CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim report for six month period ended on
30 June 2008

Warsaw, 30 September 2008

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We have prepared this semiannual report as required by Paragraph 86 section 1 point 2 of the Regulation of the Ministry of Finance dated 19 October 2005 on current and periodic information to be published by issuers of securities.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this semiannual report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company alone; „DTH" relates to digital satellite platform services which we provide in Poland since; „Family Package" and „ Mini Package" relates to our programming packages offered within our DTH services; „ARPU" relates to average net revenue per user calculated as subscription revenues in the reporting period divided by average number of subscribers and by the number of month in the reporting period; „ARPU Family Package" and „ARPU Mini Package" relates to average revenue per subscriber of Family Package and Mini Package, respectively; „churn" relates to churn rate, calculated as a percentage of terminated subscription agreements – number of terminated agreements during the period divided by average number of subscriber in the period; „churn Family Package" and „churn Mini Package" relates to churn rate calculated for Family Package and Mini Package, respectively; „SAC" relates to sum of cost of provision paid to distributor and to call center per each attracted customer – as required by Accounting Act dated 29 September 1994; „MVNO" relates to mobile virtual network operator services, which we launched on 30 June 2008; „Shares" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013.

Financial and Operating Data

This semiannual report contains financial statements of, and financial information relating to the Group. In particular, this semiannual report contains our interim consolidated financial statements for the three months ended 30 June 2008 and interim financial statements for the three month period ended 30 June 2008. The financial statements appended to this semiannual report have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Zloty.

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

Currency Presentation

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

All references to Zloty, U.S. dollars and Euro are in thousands, except share and per share data, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This semiannual report may contain forward-looking statements relating to our business, financial condition and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this semiannual report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on such statements, which speak only as of the date of this semiannual report.

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

1. Introduction

We are the largest provider of pay DTH satellite television broadcasting services in Poland with 2,287,656 subscribers as of 30 June 2008. Our core business is to provide individual customers with access to television and radio channels grouped into different paid programming packages and transmitted via satellite.

We sell our satellite broadcasting services throughout Poland targeting the Polish viewing public with high-quality programming which is designed to appeal to, and be affordable for, every Polish family. We also offer other services such as signal transmission services for radio and television broadcasters.

We provide our subscribers with access to 68 Polish-language television channels, including sports, music/entertainment, news/information, children, education and film channels. We are the only pay DTH satellite operator to provide its customers with access to all major terrestrial channels in Poland, including Polsat, TVP 1, TVP 2 and TVN. In addition, we provide our customers with access to approximately 500 free to air ("FTA") television and radio channels available via satellite in Poland. Starting in December 2007, we began to offer four theme channels produced by BBC Worldwide Limited, all on an exclusive basis for DTH satellite operators in Poland. Additionally we offer our subscribers three high definition channels on the test basis, Polsat Sport HD, Eurosport HD and HBO HD, which will be added to our offer starting October 2008,

We currently offer our customers two introductory packages: the Mini Package (*Pakiet Mini*) and the Family Package (*Pakiet Familijny*). The Family Package is our most popular introductory package. Subscribers to our Family Package may also purchase six theme packages: the Film Package (*Pakiet Film*), the HBO Package (*Pakiet HBO*), the Sports Package (*Pakiet Sport*), the Cinemax Movie Package (*Pakiet Cinemax*), the Cartoon Package (*Pakiet Bajeczka*) and the Music Package (*Pakiet Muzyka*) and, in addition, the Playboy channel. The theme packages are available in four premium packages: the Relax Mix Package (*Pakiet Relax Mix*), the Relax Mix + HBO Package (*Pakiet Relax Mix + HBO*), the Super Film Package (*Pakiet Super Film*) and the Relax Mix Film Package (*Pakiet Relax Mix Film*). The Relax Mix Film Package is only available to customers who subscribed to this package before 11 January 2008. We believe that a combination of our high-quality programming and competitive pricing have enabled us to significantly increase the number of our subscribers, which increased on a compound annual growth rate of 76% between 2004 and 2007.

We believe that the success of our business can be attributed to our extensive high-quality programming, competitive pricing and effective marketing strategy. We were the first pay DTH satellite operator in Poland to introduce a DVR set-top box with an option to record and pause live television programs in November 2006. In November 2007, we successfully launched, on a test basis, the Polsat Sport HD channel using HDTV technology. We are considering the introduction of further HDTV channels in four theme categories (sports, entertainment, film and education) by the end of 2008. We are also considering the introduction of video on demand ("VoD") and internet protocol television ("IPTV"). In addition, we launched the production of our own set-top boxes in November 2007.

In November 2007 we launched in-house production of standard definition set-top boxes that will allow us to decrease the cost of acquisition of these set-top boxes. We started selling in-house produced set-top boxes on 26 March 2008 and between that day and end of June 2008 we sold to our subscribers 42 in-house produced set-top boxes.

We sell our services through an effective sales network covering the entire territory of Poland that links our own central warehouse, 25 regional distributors, and a network of over 1,277 retail points of sale.

On 30 June 2008, leveraging our strong brand name and our existing subscriber base we launched an independent mobile telephony services. We built our own telecommunications infrastructure (excluding radio access network), integrated a new billing system and a customer relations management system (independent of the systems used in our DTH business), we have been granted a Regulatory decision on mobile termination rates, which replaces the interconnection agreements with Polkomtel S.A. and PTK Centertel Sp. z o.o. and negotiated roaming and interconnect agreements with other telecommunications operators, which allow us to establish our prices and our own tariffs in both pre-paid and post-paid.

We believe that expected synergies between our DTH and MVNO businesses will help us to grow our customer base, increase our operating revenues and overall customer satisfaction and, as a result, maintain low churn.

However, we expect, that until our new services and the integrated offer are fully developed, a substantial part of our revenue shall continue to be derived from the pay TV digital satellite platform.

2. Organizational structure of the Cyfrowy Polsat Capital Group

The following table presents the companies included in the organizational structure of Cyfrowy Polsat Capital Group as at 30 June 2008 together with its consolidation method:

Company	Activities	Share as at 30 June 2008	Consolidation method
Cyfrowy Polsat Technology Sp. z o.o.[1] ul. Łubinowa 4a 03-878 Warsaw	Production of set-top boxes	100%	Full
Praga Business Park Sp. z o.o. ul. Łubinowa 4a 03-878 Warsaw	Real estate rental	100%	Full

[1]As at 2 March 2007 the company's name was changes from Cyfrowy Polsat Mobile Sp. z o.o. to Cyfrowy Polsat Technology Sp. z o.o.

3. Changes in the organizational structure of the Cyfrowy Polsat Capital Group

During the six months ended 30 June 2008 there were no changes in the organization structure of the Cyfrowy Polsat Capital Group.

On 28 August 2008 the Management Board of Cyfrowy Polsat S.A. resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. Has 100% in the share capital.

The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code.

The merger will lead to the (i) optimization of the organizational structure of Cyfrowy Polsat Group required in order to realize its medium and long term strategy, (ii) optimization of operating costs within the Group and (iiI) simplify the documentation resulting from transactions between related parties.

4. Internal and external risk factors

System failures could disrupt our operations and thereby have a material adverse effect on our business, financial condition, results of operations and prospects

Our satellite broadcasting center and our information systems such as our subscriber management system, customer relationship management system, sales service system and reporting system, may be damaged or unable to continue operations as a result of natural disasters (such as earthquakes, floods, hurricanes, fires, severe storms and other phenomena), power loss, telecommunications failures, network software flaws, satellite or transponder failure, acts of terrorism, sabotage, riots, civil disturbances, strikes and other industrial action and other catastrophic events. We may experience failures or shutdowns relating to individual components of the satellite broadcasting center or even catastrophic failure of our entire satellite broadcasting center. Any failure of our satellite broadcasting center, including the Eutelsat Hotbird 8 satellite or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise, or any breakdown of our subscriber management system, customer relationship management system, sales service system and reporting system, may result in serious disruption or even suspension of our operations for a prolonged period. The occurrence of any of these events may also increase the costs associated with our operations and may subject us to liability, any of which could materially and adversely affect our operations and thereby have a material adverse affect on our business, financial condition, results of operations and prospects.

We currently do not have a license agreement with Telewizja Polska Spolka Akcyjna regulating the offering of so-called "must carry" television channels under Polish law

The Radio and Television Act of 29 December 1992 (the "Radio and Television Act") currently only imposes an obligation to provide public channels before offering commercial channels on cable television operators.

We have not entered into a license agreement with Telewizja Polska Spolka Akcyjna ("TVP") to transmit public television channels, TVP 1 and TVP 2. We are currently negotiating with TVP to enter into such an agreement, and we believe that TVP will agree to sign a license agreement with us without demanding that we pay any license fees. TVP is currently not requesting us to make payments, but initially it had proposed that we enter into such license agreement and pay license fees.

Due to prolonged negotiations with TVP regarding our distribution of public channels, we have decided to distribute TVP's public channels without the relevant license agreement. We have notified TVP, the Polish National Broadcasting Council (the "KRRiT") and the Polish Telecommunications and Post Regulatory Authority (*Urzad Regulacji Telekomunikacji i Poczty*) that we will provide the public television channels without having entered into a license agreement with TVP. Our decision was based on the "must carry" principle set forth in the Radio and Television Act, which requires cable television operators to offer access to public television programming. Based on our review of the provisions of the Council Directive on Universal Service (2002/22/EC) ("Universal Directive"), we believe that this requirement should also apply to DTH satellite operators. As the core mission of public television is to distribute channels to the widest possible range of viewers, the Universal Directive also provides for equal rights and obligations of cable television operators and DTH satellite operators, in particular with respect to the obligation to distribute public radio and television programming. This interpretation is supported by the KRRiT's statement dated 5 July 2005 on the cooperation between TVP and cable television and DTH satellite operators. In this statement, the KRRiT asserted that, based on Article 31 of the Universal Directive, the "must carry" principle should be extended to cover DTH satellite operators.

However, no assurance can be given that if we are unable to enter into such license agreement with TVP, it will not file a suit against us in a Polish court. Any unfavorable decision issued against us could require us to enter into a license agreement with TVP under which we could be required to pay license fees. Such an unfavorable decision may also give TVP a possibility to file suit for damages against us for losses incurred as a result of our previous distribution of TVP's channels without a license agreement. Any such development could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our growth and satisfaction of our subscribers with our services depend on entering into new and extending current license agreements for access to key programming rights

The results of our operations depend on our ability to obtain attractive television programming. Currently, we provide our clients with attractive television programs distributed on the basis of license agreements concluded for specified periods of time with relevant broadcasters. Attractive television programming is one of the main factors that enable us to attract and retain our customers. We cannot guarantee that the license agreements currently in place, upon their expiration, will be renewed at all or on terms comparable to their current terms. In addition, there can be no guarantee that we will be able to introduce new attractive channels into our programming offer or retain channels currently included in our programming offer. Any inability to renew current license agreements on acceptable terms or negotiate new license agreements could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we cannot successfully deploy new products and services, our business, financial condition, results of operations and prospects may be adversely affected

Our business is characterized by rapid technological change and the introduction of new products and services. If new or improved products, services or technology (such as HDTV, sales of DVR set-top boxes, or the production and sales of our own set-top boxes) introduced by us fail to achieve sufficient market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover the initial investment that we have made or may make to deploy these products and services. In addition, if competitors offer the same or similar new products and services in the market more quickly or more effectively than we do, we may lose existing and potential customers to our competitors.

In addition, as we introduce new products and services to our customers and as the number of our customers and the number of services that we offer our customers increases, the complexity of our product and service offerings will also increase. A failure to manage the growth and complexity of our new products and services could lead to disruptions in our business which could harm our reputation and result in a loss of subscribers. In addition, we cannot assure you that we will not experience technical or logistical difficulties as we continue to develop these products and services. As a result, the occurrence of any of the above risks in the deployment of new products and services may materially adversely affect our business, financial condition, results of operations and prospects.

Our ability to provide our services is dependent upon the cooperation, facilities and equipment of certain third party providers, the failure of which could cause delays or interruptions in our service, damage our reputation, cause us to lose customers and limit our growth

Our success depends on our ability to provide high quality and reliable services, which is in part dependent upon the proper functioning of facilities and equipment owned and operated by third parties and is, therefore, beyond our control. For example, we currently lease three transponders on the Eutelsat Hotbird 8 satellite which allow us to provide our services to our customers. In addition, we use the Nagravision conditional access system to secure our system from unauthorized access through piracy or hacking by third parties.

If our third party service providers fail to maintain their networks properly, fail to respond quickly to problems, or fail to prevent unauthorized access by third parties, our customers may experience service interruptions. If interruptions adversely affect the perceived reliability of our service, we may have difficulty attracting new customers and our brand, reputation and growth will be negatively impacted.

If any of the abovementioned risks materialize, they may have a material adverse effect on our business, financial condition, results of operations or prospects.

Certain agreements with our customers may be deemed unlawful under Polish law

On October 18, 2006, the President of the Polish Competition and Consumer Protection Office ("UOKiK") requested us to submit forms of documents (agreements, internal policies and price lists) that we offer to or otherwise used in our relationship with our customers as part of our business. We have submitted the requested documents to the UOKiK. In a letter dated 21 May 2007, the President of the UOKiK informed us that the UOKiK had concerns with certain clauses included in our form agreements and internal policies. In particular, the President of the UOKiK expressed concern over the following clauses: (i) *force majeure*, (ii) justifiable interruptions in the provision of services, (iii) liquidated damages imposed on clients, (iv) termination notice periods, and (v) the use of personal data. In this regard, the President of the UOKiK requested us to provide explanations, deliver the relevant documents and make voluntary amendments to the agreements in question. We have submitted our initial response to this request to the President of the UOKiK. In subsequent correspondence with the President of the UOKiK, we expressed our view with regard to this matter. We cannot guarantee that if a lawsuit is filed against us to determine whether certain provisions of form agreements are unlawful, the Competition and Consumer Protection Court in its final decision would not prohibit us from using the form agreements in question. In a letter dated 29 June 2007 we submitted preliminary explanation expressing its opinion about certain arguments raised by the President of UOKiK. In a letter dated 23 July 2007 the President of UOKiK called us to take a position on the remaining remarks and to forward a price list for its services applied by us. In correspondence dated 31 August 2007 we addressed the remaining remarks of the Presidents of UOKiK.

On 15 July we received a letter from UOKiK regarding the issue in question containing remarks and comments related to our position expressed in previous correspondence. The President of UOKIK called us to take a final position on the issue in question. Due to the fact that we are currently at the final stage of implementing new templates of consumer contracts, in a letter dated 29 July 2008 it proposed a meeting with representatives of UOKiK in order to run applicable consultation in the scope of the templates in question. In a meeting on 1 September 2008 a representative of UOKiK was given draft rules of services provision for consultation.

If any provisions of the form agreements were deemed to violate law, we would have to amend our current form agreements. Such amendments could lead to a situation in which customers who are party to agreements, the provisions of which have been found unlawful could terminate such agreements without observing the notice period and without any obligation to pay liquidated damages.

In addition, if we continue to include in form agreements those provisions that violate applicable provisions of Polish law, the President of the UOKiK could impose on us a one-time fine, which may not exceed 10% of our revenue (as defined under the Polish Income Tax Act) earned in the fiscal year preceding the year in which such a penalty is imposed. In addition, under Polish law, consumers who entered into such agreements with us could potentially sue us for damages.

The occurrence of any of the above risks, including in particular the imposition of a fine, the termination of agreements by some of our clients, or the incurrence of additional costs to address this matter, may have a material adverse effect on our business, financial condition, results of operations and prospects.

The President of the UOKiK has initiated a proceeding against us for allegedly engaging in practices which restrict competition

On May 23, 2007, the Wroclaw Regional Office of the UOKiK informed us that a proceeding had been initiated to determine preliminarily whether we breached a prohibition against restricting competition by impeding the access of our distributors to distribute a competitive digital platform operated by ITI Neovision Sp. z o.o. ("ITI Neovision") under the brand name "n". Such a practice may constitute a breach of Article 6, Section 1 of the Act on Protection of Competition and Consumers dated 16 February 2007. We have been ordered to deliver relevant documents related to this matter to the UOKiK, in particular (i) a copy of the agreement that we entered into with our distributors; (ii) the terms and conditions of distributors' authorization; and (iii) the current excerpt from the National Registration Court with respect to our Company. In a letter dated June 22, 2007, we responded to these allegations to the UOKiK. Moreover, on 17 October 2007 we forwarded requested documents to the authority. On 8 November 2007 the UOKIK Branch in Wroclaw called us to submit further information and data. We provided an answer in a letter dated 28 November 2007. Since that time we have not received any formal correspondence regarding the issue in question. The only source of information was press reports, e.g. an interview with the President of UOKIK in Gazeta Prawna, where he stated that antimonopoly proceedings shall not be initiated regarding the issue in question.

We cannot rule out that the President of the UOKiK could deem the practices we employ with our distributors or other practices we employ to be practices restricting competition. If the President of the UOKiK were to decide that the practices we employ actually restrict competition, the President of the UOKiK could impose on us a one-time fine, which may not exceed 10% of our revenue (as defined under the Polish Income Tax Act) earned in the fiscal year preceding the year in which such a penalty is imposed. Such a fine could potentially have a material adverse effect on our business, financial condition, results of operations and prospects.

Explanatory proceedings initiated by the President of UOKiK regarding the rules of concluding agreements for public broadcasting of TV programs, including broadcast from Euro2008, and the rules of selling relevant equipment necessary to receive the aforementioned programs

The President of UOKiK initiated explanatory proceedings in order to initially determine whether the rules of concluding agreements for public broadcast of TV programs, including Euro2008 broadcast, and the rules of selling relevant equipment necessary to receive such television programs, constitute a breach of provisions of the competition and consumer protection act. We received a letter regarding the issue in question on 13 June 2008. We were obliged to submit information stated in the letter.

In a letter dated 16 June 2008 we responded, explaining, for example, that in the years 2007-2008 (which were mentioned in the UOKiK President's enquiry) it did not grant rights for public broadcast of TV programs, nor did it enter into agreements enabling granting license for public broadcast of TV channels to business entities (entrepreneurs). We also forwarded information that the rights for public broadcast of Polsat Sport Extra and Polsat Sport HD channels were granted by Telewizja Polsat S.A. We – in line with the possibility of public broadcast of Euro 2008 offered to business by Telewizja Polsat S.A. – and considering the to-date rule of offering products and services exclusively to individual customers for their private use, created a special set-top boxes' sales offer, aimed at entrepreneurs.

In a letter dated 26 June 2008 UOKiK requested supplying additional information, which we included in a letter dated 8 July 2008. Another letter from UOKiK demanding presentation of further information was received on 31July 2008, and we replied to it within the deadline set out by the Office, i.e. up to 7 August 2008. Furthermore, we received two letters (on 26 and 28 August, respectively) from UOKiK containing Office's further questions. Both letters demanded that the questions be answered. A letter including answers to these two letters from UOKiK was sent to UOKiK on 4 September 2008.

Should a proceeding against us be initiated and should the President of UOKiK find that our practices are limiting competition, the President of UOKiK could order their abandonment. Moreover, the President of UOKiK could impose on us a maximum fine of 10% of its revenue (as set out by the Tax Law) earned in the financial year preceding the year in which such fine is imposed.

Our success depends on attracting and retaining key personnel

We believe that our commercial success will depend on our ability to attract and retain highly qualified personnel. Although we have been successful in attracting such people in the past, competition for highly skilled individuals in Poland has recently intensified. There can be no assurance that we will continue to be successful in attracting and retaining such individuals in the future. Loss of services and failure to attract or retain such individuals could have a material adverse effect on our business, financial condition, result of operations and prospects.

The land on which our headquarters (including our satellite broadcasting center) are located issued as collateral to service a bank loan to our subsidiary

On 18 September 2006, our subsidiary, Praga Business Park Sp.z o.o., entered into a loan agreement for EUR 8,260 with Raiffeisen Bank Polska S.A. ("Raiffeisen Bank"). As security for the loan, we provided Raiffeisen Bank, among other things, with a financial pledge (a registered and ordinary pledge) over All of the shares in Praga Business Park. In the event of a default under the loan agreement, Raiffeisen Bank has the right under Polish law to enforce its pledge over these shares. If our shares in Praga Business Park were to become the property of Raiffeisen Bank or any other authorized party upon an occurrence of events stipulated in the loan agreement or in the pledge agreement, we may lose control over Praga Business Park, which owns the real estate on which our headquarters and our satellite broadcasting center are located, which may lead to a temporary suspension of our activities.

In addition, in order to secure the above loan, certain plots of land owned by Praga Business Park located in Warsaw at ul. Lubinowa on which our satellite broadcasting center is housed are encumbered with a capped mortgage of up to EUR 12,500 for the benefit of Raiffeisen Bank as security for the loan granted to Praga Business Park.

Under Polish law, if our satellite broadcasting center were deemed to be a permanent component of the real estate and if Raiffeisen Bank were to initiate enforcement proceedings against us, it could also satisfy its claims against Praga Business Park by selling parts of our satellite broadcasting center. Further, if the real estate of Praga Business Park were to be repossessed in order to satisfy the mortgaged debt, we may lose our right to use the land and infrastructure located on that land for our business of providing DTH satellite television services.

An occurrence of any of these risks would have a material effect on our business, financial condition, results of operations and prospects.

As a result of merger planned with Praga Business Park S z o.o., on 30 September 2008 we early repaid this bank debt in the amount of Euro 5,800. We plan to repay the remaining amount of Euro 1,490 by the end of 2008.

Due to early repayment of a bank debt we applied to Raiffeisen Bank for a change for collateral from a financial pledge, nominal and registry ones to a warranty that we granted.

As a result of collateral change a risk was eliminated, which could arise in the case those shares being taken over by Raiffeisen Bank or a third party due to occurrence of circumstances set out in the loan or pledge agreements.

Complex technology used in our business could fail or become obsolete

The software and technology that we use, in particular the compression, scrambling and subscriber management systems integral to our satellite broadcasting center, may not function as we expect. In addition, technology in the satellite television industry is in a rapid and continuing state of change. We as well as our service suppliers may not be able to keep pace with technological developments or any urgent need to replace obsolete technology. In addition, delays in the delivery of components or other unforeseen problems in our broadcasting system may occur that could adversely affect performance or operation of our broadcasting system, which could materially adversely affect our business, financial condition, results of operations and prospects.

Our conditional access system and the DVB scrambling algorithm used in the pay DTH satellite broadcasting industry are vulnerable to security breaches

We currently use the Nagravision conditional access system, developed by Nagravision, a leading global producer of conditional access systems based on a digital video broadcasting common scrambling algorithm. The conditional access system provided by Nagravision facilitates the management of access codes to a subscriber's programs and the scrambled transmission of keys for the common scrambling algorithm. Nevertheless, unauthorized access to the keys may occasionally occur, and third parties may obtain unauthorized access to our services. We are currently upgrading our conditional access system from NagraVision Aladin conditional access system to the Nagravision 142 conditional access system and taking measures to seek to ensure that persons who breach our conditional access system are pursued to the full extent of the law. However, no conditional access system is able to guarantee operations without any security breaches whatsoever. Nagravision has agreed with us to remedy all security breaches within specified time limits or to pay damages, but Nagravision´s liability under this agreement is capped. In addition, there can be no assurance that the DVB scrambling algorithm used by the entire pay television industry will not be compromised, which would allow unauthorized access to our services without using access keys to the common scrambling algorithm and, consequently, require us to replace our set-top boxes to enable our customers to receive the services provided by us.

The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

The production of our own set-top boxes may be less cost effective than we expect

We commenced the production of our own set-top boxes in November 2007. We believe that we will be able to save substantial costs by producing our own set-top boxes. Any delays in increasing the production of our set-top boxes or our inability to realize significant cost savings from the operations of our set-top box production facility could have a material adverse effect on our profitability and thus on our business, financial condition, results of operations and prospects.

Currency fluctuations could adversely affect our financial condition and results of operations

Our business is exposed to fluctuations in currency exchange rates. Although almost all of our revenue is denominated in Polish zloty, we have significant costs (including costs of purchasing set-top boxes, other hardware equipment, software and television programming) that are denominated in currencies other than the Polish zloty. Currency fluctuations may, therefore, have a material adverse effect on our business, financial condition, results of operations and prospects.

The exchange rate fluctuations are caused by event that are beyond our control. Adverse foreign currency fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to grow our DTH satellite television services business depends in part on our ability to maintain the operations of our sales network

We have organized a DTH satellite sales network throughout Poland. If demand for our services distributed through this network declines, our distribution network may become smaller. Increased competition with other pay television services providers may also lead to an increase in our distribution costs. Further, as we enter into agency agreements with our distributors, we may be forced to make payments to these distributors if we or they terminate these agreements even though they no longer work as our distributors.

Any growth in distribution costs, decrease in the size of our sales network, decrease in the effectiveness of our sales network or obligations to make payments to former distributors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our subscriber churn may increase in the future

Our churn rate may increase in the future due to various factors such as increased competition (especially price competition), technical difficulties with the quality of our services or a decrease in the security level of our television signal. From time to time, we change our programming offer by adding individual channels or excluding individual channels and by introducing new pricing for our programming packages. Such changes may adversely affect our churn rate and decrease our revenues or decrease the profitability of our business. In order to counter a potential or actual increase of our churn rate, we may be required to incur additional costs, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

The risk of increasing average subscriber acquisition costs and declining average monthly revenue per subscriber in connection with the expansion of our business into new areas

We intend to expand into new business areas in the future, and in particular, own MVNO business that we launched on 30 June 2008. In connection with this expansion, we expect that average subscriber acquisition costs, as well as the average subscriber acquisition cost for each single package may increase. At the same time, ARPU may decline as a result of growing number of subscribers to Mini Package and the launch of mobile telephony services or for other reasons. Any significant growth in the subscriber acquisition costs and any significant decrease in these revenues could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

Our business may be adversely affected by our failure to maintain our reputation and the value associated with the Cyfrowy Polsat brand

Our brand name "Cyfrowy Polsat" is an important asset to our business. Maintaining the reputation of, and value associated with, the Cyfrowy Polsat name is vital to the success of our business. However, there can be no assurance that our business strategy and its execution will accomplish this objective. Our reputation may be harmed if we encounter difficulties in providing existing products and services, including HDTV and DVR, or in deploying new products and services, including mobile telephony service, whether from technical faults, lack of necessary equipment or other factors. In addition, the quality of the MVNO services we offer depends on the services and quality of a third party's mobile network and related functions, over which we will have little or no influence or control. If these network operators or other third parties on whom we rely do not meet our performance standards or provide technically flawed or imperfect products, the quality of our products and services and our reputation may be harmed. Substantial erosion in the reputation of, or value associated with, the "Cyfrowy Polsat" brand could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may pursue acquisitions which, if consummated, may adversely affect our business

We periodically evaluate potential acquisitions of businesses or business combination transactions that we believe will present opportunities to realize synergies and strengthen our market position, among other perceived benefits. Any acquisition or business combination we may undertake in the future could require us to use significant financial resources (including cash) to make potentially dilutive issuances of our equity securities, to incur debt and contingent liabilities and to incur impairments related to goodwill and other intangible assets.

If we experience any difficulties in integrating acquired operations into our business, we may incur higher than expected costs and not realize all the benefits of these acquisitions. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions, there could be a material adverse effect on our business, financial condition, results of operations and prospects. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations.

As of the date of this report, we have not entered into any letters of intent, other preliminary agreements or binding agreements regarding the acquisition of any other entities.

On 28 August 2008 the Management Board of Cyfrowy Polsat S.A. resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. Has 100% in the share capital.

The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code.

We risk violating the intellectual property rights of third parties

The success of our business depends to a large extent on the use of intellectual property rights, in particular rights to advanced technological solutions, licenses for the software we use and the trademarks used by us. We strive and will continue to strive not to breach any third party's intellectual property rights. However, we cannot rule out the possibility that we have unintentionally breached or may breach such rights. As a result, we could be exposed to liability claims from third parties. To our knowledge, no such claims are currently pending against us. If it were alleged that we violated certain intellectual property rights, we may be required to obtain a paid license or acquire new solutions making it possible for us to engage in our business in a manner that does not breach third party rights. Any of these risks could create substantial costs and lead to a decrease in revenue and, consequently, materially adversely affect our business, financial condition, results of operations and prospects.

We may face increasing competition from companies operating with similar and competing technologies in Poland

We currently operate in the pay DTH satellite television services market in Poland which is characterized by continuously changing transmission technologies and other changes in the competitive environment. We face increasing competition from other pay DTH satellite television services providers, namely Cyfra+ and "n", as they constantly seek to attract new subscribers to their product offerings. Viewers may also choose comparable content from other sources available via other transmission technologies, such as cable TV, IPTV and other alternative technologies that are not yet commercially viable. Further, any earlier than expected roll-out of a digital terrestrial television ("DTT") service could negatively affect our business as new customers could potentially migrate toward that service. Moreover, joint ventures and strategic alliances between DTH satellite television services businesses, cable TV and telecommunications providers, as well as foreign competitors entering the Polish market, may result in the growth of competition in the market for the type of services we provide. Such new competitors may have access to greater financial and marketing resources and, if successful, capture a large share of the market on which we operate. We also cannot rule out the possibility that the development of terrestrial digital TV and the resulting possibility of the appearance of a high-quality programming offer without the need to pay fees will cause a decline in the number of customers who use our pay DTH satellite television services.

The occurrence of any of the above risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to significant government regulation, which could require us to make additional expenditures or limit our revenues

As became an MVNO providing mobile telephony services in Poland, we are subject to extensive telecommunications regulations and supervision by various regulatory bodies, in addition to the regulatory authorities that currently regulate our pay DTH satellite television services business. Upon commencement of our mobile telephony business, we will be subject, among others, to regulations governing the maximum amount of tariffs that we can charge our customers for our MVNO services.

As providing mobile telephony services is a new business, we cannot assure you that we will be able to satisfy all of the different requirements imposed upon our MVNO business by the relevant regulatory authorities. In the event that we cannot comply with all of these regulations, we may be forced to pay penalties for breaching these regulations. In particular, these penalties may include: (i) a fine of up to 3% of our revenues (as defined under the Polish Income Tax Act) generated in the year preceding the year in which the fine is imposed and (ii) a prohibition on providing telecommunications services, which means that we would be deleted from the register of telecommunications businesses in Poland and no longer allowed to operate as a telecommunications provider. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

The KRRiT may withdraw or fail to renew our license

Our business consists of the distribution of television programs which do not require a frequency reservation. It is currently unclear under Polish law whether our business requires a license. Notwithstanding this uncertainty, we have obtained a license to distribute television programs via satellite.

Article 38 of the Radio and Television Act lists a number of circumstances under which a license may be withdrawn, including, for example, activities that grossly violate the terms of the license, conducting business that violates the Radio and Television Act or the terms of the license and a failure to remedy such a situation despite a request to do so. The Radio and Television Act also specifies situations in which the license may be withdrawn (but is not required to be withdrawn), for example, in cases involving a direct or indirect change of control over a licensed business.

Our compliance with the terms of the above-mentioned license has never been questioned by the KRRiT. However, we cannot rule out that the KRRiT may decide that the scope of our license is insufficient or that our business exceeds the scope of the license. This is particularly true with television programs we broadcast that have not been listed in the license. The current market practice is that the license relates to the distribution of the channels itself without specifying particular channels. This practice is consistent with EU regulations, and in particular with the Council Directive of 3 October 1989 on the Coordination of Certain Provisions set forth by Law, Regulation or Administrative Action in Member States Concerning the Pursuit of Television Broadcasting Activities (89/552/EEC) (Official Journal Law 89.298.23, as amended) and the European Convention on Transfrontier Television adopted in Strasbourg on 5 May 1989 (*Dziennik Ustaw* of 1995, No. 32, item 160, as amended). This practice is further supported by the fact that the distribution of television programs does not influence the content of those programs, and the obligation to hold a license for a program is imposed on the program broadcaster. Should the KRRiT change its position and interpret the regulations differently, penalties may be imposed, up to and including the withdrawal of our license.

In addition, according to Article 38 of the Radio and Television Act, the KRRiT may withdraw a license in the event of a direct or indirect change of control over our business. Even though all of the offered Shares represent less than 50% of our shares and will have less than 50% of the votes at our general shareholders' meetings, we may experience a change of control in the future. In such an event, the KRRiT will be able to withdraw our license, which could force us to suspend our DTH satellite television services and apply for a new license.

Our television license has been granted for a definite period of time in accordance with market practice and is scheduled to expire in 2013. If we require a license after 2013, there can be no assurance that the KRRiT will renew the license.

Pursuant to Article 38, Section 1, Clauses 2 and 3 of the Radio and Television Act, a license will be withdrawn if the broadcaster grossly violates the terms set out in the Radio and Television Act or in the license or if the activity that is subject to the license violates the Radio and Television Act or the license and if the license holder, despite a demand from the Chairman of the KRRiT, has failed to remedy the irregularity within the terms of the Radio and Television Act or in the license within a specified time limit.

If our license is withdrawn or not extended, this may force us to discontinue or suspend our DTH satellite television services for an indefinite time, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

A decline in consumer spending in Poland could adversely affect our subscriber growth, revenues and profitability

Since all of our revenues are derived from customers in Poland, our revenues depend on the amount of disposable income that existing and potential subscribers in Poland spend on entertainment and leisure.

If the Polish economy stagnates or shrinks, consumers' disposable income spent on leisure and entertainment would likely decline. A reduction in the growth rate of the Polish economy, and in particular a reduction in the growth of Polish consumers' disposable income, would likely result in a reduction in the growth of our subscriber numbers and revenues. In view of the existing numerous leisure and entertainment options, consumers could also become less prepared to use their disposable income on our products and services. Any of these developments could adversely affect our subscriber revenues and, as a consequence, our business, financial condition, results of operations and prospects.

Frequent changes in tax regulations may have an adverse effect on our results of operations and financial condition

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of the taxpayers. Tax laws may also have to be amended to implement new EU legislation. The frequent changes in regulations governing the taxation of business activities can be unfavorable to us and may consequently have a material adverse effect on our business, financial condition, results of operations and prospects.

In practice, tax regulators apply the law relying not only on regulations but also on interpretations thereof made by higher authorities or courts. Such interpretations are also subject to change, or can be replaced by new acts, or remain in force but clash with other regulations. The lack of consistency is further exacerbated by the lack of clarity of many regulations in the Polish tax system, and, to a limited extent, by a lack of clarity of judicial decisions.

Taxes and other similar payments, such as customs duties and foreign currency payments, may be audited by tax authorities and, if any discrepancy is found, interest and penalties may be imposed. Tax returns submitted by us and our subsidiaries may be audited by tax authorities for five prior years and some transactions with our subsidiaries may also be challenged for tax reasons. We may be required to pay material additional taxes, as well as interest and penalties.

The above factors may have a material adverse effect on our business, financial condition, results of operations and prospects.

Mr. Zygmunt Solorz-Zak is, directly and indirectly (through Polaris Finance) have a majority of votes at our general shareholders meeting

Mr. Zygmunt Solorz-Zak has, directly and indirectly, (through Polaris Finance) more than 70% of the total votes at our General Shareholders' Meeting. As a result, Mr. Zygmunt Solorz-Zak and Polaris Finance will decide on a final content of resolutions adopted by the General Assembly.

5. Summary historical financial data

The following table sets out our summary historical interim consolidated financial information for the period of six month ended on 30 June 2008 and 2007. You should read the information in conjunction with the interim condensed consolidated financial statements for the six month period ended 30 June 2008 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 11 of this interim report.

For your convenience, certain financial data from the interim condensed consolidated profit and loss statements and interim condensed consolidated cash flow statement for the period of six month ended on 30 June 2008 and 2007 have been converted into euro at a rate of PLN 3.4776 per €1.00 (the arithmetic average of average exchange rates published by the National Bank of Poland, ("NBP") on the last date of each of the months in the period). Certain balance sheet data as at 30 June 2008 and 2007 have been converted into euro at a rate of PLN 3.3542 per €1.00 (an exchange rate published by NBP on 30 June 2008). You should not view such translations as a representation that such Zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

	Six months ended			
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Consolidated Income Statement	(PLN)	(PLN)	(Euro)	(Euro)
Revenues from operating activities	526,496	354,688	151,396	101,992
Profit from operating activities	181,482	95,218	52,186	27,380
Gross profit for the period	177,224	96,052	50,962	27,620
Net profit for the period	142,963	77,032	41,110	22,151
Net profit attributable to Cyfrowy Polsat S.A. shareholders	142,963	77,025	41,110	22,149
	(in numbers)			
Weighted average number of issued common shares	268,325,000	262,500,000	268,325,000	262,500,000
	(PLN)	(PLN)	(Euro)	(Euro)
Profit (loss) per ordinary share	0.53	0.29	0.15	0.08

	Six months ended			
	30 June 2008	30 June 2008	30 June 2008	30 June 2008
Consolidated Cash Flow Statements	(PLN)	(PLN)	(Euro)	(Euro)
Cash flow from operating activities	83,762	72,252	24,086	20,776
Cash flow from investing activities	(28,854)	(17,169)	(8,297)	(4,937)
Cash flow from financing activities	(68,258)	(8,231)	(19,628)	(2,367)
Total net cash flow	(13,350)	46,852	(3,839)	13,473

	As at			
	30 June 2008	31 December 2008	30 June 2008	30 June 2008
Consolidated Balance Sheet	(PLN)	(PLN)	(Euro)	(Euro)
Total assets	630,440	595,203	187,955	177,450
Liabilities and provisions for liabilities	426,337	534,063	127,105	159,222
Non-current liabilities	80,246	134,914	23,924	40,222
Current liabilities	346,091	399,149	103,181	119,000
Equity	204,103	61,140	60,850	18,228
Issued capital	10,733	10,733	3,200	3,200
Equity attributable to equity holders of the Parent	204,103	61,140	60,850	18,228

	Six months ended			
	30 June 2008	30 June 2008	30 June 2008	30 June 2008
Other consolidated financial data	(PLN)	(PLN)	(Euro)	(Euro)
EBITDA	190.778	104.586	54.859	30.074
	(%)			
EBITDA margin[1]	36,2%	29,5%	36,2%	29,5%
Operating margin	34,5%	26,8%	34,5%	26,8%
Net profit margin	27,2%	21,7%	27,2%	21,7%

[1] The EBITDA result is calculated as operating profit plus depreciation. EBITDA is not a measure of operating profit, operating efficiency or liquidity. On the other hand, EBITDA is a measure used in activity management, because this measure is frequently used by investors and enables them to compare the efficiency without taking into account depreciation, the value of which may differ significantly depending on the accepted accounting methods as well as other non-operating factors. Accordingly, we have decided to include the EBITDA result in this report for the purpose of more thorough and extensive analysis of our operating results in comparison with other companies.

6. Discussion of the difference of the Company's results and published forecasts

We did not publish any financial forecasts.

7. Shareholders possessing no less than 5% of the Company's shares as of the date of publication of the interim report

The following table presents shareholders of Cyfrowy Polsat S.A. possessing no less than 5% of our shares as of the date of publication of this interim report, according to our best knowledge. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1, point 2 of the Act on Public Offering, conditions governing the introduction of financial instruments to organized trading and public companies.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polaris Finance B.V.[1, 3]	182,943,750	68.18%	357,968,750	78.53%
Other[2, 3]	85,381,250	31.82%	97,856,250	21.47%
Total	268,325,000	100.00%	455,825,000	100.00%

[1]Zygmunt Solorz-Żak owns indirectly 155.502.188 shares of Cyfrowy Polsat S.A. (57.95% of the share capital and 66.75% of votes) and Heronim Ruta owns indirectly 27.441.562 shares of Cyfrowy Polsat S.A. (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V.

[2]Zygmunt Solorz-Żak owns directly 10,603,750 shares of Cyfrowy Polsat S.A. (3.95% of the share capital and 4.66% of votes) and Heronim Ruta owns directly 1,871,250 shares of Cyfrowy Polsat S.A. (0.70% of the share capital and 0.82% of votes).

[3]Shares held by Polaris Finance B.V., Zygmunt Solorz-Żak, Heronim Ruta, members of our Management Board (Dominik Libicki, Maciej Gruber, Andrzej Matuszyński and Dariusz Działkowski) and Piotr Nurowski, Józef Birka and Aleksander Myszka are covered by the lock-up agreement, which prohibits the owner from sale of the shares and conduct any transactions which will result in the change of the ownership of those shares in the period of 180 days from the Warsaw Stock Exchange debut without a prior consent from UniCredit and UBS. This agreement will expire on 6 November 200.

7. Changes in the number of shares of Cyfrowy Polsat S.A. owned by the members of the managing and supervising persons

7.1 Members of the Management Board of Cyfrowy Polsat S.A.

The following table presents shares (not in thousands) owned directly or indirectly by our Management Board members as of 30 September 2008, the date of publication of this interim report, and changes in their holdings since the date of publication of our last quarterly report published on 13 August 2008. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Management Board Member	Balance as of 14 May 2008	Increases	Decreases	Balance as of 13 August 2008
Dominik Libicki[1]	500,000	-	-	500,000
Maciej Gruber[1]	46,250	-	-	46,250
Andrzej Matuszyński[1]	32,500	-	-	32,500
Dariusz Działkowski[1]	46,250	-	-	46,250

[1] Shares held by Dominik Libicki, Maciej Gruber, Andrzej Matuszyński and Dariusz Działkowski are covered by the lock-up agreement, which prohibits the owner from sale of the shares and conduct any transactions which will result in the change of the ownership of those shares in the period of 180 days from the Warsaw Stock Exchange debut without a prior consent from UniCredit and UBS. This agreement will expire on 6 November 2008.

7.2 Members of the Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares (not in thousands) owned directly or indirectly by our Supervisory Board members as of 30 September 2008, the date of publication of this interim report, and changes in their holdings since the date of publication of our last quarterly report published on 13 August 2008. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Supervisory Board Member	Balance as of 14 May 2008	Increases	Decreases	Balance as of 13 August 2008
Heronim Ruta[1]	29.312.812	-	-	29.312.812
Robert Gwiazdowski	- -	-	-	-
Andrzej Papis	-	-	-	-
Leszek Reksa	- -	-	-	-
Zygmunt Solorz-Żak[1]	166.105.938	-	-	166.105.938

[1] Shares held by Zygmunt Solorz-Żak and Heronim Ruta are covered by the loc-up agreement, which prohibits the owner from sale of the shares and conduct any transactions which will result in the change of the ownership of those shares in the period of 180 days from the Warsaw Stock Exchange debut without a prior consent from UniCredit and UBS. This agreement will expire on 6 November 2008.

On 4 July 2008 Our General Shareholders Meeting dismissed Mariola Gaca, Zdzisław Gaca and Anna Kwaśnik from our Supervisory Board and nominated Robert Gwiazdowski, Leszek Reksa and Zygmunt Solorz-Żak to our Supervisory Board. Robert Gwiazdowski and Leszek Reksa are independent members of our Supervisory Board.

8. Administrative and court proceedings against us or our consolidated subsidiaries in the six month period ended 30 June 2008

Proceedings before the President of Office for Competition and Consumers Protection ("UOKiK") regarding complaints filed by consumers

On 18 October 2006, the President of UOKiK, with regard to complaints filed by consumers forwarded to us summons to forward templates of agreements (contracts, rules, pricelists) offered to consumers in the scope of business conducted. In the correspondence dated 21 May 2007 the President of UOKiK informed that a number of clauses in templates of agreements used by us raised objections of the authority. In correspondence dated 29 June 2007, we submitted preliminary explanation, took a stance on the arguments raised by the President of UOKiK. In the correspondence dated 23 July 2007 the President of UOKiK called us to take a position on the remaining remarks and to forward a price list for its services applied by us. In correspondence dated 31 August 2007 we addressed the remaining remarks of the Presidents of UOKiK. On 15 July 2008 we received correspondence from UOKiK on the matter in question containing remarks and comments on our position expressed in previous correspondence. The President of UOKiK forwarded a motion to us to express an ultimate position on the matter in question. Due to the fact that we are currently in the phase of introducing new templates of agreements with customers, in the correspondence dated 29 July 2008 it proposed a meeting with representatives of UOKiK in order to conduct relevant consultation regarding the templates in question. In a meeting on 1 September 2008 a representative of UOKiK received draft rules of services provision for consultation.

If certain provisions of the agreement templates were deemed unfair it would result in a need for amendments to the agreement templates in force. As a result, customers shall be able to withdraw from agreements whose provisions have been questioned, without a need for observing the notice periods and payment of contractual penalties. Moreover, in an event of us applying unfair provisions of agreement templates the President of UOKiK may impose a financial penalty on the Company totaling a maximum of 10% of our turnover in a financial year prior to the year that the fine is imposed.

Proceedings before the President of UOKiK regarding a suspected application of practices breaching collective interests of consumers.

On 14 March 2007 the President of the Office of Competition and Consumer Protection decided to initiate preliminary proceedings in order determine whether we have committed a breach of legally protected consumer's rights.

The subject of the proceeding is determination whether advertising leaflets and information presented on our website misled consumers as to the scope of services it provided within a particular agreement. The proceedings also cover the issue of possible breach of provisions of the civil code through sending to customers paid text messages "SMS", assuming that lack of objections of the consumer is tantamount to granting consent to provision of such services.

On 30 May 2007 the President of UOKiK notified us about initiation *ex officio* proceedings regarding recognition of the fact that the advertising policy applied by the company, is designed to mislead customers regarding the content of TV channels offered, which is a practice breaching collective interests of consumers as set forth by art. 24 section 2 point 3 of the law dated 16 February 2007 about protection of competition and consumers, involving application of misleading advertising as set forth by art. 16, section 1, pt 2 of the law dated 16 April 1993 about countering unfair competition. In correspondence dated 20 and 29 June 2007 the company addressed several of the issues indicating to discrepancies between the advertising messages and provisions of agreements concluded with clients and indicating to reasons of the factual state. We stressed that the discrepancies in question have been removed. In correspondence dated 25 September 2007 the President of UOKiK called us to submit financial statements for the financial year of 2006. The report in question was forwarded to the President of UOKiK together with a letter dated 8 October 2007.

On 19 May 2008, we received a notification of the President of UOKiK that due to a need for performance of ultimate assessment of the exhibits and running a consultation in the scope of issuing a decision on the issue in question with organizational units of UOKiK, the deadline for completion of proceedings has been extended until 31 May 2008. On 11 June 2008, we received a decision of the President of UOKiK no. DDK 6/2008 issued on 30 May 2008. With regards to the issue in question, the President of UOKiK recognized the practice as breaching the collective rights of costumers, involving our activities comprising presentation of information of its advertising, that the Cinemax package is included in the Relax Mix Package, whereas the Package was not included in the Relax Mix Package, but was provided to consumers within a promotion regarding the Relax Mix Package. The decision became enforceable on 25 June 2008

Proceedings before the President of UOKiK regarding suspected application of competition limiting practices

On 23 May 2007 the UOKiK Branch in Wroclaw notified Cyfrowy Polsat S.A. about initiation of preliminary proceedings regarding the fact whether we engaged in practices limiting competition through hindering authorized distributors from distribution of competing digital platform run by ITI Neovision Sp. z o.o., which may constitute a breach of art. 6 section 1 of the law dated 16 February 2007 on protection of competition and consumers. As a result we have been obligated to supply certain documents presented in the notification. In correspondence dated 22 June 2007 we presented explanation on the issue in question. Moreover, on 17 October 2007 we forwarded requested documents to the authority. On 8 November 2007 the UOKiK Branch in Wroclaw called us to submit further information. We provided an answer in a letter dated 28 November 2007. Since that time we have not received any formal correspondence regarding the issue in question. The only source of information was press reports, e.g. an interview with the President of UOKiK in Gazeta Prawna, where he stated that antimonopoly proceedings shall not be initiated regarding the issue in question.

9. Related party transactions concluded in the six month period ended 30 June 2008

On 15 July 2008 we were notified that on 5 May 2008 an annex to the agreement regarding the rules of settling costs of services related to approval for trading of shares on the regulated market dated 1 April 2008, concluded between Cyfrowy Polsat S.A. and Polaris Finance B.V. was signed. The annex changes the cost level, related to the introduction of shares onto the regulated market, which Polaris Finance B.V. as a shareholder obligated itself to cover, from PLN 5,017 to PLN 7,807.

10. Information on guarantees granted by Cyfrowy Polsat or its subsidiaries to third parties during the six month period ended 30 June 2008

In the six months ended 30 June 2008 neither us, nor any of our affiliates or subsidiary companies had granted any guarantees or secured any third party credits for an amount exceeding 10% of its equity.

11. Other information important for the assessment of our personnel, economic and financial position, as well as our financial results

Sources of revenues from operating activities

Revenues from operating activities consist of: (i) subscription fees, (ii) rental of satellite television receiving equipment, (iii) sales of satellite television receiving equipment, (iv) sales of signal transmission services and (v) other operating revenue.

Subscription fees

Subscription fees consist of monthly subscription fees paid by our subscribers for the programming packages to which they subscribe. The total amount of subscription fees we collect depends on the number of subscribers and the amount of monthly subscription fees paid for our packages, which in turn depends on the number and type of packages purchased by our subscribers. In the six month period ended 30 June 2008 our subscription fees were 86% of our revenues from operating activities as compared to 84,9% in the corresponding period of 2007.

Rental of satellite television receiving equipment

Revenues from the rental of satellite television receiving equipment (set-top boxes and satellite dishes) consist of amounts paid by our subscribers for the use of such equipment owned by us and rented to such subscribers. The total amount of revenues from the rental of satellite television receiving equipment depends on the number and the type of set-top boxes and satellite dishes rented and the amount of rental fees collected from our subscribers for these set-top boxes and satellite dishes. Revenues from the rental of satellite television receiving equipment are generated by subscribers who signed up for our packages before December 2004 because thereafter we principally sold satellite television receiving equipment to subscribers, instead of renting such equipment to them. Revenues from rental of satellite receiving equipment which accounted for 0,7% of our revenues from operating activities in the period of six month ended on 30 June 2008 compared to 1,1% in the corresponding period of 2007.

Sales of satellite television receiving equipment

Revenues from the sale of satellite television receiving equipment consist of revenues from the sale of such equipment purchased by our subscribers when they enter into programming services agreements with us and from the sale of such equipment to subscribers under finance lease agreements which provide for the transfer of title to such equipment on the last day of the term agreement signed by them. The sale price of the satellite television receiving equipment for the subscriber depends on whether the sale is for the set-top box itself or for the set-top box and the satellite dish, as well as on what programming packages are purchased by the subscriber. In the period of six month ended on 30 June 2008 our revenues from sale of television receiving equipment were 8.3% of our revenues from operating activities as compared to 11.1% in the corresponding period of 2007.

Sales of signal transmission services

We generate revenue by providing signal transmission services, mainly to television and radio broadcasters. These services include access to part of the transponder band, signal transmission and coding as well as signal distribution to other operators, including cable networks. These services are provided to broadcasters that are our licensors for programming. In the period of six month ended on 30 June 2008 our revenues from sale of signal transmission services were 1.6% of our revenues from operating activities as compared to 1.8% in the corresponding period of 2007.

Other operating revenue

In the period of six month ended on 30 June 2008 our other operating revenues were 3.4% of our revenues from operating activities as compared to 1.1% in the corresponding period of 2007. Other operating revenue consists mainly of:

(i) compensation for lost or damaged set-top boxes and satellite dishes. Subscribers who use satellite television receiving equipment leased from us are required to return such equipment to us once they terminate the agreement with. If the satellite television receiving equipment is damaged, it will be repaired at the customer's expense. If a customer does not return such equipment for any reason, it will be required to pay us the equivalent of its value. If such equipment is returned undamaged, the deposit from the subscriber is returned;

(ii) revenues from real estate purchased by Praga Business Park Sp. z o.o. held for investment purposes, including rent paid by tenants who lease office and storage space at the location of our registered office. Rental payments are made to our subsidiary Praga Business Park Sp. z o.o., which acquired the property in September 2006; and

(iii) other, which includes mainly revenues from advertising, transportation and mailing services.

Sources of costs of operating activities

Costs of operating activities consist of: (i) depreciation and amortization, (ii) programming costs, (iii) signal transmission services costs, (iv) distribution and marketing costs, (v) salaries and employee- related expenses, (vi) costs of satellite television receiving equipment sold, (vii) costs of electronic equipment sold and (vii) other operating costs.

Depreciation and amortization

Depreciation and amortization expenses primarily consisted of the depreciation of property, plant and equipment and real estate. Depreciation and amortization expenses were 2.7% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 3.6% in the corresponding period of 2007.

Programming costs

Programming costs consist of the sum of (i) monthly license fees paid to television broadcasters and (ii) royalties payable to organizations for collective management of copyrights. The majority of our agreements with licensors provide that license fees are calculated as the product of the agreed rate per subscriber and the number of subscribers reported to a given broadcaster who are able to watch the channel based on the payment made for the package containing the broadcaster's channel. Some license agreements contain a so-called guaranteed minimum provision, pursuant to which we are required to pay a fixed license fee irrespective of the number of subscribers using the licensor's programming, and once this level is exceeded, the license fee is calculated as the product of the rate per one subscriber and the number of subscribers who are able to watch the channel based on the payment made for the package containing the broadcaster's channel. In the majority of cases, the number of our subscribers has exceeded the thresholds specified in those license agreements. In some cases, we are required to pay a flat-rate programming license fee. We have managed to enter into a number of license agreements under which the monthly per-subscriber rate of license fees declines as the number of subscribers increases. Programming costs were 28% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 26.9% in the corresponding period of 2007.

Signal transmission services costs

Signal transmission services costs consist of: (i) payments for the lease of satellite transponder capacity, (ii) payments for the use of the Nagravision conditional access system (since December 2005, this has been calculated as the product of the monthly unit rate per active access card and the number of active access cards) and (iii) other signal transmission costs. Signal transmission service costs were 8.5% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 8.4% in the corresponding period of 2007.

Distribution and marketing costs

Distribution and marketing costs consist of: (i) commissions paid to distributors, (ii) marketing expenses, (iii) mailing costs, (iv) call center costs and (v) other expenses.

Commissions paid to distributors consist of amounts paid both to distributors and retail points of sale when they conclude agreements with our customers for paid satellite televisions services. As a result, the costs of commissions for a specific agreement with a subscriber accrue throughout the initial term of the agreement. The cost of commissions paid to distributors that do not apply to specific subscription agreements are debited in full on our income statement as they are incurred. Commissions paid to distributors increased significantly for all periods under review, largely because a significant portion of the growth in the number of subscribers occurred through this distribution channel. Total commissions paid to distributors and to the customer call center in a given period constitute our subscriber acquisition cost ("SAC") for such period.

Marketing expenses consist of expenses for television and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. These expenses are not directly related to changes in the number of subscribers.

Mailing costs (correspondence with customers) are comprised of expenses related to mailing invoices and information related, among other things, to changes in programming offers, prices or regulations to subscribers. Such mailings to subscribers are made at least twice a year (usually in the spring and fall). In addition, we regularly mail selected subscriber groups, for example new customers, welcome packages to encourage them to subscribe to additional programming offers.

Call center costs include, among other things, payments to contract workers who make calls to and receive calls from our customers at our call center and sell pay DTH satellite television broadcasting services.

Other distribution and marketing expenses include primarily courier services, costs of handling the distribution of satellite television receiving equipment and costs related to servicing of our regional representatives.

Distribution and marketing costs were 24.3% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 17.1% in the corresponding period of 2007.

Salaries and employee-related expenses

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts or project-specific contracts, social security premiums, pension severance payments and other employee benefits. Most of our personnel have employment contracts. Project-specific contracts are used for certain positions in customer service and distribution to enable us to respond to the short-term need for seasonal employees in times of increased sales.

Salaries and employee-related expenses were 6.5% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 4.6% in the corresponding period of 2007.

Costs of satellite television receiving equipment sold

We currently offer satellite television receiving equipment purchased from third party vendors at prices which are higher than the retail price for such equipment offered by us to our customers. The purpose of subsidizing these costs is to increase the price attractiveness and, in turn, affordability of our programming packages to make it available to a wide group of prospective customers of pay DTH satellite television services. Despite generating some additional costs, we believe that these subsidies continue to be essential to maintain the growth of our subscriber base and the significant growth in subscription fees. Retail prices of satellite dishes sold to our customers are not subsidized.

To reduce our costs of purchasing satellite television receiving equipment, we launched the production of our own set-top boxes in November 2007. A decrease in the cost of acquisition of set-top boxes will enable us either to offer our subscribers a lower purchase price for set-top boxes, which we expect would positively affect subscriber growth, or to maintain the current prices to subscribers but thereby improve our profitability.

Costs of satellite television receiving equipment sold were 18.6% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 29.8% in the corresponding period of 2007.

Other operating costs

Items of other operating costs include: (i) intangible asset impairment charges, (ii) provisions for doubtful debts, (iii) materials (mainly office and technical supplies) and energy costs, (iv) repairs and maintenance costs, (v) rent for premises, (vi) expenses on legal, advisory and consulting services, (vii) expenses on collection services, (viii) banking fees, (ix) expenses on telecommunications services, (x) local taxes and other charges, (xi) security services, (xii) contributions to the Polish Film Institute, and (xiii) other operating costs.

Other operating costs were 11.4% of our costs of operating activities in the period of six month ended on 30 June 2008 as compared to 9.6% in the corresponding period of 2007.

Management discussion and analysis

Operating results

	Six months ended		
	30 June 2008	30 June 2007	Change
Average number of Family Package Subscribers[1)]	1,909,237	1,310,243	45.7%
Average number of Mini Package Subscribers	272,254	143,036	90.3%
Average number of Subscribers	2.181.491	1.453.279	50.1%
Number of Family Package Subscribers at the end of the period	1.984.931	1.399.845	41.8%
Number of Mini Package Subscribers at the end of the period	302.725	161.866	87.0%
Number of Subscribers at end of the period	2.287.656	1.561.711	46.5%
Churn rate of Family Package Subscribers	8.11%	4.15%	3.96 pp
Churn rate of Mini Package Subscribers	0.10%	0.01%	0.09 pp
Churn rate of Subscribers [2)]	7.14%	3.85%	3.29 pp
Average Revenue per User (ARPU)[3)] per month of Family Package (PLN)	38.3	37.4	2.4%
Average Revenue per User (ARPU) per month of Mini Package (PLN)	8.5	8.6	-1.2%
Average Revenue per User (ARPU) per month (PLN)	34.6	34.5	0.3%
Subscriber Acquisition Cost (SAC)[4)] (PLN)	98.5	104.2	-5.5%

(1) Calculated as the sum of the average number of subscribers in each month divided by the number of months in the period. Average number of subscribers per month is calculated according to the following formula: (subscribers at the end of the month + subscribers at the beginning of the month)/2.
(2) The percentage of terminated agreements calculated as the ratio of the number of terminated agreements in a given period to the average number of agreements in the period. The churn rates calculated for periods shorter than one year only relate to those given periods and are not annualized.
(3) Revenues from subscription fees for the period divided by the average number of subscribers in such period and the number of months in the period.
(4) Calculated as the average amount of commissions paid to distributors and to the customer call center per one new subscriber acquired.

As at 30 June 2008 we had 2,287,656 subscribers, 46.5% more than as at 30 June 2007, when we had 1,561,711 subscribers. Such a significant increase in our subscriber base was possible due to proper position of our services and process for those services on DTH market. Number of our Family Package subscribers increased by 41.8% to 1,984,931 and the number of our Mini Package subscribers increased by 87% to 302,725 subscribers.

The churn rate for the last 12 months increased to 7.1% in the period of 12 months ended on 30 June 2008 in comparison with 3.9% in the period of 12 months ended on 30 June 2007. The increase results primarily from an increase in the churn rate for the subscribers to the Family Package, which increased to 8.1% in the period of 12 months ended on 30 June 2008 from 4.2% in the period of 12 months ended on 30 June 2007. The increase in the churn rate of subscribers to the Family Package is partially caused by agreement termination process we initiated, which did not take place in the corresponding period of 2007, as a result of changes to our collection procedures. In the corresponding period of 2007 we did not execute any agreement terminations in relation to a discussion with UOKiK regarding the structure of contractual penalties in agreements with consumers.

Our monthly ARPU increased by 0.3% to PLN 34.6 in the period of six months ended on 30 June 2008 from PLN 34.5 in the corresponding period of 2007. ARPU per a subscriber of Family Package increased by 2.4% to PLN 38.3 in the period of six months ended on 30 June 2008 from PLN 37.4 in the corresponding period of 2007. The increase results mainly from the fact that since 1 January 2008 we have offered to our subscribers additionally paid bonus HBO and Super Film packages, which enjoy popularity among our subscribers, as well as the fact that on 1 January 2008 we increased the price of our Family Package to PLN 37.90 to clients beyond the initial period of the agreement and since that day he have been consequently increasing prices for those clients who are about to complete the initial term of the agreement. Our monthly ARPU per subscriber to the Mini Package was PLN 8.5 in the period of six months ended on 30 June 2008 in comparison with PLN 8.6 in the corresponding period of 2007.

Our average subscriber acquisition cost, comprising commissions paid to distributors and to the customer call center per one new subscriber acquired, fell by 5.5% to PLN 98.5 in the period of six months ended on 30 June 2008 from PLN 104.2 in the corresponding period of 2007, mainly as a result of changes to the commission structure for our distributors.

Review of the financial situation

The following review of results for the period of six month ended on 31 March 2008 was executed on the basis of condensed interim consolidated financial statements for the period of six months ended on 30 June 2008 created in accordance with IAS 34 "*Interim Financial Reporting*".

The financial situation

Other fixed assets increased by PLN 10,004, or 10.3% to PLN 107,330 as at 30 June 2008 from PLN 97,326 as at 31 December 2007. This change results mainly from expenditure on new tangible fixed assets of PLN 15,425, including expenditure for our MVNO services in the amount of PLN 7,315 and amortization of PLN 6,931.

Other non-current assets decreased by PLN 7,702, or by 24.9% to PLN 23,254 as at 30 June 2008 from PLN 30,956 as at 31 December 2007. The decrease resulted from a fall in long term interim settlements from commissions to distributors by PLN 7,694 to PLN 21,919 as at 30 June 2008 from PLN 29,615 as at 31 December 2007. This decrease results from recognizing into cost and at the same time reclassifying the commissions between long and short-term interim settlements paid to distributors for agreements concluded at the end of 2007.

The stock level increased by PLN 17,106, or 13.2% to PLN 147,115 as at 30 June 2008 from PLN 130,009 as at 31 December 2007 as a result of increased levels of stock of mobile handsets and SIM cards, related to provision of telecommunication services, by PLN 6.112, and increased stock of set-top boxes, including HD boxes, due to the coming high sales period, by PLN 12,273, partially offset be a decrease in the value of converters and set-top boxes cards.

Receivables from supply of goods and services and other receivables increased by PLN 42,378, or 53.6% to PLN 121,511 as at 30 June 2008 from PLN 79,133 as at 31 December 2007. The increase resulted, among others, from charging Polaris Finance B.V. for reimbursement of costs we bore in relation to admission of our shares for trading on the regulated market in the amount of PLN 4,115, an increase of receivables from Nagravision S.A. resulting from a compensation for a change of coding system in the amount of PLN 5.913, and an increase in non-due as at the balance sheet date receivables from subscriptions as a result of recognition of revenues according to the accounting principles applied for promotions at the end of 2007 by PLN 23,405.

Other current assets decreased by 7,054, or 10.2% to PLN 61,917 as at 31 December 2008 from PLN 68,971 as at 31 December 2007 due to a decrease in the value of short-term active interim settlements for commissions for distributors by PLN 8,395 to PLN 58,755 as at 30 June 2008 from PLN 67,150 as at 31 December 2007. The fall results from recognizing into costs commissions paid to distributors for agreements concluded at the end of 2007. The fall has been partially offset by an increase in other active interim short-term settlements by PLN 1,341.

The value of cash and cash equivalents decreased by PLN 13,435, or 8.9% to PLN 137,291 as at 30 June 2008 from PLN 150,726 as at 31 December 2007. The main items of cash outflow, other than cash outflows necessary to finance our operating costs, are (i) partial repayment of the bank credit, in the amount of PLN 50,000 on 5 June 2008 resulting from a credit agreement dated PLN on 9 October 2007 further referred to as Bank Pekao S.A., (ii) purchase of tangible fixed assets and intangible assets for the amount of PLN 28.772, and (ii) payment in January and February 2008 distributor commissions for effecting conclusion of subscriber agreements in 2007. They were partially offset by (i) inflow from Nagravision S.A. in the amount of PLN 15,473 as compensation for change of the coding system, (ii) higher inflow of cash from subscribers, whose five month promotional period has expired, in which they were not obligated to pay subscription fees, and also (iii) higher inflow resulting from a constant increase in the number of subscribers paying monthly subscription fees.

Liabilities from credits and loans (short- and long-term) decreased by PLN 54,147, or 24.5% to PLN 166,810 as at 30 June 2008 from PLN 220,957 as at 31 December 2007, mainly as a result of partial repayment of the bank credit made on 5 June 2008 of PLN 50,000 within a credit agreement with Bank Pekao S.A.

Liabilities from supplies and services and other current liabilities decreased by PLN 84,333 or 40.4% to PLN 124,381 as at 30 June 2008 from PLN 208,714 as at 31 December 2007, mainly due to payment of distribution commissions in 2008 for leading to conclusion of subscription agreements in 2007, in the amount of PLN 63,567.

Revenues of future periods increased by PLN 25,356 or 31.1% to PLN 106,824 as at 30 June 2008 from PLN 81,468 as at 31 December 2007 mainly due to an increase of down payments made for subscription fees and set-top boxes rental payments.

The equity increased by PLN 142,963 to PLN 204,103 as at 30 June 2008 from PLN 61,140 as at 31 December 2007, as a result of retained profit for previous years.

Comparison of results for the period of six months ended on 30 June 2008 with results of the corresponding period of 2007

Revenue from operating activities. Our revenue from operating activities increased by PLN 48.4% to PLN 526,496 in the period of six months ended 30 June 2008 from PLN 354,688 in the corresponding period of 2007. The increase mainly results from (i) an increase in revenue from subscription fees by 50.3% to PLN 452,848 from PLN 301,321 mainly due to an increase in the average number of subscribers in the period that increased to 2,181,491 from 1,453,279 and an increase in monthly ARPU; (ii) an increase in revenue from sales of satellite television receiving equipment by 11% to PLN 43,632 from PLN 39,321, mainly due to an increase in the number of set-top boxes sold, including an increase in the volume of more expensive HD (High Definition) set-top boxes, and (iii) an increase in other operating revenue to PLN 17,910 from PLN 3,912, mainly due to recognition into revenue the compensation we received from Nagravision S.A. in the amount of PLN 9,713 received for damages, which were borne resulting from replacement of cards and older set-top boxes which were not compatible with a new coding system in relation to the change of the coding system, a change in the stock level of set-top boxes we produced, in the amount of PLN 2,277 and an increase in the revenues from advertising and marketing services by PLN 2,198 to PLN 2,258 in the six month period ended 30 June 2008.

Costs of operating activities. Our costs of operating activities increased by PLN 33% to PLN 345,014 in the period of six months ended 30 June 2008 from PLN 259,470 in the corresponding period of 2007. The increase primarily resulted from (i) an increase in the distribution and marketing costs by 88.3% to PLN 83,780 from PLN 44,464 mainly due to an increase of commissions for distributors by 16,334 resulting from constant increase in the number of subscribers acquired, an increase by PLN 14,674 in the costs of mailing and the call center, resulting largely from the replacement of cards to set top boxes and older set top boxes not compatible with the new system of coding, an increase in the marketing costs of PLN 8,061 resulting from intensified promotional campaigns for DTH services, and launch of MVNO services; (ii) an increase in the programming license fees by 38.5% to PLN 96,775 from PLN 69,887, mainly due to an increase in the average number of subscribers and extension of our programming offer by three new television channels such as HBO, HBO 2 and HBO Comedy, (iii) an increase in other operating costs by 58.9% to PLN 39,461 from PLN 24,833, mainly due to the increase in costs related to modification of existing IT systems by PLN 6,363, an increase in the usage of materials and energy by PLN 4,870, an increase in the costs of legal advisory and consulting by PLN 2,062, and an increase in fees to the Polish Film Institute, (iv) an increase in salaries and employee-related expenses, which increased by 89.4% to PLN 22,507 from PLN 11,883, mainly as a result of increase in the average number of employees in the period to 393 from 224, resulting from our organic growth, launch of MVNO services, as well as increase in average salary level over a comparable period and (v) an increase in the cost of transmission by 34.4% to PLN 29,203 from 21,724 resulting mainly from an increase in the number of transponders leased (one new transponder from September 2007) and an increase in the number of subscribers resulting from an increase in the average number of active smart cards. These increases were partially offset by a decrease in the cost of satellite transmission equipment sold by 17.2% to PLN 64.042 from PLN 77.311 mainly as a result of decrease of average cost of standard definition set-top boxes sold due to the fact that we started selling in-house produced set-top boxes.

Profit from operating activities. Our profit from operating activities increased by 90.6% to PLN 181,482 in the period of six months ended on 30 June 2008 from PLN 95,218 in the corresponding period of 2007. The increase primarily results from an increase in revenue from operating activities in a situation of operating activities costs growing more slowly.

Financial revenues. Our financial revenue decreased by 8.2% to PLN 9,350 in the period of six months ended on 30 June 2008 from PLN 10,180 in the corresponding period of 2007.

Financial revenues comprised interest in the amount of PLN 2,982 in the period of six months ended on 30 June 2008 in comparison with PLN 2,655 in the corresponding period of 2007, and revenues resulting from settlement of costs of consulting services with Polaris Finance B.V. in relation to admission of our shares for trading on the regulated market for the amount of PLN 4,115 as well as positive foreign exchange differences in the amount of PLN 2,235 on foreign currency debt as compared to positive foreign exchange differences of PLN 7,525 on our foreign currency debt in the corresponding period of 2007.

Financial costs. Our financial cost increased by 45.6% to PLN 13,608 in the period of six months ended on 30 June 2008 from PLN 9,346 in the corresponding period of 2007.

Financial costs comprised costs from interest on bank loans of PLN 6,930 in the period of six months ended on 30 June 2008 when compared to PLN 6,715 in the corresponding period of 2007, and costs of consulting services related to admission of our shares for trading on the regulated market in the amount of PLN 6,678 in the period of six months ended on 30 June 2008 when compared to PLN 2,631 in the corresponding period of 2007.

Gross profit. Our gross profit increased by 84.5% to PLN 177,224 in the period of six months ended on 30 June 2008 from PLN 96,052 in the corresponding period of 2007, mainly as a result of increase in profit from operating activities.

Income tax. The income tax increased by 79.9% to PLN 34,261 in the period of six months ended 30 June 2008 from PLN 19,047 in the corresponding period of 2007. Effective income tax rate was 19.3% as compared to 19.8% in the corresponding period of 2007.

Net profit from continued activities. Our net profit from continued activities increased by 85.6% to PLN 142,963 in the period of six months ended on 30 June 2008 from PLN 77,005 in the corresponding period of 2007.

Net profit. Our net profit increased by 85.6% to PLN 142,963 in the period of six months ended on 30 June 2008 from PLN 77.032 in the corresponding period of 2007.

Other information

EBITDA. EBITDA increased by 82.4% to PLN 190,778 in the period of six months ended on 30 June 2008 from PLN 104,586 in the corresponding period of 2007. The increase resulted from an increase of in profit on operating activities. The EBITDA margin improved to 36.2% in the period of six months ended 30 June 2008, when compared to PLN 29.5% in the corresponding period of 2007.

Capital expenditure. Capital expenditure was PLN 28,939 in the period of six months ended on 30 June 2008 when compared to PLN 17,209 in the corresponding period of 2007, mainly due to expenditure borne on fixed assets and intangible assets for the provision of MVNO services, including expenditure on the billing system MVNO infrastructure, and expenditure on upgrading the premises we own.

Employment. Average number of employees was 393 persons in the period of six months ended on 30 June 2008, when compared with 224 in the corresponding period of 2007. The increase in staffing results from our organic growth, development of production of in-house set-top boxes and launching MVNO telecom services.

Liquidity and capital reserves

The table below presents cash flow for the period of six months ended on 30 June 2008 and 2007.

	Six months ended on	
	30 June 2008	30 June 2007
Net cash flow from operating activities	83.762	72.252
Net cash flow from investment activities	(28.854)	(17.169)
Net cash flow from the financial activities	(68.258)	(8.231)
Net changes in cash and cash equivalents	(13.350)	46.852

Net cash flow from operating activities

Net cash flow from operating activities increased by PLN 11,510 or 15.9% to PLN 83,762 in the period of six months ended on 30 June 2008 from PLN 72,252 in the corresponding period of 2007. The increase mainly results from an increase in the net result by PLN 65,931 a decrease in the total amount of adjustments net by PLN 33,037. The main differences in adjustments resulted from a greater change in liabilities, provisions, passive accruals and revenues of future periods by PLN 43,626 as a result of settlement of liabilities towards our distributors resulting from their commissions due for conclusion of agreements with subscribers in 2007, an increase in receivables and other assets by PLN 23,538 as compared to a decrease of PLN 10,193 in the corresponding period of 2007, and a greater increase in the stock level by PLN 23,166, in relation to stocking with HD set-top boxes and set top boxes that we produce in anticipation of higher sales, and in particular the sale of HD sets, in the second half of 2008, and an increase in the income tax by PLN 15,214 .

Additionally cash from operating activities was decreased by income tax paid in the amount of PLN 21,703.

Net cash flow used in investing activities

The cash used in investing activities increased by PLN 11,685 to PLN 28,854 in the period of six months ended 30 June 2008 from PLN 17,169 in the corresponding period of 2007. In both periods the funds were used mainly to purchase of tangible fixed assets. In the period of six months ended on 30 June 2008 the amount totaled PLN 23,513 and was related expenditure on: (i) MVNO infrastructure, (ii) modernization of real state being our headquarters, and (iii) equipment for the call center and (iv) means of transport. A higher value of cash used in the investing activities in the period of six months ended on 30 June 2008, apart from the aforementioned differences, resulted mainly from the increase in spending on intangible assets, which results from the expenditure on the billing system for MVNO.

Net cash flow from financial activities

Cash flow used in financial activities in the period of six months ended on 30 June 2008 was PLN 68,258 when compared to PLN 8,231 in the corresponding period of 2007 and mainly comprised the repayment of bank debt in the amount of PLN 50,904 and repayment of interest on bank debt and financial lease in the amount of PLN 8,146 as well as outflow related to settlement of costs with Polaris Finance B.V. in relation to admission of our shares for trading on the regulated market for the amount of PLN 9,090.

Cash and cash equivalents as at 30 June 2008 was PLN 137,291 as compared to PLN 156,246 as at 30 June 20087. We keep our cash in a form of bank deposits in Zloty, Euro and U.S. dollars on bank accounts with Bank Pekao S.A., Invest Bank S.A. and Raiffeisen Polska S.A.

Future liquidity and capital resources

We expect that our principal future cash needs will be (i) development of MVNO services, (ii) purchase of DVRs and High Definition set-top boxes from external suppliers as well as components for our own Standard Definition set-top boxes and (iii) capital expenditures and (iv) debt service under our credit agreements. We believe that our cash balances and cash generated from our operations will be sufficient to fund these needs.

Our non-current liabilities amounted to PLN 80,246 as at 30 June 2008 as compared to PLN 134,914 as at 31 December 2007.

Our borrowed funds, long and short term, as at 30 June 2008 consisted of PLN 166,810 of indebtedness under the bank loan under the credit agreement with Bank BPH S.A. (currently Bank Pekao S.A.) in the amount of PLN 141,830 and under the credit agreement with Raiffeisen Bank in the amount of Euro 8,260, which is our only foreign currency debt.

The ratio of consolidated net debt (defined as total borrowings (including accrued interest thereon) net of cash and cash equivalents (excluding restricted cash)) to consolidated shareholders' equity was 0.14x as at 30 June 2008 compared to 3.6x as at 31 December 2007.

As at 30 June 2008 the ratio of consolidated net debt to the last twelve months EBITDA was 0.17x.

Commitments

Capital expenditure liabilities and liabilities under contracted services related to MVNO

On 31 May 2007, we entered into an agreement with Accenture Sp. z o.o. for implementation and launch of a billing system. As at 30 June 2008 the value of uninvoiced deliveries and services amounted to PLN 37. Furthermore, the value of uninvoiced deliveries and services under an additional order related to the agreement was PLN 554 as at 30 June 2008.

On 14 August 2007, we entered into an agreement with Nokia Siemens Networks Sp. z o.o. for delivery of hardware and software necessary for the provision of MVNO services. As of 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 89 (PLN 297). Moreover, the value of uninvoiced deliveries and services under an additional order related to the agreement was EUR 62 (PLN 208) as at 30 June 2008.

On 31 May 2007, we entered into an agreement with Accenture Sp. z o.o. concerning maintenance of the billing system. The agreement is for a term of three years. The annual cost of the service amounts to EUR 245. Moreover, we entered into a service agreement for the billing system. The annual cost of the service amounts to PLN 592.

On 14 September 2007, we entered into an agreement with Nokia Siemens Networks Polska Sp. z o.o. concerning maintenance of the MVNO system plus BOT (Build Operate Transfer) service. The contract is for a term of 13 months. As at 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 1,246.

On 14 September 2007, we entered into an agreement with Nokia Siemens Networks Sp. z o.o. for maintenance of the MVNO system. The contract is for a term of five years. The annual cost of the service amounts to EUR 98.

On 28 September 2007, Cyfrowy Polsat S.A. entered into a maintenance agreement with Alcatel Lucent Polska S.A. The contract is for a term of three years. The annual cost of the service amounts to EUR 59.

Contingent liabilities to purchase shares in Karpacka Telewizja Kablowa Sp. z o.o.

On 17 April 2002 we filed with the District Court of Rzeszów an action to squeeze out Andrzej Kliś, a shareholder in Karpacka Telewizja Kablowa Sp. z o.o., in which we hold 85% of shares. In the ruling dated 28 February 2006, the Court set the purchase price of the shares at PLN 701. The case has not been finally resolved and has been brought to the Court of Appeals.

Other contingent liabilities

As a security for the loan granted to Praga Business Park Sp. z o. o. by Raiffeisen Bank Polsa S.A. a financial pledge (a registered and ordinary pledge) over all of the shares in Praga Business Park Sp. z o.o. was made.

On November 8th 2007, we and Telekomunikacja Polska S.A. entered into an agreement concerning interconnection of our public telecommunications network and the public fixed-line telephony network of Telekomunikacja Polska S.A. for the purpose of providing telecommunications services, specifying the technical conditions for setting up and maintaining interconnection of the networks, and also defining details of mutual payment terms. With a view to securing potential claims, on 7 December 2007 we made a statement on submitting to enforcement of amounts that may become due and payable to Telekomunikacja Polska S.A. up to PLN 201.

On 16 May 2008, we entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polkomtel S.A. an irrevocable and unconditional bank guarantee to pay Polkomtel S.A. up to PLN 600 at the first written payment request by Polkomtel S.A. The bank guarantee is valid until 16 May 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 16 June 2008, we entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polska Telefonia Komórkowa Centertel Sp. z o.o. ("Centertel") an irrevocable and unconditional bank guarantee to pay Centertel up to PLN 1,600 at the first written payment request by Centertel. The bank guarantee is valid until 16 December 2008 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

Trend information

The principal trend of which we are aware that we believe will affect our revenues and profitability is further development of pay television market, including cable and DTH.

We are exposed to fluctuations in the exchange rates of Zloty to both the Euro and the US dollar. A large proportion of our cost of operating activities is denominated in US dollars and Euro. In recent months the Zloty has appreciated against the Euro and the US Dollar.

Inflation in Poland is currently slowly increasing and has previously been stable. June 2008 inflation is approximately 4.6% year on year. We do not believe that the current inflationary trends will have a material impact on our business.

We cannot predict the likelihood that these trends will continue.

Information on market risks

All our business is conducted in Poland. However, due to the nature of our business we are exposed to fluctuations in exchange rates and interest rates, as a result of the fact that the amounts due to third parties are often expressed in dollars or euro, and our revenues are expressed primarily in Polish Zloty.

Exchange rates risk management

Our functional and reporting currency is Zloty. Majority of our revenues is expressed in Zloty, while the material part of our operating expenses and capital expenditure is denominated in other currencies than Zloty, mainly U.S. dollars and Euro. Additionally 15% of our debt under credit agreements is denominated in Euro.

In order to limit the currency risk exposure we purchase currencies at rates negotiated on the basis of our current and future needs resulting from exercise of payments in foreign currencies. On 9 October 2007 we entered into a credit agreement enabling us to swap our obligations from loans in foreign currencies into a bank loan denominated in Zloty. It enabled us to significantly reduce future currency risk. As a result of increasing value of payments in foreign currencies caused by an increase in the scale of our operations we intend to use forward transactions for currency purchases, hedging our risk of unwanted U.S. dollar and Euro currency fluctuation risk against Zloty.

In August 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase USD 2,000 monthly with a fixed exchange rate of USD 1 = PLN 2.3180 for 11 consecutive months starting 1 October 2008. In September 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase EUR 1,500 monthly with a fixed exchange rate of EUR 1 = PLN 3.459 for 6 consecutive months starting 1 October 2008. We will further observe our market to hedge our remaining open position in USD and EUR.

We believe, that five percent depreciation of Zloty towards USD and euro, not taking into account the hedge trans action that we concluded, would have a negative impact on our profit and loss statement for the six month period ended 30 June 2008 of PLN 9,630.

Interest rate risk management

As at 30 June 2008 our debt under the agreements with Bank Pekao S.A. and Raiffeisen Bank Polska S.A. were related to the variable interest rate.

We do not hedge our interest rate risk exposure. As a result of refinancing our loans and credits with a variable interest rate debt we will be more exposed to increase in debt servicing costs related to increase in interest rates. We consider the use of interest rate hedge transaction in the future.

Liquidity risk management

Our objective is to maintain a balance between the continuity and flexibility of financing by using various sources of financing, including bank loans and other borrowings. We maintain a significant amount of cash and cash equivalents to be able, among other things, (i) to ensure payments under the satellite television receiving equipment delivery schedule – the accessories to satellite television receiving equipment and components necessary to produce set-top boxes in house, (ii) to finance planned expenses related to the launch of our MVNO services and the operation of our HDTV broadcasting, including the purchase of satellite TV receiving equipment with high unit purchase prices and (iii) to maintain financial liquidity in connection with client promotions planned for the second half of 2008.

We hold cash primarily in Polish Zloty but maintain a Euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs and the costs of conditional access system, as well as the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

The principal risk to our sources of liquidity are operational risks, including especially risk associated with decreased pricing for the services we offer as a result of increased competition on the Polish market and the risk that our churn rate may increase thereby negatively affecting our revenues.

12. Dividend policy

Our Ordinary Annual Shareholders Meeting on 4 July 2008 approved a resolution on the dividend policy, stating that it is our intention to pay the dividend of 33% to 66% of net income, which will depend on the achieved profits, financial situation, existing liabilities (including restrictions coming from the loan agreements), possibility of disposition of capital reserves, valuation of the Company's perspective in the described market situation by the Management Board and Supervisory Board, as well as necessity of cash resources in the realization of our superior target, which is its further development, especially through the acquisitions and new projects.

Our Ordinary Annual Shareholders Meeting also approved a resolution on dividend of PLN 0.14 per share from our 2007 profits. The total amount paid in the form of dividend amounted to PLN 37,566. The dividend was paid on 5 August 2008.

13. Changes in our managing and supervising bodies

On 4 July 2008, our Ordinary Annual Shareholders Meeting decided to dismiss Mariola Gaca, Anna Kwaśnik and Zdzisław Gaca from our Supervisory Board, and decided to nominate to our Supervisory Board Robert Gwiazdowski, Leszek Reksa and Zygmunt Solorz-Żak.

On 4 August 2008 our Supervisory Board resolved to dismiss Heronim Ruta from the function of the President of our Management Board and elect Zygmunt Solorz-Żak to the President of our Management Board. It also decided to create Audit Committee and Remuneration Committee. The Audit Committee is composed of Heronim Ruta, Robert Gwiazdowski and Leszek Reksa, while the Remuneration Committee is composed of Zygmunt Solorz-Żak and Heronim Ruta.

14. Subsequent events

On 3 June 2008, the Management Board of Cyfrowy Polsat Technology Sp. z o.o. adopted a resolution on moving a set-top-boxes factory from Żywiec to Warsaw. The employment contracts with the employees employed in Żywiec were discontinued as of 30 August 2008. On 1 September 2008 final assembly of set-top boxes was launched in our factory in Warsaw, and on 15 September the main production line was launched.

On 4 June 2008, our General Shareholders Meeting, pursuant to Resolution no. 10 regarding appropriation of profit for 2007 and dividend payment resolved to allocate the net profit in the amount of PLN 115,038made by us in the financial year ended 31 December 2007 to the following purposes:

- the amount of PLN 37,565 to payment of dividend for 2007 to the shareholders of the Company. The dividend for 2007 shall be paid in the amount of PLN 0.14 per share,

- the amount of PLN 464 to supplementary capital,

- the amount of PLN 77,009 to cover for losses of previous years.

Moreover, the General Shareholders Meeting resolved that the dividend date applied for determination of shareholders entitled to a dividend for 2007 is 18 July 2008, and the dividend payment date shall 5 August 2008.

On 4 June 2008, the General Shareholders Meeting resolved to dismiss from the Supervisory Board Ms. Mariola Gaca and Ms. Anna Kwaśnik, and Mr. Zdzisław Gaca, and appoint Mr. Robert Gwiazdowski, Mr. Leszek Reksa and Mr. Zygmunt Solorz-Żak to the Supervisory Board.

On 7 July 2008, we entered into an agreement with Polish Filmmakers Association ("SFP") pursuant to which SFP in exchange for a fee specified in the agreement shall grant us non-exclusive, non-transferable license to use the audio-video content and related rights that audio-video producers are entitled to regarding videograms in the area of rebroadcasting in the scope of audio-video pieces and videograms contained in television programs made available by us through satellite decoders. The agreement also regulates the issue of granting the aforementioned license by SPF and the rules of resulting fee payment for the period from 1st January 2000 i.e. since the digital platform's commencement until the agreement conclusion. The payment of the fee set forth in the agreement fully exhausts all the claims of SFP against the Company for usage of rights represented by SFP prior to the date execution of the agreement. The value of the agreement amounts to PLN 58,200.

The agreement was concluded until 31st December 2010, with automatic renewal option for a further three year period.

On 15 July 2008, Annex 1 was signed to a bank guarantee concluded on 15 November 2007 between Bank BPH S.A. (currently Pekao S.A.) and us. Pursuant to the guarantee agreement Bank BPH S.A. shall guarantee and obligated itself towards Polska Telefonia Cyfrowa Sp. z o.o. („PTC") to irrevocably and unconditionally pay towards PTC a maximum amount of PLN 3,300 upon first written demand of PTC. Pursuant to the signed annex, the maximum guarantee amount was raised to PLN 4,150. The guarantee is valid until 31July 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 27 August 2008, we entered into 11 USD purchase agreements, USD 2,000 each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 3 August 2009. The nominal value of these transactions is USD 22,000. For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 28 August 2008, our Management Board resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. has 100% in the share capital. The merger will lead to the optimization of the organizational structure of Cyfrowy Polsat Group required in order to realize its medium- and long-term strategy and will allow for optimization of operating costs within the Group and in addition will simplify the documentation resulting from transactions between related parties. The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code.

On 11 September 2008, we entered into 6 EUR purchase agreements, EUR 1,500 each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 2 March 2009. The nominal value of these transactions is EUR 9,000. For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 11 September 2008, two loan agreements were signed between us (lender) and Praga Business Park Sp. z o.o. (borrower), for the total amount of PLN 29,000 out of which:

1. A loan in the amount of PLN 26,000 was granted for the repayment of the bank loan under an agreement with Raiffeisen Bank Polska S.A. The repayment of the bank loan will allow for removal of registry pledge on the shares of Praga Business Park Sp. z o.o., which is a prerequisite for the merger of both companies

2. A loan in the amount of PLN 3,000 was granted to finance the current operations of Praga Business Park Sp. z o.o. Both loans bear an interest based on variable interest rate of WIBOR 6M increased by 2 percentage points. The loans were granted to 31 January 2009 and are secured by a promissory note.

On 30 September 2008 due to a merger with our subsidiary Praga Business Park Sp. z o. o., that is planned to take place Praga Business Park Sp. z o. o. made an early repayment of the loan granted by Raiffeisen Bank Polska S.A. in the amount of EUR 5,800. The repayment of outstanding amount of EUR 1,490 is planned to take place until the end of year 2008.

15. Factors, that may impact our results in the following quarter

Competition

Shareholding structure of ITI Neovision B.V. Our market is very dynamic. There are three main players on the DTH market in Poland: Canal + Cyfrowy, the operator of Cyfra+ platform, ITI Neovision B.V. the operator of "n" platform and Cyfrowy Polsat S.A., operator of Cyfrowy Polsat platform. During the last quarter the 100% shareholder of ITI Neovision B.V. ITI Group sold 25% plus one share to TVN S.A. The change in the shareholding structure of one of our main competitors may have a negative effect on our ability to attract new customers, on our ability to sustain current customer base and on our cost of customer acquisition.

New players on the DTH market. During the last quarter TP S.A. announced its plan to launch DTH platform on the Polish market in the third quarter of 2008. Also TVP S.A. announced its intention to launch a DTH platform in 2009. The creation of two new competitors may have a negative impact on our ability to attract new customers, on our ability to sustain current customer base, on our ability to keep the current prices for end consumer and on set-top boxes subsidy as well as our customer acquisition costs.

Launch of MVNO services

On 30 June 2008 we started offering the services of mobile virtual network operator. We expect that for few years from the launch of services our cost of delivering this kind of service will be higher than revenues from MVNO services, which will result in the operating profit and EBITDA from the MVNO services having a negative impact on our operating profit and EBITDA.

Exchange rates fluctuations

Our functional and reporting currency is Zloty. Majority of our revenues is expressed in Zloty, while the material part of our operating expenses and capital expenditure is denominated in currencies other than Zloty, mainly US dollars and Euro. Additionally a small portion of our debt is denominated in Euro.

We are unable to predict the future foreign Exchange rates fluctuations; however, future foreign exchange rate fluctuation will impact, either positively – in case of appreciation of Zloty or negatively – in case of depreciation of Zloty, our financial results.

16. Information of the salaries and other benefits of our managing and supervising bodies

a) Management Board

The following table presents remuneration of members for each of our Management Board members including base salary and bonus for the functions they poses in the Cyfrowy Polsat S.A. and its subsidiaries:

		For the six months ended 30 June 2008		For the six months ended 30 June 2007	
Name	Function	Base salary	Bonus	Base salary	Bonus
Dominik Libicki	President of the Management Board	360	-	59	-
Maciej Gruber	Member of the Management Board	276	-	52	-
Dariusz Działkowski	Member of the Management Board	258	-	12	-
Andrzej Matuszyński	Member of the Management Board	240	-	-	-
Total		1,134	-	123	-

On 4 December 2007, our Extraordinary Shareholder Meeting adopted a resolution to introduce an incentive program for the management. It involves granting managers the option of subscribing shares of Cyfrowy Polsat S.A.. The persons eligible to subscribe shares will be the holders of subscription warrants who subscribe shares in accordance with the incentive program bylaws and the resolution of the Extraordinary Shareholder Meeting to issue subscription warrants.

b) Supervisory Board

The remuneration of the Supervisory Board Members is paid pursuant to resolution adopted by the Extraordinary Shareholder Meeting of Cyfrowy Polsat on 5 September 2007.

The following table presents the remuneration for each of our Supervisory Board members:

		For six months ended	
Name	Function	30 June 2008	30 June 2007
Heronim Ruta	Chairman of the Supervisory Board (as of 30 June 2008)	90	-
Mariola Gaca	Member of the Supervisory Board	60	-
Zdzisław Gaca	Member of the Supervisory Board	60	-
Anna Kwaśnik	Member of the Supervisory Board	60	-
Andrzej Papis	Member of the Supervisory Board	60	-
Total		330	-

Management Board's representations

Pursuant to the requirements of the Regulation of the Council of Ministers of 19 October 2005 on Ongoing and Periodical Information Reported by Issuers of Securities, the Management Board of Cyfrowy Polsat SA hereby represents that:

- to the best of its knowledge, the interim consolidated financial statements and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result, and the Management Board’s activity report contains a true image of the Group’s development and achievements and its standing, including the description of basic risks and threats;

- the entity authorized to review the financial statements, which has reviewed the interim consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the review satisfied the conditions for expressing an unbiased and independent report about a review, as required by the relevant provisions of the national law.

Warsaw, 30 September 2008

KPMG

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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF CYFROWY POLSAT GROUP FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

To the Shareholders of Cyfrowy Polsat S.A. Group

Introduction

We have reviewed the accompanying interim consolidated financial statements of Cyfrowy Polsat S.A. Group, with its registered office in Warsow, 4a Łubinowa Street that consist of the consolidated balance sheet as at 30 June 2008, with total assets and total liabilities and equity of PLN 630.440 thousand, the consolidated profit and loss account for the period from 1 January 2008 to 30 June 2008 with a net profit of PLN 142.963 thousand, the consolidated statement of changes in equity for the period from 1 January 2008 to 30 June 2008 with an increase in equity of PLN 142.963 thousand, the consolidated cash flow statement for the period from 1 January 2008 to 30 June 2008 with a decrease in cash amounting to PLN 13.350 thousand, and explanatory notes.

Management Cyfrowy Polsat S.A. is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the International Accounting Standard 34 *"Interim Financial Reporting"* as adopted by the European Union and other applicable regulations. Our responsibility is to express a conclusion on these interim consolidated financial statements, based on our review.

Scope of Review

We conducted our review in accordance with Standard No. 4 of the professional standards *General principles for the review of financial statements*, issued by the National Council of Certified Auditors and with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects, the financial position of Cyfrowy Polsat S.A. Group as at 30 June 2008, and its financial performance and its cash flows for the period from 1 January 2008 to 30 June 2008 in accordance with the International Accounting Standard 34 *"Interim Financial Reporting"* as adopted by the European Union.

signed on the Polish original

....

Certified Auditor 9645/7212
Marek Strugała

signed on the Polish original

....

On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9645/7212
Marek Strugała,
Member of the Mangement Board

Warsaw, 30 September 2008

CYFROWY POLSAT S.A. GROUP

Interim consolidated financial statements for the 6 months ended 30 June 2008

Prepared in accordance with International Accounting Standards as adopted by the European Union

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding.
The binding Polish original should bereferred to in matters of interpretation.

APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

On 30 September 2008, the Management Board of Cyfrowy Polsat S.A. approved the interim consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

1. Interim Consolidated Income Statements for the period

from 1 January 2008 to 30 June 2008	showing a net profit of:	PLN 142,963 thousand

2. Interim Consolidated Balance Sheets as at

30 June 2008	showing total assets and total liabilities and equity of:	PLN 630,440 thousand

3. Interim Consolidated Cash Flows Statements for the period

from 1 January 2008 to 30 June 2008	showing an decrease in cash amounting to:	PLN 13,350 thousand

4. Interim Consolidated Statements of Changes in Equity for the period

from 1 January 2008 to 30 June 2008	showing an increase in equity of:	PLN 142,963 thousand

5. Accompanying notes

The interim consolidated financial statements are prepared in PLN thousand unless otherwise indicated

Dominik Libicki President of the Management Board	Maciej Gruber Member of the Management Board	Andrzej Matuszyński Member of the Management Board	Dariusz Działkowski Member of the Management Board

Janina Szarek – Majorowska
Chief Accountant

Warsaw, 30 September 2008

(all amounts in PLN thousand)

Interim Consolidated Income Statement

	Note	for the 6 moths ended 30 June 2008 unaudited	30 June 2007 unaudited
Subscription fees	11	452,848	301,242
Rental of digital satellite reception equipment	12	3,468	3,829
Sale of digital satellite reception equipment	13	43,632	39,321
Transmission services	14	8,638	6,384
Other operating revenue	15	17,910	3,912
Total revenues from operating activities		526,496	354,688
Depreciation and amortisation		9,296	9,368
Programming costs	16	96,775	69,887
Transmission costs	17	29,203	21,724
Distribution and marketing costs	18	83,730	44,464
Salaries and employee-related expenses	19	22,507	11,883
Cost of digital satellite reception equipment sold		64,042	77,311
Other operating costs	20	39,461	24,833
Total costs of operating activities		345,014	259,470
Profit from operating activities		181,482	95,218
Finance income	21	9,350	10,180
Finance expenses	22	13,608	9,346
Gross profit for the year		177,224	96,052
Income tax	23	34,261	19,047
Net profit from continuing operations		142,963	77,005
Net profit/(loss) from discontinued operations	24	-	27
Net profit for the year		142,963	77,032
Attributable to:			
Equity holders of the parent		142,963	77,025
Minority interests		-	7
		142,963	77,032
Basic and diluted earnings per share (in PLN)	26	0.53	0.29

The accompanying notes to the interim consolidated financial statements are an integral part thereof

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Digital satellite reception equipment	27	378	549	3,894
Other tangible assets	27	107,330	97,326	64,774
Intangible assets	28	13,620	11,465	6,180
Investment property	29	17,125	18,932	19,333
Other long-term assets	30	23,254	30,956	8,121
Deferred tax assets	23	899	4,134	-
Total non-current assets		162,606	163,362	102,302
Inventories	32	147,115	130,009	98,281
Income tax receivable		-	3,002	-
Trade and other receivables	33	121,511	79,133	27,176
Other current assets	34	61,917	68,971	48,481
Cash and cash equivalents	35	137,291	150,726	156,246
Assets held for sale	31	-	-	1,765
Total current assets		467,834	431,841	331,949
Total assets		630,440	595,203	434,251

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet – Equity and Liabilities

	Note	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Issued capital	36	10,733	10,733	10,500
Supplementary capital	36	3,500	3,500	-
Other reserves	36	10,174	10,174	-
Retained earnings		179,696	36,733	3,837
Equity attributable to equity holders of the parent		204,103	61,140	14,337
Minority interests		-	-	77
Total Equity		204,103	61,140	14,414
Deferred tax liabilities	23	5,029	671	11,547
Long-term loans	37	73,747	132,226	27,748
Long-term finance lease liabilities	38	1,227	1,412	1,592
Other long-term liabilities and provisions		243	605	559
Total non-current liabilities		80,246	134,914	41,446
Current Loans	37	93,063	88,731	200,472
Current finance lease liabilities	38	191	204	215
Income tax liabilities		1,779	-	3,590
Trade and other payables	39	124,381	208,714	82,677
Deposits for digital satellite reception equipment	40	19,853	20,032	19,516
Deferred income	41	106,824	81,468	70,464
Liabilities related to non-current assets held for sale	31	-	-	1,457
Total current liabilities		346,091	399,149	378,391
Total liabilities		426,337	534,063	419,837
Total equity and liabilities		630,440	595,203	434,251

(all amounts in PLN thousand)

Interim Consolidated Cash Flow Statemnet

	Note	for the 6 moths ended 30 June 2008 unaudited	for the 6 moths ended 30 June 2007 unaudited
Net profit for the year		142,963	77,032
Adjustments:		(40,480)	(7,443)
Depreciation and amortisation		9,296	9,368
(Profit)/loss on investing activity		6	(112)
Interest expense/(income)		3,938	4,028
(Increase)/decrease in inventories		(17,106)	(40,272)
(Increase)/decrease in receivables and other assets		(23,538)	10,193
Increase/(decrease) in liabilities, provisions, accruals and deferred income		(49,122)	(5,496)
Foreign exchange losses/(gains)		(1,650)	(7,346)
Income tax	23	34,261	19,047
Net decrease/(increase) in set-top boxes under operating lease		(54)	503
Other adjustments	42	3,489	2,644
Net cash flow from operating activities		102,483	69,589
Income tax paid		(21,703)	-
Interest received from operating activity		2,982	2,663
Cash flow from operating activities		83,762	72,252
Purchases of intangible assets		(5,426)	(1,022)
Purchases of tangible assets		(23,513)	(16,187)
Proceeds from sale of financial assets		85	40
Cash flow from investing activities		(28,854)	(17,169)
Repayment of loans		(50,904)	(1,690)
Finance lease - principal repayments		(118)	(118)
Interest on loans and finance leases		(8,146)	(6,423)
Other financial inflows/(outflows), net		(9,090)	-
Cash flow from financing activities		(68,258)	(8,231)
Net increase/(decrease) in cash and cash equivalents		(13,350)	46,852
Cash and cash equivalents at the beginning of the year		150,726	109,833
Foreign exchange rate differences		(85)	(439)
Cash and cash equivalents at the end of the year		137,291	156,246

(all amounts in PLN thousand)

Interim Consolidated Statement of Changes in Equity

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings/ (accumulated deficit)	Equity attributable to equity holders of the parent	Minority interests	Total Equity
Balance as of 1 January 2008	36	10,733	3,500	10,174	36,733	61,140	-	61,140
Net profit for the period		-	-	-	142,963	142,963	-	142,963
Balance as of 30 June 2008	36	10,733	3,500	10,174	179,696	204,103	-	204,103

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings/ (accumulated deficit)	Equity attributable to equity holders of the parent	Minority interests	Total Equity
Balance as of 1 January 2007	36	10,500	-	-	(73,188)	(62,688)	70	(62,618)
Net profit for the period		-	-	-	77,025	77,025	7	77,032
Balance as of 30 June 2007	36	10,500	-	-	3,837	14,337	77	14,414

Notes to the interim consolidated financial statements

1. The Parent

Cyfrowy Polsat S.A. ("the Company", "Cyfrowy Polsat", "the Parent") is incorporated in Poland as a joint stock company. The Company is domiciled at 4a Łubinowa Street, Warsaw.

The Parent operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland.

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

The principal activities of the Parent and its subsidiaries include:
- television and radio operations,
- telecommunication services,
- rental of real estate,
- real estate management.

The interim consolidated financial statements include the interim financial statements of the Parent and its subsidiaries (jointly, ''the Group'').

2. Composition of the Management Board of the Parent

The composition of the Management Board of the Company during the first 6 months of 2008 was as follows:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Member of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Andrzej Matuszyński	Member of the Management Board.

3. Composition of the Supervisory Board of the Parent

From 1 January until 4 July 2008 the composition of the Supervisory Board of the Company was as follows:

- Mariola Gaca,
- Zdzisław Gaca,
- Anna Kwaśnik,
- Andrzej Papis,
- Heronim Ruta.

On 4 July 2008 General Shareholders Meeting dismissed Mariola Gaca, Zdzisław Gaca and Anna Kwaśnik from Supervisory Board and nominated Robert Gwiazdowski, Leszek Reksa and Zygmunt Solorz-Żak to Supervisory Board. The composition of the Supervisory Board of the Company as at the date of the approval of the interim consolidated financial statements was as follows:

- Robert Gwiazdowski,
- Andrzej Papis,
- Leszek Reksa
- Heronim Ruta,
- Zygmunt Solorz-Żak.

4. Basis of preparation of the interim consolidated financial statements

Statement of compliance

The interim consolidated financial statements for the six months ended on 30 June 2008 have been prepared in accordance with the International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. The accounting policies adopted by the Group when preparing the financial data for the six months ended on 30 June 2008 are consistent with those adopted when preparing the consolidated financial statements for the years ended on 31 December 2007, as presented in the Annual Consolidated Report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2008.

5. Published International Financial Reporting Standards and IFRIC Interpretations whose Application is not Mandatory

The International Financial Reporting Standards endorsed by the European Union ("EU IFRS") comprise all the International Accounting Standards, International Financial Reporting Standards and their Interpretations, except for those Standards and Interpretations, presented below, which are still to be endorsed by the European Union and the Standard which has been endorsed by the European Union but has not come into force yet.

The Group has not used the possibility of early adoption of the new Standards and Interpretations which have already been published and endorsed by the European Union and which are effective for annual periods beginning on or after 1 January 2008 (presented below). Furthermore, as at the balance-sheet date, the Group had not completed the work on estimating the impact of the new Standards and Interpretations which are to become effective after to balance-sheet date on the Group's consolidated financial statements for the period in which those Standards and Interpretations will be applied for the first time.

New Standards and Interpretations Endorsed by the EU which are Effective for the Financial Years Beginning On or After 1 January 2008

- IFRS 8 *Operating Segments* is effective for annual periods beginning on or after 1 January 2009.

New Standards and Interpretations Pending Endorsement by the EU

- IFRIC 12 *Service Concession Arrangements*;

- IFRIC 13 *Customer Loyalty Programs*;

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;

- IFRIC 15 *Agreements for the Construction of Real Estate;*

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation;*

- further amendments to IAS 23 *Borrowing Costs*;

- further amendments to IAS 1 *Presentation of Financial Statements*;

- further amendments to IFRS 3 *Business Combinations*;

- further amendments to IAS 27 *Consolidated and Separate Financial Statements;*

- further amendments to IFRS 2 *Share-Based Payment*;

- further amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* concerning puttable financial instruments and obligations arising on liquidation;

- further amendments to IFRS 1 *First-time Adoption of International Financial reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Consolidated Financial Statements And Accounting for Investments in Subsidiaries;*

- IAS 39 *Financial Instruments: Recognition and Measurement;*

- Revisions to International Financial Reporting Standards – a set of amendments to International Financial Reporting Standards.

(all amounts in PLN thousand)

6. Group of consolidated companies

The interim consolidated financial statements for the six months ended 30 June 2008 include the following entities:

	Company's registered office	Activity	Voting rights percentage (%) 30 June 2008	30 June 2007
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warszawa	Radio, TV and telecommunication activities		
Subsidiaries				
Cyfrowy Polsat Technology Sp. z o.o.**	Łubinowa 4a, Warszawa	production of set-top boxes	100%	100%
EMarket Sp. z o.o.	Ostrobramska 77, Warszawa	sale of electronic equipment	n/a***	75%
Praga Business Park Sp. z o.o.*	Łubinowa 4a, Warszawa	real estate rental	100%	100%

* Until 21 February 2006, the company operated under the name Polsat On Line Sp. z o.o.

** On 30 May 2006, the name of the company was changed from Onyx Investments Sp. z o.o. to Cyfrowy Polsat Mobile Sp. z o. o. On 2 March 2007, the name of the company was changed from Cyfrowy Polsat Mobile Sp. z o.o. to Cyfrowy Polsat Technology Sp. z o. o.

*** Financial data of the Company was consolidated until the day control over the entity ceased, i.e. 31 August 2007.

On 17 July 2007, Cyfrowy Polsat S.A. entered into an agreement with Teleaudio Sp. z o.o. of Warsaw, for the sale of 7,950 shares in EMarket Sp. z o.o. with a nominal value of PLN 1,000 each, representing 75% of the issued capital of EMarket Sp. z o.o. The sale agreement provided for the sale of the shares subject to prior transfer to Teleaudio Sp. z o.o. of all rights and obligations of Cyfrowy Polsat S.A under the guarantee agreement with ABC Data Sp. z o.o. entered into on 4 August 2007. The condition was fulfilled upon the execution on 31 August 2007 of an agreement on assignment of the rights and obligations under the guarantee agreement with Teleaudio Sp. z o.o.

EMarket Sp. z o.o. was consolidated until the date the control over the company ceased. The date of the fulfillment of the condition contained in the sale agreement, i.e. 31 August 2007, was deemed as the date of control loss.

7. Accounting and consolidation policies

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

a) Basis of valuation

The interim consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which are valued at fair value.

b) Going concern assumption

The interim consolidated financial statements for the six months ended 30 June 2008 have been prepared assuming that the Group will continue as a going concern in the foreseeable future, not shorter than 12 months from 30 June 2008.

c) Functional currency and presentation currency

The financial data presented in the interim consolidated financial statements is presented in Polish zloty, rounded to the nearest thousand. The functional currency of the Parent is the Polish zloty.

d) Judgments and estimates

The preparation of interim consolidated financial statements in accordance with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted methods and presented value of assets, liabilities, revenues and costs. The estimates and related assumptions are based on historical data and other factors regarded as reliable under the circumstances and their effects provide grounds for an accurate assessment of the carrying amount of assets and liabilities which are not based directly on any other factors. Actual results may differ from the estimated values.

The estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods. Note 52 contains information about the key sources of uncertainty and management judgments.

e) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible as at the balance sheet date are taken into account.

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

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Parent under accounting policies that are consistent with the Parent's accounting policies for transactions and economic events of a similar character.

(ii) Transactions eliminated on consolidation

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

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

f) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as at the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. Foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance–sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

g) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value increased by - except for investments valued at fair value through profit or loss - directly attributable transaction costs (except as described below).

A financial instrument is recognised if the Group becomes a party to the contractual obligations of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Standardised sale and purchase transactions of financial assets are recognised at the transaction date i.e. on the date the Group is obliged to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire (are discharged or cancelled).

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

Principles for recognition of financial income and financial costs are presented in note 7(u).

Loans and receivables and other financial liabilities

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

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes in fair value – other than impairment losses and in the case of monetary assets, such as bonds, other than gains or losses on foreign exchange differences – are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. If such investments are interest bearing, interest earned on them, calculated using the effective interest method, is recognised in the income statement.

(ii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value, related transaction costs are recognized in the income statement accounts when incurred. Subsequent to initial recognition, the Group measures derivative financial instruments at fair value and changes in the fair value are recognized directly in the income statement.

h) Equity

Ordinary shares

Costs directly attributable to the issue of ordinary shares reduce equity.

Preferred shares

Preferred shares are classified as equity, if they are not redeemable or only redeemable at the Company's option and the dividend payment is not obligatory. Dividend payments are recognised as distributions within equity.

Preferred shares are presented as liabilities if they are redeemable on a definite date or at the option of the shareholder or if a dividend payment is obligatory. Dividend payments are recognised as interest expense in the income statement.

Costs attributable to the issue of new shares and the public offer of existing shares

Costs relating to a new issue of shares are recognised in equity while costs relating to the public offering of existing shares are recognised directly in finance expenses. Costs relating to both a new issue and the sale of existing shares are allocated proportionally and recognised in equity or expensed as financial expense, as appropriate.

Supplementary capital

Joint-stock companies, in accordance with the Commercial Code, are obliged to transfer at least 8% of annual net profit to supplementary capital until it reaches one third of total issued capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

Other reserves

Other reserves include the difference between the fair value of the shares purchased by Members of the Management Board and their issue price.

i) Property, plant and equipment

i) Property, plant and equipment owned by the Group

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

Cost includes purchase price of the asset and expenditures that are directly attributable to the acquisition and bringing the asset to working condition including initial delivery and handling costs. Discounts, rebates and other similar reductions decrease the cost. The cost of self-constructed assets and construction in progress includes all costs incurred for their construction, installation, adoption, and improvement incurred till the date they are available for use (or until the balance sheet date if an asset has not been made available for use). This cost includes also, if required, initially estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

Subsequent cost of replacing parts of an item of property, plant and equipment is capitalized if it is probable that the future economic benefits embodied within the part will flow to the Group and the amount of the cost can be measured reliably. Other expenditures are expensed in the income statement as incurred.

(iii) Depreciation

Items of property, plant and equipment as well as their major components are depreciated using the straight-line method over their useful life, taking into account their residual value. Land is not depreciated.

The estimated useful life of property, plant and equipment, by significant class of asset, is as follows:

Buildings	60	years
Set-top Boxes	5	years
Other technical equipment and machinery	3-14	years
Vehicles	5	years
Furniture and equipment	3-10	years

The estimated useful life of property, plant and equipment, depreciation methods and residual values (if material) are reviewed by the Group every year.

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease, are classified as non-current assets and recognised at the lower of fair value of the leased asset at the commencement of the lease term and the present value of the minimum lease payments. According to the above information, the set-top boxes that are provided to customers under operational leases are accounted for as property, plant and equipment. The set-top boxes that are provided to customers under financial leases are not recognised as non-current assets.

Depreciation policies for leased assets are consistent with the depreciation policies applied for similar Group-owned assets. Depreciation is calculated in accordance with IAS 16 "*Property, plant and equipment*". If it is not certain that the lessee will obtain title to the asset before the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's economic useful life.

Where there is uncertainty that set-top boxes and other property, plant and equipment will create revenue or continue to be used in the operating activity of the Group, the Group creates an impairment allowance.

j) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, jointly controlled entities and affiliates.

Acquisition before 1 January 2004

For acquisitions made before 1 January 2004, goodwill was measured based on the deemed costs, whose amount represents the value recorded in the books in accordance with the Accounting Act dated 29 September 1994.

Acquisition after 1 January 2004

In relation to acquisitions after January 1, 2004, goodwill is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the acquirer's interest exceeds the net fair value the acquiree's identifiable assets, the acquirer recognises any excess immediately in the profit or loss.

Acquisition of minority interest

Goodwill arising on acquisition of minority interests in subsidiaries is stated as the excess of the purchase price over the value of the subsidiaries' net assets acquired at the date of acquisition.

Valuation after initial recognition

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. In the case of investments in affiliates or jointly controlled entities, goodwill is included in the carrying value of the investment. Goodwill is allocated to cash-generating units and is not depreciated, but is annually tested for impairment.

(ii) Internally generated software

The Group capitalises costs of internally generated software, only if development costs can be reliably measured and the beginning and the end of the software development process can be reliably determined.

(iii) Other intangible assets

Other intangible assets purchased by the Group are stated at cost less accumulated amortisation and impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure is recognised in the profit or loss as incurred.

(v) Amortisation

Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. Goodwill and intangible assets with an indefinite useful life are not amortised but instead are subject to an impairment test at each balance sheet date. Other intangibles are amortised from the date they are available for use. The estimated useful life is 2 years.

k) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment property is measured at historical cost.

If there is a change in the use of real estate from investment property to owner–occupied property, the real estate is transferred to property, plant and equipment and its value on the transfer date becomes its deemded costs for the purpose of future recognition.

Buildings representing investment property are depreciated over a period of 60 years. Land which is considered investment property is not depreciated.

l) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is determined based on the first-in first-out principle. The cost of inventories includes purchase price, costs relating directly to the purchase and the costs related to preparing the inventory for use or sale. Cost of finished goods and work in progress includes an appropriate share of production overheads determined based on normal operating capacity.

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

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

m) Impairment of assets

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to other operating costs. An allowance for receivables from individuals is estimated based on the historical recoverability of overdue receivables and recovery efficiency.

All impairment losses are recognised in profit or loss.

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

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets which are not yet ready for use is assessed at each balance sheet date.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognised in profit or loss. An impairment loss for a cash-generating unit is initially recognised as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

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

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

n) Non-current assets held for sale

Non-current assets (or groups comprising assets and liabilities held for sale) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, at the date the assets (or a disposal group) are classified as held for sale, they are measured at the lower of their carrying amount or fair value less cost to sell. An impairment loss for a group of assets held for sale is initially recognised as a decrease of goodwill, then it proportionally reduces the carrying amounts of other assets from this group, except for inventories, financial assets, deferred tax assets and investment properties, which are valued in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised through profit or loss. Gains on re-measurement are recorded only to the level of previously recognised impairment losses.

o) Employee benefits

(i) Defined contribution program

All Group entities which have employees are obliged, under applicable regulations, to collect and pay the contribution for the state pension. These benefits, according to IAS 19 *"Employee Benefits"* are state plans and are characterised as defined contribution. Therefore, the Group's liabilities for each period are estimated on the basis of contributions to be paid for a given period.

(ii) Defined benefit program – retirement benefits

The Group companies are obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

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

Changes in the value of the retirement benefit provision are recognised in the income statement.

(iii) Redundancy benefits

Redundancy costs are recognised as an expense when the Group has a uncancellable obligation resulting fromdetailed formal plan for the redundancy before the normal retirement date. Employee benefits relating to voluntary redundancy are recognised in costs. In the case of an offer made to encourage voluntary redundancy and if it is probable that the offer will be accepted and the number of voluntary redundancies can be reliably estimated.

(iv) Short-term employee benefits

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

The Group creates a provision and charges the income statement for estimated short-term bonuses and profit sharing plans, if the Group has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

(v) Share-based payments

If shares are issued to employees unconditionally at an issue price lower than their fair value, the difference between the fair value and issue price is recognised as a salary expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by the employees.

p) Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Group discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

(i) Warranty provision

A warranty provision is recognised when products or services, for which the warranty was granted, are sold. The amount of the provision is based on historical experience and on a weighted average of all possible outflows connected with warranty claims.

(ii) Onerous contracts

A provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by it. A provision for an onerous contract is created at the lower of the cost of fulfilling the contract or the cost related to any compensation or penalties arising from failure to fulfill it. Before recognition of a provision for an onerous contract, the Group recognises the impairment of the assets connected with such contracts.

(iii) Royalties to copyright management organizations

According to the Act dated 4 February 1994, satellite TV operators are required to pay royalties to copyright management organizations (collecting society). The Group creates a provision for such charges.

q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events but is not recognised because it is not possible that the outflow of resources embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability.

r) Deposits

Deposits received from subscribers and distributors, regardless of the minimum term of the agreements, are presented as current liabilities due to the possibility of early termination of the agreements by subscribers.

s) Revenue

(i) Multi-element agreements

The Group enters into multi-element agreements which include the following components: sales of goods (satellite reception equipment, set-top boxes, CAM) and services. Amounts received or receivable from customers are allocated to these components based on their fair value.

(ii) Rendering of services

Revenue from the rendering of services is recognized in the income statement as the services are rendered.

(iia) Subscription fees

Revenue from subscription fees is recognised on a straight-line basis over the basic period of the subscription contract.

(iib) Rental of set-top boxes

Revenue from the rental of set-top boxes is recognised on a straight-line basis over the basic period of the subscription contract, except for finance lease agreements, which are recognised as sale with deferred payment date. Special promotional offers are recognised in the income statement together with the related lease costs.

(iic) Transmission services

Revenue from transmission services is recognized as the services are rendered.

(iii) Sale of digital satellite reception equipment, electronic equipment and other goods

Revenue from sale of digital satellite reception equipment, electronic equipment and other goods is recognised at the fair value of the payment received or due, decreased by discounts, rebates and the value of returned equipment.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(iv) Revenue from the rental of real estate

Revenue from the rental of investment property is recognised in the income statement on a straight-line basis over the period of the contract. Special promotional offers made as an incentive to conclude a lease contract, are recognised together with the related revenues from the rental of investment property.

t) Distribution fees

Commissions for distributors for registering new subscribers are recognised during the minimum basic period of the subscription agreement. Turnover commissions for concluding a certain number of subscription contracts are recognised in profit or loss as they are incurred.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as other current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as other long-term assets.

u) Finance income and finance expenses

Finance income includes interest income resulting from invested cash, dividends receivable, gains on sale of financial instruments available for sale, from changes in the fair value of financial instruments at fair value through profit or loss, and net exchange rate gains. Interest received is presented in the income statement on an accrual basis using the effective interest method. Revenue from dividends are recognised in the income statement at the moment the Group obtains the right to the dividend.

Finance expenses include interest on debt, reversal of the discount on provisions, dividends from preference shares classified as liabilities, net foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through profit or loss, and financial assets impairment. Interest payable is calculated using the effective interest rate method.

The Group does not capitalise interest on loans and borrowings relating to the purchase of property, plant and equipment.

v) Taxation

Income tax in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realised. Deferred tax asset reductions are adjusted to the extent that realisation of sufficient taxable profits becomes probable.

Deferred tax assets and liabilities in the Group are offset by the Group companies, provided that they are entitled to compensate current tax assets and liabilities when calculating their tax liabilities. An entity has the entitlement to offset deferred tax assets and liabilities when calculating its tax liability if:

a) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and

b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

w) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss from the continued operations attributable to ordinary shareholders and the weighted average number of ordinary shares adjusted for all potentially dilutive ordinary shares.

x) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in providing an individual product or service (business segment) or providing products or services within a particular economic environment (geographical segment) that is subject to risks and returns that are different from those of other segments.

y) Cash flow statement

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

The purchase of set-top boxes provided to clients under operating lease contracts are classified in the cash flow statement in operating activities. The purchase, disposal and impairment of these set-top boxes are classified in the cash flow statement in operating activities and presented as “Net increase / (decrease) of set-top boxes under operating lease”.

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

Changes in impairment allowances for property, plant and equipment, excluding allowances for set-top boxes, are presented as “Other adjustments” in cash flows from operating activities.

Costs attributable to the public offering of shares are presented as “Other adjustments” in cash flows from operating activities. Cash outflows related to these expenses are classified as “Other financing outflows” in cash flows from financing activities.

8. Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In significant cases, fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment acquired in business combinations is based on market value. The market value of real estate is the amount for which it could be exchanged between knowledgeable and willing parties in an arm’s length transaction, after carrying out appropriate marketing activities, with both parties acting in a conscious and prudent manner. The fair value of other tangible non-current assets is based on prices of comparative market transactions.

(ii) Intangible non-current assets

The fair value of trademarks and patents acquired in business combinations is based on estimated discounted payments of royalties that were not incurred as a result of the acquisition of the trademarks and patents. The fair value of other intangibles is based on discounted cash flows forecasted from their usage and ultimate disposal.

(iii) Inventories

The fair value of inventories acquired in business combinations is based on net realisable market value, net of selling and finishing costs as well as a margin based on a reasonable estimate of expenditures incurred for finishing products and executing sales.

(iv) Investments in equity and debt instruments

The fair value of financial assets valued at fair value through profit or loss, investments held to maturity and financial assets available for sale is calculated based on a market quotation as at the balance sheet date. The fair value of investments held to maturity is calculated only for disclosure purposes.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(vi) Non-derivative financial liabilities

The fair value for disclosure purposes is based on the present value of future cash flows from repayment of capital and interest, discounted using a market interest rate as at the balance sheet date. A market interest rate for a finance lease contract is estimated based on interest rates for similar types of lease contracts.

(vii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(viii) Shares subscribed for by the Members of the Management Board

The fair value of shares subscribed for by the Management Board was established at the date of their subscription based on an appropriate valuation model of the Group.

9. Segment reporting

Business segments

The Group operates in one business segment; it operates a paid digital satellite platform. During the period of six moths ended 30 June 2008 and in 2007, the Group made capital expenditures and incurred costs related to mobile telecommunication services planned to be provided in the future and started the production of set-top-boxes.

Geographical segments

Sale of services is substantially domestic, therefore geographical factors, economic and political conditions and relations between activities in various geographical areas are not significant. As a result, the Group does not disclose financial information about geographical segments.

10. Discontinued operations

On 31 August 2007, the Group sold its shares in EMarket Sp. z o.o. The operating activity of EMarket Sp.z o.o. was based on selling electronic equipment. From this date, the Group is no longer involved in this activity. The net result of EMarket Sp. z o.o. for the period from 1 January 2007 to 30 June 2007 is presented as “Net profit/loss from discontinued operations” in the income statement. Further disclosures are presented in note 24.

(all amounts in PLN thousand)

11. Subscription fees

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from subscription fees (MINI package)	13,873	7,349
Revenues from subscription fees (other packages)	438,975	293,893
Total	452,848	301,242

The revenue generated from subscription fees depends on the number of subscribers, rates charged on the packages and the mix of packages sold.

12. Rental of digital satellite reception equipment

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from the rental of digital satellite reception equipment	3,468	3,829
Total	3,468	3,829

Revenues from the rental of digital satellite reception equipment include revenues from rent of set-top boxes to subscribers under operating lease agreements.

13. Sales of digital satellite reception equipment

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from the sale of digital satellite reception equipment	43,632	39,321
Total	43,632	39,321

Sales of digital satellite reception equipment include both new set-top boxes as well as used ones which were previously rented under operating lease agreements.

14. Transmission services

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from sale of signal transmission	8,638	6,384
Total	8,638	6,384

(all amounts in PLN thousand)

Cyfrowy Polsat S.A. provides transmission services to TV and radio broadcasters. These services include rental of transponder capacity, signal transmission and related services.

15. Other operating revenues

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Contractual remedy covering the costs of encryption card and digital satellite reception equipment replacement (SWAP)	9,713	-
Compensation for lost and damaged equipment und subscribers' deposits written off	374	444
Marketing and advertising services	2,258	60
Revenue from investment property	793	1,440
Change of stock value	2,278	1
Other	2,494	1,967
Total	17,910	3,912

16. Programming costs

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Programming costs	96,775	69,887
Total	96,775	69,887

Programming costs include license fees paid to TV and radio broadcasters and royalties for copyright management organizations (collecting society).

17. Transmission costs

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Transponders rental	16,202	11,682
Conditional Access System rental	10,318	8,591
Other	2,683	1,451
Total	29,203	21,724

(all amounts in PLN thousand)

18. Distribution and marketing costs

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Distribution fees	45,831	29,497
Marketing costs	12,392	4,331
Mailing costs	13,321	4,821
Call center	10,503	4,329
Other	1,683	1,486
Total	83,730	44,464

19. Salaries and employee-related expenses

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Salaries - contract of employment	15,201	7,215
Salaries - freelance agreement	1,896	2,066
Salaries - Management contracts	1,344	581
Salaries - Supervisory Board	330	-
Social security contributions	2,618	1,482
Pension obligations and other social benefits	1,118	539
Total	22,507	11,883

Average number of employees

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Number of employees- employment contracts	387	219
Number of employees- managerial contracts	6	5
Total	393	224

(all amounts in PLN thousand)

20. Other operating costs

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Bad debt provision	5,826	7,519
Intangible assets impairment provision	622	-
Materials and energy used	6,980	2,110
Renovation and maintenance costs	1,168	412
Property lease	1,040	282
Legal, advisory and consulting costs	3,959	1,897
IT services	7,106	743
Bad debt recovery fees	753	124
Bank charges	654	609
Telecommunication services	997	684
Polish Film Institute fee	5,978	4,052
Other taxes and charges	844	386
Other	3,534	6,015
Total	39,461	24,833

21. Financial revenues

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Foreign exchange differences, net	2,253	7,525
Interest income	2,982	2,655
Settlement of IPO related costs	4,115	-
Total	9,350	10,180

Interest revenue

Breakdown of interest income by type of financial instruments is presented below:

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Bank accounts and deposits	2,982	2,655
Total	2,982	2,655

(all amounts in PLN thousand)

22. Finance expenses

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Interest	6,930	6,715
Costs attributable to public offering of shares	6,678	2,631
Total	13,608	9,346

Interest expense

Breakdown of interest costs by types of financial instrument is presented below:

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Borrowings and Loans	6,902	6,688
Other	28	27
Total	6,930	6,715

23. Income tax

(i) Income tax in the income statement

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Corporate income tax	26,668	4,002
Deferred income tax	7,593	15,045
Income tax expense in the income statement	34,261	19,047

	for the 6 months ended	
Deferred tax	30 June 2008 unaudited	30 June 2007 unaudited
Tax losses carried forward	7,128	15,795
Receivables and other assets	8,930	1,788
Liabilities	(4,917)	(4,288)
Deferred distribution fees	(3,036)	683
Tangible and intangible non-current assets	(512)	1,067
Deferred tax – total	7,593	15,045

(all amounts in PLN thousand)

(ii) Effective tax rate reconcilation

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Profit before income tax	177,224	96,052
Profit before tax multiplied by statutory tax rate in Poland of 19%	33,673	18,250
Non-tax deductible interest cost at 19% tax rate	-	133
Other non-taxable revenue and non-tax deductible costs, net at 19% tax rate	588	664
Tax charge for the year	34,261	19,047
Effective tax rate	19.3%	19.8%

(iii) Deferred tax assets

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax losses carried forward	1,193	8,321	6,793
Liabilities	12,586	6,795	6,169
Tangible and intangible non-current assets	2,785	124	3,950
Deferred distribution fees	1,417	-	-
Receivables and other assets	9,631	-	8,692
Total deferred tax assets	27,612	15,240	25,604
Offsetting of deferred tax liabilities and deferred tax assets	(26,713)	(11,106)	(25,604)
Deferred tax assets in the balance sheet	899	4,134	-

(all amounts in PLN thousand)

(iv) Tax losses

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax loss 2002 carried forward	-	-	1,696
Tax loss 2003 carried forward	-	19,849	20,547
Tax loss 2004 carried forward	-	15,398	15,789
Tax loss 2005 carried forward	-	5,919	5,194
Tax loss 2006 carried forward	459	459	552
Tax loss 2007 carried forward	4,439	4,174	1.025
Tax loss 2008 carried forward	2,699	-	-
Tax losses carried forward - total	7,597	45,799	44,803

(v) Tax losses recognised

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax loss 2003 carried forward	-	19,849	19,896
Tax loss 2004 carried forward	-	15,398	15,398
Tax loss 2005 carried forward	-	5,919	-
Tax loss 2006 carried forward	229	459	459
Tax loss 2007 carried forward	3,352	2,174	-
Tax loss 2008 carried forward	2,699	-	-
Tax losses carried forward - total	6,280	43,799	35,753

At each balance sheet date, the Group recognises tax losses that are likely to be utilised in the future.

In 2008 the Company utilised tax loss for years 2003 – 2005 in the amount of PLN 41,213 thousand.

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilised in the following five tax years. However, tax loss utilised in a tax year cannot exceed 50% of the original tax loss for a given year.

(all amounts in PLN thousand)

(vi) Deferred tax liabilities:

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Receivables and other assets	28,336	9,775	13,207
Liabilities	874	-	12,764
Deferred distribution fees	383	2,002	9,867
Tangible and intangible non-current assets	2,149	-	1,313
Total deferred tax liabilities	31,742	11,777	37,151
Offsetting of deferred tax liabilities and deferred tax assets	(26,713)	(11,106)	25,604
Deferred tax liabilities in the balance sheet	5,029	671	11,547

Due to the amendment to the Corporate Income Tax Act, taking effect January 1, 2007, in respect to regulations concerning tax-deductible costs, in the final calculation of tax for the year 2007, the Company classified distributors' remuneration for concluding service agreements with the clients and selling set-top boxes as costs directly related to revenues.

Taking into consideration a substantial decrease of the taxable profit that would have occurred in 2008,in case the new rules of classifying distribution costs adopted in 2007 had been continuously applied, the Company, in the light of uncertainty as to how these costs should be classified, adopted an approach minimising the risk of tax arrears. Simultaneously, the Company asked the proper tax authorities for interpretation of the tax law in this respect. The method of classifying distribution costs for tax purposes shall be compliant with the tax law interpretation issued on request of the company.

The influence of classifying distribution costs on tax calculation under different methods is presented below.

Tax-deductible costs	for 6 months ended 30 June 2008
Distribution costs classified as indirect costs (method applied by the Company in 2008)	29,135
Distribution costs classified as direct costs (method applied by the Company for the purpose of final tax calculation for the year 2007)	36,592

The application of either of the methods does not change the figure of the income tax presented in profit and loss statement but it only results in movements between the amounts of current and deferred tax reported.

The calculation of current and deferred corporate income tax in this interim financial statements as at 30 June 2008 and as at 30 June 2007 has been presented under the assumption that distribution costs, in the extent concerning distributors' remuneration fro concluding service agreements with the clients and selling set-top boxes, are classified as costs other than directly related to revenues and therefore treated as tax-deductable costs when they occur.

(all amounts in PLN thousand)

24. Discontinued operations

In 2007, the Group sold its shares in EMarket Sp. z o.o. This subsidiary was consolidated up to 31 August 2007, which is the date of the control over the entity ceased. Its net result in the period 1 January 2007 - 30 June 2007 was presented in the income statement, as „Net profit/(loss) from discontinued operations". A summary of EMarket's revenues and expenses in the aforementioned periods is presented below:

Net profit/(loss) from discountinued operations

	for the period from 1 January 2007 to 30 June 2007 (unaudited)
Sales of electronic equipment	8,811
Other operating revenue	2
Salaries and employee-related expenses	(170)
Cost of electronic equipment sold	(8,326)
Other operating costs	(290)
Finance expenses	-
Net profit / (loss) for the period	27
Group's share (75%)	20
Minority ineterests	7

25. EBITDA

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

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Profit from operating activities	181,482	95,218
Depreciation and amortization	9,296	9,368
EBITDA	190,778	104,586

26. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. The Company adjusted the average number of shares outstanding for the effect of the share. The share split was registered on 5 October 2007. As a result, one share with a nominal value of PLN 1 was divided into 25 shares with a nominal value of PLN 0,04.

As at the balance sheet date, the Group did not have financial instruments that could have a dilutive effect, therefore the Group does not present diluted earnings per share. As a result, basic earnings per share equals diluted earnings per share.

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Net profit from continuing operations (in thousand PLN)	142,963	77,005
Weighted average number of ordinary shares used to calculate	268,325,000	262,500,000
Earnings per share in PLN	0.53	0.29

(all amounts in PLN thousand)

27. Property, plant and equipment

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2007	2,458	16,254	28,176	135,437	2,139	2,320	186,784	10,514	-
Additions	-	522	7,400	-	626	991	9,539	12,422	1,163
Transfers from investment property	1,317	7,934	-	-	-	-	9,251	-	-
Disposals	-	(50)	(277)	(13,786)	-	(47)	(14,160)	(9,376)	-
Cost as at 30 June 2007	3,775	24,660	35,299	121,651	2,765	3,264	191,414	13,560	1,163
Impairment provision as at 1 January 2007	-	-	(994)	(23,531)		-	(24,525)	-	-
Additions	-	-	-	-		-	-	-	-
Transfers from investment property	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Impairment provision as at 30 June 2007	-	-	(994)	(23,531)		-	(24,525)	-	-
Accumulated depreciation									
Accumulated depreciation as at 1 January 2007	-	695	13,016	103,927	455	984	119,077	-	-
Additions	-	427	2,631	3,972	217	229	7,476	-	-
Transfers from investment property	-	146	-	-	-	-	146	-	-
Disposals	-	-	(72)	(13,673)		(10)	(13,755)	-	-
Accumulated depreciation as at 30 June 2007	-	1,268	15,575	94,226	672	1,203	112,944	-	-
Carrying amounts									
As at 1 January 2007	2,458	15,559	14,166	7,979	1,684	1,336	43,182	10,514	-
As at 30 June 2007 (unaudited)	3,775	23,392	18,730	3,894	2,093	2,061	53,945	13,560	1,163

(all amounts in PLN thousand)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2007	2,458	16,254	28,176	135,437	2,139	2,320	186,784	10,514	-
Additions	-	6,516	26,849	423	1,600	3,253	38,641	34,186	476
Transfers from investment property	1,580	7,934	-	-	-	-	9,514	-	-
Disposals	-	-	(366)	(9,188)	(369)	(123)	(10,046)	(22,068)	-
Cost as at 31 December 2007	4,038	30,704	54,659	126,672	3,370	5,450	224,893	22,632	476
Impairment provision as at 1 January 2007	-	-	(994)	(23,531)	-	-	(24,525)	-	-
Additions	-	-	-	-	-	-	-	-	-
Transfers from investment property	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	675	-	-	675	-	-
Impairment provision as at 31 December 2007	-	-	(994)	(22,856)	-	-	(23,850)	-	-
Accumulated depreciation as at 1 January 2007	-	695	13,016	103,927	455	984	119,077	-	-
Additions	-	689	6,071	8,032	509	737	16,038	-	-
Transfers from investment property	-	405	-	-	-	-	405	-	-
Disposals	-	-	(236)	(8,692)	(235)	(81)	(9,244)	-	-
Accumulated depreciation as at 31 December 2007	-	1,789	18,851	103,267	729	1,640	126,276	-	-
Carrying amounts									
As at 1 January 2007	2,458	15,559	14,166	7,979	1,684	1,336	43,182	10,514	-
As at 31 December 2007	4,038	28,915	34,814	549	2,641	3,810	74,767	22,632	476

(all amounts in PLN thousand)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2008	4,038	30,704	54,659	126,672	3,370	5,450	224,893	22,632	476
Additions	-	2,974	26,867	160	945	2,517	33,463	12,564	-
Transfers from investment property	310	1,396	-	-	-	-	1,706	-	-
Disposals	-	(89)	(454)	(66)	(226)	(12)	(847)	(30,162)	(440)
Cost as at 30 June 2008	4,348	34,985	81,072	126,766	4,089	7,955	259,215	5,034	36
Impairment provision as at 1 January 2008	-	-	(994)	(22,856)	-	-	(23,850)	-	-
Additions	-	-	-	-	-	-	-	-	-
Transfers from investment property	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	55	-	-	55	-	-
Impairment provision as at 30 June 2008	-	-	(994)	(22,801)	-	-	(23,795)	-	-
Accumulated depreciation as at 1 January 2008	-	1,789	18,851	103,267	729	1,640	126,276	-	-
Additions	-	801	4,107	334	380	1,309	6,931	-	-
Transfers from investment property	-	27	-	-	-	-	27	-	-
Disposals	-	-	(289)	(14)	(139)	(10)	(452)	-	-
Accumulated depreciation as at 30 June 2008	-	2,617	22,669	103,587	970	2,939	132,782	-	-
Carrying amounts									
As at 1 January 2008	4,038	28,915	34,814	549	2,641	3,810	74,767	22,632	476
As at 30 June 2008 (unaudited)	4,348	32,368	57,409	378	3,119	5,016	102,638	5,034	36

As at 30 June 2008, the property at Łubinowa 4a Street in Warsaw is pledged as security for the repayment of the loan from Raiffeisen Bank Polska S,A, in the form of a bail mortgage (*hipoteka kaucyjna*) up to the amount of EUR 12,500 thousand.

An impairment provision for the property, plant and equipment was recognised by the Group due to the uncertainty of future revenues to be generated by the assets.

(all amounts in PLN thousand)

28. Intangible assets

	Software and licences	Other	In Progress	Total
Cost				
Cost as at 1 January 2007	12,078	163	103	12,344
Additions	1,105	-	2,725	3,830
Disposals	(52)	-	(240)	(292)
Cost as at 30 June 2007	13,131	163	2,588	15,882
Cost as at 1 January 2007	12,078	163	103	12,344
Additions	5,181	91	5,929	11,201
Disposals	-	-	(99)	(99)
Cost as at 31 December 2007	17,259	254	5,933	23,446
Cost as at 1 January 2008	17,259	254	5,933	23,446
Additions	7,317	954	5,053	13,324
Disposals	-	-	(8,311)	(8,311)
Cost as at 30 June 2008	24,576	1,208	2,675	28,459
Accumulated depreciation				
Accumulated depreciation as at 1 January 2007	7,786	163	-	7,949
Additions	1,753	-	-	1,753
Disposals		-	-	-
Accumulated depreciation as at 30 June 2007	9,539	163	-	9,702
Accumulated depreciation as at 1 January 2007	7,786	163	-	7,949
Additions	4,228	45	-	4,273
Disposals	(241)	-	-	(241)
Accumulated depreciation as at 31 December 2007	11,773	208	-	11,981
Accumulated depreciation as at 1 January 2008	11,773	208	-	11,981
Additions	2,016	221	-	2,237
Disposals	-	-	-	-
Accumulated depreciation as at 30 June 2008	13,789	429	-	14,218
Impairment provision as at 1 January 2008	-	-	-	-
Additions	(476)	-	(145)	(621)
Disposals	-	-	-	-
Impairment provision as at 30 June 2008	(476)	-	(145)	(621)

(all amounts in PLN thousand)

Carrying amounts				
As at 1 January 2007	4,292	-	103	4,395
As at 1 January 2008	5,486	46	5,933	11,465
As at 30 June 2007 (unaudited)	3,592	-	2,588	6,180
As at 31 December 2007	5,486	46	5,933	11,465
As at 30 June 2008 (unaudited)	10,311	779	2,530	13,620

The Group also uses internally developed software. The related costs were not capitalised due to the lack of reliable data regarding total development costs incurred by the Group.

29. Investment property

Cost	
Cost as at 1 January 2007	28,796
Transfers to property, plant and equipment	9,251
- Buildings	7,934
- Land	1,317
Cost as at 30 June 2007	19,545

Accumulated depreciation	
Accumulated depreciation as at 1 January 2007	289
Additions	139
Disposals	70
Transfers to property, plant and equipment	146
Accumulated depreciation as at 30 June 2007	212

Cost	
Cost as at 1 January 2007	28,796
Transfers to property, plant and equipment	9,514
- Buildings	7,934
- Land	1,580
Cost as at 31 December 2007	19,282

Accumulated depreciation	
Accumulated depreciation as at 1 January 2007	289
Additions	466
Transfers to property, plant and equipment	405
Accumulated depreciation as at 31 December 2007	350

(all amounts in PLN thousand)

Cost	
Cost as at 1 January 2008	19,282
Transfers to property, plant and equipment	1,706
- Buildings	1,396
- Land	310
Cost as at 30 June 2008	17,576

Accumulated depreciation	
Accumulated depreciation as at 1 January 2008	350
Additions	128
Transfers to property, plant and equipment	27
Accumulated depreciation as at 30 June 2008	451

Carrying amounts	
As at 1 January 2007	28,507
As at 30 June 2007 (unaudited)	19,333

Carrying amounts	
As at 1 January 2007	28,507
As at 31 December 2007	18,932

Carrying amounts	
As at 1 January 2008	18,932
As at 30 June 2008 (unaudited)	17,125

The value of investment property is based on historical cost, The Group acquired the assets constituting investment property in September 2006. The Parent’s management considers the fair value of the investment property at the balance sheet date to be substantially consistent with its purchase price.

Investment property of the Group comprises land and buildings held for rent.

As at 30 June 2008, investment property is pledged as security over repayment of the loan from Raiffeisen Bank Polska S.A. in the form of a bail mortgage (*hipoteka kaucyjna*) up to the amount of EUR 12,500 thousand. Additionally, revenues from investment property are pledged as security of the bank loan taken by the Group.

Revenues from the rental of investment property amounted to PLN 793 thousand in the 6 months of 2008. The related costs amounted to PLN 766 thousand.

(all amounts in PLN thousand)

30. Other long-term assets

	30 June 2008	31 December 2007	30 June 2007
Shares	1,335	1,335	2,231
Deferred distribution fees	21,919	29,615	5,884
Other lon-term receivables	-	6	6
Total	23,254	30,956	8,121

Shares are valued at purchase price less impairment losses. In second half of 2007, the Group recorded an impairment loss of PLN 896 thousand.

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

31. Non-current assets held for sale and liabilities related to non-current assets held for sale

As at 30 June 2007, non-current assets held for sale and liabilities related to non-current assets held for sale related solely to EMarket Sp. z o.o., which was sold on 31 August 2007. This transaction is described in note 24.

32. Inventories

Types of inventories	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Merchandise	127,449	97,543	87,034
Materials for production of set-top boxes	8,955	10,485	-
Set-top boxes - work in progress	4,570	4,029	-
Other inventories	7,195	8,890	825
Prepayments for inventory	767	10,898	11,008
Total gross value	148,936	131,845	98,867
Provision	1,821	1,836	586
Total net value	147,115	130,009	98,281

Merchandise	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Set-top Bowes	96,692	71,784	67,508
Smart cards	8,345	10,834	7,889
Remote controls	271	2	2
Satellite aerials	13,709	12,465	8,907
CAM module	2,227	2,458	2,728
Telephones	6,205	-	-
Total	127,449	97,543	87,034

(all amounts in PLN thousand)

Provision for inventories	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Opening balance	1,836	586	586
Increase	44	1,250	-
Decrease	59	-	-
Closing balance	1,821	1,836	586

There are no restrictions on the Group's rights to dispose of its inventories.

33. Trade and other receivables

	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Trade and other receivables from related entities	4,539	90	388
Trade and other receivables from non-related entities	80,964	44,407	20,629
Tax and social security receivables	35,067	33,225	5,728
Other receivables	941	1,411	431
Total	121,511	79,133	27,176

Trade receivables from non-related entities include mainly receivables from individual clients, distributors and others.

As at 30 June 2008, receivables of PLN 17 thousand are pledged as security for repayment of the loan from Raiffeisen Bank Polska S.A. in the form of assignment of debts from related to lease agreements.

Currency	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
PLN	76,661	41,820	17,913
EUR	7,304	1,731	2,014
USD	1,538	946	1,090
Total	85,503	44,497	21,017

Movements in bad debt allowance

	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Opening balance	46,484	30,209	30,209
Increase	5,286	16,498	7,519
Reversal	654	223	-
Closing balance	51,116	46,484	37,728

(all amounts in PLN thousand)

34. Other current assets

	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Deferred distribution fees	58,755	67,150	46,048
Other deferred costs	3,162	1,821	2,433
Total	61,917	68,971	48,481

Deferred distribution fees comprise commissions for distributors for contracts effectively concluded with subscribers. These costs are amortized over the minimum basic period of the subscription contracts.

35. Cash and cash equivalents

	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Cash in hand	28	26	14
Current accounts	31,497	13,042	5,453
Deposits	105,766	137,658	150,779
Total	137,291	150,726	156,246

Currency	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
PLN	117,865	141,479	128,297
EUR	8,598	970	13,944
USD	10,826	8,277	14,005
Other	2	-	-
Total	137,291	150,726	156,246

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

36. Shareholders' equity

(i) Issued capital

In accordance with the National Court Register, the issued capital of Cyfrowy Polsat S.A. as at 30 June 2008 amounted to PLN 10,733 thousand. The issued capital is divided into 268,325,000 shares with a nominal value of PLN 0,04 each.

All shares were fully paid. The issued capital was not covered by contributions in kind in the periods presented.

(all amounts in PLN thousand)

In Poland, each issue of shares is given a consecutive serial number. As at 30 June 2008, Series A, B, C and D are preference shares (2 voting rights per share), Series E and F are not preference shares.

The table below presents the shareholder's equity structrure:

Share series	Number od shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	175,000,000	7,000	preference shares (2 voting rights)
Series E	75,000,000	3,000	ordinary bearer share
Series F	5,825,000	233	ordinary bearer share
Total	268,325,000	10,733	

During first six months 2008 there were no changes in the issued capital structure and number of issued shares.

The shareholders' structure in the presented periods was as follows:

	30 June 2008 unaudited				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1,3]	182,943,750	7,318	68.18%	357,968,750	78.53%
Pozostali[2,3]	85,381,250	3,415	31.82%	97,856,250	21.47%
Razem	268,325,000	10,733	100%	455,825,000	100%

[1]Zygmunt Solorz-Żak owns indirectly 155.502.188 shares of Cyfrowy Polsat S.A. (57.95% of the share capital and 66.75% of votes) and Heronim Ruta owns indirectly 27.441.562 shares of Cyfrowy Polsat S.A. (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V.

[2]Zygmunt Solorz-Żak owns directly 10,603,750 shares of Cyfrowy Polsat S.A. (3.95% of the share capital and 4.66% of votes) and Heronim Ruta owns directly 1,871,250 shares of Cyfrowy Polsat S.A. (0.70% of the share capital and 0.82% of votes).

[3]Shares held by Polaris Finance B.V., Zygmunt Solorz-Żak, Heronim Ruta, members of our Management Board (Dominik Libicki, Maciej Gruber, Andrzej Matuszyński and Dariusz Działkowski) and Piotr Nurowski, Józef Birka and Aleksander Myszka are covered by the lock-up agreement, which prohibits the owner from sale of the shares and conduct any transactions which will result in the change of the ownership of those shares in the period of 180 days from the Warsaw Stock Exchange debut without a prior consent from UniCredit and UBS. This agreement will expire on 6 November 2008.

(all amounts in PLN thousand)

	31 December 2007				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B,V,	250,025,000	10,001	93,18%	425,050,000	93,25%
Zygmunt Solorz-Żak	10,603,750	424	3,95%	21,207,500	4,66%
Heronim Ruta	1,871,250	75	0,70%	3,742,500	0,82%
Piotr Nurowski	1,706,250	68	0,63%	1,706,250	0,37%
Józef Birka	1,740,000	70	0,65%	1,740,000	0,38%
Aleksander Myszka	1,753,750	70	0,65%	1,753,750	0,38%
Dominik Libicki	500,000	20	0,19%	500,000	0,11%
Maciej Gruber	46,250	2	0,02%	46,250	0,01%
Andrzej Matuszyński	32,500	1	0,01%	32,500	0,01%
Dariusz Działkowski	46,250	2	0,02%	46,250	0,01%
Total	268,325,000	10,733	100%	455,825,000	100%

Additionally, at 31 December 2007 Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. shares of the Company. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. is 85% and Hieronim Ruta's is 15%.

	30 June 2007 unaudited				
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Zygmunt Solorz- Żak	424,150	424	4.0%	1,341,900	6.3%
Heronim Ruta	74,850	75	0.7%	234,300	1.1%
Polaris Finance B,V,	10,001,000	10,001	95.3%	19,723,800	92.6%
Total	10,500,000	10,500	100%	21,300,000	100%

Additionally, at 30 June 2007 Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. shares of the Company. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. is 85% and Hieronim Ruta's is 15%.

Initial public offering

On 30 April 2008 the public offering of the E series shares on the Warsaw Stock Exchange was completed – 67,081,250 shares owned as at 31 December 2007 by Polaris Finance B.V. were offered to the public and shares are now available for trading on the Warsaw Stock Exchange.

(ii) Supplementary capital

In accordance with art. 396 of the Commercial Companies Code, joint-stock companies are obliged to transfer 8% of annual net profit to supplementary capital until it reaches at least one third of total issued capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

(all amounts in PLN thousand)

On 5 September 2007, the General Shareholders Meeting adopted a resolution to transfer PLN 3,500 thousand from the 2006 net profit to supplementary capital.

On 4 July 2008, the General Shareholders Meeting adopted a resolution to transfer PLN 464 thousand from the 2007 net profit to supplementary capital.

(iii) Other reserves

Other reserves of PLN 10,174 thousand include the difference between the fair value of shares purchased by the Members of the Management Board and their issue price.

(iv) Retained earnings

The net profit for the year is presented under retained earnings.

37. Borrowings and loans

	30 June 2008 unaudited		
	Long-term	Short-term	Total
Borrowings and loans	73,747	93,063	166,810
Total	73,747	93,063	166,810

	31 December 2007		
	Long-term	Short-term	Total
Borrowings and loans	132,226	88,731	220,957
Total	132,226	88,731	220,957

	30 June 2007 unaudited		
	Long-term	Short-term	Total
Borrowings and loans	27,748	200,472	228,220
Total	27,748	200,472	228,220

Borrowings and loans

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	142,217	193,806	-
EUR	24,593	27,151	61,414
USD	-	-	166,806
Total	166,810	220,957	228,220

Borrowings and loans

As at 30 June 2008 (unaudited)

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.	PLN	141,830	141,830	142,217	9 October 2010*	6M WIBOR+ 0.55%	- ***
Raiffeisen Bank Polska S.A.	EUR	8,260	7,404	24,593	31 December 2016 **	1M EURIBOR + 1.6%	Bail mortgage on the property at Łubinowa 4a Street to the amount of EUR 12,500 thousand, Assignment of receivables under lease agreements, Assignments of receivables under real estate insurance policies, Pledge on shares in Praga Business Park Sp, z o,o, held by Cyfrowy Polsat S,A, Subordination agreement on loans granted by Cyfrowy Polsat S,A, to Praga Business Park Sp, z o,o, Power of attorney for the bank to the current account of Praga Business Park Sp, z o,o, for repayment of the loan
Total				166,810			

* On 5 June 2008 Cyfrowy Polsat made a partial repayment of the principal in the amount of PLN 50 million. The remaining amount will be paid in equal installments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement.

Moreover, the Company is prohibited from:
- creating security over its assets for amounts in excess of PLN 100 thousand
- disposing of its assets in order to incur financial debt or finance purchase of assets
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business
- merging with another legal entity without the consent of the agent
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent
- entering into transactions on terms less advantageous than arm's length terms
- granting loans without the consent of the agent, with the exception of loans for Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o., in a total amount exceeding PLN 40,000 thousand
- providing guarantees without the consent of the agent
- distributing dividends before the offering
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand
- acquiring its shares for retirement without the consent of the agent
- materially changing its business scope
- transferring its receivables
- opening any bank accounts without providing security for the agent

and obliged to:
- provide the agent with any material documents and information concerning the financial standing of the Group
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts)
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent

** On 28 August 2008 the Management Board of Cyfrowy Polsat S.A. resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o. In connection with merger the credit in Raiffeisen Bank Polska will be repayed till the end of 2008.

Praga Business Park is obliged to make an early repayment of the loan if:
- any of the documents relating to the property purchase is deemed invalid
- disbursement or financing of a drawdown by the bank results in infringement of the the law
- cash surplus generated in a given accounting period is positive, the Company will allocate half of the surplus amount generated in a given accounting period for early repayment of the outstanding amount;

No circumstances obligating the Company to make an early repayment have arisen.

***Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2,2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1,2:1. If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

As at 31 December 2007

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.	PLN	191,830	191,830	193,806	9 October 2010*	6M WIBOR+ 0.55%**	Obligation to conclude with the agent (Bank Pekao S,A, acting for and on behalf of lenders as the pledge administrator or acting for and on behalf of itself), within 3 months from 30 June 2008, a pledge agreement on the bank accounts of Cyfrowy Polsat S,A,****
Raiffeisen Bank Polska S.A.	EUR	8,260	7,632	27,151	31 December 2016***	1M EURIBOR + 1.6%	Bail mortgage on the property at Łubinowa 4a Street to the amount of EUR 12,500 thousand, Assignment of receivables under lease agreements, Assignments of receivables under real estate insurance policies, Pledge on shares in Praga Business Park Sp, z o,o, held by Cyfrowy Polsat S,A, Subordination agreement on loans granted by Cyfrowy Polsat S,A, to Praga Business Park Sp, z o,o, Power of attorney for the bank to the current account of Praga Business Park Sp, z o,o, for repayment of the loan
Total				220,957			

* According to repayment schedule Cyfrowy Polsat S,A,is obliged to prepay the principal, in the minimum amount of PLN 50,000 thousand on the earlier of 30 days from the date of the offer (defined as issue or sale of shares in public offering on Warsaw Stock Exchange if shares which are the subject of the issue were admitted to trading on Warsaw Stock Exchange), or 30 June 2008, The remaining amount will be paid in equal installments at the end of each quarter, The final loan repayment should be made not later than 3 years after signing of the loan agreement,

** The loan margin is:
- 0,55% p,a, until final repayment
- if the initial public offer of the borrower's shares is not be carried out and the loan is not prepaid in the minimum amount PLN 50,000 thousand by 30 June 2008, the margin will be increased up to 0,7% p,a and will be in force until the date of final repayment of the loan

Moreover, the Company is prohibited from:
- creating security over its assets for amounts in excess of PLN 100 thousand
- disposing of its assets in order to incur financial debt or finance purchase of assets
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business
- merging with another legal entity without the consent of the agent
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent
- entering into transactions on terms less advantageous than arm's length terms
- granting loans without the consent of the agent, with the exception of loans for Praga Business Park Sp, z o,o, and Cyfrowy Polsat Technology Sp, z o,o,, in a total amount exceeding PLN 40,000 thousand
- providing guarantees without the consent of the agent
- distributing dividends before the offering
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand
- acquiring its shares for retirement without the consent of the agent
- materially changing its business scope
- transferring its receivables
- opening any bank accounts without providing security for the agent

and obliged to:
- provide the agent with any material documents and information concerning the financial standing of the Group
- make monthly payments to Bank Pekao S,A, accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts)
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent

*** The detailed repayment schedule is as follows:
- EUR 5,644 thousand payable in 41 quarterly instalments; the first instalment was due on the interest payment date falling on 31 December 2006, the last installment is due on the final repayment date, i,e, 31 December 2016
- EUR 2,616 thousand payable on a one-off basis on an interest payment date falling no later than on the final repayment date, i,e, 31 December 2016

Praga Business Park is obliged to make an early repayment of the loan if:
- any of the documents relating to the property purchase is deemed invalid
- disbursement or financing of a drawdown by the bank results in infringement of the the law
- cash surplus generated in a given accounting period is positive, the Company will allocate half of the surplus amount generated in a given accounting period for early repayment of the outstanding amount;

No circumstances obligating the Company to make an early repayment have arisen.

****Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2,2:1, At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1,2:1, If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S,A,, within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default,

As at 30 June 2007 (unaudited)

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Raiffeisen Bank Polska S.A. [1]	EUR	8,260	7,856	29,397	31 December 2016 *	1M EURIBOR + 1.6%	Bail mortgage on the property at Łubinowa 4a Street to the amount of EUR 12,500 thousand, Assignment of receivables under lease agreements, Assignments of receivables under real estate insurance policies, Pledge on shares in Praga Business Park Sp, z o,o, held by Cyfrowy Polsat S,A, Subordination agreement on loans granted by Cyfrowy Polsat S,A, to Praga Business Park Sp, z o,o, Power of attorney for the bank to the current account of Praga Business Park Sp, z o,o, for repayment of the loan
EFG Investment Bank AB (publ)	EUR	8,450	8,450	32,017	14 czerwca 2007 **	3.9%	Bank guarantee in the amount of EUR 8,800 thousand
Polaris Finance B.V.	USD	20,000	20,000	56,281	31 December 2007 ***	6.5%	None
Cypress Media B.V.	USD	10,000	10,000	28,094	31 December 2007 ***	4.5%	None
Cypress Media B.V.	USD	13,800	13,800	38,834	31 December 2007 ***	6.5%	None
Cypress Media B.V.	USD	2,500	2,500	7,035	31 December 2007 ***	6.5%	None
Cypress Media B.V.	USD	4,000	4,000	11,257	31 December 2007 ***	6.5%	None
Cypress Media B.V.	USD	9,000	9,000	25,305	31 December 2007 ***	5.5%	None
Total				228,220			

* The detailed repayment schedule is as follows:
- EUR 5,644 thousand payable in 41 quarterly installments; the first installment was due on the interest payment date falling on 31 December 2006, the last installment is due on the final repayment date, i,e, 31 December 2016
- EUR 2,616 thousand payable on a one-off basis on an interest payment date falling no later than on the final repayment date, i.e. 31 December 2016

Praga Business Park is obliged to make an early repayment of the loan if:
- any of the documents relating to the property purchase is deemed invalid
- disbursement or financing of a drawdown by the bank results in infringement of the the law
- cash surplus generated in a given accounting period is positive, the Company will allocate half of the surplus amount generated in a given accounting period for early repayment of the outstanding amount;
No circumstances obligating the Company to make an early repayment have arisen.

** Company and EFG Investment Bank AB signed an annexe to the loan agreement, whereby repayment term was set at 14 November 2007.

1) The loan agreement with Raiffeisen Bank Polska SA imposes on Praga Business Park Sp. z o.o., certain restrictions including:
- restrictions on disposal of Praga Business Park Sp. z o.o.'s assets with carrying value exceeding 10% of its total assets,
- restrictions on changes to the operating activities,
- restrictions on share capital reduction, transformation, merger, division, amendments to the articles of association,
- restrictions on issuing financial liabilities,
- restrictions on dividends payment,
restrictions on transactions with related entities,

The loan agreement obliges the Group to maintain appropriate relation of EBITDA to repayment of loan interests and capital based on repayment schedule,
According to the Management's best knowledge as at 31 December 2006 Praga Business Park Sp. z o.o. complied with requirements of the loan agreement,

*** The repayment dates of loans granted by Polaris Finance B,V, and Cypress Media B.V. were prolonged (according to first agreement repayment date was 31 August 2006). These loans were repaid on 12 October 2007.

Loans and borrowings are comprised of a long-term portion, due more than one year from the balance sheet date, and a short-term portion, presented in current liabilities, due within one year from the balance sheet date,

(all amounts in PLN thousand)

38. Lease liabilities

Company as a lessor and as a lessee

- Company as a lessor

Operating lease

The Group entered into a significant number of contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment and rental of office space. Assets connected with such contracts are presented as property, plant and equipment and investment property, respectively.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 6 to 24 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by the subscribers. The Group does not present the amounts of minimum lease payments under contracts on rental of set-top boxes for the particular balance sheet dates because all the contract were entered into for indefinite terms.

Finance lease

During the first six months 2008 and in 2007, the Group entered into a significant number of contracts with third parties, which are classified as finance leases due to their economic substance. The contracts relate to the rental of digital satellite reception equipment. The Group does not recognize assets related to these contracts in the financial statements.

Future minimum lease payments under finance leases are as follows:

Finance lease

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	3,674	4,149	1,207
between 1 and 5 years	-	-	88
Total	3,674	4,149	1,295

- Group as a lessee

Operating leases

The Group entered into a significant number of agreements, which are classified as operating lease contracts due to their economic substance. Assets leased under these contracts are not recognised in the financial statements. The assets comprise rental of transponder capacity, rental of office and warehouse space, and rental of equipment.

(all amounts in PLN thousand)

Future minimum lease payments under operating leases are as follows:

Operating lease	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	43,522	44,124	35,468
between 1 and 5 years	55,025	68,724	53,868
in more than 5 years	9,115	10,556	-
Total	107,662	123,404	89,336

Finance leases

The carrying value of devices used on the basis of finance lease contracts amounted to PLN 2,385 thousand as at 30 June 2007, PLN 2,242 thousand as at 31 December 2007 and PLN 2,099 thousand as at 30 June 2008.
The lease period is 10 years.

Future minimum lease payments under finance leases are as follows:

Finance lease	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	191	204	215
between 1 and 5 years	765	817	859
in more than 5 years	462	595	733
Total	1,418	1,616	1,807

39. Trade payables and other current payables

Trade payables and other current payables	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Trade payables to related parties	2,101	3,565	2,595
Trade payables to non-related parties	53,203	153,341	33,893
Taxation and social security payables	5,303	4,240	5,082
Payables relating to purchases of fixed assets	2,000	10,745	4,105
Accruals	38,024	15,732	35,523
Short term provisions	22,221	18,236	-
Other	1,529	2,855	1,479
Total	124,381	208,714	82,677

Short-term provisions relate to royalties for copyright management organizations.

(all amounts in PLN thousand)

Accruals

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Salaries	1,802	2,933	379
Royalties for copyright management organizations	761	5,892	12,696
Licence fees	22,075	-	15,924
Cost attributable to Public offering of shares	4,054	3,954	2,631
Other	9,332	2,953	3,893
Total	38,024	15,732	35,523

Trade payables and payables relating to purchases of fixed assets by currency

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	26,027	118,684	22,826
EUR	18,501	23,307	10,641
USD	12,446	25,660	7,126
GBP	326	-	-
CHF	4	-	-
Total	57,304	167,651	40,593

Accruals by currency

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	13,904	10,662	21,028
EUR	11,767	5,070	7,270
USD	12,353	-	7,225
Total	38,024	15,732	35,523

40. Deposits received for digital satellite reception equipment

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Subscribers	14,835	14,966	16,627
Distributors	4,996	5,044	2,840
Other	22	22	49
Total	19,853	20,032	19,516

Deposits received comprise amounts paid by subscribers under agreements for rental of set-top-boxes and deposits paid by distributors for digital satellite reception equipment.

(all amounts in PLN thousand)

Deposits are returned to customers or offset against receivables from subscribers upon contract termination. All deposits are presented as short-term liabilities as the notice period is less than 12 months.

41. Deferred income

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Deferred income	106,824	81,468	70,464
Total	106,824	81,468	70,464

Deferred income comprises mainly subscription fees paid in advance and rental fees for set-top boxes. These fees relate to services to be rendered within 12 months from the balance sheet date and thus are presented as short-term liabilities.

42. Other adjustments in the cash flow statement

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Cost of IPO	6,678	2,631
Settlement of IPO related costs	(4,115)	-
Other	926	13
Other adjustments – total	3,489	2,644

43. Financial instruments

Overview

The Cyfrowy Polsat S.A. Group is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk:
  - currency risk
  - interest rate risk
- capital risk

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

The Management Board is responsible for oversight and management of each of the risks faced by the Group. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on forward contracts, credit risks and capital management.

(all amounts in PLN thousand)

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

Loans, cash and short-term bank deposits are the main financial instruments used by the Group. They are intended to secure the financing for the Group's activities. The Group uses also other financial instruments such as trade receivables and trade payables which arise in the course of business activities.

Credit risk

Credit risk arises mainly on trade receivables. During the six months ended 30 June 2008, the Group's exposure to credit risk did not change since the Group's sales on credit did not increase. The Parent Company's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Postpaid subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers. Moreover, any recognised risk is reduced with appropriate allowances.

The Group analyses the creditworthiness of distributors as well as TV and radio broadcasters on an ongoing basis.

During six months ended 30 June 2008, the Group did not grant any guarantees.

Credit risk related to other financial assets of the Group, such as cash and cash equivalents arises when a counterparty fails to make due payments. The maximum exposure to credit risk related to the financial assets equals the carrying amount of the assets. The maximum exposure to credit risk as at the balance sheet dates was as follows:

	Carrying amount		
	30 June 2008 unaudited	31 grudnia 2007	30 June 2007 unaudited
Trade and other receivables	85,503	45,908	21,017
Cash and cash equivalents	137,291	150,726	156,246
Total	222,794	196,634	177,263

The table below presents receivables' credit risk concentration:

	Carrying amount		
	30 June 2008 unaudited	31 grudnia 2007	30 June 2007 unaudited
Subscribers	59,148	19,155	6,681
Distributors	5,152	19,248	3,250
Media companies	5,628	4,683	4,121
Other	15,575	2,822	6,965
Total	85,503	45,908	21,017

(all amounts in PLN thousand)

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits. The Group aims to balance the continuity and flexibility of financing through the use of different sources of financing such as loans and bank overdraft.

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

The table below presents the contractual maturities of the Group's financial liabilities.

	30 June 2007 unaudited						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5
Loans	228,220	242,448	203,830	1,638	3,329	9,900	23,751
Finance lease liabilities	1,807	1,807	108	108	215	643	733
Trade and other payables	56,004	56,004	56,004	-	-	-	-
Total	286,031	300,259	259,942	1.746	3,544	10,543	24,484

	31 December 2007						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	220,957	246,672	58,953	38,836	74,903	52,727	21,253
Finance lease liabilities	1,616	1,616	102	102	204	613	595
Trade and other payables	206,270	206,270	206,247	23	-	-	-
Total	428,843	454,558	265,302	38,961	75,107	53,340	21,848

	30 June 2008 unaudited						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	166,810	180,439	62,395	34,870	67,060	16,114	-
Finance lease liabilities	1,418	1,418	96	96	191	573	462
Trade and other payables	75,157	75,157	75,157	-	-	-	-
Total	243,385	257,014	137,648	34,966	67,251	16,687	462

Impairment

The table below presents the ageing of receivables:

	30 June 2008 unaudited			31 December 2007			30 June 2007 unaudited		
	Gros	Impair-ment	Net	Gros	Impair-ment	Net	Gros	Impair-ment	Net
Not past due	61,794	5,675	56,119	35,678	-	35,678	14,462	3,958	10,504
Past due 0-30 days	11,346	1,172	10,174	5,068	1,513	3,555	3,213	941	2,272
Past due 31-60 days	7,904	1,488	6,416	3,799	2,090	1,709	2,649	1,391	1,258
More than 60 days	53,573	40,779	12,794	47,847	42,881	4,966	39,705	32,722	6,983
Total	134,617	49,114	85,503	92,392	46,484	45,908	60,029	39,012	21,017

Market risk

Currency risk

One of the main risks to which the Group is exposed is currency risk related to fluctuations in the exchange rate between the zloty and other currencies. The revenues generated by the Group are denominated mainly in zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Group's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and a loan for the purchase of the real estate where the Group is domiciled (EUR). In most cases, foreign exchange risk is reduced by trade receivables for transmission services denominated in foreign currencies (natural hedging).

The Parent does not hold any equity interests in foreign entities or available-for-sale assets denominated in foreign currencies. Therefore, depreciation of the Polish zloty against other currencies will not influence the Group's equity.

The Group does not apply hedge accounting.

The table below presents the Group's foreign currency risk exposure in foreign currencies:

	30 June 2008 unaudited		31 December 2007		30 June 2007 unaudited	
(in thousands)	EUR	USD	EUR	USD	EUR	USD
Trade receivables	2,178	726	483	389	535	389
Loans	(7,332)	-	(7,580)	-	(16,308)	(59,597)
Trade payables and other	(5,516)	(5,872)	(7,922)	(10,538)	(2,826)	(2,546)
Gross balance sheet exposure	(10,670)	(5,147)	(15,019)	(10,149)	(18,599)	(61,754)
Net balance sheet exposure	(10,670)	(5,147)	(15,019)	(10,149)	(18,599)	(61,754)
Forward exchange contracts	-	-	-	-	-	-
Net exposure	(10,670)	(5,147)	(15,019)	(10,149)	(18,599)	(61,754)

Apart from the amounts stated above, estimated sales revenue and estimated purchases in currency are as follows:

	30 June 2008 unaudited		31 December 2007		30 czerwca 2007 unaudited	
(in thousands)	EUR	USD	EUR	USD	EUR	USD
Estimated sales revenue	977	425	2,412	940	976	890
Estimated purchases	(22,887)	(33,171)	(42,718)	(54,499)	(16,505)	(33,104)

The foreign exchange rates applied in the presented periods:

	Average rates during			Rates at the balance sheet date		
in PLN	6 months ended 30 June 2008	year ended 31 December 2007	6 months ended 30 June 2007	30 June 2008	31 December 2007	30 June 2007
1 EUR	3.4924	3.7829	3.8450	3.3542	3.5820	3.7658
1 USD	2.2854	2.7667	2.8955	2.1194	2.4350	2.7989

A 5% weakening of the Polish zloty against the euro and US dollar would have decreased the gross profit by the amount presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The below sensitivity analysis below is performed on the same basis for the 6 months ended 30 June 2007.

	Net profit
For the six months ended 30 June 2008 (unaudited)	
EUR	(3,913)
USD	(5,795)
For the six months ended 30 June 2007 (unaudited)	
EUR	(3,456)
USD	(13,573)

A 5 % strengthening of the Polish zloty against the above currencies would have the same but opposite effect on the gross profit, assuming that all other variables remain constant.

(all amounts in PLN thousand)

Interest rate risk

Fluctuations in market interest rates have no direct effect on the Group's revenues and operating cash flows. The Group's exposure to interest rate risk is attributable primarily to the risk related to changes in cash flows caused by interest rate changes affecting the Group's bank loans.

The Group analyses its exposure to interest rate risk on a regular basis. Different refinancing scenarios as well as hedging policies against interest rate risk are prepared. Based on the analyses, the Group estimates the effect of given changes in interest rates on its results.

The table below presents the interest rate risk profile for interest-bearing financial instruments as at the balance sheet date:

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Fixed rate instruments			
Financial assets	-	-	-
Financial liabilities	-	-	(166,806)
Total	-	-	(166,806)

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Variable rate instruments			
Financial assets	137,291	150,726	156,246
Financial liabilities	(166,810)	(220,957)	(61,414)
Total	(29,519)	(70,231)	94,832

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	Decrease by 100 bp
30 June 2008 (unaudited)		
Variable rate instruments	91	(91)
Cash flow sensitivity (net)	91	(91)
30 June 2007 (unaudited)		
Variable rate instruments	608	(608)
Cash flow sensitivity (net)	608	(608)

Fair value versus carrying amount

The fair value of forward currency contracts is estimated based on forward foreign exchange rates effective on the balance sheet date.

(all amounts in PLN thousand)

The fair value of financial guarantees is calculated based on the appropriate measurement methods (discounted cash flows adjusted by probability index).

The fair value of other financial instruments is based on estimated discounted cash flows. It is assumed that the carrying amount of trade receivables (less impairment losses) and of trade payables due within 12 months approximates their fair value.

The table below presents the fair values and carrying amounts of financial assets and liabilities.

	30 June 2008 unaudited		31 December 2007		30 June 2007 unaudited	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Trade receivables	85,503	85,503	44,497	44,497	21,017	21,017
Cash and cash equivalents	137,291	137,291	150,726	150,726	156,246	156,246
Loans	(166,234)	(166,810)	(220,707)	(220,957)	(223,252)	(228,220)
Finance lease liabilities	(1,418)	(1,418)	(1,616)	(1,616)	(1,807)	(1,807)
Trade and other payables	(75,157)	(75,157)	(206,270)	(206,270)	(56,004)	(56,004)
Total	(20,015)	(20,591)	(233,370)	(233,620)	(103,800)	(108,768)
Unrecognised (loss)/gain	-	576		250		4,968

Capital management

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

(all amounts in PLN thousand)

44. Barter transactions

The Group is a party to barter transactions, The table below presents revenues and costs of barter transactions executed on an arm's-length basis,

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from barter transactions	945	523
Cost of barter transactions	1,048	-

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Barter receivables	1,565	1,265	1,210
Barter payables	387	-	101

45. Litigation and public administration proceedings

As at the date of preparation of these interim consolidated financial statements for the six months ended 30 June 2008, there were a number of litigations and claims against the consolidated entities, before courts and public administration bodies.

Public administration proceedings

The proceeding before Office of Competition and Consumer Protection ("UOKiK") for alleged use of unlawful clauses in agreements with customers

On 18 October 2006, in connection with complaints lodged by customers, the President of the Polish Office of Competition and Consumer Protection ("UOKiK") requested Cyfrowy Polsat S.A. to submit forms of agreements as part of its business. In a letter dated 21 May 2007, the President of the UOKiK informed the Company that certain clauses included in its agreement templates were a cause of concern for UOKiK. Cyfrowy Polsat S.A. submitted an initial response to some arguments raised by the President of the UOKiK in a letter dated 29 June 2007. On 23 July 2007, the President of the UOKiK sent a letter requesting the Company to state its opinion with regard to the rest of the arguments and to provide the price list used by the Company. In subsequent correspondence with the President of the UOKiK, dated 31 August 2007, Cyfrowy Polsat S.A. expressed its view on the other arguments raised by UOKiK.
On 15 July 2008 the Company received a letter from UOKiK on the matter in question containing remarks and comments on the position of the Company expressed in the previous correspondence. The President of UOKiK forwarded a motion for the Company to express an ultimate position on the matter in question. Due to the fact that the Company is currently in the phase of introducing new templates of agreements with customers, in the correspondence dated 29 July 2008 it proposed a meeting with representatives of UOKiK in order to conduct relevant consultation regarding the templates in question. In a meeting a representative of UOKiK received draft rules of services provision for consultation.

If any provisions of the agreement templates were deemed unlawful, the Company would have to change the existing agreement forms. Such changes could lead to a situation in which customers who are parties to agreements whose provisions have been found unlawful could terminate such agreements without observing the notice period and without any obligation to pay contractual penalties. In addition, if the Company included in the agreement templates provisions that are unlawful, the President of the UOKiK could impose on the Company a maximum fine of 10% of its revenue earned in the financial year preceding the year in which such fine is imposed.

The proceeding before Office for Competition and Consumer Protection ("UOKiK") concerning allegedly practices which violate collective consumer interests

On 14 March 2007, the President of UOKiK opened explanatory proceeding to initially determine whether Cyfrowy Polsat S.A. infringed upon collective consumer interests.

The aim of the proceeding is to determine whether the marketing leaflets and information placed on the Company's webpage misled consumers as to the scope of services provided under specific agreements. The proceeding also concern a possible breach of the Civil Code by sending to customers text messages at their expense, on the assumption that a lack of objections from customers means a silent consent for such services.

On 30 May 2007, the President of the UOKiK notified Cyfrowy Polsat S.A. that it had initiated *ex-officio* proceeding against the Company to determine that its advertising practices misled consumers as to the content of the television programming it offers, which represents a practice which infringes upon collective consumer interests as defined in Article 24. Section 2 p. 3 of the Act on Protection of Competition and Consumers dated 16 February 2007 by consisting in the use of misleading advertising as defined in Article16 Section 1 p. 2 of Antymonopoly Act dated 16 April 1993. In letters dated 20 June and 29 June 2007, Cyfrowy Polsat S.A. referred to certain reservations raised by the UOKiK and admitted that there were certain discrepancies between the information included in its advertising materials and the provisions of the agreements entered into with the customers, and explained the reasons behind the discrepancies. The Company further noted that the discrepancies had been eliminated. In a letter dated 25 September 2007, the President of the UOKiK requested the Company to provide its financial statements for 2006. The financial statements were sent together with the letter dated 8 October 2007. On 19 May 2008, the Company received a notification of the President of UOKiK that due to a need for performance of ultimate assessment of the exhibits and running a consultation in the scope of issuing a decision on the issue in question with organizational units of UOKiK, the deadline for completion of proceedings had been extended until 31 May 2008. On 11 June 2008, the Company received a decision of the President of UOKiK no. DDK 6/2008 issued on 30 May 2008. With regards to the issue in question, the President of UOKiK recognized the practice as breaching the collective rights of costumers, involving the activities of the Company comprising presentation of information of its advertising, that the Cinemax package is included in the Relax Mix Package, whereas the Package was not included in the Relax Mix Package, but was provided to consumers within a promotion regarding the Relax Mix Package. The decision does not provide for a financial penalty. The decision became enforceable on 25 June 2008.

Proceedings before Office for Competition and Consumer Protection ("UOKiK") concerning allegedly use of the practices restricting competition

On 23 May 2007, the Wroclaw Regional Office of the UOKiK notified Cyfrowy Polsat S.A. that an explanatory proceeding had been initiated to initially determine whether the Company breached the ban on the use of competition restricting practices by preventing its authorised distributors from distributing a competitive digital platform operated by ITI Neovision Sp. z o.o. ("ITI Neovision") under the brand name "n". Such a practice may constitute a breach of Article 6, Section 1 of the Act on Protection of Competition and Consumers dated 16 February 2007. Cyfrowy Polsat S.A. was obliged to deliver documents specified in the notification to the UOKiK. In a letter dated 22 June 2007,the Company submitted to the UOKiK its explanations regarding the matter. Next on 17 October 2007 the Company sent the required documentation to the UOKiK. On 8 November 2007 the Wroclaw Regional Office of the UOKiK called upon Cyfrowy Polsat S.A. to provide additional information and data. Cyfrowy Polsat S.A. responded in a letter dated 28 November 2007. Since that time the Company has not received any formal correspondence regarding the issue in question. The only source of information was press reports, e.g. an interview with the President of UOKiK in Gazeta Prawna, where he stated that antimonopoly proceedings shall not be initiated regarding the issue in question.

Explanatory proceedings initiated by the President of UOKiK regarding the rules of concluding agreements for public broadcasting of TV programs, including broadcast from Euro2008, and the rules of selling relevant equipment necessary to receive the aforementioned programs

The President of UOKiK initiated explanatory proceedings in order to initially determine whether the rules of concluding agreements for public broadcast of TV programs, including Euro2008 broadcast, and the rules of selling relevant equipment necessary to receive such television programs, constitute a breach of provisions of the competition and consumer protection act. Cyfrowy Polsat S.A. received a letter regarding the issue in question on 13 June 2008. The Company was obliged to submit information stated in the letter.

In a letter dated 16 June 2008 the Company responded, explaining, for example, that in the years 2007-2008 (which were mentioned in the UOKiK President's enquiry) it did not grant rights for public broadcast of TV programs, nor did it enter into agreements enabling granting license for public broadcast of TV channels to business entities (entrepreneurs). Cyfrowy Polsat S.A. also forwarded information that the rights for public broadcast of Polsat Sport Extra and Polsat Sport HD channels were granted by Telewizja Polsat S.A. Cyfrowy Polsat S.A. – in line with the possibility of public broadcast of Euro 2008 offered to business by Telewizja Polsat S.A. – and considering the to-date rule of offering products and services exclusively to individual customers for their private use, created a special set-top boxes' sales offer, aimed at entrepreneurs.
In a letter dated 26 June 2008 UOKiK requested supplying additional information, which the Company included in a letter dated 8 July 2008. Another letter from UOKiK demanding presentation of further information was received on 31July 2008, and the Company replied to it within the deadline set out by the Office, i.e. up to 7 August 2008. Furthermore, Cyfrowy Polsat S.A. received two letters (on 26 and 28 August, respectively) from UOKiK containing Office's further questions. Both letters demanded that the questions be answered. A letter including answers to these two letters from UOKiK was sent to UOKiK on 4 September 2008.

Should a proceeding against us be initiated and should the President of UOKiK find that our practices are limiting competition, the President of UOKiK could order their abandonment. Moreover, the President of UOKiK could impose on the Company a maximum fine of 10% of its revenue (as set out by the Tax Law) earned in the financial year preceding the year in which such fine is imposed.

Other litigations

The Group is a party to other litigations.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. z with registered office in Katowice for compensation and indemnity claims that is in session before the District Court for Warszawa Praga in Warsaw X Entrepreneurs' Division – the value of dispute is 1,071 thousand zlotys is currently run by the legal advisor Antoni Zasada from a legal advisor's office with its office in Krakow.

The lawsuit is in the exhibit proceedings phase – currently the Court is conducting hearings of witnesses. Another session of the Court is scheduled at 5 November 2008 where further witnesses are to be heard. The position of Cyfrowy Polsat S.A. has been expressed in its correspondence and proceedings statements. Cyfrowy Polsat S.A. has raised, as a reply to the claim, and in further proceedings correspondence, a number of charges (proceedings and legal and material ones) pointing to a lack of justification of the proceedings claims of the plaintiff – with regards to both the compensation and indemnity claims. Moreover, Cyfrowy Polsat S.A. has raised a number of evidence motions aiming at indication of inadequacy of the plaintiff's claims. Considering the extensiveness of the proceedings correspondence of Cyfrowy Polsat S.A. there is no possibility to summarize its proceedings argumentation.

Due to the case being a leading case in the scope of the so called compensation claim it is impossible to rationally foresee the result of the lawsuit, or its financial consequences for Cyfrowy Polsat S.A.

46. Important agreements

On 1 April 2008, the Company concluded with Polaris Finance B.V. the memorandum of agreement regulating the principles of settling the services related to floating of shares. Pursuant to this memorandum of agreement, Polaris Finance B.V. undertook to cover part of the costs incurred by the Company with regard to floating of the Company's shares.

As a result of conducted negotiations for determining the conditions of direct cooperation with the ZAIKS Authors' Association ("ZAIKS"), on 7 April 2008 the memorandum of agreement was concluded to pay ZAIKS the authors' compensation for works re-broadcasted on the digital platform in the period from 1 June 2006 to 31 December 2007. The payment of compensation under the memorandum of agreement satisfies ZAIKS's claims on account of authors' compensation for re-broadcasting the works on the digital platform in the aforementioned period.

Also, on the same date the license agreement was concluded with ZAIKS, which regulates conditions of further cooperation.

On 16 April 2008, the President of Office of Electronic Communications ("UKE") issued the decisions replacing the agreements for connection of telecommunication networks, concluded between Cyfrowy Polsat SA and PTK Centertel Sp. z o.o. ("PTK Centertel") and between Cyfrowy Polsat SA and Polkomtel SA ("Polkomtel"). After examining Cyfrowy Polsat's applications of 16 January 2008 to issue decisions concerning the telecommunication access, the President of UKE focused on justification for future application of clause on automatic change of Mobile Termination Rates (MTR), which was requested by Polkomtel and PTK Centertel. When resolving the dispute, the legal and factual state of affairs as at the date of issuing the decision was of decisive importance. At the moment of issuing both decisions, the Mobile Termination Rate in Polkomtel and PTK Centertel should be PLN 0,40/minute. The President of UKE determined the same MTR for terminations in Cyfrowy Polsat's network. With respect to determining the MTRs, the parties, to which the decisions apply, are not subject to the same obligations. Polkomtel and PTK Centertel are obligated to determine fees on that account on the basis of incurred costs, and Cyfrowy Polsat may determine the rates on the basis of freedom of agreement principle. Therefore, it was not possible to automatically change, in the decisions issued by the UKE President, the MTRs charged by Cyfrowy Polsat in its own network because the MTRs charged by Polkomtel and PTK Centertel were about to change.

On 24 April 2008, Cyfrowy Polsat and Polaris Finance B.V. concluded a stand-by underwriting agreement with UBS Limited, Bank Austria Creditanstalt AG, Dom Maklerski Penetrator SA and UniCredit CAIB Poland SA. As part of the concluded agreement, the underwriters undertook to make every effort to acquire the buyers for the shares which will be offered in the tranche for institutional investors as part of the public offering of 67,081,250 series E shares of Cyfrowy Polsat.

On 13 May 2008, Cyfrowy Polsat S.A. and Nagravision SA concluded annex no, 3 to an agreement of 2 November 2004. Pursuant to the annex, Cyfrowy Polsat S.A. will receive indemnity of EUR 1,896,7 thousand on account of incorrect operation of cards in Samsung set-top-boxes, and indemnity of EUR 4,823,4 thousand for the damage incurred by Cyfrowy Polsat S.A. in connection with the need to replace the cards as a result of breaking the conditional access system.

On 30 June 2008 Cyfrowy Polsat S.A. and Polska Telefonia Cyfrowa Sp. z o.o. („PTC") entered into an agreement regarding domestic roaming, setting out a possibility of the MVNO's users to use the radio network of PTC. The agreement sets out the terms and conditions of mutual settlements between the parties, by indicating rates for: (i) voice services (per minute of call), and (ii) data transfer (per MB of information downloaded). The value of the agreement shall by the product of minutes of calls used by subscribers (or data downloaded) and rates indicated in the agreement. The rates are in line with market rates. The agreement's life is indefinite and provides for particular reasons entitling the parties to its notice.

According to requirements of PTC the agreement provides for an exclusivity clause, and in each case of breach of the exclusivity clause by the Company PTC is entitled to claiming payment of a contractual penalty by the Company in a level set for the year in which the breach took place, however in no case shall the penalty be lower than 10,000 thousand PLN.
The agreement has been executed according to the laws of Poland. Upon the conclusion of the agreement the domestic roaming agreement dated 8 June 2006 shall cease to be valid.

47. Contingent libilities and security

Security relating to borrowings and loans

Security relating to borrowings and loans is described in note 37.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 38.

Future liabilities relating to barter transactions

Future liabilities relating to barter transactions are described in note 44.

Capital expenditure liabilities and liabilities under contracted services related to MVNO

On 31 May 2007, the Company entered into an agreement with Accenture Sp. z o.o. for implementation and launch of a billing system. As at 30 June 2008 the value of uninvoiced deliveries and services amounted to PLN 37.2 thousand. Furthermore, the value of uninvoiced deliveries and services under an additional order related to the agreement was PLN 553.8 thousand as at 30 June 2008.

On 14 August 2007, the Company entered into an agreement with Nokia Siemens Networks Sp. z o.o. for delivery of hardware and software necessary for the provision of MVNO services. As of 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 88.6 thousand (PLN 297.3 thousand). Moreover, the value of uninvoiced deliveries and services under an additional order related to the agreement was EUR 61.9 thousand (PLN 207.5 thousand) as at 30 June 2008.

On 31 May 2007, the Company entered into an agreement with Accenture Sp. z o.o. concerning maintenance of the billing system. The agreement is for a term of three years. The annual cost of the service amounts to EUR 245.0 thousand. Moreover, we entered into a service agreement for the billing system. The annual cost of the service amounts to PLN 591.8 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Polska Sp. z o.o. concerning maintenance of the MVNO system plus BOT (Build Operate Transfer) service. The contract is for a term of 13 months. As at 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 1,246.3 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Sp. z o.o. for maintenance of the MVNO system. The contract is for a term of five years. The annual cost of the service amounts to EUR 98.1 thousand

On 28 September 2007, Cyfrowy Polsat S.A. entered into a maintenance agreement with Alcatel Lucent Polska S.A. The contract is for a term of three years. The annual cost of the service amounts to EUR 59.2 thousand.

Contingent liabilities to purchase shares in Karpacka Telewizja Kablowa Sp. z o.o.

On 17 April 2002 Cyfrowy Polsat S.A. filed with the District Court of Rzeszów an action to squeeze out Mr Andrzej Kliś, a shareholder in Karpacka Telewizja Kablowa Sp. z o.o., in which Cyfrowy Polsat S.A. holds 85% of shares. In the ruling dated 28 February 2006, the Court set the purchase price of the shares at PLN 701 thousand. The case has not been finally resolved and has been brought to the Court of Appeals.

Other contingent liabilities

As a security for the loan granted to Praga Business Park Sp. z o. o. by Raiffeisen Bank Polsa S.A. a financial pledge (a registered and ordinary pledge) over all of the shares in Praga Business Park Sp. z o.o. was made.

(all amounts in PLN thousand)

On 8 November 2007, the Company and Telekomunikacja Polska S.A. entered into an agreement concerning interconnection of the public telecommunications network of Cyfrowy Polsat S.A. and the public fixed-line telephony network of Telekomunikacja Polska S.A. for the purpose of providing telecommunications services, specifying the technical conditions for setting up and maintaining interconnection of the networks, and also defining details of mutual payment terms. With a view to securing potential claims, on 7 December 2007 Cyfrowy Polsat S.A. made a statement on submitting to enforcement of amounts that may become due and payable to Telekomunikacja Polska S.A. up to PLN 201 thousand.

On 16 May 2008, the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polkomtel S.A. an irrevocable and unconditional bank guarantee to pay Polkomtel S.A. up to PLN 600 thousand at the first written payment request by Polkomtel S.A. The bank guarantee is valid until 16 May 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 16 June 2008, the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polska Telefonia Komórkowa Centertel Sp. z o.o. ("Centertel") an irrevocable and unconditional bank guarantee to pay Centertel up to PLN 1,600 thousand at the first written payment request by Centertel. The bank guarantee is valid until 16 December 2008 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

48. Remuneration of the Management Board

The table below presents the Management Board's remuneration from both the Parent and the subsidiaries.

		for the 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Dominik Libicki	President of the Management Board	360	59
Maciej Gruber	Member of the Management Board	276	52
Dariusz Działkowski	Member of the Management Board	258	12
Andrzej Matuszyński	Member of the Management Board	240	-
Total		1,134	123

The remuneration of Management Board members of subsidiaries, who are not Members of the Management Board of the Parent is presented below:

		for the 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Piotr Jarosz	Członek Zarządu	160	135
Razem		160	135

Management contracts with Members of the Management Board

On 1 August 2007, Cyfrowy Polsat S.A. signed management contracts with all Members of the Management Board (excluding VAT):
Mr. Dominik Libicki – monthly PLN 55 thousand,
Mr. Maciej Gruber – monthly PLN 40 thousand,
Mr. Andrzej Matuszyński – monthly PLN 40 thousand,
Mr. Dariusz Działkowski – monthly PLN 40 thousand.

The management contracts also include non-compete and specific notice period provisions.

These agreements significantly increased the costs related to Management Board's remuneration after 1 August 2007 as compared with prior periods.

Management Stock Option Plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S,A, adopted a resolution on the introduction of an incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional issued capital increase within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,
(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,
(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,
(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of these consolidated financial statements, the incentive plan had not been accepted.

(all amounts in PLN thousand)

49. The Supervisory Board remuneration

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

The table below presents the total remuneration of the Supervisory Board members in the period of 6 months ended 30 June 2008 and 30 June 2007:

		for the 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Heronim Ruta	President of the Supervisory Board	90	-
Mariola Gaca	Member of the Supervisory Board	60	-
Zdzisław Gaca	Member of the Supervisory Board	60	-
Anna Kwaśnik	Member of the Supervisory Board	60	-
Andrzej Papis	Member of the Supervisory Board	60	-
Total		330	-

50. Transactions with related parties

Receivables

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Invest Bank S.A.	1	1	1
Inwestycje Polskie Sp. z o.o.	-	1	1
Media Biznes Sp. z o.o.	98	-	73
Polaris Finance B.V.	4,115	-	-
Polsat Media Sp. z o.o.	-	1	-
Polska Telefonia Cyfrowa Sp. z o.o.	7	-	7
Polskie Media S.A.	11	-	11
Superstacja Sp.z o.o.	10	10	5
Telewizja Polsat S.A.	297	77	290
Total	4,539	90	388

(all amounts in PLN thousand)

Liabilities

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Alpatran	31	107	31
Elektrim S.A.	1	13	3
EMarket Sp. z o.o.	343	41	n/a
Media Biznes Sp. z o.o.	44	-	12
Polska Telefonia Cyfrowa Sp. z o.o.	52	28	-
Polskie Media S.A.	-	-	5
Teleaudio Sp. z o.o.	283	522	-
Telewizja Polsat S.A.	1,347	2,854	2,544
Total	2,101	3,565	2,595

Receivables from related parties and liabilities to related parties do not serve as security.

Loans received

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Polaris Finance B.V.	-	-	56,281
Total	-	-	56,281

Until 12 October 2007 the activity of Cyfrowy Polsat S.A. was partially financed by loan received from Polaris Finance B.V. On 12 October 2007 the loan and interests were paid back.

Significant transactions with related parties are presented below:

Revenues from operating activities

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Inwestycje Polskie Sp. z o.o.	-	10
Media Biznes Sp. z o.o.	96	60
Polska Telefonia Cyfrowa Sp. z o.o.	5	-
Polskie Media S.A.	24	24
Superstacja Sp. z o.o.	11	4
Telewizja Polsat S.A.	156	94
Total	292	192

(all amounts in PLN thousand)

Cost of operating activities

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Alpatran	150	150
Elektrim S.A.	574	183
EMarket Sp. z o.o.	182	n/a
Media Biznes Sp. z o.o.	36	10
Polska Telefonia Cyfrowa Sp. z o.o.	198	68
Teleaudio Sp. z o.o.	2,108	308
Telewizja Polsat S.A.	7,728	7,213
Total	10,976	7,932

The most significant transactions include license fees to Telewizja Polsat S.A. for broadcasting programs “Polsat Sport” and “Polsat Sport Extra”.

Teleaudio Sp. z o.o. provides telecommunication services and rents “call center” equipment to the Group. The Group leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A. Alpatran provides the Group with consulting services, Polska Telefonia Cyfrowa Sp.z o.o. charges the Group for mobile telephony services.

Finance income

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Polaris Finance B.V.	4,115	-
Total	4,115	-

Finance costs

	for the 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Polaris Finance B.V.	-	1,878
Satkabel Sp. z o.o.	-	18
Total	-	1,896

51. Subsequent events

On 3 June 2008 the Management Board of Cyfrowy Polsat Technology Sp. z o.o. adopted a resolution on moving a set-top-boxes factory from Żywiec to Warsaw. The employment contracts with the employees employed in Żywiec were discontinued as of 30 August 2008. On 1 September 2008 final assembly of set-top boxes was launched, and on 15 September the main production line was launched.

On 4 June 2008, the General Shareholders Meeting of the Company, pursuant to Resolution no. 10 regarding appropriation of profit for 2007 and dividend payment resolved to allocate the net profit in the amount of PLN 115,038,239.62 made by the Company in the financial year ended 31 December 2007 to the following purposes:

- the amount of PLN 37,565,500.00 to payment of dividend for 2007 to the shareholders of the Company. The dividend for 2007 shall be paid in the amount of PLN 0.14 per share,
- the amount of PLN 464,129.07 to supplementary capital,
- the amount of PLN 77,008,610.55 to cover for losses of previous years.

Moreover, the General Shareholders Meeting resolved that the dividend date applied for determination of shareholders entitled to a dividend for 2007 is 18 July 2008, and the dividend payment date shall 5 August 2008.

On 4 June 2008, the General Shareholders Meeting resolved to dismiss from the Supervisory Board Ms. Mariola Gaca and Ms. Anna Kwaśnik, and Mr. Zdzisław Gaca, and appoint Mr. Robert Gwiazdowski, Mr. Leszek Reksa and Mr. Zygmunt Solorz-Żak to the Supervisory Board.

On 7 July 2008 the Company entered into an agreement with Polish Filmmakers Association ("SFP") pursuant to which SFP in exchange for a fee specified in the agreement shall grant Cyfrowy Polsat non-exclusive, non-transferable license to use the audio-video content and related rights that audio-video producers are entitled to regarding videograms in the area of rebroadcasting in the scope of audio-video pieces and videograms contained in television programs made available by Cyfrowy Polsat through satellite decoders. The agreement also regulates the issue of granting the aforementioned license by SPF and the rules of resulting fee payment for the period from 1st January 2000 i.e. since the digital platform's commencement until the agreement conclusion. The payment of the fee set forth in the agreement fully exhausts all the claims of SFP against the Company for usage of rights represented by SFP prior to the date execution of the agreement. The value of the agreement amounts to PLN 58,200 thousand.

The agreement was concluded until 31 December 2010, with automatic renewal option for a further three year period.

On 15 July 2008 Annex 1 was signed to a bank guarantee concluded on 15 November 2007 between Bank BPH S.A. (currently Pekao S.A.) and Cyfrowy Polsat S.A. Pursuant to the guarantee agreement Bank BPH S.A. shall guarantee and obligated itself towards Polska Telefonia Cyfrowa Sp. z o.o. („PTC") to irrevocably and unconditionally pay towards PTC a maximum amount of PLN 3,300 thousand upon first written demand of PTC. Pursuant to the signed annex, the maximum guarantee amount was raised to PLN 4,150 thousand. The guarantee is valid until 31 July 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 27 August 2008 Cyfrowy Polsat entered into 11 USD purchase agreements, USD 2,000 thousand each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 3 August 2009. The nominal value of these transactions is USD 22,000 thousand.
For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 28 August 2008 the Management Board of Cyfrowy Polsat S.A. resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. has 100% in the share capital. The merger will lead to the optimisation of the organizational structure of Cyfrowy Polsat Group required in order to realise its medium- and long-term strategy and will allow for optimisation of operating costs within the Group and in addition will simplify the documentation resulting from transactions between related parties.
The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code.

On 11 September 2008 Cyfrowy Polsat entered into 6 EUR purchase agreements, EUR 1,500 thousand each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 2 March 2009. The nominal value of these transactions is EUR 9,000 thousand.
For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 11 September 2008 two loan agreements were signed between Cyfrowy Polsat S.A. (lender) and Praga Business Park Sp. z o.o. (borrower), for the total amount of PLN 29,000 thousand out of which:
1. A loan in the amount of PLN 26,000 thousand was granted for the repayment of the bank loan under an agreement with Raiffeisen Bank Polska S.A. The repayment of the bank loan will allow for removal of registry pledge on the shares of Praga Business Park Sp. z o.o., which is a prerequisite for the merger of both companies
2. A loan in the amount of PLN 3,000 thousand was granted to finance the current operations of Praga Business Park Sp. z o.o.
Both loans bear an interest based on variable interest rate of WIBOR 6M increased by 2 percentage points. The loans were granted to 31 January 2009 and are secured by a promissory note.

Due to a merger of Cyfrowy Polsat S.A. with its subsidiary Praga Business Park Sp. z o. o., that is planned to take place until the end of year 2008, on 30 September 2008 Praga Business Park Sp. z o. o. made a premature repayment of the loan granted by Raiffeisen Bank Polska S.A. in the amount of EUR 5,800 thousand. The company is planning to repay the outstanding amount of EUR 1,490 thousand until the end of year 2008.

52. Accounting estimates and assumptions

In the preparation of interim consolidated financial statements in accordance with EU IFRS the Management Board is required to make judgments, assumptions and estimates which influence the adopted policies and the presented values of assets, liabilities, revenues and expenses. Estimates and related assumptions are based on historical experience and other factors, which are deemed reasonable under given circumstances. The result of these estimates should be a basis for measuring the carrying values of assets and liabilities which cannot be established based on other sources. The actual values may differ from the estimated values.

Accounting estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are accounted for in the period when the change is made or in the current or future period, should the change concerns both periods.

The key accounting estimates made the Management Board concerns the fair value of shares acquired by the Management Board members, provision for impairment of set-top-boxes, the depreciation period of set-top-boxes rented to subscribers under operating leases, as well as royalties to copyright management organizations.

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS OF CYFROWY POLSAT S.A. FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

To the Shareholders of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying interim unconsolidated financial statements of Cyfrowy Polsat S.A., with its registered office in Warsow, 4a Łubinowa Street that consist of the unconsolidated balance sheet as at 30 June 2008, with total assets and total liabilities and equity of PLN 605.723 thousand, the unconsolidated profit and loss account for the period from 1 January 2008 to 30 June 2008 with a net profit of PLN 145.409 thousand, the unconsolidated statement of changes in equity for the period from 1 January 2008 to 30 June 2008 with an increase in equity of PLN 145.409 thousand, the unconsolidated cash flow statement for the period from 1 January 2008 to 30 June 2008 with a decrease in cash amounting to PLN 9.243 thousand, and explanatory notes.

Management Cyfrowy Polsat S.A. is responsible for the preparation and fair presentation of these interim unconsolidated financial statements in accordance with the International Accounting Standard 34 *"Interim Financial Reporting"* as adopted by the European Union and other applicable regulations. Our responsibility is to express a conclusion on these interim unconsolidated financial statements, based on our review.

Scope of Review

We conducted our review in accordance with Standard No. 4 of the professional standards *General principles for the review of financial statements*, issued by the National Council of Certified Auditors and with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial statements do not present fairly in all material respects, the financial position of Cyfrowy Polsat S.A. as at 30 June 2008, and its financial performance and its cash flows for the period from 1 January 2008 to 30 June 2008 in accordance with the International Accounting Standard 34 *"Interim Financial Reporting"* as adopted by the European Union.

signed on the Polish original

....

Certified Auditor 9645/7212
Marek Strugała

signed on the Polish original

....

On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9645/7212
Marek Strugała, Member of the Management Board

Warsaw, 30 September 2008

CYFROWY POLSAT S.A.

Interim financial statements
for 6 months ended 30 June 2008

Prepared in accordance
with International Financial Reporting Standards
as adopted by the European Union

This document is a free translation of the Polish original.
Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

On 30 September 2008, the Management Board of Cyfrowy Polsat S.A. approved the interim financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

1. Interim Income Statement for the period

from 1 January 2008 to 30 June 2008	showing a net profit of:	PLN 145,409 thousand

2. Interim Balance Sheet as at

30 June 2008	showing total assets and total liabilities and equity of:	PLN 605,723 thousand

3. Interim Cash Flows Statement for the period

from 1 January 2008 to 30 June 2008	showing an increase in cash amounting to:	PLN 9,243 thousand

4. Interim Statement of Changes in Equity for the period

from 1 January 2008 to 30 June 2008	showing an increase in equity of:	PLN 145,409 thousand

5. Accompanying notes

The interim financial statements are prepared in PLN thousand unless otherwise indicated

Dominik Libicki	Maciej Gruber	Andrzej Matuszyński	Dariusz Działkowski
President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Janina Szarek-Majorowska
Chief Accountant

Warsaw, 30 September 2008

(all amounts in PLN thousand)

Interim Income Statement

	Note	for 6 months ended 30 June 2008 unaudited	for 6 months ended 30 June 2007 unaudited
Subscription fees	9	452,848	301,242
Rental of digital satellite reception equipment	10	3,468	3,829
Sale of digital satellite reception equipment	11	43,632	39,321
Transmission services	12	8,638	6,384
Other operating revenue	13	14,826	2,458
Total revenues from operating activities		523,412	353,234
Depreciation and amortisation		7,719	8,634
Programming costs	14	96,775	69,887
Transmission costs	15	29,203	21,724
Distribution and marketing costs	16	83,730	44,464
Salaries and employee-related expenses	17	20,530	11,552
Cost of digital satellite reception equipment sold		69,471	77,311
Other operating costs	18	32,324	25,980
Total costs of operating activities		339,752	259,552
Profit from operating activities		183,660	93,682
Finance income	19	8,645	10,367
Finance expenses	20	12,772	8,486
Gross profit for the year		179,533	95,563
Income tax	21	34,124	18,672
Net profit		145,409	76,891
Basic and diluted earnings per share (in PLN)	23	0.54	0.29

(all amounts in PLN thousand)

Interim Balance Sheet - Assets

	Note	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Digital satellite reception equipment	24	378	549	3,894
Other tangible assets	24	67,066	59,890	37,057
Intangible assets	25	12,892	10,367	6,118
Long term loans granted to related parties	26	23,787	23,026	22,186
Long term receivables from related parties	27	6,536	6,994	264
Other long-term assets	28	23,254	30,951	8,254
Deferred tax assets	21	-	3,701	-
Total non-current assets		133,913	135,478	77,773
Inventories	29	141,817	126,639	98,281
Short-term loans granted to related parties	30	14,079	7,065	1,509
Income tax receivable		-	3,002	-
Trade and other receivables	31	122,068	78,672	27,110
Other current assets	32	61,521	68,912	48,349
Cash and cash equivalents	33	132,325	141,651	149,095
Total current assets		471,810	425,941	324,344
Total assets		605,723	561,419	402,117

(all amounts in PLN thousand)

Interim Balance Sheet – Equity and Liabilities

	Note	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Issued capital	34	10,733	10,733	10,500
Supplementary capital	34	3,500	3,500	-
Other reserves	34	10,174	10,174	-
Retained earnings		183,438	38,029	3,882
Total Equity		207,845	62,436	13,882
Provision for deferred income tax		3,762	-	11,151
Long-term loans	35	73,747	106,655	-
Long-term finance lease liabilities	36	1,227	1,412	1,592
Other long-term liabilities and provisions		243	531	558
Total non-current liabilities		78,979	108,598	13,301
Current loans	35	68,470	87,151	198,823
Current finance lease liabilities	36	191	204	215
Income tax payable		1,779	-	3,590
Trade and other payables	37	121,782	201,530	82,326
Deposits for digital satellite reception equipment	38	19,853	20,032	19,516
Deferred income	39	106,824	81,468	70,464
Total current liabilities		318,899	390,385	374,934
Total liabilities		397,878	498,983	388,235
Total equity and liabilities		605,723	561,419	402,117

(all amounts in PLN thousand)

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Net profit	145,409	76,891
Adjustments:	(37,910)	(19,469)
Depreciation and amortisation	7,719	8,634
Losses/(gains) from investing activities	6	87
Interest expense/(income)	1,632	2,495
(Increase)/decrease in inventories	(15,178)	(40,272)
(Increase)/decrease in receivables and other assets	(23,449)	304
Increase/(decrease) in liabilities, provisions, accruals and deferred income	(45,667)	(5,860)
Foreign exchange losses/(gains)	3	(6,883)
Income tax	34,124	18,672
Net decrease/(increase) in set-top boxes under operating lease	(54)	503
Other adjustments	2,954	2,851
Net cash flow from operating activities	107,499	57,422
Income tax paid	(21,703)	-
Interest received from operating activity	2,857	2,531
Cash flow from operating activities	88,653	59,953
Purchases of intangible assets	(5,051)	(961)
Purchases of tangible assets	(19,894)	(15,435)
Purchases of financial assets	(6,500)	(1,500)
Proceeds from sale of financial assets	85	6,000
Proceeds from sale of non-financial tangible assets	-	39
Other financial inflows	-	2
Cash flow from investing activities	(31,360)	(11,855)
Repayment of loans	(50,000)	(92)
Finance lease – principal repayments	(118)	(118)
Interest on loans and finance leases	(7,328)	(5,562)
Other financial inflows/(outflows), net	(9,090)	-
Cash flow from financing activities	(66,536)	(5,772)
Net increase/(decrease) in cash and cash equivalents	(9,243)	42,326
Cash and cash equivalents at the beginning of the year	141,651	107,208
Foreign exchange rate differences	(83)	(439)
Cash and cash equivalents at the end of the year	132,325	149,095

The accompanying notes to the interim financial statements are an integral part thereof

(all amounts in PLN thousand)

Interim Statement of Changes in Equity

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings	Total Equity
Balance as of 1 January 2008	34	10,733	3,500	10,174	38,029	62,436
Net profit for the period		-	-	-	145,409	145,409
Balance as of 30 June 2008 (unaudited)	34	10,733	3,500	10,174	183,438	207,845

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings	Total Equity
Balance as of 1 January 2007		10,500	-	-	(73,509)	(63,009)
Net profit for the period		-	-	-	76,891	76,891
Balance as of 30 June 2007 (unaudited)		10,500	-	-	3,382	13,882

The accompanying notes to the interim financial statements are an integral part thereof

Notes to the interim financial statements

1. The Company

Cyfrowy Polsat S.A. ("the Company", "Cyfrowy Polsat") is incorporated in Poland as a joint stock company. The Company is domiciled at 4a Łubinowa Street, Warsaw.

The Company operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland.

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

The principal activities of the Company include:

- television and radio operations;
- telecommunication services;

2. Composition of the Management Board of the Company

The composition of the Management Board of the Company during the first 6 months of 2008 was as follows:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Member of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Andrzej Matuszyński	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

From 1 January until 4 July 2008 the composition of the Supervisory Board of the Company was as follows:

- Mariola Gaca,
- Zdzisław Gaca,
- Anna Kwaśnik,
- Andrzej Papis,
- Heronim Ruta.

On 4 July 2008, the General Shareholders Meeting resolved to dismiss from the Supervisory Board Ms. Mariola Gaca and Ms. Anna Kwaśnik, and Mr. Zdzisław Gaca, and appoint Mr. Robert Gwiazdowski, Mr. Leszek Reksa and Mr. Zygmunt Solorz-Żak to the Supervisory Board.

The composition of the Management Board of the Company as of the date of approval of this interim financial statements was as follows:

- Robert Gwiazdowski,
- Andrzej Papis,
- Leszek Reksa
- Heronim Ruta,
- Zygmunt Solorz-Żak.

4. Basis of preparation of the interim financial statements

Statement of compliance

These interim financial statements for 6 months ended 30 June 2008 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". The Company applied the same accounting policies in the preparation of the financial data for 6 months ended 30 June 2008 and the financial statements for the year ended 31 December 2007, presented in the annual report, with the exception of standards and interpretations adopted by the European Union that take effect for the reporting periods starting from 1 January 2008.

5. Published International Financial Reporting Standards and Interpretations whose application is not mandatory

The International Financial Reporting Standards as adopted by the European Union ("EU IFRS") include all International Accounting Standards, International Financial Reporting Standards and Interpretations except for those Standards and Interpretations, presented below, which are still to be endorsed by the European Union and the Standard which has been endorsed by the European Union but has not come into force yet.

The Company did not early adopt standards and interpretations which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2008 (presented below). As at the balance sheet date, the Company is in the process of completing its assessment of the impact of the new standards and interpretations which will become effective after the balance sheet date on the financial statements of the Company for the period when they will be applied for the first time.

New International Financial Reporting Standards and Interpretations adopted by the EU which become effective for annual periods beginning after 1 January 2008

- IFRS 8 "Operating Segments" should be applied for the annual periods beginning after 1 January 2009.

New International Financial Reporting Standards and Interpretations yet to be adopted by the EU

- IFRIC 12 "Service Concession Arrangements";
- IFRIC 13 "Customer Loyalty Programs;
- IFRIC 14 *"IAS 19* – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*"*;
- IFRIC 15 „Agreements for the Construction of Real Estate";
- IFRIC 16 „Hedges of a Net Investment in a Foreign Operation";

- revised IAS 23 ”Borrowing costs”;
- revised IAS 1 ”Presentation of Financial Statements”.
- revised IFRS 3 ”Business Combinations”;
- revised IAS 27 ”Consolidated and Separate Financial Statements”;
- revised IFRS 2 ”Share-based Payments”;
- revised IAS 32 ”Financial Instruments: Presentation” and Revised IAS 1 ”Presentation of Financial Statements” related to puttable financial instruments and obligations arising on liquidation;
- revised IFRS 1 „First-time Adoption of International Financial Reporting Standards” and IAS 27 „Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”;
- IAS 39 „Financial Instruments: Recognition and Measurement”;
- Revisions to International Financial Reporting Standards – a set of amendments to International Financial Reporting Standards.

6. Accounting policies

The accounting policies set out below have been applied by the Company consistently to all periods presented in the interim financial statements.

a) Basis of valuation

The interim financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which are valued at fair value.

b) Going concern assumption

The interim financial statements for 6 months ended 30 June 2008 have been prepared assuming that the Company will continue as a going concern in the foreseeable future, not shorter than 12 months from 30 June 2008.

c) Functional currency and presentation currency

The financial data presented in these interim financial statements is presented in Polish zloty, rounded to the nearest thousand. The functional currency of the Company is the Polish zloty.

d) Judgments and estimates

The preparation of interim financial statements in accordance with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted methods and presented value of assets, liabilities, revenues and costs. The estimates and related assumptions are based on historical data and other factors regarded as reliable under the circumstances and their effects provide grounds for an accurate assessment of the carrying amount of assets and liabilities which are not based directly on any other factors. Actual results may differ from the estimated values.

The estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods. Note 50 contains information about the key sources of uncertainty and management judgments.

e) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as at the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. Foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance–sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

f) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value increased by - except for investments valued at fair value through profit or loss - directly attributable transaction costs (except as described below).

A financial instrument is recognised if the Company becomes a party to the contractual obligations of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Standardized sale and purchase transactions of financial assets are recognised at the transaction date i.e. on the date the Company is obliged to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire (are discharged or cancelled).

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

Principles for recognition of financial income and financial costs are presented in note 7(t).

Loans and receivables and other financial liabilities

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

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes in fair value – other than impairment losses and in the case of monetary assets, such as bonds, other than gains or losses on foreign exchange differences – are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. If such investments are interest bearing, interest earned on them, calculated using the effective interest method, is recognised in the income statement.

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value, related transaction costs are recognised in the income statement accounts when incurred. Subsequent to initial recognition, the Company measures derivative financial instruments at fair value and changes in the fair value are recognised directly in the income statement.

g) Equity

Ordinary shares

Costs directly attributable to the issue of ordinary shares reduce equity.

Preferred shares

Preferred shares are classified as equity, if they are not redeemable or only redeemable at the Company's option and the dividend payment is not obligatory. Dividend payments are recognised as distributions within equity.

Preferred shares are presented as liabilities if they are redeemable on a definite date or at the option of the shareholder or if a dividend payment is obligatory. Dividend payments are recognised as interest expense in the income statement.

Costs attributable to the issue of new shares and the public offer of existing shares

Costs relating to a new issue of shares are recognised in equity while costs relating to the public offering of existing shares are recognised directly in finance expenses. Costs relating to both a new issue and the sale of existing shares are allocated proportionally and recognised in equity or expensed as financial expense, as appropriate.

Supplementary capital

Joint-stock companies, in accordance with the Commercial Code, are obliged to transfer at least 8% of annual net profit to supplementary capital until it reaches one third of total issued capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

Other reserves

Other reserves include the difference between the fair value of the shares purchased by Members of the Management Board and their issue price.

h) Property, plant and equipment

(i) Property, plant and equipment owned by the Company

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

Cost includes purchase price of the asset and expenditures that are directly attributable to the acquisition and bringing the asset to working condition including initial delivery and handling costs. Discounts, rebates and other similar reductions decrease the cost. The cost of self-constructed assets and construction in progress includes all costs incurred for their construction, installation, adoption, and improvement incurred till the date they are available for use (or until the balance sheet date if an asset has not been made available for use). This cost includes also, if required, initially estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

Subsequent cost of replacing parts of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Company and the amount of the cost can be measured reliably. Other expenditures are expensed in the income statement as incurred.

(iii) Depreciation

Items of property, plant and equipment as well as their major components are depreciated using the straight-line method over their useful life, taking into account their residual value. Land is not depreciated.

The estimated useful life of property, plant and equipment, by significant class of asset, is as follows:

Buildings	60	years
Set-top boxes	5	years
Other technical equipment and machinery	3-14	years
Transport means	5	years
Furniture and equipment	3-10	years

The estimated useful life of property, plant and equipment, depreciation methods and residual values (if material) are reviewed by the Company every year.

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease, are classified as non-current assets and recognised at the lower of fair value of the leased asset at the commencement of the lease term and the present value of the minimum lease payments. According to the above information, the set-top boxes that are provided to customers under operational leases are accounted for as property, plant and equipment. The set-top boxes that are provided to customers under financial leases are not recognised as non-current assets.

Depreciation policies for leased assets are consistent with the depreciation policies applied for similar Company-owned assets. Depreciation is calculated in accordance with IAS 16 "*Property, plant and equipment*". If it is not certain that the lessee will obtain title to the asset before the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's economic useful life.

Where there is uncertainty that set-top boxes and other property, plant and equipment will create revenue or continue to be used in the operating activity of the Company, the Company creates an impairment allowance.

i) Intangible assets

(i) Internally generated software

The Company capitalises costs of internally generated software, only if development costs can be reliably measured and the beginning and the end of the software development process can be reliably determined.

(ii) Other intangible assets

Other intangible assets purchased by the Company are stated at cost less accumulated amortisation and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure is recognised in the profit or loss as incurred.

(iv) Amortisation

Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. Goodwill and intangible assets with an indefinite useful life are not amortised but instead are subject to an impairment test at each balance sheet date. Other intangibles are amortised from the date they are available for use. The estimated useful life is 2 years.

j) Shares

Shares in subsidiaries are measured at cost less impairment losses.

k) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is determined based on the first-in first-out principle. The cost of inventories includes purchase price, costs relating directly to the purchase and the costs related to preparing the inventory for use or sale. Cost of finished goods and work in progress includes an appropriate share of production overheads determined based on normal operating capacity.

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

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

l) Impairment of assets

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to other operating costs. An allowance for receivables from individuals is estimated based on the historical recoverability of overdue receivables and recovery efficiency.

All impairment losses are recognised in profit or loss.

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

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of intangible assets with an indefinite useful life and intangible assets which are not yet ready for use is assessed at each balance sheet date.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognised in profit or loss. An impairment loss for a cash-generating unit is initially recognised as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

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

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

m) Employee benefits

(i) Defined contribution program

All Company entities which have employees are obliged, under applicable regulations, to collect and pay the contribution for the state pension. These benefits, according to IAS 19 *"Employee Benefits"* are state plans and are characterized as defined contribution. Therefore, the Company's liabilities for each period are estimated on the basis of contributions to be paid for a given period.

(ii) Defined benefit program – retirement benefits

The Company is obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

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

Changes in the value of the retirement benefit provision are recognised in the income statement.

(iii) Redundancy benefits

Redundancy costs are recognised as an expense when the Company has an uncancellable detailed formal plan for the redundancy before the normal retirement date. Employee benefits relating to voluntary redundancy are recognised in costs. In the case of an offer made to encourage voluntary redundancy, the Company records an expense and a liability only if it is probable that the offer will be accepted and the number of voluntary redundancies can be reliably estimated.

(iv) Short-term employee benefits

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

The Company creates a provision and charges the income statement for estimated short-term bonuses and profit sharing plans, if the Company has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

(v) Share-based payments

If shares are issued to employees unconditionally at an issue price lower than their fair value, the difference between the fair value and issue price is recognised as a salary expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by the employees.

n) Provisions

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Company discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

(i) Warranty provision

A warranty provision is recognised when products or services, for which the warranty was granted, are sold. The amount of the provision is based on historical experience and on a weighted average of all possible outflows connected with warranty claims.

(ii) Onerous contracts

A provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by it. A provision for an onerous contract is created at the lower of the cost of fulfilling the contract or the cost related to any compensation or penalties arising from failure to fulfil it. Before recognition of a provision for an onerous contract, the Company recognises the impairment of the assets connected with such contracts.

(iii) Royalties to copyright management organizations

According to the Act dated 4 February 1994, satellite TV operators are required to pay royalties to copyright management organizations (collecting society). The Company creates a provision for such charges.

o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from the past events but is not recognised because it is not possible that the outflow of resources embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability.

p) Deposits

Deposits received from subscribers and distributors, regardless of the minimum term of the agreements, are presented as current liabilities due to the possibility of early termination of the agreements by subscribers.

r) Revenue

(i) Multi-element agreements

The Company enters into multi-element agreements which include the following components: sales of goods (satellite reception equipment, set-top boxes, CAM) and services. Amounts received or receivable from customers are allocated to these components based on their fair value.

(ii) Rendering of services

Revenue from the rendering of services is recognised in the income statement as the services are rendered.

(iia) Subscription fees

Revenue from subscription fees is recognised on a straight-line basis over the basic period of the subscription contract.

(iib) Rental of set-top boxes

Revenue from the rental of set-top boxes is recognised on a straight-line basis over the basic period of the subscription contract, except for finance lease agreements, which are recognised as sale with deferred payment date. Special promotional offers are recognised in the income statement together with the related lease costs.

(iic) Transmission services

Revenue from transmission services is recognised as the services are rendered.

(iii) Sale of digital satellite reception equipment, electronic equipment and other goods

Revenue from sale of digital satellite reception equipment, electronic equipment and other goods is recognised at the fair value of the payment received or due, decreased by discounts, rebates and the value of returned equipment.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

s) Distribution fees

Commissions for distributors for registering new subscribers are recognised during the minimum basic period of the subscription agreement. Turnover commissions for concluding a certain number of subscription contracts are recognised in profit or loss as they are incurred.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as other current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as other long-term assets.

t) Finance income and finance expenses

Finance income includes interest income resulting from invested cash, dividends receivable, gains on sale of financial instruments available for sale, from changes in the fair value of financial instruments at fair value through profit or loss, and net exchange rate gains. Interest received is presented in the income statement on an accrual basis using the effective interest method. Revenues from dividends are recognised in the income statement at the moment the Company obtains the right to the dividend.

Finance expenses include interest on debt, reversal of the discount on provisions, dividends from preference shares classified as liabilities, net foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through profit or loss, and financial assets impairment. Interest payable is calculated using the effective interest rate method.

u) Taxation

Income tax in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realised. Deferred tax asset reductions are adjusted to the extent that realisation of sufficient taxable profits becomes probable.

Deferred tax assets and liabilities in the Company are offset by the Company provided that it is entitled to compensate current tax assets and liabilities when calculating its tax liabilities. The Company has the entitlement to offset deferred tax assets and liabilities when calculating its tax liability if:

a) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and

b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   - the same taxable entity; or
   - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Company does not capitalise interest on loans and borrowings relating to the purchase of property, plant and equipment.

w) Earnings per share

The Company presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss from the continued operations for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss on the continued operations for the period attributable to ordinary shareholders and the weighted average number of ordinary shares adjusted for all potentially dilutive ordinary shares.

x) Segment reporting

An operating segment is a distinguishable component of the Company that is engaged in providing an individual product or service (business segment) or providing products or services within a particular economic environment (geographical segment) that is subject to risks and returns that are different from those of other segments.

Cash flow statement

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

The purchase of set-top boxes provided to clients under operating lease contracts are classified in the cash flow statement in operating activities. The purchase, disposal and impairment of these set-top boxes are classified in the cash flow statement in operating activities and presented as “Net increase / (decrease) of set-top boxes under operating lease”.

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

Changes in impairment allowances for property, plant and equipment, excluding allowances for set-top boxes, are presented as “Other adjustments” in cash flows from operating activities.

Costs attributable to the public offering of shares are presented as “Other adjustments” in cash flows from operating activities. Cash outflows related to these expenses are classified as “Other financing outflows” in cash flows from financing activities.

7. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In significant cases, fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment acquired in business combinations is based on market value. The market value of real estate is the amount for which it could be exchanged between knowledgeable and willing parties in an arm's length transaction, after carrying out appropriate marketing activities, with both parties acting in a conscious and prudent manner. The fair value of other tangible non-current assets is based on prices of comparative market transactions.

(ii) Intangible non-current assets

The fair value of trademarks and patents acquired in business combinations is based on estimated discounted payments of royalties that were not incurred as a result of the acquisition of the trademarks and patents. The fair value of other intangibles is based on discounted cash flows forecasted from their usage and ultimate disposal.

(iii) Inventories

The fair value of inventories acquired in business combinations is based on net realisable market value, net of selling and finishing costs as well as a margin based on a reasonable estimate of expenditures incurred for finishing products and executing sales.

(iv) Investments in equity and debt instruments

The fair value of financial assets valued at fair value through profit or loss, investments held to maturity and financial assets available for sale is calculated based on a market quotation as at the balance sheet date. The fair value of investments held to maturity is calculated only for disclosure purposes.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(vi) Non-derivative financial liabilities

The fair value for disclosure purposes is based on the present value of future cash flows from repayment of capital and interest, discounted using a market interest rate as at the balance sheet date. A market interest rate for a finance lease contract is estimated based on interest rates for similar types of lease contracts.

(all amounts in PLN thousand)

(vii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(viii) Shares subscribed for by the Members of the Management Board

The fair value of shares subscribed for by the Management Board was established at the date of their subscription based on an appropriate valuation model.

8. Segment reporting

Business segments

The Company operates in one business segment; it operates a paid digital satellite platform. In 6 months ended 30 June 2008 and in year 2007, the Company made capital expenditures and incurred costs related to mobile telecommunication services planned to be provided in the future and started the production of set-top-boxes.

Geographical segments

Sale of services is substantially domestic, therefore geographical factors, economic and political conditions and relations between activities in various geographical areas are not significant. As a result, the Company does not disclose financial information about geographical segments.

9. Subscription fees

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenue from subscription fees (MINI package)	13,873	7,349
Revenues from subscription fees (other packages)	438,975	293,893
Total	452,848	301,242

The revenue generated from subscription fees depends on the number of subscribers, rates charged on the packages and the mix of packages sold.

(all amounts in PLN thousand)

10. Rental of digital satellite reception equipment

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from the rental of digital satellite reception equipment	3,468	3,829

Revenues from the rental of digital satellite reception equipment include revenues from rent of set-top boxes to subscribers under operating lease agreements.

11. Sales of digital satellite reception equipment

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from the sale of digital satellite reception equipment	43,632	39,321

Sales of digital satellite reception equipment include both new set-top boxes as well as used ones which were previously rented under operating lease agreements.

12. Transmission services

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from sale of signal transmission	8,638	6,384

Cyfrowy Polsat S.A. provides transmission services to TV and radio broadcasters. These services include rental of transponder capacity, signal transmission and related services.

13. Other operating revenues

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Contractual remedy covering the costs of encryption card and digital satellite	9,713	-
Compensation for lost and damaged equipment und subscribers' deposits	374	444
Marketing and advertising services	2,258	60
Other	2,481	1,954
Total	14,826	2,458

(all amounts in PLN thousand)

14. Programming costs

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Programming costs	96,775	69,887

Programming costs include license fees paid to TV and radio broadcasters and royalties for copyright management organizations (collecting society).

15. Transmission costs

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Transponders rental	16,202	11,682
Conditional Access System rental	10,318	8,591
Other	2,683	1,451
Total	29,203	21,724

16. Distribution and marketing costs

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Distribution fees	45,831	29,497
Marketing costs	12,392	4,331
Mailing costs	13,321	4,821
Call centre	10,503	4,329
Other	1,683	1,486
Total	83,730	44,464

17. Salaries and employee-related expenses

	for 6 months ended	
	30 June 2008	30 June 2007
Salaries - contract of employment	13,908	7,045
Salaries - freelance agreement	1,761	2,044
Salaries - Management contracts	1,080	481
Salaries - Supervisory Board	330	-
Social security contributions	2,368	1,447
Pension obligations and other social benefits	1,083	535
Total	20,530	11,552

(all amounts in PLN thousand)

Average number of employees

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Number of employees- employment contracts	319	211
Number of employees- managerial contracts	5	5
Total	324	216

18. Other operating costs

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Receivables impairment	5,826	7,519
Materials and energy used	1,780	2,063
Renovation and maintenance costs	1,014	370
Property lease	2,604	1,552
Legal, advisory and consulting costs	3,816	1,783
IT services	5,917	741
Bad debt recovery fees	753	124
Bank charges	641	604
Telecommunication services	991	683
Polish Film Institute fee	5,978	4,052
Other taxes and charges	361	177
Other	2,643	6,312
Total	32,324	25,980

19. Financial revenues

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Foreign exchange differences, net	78	7,039
Interest income	4,452	3,328
Settlement of IPO-related costs	4,115	-
Total	8,645	10,367

(all amounts in PLN thousand)

Interest revenue

Breakdown of interest income by type of financial instruments is presented below:

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Bank accounts and deposits	2,857	2,523
Loans	1,309	805
Production line leasing	286	-
Total	4,452	3,328

20. Finance expenses

	for 6 months ended	
	30 June 2008	30 June 2007
Interest	6,094	5,855
Costs attributable to public offering of shares	6,678	2,631
Total	12,772	8,486

Interest expense

Breakdown of interest costs by types of financial instrument is presented below:

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Borrowings and Loans	6,084	5,828
Other	10	27
Total	6,094	5,855

(all amounts in PLN thousand)

21. Income tax

(i) Income tax in the income statement

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Corporate income tax	26,647	3,540
Deferred income tax	7,477	15,132
Income tax expense in the income statement	34,124	18,672

	for 6 months ended	
Deferred tax	30 June 2008 unaudited	30 June 2007 unaudited
Tax losses carried forward	7,830	15,686
Receivables and other assets	9,541	1,788
Liabilities	(6,143)	(4,288)
Deferred distribution fees	(3,036)	683
Tangible and intangible non-current assets	(714)	1,263
Deferred tax – total	7,477	15,132

(ii) Effective tax rate reconciliation

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Profit before income tax	179,533	95,563
Profit before tax multiplied by statutory tax rate in Poland of 19%	34,111	18,157
Non-tax deductable interest cost at 19% tax rate	-	133
Other non-taxable revenue and non-tax deductible costs, net at	13	382
Tax charge for the year	34,124	18,672
Effective tax rate	19.0%	19.5%

(all amounts in PLN thousand)

(iii) Deferred tax assets

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax losses carried forward	-	7,830	6,706
Liabilities	12,341	6,184	6,169
Tangible and intangible non-current assets	2,785	853	3,950
Deferred distribution fees	1,417	-	-
Receivables and other assets	9,631	-	8,779
Total deferred tax assets	26,174	14,867	25,604
Offsetting of deferred tax liabilities and deferred tax assets	(26,174)	(11,166)	(25,604)
Deferred tax assets in the balance sheet	-	3,701	-

(iv) Tax losses

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax loss 2003 carried forward	-	19,896	19,896
Tax loss 2004 carried forward	-	15,398	15,398
Tax loss 2005 carried forward	-	5,919	4,588
Tax losses carried forward - total	-	41,213	39,882

(v) Tax losses recognised

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Tax loss 2003 carried forward	-	19,896	19,896
Tax loss 2004 carried forward	-	15,398	15,398
Tax loss 2005 carried forward	-	5,919	-
Tax losses carried forward - total	-	41,213	35,294

At each balance sheet date, the Group recognises tax losses that are likely to be utilised in the future.

In 2008 the Company utilised tax loss for years 2003 – 2005 in the amount of PLN 41,213 thousand.

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilised in the following five tax years. However, tax loss utilised in a tax year cannot exceed 50% of the original tax loss for a given year.

(all amounts in PLN thousand)

(vi) Deferred tax liabilities:

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Receivables and other assets	28,336	9,164	13,207
Liabilities	-	-	12,764
Deferred distribution fees	383	2,002	9,867
Tangible and intangible non-current assets	1,217	-	917
Total deferred tax liabilities	29,936	11,166	36,755
Offsetting of deferred tax liabilities and deferred tax assets	(26,174)	(11,166)	25,604
Deferred tax liabilities in the balance sheet	3,762	-	11,151

Due to the amendment to the Corporate Income Tax Act, taking effect January 1, 2007, in respect to regulations concerning tax-deductable costs, in the final calculation of tax for the year 2007, the Company classified distributors' remuneration for concluding service agreements with the clients and selling set-top boxes as costs directly related to revenues.

Taking into consideration a substantial decrease of the taxable profit that would have occurred in 2008, in case the new rules of classifying distribution costs adopted in 2007 had been continuously applied, the Company, in the light of uncertainty as to how these costs should be classified, adopted an approach minimising the risk of tax arrears. Simultaneously, the Company asked the proper tax authorities for interpretation of the tax law in this respect. The method of classifying distribution costs for tax purposes shall be compliant with the tax law interpretation issued on request of the company.

The influence of classifying distribution costs on tax calculation under different methods is presented below.

Tax-deductable costs	for 6 months ended 30 June 2008 (unaudited)
Distribution costs classified as indirect costs (method applied by the Company in 2008)	29,135
Distribution costs classified as direct costs (method applied by the Company for the purpose of final tax calculation for the year 2007)	36,592

The application of either of the methods does not change the figure of the income tax presented in profit and loss statement but it only results in movements between the amounts of current and deferred tax reported.

The calculation of current and deferred corporate income tax in this interim financial statements as at 30 June 2008 and as at 30 June 2007 has been presented under the assumption that distribution costs, in the extent concerning distributors' remuneration fro concluding service agreements with the clients and selling set-top boxes, are classified as costs other than directly related to revenues and therefore treated as tax-deductable costs when they occur.

22. EBITDA

The key measure of earnings in the Company is EBITDA (earnings before interest, taxes, depreciation and amortisation). EBITDA measures the Company's ability to generate cash from recurring operations. The Company defines EBITDA as operating profit adjusted by depreciation and amortisation. EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Profit from operating activities	183,660	93,682
Depreciation and amortisation	7,719	8,634
EBITDA	191,379	102,316

23. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss from the continued operations for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The Company adjusted the average number of shares outstanding for the effect of the share split made pursuant to the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A., dated 5 September 2007. The share split was registered on 5 October 2007. As a result, one share with a nominal value of PLN 1 was divided into 25 shares with a nominal value of PLN 0.04.

As at the balance sheet date, the Company did not have financial instruments that could have a dilutive effect, therefore the Company does not present diluted earnings per share. As a result, basic earnings per share equals diluted earnings per share.

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Net profit from continuing operations (in thousand PLN)	145,409	76,891
Weighted average number of ordinary shares used to calculate	268,325,000	262,500,000
Earnings per share in PLN	0.54	0.29

(all amounts in PLN thousand)

24. Property, plant and equipment

	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost								
Cost as at 1 January 2007	1,328	27,116	135,437	1,952	2,269	168,102	10,514	-
Additions	270	7,310	-	603	973	9,156	12,422	859
Disposals	(50)	(277)	(13,786)	-	(44)	(14,157)	(9,376)	-
Cost as at 30 June 2007	1,548	34,149	121,651	2,555	3,198	163,101	13,560	859
Impairment provision as at 1 January 2007	-	(994)	(23,531)	-	-	(24,525)	-	-
Additions	-	-	-	-	-		-	-
Disposals	-	-	-	-	-	-	-	-
Impairment provision as at 30 June 2007	-	(994)	(23,531)	-	-	(24,525)	-	-
Accumulated depreciation								
Accumulated depreciation as at 1 January 2007	625	12,946	103,927	450	967	118,915	-	-
Additions	-	2,493	3,972	204	212	6,881	-	-
Disposals	-	(72)	(13,673)	-	(7)	(13,752)	-	-
Accumulated depreciation as at 30 June 2007	625	15,367	94,226	654	1,172	112,044	-	-
Carrying amounts								
As at 1 January 2007	703	13,176	7,979	1,502	1,302	24,662	10,514	-
As at 30 June 2007 (unaudited)	923	17,788	3,894	1,901	2,026	26,532	13,560	859

(all amounts in PLN thousand)

	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost								
Cost as at 1 January 2007	1,328	27,116	135,437	1,952	2,269	168,102	10,514	-
Additions	5,349	19,068	423	1,577	3,040	29,457	31,336	476
Disposals	-	(433)	(9,188)	(369)	(114)	(10,104)	(20,837)	-
Cost as at 31 December 2007	6,677	45,751	126,672	3,160	5,195	187,455	21,013	476
Impairment provision as at 1 January 2007	-	(994)	(23,531)	-	-	(24,525)	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	675	-	-	675	-	-
Impairment provision as at 31 December 2007	-	(994)	(22,856)	-	-	(23,850)	-	-
Accumulated depreciation as at 1 January 2007	625	12,946	103,927	450	967	118,915	-	-
Additions	80	5,545	8,032	481	664	14,802	-	-
Disposals	-	(61)	(8,692)	(235)	(74)	(9,062)	-	-
Accumulated depreciation as at 31 December 2007	705	18,430	103,267	696	1,557	124,655	-	-
Carrying amounts								
As at 1 January 2007	703	13,176	7,979	1,502	1,302	24,662	10,514	-
As at 31 December 2007	5,972	26,327	549	2,464	3,638	38,950	21,013	476

An impairment provision for the property, plant and equipment was recognised by the Company due to the uncertainty of future revenues to be generated by the assets.

(all amounts in PLN thousand)

	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost								
Cost as at 1 January 2008	6.677	45.751	126.672	3.160	5.195	187.455	21.013	476
Additions	2.945	26.805	160	937	2.517	33.364	10.155	-
Disposals	-	(454)	(66)	(226)	(12)	(758)	(30.117)	(441)
Cost as at 30 June 2008	9.622	72.102	126.766	3.871	7.700	220.061	1.051	35
Impairment provision as at 1 January 2008	-	(994)	(22.856)	-	-	(23.850)	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	55	-	-	55	-	-
Impairment provision as at 30 June 2008	-	(994)	(22.801)	-	-	(23.795)	-	-
Accumulated depreciation as at 1 January 2008	705	18.430	103. 267	696	1.557	124.655	-	-
Additions	340	3.385	334	365	1.281	5.705	-	-
Disposals	-	(289)	(14)	(139)	(10)	(452)	-	-
Accumulated depreciation as at 30 June 2008	1045	21.526	103.587	922	2.828	129.908	-	-
Carrying amounts								
As at 1 January 2008	5.972	26.327	549	2.464	3.638	38.950	21.013	476
As at 30 June 2008 (unaudited)	8.577	49.582	378	2.949	4.872	66.358	1.051	35

As at 30 June 2008 the Company is a party of the following property lease agreements:

- office and warehouse space lease in Warsaw at ul. Łubinowa 4a (carrying amount of lease contract amounted to PLN 20.820 thousand),
- office space lease in Warsaw at ul. Chałubińskiego, (Company could not establish the carrying amount of the lease contract),
- warehouse space lease in Błonie (Company could not establish the carrying amount of the lease contract)

(all amounts in PLN thousand)

25. Intangible assets

	Software and	Other	In progress	Total
Cost				
Cost as at 1 January 2007	12,078	163	103	12,344
Additions	1,088	-	2,681	3,769
Disposals	(52)	-	(241)	(293)
Cost as at 30 June 2007	13,114	163	2,543	15,820
Cost as at 1 January 2007	12,078	163	103	12,344
Additions	5,174	7	4,882	10,063
Disposals	-	-	(99)	(99)
Cost as at 31 December 2007	17,252	170	4,886	22,308
Cost as at 1 January 2008	17,252	170	4,886	22,308
Additions	7,317	-	4,607	11,924
Disposals	-	-	(7,385)	(7,385)
Cost as at 30 June 2008	24,569	170	2,108	26,847
Accumulated depreciation				
Accumulated depreciation as at 1 January 2007	7,786	163	-	7,949
Additions	1,753	-	-	1,753
Disposals		-	-	-
Accumulated depreciation as at 30 June 2007	9,539	163	-	9,702
Accumulated depreciation as at 1 January 2007	7,786	163	-	7,949
Additions	4,226	7	-	4,233
Disposals	(241)	-	-	(241)
Accumulated depreciation as at 31 December	11,771	170	-	11,941
Accumulated depreciation as at 1 January 2008	11,771	170	-	11,941
Additions	2,014	-	-	2,014
Disposals	-	-	-	-
Accumulated depreciation as at 30 June 2008	13,785	170	-	13,955
Carrying amounts				
As at 1 January 2007	4,292	-	103	4,395
As at 1 January 2008	5,481	-	4,886	10,367
As at 30 June 2007 (unaudited)	3,575	-	2,543	6,118
As at 31 December 2007	5,481	-	4,886	10,367
As at 30 June 2008 (unaudited)	10,784	-	2,108	12,892

The Company also uses internally developed software. The related costs were not capitalised due to the lack of reliable data regarding total development costs incurred by the Company.

(all amounts in PLN thousand)

26. Long term loans granted to related parties

	30 June 2007 unaudited	31 December 2007	30 June 2007 unaudited
Praga Business Park Sp. z o.o.	23,787	23,026	22,186
Total	23,787	23,026	22,186

Movements in long term loans

	2008	2007
Carrying amount as at 1 January	23,026	21,392
Loans granted	-	-
Interest accrued	761	794
Carrying amount as at 30 June (unaudited)	23,787	22,186
Loans granted	n/a	-
Interest accrued	n/a	840
Carrying amount as at 31 December	n/a	23,026

Based on agreement concluded on 26 September 2006 between Raiffeisen Bank Polska S.A., Cyfrowy Polsat S.A. and Praga Business Park Sp. z o.o., all loans granted by Cyfrowy Polsat S.A. to Praga Business Park Sp. z o.o. are subordinate to the loan from Raiffeisen Bank Polska S.A, with the exception of the amount of PLN 11,500 thousand. Due to the partial loan repayment of PLN 6,000 thousand in 2007 the unsubordinated loan value as of 31 December 2007 amounted to PLN 5,500 thousand. The loan of Raiffeisen Bank Polska S.A. is due on 31 December 2016.

27. Long term receivables from related parties

As at 30 June 2008 related parties long term receivables consisted of set-up-boxes production line lease contract with Cyfrowy Polsat Technology. The carrying amount of lease contract amounted to PLN 6,272 thousand and is described in note 36.

(all amounts in PLN thousand)

28. Other long-term assets

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Shares	1,335	1,335	2,364
Deferred distribution fees	21,919	29,615	5,884
Other long-term receivables	-	1	6
Total	23,254	30,951	8,254

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the company over the minimum basic period of the subscription contracts.

Breakdown of shares as at 30 June 2008

	Company's registered office	Activity	Voting rights percentage	Cost	Impairment	Carrying amount
Cyfrowy Polsat Technology Sp. z o.o.**	ul. Łubinowa 4a, Warszawa	set-top boxes production	100%	804	804	-
Praga Business Park Sp. z o.o.*	ul. Łubinowa 4a, Warszawa	real estate rental	100%	50	50	-
Karpacka Telewizja Kablowa Sp. z o.o.	ul. Chorzowska 3, Radom	no activity	85%	2,231	896	1,335
			Total	3,085	1,750	1,335

*until 21 February 2006 the company name was Polsat On Line Sp. z o.o.

**on 30 May 2006 the name of the company was changed from Onyx Investments Sp. z o.o. to Cyfrowy Polsat Mobile Sp. z o.o. On 2 March 2007 the name was changed again into Cyfrowy Polsat Technology Sp. z o.o.

A pledge on shares in Praga Business Park Sp. z o.o. held by Cyfrowy Polsat S.A. was established as a security for repayment of the loan from Raiffeisen Bank Polska S.A.

(all amounts in PLN thousand)

	2008	2007
Purchase price		
As at 1 January	3,085	3,085
Increase	-	-
Internal transfers	-	-
Transfer to short term investments	-	-
As at 30 June	3,085	3,085
Increase	n/a	-
Internal transfers	n/a	-
Transfer to short term investments	n/a	-
As at 31 December	n/a	3,085
Impairment provision		
As at 1 January	1,750	721
Increase	-	-
Internal transfers	-	-
Transfer to short term investments	-	-
As at 30 June	1,750	721
Increase	n/a	1,029
Internal transfers	n/a	-
Transfer to short term investments	n/a	-
As at 31 December	n/a	1,750
Carrying amounts		
As at 1 January	1,335	2,364
As at 30 June (unaudited)	1,335	2,364
As at 31 December	n/a	1,335

29. Inventories

Type of inventories	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Merchandise	127,433	97,543	87,034
Other inventories	7,398	8,891	825
Prepayments for inventory	8,763	22,041	11,008
Total gross value	143,594	128,475	98,867
Provision	1,777	1,836	586
Total net value	141,817	126,639	98,821

(all amounts in PLN thousand)

Merchandise	30 June 2008	31 December 2007	30 June 2007
Set-top boxes	96,676	71,784	67,508
Smart cards	8,345	10,834	7,889
Remote controls	271	2	2
Satellite dishes	13,709	12,465	8,907
CAM module	2,227	2,458	2,728
Telephones	6,205	-	-
Total	127,433	97,543	87,034

Other Inventories	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Smart cards – in transit	-	3,601	-
Smart cards – 2008 swap	2,352	2,352	-
Materials for set-top boxes servicing	134	1,529	83
Telephone cards	387	-	-
Accessories for set-top boxes	2,389	-	-
Other	2,136	1,409	742
Total	7,398	8,891	825

Prepayments for inventory

As at 30 June 2008 the position included prepayments to related company Cyfrowy Polsat Technology Sp. z o.o. for set-top boxes' deliveries amounting to PLN 8,763 thousand. As at 31 December 2007 the position included prepayments to related company Cyfrowy Polsat Technology Sp. z o.o. for set-top boxes' deliveries amounting to PLN 12,035 thousand and prepayments for set-top boxes from other parties amounting to PLN 10,006 thousand. As at 30 June 2007 the balance of prepayments represented prepayment for set-top boxes in the amount of PLN 8,096 thousand and prepayment for smart cards amounted to PLN 2,912 thousand – both to non-related parties.

Provision for inventories	30 June 2008	31 December 2007	30 June 2007
Opening balance	1,836	586	586
Increase	-	1,250	-
Decrease	59	-	-
Closing balance	1,777	1,836	586

There are no restrictions on the Company's rights to dispose of its inventories.

30. Short term loans granted to related parties

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	14,079	7,065	1,509
Total	14,079	7,065	1,509

(all amounts in PLN thousand)

Movements in short term loans

	2008	2007
Carrying amount as at 1 January	7,065	6,000
Loans granted	6,500	1,500
Interest accrued	514	11
Repayment	-	(6,002)
Carrying amount as at 30 June (unaudited)	14,079	1,509
Loans granted	n/a	5,500
Interest accrued	n/a	102
Repayment	n/a	(46)
Carrying amount as at 31 December	n/a	7,065

31. Trade and other receivables

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Trade and other receivables from related entities	6,504	1,144	451
Trade and other receivables from non-related entities	80,924	44,295	20,582
Tax and social security receivables	33,722	31,825	5,660
Other receivables	918	1,408	417
Total	122,068	78,672	27,110

Trade receivables from non-related entities include receivables from individual clients, distributors and others.

Trade receivables in currency

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	78,586	42,762	17,929
EUR	7,304	1,731	2,014
USD	1,538	946	1,090
Total	87,428	45,439	21,033

Movements in bad debt allowance

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Opening balance	46,484	30,209	30,209
Increase	5,826	16,498	7,519
Reversal	654	223	-
Closing balance	51,656	46,484	37,728

(all amounts in PLN thousand)

32. Other current assets

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Deferred distribution fees	58,755	67,150	46,048
Other deferred costs	2,766	1,762	2,059
Shares	-	-	242
Total	61,521	68,912	48,349

Deferred distribution fees comprise commissions for distributors for contracts effectively concluded with subscribers. These costs are amortized over the minimum basic period of the subscription contracts.

As at 30 June 2007 shares include investments in Satkabel Sp. z o.o. and EMarket Sp. z o.o.

Movements in shares

	2008	2007
Purchase price		
As at 1 January	-	2,982
Increase	-	-
Decrease	-	-
As at 30 June	-	2,982
Increase	n/a	-
Decrease	n/a	(2,982)
As at 31 December	n/a	-
Impairment provision		
As at 1 January	-	2,740
Increase	-	-
Decrease	-	-
As at 30 June	-	2,740
Increase	n/a	-
Decrease	n/a	(2,740)
As at 31 December	n/a	-
Carrying amounts		
As at 1 January	-	242
As at 30 June (unaudited)	-	242
As at 31 December	n/a	-

On 17 July 2007, Cyfrowy Polsat S.A. concluded an agreement to sell 300 shares of Satkabel Sp. z o.o. with the nominal value of PLN 100 each at the price of PLN 400 thousand.

(all amounts in PLN thousand)

On 17 July 2007, Cyfrowy Polsat SA concluded an agreement with Teleaudio Sp. z o.o. to sell 7,950 shares in EMarket Sp. z o.o. with a par value of PLN 1,000, representing a total of 75% of EMarket Sp. z o.o. share capital. The price was set at PLN 200 thousand.

33. Cash and cash equivalents

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Cash in hand	15	17	11
Current accounts	27,825	12,845	4,195
Deposits	104,485	128,789	144,889
Total	132,325	141,651	149,095

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	113,008	132,719	121,146
EUR	8,543	950	13,944
USD	10,774	7,982	14,005
Total	132,325	141,651	149,095

34. Shareholder’s equity

(i) Issued capital

In accordance with the National Court Register, the issued capital of Cyfrowy Polsat S.A. as at 30 June 2008 amounted to PLN 10,733 thousand. The issued capital is divided into 268,325,000 shares with a nominal value of PLN 0.04 each

All shares were fully paid. The issued capital was not covered by contributions in kind in the periods presented

In Poland, each issue of shares is given a consecutive serial number. As at 30 June 2008, Series A, B, C and D are preference shares (2 voting rights per share). Series E and F are not preference shares.

(all amounts in PLN thousand)

The table below presents the shareholder's equity as at 30 June 2008.

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	175,000,000	7,000	preference shares (2 voting rights)
Series E	75,000,000	3,000	ordinary bearer share
Series F	5,825,000	233	ordinary bearer share
Total	268,325,000	10,733	

During the 6 months ended 30 June 2008 there were neither changes in the structure of shareholder's equity nor in the amount of shares issued.

The shareholders' structure as at 30 June 2008, 31 December 2007 and 30 June 2007 was as follows:

	30 June 2008 unaudited				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1,3]	182,943,750	7,318	68.18%	357,968,750	78.53%
Others[2,3]	85,381,250	3,415	31.82%	97,856,250	21.47%
Total	268,325,000	10,733	100%	455,825,000	100%

[1]Zygmunt Solorz-Żak owns indirectly 155.502.188 shares of Cyfrowy Polsat S.A. (57.95% of the share capital and 66.75% of votes) and Heronim Ruta owns indirectly 27.441.562 shares of Cyfrowy Polsat S.A. (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V.

[2]Zygmunt Solorz-Żak owns directly 10,603,750 shares of Cyfrowy Polsat S.A. (3.95% of the share capital and 4.66% of votes) and Heronim Ruta owns directly 1,871,250 shares of Cyfrowy Polsat S.A. (0.70% of the share capital and 0.82% of votes).

[3]Shares held by Polaris Finance B.V., Zygmunt Solorz-Żak, Heronim Ruta, members of our Management Board (Dominik Libicki, Maciej Gruber, Andrzej Matuszyński and Dariusz Działkowski) and Piotr Nurowski, Józef Birka and Aleksander Myszka are covered by the lock-up agreement, which prohibits the owner from sale of the shares and conduct any transactions which will result in the change of the ownership of those shares in the period of 180 days from the Warsaw Stock Exchange debut without a prior consent from UniCredit and UBS. This agreement will expire on 6 November 2008.

(all amounts in PLN thousand)

	31 December 2007				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.	250,025,000	10,001	93.18%	425,050,000	93.25%
Zygmunt Solorz-Żak	10,603,750	424	3.95%	21,207,500	4.66%
Heronim Ruta	1,871,250	75	0.70%	3,742,500	0.82%
Piotr Nurowski	1,706,250	68	0.63%	1.706.250	0.37%
Józef Birka	1,740,000	70	0.65%	1.740.000	0.38%
Aleksander Myszka	1,753,750	70	0.65%	1.753.750	0.38%
Dominik Libicki	500,000	20	0.19%	500.000	0.11%
Maciej Gruber	46,250	2	0.02%	46.250	0.01%
Andrzej Matuszyńki	32,500	1	0.01%	32.500	0.01%
Dariusz Działkowski	46,250	2	0.02%	46.250	0.01%
Total	268,325,000	10,733	100%	455,825,000	100%

Additionally, at 31 December 2007 Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. shares of the Company. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. is 85% and Heronim Ruta's is 15%.

	30 June 2007 unaudited				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Zygmunt Solorz- Żak	424,150	424	4.0%	1,341,900	6.3%
Heronim Ruta	74,850	75	0.7%	234,300	1.1%
Polaris Finance B.V.	10,001,000	10,001	95.3%	19,723,800	92.6%
Total	10,500,000	10,500	100%	21,300,000	100%

Additionally, at 30 June 2007 Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. shares of the Company. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. is 85% and Heronim Ruta's is 15%.

Initial public offering

On 30 April 2008 the public offering of the E series shares on the Warsaw Stock Exchange was completed – 67.081.250 shares owned as at 31 December 2007 by Polaris Finance BV were sold and shares are now available for trading on the Warsaw Stock Exchange.

(ii) Supplementary capital

In accordance with art. 396 of the Commercial Companies Code, joint-stock companies are obliged to transfer 8% of annual net profit to supplementary capital until it reaches at least one third of total issued capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

(all amounts in PLN thousand)

On 5 September 2007, the General Shareholders Meeting adopted a resolution to transfer PLN 3,500 thousand from the 2006 net profit to supplementary capital.
On 4 July 2008, the General Shareholders Meeting adopted a resolution to transfer PLN 464 thousand from the 2007 net profit to supplementary capital.

(iii) Other reserves

Other reserves of PLN 10,174 thousand include the difference between the fair value of shares purchased by the Members of the Management Board and their issue price.

(iv) Retained earnings

The net profit for the year is presented under retained earnings.

35. Borrowings and loans

	30 June 2008 unaudited		
	Long-term	Short-term	Total
Borrowings and loans	73,747	68,470	142,217
Total	73,747	68,470	142,217

	31 December 2007		
	Long-term	Short-term	Total
Borrowings and loans	106,655	87,151	193,806
Total	106,655	87,151	193,806

	30 June 2007 unaudited		
	Long-term	Short-term	Total
Borrowings and loans	-	198,823	198,823
Total	-	198,823	198,823

Borrowings and loans

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	142,217	193,806	-
EUR	-	-	32,017
USD	-	-	166,806
Total	142,217	193,806	198,823

Borrowings and loans

As at 30 June 2008 (unaudited)

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.	PLN	141,830	141,830	142,217	9 October 2010*	6M WIBOR+ 0.55%	- **
Total				142,217			

*According to repayment schedule Cyfrowy Polsat S.A. repaid a part of the principal in the amount of PLN 50,000 thousand. The remaining amount will be paid in equal instalments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement

Moreover, the Company is prohibited from:

- creating security over its assets for amounts in excess of PLN 100 thousand
- disposing of its assets in order to incur financial debt or finance purchase of assets
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business
- merging with another legal entity without the consent of the agent
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent
- entering into transactions on terms less advantageous than arm's length terms
- granting loans without the consent of the agent, with the exception of loans for Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o., in a total amount up to PLN 40,000 thousand
- providing guarantees without the consent of the agent
- distributing dividends before the offering
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand
- acquiring its shares for retirement and retirement without the consent of the agent
- materially changing its business scope
- transferring its receivables

and obliged to:

- provide the agent with any material documents and information concerning the financial standing of the Group
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts)
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent

** Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2.2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1.2:1. If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

As at 31 December 2007

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.***	PLN	191,830	191,830	193,806	9 October 2010*	6M WIBOR+ 0.55%**	Obligation to conclude with the agent (Bank Pekao S.A. acting for and on behalf of lenders as the pledge administrator or acting for and on behalf of itself), within 3 months from 30 June 2008, a pledge agreement on the bank accounts of Cyfrowy Polsat S.A. The company shall not be obliged to fulfil this obligation upon repaying, no later than on June 30 2008, part of the loan in the minimum amount of PLN 50,000,000***
Total				193,806			

* According to repayment schedule Cyfrowy Polsat S.A.is obliged to prepay the principal, in the minimum amount of PLN 50,000 thousand on the earlier of 30 days from the date of the offer (defined as issue or sale of shares in public offering on Warsaw Stock Exchange if shares which are the subject of the issue were admitted to trading on Warsaw Stock Exchange), or 30 June 2008. The remaining amount will be paid in equal instalments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement.

** The loan margin is:

- 0.55% p.a. until final repayment
- if the initial public offer of the borrower's shares is not be carried out and the loan is not prepaid in the minimum amount PLN 50,000 thousand by 30 June 2008, the margin will be increased up to 0.7% p.a and will be in force until the date of final repayment of the loan

Moreover, the Company is prohibited from:

- creating security over its assets for amounts in excess of PLN 100 thousand
- disposing of its assets in order to incur financial debt or finance purchase of assets
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business
- merging with another legal entity without the consent of the agent
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent
- entering into transactions on terms less advantageous than arm's length terms
- granting loans without the consent of the agent, with the exception of loans for Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o., in a total amount exceeding PLN 40,000 thousand
- providing guarantees without the consent of the agent
- distributing dividends before the offering
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand
- acquiring its shares for retirement and retirement without the consent of the agent
- materially changing its business scope
- transferring its receivables
- opening any bank accounts without providing security to the agent

and obliged to:

- provide the agent with any material documents and information concerning the financial standing of the Group
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts)
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent

***Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2.2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1.2:1. If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

As at 30 June 2007 (unaudited)

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
EFG Investment Bank AB (publ)	EUR	8,450	8,450	32,017	14 June 2007 *	3.9%	Bank guarantee in the amount of EUR 8,800 thousand granted by EFG Bank, Switzerland
Polaris Finance B.V.	USD	20,000	20,000	56,281	31 December 2007 **	6.5%	None
Cypress Media B.V.	USD	10,000	10,000	28,094	31 December 2007 **	4.5%	None
Cypress Media B.V.	USD	13,800	13,800	38,834	31 December 2007 **	6.5%	None
Cypress Media B.V.	USD	2,500	2,500	7,035	31 December 2007 **	6.5%	None
Cypress Media B.V.	USD	4,000	4,000	11,257	31 December 2007 **	6.5%	None
Cypress Media B.V.	USD	9,000	9,000	25,305	31 December 2007 **	5.5%	None
Total				198,823			

* Company and EFG Investment Bank AB signed an annexe to the loan agreement, whereby repayment term was set at 14 November 2007.

** The repayment dates of loans granted by Polaris Finance B.V. and Cypress Media B.V. were prolonged. These loans were repaid on 12 October 2007.

Loans and borrowings are comprised of a long-term portion, due more than one year from the balance sheet date, and a short-term portion, presented in current liabilities, due within one year from the balance sheet date.

(all amounts in PLN thousand)

36. Lease liabilities

Company as a lessor and as a lessee

- Company as a lessor

Operating lease

The Company entered into a significant number of contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment. Assets connected with such contracts are presented as property, plant and equipment.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 6 to 24 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by the subscribers. The Company does not present the amounts of minimum lease payments under contracts on rental of set-top boxes for the particular balance sheet dates because all the contract were entered into for indefinite terms

Finance lease

The Company entered into a significant number of contracts with third parties for rental of digital satellite reception equipment, and entered into lease agreement with related party–the contract relate to the rental of set-top boxes production line. Due to their economic substance these contract are classified as finance leases.

The Company does not recognize assets related to these contracts in the interim financial statements.

Future minimum lease payments under finance leases are as follows:

Finance lease

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	5,094	5,687	1,207
between 1 and 5 years	5,680	5,680	88
in more than 5 years	2,012	2,721	-
Total	12,786	14,088	1,295

- Company as a lessee

Operating leases

The Group entered into a significant number of agreements, which are classified as operating lease contracts due to their economic substance. Assets leased under these contracts are not recognised in the interim financial statements. The assets comprise rental of transponder capacity, rental of office and warehouse space, and rental of equipment.

(all amounts in PLN thousand)

Future minimum lease payments under operating leases are as follows:

Operating lease

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	43,522	44,124	35,468
between 1 and 5 years	55,025	68,724	53,868
in more than 5 years	9,115	10,556	-
Total	107,662	123,404	89,336

Finance leases

The carrying value of devices used on the basis of finance lease contracts amounted to PLN 2,385 thousand as at 30 June 2007, 2,242 thousand as at 31 December 2007 and PLN 2,099 thousand as at 30 June 2008.

The lease period is 10 years.

Future minimum lease payments under finance leases are as follows:

Finance lease

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
within 1 year	191	204	215
between 1 and 5 years	765	817	859
in more than 5 years	462	595	733
Total	1,418	1,616	1,807

(all amounts in PLN thousand)

37. Trade payables and other current payables

Trade payables and other current payables

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Trade payables to related parties	2,848	3,756	2,783
Trade payables to non-related parties	51,828	149,786	33,796
Taxation and social security payables	4,868	4,125	4,679
Payables relating to purchases of fixed assets	1,582	8,663	4,050
Accruals	37,665	15,650	35,523
Short term provisions	21,746	18,236	-
Other	1,245	1,314	1,495
Total	121,782	201,530	82,326

Short-term provisions relate to royalties for copyright management organizations.

Accruals

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Salaries	1,797	2,933	379
Royalties for copyright management organizations	761	5,892	12,696
Licence fees	22,075	-	15,924
Cost attributable to Public offering of shares	4,054	3,954	2,631
Other	8,978	2,871	3,893
Total	37,665	15,650	35,523

(all amounts in PLN thousand)

Trade payables and payables relating to purchases of fixed assets by currency

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	25,734	116,180	22,862
EUR	18,190	21,152	10,641
USD	12,004	24,873	7,126
GBP	326	-	-
CHF	4	-	-
Total	56,258	162,205	40,629

Accruals by currency

Currency	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
PLN	13,765	10,580	21,028
EUR	11,714	5,070	7,270
USD	12,186	-	7,225
Total	37,665	15,650	35,523

38. Deposits received for digital satellite reception equipment

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Subscribers	14,835	14,966	16,627
Distributors	4,996	5,044	2,840
Other	22	22	49
Total	19,853	20,032	19,516

Deposits received comprise amounts paid by subscribers under agreements for rental of set-top-boxes and deposits paid by distributors for digital satellite reception equipment.

Deposits are returned to customers or offset against receivables from subscribers upon contract termination. All deposits are presented as short-term liabilities as the notice period is less than 12 months

(all amounts in PLN thousand)

39. Deferred income

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Deferred income	106,824	81,468	70,464

Deferred income comprises mainly subscription fees paid in advance and rental fees for set-top boxes. These fees relate to services to be rendered within 12 months from the balance sheet date and thus are presented as short-term liabilities.

40. Other adjustments in the cash flow statement

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Cost of IPO	6,678	2,631
(Increase)/decrease in receivables related to the initial public	(4,115)	-
Other	391	220
Other adjustments – total	2,954	2,851

41. Financial instruments

Overview

Cyfrowy Polsat S.A. is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk
  - currency risk
  - interest rate risk
- capital risk

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

The Management Board is responsible for oversight and management of each of the risks faced by the Company. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on forward contracts, credit risks and capital management.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included also in other notes to these interim financial statements.

Loans, cash and short-term bank deposits are the main financial instruments used by the Company. They are intended to secure the financing for the Company's activities. The Company uses also other financial instruments such as trade receivables and trade payables which arise in the course of business activities.

Credit risk

Credit risk arises mainly on trade receivables. In the 6 months ended 30 June 2008, the Company's exposure to credit risk did not change since the Company's sales on credit did not increase. The Company's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Postpaid subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers. Moreover, any recognised risk is reduced with appropriate allowances.

The Company analyses the creditworthiness of distributors as well as TV and radio broadcasters on an ongoing basis.

During 6 months ended 30 June 2008 the Company did not grant any guarantees.

In terms of credit risk related to the loans granted to subordinate companies Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o and credit risk related to finance lease contract of set-top boxes' production line, where Cyfrowy Polsat is a lessor and Cyfrowy Polsat Technology is a lessee, the Company is not exposed to a significant credit risk. The Company owns 100% shares in those subordinate companies and therefore exercises full control over their financial standing.

Moreover, low credit risk related to loan granted to Cyfrowy Polsat Technology Sp. z o.o. results from the fact that Cyfrowy Polsat Technology Sp. z o.o. has started selling manufactured set-top boxes to the Company (the only customer). The price was set at the market level assuring sales profitability to Cyfrowy Polsat Technology and sufficient level of liquidity enabling timely repayment of loans, among them loans from Company.

Credit risk related to other financial assets of the Company, such as cash and cash equivalents arises when a counterparty fails to make due payments. The maximum exposure to credit risk related to the financial assets equals the carrying amount of the assets. The maximum exposure to credit risk as at the balance sheet dates was as follows:

(all amounts in PLN thousand)

Loans and receivables

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Loans granted to and financial lease receivables from related		37,804	23,695
Trade receivables	87,428	46,128	21,033
Cash and cash equivalents	132,235	141,651	149,095
Total	265.710	225,583	193,823

The table below presents loans' and receivables' credit risk concentration:

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Subscribers (individuals)	59,148	19,155	6,681
Distributors	5,152	19,248	3,250
Subscribers (media companies)	5,628	4,683	4,121
Trade, loans and other related party receivables	52,551	38,229	24,146
Other	10,996	2,617	6,530
Total	133,475	83,932	44,728

Liquidity risk

The Company's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits. The Company aims to balance the continuity and flexibility of financing through the use of different sources of financing such as loans and bank overdraft.

The Company prepares, on an ongoing basis, analyses and forecasts of cash requirements based on budgeted cash flows

(all amounts in PLN thousand)

The table below presents the contractual maturities of the Company's financial liabilities:

	30 June 2007 unaudited						
	Carrying amount	Contractual cash	6 months and	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	198,823	202,177	202,177	-	-	-	-
Finance lease liabilities	1,807	1,807	108	108	215	643	733
Trade payables	56,095	56,095	56,095	-	-	-	-
	256,725	260,079	258,380	108	215	643	733

	31 December 2007						
	Carrying amount	Contractual cash	6 months and	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	193,806	209,364	57,346	37,254	71,585	43,179	-
Finance lease liabilities	1,616	1,616	102	102	204	613	595
Trade payables	199,201	199,201	199,178	23	-	-	-
	394,623	410,181	256,626	37,379	71,789	43,792	595

	30 June 2008 unaudited						
	Carrying amount	Contractual cash	6 months and	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	142,217	154,380	36,336	34,870	67,060	16,114	-
Finance lease liabilities	1,418	1,418	96	96	191	573	462
Trade payables	74,529	74,529	74,370	-	-	-	-
	218,164	230,327	110,802	34,966	67,251	16,687	462

(all amounts in PLN thousand)

Impairment

The table below presents the ageing of receivables:

	30 June 2008 unaudited			31 December 2007			30 June 2007 unaudited		
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	108,122	5,675	102,447	82,250	8,685	73,565	38,173	3,958	34,215
Past due 0-30 days	11,346	1,172	10,174	4,352	788	3,564	3,213	941	2,272
Past due 31-60 days	7,904	1,488	6,416	3,081	1,365	1,716	2,649	1,391	1,258
More than 60 days	53,573	40,779	12,794	43,615	38,528	5,087	39,705	32,722	6,983
Total	180,945	49,114	131,831	133,298	49,366	83,932	83,740	39,012	44,728

Market risk

Currency risk

One of the main risks to which the Company is exposed is currency risk related to fluctuations in the exchange rate between the zloty and other currencies. The revenues generated by the Company are denominated mainly in zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Company's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and a loan for the purchase of the real estate where the Company is domiciled (EUR). In most cases, foreign exchange risk is reduced by trade receivables for transmission services denominated in foreign currencies (natural hedging).

The Company does not hold any equity interests in foreign entities or available-for-sale assets denominated in foreign currencies. Therefore, depreciation of the Polish zloty against other currencies will not influence the Company's equity.

The Company does not apply hedge accounting.

The table below presents the Company's foreign currency risk exposure in foreign currencies:

	30 June 2008 unaudited		31 December 2007		30 June 2007 unaudited	
(in thousands)	EUR	USD	EUR	USD	EUR	USD
Trade receivables	2,178	726	483	389	535	389
Loans	-	-	-	-	(8,502)	(59,597)
Trade and other payables	(5,423)	(5,664)	(7,320)	(10,215)	(2,826)	(2,546)
Gross balance sheet exposure	(3,245)	(4,938)	(6,837)	(9,826)	(10,793)	(61,754)
Net balance sheet exposure	(3,245)	(4,938)			(10,793)	(61,754)
Forward contracts	-	-	-	-	-	-
Net exposure	(3,245)	(4,938)	(6,837)	(9,826)	(10,793)	(61,754)

Apart from the amounts stated above, estimated sales revenue and estimated purchases in currency are as follows:

	30 June 2008 unaudited		31 December 2007		30 June 2007 unaudited	
(in thousands)	EUR	USD	EUR	USD	EUR	USD
Estimated sales revenue	977	365	1,951	730	976	365
Estimated purchases	(22,595)	(20,575)	(43,540)	(51,974)	(16,268)	(12,350)

(all amounts in PLN thousand)

The foreign exchange rates applied in the presented periods:

	Average rates during			Rates at the balance sheet date		
in PLN	6 months	year	6 months	30 June 2008	31 December 2007	30 June 2007
1 EUR	3.4924	3.7829	3.8451	3.3542	3.5820	3.7658
1 USD	2.2854	2.7667	2.8954	2.1194	2.4350	2.7989

A 5% weakening of the Polish zloty against the euro and US dollar would have decreased the gross profit by the amounts presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis below is performed on the same basis for 6 months ended 30 June 2008.

	Net profit
6 months ended	
30 June 2008 (unaudited)	
EUR	(3,862)
USD	(5,768)
6 months ended	
30 June 2007 (unaudited)	
EUR	(3,411)
USD	(13,610)

A 5 % strengthening of the Polish zloty against the above currencies would have the same but opposite effect on the gross profit, assuming that all other variables remain constant.

Interest rate risk

Fluctuations in market interest rates have no direct effect on the Company’s revenues and operating cash flows. The Company’s exposure to interest rate risk is attributable primarily to the risk related to changes in cash flows caused by interest rate changes affecting the Company’s bank loans.

The Company analyses its exposure to interest rate risk on a regular basis. Different refinancing scenarios as well as hedging policies against interest rate risk are prepared. Based on the analyses, Cyfrowy Polsat S.A. estimates the effect of given changes in interest rates on its results.

(all amounts in PLN thousand)

The table below presents the interest rate risk profile for interest-bearing financial instruments as at the balance sheet date:

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Fixed rate instruments			
Financial assets	-	-	-
Financial liabilities	-	-	(166,806)
Total	-	-	(166,806)

	Carrying amount		
	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Variable rate instruments			
Financial assets	170,191	171,742	172,790
Financial liabilities	(142,217)	(193,806)	(32,017)
Total	27,974	(22,064)	140,773

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	Decrease by 100 bp
As at 30 June 2008 (unaudited)		
Variable rate instruments	408	(408)
Cash flow sensitivity (net)	408	(408)
As at 30 June 2007 (unaudited)		
Variable rate instruments	834	(834)
Cash flow sensitivity (net)	834	(834)

(all amounts in PLN thousand)

Fair value versus carrying amount

The fair value of forward currency contracts is estimated based on forward foreign exchange rates effective on the balance sheet date.

The fair value of financial guarantees is calculated based on the appropriate measurement methods (discounted cash flows adjusted by probability index).

The fair value of other financial instruments is based on estimated discounted cash flows. It is assumed that the carrying amount of trade receivables (less impairment losses) and of trade payables due within 12 months approximates their fair value.

The table below presents the fair values and carrying amounts of financial assets and liabilities.

	30 June 2008 unaudited		31 December 2007		30 June 2007 unaudited	
	Fair value	Carrying	Fair value	Carrying	Fair value	Carrying
Loans granted	26,831	37,866	26,394	30,091	20,890	23,695
Lease receivables	7,029	8,181	7,588	7,713	-	-
Trade receivables	87,428	87,428	46,128	46,128	21,033	21,033
Cash and cash equivalents	132,235	132,235	141,651	141,651	149,095	149,095
Loans	(141,877)	(142,217)	(193,556)	(193,806)	(197,466)	(198,823)
Finance lease liabilities	1,418	1,418	(1,616)	(1,616)	(1,807)	(1,807)
Trade and other payables	(74,529)	(74,529)	(199,201)	(199,201)	56,095	56,095
Total	35,699	47,546	(172,612)	(169,040)	(64,350)	62,902
Unrecognised (loss)/gain	-	(11,847)		(3,572)		(1,448)

Capital management

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

(all amounts in PLN thousand)

42. Barter transactions

The Company is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Revenues from barter transactions	945	523
Cost of barter transactions	1.048	-

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Barter receivables	1,565	1,265	1,210
Barter payables	387	-	101

43. Litigation and public administration proceedings

As at the date of preparation of these interim financial statements for the 6 months ended 30 June 2008, there were a number of litigations and claims against the Company, before courts and public administration bodies.

Public administration proceedings

The proceeding before Office of Competition and Consumer Protection ("UOKiK") for alleged use of unlawful clauses in agreements with customers

On 18 October 2006, in connection with complaints lodged by customers, the President of UOKiK requested Cyfrowy Polsat S.A. to submit templates of agreements concluded with the clients. In a letter dated 21 May 2007, the President of the UOKiK informed the Company that certain clauses included in its agreement templates were a cause of concern for UOKiK. Cyfrowy Polsat S.A. submitted an initial response to some arguments raised by the President of the UOKiK in a letter dated 29 June 2007. On 23 July 2007, the President of the UOKiK sent a letter requesting the Company to state its opinion with regard to the rest of the arguments and to provide the price list used by the Company. In subsequent correspondence with the President of the UOKiK, dated 31 August 2007, Cyfrowy Polsat S.A. expressed its view on the other arguments raised by UOKiK.

On 15 July 2008 the Company received a letter from UOKiK on the matter in question containing remarks and comments on the position of the Company expressed in the previous correspondence. The President of UOKiK forwarded a motion for the Company to express an ultimate position on the matter in question. Due to the fact that the Company is currently in the phase of introducing new templates of agreements with customers, in the correspondence dated 29 July 2008 it proposed a meeting with representatives of UOKiK in order to conduct relevant consultation regarding the templates in question. In a meeting on 1 September 2008 a representative of UOKiK received draft rules of services provision for consultation.

If any provisions of the agreement templates were deemed unlawful, the Company would have to change the existing agreement forms. Such changes could lead to a situation in which customers who are parties to agreements whose provisions have been found unlawful could terminate such agreements without observing the notice period and without any obligation to pay contractual penalties. In addition, if the Company included in the agreement templates provisions that are unlawful, the President of the UOKiK could impose on the Company a maximum fine of 10% of its revenue earned in the financial year preceding the year in which such fine is imposed.

Proceedings before the President of UOKiK regarding a suspected application of practices breaching collective interests of consumers.

On 14 March 2007, the President of UOKiK opened explanatory proceeding to initially determine whether Cyfrowy Polsat S.A infringed upon collective consumer interests.

The subject of the proceeding is to determine whether advertising leaflets and information placed on the Company's webpage misled consumers as to the scope of services offered within a particular agreement. The proceedings also cover the issue of a possible breach of the Civil Code by sending text messages to customers at their expense, on the assumption that a lack of objections is tantamount to granting consent to provision of such services.

On 30 May 2007, the President of the UOKiK notified Cyfrowy Polsat S.A. that it had initiated *ex-officio* proceeding against the Company to determine that its advertising practices misled consumers as to the content of the television programming it offers, which represents a practice which infringes upon collective consumer interests as defined in Article 24, Section 2 p. 3 of the Act on Protection of Competition and Consumers dated 16 February 2007 by consisting in the use of misleading advertising as defined in Article 16, Section 1 p. 2 of Antimonopoly Act dated 16 April 1993. In letters dated 20 June and 29 June 2007, Cyfrowy Polsat S.A. referred to certain reservations raised by the UOKiK and admitted that there were certain discrepancies between the information included in its advertising materials and the provisions of the agreements entered into with the customers, and explained the reasons behind the discrepancies. The Company further noted that the discrepancies had been eliminated. In a letter dated 25 September 2007, the President of the UOKiK requested the Company to provide its financial statements for 2006. The financial statements were sent together with the letter dated 8 October 2007. On 19 May 2008, the Company received a notification of the President of UOKiK that due to a need for performance of ultimate assessment of the exhibits and running a consultation in the scope of issuing a decision on the issue in question with organizational units of UOKiK, the deadline for completion of proceedings had been extended until 31 May 2008. On 11 June 2008, the Company received a decision of the President of UOKiK no. DDK 6/2008 issued on 30 May 2008. With regards to the issue in question, the President of UOKiK recognized the practice as breaching the collective rights of costumers, involving the activities of the Company comprising presentation of information of its advertising, that the Cinemax package is included in the Relax Mix Package, whereas the Package was not included in the Relax Mix Package, but was provided to consumers within a promotion regarding the Relax Mix Package.

The decision does not provide for a financial penalty. The decision became enforceable on 25 June 2008.

Proceedings before the President of UOKiK regarding suspected application of competition limiting practices

On 23 May 2007, the Wroclaw Regional Office of the UOKiK notified Cyfrowy Polsat S.A. that an explanatory proceeding had been initiated to initially determine whether the Company breached the ban on the use of competition restricting practices by preventing its authorised distributors from distributing a competitive digital platform operated by ITI Neovision Sp. z o.o. ("ITI

Neovision") under the brand name "n". Such a practice may constitute a breach of Article 6, Section 1 of the Act on Protection of Competition and Consumers dated 16 February 2007. Cyfrowy Polsat S.A. was obliged to deliver documents specified in the notification to the UOKiK. In a letter dated June 22 2007 the Company submitted to the UOKiK its explanations regarding the matter. Next on 17 October 2007 the Company sent the required documentation to the UOKiK. On 8 November 2007 the Wroclaw Regional Office of the UOKiK called upon Cyfrowy Polsat S.A. to provide additional information and data. Cyfrowy Polsat S.A. responded in a letter dated 28 November 2007. Since that time, the Company has not received any formal correspondence regarding the issue in question. The only source of information was press reports, e.g. an interview with the President of UOKiK in Gazeta Prawna, where he stated that antimonopoly proceedings shall not be initiated regarding the issue in question.

Explanatory proceedings initiated by the President of UOKiK regarding the rules of concluding agreements for public broadcasting of TV programs, including broadcast from Euro2008, and the rules of selling relevant equipment necessary to receive the aforementioned programs

The President of UOKiK initiated explanatory proceedings in order to initially determine whether the rules of concluding agreements for public broadcast of TV programs, including Euro2008 broadcast, and the rules of selling relevant equipment necessary to receive such television programs, constitute a breach of provisions of the competition and consumer protection act. Cyfrowy Polsat S.A. received a letter regarding the issue in question on 13 June 2008. The Company was obliged to submit information stated in the letter.

In a letter dated 16 June 2008 the Company responded, explaining, for example, that in the years 2007-2008 (which were mentioned in the UOKiK President's enquiry) it did not grant rights for public broadcast of TV programs, nor did it enter into agreements enabling granting license for public broadcast of TV channels to business entities (entrepreneurs). Cyfrowy Polsat S.A. also forwarded information that the rights for public broadcast of Polsat Sport Extra and Polsat Sport HD channels were granted by Telewizja Polsat S.A. Cyfrowy Polsat S.A. – in line with the possibility of public broadcast of Euro 2008 offered to business by Telewizja Polsat S.A. – and considering the to-date rule of offering products and services exclusively to individual customers for their private use, created a special set-top boxes' sales offer, aimed at entrepreneurs.
In a letter dated 26 June 2008 UOKiK requested supplying additional information, which the Company included in a letter dated 8 July 2008. Another letter from UOKiK demanding presentation of further information was received on 31July 2008, and the Company replied to it within the deadline set out by the Office, i.e. up to 7 August 2008. Furthermore, Cyfrowy Polsat S.A. received two letters (on 26 and 28 August, respectively) from UOKiK containing Office's further questions. Both letters demanded that the questions be answered. A letter including answers to these two letters from UOKiK was sent to UOKiK on 4 September 2008.

Should a proceeding against us be initiated and should the President of UOKiK find that our practices are limiting competition, the President of UOKiK could order their abandonment. Moreover, the President of UOKiK could impose on the Company a maximum fine of 10% of its revenue (as set out by the Tax Law) earned in the financial year preceding the year in which such fine is imposed.

Other litigations

Apart from the aforementioned cases the Company is a party to other litigations.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. z with registered office in Katowice for compensation and indemnity claims that is in session before the District Court for Warszawa Praga in Warsaw X Entrepreneurs' Division – the value of dispute is PLN 1,071 thousand – is currently run by the legal advisor Antoni Zasada from a legal advisor's office with its office in Krakow.
The lawsuit is in the exhibit proceedings phase – currently the Court is conducting hearings of witnesses. Another session of the Court is scheduled at 5 November 2008 where further witnesses are to be heard. The position of Cyfrowy Polsat S.A. has been expressed in its correspondence and proceedings statements. Cyfrowy Polsat S.A. has raised, as a reply to the claim, and in further proceedings correspondence, a number of charges (legal and material) pointing to a lack of justification of the proceedings claims of the plaintiff – with regards to both the compensation and indemnity claims. Moreover, Cyfrowy Polsat S.A. has raised a number of evidence motions aiming at indication of inadequacy of the plaintiff's claims. Considering the extensiveness of the proceedings correspondence of Cyfrowy Polsat S.A. there is no possibility to summarise its proceedings argumentation.
Due to the case being a leading case in the scope of the so called compensation claim it is impossible to rationally foresee the result of the lawsuit, or its financial consequences for Cyfrowy Polsat S.A.

On the basis of legal analysis the Board of the Company expects the solution of the aforementioned cases not to have material impact on the financial and economic situation of the Company.

44. Important agreements

On 5 February 2008, Cyfrowy Polsat SA signed with the subsidiary company Cyfrowy Polsat Technology Sp. z o.o. an agreement for the loan of PLN 6,500 thousand to finance that company's operations, with maturity on 31 December 2008. The interest rate of the loan is variable and is equal to WIBOR 6M calculated on the last day prior to the date on which the interest is due and payable plus the margin of 2%. A borrower's incomplete blank promissory note with a bill of exchange declaration is the collateral for the loan.

On 1 April 2008, the Company concluded with Polaris Finance B.V. the memorandum of agreement regulating the principles of settling the services related to Global Offer of Company's shares. Pursuant to this memorandum of agreement, Polaris Finance B.V. undertook to cover part of the costs incurred by the Company with regard to Global Offer of the Company's shares.

As a result of conducted negotiations for determining the conditions of direct cooperation with the ZAIKS Authors' Association ("ZAIKS"), on 7 April 2008 the memorandum of agreement was concluded to pay ZAIKS the authors' compensation for works re-broadcasted on the digital platform in the period from 1 June 2006 to 31 December 2007. The payment of compensation under the memorandum of agreement satisfies ZAIKS's claims on account of authors' compensation for re-broadcasting the works on the digital platform in the aforementioned period.

Also, on the same date the license agreement was concluded with ZAIKS, which regulates conditions of further cooperation.

On 16 April 2008, the President of Office of Electronic Communications ("UKE") issued the decisions replacing the agreements for connection of telecommunication networks, concluded between Cyfrowy Polsat SA and PTK Centertel Sp. z o.o. ("PTK Centertel") and between Cyfrowy Polsat SA and Polkomtel SA ("Polkomtel"). After examining Cyfrowy Polsat's applications of 16 January 2008 to issue decisions concerning the telecommunication access, the President of UKE focused on justification for future application of clause on automatic change of Mobile Termination Rates (MTR), which was requested by Polkomtel and PTK Centertel. When resolving the dispute, the legal and factual state of affairs as at the date of issuing the decision was of decisive importance. At the moment of issuing both decisions, the Mobile Termination Rate in Polkomtel and PTK Centertel should be PLN 0.40/minute. The President of UKE determined the same MTR for terminations in Cyfrowy Polsat's network. With respect to determining the MTRs, the parties, to which the decisions apply, are not subject to the same obligations. Polkomtel and PTK Centertel are obligated to determine fees on that account on the basis of incurred costs, and Cyfrowy Polsat may determine the rates on the basis of freedom of agreement principle. Therefore, it was not possible to automatically change, in the decisions issued by the UKE President, the MTRs charged by Cyfrowy Polsat in its own network because the MTRs charged by Polkomtel and PTK Centertel were about to change.

On 24 April 2008, Cyfrowy Polsat SA and Polaris Finance B.V. concluded a stand-by underwriting agreement with UBS Limited, Bank Austria Creditanstalt AG, Dom Maklerski Penetrator SA and UniCredit CAIB Poland SA. As part of the concluded agreement, the underwriters undertook to make every effort to acquire the buyers for the shares which will be offered in the tranche for institutional investors as part of the public offering of 67,081,250 series E shares of Cyfrowy Polsat S.A.

On 13 May 2008, Cyfrowy Polsat SA and Nagravision SA concluded annex no. 3 to an agreement of 2 November 2004. Pursuant to the annex, Cyfrowy Polsat SA will receive indemnity of EUR 1,896.7 thousand on account of incorrect operation of smart cards in Samsung set-top-boxes, and indemnity of EUR 4,823.4 thousand for the damage incurred by Cyfrowy Polsat S.A. in connection with the need to replace the smart cards as a result of breaking the conditional access system.

On 30 June 2008 Cyfrowy Polsat S.A. and Polska Telefonia Cyfrowa Sp. z o.o. („PTC") entered into an agreement regarding domestic roaming, setting out a possibility of the MVNO's users to use the radio network of PTC. The agreement sets out the terms and conditions of mutual settlements between the parties, by indicating rates for: (i) voice services (per minute of call), and (ii) data transfer (per Mb of information downloaded). The value of the agreement shall by the product of minutes of calls used by subscribers (or data downloaded) and rates indicated in the agreement. The rates are in line with market rates. The agreement's life is indefinite and provides for particular reasons entitling the parties to its notice.
According to requirements of PTC the agreement provides for an exclusivity clause, and in each case of breach of the exclusivity clause by the Company PTC is entitled to claiming payment of a contractual penalty by the Company in a level set for the year in which the breach took place, however in no case shall the penalty be lower than PLN 10,000 thousand. The agreement has been executed according to the laws of Poland. Upon the conclusion of the agreement the domestic roaming agreement dated 8 June 2006 ceases to be valid.

45. Contingent liabilities and collaterals

Collaterals relating to borrowings and loans

Collaterals relating to borrowings and loans are described in note 35.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 36.

Future liabilities relating to barter transactions

Future liabilities relating to barter transactions are described in note 42.

Capital expenditure liabilities and liabilities under contracted services related to MVNO

On 31 May 2007, the Company entered into an agreement with Accenture Sp. z o.o. for implementation and launch of a billing system. As at 30 June 2008 the value of uninvoiced deliveries and services amounted to PLN 37.2 thousand. Furthermore, the value of uninvoiced deliveries and services under an additional order related to the agreement was PLN 553.8 thousand as at 30 June 2008.

On 14 August 2007, the Company entered into an agreement with Nokia Siemens Networks Sp. z o.o. for delivery of hardware and software necessary for the provision of MVNO services. As of 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 88.6 thousand (PLN 297.3 thousand). Moreover, the value of uninvoiced deliveries and services under an additional order related to the agreement was EUR 61.9 thousand (PLN 207.5 thousand) as at 30 June 2008.

On 31 May 2007, the Company entered into an agreement with Accenture Sp. z o.o. concerning maintenance of the billing system. The agreement is for a term of three years. The annual cost of the service amounts to EUR 245.0 thousand. Moreover, the Company entered into a service agreement for the billing system. The annual cost of the service amounts to PLN 591.8 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Polska Sp. z o.o. concerning maintenance of the MVNO system plus BOT (Build Operate Transfer) service. The contract is for a term of 13 months. As at 30 June 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 1,246.3 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Sp. z o.o. for maintenance of the MVNO system. The contract is for a term of five years. The annual cost of the service amounts to EUR 98.1 thousand

On 28 September 2007, the Company entered into a maintenance agreement with Alcatel Lucent Polska S.A. The contract is for a term of three years. The annual cost of the service amounts to EUR 59.2 thousand.

Contingent liabilities to purchase shares in Karpacka Telewizja Kablowa Sp. z o.o.

On 17 April 2002 Cyfrowy Polsat S.A. filed with the District Court of Rzeszów an action to squeeze out Mr Andrzej Kliś, a shareholder in Karpacka Telewizja Kablowa Sp. z o.o., in which Cyfrowy Polsat S.A. holds 85% of shares. In the ruling dated 28 February 2006, the Court set the purchase price of the shares at PLN 701 thousand. The case has not been finally resolved and has been brought to the Court of Appeals.

Other contingent liabilities.

As collateral for the loan granted to Praga Business Park Sp. z o. o. by Raiffeisen Bank Polska S.A. a financial pledge (a registered and ordinary pledge) over all of the shares in Praga Business Park Sp. z o.o. was made.

On 8 November 2007, the Company and Telekomunikacja Polska S.A. entered into an agreement concerning interconnection of the public telecommunications network of Cyfrowy Polsat S.A. and the public fixed-line telephony network of Telekomunikacja Polska S.A. for the purpose of providing telecommunications services, specifying the technical conditions for setting up and maintaining interconnection of the networks, and also defining details of mutual payment terms. With a view to securing potential claims, on 7 December 2007 Cyfrowy Polsat S.A. made a statement on submitting to enforcement of amounts that may become due and payable to Telekomunikacja Polska S.A. up to PLN 201 thousand.

On 16 May 2008, the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polkomtel S.A. an irrevocable and unconditional bank guarantee to pay Polkomtel S.A. up to PLN 600 thousand at the first written payment request by Polkomtel S.A. The bank guarantee is valid until 16 May 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 16 June 2008, the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polska Telefonia Komórkowa Centertel Sp. z o.o. ("Centertel") an irrevocable and unconditional bank guarantee to pay Centertel up to PLN 1,600 thousand at the first written payment request by Centertel. The bank guarantee is valid until 16 December 2008 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

(all amounts in PLN thousand)

46. Remuneration of the Management Board

The table below presents the Management Board's remuneration (excluding value of share based payments and including bonuses) from the Company:

		for 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Dominik Libicki	President of the Management Board	330	30
Maciej Gruber	Member of the Management Board	240	24
Dariusz Działkowski	Member of the Management Board	240	-
Andrzej Matuszyński	Member of the Management Board	240	-
Total		1,050	54

The table below presents the remuneration of the Management Board of Cyfrowy Polsat S.A. from the subsidiaries:

		for 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Dominik Libicki	President of the Management Board	30	29
Maciej Gruber	Member of the Management Board	36	28
Dariusz Działkowski	Member of the Management Board	18	12
Andrzej Matuszyński	Member of the Management Board	-	-
Total		84	69

Management contracts with Members of the Management Board

On 1 August 2007, Cyfrowy Polsat S.A. signed management contracts with all Members of the Management Board (excluding VAT):

Mr. Dominik Libicki – monthly PLN 55 thousand,
Mr. Maciej Gruber – monthly PLN 40 thousand,
Mr. Andrzej Matuszyński – monthly PLN 40 thousand,
Mr. Dariusz Działkowski – monthly PLN 40 thousand.

The management contracts also include non-compete and specific notice period provisions.

These agreements significantly increased the costs related to Management Board's remuneration after 1 August 2007 as compared with prior periods.

(all amounts in PLN thousand)

Management Stock Option Plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted a resolution on the introduction of an incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional issued capital increase within 6 months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,
(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,
(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,
(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of these interim financial statements, the incentive plan had not been accepted.

47. The Supervisory Board remuneration

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

The table below presents the total remuneration of the Supervisory Board members for 6 months ended 30 June 2008 and for 6 months ended 30 June 2008:

		for 6 months ended	
Name	Function	30 June 2008 unaudited	30 June 2007 unaudited
Heronim Ruta	President of the Supervisory Board	90	-
Mariola Gaca	Member of the Supervisory Board	60	-
Zdzisław Gaca	Member of the Supervisory Board	60	-
Anna Kwaśnik	Member of the Supervisory Board	60	-
Andrzej Papis	Member of the Supervisory Board	60	-
Total		330	-

(all amounts in PLN thousand)

48. Transactions with related parties

Receivables

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	56	71	58
Cyfrowy Polsat Technology Sp. z o.o. (leasing)	8,181	7,713	-
Invest Bank S.A.	1	1	1
Inwestycje Polskie Sp. z o.o.	-	1	1
Media Biznes Sp. z o.o.	98	-	73
Polaris Finance B.V.	4,115	-	-
Polsat Media Sp. z o.o.	-	1	-
Polska Telefonia Cyfrowa Sp. z o.o.	7	-	7
Polskie Media S.A.	11	-	11
Praga Business Park Sp. z o.o.	264	264	269
Superstacja Sp. z o.o.	10	10	5
Telewizja Polsat S.A.	297	77	290
Total	13,040	8,138	715

Payables

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Alpatran	31	107	31
Cyfrowy Polsat Technology Sp. z o.o.	684	2	-
Elektrim S.A.	1	13	3
EMarket Sp. z o.o.	331	41	92
Media Biznes Sp. z o.o.	44	-	12
Polska Telefonia Cyfrowa Sp. z o.o.	50	28	-
Polskie Media S.A.	-	-	5
Praga Business Park Sp. z o.o.	77	189	96
Teleaudio Sp. z o.o.	283	522	-
Telewizja Polsat S.A.	1,347	2,854	2,544
Total	2,848	3,756	2,783

Receivables from related parties and liabilities to related parties do not serve as security.

Receivables from Cyfrowy Polsat Technology Sp. z o.o. comprise mainly of the receivables due to finance lease of set-top boxes' production line amounting to PLN 8,181 thousand. The lease agreement was signed for the term of 7 years, the monthly rate was set at PLN 118 thousand (net of VAT)

(all amounts in PLN thousand)

Prepayments for set-top boxes

In October 2007 (based on delivery agreement dated 24 September 2007) Cyfrowy Polsat S.A. made prepayment amounting to PLN 12,035 thousand to Cyfrowy Polsat Technology Sp. z o.o. for set-top boxes' deliveries'. As at 30 June 2008 prepayment for set-top boxes' deliveries amounted to PLN 8,763 thousand.

Loans received

	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Polaris Finance B.V.	-	-	56,281
Total	-	-	56,281

Until 12 October 2007 the activity of Cyfrowy Polsat S.A. was partially financed by loan received from Polaris Finance B.V. On 12 October 2007 the loan and interests were paid back.

Loans granted

Long-term loans granted

Borrower	Principal value of the loan	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Praga Business Park Sp. z o.o.	20,690	23,787	23,026	22,186
Total	20,690	23,787	23,026	22,186

Loans granted to Praga Business Park Sp. z o.o. are subordinated loans to the loan from Raiffeisen Bank Polska S.A The loan of Raiffeisen Bank Polska S.A. is due on 31 December 2016.

Short-term loans granted

Borrower	Principal value of the loan	30 June 2008 unaudited	31 December 2007	30 June 2007 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	1,500	1,592	1,530	1,509
Cyfrowy Polsat Technology Sp. z o.o.	1,500	1,592	1,529	-
Cyfrowy Polsat Technology Sp. z o.o.	4,000	4,174	4,006	-
Cyfrowy Polsat Technology Sp. z o.o.	6,500	6,721	-	-
Total	13,500	14,079	7,065	1,509

(all amounts in PLN thousand)

Significant transactions with related parties are presented below:

Revenues from operating activities

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	-	1
Inwestycje Polskie Sp. z o.o.	-	10
Media Biznes Sp. z o.o.	96	60
Polska Telefonia Cyfrowa Sp. z o.o.	5	-
Polskie Media S.A.	24	24
Superstacja Sp. z o.o.	11	4
Telewizja Polsat S.A.	156	94
Total	292	193

Cost of operating activities

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Alpatran	150	150
Elektrim S.A.	574	183
EMarket Sp. z o.o.	166	92
Media Biznes Sp. z o.o.	36	10
Polska Telefonia Cyfrowa Sp. z o.o.	196	68
Praga Business Park Sp. z o.o.	1,689	1,281
Teleaudio Sp. z o.o.	2,108	308
Telewizja Polsat S.A.	7,728	7,213
Total	12,647	9,305

The most significant transactions include license fees to Telewizja Polsat S.A. for broadcasting programs “Polsat Sport” and “Polsat Sport Extra”.

Teleaudio Sp. z o.o. provides telecommunication services and rents “call centre” equipment to the Company. The Company leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A. Alpatran provides the Company with consulting services. Polska Telefonia Cyfrowa Sp.z o.o. charges the Company for mobile telephony services

(all amounts in PLN thousand)

Finance income

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	800	11
Polaris Finance B.V.	4,115	-
Praga Business Park Sp. z o.o.	795	793
Total:	5,710	804

Finance costs

	for 6 months ended	
	30 June 2008 unaudited	30 June 2007 unaudited
Polaris Finance B.V.	-	1,878
Satkabel Sp. z o.o.	-	18
Total	-	1,896

49. Subsequent events

On 4 July 2008, the General Shareholders Meeting of the Company, pursuant to Resolution no. 10 regarding distribution of profit for 2007 and dividend payment resolved to allocate the net profit in the amount of PLN 115,038,239.62 made by the Company in the financial year ended 31 December 2007 to the following purposes:
- the amount of PLN 37,565,500.00 to payment of dividend for 2007 to the shareholders of the Company. The dividend for 2007 shall be paid in the amount of PLN 0.14 per share,
- the amount of PLN 464,129.07 to supplementary capital,
- the amount of PLN 77,008,610.55 to cover for losses of previous years.

Moreover, the General Shareholders Meeting resolved that the dividend date applied for determination of shareholders entitled to a dividend for 2007 is 18 July 2008, and the dividend payment date shall 5 August 2008.

On 4 July 2008, the General Shareholders Meeting resolved to dismiss from the Supervisory Board Ms. Mariola Gaca and Ms. Anna Kwaśnik, and Mr. Zdzisław Gaca, and appoint Mr. Robert Gwiazdowski, Mr. Leszek Reksa and Mr. Zygmunt Solorz-Żak to the Supervisory Board.

On 7 July 2008 the Company entered into an agreement with Polish Filmmakers Association ("SFP") pursuant to which SFP in exchange for a fee specified in the agreement shall grant Cyfrowy Polsat non-exclusive, non-transferable license to use the audio-video content and related rights that audio-video producers are entitled to regarding videograms in the area of rebroadcasting in the scope of audio-video pieces and videograms contained in television programs made available by Cyfrowy Polsat through satellite decoders. The agreement also regulates the issue of granting the aforementioned license by SPF and the rules of resulting fee payment for the period from 1 January 2000 i.e. since the digital platform's commencement until the agreement conclusion. The payment of the fee set forth in the agreement covering this period fully exhausts all the claims of SFP against the Company for usage of rights represented by SFP prior to the date execution of the agreement. The value of the agreement amounts to PLN 58,200 thousand.

The agreement was concluded until 31 December 2010, with automatic renewal option for a further three year period.

On 15 July 2008 Annex 1 was signed to a bank guarantee concluded on 15 November 2007 between Bank BPH S.A. (currently Pekao S.A.) and Cyfrowy Polsat S.A. Pursuant to the guarantee agreement Bank BPH S.A. guaranteed and obligated itself towards Polska Telefonia Cyfrowa Sp. z o.o. („PTC") to irrevocably and unconditionally pay towards PTC a maximum amount of PLN 3,300 thousand upon first written demand of PTC. Pursuant to the annex signed, the maximum guarantee amount was raised to PLN 4,150 thousand. The guarantee is valid until 31 July 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 27 August 2008 Cyfrowy Polsat entered into 11 USD purchase agreements, USD 2,000 thousand each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 3 August 2009. The nominal value of these transactions is USD 22,000 thousand.
For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 28 August 2008 the Management Board of Cyfrowy Polsat S.A. resolved to merge and adopted a merger plan of Cyfrowy Polsat and Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. has 100% in the share capital.
The merger will lead to the optimisation of the organizational structure of Cyfrowy Polsat Group required in order to realise its medium- and long-term strategy and will allow for optimisation of operating costs within the Group and in addition will simplify the documentation resulting from transactions between related parties.
The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1.1 of the Commercial Code.

On 11 September 2008 Cyfrowy Polsat entered into 6 EUR purchase agreements, EUR 1,500 thousand each and with the currency dates being on the first working day of each consecutive months, with the first currency date set for 1 October 2008 and the last one on 2 March 2009. The nominal value of these transactions is euro 9,000 thousand.
For each of the above transactions the proper collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

On 11 September 2008 two loan agreements were signed between Cyfrowy Polsat S.A. (lender) and Praga Business Park Sp. z o.o. (borrower) for the total amount of PLN 29,000 thousand out of which:
1. A loan in the amount of PLN 26,000 thousand was granted for the repayment of the bank loan under an agreement with Raiffeisen Bank Polska S.A. The repayment of the bank loan will allow for removal of registry pledge on the shares of Praga Business Park Sp. z o.o., which is a prerequisite for the merger of both companies.
2. A loan in the amount of PLN 3,000 thousand was granted to finance the current operations of Praga Business Park Sp. z o.o.
Both loans bear an interest based on variable interest rate of 6 month WIBOR increased by 2 percentage points. The loans were granted to 31 January 2009 and are secured by a promissory note.

50. Accounting estimates and assumptions

In the preparation of financial statements in accordance with EU IFRS the Management Board is required to make judgments, assumptions and estimates which influence the adopted policies and the presented values of assets, liabilities, revenues and expenses. Estimates and related assumptions are based on historical experience and other factors, which are deemed reasonable under given circumstances. The result of these estimates should be a basis for measuring the carrying values of assets and liabilities which cannot be established based on other sources. The actual values may differ from the estimated values.

Accounting estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are accounted for in the period when the change is made or in the current or future period, should the change concerns both periods.

The key accounting estimates made the Management Board concern provision for impairment of set-top-boxes and the depreciation period of set-top-boxes rented to subscribers under operating leases.