company keeps a corporate website, where it publishes, in addition to the information required by the law:

(...)

7) shareholders' questions regarding the matters covered by the agenda, posed before and during the General Shareholder Meeting along with the answers thereto.

### **COMMENT**

To some extent, this rule will not be applied by the Company. The Company will comply with this rule to the extent resulting from the provisions of the generally applicable legal regulations, i.e. the Commercial Companies Code and the Regulation of the Minister of Finance on current and periodical information (...), dated 19 February 2009. The Company will not publish on its website any questions asked during the General Shareholders' Meeting or any answers to such questions given during the General Shareholders' Meeting, because a great number of questions are usually asked, many of them irrelevant. Full compliance with this rule would require drawing-up shorthand minutes of the session of the General Shareholders' Meeting.

(...)

9a) transmission of the General Shareholders' Meeting in the form of audio or video,

### **COMMENT**

Kino Polska TV S.A. will not apply these rules in the near future due to the lack of proper regulation in the Statute of the Company and in the Rules of Procedure of the General Shareholders' Meeting, as well as due to high costs associated with the implementation of such data transfer system. The Issuer shall consider adopting of these Best Practices, in the case of a significant interest in these forms of communication on the part of the Company's Shareholders.

(...)

11) information acquired by the Management Board, based on a statement of a member of the Supervisory Board, regarding relations of such member of the Supervisory Board with a shareholder holding shares representing at least 5% of the total number of votes at the General Shareholders' Meeting,

### **COMMENT**

The Management Board will apply this rule only if the members of the Supervisory Board make statements to this effect.

(...)

14) Information regarding the rule governing a change of the entity entitled to audit financial statements or information that no such rule applies.

### **COMMENT**

As far as website management is concerned, the Company does not publish thereon any information regarding the rule applied by the Company in the event of a change of an entity entitled to audit the financial statement or information that no such rule applies. The selection of an entity entitled to audit financial statements and a change of such entity is at the sole discretion of the Supervisory Board and is not subject to any regulations, except for

statutory regulations, i.e. the Law on Chartered Accountants.

### **Good practices complied with by Members of the Supervisory Boards**

#### **RULE III.1**

In addition to the activities specified by law, the Supervisory Board shall:

(...)

3) Investigate and give opinion on matters that are the subject of resolutions of the General Shareholders' Meeting.

#### **COMMENT**

The Company will not comply with the above rule. In this respect, the Company believes that the authority granted to the Supervisory Board in the Commercial Companies Code and the by-laws are sufficient to exercise proper supervision over the activity of the Company.

#### **RULE III.2**

A Member of the Supervisory Board should provide the Management Board with information on his/her relations with a shareholder holding shares representing not less than 5% of the total number of votes at the General Shareholders' Meeting. The above obligation concerns relations of business, family or other nature that may affect the position of the member of the Supervisory Board in a matter to be decided by the Supervisory Board.

#### **COMMENT**

The Management Board will apply this rule only if members of the Supervisory Board submit relevant statements in this regard.

#### **RULE III.8**

As regards duties and functions of the committees operating within the Supervisory Board, Annex No 1 to the Recommendation of the European Commission, dated 15 February 2005 on the role of non-executive directors (...) will apply

#### **COMMENT**

The Committees operating within the Supervisory Board will act in accordance with the legal regulations in force and the adopted internal by-laws.

### **Good practices complied with by shareholders**

#### **RULE IV.1**

Representatives of the media should be allowed to attend the General Shareholders' Meetings.

#### **COMMENT**

The General Shareholders' Meetings shall be attended by entitled persons and persons servicing such General Shareholders' Meetings. The legal regulations in force, including the of the Regulation of Minister of Finance of 19 February 2009 on current and periodic information, published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, sufficiently determine the performance of duties imposed on public companies in respect of openness and transparency of matters being the subject considered by the General Shareholders' Meeting. The Company will provide answers, on an on-going basis, to questions asked by the media regarding sessions of the General Shareholders' Meeting.

#### **RULE IV.10**

The Company should provide shareholders with a possibility of attending a General Shareholders' Meeting through the use of means of electronic communication, such as:

- 1) transmission of a session of the General Shareholders' Meeting in real time,
- 2) two-way communication in real time, whereby the shareholders can speak during a session of the General Shareholders' Meeting while they are in a location other than that of the General Shareholders' Meeting's venue,

**COMMENT**

Kino Polska TV S.A. will not apply these rules in the near future due to the lack of proper regulation in the Statute and in the Rules of Procedure of the General Shareholders' Meeting, as well as due to high costs associated with the implementation of such data transfer system. The Issuer shall consider adopting of these Best Practices in the case of a significant interest in these forms of communication on the part of the Company's Shareholders.

### **5.3 Description of the main features of the Issuer's enterprise internal control and risk management systems in relation to the process of drawing up of financial statements and consolidated financial statements**

The internal control system of Kino Polska TV S.A. covers the process of drawing up of financial statements and the control of other areas of the Company's operations for which there is a legitimate requirement to implement control mechanisms in order to monitor and reduce relevant risks of Kino Polska TV S.A. The financial statements of the Company are drawn up by the Finance Department of Kino Polska TV S.A., and then passed to the Management Board, statutory auditor and Members of the Supervisory Board and the Audit Committee.

In addition, the Company has implemented a procedure for authorization of accounting documents, such as purchase and sales invoices, agreements, receipts, orders, etc. involving, among others, examining them in content, formal and accounting terms. These activities are carried out by those directly responsible for specific tasks, allowing for proper allocation of costs and revenues of the Company for each of its business areas, as well as for their day-to-day control.

#### **The Supervisory Board of Kino Polska TV S.A.**

The Supervisory Board performs regular supervision over the operations of the Company in all areas of its business. In addition to the matters specified in the provisions of the Code of Commercial Companies and other provisions of the Statute of the Company, the Supervisory Board's competences include:

- 1) acceptance of proposed changes to the Statute of the Company prepared by the Management Board,
- 2) determining of an entity to perform the audit or review of the consolidated and separate financial statements of the Company,
- 3) approval for concluding agreements with an entity or its subsidiaries, subordinate units, parent entities or subsidiaries or sub-units of its parent entities and for undertaking all other activities that may adversely affect the independence of the entity in making the audit or review financial statements of the Company,
- 4) approving the accession or establishment of any business organization, acquisition or disposal of shares, shares or contributions in the companies, as well as approving the change of the capital investment in any economic organizations in which the Company participates,
- 5) approving the conclusion or termination of long-term cooperation agreements by the Company, whose value of provision for the period of its duration may exceed the amount of EUR 500,000 or its equivalent calculated at the



date of its conclusion at the rate of the NBP,

6) approving the sale, purchase, load, rent, lease of the assets of the Company, not connected with the ordinary scope of the Company's activities in excess of EUR 500,000 or its equivalent calculated at the date of sale, purchase, load, rent, lease the assets of the Company at the rate of the NBP,

7) approving the acquisition of fixed assets not related to the usual scope of the Company's activities in excess of EUR 500,000 or its equivalent calculated at the acquisition date at the rate of the NBP,

8) approval for setting up of employee pension schemes in the Company and the granting of supplementary pension rights extending the existing law.

### **The Audit Committee of Kino Polska TV S.A.**

The purpose of the Audit Committee is acting as an advisory capacity for the Supervisory Board on matters relating to separate and consolidated financial reporting, internal audit and risk management, and cooperation with the auditors. The main responsibilities of the Audit Committee include:

1) the supervisory activities in respect of monitoring of the Company's financial reporting and auditing activities through activities that include, in particular:

a) monitoring of the process of drawing-up of financial statements;

b) submitting to the Supervisory Board of recommendations on the approval of audited financial statements by an external auditor;

c) monitoring of the integrity of financial information provided by the Company

2) the exercise of supervisory activities in respect of monitoring of the internal audit systems, internal audit and risk management, through activities that include, in particular:

a) a review, at least annually, of the internal audit procedures and risk management to ensure compliance with regulations and by-laws of the Company;

b) an assessment of risk management compliance and presenting recommendations in this regard.

3) the exercise of supervisory activities in respects of monitoring of the independence of the external auditors through activities that include, in particular:

a) submitting to the Supervisory Board of recommendations regarding the selection, appointment, reappointment and removal of the entity conducting the audit of financial statements (external auditor) and the terms and conditions of their employment;

b) monitoring of the independence of the auditor in relation to the carried out audit;

c) discussing the audit process with the auditor,

d) adopting from the entity authorized to audit financial statements of written information about any relevant issues of the auditing activities including in particular, any significant irregularities in the entity's internal audit in relation to the financial reporting process.



#### 5.4 Shareholders holding directly or indirectly of a significant block of shares including the number of shares held by these entities, the percentage share in the share capital, number of votes resulting thereof and their percentage share in the total number of votes at the General Shareholders' Meeting

The following table presents shareholders of Kino Polska TV S.A. holding - according to the best knowledge of the Company - at least 5% of votes at the General Shareholders' Meeting of the Company as at the date of submission of this Report. The information in the table is based on information received from the shareholders in accordance with article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies („Act on Public Offering”).

The holder of shares	Kind of shares	Number of share	Part of share Capital (%)	Number of votes	Part of total votes
SPI International B.V. <sup>1</sup>	ordinary bearer shares	13 082 126	66.00%	13 082 126	66.00%
Investment funds managed by Ipopema TFI S.A. (including Total FIZ and TTL 1 Sp. z o.o.) <sup>2</sup>	ordinary bearer shares	1 702 462	8.59%	1 702 462	8.59%
ING Powszechne Towarzystwo Emerytalne S.A. (including ING OFE i ING DFE) <sup>3</sup>	ordinary bearer shares	1 038 944	5.24%	1 038 944	5.24%
Other	ordinary bearer shares	3 997 872	20.17%	3 997 872	20.17%
<b>TOTAL</b>	<b>ordinary bearer shares</b>	<b>19 821 404</b>	<b>100%</b>	<b>19 821 404</b>	<b>100%</b>

<sup>1</sup> in accordance with the notice as at. 28.05.2014

<sup>2</sup> in accordance with the notice as at. 24.02.2014

<sup>3</sup> in accordance with the notice as at. 29.05.2014

Cooperative SPI International U.A. is the parent of SPI International B.V. holding 100% of shares in this company.

In addition, the Company provides below the following list of shareholders holding at least 5% of the total number of votes at the Extraordinary General Shareholders' Meeting of Kino Polska TV S.A. as at 9 December 2014.

The holder of shares	Kind of shares	Number of share	Part of share Capital (%)	Number of votes	Part of total votes at the
SPI International B.V.	ordinary bearer shares	13 082 126	66.00%	13 082 126	66.00%
Total FIZ	ordinary bearer shares	1 600 000	8.07%	1 600 000	8.07%
ING Otworthy Fundusz Emerytalny	ordinary bearer shares	1 000 000	5.05%	1 000 000	5.05%

#### **5.5 Indication of the owners of any securities with special control rights and a description of those rights**

There are no securities giving special control rights over the Company.

#### **5.6 Indication of any restrictions on voting rights, such as limiting the voting rights by holders of a given percentage or number of votes, deadlines for exercising voting rights, or provisions whereby, with the company's cooperation, the financial rights attributable to securities are separated from holding of securities**

In the reporting period, there were no securities that would have any restrictions on voting rights.

#### **5.7 Indication of all restrictions on the transfer of ownership of securities of the Issuer**

In the reporting period, there were no restrictions on the transfer of ownership of shares of the Issuer.

#### **5.8 Description of the rules for appointment and dismissal of managers and their rights, in particular the right to decide on the issue or buyback of shares**

In accordance with §11 sec. 1 of Issuer's Statute, the Management Board consists of not less than two and not more than five persons, including the President and other members of the Management Board. The Management Board manages the Company and represents it outside. The entitled persons to make statements and sign on behalf of the Company are: the President of the Management Board with another member of the Management Board or with a proxy jointly.

The Members of the Management Board, including the President of the Management Board, are appointed and dismissed by the Supervisory Board for a period of three years. They do not hold any special rights within issue or buyback of shares.

## **5.9 Rules regarding amendment of the Issuer's Statute or the Articles of Incorporation of the Issuer's Company**

The changes of the Issuer's Statute shall be done according to the principles of the Code of Commercial Companies i.e. by resolution of the General Shareholders' Meeting.

## **5.10 Method of operation of the General Shareholders' Meeting, its key powers and description of the rights of shareholders and the manner of their execution**

According to Article 402 of the Code of Commercial Companies, the General Shareholders' Meeting of a Public Company is convened by an announcement at the Company's website and in a form of a current report – in accordance with the provisions of the Act on Public Offering. Article 4022 of the CCC determines the scope of the content of the notice of the General Shareholders' Meeting of a Public Company. It should include at least the date, time and place of the General Shareholders' Meeting and a detailed agenda, as well as a precise description of the procedures for participation in the General Shareholders' Meetings and voting. In particular, the notice should include information regarding the following issues:

- 1) The right of a shareholder to request inclusion of certain issues on the agenda of the General Shareholders' Meeting – according to Article 401 § 1 of the CCC a shareholder or shareholders representing at least one twentieth of the share capital may request including certain issues in the agenda of the next General Shareholders' Meeting. The request should be submitted to the Supervisory Board no later than 21 days before the date of the Meeting. The request should include a justification or a draft of the resolution concerning the proposed agenda item. The request may be submitted in electronic form. The Management Board shall immediately, but not later than 18 days before the date the General Shareholders' Meeting announce changes in the agenda introduced at the request of the shareholders. The announcement shall be made as appropriate to convening a General Shareholders' Meeting (Article 401 § 2 of the CCC).
- 2) The right of a shareholder to submit drafts of resolutions related to issues on the agenda of the General Shareholders' Meeting or issues which are to be placed on the agenda before the Meeting – according to Article 401 § 4 of the CCC, a shareholder or shareholders of a Public Company representing at least one twentieth of the share capital may, before the General Shareholders' Meeting, report to the Company, in writing or by means of electronic communication, drafts of resolutions concerning the agenda of the General Shareholders' Meeting or issues which are to be introduced on the agenda. The Company shall immediately publish the draft resolutions on the website. The Statute, according to Article 401 § 6 of the CCC, may authorize to request an introduction of specific issues on the agenda of the next General Shareholders' Meeting and to submit the company, in writing or by means of electronic communication, projects of resolutions concerning issues introduced on the agenda of the General Shareholders' Meeting or issues which are to be introduced on the agenda, of shareholders representing less than one-twentieth of the share capital. The Statute of the Issuer does not include such provisions.
- 3) The right of a shareholder to submit drafts of resolutions relating to issues on the agenda during the General Shareholders' Meeting – according to Article 401 § 5 of the CCC, each of the shareholders is entitled to submit during the General Shareholders' Meeting drafts of resolutions concerning issues introduced on the agenda.
- 4) The manner of voting by the proxy, in particular the forms used to vote by proxy, and the way to notify the company, by means of electronic communication, of the appointing a proxy.
- 5) The possibility and method of participation in the General Shareholders' Meeting by means of electronic communication,

- 6) The way of speaking during the General Shareholders' Meeting by means of electronic communication.
- 7) The manner of voting by correspondence or by means of electronic communication.
- 8) Registration date for participation in the General Shareholders' Meeting which, according to Article 406 of the CCC, falls 16 days before the date of the General Shareholders' Meeting and shall be uniform for holders of bearer shares and registered shares.
- 9) Information that right to participate in the General Shareholders' Meeting have only the persons who are shareholders of the Company on the day of registration for participation in the General Shareholders' Meeting, as well as:
- 10) An indication of where and how the person entitled to participate in the General Shareholders' Meeting may receive a full text of documentation which is to be presented on the Meeting and drafts of the resolution or, if the resolutions are not expected to be adopted, comments of the Management Board or the Supervisory Board of the Company, concerning the matters included in agenda of the General Shareholders' Meeting or issues which are to be introduced on the agenda before the date of the General Shareholders' Meeting.
- 11) Indication of the address of the website where information concerning the General Shareholders' Meeting shall be provided.

Pursuant to Article 402 § 1 each public company is obliged to operate its own website and place thereon the following information, since the date of convening of the General Shareholders' Meeting:

- 1) announcement on convening the General Shareholders' Meeting,
- 2) information about a total number of shares in the company and number of votes vested by such shares as at the date of announcement, and if the shares are of different types, also about division of the shares into individual types and the number of votes vested by shares of each type,
- 3) the documentation to be presented to the General Shareholders' Meeting,
- 4) draft resolutions or, if no resolutions are anticipated for adoption at the General Shareholders' Meeting, comments of the Management Board or the Supervisory Board regarding the matters covered by the agenda of the General Shareholders' Meeting or matters which are to be placed on the agenda before the date of the General Shareholders' Meeting,
- 5) forms constituting the basis for the exercise of the rights of vote by proxies or by correspondence, unless sent directly to all shareholders.

If forms constituting the basis for the exercise of the rights of vote by proxies or by correspondence may not, due to technical reasons, be made available on the website, a public company shall place information on its website where and how such forms may be obtained. In such case, the public company shall send the forms by post, free of charge, to any shareholder who requests the same.

The forms constituting the basis for the exercise of the rights of vote by proxy or by correspondence shall incorporate the suggested wording of resolutions of the General Shareholders' Meeting and should provide for:

- 1) identification of the shareholding casting the vote and his proxy, if the shareholder exercises his vote through an proxy,
- 2) the casting of the vote, as defined in Article 4 § 1 point 9 of the CCC,
- 3) the submission of an objection by shareholders voting against the resolution,
- 4) the placement of an instruction concerning the manner of casting the vote with regard to each resolution on which the proxy is to vote.

In accordance with §21 of the Issuer's Statute the resolutions of the General Shareholders' Meeting are passed by the absolute majority of votes validly cast, unless the provisions of the Statute or the law provide more stringent conditions. The resolutions of the General Shareholders' Meeting on the following matters shall require a qualified majority of three quarters of votes cast:

- 1) the redemption of shares in the case referred to in Article 415 § 4 of the Commercial Companies Code,
- 2) acquisition of treasury shares in the case referred to in Article 362 § 1 point 2 of the Commercial Companies Code,
- 3) merging of the Company with another company in the case referred to in Article 506 § 2 of the Commercial Companies Code.

The resolution of the General Shareholders' Meeting on appeal or suspension by the General Shareholders' Meeting of one or all members of the Management Board in accordance with Article 368 § 4 of the Commercial Companies Code, requires four fifths of the votes cast. Acquisition and disposal of property, perpetual usufruct right or interest in real property do not require the resolution of the General Shareholders' Meeting.

**5.11 The composition of and the changes that occurred during the last fiscal year, and a description of operation of the management bodies and supervisory or administrative committees of the Issuer and its committees**

**The Management Board of Kino Polska TV S.A**

In the period from 1 January 2014 to 27 March 2014 the composition of the Management Board of Kino Polska TV S.A. was as follows:

Piotr Reisch	President of the Management Board
Bogusław Kisielewski	Member of the Management Board

On 28 March 2014, Piotr Reisch resigned from his duties as the President of the Management Board of the Company with effect on 28 March 2014. Furthermore, on 28 March 2014, as per a resolution of the Supervisory Board of the Company, Bogusław Kisielewski, acting so far as the Member of the Management Board of the Company became the new President of Kino Polska TV S.A. Piotr Reisch will continue to engage in operations of Kino Polska TV S.A as a member of its Supervisory Board. In connection with the development plans of the Issuer abroad, the Supervisory Board also decided to appoint Berk Uziyel as a Member of the Management Board of the Company

In the period from 28 March 2014 to 31 December 2014 the composition of the Management Board of Kino Polska TV S.A. was as follows:

Bogusław Kisielewski	President of the Management Board
Berk Uziyel	Member of the Management Board

### **The Supervisory Board of Kino Polska TV S.A**

In the period from 1 January 2014 to 27 March 2014 the composition of the Issuer's Supervisory Board was as follows:

Loni Farhi	Chairman of the Supervisory Board
Stacey Sobel	Vice-Chairman of the Supervisory Board
Piotr Orłowski	Member of the Supervisory Board
Krzysztof Rudnik	Member of the Supervisory Board
Krzysztof Szymański	Member of the Supervisory Board
Leszek Stypułkowski	Member of the Supervisory Board

On 28 March 2014, the Extraordinary General Shareholders' Meeting of the Company adopted a resolution on removing Krzysztof Szymański from the function of the Member of the Supervisory Board of the Company (the resolution of the Supervisory Board does not contain the reasons for this removal), and to appoint two new members to the composition of the Supervisory Board of Kino Polska TV S.A:

- Berrin Avcilar,
- Piotr Reisch.

In the period from 28 March 2014 to 31 December 2014 the composition of the Issuer's Supervisory Board was as follows:

Loni Farhi	Chairman of the Supervisory Board
Stacey Sobel	Vice-Chairman of the Supervisory Board
Berrin Avcilar	Member of the Supervisory Board
Piotr Orłowski	Member of the Supervisory Board
Krzysztof Rudnik	Member of the Supervisory Board
Piotr Reisch	Member of the Supervisory Board
Leszek Stypułkowski	Member of the Supervisory Board

### **The Audit Committee**

In the reporting period, in Kino Polska TV S.A., the Audit Committee, in the following composition, operated within the Supervisory Board:

– In the period from 1 January 2014 to 12 May 2014:

Piotr Orłowski	Chairman of the Audit Committee
Krzysztof Szymański	Member of the Audit Committee
Krzysztof Rudnik	Member of the Audit Committee

– in the period from 13 May 2014 to 31 December 2014:

Piotr Orłowski	Chairman of the Audit Committee
Berrin Avcilar	Member of the Audit Committee
Krzysztof Rudnik	Member of the Audit Committee

### **The Supervisory Board of Kino Polska TV S.A.**

The Supervisory Board exercises supervision over the operations of the Company in all areas of its business. In addition to the matters specified in the provisions of the Code of Commercial Companies and other provisions of the Statute of the Company, the competences of the Supervisory Board include:

- 1) acceptance of the proposed changes to the Statute of the Company drawn up by the Management Board,
- 2) determination of the entity to audit or review of the consolidated and separate financial statements of the Company,
- 3) granting consent to enter into agreements with such entity or its subsidiaries, subordinate entities, parent companies or subsidiaries or its subordinate units, and the parent companies perform any other activities that may adversely affect the independence of the entity in making the audit or review report of the Company's financial standing,
- 4) approving to join or create any kind of economic organization, acquisition or sale of shares or contributions to companies, as well as approving the change in equity in any business organization in which the Company participates,
- 5) approving the entering into or termination of agreements, long-term cooperation by the Company, the value of benefits for its duration may exceed the amount of EURO 500,000 or its equivalent as calculated on the date of transaction according to the exchange rate of the National Bank of Poland,
- 6) consent to the sale, purchase, order, renting, leasing of the Company's assets, not related to the usual scope of activities of the Company in excess of EUR 500,000 or its equivalent calculated at the date of sale, purchase, load, rent, lease the assets of the Company according to the exchange rate of the National Bank of Poland,
- 7) approving the acquisition of fixed assets not related to the usual range of activities of the Company in excess of EUR 500,000 or its equivalent calculated at the date of acquisition by exchange rate of the National Bank of Poland,
- 8) approving the creation of occupational pension schemes in the Company and the granting of supplementary pension rights extend existing law. In addition, the Supervisory Board determines the remuneration of directors of the Company.

### **Description of the operations of the Management Board**

The Management Board conducted the current activities in accordance with rights set forth in the Code of Commercial Companies and the Company's Statute. The Management Board consists of not less than two and not more than five people, including the President and other members of the Management Board. The President of the Management Board shall direct the work of the Management Board, shall determine the internal allocation of tasks and responsibilities of the Board Members, convene and preside over meetings of the Management Board, issue internal regulations of the Company. The President of the Management Board may authorize other persons to convene and chair the meeting of the Management Board and to issue internal regulations. Resolutions of the Management Board are adopted unanimously. The Management Board is obliged to submit to the Supervisory

Board at least annual reports on significant events in the Company. This report shall also include a report on revenues, costs and the financial standing of the Company.

The entitled persons to make statements and sign on behalf of the Company are the President of the Management Board with another member of the Management Board or with a proxy jointly. To perform certain actions or a specific activity the proxies may be appointed to act independently or jointly with other mandate holders, within the limits of their legitimacy.

#### **The Audit Committee of Kino Polska TV S.A.**

The purpose of operations of the Audit Committee is to provide advisory services to the Supervisory Board in issues concerning separate and consolidated financial reporting, internal control and risk management, as well as co-operation with independent auditors. The main duties of the Audit Committee include:

1) exercise of supervisory activities in monitoring of the Company's financial reporting and auditing activities, through activities that include, in particular:

- a) monitoring of the process of drawing up of financial statements;
- b) submission of recommendations to the Supervisory Board regarding the approval of financial statements audited by an external auditor;
- c) monitoring of integrity of financial information presented by the Company;

2) supervision of monitoring of internal control systems, internal audit and risk management, through actions covering, in particular:

- a) review, at least once a year, of internal control and risk management procedures in order to ensure compliance with the provisions of law and internal regulations;
- b) assessment of compliance with principles of risk management and presentation of recommendations in this regard,

3) supervision of monitoring of independence of external auditors, through actions covering, in particular:

- a) presentation of recommendations to the Supervisory Board concerning appointment, re-appointment and dismissal of an entity conducting the audit of the financial statement (external auditor) as well as terms and conditions of his engagement;
- b) monitoring of independence of the auditor with regard to the audit he conducts;
- c) discussion with the auditor of the process of audit conducted by him,
- d) acceptance from an entity authorized to audit financial statements of written information regarding relevant issues concerning the financial audit procedure, including, in particular, significant irregularities of the internal control system of the entity, with reference to the financial reporting process.



**6 PROCEEDINGS PENDING BEFORE THE COURT, AN ENTITY COMPETENT FOR ARBITRATION OR PUBLIC ADMINISTRATION, INCLUDING INFORMATION ON: PROCEEDINGS OF THE CLAIMS OR LIABILITIES OF THE ISSUER OR ITS SUBSIDIARY TO THE VALUE OF AT LEAST 10% OF THE ISSUER EQUITY**

During the reporting period and after the end of the period, there have not been and are not any proceedings or claims against the Issuer or the entities of the Group in public administration, any judicial proceedings or arbitration, which may meet the above-mentioned criteria both with reference to single proceedings and two or more.

**7 INFORMATION ON KEY PRODUCTS, GOODS OR SERVICES**

Kino Polska TV S.A. operates in the media industry, among others, producing and distributing of TV channels.

The key products of the Company include:

– TV channel Kino Polska Telewizja, referring to the multi-cultural heritage of Polish cinematography for all age groups, is the primary product of the Issuer. The unique formula of the channel places it in a high position in the viewership ratings of thematic channels in Poland. This channel, presenting mostly film classics, encourages the viewers to rediscover them again. Kino Polska Telewizja conducts the sale of advertising time on its channel. Kino Polska Telewizja operates under license number 238/K/2013-T. The Company signed agreements to re-broadcast the channel Kino Polska Telewizja with all the operators of digital satellite platforms and with most operators of cable television, including all the major ones (UPC / Aster, Multimedia Polska, Vectra, Toya, Inea; the coverage of the major operators amounts to 74.82% of cable television subscribers). Kino Polska Telewizja is available through TV Mobilna of Cyfrowy Polsat, live internet television Orange Tu i Tam and the FilmBox Live package.

– TV channel Kino Polska Muzyka - the only channel in the world presenting to the audience Polish music only. In addition to the iconic music videos, concerts and unforgettable golden age of the biggest native celebrities, one may also find here stage hits and other interesting archival footage. Starting from January 2012, Kino Polska Muzyka conducts the sale of advertising time. This channel operates under the concession no 489/2011-T. Kino Polska Muzyka is available in offers of cable operators (including UPC / Aster, Multimedia Polska, Vectra, Toya, Inea) and on nc+. Kino Polska Muzyka is also one of the channels in the offer of FilmBox Live. Furthermore, this channel is available in the *international* version in the U.S.A. through the Dish Network platform.

– TV channel Kino Polska International – the channel that primary task is to continue the program mission of Kino Polska Telewizja. The channel is broadcast in the Polish language. Its major recipient is the Polish community in the U.S.A. This channel is available in the U.S.A. through the Dish Network platform.

– TV channel FilmBox and FilmBox Premium package – are TV channels of film character presenting feature films and documentaries from around the world, categorized as to the type, slot and thematic cycles. The Issuer signed agreements on distribution of FilmBox with all satellite platforms operators and the majority of cable operators, including all the major ones (UPC / Aster, Multimedia Polska, Vectra, Toya, Inea). The agreements were also concluded with all operators of satellite platforms and more than 100 cable operators, including with all major ones for the distribution of the package of FilmBox Premium channels.

Kino Polska TV S.A. produces and distributes channels of the FilmBox brand on the basis of agreements with Filmbox International Ltd. (the owner of the concession and distributor of film channels), whereas thematic channels on the basis of agreements with Mediabox Broadcasting International Ltd. (the owner of the concession for thematic channels) and Cinephil France S.A.S. (distributor of thematic channels).

Other operations of the Company:

- sale of advertising time on the channels Kino Polska Television, Kino Polska Muzyka and FilmBox (basic),
- distribution of licenses for the broadcast of video on demand (VoD),
- distribution of license for the television broadcast (sale of rights),
- production and sale of DVDs (published by Wydawnictwo Telewizji Kino Polska).

Additionally, in Note 6 to the separate financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014, the division of sales revenues of the Company into basic operating segments was presented.

**8 INFORMATION ON THE SALES MARKETS, DIVIDED INTO DOMESTIC AND FOREIGN, AND CHANGES IN SOURCES OF SUPPLY OF MATERIALS FOR PRODUCTION, IN GOODS AND SERVICES, SPECIFYING DEPENDENCY ON ONE OR SEVERAL RECIPIENTS OR SUPPLIERS AND IF THE SHARE OF A SINGLE RECIPIENT OR SUPPLIER REACHES AT LEAST 10% OF TOTAL REVENUES - SPECIFYING THE NAME OF SUCH SUPPLIER OR RECIPIENT, THEIR SHARE IN SALES OR SUPPLY AND HIS FORMAL RELATIONS WITH THE ISSUER**

**8.1 Key recipients**

The key recipients of the Issuer's products are cable TV operators and providers of digital satellite platforms, which provide a signal of the channels produced by the Company to their subscribers (households).

The other recipients of the services rendered by the Issuer in 2014 include:

- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.,
- other TV broadcasters acquiring broadcast rights to films in held by Kino Polska TV S.A.,
- *video on demand* operators,
- individuals (buyers of DVD releases) through a distribution company.

The domestic sales market of the Company in 2014 was the main market, which accounted for 74% of total revenues of the Company. 26% of the Issuer's revenues were generated basing on the foreign market.

2014	Poland	EU	Other	Total
Total revenues	72 950 430.54	24 821 108.15	1 346 560.52	99 118 099.21

(in PLN)

The key recipients of the Issuer, whose share in the revenues for 2014 amounted to at least 10% of total sales revenue:

- Filmbox International Ltd. (former name: SPI TV Ltd.) – 21% of total revenues,
- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. – 21% of total revenues,
- ITI Neovision S.A. – 17% of total revenues.

The Issuer is the sole shareholder of Filmbox International Ltd. Furthermore, with the above entities, Kino Polska TV S.A. holds trade links.

## **8.2 Key suppliers**

The key suppliers, whose share amounts to at least 10% of the Issuer's total sales revenue for 2014:

- Filmbox International Ltd. (former name: SPI TV Ltd.) – 24% of total sales revenue.

The Company is the sole shareholder of Filmbox International Ltd. In addition, it holds a cooperation agreement with this entity.

## **9 INFORMATION ABOUT MATERIAL AGREEMENTS FOR THE ISSUER'S OPERATIONS INCLUDING KNOWN TO THE ISSUER AGREEMENTS BETWEEN SHAREHOLDERS (ASSOCIATES), INSURANCE AGREEMENTS, COLLABORATION AND COOPERATION AGREEMENTS**

### **Distribution agreement with Filmbox International Ltd.**

On 18 February 2014, a distribution agreement was signed between the Company and Filmbox International Ltd. Under the Agreement, Filmbox International Ltd. (a subsidiary of the Issuer) grants to the Issuer a license (exclusive on the Polish territory and non-exclusive in other countries in the global territory) including the rights to rebroadcast the movie channels of the FilmBox brand (to which Filmbox International Ltd. holds concessions), along with the possibility to sublicense to cable and satellite operators operating in other techniques of transmission and rebroadcast (the „Operators”).

In accordance with the provisions of the agreement, in exchange for the acquired rights the Company shall pay to Filmbox International Ltd. monthly license fees based on the revenue generated by the issuer from the operators decreased by a fixed on market conditions margin and the cost of sales agents

The Agreement was concluded for a period of 5 years and after this time shall be extended for another 5-year period, unless one of the parties provides the other party a termination of this Agreement at least 6 months before its expiry date. In addition, each party shall have the possibility to terminate the Agreement upon a 90 - day notice period (the Issuer informed about conclusion of the above agreement in the current report no. 4/2014.

The Management Board of the Company is not aware of any material agreements to the Issuer operations concluded between the shareholders (partners), insurance or cooperation agreements.

# **10 INFORMATION ABOUT ORGANIZATIONAL AND CAPITAL RELATIONS OF THE ISSUER WITH OTHER ENTITIES AND DETERMINING OF THE ISSUER'S PRINCIPAL DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND PROPERTY), INCLUDING CAPITAL INVESTMENTS MADE OUTSIDE OF THE GROUP OF RELATED ENTITIES AND DESCRIPTION OF THE METHODS OF FINANCING**

Kino Polska TV S.A. is in capital connection with its subsidiaries.

The table below provides a summary of the Company's shares / stock as at 23 March 2015:

Entity	Headquarters	Nr of held shares/stock	Per cent of shares in the share capital	Type of preference
Cyfrowe Repozytorium Filmowe Sp. z o.o.	Ul. Puławska 61, 02-595 Warsaw	150	100.00%	Non-preference stock
Kino Polska Program Sp. z o.o.	Ul. Puławska 435A, 02-801 Warsaw	100	100.00%	Non-preference stock
KPTV Media Sp. z o.o.	Ul. Puławska 435A, 02-801 Warsaw	100	100.00%	Non-preference stock
TV Okazje Sp. z o.o.	ul. Chwaszczyńska 188, 81-571 Gdynia	80	80.00%	Non-preference stock
Stopklatka S.A.	Ul. Puławska 61, 02-595 Warsaw	2 680 152	41.04%	Non-preference shares
Filmbox International Ltd.	Chiswick Park 566 Chiswick High Road, London W4 5YA, UK	3 350 000	100.00%	Non-preference stock

## **Information on the composition of the management bodies of the Issuer's subsidiaries as at 23 March 2015:**

Name of entity	Composition of the Management Board
Cyfrowe Repozytorium Filmowe Sp. z o.o.	Martyna Korablewska-Szpetmańska – President of the Management Board
Kino Polska Program Sp. z o.o.	Bogusław Kisielewski – President of the Management Board
KPTV Media Sp. z o.o.	Marcin Kowalski – President of the Management Board
TV Okazje Sp. z o.o.	Michał Cieśla – President of the Management Board Bogusław Kisielewski – Member of the Management Board
Filmbox International Ltd.	Berk Uziyel – Director John Logan – Director

In addition, the Issuer is also the founder of Fundacja Kino Polska („Fundacja”).

### The Management Board of Fundacja:

Bogusław Kisielewski – President of the Management Board

### Statutory tasks of Fundacja:

The Statutory Purposes of Fundacja:

- to promote education and cinematographic, literary and radio culture,

- to promote and popularize information about Poland and Polish culture, Polish language, also abroad and among the Polish community abroad,
- to manage a positive image of Poland and the Poles,
- to promote Polish cinematography at home and abroad,
- to assist in artistic and professional development of filmmakers,
- to support and promote the development of culture, art and science,
- to support and promote the protection of cultural heritage and traditions,
- to support, promote and organize of philanthropic and charitable activities.

The foundation capital of Fundacja is the contribution made by the founder in the amount of PLN 5,000.00 (PLN five thousand) and financial resources, property rights, movable and immovable property acquired by Fundacja during its operation.

Currently the income and assets of Fundacja come primarily from the initial fund and from donations of the founder.

#### **11 INFORMATION ON MATERIAL TRANSACTIONS ENTERED INTO BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED ENTITIES ON OTHER THAN MARKET TERMS**

In 2014, Kino Polska TV S.A. did not enter into any significant transactions with entities related on other than the market terms.

#### **12 INFORMATION ABOUT SIGNED AND TERMINATED AGREEMENTS ON BORROWINGS IN THE FISCAL YEAR GIVING AT LEAST THE AMOUNT, TYPE AND AMOUNT OF THE INTEREST RATE, CURRENCY AND MATURITY**

In 2014, Kino Polska TV S.A. had credit facility in the current account under the agreement with Bank Polska Kasa Opieki S.A. (for details please see below):

Financed entity	Currency	Principal amount in PLN	Value as at the balance sheet date		Interest terms and conditions	Maturity	Collateral
			In currency	In PLN			
Bank Polska Kasa Opieki S.A.	PLN	Up to 8 000 000.00	n.a.	3 580 389.04	WIBOR 1M as at+3.0%	30.06.2015	A blank promissory note, a statement of submission to enforcement, power of attorney to bank accounts and agreement on assignment of receivables
<b>Total borrowings</b>		<b>8 000 000.00</b>		<b>3 580 389.04</b>			

**13 INFORMATION ON LOANS GRANTED IN THE FISCAL YEAR, WITH PARTICULAR EMPHASIS ON LOANS GRANTED TO ISSUER'S RELATED ENTITIES, INCLUDING THE INFORMATION ON THE AMOUNT, TYPE, INTEREST RATE, CURRENCY AND MATURITY DATE**

In 2014, Kino Polska TV S.A. granted the following loans:

Financed entity	Currency	Principal amount in PLN	Interest terms and conditions	Maturity date
TV Okazje Sp. z o.o.	PLN	500 000.00	WIBOR 3M +1.5%	2017-06-01
TV Okazje Sp. z o.o.	PLN	500 000.00	WIBOR 3M +1.5%	2017-11-01
Stopklatka S.A.	PLN	600 000.00	WIBOR 3M +1.5%	2014-08-31
Stopklatka S.A.	PLN	1 000 000.00	WIBOR 3M +1.5%	2015-06-30
<b>Total loans</b>		<b>2 600 000.00</b>		

**14 INFORMATION ON THE GRANTED AND RECEIVED IN THE FISCAL YEAR WARRANTIES AND GUARANTEES, WITH SPECIAL REFERENCE TO WARRANTIES AND GUARANTEES GRANTED TO THE ENTITIES RELATED TO THE ISSUER**

The Company did not receive or grant warranties or guarantees in 2014.

**15 DESCRIPTION OF THE UTILISATION BY THE ISSUER OF PROCEEDS FROM SECURITIES ISSUED IN THE REPORTING PERIOD UNTIL THE TIME OF PREPARING THE REPORT ON OPERATIONS - IN CASE OF ISSUE OF SECURITIES DURING THE REPORTING PERIOD**

In the reporting period, the Company did not issue any securities.

**16 EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL STANDING DISCLOSED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECAST RESULTS FOR THE YEAR**

The Company did not publish forecasts of separate financial standing for 2014.

**17 ASSESSMENT TOGETHER WITH THE JUSTIFICATION CONCERNING MANAGEMENT OF FINANCIAL RESOURCES, INCLUDING THE FULFILMENT OF COMMITMENTS UNDERTAKEN AND THE INCLUSION OF LIQUIDITY RATIOS, AS WELL AS IDENTIFICATION OF POTENTIAL RISKS AND OPERATIONS THAT THE ISSUER HAS TAKEN OR INTENDS TO TAKE TO COUNTER THOSE RISKS.**

The management of the financial resources of the Company is in competence of the Management Board of Kino Polska TV S.A. and in the opinion of the Issuer is conducted in a rational and effective way.

The decisions taken by the Management Board, concerning both the operational sphere and the financial operations of the Company, are preceded by an analysis of all the potential benefits and risks.

Kino Polska TV S.A. regulates financial commitments to date and is not in danger of losing liquidity.

Cash and cash equivalents of the Company as at 31 December 2014 amounted to PLN 17 834 217.96.

**18 ASSESSMENT OF THE POSSIBILITY TO MEET INVESTMENT PLANS, INCLUDING CAPITAL INVESTMENT, COMPARED TO THE FUNDS AVAILABLE, INCLUDING POSSIBLE CHANGES TO THE STRUCTURE OF FINANCING FOR THESE OPERATIONS**

Kino Polska TV S.A. does not rule out investment in attractive contents, in case of a satisfactory offer. Then, depending on the amount of the investment, the Company will consider the possibility of using alternative sources of financing.

**19 ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS WITH AN IMPACT ON THE RESULT OF BUSINESS OPERATIONS IN THE FISCAL YEAR, INCLUDING ASSESSMENT OF THE EXTENT OF THEIR IMPACT ON THE FINANCIAL PERFORMANCE GENERATED**

Factors affecting the Issuer's financial performance are described in point 3 of this part of the Report.

**20 CHARACTERISTICS OF THE EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S ENTERPRISE AND DESCRIPTION OF THE ISSUER'S BUSINESS DEVELOPMENT OUTLOOK AT LEAST TILL THE END OF THE FISCAL YEAR FOLLOWING THE FISCAL YEAR REPORTED IN THE FINANCIAL STATEMENTS ACCOMPANYING THIS ANNUAL REPORT, TAKING INTO CONSIDERATION ELEMENTS OF THE ISSUER'S MARKET STRATEGY**

Among the external factors relevant to the development of Kino Polska TV S.A. stands the competition from other providers of specialized programs. The macroeconomic situation and the financial condition of households seems to be important, since a significant percentage of the Issuer's revenue is dependent on the prosperity of customers, which varies depending on economic conditions, including economic growth, unemployment, personal consumption, consumer confidence indicators, the level of EUR against PLN and the fiscal policy of the state. An important external factor that could affect the development of Kino Polska TV S.A. is also a change in the governing laws to which the Issuer is subject to.

Internal factors relevant to the development of the Issuer include the risk of not being granted the concessions for the television channels produced and distributed by Kino Polska TV S.A. Group after their effective period or being granted other concessions on less attractive terms. The cooperation with cable and digital operators and other relevant partners, as well as the expansion of operations in the area of new media seems to be very important too. Noteworthy is the attractiveness of the content owned by Kino Polska TV S.A. While preparing the programming schedule of the produced channels, the Company must on the one hand carefully analyse the preferences of the audience, on the other, control the concession percentage requirements for a particular type of program.

Prospects for the development of the Issuer are described in point 1.2. of this part of the Report.

**21 CHANGES IN THE BASIC RULES OF MANAGEMENT OF THE ISSUER'S ENTERPRISE AND ITS GROUP**

In 2014, there were no significant changes in the basic rules of management of the Company and its Group.

## 22 INFORMATION ON ANY AGREEMENTS SIGNED BETWEEN THE ISSUER AND ITS SUPERVISORS PROVIDING FOR A COMPENSATION IN CASE OF RESIGNATION OR DISMISSAL FROM THEIR POSITION WITHOUT A VALID REASON OR WHEN THEIR CANCELLATION OR DISMISSAL IS DUE TO A MERGER BY ACQUISITION OF THE ISSUER

Pursuant to the resolution of the Supervisory Board in the case of dismissal of the President of the Management Board of their function, they are entitled to compensation in the amount of PLN 360,000.00 net, and in the event of dismissal of a Member of the Management Board, they are entitled to severance in the amount of PLN120,000.00 net.

## 23 INFORMATION ON VALUES OF REMUNERATIONS, BONUSES OR PROFITS, INCLUDING ARISING OUT OF INCENTIVE OR BONUS PROGRAMS BASED ON THE ISSUER'S SHARE CAPITAL, INCLUDING PROGRAMS BASED ON SENIOR BONDS, CONVERTIBLE BONDS, SUBSCRIPTION WARRANTS (IN CASH, KIND OR ANY OTHER FORM) PAID, PAYABLE OR POTENTIALLY PAYABLE, FOR EACH OF THE PERSONS MANAGING OR SUPERVISING THE ISSUER IN THE ISSUER'S ENTERPRISE

The remuneration of the Members of the Management Board of Kino Polska TV S.A. received from the Issuer in 2014 was as follows (data in PLN):

Remuneration of the Members of the Management Board	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Bogusław Kisielewski	502 942.00	32 603.73	-	-
Berk Uziyel	91 290.32	-	-	-
Piotr Reisch	109 683.00	-	-	-

The remuneration of the members of the Management Board of Kino Polska TV S.A. received from the subsidiaries of the Issuer in 2014 was as follows (data in PLN):

Kino Polska Program Sp. z o.o.				
	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Bogusław Kisielewski	41 691.00	-	-	-
Piotr Reisch	9 075.00	-	-	-

KPTV Media Sp. z o.o.				
	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Piotr Reisch	-	7 437.01	-	-

Stopklatka S.A.				
	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Bogusław Kisielewski	252 867.00	-	-	-



Filmbox International Ltd.				
	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Berk Uziyel	-	-	-	109 325.78

The remuneration of the Members of the Supervisory Board received from the Issuer in 2014 was as follows (in PLN):

Remuneration of the Supervisory Board	Under the appointment	Under the agreement of employment	Under bonuses, prize	Business activity
Loni Farhi	3 000.00	-	-	-
Stacey Sobel	3 000.00	-	-	-
Berrin Avcilar	3 000.00	-	-	-
Piotr Orłowski	24 158.24	-	-	-
Piotr Reisch	3 162.60	-	-	-
Krzysztof Rudnik	3 162.60	-	-	-
Leszek Stypułkowski	3 162.60	-	-	-

In 2014, the Members of the Supervisory Board of Kino Polska TV S.A. did not receive any benefits in kind from the Issuer. In the analysed period, the Members of the Supervisory Board of Kino Polska TV S.A. did not receive any remuneration or benefits in kind from subsidiaries of the Issuer.

## 24 ASSESSMENT OF THE TOTAL NUMBER AND NOMINAL VALUE OF ALL THE ISSUER'S SHARES AND OF SHARES AND STOCK IN SUBSIDIARIES OF THE ISSUER, HELD BY THE ISSUER'S MANAGERS AND SUPERVISORS

### 24.1 Kino Polska TV S.A.

Shareholding of Kino Polska TV S.A. by supervisors and managers of the Issuer is as follows:

Name and surname	Number of shares /nominal value in PLN	Number of votes	% share in the total number of votes	% share in the share capital
	As at 23 March 2015	As at 23 March 2015	As at 23 March 2015	As at 23 March 2015
Bogusław Kisielewski	11 127/ 1.112.70 PLN	11 127	0.06%	0.06%
Piotr Reisch	542 825/ 54.282.50 PLN	542 825	2.74%	2.74%

To the best knowledge of the Issuer other managers and supervisor of Kino Polska TV S.A. do not hold any shares of the Company.

## 24.2 Stopklatka S.A.

Shareholding of Stopklatka S.A. by supervisors and managers of the Issuer is as follows:

Name and surname	Number of shares /nominal value in PLN	Number of votes	% share in the total number of votes	% share in the share capital
	As at 23 March 2015	As at 23 March 2015	As at 23 March 2015	As at 23 March 2015
Bogusław Kisielewski	172 466/ 172 466.00 PLN	172 466	2.64%	2.64%
Piotr Reisch	173 039/ 173 039.00 PLN	173 039	2.65%	2.65%

To the best knowledge of the Issuer other managers and supervisor of Kino Polska TV S.A. do not hold any shares of Stopklatka S.A. as at the date of approving of this Report.

## 24.3 Cyfrowe Repozytorium Filmowe Sp. z o.o.

To the best knowledge of the Management Board of Kino Polska TV S.A. the persons managing and supervising the Issuer do not hold any shares of Cyfrowe Repozytorium Filmowe Sp. z o.o. as at the date of approving of this Report.

## 24.4 KPTV Media Sp. z o.o.

To the best knowledge of the Management Board of Kino Polska TV S.A. the persons managing and supervising the Issuer do not hold any shares of KPTV Media Sp. z o.o. as at the date of approving of this Report.

## 24.5 Kino Polska Program Sp. z o.o.

To the best knowledge of the Management Board of Kino Polska TV S.A. the persons managing and supervising the Issuer do not hold any shares of Kino Polska Program Sp. z o.o. as at the date of approving of this Report.

## 24.6 TV Okazje Sp. z o.o.

To the best knowledge of the Management Board of Kino Polska TV S.A. the persons managing and supervising the Issuer do not hold any shares of TV Okazje Sp. z o.o. as at the date of approving of this Report.

## 24.7 Filmbox International Ltd.

To the best knowledge of the Management Board of Kino Polska TV S.A. the persons managing and supervising the Issuer do not hold any shares of Filmbox International Ltd. as at the date of approving of this Report.

## 25 INFORMATION ON THE AGREEMENTS KNOWN TO THE ISSUER (INCLUDING THE ONES CONCLUDED AFTER THE BALANCE SHEET DATE) WHICH COULD LEAD TO CHANGES IN THE PROPORTIONS OF THE SHARES HELD BY EXISTING SHAREHOLDERS AND BONDHOLDERS IN THE FUTURE

Kino Polska TV S.A. has no knowledge of any agreements which could result in future changes in the proportions of the Issuer's shares held by its existing shareholders.

## 26 INFORMATION ON CONTROL SYSTEM OF EMPLOYEES SHARES PROGRAM

There are no employee share schemes in the Company.

## 27 INFORMATION ON THE DATE OF CONCLUDING AN AGREEMENT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS, WITH THE SUBJECT TO CONDUCT AN AUDIT OR REVIEW OF THE ISSUER'S SEPARATE OR CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING OF THE EFFECTIVE TERM OF SUCH AGREEMENT, INFORMATION ON THE REMUNERATION OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS PAID OR PAYABLE FOR FISCAL YEAR SEPARATELY FOR: AUDIT OF THE ANNUAL FINANCIAL STATEMENTS, OTHER ASSURANCE SERVICES, INCLUDING THE REVIEW OF THE FINANCIAL STATEMENTS, TAX ADVISORY SERVICES AND OTHER SERVICES

On 17 July 2014, the Company entered into an agreement with PricewaterhouseCoopers Sp. z o.o., including in its scope the audit and assessment of the separate and consolidated financial statements for the period 1 January 2014 - 31 December 2014 and the review of the separate and consolidated financial statements of the Issuer for the period 1 January 2014 - 30 June 2014.

Information of the fee of the statutory auditor or entity authorised to audit financial statements:

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Statutory review/audit of financial statements	180 450.00	78 000.00
Other assurance services	-	49 000.00
Other services	2 500.00	6 500.00
<b>Total</b>	<b>182 950.00</b>	<b>133 500.00</b>

(\*) List of introduced changes – note 4 to the separate financial statements of Kino Polska TV S.A. for the period of 12 months ended 31.12.2014.

Warsaw, 23 March 2015

\_\_\_\_\_  
Bogusław Kisielewski  
President of the Management Board

\_\_\_\_\_  
Berk Uziyel  
Member of the Management Board

## **REPRESENTATION**

### **OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.**

#### **on the appointment of the auditing entity entitled to audit financial statements, auditing the annual separate financial statements**

The Management Board of Kino Polska TV S.A. confirms that the entity authorized to audit financial statement, auditing the annual separate financial statements has been selected abiding the law and that the entity and the auditors who audited these financial statements fulfilled the conditions for an impartial and independent opinion on the audited annual separate financial statements of Polska TV S.A, in accordance with applicable regulations and professional standards.

Warsaw, 23 March 2015

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Bogusław Kisielewski

President of the Management Board

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Berk Uziyel

Member of the Management Board

**REPRESENTATION**  
**OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.**  
**on preparing financial statements**  
**in accordance with applicable accounting principles**

The Management Board of Kino Polska TV S.A. confirms that, in accordance with the best knowledge, the annual separate financial statements of Kino Polska TV S.A. and comparative information have been prepared in accordance with applicable accounting principles, and that they give a true and fair financial position of Kino Polska TV S.A. and its financial performance. The annual report on the operations of Kino Polska TV S.A. presents a true picture of the development, achievements and situation of Kino Polska TV S.A., including a description of the main threats and risks.

Warsaw, 23 March 2015

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Bogusław Kisielewski  
President of the Management Board

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Berk Uziyel  
Member of the Management Board

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Jolanta Orłowska  
(person responsible for bookkeeping)

V. The auditor's opinion on the review of the  
separate financial statements of  
Kino Polska TV S.A.

**Kino Polska TV S.A.**

**Independent Registered Auditor's Opinion**

**Financial Statements**

**Director's Report**

**Registered Auditor's Report on the audit of the financial statements**

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

**Content:**

**Independent Registered Auditor's Opinion**

prepared by PricewaterhouseCoopers Sp. z o.o.

**Financial Statements**

prepared by Kino Polska TV S.A.

**Directors' Report**

prepared by Management Board of Kino Polska TV S.A.

**Registered Auditor's Report on the audit of the financial statements**

prepared by PricewaterhouseCoopers Sp. z o.o.

## **Independent Registered Auditor's Opinion**

### **To the General Shareholders' Meeting and the Supervisory Board of Kino Polska TV S.A.**

We have audited the accompanying financial statements of Kino Polska TV S.A. (hereinafter called "the Company"), Puławska 61 Street, Warsaw, which comprise the statement of financial position as at 31 December 2014, showing total assets and total equity and liabilities of PLN 231,033,007.70, the statement of comprehensive income for the period from 1 January to 31 December 2014, showing a total comprehensive income of PLN 14,201,012.75, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Company are obliged to ensure that the financial statements and the Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Company's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

- a. the provisions of Chapter 7 of the Accounting Act;
- b. national standards of auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements, as well as overall assessment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*



## **Independent Registered Auditor's Opinion**

### **To the General Shareholders' Meeting and the Supervisory Board of Kino Polska TV S.A. (cont.)**

In our opinion, and in all material respects, the accompanying financial statements:

- a. give a fair and clear view of the Company's financial position as at 31 December 2014 and of the financial results for the year from 1 January to 31 December 2014, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws and the Company's Memorandum of Association;
- c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the Directors' Report for the year from 1 January to 31 December 2014 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (*"the Decree"* – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor  
No. 90091

Warsaw, 23 March 2015

*Translation note:*

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

**VI. SEPARATE FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE  
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY  
THE EUROPEAN UNION**

**KINO POLSKA TV S.A.**

**FOR THE PERIOD  
from 1 January 2014 to 31 December 2014**

Warsaw, 23 March 2015

**APPROVAL OF SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN  
UNION („IFRS”)**

On 19 March 2015, the Management Board of Kino Polska TV S.A. approved the separate financial statements of the Company for the period from 1 January 2014 to 31 December 2014 prepared in accordance with the IFRS comprising of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") which consist of:

**Separate statement of comprehensive income**

for the period from 1 January 2014 to 31 December 2014 disclosing the net profit in the amount of PLN: 14 201 012.75.

**Separate statement of financial position**

prepared as at 31 December 2014 with total assets and liabilities of PLN 231 033 007.70 .

**Separate statement of cash flows**

for the period from 1 January 2014 to 31 December 2014 disclosing an increase in net cash by the amount of PLN 8 643 273.38 .

**Separate statement of changes in equity**

for the period from 1 January 2014 to 31 December 2014 disclosing an increase in equity by the amount of PLN 7 981 380.95.

**Notes to the separate financial statements**

The separate financial statements have been prepared in Polish zloty except for the items showing expressly otherwise.

The Management Board of Kino Polska TV S.A.:

\_\_\_\_\_  
Bogusław Kisielewski

President

of the Management Board

\_\_\_\_\_  
Berk Uziyel

Member of the Management Board

Person responsible for bookkeeping:

\_\_\_\_\_  
Jolanta Orłowska

Warsaw, 23 March 2015

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Note	12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)
<b>Continuing operations</b>			
Revenue	6,7	99 118 099.21	95 179 174.34
Cost of sales	8	(69 265 773.00)	(63 518 797.12)
<b>Gross profit</b>		<b>29 852 326.21</b>	<b>31 660 377.22</b>
Distribution costs	8	(3 551 267.58)	(4 729 720.91)
Administrative expenses	8	(6 368 066.75)	(7 465 836.69)
Loss on disposal of shares in a subsidiary	11	(1 043 886.19)	-
Other operating income	9	457 131.61	268 016.30
Other operating expenses	10	(2 511 567.51)	(332 225.57)
<b>Operating profit</b>		<b>16 834 669.79</b>	<b>19 400 610.35</b>
Finance income	12	298 161.83	201 934.89
Finance costs	13	(1 128 490.47)	(265 904.83)
<b>Gross profit before income tax</b>		<b>16 004 341.15</b>	<b>19 336 640.41</b>
Income tax expense	14	(1 803 328.40)	(1 021 684.02)
<b>Profit for the period from continuing operations</b>		<b>14 201 012.75</b>	<b>18 314 956.39</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>14 201 012.75</b>	<b>18 314 956.39</b>
<b>Earnings per share</b>			
– basic from the reporting period profit	16	0.72	1.27
– diluted from the reporting period profit	16	0.72	1.27

(\*) Causes and effects of the introduced changes – Note 4

## SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>	<i>Balance as at 1 January 2013 Converted (*)</i>
<b>ASSETS</b>	<b>Note</b>			
<b>Non-current assets</b>				
Property, plant and equipment	17	5 016 615.89	5 965 929.87	7 646 832.06
Intangible assets	18	28 461 183.60	32 563 174.86	13 824 295.68
Investments in associates and jointly controlled entities	19	124 421 764.02	123 138 415.68	8 753 315.44
Trade and other receivables	22	22 381 175.50	30 533 743.69	147 677.46
Loans receivables	20	750 000.00	-	-
<b>Non-current assets, total</b>		<b>181 030 738.01</b>	<b>192 201 264.10</b>	<b>30 372 120.64</b>
<b>Current assets</b>				
Inventories	21	431 421.98	293 624.77	740 422.04
Short-term film licenses		1 394 674.85	1 963 050.31	893 241.41
Trade and other receivables	22,23	27 040 295.93	32 445 087.45	27 949 152.54
Current income tax receivables	22	467 003.05	775 655.00	-
Current portion of loans receivables	20	2 834 655.92	3 714 888.48	1 080 366.42
Cash and cash equivalents	24	17 834 217.96	9 194 961.46	6 520 736.69
<b>Current assets, total</b>		<b>50 002 269.69</b>	<b>48 387 267.47</b>	<b>37 183 919.10</b>
<b>TOTAL ASSETS</b>		<b>231 033 007.70</b>	<b>240 588 531.57</b>	<b>67 556 039.74</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	25	1 982 140.40	1 382 140.40	1 387 000.00
Share premium		148 939 543.79	35 659 543.79	35 659 543.79
Other reserves		-	113 880 000.00	10 192 344.32
Retained earnings		33 756 666.30	25 775 285.35	11 107 368.71
<b>Equity, total</b>		<b>184 678 350.49</b>	<b>176 696 969.54</b>	<b>58 346 256.82</b>
<b>Non-current liabilities</b>				
Provisions	28	27 121.00	350 000.00	-
Trade and other liabilities	30	114 525.19	2 373 435.54	-
Finance lease liabilities	29	23 583 312.79	30 909 344.99	59 353.95
Deferred income tax liabilities	15	106 364.20	1 206 318.80	586 149.50
<b>Non-current liabilities, total</b>		<b>23 831 323.18</b>	<b>34 839 099.33</b>	<b>645 503.45</b>
<b>Current liabilities</b>				
Trade and other payables	30	10 904 321.29	20 215 710.32	6 848 056.72
Borrowings	27	3 580 389.04	829 480.10	-
Obligations under finance leases	29	7 266 157.86	7 042 995.29	302 716.61
Current income tax liabilities		-	-	817 756.00
Provisions	28	396 850.84	963 207.79	595 750.14
Deferred income	30	375 615.00	1 069.20	-
<b>Current liabilities, total</b>		<b>22 523 334.03</b>	<b>29 052 462.70</b>	<b>8 564 279.47</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>231 033 007.70</b>	<b>240 588 531.57</b>	<b>67 556 039.74</b>

(\*) Causes and effects of the introduced changes – Note 4

## SEPARATE STATEMENT OF CASH FLOWS for the year ended 31 December 2014

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Cash flows from operating activities</b>		
Profit for the year	14 201 012.75	18 314 956.39
Adjustments for non-cash income and expenses:		
Amortization/depreciation	12 323 416.33	6 193 171.33
Impairment loss on equity	1 748 916.00	303 000.00
Exchange differences	4 016.88	82 679.96
Interests paid	517 472.93	147 589.03
Loss on investing activities	1 254 171.37	204 869.32
(Increase)/decrease in receivables	6 637 669.43	(10 872 126.67)
(Increase)/decrease in inventories	(137 797.21)	446 797.27
Increase/(decrease) in liabilities	(5 084 702.83)	16 478 489.31
Increase/(decrease) in prepayments/accruals	374 545.80	1 069.20
Change in provisions	(539 235.95)	(360 542.35)
Income tax paid	(2 443 183.00)	(1 872 569.15)
Income tax accrued	1 803 328.40	1 021 684.02
Other	-	-
<b>Net cash flows generated from operating activities</b>	<b>30 659 630.90</b>	<b>29 792 889.60</b>
<b>Cash flows from investing activities</b>		
Sales of property, plant and equipment and intangible assets (**)	7 255 506.50	1 090 866.32
Acquisition of property, plant and equipment and intangible assets	(15 835 703.17)	(9 865 201.84)
Sale of shares in subsidiary	2 147 855.00	-
Acquisition of shares in a subsidiary and joint venture	(4 456 750.65)	(564 543.54)
Dividends and interest received	190 527.25	111 379.16
Loan repayments received	3 109 251.43	35 000.00
Loans granted	(3 100 000.00)	(2 650 000.00)
<b>Net cash flows used in investing activities</b>	<b>(10 689 313.64)</b>	<b>(11 842 499.90)</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease	(7 042 686.26)	(2 143 730.28)
Proceeds from contracted loans/credit facilities	2 750 908.94	829 480.10
Dividends paid	(6 219 631.80)	(13 821 404.00)
Interest paid	(815 634.76)	(57 830.79)
<b>Net cash used in financing activities</b>	<b>(11 327 043.88)</b>	<b>(15 193 484.97)</b>
Net increase in cash and cash equivalents	8 643 273.38	2 756 904.73
Net exchange differences on cash and cash equivalents	(4 016.88)	(82 679.96)
<b>Cash and cash equivalents at beginning of year</b>	<b>9 194 961.46</b>	<b>6 520 736.69</b>
<b>Cash and cash equivalents at end of year, including</b>	<b>17 834 217.96</b>	<b>9 194 961.46</b>
Restricted cash	580 000.00	530 000.00

(\*) Causes and effects of the introduced changes – Note 4

(\*\*)The amount of PLN 7 255 506.50 contains PLN 7 219 512.19 (PLN 1 072 566.32 in 2013) of proceeds from the sale of the trademark "PL Kino Polska" to KPTV Media Sp. z o.o.

## SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Number of shares	Share capital	Share premium	Other reserve capital		Retained earnings	Total equity
				Reserve capital including treasury shares	Not registered capital		
<b>As at 1 January 2014 Converted (*)</b>	<b>13 821 404</b>	<b>1 382 140.40</b>	<b>35 659 543.79</b>	<b>-</b>	<b>113 880 000.00</b>	<b>25 775 285.35</b>	<b>176 696 969.54</b>
Registration of capital (Note 25)	6 000 000	600 000.00	113 280 000.00	-	(113 880 000.00)	-	-
Profit for the year	-	-	-	-	-	14 201 012.75	14 201 012.75
Dividend payment (Note 25)	-	-	-	-	-	(6 219 631.80)	(6 219 631.80)
<b>As at 31 December 2014</b>	<b>19 821 404</b>	<b>1 982 140.40</b>	<b>148 939 543.79</b>	<b>-</b>	<b>-</b>	<b>33 756 666.30 (1)</b>	<b>184 678 350.49</b>
<b>As at 1 January 2013 Converted (*)</b>	<b>13 821 404</b>	<b>1 387 000.00</b>	<b>35 659 543.79</b>	<b>4 613 918.68</b>	<b>-</b>	<b>23 836 934.76</b>	<b>65 497 397.23</b>
Error adjustments (Note 4)	-	-	-	-	-	(7 151 140.41)	(7 151 140.41)
<b>As at 1 January 2013 Converted (*)</b>	<b>13 821 404</b>	<b>1 387 000.00</b>	<b>35 659 543.79</b>	<b>4 613 918.68</b>	<b>-</b>	<b>16 685 794.35</b>	<b>58 346 256.82</b>
Issue of shares (takeover of Filmbox International Ltd.)	-	-	-	-	113 880 000.00	-	113 880 000.00
Redemption of shares and reclassification of other reserve capital	-	(4 859.60)	-	(4 613 918.68)	-	4 618 778.28	-
Profit for the year Converted (*)	-	-	-	-	-	18 314 956.39	18 314 956.39
Merger	-	-	-	-	-	(22 839.67)	(22 839.67)
Distribution of financial profit/loss	-	-	-	-	-	-	-
Dividends paid (Note 25)	-	-	-	-	-	(13 821 404.00)	(13 821 404.00)
<b>As at 31 December 2013 Converted (*) (*)</b>	<b>13 821 404</b>	<b>1 382 140.40</b>	<b>35 659 543.79</b>	<b>-</b>	<b>113 880 000.00</b>	<b>25 775 285.35</b>	<b>176 696 969.54</b>

(1) As at 31 December 2014, the retained earnings available to the Company with the possibility to pay the dividend amounts to PLN 21 933 814.78.

(\*) Causes and effects of the introduced changes – Note 4

## **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

### **1. General information about the Company and its Capital Group**

Kino Polska TV S.A. (the „Company”, the „Issuer”) operates on the media market since June 2003 (then under the name of Kino Polska TV Sp. z o.o.) and is registered in the National Court Register kept by the District Court, XIII Business Division of the National Court Register, under number KRS 0000363674. On 24 August 2010 the company’s legal form was transformed into a joint-stock company (spółka akcyjna).

On 12 April 2011, Kino Polska TV S.A. debuted on the Warsaw Stock Exchange.

#### **As at 31 December 2014 Kino Polska TV S.A. consisted of the following subsidiary entities:**

- Cyfrowe Repozytorium Filmowe Sp. z o.o. (Poland) hereinafter referred to as „CRF” or „Repozytorium” – a subsidiary,
- KPTV Media Sp. z o.o. (Poland) hereinafter referred to as „KPTV Media” – a subsidiary,
- Kino Polska Program Sp. z o.o. (Poland) – a subsidiary,
- TV Okazje Sp. z o.o. (Poland) – a subsidiary,
- Fundacja Kino Polska (Poland) – a subsidiary,
- Filmbox International Ltd. (Great Britain) – a subsidiary,
  - Help Film s.r.o. (the Czech Republic) – an intermediate subsidiary,
  - Help Film Slovakia s.r.o. (Slovakia) – an intermediate subsidiary,
  - SPI International Magyarország, Kft. (Hungary) – an intermediate subsidiary.

The Company prepares the consolidated financial statements hence the separate financial statements of Kino Polska TV S.A. is a coherent part with the consolidated financial statements of Kino Polska Group.

In the period from 1 January to 11 March 2014 the subsidiaries also included Stopklatka S.A. ("STK"). As a result of the sale transaction of a part of shares held by Kino Polska TV S.A. in Stopklatka S.A. which took place on 12 March 2014, the status of this investment changed as a result of which from 12 March 2014 Stopklatka S.A. is recognized as an investment in a joint venture jointly controlled by the Company and Agora S.A.

Furthermore, in the period from 1 January 2014 to 22 December 2014 Kino Polska Program Spółka z ograniczoną odpowiedzialnością SKA (the transformation of Kino Polska Program Spółka z ograniczoną odpowiedzialnością SKA into Kino Polska Program TV Sp. z o.o. was registered on 1 September 2014) was also included as the subsidiary. On 23 December 2014, the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register made an entry in the register of entrepreneurs of the merger between Kino Polska TV S.A. and its subsidiary – Kino Polska Program TV Sp. z o.o. (the „Merger”). As of the Merger Date, Kino Polska Program TV Sp. z o.o. ceased to exist, and Kino Polska TV S.A. became under the law



a party to any agreements so far entered into by Kino Polska Program TV Sp. z o.o. (formerly: „Kino Polska Program Sp. z o.o. S.K.A.”), without the need for entering into separate annexes to these agreements.

**In the period covered by these financial statements the main operations of the Company have included:**

- 1) TV broadcast of the FilmBox and thematic channels (including sale of advertising time),
- 2) TV broadcast of the channels of Kino Polska,
- 3) Production of television channels,
- 4) Sale of VOD,
- 5) Sale of license rights,
- 6) Other.

**Registered office of Kino Polska TV S.A.:** ul. Puławska 61, 02-595 Warsaw

**Headquarters of Kino Polska TV S.A.:** ul. Puławska 435A, 02-801 Warsaw

**Phone:** 22 356 74 00, **Fax:** 22 356 74 01

**Web page:** [www.kinopolska.pl](http://www.kinopolska.pl)

**Explanations concerning the seasonal nature of the Company's operations**

Kino Polska TV S.A. in terms of most types of goods and services sold there is no phenomena of cyclicity or seasonality of operations that would result in significant fluctuations in financial performance during the fiscal year. The advertising revenue in Poland tends to be lowest during the third quarter of the calendar year, which includes the summer holiday period, and the highest in the fourth quarter.

**Functional and presentation currency**

Polish zloty (PLN) is used as functional and presentation currency of these separate financial statements.

**Composition of the Management Board of Kino Polska TV S.A. in the period of 12 months ended 31 December 2014**

- Piotr Reisch – President of the Management Board until 28 March 2014,
- Bogusław Kisielewski – Member of the Management Board until 28 March 2014, President of the Management Board since 28 March 2014,
- Berk Uziyel – Member of the Management Board since 28 March 2014

**Composition of the Supervisory Board of Kino Polska TV S.A. in the period of 12 months ended 31 December 2014**

- Loni Farhi – Chairman of the Supervisory Board,
- Stacey Sobel – Deputy-Chairman of the Supervisory Board,
- Piotr Orłowski – Member of the Supervisory Board,
- Krzysztof Rudnik – Member of the Supervisory Board,
- Leszek Stypułkowski – Member of the Supervisory Board,
- Berrin Avcilar – Member of the Supervisory Board since 28 March 2014,

- Piotr Reisch – Member of the Supervisory Board since 28 March 2014,
- Krzysztof Szymański - Member of the Supervisory Board until 28 March 2014.

## **2. Statement of compliance**

These separate financial statements for 2014 have been prepared in line with IFRS, which have been approved by the European Union, comprising of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These separate financial statements have been prepared in accordance with accounting principles described in the separate financial statements of Kino Polska TV S.A. for the year ended 31 December 2013 except for the Standards and Interpretations approved by the European Union, which are valid for the reporting periods beginning on or after 1 January 2014 and for the changes described in Note 4 below.

As a result of the settlement of merger with a subsidiary Kino Polska Program TV Sp. z o.o. described in Note 1 and the adjustment of error and other changes described in Note 4, the comparative data presented in these financial statements have been properly converted. The effects of the merger settlement and adjustment of errors are described in Note 4 of these financial statements.

Amendments to IFRS, which entered into force on 1 January 2014, do not have a material effect on current and previously presented separate financial performance and unit values of equity. The Company intends to adopt the issued but not effective until the date of publication of these separate financial statements amendments to IFRS in accordance with the date of their entry into force. The estimates of the impact of these amendments on future separate financial statements of the Company, is being analysed.

In the current year ended 31 December 2014, the following standards and interpretation have come into force:

- a) IFRS 10 "Consolidated financial statements, amended IAS 27 Separate Financial Statements,
- b) IFRS 11 "Joint Arrangements, amended IAS 28 Investments in Associates and joint ventures,
- c) IFRS 12 "Disclosure of Interests in Other Entities,
- d) Amendments to IFRS 10, IFRS 11 and IFRS 12 Transitional provisions,
- e) Amendments to IFRS 10, IFRS 12 and IFRS 27 Investment units,
- f) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities,
- g) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- h) Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The application of these standards did not have a material impact on the financial statements of the Company.

Published standards and interpretations which had not yet come into force:

- (i) IFRS 9 "Financial instruments: Recognition 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 The equity method in the separate financial statements,
- (v) Amendments to IFRS 10 and IAS 28 Sales transactions or transfers of assets between the investor and its associate or joint venture
- (vi) Amendments to IFRS 10, IFRS 12 and IAS 28 Consolidation Exemption For Investment Entities,
- (vii) Amendments to IFRS 11 Acquisitions of Interests in Joint Operations
- (viii) The amendments to IAS 19 Employee Benefits
- (ix) IFRIC 21 Taxes and fees,
- (x) Changes resulting from IFRS review - 2010-2012,
- (xi) Changes resulting from IFRS review - 2011-2013,
- (xii) Changes resulting from IFRS review- 2012-2014.

The Company is currently analysing the impact of published standards that have not entered into force and assesses that apart from additional disclosures, they should not have a material impact on these financial statements.

These separate financial statements have been prepared assuming that the Company will continue to operate as a going concern in the foreseeable future. As at the date of approval of these financial statements, there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

### **3. Key accounting principles adopted in the preparation of these financial statements**

#### **Measurement basis**

These financial statements have been drawn up on historical cost basis.

#### **Business combinations under common control**

The issues of acquisitions and business combinations are essentially governed by IFRS3 "Business Combinations". However, this standard excludes from its scope transactions between entities under common control. A situation, in which a particular transaction or economic phenomenon requiring recognition in the report prepared in accordance with IFRS of the EU are not regulated by the provisions of the various standards, was regulated by IAS 8 point 10 - 12. These provisions impose on the entity preparing the statements in accordance with IFRS of the EU to establish accounting principles and its consistent application to similar transactions.

For the settlement of business combination under common control, the Company decided to apply the method based on historical values resulting from the consolidated financial statements of the parent company, which prepares consolidated financial statements. Its basic approach is the assumption that the merging parties were both before and after the transaction controlled by the same shareholder / shareholders and therefore the financial statements reflect the continuity of joint control and does not reflect the changes in the value of the net assets to

fair value (or recognition of new assets) or goodwill in comparison to the consolidated financial statements of the capital group to which the Company belongs since none of the combining entities is not actually acquired.

The method based on historical values, in the variant used by the Company, consists in the combination of the items of relevant assets and liabilities, and income and expenses of the combined companies. The comparative data for the previous financial year are set out in such a way as if the merger took place as at the date of acquisition of control over the Acquired Company by the capital group.

The Company's balance sheet included in the individual items of the relevant assets, equity and liabilities arising from the consolidated statement of the capital group to which the Company belongs as at the date of acquisition of control over the Acquired Company by the capital group after appropriate exemptions. As a consequence, goodwill, brands, other assets and liabilities (including deferred income tax liability) recognized in historical consolidated statements as a result of the settlement of the acquisition of the combined entity are subject to disclosure. The value of interests which the Company held in the company whose assets were transferred to the Company, as well as the combined capital value of the company as at the date of acquisition of control by the capital group to which the Company belongs is exempted. After this exemption, the difference between the balance of assets and equity and liabilities is recognized directly in the retained earnings item. Inter-company receivables and liabilities and other similar accounts are also exempted. The profit and loss account of the Company the business transactions conducted so far by the Acquired Company are recognized from the date of acquisition of control over the acquired entity by the capital group.

#### **Functional and presentational currency**

Transactions expressed in foreign currency as at the date of their conclusion are recognized in the entity's functional currency using the average exchange rate announced by the National Bank of Poland at the date preceding the transaction date. Cash flows expressed in foreign currencies as at the flow date are recognized as at the average exchange rate announced by the National Bank of Poland at the date preceding the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into PLN by reference to the average exchange rate effective as at the end of the reporting period and determined for the currency by the National Bank of Poland. Exchange differences on translation are recognized as financial income (expenses). Non-monetary assets and liabilities recognized at historical cost in a foreign currency are recognized at the historical exchange rate.

#### **Property, plant and equipment**

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. The initial amount of fixed assets includes their cost increased by all costs directly related to their purchase and adaptation for use. The cost includes also cost of replacement of parts of machines and equipment when incurred, if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repair, are charged to profit or loss when incurred.

Upon acquisition, fixed assets are divided into components of material value which may be assigned separate useful lives. Costs of overhauls are also a component.

Depreciation is calculated using the straight-line method. The final value, the period of utilisation and the depreciation method for the assets are reviewed on an annual basis and, if necessary, adjusted, and the effects of changes are applied prospectively. The average rate of depreciation for individual groups of assets is as follows:

- Machinery and equipment - 10% -30%;
- Other fixed assets - 20%.

Property, plant and equipment may be derecognized from the balance sheet upon disposal or if no economic benefits are expected from further use of the asset. Any profits or losses (calculated as a difference between possible net inflows from sales and the carrying amount of the item) resulting from derecognition of the asset from the balance sheet are charged to profit or loss for the period of derecognition.

Investments in progress are related to fixed assets under construction or assembly and are recognized at cost less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is completed and until they are commissioned.

### **Intangible assets**

Intangible assets acquired in a separate transaction or internally developed (if they meet the recognition criteria for the cost of development) are initially recognized at cost. The cost of intangible assets acquired in a business combination is equal to their fair value as at the date of the combination. Following the initial recognition, intangible assets are recognized at cost less accumulated amortization and impairment loss.

Intangible assets with a limited useful life are amortized over their useful life (two years or longer) and tested for impairment each time when there is any indication that they may be impaired. The period and method of amortization for intangible assets with limited useful life are verified at the end of each financial year. Changes in the expected useful life or the manner of consuming economic benefits arising from a given asset are recognized through a change in the amortization period or method, respectively, and treated as estimated value changes. Amortization of intangible assets with a limited useful life is charged to profit or loss under the category which corresponds to the given asset.

The average amortization period for each group of values of Intangible assets is as follows:

- Concessions, patents - 10 years;
- Film licenses - 2-3 years;
- Other intangible assets - 2 years;

Intangible assets with unlimited useful life or not used are annually tested for impairment, individually or on the level of a cash-generating unit.

Gains or losses arising from derecognition of a component of an intangible asset is determined as the difference between the net disposal proceeds, if they occur, and the carrying amount of this component. They are recognized in profit or loss of the period at the time of derecognition of this component in the item Other operating income or expenses.

A significant item of intangible assets constitute the acquired film licenses with the license period longer than one year. These assets are recognized in the books as Intangible assets in the item Film Licenses at the start of the rights to their use or in the item Intangible assets under construction when the payment for the film licenses is made before the commencement of the license term.

Amortization of film licenses starts in the month of obtaining the right to use them (the start of the license term), and is calculated on a straight-line method over the period of validity of the license. The average amortization period for film licenses fluctuate between 2-3 years.

Film licenses of useful life of up to 1 year are recognized as Current assets in the line item Short-term film licenses and are included in the costs pro rata, according to the duration of the license.

### **Leases**

Finance leases transferring basically the entire risks and benefits of holding the lease object to the Company are recognized in the statement of financial position as at the lease commencement date at the lower of the following two amounts: fair value of a leased asset or present value of minimum lease payments. Lease payments are split between finance costs and decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Finance costs are charged to profit or loss, unless the capitalization requirements are met.

Fixed or Intangible assets used based on finance leases are depreciated/amortized over the shorter of the following two periods: the estimated useful life or the lease term, unless certain indications justify application of another period.

Leases whereby the lessor retains substantially all the risk and rewards of ownership of an asset are classified as Operating leases. Operating lease payments and subsequent lease rent are charged to Operating expenses in profit or loss using the straight line method over the lease term.

Contingent lease fees are charged to expenses in the period when they become due.

### **Impairment of non-financial non-current assets**

As at the end of each reporting period the Company assesses whether there is any indication that non-financial non-current assets may be impaired. If there is any indication that they may be impaired or if an annual

impairment test is necessary, the Company estimates the recoverable amount of a given asset or a cash-generating unit which the asset belongs to.

The recoverable amount of an asset or a cash-generating unit corresponds to the fair value less costs to sell of the asset or cash-generating unit, or its value in use, whichever is higher. The recoverable amount is determined for individual assets, unless a given asset does not generate cash inflows which are largely independent of those generated by other assets or group of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset has been impaired and is written down to a relevant recoverable amount.

At the time of estimation of the value in use, projected cash flows are discounted to their present value using the discount rate before the effects of tax, reflecting the current market valuation of the time value of money and the risk characteristic of a given asset. Impairment losses of assets used in the continuing operations are charged to expenses which correspond to the function of the asset which has been impaired.

#### **Shares in subsidiaries and joint ventures**

Shares in subsidiaries and joint ventures are recognised at cost of acquisition after net impairment loss.

#### **Financial assets**

Regular purchase and sale of financial assets are recognized as at the date of the transaction - i.e. as at the date on which the Company commits to purchase or sell the asset. Financial assets are excluded from the accounting books when the rights to obtain cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and all benefits following from their ownership.

#### **Loans receivable and receivables**

Loans are presented in the balance sheet at the time of payment. Interests are accrued and recognized in the income statement in the compatible accounting periods under the terms of the agreement.

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

#### **Impairment loss of financial assets**

Impairment loss of financial assets is recognized when the objective evidence indicates that there occurred one or more events which may have a negative effect on the estimated future cash flows of the given asset.

The value of receivables is updated through the creation of impairment losses created when there is a probability of default of payment.

Impairment losses are recognized in the income statement.

Impairment losses are reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the recognition of the impairment loss.

## **Inventory**

Inventories are measured at the lower of: purchase cost/production cost or net realizable value

The costs incurred in bringing the inventories to their present location and condition – both with respect to the current and prior year – are recognized in the following manner:

Materials	• at cost based on the FIFO method.
Goods	• at cost based on the FIFO method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company recognizes in the item Materials consumed for internal needs of the Company and included in the income statement at the time of their issue. Goods include both DVD and license rights for sale. In 2014 there was no necessity to create the impairment loss on inventories.

## **Trade and other receivables**

In principle, trade receivables are measured at amortized cost in compliance with requirements of IAS 39 regarding financial assets classified as loans and receivables. Measurement of current trade receivables is simplified, though, as they are recognized at the amounts initially disclosed in the invoices, considering the allowance for doubtful debts. The allowance is estimated when the recovery of the full amount receivable becomes improbable. According to the Management Board, the simplification does not result in any material misstatement of the financial and material standing of the Company or its profit/loss.

Other receivables include, in particular, advance payments for future acquisitions of property, plant and equipment, Intangible assets and Inventory. Advances are presented in accordance with the nature of the assets to which they relate - current and non-current assets respectively. As non-monetary assets, the advances are not discounted. Budget receivables are recognised in Other receivables excluding corporate income tax receivables which constitute a separate item in the balance sheet.

Prepayments recognized in assets contain an item to be settled over time referring to expense in future periods.

## **Cash and cash equivalents**

Cash and short-term deposits recognized in the balance sheet include cash at bank and in hand and short-term deposits with initial maturity up to three months. Overdrafts are presented in the statement of financial position as a component of borrowings under current and non-current liabilities respectively. Restricted cash refers to a deposit created in order to secure a received bank guarantee.



### **Interest bearing bank loans, credits and debt securities**

At the moment of initial recognition, all bank loans, borrowings and debt securities are recognized at fair value of received cash reduced by costs related to obtaining of the loan or advance.

Following the initial recognition interest-bearing loans, credits and debt securities are measured at amortized cost using the effective interest method. When determining the amortized cost, loan or credit obtaining costs as well as discounts or premiums awarded in relation to the liability are included.

### **Trade and other liabilities**

In principle, trade liabilities are measured at amortized cost in compliance with requirements of IAS 39 regarding liabilities other than measured in fair value through profit or loss (FVTPL). Measurement of current trade liabilities is simplified, though, as they are recognized at the amount due. According to the Management Board, the simplification does not result in any material misstatement of the financial and material standing of the Company or its profit/loss.

The Company excludes a financial liability from its balance sheet upon its expiration, i.e. when the obligation defined in the agreement has been fulfilled, cancelled or has expired. Replacement of an existing debt instrument with an instrument with substantially different terms performed by the same entities is recognized as expiration of the initial financial liability and recognition of the new one. Similarly, significant modification of contractual terms and conditions regarding the existing financial liability is recognized as an expiration of the initial liability and recognition of the new one. The differences in carrying amounts resulting from the replacement are charged to profit or loss.

Other non-financial liabilities include in particular liabilities to the tax office due to tax on goods and services and liabilities arising from advances received, which will be settled by delivery of goods, services or assets. Other non-financial liabilities are recognized at the amount due

### **Provisions**

Provisions are recognized, if the Company has a present obligation (legal or constructive) as a result of a past event and when it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. The expenses relating to the provision are presented in profit or loss net of the amount recognized for reimbursement.

If the impact of time value of money is material, the provision is determined by discounting projected future cash flows to the present value with a gross discount rate that reflects current market assessment of time value of money and a possible risk pertaining to a liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a Finance cost.

## **Employee benefits**

The Company is required under current regulations to withhold and pay contributions for future pension benefits of its employees. These benefits, in accordance with IAS 19 "Employee Benefits", constitute a state programme and represent a defined contribution plan. Accordingly, the Company's liability for each period is estimated on the basis of the contributions due for the period.

### **Employee benefits - retirement benefits**

The Company is required under current regulations for the payment of retirement benefits calculated in accordance with the provisions of the Labour Code. The minimum amount of retirement benefits arises from the provisions of the Labour Code as at the day of the severance pay.

The calculation is performed using the Projected Unit Credit Method. Employee turnover is estimated based on historical data and the expected level of employment in the future.

Changes in the value of liability due to severance pay are charged to the net profit and loss account. Actuarial profits and losses are recognized in equity in other comprehensive income in the period in which they occurred.

## **Revenue**

Revenue is recognized at the fair value of the payment, received or due, following reduction by VAT, excise duty and discounts. Revenue recognition criteria are presented below:

- Revenues from broadcast of channels recognised in the month to which they relate based on the number of subscribers for the period and rate per subscriber or lump under agreements with cable and digital television operators. The Company assesses that it is exposed to most risks and benefits associated with the provision of the re-broadcast service of television channels, of which it is not an owner, therefore it discloses the revenue from the provision of these services on a gross basis (i.e. separately from costs incurred for the benefit of the holders of rights to television channels). For details please see Note 5.
- Revenues from advertising are recognized no later than as at the final day of broadcast of the given advertisement. Revenues are recognized at the amounts payable by the buyers of the advertising time, less the VAT tax, rebates and broker commissions withheld by the advertisement broker serving the Company.
- Revenues from production of channels are recognized in accordance with the period to which they relate, on the basis of the costs incurred plus a margin indicated in the agreement with the buyer of these services.
- Revenue from sale of goods is recognized when the significant risks and benefits resulting from ownership rights to the goods have been passed to the buyer and the amount of revenue can be measured reliably.
- Revenue from non-cash transactions (broadcast of advertising in exchange for goods and services) is recognized at the moment of advertisement broadcast if the traded services are not uniform. Goods or services obtained in such transactions are activated or recognized as an expense when upon their receipt

or consumption. The Company recognizes the non-cash transactions based on the estimated fair value of the goods or services received. If the goods or services are received prior to the broadcast of advertisement, a liability is recognized in this respect. Similarly, if the advertisement was broadcast prior to the receipt of goods or services, it is recognized as a receivable. Revenues and expenses from non-cash transactions are not offset in the statement of comprehensive income, except for transactions in which the services traded are uniform.

- Income and expenses from trading of license rights are recognized in the statement of comprehensive income upon transferring to the buyer of significant risks and benefits resulting from these rights, not earlier than at the start of the license period.
- Revenues from services are recognized up to the period to which they relate.
- Revenue from interest is recognized when it is accrued (including the effective interest method, i.e. the rate discounting future cash inflows over the estimated useful life of financial instruments) against the net carrying amount of the financial asset.
- Financial income is recognized in accordance with the period to which it relates.

Finance costs comprise of interest payable on borrowings (including borrowings and finance lease), the fees and bank charges on debt and the cost of revaluation of the investment. All interest expenses are determined using the effective interest rate.

The Company recognizes dividends received at the time of establishment of the rights to receive it in the statement of comprehensive income in finance income. The Company recognizes the dividends paid at the time of granting the right to payment to the Company's shareholders directly as a deduction from equity.

## **Taxes**

### ***Current tax***

Current tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (reimbursable) using tax rates and regulations valid as at the end of the reporting period.

### ***Deferred tax***

For the purposes of financial reporting, deferred tax is calculated using the balance sheet liability method based on temporary differences that occur as at the end of the reporting period between the tax value of assets and liabilities and their carrying amount recognized in the financial statements.

The deferred tax liability is recognized in relation to all taxable temporary differences:

- except for the case when the deferred tax liability is the effect of initial recognition of the goodwill or initial recognition of an asset or liability pertaining to a transaction other than business combination, which at the time of conclusion has no impact on the accounting profit or taxable income or tax loss; and

- in the case of taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures – except for situations when the dates of reversal of temporary differences are controlled by the investor and when it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized with respect to all deductible temporary differences as well as carried forward unused tax credits and losses at the amount of probable taxable income which will facilitate the use of the differences, assets and losses:

- except for the case when the deferred tax assets related to deductible temporary differences are the effect of initial recognition of an asset or liability pertaining to a transaction other than business combination, which at the time of conclusion has no impact on the accounting profit or taxable income or tax loss; and
- in the case of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint venture, a deferred tax asset is recognized in the balance sheet to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of the deferred tax asset is verified as at the end of each financial year and is reduced as appropriate, provided that it is no longer probable that the taxable income will be sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is remeasured as at the end of each financial year and recognized up to the amount reflecting probable taxable income which will facilitate recovery of the asset.

Deferred tax assets and liabilities are measured by reference to the tax rates expected to be applicable in the period when the asset is realized or the liability derecognized, assuming tax rates (and tax regulations) effective as at the end of the reporting period or those certain to be effective as at the aforementioned date as the basis.

Income tax on items not recognized in profit or loss is recognized in other comprehensive income for items recognized there or directly in equity for items recognized directly under this heading.

The Company offsets its deferred tax assets and deferred tax liabilities only if it has an enforceable legal title to offset its current tax receivables with liabilities, whereas the deferred income tax is related to the same taxpayer and the same tax authority.

## **VAT**

Revenue, expenses, assets and liabilities are recognized less VAT, except for:

- the cases when VAT paid at the purchase of assets or services is not recoverable – it is recognized as a portion of costs of the asset or as a cost item; and
- receivables and liabilities which are recognized together with VAT.

The net VAT, recoverable or due to the tax authorities is recognized in the balance sheet as a part of receivables or liabilities.

### **Net earnings per share**

Net earnings per share for each period are calculated by dividing the net profit for the period by the weighted average number of shares in the period. Diluted earnings per share are calculated by dividing the profit or loss from continued operations attributable to holders of ordinary and privileged shares by the weighted average number of ordinary and privileged shares during the period, adjusted for the effects of all dilutive potential ordinary and privileged shares.

### **Equity**

The financial statements do not recognize the changes in the fair value of equity instruments, i.e. the shares. Share capital is measured at nominal value, i.e. it is recognised in the amount specified in the Statute of the Company and entered in the court register.

In connection with the issuing or acquiring of own capital instruments, the Company typically incurs various costs (e.g. registration fees, legal fees, accounting, costs of developing and printing of the prospectus and stamp duties). Such transaction costs (less any benefits in income tax) associated with equity transactions, reduce the capital surplus from the issue price over the nominal price in the amount equal to the incremental costs directly attributable to this operation. Other costs (i.e. those which could have been avoided) are recognized as expenses in the period.

Any dividend to shareholders of the Company will directly decrease the equity.

### **Cash flow statement**

Cash and cash equivalents in the cash flow statement is consistent with the cash and cash equivalents presented in the balance sheet.

### **Financial risk management**

The Company as part of its operating business is exposed to a number of financial risks, which include

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

The Company's overall plan of risk management focuses on the unpredictability of financial markets in an effort to minimize potential adverse effects on the financial performance of the Company.

The risk is managed by the Management Board of the Company, which identifies and evaluates financial risks and protects the Company against them in close cooperation with the operating units. The Management Board

establishes the general principles of risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk and investment of liquidity surpluses.

This Note presents information about the Company's exposure to various risks, objectives, policies and the processes for measuring and managing risk and capital management. Disclosures regarding the size of the Company's exposure to such risks are also presented in explanatory notes of these financial statements.

### **Financial instruments by type:**

#### **Financial assets**

	Balance sheet value	
	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
<b>Loans and receivables including:</b>	<b>69 942 595.48</b>	<b>73 588 638.89</b>
Trade and other receivables	17 379 234.97	22 417 640.94
Trademark receivables	31 144 486.63	38 261 148.01
Loans receivables	3 584 655.92	3 714 888.48
Cash and cash equivalents	17 834 217.96	9 194 961.46

(\*) Causes and effects of the introduced changes – Note 4

#### **Finance liabilities**

	Balance sheet value	
	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
<b>Other finance liabilities measured at amortized cost, including:</b>	<b>45 064 308.12</b>	<b>58 653 785.38</b>
Borrowings	3 580 389.04	829 480.10
Obligations under finance leases	30 849 470.65	37 952 340.28
Liabilities due to acquisition of fixed assets and intangible assets	7 323 852.20	13 224 795.54
Trade payables	3 310 596.23	6 647 169.46

(\*) Causes and effects of the introduced changes – Note 4

### **Liquidity risk**

The Company monitors the risk of shortages of funds using the tool for periodic planning of liquidity. This tool takes into account due dates/maturities of both investments and financial assets (e.g. receivables accounts, other financial assets) and projected cash flows from operating activities.

The objective of the Company is to maintain balance between continuity and flexibility of financing by using a variety of sources of financing, such as overdraft facility, bank loans, and finance leases.

The table below analyses the Company's financial liabilities that will be settled in respective maturity groupings based on the remaining period to the contractual maturity as at the balance sheet date.

	Balance as at 31 December 2014						
	Book value	Cash flows arising from agreements	Below 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Borrowings	3 580 389.04	3 580 389.04	3 580 389.04	-	-	-	-
Obligations under finance leases	30 849 470.65	32 100 000.00	3 900 000.00	3 900 000.00	7 800 000.00	16 500 000.00	-
Liabilities due to acquisition of property, plant and equipment and intangible assets	7 323 852.20	7 323 852.20	3 263 328.23	3 945 998.78	114 525.19	-	-
Trade payables	3 310 596.23	3 310 596.23	3 310 596.23	-	-	-	-
Total	45 064 308.12	46 314 837.47	14 054 313.50	7 845 998.78	7 914 525.19	16 500 000.00	-

	Balance as at 31 December 2013 Converted (*)						
	Book value	Cash flows arising from agreements	Below 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Borrowings	829 480.10	829 480.10	829 480.10	-	-	-	-
Obligations under finance leases	37 952 340.28	39 900 000.00	3 900 000.00	3 900 000.00	7 800 000.00	24 300 000.00	-
Liabilities due to acquisition of property, plant and equipment and intangible assets	13 224 795.54	13 224 795.54	7 022 746.26	3 828 613.74	2 373 435.54	-	-
Trade liabilities	6 647 169.46	6 647 169.46	6 647 169.46	-	-	-	-
<b>Total</b>	<b>58 653 785.38</b>	<b>60 601 445.10</b>	<b>18 399 395.82</b>	<b>7 728 613.74</b>	<b>10 173 435.54</b>	<b>24 300 000.00</b>	<b>-</b>

(\*) Causes and effects of the introduced changes – Note 4

### **Credit risk**

The Company concludes transactions only with reputed companies with good credit standing. Clients wishing to take out trade credit are subject to pre-qualification procedures. Moreover, the Company monitors the balance of receivables on an ongoing basis which minimizes the risk of bad debts.

The maximum exposure to credit risk is equal to the book value of financial assets and at the balance sheet date was as follows:

## Maximum exposure to credit risk

	Balance sheet value	
	Balance as at	Balance as at
	31 December 2014	31 December 2013 Converted (*)
Trade receivables	17 379 234.97	22 417 640.94
Receivables from trademark	31 144 486.63	38 261 148.01
Loans receivables	3 584 655.92	3 714 888.48
Cash and cash equivalents	17 834 217.96	9 194 961.46
<b>Total</b>	<b>69 942 595.48</b>	<b>73 588 638.89</b>

(\*) Causes and effects of the introduced changes – Note 4

The table below presents the concentrations of credit risk:

	Balance sheet value	
	Balance as at	Balance as at 31
	31 December 2014	December 2013 Converted (*)
<b>Loans receivable</b>	<b>3 584 655.92</b>	<b>3 714 888.48</b>
<b>Trade receivables</b>	<b>48 523 721.60</b>	<b>60 678 788.95</b>
- Receivables from the Company's main advertising broker	1 268 946.00	3 320 443.02
- Receivables from pay cable and digital televisions	7 648 196.81	6 922 685.74
- Receivables from non-related parties	1 985 111.32	3 791 242.91
- Trademark receivables	31 144 486.63	38 261 148.01
- Trade and other receivables from related parties	6 476 980.84	8 383 269.27
<b>Cash and cash equivalents</b>	<b>17 834 217.96</b>	<b>9 194 961.46</b>
- Bank Polska Kasa Opieki S.A.	17 829 574.26	9 188 392.62
- Alior Bank S.A.	-	1 796.67
- CDM PEKAO	527.01	3 403.10
- Cash in hand	4 116.69	1 369.07

(\*) Causes and effects of the introduced changes – Note 4



The table below presents the aging of trade receivables; receivables from the trademark and Loans receivable at the balance sheet date:

	Balance as at 31 December 2014			Balance as at 31 December 2013 Converted (*)		
	Gross value	Impairment loss	Net value	Gross value	Impairment loss	Net value
Current receivables	45 962 608.01	-	45 962 608.01	58 758 067.47	-	58 758 067.47
Overdue receivables up to 30 days	3 248 564.06	-	3 248 564.06	2 962 669.37	-	2 962 669.37
Overdue receivables from 31 to 60 days	548 965.15	-	548 965.15	324 501.68	-	324 501.68
Overdue receivables over 60 days	3 064 036.27	(715 795.97)	2 348 340.30	2 468 440.17	(120 001.26)	2 348 438.91
<b>Total</b>	<b>52 824 173.49</b>	<b>(715 795.97)</b>	<b>52 108 377.52</b>	<b>64 513 678.69</b>	<b>(120 001.26)</b>	<b>64 393 677.43</b>

(\*) Causes and effects of the introduced changes – Note 4

Changes in the total impairment loss of trade and loans receivable were as follows:

	2014	2013 Converted (*)
<b>As at 1 January</b>	<b>(120 001.26)</b>	<b>(78 074.68)</b>
Bed debt provision	(634 895.27)	(116 164.76)
Receivables written off during the year as uncollectible	361.20	-
Unused amounts reversed	38 739.36	74 238.18
<b>As at 31 December</b>	<b>(715 795.97)</b>	<b>(120 001.26)</b>

(\*) Causes and effects of the introduced changes – Note 4

Other categories of trade and other receivables do not present impaired items.

### Currency risk

The Company is exposed to currency risk arising from concluded purchase and sales transactions and maintaining cash balances denominated in foreign currencies. Revenues generated by the Company are mainly denominated in Polish zloty, main items of costs and capital expenditures incurred in foreign currencies EUR and USD is the acquisition of film licenses.

Currently, the Company does not apply hedge accounting.

The table below presents the Company's exposure to foreign currency risk based on the amounts in foreign currencies

	Balance as at 31 December 2014					Balance as at 31 December 2013 Converted (*)				
	EUR	USD	GBP	HUF	CZK	EUR	USD	GBP	HUF	CZK
Trade and other receivables	867 596.89	249 270.66	-	12 050 320.15	380 777.31	1 302 715.11	127 549.87	80.00	3 580 500.00	227 915.52
Cash and cash equivalents	698 251.27	109 034.20	-	-	-	1 331 123.02	67 877.24	-	-	-
Trade and other payables	(565 203.59)	(2 985 612.81)	-	(164 000.00)	-	(568 601.84)	(5 589 917.45)	-	(207 900.00)	(45 425.00)
<b>Balance sheet exposure</b>	<b>1 000 617.57</b>	<b>(2 627 307.95)</b>	<b>-</b>	<b>11 886 320.15</b>	<b>380 777.31</b>	<b>2 065 236.29</b>	<b>(5 394 490.34)</b>	<b>80.00</b>	<b>3 372 600.00</b>	<b>182 490.52</b>

(\*) Causes and effects of the introduced changes – Note 4

	Balance as at 31 December 2014		Balance as at 31 December 2013 Converted (*)	
	Estimated change in the net result in PLN	Estimated change in other comprehensive income in PLN	Estimated change in the net result in PLN	Estimated change in other comprehensive income in PLN
<b>Estimated change in the exchange rate by 10%</b>				
EUR	(426 493.23)	(426 493.23)	(856 494.79)	(856 494.79)
USD	921 449.44	921 449.44	1 624 820.49	1 624 820.49
HUF	(16 091.70)	(16 091.70)	(4 711.18)	(4 711.18)
CZK	(5 852.55)	(5 852.55)	(2 761 .08)	(2 761 .08)
GBP	-	-	(39.86)	(39.86)
<b>Estimated change in the exchange rate by 10%</b>				
EUR	426 493.23	426 493.23	856 494.79	856 494.79
USD	(921 449.44)	(921 449.44)	(1 624 820.49)	(1 624 820.49)
HUF	16 091.70	16 091.70	4 711.18	4 711.18
CZK	5 852.55	5 852.55	2 761 .08	2 761 .08
GBP	-	-	39.86	39.86

(\*) Causes and effects of the introduced changes – Note 4

If at 31 December 2014 and 31 December 2013, the exchange rate of the Polish zloty against a basket of currencies were lower by 10%, the Company's net result would be reduced by PLN 473 011.97 and lower by PLN 760 813.57. Strengthening of the Polish zloty by 10% respectively would increase the net income by PLN 473 011.97 and an increase by PLN 760 813.57. These changes would have no impact on other comprehensive

income in 2014 and 2013. As a rule, all other variables remain constant. The estimates regarding future income and costs denominated in foreign currencies are not taken into account either.

### **Interest rate risk**

Changes in market interest rates have no direct effect on the Company's revenues; however they do have an effect on both cash flows from operating activities through interest on current accounts and deposits as well as on cash flows from financing activities through the cost of service of the Company's loans.

The following table presents the profile of the interest rate risk as at the balance sheet date for financial instruments with interest rates

	Value as at	
	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
<b>Fixed rate financial instruments</b>	<b>29 999 999.95</b>	<b>37 999 999.99</b>
Obligations under finance leases(**)	29 999 999.95	37 999 999.99
<b>Interest-rate sensitive instruments</b>	<b>21 414 607.00</b>	<b>10 024 441.46</b>
Cash and cash equivalents	17 834 217.96	9 194 961.46
Loans receivables	3 584 655.92	3 714 888.48
Borrowings(**)	3 580 389.04	829 480.10
<b>Net exposure</b>	<b>17 838 484.84</b>	<b>12 080 369.84</b>

(\*) Causes and effects of the introduced changes – Note 4

(\*\*) nominal values

Cash flow sensitivity analysis for variable rate instruments (before tax):

	Net result		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>As at 31 December 2014</b>						
Variable rate financial instruments	1 783 848.49	(1 783 848.48)	1 783 848.49	(1 783 848.48)	1 783 848.49	(1 783 848.48)
<b>Cash flow sensitivity</b>	<b>1 783 848.49</b>	<b>(1 783 848.48)</b>	<b>1 783 848.49</b>	<b>(1 783 848.48)</b>	<b>1 783 848.49</b>	<b>(1 783 848.48)</b>
<b>As at 31 December 2013</b>						
Variable rate financial instruments *	1 208 036.98	(1 208 036.98)	1 208 036.98	(1 208 036.98)	1 208 036.98	(1 208 036.98)
<b>Cash flow sensitivity</b>	<b>1 208 036.98</b>	<b>(1 208 036.98)</b>	<b>1 208 036.98</b>	<b>(1 208 036.98)</b>	<b>1 208 036.98</b>	<b>(1 208 036.98)</b>

### **A comparison of the fair value and the book value**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments, depending on the valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities,

- Level 2: inputs that are observable for the asset and liability data, either directly (e.g. as prices) or indirectly,
- Level 3: inputs not based on observable market prices (unobservable inputs).

The table below presents the fair values of financial assets and liabilities not measured at fair value with their carrying value

	Category according to IAS 39	Level in the fair value hierarchy	Balance as at 31 December 2014		Balance as at 31 December 2013 Converted (*)	
			Fair value	Book value	Fair value	Book value
Trade and other receivables	A	2	17 379 234.97	17 379 234.97	22 417 640.94	22 417 640.94
Receivables from the trademark	A	2	28 948 983.14	31 144 486.63	34 008 729.34	38 261 148.01
Loans receivables	B	2	3 544 024.43	3 584 655.92	3 738 511.72	3 714 888.48
Cash and cash equivalents	A	**	17 834 217.96	17 834 217.96	9 194 961.46	9 194 961.46
Borrowings	B	2	(3 580 389.04)	(3 580 389.04)	(829 480.10)	(829 480.10)
Obligations under finance leases	B	2	(29 075 972.97 )	(30 849 470.65)	(34 857 200.94)	(37 952 340.28)
Trade and other liabilities	B	2	(10 634 448.43)	(10 634 448.43)	(19 871 965.00)	(19 871 965.00)
<b>Total</b>			<b>24 415 650.07</b>	<b>24 878 287.36</b>	<b>13 801 197.41</b>	<b>14 934 853.51</b>
Unrecognised loss				(462 637.29)		(1 133 656.10)

A – loans and receivables  
B – other receivables

(\*) Causes and effects of the introduced changes – Note 4

(\*\*) It is assumed that the fair value of cash and cash equivalents is their nominal value, therefore, no techniques for the measurement of these balance sheet items were applied.

Trade and other receivables, trade and other liabilities consist mainly of receivables and liabilities that will be settled no later than at the end of the month following the balance sheet date; therefore, it was assumed that their valuation taking into account the time value of money would be similar to the nominal value.

As at 31 December 2014 and 31 December 2013 borrowings included short-term loans obtained from the Company's major shareholders bearing interest based on WIBOR and margin credit risk associated with the Company's balance sheet and measured in the balance sheet at amortized cost method. Therefore it is assumed that their valuation, taking into account the time value of money would be similar to the book value.

#### 4. Restatement of comparative data

The Company restated comparative information in these financial statements as a result of the recognition of adjustment of error, changes the presentation and settlement of merger with a subsidiary.

### **Adjustment of error and changes in presentation**

As at 31 December 2013, the Company disclosed in the item "Intangible Assets", among other programs interviews and other licenses with a total carrying value of PLN 6 436 026.37 (mainly collected in 2003-2010), which were not amortised since in the assessment of the Company they had an indefinite useful life. As a result of the last test for impairment of these assets conducted as at 31 December 2013 the Management Board decided to recognize the impairment loss in the amount of PLN 715 114.04, recognized in the financial statements for 2013 in the item Other operating expenses.

In the course of 2014, the Management Board of Kino Polska TV S.A. conducted a detailed analysis of the records of these intangible assets, based on which it assessed that the capitalized expenditure on the given intangible assets does not meet as at the balance sheet date 31 December 2014 and did not meet at the previous balance sheet dates the criteria for capitalization as an intangible asset. Therefore, in accordance with the guidelines of the International Accounting Standard IAS 8, which requires that the adjustments of errors be accounted for retrospectively by changing comparative data and converting the retained earnings at the beginning of the earliest period presented, these intangible assets with a total carrying value of PLN 6 436 026.37 be written off in the weight of equity as an adjustment of error to the opening balance.

Furthermore, the Company amended the presentation of certain items of income and costs and assets, liabilities and capital, which had no effect on previously reported amounts of total comprehensive income or on equity.

Summary of the changes to comparative data:

- (1) write off of programs interviews and other licenses with a total carrying value of PLN 6 436 026.37 against Equity as at 31 December 2013, of which PLN 7 151 140.41 against Equity as at 1 January 2013 and PLN 715 114.04 as a reversal of the impairment loss of the previously recognized in Other operating expenses in the statement of comprehensive income for 2013 years
- (2) presentation in Cost of sales the expenses related to impairment loss of intangible assets that previously have been presented in Other operating expenses,
- (3) adjustment of the initial value of the trade mark which is the subject of finance lease and the associated liability from finance leases and the reclassification of the leased asset from the item Intangible assets to the item Shares in subsidiaries (Note 29),
- (4) presentation of the Supplementary capital in the item Retained earnings,
- (5) presentation of Prepayments respectively in the item Short-term film licenses and in the item Trade and other receivables,
- (6) presentation in other Operating income and expenses the impact of the foreign exchange differences related to operating activities previously presented in finance income and costs,
- (7) presentation in other operating Income and Expenses the impact of the interests related to the operating activities previously presented in Finance Income and Costs.

### Settlement of merger with a subsidiary

These financial statements present the combined financial data of Kino Polska TV S.A. and its subsidiary Kino Polska Program TV Sp. z o.o. (before transformation Kino Polska Program Sp. z o.o. SKA, the "Acquired Company"), the merger of which is described in Note 1. As described in the accounting policies described in Note 2, the Company uses historical value method to account for business combinations under common control. This method, in the variant used by the Company consists in adding up the value of the item from the statement of financial position, as well as income and expenses and profits and losses of the merging entities from the date when such entities were under common control of the capital group to which the Company belongs (i.e. from October 2012.).

The following tables show the restatement of the data as at 31 December 2013 and 31 December 2012 and for the period of 12 months ended 31 December 2013 due to the changes described above. The information presented in Notes to these separate financial statements was rested accordingly.

### Restatement of the statement of comprehensive income for 2013

	<i>12 months ended 31.12.2013</i>	<i>Result of merger with Kino Polska Program TV Sp. z o.o.</i>	<i>Adjustment of error and changes in presentation</i>	<i>12 months ended 31.12.2013</i>
	<i>Reported</i>			<i>Converted (*)</i>
<b>Continuing operations</b>				
Revenue	68 604 647.97	26 574 526.37	-	95 179 174.34
Cost of sales	(57 103 820.75)	(11 516 996.07)	5 102 019.70 (2)	(63 518 797.12)
<b>Gross profit</b>	<b>11 500 827.22</b>	<b>15 057 530.30</b>	<b>5 102 019.70 (2)</b>	<b>31 660 377.22</b>
		-		-
Distribution costs	(381 252.22)	(202 606.25)	(4 145 862.44) (6)	(4 729 720.91)
Administrative expenses	(6 067 720.16)	(138 959.27)	(1 259 157.26) (6)	(7 465 836.69)
Other operating income	90 341.76	1 009 363.39	(831 688.85) (6). (7)	268 016.30
Other operating expenses	(1 284 110.85)	(962 053.57)	1 913 938.85 (1). (2). (6). (7)	(332 225.57)
<b>Operating profit</b>	<b>3 858 085.75</b>	<b>14 763 274.60</b>	<b>779 250.00 (1)</b>	<b>19 400 610.35</b>
Finance income	185 964.07	191 190.92	(175 220.10) (6). (7)	201 934.89
Finance costs	(374 369.15)	(2 619.82)	111 084.14 ((6). (7)	(265 904.83)
<b>Profit before income tax</b>	<b>3 669 680.67</b>	<b>14 951 845.70</b>	<b>715 114.04 (1)</b>	<b>19 336 640.41</b>
Income tax expense	(889 588.57)	(132 095.45)	-	(1 021 684.02)
<b>Profit for the period from continuing operations</b>	<b>2 780 092.10</b>	<b>14 819 750.25</b>	<b>715 114.04 (1)</b>	<b>18 314 956.39</b>
<b>Discontinued operations</b>				
Profit from discontinued operations	678 144.00	(678 144.00)	-	-

	<i>12 months ended 31.12.2013  Reported</i>	<i>Result of merger with Kino Polska Program TV Sp. z o.o.</i>	<i>Adjustment of error and changes in presentation</i>	<i>12 months ended 31.12.2013  Converted (*)</i>
<b>Other comprehensive income</b>	<b>678 144.00</b>	<b>(678 144.00)</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the year, total</b>	<b>3 458 236.10</b>	<b>14 141 606.25</b>	<b>715 114.04 (1)</b>	<b>18 314 956.39</b>
<b>Earnings/(loss) per share</b>				
– basic from the reporting period profit	0.19	1.02	0.05	1.27
– basic from the profit on continued operations	0.14	1.07	0.05	1.27
– diluted from the reporting period profit	0.19	0.71	0.04	1.27
– diluted from the profit on continued operations	0.14	0.75	0.04	1.27
– basic from the profit on discontinued operations	0.05	(0.05)	-	-
– diluted from the profit on discontinued operations	0.05	(0.05)	-	-

## Restatement of the statement of financial position as at 31 December 2013

	<i>Kino Polska TV S.A. Balance as at 31 December 2013 Reported</i>	<i>Result of merger with Kino Polska Program TV Sp. z o.o.</i>	<i>Adjustment of error and changes in presentation</i>		<i>Kino Polska TV S.A. Balance as at 31 December 2013 Converted (*)</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5 642 124.99	323 804.88	-		5 965 929.87
Intangible assets	56 372 872.67	22 626 328.56	(46 436 026.37)	(1). (3)	32 563 174.86
Investments	127 265 652.05	(43 211 236.37)	39 084 000.00	(3)	123 138 415.68
Trade and other receivables	-	30 533 743.69	-		30 533 743.69
Deferred income tax assets	68 432.15	(68 432.15)	-		-
<b>Non-current assets, total</b>	<b>189 349 081.86</b>	<b>10 204 208.61</b>	<b>(7 352 026.37)</b>	<b>(1). (3)</b>	<b>192 201 264.10</b>
<b>Current assets</b>					
Inventories	272 775.27	20 849.50	-		293 624.77
Short-term film licenses	-	1 614 524.65	348 525.66	(5)	1 963 050.31
Trade and other receivables	19 151 487.32	13 032 205.17	261 394.96	(5)	32 445 087.45
Current income tax receivables	775 655.00	-	-		775 655.00
Prepayments	609 920.62	-	(609 920.62)	(5)	-
Loans receivables	3 054 663.24	660 225.24	-		3 714 888.48
Cash and cash equivalents	6 398 331.16	2 796 630.30	-		9 194 961.46
<b>Current assets, total</b>	<b>30 262 832.61</b>	<b>18 124 434.86</b>	<b>-</b>	<b>(5)</b>	<b>48 387 267.47</b>
<b>TOTAL ASSETS</b>	<b>219 611 914.47</b>	<b>28 328 643.47</b>	<b>(7 352 026.37)</b>	<b>(1). (3)</b>	<b>240 588 531.57</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Equity</b>					
Share capital	1 382 140.40	-	-		1 382 140.40
Other reserves	35 659 543.79	-	-		35 659 543.79
Retained earnings	124 550 030.39	-	(10 670 030.39)	(4)	113 880 000.00
<b>Equity, total</b>	<b>7 422 514.75</b>	<b>14 118 766.58</b>	<b>4 234 004.02</b>	<b>(1). (4)</b>	<b>25 775 285.35</b>
<b>Equity, total</b>	<b>169 014 229.33</b>	<b>14 118 766.58</b>	<b>(6 436 026.37)</b>	<b>(2)</b>	<b>176 696 969.54</b>
<b>Non-current liabilities</b>					
Trade and other liabilities			2 373 435.54	(3)	2 373 435.54
Provisions	350 000.00	-	-		350 000.00
Obligations under finance leases	30 745 954.65	-	163 390.34	(3)	30 909 344.99
Deferred income tax liabilities	1 274 750.95	(68 432.15)	-		1 206 318.80
<b>Non-current liabilities, total</b>	<b>32 370 705.60</b>	<b>(68 432.15)</b>	<b>2 536 825.88</b>		<b>34 839 099.33</b>
<b>Current liabilities</b>					
Trade and other liabilities	9 063 594.73	14 175 551.13	(3 023 435.54)	(3)	20 215 710.32
Borrowings	829 480.10	-	-		829 480.10
Obligations under finance leases	7 472 385.63	-	(429 390.34)	(3)	7 042 995.29
Provisions	860 449.88	102 757.91	-		963 207.79
Deferred income	1 069.20	-	-		1 069.20
<b>Current liabilities, total</b>	<b>18 226 979.54</b>	<b>14 278 309.04</b>	<b>(3 452 825.88)</b>	<b>(3)</b>	<b>29 052 462.70</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>219 611 914.47</b>	<b>28 328 643.47</b>	<b>(7 352 026.37)</b>	<b>(1). (3)</b>	<b>240 588 531.57</b>



## Restatement of the statement of financial position as at 31 December 2012

	<i>Balance as at 31 December 2012 Reported</i>	<i>Adjustment of error and changes in presentation</i>		<i>Balance as at 31 December 2012. Converted(*)</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7 646 832.06	-		7 646 832.06
Intangible assets	20 975 436.09	(7 151 140.41)	(1)	13 824 295.68
Investments	8 753 315.44	-		8 753 315.44
Trade and other receivables	147 677.46	-		147 677.46
Deferred income tax assets	-	-		-
<b>Non-current assets, total</b>	<b>37 523 261.05</b>	<b>(7 151 140.41)</b>	<b>(1)</b>	<b>30 372 120.64</b>
<b>Current assets</b>				
Inventories	740 422.04	-		740 422.04
Short-term film licenses	-	893 241.41		893 241.41
Trade and other receivables	27 628 199.51	320 953.03	(5)	27 949 152.54
Prepayments	1 214 194.44	(1 214 194.44)	(5)	-
Loans receivables	1 080 366.42	-		1 080 366.42
Cash and cash equivalents	6 520 736.69	-		6 520 736.69
<b>Current assets, total</b>	<b>37 183 919.10</b>	<b>-</b>		<b>37 183 919.10</b>
<b>TOTAL ASSETS</b>	<b>74 707 180.15</b>	<b>(7 151 140.41)</b>	<b>(1)</b>	<b>67 556 039.74</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	1 387 000.00	-		1 387 000.00
Share premium	35 659 543.79	-		35 659 543.79
Other reserves	10 192 344.32	(5 578 425.64)	(4)	4 613 918.68
Retained earnings	18 258 509.12	(1 572 714.77)	(1) (4)	16 685 794.35
<b>Equity, total</b>	<b>65 497 397.23</b>	<b>(7 151 140.41)</b>	<b>(1)</b>	<b>58 346 256.82</b>
<b>Non-current liabilities</b>				
Finance lease liabilities	59 353.95	-		59 353.95
Deferred income tax liabilities	586 149.50	-		586 149.50
<b>Non-current liabilities, total</b>	<b>645 503.45</b>	<b>-</b>		<b>645 503.45</b>
<b>Current liabilities</b>				
Trade and other liabilities	6 848 056.72	-		6 848 056.72
Obligations under finance leases	302 716.61	-		302 716.61
Current income tax liabilities	817 756.00	-		817 756.00
Provisions	595 750.14	-		595 750.14
<b>Current liabilities, total</b>	<b>8 564 279.47</b>	<b>-</b>		<b>8 564 279.47</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>74 707 180.15</b>	<b>(7 151 140.41)</b>	<b>(1)</b>	<b>67 556 039.74</b>

## **Restatement of the statement of cash flows for 2013**

	<i>Kino Polska TV S.A. Balance as at 31 December 2013 Reported</i>	<i>Result of merger with Kino Polska Program TV Sp. z o.o. and adjustment of errors and changes in presentation</i>	<i>Kino Polska TV S.A. Balance as at 31 December 2013 Converted (*)</i>
<b>Cash flows from operating activities</b>			
Net profit	3 458 236.10	14 856 720.29	18 314 956.39
Adjustments for non-cash income and expenses:	4 190 795.82	2 002 375.51	6 193 171.33
Liquidation of property, plant and equipment and intangible assets	-	-	-
Impairment loss on equity	1 018 114.04	(715 114.04)	303 000.00
Exchange differences	-	82 679.96	82 679.96
Net interest and dividends paid	(122 835.52)	(24 753.51)	(147 589.03)
(Profit)/loss on investing activities	144 426.02	59 443.30	203 869.32
(Increase)/decrease in receivables	8 494 326.34	(19 366 453.01)	(10 872 126.67)
(Increase)/decrease in inventories	467 646.77	(20 849.50)	446 797.27
Increase/(decrease) in liabilities	2 247 777.86	14 230 711.45	16 478 489.31
Increase/(decrease) in prepayments/accruals	(227 831.08)	228 900.28	1 069.20
Change in provisions	(385 300.26)	24 757.91	(360 542.35)
Income tax paid and returned	(1 872 569.15)	-	(1 872 569.15)
Income tax accrued	1 021 684.01	0.01	1 021 684.02
Other	90 386.70	(90 386.70)	-
<b>Net cash flows generated from operating activities</b>	<b>18 524 857.65</b>	<b>11 268 031.95</b>	<b>29 792 889.60</b>
<b>Cash flows from investing activities</b>			
Sales of property, plant and equipment and intangible assets	18 300.00	1 072 566.32	1 090 866.32
Acquisition of property, plant and equipment and intangible assets	(906 705.60)	(8 958 496.24)	(9 865 201.84)
Sale of financial assets	-	-	-
Acquisition of financial assets	(2 564 543.54)	2 000 000.00	(564 543.54)
Dividends and interest received	96 850.89	14 528.27	111 379.16
Loan repayments received	35 000.00	-	35 000.00
Loans granted	-	(2 650 000.00)	(2 650 000.00)
Other	-	-	-
<b>Net cash flows used in investing activities</b>	<b>(3 321 098.25)</b>	<b>(8 521 401.65)</b>	<b>(11 842 499.90)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	-	-	-
Acquisition of treasury shares	-	-	-
Payment of finance lease	(2 143 730.28)	-	(2 143 730.28)
Proceeds from contracted loans/credit facilities	-	829 480.10	829 480.10
Repayment of loans/credits	-	-	-
Dividends paid	(13 821 404.00)	-	(13 821 404.00)
Other finance proceeds	-	-	-
Interest paid	(57 830.79)	-	(57 830.79)
Other costs of share issue	(50 000.00)	50 000.00	-
<b>Net cash used in financing activities</b>	<b>(16 072 965.07)</b>	<b>879 480.10</b>	<b>(15 193 484.97)</b>

	<i><b>Kino Polska TV S.A. Balance as at 31 December 2013 Reported</b></i>	<i><b>Result of merger with Kino Polska Program TV Sp. z o.o. and adjustment of errors and changes in presentation</b></i>	<i><b>Kino Polska TV S.A. Balance as at 31 December 2013 Converted (*)</b></i>
Net increase in cash and cash equivalents	(869 205.67)	3 626 110.40	2 756 904.73
Net exchange differences on cash and cash equivalents	(82 679.96)	-	(82 679.96)
<b>Cash and cash equivalents at beginning of the year</b>	6 520 736.69	-	6 520 736.69
<b>Cash and cash equivalents at end of year, including:</b>	<b>5 568 851.06</b>	<b>3 626 110.40</b>	<b>9 194 961.46</b>
Restricted cash	530 000.00	-	530 000.00

## **5. Critical accounting estimates and judgments**

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires the Management Board of the Company to make judgments, estimates and assumptions that affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable in given circumstances, and their results provide the basis for judgments on the carrying value of assets and liabilities that is not readily apparent from other sources. The actual value may differ from estimated value.

The estimates and related assumptions are verified on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate was revised or in current and future periods if the revision of the estimate concerns both the current and future periods.

The areas in which these assumptions were important to these separate financial statements include, in particular, the estimated period of economic usefulness and impairment indicators of licenses associated with own production of films and co-productions and other licenses with indefinite useful economic live, an analysis of the impairment indicators of investments in subsidiaries and estimates adopted in the recognition of revenue from the broadcast of television channels.

The key accounting estimates and accounting assumptions adopted in these separate financial statements were the same as those adopted in the financial statements for the year ended 31 December 2013 except for the changes to some estimates, as described in note 4

The Company has reviewed the factors affecting the determination of the estimated useful life of the license associated with own film production and co-productions ("Own films and co-productions") which as at 31 December 2013 were disclosed as film licenses of indefinite useful lives as a result of which it changed the assessment of this estimate considering that the expected period during which those licenses would bring the Company finance income is a period of 10 years. In connection with the above change in the estimate, the Company tested these assets for impairment.

The estimated recoverable amount of Own films and co-productions in the amount of PLN 2 553 084.00 was determined based on value in use method. These calculations were based on estimated cash flow projections for each license for a five-year period. The main financial assumptions adopted for discounting cash flows is a terminal growth rate of 2.5% and a discount rate of 9.71%.

The test conducted as at 30 June 2014 indicated that there occurred an impairment loss of Own films and co-productions in the amount of PLN 1 748 916.00. The hereinafter impairment loss was recognized in the statement of comprehensive income for the period of 12 months ended 31 December 2014 in the line item Cost of products sold.

Starting from 1 July 1 2014, the Company commenced amortization of licenses related to own production of films and co-productions by means of the straight-line method for a period of 10 years.

**Analysis for impairment indicators of investments in the subsidiary Filmbox International Ltd. and joint venture Stopklatka S.A.**

Investments in subsidiaries and joint ventures are analysed for impairment whenever or the Management Board identifies events or changes in circumstances indicating that their carrying values may not be realizable. The Company regularly monitors indications of impairment of investments in subsidiaries and joint venture by analysing their operating and financial performance. The analysis carried out by the Company as well as projections for subsequent years do not reflect a downward trend and provide a solid foundation for growth. As at 31 December 2014 and 31 December 2013, the Company assessed that there were no indications of impairment of investments in Filmbox International Ltd. and Stopklatka S.A. Therefore, it did not conduct a test for impairment of these assets.

**The test for impairment of investment in Cyfrowe Repozytorium Cyfrowe Sp. z o.o.**

The Company, as at 31 December 2014 conducted a test for impairment of investment in subsidiary Cyfrowe Repozytorium Filmowe Sp. z o.o. („CRF”). CRF is treated as a separate cash flow generating unit. The impairment test calculation of the recoverable amount of the investment in CRF was determined based on calculations of its value in use. These calculations were based on discounted cash flows based on the current financial plan approved by the Management Board for 2015 and the assumptions on growth rates in 2016 to 2019 and after 2019. The plan assumes that the revenue in the next year will be at a level similar to 2014 and in subsequent years it will increase at a rate of 5% per annum. In addition, for 2015 the Management Board assumes an increase in EBITDA margin from 16% obtained in 2014 to 23% in the next year and descending to 21% in the last year of the detailed forecasts, i.e. 2019. Other key financial assumptions used for discounting cash flows at 31 December 2014:

- Marginal growth rate of 2.5%,
- Discount rate 7.66%.

The discount rate reflects the estimate, made by the management, of the risks specific to that unit, taking into account the time value of money and the risks specific to the asset. The discount rate was calculated taking into account the specific conditions of the company's operations on the basis of weighted average cost of capital (WACC). WACC rate takes into account both debt and equity. The marginal growth rate is based on market data concerning the long-term rate of inflation in Poland and forecasts of the Management Board.

The Company believes that the key assumptions made for the testing for impairment of investments in subsidiary CRF as at 31 December 2014 were reasonable and based on the Company's experience and market forecasts. The Management Board believes that any possible change in the key assumptions on which the calculation of the value in use of the aforementioned cash-generating unit is based would not necessitate the recognition of impairment loss.

### **Recognition of revenue from the distribution of channels**

The Company assesses, that it is exposed to most risks and benefits associated with the provision of the re-broadcast service of film channels of the FilmBox brand and thematic channels, therefore it discloses the revenue from the provision of these services on a gross basis (i.e. separately from costs incurred for the benefit of the holders of rights to television channels) in the total amount of PLN27 825 974.55 (PLN28 079 118.72 in 2013).

This judgment is based on the following considerations:

- The Company has the right to determine the sales prices of the re-broadcast service of television channels;
- The Company has the right to choose and accept the operators with whom it cooperates;
- The Company bears the full credit risk.

### **Receivables write off**

Receivables are revalued, having regard for the degree of the probability of their payment, by establishing a revaluation allowance. Impairment loss depends on the probability of settlement and a detailed analysis of significant items comprising the receivables. Assessment of the likelihood of recoverability of receivables is made based on an individual analysis of individual balances.

### **Depreciation rates of fixed assets and intangible assets definite useful life**

Depreciation rates are determined based on the estimated economic useful lives of property, plant and equipment and intangible assets. The Company verifies, on an annual basis, the economic useful life periods based on current estimations.

## **6. Operating segments**

The operating segments are presented in a manner consistent with internal reporting submitted to the main operational decision-maker. The main operational decision-maker, responsible for allocating resources and evaluating the performance of operating segments, has been identified as the Management Board of the Company.

The Company's operating segments are its strategic segments offering different products and services. They are subject to the application of different methods of management and various marketing strategies. Each segment generates revenue and expenses in connection with the subject of their operations.

There is a discrepancy between the report of the operating segments and the recognition of the segments in the books as well as between recognition for management purposes. The Company does not aggregated analysis of assets and liabilities by segments.

Starting from the IH of 2014, the Company has amended retrospectively the presentation of operating segments which were converted into five major reportable segments:

- TV broadcast of FilmBox and thematic channels (including sale of advertising time)
- Broadcast and sale of advertisements on the channels of Kino Polska,
- Production of TV channels,

- Sale of VOD,
- Sale of license rights
- Other segments (among other: publishing (DVD) and other services.

Segments previously monitored by the Management Board of the Company were as follows:

- TV Broadcasting,
- Publishing (DVD),
- Sale of licence rights,
- Advertising,
- VOD,
- Other services,
- Production of channels,
- Sale of goods and materials.

The Company operates mainly on the territory of Poland and the countries of Central and Eastern Europe among other the Czech Republic, Slovakia, Hungary. The Management Board of the Company does not analyse regularly the assets or the liabilities for each reportable segment. The Management Board of Kino Polska TV S.A. evaluates the operations of the segments by analysing the result of the segment defined as revenue less the operating costs allocated to segments.

The main customers of the Company's products are the operators of cable televisions and digital satellite platforms who provide the signal of the channels produced by the Company to its subscribers (households).

The other recipients of the services provided by the Company in 2014 include:

- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. – intermediary in the sale of advertising time,
- other broadcasters acquiring the rights to broadcast films owned by Kino Polska TV S.A.,
- operators of *video on demand*,
- individuals (buyer of DVD) through a distribution company.

Main recipients whose share in the revenue of the Company for 2014 was at least 10% of total sales revenue:

- Filmbox International Ltd. (formerly: SPI TV Ltd.) – 21% of total sales revenue,
- Polsat Media Biuro Reklamy Sp. z o. o. Sp. k, - 21% of total sales revenue,
- ITI Neovision S.A. – 17% of total sales revenue.

The Company is the sole shareholder of Filmbox International Ltd. (formerly SPI TV Ltd.). Kino Polska TV S.A. is connected by trade links with the above-mentioned entities.

	12 months ended 31.12.2014						
	Film channels of the FilmBox brand and thematic channels	Channels of the Kino Polska brand	Production of TV channels	Sale of VOD	Sale of license rights	Other segments	TOTAL
Sale - broadcast	27 825 974.55	15 434 724.71	-	-	-	-	43 260 699.26
Sale – fee for access to film licenses	7 540 965.00	-	-	-	-	-	7 540 965.00
Sale - advertisement	3 822 463.56	18 051 809.51	-	-	-	-	21 874 273.07
Sale - other	-	-	15 592 845.90	1 459 139.94	5 867 099.32	3 523 076.72	26 442 161.88
<b>Total sale</b>	<b>39 189 403.11</b>	<b>33 486 534.22</b>	<b>15 592 845.90</b>	<b>1 459 139.94</b>	<b>5 867 099.32</b>	<b>3 523 076.72</b>	<b>99 118 099.21</b>
Operating expenses	(36 247 601.03)	(14 489 603.10)	(14 515 583.50)	(826 789.13)	(3 027 477.63)	(3 709 986.19)	(72 817 040.58)
<b>Segment result</b>	<b>2 941 802.08</b>	<b>18 996 931.12</b>	<b>1 077 262.40</b>	<b>632 350.81</b>	<b>2 839 621.69</b>	<b>(186 909.47)</b>	<b>26 301 058.63</b>
Not allocated operating expenses	-	-	-	-	-	-	(6 368 066.75)
Loss on disposal of a subsidiary	-	-	-	-	-	-	(1 043 886.19)
Other operating income	-	-	-	-	-	-	457 131.61
Other operating expenses	-	-	-	-	-	-	(2 511 567.51)
<b>Operating profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 834 669.79</b>
Finance income							298 161.83
Finance costs							(1 128 490.47)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 004 341.15</b>
Income tax							(1 803 328.40)
<b>Net profit</b>							<b>14 201 012.75</b>
<b>Amortization</b>	<b>11 000 753.72</b>	<b>951 970.87</b>	<b>-</b>	<b>14 492.69</b>	<b>-</b>	<b>65 032.68</b>	<b>291 166.37</b>



	12 months ended 31 December 2013 Converted (*)						
	Film channels of the FilmBox brand and thematic channels	Channels of the Kino Polska brand	Production of TV channels	Sale of VOD	Sale of license rights	Other segments	TOTAL
Sale - broadcast	28 079 118.72	16 251 416.48	-	-	-	-	44 330 535.20
Sale - advertisement	3 235 269.08	13 339 415.10	-	-	-	-	16 574 684.18
Sale - other	-	-	23 234 210.21	3 066 429.34	4 170 841.35	3 802 474.06	26 300 639.55
<b>Total sale</b>	<b>31 314 387.80</b>	<b>29 590 831.58</b>	<b>23 234 210.21</b>	<b>3 066 429.34</b>	<b>4 170 841.35</b>	<b>3 802 474.06</b>	<b>95 179 174.34</b>
Operating expenses	(27 813 759.86)	(12 215 756.00)	(21 366 078.80)	(2 286 090.29)	(3 340 028.29)	(1 226 804.79)	(68 248 518.03)
<b>Segment result</b>	<b>3 500 627.94</b>	<b>17 375 075.58</b>	<b>1 868 131.41</b>	<b>780 339.05</b>	<b>830 813.06</b>	<b>2 575 669.27</b>	<b>26 930 656.31</b>
Not allocated operating expenses	-	-	-	-	-	-	(7 465 836.69)
Loss on disposal of a subsidiary	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	268 016.30
Other operating expenses	-	-	-	-	-	-	(332 225.57)
<b>Operating profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 400 710.35</b>
Finance income	-	-	-	-	-	-	201 934.89
Finance costs	-	-	-	-	-	-	(265 904.83)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 336 640.41</b>
Income tax							(1 021 684.02)
<b>Net profit</b>							<b>18 314 956.39</b>
<b>Amortization</b>	<b>4 209 884.36</b>	<b>1 706 227.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87 646.26</b>	<b>189 413.11</b>

(\*) Causes and effects of the introduced changes – Note 4

## 7. Revenue

Revenue	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Revenue including:		
- TV broadcast	43 260 699.26	44 330 535.20
- fees for Filmbox film licenses	7 540 965.00	-
- Publishing activities (DVD)	171 329.61	130 779.64
- Sales of licenses	5 867 099.32	4 170 841.35
- Advertising	21 874 273.07	16 574 684.18
- VOD	1 459 139.94	3 066 429.34
- Other services	3 345 441.21	3 664 004.88
- Production of TV channels	15 592 845.90	23 234 210.21
- Sales of goods and materials	6 305.90	7 689.54
	<b>99 118 099.21</b>	<b>95 179 174.34</b>

The item Other services includes revenue from among other, the lease of equipment, sublease of office space, consulting services.

The geographical breakdown of sales revenue was presented by the principal's country seat:

Sales to external clients including:	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Poland	72 950 430.54	69 324 767.84
EU	24 821 108.15	24 796 554.25
Other	1 346 560.52	1 057 852.25
<b>Total</b>	<b>99 118 099.21</b>	<b>95 179 174.34</b>

(\*) Causes and effects of the introduced changes – Note 4

## 8. Operating expenses

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Depreciation/amortization	(12 323 416.33)	(6 193 171.33)
Impairment of property, plant and equipment and intangible assets	(1 748 916.00)	(303 000.00)
Employee benefits	(9 452 406.31)	(10 081 777.67)
- Payroll expenses	(8 026 793.57)	(8 615 491.20)
- Costs of social insurance and other benefits	(1 240 728.00)	(1 363 528.56)
- Cost of future bonuses (provisions) for retirement benefits and jubilee bonuses and similar employee benefits	(184 884.74)	(102 757.91)
Consumption of materials and energy	(849 765.17)	(854 619.44)
External services	(19 866 164.15)	(22 965 374.18)
Fees related to program licenses	(29 222 098.23)	(29 382 931.68)
Taxes and charges	(1 934 612.90)	(1 897 491.17)
Property and personal insurance	(86 016.17)	(145 489.12)
License rights	(3 027 477.63)	(3 340 028.29)
Value of goods and materials sold	(93 734.61)	(69 824.57)

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Other expenses	(580 499.83)	(480 647.27)
<b>Total expenses by type</b>	<b>(79 185 107.33)</b>	<b>(75 714 354.72)</b>
Distribution cost	(3 551 267.58)	(4 729 720.91)
Administrative expenses	(6 368 066.75)	(7 465 836.69)
Cost of products sold	(69 172 038.39)	(63 448 972.55)
Value of goods and materials sold	(93 734.61)	(69 824.57)
<b>Total cost of products, goods and materials sold, cost of sales, general and administrative expenses</b>	<b>(79 185 107.33)</b>	<b>(75 714 354.72)</b>

(\*) Causes and effects of the introduced changes – Note 4

## 9. Other operating income

<b>Other operating income</b>	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Net gain on disposal of non-financial non-current assets	31 519.45	7 053.25
Receivables write-off	737.05	-
Reversal of bad debt provision	39 100.56	2 927.48
Fines and compensations	1 359.20	13 084.51
Materials and services received	59 220.00	-
Receivables discounting	306 671.99	87 148.02
Trade interests paid	3 344.55	8 971.91
Exchange differences	-	75 339.24
Other	15 178.81	73 491.89
<b>Total</b>	<b>457 131.61</b>	<b>268 016.30</b>

(\*) Causes and effects of the introduced changes – Note 4

## 10. Other operating expenses

<b>Other operating expenses</b>	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Bad debts allowance	(406 279.56)	(7 591.16)
Receivables write-off	(2 455.81)	(50 442.02)
Loss on liquidation of property, plant and equipment and intangible assets	(5 685.33)	(166 005.10)
Donations granted	(360 000.00)	(20 000.00)
Contractual penalties	(61.60)	(34 468.80)
Interests on trade receivables	(751.75)	(2 381.94)
Interests on trade receivables unpaid	(213.00)	-
Interests on budget interests	(90 651.80)	(17 793.25)
Exchange differences	(1 642 525.03)	-
Other	(2 943.63)	(33 543.30)
<b>Total</b>	<b>(2 511 567.51)</b>	<b>(332 225.57)</b>

(\*) Causes and effects of the introduced changes – Note 4

## 11. Loss on disposal of a subsidiary

In connection with meeting on 21 February 2014 of the conditions specified in the investment agreement signed on 22 February 2013 between Kino Polska TV S.A. ("KPTV") and Agora S.A. ("Agora") in the execution of which KPTV made an irrevocable and binding offer to Agora for the sale of 933,850 shares of Stopklatka S.A. (the "Shares") and Agora adopted this offer on 12 March 2014, an agreement on the sale of the Shares between Agora and KPTV was concluded, under which on 12 March 2014 KPTV sold for 933,850 shares of Stopklatka S.A. to Agora, and thus the share of KPTV in the total number of votes in Stopklatka S.A. fell below 50% and KPTV lost control over the company.

Pursuant to the investment agreement, the selling price of one share amounted to PLN 2.30. As a result, the received remuneration from Agora S.A. amounted to PLN 2 147 855.00.

The number of shares remaining in Kino Polska TV S.A. as at 31 December 2014 amounted to 2 680 152, which accounts for 41.04% of the share in the share capital of this company and in the total number of votes at the General Shareholders' Meeting of Stopklatka S.A. This share, together with the terms and conditions of co-operation between Kino Polska TV S.A. and Agora S.A. specified in the investment agreement referred to above, and in the statute of Stopklatka S.A., guarantees Kino Polska TV S.A. a joint control over Stopklatka S.A. The result calculation on sale recognized in the separate financial statement of comprehensive income for 2014:

Fair value of the consideration received	2 147 855.00
Minus: the carrying amount of investment	3 172 643.96
Minus: cost of broker's commission	19 097.23
<b>Loss on disposal of a subsidiary</b>	<b>(1 043 886.19)</b>

Kino Polska TV S.A. and Agora S.A. have joint control over Stopklatka S.A., which is recognised in the report as a joint venture. According to the investment agreement decisions concerning the significant operations require the unanimous consent of both parties sharing the control.

## 12. Finance income

<b>Finance income</b>	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Interest income including:	298 161.83	201 934.89
- Bank deposits	88 581.28	96 379.16
- Interest on loans unpaid	138 919.05	105 555.73
- Interest on loans paid	70 661.50	-
<b>Total</b>	<b>298 161.83</b>	<b>201 934.89</b>

(\*) Causes and effects of the introduced changes – Note 4

### 13. Finance costs

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Finance costs</b>		
Interest expenses including:	(815 634.76)	(172 992.87)
- Borrowings	(58 321.02)	(43 563.59)
- Finance lease	(757 313.74)	(123 726.13)
- Other	-	(5 703.15)
Bank fees	(84 240.00)	(92 911.96)
Investment revaluation costs	(228 615.71)	-
<b>Total</b>	<b>(1 128 490.47)</b>	<b>(265 904.83)</b>

(\*) Causes and effects of the introduced changes – Note 4

### 14. Income tax

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Current income tax</b>	(2 903 283.00)	(401 514.72)
Current income tax expense	(2 903 283.00)	(401 514.72)
Adjustments of current income tax pertaining to previous years	-	-
<b>Deferred income tax</b>	1 099 954.60	(620 169.30)
Related to recognition and reversal of temporary differences	1 099 954.60	(620 169.30)
<b>Tax charge recognized in profit/loss for the period</b>	<b>(1 803 328.40)</b>	<b>(1 021 684.02)</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Differences between the tax amount recognized in profit/loss and calculated at the current tax rate on profit before tax</b>		
<b>Profit before tax</b>	<b>16 004 341.15</b>	<b>19 336 640.41</b>
<b>Income tax calculated at the rate valid in 2014 and 2013 respectively (19% in Poland)</b>	<b>(3 040 824.82)</b>	<b>(3 673 961.68)</b>
Effect of non-deductible expenses	(226 608.06)	(56 477.57)
Effect of fees due to trademark	1 564 560.58	-
Effect of an unrecognised asset/deferred income tax liabilities for 2013- 12-31 in KPP Sp. z o.o. SKA	(100 456.11)	-
Effect of non-taxable revenue of KPP Sp. z o.o. SKA for 2013	-	2 708 755.23
<b>Tax charge recognized in profit/loss for the period</b>	<b>(1 803 328.41)</b>	<b>(1 021 684.02)</b>
<b>Effective tax rate</b>	<b>11.3%</b>	<b>5.3%</b>

(\*) Causes and effects of the introduced changes – Note 4

## 15. Deferred income tax

<i>Balance as at 31 December 2014</i>			
	Deferred income tax asset	Deferred income tax liabilities	Net value
<b>Temporary differences</b>			
Tax amortization of intangible assets	30 000.09	618 227.58	(588 227.49)
Borrowings - interest accrued	-	29 267.24	(29 267.24)
Trade receivables (bad debt allowance)	136 001.23	-	136 001.23
Deferred income/expense	13 361.38	89 444.43	(76 083.05)
Provisions	158 550.00	-	158 550.00
Trade and other liabilities	486.97	-	486.97
Employee benefits	84 098.26	-	84 098.26
Exchange differences	246 425.00	38 347.88	208 077.12
<b>Deferred income tax assets/ liabilities recognized in the balance sheet</b>	<b>668 922.93</b>	<b>775 287.13</b>	<b>(106 364.20)</b>
Incl. assets / deferred income tax over 12 months	5 152.99	-	5 152.99

<i>Balance as at 31 December 2013 Converted (*)</i>			
	Deferred income tax asset	Deferred tax provision	Net value
<b>Temporary differences</b>			
Tax amortization of intangible assets	-	885 602.00	(885 602.00)
Borrowings - interest accrued	-	6 880.10	(6 880.10)
Trade receivables (bad debt allowance)	21 357.92	-	21 357.92
Trade and other liabilities	21 023.48	-	21 023.48
Exchange differences	-	-	-
Finance leases	-	349 702.81	(349 702.81)
Other	26 050.76	32 566.04	(6 515.28)
<b>Deferred income tax assets/ liabilities recognized in the balance sheet</b>	<b>68 432.16</b>	<b>1 274 750.95</b>	<b>(1 206 318.79)</b>

(\*) Causes and effects of the introduced changes – Note 4

## 16. Earnings per share

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Net earnings on continuing operations	14 201 012.75	18 314 956.39
Loss on discontinued operations	-	-
Net earnings, total	14 201 012.75	18 314 956.39
Adjustments	-	-
<b>Net earnings attributable to ordinary shareholders used to calculate diluted earnings per share</b>	<b>14 201 012.75</b>	<b>18 314 956.39</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Weighted average number of ordinary shares used to calculate basic earnings per share	19 821 404.00	14 396 746.47
<b>Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share</b>	<b>19 821 404.00</b>	<b>14 396 746.47</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Basic earnings per share</b>		
Net earnings	14 201 012.75	18 314 956.39
Weighted average number of ordinary shares	19 821 404.00	14 396 746.47
<b>Basic earnings per share (PLN/share)</b>	<b>0.72</b>	<b>1.27</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Diluted earnings per share</b>		
Net earnings attributable to ordinary shareholders used to calculate diluted earnings per share	14 201 012.75	18 314 956.39
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	19 821 404.00	14 396 746.47
<b>Diluted earnings per share (PLN/share)</b>	<b>0.72</b>	<b>1.27</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
<b>Basic earnings per share from continued operations</b>		
Net earnings from continued operations	14 201 012.75	18 314 956.39
Weighted average number of ordinary shares	19 821 404.00	14 396 746.47
<b>Basic earnings per share (PLN/share)</b>	<b>0.72</b>	<b>1.27</b>

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Net earnings attributable to ordinary shareholders used to calculate diluted earnings per share from continued operations	14 201 012.75	18 314 956.39
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	19 821 404.00	14 396 746.47
<b>Diluted earnings per share (PLN/share)</b>	<b>0.72</b>	<b>1.27</b>
Net earnings attributable to ordinary shareholders used to calculate diluted earnings per share from continued operations		

(\*) Causes and effects of the introduced changes – Note 4

## 17. Property, plant and equipment

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT balance as at 31 December 2014	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	TOTAL
<b>a) Opening balance gross value</b>	<b>11 508 408.24</b>	<b>272 481.80</b>	<b>813 150.20</b>	<b>-</b>	<b>12 594 040.24</b>
<b>b) Increases (due to)</b>	<b>237 829.45</b>	<b>123 731.50</b>	<b>218 383.06</b>	<b>174 971.53</b>	<b>754 915.54</b>
- Purchase from other entities	237 829.45	123 731.50	43 411.53	174 971.53	579 944.01
- Reclassification from investment	-	-	174 971.53	-	174 971.53
<b>c) Decreases (due to)</b>	<b>(389 787.85)</b>	<b>(11 185.80)</b>	<b>(25 852.24)</b>	<b>(174 971.53)</b>	<b>(601 797.42)</b>
- Sales to other related entities	-	(9 700.00)	-	-	(9 700.00)
- Sales to other entities	(14 940.10)	(1 485.80)	-	-	(16 425.90)
- Liquidation	(374 847.75)	-	(25 852.24)	-	(400 699.99)
- Reclassification to fixed assets	-	-	-	(174 971.53)	(174 971.53)
<b>d) Closing balance gross value</b>	<b>11 356 449.84</b>	<b>385 027.50</b>	<b>1 005 681.02</b>	<b>-</b>	<b>12 747 158.36</b>
<b>e) Depreciation opening balance</b>	<b>(5 978 354.88)</b>	<b>(254 483.46)</b>	<b>(395 272.03)</b>	<b>-</b>	<b>(6 628 110.37)</b>
- Depreciation	(1 380 421.06)	(29 083.06)	(109 193.67)	-	(1 518 697.79)
- Sales of fixed asset	13 773.58	7 877.46	-	-	21 651.04
- Liquidation from Kino Polska Program TV Sp. z o.o.	371 606.42	-	23 008.23	-	394 614.65
<b>f) Depreciation closing balance</b>	<b>(6 973 395.94)</b>	<b>(275 689.06)</b>	<b>(481 457.47)</b>	<b>-</b>	<b>(7 730 542.47)</b>
<b>k) Net value opening balance</b>	<b>5 530 053.36</b>	<b>17 998.34</b>	<b>417 878.17</b>	<b>-</b>	<b>5 965 929.87</b>
<b>l) Net value closing balance</b>	<b>4 383 053.90</b>	<b>109 338.44</b>	<b>524 223.55</b>	<b>-</b>	<b>5 016 615.89</b>

Depreciation of intangible assets for 2014 in the amount of PLN 1 456 668.68 refers to the value recognized in the income statement in the item cost of sales, the remaining part of PLN 62 029.11 is recognised in general and administrative expenses.



<b>MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT</b> <b>balance as at 31 December 2013 Converted (*)</b>	<b>Technical equipment and machinery</b>	<b>Vehicles</b>	<b>Other fixed assets</b>	<b>Fixed assets under construction</b>	<b>TOTAL</b>
<b>a) Opening balance gross value</b>	<b>11 170 295.59</b>	<b>290 781.80</b>	<b>979 128.72</b>	<b>7 814.29</b>	<b>12 448 020.40</b>
<b>b) Increases (due to)</b>	<b>346 128.58</b>	<b>-</b>	<b>93 042.31</b>	<b>19 545.53</b>	<b>458 716.42</b>
- Purchase including investments in foreign fixed assets	346 128.58	-	65 682.49	19 545.53	431 356.60
- Reclassification from investment	-	-	27 359.82	-	27 359.82
<b>c) Decreases (due to)</b>	<b>(8 015.93)</b>	<b>(18 300.00)</b>	<b>(259 020.83)</b>	<b>(27 359.82)</b>	<b>(312 696.58)</b>
- Sales	(6 464.76)	(18 300.00)	-	-	(24 764.76)
- Reclassification between asset groups	7 726.00	-	(7 726.00)	(27 359.82)	(27 359.82)
- Liquidation	(9 277.17)	-	(251 294.83)	-	(260 572.00)
<b>d) Closing balance gross value</b>	<b>11 508 408.24</b>	<b>272 481.80</b>	<b>813 150.20</b>	<b>-</b>	<b>12 594 040.24</b>
<b>e) Depreciation for the period</b>	<b>(4 236 039.13)</b>	<b>(189 192.69)</b>	<b>(375 956.52)</b>	<b>-</b>	<b>(4 801 188.34)</b>
- Annual depreciation charge	(1 750 330.68)	(74 440.77)	(124 760.32)	-	(1 949 532.77)
- Sale of a fixed asset	6 464.76	9 150.00	-	-	15 614.76
- Reclassification between asset groups	(7 726.00)	-	7 726.00	-	-
- Liquidation	9 277.17	-	97 718.81	-	106 995.98
<b>f) Depreciation closing balance</b>	<b>(5 978 354.88)</b>	<b>(254 483.46)</b>	<b>(395 272.03)</b>	<b>-</b>	<b>(6 628 110.37)</b>
<b>k) Net value opening balance</b>	<b>6 934 256.46</b>	<b>101 589.11</b>	<b>603 172.20</b>	<b>7 814.29</b>	<b>7 646 832.06</b>
<b>l) Net value closing balance</b>	<b>5 530 053.36</b>	<b>17 998.34</b>	<b>417 878.17</b>	<b>-</b>	<b>5 965 929.87</b>

(\*) Causes and effects of the introduced changes – Note 4

Depreciation of fixed assets in the amount of PLN 1 798 210.01 refers to the value recognized in the income statement in the item cost of sales, the remaining part of PLN 151 322.76 is recognised in general and administrative expenses.

## 18. Intangible assets

MOVEMENTS IN INTANGIBLE ASSETS balance as at 31 December 2014.	Acquired concessions, patents	Film licenses with a limited useful life	Licenses with an indefinite useful life	Other intangible assets	Intangible assets under development	TOTAL
<b>a) Opening balance gross value</b>	<b>83 200.00</b>	<b>34 048 272.33</b>	<b>4 642 648.00</b>	<b>2 268 259.62</b>	<b>1 792 360.18</b>	<b>42 834 740.13</b>
<b>b) Increases due to</b>	-	<b>12 418 869.30</b>	-	<b>195 478.04</b>	<b>2 364 835.05</b>	<b>14 979 182.39</b>
- Purchase from other entities	-	5 892 861.12	-	195 478.04	2 364 835.05	8 453 174.21
- Reclassification	-	6 526 008.18	-	-	-	6 526 008.18
<b>c) Decreases due to</b>	-	<b>(4 127 656.65)</b>	<b>(4 642 648.00)</b>	<b>(18 970.25)</b>	<b>(1 883 360.18)</b>	<b>(10 672 635.08)</b>
- Sales to other entities	-	-	-	(1 486.86)	-	(1 486.86)
- Liquidation	-	(4 127 656.65)	-	(17 483.39)	-	(4 145 140.04)
- Reclassification	-	-	(4 642 648.00)	-	(1 883 360.18)	(6 526 008.18)
<b>d) Closing balance gross value</b>	<b>83 200.00</b>	<b>42 339 484.98</b>	-	<b>2 444 767.41</b>	<b>2 273 835.05</b>	<b>47 141 287.44</b>
<b>e) Amortization opening balance</b>	<b>(14 694.28)</b>	<b>(8 151 608.74)</b>	-	<b>(1 802 262.25)</b>	-	<b>(9 968 565.27)</b>
- Amortization	(8 319.88)	(10 518 069.39)	-	(278 329.27)	-	(10 804 718.54)
- Sales to other entities	-	-	-	1 486.86	-	1 486.86
- Liquidation	-	4 126 125.72	-	17 483.39	-	4 143 609.11
<b>g) Amortization closing balance</b>	<b>(23 014.16)</b>	<b>(14 543 552.41)</b>	-	<b>(2 061 621.27)</b>	-	<b>(16 628 187.84)</b>
<b>g) Impairment opening balance</b>	-	-	<b>(303 000.00)</b>	-	-	<b>(303 000.00)</b>
<b>h) Increases due to</b>	-	<b>(2 051 916.00)</b>	-	-	-	<b>(2 051 916.00)</b>
- Recognized	-	(1 748 916.00)	-	-	-	(1 748 916.00)
- Reclassification	-	(303 000.00)	-	-	-	(303 000.00)
<b>i) Decreases due to</b>	-	-	<b>303 000.00</b>	-	-	<b>303 000.00</b>
- Reclassification	-	-	303 000.00	-	-	303 000.00
<b>j) Impairment closing balance</b>	-	<b>(2 051 916.00)</b>	-	-	-	<b>(2 051 916.00)</b>
<b>k) Net value opening balance</b>	<b>68 505.72</b>	<b>25 896 663.59</b>	<b>4 339 648.00</b>	<b>465 997.37</b>	<b>1 792 360.18</b>	<b>32 563 174.86</b>
<b>l) Net value closing balance</b>	<b>60 185.84</b>	<b>25 744 016.57</b>	-	<b>383 146.14</b>	<b>2 273 835.05</b>	<b>28 461 183.60</b>

Amortization of intangible assets for 2014 in the amount of PLN 10 575 581.28 on the value recognized in the income statement in the item cost of sales, the remaining part of PLN 229 137.26 is recognised in general and administrative expenses.

MOVEMENTS IN INTANGIBLE ASSETS	Acquired concessions, patents	Film licenses with a limited useful life	Licenses with an indefinite useful life	Other intangible assets	Intangible assets under development	TOTAL
balance as at 31 December 2013 Converted (*)						
<b>a) Opening balance gross value</b>	<b>53 200.00</b>	<b>13 678 131.34</b>	<b>3 066 000.00</b>	<b>2 189 596.15</b>	<b>618 600.00</b>	<b>19 605 527.49</b>
<b>b) Increases due to</b>	<b>30 000.00</b>	<b>20 448 946.09</b>	<b>1 576 648.00</b>	<b>1 078 663.47</b>	<b>1 748 760.18</b>	<b>24 883 017.74</b>
- Purchase	30 000.00	20 448 946.09	1 648.00	1 078 663.47	1 748 760.18	23 308 017.74
- Reclassification between asset groups	-	-	1 575 000.00	-	-	1 575 000.00
<b>c) Decreases due to</b>	<b>-</b>	<b>(78 805.10)</b>	<b>-</b>	<b>(1 000 000.00)</b>	<b>(575 000.00)</b>	<b>(1 653 805.10)</b>
- Liquidation	-	(78 805.10)	-	-	-	(78 805.10)
- Reclassification between asset groups	-	-	-	(1 000 000.00)	(575 000.00)	(1 575 000.00)
<b>d) Closing balance gross value</b>	<b>83 200.00</b>	<b>34 048 272.33</b>	<b>4 642 648.00</b>	<b>2 268 259.62</b>	<b>1 792 360.18</b>	<b>42 834 740.13</b>
<b>e) Amortization opening balance</b>	<b>(8 919.99)</b>	<b>(4 303 293.35)</b>	<b>-</b>	<b>(1 469 018.47)</b>	<b>-</b>	<b>(5 781 231.81)</b>
- Annual depreciation charge	(5 774.29)	(3 927 120.49)	-	(333 243.78)	-	(4 266 138.56)
- Liquidation	-	78 805.10	-	-	-	78 805.10
<b>f) ) Amortization closing balance</b>	<b>(14 694.28)</b>	<b>(8 151 608.74)</b>	<b>-</b>	<b>(1 802 262.25)</b>	<b>-</b>	<b>(9 968 565.27)</b>
<b>g) Impairment opening balance</b>		-	-	-	-	-
<b>h) Increases due to</b>	<b>-</b>	<b>-</b>	<b>(303 000.00)</b>	<b>-</b>	<b>-</b>	<b>(303 000.00)</b>
- Recognized	-	-	(303 000.00)	-	-	(303 000.00)
<b>i) Decreases due to</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Derecognized	-	-	-	-	-	-
<b>j) Impairment closing balance</b>	<b>-</b>	<b>-</b>	<b>(303 000.00)</b>	<b>-</b>	<b>-</b>	<b>(303 000.00)</b>
<b>k) Net value opening balance</b>	<b>44 280.01</b>	<b>9 374 837.99</b>	<b>3 066 000.00</b>	<b>720 577.68</b>	<b>618 600.00</b>	<b>13 824 295.68</b>
<b>l) Net value closing balance</b>	<b>68 505.72</b>	<b>25 896 663.59</b>	<b>4 339 648.00</b>	<b>465 997.37</b>	<b>1 792 360.18</b>	<b>32 563 174.86</b>

(\*) Causes and effects of the introduced changes – Note 4

(\*\*)Reclassification of a part of licenses for licenses with limited useful lives is described in Note 4

Amortization of intangible assets in 2013 in the amount of PLN 4 228 048.21 refers to the value recognized in the income statement in the item cost of sales, the remaining part of PLN 38 090.35 is recognised in general and administrative expenses

## 19. Shares in subsidiaries and joint ventures as at 31 December 2014 and 31 December 2013.

Name (business name) of the entity with legal form	Registered office	Core business	Nature of relationship	Date of assuming control	Balance sheet value of stock/shares as at 31.12.2014 in PLN	Balance sheet value of stock/shares as at 31.12.2013 in PLN	Per cent of shares in the share capital as at 31.12.2014	Share in the total number of votes at the General Shareholders' Meeting as at 31.12.2013
<b>Stopklatka S.A. (1)</b>	Warsaw, Poland	Internet portal and TV operations	Joint venture	12-03/2014	PLN 6 903 824.29	PLN 6 059 975.95	41.04%	82.09%
<b>Cyfrowe Repozytorium Filmowe Sp. z o.o. (2)</b>	Warsaw, Poland	Digital re-mastering of films	Direct subsidiary	14-12-2011	PLN 2 980 010.00	PLN 2 600 010.00	100.00%	60.00%
<b>Kino Polska Program Sp. z o.o. SKA (3)</b>	Warsaw, Poland	Distribution of Kino Polska brand channels	Direct subsidiary	23-10-2012	-	PLN 4 127 236.37	-	100.00%
<b>Kino Polska Program Sp. z o.o.</b>	Warsaw, Poland	Management services	Direct subsidiary	23-10-2012	PLN 14 443.31	PLN 14 443.31	100.00%	100.00%
<b>KPTV Media Sp. z o.o.</b>	Warsaw, Poland	Production of TV movie channels	Direct subsidiary	23-10-2012	PLN 14 442.88	PLN 14 442.88	100.00%	100.00%
<b>Fundacja Kino Polska</b>	Warsaw, Poland	Promoting development of culture and art, including movies	Direct subsidiary	29-11-2011	PLN 5 000.00	PLN 5 000.00	100.00%	100.00%
<b>TV Okazje Sp. z o.o.</b>	Gdynia, Poland	Sales of teleshopping products	Direct subsidiary	18-09-2014	PLN 59 500.00	-	80.00%	-
<b>Filmbox International Ltd.</b>	London, Great Britain	Distribution of Filmbox brand channels	Direct subsidiary	01-12-2013	PLN 114 444 543.54	PLN 114 444 543.54	100.00%	100.00%

- (1) Stopklatka S.A. was a subsidiary of Kino Polska TV SA. until 11 March 2014. Following the transaction of the disposal of a part of shares as at 12 March 2014, this entity has been since classified as a jointly controlled entity. On 10 June 2014, Kino Polska TV S.A. increased the value of investment in Stopklatka S.A. by PLN 4 016 492.30 due to cash contribution for the newly issued Series D shares under the increased share capital of the company. The registration of the capital increase took place on 16 July 2014.
- (2) On 7 May 2014, Kino Polska TV S.A. acquired 40% of shares in Cyfrowe Repozytorium Filmowe Sp. z o.o. in the amount of PLN 380,000.00 and it currently holds 100% of the share capital of this company.
- (3) On 23 December 2014, the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register (the "Registry Court") made an entry in the register of entrepreneurs of the merger between Kino Polska TV S.A. and its subsidiary – Kino Polska Program TV Sp. z o.o. (the „Merger”). As a result of the above Merger, Kino Polska Program TV Sp. z o.o. ceased to exist.

## 20. Loans receivable

Balance as at 31 December 2014:

Financed entity	Currency	Principal amount in PLN	Value as at the balance sheet date		Interest terms and conditions	Maturity date	Collateral
			In currency	In PLN			
Tramway Sp. z o.o.	PLN	240 000,00	-	228 615,71	fixed- 10% p.a.	2014-06-30	A statement of submission of a natural person to enforcement pursuant to Article 777 § 1 point 4 of the Code of Civil Procedures issued by the debtor and the guarantor
Cyfrowe Repozytorium Filmowe Sp. z o.o.	PLN	800 000,00	-	876 893,84	WIBOR 12M increased by the margin 4 %	2015-12-15	Blank promissory note
TV Okazje Sp. z o.o.	PLN	500 000.00		505 159.99	WIBOR 3M +1.5%	2017-06-01*	A statement of submission to enforcement pursuant to Article 777 § 1 point 5 of the Code of Civil Procedures issued by the debtor blank promissory note
TV Okazje Sp. z o.o.	PLN	500 000.00		501 869.04	WIBOR 3M +1.5%	2017-11-01*	A statement of submission to enforcement pursuant to Article 777 § 1 point 4 of the Code of Civil Procedures issued by the debtor, blank promissory note
Stoplatka S.A.	PLN	600 000.00		646 756.83	8% p.a.	2015-06-30	A statement of submission to enforcement pursuant to Article 777 § 1 point 4 of the Code of Civil Procedures issued by the debtor, blank promissory note
Stoplatka S.A.	PLN	1 000 000.00		1 001 267.95	WIBOR 3M +1.5%	2015-06-30	None
Natural person	PLN	50 000.00		52 708.27	3% p.a.	2015-09-30	None
<b>Total loans</b>		<b>3 690 000.00</b>	<b>-</b>	<b>3 813 271.63</b>			
<b>Impairment loss</b>				(228 615.71)			
<b>Total</b>				<b>3 584 655.92</b>			

\*Part of the loans granted to TV Okazje Sp. z o.o. is presented as long-term (PLN 750 000.00 ), and the remainder as short-term as at 31 December 2014 - in accordance with the payment schedule contained in the agreement.

Balance as at 31 December 2013:

Financed entity	Currency	Principal amount in PLN	Value as at the balance sheet date		Interest terms and conditions	Maturity date	Collateral
			In currency	In PLN			
Tramway Sp. z o.o.	PLN	240 000.00	-	224 233.50	fixed 10% p.a.	2014-06-30	A statement of submission of a natural person to enforcement pursuant to Article 777 § 1 point 4 of the Code of Civil Procedures issued by the debtor and the guarantor
Cyfrowe Repozytorium Filmowe Sp. z o.o.	PLN	800 000.00	-	827 916.32	WIBOR 12M increased by the margin 4 %	2014-12-15	Blank promissory note
Stoplatka S.A.	PLN	600 000.00	-	609 017.00	8% p.a.	2014-12-31	A statement of submission of a natural person to enforcement pursuant to Article 777 § 1 point 4 of the Code of Civil Procedures issued by the debtor, Blank promissory n
Stoplatka S.A.	PLN	2 000 000.00	-	2 002 513.42	WIBOR 3M +1,5%	2014-12-31	None
Natural person	PLN	50 000.00	-	51 208.24	3% p.a.	2014-09-19	None
<b>Total loans</b>		<b>3 690 000.00</b>	<b>-</b>	<b>3 714 888.48</b>			

## 21. Inventories

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Materials	61 171.18	40 472.08
Goods	370 250.80	253 152.69
<b>Total</b>	<b>431 421.98</b>	<b>293 624.77</b>

(\*) Causes and effects of the introduced changes – Note 4

(\*) Causes and effects of the introduced changes – Note 4

## 23. Prepayments

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Prepayments, including:</b>		
- Subscriptions	-	5 795.81
- Insurance costs	77 981.85	68 794.06
- Fees related to preparation of the prospectus	-	50 000.00
- Production of TV program	20 261.20	29 767.50
- Other prepayments	93 822.94	143 749.48
<b>Total</b>	<b>192 065.99</b>	<b>298 106.85</b>

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Prepayments (maturity classes)</b>		
Long-term portion	16 387.48	16 578.39
Short-term portion	175 678.51	281 528.46
<b>Total</b>	<b>192 065.99</b>	<b>298 106.85</b>

(\*) Causes and effects of the introduced changes – Note 4

## 24. Cash and cash equivalents

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Cash in hand and at bank	6 270 495.13	6 367 957.26
Short-term deposits	10 983 722.83	2 297 004.20
Other	580 000.00	530 000.00
<b>Cash and cash equivalents total</b>	<b>17 834 217.96</b>	<b>9 194 961.46</b>

<b>Structure by currency and after translation to PLN</b>	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Amount in PLN	14 475 656.88	3 470 081.84
Amount in EUR	2 976 156.35	5 520 433.37
Amount in USD	382 404.73	204 446.25
<b>Cash and cash equivalents total</b>	<b>17 834 217.96</b>	<b>9 194 961.46</b>

(\*) Causes and effects of the introduced changes – Note 4



## 25. Share capital

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 DECEMBER 2014						
Series	Class of shares	Preference	Restriction on subscription rights	Number of shares	Nominal value per share	Value of series/issue at nominal value
A	ordinary bearer shares	None	None	13 821 404	0.10	1 382 140.40
C	ordinary bearer shares	None	None	6 000 000	0.10	600 000.00
<b>Total</b>				<b>19 821 404</b>		<b>1 982 140.40</b>

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 DECEMBER 2013						
Series	Class of shares	Preference	Restriction on subscription rights	Number of shares	Nominal value per share	Value of series/issue at nominal value
A	ordinary bearer shares	None	None	13 821 404	0.10	1 382 140.40
<b>Total</b>				<b>13 821 404</b>		<b>1 382 140.40</b>

The following table presents the shareholders of Kino Polska TV S.A. holding - according to the best knowledge of the Company - at least 5% of votes at the General Shareholders' Meeting of the Company at the date of publication of this quarterly report. The information in the table is based on information received from the shareholders in accordance with Article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies (the "Public Offering Act") of 29 July 2005.

The holder of shares as at 31 December 2014	Kind of shares	Number of share	Part of share capital (%)	Number of votes	Part of total votes
SPI International B.V. <sup>1</sup>	ordinary bearer shares	13 082 126	66.00%	13 082 126	66.00%
Investment funds managed by Ipopema TFI S.A. (jointly with Total FIZ and TTL 1 Sp. z o.o.) <sup>2</sup>	ordinary bearer shares	1 702 462	8.59%	1 702 462	8.59%
ING Powszechnie Towarzystwo Emerytalne S.A. (jointly with ING OFE and ING DFE) <sup>3</sup>	ordinary bearer shares	1 038 944	5.24%	1 038 944	5.24%
Other	ordinary bearer shares	3 997 872	20.17%	3 997 872	20.17%
<b>TOTAL</b>	<b>ordinary bearer shares</b>	<b>19 821 404</b>	<b>100%</b>	<b>19 821 404</b>	<b>100%</b>

<sup>1</sup> in accordance with the notice as at 28.05.2014

<sup>2</sup> in accordance with the notice as at 24.02.2014

<sup>3</sup> in accordance with the notice as at 29.05.2014

The holder of shares as at 31 December 2013	Kind of shares	Number of share	Part of share capital (%)	Number of votes	Part of total votes
SPI International B.V.	ordinary bearer shares	7 239 100	52.38%	7 239 100	52.38%
Investment funds managed by Ipopema TFI S.A. (jointly with Total FIZ and TTL 1 Sp. z o.o)	ordinary bearer shares	1 868 323	13.52%	1 868 323	13.52%
ING Powszechne Towarzystwo Emerytalne S.A. (jointly with ING OFE and ING DFE)	ordinary bearer shares	1 184 793	8.57%	1 184 793	8.57%
Other	ordinary bearer shares	3 529 188	25.53%	3 529 188	25.53%
<b>TOTAL</b>	<b>ordinary bearer shares</b>	<b>13 821 404</b>	<b>100%</b>	<b>13 821 404</b>	<b>100%</b>

\* In addition, SPI International B.V. held 6,000,000 of unregistered series C shares as at 31 December 2013.

On 19 February 2014, the Company received the decision on making registered changes in the share capital of the Issuer and the amendment to the Statute of the Company by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, resulting from the issuance of 6,000,000 of series C shares of Kino Polska TV S.A. with a par value of PLN 0,10 per one share. As a result of the registration of series C shares, the share premium in the amount of PLN 113 280 000.00 was established.

Cooperative SPI International U.A. is the parent of SPI International B.V. holding 100% of shares in this company. As at 31 December 2014, Hilda Uziyel was the parent in relation to Kino Polska TV S.A.

### **Information on dividend**

On 30 June 2014, the General Shareholders' Meeting of Kino Polska TV S.A adopted a resolution on the distribution of profit of the Company for the financial year ended 31 December 2013 and profit for the previous year in the amount of PLN 6, 219,631.80 as follows:

- 1) Net profit of the Company for the financial year ended 31 December 2013 in the amount of PLN 3,458,236.10 was allocated for distribution among the shareholders of the Company through the payment of dividend,
- 2) The amount of PLN 2,761,395.70 was transferred from the supplementary capital of the Company created from the profit for the period from 2007 to 2012 and allocated for distribution among the shareholders of the Company through the payment of dividend.

The dividend to shareholders of the Company for 2013 and previous years amounted to PLN 0.45 (say: forty-five groszy) per one share of Kino Polska TV S.A.

The shareholders who owned shares of the Company as at 14 July 2014 (the "dividend date") were entitled to the dividend.

The dividend payment date was set for 14 August 2014 (the dividend was paid in the term specified in the hereinafter resolution)

The General Shareholders' Meeting of Kino Polska TV S.A. decided to exclude the pre-emptive rights for 2013 and for the previous years in connection to 6 million series C shares of the Company acquired by Oblio International B.V. (currently SPI International B.V.) in exchange for 100% of shares in Filmbox International Ltd.

Number of shares subject to dividend: 13 821 404.

In addition, the Company will be recommending to the Supervisory Board of Kino Polska TV S.A. and to the General Shareholders' Meeting that the dividend to shareholders of Kino Polska TV S.A. for 2014 be paid in the amount of PLN 1 per share.

	<b>12 months ended 31.12.2014</b>	<b>12 months ended 31.12.2013 Converted (*)</b>
Declared and paid in the period from ordinary shares:	6 219 631.80	13 821 404.00
- Interim dividend	-	6 910 702.00
- Final dividend for the previous year	6 219 631.80	6 910 702.00
	<b>6 219 631.80</b>	<b>13 821 404.00</b>

(\*) Causes and effects of the introduced changes – Note 4

### **Transactions performed on share capital during the year**

#### **1) Share capital increase – C series shares issue**

On 19 February 2014, the Company received the decision on making registered changes in the share capital of the Issuer and the amendment to the Statute of the Company by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, resulting from the issuance of 6,000,000 of series C shares of Kino Polska TV S.A. with a par value of PLN 0,10 per one share

Cooperative SPI International U.A. is the parent of SPI International B.V. holding 100% of shares in this company.

## **Transactions performed on share capital during 2013**

### **1) Redemption of treasury shares and reduction of the share capital**

On 20 November 2013, District Court for the capital city of Warsaw, XIII Business Division of the National Court Register registered a change in the amount and structure of the Company's share capital arising from a reduction in the share capital of Kino Polska TV S.A. due to redemption of 48,596 treasury shares with the nominal value of PLN 0.10 each, bought back by the Company.

The resolution regarding redemption of treasury shares and reduction of the share capital was passed by Extraordinary Shareholders' Meeting of Kino Polska TV S.A. of 7 October 2013. At the same time, Extraordinary Shareholders' Meeting of Kino Polska TV S.A. decided to reclassify the reserve capital funds remaining under "Funds for acquisition of treasury shares" established in accordance with Resolution 4 of Extraordinary Shareholders' Meeting of 28 November 2011 in the amount of PLN 4,613,918.68 (PLN four million six hundred thirteen thousand nine hundred eighteen and 68/100) to supplementary capital.

Following the above change, the Company's share capital amounted to PLN 1,382,140.40 and was divided into 13,821,404 series A ordinary bearer shares. Following the reduction in the share capital, the number of votes at the General Meeting of Kino Polska TV S.A. amounted to 13,821,404. The total number of votes arising from all issued shares of the Company has been 13,821,404.

The number of votes at the General Meeting of Kino Polska TV S.A. arising from redeemed shares amounted to 48,596. The shares were redeemed upon the shareholders' consent. Treasury shares were purchased under a buyback scheme adopted by Resolution no. 4 of Extraordinary Shareholders' Meeting as at 28 November 2011. Shareholders received the total consideration of PLN 384,576.30 (PLN three hundred eighty four thousand five hundred seventy six and 30/100) for the redemption of the treasury shares.

### **2) Share capital increase: C series shares issue**

On 7 October 2013 Extraordinary Shareholders' Meeting of Kino Polska TV S.A. adopted a resolution to increase the share capital of the Company through an issue of C series shares, excluding subscription rights of the existing shareholders, applying for listing of the C shares with a regulated market organized by Warsaw Stock Exchange and dematerializing of the C series shares.

Pursuant to the resolution, the share capital of the Company was increased from PLN 1,382,140.40 to PLN 1,982,140.40, i.e. by PLN 600,000 through an issue of 6,000,000 ordinary C series bearer shares numbered from 000.000.001 to 006.000.000, with the nominal value of PLN 0.10 (PLN 10/100) each. No preferences have been assigned to the shares.

The C series shares were offered under private subscription to Oblio International B.V., which, based on the subscription agreement of 27 November 2013, assumed 6,000,000 C series ordinary bearer shares (numbered

from 000.000.001 to 006.000.000) in exchange for non-cash contribution in the form of 100% of shares in Filmbox International Ltd. with the registered office in London, entered in the commercial register held by Companies House under number 06931548 (the “in-kind contribution”). As at 31 August 2013, the Management Board of the Company determined the value of the contribution at PLN 113,800,000 meaning that the price per share was PLN 18.98 (PLN eighteen and 98/100).

Artur Rymarczyk, a certified auditor from Ecovis System Rewident sp. z o.o., an entity authorized to audit financial statements, entered under number 1253 on the list of authorized entities kept by the National Chamber of Statutory Auditors, in the opinion issued on 23 September 2013 on the audit of measurement of the in-kind contribution in the form of 100% of shares in Filmbox International Ltd. confirmed that the contribution value as determined by the Management Board had been correctly calculated and constituted the contribution’s fair value.

By the end of 2013, the equity arising from the issue of C series shares had not been registered by the Court. As a result, the Company decided to recognize it as at 31 December 2013 as “Not registered equity”. It is recognized in the statement of financial position in the line item “Other reserves”.

## 26. Capital management

The objective of the Company's capital risk management is to maintain an optimal capital structure, to maintain the ability to continue operations and generate return for shareholders and benefits for other stakeholders. Therefore, the Company monitors the indicators in the area of debt, pursues an active policy on the payment of dividends, the issue of new shares or purchasing and subsequent redemption or resale of previously issued shares and the possible sale of assets to reduce debt. The analysed by the Company debt ratios as at 31 December 2014 and 31 December 2013 were as follows:

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Equity	184 678 350.49	176 696 969.54
Net value of non-current assets including:	181 030 738.01	192 201 264.10
- Intangible assets	28 461 183.60	32 563 174.86
Balance sheet total	231 033 007.70	240 588 531.57
<b>Equity-To-Asset ratio</b>	<b>1.02</b>	<b>0.92</b>
Profit on operating activities	16 834 669.79	19 400 610.35
Plus: result on disposal of subsidiary	1 043 886.19	-
Plus: impairment of fixed assets and intangible assets	1 748 916.00	303 000.00
Plus: depreciation/amortisation of fixed assets and intangible assets	12 323 416.33	6 193 171.33
Plus / minus: exchange differences negative / positive	1 642 525.03	(75 339.24)
Plus: budget interest expense	90 651.80	17 793.25
Plus: revenues from interests paid	159 242.78	96 379.16
<b>EBITDA all operations excluding the result on disposal of subsidiary</b>	<b>33 843 307.92</b>	<b>25 935 614.85</b>
<b>Borrowings and other funding sources (including leases)</b>	<b>34 429 859.69</b>	<b>38 781 820.38</b>
<b>Ratio: Borrowings and other funding sources /EBITDA</b>	<b>1.02</b>	<b>1.50</b>

(\*) Causes and effects of the introduced changes – Note 4

The Company defines EBITDA as operating profit adjusted for depreciation and impairment of property, plant and equipment and intangible assets and the result on disposal of Stopklatka S.A. and participation in its loss. In addition, in the calculation of EBITDA the Company eliminates differences and budget interest expense and

recognizes income from interest paid. EBITDA is not defined by the IFRS of EU and may be calculated differently by other entities.

## 27. Borrowings

As at 31 December 2014, the Company had the following borrowings and open credit facilities and loans:

Financing entity	Currency	Credit/limit value	Credit value as at the end of the reporting period		Interest terms and conditions	Maturity date	Collateral
			In currency	In PLN			
Bank Polska Kasa Opieki S.A.	PLN	Up to 8 000 000.00	n.a.	3 580 389.04	WIBOR 1M +3.0%	30.06.2015	Blank promissory note, a statement of submission to enforcement, authorization to debit bank accounts and receivable assignment contract
<b>Total borrowings</b>		<b>8 000 000.00</b>		<b>3 580 389.04</b>			

As at 31 December 2013 the Company had the following borrowings and open credit facilities and loans

Financing entity	Currency	Credit/limit value	Credit value as at the end of the reporting period		Interest terms and conditions	Maturity date	Collateral
			In currency	In PLN			
Bank Polska Kasa Opieki S.A.	PLN	Up to 8 000 000,00	n.a.	829 480,10	WIBOR 1M +3,0%	30.06.2014	Blank promissory note, a statement of submission to enforcement, authorization to debit bank accounts and receivable assignment contract
<b>Total borrowings</b>		<b>8 000 000.00</b>		<b>829 480.10</b>			

## 28. Provisions

	Payroll provision	Provision for unused annual leave	Provision for retirement benefits	Provision for the audit/review of financial statements	Other provisions	Total
<b>As at 1 January 2014</b>	-	235 207.79	-	-	1 078 000.00	1 313 207.79
Recognized	-	818 947.73	27 121.00	-	-	846 068.73
Applied	-	(657 304.68)	-	-	(1 078 000.00)	(1 735 304.68)
Derecognized	-	-	-	-	-	-
<b>As at 31 December 2014</b>	-	396 850.84	27 121.00	-	-	423 971.84

	Payroll provision	Provision for unused annual leave	Provision for retirement benefits	Provision for the audit/review of financial statements	Other provisions	Total
<b>As at 1 January 2013</b>	307 780.00	197 723.32	-	49 600.00	40 646.82	595 750.14
Recognized	-	235 207.79	-	32 000.00	1 078 000.00	1 345 207.79
Applied	(307 780.00)	-	-	(81 600.00)	(40 646.82)	(430 026.82)
Derecognized	-	(197 723.32)	-	-	-	(197 723.32)
<b>As at 31 December 2013</b>	-	235 207.79	-	-	1 078 000.00	1 313 207.79
<b>Converted (*)</b>						

Provisions (maturity classes)	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
Long-term portion	27 121.00	350 000.00
Short-term portion	396 850.84	963 207.79
<b>Total provisions</b>	<b>423 971.84</b>	<b>1 313 207.79</b>

(\*) Causes and effects of the introduced changes – Note 4

Provisions are recognized, if the Company has a present obligation (legal or constructive) as a result of a past event and when it is probable that the fulfilment of this obligation will be associated with the outflow of economic benefits.

Liabilities due to short-term employee benefits are measured on an undiscounted basis and are included as an expense in the amount provided for the payment. The Company is required under the existing regulations for the payment of retirement benefits in accordance with the provisions of the Labour Code. The minimum amount of retirement benefits derives from the provisions of the Labour Code in force at the date of payment of retirement benefit. The calculation is performed using the projected unit credit method. Changes in the value due to retirement benefits are recognized in profit or loss.

The balance of provisions as at 31 December 2013 includes a provision in the amount of PLN 1 000 000, including long-term portion in the amount of PLN 350 000. This provision is related to estimated additional costs of film co-productions.

## 29. Lease and future liabilities

On 1 October 2013 Kino Polska Program Spółka z ograniczoną odpowiedzialnością S.K.A. („Kino Polska program”) entered into an agreement to sell the trademark "PL Kino Polska" to a subsidiary of Kino Polska TV S.A - KPTV Media Sp. z o.o ("KPTV Media").

Also, on 1 October 2013, KPTV Media concluded an agreement on the lease of the trademark „PL Kino Polska” to Kino Polska TV S.A. This agreement provides for the option to purchase of the trademark by Kino Polska TV S.A. after 5 years at a price favourable in relation to the estimated fair value of the trademark at the date when this option becomes executable. This agreement was classified as a finance lease in the financial statements for the financial year ended 31 December 2013. The Company recognizes the liability due to finance lease in the amount of PLN 40 000 000 and in the same amount of the trademark. In the current period, the initial value of the recognized items was adjusted in order to ensure compliance with the recognition requirements of IAS 17.

Thus, Kino Polska TV S.A. adjusted the finance lease liability in the amount of PLN 39 084 000, previously recognized as at the date of conclusion of the agreement in its balance.

In addition, the Management Board of the Company assessed that these three transactions should be analysed jointly and that their economic content indicates a sale transaction and leaseback. It was therefore considered that the value of the trademark measured as a result of a finance lease should be recognized at its book value before the in kind contribution transaction made by Kino Polska TV S.A. (i.e. in the carrying value of nil) and the lease liability in the amount of PLN 39 084 000 measured in correspondence with an increase in the value of investment in Kino Polska Program, a subsidiary.

In these financial statements, as a result of the merger settlement between Kino Polska TV S.A. and Kino Polska Program, the value of the investment in the subsidiary has been eliminated in correspondence with the equity of the acquired company, which is recognized in the financial statements as Finance lease liabilities due to trademark and receivable from the sale of the mark.

### **FINANCE LEASE**

The following data concerning the finance leases liabilities include both liabilities due to the lease agreement of the trademark and the lease of the IT equipment.

	<i>Balance as at 31 December 2014</i>		
	<b>Current value</b>	<b>Future minimum lease payments</b>	<b>Interest</b>
Up to 1 year	7 266 157.86	7 800 000.00	533 842.14
From 1 to 5 years	23 583 312.79	24 300 000.00	716 687.21
Over 5 years	-	-	-
<b>Total</b>	<b>30 849 470.65</b>	<b>32 100 000.00</b>	<b>1 250 529.35</b>



	<i>Balance as at 31 December 2013 Converted (*)</i>		
	<b>Current value</b>	<b>Future minimum lease payments</b>	<b>Interest</b>
Up to 1 year	7 042 995.29	7 800 000.00	675 576.74
From 1 to 5 years	30 909 344.99	32 100 000.00	1 250 529.35
Over 5 years	-	-	-
<b>Total</b>	<b>37 952 340.28</b>	<b>39 900 000.00</b>	<b>1 926 106.09</b>

#### Obligations under finance leases

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Obligations under finance leases</b>		
Long-term portion	23 583 312.79	30 909 344.99
Short-term portion	7 266 157.86	7 042 995.29
<b>Total</b>	<b>30 849 470.65</b>	<b>37 952 340.28</b>

### OPERATING LEASE

Since June 2012, Kino Polska TV S.A. has leased office space at Puławska 435A based on an agreement concluded with PK13 Sp. z ograniczoną odpowiedzialnością and binding until 31 December 2018. Pursuant to this agreement, in 2013 the Company paid monthly rent of approx. PLN 154 thousand. The rent is subject to an annual revaluation due to the inflation.

#### Future liabilities under operating leases in respect of lease agreements for office space

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Up to 1 year	158 000,00	132 512,51
From 1 to 5 years	-	-
Over 5 years	-	-
<b>Total</b>	<b>158 000.00</b>	<b>132 512.51</b>

#### Future liabilities under agreements for the provision of broadcasting services and other services

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Up to 1 year	1 183 249.38	1 162 812.06
From 1 to 5 years	-	-
Over 5 years	-	-
<b>Total</b>	<b>1 183 249.38</b>	<b>1 162 812.06</b>

**Future liabilities under agreements for acquiring of film licenses**

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
Up to 1 year	1 938 036.95	1 338 515.62
From 1 to 5 years	-	422 689.14
Over 5 years	-	-
<b>Total</b>	<b>1 938 036.95</b>	<b>1 761 204.76</b>

**30. Trade and other liabilities**

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Non-current trade liabilities</b>		
<b>Trade liabilities to related entities</b>		
- Trade liabilities	114 525.19	2 373 435.54
	<b>114 525.19</b>	<b>2 373 435.54</b>
<b>Trade liabilities to other entities</b>		
	-	-
<b>Non- current trade and other liabilities</b>	<b>114 525.19</b>	<b>2 373 435.54</b>

**Current liabilities**

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Trade liabilities to related entities</b>	<b>6 005 839.49</b>	<b>3 110 924.44</b>
- Trade liabilities	6 005 839.49	3 110 924.44
<b>Trade liabilities to other entities</b>	<b>4 898 481.80</b>	<b>17 104 785.88</b>
- Trade liabilities	4 628 608.94	16 761 040.56
- Payroll liabilities	27 793.96	36 932.91
- Budget liabilities other than current income tax	231 584.33	283 266.04
- Other non-financial liabilities	10 494.57	23 546.37
<b>Total current trade and other liabilities</b>	<b>10 904 321.29</b>	<b>20 215 710.32</b>

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<b>Deferred income</b>	375 615.00	1 069.20

(\*) Causes and effects of the introduced changes – Note 4

### 31. Contingent liabilities

In connection with meeting on 21 February 2014 of the conditions specified in the investment agreement signed on 22 February 2013 between Kino Polska TV S.A. ("KPTV") and Agora S.A. ("Agora"), at the execution of which KPTV made to Agora an irrevocable and binding offer for the sale of 933,850 shares of Stopklatka S.A. (the "Shares") and Agora on 12 March 2014 accepted this offer, an agreement for the sale of Shares was concluded between Agora and KPTV, under which on 12 March 2014 KPTV sold to Agora S.A. of 933,850 shares of Stopklatka S.A. and thus the share of KPTV in the total number of votes in Stopklatka S.A. fell below 50%.

On 27 June 2014, the Management Board of Stopklatka S.A. allotted 4,254,710 of series D shares, issued to finance the current activities of this entity, including, among other, the repayment of loans taken for the start-up and development of Stopklatka TV channel and further investments related to the television operations of this company (including the purchase of film rights). Kino Polska TV S.A. fully exercised its pre-emptive rights and thus acquired 1,746,301 of series D shares of Stopklatka S.A. for a total amount of PLN 4,016,492.30. Currently KPTV holds 2,680,152 of ordinary bearer shares of Stopklatka S.A., which constitutes 41.04% of the share in the share capital of the Issuer and corresponds to 2,680,152 votes and 41.04% of the total number of votes at the General Shareholders' Meeting of this company.

Furthermore, in 2013 the Company granted a bank guarantee to the agreement signed between Media Broadcast GmbH and Filmbox International Ltd. (a 100% subsidiary of the Issuer), pursuant to which it made a commitment to Media Broadcast GmbH that in case Filmbox International Ltd. should not comply with the provisions of the agreement (especially in the financial aspect), these liabilities should be regulated by Kino Polska TV S.A. The guarantee was made to the amount of EUR 165,000.00 (say: one hundred sixty five thousand Euro). Due to the fact that the agreement between Media Broadcast GmbH and Filmbox International Ltd. ceased to have effect from 1 March 2014, the commitments of the Company under the guarantee described above also expired.

In 2013, Kino Polska TV S.A. issued guarantees for loans taken out by Stopklatka S.A. from Agora S.A. on 19 December 2013. The liabilities of Kino Polska TV S.A. arising from this contract of surety expired on 13 March 2014 - the day after the acquisition by Agora S.A. of 41.04% of shares in the share capital of Stopklatka S.A.

### 32. Financial instruments

	<b>Balance as at 31 December 2014</b>	<b>Balance as at 31 December 2014</b>
	<b>Fair value</b>	<b>Book value</b>
<b>Loans and receivables, including:</b>		
Trade receivables	17 379 234.97	17 379 234.94
Receivables from trademark	28 948 983.14	31 114 486.63
Cash and cash equivalents	17 834 217.96	17 834 217.96
Loans receivable	3 544 024.43	3 584 655.92
<b>Total</b>	<b>67 706 460.50</b>	<b>69 942 595.48</b>

	Balance as at 31 December 2014	Balance as at 31 December 2014
	Fair value	Book value
<b>Finance liabilities measured at amortized cost, including:</b>		
<b>Non-current financial liabilities e:</b>	<b>21 459 876.17</b>	<b>23 583 312.79</b>
Other financial liabilities (lease)	21 459 876.17	23 583 312.79
<b>Current liabilities:</b>	<b>21 830 934.27</b>	<b>21 480 995.33</b>
Trade liabilities	10 634 448.43	10 634 448.43
Borrowings	3 580 389.04	3 580 389.04
Other financial liabilities (lease)	7 616 096.80	7 266 157.86
<b>Total</b>	<b>43 290 810.44</b>	<b>45 064 308.12</b>

	12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)
<b>Interest income</b>		
Bank deposits	88 581.28	96 379.16
Loans receivable	209 580.55	95 330.49
<b>Total</b>	<b>298 161.83</b>	<b>191 709.65</b>
- including on impaired assets	24 382.21	-

	12 months ended 31.12.2014	12 months ended 31.12.2013 Converted (*)
<b>Interest expense</b>		
Short- and long-term borrowings	(58 321.02)	(43 563.59)
Finance leases	(757 313.74)	(123 726.13)
Loans obtained	-	-
<b>Total</b>	<b>(815 634.76)</b>	<b>(167 289.72)</b>

(\*) Causes and effects of the introduced changes – Note 4

### 33. Financial assets

	Balance as at 31 December 2014	Balance as at 31 December 2013 Converted (*)
<b>Loans receivable</b>		
Loans receivable to related parties	3 531 947.65	3 439 446.74
Loans receivable to other entities	52 708.27	275 441.74
<b>Total</b>	<b>3 584 655.92</b>	<b>3 714 888.48</b>

<b>Loans (maturity classes)</b>	<b><i>Balance as at 31 December 2014</i></b>	<b><i>Balance as at 31 December 2013 Converted (*)</i></b>
- long term	750 000.00	-
- short term	2 834 655.92	3 714 888.48
<b>Total loans</b>	<b>3 584 655.92</b>	<b>3 714 888.48</b>

(\*) Causes and effects of the introduced changes – Note 4

### 34. Information about related party transactions

	12 months ended 31.12.2014				12 months ended 31.12.2013 Converted (*)			
Revenue from sales to related parties	Revenue from sales of products	Revenue from sales of goods and materials	Revenue from sales of fixed assets, intangible assets, etc.	Other revenue (including interest)	Revenue from sales of products	Revenue from sales of goods and materials	Revenue from sales of fixed assets, intangible assets, etc.	Other revenue (including interest)
<i>KINO POLSKA PROGRAM SP. Z O.O.</i>	15 955.66	-	-	-	17 724.55	-	-	-
<i>KPTV MEDIA SP. Z O.O.</i>	1 911 506.60	4 085.90	-	-	1 720 941.56	-	-	-
<i>CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.</i>	246 078.99	-	-	72 000.00	101 485.29	-	-	72 000.00
<i>TV OKAZJE SP. Z O.O.</i>	27 716.02	-	-	7 029.03	-	-	-	-
<i>FILMBOX INTERNATIONAL LTD.</i>	20 450 641.02	-	-	-	21 913 879.25	-	-	-
<i>STOPKLATKA S.A.</i>	1 480 265.98	227 712.69	-	104 649.28	223 654.47	-	-	11 530.42
<i>MEDIABOX BROADCASTING INTERNATIONAL LTD.</i>	2 391 970.04	-	-	-	1 293 822.49	-	-	-
<i>EROX INTERNATIONAL BV</i>	230 117.31	-	-	-	30 905.33	-	-	-
<i>SPI INTERNATIONAL BV</i>	416 734.79	-	-	-	35 966.12	-	-	-
<i>SPI INTERNATIONAL NV</i>	457 362.56	-	-	-	360 929.86	-	-	-
<i>HELP FILM S.R.O.</i>	-	-	-	-	2 988.54	-	-	-
<i>SPI INTERNATIONAL POLSKA SP.ZO.O.</i>	-	-	-	-	76 725.69	-	-	-
<i>SPINKA FILM STUDIO SP. Z O.O.</i>	48 379.79	1 830.00	3 300.00	-	41 561.31	-	-	-
<i>WYTWÓRNIA POZYTYWNA</i>	1 300.00	-	-	-	3 600.00	-	-	-
<i>ADRENALINE MOTORSPORT SP. Z O.O.</i>	2 468.70	-	-	-	3 600.00	-	-	-
<i>FUNDACJA KINO POLSKA</i>	9 306.64	-	-	-	-	-	-	-
<i>Other related parties</i>	1 931.20	-	-	-	5 179.12	-	-	-
<b>Total revenue from sales to related parties</b>	<b>27 691 735.30</b>	<b>233 628.59</b>	<b>3 300.00</b>	<b>183 678.31</b>	<b>25 832 963.58</b>	<b>-</b>	<b>-</b>	<b>83 530.42</b>

	12 months ended 31.12.2014				12 months ended 31.12.2013 Converted (*)			
Purchases from related parties	Purchase of services	Purchase of goods and materials	Purchase of fixed assets, intangible assets, etc.	Other expenses (including interest)	Purchase of services	Purchase of goods and materials	Purchase of fixed assets, intangible assets, etc.	Other expenses (including interest)
<i>KINO POLSKA TV S.A.</i>	-	-	-	-	-	-	-	-
<i>KINO POLSKA PROGRAM SP. Z O.O. SKA</i>	-	-	-	-	-	-	-	-
<i>KINO POLSKA PROGRAM SP. Z O.O.</i>	120 000.00	-	-	-	120 000.00	-	-	-
<i>KPTV MEDIA SP. Z O.O.</i>	1 279 912.01	-	-	-	2 828 045.73	-	-	109 458.92
<i>CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.</i>	360 442.08	41 700.00	-	-	117 371.96	-	22 500.00	-
<i>TV OKAZJE SP. Z O.O.</i>	-	-	-	-	-	-	-	-
<i>FILMBOX INTERNATIONAL LTD.</i>	23 860 989.48	26 931.39	-	-	1 827 966.49	20 063.73	-	-
<i>STOPKLATKA S.A.</i>	38 549.60	-	-	-	1 159 096.22	-	-	-
<i>SPINKA FILM STUDIO SP. Z O.O.</i>	264 668.39	-	-	-	296 739.61	-	-	-
<i>MEDIABOX BROADCASTING INTERNATIONAL LTD.</i>	12 317.59	-	-	-	-	-	-	-
<i>FLEXIMEDIA MARCIN KOWALSKI</i>	290 849.99	-	-	-	-	-	-	-
<i>SCRAMBLED EGGS PRODUCTION KRZYSZTOF MAR</i>	180 414.97	-	-	-	-	-	-	-
<i>SPI INTERNATIONAL BV</i>	1 484.71	4 106 703.06	4 565 709.31	-	-	-	-	-
<i>SPI INTERNATIONAL INC</i>	39 212.26	-	-	-	-	-	-	-
<i>WYTWÓRNIĄ POZYTYWNA</i>	1 481.97	73 164.00	-	-	-	-	-	-
<i>FUNDACJA KINO POLSKA</i>	-	-	-	360 000.00	-	-	-	20 000.00
<i>Other related</i>	-	-	-	-	462 607.24	28 153.90	-	-
<b>Total purchases from related parties</b>	<b>26 450 323.05</b>	<b>4 248 498.45</b>	<b>4 565 709.31</b>	<b>360 000.00</b>	<b>6 811 827.25</b>	<b>48 217.63</b>	<b>22 500.00</b>	<b>129 458.92</b>

Presented revenue with related parties is related to the provision of production, post-production and telecommunications services as well as advertising. Expenses are related to the purchased services are primarily associated with the fees for distribution and royalties and production and post-production services related to the television operations.

<b>Receivables from related parties</b>	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<i>KINO POLSKA PROGRAM SP. Z O.O.</i>	1 230.00	1 230.00
<i>KPTV MEDIA SP. Z O.O.</i>	31 897 157.84	39 185 656.97
<i>CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.</i>	1 025.95	2 163.60
<i>TV OKAZJE SP. Z O.O.</i>	34 090.71	-
<i>FILMBOX INTERNATIONAL LTD.</i>	3 455 040.21	5 593 773.39
<i>STOPKLATKA S.A.</i>	502 658.13	40 761.90
<i>HELP FILM S.R.O.</i>	-	2 982.60
<i>SPI INTERNATIONAL POLSKA SP. Z O.O.</i>	-	1 941.57
<i>OBLIO INTERNATIONAL B.V</i>	-	275.00
<i>SPI INTERNATIONAL B.V</i>	60 639.07	6 553.50
<i>SPI INTERNATIONAL N.V.</i>	203 719.63	498 357.14
<i>MEDIABOX BROADCASTING INTERNATIONAL LTD.</i>	1 282 457.50	1 288 241.17
<i>EROX INTERNATIONAL BV</i>	183 988.23	30 905.33
<i>SPINKA FILM STUDIO SP. Z O.O.</i>	15 420.96	2 002.27
<i>ADRENALINE MOTORSPORT SP. Z O.O.</i>	-	369.00
<i>FUNDACJA KINO POLSKA</i>	386.22	-
<i>'- from key management and supervising staff</i>	40.50	5 782.23
<b>Total receivables from related parties</b>	<b>37 637 854.95</b>	<b>46 660 995.67</b>

<b>Liabilities to related parties</b>	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted (*)</i>
<i>KINO POLSKA PROGRAM SP. Z O.O.</i>	-	-
<i>KPTV MEDIA SP. Z O.O.</i>	31 105 268.54	38 379 642.36
<i>CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.</i>	26 795.49	-
<i>FILMBOX INTERNATIONAL LTD.</i>	-	1 827 966.49
<i>STOPKLATKA S.A.</i>	3 160.09	52 352.73
<i>SPI INTERNATIONAL B.V</i>	5 707 806.64	750 000.00
<i>OBLIO INTERNATIONAL B.V</i>	-	11 550.89
<i>WYTWÓRNIĄ POZYTYWNA</i>	-	977.75
<i>FLEXIMEDIA MARCIN KOWALSKI</i>	-	20 910.00
<i>PANAMA PIOTR OLAK</i>	-	19 864.50
<i>'- to other related parties</i>	12 279.38	-
<b>Total liabilities to related parties</b>	<b>36 855 310.14</b>	<b>41 063 264.72</b>

(\*) Causes and effects of the introduced changes – Note 4

In the Management Board's opinion, the transactions with the related parties took place under conditions equivalent to existing in transactions carried out under normal market conditions.



Description of the nature of the relationship between related parties:

NAME/NAME SURNAME OF THE RELATED PARTY	CONDITION FOR RECOGNITION AS A RELATED PARTY
ADRENALINE MOTORSPORT SP. Z O.O.	other related party
CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.	subsidiary
EROX INTERNATIONAL B.V.	other related party
FILMBOX INTERNATIONAL LTD.	subsidiary
FLEXIMEDIA MARCIN KOWALSKI	business operations conducted by a person of the key management personnel of the entity
FUNDACJA KINO POLSKA	subsidiary
HELP FILM S.R.O.	subsidiary
KPTV MEDIA SP. Z O.O.	subsidiary
KINO POLSKA PROGRAM SP. Z O.O.	subsidiary
MEDIABOX BROADCASTING INTERNATIONAL LTD	other related party
PANAMA PIOTR OLAK	other related party
SPI INTERNATIONAL B.V. (OBLIO INTERNATIONAL B.V, SPI INTERNATIONAL SP. Z O.O.)	senior parent entity
SPI INTERNATIONAL INC	other related party
SPI INTERNATIONAL N.V.	other related party
SCRAMBLED EGGS PRODUCTION KRZYSZTOF MAR	key management personnel of the entity
SPINKA FILM STUDIO SP.Z O.O.	other related party
STOPKLATKA S.A.	joint venture
TV OKAZJE SP. Z O.O.	subsidiary
WYTWÓRNIĄ POZYTYWNA PIOTR REISCH	other related party

### 35. Remuneration of senior management

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Current employee benefits (payroll and payroll charges)	779 165.09	1 511 184.33
<b>Total remuneration paid to senior management</b>	<b>779 165.09</b>	<b>1 511 184.33</b>
	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Management Board	736 519.05	1 489 188.69
Supervisory Board	42 646.04	21 995.64
<b>Total</b>	<b>779 165.09</b>	<b>1 511 184.33</b>

#### Management Board

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Piotr Reisch	109 683.00	506 320.00
Bogusław Kisielewski	535 545.73	982 868.69
Berk Uziyel	91 290.32	-
<b>Total</b>	<b>736 519.05</b>	<b>1 489 188.69</b>

#### Supervisory Board

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Loni Farhi	3 000.00	-
Stacey Sobel	3 000.00	-
Berrin Avcilar	3 000.00	-
Piotr Orłowski	24 158.24	21 995.64
Krzysztof Rudnik	3 162.60	-
Leszek Stypulkowski	3 162.60	-
Piotr Reisch	3 162.60	-
<b>Total</b>	<b>42 646.04</b>	<b>21 995.64</b>

(\*) Causes and effects of the introduced changes – Note 4

### 36. Employment structure

	<i>Balance as at 31 December 2014</i>	<i>Balance as at 31 December 2013 Converted(*)</i>
Management Board	2	2
Department head	9	10
Administration	9	7
TV channels department	59	52
Other specialists	-	-
<b>Total</b>	<b>79</b>	<b>71</b>

(\*) Causes and effects of the introduced changes – Note 4

### 37. Information of the fee of the statutory auditor or entity authorised to audit financial statements

	<i>12 months ended 31.12.2014</i>	<i>12 months ended 31.12.2013 Converted (*)</i>
Statutory review/audit of financial statements	180 450.00	78 000.00
Other assurance services	-	49 000.00
Tax advisory services	-	-
Other services	2 500.00	6 500.00
<b>Total</b>	<b>182 950.00</b>	<b>133 500.00</b>

(\*) Causes and effects of the introduced changes – Note 4

### 38. Exchange rates

Exchange valid as at the period end	Balance as at 31 December 2014	Balance as at 31 December 2013
USD	3.507200	3.012000
EUR	4.262300	4.147200
GBP	5.464800	4.982800
CZK	0.153700	0.151300
HUF	0.013538	0.013969

Average exchange rate*	12 months ended 31.12.2014	12 months ended 31.12.2013
USD	3.178400	3.165300
EUR	4.189300	4.211000
GBP	5.222500	4.953200
CZK	0.152000	0.162000
HUF	0.013528	0.014134

\* calculated as the arithmetic mean of the applicable exchange on the last day of each month during the period

### 39. Post balance sheet events

#### **The conclusion of loan agreement between Kino Polska TV S.A. and TV Okazje Sp. z o.o.**

On 12 March 2015, a loan agreement was signed between Kino Polska TV S.A. (the "Lender") and TV Okazje Sp. z o.o (the "Borrower").

The Lender under this agreement committed to provide a loan to the Borrower in the amount of PLN 350 000.00 within three days from the date of conclusion of the agreement. The interest rate on the loan was determined based on WIBOR 3M plus 1.5 % points (one and a half percentage points) per year.

The legal security for the repayment of the loan is issued by the Borrower's blank promissory note and submission of the Borrower to enforcement pursuant to Article 777 § 1 point 5 of the Code of Civil Procedures in terms of repayment of the entire loan including the accrued interest.

The parties agreed that the repayment of the loan plus interest will take place in a single payment not later than 17 June 2015. This loan will be used primarily to finance the operation activities of the Borrower.

#### **Registered in the deposit of securities of series C shares of Kino Polska TV S.A**

On 20 January 2015 6.000.000 (six million) of series C shares of Kino Polska TV S.A. denoted with ISIN PLKNOPL00014 were registered in the deposit of securities kept by the National Depository for Securities S.A. (current report no. 3/2015);

#### **Admission to trading of Kino Polska TV S.A. series C shares**

On 16 January 2015, the Company it received a resolution no. 65/2015 dated 16 January 2015 from the Management Board of the Warsaw Stock Exchange in Warsaw concerning the admission and introduction to trading on the Warsaw Stock Exchange Main List of ordinary bearer series C shares of Kino Polska TV S.A. of

the following statement

„§ 1 The Management Board of WSE represents that pursuant to §19 sec.1 and 2 of the WSE Rules, 6,000,000 (six million) ordinary bearer series C shares of KINO POLSKA TV S.A., with a nominal value of PLN 0.10 (ten groszy) each, shall be admitted to trading on the main market of the WSE. §2 Pursuant to §38 sec.1 and 3 of the WSE Rules, the Management Board of WSE resolves to admit as of 20 January 2015, by way of an ordinary procedure to admit trading on the main market of the shares of KINO POLSKA TV S.A., mentioned in §1 conditional on the registration of those shares and their coding as "PLKNOPL00014" by the National Depository for Securities on 20 January 2015". §3 The resolution becomes effective upon adoption.” (current report no. 2/2015).

#### **Conditional registration of series C shares of the Issuer in the depository for securities**

On 7 January 2015, Kino Polska TV S.A. received resolution no. 8/15 dated 5 January 2015 from the Management Board of the National Depository for Securities S.A. of the following statement:

„§1 1. Pursuant to §40 sec. 2 and 4a and §2 sec.1 and 4 of the Regulations of the National Depository for Securities, the Management Board of the National Depository for Securities having considered an application of KINO POLSKA TV S.A., decided to register in the depository of securities of 6,000,000 (six million) ordinary bearer series C shares of KINO POLSKA TV S.A. of the nominal value of PLN 0.10 (PLN ten groszy) each, and to assign them the code PLKNOPL00014, provided that the company operating the regulated market should adopt a decision to admit such shares to trading on the same regulated market on which other shares of the Issuer, to which the code PLKNOPL00014 was assigned, were admitted, subject to sec 2.

2. The registration of the shares referred to in sec. 1 shall be carried out within three days from the date of receipt by the National Depository for Securities of the decision referred to in sec.1, not earlier, however, than on the date indicated in the said decision as the date of admission of these shares to trading. § 2 Information on the registration of the shares indicated in §1 sec. 1 shall be provided in the form of an announcement of the National Depository for Securities. § 3 The resolution becomes effective upon adoption." (current report no. 1/2015).

## VII. The auditor's review report on the separate financial statements of Kino Polska TV S.A.

**Kino Polska TV S.A.**

**Registered auditor's report on the audit of the financial  
statements for the year from 1 January to 31 December 2014**



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**Registered auditor's report on the audit of the financial statements  
for the year from 1 January to 31 December 2014**

**To the General Shareholders' Meeting and the Supervisory Board of Kino  
Polska TV S.A.**

**This report contains 13 consecutively numbered pages and consists of:**

	Page
I. General information about the Company .....	2
II. Information about the audit.....	5
III. The Company's results, financial position and significant items of financial statements..	6
IV. The independent registered auditor's statements.....	11
V. Final information .....	13

**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

**I. General information about the Company**

- a. Kino Polska TV Spółka Akcyjna ("the Company") has its seat in Warsaw, Puławska 61 street.
- b. The Company was formed on the basis of a Notarial Deed drawn up on 5 July 2010 at the Notary Public's Office of Sławomir Ogonek in Warsaw and registered with Rep. A No. 6155/2010. On 25 August 2010, the Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XIII Business Department of the National Court Register, with the reference number KRS 0000363674.  
  
On 23 December 2014, District Court in Warsaw, XIII Business Department of the National Court Register entered in the Register of Businesses the merger of Kino Polska TV S.A., as the acquiring company, with its subsidiary – Kino Polska Program TV Sp. z o.o. ("Merger"). As the result of the merger the company Kino Polska Program TV Sp. z o.o. ceased to exist.
- c. During the year the Company operated on the basis of a concession granted by the National Broadcasting Council.
- d. The Company was assigned a tax identification number (NIP) 521-31-48-560 for the purpose of making tax settlements and a REGON number 015514227 for statistical purposes.
- e. As at 31 December 2014 the Company's share capital amounted to PLN 1,982,140.40 and consisted of 19,821,404 shares, with a nominal value of PLN 0.10 each. Total equity as at that date amounted to PLN 184,678,350.49.
- f. As at 31 December 2014, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held (ordinary /preference)	Votes (%)
SPI International B.V. <sup>1</sup>	13,082,126	1,308,213	ordinary	66,00
Investment funds managed by Ipopema TFI S.A. (jointly with Total FIZ and TTL 1 Sp. z o.o.)	1,702,462	170,246	ordinary	8,59
ING Powszechnie Towarzystwo Emerytalne S.A. (jointly with ING OFE and ING DFE)	1,038,944	103,894	ordinary	5,24
Other	3,997,872	399,787	ordinary	20,17
	<b>19,821,404</b>	<b>1,982,140</b>		<b>100,00</b>

<sup>1</sup> Entity indirectly controlled by Mrs. Hilda Uziyel



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

**I. General information about the Company (cont.)**

As at 31 December 2013, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held (ordinary / preference)	Votes (%)
Oblio International B.V. <sup>1,2</sup>	7,239,100	723,910	ordinary	52,38
Investment funds managed by Ipopema TFI S.A. (jointly with Total FIZ and TTL 1 Sp. z o.o)	1,868,323	186,832	ordinary	13,52
Pioneer Pekao Investment Management S.A. (as part of asset management)	1,184,793	118,479	ordinary	8,57
Other	3,529,188	352,919	ordinary	25,53
	<b>19,821,404</b>	<b>1,982,140</b>		<b>100,00</b>

<sup>1</sup> Currently SPI International B.V. - entity indirectly controlled by Mrs. Hilda Uziyel

<sup>2</sup> In addition, SPI International B.V. held 6,000,000 of unregistered series C shares as at 31 December 2013

g. During the year the Company's operations comprised:

- TV broadcast of the FilmBox and thematic channels (including sale of advertising time),
- TV broadcast of the channels of Kino Polska,
- Production of television channels,
- Sale of VOD,
- Sale of license rights.

h. During the year the Management Board of the Company comprised:

- Bogusław Kisielewski President of the Management Board from 28 March 2014  
Member of the Management Board to 28 March 2014
- Piotr Reisch President of the Management Board to 28 March 2014
- Berk Uziyel Member of the Management Board from 28 March 2014

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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**I. General information about the Company (cont.)**

- i. The Company has the following related entities:

SPI International B.V.	- parent company
Cooperatieve SPI International U.A.	- senior parent company

and companies belonging to the Company's parent's group.

- j. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2010.

The decision to prepare the Company's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution passed on 6 April 2011.

- k. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 23 March 2015. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**II. Information about the audit**

- a. The audit of the financial statements for the year from 1 January to 31 December 2014 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Piotr Wzsyogrodyki (no. 90091).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution of the Supervisory Board dated 7 July 2014 in accordance with paragraph 17 of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).
- d. The audit was conducted in accordance with an agreement dated 17 July 2014, in the following periods:
  - interim audit from 8 to 12 December 2014;
  - final audit from 9 February to 23 March 2015.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

**III. The Company's results, financial position and significant items of financial statements**

**STATEMENT OF FINANCIAL POSITION as at 31 December 2014 (selected lines)**

	31.12.2014 PLN '000	31.12.2013* PLN '000	Change		Structure	
			PLN '000	(%)	31.12.2014 (%)	31.12.2013* (%)
<b>ASSETS</b>						
Non-current assets	181,031	192,201	(11,170)	(5.8)	78.4	79.9
Current assets	50,002	48,387	1,615	3.3	21.6	20.1
<b>Total assets</b>	<b>231,003</b>	<b>240,588</b>	<b>(9,555)</b>	<b>(4.0)</b>	<b>100.0</b>	<b>100.0</b>
<b>LIABILITIES AND EQUITY</b>						
Equity	184,679	176,697	7,982	4.5	79.9	73.4
Long-term liabilities	23,831	34,839	(11,008)	(31.6)	10.4	14.5
Short-term liabilities	22,523	29,052	(6,529)	(22.5)	9.7	12.1
<b>Total liabilities and equity</b>	<b>231,033</b>	<b>240,588</b>	<b>(9,555)</b>	<b>(4.0)</b>	<b>100.0</b>	<b>100.0</b>

\* restated data

**STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2014 (selected lines)**

	2014 PLN '000	2013* PLN '000	Change		Structure	
			PLN '000	(%)	2014 (%)	2013* (%)
Revenue	99,118	95,179	3,939	4.1	100.0	100.0
Cost of sales	(69,266)	(63,519)	(5,747)	9.0	(69.9)	(66.7)
<b>Gross profit on sales</b>	<b>29,852</b>	<b>31,660</b>	<b>(1,808)</b>	<b>(5.7)</b>	<b>30.1</b>	<b>33.3</b>
Operating profit	16,835	19,401	(2,566)	(13.2)	17.0	20.4
Gross profit before income tax	16,004	19,337	(3,333)	(17.2)	16.15	20.3
<b>Net profit</b>	<b>14,201</b>	<b>18,315</b>	<b>(4,114)</b>	<b>(22.5)</b>	<b>14.3</b>	<b>19.2</b>
<b>Total net comprehensive income</b>	<b>14,201</b>	<b>18,315</b>	<b>(4,114)</b>	<b>(22.5)</b>	<b>14.3</b>	<b>19.2</b>

\* restated data



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**III. The Company's results, financial position and significant items of financial statements (cont.)**

**Selected ratios characterising the Company's financial position and results**

The following ratios characterise the Company's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	<b>2014</b>	<b>2013*</b>
Asset ratios		
- receivables turnover	60 days	76 days
Profitability ratios		
- net profit margin	14 %	19 %
- gross margin	30 %	33 %
- return on capital employed	8 %	16 %
Liability ratios		
- gearing	20 %	27 %
- payables turnover	64 days	60 days
	<b>31.12.2014</b>	<b>31.12.2013*</b>
Liquidity ratios		
- current ratio	2.2	1.7
- quick ratio	2.2	1.7
Other ratios		
- effective tax rate	11.3 %	5.3 %

\* calculations based on restated data

The above ratios have been calculated on the basis of the financial statements. It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**III. The Company's results, financial position and significant items of financial statements (cont.)**

The financial statements do not take into account the effects of deflation. The consumer price index (on a December to December basis) amounted to -1.0% in the audited year (0,7% in 2013).

The Company restated comparative information in these financial statements as a result of the recognition of adjustment of error, changes the presentation and settlement of merger with a subsidiary. Causes and effects of these changes are described in detail in Note 4 to the financial statements.

The Company financial statements for the year ended 31 December 2014 presents combined financial data of Kino Polska S.A. and its subsidiary Kino Polska Program TV Sp. z o.o., the merger of which has been registered by District Court in Warsaw on 23 December 2014. For settlement of the merger Company has applied historical value method. This method, in the variant used by the Company consists in adding up the value of the item from the statement of financial position, as well as income and expenses and profits and losses of the merging entities from the date when such entities were under common control of the capital group to which the Company belongs (i.e. from October 2012). Company restated comparative figures in the financial statements for the year ended 31 December 2014.

The following comments are based on information obtained during the audit of the financial statements.

- At the end of the financial year, the Company's total assets amounted to PLN 231,033 thousand. During the year total assets decreased by PLN 9,555 thousand (i.e. by 4.0%). The decrease in total assets was mainly due to decrease of trade payables and other payables by PLN 11,570 thousand, liabilities under financial lease by PLN 7,103 thousand and paid out dividend of PLN 6,220 thousand. At the same time, the Company earned a net profit of PLN 14,201 thousand.
- Intangible assets as at 31 December 2014 amounted to PLN 28,461 thousand and decreased during the period by PLN 4,102 thousand (i.e. 12.6%). Intangible assets comprised mainly film licenses with a limited useful life of PLN 25,744 thousand. Change of intangible assets in 2014 was mainly due acquisition of film licenses with a limited useful life of PLN 5,893 thousand, their depreciation of PLN 10,518 thousand, impairment losses on own films and co-productions of PLN 1,749 thousand and increase in intangible assets under construction of PLN 2,365 thousand.

As at 31 December 2013 Company in line "Licenses with an indefinite useful life" presented among others programs, interviews and other licenses a total carrying value of PLN 6,436 thousand, which were written off in the weight of equity as an adjustment of error to the opening balance on 1 January 2013. Details are described in note 4 to the financial statements.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**III. The Company's results, financial position and significant items of financial statements (cont.)**

- Shares in subsidiaries and in a joint venture as at 31 December 2014 comprised mainly: investment in subsidiary Filmbox International Ltd. Amounting PLN 114,444 thousand, investment in subsidiary Cyfrowe Repozytorium Filmowe Sp. z o.o. amounting PLN 2,980 thousand and investment in a joint venture – company Stopklatka S.A. amounting PLN 6,904 thousand.

Company Stopklatka S.A. constituted subsidiary of the Company until 11 March 2014. On 12 March 2014 as a result of sale half of the shares in Stopklatka S.A. for PLN 2,148 thousand entity has been classified as a joint venture. Company recognised loss of PLN 1,044 thousand in relation to this transaction. Moreover Company increased value of investment in Stopklatka S.A. by PLN 4,016 thousand due to cash contribution for newly emitted series D shares in the increased share capital of the company.

- Company in 2013 contributed a trademark "PL Kino Polska" to subsidiary – Kino Polska Program Spółka z ograniczoną odpowiedzialnością S.K.A., which were then sold to company KPTV Media Sp. z o.o. (also a subsidiary of Kino Polska TV S.A.). Afterwards company KPTV Media Sp. z o.o. and Kino Polska TV S.A. entered into finance lease agreement of this trademark. As the result of Kino Polska TV S.A. and Kino Polska Program TV Sp. z o.o. merger, only settlements with KPTV Media Sp. z o.o. due to transaction described above are disclosed in the financial statements for the year 2014, which are payable in installments until October 2018 i.e. liabilities due to financial lease of the trademark amounting PLN 30,849 thousand and receivables due to sale of the trademark amounting PLN 31,144 thousand.
- Total equity as at 31 December 2014 amounted to PLN 184,679 thousand. An increase of total equity by PLN 7,982 thousand (i.e. by 4.5%) was mainly due to earning net profit amounting 14,201 thousands. At the same time Company paid out dividend of PLN 6,220 thousand.
- Liability ratios and the structure of liabilities have changed. The gearing ratio decreased from 27% at the end of the previous year to 20% at the end of the current year. The payables turnover ratio increased from 60 days to 64 days, respectively. The changes were mainly due to decrease in current and non-current liabilities balances as at 31 December 2014.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**III. The Company's results, financial position and significant items of financial statements (cont.)**

- Revenue amounted to PLN 99,118 thousand and increased by PLN 3,939 thousand, which constituted a 4.1% increase compared with the previous year. The Company's core activities in the current financial year consisted of broadcasting activity (film and thematic channels of FilmBox and channels of Kino Polska). Such sales have decreased by PLN 1,069 thousand compared with the previous financial year. Other significant sources of revenue were sale of advertising time on Filmbox and Kino Polska channels, and production of television channels. Company has recorded on these activities respectively increase by PLN 5,300 thousand and decrease by PLN 7,641 thousand compared with the previous financial year. This growth of revenues in 2014 compared with the previous financial year was mainly due to fees for providing film licenses for FilmBox channels amounting PLN 7,541 thousand, resulting from an agreement Company entered into during 2014.
- Cost of fees related to program licenses was the largest item of operating expenses and amounted to PLN 29,222 thousand in the audited year, which constituted 37% of operating expenses. Cost of fees related to program licenses has decreased by PLN 160 thousand, i.e. by 0.5% compared with the previous year.
- Profitability measured with net profit amounted to 14% and was 5 percentage points lower than in the previous year. The change in the Company's profitability was primarily due to loss recognized on disposal of a subsidiary amounting PLN 1,044 thousand, cost of exchange differences in 2014 PLN 1,642 thousand and cost of interest on lease trademark in the amount of PLN 757 thousand.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**IV. The independent registered auditor's statement**

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The Company has up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. Error correction and changes to accounting policies were properly disclosed in notes to the financial statements.
- d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects. Due to merger settlement with the subsidiary, error correction and changes in presentation, the comparative information included in the audited financial statements have been restated and are different from the data resulting from the approved financial statements for the previous financial year.
- e. The stocktaking of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.
- f. The financial statements of the Company for the year from 1 January to 31 December 2013 were approved by Resolution No. 5 passed by the General Shareholders' Meeting on 30 June 2014 and filed with the National Court Register in Warsaw on 3 July 2014.
- g. In accordance with the Resolution No. 9 of the General Shareholders' Meeting of 30 June 2014, the net profit for the prior year of PLN 6,220 thousand was fully allocated for distribution among the shareholders of the Company through the payment of dividend .
- h. The financial statements for the previous financial year were audited by Ecovis System Rewident Sp. z o.o. The registered auditor issued an unqualified opinion.
- i. We have assessed the operation of the accounting system. Our assessment covered in particular:
  - the accuracy of the documentation relating to business transactions;
  - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
  - the methods used for controlling access to data and the computerised data processing system;
  - the safeguarding of the accounting documentation, books of account, and financial statements.

**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**IV. The independent registered auditor's statements (cont.)**

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- j. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- k. The information in the Directors' Report for the year ended 31 December 2014 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.



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**Kino Polska TV S.A.**  
**Registered auditor's report on the audit of the financial statements**  
**for the year from 1 January to 31 December 2014**

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**V. Final information**

This report has been prepared in connection with our audit of the financial statements of Kino Polska TV S.A., Puławska 61 street, Warsaw. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 23 March 2015.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Kino Polska TV S.A. dated 23 March 2015, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor  
No. 90091

Warsaw, 23 March 2015



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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.