

CYFROWY POLSAT S.A.  
CAPITAL GROUP

Interim consolidated report for the of six month period  
ended 30 June 2009

*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.*

Warsaw, 20 August 2009

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### Management Board's representations

Independent auditor's review report on the interim consolidated financial statements of Cyfrowy Polsat Group for the period from 1 January 2009 to 30 June 2009

Interim condensed consolidated financial statements for the six month period ended 30 June 2009

Interim condensed consolidated financial statements for the three and six month periods ended 30 June 2009

Independent auditor's review report on the interim standalone financial statements of Cyfrowy Polsat Group for the period from 1 January 2009 to 30 June 2009

Interim condensed financial statements for the six month period ended 30 June 2009

Interim condensed financial statements for the three and six month periods ended 30 June 2009

We have prepared this interim report as required by Paragraph 86 section 1 point 1 of the Regulation of the Council of Ministers of 19 February 2009 concerning the submission of current and periodical information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union.

#### Presentation of financial and other information

In this interim report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group or Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiary. 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 2001; „Family Package”, „Mini Package” and „Mini Max Package” relate to our starting packages available within our DTH services; „Subscriber” relates to a person who signed an agreement for subscription television services and who is obligated under the terms of agreement to make payments to access a package or packages of television channels or who has access to such packages after making required payments but without having signed such an agreement; „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 months in the reporting period; „ARPU Family Package” and „ARPU Mini Package” relates to average revenue per subscriber to the Family Package, Mini Package and Mini Max Package, respectively; „churn” relates to churn rate, calculated as a percentage of terminated agreements – number of terminated agreements during the period of 12 past months divided by average number of subscribers in the period of 12 past months; „churn Family Package” and „churn Mini Package” relate to churn rate calculated for the Family Package, Mini Package and Mini Max Package, respectively; „SAC” relates to the sum of cost of provision due to distributors per each attracted customer; „MVNO” relates to mobile virtual network operator services, which we launched on 8 September 2008; „Shares” relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013.

#### Financial and operating data

This interim report contains financial statements and other financial information relating to the Company and the Group. In particular, this interim report contains our interim condensed consolidated financial statements for the six month period ended 30 June 2009, interim condensed consolidated financial statements for the three and six month periods ended 30 June 2009, interim condensed financial statements for the six month period ended 30 June 2009 and interim condensed financial statements for the three and six month periods ended 30 June 2009. The financial statements attached to this interim report have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") and are presented in thousand 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 quarterly 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; 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 ARPU, share and per share data, unless otherwise stated.

## Forward – looking statements

This interim 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 2,844,106 subscribers as of 30 June 2009. 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 provide our subscribers with an access to 74 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 an access to over 500 free to air ("FTA") television and radio channels available via satellite in Poland. Starting in December 2007, we began to offer four thematic channels produced by BBC Worldwide Limited, all on an exclusive basis for DTH satellite operators in Poland. Moreover, we offer high definition channels, such as Polsat Sport HD, Eurosport HD, HBO HD and MTVN HD, and Discovery HD.

We currently offer our customers three introductory packages: the Family Package (Pakiet Familijny), the Mini Package (Pakiet Mini), and the Mini Max Package (Pakiet Mini Max). 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 Blue Hustler channel and HD channels. The thematic packages are available in four promotional 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.

In November 2007, we launched the production of our own standard definition set-top boxes, which enables us to decrease their acquisition costs. We started sales of our own-manufactured set-top boxes on 26 March 2008 and in the period from that date to 30 June 2009 we sold or leased about 354 thousand of our own set-top boxes to our subscribers.

We sell our services through an effective sales network covering the entire territory of Poland that links our own central warehouse, 29 regional distributors and a network of 1,264 retail points of sale.

On 8 September 2008, leveraging our strong brand name and our existing subscriber base we launched independent mobile telephony services as MVNO. We built our own telecommunications infrastructure (excluding radio access network), integrated a 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. All these activities allowed us to introduce our own pricelist and our own tariffs for both pre-paid and post-paid customers.

Launch of MVNO services was the first step in the process of becoming a multi-play operator offering digital television, telephone services and access to the broadband internet. Launch of the broadband internet offer is planned for the fourth quarter of 2009. The service will be offered based on agreements with third parties, including Sferia S.A. („Sferia”).

We believe that providing integrated multi-play services will contribute to an increase in the overall satisfaction of our clients and ultimately lower churn rate resulting in an increase in our subscriber base which will have a positive impact on our revenues from operating activities.

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

## 2. Significant events

### *Acquisition of shares in Sferia and finalization of put option to sell shares to Polaris Finance B.V.*

On 11 March 2009 we accepted an offer to purchase 350,000 privileged shares of a new share issue of Sferia of nominal value of PLN 100 each. These shares constituted approximately 11% in the increased share capital of Sferia. The shares were acquired at the issue price of PLN 152.56 per share.

Before the acquisition of shares, we concluded an option agreement with Zygmunt Solorz - Żak, based on which upon our request, Zygmunt Solorz - Żak or an entity appointed by him will purchase the shares acquired by us. In case of using the option shares will be sold for the total buying price increased by interest of the amount 5.5 % on an annual basis.

On 13 March 2009 based on an option agreement dated 11 March 2009 we exercised a put option to sell shares in Sferia. This decision was taken due to the lack of acceptance from the minority shareholders for our capital involvement in Sferia. The exercise of option was accepted by the Supervisory Board.

On 21 April 2009 we sold 350,000 shares in Sferia to Polaris Finance B.V., an entity appointed by Mr Zygmunt Solorz-Żak. Shares were sold for the price of PLN 53,726 (the price of acquisition of PLN 53,396,000 increased by an interest of 5.5% calculated from 11 March 2009 to 21 April 2009).

### *Annual Shareholders Meeting; dividend*

On 23 April 2009 the Annual General Meeting approved the Management Board's report on the Company's activities in financial year 2008, annual financial statements of the Company for financial year 2008, Management Board's report on the activities of the Capital Group in financial year 2008 and annual consolidated financial statements of the Capital Group in financial year 2008. Moreover, the Annual General Meeting granted a discharge to members of the Management and Supervisory Boards from performing their duties in 2008.

Our Annual General Meeting based on the resolutions adopted on 23 April 2009 decided that the Supervisory Board will consist of five members and nominated Robert Gwiazdowski, Andrzej Papis, Leszek Reksa, Heronim Ruta and Zygmunt Solorz-Żak to the Supervisory Board of Cyfrowy Polsat S.A.

Annual General Meeting, continued after a break, on 14 May 2009 with its resolution no 34 on division of profits achieved in the fiscal year 2008 and dividend payout decided that the net income of PLN 271,277 generated by the Cyfrowy Polsat S.A. in the financial year ended 31 December 2008 will be allocated as follows:

- for the dividend payout for 2008 the amount of PLN 201,243. Dividend for 2008 will be paid in the amount of PLN 0.75 per share;
- the remaining amount of PLN 70,033 to reserve capital.

Annual dividend day was set at 1 June 2009 and the dividend payout dates were set to be:

- 16 June 2009 for an amount of PLN 134,163 and
- 21 October 2009 for an amount of PLN 67,081.

According to the resolution the first tranche of the dividend was paid on 16 June 2009.

### *Change in our Management Board*

Maciej Gruber, a Member of the Management Board, Chief Financial Officer, after seven years of employment with Cyfrowy Polsat S.A. has resigned from the Management Board effective 14 May 2009. In a meeting dated 14 May 2009, the Supervisory Board accepted the resignation handed in by Maciej Gruber, and appointed Tomasz Szelaąg for the position of a Member of Management Board, Chief Financial Officer.

### 3. Summary historical financial data

The following tables set out our summary historical interim consolidated financial information for the three and six month periods ended 30 June 2009 and 30 June 2008. You should read the information in conjunction with the interim condensed consolidated financial statements for the six month period ended 30 June 2009 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 13 of this semiannual report.

Certain financial data:

- from the consolidated profit and loss statements for the three month periods ended 30 June 2009 and 30 June 2008 have been converted into euro at a rate of PLN 4.4374 per €1.00 (the arithmetic average of average exchange rates published by the National Bank of Poland, or NBP, on the last date of each of the months in the period i.e. from 1 April to 30 June 2009);
- from the consolidated profit and loss statements and consolidated cash flow statement for the six month periods ended 30 June 2009 and 30 June 2008 have been converted into euro at a rate of PLN 4.5184 per €1.00 (the arithmetic average of average exchange rates published by the National Bank of Poland, or NBP, on the last date of each of the months in the period i.e. from 1 January to 30 June 2009);
- certain consolidated balance sheet data as at 30 June 2009, 31 December 2008 and 30 June 2008 have been converted into euro at a rate of PLN 4.4696 per €1.00 (an exchange rate published by NBP on 30 June 2009).

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.



(in thousands)	Three month period ended 30 June				Six month period ended 30 June			
	2009		2008		2009		2008	
	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
<b>Consolidated Income Statement</b>								
Revenues from operating activities	322,714	72,726	277,746	62,592	659,631	145,988	526,496	116,523
Total operating expenses	254,642	57,385	179,771	40,513	506,207	112,032	345,014	76,358
Operating profit	68,072	15,341	97,975	22,079	153,424	33,955	181,482	40,165
Pre-tax profit	69,389	15,637	97,689	22,015	159,265	35,248	177,224	39,223
Income tax	13,323	3,002	18,734	4,222	30,550	6,761	34,261	7,583
Net profit	56,066	12,635	78,955	17,793	128,715	28,487	142,963	31,640
Basic and diluted earnings per share (not in thousands)	0.21	0.05	0.29	0.07	0.48	0.11	0.53	0.12
Weighted average number of issued ordinary shares (not in thousands)	268,325,000	-	268,325,000	-	268,325,000	-	268,325,000	-
<b>Consolidated Cash Flow Statement</b>								
Net cash flow from operating activities					16,616	3,677	83,762	18,538
Net cash flow from investing activities					(16,022)	(3,546)	(28,854)	(6,386)
Net cash flow from financing activities					(165,457)	(36,618)	(68,258)	(15,107)
Changes in cash and cash equivalents					(164,863)	(36,487)	(13,350)	(2,955)
Cash and cash equivalents at the end of the period					81,270	17,986	137,291	30,385
<b>Other consolidated financial data</b>								
EBITDA*	77,733	17,518	102,133	23,016	171,340	37,921	190,778	42,222
EBITDA margin	24.1%	24.1%	36.8%	36.8%	26.0%	26.0%	36.2%	36.2%
Operating margin	21.1%	21.1%	35.3%	35.3%	23.3%	23.3%	34.5%	34.5%
<b>As at</b>								
(in thousands)	30 June 2009		31 December 2008		30 June 2008			
	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
<b>Consolidated balance sheet</b>								
Total assets	681,413	152,455	757,131	169,396	630,440	141,054		
Total non-current liabilities	28,903	6,467	57,347	12,830	80,246	17,954		
Total current liabilities	431,701	96,586	406,446	90,936	346,091	77,432		
Equity	220,809	49,402	293,338	65,630	204,103	45,665		
Share capital	10,733	2,401	10,733	2,401	10,733	2,401		

\* The EBITDA result is calculated as operating profit plus depreciation. The EBITDA is not a measure of operating profit, operating efficiency or liquidity. On the other hand, the 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.

#### 4. Organizational structure of the Cyfrowy Polsat Capital Group

The following table presents the companies included in the structure of Cyfrowy Polsat Capital Group as of 30 June 2009 together with its consolidation method:

Company	Activities	Share as at 30 June 2009	Consolidation method
Cyfrowy Polsat Technology Sp. z o.o. ul. Łubinowa 4a 03-878 Warsaw	Production of set-top boxes	100%	Full

#### 5. Changes in the organizational structure of the Cyfrowy Polsat Capital Group and their effects

In the six month period ended 30 June 2009 there were no changes in the organizational structure of our Capital Group

#### 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 - according to our best knowledge- no less than 5% of our shares as of the date of publication of this semiannual report. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1 of the Act on changes of Public Offering, dated 4 September 2008, conditions governing the introduction of financial instruments to organized trading and public companies and changes of others acts.

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

On 16 April 2009 we become aware of a return transfer of 20,000,000 dematerialized registered shares, privileged as to the number of votes in the ratio of 2 to 1, resulting from a withdrawal by Polaris Finance B.V. on 16 April 2009 from a share sale agreement with Zygmunt Solorz-Żak dated 18 December 2008. The share transfer was made on 16 April 2009.

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

##### 8.1 Members of the Management Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Management Board members as of 12 May 2009, the date of publication of this semiannual report, and changes in their holdings since the date of publication of our last interim report

(report for the three month period ended 31 March 2009) on 12 May 2009. 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 12 May 2009	Increases	Decreases	Balance as of 20 August 2009
Dominik Libicki	121,497	-	-	121,497
Maciej Gruber <sup>1</sup>	500	-	-	500 (as at 14 May 2009)
Andrzej Matuszyński	-	-	-	-
Dariusz Działkowski	-	-	-	-
Tomasz Szela <sup>2</sup>	-	-	-	-
		(in period from 15 May until 20 August 2009)	(in period from 15 May until 20 August 2009)-	

<sup>1</sup> Maciej Gruber was a Member of our Management Board until 14 May of 2009.

<sup>2</sup> Tomasz Szela has been a Member of our Management Board since 15 May 2009.

## 8.2 Members of the Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Supervisory Board members as of 20 August 2009, the date of publication of this semiannual report, and changes in their holdings since the date of publication of our last interim report (report for the three month period ended 31 March 2009) on 12 May 2009. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Supervisory Board Member	Balance as of 12 May 2009	Increases	Decreases	Balance as of 20 August 2009
Zygmunt Solorz-Żak	166,105,938	-	-	166,105,938
Leszek Reksa	-	-	-	-
Robert Gwiazdowski	-	-	-	-
Andrzej Papis	-	-	-	-
Heronim Ruta	29,312,812	-	-	29,312,812

<sup>1</sup>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 directly 10.603.750 shares of Cyfrowy Polsat S.A. (3.95% of the share capital and 4.65% of votes).

<sup>2</sup>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. and directly 1,871,250 shares of Cyfrowy Polsat S.A. (0.70% of the share capital and 0.82% of votes).

## 9. Information on material proceedings at the court, arbitration body or public authorities against the Company or its consolidated subsidiaries

*Proceeding before the President of the Office of Competition and Consumer Protection ("UOKiK") due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro2008 event.*

On 14 April 2009 we received a notification about ex-officio initiation of antimonopoly proceedings against us due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro 2008 event involving imposing onerous

agreement conditions, resulting in unjustified benefits through dependence of sale of rights to public broadcast of Euro 2008 event on the purchase of a set-top box and technical support, which, according to the UOKiK may constitute a breach of art. 9 section 2 point 6 of the Law of 16 February 2007 on competition and customer protection.

Within the Euro2008 promotional activities, aimed exclusively at entrepreneurs, such as bars, pubs, and restaurants, the sale of rights to public broadcasting of signal from Euro2008 event was never made dependent on the purchase of a set-top box and the technical support.

We, upon conclusion of agreements within the Euro2008 event, acted as a proxy of the entity holding the rights to public broadcasting of Euro 2008 event only. We never held rights to sell rights to public broadcasting of Euro2008 event, as we were not the owner of copyrights, or related rights, nor it was a holder of a license. For above reasons we think that undertaken proceedings are groundless.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President UOKiK may impose a cash penalty on an entrepreneur, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level.

*Proceeding before the President of UOKiK with regards to application of practices breaching collective interest of consumers*

On 13 August 2009 we received a notification of initiation of proceedings with regards to application of practices breaching collective interest of consumers as set out by the provisions of art. 24 clause 2 point 1 of the Law of 16 February 2007 on competition and consumer protection by the Company, comprising the application of provisions in the Rules of service provision, whose content, in the view of the President of UOKiK, may be tantamount to the content of provisions entered into the registry of templates that have been deemed forbidden („the Registry”). The content of the provision questioned by the President of UOKiK is as follows „*In the event of occurrences that are beyond control of Cyfrowy Polsat, deemed to be force majeure, in particular of legal, technical or economic nature, Cyfrowy Polsat reserves the right to introduce changes to the scope of number or kind of television or radio channels available within the Basic Package or Additional Packages. Such a change, and in particular replacement of a given channel with a channel of similar subject, discontinuation of a given channel due to its low viewing figures, discontinuation of a given channel due to occurrences effected by its broadcaster, or due to a decision issued by a body of the state authority, or a court decision does not constitute a change to the Agreement or a change of these Rules*”

In the opinion of the President of UOKiK, comparing the questioned provision included in the Rules, with provisions of templates entered into the Registry under entries 571 and 1022 may indicate that the content of the provision in question similarly shapes the rights and obligations of consumers and falls within the hypothesis of forbidden provisions in agreement templates. The use of provisions in agreement templates, by entrepreneurs, that have been entered into the Registry is legally forbidden.

We have been in the course of works, in cooperation with UOKiK and the Office of Electronic Communications, to change the Rules. The amended Rules shall enter into force promptly.

Pursuant to art. 106 of the Law on protection of competition and consumers, the President of UOKiK may impose a fine on an entrepreneur, not exceeding 10% of the revenue achieved in the year prior to the year of administration of the fine. The following factors are considered upon determination of the level of the fine: the period, the level, and the circumstances of breach of the provisions of the law and also any previous breaches of the law.

**10. Information on concluding by the Company or its subsidiaries material transactions with related parties concluded on other conditions other than market conditions**

In six month period ended 30 June 2009 we did not conclude any material transactions with related parties on conditions other than market conditions.

## 11. Information on guarantees granted by the Company or subsidiaries to third parties

In the six month period ended 30 June 2009 neither us, nor any of our affiliates or subsidiary companies had granted any loans and borrowings or guarantees and guarantees for any third party or subsidiary where the total value of existing guarantees was at least 10% of our equity.

## 12. Other information important for the assessment of the Company's personnel, economic and financial position, as well as its financial results

### Sources of revenues from operating activities

Our revenues from operating activities consist of: (i) DTH subscription fees, (ii) rental of satellite television receiving equipment, (iii) sales of satellite television receiving equipment and telephones, (iv) sales of signal transmission services, (v) MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators and (vi) 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 and promotions purchased by our subscribers. Additionally, this revenue category includes revenues from activation fees, paid upfront by our subscribers while signing a set-top box equipment lease agreement. Activation fees are accounted for through the initial period of subscription contract. Subscription fees were, respectively, 90.0% and 88.1% of our revenues from operating activities in the three and six month periods ended 30 June 2009 as compared to 85.0% and 86.0%, respectively in the corresponding periods of 2008.

#### *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 rented and the amount of rental fees collected from our subscribers for these set-top boxes. Revenues from rental of satellite receiving equipment accounted for less than 0.1% of our revenues from operating activities in the three and six month periods ended on 30 June 2009 as compared to 0.9% and 0.7%, respectively in the corresponding periods of 2008.

#### *Sales of satellite television receiving equipment and telephones*

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 financial lease agreements as well as handsets purchased by our MVNO services users. The sale price of the satellite television receiving equipment for the subscriber depends on whether the customer purchases a set-top box itself or a set-top box and a satellite dish, as well as on what programming packages are purchased by the subscriber. The sale price of the telephones depends on the model of the handset and tariff plan purchased by the mobile subscriber. Revenues from sale of television receiving equipment and telephones were respectively 2.6% and 3.1% of our revenues from operating activities in the three and six month periods ended 30 June 2009 as compared to 8.3% in the both corresponding periods of 2008.

#### *Sales of signal transmission services*

We generate revenues from sale of signal transmission 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 mainly to broadcasters that are our licensors for programming. Revenues from sale of signal transmission services were 1.4% of our revenues from operating activities in the three and six month periods ended 30 June 2009 compared to 0.8% and 0.9%, respectively in the corresponding periods of 2008.

#### *Revenue from subscription fees, interconnection revenues and settlements with mobile telephony operators*

Revenue from subscription fees, interconnection revenues and settlements with mobile telephony operators include subscription fees and payments for generated traffic paid by users of mobile services and interconnection fees within our mobile services. This category of revenues depends on the number of users of our mobile services, rates for traffic generated, interconnection rates and generated traffic. Revenues from subscription fees, interconnection revenues and settlements with mobile telephony operators constituted 0.3% of our revenues from the operating activity in the three and six month periods ended 30 June 2009.

#### *Other operating revenue*

Other operating revenues were, respectively, 5.6% and 7.1% of our revenues from operating activities in the three and six month periods ended on 30 June 2009 as compared to 4.9% and 4.2%, respectively, in the corresponding periods of 2008. In three and six month periods ended 30 June 2009 other operating revenue mainly consisted of:

- (i) change in the value of set-top boxes;
- (ii) compensation for replacing set-top box cards and set-top boxes (excluding three month period ended 30 June 2009);
- (iii) revenues from lease of premises and facilities, related to the agreements for call center services;
- (iv) revenue from released impairment of assets and receivables.

#### **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, marketing and customer relation management cost, (v) salaries and employee-related expenses, (vi) costs of settlements with mobile network operators and interconnection charges (MVNO), (vii) costs of satellite television receiving equipment and telephones sold and (viii) other operating costs.

#### *Depreciation and amortization*

Depreciation and amortization expenses primarily consisted of depreciation of property, plant and equipment and intangible assets as well as telecommunication infrastructure related to our MVNO services and set-top boxes leased to our subscribers. Depreciation and amortization expenses were, respectively, 3.8% and 3.5% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 2.3% and 2.7%, respectively, in the corresponding periods of 2008.

#### *Programming costs*

Programming costs constitute 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 monthly agreed rate per subscriber and the number of subscribers reported to a given broadcaster who paid 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 paid for a package of programming services containing that licensor'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. In case of selected premium packages and HD channels programming cost are calculated based on revenue share agreements. Programming costs are denominated mainly in euro and US dollars and as a result this cost category also depends on EUR/PLN and USD/PLN exchange rates. Programming costs were, respectively, 35.1% and 36.9% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 25.7% and 28.0%, respectively in the corresponding periods of 2008.

#### *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 S.A. ('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 services costs are denominated mainly in euro and as a result this cost category also depends on EUR/ PLN exchange rate.

Signal transmission service costs were, respectively, 8.3% and 8.1% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 8.0% and 8.5%, respectively in the corresponding periods of 2008.

#### *Distribution, marketing and customer relation management cost*

Distribution, marketing and customer relation management cost consist of:

(i) commissions paid to distributors;

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 and mobile 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, over 90% 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.

(ii) marketing expenses;

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.

(iii) mailing costs;

Mailing costs (correspondence with customers) are comprised of expenses related to mailing invoices and information related, among other things, to changes in programming offers, customer retention 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 or monthly invoices sent to subscribers of the mobile services.

(iv) call center costs;

Call center costs include, among other things, payments to third parties for call center services related to customer care and customer retention as well as sale of pay DTH satellite television broadcasting services.

(v) other distribution and marketing expenses.

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

Distribution and marketing costs were, respectively, 24.0% and 21.8% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 24.9% and 24.0%, respectively in the corresponding periods of 2008.

#### *Salaries and employee-related expenses*

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts or project-specific contracts, remuneration of the Supervisory Board members, 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 sale and logistics to enable us to respond to the short-term need for seasonal employees in times of increased sales. Salaries and employee-related expenses were, respectively, 6.0% and 6.3% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 6.8% and 6.5%, respectively in the corresponding periods of 2008.

#### *Costs of satellite television receiving equipment and telephones sold*

We currently offer satellite television receiving equipment purchased from vendors at prices which are higher than the retail price we charge to our customers. The purpose of subsidizing set-top boxes 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.

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, respectively, 6.7% and 6.9% of our costs of operating activities adequately in the three and six month periods ended 30 June 2009 as compared to 17.9% and 18.6%, respectively in the corresponding periods of 2008.



*Costs of settlements with mobile telephony operators and interconnection charges*

Costs of settlements with mobile telephony operators and interconnection charges consist of cost of traffic generated by our subscribers in telecommunication networks and payments due to other operators for the traffic generated in their networks. This cost category constituted, respectively, 0.2% and 0.3% of costs of the operational activity in the three and six month periods ended 30 June 2009. *Other operating costs*

Key items of other operating costs in three and six month period ended 30 June 2009 include:

- (i) materials and energy used;
- (ii) IT services;
- (iii) bad debt provision;
- (iv) Polish Film Institute fee;
- (v) legal, advisory and consulting costs;
- (vi) cost of encryption cards provided with leased digital satellite reception equipment;
- (vii) bad debt recovery fees;
- (viii) fixed assets impairment and stock provision;
- (ix) telecommunication services,
- (x) property and appliances' lease and
- (xi) other operating costs.

Other operating costs were, respectively, 16.0% and 16.3% of our costs of operating activities in the three and six month periods ended 30 June 2009 as compared to 14.5% and 11.7%, respectively in the corresponding periods of 2008.

## Management discussion and analysis

### Operating results

	Three months ended			Six months ended		
	30 June 2009	30 June 2008	Percentage difference	30 June 2009	30 June 2008	Percentage difference
Number of subscribers at end of period, of which:						
	2,844,106	2,287,666	24.3%	2,844,106	2,287,666	24.3%
Number of subscribers Family Package at end of period	2,311,382	1,984,931	16.5%	2,311,382	1,984,931	16.5%
Number of subscribers Mini Package at end of period	532,724	302,735	76.0%	532,724	302,735	76.0%
Average number of subscribers <sup>1</sup> , of which:						
	2,820,809	2,227,374	26.6%	2,798,143	2,181,492	28.3%
Average number of subscribers Family Package	2,310,337	1,940,473	19.1%	2,308,456	1,909,237	20.9%
Average number of subscribers Mini Package	510,473	286,901	77.9%	489,687	272,255	79.9%
Churn rate <sup>2</sup> of which:	9.4%	7.0%	2.4 p.p.	9.4%	7.0%	2.4 p.p.
Churn rate of Family Package	10.8%	8.0%	2.8 p.p.	10.8%	8.0%	2.8 p.p.
Churn rate of Mini Package	2.1%	0.1%	2.0 p.p.	2.1%	0.1%	2.0 p.p.
Average revenue per user (ARPU) <sup>3</sup> (PLN), of which:						
	34.3	35.3	-2.8%	34.6	34.6	0.0%
Average revenue per user (ARPU) Family Package (PLN),	40.0	39.3	1.8%	40.1	38.3	4.7%
Average revenue per user (ARPU) Mini Package (PLN),	8.9	8.5	4.7%	8.8	8.5	3.5%
Subscriber average cost (SAC) <sup>4</sup> (PLN),	133.0	101.6	30.9%	130.0	98.5	32.0%

(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 the 12 months period ended at the last day of the reported quarter to the average number of agreements in that period.

(3) Revenues from subscription fees recognised according to FRS 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 2009 we had 2,844,106 subscribers, 24.3% more than as at 30 June 2008, when we had 2,287,666 subscribers. Number of our Family Package subscribers increased by 16.5% to 2,311,382 and constituted 81% of our entire subscriber base and the number of our Mini and Mini Max Packages subscribers increased by 76.0% to 532,724 subscribers and constituted 19% of our entire subscriber base. Increase in our subscriber base can be attributable to large number of new contracts signed during the period, partially offset by an increase in churn rate, which results from the strengthened competition and attractive promotional offers.

The churn rate for 12 month period ended 30 June 2009 increased to 9.4% in comparison to 7.0% in 12 month period ended 30 June 2008. The increase results primarily from an increase in Family Package churn rate to 10.8% from 8.0% in the period of 12 months ended 30 June 2008. The increase in Family Package churn rate partially results from an increase in the number of subscribers beyond the initial period of subscription agreement as compared to the corresponding period of 2008 and strengthened competition on the pay television market, resulting in more attractive promotional offers of all operators, including us. As a result of such a situation part of customers, who effectively dissolved a contract for the DTH services with us, again signed an agreement with us for the same services using attractive promotional offers offered in the period from the beginning of January to mid February 2009 (a notice period of the agreement is 3 months – notice filed in the period between 1 January to mid February 2009 is terminating effectively in the second quarter of 2009). To keep the churn rate under control we introduced retention programs aimed at our subscribers.

Our monthly ARPU decreased by 2.8% to PLN 34.3 in the three month period ended 30 June 2009 from PLN 35.3 in the corresponding period of 2008 mainly as a result of an increase in the share of Mini and Mini Max subscribers in subscriber base. Family Package ARPU increased by 1.8% to PLN 40.0 from PLN 39.3 in the corresponding period of 2008. This increase results from an increase in the number of subscribers beyond the initial period of subscription agreement, an increase in the number of premium packages and HD channels subscribers, an increase in our subscription fee price realized starting from 1 January 2008 (higher monthly subscription payment, for those subscribers whose initial period of the subscription contract ended starting 1 January 2008) and higher activation fee paid by those subscribers who lease set-top boxes from us included in the ARPU calculation. Mini Package ARPU increased by 4.7% to PLN 8,9 from PLN 8,5 in the corresponding period of 2008 mainly as a result from an increase in the number of subscribers beyond the initial period of subscription agreement.

Our monthly ARPU in the six month period ended 30 June 2009 amounted to PLN 34.6, and was stable as compared to the corresponding period of 2008. Family Package ARPU increased by 4.7% to PLN 40.1 from PLN 38.3 in the corresponding period of 2008 and Mini Package ARPU increased by 3.5% to PLN 8.8 from PLN 8.5 in the corresponding period of 2008.

Our average subscriber acquisition cost increased by 30.9% to PLN 133.0 in the three month period ended 30 June 2009 from PLN 101.6 in the corresponding period of 2008. Our average subscriber acquisition cost increased by 32.0% to PLN 130.0 in the six month period ended 30 June 2009 from PLN 98.5 in the corresponding period of 2008. Average subscriber acquisition cost increased to an average level from 2007, which is more realistic than the level which we observed in 2008.

#### Review of the financial situation

The following review of results for the three and six month periods ended 30 June 2009 was prepared based on interim condensed consolidated financial statements for the three and six month periods ended 30 June 2009 and interim condensed consolidated financial statements for the six month period and ended 30 June 2009 prepared in accordance with International Accounting Standards approved for use in the European Union as at 1 January 2009. All financial data is expressed in thousands.

#### Comparison of financial position as at 30 June 2009 and as at 31 December 2008

As at 30 June 2008 our balance sheet amount decreased by PLN 75,718 or 10.0% and amounted PLN 681,413. Fixed assets amounted PLN 223,121 and current assets PLN 458,292. On the liabilities side, our equity was PLN 220,809, our non-current liabilities were PLN 28,903 and current liabilities were PLN 431,701.

The value of television receiving equipment increased by PLN 28,338 or by 136.3% to PLN 49,123 as at 30 June 2009 from PLN 20,785 as at 31 December 2008. This change was mainly a result of an increase in the number of leased set-top boxes.

The value of other property, plant and equipment increased by PLN 15,434 or by 12.3% to PLN 141,404 as at 30 June 2009 from PLN 125,970 as at 31 December 2008. The change resulted mainly from reclassification between *Investment property* and *Other non-current assets* as a result of the fact that the last tenants moved out from this property and the property does not meet the criteria of investment property any more.

The value of Investment property decreased from PLN 16,998 on 31 December 2008 to PLN 0 on 30 June 2009 as a result of the fact that the last tenants moved out from this property and the property does not meet the criteria of investment property any more.

The value of other long term assets decreased by PLN 4,908, or by 20.2% to PLN 19,356 as at 30 June 2009 from PLN 24,264 as at 31 December 2008. The change resulted from a decrease in distributors' commissions deferred in time in the amount of PLN 4,903.

The value of inventories increased by PLN 72,338 or 76.1% to PLN 167,337 as at 30 June 2009 from PLN 94,999 as at 31 December 2008. This was mainly a result of an increase in set-top boxes (both purchased and produced) of PLN 55,237 and an increase in stock of components for the production of our set-top boxes of PLN 4,923.

The value of trade and other receivables increased by PLN 20,289, or 17.0% to PLN 139,804 as at 30 June 2009 from PLN 119,515 as at 31 December 2008. This change was mainly due to an increase in tax receivables (mainly VAT) of PLN 10,175 and an increase in trade receivables of PLN 9,761.

The value of other current assets decreased by PLN 20,374 or 23.8 % to PLN 65,295 as at 30 June 2009 from PLN 85,669 as at 31 December 2008. This was mainly a result of a decrease in distributors' commissions deferred in time by PLN 9,586 and a decrease in non-current assets due to the revaluation of forward contracts of PLN 10,514.

The value of cash and cash equivalents decreased by PLN 165,152, or 67.0% to PLN 81,270 as at 30 June 2009 from PLN 246,422 as at 31 December 2008, as a result of dividend payment for 2008 in the amount of PLN 131,125 and repayment of loans and borrowings with accrued interest of PLN 34,214.

The value of loans and borrowings (short- and long-term) decreased by PLN 31,784, or 28.7% to PLN 78,922 as at 30 June 2009 from PLN 110,706 as at 31 December 2008, mainly as a result of a partial repayment of PLN 31,518 under our loan agreement with Bank Pekao S.A.

The value of trade and other payables increased by PLN 16,819 or by 8.5% to PLN 214,344 as at 30 June 2009 from PLN 197,525 as at 31 December 2008 as a result of recognition of liabilities towards our shareholders and tax liabilities in the amount of PLN 67,081 resulting from payment of the second tranche of dividend for 2008 which will be paid on 21 October 2009, an increase in the value of accruals (provisions for liabilities) of PLN 15,976 mainly related to programming costs and a decrease in trade and others payables by PLN 69,445.

The value of equity decreased by PLN 72,529 or by 24.7% to PLN 220,809 as at 30 June 2009 from PLN 293,338 as at 31 December 2008, as a result of approving the dividend for 2008 partially offset by retained net profit for the six month period ended 30 June 2009.

**Comparison of financial results for the three month period ended 30 June 2009 with the result achieved in the corresponding period of 2008**

*Revenue from operating activities.* Our revenue from operating activities increased by PLN 16.2% to PLN 322,714 in the three month period ended 30 June 2009 from PLN 277,746 in the corresponding period of 2008. The increase mainly resulted from:

(i) a 23.0% increase in revenue from subscription fees to PLN 290,540 from PLN 236,207 mainly due to a 26.6% increase in the average number of subscribers partially offset by a 2.8% decrease in monthly ARPU;

(ii) a 33.5% increase in other operating revenues to PLN 18,154 from PLN 13,600 mainly as a result of (a) an increase in change of stock value of PLN 9,030, (b) recognition of revenues from lease of properties and equipment resulting from lease of the office space and call center stations in amount of PLN 2,869 and (c) an increase in compensation, including compensation for lost equipment and written-off deposits from subscribers of PLN 2,762 partially offset by a decrease in compensation from Nagravision amounting to PLN 6,216 resulting from a change in our access system which was ended in the first quarter of 2009;

(iii) a 99.4% increase in revenues from transmission services to PLN 4,562 from PLN 2,288 mainly as a result of depreciation Zloty towards euro (revenues from television signal transmission services are denominated in euro) and new contracts that we signed for signal transmission services;

(iv) recognition of revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators of PLN 915 due to launch of our MVNO services in September 2008.

These increases were partially offset by:

(i) a 63.6% decrease in the sale of television receiving equipment and telephones to PLN 8,378 from PLN 23,045 mainly as a result of a decrease in the number of sold set-top boxes due to an increase in the proportion of leased set-top boxes in the new

contracts for DTH services as compared to the corresponding period of 2008 and a decrease in the average price of set-top box sold and

(ii) a 93.7% decrease in revenues from rental of digital satellite reception equipment to PLN 165 from PLN 2,606 as result of changes in the offer for lease of set-top boxes in analysed periods. In 2008 subscribers paid for lease of a set-top boxes from PLN 5 to PLN 15 monthly, whereas starting from the fourth quarter of 2008 every new subscriber is paying PLN 1 for lease of a set-top box for the entire period of agreement (this payment is amortized over a life of the agreement).

*Costs of operating activities.* Our costs of operating activities increased by 41.6% to PLN 254,642 in the three month period ended 30 June 2009 from PLN 179,771 in the corresponding period of 2008. The increase primarily resulted from:

(i) a 93.6% increase in the programming license fees to PLN 89,303 from PLN 46,119, mainly due to weakening of Zloty towards euro and US dollar (PLN 23,155), an increase in the average number of subscribers and an increase in the number of subscribers of premium packages such as HBO, Cinemax and HD channels, but also due to new channels that enhanced our programming offer (such as Polsat News, Polsat Sport HD, TVP Sport);

(ii) a 36.6% increase in distribution, marketing and customer relation management costs to PLN 61,129 from PLN 44,736 mainly, as a result of (a) an increase of PLN 8,669 in the call center costs, resulting largely from an increase in our subscriber base, introduction of retention programs, a change in the settlement method of our call center costs and launch of MVNO services (b) an increase of PLN 5,425 in the distributors commissions as a result of an increase in the number of subscribers from which the distributor commissions are accounted for and higher commission rates paid for customer acquisition and (c) an increase in the marketing cost of PLN 3,254 resulting from an increase in expenditures on local marketing activities conducted by our sale network.

(iii) a 56.3% increase in the other operating costs to PLN 40,677 from PLN 26,063 mainly as a result of (a) an increase in bad debt provision by PLN 4,607 resulting from an increase in subscriber base and launch of MVNO services, (b) an increase in the cost of use of energy and materials by PLN 4,153, including costs of in-house production of set-top boxes, (c) an increase in cost of IT services resulting from cost of licence fees for production of our set-top boxes by PLN 2,230 as a result of increase in number of produced set-top boxes and weakening of Zloty toward US dollar (licence costs are denominated in US dollars) and an increase in maintenance and development cost of IT system including customer relations management system and (d) recognition of the cost of cards distributed together with leased set-top boxes of PLN 1,472;

(iv) a 45.9% increase in the signal transmission costs to PLN 21,079 from PLN 14,450 resulting mainly from the fact that since May 2009 we have leased the fourth transponder for the purpose of value added services in DTH as well as from weakening of Zloty towards the euro and an increase in the number of subscribers;

(v) a 132.4% increase in depreciation and amortization to PLN 9,662 from PLN 4,158 as a result of (a) recognized depreciation of fixed assets related to MVNO services which were launched in September 2008, (b) an increase in depreciation of set-top boxes leased to our subscribers and (c) an increase in amortization of computer hardware and equipment in the second half of 2008 as we made significant investment in hardware and equipment, related to an increase in number of employees and the completion of renovation of one of buildings on our premises

(vi) a 26.0% increase in the salaries and employee-related expenses to PLN 15,312 from PLN 12,156 mainly as a result of an increase in the average number of employees in the period to 566 from 408 in the corresponding period of 2008, resulting from our organic growth, launch of set-top boxes factory and launch of MVNO services.

These increases were partially offset by a decreased in the cost of television receiving equipment and telephones sold by 47.1% to PLN 16,995 from PLN 32,129 mainly as a result of a decrease in the number of set-top boxes sold, resulting mainly from increased proportion of leased set-top boxes which are depreciated rather than expensed partly offset by an increase in the average purchase price of set-top box resulting from weakening of Zloty towards the US dollar.

Moreover, due to presentation of the Group's profit and loss statement according to the calculation method the set-top box production related costs were recognized in the particular items of other operating costs. The costs mainly comprise materials and energy consumption costs, IT services costs and the cost of remuneration. In the cost of television receiving equipment and telephones sold we presented the cost of television receiving equipment sold that we purchased from external entities. The total cost of sales of television receiving equipment and telephones decreased to PLN 18,654 in the three month period ended 30 June 2009 from PLN 37,267 in the corresponding period of 2008.

*Operating profit.* Our operating profit decreased by 30.5% to PLN 68,072 in the three month period ended 30 June 2009 from PLN 97,975 in the corresponding period of 2008, mainly as a result of weakening of Zloty towards the euro by approximately 30,4% and towards the US dollar by approximately 49,7% what resulted in an increase in our programming costs and signal transmission costs by PLN 27,785.

*Financial income.* Our financial income increased by 99.7% to PLN 11,342 in the three month period ended 30 June 2009 from PLN 5,680 in the corresponding period of 2008.

Financial income comprised gain of PLN 6,519 on realization of forward contracts resulting from the realization of three contracts for the purchase of US dollars at a very beneficial exchange rate, foreign exchange gain of PLN 2,695 and interest gain of PLN 1,501 resulting from high cash balance.

*Financial expenses.* Our financial expenses increased by 68.0% to PLN 10,025 in the three month period ended on 30 June 2009 from PLN 5,966 in the corresponding period of 2008.

Financial expenses comprised loss on revaluation of unrealized forward contracts of PLN 8,889 and interest expenses on bank loans of PLN 1,031.

*Gross profit.* Our gross profit decreased by 29.0% to PLN 69,389 in the three month period ended on 30 June 2009 compared to PLN 97,689 in the corresponding period of 2008, mainly as a result of a decrease in operating profit.

*Income tax.* Income tax was PLN 13,323 in the three month period ended 30 June 2009. The effective tax rate was 19.2%.

*Net profit.* Our net profit decreased by 29.0% to PLN 56,066 in the three month period ended 30 June 2009 compared to PLN 78,955 in the corresponding period of 2008 as a result of a decrease in the gross profit.

#### Other information

*EBITDA.* EBITDA decreased to PLN 77,733 in the three month period ended 30 June 2009 from PLN 102,133 in the corresponding period of 2008 mainly as a result of weakening of Zloty towards the euro by approximately 30,4% and towards the US dollar by approximately 49,7% which resulted in an increase in our programming costs and transmission costs of PLN 27,785. EBITDA margin was 24.1% as compared to 36.8% in the corresponding period of 2008.

EBITDA adjusted for the impacted of depreciation of Zloty on our programming costs, signal transmission cost and revenues from transmission services was PLN 104,549 and the adjusted EBITDA margin was 32.5%.

*Capital expenditure.* Capital expenditures were PLN 25,660 in the three month period ended 30 June 2009 when compared to PLN 13,702 in the corresponding period of 2008, mainly due to expenditure borne on fixed assets and intangible assets for the provision of DTH services, purchase of set-top boxes for lease purposes to our subscribers and modernization of our real estate.

*Employment.* Average number of employees was 566 in the period of three months ended on 30 June 2009, when compared to 408 in the corresponding period of 2008. The increase in the average number of employees resulted from our organic growth, launch of set-top boxes factory and launch of MVNO services.

Comparison of financial results for the six month period ended 30 June 2009 with the result achieved in the corresponding period of 2008

*Revenue from operating activities.* Our revenue from operating activities increased by PLN 25.3% to PLN 659,631 in the six month period ended 30 June 2009 from PLN 526,496 in the corresponding period of 2008. The increase mainly resulted from:

(i) a 28.3% increase in revenue from subscription fees to PLN 580,904 from PLN 452,848 mainly due to a 28.3% increase in the average number of subscribers;

(ii) an increase in other operating revenues to PLN 46,909 from PLN 21,966 mainly as a result of (a) an increase in change of stock value of PLN 21,794 and (b) recognition of revenues from lease of properties and equipment resulting from lease of the office space and call center stations in the amount of PLN 5,750 and (c) an increase in compensation including compensations for lost equipment and written-off deposits from subscribers of PLN 3,110 partially offset by a decrease of PLN 1,919 in compensation from Nagravision resulting from a change in our access system that took place in January 2009.

(iii) a 101.2% increase in revenues from transmission services to PLN 9,218 from PLN 4,582 mainly as a result of to weakening of Zloty towards euro (revenues from television signal transmission services are denominated in euro) and new contracts that we signed for signal transmission services;

(iv) recognition of revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators of PLN 1,885 due to launch of our MVNO services in September 2008.

These increases were partially offset by:

(i) a 53.3% decrease in sale of television receiving equipment and telephones to PLN 20,358 from PLN 43,632 mainly as a result of a decrease in the number of set-top boxes sold due to an increase in the proportion of leased set-top boxes in the new contracts for DTH services as compared to the corresponding period of 2008 and a decrease in the average price of set-top box sold and

(ii) a 89.7% decrease in revenues from rental of digital satellite reception equipment to PLN 357 from PLN 3,468 as and result of changes in the offer for lease of set-top boxes in analysed periods. In 2008 subscribers paid for lease of a set-top boxes from PLN 5 to PLN 15 monthly, whereas starting from the fourth quarter of 2008 every new subscriber is paying PLN 1 for lease of a set-top box for the entire period of agreement (this payment additionally is over a life of the agreement).

*Costs of operating activities.* Our costs of operating activities increased by 46.7% to PLN 506,207 in the six month period ended 30 June 2009 from PLN 345,014 in the corresponding period of 2008. The increase primarily resulted from:

(i) a 93.1% increase in the programming license fees to PLN 186,875 from PLN 96,775 mainly due to weakening of Zloty towards euro and US dollar (PLN 48,686), an increase in the average number of subscribers and an increase in the number of subscribers of our premium packages such as HBO, Cinemax and HD channels, but also due to new channels that enhanced our programming offer (such as Polsat News, Polsat Sport HD, TVP Sport);

(ii) a 104.9% increase in other operating costs to PLN 82,525 from PLN 40,283 mainly as a result of (a) an increase in the cost of use of energy and materials by PLN 14,670, including costs of in-house production of set-top boxes, (b) an increase in cost of IT services resulting from cost of licence fees of production our set-top boxes by PLN 8,198 as a result of increase in number of produced set-top boxes and weakening of Zloty toward US dollar (licence costs are denominated in US dollars) an increase in maintenance and development of the IT system including customer relations management system, (c) an increase in bad debt provision by PLN 8,115 resulting from an increase in subscriber base and launch of MVNO services and (d) recognition of the cost of cards distributed together with leased set-top boxes of PLN 3,384;

(iii) a 33.1% increase in distribution, marketing and customer relation management costs to PLN 110,318 from PLN 82,874 mainly as a result of (a) an increase of PLN 18,630 in the call center costs, resulting largely from an increase in our subscriber

base, introduction of retention programs and a change in the settlement method of our call center costs, (b) an increase of PLN 7,285 in the distributors commissions as a result of an increase in the number of subscribers from which the distributor commissions are accounted for and an increase in cash commissions paid for customer acquisition and (c) an increase in the marketing cost of PLN 5,411 as a result of increase in expenditures on the promotion of our DTH services in the period since January by April 2009 and in expenditures on local marketing activities led by our network of the sale what was partly offset by decrease in costs of the mailing for PLN 5,234 as in the first half 2008 we served mailing related to the exchange of cards to set-top boxes and set-top boxes as a result of the exchange of the conditional access system which was finished in January 2009;

(iv) a 39.8% increase in the signal transmission costs to PLN 40,835 from PLN 29,203 resulting mainly from the fact that since May 2009 we have leased the fourth transponder for the purpose of value added services as well as from weakening of Zloty towards the euro and an increase in the number of subscribers.

(v) a 40.9% increase in the salaries and employee-related expenses to PLN 31,713 from PLN 22,507 mainly as a result of an increase in the average number of employees in the period to 546 from 388 in the corresponding period of 2008, resulting from our organic growth, launch of set-top boxes factory and launch of MVNO services;

(vi) a 92.7% increase in depreciation and amortization to PLN 17,916 from PLN 9,296 as a result of (a) recognized amortization from fixed assets related to MVNO services which were launched in September 2008, (b) an increase in depreciation of set-top boxes leased to our subscribers and (c) an increase in depreciation of the computer hardware and equipment in the second half of 2008 we made significant investment in hardware and equipment, related to an increase in number of employees and the completion of work in one of buildings on our premises

These increases were partially offset by a decreased in the cost of television receiving equipment and telephones sold by 45.8% to PLN 34,725 from PLN 64,042 mainly as a result of a decrease in number of sold set-top boxes, resulting mainly from increased proportion of leased set-top boxes which are amortized rather than on a one-off basis put into costs.

Moreover, due to presentation of the Group's profit and loss statement according to the calculation method the set-top box production related costs were recognized in the particular items of other operating costs. The costs mainly comprise materials and energy consumption costs, IT services costs and the cost of remuneration. In the cost of television receiving equipment and telephones sold we presented the cost of television receiving equipment sold that we purchased from external entities. The total cost of sales of television receiving equipment and telephones decreased to PLN 38,651 in the six month period ended 30 June 2009 from PLN 69,246 in the corresponding period of 2008.

**Operating profit.** Our operating profit decreased by 15.5% to PLN 153,424 in the six month period ended 30 June 2009 from PLN 181,482 in the corresponding period of 2008, mainly as a result of weakening of Zloty towards the euro by approximately 28.0% and towards the US dollar by approximately 46.9% that resulted in an increase in our programming costs and signal transmission costs by PLN 57,130.

**Financial income.** Our financial income increased by 148.2% to PLN 23,211 in the six month period ended 30 June 2009 from PLN 9,350 in the corresponding period of 2008.

Financial income comprised gain of PLN 18,266 on realization of forward contracts resulting from the realization of nine contracts for the purchase of US dollars and euro at very beneficial exchange rates, and interest gain of PLN 4,317 resulting from high cash balance.

**Financial expenses.** Our financial expenses increased by 27.6% to PLN 17,370 in the six month period ended on 30 June 2009 from PLN 13,608 in the corresponding period of 2008.

Financial expenses comprised loss on revaluation of unrealized forward contracts of PLN 10,514, foreign exchange losses of PLN 4,116, and interest expenses on bank loans of PLN 2,429.



**Gross profit.** Our gross profit decreased by 10.1% to PLN 159,265 in the six month period ended on 30 June 2009 compared to PLN 177,224 in the corresponding period of 2008, mainly as a result of a decrease in operating profit.

**Income tax.** Income tax was PLN 30,550 in the six month period ended 30 June 2009. The effective tax rate was 19.2%.

**Net profit.** Our net profit decreased by 10.0% to PLN 128,715 in the six month period ended 30 June 2009 compared to PLN 142,963 in the corresponding period of 2008 as a result of a decrease in the gross profit.

#### Other information

**EBITDA.** EBITDA decreased to PLN 171,340 in the six month period ended 30 June 2009 from PLN 190,778 in the corresponding period of 2008 mainly as a result of weakening of Zloty depreciation towards the euro by approximately 28.0% and towards the US dollar by approximately 46.9% what caused an increase in our programming costs and signal transmission costs for PLN 57,130. EBITDA margin was 26.0% as compared to 36.2% in the corresponding period of 2008.

EBITDA adjusted for the impact of depreciation of Zloty on our programming costs and signal transmission cost was PLN 226,556 and adjusted EBITDA margin was 34.4%.

**Capital expenditure.** Capital expenditures were PLN 48,303 in the six month period ended 30 June 2009 when compared to PLN 28,939 in the corresponding period of 2008, mainly due to expenditure borne on fixed assets and intangible assets for the provision of DTH services, purchase of set-top boxes to be leased to our subscribers and modernization of our real estate.

**Employment.** Average number of employees was 546 in the six month period ended on 30 June 2009, when compared to 388 in the corresponding period of 2008. The increase in the average number of employees resulted from our organic growth, launch of set-top boxes factory and launch of MVNO services.

#### Business segments

We conduct business in the segment of digital television and mobile telephony. Transactions between segments are concluded on arms-length basis.

The table below presents our revenues and operating costs according to segments of activity in the six month periods ended 30 June 2009 and 30 June 2008:

	For six months period ended 30 June					
	2009		2008		2008	
	Digital television		Mobile telephony		Consolidated amount	
Total revenue	655,100	524,533	4,018	167	659,631	526,496
Operating expenses	454,225	312,369	24,714	9,964	506,207	345,014
Operating profit	200,875	212,164	(20,696)	(9,797)	153,424	181,482
EBITDA	209,209	215,700	(16,456)	(9,152)	171,340	190,778

## Liquidity and capital reserves

The table below presents cash flow for the six month periods ended on 30 June 2009 and 2008.

	Six month period ended	
	30 June 2009	30 June 2008
Cash flow from operating activities	16,616	83,762
Cash flow from investing activities	(16,022)	(28,854)
Cash flow from financing activities	(165,457)	(68,258)
Change in cash and cash equivalents	(164,863)	(13,350)

### *Cash flow from operating activities*

Cash flow from operating activities decreased by PLN 67,146 to PLN 16,616 in the six month period ended 30 June 2009 from PLN 83,762 in the corresponding period of 2008. The decrease results mainly from an increase in change of stock as a result of the production of our own set-top boxes (which we produce evenly through the year for the high season sale in the fourth quarter) of PLN 55,232 and an increase in net value of set-top boxes leased to our subscribers, as a result of a change in the preferences of our subscribers.

### *Cash flow used in investing activities*

Cash flow used in investing activities decreased by PLN 12,832 to PLN 16,022 in the six month period ended 30 June 2009 from PLN 28,854 in the corresponding period of 2008, mainly as a result of lower expenditures on purchase of tangible and intangible assets. *Cash flow used in financial activities*

Cash flow used in financial activities in the six month period ended 30 June 2009 was PLN 165,457 when compared to PLN 68,258 in the corresponding period of 2008 and mainly comprised the dividend paid for 2008 in the amount of PLN 131,125 and repayment of bank debt with accrued interest on bank debt of PLN 34,214.

Cash and cash equivalents as at 30 June 2009 decreased to PLN 81,270 as compared to PLN 137,291 as at 30 June 2008. We keep our cash in a form of bank deposits in Zloty, Euro and U.S. dollars in Invest Bank S.A, Bank Pekao S.A and Raiffeisen Bank Polska S.A.

## Future liquidity and capital resources

We expect that our principal future cash needs will be (i) development of telecommunication services, (ii) purchase of DVRs, High Definition and other technologically advanced set-top boxes from external suppliers as well as components for our own Standard Definition and High Definition set-top boxes and (iii) planned capital expenditures, (iv) our debt service and (v) eventual dividend payout according to our dividend policy. 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 28,903 as at 30 June 2009 as compared to PLN 57,347 as at 31 December 2008.

Our total debt from long- and short-term loans and credit facilities as at 30 June 2009 was PLN 78,922, comprising debt resulting from a loan agreement with Bank Pekao S.A. denominated in PLN only.

As at 30 June 2009 our cash balance was higher than our debt balance by about PLN 2,348.

## Off balance sheet liabilities

On 14 April 2009 we received a notification about ex-officio initiation of antimonopoly proceedings against us due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro 2008 event involving imposing onerous agreement conditions, resulting in unjustified benefits through dependence of sale of rights to public broadcast of Euro 2008 event on the purchase of a set-top box and technical support, which, according to the UOKiK may constitute a breach of art. 9 section 2 point 6 of the Law of 16 February 2007 on competition and customer protection.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President UOKiK may impose a cash penalty on an entrepreneur, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level. In the evaluation of the Management Board the risk of negative decision of this process for dominant entity is lower than probable and therefore we didn't create reserves from this title.

## Trend information

The principal trends of which we are aware that we believe will affect our revenues and profitability are:

- 1 Further development of pay television market, including cable and DTH.
- 2 Fluctuations in the exchange rates of Zloty to both the Euro and the US dollar. A large proportion of our operating costs is denominated in these currencies. In the last quarter zloty has weakened against the euro and strengthened against the US Dollar. Further weakening of PLN towards these currencies can have an adverse influence on our financial results.
- 3 Inflation in Poland is currently slowly increasing and has previously been stable. June 2009 inflation is approximately 3.5% 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 US dollars, euro or other index to them 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.

Depreciation of Zloty towards US dollar and euro in three month period ended 30 June 2009 resulted in an increase of PLN 27,785, excluding the impact of forward transactions of our costs of programming, costs of signal transmission and cost of the conditional access system. Including the impact of forward transactions the above categories of costs increased by PLN 21,266.

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. 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 S.A. based on which we will purchase US dollars 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 S.A. based on which we will purchase euro 1,500 monthly with a fixed exchange rate of EUR 1 = PLN 3.459 for 6 consecutive months starting 1 October 2008. The last contract expired in March 2009. We will further observe our market to eventually hedge our remaining open position in US dollars and euro.

#### *Interest rate risk management*

Fluctuations in market interest rates have no direct effect on our revenues or operating cash flows, however, they do have an effect on cash flow from financing activities through the cost of interest paid on bank credits.

We analyse the level of interest rate risk, including refinancing scenarios as well as hedging policies against interest rate risk on a regular basis. Based on the analyses, we estimate the effect of given changes in interest rates on our results.

At present moment we do not hedge our interest rate risk exposure.

#### *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 multi-play services, (iii) to finance planned investments expenses and (iv) to maintain financial liquidity in connection with planned client promotions .

We hold cash primarily in Polish Zloty but maintain 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, 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 a 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.

### 13. Factors, that may impact the results of the Issuer and the Cyfrowy Polsat Capital Group in the following quarter

#### *Macroeconomic environment*

Economic slowdown caused migration of our subscribers to lower packages and an increase in the bad debt provision. At present these trends are marginal in terms of our financial results. But further economic slowdown may lead to a further decrease in domestic demand, an increase in unemployment rate and as a result a decrease in demand for our services or have an adverse impact on tendency of our subscribers to purchasing more expensive premium packages within our DTH services or to cause further migration towards cheaper packages. Additionally, customers impacted by economic slowdown may stop paying for services provided by us what can lead to further increase in bad debt provision. This situation may have an adverse impact on our financial results and it can cause the increase in bad debt.

#### *Competition*

Our market is very dynamic and competitive. There are four main players on the DTH market in Poland: Canal + Cyfrowy Sp. z o. o., the operator of Cyfra+ platform, ITI Neovision Sp. z o.o. the operator of "n" platform, Cyfrowy Polsat S.A., operator of Cyfrowy Polsat platform and Telekomunikacja Polska S.A. During the last quarter the 2008 and in 2009 competition on market was more aggressive.

Aggressive competition on the pay television market, change of the strategy of Canal+ Cyfrowy Sp. z o.o., introduction of Telewizja na Kartę and not clear strategy of Telekomunikacja Polska S.A. may have a negative impact on our ability to attract new customers, our ability to sustain current customer base, our ability to keep the current prices for end consumer or set-top boxes subsidies and our customer acquisition costs.

Additionally, launch of digital terrestrial television planned for September 2009 may adversely affect our subscriber base, in particular Mini Package subscriber base.

#### Promotions planned for the third quarter of 2009

Historically almost 50% of our annual gross additions was observed in the fourth quarter of the year. Preparing for the season of increased sales we will launch attractive promotional offers, in which our customers will be able to purchase our services without the need of paying subscription fee in definite promotional period of time, in the third quarter of 2009. The construction of the promotion will cause a decrease in the ARPU from the customers acquired during this promotional period.

#### *Growing share of the Mini Package subscribers in the subscribers base can impact adversely our ARPU*

Higher churn and definitely larger subscriber base of Family Package comparing to Mini Package causes, that the share of Mini Package subscribers in our subscribers base grows and blended ARPU is falling as Mini Package ARPU is four times lower than Family Package ARPU.

#### *Rising share of leased television receiving equipment*

Due to increased share of leased set-top boxes in the new contracts signed our cost of television receiving equipment sold will be respectively lower, but the capital expenditure for purchase of set-top boxes and the value of set-top boxes on our balance sheet will be higher resulting also in higher amortization charge.

#### *Introduction of retention programs*

In order to prevent the growth of our churn rate we introduced retention programs aimed at our subscribers. Due to the growing subscriber base beyond the initial period of the subscription contract the costs of retention programs will grow, which may increase our operating costs.

#### *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. In the last quarter Zloty has weakened against Euro and strengthened against the US dollar. 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.

#### *Expiry of safeguarding contracts of the type the forward*

Last forward contracts hedging our position expired at the beginning of the August 2009. Essentially we concluded 17 contracts, which were carried out in the period between October 2008 and August 2009. In this period we recognized financial revenues from realization of forward contracts (in the three month period ended with 30 June the income from realization of forward contracts amounted to PLN 6,519). The expiration of the last contract means that we will not recognize cost or revenues coming from the realization or revaluation of the contracts until we make new hedging agreements.

#### 14. 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, including our subscriber management system, reporting systems, sales service system, and customer relationship management system are vulnerable to results 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 effect on our business, financial results, 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 our 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 and cause us to lose customers*

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 four transponders 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.

*We cannot guarantee that in the future the President of UOKiK may deem our practices to be limiting competition.*

There are explanatory proceedings running before the President of the Polish Competition and Consumer Protection Office (UOKiK). If the President of UOKiK deems our practices to be limiting competition the President of UOKiK may call us to cease their application. Moreover, the President of UOKiK may impose a cash fine on us amounting to up to 10% of our revenue (as set out in the corporate tax law) for the fiscal year prior to the year the fine is imposed. Such a fine, if imposed, may materially adversely affect our business, financial condition, results of operations and prospects.

*Our success depends on attracting and retaining key personnel*

Running our business requires properly skilled personnel. There is a risk that we might lose our skilled personnel, or fail to attract properly trained staff in the face of intense competition for highly skilled personnel. Loss or failure to attract highly skilled personnel for key positions could have a material adverse effect on our business, financial condition, result of operations and prospects.

*Advanced technology we employ in our business may 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, therefore we and 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 that may occur could materially adversely affect our business, financial condition, results of operations and prospects.

*Scrambling algorithm and access codes used in our business are vulnerable to security breaches*

We currently use the Nagravision conditional access system, based on common scrambling algorithm Digital Video Broadcasting 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 upgraded our conditional access system (from NagraVision Aladin to the Nagravision 142 conditional access system) and we are 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.

*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 and capital expenditures (including costs of purchasing set-top boxes, other hardware equipment, software and television programming) that are denominated in currencies other than the Polish zloty.

The exchange rate fluctuations are caused by events that are beyond our control. Adverse foreign currency fluctuations against zloty 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 forecast that due to the expansion of our business into new areas in the future, in particular the MVNO business that we launched on 8 September 2008, planned introduction of integrated services, and growing penetration on the pay television services market, our average subscriber acquisition costs, as well as the average subscriber acquisition cost for each single package may increase. Our blended ARPU, as well as the ARPU for each single segment also may decrease. At the same time, ARPU for both segments may decline particularly as a result of growing number of subscribers to the Mini Package, extended promotional periods, and changes to the structure of packages, 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.



*Loss or failure to maintain our reputation and brand may adversely affect our business*

Our brand name “Cyfrowy Polsat” is an important asset to our Group. 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 we will be able to accomplish this objective. Our reputation may be harmed if we encounter difficulties in providing our services particularly such as HDTV, MVNO services, or in deploying new products such as DVR. The problems may result 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 have no influence or control. Low quality of services provided by the operator may substantially erode our reputation or value associated with the “Cyfrowy Polsat”.

A decrease in the “Cyfrowy Polsat” brand’s reputation 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 to make potentially dilutive issuances of our equity securities, to incur debt and contingent liabilities. 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 costs, which could have a negative impact on our business, financial condition, results of operations and prospects. .

*We may be exposed to risk of claims related to intellectual property right infringement*

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. In our opinion we do not 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 might 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 are exposed to risk related to increasing competition on the market in which we operate*

We operate in the pay DTH satellite television services market in Poland which is characterized by continuously changing technological development and increasing competition from other pay DTH satellite television services providers: Cyfra+, the “n” platform, or Telekomunikacja Polska S.A. (“TPSA”) 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. 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. Further, any earlier than expected roll-out of digital terrestrial television (“DTT”) service could negatively affect our business as new customers could potentially migrate toward that service. 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.

*Our business is subject to significant legal regulation which could require us to incur unplanned costs, or limit our revenues*

We are an MVNO provider in Poland and as a result we are subject to extensive administrative requirements regulating our business, e.g. setting maximum rates for telecommunication services by relevant regulatory authorities.

As providing mobile telephony services is a new business for us, we cannot assure you that we will be able to satisfy all of the different requirements resulting from provisions regulating the business and as a result we cannot rule out that in the case 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 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 removed from the register of telecommunications businesses. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

*The National Broadcasting Council ("KRRiT") may withdraw or refuse to renew our license*

Our business as a supplier of the pay digital satellite television involves wireless 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 for example, in cases involving a direct or indirect change of control over the licensed business.

Our compliance with the terms of the license granted by KRRiT on 22 October 2003 and amended by further decisions: No. DK - 346/2005 - 1/294, No. DK - 248/2006 - 2/294, No. DK - 295/2006, No. DK - 368/2007 - 3/294, No. DK - 395/2007 - 4/294, and No. DK - 398/2007 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 of 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.

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 there will be an obligation to obtain a license for television channel distribution after 2013, KRRiT may decide to extend it, or refuse to extend it.

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 set out in the license or in the Radio and Television Act 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 significantly, adversely affect our business*

All of our revenues are derived from customers in Poland. The level of our revenues depends on the amount of disposable income that existing and potential subscribers in Poland spend on entertainment, leisure and telecommunication needs. If the Polish economic situation deteriorates, consumers will be likely to spend less on entertainment, leisure and telecommunication needs and in view of the existing numerous entertainment options on the market, 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 number, or the rate of new client acquisition, which could adversely affect our business, financial condition and prospects.

*Zygmunt Solorz-Zak, directly and indirectly through Polaris Finance, holds majority of votes in our general shareholders' meeting*

Zygmunt Solorz-Zak has, directly and indirectly, (through Polaris Finance) more than 71% of the total votes at our General Shareholders' Meeting. As a result, Zygmunt Solorz-Zak and Polaris Finance will decide on a final content of resolutions adopted by the General Shareholders' Meeting.

## **Management Board's representations**

Pursuant to the requirements of the Decree of the Finance Minister of 19 February 2009 on ongoing and periodical information submitted by issuers of securities, and conditions of their acceptance as equivalent, required by the laws of a country not being a member state the Management Board of Cyfrowy Polsat SA represented by:

Dominik Libicki, President of the Management Board

Dariusz Działkowski, Member of the Management Board

Andrzej Matuszyński, Member of the Management Board

Tomasz Szeląg, Member of the Management Board

hereby represents that:

- to the best of its knowledge the condensed consolidated financial statements and condensed financial statements for the six month period ended 30 June 2009 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 audit the financial statements, which has audited the annual condensed consolidated financial statements and condensed financial statements for the six month period ended 30 June 2009, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw. 19 August 2009



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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 CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS OF  
CYFROWY POLSAT S.A. CAPITAL GROUP  
FOR THE PERIOD  
FROM 1 JANUARY 2009 TO 30 JUNE 2009**

To the Shareholders of Cyfrowy Polsat S.A.

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital Group, with its registered office in Warsaw, ul. Łubinowa 4A, that consist of the interim condensed consolidated balance sheet as at 30 June 2009, with total assets and total liabilities and equity of PLN 681,413 thousand, the interim condensed consolidated income statement for the period from 1 January 2009 to 30 June 2009 with a net profit of PLN 128,715 thousand and the interim condensed consolidated statement of comprehensive income for the period from 1 January 2009 to 30 June 2009 with a total comprehensive income of PLN 128,715 thousand, the interim condensed consolidated statement of changes in equity for the period from 1 January 2009 to 30 June 2009 with a decrease in equity of PLN 72,529 thousand, the interim condensed consolidated cash flow statement for the period from 1 January 2009 to 30 June 2009 with a decrease in cash amounting to PLN 164,863 thousand and selected supplementary information.

Management of Cyfrowy Polsat S.A. is responsible for the preparation and presentation of these interim condensed 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 condensed interim 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 Polish 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 condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital Group are not prepared, in all material respects, in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" as adopted by the European Union.

*Signed on the Polish original**Signed on the Polish original*

.....  
On behalf of KPMG Audyt Sp. z o. o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 90106  
Krzysztof Kuśmierski

.....  
On behalf of KPMG Audyt Sp. z o.o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 9645  
Marek Strugała, Director

19 August 2009  
Warsaw, Poland

# CYFROWY POLSAT S.A. GROUP

## Interim Condensed Consolidated Financial Statements for the 6 Months Ended 30 June 2009

*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 Condensed Consolidated Financial Statements

Interim Condensed Consolidated Income Statement

Interim Condensed Consolidated Statement of Comprehensive Income

Interim Condensed Consolidated Balance Sheet

Interim Condensed Consolidated Cash Flow Statement

Interim Condensed Consolidated Statement of Changes in Equity

Supplementary Information to the Interim Condensed Consolidated Financial Statements



## APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 19 August 2009, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

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### Interim Condensed Consolidated Income Statements for the period

from 1 January 2009 to 30 June 2009	showing a net profit of:	PLN 128,715 thousand
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### Interim Condensed Consolidated Balance Sheets as at

30 June 2009	showing total assets and total liabilities and equity of:	PLN 681,413 thousand
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### Interim Condensed Consolidated Cash Flow Statements for the period

from 1 January 2009 to 30 June 2009	showing a decrease in cash amounting to:	PLN 164,863 thousand
--	--	----------------------

### Interim Condensed Consolidated Statements of Changes in Equity for the period

from 1 January 2009 to 30 June 2009	showing a decrease in equity of:	PLN 72,529 thousand
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### Interim Condensed Consolidated Statements of Comprehensive Income

from 1 January 2009 to 30 June 2009	showing a total comprehensive income of:	PLN 128,715 thousand
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### Supplementary Information to the Interim Condensed Consolidated Financial Statements

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

Dominik Libicki President of the Management Board	Tomasz Szelaĝ Member of the Management Board	Andrzej Matuszyński Member of the Management Board	Dariusz Działkowski Member of the Management Board
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Dorota Wołczyńska  
Chief Accountant

Warsaw, 19 August 2009

### Interim Condensed Consolidated Income Statement

	Note	for 6 months ended	
		30 June 2009 unaudited	30 June 2008 unaudited
DTH Subscription fees	7	580,904	452,848
Rental of digital satellite reception equipment		357	3,468
Sale of digital satellite reception equipment and mobile phones		20,358	43,632
Transmission services		9,218	4,582
Subscription fees, interconnection revenues and settlements with mobile network operators		1,885	-
Other operating revenue	8	46,909	21,966
<b>Total revenues from operating activities</b>		<b>659,631</b>	<b>526,496</b>
Depreciation and amortization		17,916	9,296
Programming costs		186,875	96,775
Transmission costs	9	40,835	29,203
Distribution, marketing and customer relation management costs	10	110,318	82,874
Salaries and employee-related expenses	11	31,713	22,507
Cost of digital satellite reception equipment and mobile phones sold		34,725	64,042
Costs of settlements with mobile network operators and interconnection charges (MVNO)		1,300	34
Other operating costs	12	82,525	40,283
<b>Total costs of operating activities</b>		<b>506,207</b>	<b>345,014</b>
<b>Profit from operating activities</b>		<b>153,424</b>	<b>181,482</b>
Financial income	13	23,211	9,350
Financial expenses	14	(17,370)	(13,608)
<b>Profit before tax</b>		<b>159,265</b>	<b>177,224</b>
Income tax		30,550	34,261
<b>Net profit</b>		<b>128,715</b>	<b>142,963</b>
Basic and diluted earnings per share (in PLN)		0.48	0.53

### Interim Condensed Consolidated Statement of Comprehensive Income

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Net Profit	128,715	142,963
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	<b>128,715</b>	<b>142,963</b>

### Interim Condensed Consolidated Balance Sheet – Assets

	30 June 2009 unaudited	31 December 2008
Digital satellite reception equipment	49,123	20,785
Other property, plant and equipment	141,404	125,970
Intangible assets	11,476	11,876
Investment property	-	16,998
Other long-term assets	19,356	24,264
Deferred tax assets	1,762	1,223
<b>Total non-current assets</b>	<b>223,121</b>	<b>201,116</b>
Inventories	167,337	94,999
Trade and other receivables	139,804	119,515
Income tax receivable	4,586	9,410
Other current assets	65,295	85,669
Cash and cash equivalents	81,270	246,422
<b>Total current assets</b>	<b>458,292</b>	<b>556,015</b>
<b>Total assets</b>	<b>681,413</b>	<b>757,131</b>

### Interim Condensed Consolidated Balance Sheet – Equity and Liabilities

		30 June 2009	
	Note	unaudited	31 December 2008
Share capital	15	10,733	10,733
Reserve capital		73,997	3,964
Statutory reserve funds		10,174	10,174
Retained earnings		125,905	268,467
<b>Total equity</b>		<b>220,809</b>	<b>293,338</b>
Long-term loans and borrowings	16	15,054	44,135
Long-term finance lease liabilities		1,380	1,407
Deferred tax liability		11,980	11,536
Other long-term liabilities and provisions		489	269
<b>Total non-current liabilities</b>		<b>28,903</b>	<b>57,347</b>
Current loans and borrowings	16	63,868	66,571
Current finance lease liabilities		255	238
Trade and other payables		214,344	197,525
Income tax liabilities		330	400
Deposits for digital satellite reception equipment and mobile phones		19,631	22,447
Deferred income		133,273	119,265
<b>Total current liabilities</b>		<b>431,701</b>	<b>406,446</b>
<b>Total liabilities</b>		<b>460,604</b>	<b>463,793</b>
<b>Total equity and liabilities</b>		<b>681,413</b>	<b>757,131</b>

### Interim Condensed Consolidated Cash Flow Statement

	for the 6 months ended	
	30 June 2009	30 June 2008
	unaudited	unaudited
<b>Net profit</b>	128,715	142,963
<b>Adjustments:</b>	<b>(90,526)</b>	<b>(40,480)</b>
Depreciation and amortization	17,916	9,296
(Profit)/loss on investing activity	(316)	6
Interest expense/(income)	(1,889)	3,938
(Increase)/decrease in inventories	(72,338)	(17,106)
(Increase)/decrease in receivables and other assets	(1,768)	(23,538)
Increase/(decrease) in liabilities, provisions, accruals and deferred income	(41,019)	(49,122)
Foreign exchange losses/(gains)	9,563	(1,650)
Income tax	30,550	34,261
Net decrease/(increase) in set-top boxes under operating lease	(31,243)	(54)
Other adjustments	18	3,489
<b>Net cash flow from operating activities</b>	<b>38,189</b>	<b>102,483</b>
Income tax paid	(25,890)	(21,703)
Interest received from operating activity	4,317	2,982
<b>Cash flow from operating activities</b>	<b>16,616</b>	<b>83,762</b>
Purchases of intangible assets	(4,025)	(5,426)
Purchases of tangible assets	(12,329)	(23,513)
Purchases of financial assets (see note No 6)	(53,396)	-
Proceeds from sale of financial assets (see note No 6)	53,726	-
Proceeds from sale of non-financial assets	2	85
<b>Cash flow from investing activities</b>	<b>(16,022)</b>	<b>(28,854)</b>
Dividends paid*	(131,125)	-
Repayment of loans	(31,518)	(50,904)
Finance lease - principal repayments	(118)	(118)
Interest on loans and finance leases	(2,696)	(8,146)
Other financial inflows/(outflows), net	-	(9,090)
<b>Cash flow from financing activities</b>	<b>(165,457)</b>	<b>(68,258)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(164,863)</b>	<b>(13,350)</b>
Cash and cash equivalents at the beginning of the year	246,422	150,726
Foreign exchange rate differences	(289)	(85)
<b>Cash and cash equivalents at the end of the year</b>	<b>81,270</b>	<b>137,291</b>

\*The amount of dividend paid differs from the amount of dividend to be paid in the first tranche (see note No 15) due to the income tax paid by the Parent in July 2009.

### Interim Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2009		10,733	3,964	10,174	268,467	293,338
Total comprehensive income		-	-	-	128,715	128,715
Dividend approved	15	-	-	-	(201,244)	(201,244)
Appropriation of 2008 profit – transfer to reserve capital		-	70,033	-	(70,033)	-
<b>Balance as of 30 June 2009</b>		<b>10,733</b>	<b>73,997</b>	<b>10,174</b>	<b>125,905</b>	<b>220,809</b>

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2008	10,733	3,500	10,174	36,733	61,140
Total comprehensive income	-	-	-	142,963	142,963
<b>Balance as of 30 June 2008</b>	<b>10,733</b>	<b>3,500</b>	<b>10,174</b>	<b>179,696</b>	<b>204,103</b>

## Supplementary Information to the Interim Condensed Consolidated Financial Statements

### 1. Activity of the Parent

Cyfrowy Polsat S.A. operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Parent is also a Mobile Virtual Network Operator.

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

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board,
- Tomasz Szelaąg	Member of the Management Board (from 15 May 2009).

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

The composition of the Supervisory Board of the Company during the first 6 months of 2009 was as follows:

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

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

#### Statement of compliance

These interim condensed consolidated financial statements for the 6 months ended 30 June 2009 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". The Group applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 2009 and the consolidated financial statements for the years 2008 and 2007, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2009.

#### Published International Financial Reporting Standards and IFRIC 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 Group 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 2009 (presented below) with the exception of IFRS 8 Operating Segments that was applied for the first time in consolidated financial statements for the year 2008. As at the balance sheet date, the Group 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 consolidated 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 2009**

- Revised IFRS 3 "Business Combinations" is effective for the annual periods beginning after 1 July 2009;
- amendments to IFRS 5 „Non-current Assets Held for Sale and Discontinued Operations" is effective for the annual periods beginning after 1 July 2009;
- revised IAS 27 "Consolidated and Separate Financial Statements" are effective for the annual periods beginning after 1 July 2009;
- IFRIC 12 "Service Concession Arrangements" is effective for the annual periods beginning after 1 January 2008; according to Commission Regulation (EC) No 254/2009 each company shall apply IFRIC 12, at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation i.e. 29 March 2009;
- IFRIC 16 „Hedges of a Net Investment in a Foreign Operation" is effective for the annual periods beginning after 1 October 2008; according to Commission Regulation (EC) No 460/2009 each company shall apply IFRIC 16, at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation i.e. 30 June 2009.

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

- Revised IFRS 1 „First-time Adoption of International Financial Reporting Standards";
- amendments to IFRS 2 „Share-based Payments";
- amendments to IFRS 7 „Financial Instruments: Disclosures";
- amendments to IAS 39 „Financial Instruments: Recognition and Measurement", „Reclassifications of Financial Assets: Effective Date and Transition" and „Embedded Derivatives";
- amendments to IFRIC 9 „Reassessment of Embedded Derivatives";
- IFRIC 15 „Agreements for the Construction of Real Estate";
- IFRIC 17 „Distribution of Non-cash Assets to Owners";
- IFRIC 18 „Transfers of Assets from Customers";
- 2009 Improvements to International Financial Reporting Standards.

### **Addendum to the accounting policies published in the most recent annual consolidated financial statements**

Following points have been added to the Parent's accounting policies:

#### *(iie) Subscription fees and interconnection revenue*

Revenue from subscription fees from post-paid services and interconnection revenues is recognized in the income statement in the reporting periods which the service concerns.



*(iif) Revenue from prepaid services*

Revenues from services under prepaid offer are recognized in the income statement once the credit is utilized or forfeited.

*(iig) Revenue from settlements with mobile network operators*

Revenue from settlements with mobile network operators in the period in which the service was rendered.

The Parent changed the classification of certain items in interim condensed consolidated financial statements for the 6 months ended 30 June 2008 to conform to presentation in the current period. These amendments have not resulted in any changes to previously presented net result or equity.

## **Approval of the Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements were approved for publication by the Management Board on 19 August 2009.

## **5. Information on Seasonality in the Group's Operations**

Seasonality of sales of digital satellite reception equipment. The only portion of the Group's revenue which is subject to seasonality is the revenue from sales of digital satellite reception equipment. The seasonality is caused by increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which are not covered in terrestrial channels. Revenue from subscription fees is not directly subject to any seasonal trend.

## **6. Non-Recurring Events Occurring in the Period Covered by these Interim Condensed Consolidated Financial Statements**

In the period covered by these interim condensed consolidated financial statements, the Group continued replacement process of the encryption cards and digital satellite reception equipment incompatible with the conditional access system. Pursuant to the agreement concluded between Cyfrowy Polsat S.A. and Nagravision S.A. on 2 November 2004, Nagravision S.A. is obliged to pay a contractual penalty covering the costs of card replacement resulting from a breach of the encryption system. In the period covered by these interim condensed consolidated financial statements Cyfrowy Polsat S.A. issued debit notes in the amount of PLN 7,794 thousand, the entire amount is recognized as revenue in the current period. By 30 June 2009 Nagravision S.A. paid the entire amount of compensation for the costs incurred by the Group.

On 11 March 2009 Cyfrowy Polsat S.A. accepted an offer to purchase 350,000 privileged shares of a new issue of Sferia S.A. ("Sferia") of nominal value of PLN 100 each. The shares were acquired at the issue price of PLN 152.56 per share. Before the acquisition of shares, Cyfrowy Polsat S.A. concluded an option agreement with Zygmunt Solorz-Żak, which was exercised on 13 March 2009. On 21 April 2009 Cyfrowy Polsat S.A. sold shares in Sferia S.A. to Polaris Finance B.V., an entity appointed by Zygmunt Solorz-Żak as an executer of the option agreement. Shares were sold for the price of PLN 53,726 thousand (the price of acquisition of PLN 53,396 thousand increased by an interest of 5.5% calculated from 11 March 2009 to 21 April 2009).

## 7. DTH Subscription fees

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Revenue from subscription fees (MINI package)	25,751	13,873
Revenues from subscription fees (other packages)	555,153	438,975
<b>Total</b>	<b>580,904</b>	<b>452,848</b>

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

## 8. Other operating revenues

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Change of stock value	24,072	2,278
Contractual compensation for the costs of replacement of encryption card and digital satellite reception equipment (SWAP)	7,794	9,713
Revenue from lease of property and appliances	5,750	-
Reversal of provisions for other current assets	1,866	-
Other compensations	1,834	-
Marketing and advertising revenue	1,674	4,850
Compensation for lost and damaged equipment and subscribers' deposits written off	1,650	374
Other	2,269	4,751
<b>Total</b>	<b>46,909</b>	<b>21,966</b>

The Group recognized revenues from lease of property and appliances in the amount of PLN 5,750 thousand, which result from agreements for rendering call center services.

## 9. Transmission costs

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Transponders rental	23,496	16,202
Conditional Access System rental	14,367	10,318
Other	2,972	2,683
<b>Total</b>	<b>40,835</b>	<b>29,203</b>

## 10. Distribution, marketing and customer relation management cost

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Distributors' commissions	53,116	45,831
Call center	28,277	9,647
Marketing costs	17,803	12,392
Mailing costs	8,087	13,321
Other	3,035	1,683
<b>Total</b>	<b>110,318</b>	<b>82,874</b>

## 11. Salaries and employee-related expenses

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Salaries	26,599	18,771
Social security contributions	3,973	2,618
Pension obligations and other social benefits	1,141	1,118
<b>Total</b>	<b>31,713</b>	<b>22,507</b>

## 12. Other operating costs

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Materials and energy used	21,650	6,980
IT services	15,304	7,106
Bad debt provision	13,941	5,826
Polish Film Institute fee	8,010	5,978
Legal, advisory and consulting costs	3,650	3,959
Cost of encryption cards provided with leased digital satellite reception equipment	3,384	-
Fixed assets impairment and stock provision	2,722	622
Bad debt recovery fees	2,664	1,609
Telecommunication services	1,591	997
Property and appliances' lease	1,551	1,040
Other	8,058	6,166
<b>Total</b>	<b>82,525</b>	<b>40,283</b>

### 13. Financial revenues

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Foreign exchange differences realized on forward contracts	18,266	-
Interest income	4,317	2,982
Foreign exchange differences, net	-	2,253
Settlement of IPO-related costs	-	4,115
Profit from sale of shares	330	-
Other	298	-
<b>Total</b>	<b>23,211</b>	<b>9,350</b>

### 14. Finance expenses

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Finance costs from valuation of forward contracts*	10,514	-
Foreign exchange differences, net	4,116	-
Interest	2,498	6,930
Costs attributable to public offering of shares	-	6,678
Other	242	-
<b>Total</b>	<b>17,370</b>	<b>13,608</b>

\*On 27 August 2008 Cyfrowy Polsat S.A. entered into eleven USD forward contracts (USD 2,000 thousand each) and on 11 September 2008 entered into six EUR forward contracts (EUR 1,500 thousand each).

As at 30 June 2009 the Parent had two unsettled USD forward contracts.

### 15. Equity

#### Share capital

The table below presents the share capital of the Parent as at 30 June 2009.

Share series	Type of shares	Number of shares	Nominal value of a share	Number of votes	% of voting rights
A	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
B	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
C	preference shares (2 voting rights per share)	7,500,000	0.04	15,000,000	3.3%
D	preference shares (2 voting rights per share)	175,000,000	0.04	350,000,000	76.8%
E	ordinary bearer shares	75,000,000	0.04	75,000,000	16.4%
F	ordinary bearer shares	5,825,000	0.04	5,825,000	1.3%
<b>Total</b>		<b>268,325,000</b>		<b>455,825,000</b>	<b>100%</b>

### Reserve capital

On 14 May 2009 the General Shareholders Meeting of Cyfrowy Polsat S.A. transferred part of the profit in the amount of PLN 70,033 thousand to reserve capital.

### Dividends paid and declared

On 14 May 2009 a resolution regarding the distribution of 2008 profit was adopted. The General Shareholders Meeting of Cyfrowy Polsat S.A. resolved to pay dividend in the amount of PLN 201,244 thousand.

The General Shareholders Meeting of the Parent decided that the dividend day will be on 1 June 2009 and the dividend payout dates will be 16 June 2009 for an amount of PLN 134,163 thousand and 21 October 2009 for an amount of PLN 67,081 thousand.

The Parent paid the first tranche of the dividend, in accordance with the resolution, on 16 June 2009.

## 16. Borrowings and loans

As at 30 June 2009 the Group is a party of one bank loan agreement.

The agreement with Bank Pekao S.A. was conducted on 9 October 2007 for a total loan up to PLN 200 million bearing variable interest rate depending on the frequency of interest payment and a 0.55% margin. The Parent decided on monthly payments, therefore the bank loan interest rate is based on WIBOR 1M. Cyfrowy Polsat S.A. took out the bank loan in the amount of PLN 191,830 thousand and till 30 June 2009 repaid the principal amounting to PLN 113,036 thousand. The repayment was made out of own funds of the Group. 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, that is until 9 October 2010.

The bank loan agreement results in following restrictions for the Group:

- a. purchasing shares in other corporations or establishing companies or partnerships prohibited without the consent of the Bank,
- b. prohibited entering into transactions on terms less advantageous than arm's length terms,
- c. granting loans prohibited without the consent of the Bank,
- d. providing guarantees prohibited without the consent of the Bank,
- e. acquiring own shares for retirement and retirement of own shares prohibited without the consent of the Bank.

As at 30 June 2009 the amount of the bank loan in Bank Pekao S.A. amounted to PLN 78,922 thousand (including interest), where PLN 15,054 thousand represents the long term part and PLN 63,868 thousand – short term part.

## 17. Operating segments

Cyfrowy Polsat Group operates in digital television services segment as an operator of paid digital satellite platform (Direct to Home, DTH) and a set-top boxes' manufacturer and in mobile phone segment as a Mobile Virtual Network Operator, MVNO. Inter-segment transactions are concluded on terms that are not materially different from market terms. The Group operates only in Poland.

The activities of the Capital Group are grouped using business criterion, i.e. distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns. DTH segment comprises Group's activities connected with providing digital television transmission signal to individual clients and set-top boxes' manufacturing by a subsidiary company Cyfrowy Polsat Technology Sp. z o.o. MVNO segment comprises Group's activities connected with providing mobile phone services to the clients.

The table below presents Groups' segment revenue and costs for six months ended 30 June 2009.

	Digital television	Mobile phones	Other	Eliminations	Consolidated amount
External revenue	631,028	4,018	513	-	635,559
Change of stock value	24,072	-	-	-	24,072
Inter-segment revenue	-	-	213	(213)	-
<b>Total revenue</b>	<b>655,100</b>	<b>4,018</b>	<b>726</b>	<b>(213)</b>	<b>659,631</b>
Operating expenses, including:	454,225	24,714	27,481	(213)	506,207
Depreciation and amortization	8,334	4,240	5,342	-	17,916
<b>Operating profit</b>	<b>200,875</b>	<b>(20,696)</b>	<b>(26,755)</b>	<b>-</b>	<b>153,424</b>
<b>EBITDA*</b>	<b>209,209</b>	<b>(16,456)</b>	<b>(21,413)</b>	<b>-</b>	<b>171,340</b>

\*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.

Revenues classified as other comprise primarily revenues from property rental. Costs classified as other comprise property maintenance and administration costs and general and administrative costs.

The table below presents Groups' segment revenue and costs for six months ended 30 June 2008.

	Digital television	Mobile phones	Other	Eliminations	Consolidated amount
External revenue	522,255	167	1,796	-	524,218
Change of stock value	2,278	-	-	-	2,278
Inter-segment revenue	-	-	1,856	(1,856)	-
<b>Total revenue</b>	<b>524,533</b>	<b>167</b>	<b>3,652</b>	<b>(1,856)</b>	<b>526,496</b>
Operating expenses, including:	312,369	9,964	24,537	(1,856)	345,014
Depreciation and amortization	3,536	645	5,115	-	9,296
<b>Operating profit</b>	<b>212,164</b>	<b>(9,797)</b>	<b>(20,885)</b>	<b>-</b>	<b>181,482</b>
<b>EBITDA*</b>	<b>215,700</b>	<b>(9,152)</b>	<b>(15,770)</b>	<b>-</b>	<b>190,778</b>

\*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.

Revenues classified as other comprise primarily revenues from property rental. Costs classified as other comprise property maintenance and administration costs and general and administrative costs.

The table below presents Groups' investment expenditures by segments for six months ended 30 June 2009.

Investment expenditures:	Digital television	Mobile phones	Other	Consolidated amount
- intangible assets	1,358	1,097	1,570	4,025
- tangible assets and investment property	36,832*	429	7,017	44,278
<b>Total investment expenditures</b>	<b>38,190</b>	<b>1,526</b>	<b>8,587</b>	<b>48,303</b>

\*The total amount comprises also increase of set-top boxes under operating lease.

The table below presents Groups' investment expenditures by segments for six months ended 30 June 2008.

Investment expenditures:	Digital television	Mobile phones	Other	Consolidated amount
- intangible assets	2,793	2,009	624	5,426
- tangible assets and investment property	1,519	12,286	9,708	23,513
<b>Total investment expenditures</b>	<b>4,312</b>	<b>14,295</b>	<b>10,332</b>	<b>28,939</b>

The table below presents Groups' assets by segments as at 30 June 2009.

	Digital television	Mobile phones	Other	Consolidated amount
Non-current assets	99,127	26,377	97,617	223,121
Current assets	315,179	7,019	136,094	458,292
<b>Total assets</b>	<b>414,306</b>	<b>33,396</b>	<b>233,711</b>	<b>681,413</b>

Non-current assets classified as other comprise mainly property at Łubinowa Street and Group's car fleet. Current assets classified as other comprise mainly cash and cash equivalents, public receivables and forward exchange contracts' valuation.

The table below presents Groups' assets by segments as at 31 December 2008.

	Digital television	Mobile phones	Other	Consolidated amount
Non-current assets	76,125	29,598	95,393	201,116
Current assets	240,683	9,075	306,257	556,015
<b>Total assets</b>	<b>316,808</b>	<b>38,673</b>	<b>401,650</b>	<b>757,131</b>

Non-current assets classified as other comprised mainly property at Łubinowa Street and Group's car fleet. Current assets classified as other comprised mainly cash and cash equivalents, public receivables and forward exchange contracts' valuation.

## 18. Transactions with related parties

Below are presented transactions with related parties concluded by the Group in the reporting period:

### Receivables

	30 June 2009 unaudited	31 December 2008
Media Biznes Sp. z o.o.	59	11
Polsat Media Sp. z o.o.	1	1
Radio PIN S.A.	33	-
Sferia S.A.	-	14
Superstacja Sp.z o.o.	4	21
Teleaudio Sp. z o.o.	2	2
Telewizja Polsat S.A.	447	342
<b>Total</b>	<b>546</b>	<b>391</b>



Cyfrowy Polsat S.A. Group  
Interim Condensed Consolidated Financial Statements for the 6 Months Ended 30 June 2009  
(all amounts in PLN thousand)

**Liabilities**

	30 June 2009 unaudited	31 December 2008
Alpatran	-	31
Elektrim S.A.	-	2
Media Biznes Sp. z o.o.	-	31
Radio PIN S.A.	-	28
Sferia S.A.	24	-
Teleaudio Sp. z o.o.	141	175
Telewizja Polsat S.A.	282	2,085
<b>Total</b>	<b>447</b>	<b>2,352</b>

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

**Revenues from operating activities**

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Media Biznes Sp. z o.o.	96	96
Polska Telefonía Cyfrowa Sp. z o.o.*	-	5
Polskie Media S.A.	-	24
Radio PIN S.A.	75	-
Sferia S.A.	1	-
Superstacja Sp. z o.o.	48	11
Teleaudio Sp. z o.o.	4	-
Telewizja Polsat S.A.	1,903	156
<b>Total</b>	<b>2,127</b>	<b>292</b>

\* Polska Telefonía Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

## Cost of operating activities

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Alpatran	-	150
Elektrim S.A.	802	574
EMarket Sp. z o.o.*	-	167
Gemius S.A.**	9	-
Media Biznes Sp. z o.o.	48	36
Polska Telefonia Cyfrowa Sp. z o.o.***	-	198
Radio PIN S.A.	52	-
Sferia S.A.	40	-
Teleaudio Sp. z o.o.	6,927	2,108
Telewizja Polsat S.A.	29,119	7,728
<b>Total</b>	<b>36,997</b>	<b>10,961</b>

\* EMarket Sp. z o.o. was a related party until 17 June 2008.

\*\* Gemius S.A. is a related party from 4 July 2008.

\*\*\* Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

## Finance income

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Polaris Finance B.V.	-	4,115
<b>Total:</b>	<b>-</b>	<b>4,115</b>

The table above does not include purchase of shares of Sferia S.A. by Cyfrowy Polsat S.A. from Zygmunt Solorz-Żak and their further sale to Polaris Finance B.V. described in note No 6. The cost of acquiring shares by Cyfrowy Polsat S.A. amounted to PLN 53,396 thousand and the amount paid by Polaris Finance B.V. amounted to PLN 53,726 thousand. The resulting finance income totaled PLN 330 thousand.

## 19. Off-balance sheet commitments and contingent liabilities

### Contingent liabilities

On 14 April 2009 Cyfrowy Polsat S.A. received a notification about ex-officio initiation of antimonopoly proceedings against the Company due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro2008 event involving imposing onerous agreement conditions, resulting in unjustified benefits through dependence of sale of rights to public broadcast of Euro 2008 event on the purchase of a set-top box and technical support, which, according to the Office of Competition and Customer Protection ("UOKiK") may constitute a breach of art. 9 section 2 point 6 of the Law of 16 February 2007 on competition and customer protection.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President of UOKiK may impose a cash penalty on the Parent, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level.

The status of other legal proceedings and other litigations has not changed compared to those described in the Consolidated Financial Statements for the year ended 31 December 2008.

In the Management Board's opinion a risk of negative outcome for the Parent of the aforementioned proceeding is lower than probable so no provisions were made for the purpose.

#### **Commitments for the purchase of property, plant and equipment**

Cyfrowy Polsat S.A. entered into several agreements on refurbishment of the property at Łubinowa Street. Amount of unbilled purchases of goods and services regarding refurbishment totaled PLN 1,008 thousand. According to the plan all construction works are to be finished before the end of 2009.

On 7 April 2009 Cyfrowy Polsat S.A. entered into construction contract with ND SatCom GmbH for new ground station. Value of purchased goods and services regarding building works amounted to EUR 111 thousand, what represents PLN 497 thousand (recalculated at the average NBP rate as at 30 June 2009).

## **20. Other important events in the period covered by these interim condensed consolidated financial statements**

On 26 February 2009 a long-term agreement between Cyfrowy Polsat S.A. and Eutelsat S.A. on renting of the satellite capacity on the transponder HotBird 9 was signed. Conditions of the agreement are not different from market standards applied to agreements of this type. The total value of this agreement amounts to EUR 26.6 million.

## **21. Subsequent events**

On 13 August 2009 Cyfrowy Polsat S.A. received a notification of initiation proceedings with regards to application of practices breaching collective interest of consumers as set out by the provisions of art 24 clause 2 point 1 of the Law of 16 February 2007 on competition and consumer protection by the Parent, comprising the application of provisions in the rules of service provision, whose content, in the view of the President of the Office of Competition and Consumer Protection, may be tantamount to the content of provisions entered into the registry of templates that have been deemed forbidden.

Cyfrowy Polsat S.A. has been in the course of works, in cooperation with UOKiK and the Office of Electronic Communications, to change the rules.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President of UOKiK may impose a cash penalty on the Parent, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty

administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level.

## 22. Accounting estimates and assumptions

In the preparation of interim condensed 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 and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as adopted in preparation of consolidated financial statements for the year ended 31 December 2008.

# CYFROWY POLSAT S.A. GROUP

## Interim Condensed Consolidated Financial Statements for 3 and 6 Months Ended 30 June 2009

*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.*

Interim Condensed Consolidated Income Statement

Interim Condensed Consolidated Statement of Comprehensive Income

Interim Condensed Consolidated Balance Sheet

Interim Condensed Consolidated Cash Flow Statement

Interim Condensed Consolidated Statement of Changes in Equity

Supplementary Information to the Interim Condensed Consolidated Financial Statements

### Interim Condensed Consolidated Income Statement

	for 3 months ended		for 6 months ended	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	unaudited	unaudited	unaudited	unaudited
DTH Subscription fees	290,540	236,207	580,904	452,848
Rental of digital satellite reception equipment	165	2,606	357	3,468
Sale of digital satellite reception equipment and mobile phones	8,378	23,045	20,358	43,632
Transmission services	4,562	2,288	9,218	4,582
Subscription fees, interconnection revenues and settlements with mobile network operators	915	-	1,885	-
Other operating revenue	18,154	13,600	46,909	21,966
<b>Total revenues from operating activities</b>	<b>322,714</b>	<b>277,746</b>	<b>659,631</b>	<b>526,496</b>
Depreciation and amortization	9,661	4,158	17,916	9,296
Programming costs	89,303	46,119	186,875	96,775
Transmission costs	21,079	14,450	40,835	29,203
Distribution, marketing and customer relation management costs	61,129	44,736	110,318	82,874
Salaries and employee-related expenses	15,312	12,156	31,713	22,507
Cost of digital satellite reception equipment and mobile phones sold	16,995	32,129	34,725	64,042
Costs of settlements with mobile network operators and interconnection charges (MVNO)	486	34	1,300	34
Other operating costs	40,677	25,989	82,525	40,283
<b>Total costs of operating activities</b>	<b>254,642</b>	<b>179,771</b>	<b>506,207</b>	<b>345,014</b>
<b>Profit from operating activities</b>	<b>68,072</b>	<b>97,975</b>	<b>153,424</b>	<b>181,482</b>
Financial income	11,342	5,680	23,211	9,350
Financial expenses	(10,025)	(5,966)	(17,370)	(13,608)
<b>Profit before tax</b>	<b>69,389</b>	<b>97,689</b>	<b>159,265</b>	<b>177,224</b>
Income tax	13,323	18,734	30,550	34,261
<b>Net profit</b>	<b>56,066</b>	<b>78,955</b>	<b>128,715</b>	<b>142,963</b>
Basic and diluted earnings per share (in PLN)	0.21	0.29	0.48	0.53

### Interim Condensed Consolidated Statement of Comprehensive Income

	for 3 months ended		for 6 months ended	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	unaudited	unaudited	unaudited	unaudited
<b>Net profit</b>	<b>56,066</b>	<b>78,955</b>	<b>128,715</b>	<b>142,963</b>
Other comprehensive income	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>56,066</b>	<b>78,955</b>	<b>128,715</b>	<b>142,963</b>

### Interim Condensed Consolidated Balance Sheet – Assets

	30 June 2009 unaudited	31 December 2008
Digital satellite reception equipment	49,123	20,785
Other property, plant and equipment	141,404	125,970
Intangible assets	11,476	11,876
Investment property	-	16,998
Other long-term assets	19,356	24,264
Deferred tax assets	1,762	1,223
<b>Total non-current assets</b>	<b>223,121</b>	<b>201,116</b>
Inventories	167,337	94,999
Trade and other receivables	139,804	119,515
Income tax receivable	4,586	9,410
Other current assets	65,295	85,669
Cash and cash equivalents	81,270	246,422
<b>Total current assets</b>	<b>458,292</b>	<b>556,015</b>
<b>Total assets</b>	<b>681,413</b>	<b>757,131</b>



## Interim Condensed Consolidated Balance Sheet – Equity and Liabilities

	30 June 2009 unaudited	31 December 2008
Share capital	10,733	10,733
Reserve capital	73,997	3,964
Statutory reserve funds	10,174	10,174
Retained earnings	125,905	268,467
<b>Total equity</b>	<b>220,809</b>	<b>293,338</b>
Long-term loans and borrowings	15,054	44,135
Long-term finance lease liabilities	1,380	1,407
Deferred tax liability	11,980	11,536
Other long-term liabilities and provisions	489	269
<b>Total non-current liabilities</b>	<b>28,903</b>	<b>57,347</b>
Current loans and borrowings	63,868	66,571
Current finance lease liabilities	255	238
Trade and other payables	214,344	197,525
Income tax liabilities	330	400
Deposits for digital satellite reception equipment and mobile phones	19,631	22,447
Deferred income	133,273	119,265
<b>Total current liabilities</b>	<b>431,701</b>	<b>406,446</b>
<b>Total liabilities</b>	<b>460,604</b>	<b>463,793</b>
<b>Total equity and liabilities</b>	<b>681,413</b>	<b>757,131</b>

### Interim Condensed Consolidated Cash Flow Statement

	for the 6 months ended	
	30 June 2009	30 June 2008
	unaudited	unaudited
<b>Net profit</b>	128,715	142,963
<b>Adjustments:</b>	<b>(90,526)</b>	<b>(40,480)</b>
Depreciation and amortization	17,916	9,296
(Profit)/loss on investing activity	(316)	6
Interest expense/(income)	(1,889)	3,938
(Increase)/decrease in inventories	(72,338)	(17,106)
(Increase)/decrease in receivables and other assets	(1,768)	(23,538)
Increase/(decrease) in liabilities, provisions, accruals and deferred income	(41,019)	(49,122)
Foreign exchange losses/(gains)	9,563	(1,650)
Income tax	30,550	34,261
Net decrease/(increase) in set-top boxes under operating lease	(31,243)	(54)
Other adjustments	18	3,489
<b>Net cash flow from operating activities</b>	<b>38,189</b>	<b>102,483</b>
Income tax paid	(25,890)	(21,703)
Interest received from operating activity	4,317	2,982
<b>Cash flow from operating activities</b>	<b>16,616</b>	<b>83,762</b>
Purchases of intangible assets	(4,025)	(5,426)
Purchases of tangible assets	(12,329)	(23,513)
Purchases of financial assets	(53,396)	-
Proceeds from sale of financial assets	53,726	-
Proceeds from sale of non-financial assets	2	85
<b>Cash flow from investing activities</b>	<b>(16,022)</b>	<b>(28,854)</b>
Dividends paid*	(131,125)	-
Repayment of loans	(31,518)	(50,904)
Finance lease - principal repayments	(118)	(118)
Interest on loans and finance leases	(2,696)	(8,146)
Other financial inflows/(outflows), net	-	(9,090)
<b>Cash flow from financing activities</b>	<b>(165,457)</b>	<b>(68,258)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(164,863)</b>	<b>(13,350)</b>
Cash and cash equivalents at the beginning of the year	246,422	150,726
Foreign exchange rate differences	(289)	(85)
<b>Cash and cash equivalents at the end of the year</b>	<b>81,270</b>	<b>137,291</b>

\*The amount of dividend paid differs from the amount of dividend to be paid in the first tranche due to the income tax paid by the Parent in July 2009.

### Interim Condensed Consolidated Statement of Changes in Equity

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2009	10,733	3,964	10,174	268,467	293,338
Total comprehensive income	-	-	-	128,715	128,715
Dividend approved	-	-	-	(201,244)	(201,244)
Appropriation of 2008 profit – transfer to reserve capital	-	70,033	-	(70,033)	-
<b>Balance as of 30 June 2009</b>	<b>10,733</b>	<b>73,997</b>	<b>10,174</b>	<b>125,905</b>	<b>220,809</b>

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2008	10,733	3,500	10,174	36,733	61,140
Total comprehensive income	-	-	-	142,963	142,963
<b>Balance as of 30 June 2008</b>	<b>10,733</b>	<b>3,500</b>	<b>10,174</b>	<b>179,696</b>	<b>204,103</b>

## Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 and 6 months Ended 30 June 2009

### 1. Activity of the Parent

Cyfrowy Polsat S.A. operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Parent is also a Mobile Virtual Network Operator.

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

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board,
- Tomasz Szelaż	Member of the Management Board (from 15 May 2009).

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

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

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

#### Statement of compliance

These interim condensed consolidated financial statements for 3 and 6 months ended 30 June 2009 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". The Group applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2009 and the consolidated financial statements for the years 2008 and 2007, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2009.

IAS 34 requires minimum information disclosure assuming that readers of the interim consolidated financial statements have access to most recent published annual consolidated financial statements, information disclosed are material and were not disclosed elsewhere in the interim consolidated financial statements.

Most recent published annual consolidated financial statements were prepared and audited for the year ended 31 December 2008. Annual consolidated financial statements fully disclose accounting policies approved by the Group, except for new accounting policies and standards and interpretations, which are effective for the reporting periods beginning after 1 January 2009 and were disclosed in the interim condensed consolidated financial statements for 6 months ended 30 June 2009.



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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 CONDENSED  
FINANCIAL STATEMENTS OF  
CYFROWY POLSAT S.A.  
FOR THE PERIOD  
FROM 1 JANUARY 2009 TO 30 JUNE 2009**

To the Shareholders of Cyfrowy Polsat S.A.

*Introduction*

We have reviewed the accompanying interim condensed financial statements of Cyfrowy Polsat S.A., with its registered office in Warsaw, ul. Łubinowa 4A, that consist of the interim condensed balance sheet as at 30 June 2009, with total assets and total liabilities and equity of PLN 686,640 thousand, the interim condensed income statement for the period from 1 January 2009 to 30 June 2009 with a net profit of PLN 130,424 thousand and the interim condensed statement of comprehensive income for the period from 1 January 2009 to 30 June 2009 with a total comprehensive income of PLN 130,424 thousand, the interim condensed statement of changes in equity for the period from 1 January 2009 to 30 June 2009 with a decrease in equity of PLN 70,820 thousand, the interim condensed cash flow statement for the period from 1 January 2009 to 30 June 2009 with a decrease in cash amounting to PLN 163,462 thousand and selected supplementary information.

Management of Cyfrowy Polsat S.A. is responsible for the preparation and presentation of these interim condensed 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 condensed 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 Polish 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 condensed financial statements of Cyfrowy Polsat S.A. are not prepared, in all material respects, in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” as adopted by the European Union.

*Signed on the Polish original*

*Signed on the Polish original*

.....  
On behalf of KPMG Audyt Sp. z o. o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 90106  
Krzysztof Kuśmierski

.....  
On behalf of KPMG Audyt Sp. z o.o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 9645  
Marek Strugała, Director

19 August 2009  
Warsaw, Poland

# CYFROWY POLSAT S.A.

## Interim Condensed Financial Statements for 6 Months Ended 30 June 2009

*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 Condensed Financial Statements

Interim Condensed Income Statement

Interim Condensed Statement of Comprehensive Income

Interim Condensed Balance Sheet

Interim Condensed Cash Flow Statement

Interim Condensed Statement of Changes in Equity

Supplementary Information to the Interim Condensed Financial Statements



## APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 19 August 2009, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

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### Interim Condensed Income Statement for the period

from 1 January 2009 to 30 June 2009	showing a net profit of:	PLN 130,424 thousand
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### Interim Condensed Balance Sheet as at

30 June 2009	showing total assets and total liabilities and equity of:	PLN 686,640 thousand
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### Interim Condensed Cash Flow Statement for the period

from 1 January 2009 to 30 June 2009	showing a decrease in cash amounting to:	PLN 163,462 thousand
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### Interim Condensed Statement of Changes in Equity for the period

from 1 January 2009 to 30 June 2009	showing a decrease in equity of:	PLN 70,820 thousand
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### Interim Condensed Statement of Comprehensive Income

from 1 January 2009 to 30 June 2009	showing a total comprehensive income of:	PLN 130,424 thousand
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### Supplementary Information to the Interim Condensed Financial Statements

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

Dominik Libicki President of the Management Board	Tomasz Szelaĝ Member of the Management Board	Andrzej Matuszyński Member of the Management Board	Dariusz Działkowski Member of the Management Board
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Dorota Wolczyńska  
Chief Accountant

Warsaw, 19 August 2009

### Interim Condensed Income Statement

	Note	for 6 months ended	
		30 June 2009 unaudited	30 June 2008 unaudited
DTH Subscription fees	7	580,904	452,848
Rental of digital satellite reception equipment		357	3,468
Sale of digital satellite reception equipment and mobile phones		20,358	43,632
Transmission services		9,218	4,582
Subscription fees, interconnection revenues and settlements with mobile network operators		1,885	-
Other operating revenue	8	22,869	18,882
<b>Total revenues from operating activities</b>		<b>635,591</b>	<b>523,412</b>
Depreciation and amortization		17,172	7,719
Programming costs		186,875	96,775
Transmission costs	9	40,835	29,203
Distribution, marketing and customer relation management costs	10	110,318	82,874
Salaries and employee-related expenses	11	28,450	20,530
Cost of digital satellite reception equipment and mobile phones sold		40,188	69,471
Costs of settlements with mobile network operators and interconnection charges (MVNO)		1,300	34
Other operating costs	12	55,997	33,146
<b>Total costs of operating activities</b>		<b>481,135</b>	<b>339,752</b>
<b>Profit from operating activities</b>		<b>154,456</b>	<b>183,660</b>
Financial income	13	23,780	8,645
Financial expenses	14	(16,970)	(12,772)
<b>Profit before tax</b>		<b>161,266</b>	<b>179,533</b>
Income tax		30,842	34,124
<b>Net profit</b>		<b>130,424</b>	<b>145,409</b>
 Basic and diluted earnings per share (in PLN)		 0.49	 0.54

### Interim Condensed Statement of Comprehensive Income

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
<b>Net profit</b>	<b>130,424</b>	<b>145,409</b>
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	<b>130,424</b>	<b>145,409</b>

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Interim Condensed Balance Sheet – Assets

	30 June 2009 unaudited	31 December 2008
Digital satellite reception equipment	51,021	20,785
Other property, plant and equipment	129,552	113,644
Intangible assets	10,896	11,187
Long term receivables from related parties	5,412	5,917
Investment property	4,811	21,846
Other long-term assets	19,406	24,264
<b>Total non-current assets</b>	<b>221,098</b>	<b>197,643</b>
Inventories	170,394	89,038
Short-term loans granted to related parties	6,691	11,348
Trade and other receivables	141,007	120,793
Income tax receivable	4,586	9,410
Other current assets	65,629	85,639
Cash and cash equivalents	77,235	240,979
<b>Total current assets</b>	<b>465,542</b>	<b>557,207</b>
<b>Total assets</b>	<b>686,640</b>	<b>754,850</b>

### Interim Condensed Balance Sheet – Equity and Liabilities

		30 June 2009	
	Note	unaudited	31 December 2008
Share capital	15	10,733	10,733
Reserve capital		73,997	3,964
Statutory reserve funds		10,174	10,174
Retained earnings		131,294	272,147
<b>Total equity</b>		<b>226,198</b>	<b>297,018</b>
Long-term loans and borrowings	16	15,054	44,135
Long-term finance lease liabilities		1,380	1,407
Deferred tax liability		15,156	12,083
Other long-term liabilities and provisions		443	120
<b>Total non-current liabilities</b>		<b>32,033</b>	<b>57,745</b>
Current loans and borrowings	16	63,868	66,571
Current finance lease liabilities		255	238
Trade and other payables		211,382	191,566
Deposits for digital satellite reception equipment and mobile phones		19,631	22,447
Deferred income		133,273	119,265
<b>Total current liabilities</b>		<b>428,409</b>	<b>400,087</b>
<b>Total liabilities</b>		<b>460,442</b>	<b>457,832</b>
<b>Total equity and liabilities</b>		<b>686,640</b>	<b>754,850</b>

### Interim Condensed Cash Flow Statement

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
<b>Net profit</b>	130,424	145,409
<b>Adjustments:</b>	<b>(94,338)</b>	<b>(37,910)</b>
Depreciation and amortization	17,172	7,719
(Profit)/loss on investing activity	(316)	6
Interest expense/(income)	(2,342)	1,632
(Increase)/decrease in inventories	(81,356)	(15,178)
(Increase)/decrease in receivables and other assets	3,440	(23,449)
Increase/(decrease) in liabilities, provisions, accruals and deferred	(38,074)	(45,667)
Foreign exchange losses/(gains)	9,628	3
Income tax	30,842	34,124
Net decrease/(increase) in set-top boxes under operating lease	(33,349)	(54)
Other adjustments	17	2,954
<b>Net cash flow from operating activities</b>	<b>36,086</b>	<b>107,499</b>
Income tax paid	(22,945)	(21,703)
Interest received from operating activity	4,236	2,857
<b>Cash flow from operating activities</b>	<b>17,377</b>	<b>88,653</b>
Purchases of intangible assets	(3,929)	(5,051)
Purchases of tangible assets	(12,001)	(19,894)
Purchases of financial assets (see note No 6)	(53,396)	(6,500)
Proceeds from sale of financial assets (see note No 6)	53,726	-
Proceeds from sale of non-financial tangible assets	2	85
Payment of finance lease liabilities by a subsidiary	216	-
<b>Cash flow from investing activities</b>	<b>(15,382)</b>	<b>(31,360)</b>
Dividends paid*	(131,125)	-
Repayment of loans	(31,518)	(50,000)
Finance lease – principal repayments	(118)	(118)
Interest on loans and finance leases	(2,696)	(7,328)
Other financial inflows/(outflows), net	-	(9,090)
<b>Cash flow from financing activities</b>	<b>(165,457)</b>	<b>(66,536)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(163,462)</b>	<b>(9,243)</b>
Cash and cash equivalents at the beginning of the year	240,979	141,651
Foreign exchange rate differences	(282)	(83)
<b>Cash and cash equivalents at the end of the year</b>	<b>77,235</b>	<b>132,325</b>

\*The amount of dividend paid differs from the amount of dividend to be paid in the first tranche (see note No 15) due to the income tax paid by the Company in July 2009.

### Interim Condensed Statement of Changes in Equity

	Note	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2009		10,733	3,964	10,174	272,147	297,018
Total comprehensive income		-	-	-	130,424	130,424
Dividend approved	15	-	-	-	(201,244)	(201,244)
Appropriation of 2008 profit – transfer to reserve capital		-	70,033	-	(70,033)	-
<b>Balance as of 30 June 2009</b>		<b>10,733</b>	<b>73,997</b>	<b>10,174</b>	<b>131,294</b>	<b>226,198</b>

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2008	10,733	3,500	10,174	38,029	62,436
Total comprehensive income	-	-	-	145,409	145,409
<b>Balance as of 30 June 2008</b>	<b>10,733</b>	<b>3,500</b>	<b>10,174</b>	<b>183,438</b>	<b>207,845</b>

## Supplementary Information to the Interim Condensed Financial Statements for 6 months ended 30 June 2009

### 1. Activity of the Company

Cyfrowy Polsat S.A. operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Company is also a Mobile Virtual Network Operator.

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

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board,
- Tomasz Szelaąg	Member of the Management Board (from 15 May 2009).

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

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

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

#### Statement of compliance

These interim condensed financial statements for 6 months ended 30 June 2009 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 2009 and the financial statements for the years 2008 and 2007, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2009.

#### 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 2009 (presented below) with the exception of IFRS 8 Operating Segments that was applied for the first time in financial statements for the year 2008. 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 2009**

- Revised IFRS 3 "Business Combinations" is effective for the annual periods beginning after 1 July 2009;
- amendments to IFRS 5 „Non-current Assets Held for Sale and Discontinued Operations" is effective for the annual periods beginning after 1 July 2009;
- revised IAS 27 "Consolidated and Separate Financial Statements" are effective for the annual periods beginning after 1 July 2009;
- IFRIC 12 "Service Concession Arrangements" is effective for the annual periods beginning after 1 January 2008; according to Commission Regulation (EC) No 254/2009 each company shall apply IFRIC 12, at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation i.e. 29 March 2009;
- IFRIC 16 „Hedges of a Net Investment in a Foreign Operation" is effective for the annual periods beginning after 1 October 2008; according to Commission Regulation (EC) No 460/2009 each company shall apply IFRIC 16, at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation i.e. 30 June 2009.

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

- Revised IFRS 1 „First-time Adoption of International Financial Reporting Standards";
- amendments to IFRS 2 „Share-based Payments";
- amendments to IFRS 7 „Financial Instruments: Disclosures";
- amendments to IAS 39 „Financial Instruments: Recognition and Measurement", „Reclassifications of Financial Assets: Effective Date and Transition" and „Embedded Derivatives";
- amendments to IFRIC 9 „Reassessment of Embedded Derivatives";
- IFRIC 15 „Agreements for the Construction of Real Estate";
- IFRIC 17 „Distribution of Non-cash Assets to Owners";
- IFRIC 18 „Transfers of Assets from Customers";
- 2009 Improvements to International Financial Reporting Standards.

### **Addendum to the accounting policies published in the most recent annual financial statements**

Following points have been added to the Company's accounting policies:

*(iie) Subscription fees and interconnection revenue*

Revenue from subscription fees from post-paid services and interconnection revenues is recognized in the income statement in the reporting periods which the service concerns.



*(iif) Revenue from prepaid services*

Revenues from services under prepaid offer are recognized in the income statement once the credit is utilized or forfeited.

*(iig) Revenue from settlements with mobile network operators*

Revenue from settlements with mobile network operators in the period in which the service was rendered.

The Company changed the classification of certain items in interim condensed financial statements for the 6 months ended 30 June 2008 to conform to presentation in the current period. These amendments have not resulted in any changes to previously presented net result or equity.

## **Approval of the condensed financial statements**

These interim condensed financial statements were approved by the Management Board on 19 August 2009.

## **5. Information on Seasonality in the Company's Operations**

Seasonality of sales of digital satellite reception equipment. The only portion of the Company's revenue which is subject to seasonality is the revenue from sales of digital satellite reception equipment. The seasonality is caused by increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which are not covered in terrestrial channels. Revenue from subscription fees is not directly subject to any seasonal trend.

## **6. Non-Recurring Events Occurring in the Period Covered by these Interim Condensed Financial Statements**

In the period covered by these interim condensed financial statements, the Company continued replacement process of the encryption cards and digital satellite reception equipment incompatible with the conditional access system. Pursuant to the agreement concluded between Cyfrowy Polsat S.A. and Nagravision S.A. on 2 November 2004, Nagravision S.A. is obliged to pay a contractual penalty covering the costs of card replacement resulting from a breach of the encryption system. In the period covered by these interim condensed financial statements Cyfrowy Polsat S.A. issued debit notes in the amount of PLN 7,794 thousand, the entire amount is recognized as revenue in the current period. By 30 June 2009 Nagravision S.A. paid the entire amount of compensation for the costs incurred by the Company.

On 11 March 2009 Cyfrowy Polsat S.A. accepted an offer to purchase 350,000 privileged shares of a new issue of Sferia S.A. ("Sferia") of nominal value of PLN 100 each. The shares were acquired at the issue price of PLN 152.56 per share. Before the acquisition of shares, Cyfrowy Polsat S.A. concluded an option agreement with Zygmunt Solorz-Żak, which was exercised on 13 March 2009. On 21 April 2009 Cyfrowy Polsat S.A. sold shares in Sferia S.A. to Polaris Finance B.V., an entity appointed by Zygmunt Solorz-Żak as an executer of the option agreement. Shares were sold for the price of PLN 53,726 thousand (the price of acquisition of PLN 53,396 thousand increased by an interest of 5.5% calculated from 11 March 2009 to 21 April 2009).

## 7. DTH Subscription fees

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Revenue from subscription fees (MINI package)	25,751	13,873
Revenues from subscription fees (other packages)	555,153	438,975
<b>Total</b>	<b>580,904</b>	<b>452,848</b>

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

## 8. Other operating revenues

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Contractual compensation for the costs of replacement of encryption card and digital satellite reception equipment (SWAP)	7,794	9,713
Revenues from lease of property and appliances	5,750	-
Reversal of provisions for other current assets	1,866	-
Other compensations	1,834	-
Marketing and advertising revenue	1,674	4,850
Compensation for lost and damaged equipment and subscribers' deposits written off	1,650	374
Other	2,301	3,945
<b>Total</b>	<b>22,869</b>	<b>18,882</b>

The Company recognized revenues from lease of property and appliances in the amount of PLN 5,750 thousand, which result from agreements for rendering call center services.

## 9. Transmission costs

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Transponders rental	23,496	16,202
Conditional Access System rental	14,367	10,318
Other	2,972	2,683
<b>Total</b>	<b>40,835</b>	<b>29,203</b>

## 10. Distribution, marketing and customer relation management cost

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Distributors' commissions	53,116	45,831
Call center	28,277	9,647
Marketing costs	17,803	12,392
Mailing costs	8,087	13,321
Other	3,035	1,683
<b>Total</b>	<b>110,318</b>	<b>82,874</b>

## 11. Salaries and employee-related expenses

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Salaries	23,847	17,079
Social security contributions	3,569	2,368
Pension obligations and other social benefits	1,034	1,083
<b>Total</b>	<b>28,450</b>	<b>20,530</b>

## 12. Other operating costs

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Bad debt provision	13,941	5,826
IT services	9,611	5,917
Polish Film Institute fee	8,010	5,978
Cost of encryption cards provided with leased digital satellite reception equipment	3,384	-
Legal, advisory and consulting costs	3,360	3,816
Fixed assets impairment and stock provision	2,722	-
Bad debt recovery fees	2,664	1,609
Materials and energy used	1,742	1,780
Telecommunication services	1,588	991
Property and appliances' lease	1,570	2,604
Other	7,405	4,625
<b>Total</b>	<b>55,997</b>	<b>33,146</b>

## 13. Financial revenues

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Foreign exchange differences realized on forward contracts	18,266	-
Interest income	4,836	4,452
Settlement of IPO-related costs	-	4,115
Profit from sale of shares	330	-
Other	348	-
Foreign exchange differences, net	-	78
<b>Total</b>	<b>23,780</b>	<b>8,645</b>

## 14. Finance expenses

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Finance costs from valuation of forward contracts*	10,514	-
Foreign exchange differences, net	3,719	-
Interest	2,495	6,094
Costs attributable to public offering of shares	-	6,678
Other	242	-
<b>Total</b>	<b>16,970</b>	<b>12,772</b>

\*On 27 August 2008 Cyfrowy Polsat S.A. entered into eleven USD forward contracts (USD 2,000 thousand each) and on 11 September 2008 entered into six EUR forward contracts (EUR 1,500 thousand each).

As at 30 June 2009 the Company had two unsettled USD forward contracts.

## 15. Equity

### Share capital

The table below presents the share capital as at 30 June 2009.

Share series	Type of shares	Number of shares	Nominal value of a share	Number of votes	% of voting rights
Series A	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
Series B	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
Series C	preference shares (2 voting rights per share)	7,500,000	0.04	15,000,000	3.3%
Series D	preference shares (2 voting rights per share)	175,000,000	0.04	350,000,000	76.8%
Series E	ordinary bearer shares	75,000,000	0.04	75,000,000	16.4%
Series F	ordinary bearer shares	5,825,000	0.04	5,825,000	1.3%
<b>Total</b>		<b>268,325,000</b>		<b>455,825,000</b>	<b>100%</b>

### Reserve capital

On 14 May 2009 the General Shareholders Meeting of Cyfrowy Polsat S.A. transferred part of the profit in the amount of PLN 70,033 thousand to reserve capital.

### Dividends paid and declared

On 14 May 2009 a resolution regarding the distribution of 2008 profit was adopted. The General Shareholders Meeting of Cyfrowy Polsat S.A. resolved to pay dividend in the amount of PLN 201,244 thousand.

The General Shareholders Meeting decided that the dividend day will be on 1 June 2009 and the dividend payout dates will be 16 June 2009 for an amount of PLN 134,163 thousand and 21 October 2009 for an amount of PLN 67,081 thousand.

The Company paid the first tranche of the dividend in accordance with the resolution on 16 June 2009.

## 16. Borrowings and loans

As at 30 June 2009 the Company is a party of one credit agreement.

The agreement with Bank Pekao S.A. was conducted on 9 October 2007 for a total loan up to PLN 200 million bearing variable interest rate depending on the frequency of interest payment and a 0.55% margin. The Company decided on monthly payments, therefore the bank loan interest rate is based on WIBOR 1M. Cyfrowy Polsat S.A. took out the bank loan in the amount of PLN 191,830 thousand and until 30 June 2009 repaid the principal amounting to PLN 113,036 thousand. The repayment was made out of own funds of the Company. 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, that is until 9 October 2010.

The credit agreement results in following restrictions for the Company:

- a. purchasing shares in other corporations or establishing companies or partnerships prohibited without the consent of the Bank,
- b. prohibited entering into transactions on terms less advantageous than arm's length terms,
- c. granting loans prohibited without the consent of the Bank,
- d. providing guarantees prohibited without the consent of the Bank,
- e. acquiring own shares for retirement and retirement of own shares prohibited without the consent of the Bank.

As at 30 June 2009 the amount of the bank loan in Bank Pekao S.A. amounted to PLN 78,922 thousand (including interest), where PLN 15,054 thousand represents the long term part and PLN 63,868 thousand – short term part.

## 17. Operating segments

Cyfrowy Polsat S.A. operates in digital television services segment as an operator of paid digital satellite platform (Direct to Home, DTH) and in mobile phone segment as a Mobile Virtual Network Operator, MVNO. Inter-segment transactions are concluded on terms that are not materially different from market terms. The Company operates only in Poland.

The activities of the Company are grouped using business criterion, i.e. distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns. DTH segment comprises Company's activities connected with providing digital television transmission signal to individual clients. MVNO segment comprises Company's activities connected with providing mobile phone services to the clients.

The table below presents Company's segment revenue and costs for six months ended 30 June 2009:

	Digital television	Mobile phones	Other	Total
External revenue	630,848	4,018	725	635,591
Inter-segment revenue	-	-	-	-
<b>Total revenue</b>	<b>630,848</b>	<b>4,018</b>	<b>725</b>	<b>635,591</b>
Operating expenses, including:	428,940	24,714	27,481	481,135
Depreciation and amortization	7,590	4,240	5,342	17,172
<b>Operating profit</b>	<b>201,908</b>	<b>(20,696)</b>	<b>(26,756)</b>	<b>154,456</b>
<b>EBITDA*</b>	<b>209,498</b>	<b>(16,456)</b>	<b>(21,414)</b>	<b>171,628</b>

\* The key measure of earnings in the Company is EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA measures the Company's ability to generate cash from recurring operations. The Company 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.

Revenues classified as other comprise primarily revenues from property rental. Costs classified as other comprise property maintenance and administration costs and general and administrative costs.

The table below presents Company's segment revenue and costs for six months ended 30 June 2008:

	Digital television	Mobile phones	Other	Total
External revenue	522,273	167	972	523,412
Inter-segment revenue	-	-	-	-
<b>Total revenue</b>	<b>522,273</b>	<b>167</b>	<b>972</b>	<b>523,412</b>
Operating expenses, including:	304,061	9,964	25,727	339,752
Depreciation and amortization	3,043	645	4,031	7,719
<b>Operating profit</b>	<b>218,212</b>	<b>(9,797)</b>	<b>(24,755)</b>	<b>183,660</b>
<b>EBITDA*</b>	<b>221,255</b>	<b>(9,152)</b>	<b>(20,724)</b>	<b>191,379</b>

\* The key measure of earnings in the Company is EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA measures the Company's ability to generate cash from recurring operations. The Company 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.

Revenues classified as other comprise primarily revenues from property rental. Costs classified as other comprise property maintenance and administration costs and general and administrative costs.

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The table below presents Company's investment expenditures by segments for six months ended 30 June 2009:

Investment expenditures:	Digital television	Mobile phones	Other	Total
- intangible assets	1,262	1,097	1,570	3,929
- tangible assets and investment property	38,610*	429	7,017	46,056
<b>Total investment expenditures</b>	<b>39,872</b>	<b>1,526</b>	<b>8,587</b>	<b>49,985</b>

\*The total amount comprises also increase of set-top boxes under operating lease.

The table below presents Company's investment expenditures by segments for six months ended 30 June 2008:

Investment expenditures:	Digital television	Mobile phones	Other	Total
- intangible assets	2,200	2,009	842	5,051
- tangible assets and investment property	1,232	12,286	6,376	19,894
<b>Total investment expenditures</b>	<b>3,432</b>	<b>14,295</b>	<b>7,218</b>	<b>24,945</b>

The table below presents Company's assets by segments as at 30 June 2009:

	Digital television	Mobile phones	Other	Total
Non-current assets	93,454	26,377	101,267	221,098
Current assets	318,636	7,019	139,887	465,542
<b>Total assets</b>	<b>412,090</b>	<b>33,396</b>	<b>241,154</b>	<b>686,640</b>

Non-current assets classified as other comprise mainly property at Łubinowa street, Company's car fleet and receivables from lease of set-top boxes' production line. Current assets classified as other comprise mainly cash and cash equivalents, public receivables and loans forwarded to a subsidiary.

The table below presents Company's assets by segments as at 31 December 2008:

	Digital television	Mobile phones	Other	Total
Non-current assets	68,326	29,598	99,719	197,643
Current assets	234,722	9,075	313,410	557,207
<b>Total assets</b>	<b>303,048</b>	<b>38,673</b>	<b>413,129</b>	<b>754,850</b>

Non-current assets classified as other comprise mainly property at Łubinowa street, Company's car fleet and receivables from lease of set-top boxes' production line. Current assets classified as other comprise mainly cash and cash equivalents, public receivables, forward exchange contracts' valuation and loans forwarded to a subsidiary.



## 18. Transactions with related parties

### Receivables

	30 June 2009 unaudited	31 December 2008
Cyfrowy Polsat Technology Sp. z o.o.	236	326
Cyfrowy Polsat Technology Sp. z o.o. (leasing)	6,403	6,870
Media Biznes Sp. z o.o.	59	11
Polsat Media Sp. z o.o.	1	1
Radio PIN S.A.	33	-
Sferia S.A.	-	14
Superstacja Sp.z o.o.	4	21
Teleaudio Sp. z o.o.	2	2
Telewizja Polsat S.A.	447	342
<b>Total</b>	<b>7,185</b>	<b>7,587</b>

### Long-term receivables

	30 June 2009 unaudited	31 December 2008
Long-term financial lease receivables	5,412	5,917
<b>Total</b>	<b>5,412</b>	<b>5,917</b>

The leased assets comprise set-top boxes' production line and laser used to manufacture electronic equipment. The initial total value of leased assets amounted to PLN 7,807 thousand. The leasing agreements were signed for the term of 7 years.

As at the balance sheet date lease receivables from Cyfrowy Polsat Technology Sp. z o.o. amount to PLN 6,403 thousand PLN 5,412 thousand representing the long-term part. Interest in the amount of PLN 258 thousand is presented in finance income.

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**Liabilities**

	30 June 2009 unaudited	31 December 2008
Alpatran	-	31
Cyfrowy Polsat Technology Sp. z o.o.	10,156	8,480
Elektrim S.A.	-	2
Media Biznes Sp. z o.o.	-	31
Radio PIN S.A.	-	28
Sferia S.A.	24	-
Teleaudio Sp. z o.o.	141	175
Telewizja Polsat S.A.	282	2,085
<b>Total</b>	<b>10,603</b>	<b>10,832</b>

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

Liabilities to Cyfrowy Polsat Technology Sp. z o.o. comprise liabilities resulting from purchases of set-top boxes and set-top boxes' accessories. During the six-month period ended 30 June 2009 the Company purchased from Cyfrowy Polsat Technology Sp. z o.o. set-top boxes and set-top boxes' accessories for a total value of PLN 54,694 thousand.

**Loans granted**

	Principal value of the loan	30 June 2009 unaudited	31 December 2008
<b>Short-term loans granted</b>			
Cyfrowy Polsat Technology Sp. z o.o.	4,000	477	4,346
Cyfrowy Polsat Technology Sp. z o.o.	6,500	6,214	7,002
<b>Total</b>	<b>10,500</b>	<b>6,691</b>	<b>11,348</b>

The interest rate for both loans granted to Cyfrowy Polsat Technology Sp. z o.o. was agreed as WIBOR 6M calculated on the last day prior to the date on which the interest is due and payable plus the margin of 2%. It was determined that the loans will be repaid until 31 December 2009. A borrower's incomplete blank promissory note with a bill of exchange declaration is the collateral for the loans.

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Revenues from operating activities

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	708	-
Media Biznes Sp. z o.o.	96	96
Polska Telefonía Cyfrowa Sp. z o.o.*	-	5
Polskie Media S.A.	-	24
Radio PIN S.A.	75	-
Sferia S.A.	1	-
Superstacja Sp. z o.o.	48	11
Teleaudio Sp. z o.o.	4	-
Telewizja Polsat S.A.	1,903	156
<b>Total</b>	<b>2,835</b>	<b>292</b>

\*Polska Telefonía Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

Cost of operating activities

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Alpatran	-	150
Elektrim S.A.	802	574
EMarket Sp. z o.o.*	-	151
Gemius S.A.**	9	-
Media Biznes Sp. z o.o.	48	36
Polska Telefonía Cyfrowa Sp. z o.o.***	-	196
Praga Business Park Sp. z o.o.****	-	1,689
Radio PIN S.A.	52	-
Sferia S.A.	40	-
Teleaudio Sp. z o.o.	6,927	2,108
Telewizja Polsat S.A.	29,119	7,728
<b>Total</b>	<b>36,997</b>	<b>12,632</b>

\*EMarket Sp. z o.o. was a related party until 17 June 2008.

\*\*Gemius S.A. is a related party from 4 July 2008.

\*\*\*Polska Telefonía Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

\*\*\*\*On 31 December 2008 Cyfrowy Polsat merged with Praga Business Park Sp. z o.o. through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) were moved to Cyfrowy Polsat S.A. (acquirer).

## Finance income

	for 6 months ended	
	30 June 2009 unaudited	30 June 2008 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	601	800
Polaris Finance B.V.	-	4,115
Praga Business Park Sp. z o.o.*	-	795
<b>Total:</b>	<b>601</b>	<b>5,710</b>

\*On 31 December 2008 Cyfrowy Polsat merged with Praga Business Park Sp. z o.o. through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) were moved to Cyfrowy Polsat S.A. (acquirer)

The table above does not include purchasing shares of Sferia S.A. by Cyfrowy Polsat S.A. from Zygmunt Solorz-Żak and their further sale to Polaris Finance B.V. described in note No 6. The cost of acquiring shares by Cyfrowy Polsat S.A. amounted to PLN 53,396 thousand and the amount paid by Polaris Finance B.V. amounted to PLN 53,726 thousand. The resulting finance income totaled PLN 330 thousand.

## 19. Off-balance sheet commitments and contingent liabilities

### Contingent liabilities

On 14 April 2009 Cyfrowy Polsat S.A. received a notification about ex-officio initiation of antimonopoly proceedings against the Company due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro 2008 event involving imposing onerous agreement conditions, resulting in unjustified benefits through dependence of sale of rights to public broadcast of Euro 2008 event on the purchase of a set-top box and technical support, which, according to the Office of Competition and Customer Protection ("UOKiK") may constitute a breach of art. 9 section 2 point 6 of the Law of 16 February 2007 on competition and customer protection.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President of UOKiK may impose a cash penalty on the Company, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level.

The status of other legal proceedings and other litigations has not changed compared to those described in the Financial Statements for the year ended 31 December 2008.

In the Management Board's opinion a risk of negative outcome for the Company of the aforementioned proceeding is lower than probable so no provisions were made for the purpose.

### Commitments for the purchase of property, plant and equipment

Cyfrowy Polsat S.A. entered into several agreements on refurbishment of the property at Łubinowa Street. Amount of unbilled purchases of goods and services regarding refurbishment totaled PLN 1,008 thousand. According to the plan all construction works are to be finished before the end of 2009.

On 7 April 2009 Cyfrowy Polsat S.A. entered into construction contract with ND SatCom GmbH for new ground station. Value of purchased goods and services regarding building works amounted to EUR 111 thousand, what represents PLN 497 thousand (calculated at the average NBP rate as at 30 June 2009).

## 20. Other important events in the period covered by these interim condensed financial statements

On 26 February 2009 a long-term agreement between Cyfrowy Polsat S.A. and Eutelsat S.A. on renting of the satellite capacity on the transponder HotBird 9 was signed. Conditions of the agreement are not different from market standards applied to agreements of this type. The total value of this agreement amounts to EUR 26.6 million.

## 21. Subsequent events

On 13 August 2009 Cyfrowy Polsat S.A. received a notification of initiation proceedings with regards to application of practices breaching collective interest of consumers as set out by the provisions of art 24 clause 2 point 1 of the Law of 16 February 2007 on competition and consumer protection by the Company, comprising the application of provisions in the rules of service provision, whose content, in the view of the President of the Office of Competition and Consumer Protection, may be tantamount to the content of provisions entered into the registry of templates that have been deemed forbidden.

Cyfrowy Polsat S.A. has been in the course of works, in cooperation with UOKiK and the Office of Electronic Communications, to change the rules.

Pursuant to art. 106 of the Competition and Customer Protection Law, the President of UOKiK may impose a cash penalty on the Company, at a level not exceeding 10% of the revenue of the previous fiscal year, prior to the year of the penalty administration. The period, the severity, the circumstances, and also previous cases of breach of the provisions of law are all considered upon determination of the cash penalty level.

## 22. Accounting estimates and assumptions

In the preparation of interim condensed 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 and assumptions applied in preparation of these interim condensed financial statements were the same as adopted in preparation of financial statements for the year ended 31 December 2008.

# CYFROWY POLSAT S.A.

## Interim Condensed Financial Statements for 3 and 6 Months Ended 30 June 2009

*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.*

Interim Condensed Income Statement

Interim Condensed Statement of Comprehensive Income

Interim Condensed Balance Sheet

Interim Condensed Cash Flow Statement

Interim Condensed Statement of Changes in Equity

Supplementary Information to the Interim Condensed Financial Statements

### Interim Condensed Income Statement

	for 3 months ended		for 6 months ended	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	unaudited	unaudited	unaudited	unaudited
DTH Subscription fees	290,540	236,207	580,904	452,848
Rental of digital satellite reception equipment	165	2,606	357	3,468
Sale of digital satellite reception equipment and mobile phones	8,378	23,045	20,358	43,632
Transmission services	4,562	2,288	9,218	4,582
Subscription fees, interconnection revenues and settlements with mobile network operators	915	-	1,885	-
Other operating revenue	7,993	11,879	22,869	18,882
<b>Total revenues from operating activities</b>	<b>312,553</b>	<b>276,025</b>	<b>635,591</b>	<b>523,412</b>
Depreciation and amortization	9,298	3,368	17,172	7,719
Programming costs	89,303	46,119	186,875	96,775
Transmission costs	21,079	14,450	40,835	29,203
Distribution, marketing and customer relation management costs	61,129	44,736	110,318	82,874
Salaries and employee-related expenses	14,084	11,069	28,450	20,530
Cost of digital satellite reception equipment and mobile phones sold	19,437	37,558	40,188	69,471
Costs of settlements with mobile network operators and interconnection charges (MVNO)	486	34	1,300	34
Other operating costs	29,182	19,527	55,997	33,146
<b>Total costs of operating activities</b>	<b>243,998</b>	<b>176,861</b>	<b>481,135</b>	<b>339,752</b>
<b>Profit from operating activities</b>	<b>68,555</b>	<b>99,164</b>	<b>154,456</b>	<b>183,660</b>
Financial income	11,463	6,407	23,780	8,645
Financial expenses	(10,022)	(6,981)	(16,970)	(12,772)
<b>Profit before tax</b>	<b>69,996</b>	<b>98,590</b>	<b>161,266</b>	<b>179,533</b>
Income tax	13,372	18,639	30,842	34,124
<b>Net profit</b>	<b>56,624</b>	<b>79,951</b>	<b>130,424</b>	<b>145,409</b>
Basic and diluted earnings per share (in PLN)	0.21	0.30	0.49	0.54

### Interim Condensed Statement of Comprehensive Income

	for 3 months ended		for 6 months ended	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	unaudited	unaudited	unaudited	unaudited
<b>Net profit</b>	<b>56,624</b>	<b>79,951</b>	<b>130,424</b>	<b>145,409</b>
Other comprehensive income	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>56,624</b>	<b>79,951</b>	<b>130,424</b>	<b>145,409</b>



### Interim Condensed Balance Sheet – Assets

	30 June 2009 unaudited	31 December 2008
Digital satellite reception equipment	51,021	20,785
Other property, plant and equipment	129,552	113,644
Intangible assets	10,896	11,187
Long term receivables from related parties	5,412	5,917
Investment property	4,811	21,846
Other long-term assets	19,406	24,264
<b>Total non-current assets</b>	<b>221,098</b>	<b>197,643</b>
Inventories	170,394	89,038
Short-term loans granted to related parties	6,691	11,348
Trade and other receivables	141,007	120,793
Income tax receivable	4,586	9,410
Other current assets	65,629	85,639
Cash and cash equivalents	77,235	240,979
<b>Total current assets</b>	<b>465,542</b>	<b>557,207</b>
<b>Total assets</b>	<b>686,640</b>	<b>754,850</b>

### Interim Condensed Balance Sheet – Equity and Liabilities

	30 June 2009 unaudited	31 December 2008
Share capital	10,733	10,733
Reserve capital	73,997	3,964
Statutory reserve funds	10,174	10,174
Retained earnings	131,294	272,147
<b>Total equity</b>	<b>226,198</b>	<b>297,018</b>
Long-term loans and borrowings	15,054	44,135
Long-term finance lease liabilities	1,380	1,407
Deferred tax liability	15,156	12,083
Other long-term liabilities and provisions	443	120
<b>Total non-current liabilities</b>	<b>32,033</b>	<b>57,745</b>
Current loans and borrowings	63,868	66,571
Current finance lease liabilities	255	238
Trade and other payables	211,382	191,566
Deposits for digital satellite reception equipment and mobile phones	19,631	22,447
Deferred income	133,273	119,265
<b>Total current liabilities</b>	<b>428,409</b>	<b>400,087</b>
<b>Total liabilities</b>	<b>460,442</b>	<b>457,832</b>
<b>Total equity and liabilities</b>	<b>686,640</b>	<b>754,850</b>

### Interim Condensed Cash Flow Statement

	for 6 months ended	
	30 June 2009	30 June 2008
	unaudited	unaudited
<b>Net profit</b>	130,424	145,409
<b>Adjustments:</b>	<b>(94,338)</b>	<b>(37,910)</b>
Depreciation and amortization	17,172	7,719
(Profit)/loss on investing activity	(316)	6
Interest expense/(income)	(2,342)	1,632
(Increase)/decrease in inventories	(81,356)	(15,178)
(Increase)/decrease in receivables and other assets	3,440	(23,449)
Increase/(decrease) in liabilities, provisions, accruals and deferred income	(38,074)	(45,667)
Foreign exchange losses/(gains)	9,628	3
Income tax	30,842	34,124
Net decrease/(increase) in set-top boxes under operating lease	(33,349)	(54)
Other adjustments	17	2,954
<b>Net cash flow from operating activities</b>	<b>36,086</b>	<b>107,499</b>
Income tax paid	(22,945)	(21,703)
Interest received from operating activity	4,236	2,857
<b>Cash flow from operating activities</b>	<b>17,377</b>	<b>88,653</b>
Purchases of intangible assets	(3,929)	(5,051)
Purchases of tangible assets	(12,001)	(19,894)
Purchases of financial assets	(53,396)	(6,500)
Proceeds from sale of financial assets	53,726	-
Proceeds from sale of non-financial tangible assets	2	85
Payment of finance lease liabilities by a subsidiary	216	-
<b>Cash flow from investing activities</b>	<b>(15,382)</b>	<b>(31,360)</b>
Dividends paid*	(131,125)	-
Repayment of loans	(31,518)	(50,000)
Finance lease – principal repayments	(118)	(118)
Interest on loans and finance leases	(2,696)	(7,328)
Other financial inflows/(outflows), net	-	(9,090)
<b>Cash flow from financing activities</b>	<b>(165,457)</b>	<b>(66,536)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(163,462)</b>	<b>(9,243)</b>
Cash and cash equivalents at the beginning of the year	240,979	141,651
Foreign exchange rate differences	(282)	(83)
<b>Cash and cash equivalents at the end of the year</b>	<b>77,235</b>	<b>132,325</b>

\*The amount of dividend paid differs from the amount of dividend to be paid in the first tranche due to the income tax paid by the Company in July 2009.

### Interim Condensed Statement of Changes in Equity

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2009	10,733	3,964	10,174	272,147	297,018
Total comprehensive income	-	-	-	130,424	130,424
Dividend approved	-	-	-	(201,244)	(201,244)
Appropriation of 2008 profit – transfer to reserve capital	-	70,033	-	(70,033)	-
<b>Balance as of 30 June 2009</b>	<b>10,733</b>	<b>73,997</b>	<b>10,174</b>	<b>131,294</b>	<b>226,198</b>

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total Equity
Balance as of 1 January 2008	10,733	3,500	10,174	38,029	62,436
Total comprehensive income	-	-	-	145,409	145,409
<b>Balance as of 30 June 2008</b>	<b>10,733</b>	<b>3,500</b>	<b>10,174</b>	<b>183,438</b>	<b>207,845</b>

## Supplementary Information to the Interim Condensed Financial Statements for 3 and 6 months Ended 30 June 2009

### 1. Activity of the Company

Cyfrowy Polsat S.A. operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Company is also a Mobile Virtual Network Operator.

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

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board,
- Tomasz Szelaĝ	Member of the Management Board (from 15 May 2009).

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

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

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

#### Statement of compliance

These interim condensed financial statements for 3 and 6 months ended 30 June 2009 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 3 and 6 months ended 30 June 2009 and the financial statements for the years 2008 and 2007, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2009.

IAS 34 requires minimum information disclosure assuming that readers of the interim financial statements have access to most recent published annual financial statements, information disclosed are material and were not disclosed elsewhere in the interim financial statements.

Most recent published annual financial statements were prepared and audited for the year ended 31 December 2008. Annual financial statements fully disclose accounting policies approved by the Company, except for new accounting policies and standards and interpretations, which are effective for the reporting periods beginning after 1 January 2009 and were disclosed in the interim condensed financial statements for 6 months ended 30 June 2009.