CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the six month period ended 30 June 2011

Warsaw, 31 August 2011

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We have prepared this semi-annual report as required by Paragraph 90 section 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. The report meets also the requirements of section 4.15. of the Indenture for our 7.125% Senior Notes, dated May 20, 2011.

Presentation of financial and other information

In this semi-annual report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group or Polsat Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company; „**DTH**" relates to digital satellite platform services which we provide in Poland; "**SD**" relates to the television signal in the standard definition technology (Standard Definition); „**HD**" relates to the television signal in the high definition technology (High Definition); „**DVR**" relates to set-top boxes with hard disk used to record television channels (Digital Video Recorder); "**Family Package**", "**Family HD Package**", "**Mini Package**", "**Mini HD 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 to 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 subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our DTH services divided by the average number of subscribers to whom we rendered services in the reporting period; „**ARPU Family Package**" and „**ARPU Mini Package**" relate to average revenue per subscriber to the Family Package and Mini Package, respectively; „**churn**" relates to the churn rate, defined as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period; „**churn Family Package**" and „**churn Mini Package**" relates to churn rate calculated for the Family Package and Mini Package, respectively; „**SAC**" relates to the sum of cost of provision payable to distributors per each attracted customer; "**Audience share**" relates to percentage of television viewers tuned to a particular channel during a given period, expressed as a percentage of the total number of people watching TV, we present data after Nielsen Audience Measurement, 16-49, all day; "**Advertising market share**" relates to the percentage of the total revenues from TV advertising in Poland that are attributable to TV Polsat, the source of our data is Starlink; "**GRP**" relates to gross rating point, defined as the number of people watching a particular emission of advertising spot at a specific time, expressed as a percentage of the target group. One GRP, as applied to Poland, is equal to 0.2 million inhabitants in the basic commercial target group (16-49 years old).; "**Technical reach**" or "**Technical Coverage**" relates to the percentage of households in Poland which have the technical ability to receive a channel broadcasted by Telewizja Polsat S.A.; "**nVoD**" or "**VOD - Home Video Rental**" relates to the services from the video on demand category; „**MVNO**" relates to mobile virtual network operator services; "Internet access services" relates to broadband internet access services; "**HSPA+**" relates to radio data transfer technology in mobile networks (High Speed Packet Access Plus); "**LTE**" relates to radio data transfer technology in mobile networks (Long Term Evolution), characterized by much higher data transfer speed, greater capacity and lower network latency; „**Integrated services**" relates to services of pay DTH services, mobile services and internet access services provided under one agreement and one subscription fee; "**M.Punkt**" relates to M.Punkt Holdings Ltd.; "**mPunkt**" relates to mPunkt Polska S.A.; "**mTEL**" relates to mTEL Sp. z o.o.; "**CPT**" relates to Cyfrowy Polsat Technology Sp. z o.o.; "**CPTM**" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "**Cyfrowy Polsat Finance**" relates to Cyfrowy Polsat Finance AB (publ), Cyfrowy Polsat subsidiary registered in Sweden; "**CP**" relates to Cyfrowy Polsat S.A.; "**Telewizja Polsat**" or "**TV Polsat**" relates to Telewizja Polsat S.A., transformed to Telewizja Polsat Sp. z o.o. on June 15, 2011; "**TV Polsat Group**" relates to Telewizja Polsat Sp. z o.o. and its consolidated subsidiaries; "**POLSAT**" relates to our main FTA channel; "**Polsat Sport**" relates to our sport channel dedicated to Polish sports and major sports events; "**Polsat Sport Extra**" relates to our sport channel broadcasting premium sport events; "**Polsat Futbol**" relates to our sport channel dedicated to football games; "**Polsat Sport HD**" relates to our sport channel in HD technology; "**Polsat Sport News**" relates to our sport channel dedicated to sport news, that was launched on May 30, 2011; "**Polsat Film**" relates to our movie channel; "**Polsat Café**" relates to our lifestyle channel dedicated to women; "**Polsat Play**" relates to our lifestyle channel dedicated to men; "**Polsat 2**" relates to our channel broadcasting mainly reruns of programs that premiered on our other channels; "**Polsat News**" relates to our 24-hour news channel; "**TV Biznes**" relates to our channel dedicated to the latest news on the economy and financial markets; "**Polsat Jim Jam**" relates to children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone; „**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; "**Senior Facilities**" relates to senior secured facilities under Senior Facilities Agreement ("**SFA**") with a syndicate of banks including Term Facility Loan **("Term Facility**") of PLN 1,400,000,000 maturing December 31, 2015;and Senior Secured Revolving Facility Loan ("**Revolving Facility**") of up to PLN 200,000,000 maturing December 31, 2015; "**Bridge Loan**" relates to senior secured bridge facility of EUR 350,000,000 with a syndicate of banks, that was fully repaid on May 20, 2011; “**Senior Notes**” or “**Notes**” relates to 7.125% senior secured notes of EUR 350 million issued by Cyfrowy Polsat Finance on May 20, 2011; “**Indenture**” relates to the indenture dated May 20, 2011 governing the 7.125% Senior Notes; “**PLN**” or “**zloty**” refers to the lawful currency of Poland; “**USD**” or “**dollars**” refers to the lawful currency of the United States of America; and “**EUR**” or “**euro**” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Financial and operating data

This semi-annual report contains financial statements and financial information relating to the Company and the Group. In particular, this semi-annual report contains our interim condensed consolidated financial statements for 6 month period ended 30 June 2011 quarterly condensed consolidated financial statements for 3 and 6 month periods ended 30 June 2011, interim condensed financial statements for the 6 month period ended 30 June 2011 and quarterly condensed financial statements for the 3 and 6 month period ended 30 June 2011. The financial statements attached to this interim report have been prepared in accordance with International Financial Reporting Standards approved for use in the European Union ("IFRS") and are presented in thousand Zlotys.

Certain arithmetical data contained in this semi-annual 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 semi-annual report may not conform exactly to the total figure given for that column or row.

Currency presentation

Unless otherwise indicated, in this semi-annual report all references to "PLN" or "Zloty" are to the lawful currency of the Republic of Poland; all references to "U.S. $", “USD” or "US dollars" are to the lawful currency of the United States; and all references to “EUR”, "€" or the "euro" are to the lawful currency of the member states of the European Union that adopted 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, SAC, per share data and prices of our services unless otherwise stated.

Forward–looking statements

This semi-annual report contains forward looking statements relating to future expectations regarding 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 semi-annual 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 at the date of this semi-annual 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 publication of this semi-annual report.

Industry and market data

In this Report we set out information relating to our business and the markets in which we operate and in which our competitors operate. The information regarding the market, its size, the market share, the market position, the growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities and our internal estimates. We have obtained market and industry data relating to our business from industry data providers, including:

- Informa Telecoms and Media, Eastern European TV, 14th Edition;
- Eurostat, for data relating to the Polish economy and GDP growth;
- Nielsen Audience Measurement;
- Starlink, Advertising market in Poland in the first half of 2011;
- ZenithOptimedia and
- Operators functioning on the Polish market.

We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases we have made statements in this Report regarding our industry and our position in the industry based on our own experience and our examination of market conditions. We cannot guarantee that any of these assumptions properly reflect our market position. Our internal surveys have not been verified by any independent sources.

1. Introduction

We are a leading integrated multimedia group in Poland with the number one position in subscriber-based pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat, the first private TV group in Poland with a nationwide broadcasting license. Additionally to DTH offer, we provide to our subscribers broadband Internet and mobile telephony services.

We operate through two business segments: our Retail business segment, comprising DTH, broadband Internet and mobile telephony services and our recently acquired Television broadcasting and production segment. Our two business segments produce revenue streams with distinct characteristics: retail subscription and related revenue (through our Retail business segment), and TV broadcasting advertising revenue (through our Television broadcasting and production segment).

Retail business segment

In pay TV, we are the largest pay TV and DTH provider in Poland and the fourth largest DTH platform in Europe by number of subscribers. We provide a comprehensive multimedia offer designed to appeal to the entire family. As part of our multi-play offer, we provide to our subscribers DTH, broadband Internet in HSPA+ technology and mobile telephony services in MVNO model. We believe, that our integrated offer will contribute to an increase of the general satisfaction of our customers and in consequence, lower the churn, and increase the subscriber base which will be converted into a growth of our revenues. As of June 30, 2011 among our subscriber base we had 3,472,757 DTH subscribers, 42,522 users of broadband Internet service and 129,736 users of mobile telephony service.

We offer our subscribers access to over 90 Polish-language TV channels, including general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1, TVP2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sport Extra, the first, second and fourth most widely viewed sports channels in Poland in 2010. In addition, we offer our subscribers 21 HD channels and also provide nVoD and catch-up TV services.

We offer set-top boxes which in majority are produced in house. Due to our own production, we have been able to reduce the costs of obtaining set-top boxes. In 2010, almost 80% of our sold or leased set-top boxes were manufactured in our own factory.

We sell our services through an effective sales network covering the entire territory of Poland. We distribute our products and services through two main sales channels: retail sales channel and direct sales channel D2D ("door-to-door"). As of June 30, 2011 our sales network included 17 distributors and a total of 993 Authorized Points of Sales.

Television broadcasting and production segment

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland, which is the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number one in terms of audience share with a 16.4% share in the first half of 2011. We also broadcast thematic channels, which have a 3.9% combined audience share, and sell advertising on our channels and certain third-party channels. We are a licensed broadcaster of 13 TV channels consisting of general entertainment, sports, news, business, lifestyle, movie and children's channels. Based on data from Starlink, we estimate that we captured a 22.4% share of the approximately PLN 2.01 billion (not in thousands) Polish TV advertising market in the first half of 2011.

Our television channels include: POLSAT, Polsat Sport, Polsat Sport Extra, Polsat Futbol, Polsat Sport HD, Polsat Film, Polsat Café, Polsat Play, Polsat 2, Polsat News, TV Biznes, Polsat Jim Jam, Polsat Sport News. POLSAT, our main channel, was the first commercial channel in Poland, that received a nationwide analog license and broadcasts 24 hours a day, seven days a week. It is the number one private FTA channel in Poland in terms of audience share. POLSAT airs a broad variety of movies (some from major US studios), lifestyle programs, news and feature programs, Polish and foreign series as well as popular sport events.

Our thematic channels are distributed via majority of cable networks in Poland including such operators as UPC, Aster, Multimedia and via all major satellite platforms, excluding our sport channels to which Cyfrowy Polsat platform has exclusive rights.

Polsat Sport is a sports channel broadcasting Polish sports and major sports events which are mostly broadcast live (volleyball, athletics, football, handball, world class boxing and MMA contests). Polsat Sport Extra is a sport channel broadcasting premium sport events, primarily Formula One and the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat Futbol is our sport channel addressed to up-market football fans and dedicated to prestige football games of the UEFA Europa League, Polish top league T-Mobile Ekstraklasa, qualifying matches for the FIFA World Cup and the UEFA European Football Championship, foreign football leagues with Polish players and football club channels. Polsat Sport HD airs a selection of sport events available in HD technology, including live broadcasts of some of the major sport events. Polsat Sport News is our new sport channel dedicated to sport news, launched on May 30, 2011, it is an FTA channel broadcasted within DTT technology. Polsat Film broadcasts hit movies, top box-office productions and non mainstream movies from a library of major US movie studios. Polsat Café is our channel dedicated to women, that focuses on lifestyle, fashion and gossip programs as well as talk-shows. Polsat Play is dedicated to men, its core programming concerns consumer gadgets, the automotive industry, angling and cult series. Polsat 2 broadcasts reruns of programs that premiered on our other channels, it is also broadcasted to Polish communities abroad (mainly in USA). Polsat News is a 24-hour news channel broadcasting live and covering primarily news from Poland and key international events. TV Biznes covers the latest news on the economy and financial markets. Polsat Jim Jam is a children's channel based mainly on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.

2. Significant events

Acquisition of 100% of Telewizja Polsat

1. Completion of the acquisition

On April 20, 2011, in accordance with the provisions of the investment agreement dated November 15, 2010, and as a result of entering into agreements to acquire 100% of share capital of Telewizja Polsat and the issue of ordinary bearer shares of H series for the shareholders of Telewizja Polsat, Cyfrowy Polsat has completed the purchase of Telewizja Polsat. Cyfrowy Polsat acquired 2,369,467 shares in the share capital of Telewizja Polsat with a face value of PLN 100 each for the total price of PLN 3.75 billion (not in thousands), representing 100% of the share capital and entitling to 100 % of votes at the General Meeting. Part of the price for shares of Telewizja Polsat, i.e. PLN 2.6 billion (not in thousands) was paid by a bank transfer and was financed by the debt financing obtained by Cyfrowy Polsat on March 31 this year (see below). The remaining amount, i.e. PLN 1.15 billion (not in thousands) was paid through the issuance of the ordinary bearer Series H shares (see below). As a result of the transaction, Cyfrowy Polsat together with Telewizja Polsat formed the largest media group in Poland.

2. Issue of shares for TV Polsat shareholders

As explained above, the acquisition of TV Polsat was financed by loan facilities (see below for details) together with issuance of subscription warrants of the value of PLN 1.15 billion (not in thousands) exchangeable for shares. On April 1, 2011 the Company entered into four subscription agreements as a result of which:

(i) MAT Fundusz Inwestycyjny Zamknięty took up 14,135,690 Subscription Warrants, authorizing it to take up a total of 14,135,690,
(ii) KOMA Fundusz Inwestycyjny Zamknięty took up 2,494,526 Subscription Warrants, authorizing it to take up a total of 2,494,526,
(iii) Karswell Limited took up 53,887,972 Subscription Warrants, authorizing it to take up a total of 53.887.972,
(iv) Sensor Overseas Limited took up 9,509,648 Subscription Warrants, authorizing it to take up a total of 9,509,648

ordinary Series H bearer shares in exchange for a cash contribution of PLN 14.37 per each share.

The holders of registered Series H subscription warrants, exercised their rights under the subscription warrants on April 20, 2011, i.e. they made statements on the take-up of ordinary bearer Series H Shares in the same proportion as described above.

The payment for ordinary bearer Series H Shares by the shareholders of TV Polsat (“Sellers”) involved a contractual setoff of the Company's claims against the Sellers of TV Polsat in respect of the payment for the Series H Shares with the Sellers' claims against the Company in respect of the payment of a portion of the price for the shares in Telewizja Polsat.

As a result of the issue of 80,027,836 Series H Shares with a nominal value of four grosz (PLN 0.04) each, the Company's share capital was increased by PLN 3,201,113.44 (not in thousands). The current share capital of the Company is PLN 13,934,113.44 (not in thousands), divided into 348,352,836 shares. At present, the total number of votes at the General Shareholders' Meeting of the Company is 527,770,337. The increase in share capital of the Company was registered by the District Court for the City of Warsaw, XIII Economic Division of the National Court Register on May 13, 2011.

The Series H shares were registered on May 30, 2011 in the National Depository for Securities under ISIN code PLCFRPT00013, and were admitted to trading on the main market of the stock exchange pursuant to the Resolution 666/2011 of the Management Board of Warsaw Stock Exchange of 26 May 2011.

3. Debt Financing of the transaction

On March 31, 2011, we concluded credit agreements with a consortium of banks, to provide the Company with debt financing for the acquisition of Telewizja Polsat of the total amount up to PLN 3 billion (not in thousands).

According to the agreements the Group was granted a term facility loan of up to PLN 1.4 billion (not in thousands), a revolving facility loan of up to PLN 200 million (not in thousands) and a bridge loan facility in EUR of up to the equivalent of PLN 1.4 billion (not in thousands) which, as of the day of the execution of this agreement, equaled approximately EUR 350 million (not in thousands). For detailed description of the bank loans please refer to the section *Liquidity and capital resources* in the point *12.7.2. Review of the financial situation*. The bridge facility was repaid in full on May 20, 2011 with the net proceeds from the offering of Senior Notes (see below), together with cash on hand.

4. Issue and listing of Senior Notes

On May 20, 2011, our wholly owned subsidiary Cyfrowy Polsat Finance AB (publ) (the "Issuer"), issued Senior Notes due May 20, 2018 of the aggregate principal amount of €350 million (not in thousands). The Notes were rated Ba3/BB- by Moody's Investor Service Inc. and Standard & Poor's Rating Services, respectively.

Interest on the Notes accrues from (and including) May 20, 2011 and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Notes were issued in minimum denominations of €100,000 (not in thousands) and integral multiples of €1,000 (not in thousands) in excess thereof.

The Notes are senior obligations of the Issuer, ranking pari passu in right of payment to all existing and future senior indebtedness of the Issuer and are senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated to the Notes. For further details on the Notes, please refer to the section *Liquidity and capital resources* in the point *12.7.2. Review of the financial situation*.

As mentioned above, the net proceeds from the Notes were used together with cash on hand to refinance the bridge loan that was used as part of financing of the acquisition of TV Polsat.

On June 28, 2011, the Notes of a total nominal value of EUR 350 million: EUR 340 million coded ISIN XS0626064017 and EUR 10 million coded ISIN XS0626064363, were approved and listed on the Luxembourg Stock Exchange (the "LuxSE"). That day was the first day of trading of the Notes on the LuxSE.

Registration of cross-border merger of Cyfrowy Polsat S.A. with M.Punkt Holdings Ltd and merger with mPunkt Polska S.A.

On March 18, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated March 14, 2010 regarding the registration of cross-border merger of the Company with M.Punkt Holdings Ltd seated in Nicosia, Cyprus.

Before the merger, M.Punkt Holdings Ltd. was an owner of 100% of the share capital of mPunkt Polska S.A. seated in Warsaw, specializing in the distribution of telecommunication goods and services.

On May 31, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated May 31, 2011 regarding the registration of merger of the Company with mPunkt Polska S.A.

The cross-border merger with M.Punkt and the merger with mPunkt were performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group which is required in order to realize its medium and long term strategy.

Conclusion of significant agreements with TVN S.A. Group

On April 29, 2011 the Company and its subsidiary Telewizja Polsat have signed the agreements with TVN S.A. and its subsidiaries ITI Neovision Sp. z o.o. and Mango Media Sp. z o.o. ("TVN"), concerning distribution of television channels.

According to the agreements, the Company will continue to distribute the television channels broadcasted by TVN, including TVN, TVN 7, TVN24, TVN Style, TVN Turbo, TVN Meteo, as well as it will start offering TVN CNBC and TVN in HD and HD+1 versions and Telezakupy Mango.

Additionally, under the agreements, ITI Neovision Sp. z o.o. will initiate distribution through "n" platform of the following channels: Polsat, Polsat HD, Polsat 2, Polsat Film, Polsat News, Polsat Cafe, Polsat Play, TV Biznes, Polsat JimJam, and later also Polsat Sport News.

The agreements were concluded for a specified period and are valid from May 1, 2011 to April 30, 2015.

Signing an addendum to the licensing agreement with Sony Pictures Entertainment Inc.

On June 17, 2011 the Group signed an addendum to the licensing agreement ("Addendum") with Sony Pictures Entertainment Inc. ("Licensor"). Under the Addendum, the Licensor agreed to extend the license to broadcast films and TV series from the Licensor's programming collection as well as some of its future productions in the territory of Poland for a further period of 3 years.

Extension of the programming offer

Our programming offer was extended in the first half of 2011 with seventeen new channels, including six in HD. Since January 2011 we launched the following channels: Disney Playhouse, Fox, National Geographic, Comedy Central Family, National Geographic HD, HBO2 HD, HBO Comedy HD, Cinemax2 HD, TVP HD, TVP Seriale, Religia tv, TVN HD, TVN HD+1, TVN CNBC, TVP Historia, Nick Jr and TV6 .

Launch of catch-up TV service

In April 2011, Cyfrowy Polsat, as the first satellite platform in Poland, has expanded its offer by a new service – catch-up TV, offered under the name „StrefaWideo" („VideoZone"). This new service enables our subscribers to watch online a selection of content chosen from their television packages for free. Currently, the users have access to the most popular titles from 25 TV channels.

Expansion of our HSPA+ Internet network

Our HSPA+ network was extended in the first half of 2011 by 149 new base stations as a result of the constant development of telecommunication infrastructure of our partners. Consequently, our broadband Internet (in HSPA+ MIMO technology) network covered new towns of over 20 thousand of population and a large number of smaller locations, which adds new potential customers to our outreach.

Launch of nationwide consumer tests of LTE Internet

In March 2011, we launched friendly user testing of our latest product – LTE Internet. LTE (Long Term Evolution) technology is considered to be the future of mobile broadband internet and successor of commonly used UMTS standard. The LTE mobile connection can offer a maximum speed of up to 150 Mb/s.

Approximately 2,000 people - participants of the campaign "Subscribe to LTE Internet", employees and associates of the operator, employees of Cyfrowy Polsat distributors and media representatives attend the tests. Every month they receive a data package of 100 GB free of charge. The tests, initially scheduled till June 30, 2011, were extended till August 31, 2011 due to the switch of LTE radio network from 10 MHz to 20 MHz that took place in June 2011.

Launch of a new TV channel

On May 30, 2011 TV Polsat launched a new thematic channel Polsat Sport News. The channel broadcasts sports news, highlights, commentaries and live sport events. We have received a license to broadcast Polsat Sport News via DTT and satellite as FTA channel until August 2020.

Purchase of rights to broadcast Ekstraklasa (Polish football top league)

TV Polsat Group acquired a sub-license to broadcast T-Mobile Ekstraklasa, the most prestigious Polish football tournament. Up to five matches of Polish football teams in each league round will be aired on TV Polsat channels: Polsat Futbol, Polsat Sport HD and promotional on Polsat Sport. Sport editorial of Polsat will provide a magazine summarizing league events on each day of the tournament. For Cyfrowy Polsat subscribers, matches will be available also on Eurosport 2 and Eurosport 2 HD. Additionally, the matches will be available on the Internet through Cyfrowy Polsat's catch-up tv service Sterfa Wideo and live on Internet TV Ipla, thanks to sub-licenses granted by Telewizja Polsat.

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 June 30, 2011 and June 30, 2010. The information shall be read in conjunction with interim condensed consolidated financial statements for the six month period ended June 30, 2011 and interim condensed consolidated financial statements for the three month period ended June 30, 2011 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 12 of this semi-annual report.

Certain financial data:

- from the consolidated profit and loss statements for the three month periods ended June 30, 2011 and June 30, 2010 have been converted into euro at a rate of PLN 3.9599 per €1.00 (the arithmetic average of monthly average exchange rates published by the National Bank of Poland, or NBP, in the period i.e. from April 1 to June 30, 2011);

- from the consolidated profit and loss statements and the consolidated cash flow statement for the six month periods ended 30 June 2011 and 30 June 2010 have been converted into euro at a rate of PLN 3.9538 per €1.00 (the arithmetic average of monthly average exchange rates published by the National Bank of Poland, or NBP in the period i.e. from 1 January to 30 June 2011);

- from the consolidated balance sheet data as at June 30, 2011 and December 31, 2010 and June 30, 2010 have been converted into euro at a rate of PLN 3.9866 per €1.00 (an exchange rate published by NBP on June 30, 2011).

Such translations shall not be viewed 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.

	For the three month period ended June 30				For the six month period ended June 30			
	2011		2010		2011		2010	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated Income Statement								
Retail subscribtion	385,791	97,424	350,533	88,521	773,899	195,735	707,072	178,834
Advertising and sponsorship revenue	207,219	52,329	767	194	208,627	52,766	1,839	465
Revenue from cable and sattellite oper	16,219	4,096	-	-	16,219	4,102	-	-
Sale of equipment	2,685	678	10,372	2,619	9,159	2,317	21,164	5,353
Other revenue	16,491	4,164	6,592	1,665	23,280	5,888	12,186	3,082
Revenue	**628,405**	**158,692**	**368,265**	**92,999**	**1,031,184**	**260,808**	**742,261**	**187,734**
Cost of services, products, goods and materials sold	(336,887)	(85,075)	(195,981)	(49,491)	(544,810)	(137,794)	(385,104)	(97,401)
Selling expenses	(59,716)	(15,080)	(54,528)	(13,770)	(114,038)	(28,843)	(103,044)	(26,062)
General and administrative expenses	(43,762)	(11,051)	(25,149)	(6,351)	(68,619)	(17,355)	(44,624)	(11,286)
Total operating costs	**(440,365)**	**(111,206)**	**(275,658)**	**(69,612)**	**(727,467)**	**(183,992)**	**(532,772)**	**(134,749)**
Other operating income	963	243	8,908	2,250	8,704	2,201	9,677	2,448
Other operating costs	(16,245)	(4,102)	(11,786)	(2,976)	(43,664)	(11,044)	(22,543)	(5,702)
Profit from operating activities	**172,758**	**43,627**	**89,729**	**22,659**	**268,757**	**67,974**	**196,623**	**49,730**
Finance income	8,761	2,212	312	79	9,320	2,357	797	202
Finance costs	(92,123)	(23,264)	(7,107)	(1,795)	(95,050)	(24,040)	(8,054)	(2,037)
Share in net income of associates	569	144	-	-	569	144	-	-
Gross profit	**89,965**	**22,719**	**82,934**	**20,943**	**183,596**	**46,435**	**189,366**	**47,895**
Income tax	(20,482)	(5,172)	(15,940)	(4,025)	(37,716)	(9,539)	(36,238)	(9,165)
Net profit	**69,483**	**17,547**	**66,994**	**16,918**	**145,880**	**36,896**	**153,128**	**38,729**
Basic and diluted earnings per share (not in thousands)	0.21	0.05	0.25	0.06	0.49	0.12	0.57	0.14
Weighted average number of issued ordinary shares (not in thousands)	330,764,301		268,325,000		299,717,135		268,325,000	
Consolidated Cash Flow Statement								
Cash flow from operating activities					88,538	22,393	32,040	8,104
Cash flow from investing activities					(2,357,095)	(596,159)	(55,654)	(14,076)
Cash flow from financing activities					2,538,938	642,151	(28,290)	(7,155)
Net change in cash and cash equipments					270,381	68,385	(51,904)	(13,128)
Other consolidated financial data								
Depreciation, amortization and impairment	44,755	11,302	18,966	4,790	73,095	18,487	34,962	8,843
EBITDA[1]	217,512	54,929	108,695	27,449	341,852	86,462	231,585	58,573
EBITDA margin	34.6%	34.6%	29.5%	29.5%	33.2%	33.2%	31.2%	31.2%
Operating margin	27.5%	27.5%	24.4%	24.4%	26.1%	26.1%	26.5%	26.5%
Capital expenditures[2]	9,221	2,329	14,107	3,562	20,607	5,212	25,806	6,527

[1] We define EBITDA as operating profit before depreciation, amortization and impairment allowance, EBITDA is not a measure of profit from operational activity, the operating effectiveness or the liquidity. However EBITDA is a measure, used at managing activity, because it is indicator often applied by investors which enables them to compare the productivity excluding the amortization and depreciation, which value can be different depending on methods of accounting, as well as other operating and inoperable factors.

[2] Capital expenditure represents our investment in fixed assets and intangible assets. It does not include expenditure on purchase of set-top boxes leased to our subscribers which are reflected in the cash flow from operating activities

	As at					
	June 30, 2011		December 31, 2010		June 30, 2010	
(in thousands)	PLN	EUR	PLN	EUR	PLN	EUR
Consolidated balance sheet						
Cash and cash equivalents	298,614	74,904	27,615	6,927	47,571	11,933
Assets	5,248,075	1,316,429	1,015,195	254,652	945,675	237,213
Non-current liabilities	2,437,936	611,533	68,817	17,262	60,889	15,273
Current liabilities	939,552	235,678	518,440	130,046	562,190	141,020
Equity	1,870,587	469,219	427,938	107,344	322,596	80,920
Share capital	13,934	3,495	10,733	2,692	10,733	2,692

4. Organizational structure of Cyfrowy Polsat Capital Group

The following table presents the organizational structure of Cyfrowy Polsat Capital Group at the level of directly controlled companies and consolidated using full consolidation method as of June 30, 2011:

	Company's registered office	Activities	Voting rights as at June 30, 2011 (%)	Consolidation method
Parent				
Cyfrowy Polsat S.A.	Łubinowa 4a Warsaw	radio and television activity, telecommunications		
Subsidiaries				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	Television broadcasting and production	100%	full consolidation from April 20, 2011
Cyfrowy Polsat Technology Sp. z o.o.	Łubinowa 4a, Warsaw	set-top boxes' production	100%	full consolidation
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	management of fix assets and intellectual property	100%	full consolidation
mTEL Sp. z o.o. 1)	Domaniewska 37, Warsaw	no operating activities	100%	full consolidation
Cyfrowy Polsat Finance AB	Stureplan 4C, Stockholm, Sweden	Financial transactions	100%	full consolidation

1In the process of merger as of the date of publication of this report

Additionally shares in Karpacka Telewizja Kablowa Sp. z o.o. (85%) were presented in interim condensed consolidated financial statements for the six months ended June 30, 2011. As at June 30, 2011 Karpacka Telewizja Kablowa Sp. z o.o. was not consolidated due to insignificant size of that company from the Group perspective and the fact that it is dormant.

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

Cross-border merger with M.Punkt Holdings Ltd

On March 18, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated March 14, 2010 regarding the registration of cross-border merger of the Company with M.Punkt Holdings Ltd seated in Nicosia, Cyprus.

Before the merger, M.Punkt Holdings Ltd. was an owner of 100% of the share capital of mPunkt Polska S.A. seated in Warsaw, specializing in the distribution of telecommunication goods and services and mTel Sp. z o.o. seated in Warsaw.

The cross-border merger was performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group which is required in order to realize its medium and long term strategy.

Merger with mPunkt Polska S.A.

On May 31, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated May 31, 2011 regarding the registration of merger of the Company with mPunkt Polska S.A. seated in Warsaw, address: Domaniewska 37, 02-672 Warsaw, Poland, registered in entrepreneurs register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division of the National Court Register, under the number KRS 0000246160.

The merger was performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group which is required in order to realize its medium and long term strategy.

Acquisition of Cyfrowy Polsat Finance AB

On 10 March 2011 the Company acquired 100% of shares of Goldcup 100051 AB ("Goldcup"), an entity registered in Sweden, for SEK 500 thousand (PLN 232,000, not in thousands). The name of the company was then changed to Cyfrowy Polsat Finance AB. The company is a public limited liability company acting under the laws of Sweden. The company was acquired inter alia in order to perform financial activities for the Group.

Completion of the acquisition of Telewizja Polsat

On 20 April 2011 we completed the acquisition of 100% shares of Telewizja Polsat S.A.. The transaction also resulted in takeover of control over subsidiaries of Telewizja Polsat S.A.: RSTV S.A., Polsat Media Sp. z o.o., Media Biznes Sp. z o.o., Polsat Futbol Ltd., Nord License A.S., Polsat License Ltd., and joint-ventures Polski Operator Telewizyjny Sp. z o.o. and Polsat Jim Jam Ltd.

We consolidate the financial results of Telewizja Polsat Group beginning from the date of the completion of the transaction, i.e. April 20, 2011.

On June 15, 2011, Telewizja Polsat S.A. was transformed into a limited liability company Telewizja Polsat Sp. z o.o.

Decision on merger with mTEL Sp. z o.o.

The Management Board of the Company resolved to merge the Company with mTEL Sp. z o.o. seated in Warsaw, in which Cyfrowy Polsat holds 100% of share capital, and approved the Merger Plan specifying detailed terms of the merger (published on July 4, 2011 in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) no 127, item 8632). The decision was approved by Extraordinary General Meeting on August 5, 2011.

The merger will be effected by:

(i) transferring to Cyfrowy Polsat - as the sole shareholder of mTEL - all the assets of mTEL by the way of universal succession, and
(ii) termination of mTEL without liquidation,

in accordance with article 492 §1 item 1) KSH.

As a result of the merger, Cyfrowy Polsat - in accordance with article 494 §1 KSH will assume all rights and obligations of mTEL, effective on the date of the merger.

Given that Cyfrowy Polsat holds all the shares of mTEL, and according to article 515 §1 KSH, the merger will be effected without increasing the share capital of Cyfrowy Polsat.

6. Discussion of the difference of the Company's results to 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 votes at General Meeting of Cyfrowy Polsat S.A. as of the date of publication of this semi-annual 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 September 4, 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. [1]	168,941,818	48.50%	335,884,319	63.64%
Others [2]	179,411,018	51.50%	191,886,018	36.36%
Total	348,352,836	100.00%	527,770,337	100.00%

[1] Mr. Zygmunt Solorz-Żak holds 85% and Heronim Ruta holds 15% of the shares and voting power in Polaris Finance B.V.
[2] Mr. Zygmunt Solorz-Żak directly holds 3.04% of the shares of Cyfrowy Polsat, representing 4.02% of the votes at General Meeting of Cyfrowy Polsat. Mr. Solorz-Żak controls (directly and indirectly) in total 179,545,568 Cyfrowy Polsat's shares constituting 51.54% interest in the Company's share capital and representing 357,091,819 votes at the general meeting of the Company, which constitutes 67.66% of the total number of votes at General Meeting of the Company.

Increase of the share capital

On April 20, 2011 the Company's share capital was increased by PLN 3,201,113.44 (not in thousands). The current share capital of the Company is PLN 13,934,113.44 (not in thousands), divided into 348,352,836 shares. At present, the total number of votes at the General Shareholders' Meeting of the Company is 527,770,337. The increase in share capital of the Company was registered by the District Court for the City of Warsaw, XIII Economic Division of the National Court Register on May 13, 2011.

The increase of the share capital was a result of issuance of 80,027,836 ordinary bearer Series H Shares with a nominal value of four grosz (PLN 0.04) each on April 20, 2011. This shares were registered on May 30, 2011 in the National Depository for Securities under ISIN code PLCFRPT00013, and were admitted to trading on the main market of the stock exchange pursuant to the Resolution 666/2011 of the Management Board of Warsaw Stock Exchange of 26 May 2011.

Changes in the shareholders possessing no less than 5% of votes at General Meeting of Cyfrowy Polsat S.A.

Polaris Finance B.V.

On July 1, 2011 the Company received notification from Polaris Finance B.V. on the decrease in the interest held by it in the total number of votes in the Company.

The above-mentioned decrease was a result of the sale of 6,083,182 (six million eighty three thousand and one hundred eighty two) shares of the Company by Polaris Finance B.V. The transaction was carried out on the regulated market in the form of block transactions on June 22, 2011.

Currently, Polaris Finance B.V. directly holds 168,941,818 of the Company’s shares constituting 48.5% of the share capital of the Company and representing 335,884,319 votes at the general meeting, which constitutes 63.64% of the total number of votes at the general meeting of the Company. The above-mentioned portfolio consists of:

- 166,942,501 privileged registered shares constituting 47.92% of the Company’s share capital and representing 333,885,002 votes at the general meeting of the Company, which constituted 63.26% of the total number of votes at the general meeting of the Company,

- 1,999,317 bearer shares constituting 0.57% of the Company's share capital and representing 1,999,317 votes at the general meeting of the Company, which constitutes 0.38 % of the total number of votes at the general meeting Company.

Karswell Limited

On July 1, 2011 the Company received notification from Karswell Limited on the decrease in the interest held by him in the total number of votes in the Company.

The above-mentioned decrease was a result of the sale of 68,023,662 (sixty eight million twenty three thousand and six hundred sixty two) shares of the Company by Karswell Limited. The transaction was carried out on the regulated market in the form of block transactions on June 22, 2011.

Currently, the Karswell Limited does not hold any Company's shares, either directly or indirectly.

8. Changes in the number of shares of Cyfrowy Polsat S.A. owned by the members of the Management Board and Supervisory Board

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 August 31, 2011, the date of publication of this semi-annual report, and changes in their holdings since the date of publication of our last financial report (quarterly report for the three month period ended March 31, 2011) on May 16, 2011. 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, dated July 29, 2005.

Management Board Member	Balance as of May 16, 2011	Increases	Decreases	Balance as of August 31, 2011
Dominik Libicki, President of the Management Board	1,497	-	-	1,497

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

The following table presents shares controlled directly or indirectly by our Supervisory Board members as of August 31, 2011, the date of publication of this semi-annual report, and changes in their holdings since the date of publication of our last financial report (quarterly report for the three month period ended March 31, 2011) on May 16, 2011. 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, dated July 29, 2005.

Supervisory Board Member	Balance as of May 16, 2011	Increases	Decreases	Balance as of August 31, 2011
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	239,516,722	-	59,971,154	179,545,568
Heronim Ruta[2] Member of the Supervisory Board	9,509,648	-	9,509,648	0

[1] Mr. Zygmunt Solorz-Zak controls: (i) 10,603,750 shares directly (representing 3.04% in the share capital and 4.02% of votes in the Cyfrowy Polsat); and (ii) 168,941,818 shares indirectly, through Polaris Finance B.V., (representing 48,50% in the share capital and 63.64% of votes in Cyfrowy Polsat).
[2] Mr. Heronim Ruta does not control directly or indirectly any shares of Cyfrowy Polsat S.A. However, Mr. Heronim Ruta holds 15% shares in Polaris Finance B.V.

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

Proceedings before the President of UOKiK (Office of Competition and Consumer Protection) regarding the application of practices breaching collective interests of consumers

The Parent received UOKiK's decision No. 11/2009 dated 31 December 2009 whereby the President of UOKiK confirmed that certain statements included in the Company's service delivery regulations in force prior to 1 November 2009, were breaching the collective interests of consumers. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

The President of UOKiK also ordered, once the above decision becomes legally binding, it is published on the company's website (www.cyfrowypolsat.pl), and also in a daily nationwide newspaper. Moreover, pursuant to Article 106, Clause 1, Point 4 of the Protection of Competition and Consumers Act dated 16 February 2007UOKiK imposed a cash fine of PLN 994 thousand, representing 0.09% of the Company's 2008 revenue, payable to the state budget, due to the breach of the interdiction set out in Article 24, Clause 1 and 2, Point 1 of the Protection of Competition and Consumers Act dated 16 February 2007, within the scope of the above decision.

The Parent filed an appeal against the decision to the Polish Competition and Consumer Protection Court. On 14 April 2010, the President of UOKiK called for the appeal to be dismissed in full.

On 12 August 2011 the Polish Competition and Consumer Protection Court announced a verdict which supports the decision of the President of UOKiK in respect of practices breaching a collective interests of consumers. The Court also agreed with the amount of penalty imposed by UOKiK in the amount of PLN 994.

The Parent plans to file an appeal to the Polish Competition and Consumer Protection Court.

In these consolidated financial statements the Group created a provision for potential costs resulting from the final settlement of the above-mentioned proceedings.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. with its registered office in Katowice, for compensation and indemnity. On April 2, 2010, the Praga District Court X Commercial Department, in Warsaw announced the verdict, according to which, the Company is ordered to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545,000 (not in thousands) plus legal interest accrued from August 28, 2007, and also PLN 30,000 (not in thousands) of legal costs reimbursement. On September 22, 2010 the Court of Appeals in Warsaw upheld the verdict. Both parties submitted a response to the cassation appeal. On May 6, 2011 the Company filed an application to dismiss the plaintiff's refusal to accept the Company's cassation appeal to be recognized by the Court. The Supreme Court has not addressed the cassation appeal of either party as at the date of publication of these interim condensed consolidated financial statements.

Disputes with the unions of authors, artists and professionals in the entertainment industry

Telewizja Polsat is in a dispute with SAWP and STOART in respect to royalties.

On September 19, 2007 SAWP filed a claim against Telewizja Polsat where it demanded information with respect to which of the music and lyrical-music performances of artists represented by SAWP were used by Telewizja Polsat in its operations commencing October 1, 1997 until the date of the claim. The case is pending. The plaintiff has extended its claim to the amount of PLN 8,371,000 (not in thousands).

The STOART association filed a claim against Telewizja Polsat in respect of the period commencing July 2009 for the use of performances. The matter is at an early stage of proceedings. The value of the dispute amounts to PLN 2,189,000 (not in thousands).

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

In the six month period ended June 30, 2011 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

On April 14, 2011 the Group entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreements and the Bridge Facility Agreements:

(i) Registered pledge on tangible and intangible rights comprising the business of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A.;
(ii) Financial and registered pledges on all shares in Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o., held by the Company;
(iii) Transfer of receivables for security, due to Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A. from various debtors;
(iv) Contractual mortgage on real estate owned by the Company;
(v) Statement of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A. on submission to the enforcement procedure as stipulated by the notary deed.

On April 18, 2011 the Group entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:

(i) Financial and registered pledges on all shares in mPunkt Polska S.A., held by the Company;
(ii) Transfers of receivables for security, due to the Company from various debtors.

On June 20, 2011, in connection with the transformation of the Company's subsidiary - Telewizja Polsat S.A. - into a limited liability company, the Company entered into a pledge agreement which established a financial and registered pledge on all the shares of Telewizja Polsat Sp. z o.o. held by the Company.

On June 17 and June 20, 2011, Telewizja Polsat Sp. z o.o. and Telewizja Polsat Sp. z o.o.'s subsidiaries: RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Nord License AS with its registered office in Norway, Polsat License Ltd. with its registered office in Switzerland and Polsat Futbol Ltd. with its registered office in the United Kingdom entered into agreements and other documents for establishment in particular of the following security in respect to the repayment of the term and revolving facility loans granted under the Senior Facilities Agreement and the repayment (redemption) of the High Yield Notes:

(i) Registered pledge on tangible and intangible rights of Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o.;
(ii) Security established on the assets of Nord License AS, Polsat Futbol Ltd., Polsat License Ltd.;
(iii) Financial and registered pledge on all shares in RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., held by Telewizja Polsat Sp. z o.o.;
(iv) Pledge on shares in Nord License AS., Polsat License Ltd. and Polsat Futbol Ltd. held by Telewizja Polsat Sp. z o.o.;
(v) Transfer of receivables for security, due to Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o., Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. from various debtors;
(vi) Mortgage on real estate owned by Telewizja Polsat Sp. z o.o.;
(vii) Mortgage on real estate owned by RS TV S.A.;
(viii) Statement of Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. on submission to the enforcement procedure as stipulated by the notary deed.

Aside from securities presented above, pursuant to the Indenture, the Senior Notes (for details refer to the part *Liquidity and Capital Resources* in point *12.7.2. Review of the financial situation*) are guaranteed by each of the Initial Guarantors (the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A.).

In addition, on May 20, 2011, the following agreements have been concluded and the following securities have been established:

(i) Registered and financial pledges for Citicorp over rights to the bank accounts of Cyfrowy Polsat Finance A.B. (the issuer of the Notes) maintained by RBS Bank (Polska) S.A.

(ii) Share pledge for the benefit of the finance parties represented by Citicorp over all present and future shares in Cyfrowy Polsat Finance A.B. and all rights relating to any of those shares.

(iii) Account pledge for the benefit of the finance parties represented by Citicorpover rights to the bank account of Cyfrowy Polsat Finance A.B. maintained by EFB Bank AB.

On June 10, 2011, Cyfrowy Polsat Finance AB entered into a pledge agreement with Citicorp Trustee Company Limited. Pursuant to the agreement Cyfrowy Polsat Finance established in favor of Citicorp a registered and financial pledge over 10 registered Series A bonds issued by the Company on May 20, 2011 with the total nominal value of EUR 350 million (not in thousands) maturing in 2018. The aforementioned pledges secure the senior secured bonds with the total nominal value of EUR 350 million maturing in 2018 issued by Cyfrowy Polsat Finance as well as liabilities of the Company and other debtors under the loan agreements.

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

12.1. Revenue

Revenue is derived from (i) retail subscription fees, (ii) television advertising and sponsorship, (iii) fees from cable TV and satellite operators, (iv) sale of equipment and (v) other revenue sources.

Retail subscription revenue

Retail subscription revenue consists primarily of (i) monthly subscription fees paid by our DTH subscribers for programming packages, (ii) fees for the leasing of set-top boxes, (iii) activation fees, (iv) liquidated damages due to termination of contracts (v) monthly subscription fees and other revenue from users of our mobile telephony and Internet services and (vi) fees for extra services such as nVoD. The total amount of DTH subscription fees depends on the number of subscribers and the amount of monthly subscription fees paid for our packages. Activation fees are collected up-front and amortized over the life of the contract.

Sales of advertising and sponsorship

Approximately 99% of revenues from advertising and sponsorship is generated by TV Polsat Group (the rest relates to revenues related to sale of marketing and advertising services, previously presented in other revenues from sale). We sell advertising on our channels either on a rate-card basis, which reflects the timing and duration of an advertisement, or on a cost per gross rating point, or GRP, basis. A GRP is defined as the number of people watching a particular emission of advertising spot at a specific time. Unlike audience share, which is defined as the number of people watching a particular program at a particular time and is expressed as a percentage of the total number of people watching TV, GRP is expressed as a percentage of the target group. We set and publish rate-card prices on monthly basis. Rate-card pricing is, on average, higher than GRP pricing, as advertisers select the specific advertising breaks, which they believe best meet their marketing objectives. We determine the placement of advertising spots sold on a GRP basis based on the availability of airtime after the booking of rate-card sales, and advertisers only pay for the actual number of rating points delivered in the relevant advertising breaks.

Revenue from cable TV and satellite operators

Revenue from cable TV and satellite operators consists solely of revenue generated by TV Polsat Group and includes fees from satellite platforms and cable TV networks operators for rebroadcasting our channels.

Sale of equipment

Sale of equipment consists mostly of revenue from sale of set-top boxes, STB hard disk drives, antennas, Internet modems, routers and mobile handsets to our subscribers when they enter into DTH, broadband Internet and mobile telephony services agreements. The sale price of equipment depends on the model, the tariff plan purchased by the subscriber and the duration of the agreement.

Other revenue

Other revenue sources consist primarily of revenue from:

(i) sales of licenses, sublicenses and property rights;
(ii) the lease of premises and facilities;
(iii) transmission services;
(iv) other services.

12.2. Operating costs

Operating costs consist of (i) programming costs, (ii) distribution, marketing, customer relation management and retention costs (iii) costs of internal and external TV production and amortization of sports broadcasting rights, (iv) depreciation and amortization and impairment allowance, (v) salaries and employee-related costs, (vi) broadcasting and signal transmission costs, (vii) amortization of purchased film licenses, (viii) costs of equipment sold and (ix) other costs.

Programming costs

Programming costs consist of:

(i) monthly license fees due to television broadcasters and distributors and
(ii) royalties to collective copyright management organizations and the Polish Film Institute.

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of (i) commissions due to distributors consisting of amounts due both to distributors and retail points of sale when they complete sale or retention agreements with our subscribers for DTH, broadband Internet and mobile telephony services and (ii) costs of courier services, distribution of set-top boxes and modems and costs associated with services of our regional agents. Marketing expenses consist of expenses for TV and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. Customer relation management and retention costs consist of mailing costs, call center costs, bad debt recovery fees and other customer relation management costs.

Costs of internal and external TV production and amortization of sport rights

These costs include production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses. This costs include also amortization of sports broadcasting rights. Amortization is based on the estimated number of showings and type of programming content.

Depreciation, amortization and impairment

Depreciation, amortization and impairment costs primarily consist of depreciation and amortization of set-top boxes leased to our subscribers, plant and equipment, depreciation of TV and broadcasting equipment and depreciation of intangible assets and telecommunications equipment related to our mobile telephony services, as well as fixed assets impairment allowance.

Salaries and employee-related costs

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries of factory employees, which are included in the costs of manufacturing set-top boxes and salaries and social security contributions relating to employees directly involved in production of TV programmes which are presented as part of costs of internal TV production) or project-specific contracts, managerial contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs consist of:

(i) payments for the lease of satellite transponder capacity;
(ii) payments for the use of the Nagravision conditional access system based on the number of access cards;
(iii) TV broadcasting costs, which mainly consist of analogue terrestrial transmission signal, and
(iv) other signal transmission costs.

Amortization of purchased film licenses

These costs include amortization of rights to TV programming content produced by third parties and licensed to us. Amortization is based on the estimated number of showings and type of programming content.

Cost of equipment sold

Cost of equipment sold relates mostly to set-top boxes, STB hard disk drives, antennas, Internet modems, routers and mobile handsets that we sell to our customers.

Other costs

Key items of other costs include:

(i) infrastructure rental and network maintenance,
(ii) the cost of SMART and SIM cards provided to customers,
(iii) IT services,
(iv) property maintenance costs,
(v) guarantee services costs,
(vi) legal, advisory and consulting costs,
(vii) charges from mobile network operators,
(viii) taxes and other charges,
(ix) the cost of licenses and other current assets sold,
(x) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production and
(xi) other costs.

12.3. Other operating income

Other operating income consists of (i) liquidated damages from customers and distributors for failing to return equipment or returning damaged equipment and (ii) other operating revenue, not derived in the ordinary course of business.

12.4. Other operating costs

Other operating costs consist of:

(i) bad debt provisions and the cost of receivables written off,
(ii) stock provision impairment and
(iii) other costs not related to ordinary operations and the ordinary course of business.

12.5. Finance income

Finance income for the presented periods consists primarily of interest on money deposited in bank accounts as well as realized and unrealized gains on exchange rates.

12.6. Finance costs

For the presented periods, finance costs primarily comprised interest payable on our loans and borrowings and 7.125% Senior Notes, costs of bank charges and commissions, as well as net foreign exchange losses on the valuation of Senior Notes denominated in euro, realized and unrealized losses on financial instruments.

12.7. Management discussion and analysis

12.7.1. Operating results

Retail business segment

We consider the number of subscribers, churn rate, ARPU and subscriber acquisition cost when analyzing and evaluating our Retail business segment. The table below sets forth these key performance indicators for the relevant periods and is followed by a detailed explanation of each key performance indicator.

	Three months ended June 30			Six months ended June 30		
	2011	**2010**	**Difference**	**2011**	**2010**	**Difference**
Number of subscribers at end of period, of which:	**3,472,757**	**3,263,546**	**6.4%**	**3,472,757**	**3,263,546**	**6.4%**
Family Package	2,706,080	2,591,936	4.4%	2,706,080	2,591,936	4.4%
Mini Package	766,677	671,610	14.2%	766,677	671,610	14.2%
Average number of subscribers[1], of which:	**3,472,710**	**3,229,499**	**7.5%**	**3,469,405**	**3,240,508**	**7.1%**
Family Package	2,715,662	2,579,015	5.3%	2,727,853	2,611,521	4.5%
Mini Package	757,048	650,485	16.4%	741,552	628,988	17.9%
Churn rate of which:	**9.1%**	**10.0%**	**-0.9 p.p.**	**9.1%**	**10.0%**	**-0.9 p.p.**
Family Package	10.3%	11.5%	-1.2 p.p.	10.3%	11.5%	-1.2 p.p.
Mini Package	6.8%	4.1%	2.7 p.p.	6.8%	4.1%	2.7 p.p.
Average revenue per user (ARPU) (PLN), of which:	**36.3**	**35.6**	**2.0%**	**36.6**	**35.9**	**1.9%**
Family Package (PLN)	43.2	41.9	3.1%	43.4	41.9	3.6%
Mini Package (PLN)	11.6	10.9	6.4%	11.5	10.7	7.5%
Subscriber average cost (SAC) (PLN)	**110.4**	**114.7**	**-3.7%**	**117.9**	**124.7**	**-5.5%**

[1] Calculated as the sum of the average number of subscribers in each month of the period divided by the number of months in the period. Average number of subscribers per month is calculated as the average of the number of subscribers on the first and the last business day of the month.

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to DTH services and who is obligated, under the terms of the agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages after making required payments but without having signed such an agreement. Our number of subscribers increased by 6.4%, from approximately 3,263.5 thousand subscribers as of June 30, 2010 to approximately 3,472.8 thousand subscribers as of June 30, 2011. We attribute this increase in our subscriber base to a growing demand for DTH services in the Polish pay TV market and the value-for-money of our products. Family Package subscribers constituted 77.9% and 79.4% of our entire subscriber base as of June 30, 2011 and 2010, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period. Our churn rate has decreased from 10.0% to 9.1% for the twelve month period ended June 30, 2010 and June 30, 2011, respectively with the churn rate of the Family Package decreasing by 1.2 percentage point and the churn rate of Mini Package increasing by 2.7 percentage points. Our churn rate decreased by 1.2 percentage point from 10.3% to 9.1% in the 12-month periods ended December 31, 2011 and June 30, 2011 due to the fact that we improved our retention offers in the first half of 2011.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period. Monthly Family Package ARPU increased by 3.1%, from PLN 41.9 in the second quarter of 2010 to PLN 43.2 in the second quarter of 2011. Monthly Mini Package ARPU increased by 6.4%, from PLN 10.9 in the second quarter of 2010 to PLN 11.6 in the second quarter of 2011. Monthly Family Package ARPU increased by 3.6%, from PLN 41.9 in the first half of 2010 to PLN 43.4 in the first half of 2011. Monthly Mini Package ARPU increased by 7.5%, from PLN 10.7 in the first half of 2010 to PLN 11.5 in the first half of 2011.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 3.7% from PLN 114.7 in the three month period ended June 30, 2010 to PLN 110.4 in the three month period ended June 30, 2011. Our average SAC decreased by 5.5% from PLN 124.7 in the first half of 2010 to PLN 117.9 in the first half of 2011.

Television broadcasting and production segment

We consider audience share by channel, advertising market share and technical reach when analyzing and evaluating our Television broadcasting and production segment. The tables below set forth these key performance indicators for the relevant periods and are followed by a detailed explanation of each key performance indicator.

	Three months ended June 30			Six months ended June 30		
	2011	2010	Difference / %	2011	2010	Difference / %
Audience share[1]	**21.2%**	**18.7%**	**12.9%**	**20.3%**	**18.8%**	**8.3%**
POLSAT	**17.0%**	**15.5%**	**9.5%**	**16.4%**	**15.8%**	**4.0%**
Aggregate thematic channel audience share	**4.2%**	**3.2%**	**29.3%**	**3.9%**	**3.0%**	**30.9%**
Polsat 2	1.40%	0.88%	59.09%	1.32%	0.87%	51.72%
Polsat Cafe	0.31%	0.20%	55.00%	0.30%	0.19%	57.89%
Polsat Film	0.38%	0.23%	65.22%	0.38%	0.25%	52.00%
Polsat Futbol	0.02%	0.02%	0.00%	0.02%	0.02%	0.00%
Polsat JimJam	0.24%	0.18%	33.33%	0.30%	0.21%	42.86%
Polsat News	0.67%	0.71%	-5.63%	0.63%	0.48%	31.25%
Polsat Play	0.33%	0.23%	43.48%	0.29%	0.21%	38.10%
Polsat Sport	0.56%	0.50%	12.00%	0.52%	0.55%	-5.45%
Polsat Sport Extra	0.22%	0.22%	0.00%	0.16%	0.19%	-15.79%
TV Biznes	0.02%	0.04%	-50.00%	0.02%	0.04%	-50.00%
Advertising market share[2]	**23.0%**	**21.9%**	**5.0%**	**22.4%**	**21.6%**	**3.7%**

[1] NAM, All day 16-49 audience share
[2] Estimates based on Starlink data

Polsat channels; technical reach[1]

channel	June 30, 2011	2010	Difference %
POLSAT	97.8	94.3	4%
Polsat 2	57.8	38.9	49%
Polsat Cafe	47.1	30.8	53%
Polsat Film	36.2	19.4	87%
Polsat Futbol	13.3	10.9	22%
Polsat JimJam	36.4	18.3	99%
Polsat News	48.3	27.1	78%
Polsat Play	38.1	20.1	90%
Polsat Sport	43.4	36.0	21%
Polsat Sport Extra	30.0	27.1	11%
TV Biznes	50.1	43.8	14%
Polsat Sport News	3.8	n/a	n/a
Polsat Sport HD	3.0	n/a	n/a

[1] NAM, percentage of households which have a possibility to watch pointed channel

Audience share

Our aggregate audience share increased from 18.8% in the first half of 2010 to 20.3% in the first half of 2011. Over this period POLSAT's audience share has increased from 15.8% to 16.4%. Audience share increase was mainly a result of successful programming such as new talent show *Must be the Music -Tylko muzyka* aired in the Spring season, on Saturdays at 8.00 pm (27.4% audience share), premiere episodes of our series including *Pierwsza miłość* (26.6% audience share) and *Szpilki na Giewoncie* (23.8% audience share), docu-crime *Malanowski i Partnerzy* (24.9% audience share), as well as para-documentary series *Dlaczego ja?* (25.6% audience share) and *Trudne sprawy* (27.3% audience share). POLSAT was the only large FTA broadcaster in Poland that noted an increase in audience share, despite increasing competition from non-FTA channels, both thematic and others, including our own thematic channels distributed by cable TV and satellite operators, who over the same period, in the aggregate, increased their audience share from 31,5% in the first half of 2010 to 33.4% in the first half of 2011. The aggregate audience share of our non-FTA channels increased from 3.0% in the first half of 2010 to 3.9% in the first half of 2011. The highest growth in audience share was noted by Polsat 2, Polsat News, Polsat Film and Polsat Café. We expect this trend to continue, with non-FTA channels improving audience share in the effect of their growing distribution on other DTH and cable TV platforms as well as the Cyfrowy Polsat platform.

Advertising and sponsoring market share

Based on Starlink data, we estimate that our TV advertising market share increased from 21.9% to 23.0% in the second quarter of 2010 and 2011, respectively, and from 21.6% in the first half of 2010 to 22.4% in the respective period of 2011. The increase was mainly due to our strong performance in terms of audience share that improved for both our main channel Polsat and our thematic channels as well as the ability to generate more Gross Rating Points (advertising audience). In total, we generated 11.4% more GRPs.

Distribution and technical reach

Following the agreement with Cyfra+ signed in the second half of 2010, in the first half of 2011 we signed two significant distribution agreements introducing our selected thematic channels to "n" platform and Multimetdia cable network. Our growing distribution resulted in the increase in technical reach of all our channels being a particularly important determinant of audience share growth. We believe that the growth in technical reach will result in further increase of our audience share in the future. Moreover, the new agreements generate additional revenue from subscription (presented in Revenue from cable and satellite operator fees).

12.7.2. Review of the financial situation

The following review of results for the three and six month periods ended June 30, 2011 was prepared based on interim condensed consolidated financial statements for the six month period ended June 30, 2011, interim condensed consolidated financial statements for the three and six month period ended June 30, prepared in accordance with International Financial Reporting Standards as adopted by the European Union as of January 1, 2011 and internal analysis.

All financial data is expressed in thousands of PLN.

Comparison of financial results for the three month period ended June 30, 2011 with the results for the corresponding period of 2010

Revenue

Our total revenue increased by PLN 260,140, or 70.6%, from PLN 368,265 for the three month period ended June 30, 2010 to PLN 628,405 for the three month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group, our total revenue increased by PLN 27,997, or 7.6%, from PLN 368,265 for the three month period ended June 30, 2010 to PLN 396,262 for the three month period ended June 30, 2011. Revenue grew for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 35,258, or 10.1%, to PLN 385,791 for the three month period ended June 30, 2011 from PLN 350,533 for the three month period ended June 30, 2010. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in the second quarter of 2011 compared to the second quarter of 2010 and an increase in ARPU. The acquisition of TV Polsat Group did not impact the retail subscription revenue on the short time basis.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 206,452 to PLN 207,219 for the three month period ended June 30, 2010 from PLN 767 for the three month period ended June 30, 2011. This increase is primarily an effect of consolidation of advertising and sponsorship revenue of TV Polsat Group in the amount of PLN 206,521. Excluding the effect of consolidation of TV Polsat Group, the revenue from advertising (previously presented in the other revenue from sales) decreased by PLN 70, or 9.1%, to PLN 697 for the three month period ended June 30, 2011 from PLN 767 for the three month period ended June 30, 2010.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates in total to revenue of TV Polsat Group. This revenue was consolidated in the second quarter of 2011 in the amount of PLN 16,219.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 7,687, or 74.1%, to PLN 2,685 for the three month period ended June 30, 2011 from PLN 10,372 for the three month period ended June 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower revenues from sale of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease set-top-boxes instead of purchasing. Consolidation of TV Polsat Group did not significantly impact revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 9,899, or 150.2%, to PLN 16,491 for the three month period ended June 30, 2011 from PLN 6,592 for the three month period ended June 30, 2010. This increase is primarily an effect of consolidation of revenues recognized by TV Polsat Group, including primarily revenue from sale of licenses, sub-licenses and property rights. Excluding the effect of consolidation of TV Polsat Group, other revenue increased by PLN 471, or 7.1%, to PLN 7,063 for the three month period ended June 30, 2011 from PLN 6,592 for the three month period ended June 30, 2010 (the figures do not include revenues from advertising and marketing, now presented in Advertising and sponsorship revenue).

Total operating costs

	For the three month period ended June 30,		
	2011	2010	Percentage Change
Programming costs	103,627	101,879	1.7%
Distribution, marketing, customer relation management and retention costs	76,891	67,883	13.3%
Cost of internal and external TV production and amortization of sports broadcasting rigths	75,842	-	n/a
Depreciation and amortization and impairment allowance	44,755	18,966	136.0%
Salaries and employee-related costs	39,391	21,149	86.3%
Broadcasting and signal transmission costs	26,920	20,860	29.1%
Amortization of purchased film licenses	25,769	-	n/a
Cost of equipment sold	4,350	13,617	-68.1%
Other operating costs	42,820	31,304	36.8%
Total operating costs	**440,365**	**275,658**	**59.8%**

Total operating costs increased by PLN 164,707, or 59.8%, to PLN 440,365 for the three months period ended June 30, 2011 from PLN 275,658 for the three months period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, our total operating costs increased by PLN 20,603, or 7.5%, from PLN 275,658 for the three month period ended June 30, 2010 to PLN 296,261 for the three month period ended June 30, 2011. Costs grew for the reasons set forth below.

Programming costs

Programming costs increased by PLN 1,748, or 1.7%, to PLN 103,627 for the three months period ended June 30, 2011 from PLN 101,879 for the three months period ended June 30, 2010. Excluding the consolidation of TV Polsat Group, programming costs increased by PLN 4,117, or 4.0%, to PLN 105,996 for the three months period ended June 30, 2011 from PLN 101,879 for the three months period ended June 30, 2010. This increase is a net effect of currency fluctuations (decrease in costs) and other factors such as the increase in the average number of our DTH subscribers and changes in the programming content.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 9,008, or 13.3%, to PLN 76,891 for the three month period ended June 30, 2011 from PLN 67,883 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 5,933, or 8,7%, to PLN 73,816 for the three month period ended June 30, 2011 from PLN 67,883 for the three month period ended June 30, 2010. This increase resulted primarily from an increase in subscriber base and consequently an increase in customer relation management costs and introduction of customer retention programs.

Cost of internal and external TV production and amortization of sport right

The cost of internal and external production and amortization of sports broadcasting rights relates in total to costs of TV Polsat Group. These costs were consolidated in the second quarter of 2011 in the amount of PLN 75,842.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 25,789, or 136.0%, to PLN 44,755 for the three month period ended June 30, 2011 from PLN 18,966 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 15,495, or 81,7%, to PLN 34,461 for the three month period ended June 30, 2011 from PLN 18,966 for the three month period ended June 30, 2010. The increase in depreciation, amortization and impairment was caused by (i) an increase in depreciation of set-top boxes leased to our subscribers, which we account for as fixed assets, resulting from the higher number of leased set-top boxes and (ii) recognition of assets impairment allowance (concerning primarily impairment of set-top boxes) in the second quarter of 2011.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 18,242, or 86.3%, to PLN 39,391 for the three month period ended June 30, 2011 from PLN 21,149 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 4,520, or 21,4%, to PLN 25,669 for the three month period ended June 30, 2011 from PLN 21,149 for the three month period ended June 30, 2010. The increase was mainly due to a higher number of employees resulting from the growth of our business and the merger with mPunkt.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 6,060, or 29.1%, to PLN 26,920 for the three month period ended June 30, 2011 from PLN 20,860 for the three month period ended June 30, 2010. This increase is primarily an effect of consolidation of broadcasting and signal transmission costs of TV broadcasting and production segment (TV broadcasting costs, including mainly rental costs of transponder capacity and analogue terrestrial transmission signal). Excluding the effect of consolidation of TV Polsat Group, signal transmission costs decreased by PLN 334, or 1.6%, to PLN 20,526 for the three months period ended June 30, 2011 from PLN 20,860 for the three months period ended June 30, 2010.

Amortization of purchased film licenses

The cost of amortization of purchased film licenses relates in total to costs of TV Broadcasting and production segment. These costs were consolidated in the second quarter of 2011 in the amount of PLN 25,769.

Cost of equipment sold

Cost of equipment sold decreased by PLN 9,267, or 68.1%, to PLN 4,350 for the three month period ended June 30, 2011 from PLN 13,617 for the three month period ended June 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower cost of sales of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease rather than purchase set-top-boxes from us. Consolidation of TV Polsat Group did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 11,516, or 36.8%, to PLN 42,820 for the three month period ended June 30, 2011 from PLN 31,304 for the three month period ended June 30, 2010. Excluding the consolidation of TV Polsat Group, other costs increased by PLN 117, or 0.4%, to PLN 31,421 for the three months period ended June 30, 2011 from PLN 31,304 for the three months period ended June 30, 2010. This increase was a net effect of several factors, out of which the most significant were: (i) an increase in legal, advisory and consulting costs due to costs related to the purchase of TV Polsat shares, (ii) higher payments to mobile network operators resulting from the increase in the number of our mobile telephony and Internet service users, (iii) a decrease in the costs of infrastructure rental and network maintenance.

Other operating income

Other operating income decreased by PLN 7,945, or 89.2%, to PLN 963 for the three month period ended June 30, 2011 from PLN 8,908 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating income decreased by PLN 8,041, or 90.3%, to PLN 867 for the three months period ended June 30, 2011 from PLN 8,908 for the three months period ended June 30, 2010. The decrease relates to revenue from the cession of tenant agreements of point of sale that was recognized in the second quarter of 2010 by mPunkt (no such revenue in the second quarter of 2011).

Other operating costs

Other operating costs increased by PLN 4,459, or 37.8%, to PLN 16,245 for the three month period ended June 30, 2011 from PLN 11,786 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating costs increased by PLN 3,304, or 28.0%, to PLN 15,090 for the three months period ended June 30, 2011 from PLN 11,786 for the three months period ended June 30, 2010. The increase was due to slightly higher bad debt provision and higher cost of receivables written off and other costs including i.a. costs of compensations, costs of liquidated stock and losses on liquidation or sale of fixed assets.

Finance income

Finance income increased by PLN 8,449, to PLN 8,761 for the three month period ended June 30, 2011 from PLN 312 for the three month period ended June 30, 2010. The change is explained by the increase in interests from deposits (including PLN 1,694 recognized by TV Polsat Group) and recognized gains on foreign exchange fluctuations (including PLN 1,570 from consolidation of TV Polsat Group).

Finance costs

Finance costs increased by PLN 85,016 to PLN 92,123 for the three month period ended June 30, 2011 from PLN 7,107 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, finance costs increased by PLN 85,870, to PLN 92,977 for the three months period ended June 30, 2011 from PLN 7,107 for the three months period ended June 30, 2010. The increase was primarily due to the costs of service of debt financing of acquisition of TV Polsat (interest costs on Term Facility Loan, Revolving Facility, Bridge Facility Loan and 7,125% Senior Notes) and unrealized foreign exchange differences related to valuation of the €350 million (not in thousands) Senior Notes.

Income tax

Income tax expense increased by PLN 4,542, or 28.5%, to PLN 20,482 for the three month period ended June 30, 2011 from PLN 15,940 for the three month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, income tax expense decreased by PLN 14,294, or 89.7%, to PLN 1,646 for the three months period ended June 30, 2011 from PLN 15,940 for the three months period ended June 30, 2010.

Net profit

Net profit for the three month period increased by PLN 2,489 or 3.7%, to PLN 69,483 for the three month period ended June 30, 2011 from PLN 66,994 for the three month period ended June 30, 2010.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 108,818, or 100.1%, to PLN 217,513 for the three month period ended June 30, 2011 from PLN 108,695 for the three month period ended June 30, 2010. EBITDA margin increased to 34.6% for the second quarter of 2011 from 29.5% for the second quarter of 2010. Excluding the impact of TV Polsat Group, EBITDA increased by PLN 11,545, or 10.6%, to PLN 120,240 for the three month period ended June 30, 2011 from PLN 108,695 for the three month period ended

June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA margin increased to 30.3% for the second quarter of 2011 from 29.5% for the second quarter of 2010.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,851, including production employees in the three month period ended June 30, 2011, as compared to 892 in the corresponding period of 2010. The increase in the average number of employees resulted from our organic growth, merger with mPunkt and acquisition of TV Polsat - we include the employees of TV Polsat Group from the day of the finalization of the transaction, i.e. April 20, 2011.

Comparison of financial results for the six month period ended June 30, 2011 with the results for the corresponding period of 2010

Revenue

Our total revenues increased by PLN 288,923, or 38.9%, from PLN 742,261 for the six month period ended June 30, 2010 to PLN 1,031,184 for the six month period ended June 30, 2011. Excluding the impact of TV broadcasting and production segment, our total revenue increased by PLN 56,780, or 7.6%, from PLN 742,261 for the six month period ended June 30, 2010 to PLN 799,041 for the six month period ended June 30, 2011. Revenue increased for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 66,827, or 9.5%, to PLN 773,899 for the six month period ended June 30, 2011 from PLN 707,072 for the six month period ended June 30, 2010. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in the second quarter of 2011 compared to the second quarter of 2010 and an increase in ARPU.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 206,788 to PLN 208,627 for the six month period ended June 30, 2011 from PLN 1,839 for the six month period ended June 30, 2010. This increase is primarily an effect of consolidation of advertising and sponsorship revenue of TV Polsat Group in the amount of PLN 206,522. Excluding the effect of consolidation of TV Polsat Group, the revenue from advertising (previously presented in the other revenue from sales) increased by PLN 266, or 14.5%, to PLN 2.105 for the six month period ended June 30, 2011 from PLN 1.839 for the six month period ended June 30, 2010 .

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates in total to revenue of TV Polsat Group. This revenue was consolidated in the first half of 2011 in the amount of PLN 16,219.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 12.005, or 56.7%, to PLN 9,159 for the six month period ended June 30, 2011 from PLN 21,164 for the six month period ended June 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower revenues from sale of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease set-top-boxes instead of purchasing. Consolidation of TV Polsat Group did not have a significant effect on revenue from the sale of equipment.

Other revenue

Other revenue increased by PLN 11,094, or 91.0%, to PLN 23,280 for the six month period ended June 30, 2011 from PLN 12,186 for the six month period ended June 30, 2010. This increase is primarily an effect of consolidation of revenues recognized by TV Polsat Group, primarily including revenue from sale of licenses, sub-licenses and property rights. Excluding the effect of consolidation of TV Polsat Group, other revenue increased by PLN 1.666, or 13.7%, to PLN 13,852 for the six month period ended June 30, 2011 from PLN 12,186 for the six month period ended June 30, 2010 (the figures do not include revenues from advertising and marketing, now presented in Advertising and sponsorship revenue).

Total operating costs

	For the six month period ended June 30,		
	2011	2010	Percentage Change
Programming costs	203,891	194,595	4.8%
Distribution, marketing, customer relation management and retention costs	150,972	135,360	11.5%
Cost of internal and external TV production and amortization of sports broadcasting rigths	75,842	-	n/a
Depreciation and amortization and impairment allowance	73,095	34,962	109.1%
Salaries and employee-related costs	61,779	39,107	58.0%
Broadcasting and signal transmission costs	47,344	41,305	14.6%
Amortization of purchased film licenses	25,769	-	n/a
Cost of equipment sold	19,125	31,850	-40.0%
Other operating costs	69,650	55,593	25.3%
Total operating costs	**727,467**	**532,772**	**36.5%**

Total operating costs increased by PLN 194,695, or 36.5%, to PLN 727,467 for the six months period ended June 30, 2011 from PLN 532,772 for the six months period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, our total operating costs increased by PLN 50,591, or 9.5%, to PLN 583,363 for the six month period ended June 30, 2011, from PLN 532,772 for the six month period ended June 30, 2010. Costs grew for the reasons set forth below.

Programming costs

Programming costs increased by PLN 9,296, or 4.8%, to PLN 203,891 for the six months period ended June 30, 2011 from PLN 194,595 for the six months period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, programming costs increased by PLN 11,664, or 6.0%, to PLN 206,259 for the six months period ended June 30, 2011 from PLN 194,595 for the six months period ended June 30, 2010. This increase was a net effect of currency fluctuations (decrease in costs) and other factors such as the increase in the average number of our DTH subscribers and changes in the programming content.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 15,612, or 11.5%, to PLN 150,972 for the six month period ended June 30, 2011 from PLN 135,360 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 12,538, or 9,3%, to PLN 147,898 for the six month period ended June 30, 2011 from PLN 135,360 for the six month period ended June 30, 2010. This increase resulted primarily from an increase in subscriber base and consequently an increase in customer relation management costs and introduction of customer retention programs.

Cost of internal and external TV production and amortization of sport right

The cost of internal and external production and amortization of sports broadcasting rights relates in total to costs of TV Polsat Group. This costs were consolidated in the first half of 2011 in the amount of PLN 75,842.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 38,133, or 109.1%, to PLN 73,095 for the six month period ended June 30, 2011 from PLN 34,962 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 27,840, or 79,6%, to PLN 62,802 for the six month period ended June 30, 2011 from PLN 34,962 for the six month period ended June 30, 2010. The increase in depreciation, amortization and impairment was caused by (i) an increase in depreciation of set-top boxes leased to our subscribers, which we account for as fixed assets, resulting from the higher number of leased set-top boxes and (ii) recognition of non-current assets' impairment allowance (concerning primarily impairment of set-top boxes) in the first half of 2011.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 22,672, or 58.0%, to PLN 61,779 for the six month period ended June 30, 2011 from PLN 39,107 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 8,950, or 22,9%, to PLN 48,057 for the six month period ended June 30, 2011 from PLN 39,107 for the six month period ended June 30, 2010. The increase was mainly due to a higher number of employees resulting from the growth of our business and the merger with mPunkt.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 6,039, or 14.6%, to PLN 47,344 for the six month period ended June 30, 2011 from PLN 41,305 for the six month period ended June 30, 2010. This increase is primarily an effect of consolidation of broadcasting and signal transmission costs of TV Polsat Group (TV broadcasting costs, including mainly rental costs of transponder capacity and analogue terrestrial transmission signal). Excluding the effect of consolidation of TV Polsat Group, signal transmission costs decreased by PLN 354, or 0.9%, to PLN 40,951 for the six months period ended June 30, 2011 from PLN 41,305 for the six months period ended June 30, 2010.

Amortization of purchased film licenses

The cost of amortization of purchased film licenses relates in total to costs of TV Polsat Group. This costs were consolidated in the first half of 2011 in the amount of PLN 25,769.

Cost of equipment sold

Cost of equipment sold decreased by PLN 12,725, or 40.0%, to PLN 19,125 for the six month period ended June 30, 2011 from PLN 31,850 for the six month period ended June 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower costs of sales of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease rather than purchase set-top-boxes from us. Consolidation of TV Polsat Group did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 14,057, or 25.3%, to PLN 69,650 for the six month period ended June 30, 2011 from PLN 55,593 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other costs increased by PLN 2,657, or 4.8%, to PLN 58,250 for the six months period ended June 30, 2011 from PLN 55,593 for the six months period ended June 30, 2010. This increase was a net effect of several factors, out of which the most significant were: (i) an increase in legal, advisory and consulting costs due to costs related to the purchase of TV Polsat shares, (ii) higher payments to mobile network operators resulting from the increase in the number of our mobile telephony and Internet service users, (iii) a decrease in the costs of infrastructure rental and network maintenance.

Other operating income

Other operating income decreased by PLN 973, or 10.1%, to PLN 8,704 for the six month period ended June 30, 2011 from PLN 9,677 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating income decreased by PLN 1,068, or 11.0%, to PLN 8,609 for the six months period ended June 30, 2011 from PLN 9,677 for the six months period ended June 30, 2010. The decrease was a net effect of several factors, out of which the most significant were: (i) sale of equipment for testing of modems in the first half of 2011 (no such item in the first half of 2010) and (ii) revenue from the cession of tenant agreements of point of sale that was recognized in the first half of 2010 by mPunkt (no such revenue in the first half of 2011).

Other operating costs

Other operating costs increased by PLN 21,121, or 93.7%, to PLN 43,664 for the six month period ended June 30, 2011 from PLN 22,543 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating costs increased by PLN 19,966, or 88.6%, to PLN 42,509 for the six months period ended June 30, 2011 from PLN 22,543 for the six months period ended June 30, 2010. The increase was due to higher bad debt provision and higher cost of receivables written off in the first quarter of 2011. As a result of actions taken during the second quarter of 2011, the value of bad dept provision and receivables written-off was only slightly higher than in the corresponding period of the previous year mainly due to organic growth of the business (increase in receivables from subscribers). Other reasons for the growth in other operating costs include increase in the costs of compensations, the cost of liquidated stock as well as losses on sale and disposal of fixed assets.

Finance income

Finance income increased by PLN 8,523, to PLN 9,320 for the six month period ended June 30, 2011 from PLN 797 for the six month period ended June 30, 2010. The change is explained by the increase in interests from deposits (including PLN 1,694 recognized by TV Polsat Group) and recognized gains on foreign exchange fluctuations (including PLN 1,570 from consolidation of TV Polsat Group).

Finance costs

Finance costs increased by PLN 86,996 to PLN 95,050 for the six month period ended June 30, 2011 from PLN 8,054 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, finance costs increased by PLN 87,850, to PLN 95,904 for the six months period ended June 30, 2011 from PLN 8,054 for the six months period ended June 30, 2010. The increase was primarily due to the costs of service of debt financing of acquisition of TV Polsat (interest costs on Term Facility Loan, Revolving Facility, Bridge Facility Loan and 7,125% Senior Notes) and unrealized foreign exchange differences related to valuation of the EUR 350 million (not in thousands) Senior Notes.

Income tax

Income tax expense increased by PLN 1,478, or 4.1%, to PLN 37,716 for the six month period ended June 30, 2011 from PLN 36,238 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, income tax expense decreased by PLN 17,358, or 47.9%, to PLN 18,880 for the six months period ended June 30, 2011 from PLN 36,238 for the six months period ended June 30, 2010.

Net profit

Net profit decreased by PLN 7,248 or 4.7%, to PLN 145,880 for the six month period ended June 30, 2011 from PLN 153,128 for the six month period ended June 30, 2010.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 110,267, or 47.6%, to PLN 341,852 for the six month period ended June 30, 2011 from PLN 231,585 for the six month period ended June 30, 2010. EBITDA margin increased to 33.2% for the first half of 2011 from 31.2% for the first half of 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA increased by PLN 12,994, or 5.6%, to PLN 244,579 for the six month period ended June 30, 2011 from PLN 231,585 for the six month period ended June 30, 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA margin decreased to 30.6% for the first half of 2011 from 31.2% for the first half of 2010.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,373, including production employees in the six month period ended June 30, 2011, as compared to 783 in the corresponding period of 2010. The increase in the average number of employees resulted from our organic growth, merger with mPunkt and the acquisition of TV Polsat - we include the employees of TV Polsat Group from the day of the finalization of the transaction, i.e. April 20, 2011.

Results by business segments

The Group operates in the following two segments:

- retail business segment which relates to providing services to individual clients, including digital television transmission signal, mobile services, Internet access services and production of set-top boxes,
- television broadcasting and production segment.

The Group conducts its operating activities mainly in Poland.

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

Retail business segment includes:

- digital satellite pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by DTH subscription fees;
- mobile telecommunication postpaid services which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- production of set-top boxes.

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

The table below presents a summary of the Group's revenues and expenses by operating segment for the period of 6 months ended June 30, 2011:

Period of 6 months ended June 30, 2011	Retail	Television broadcasting and production	Consolidation adjustments	Total
Revenues from sales to third parties	798,459	232,725	-	1,031,184
Inter-segment revenues	582	15,192	(15,774)	-
Revenues	799,041	247,917	(15,774)	1,031,184
EBITDA	**244,579**	**97,273**	**-**	**341,852**
Profit/(loss) from operating activities	**181,778**	**88,007**	**(1,028)**	**268,757**
Acquisition of property, plant and equipment, reception equipment and intangible assets	145,029*	1,183	-	146,212
Depreciation, amortization and impairment	62,802	9,265	1,028	73,095
Balance as at June 30, 2011				
Assets, including:	5,184,074	757,900	(693,899)**	5,248,075
Investments in associates	-	2,243	-	2,243

*This item also includes the acquisition of set-top boxes for operating lease purposes.
** This item relates primarily to elimination of TV Polsat shares and recognition of goodwill and Polsat brand

Reconciliation of EBITDA and Gross profit for the period:

	period of 6 months ended	
	June 30, 2011	June 30, 2010
	unaudited	unaudited
EBITDA	**341,852**	**231,585**
Depreciation, amortization and impairment	(73,095)	(34,962)
Profit from operating activities	**268,757**	**196,623**
Other foreign exchange rate differences, net	5,917	(6,943)
Interest income	3,356	777
Share in net income of associates	569	-
Interest costs	(66,191)	(929)
Foreign exchange rate differences on bonds	(22,559)	-
Loss on call options	(4,373)	-
Other	(1,880)	(162)
Gross profit for the period	**183,596**	**189,366**

Comparison of financial position as of June 30, 2011 and December 31, 2010

As of June 30, 2011 and December 31, 2010, our non-current assets were PLN 4,123,167 and PLN 545,224, respectively, and accounted for 78.6% and 53.7% of total assets, respectively. Excluding the effect of consolidation of TV Polsat Group, as of June 30, 2011 our non-current assets were PLN 4,525,685 and accounted for 87,3% of total assets.

The value of reception equipment increased by PLN 84,508 or by 30.7%, to PLN 359,907 as of June 30, 2011 from PLN 275,399 as of December 31, 2010 due to an increase in the number of leased set-top boxes. The consolidation of TV Polsat Group did not have any effect on the value of reception equipment.

The value of other property, plant and equipment increased by PLN 119,259 or by 78.0% to PLN 272,116 as of June 30, 2011 from PLN 152,857 as of December 31, 2010. The increase resulted from the acquisition of TV Polsat, which explains PLN 125,222 increase in the balance (concerns mainly TV and broadcasting equipment). Excluding the effect of consolidation of TV Polsat Group, the value of other property, plant and equipment decreased by PLN 5,963, or 3.9%, to PLN 146,894 as of June 30, 2011 primarily due to amortization charges for the period.

The value of goodwill increased by PLN 2,360,263 to PLN 2,412,285 as of June 30, 2011 from 52,022 as of December 31, 2010. The increase was due to finalization of acquisition of TV Polsat, valuation based on provisional accounting of purchase price allocation.

Following the acquisition of TV Polsat, the Company recognized the value of "Polsat" brand as a new position in non-current assets. As of June 30, 201, the value of "Polsat" brand was initially estimated at PLN 840,000.

The value of other intangible assets increased by PLN 24,526, or 106,9%, to PLN 47,470 as of June 30, 2011 from PLN 22.944 as of December 31, 2010. The increase resulted from the acquisition of TV Polsat, which explains PLN 25,600 increase in the balance (mainly concerns concessions to broadcast TV programs). Excluding the effect of consolidation of TV Polsat Group, the value of other intangible assets decreased by PLN 1,074 to PLN 21,870 as of June 30, 2011, mainly due to depreciation charges for the period.

The value of other non-current assets amounted to PLN 46,322 as of June 30, 2011 and increased by PLN 8,778, or 23.4%, compared to PLN 37,544 as of December 31, 2010. This increase was due to an increase in long-term costs accruals, an increase in long-term deposits paid to contractors and recognition of investments of TV Polsat Group in jointly- controlled entities.

The value of non-current programming assets amounted to PLN 114,797 and the value of current programming assets amounted to PLN 172,701 as of June 30, 2011. These are new assets positions resulting from consolidation of TV Polsat

Group, and including film licenses, capitalized costs of external TV production, sports broadcasting rights, co-productions and advances paid.

As of June 30, 2011 and December 31, 2010, our current assets were PLN 1,124,908 and PLN 469,971, respectively, and accounted for 21.4% and 46.3% of total assets, respectively. Excluding the effect of consolidation of TV Polsat Group, as of June 30, 2011 our current assets were PLN 658,389 and accounted for 12.7% of total assets.

The value of inventories decreased by PLN 13,323, or 7.7%, to PLN 159,831 as of June 30, 2011 from PLN 173,154 as of December 31, 2010. This was mainly a result of a decrease in the number of set-top boxes in stock, a decrease in the stock of materials owned by CPT, and a decrease in the value of SMART and SIM cards. The decreases were partially offset by a new stock of removable STB hard disk drives and recognition of stock owned by TV Polsat Group in the amount of PLN 1,518.

The value of trade and other receivables increased by PLN 173,867, or 94.3%, to PLN 358,165 as of June 30, 2011 from PLN 184,298 as of December 31, 2010. The increase resulted mainly from consolidation of trade and other receivables of TV Polsat Group (explains PLN 149,443 of the increase). The remaining change is explained mainly by an increase in trade receivables from subscription fees subject to linear accounting (these receivables were not yet mature).

The value of cash and cash equivalents increased by PLN 270,999, to PLN 298,614 as of June 30, 2011, from PLN 27,615 as of December 31, 2010. This increase resulted from recognition of cash and cash equivalents of TV Polsat Group in the amount of PLN 138,730, and the fact that in 2010 we paid the dividend from the profit of 2009 (it was paid in two tranches in August 2010 in the amount of PLN 101,963 and in November 2010 in the amount of PLN 50,982), which resulted in lower balance of cash and cash equivalents as of December 31, 2010.

The value of other current assets increased by PLN 48,833, or 63.1%, to PLN 126,195 as of June 30, 2011, from PLN 77,362 as of December 31, 2010. This increase resulted primarily from higher short term costs accruals (including TV Polsat Group short term costs accruals in the amount of PLN 4,128).

Equity increased by PLN 1,442,649 to PLN 1,870,587 as of June 30, 2011 from PLN 427,938 as of December 31, 2010, primarily as a result of: (i) increase in share capital by PLN 3,201 through issue of H Series shares, (ii) recognition of the surplus of purchase price over the nominal value of acquired shares of TV Polsat in the amount of PLN 1,295,103 in Other reserves, and (iii) PLN 145,880 profit we generated in the six month period ended June 30, 2011.

The value of liabilities from loans and borrowings (long and short term) increased by PLN 1,269,448 to PLN 1,287,489 as of June 30, 2011, from PLN 18,041 as of December 31, 2010. The increase resulted from Term Loan incurred to finance acquisition of TV Polsat.

The value of Senior Notes liabilities (long and short term) amounted to PLN 1,371,948 as of 30 June 2011 and resulted from the issue of EUR 350 million Senior Notes maturing in 2018. The proceeds from the issue of the Notes were used to refinance the Bridge Loan that was used as part of financing of acquisition of TV Polsat.

The value of trade and other payables increased by PLN 91,551, or 28.8%, to PLN 409,504 as of June 30, 2011 from PLN 317,953 as of December 31, 2010. Consolidation of TV Polsat Group explains increase of PLN 149,777 (mainly trade payables, payables for purchase of programming assets, tax payables and short term provisions). Excluding the effect of consolidation of TV Polsat Group, the value of trade and other payables decreased by PLN 58,227 mainly as a result of a decrease in trade payables (explained primarily by significant purchases of set-top boxes for the high sales season before Christmas).

Deferred income increased by PLN 4,757, or 2.9%, to PLN 171,189 as of June 30, 2011 from PLN 166,432 as of December 31, 2010 as a result of recognition of deferred income of TV Polsat Group of PLN 3,373 (prepayments for emission of commercials) and an increase in subscription fees paid in advance by our subscribers.

Liquidity and Capital Resources

Liquidity

Overview

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in Polish zloty. Historically, we have relied primarily upon cash flows from operations and bank borrowings to provide the funds required for acquisitions and operations. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in zloty, we 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, the costs of using the conditional access system, the purchase of set-top boxes and the purchase of components for in-house manufactured set-top boxes, payments to be made pursuant to agreements with international movie studios and sports federations for programming as well as payments related to service of 7.125% Senior Notes denominated in euro.

External sources of funding, financing and indebtedness—borrowings

Bank Loans

In connection with the acquisition of Telewizja Polsat, on March 31, 2011 the Group, concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners").

The Senior Facilities Agreement provided for a term facility loan of up to PLN 1,400,000,000 (not in thousands) and a revolving facility loan of up to PLN 200,000,000 (not in thousands). The interest rate applicable for both, the term facility and revolving facility loan, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility loan will be repaid in quarterly instalments in varying amounts commencing June 30, 2011. Both facilities expire on December 31, 2015. As at June 30, 2011 the revolving facility was not used.

In addition, on March 31, 2011, the Group concluded a Bridge Facility Agreement with the Bookrunners. This agreement provided for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000,000 (not in thousands) which, as of the day of the execution of this agreement, equalled approximately EUR 350,000,000 (not in thousands). The interest rate applicable for the bridge facility loan was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The bridge facility loan is to be repaid within 12 months of the day of concluding the agreement. The bridge facility was repaid on May 20, 2011 with the net proceeds from the offering of Senior Notes, together with EUR 14,897,339.53 (not in thousands) of cash on hand.

Summary of significant provisions of the agreements

Mandatory prepayments

The facilities will be cancelled and the outstanding balance, together with accrued interest, shall become immediately due and payable upon loss of control by Mr Zygmunt Solorz-Żak (or party related with him) over the Company or loss of control by the Company over Telewizja Polsat. The facilities shall become immediately due upon sale of all or substantially all of the Group or the assets of the Group.

Mandatory prepayments are also required in the following amounts:

- in the amount equal to 65% of excess cash flow for any financial year of the Company or equal to 25% if total net debt to EBITDA ratio of the Company is less than 2.0:1,
- in the amount of disposal proceeds for transaction exceeding PLN 10 million (not in thousands) in respect of any one disposal or PLN 40 million (not in thousands) in aggregate at any time before the facilities are repaid in full
- in the amount of debt proceeds or equity proceeds if total net debt to EBITDA ratio of the Company exceeds 2.0.

In addition, voluntary Senior Notes repayment is allowable only if accompanied by a repayment of term and revolving facilities.

Financial covenants

The loan agreement imposed on the Group the obligation to maintain financial ratios at a certain level. The Debt Service Cover shall be at least 1.4 for a given Period. The Interest Cover shall be at least 2.5 for a given Period. The Total leverage shall be at most 4.5 for a given Period. Financial covenants shall be tested on each quarter date and shall be verified by an auditor on annual basis.

Additionally, restrictions which are imposed on the Company include the following:

- restrictions relating to mergers, acquisitions, joint venture transactions
- restrictions related to disposal of assets and substantial change of business
- restrictions related to incurring additional financial indebtedness and share capital issue
- restrictions relating to cash out transactions (inter alia dividend and other distribution payments, repayment of principal and interest of financial indebtedness, management/advisory fee payments, advance or similar kind of payment to related parties)

Additionally, the Company is obliged inter alia to the following:

- provide the banks with any material documents and information concerning the financial standing of the Company,
- hedge against interest rate foreign exchange rate fluctuations in respect of the amounts outstanding under the term facility and High Yield Notes
- all bank accounts shall be opened and maintained with the lending banks
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the banks.

7.125% Senior Notes

Indenture and issuance of Senior Secured Notes ("The Notes")

On May 20, 2011, our wholly owned subsidiary Cyfrowy Polsat Finance AB (publ) (the "Issuer"), the Bank of New York Mellon, London Branch (the "Trustee"), the Bank of New York Mellon Luxembourg S.A., and the Initial Guarantors, as defined below, entered into an indenture (the "Indenture") regarding the issuance by the Issuer of €350 million (not in thousands) aggregate principal amount of Senior Notes due 2018 (the "Notes"). The closing of the sale of the Notes and the issue of the Notes occurred on May 20, 2011 (the "Issue Date"). The Notes were rated Ba3/BB- by Moody's Investor Service Inc. and Standard & Poor's Rating Services, respectively.

Pursuant to the Indenture, interest on the Notes accrues from (and including) May 20, 2011 and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Notes were issued in minimum denominations of €100,000 (not in thousands) and integral multiples of €1,000 (not in thousands) in excess thereof.

The Notes are senior obligations of the Issuer, ranking pari passu in right of payment to all existing and future senior indebtedness of the Issuer and are senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated to the Notes.

The Indenture contains covenants that are typical for high yield notes and impose financial and operating restrictions on the Company. These covenants limit, among other things, the ability of the Company and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) make certain restricted payments; (iii) transfer or sell assets; (iv) enter into transactions with affiliates; (v) create certain liens; (vi) create restrictions on the ability of restricted subsidiaries to pay dividends or other payments; (vii) issue guarantees of indebtedness by restricted subsidiaries; (viii) merge, consolidate, amalgamate or combine with other entities; and (ix) designate restricted subsidiaries as unrestricted subsidiaries. Each of the covenants is subject to a number of important exceptions and qualifications set forth in the Indenture. The Indenture is governed by, and construed in accordance with, the laws of the state of New York. The Issuer is a wholly-owned subsidiary of the Company and a special-purpose vehicle whose purpose is to issue the Notes.

Optional redemption of the Notes

At any time prior to May 20, 2014, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, to the redemption date with the net cash proceeds of one or more equity offerings, provided that: (1) at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption; and (2) the redemption occurs within 90 days of the date of the closing of an equity offering.

At any time prior to May 20, 2014, the Issuer may at its option redeem the Notes in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, plus accrued and unpaid interest to, the date of redemption (subject to the rights of the holders of the Notes on the relevant record date to receive the interest due on the relevant interest payment date).

On or after May 20, 2014, the Issuer may redeem all or a part of the Notes at the redemption price (expressed as percentages of principal amount) set out below plus accrued and unpaid interest on the Notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on May 20 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date: (i) in 2014 the redemption price is 105.344%, (ii) in 2015 the redemption price is 103.563%, (iii) in 2016 the redemption price is 101.781%, and (iv) thereafter the redemption price is 100.000%. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes (or portions thereof) called for redemption on the applicable redemption date.

Change of control

If a change of control (as defined in the Indenture) occurs, the Issuer must offer to repurchase all the Notes on the terms set forth in the Indenture. In the change of control offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of purchase (subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date).

Security

The Initial Guarantors consist of the Company and the following of the Company's subsidiaries: Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o. Pursuant to the Indenture, the Notes are guaranteed by each of the Initial Guarantors (each a "Guarantor"). Each of the Guarantors fully, unconditionally and irrevocably guaranteed, as primary obligor and not merely as surety, on a senior basis to each holder of a Note and assigned the full and prompt performance of all of the Issuer's obligations under the Indenture and the Notes including the payment of principal amount and premium, if any, and interest on the Notes and all other obligations of the Issuer to the holders of the Notes and the Trustee under the Notes and the Indenture. These guarantees of the Notes (each the "Guarantee") are senior obligations of each Guarantor, rank pari passu in right of payment to all existing and future senior indebtedness of such Guarantor, and are senior in right of payment to all existing and future indebtedness of such Guarantor that is expressly subordinated, and are secured as described below.

Pursuant to the Indenture, the Notes and the Guarantees have been secured, subject to the completion of the registration proceedings or other legal requirements, by the securities described in the point *11. Information on guarantees granted by the Company or subsidiaries.*

The following table presents the summary of financial indebtedness as of June 30, 2011:

	June 30, 2011 in milion PLN	Maturity
Senior facility[1]	1,287	2015
Revolving Facility[1]	0	2015
Eurobonds	1,372	2018
Leasing	1	2016
Cash and Cash equivalents	299	-
Net Debt	**2,361**	
Comparable 12M EBITDA[2]	769	
Net Debt / 12M EBITDA	**3.07**	

1 Balance sheet value of debt outstanding

2 EBITDA including Telewizja Polsat

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for six month periods ended June 30, 2011 and 2010:

	For the six months ended June 30,	
	2011	**2010**
Net cash flow from operating activities	88,538	32,040
Net cash flow used in investing activities	(2,357,095)	(55,654)
Net cash flow from financing activities	2,538,938	(28,290)
Net increase/(decrease) in cash and cash equivalents	270,381	(51,904)

Net cash flow from operating activities

Net cash from operating activities was PLN 88,538 in the first half of 2011 resulting mainly from the net profit of PLN 145,880 adjusted by various elements including primarily: (i) depreciation, amortization and impairment, interest costs and income tax, (ii) a net increase in set-top boxes provided under operating lease, (iii) a negative impact of change in bank loans, bonds, payables, provisions and deferred income, (iv) a negative impact of change in receivables and other assets, (v) payments for film licenses and sport broadcasting rights. Net cash from operating activities in the first half of 2010 was PLN 32,040 and it resulted from the net profit amounting to PLN 153,128 adjusted by depreciation, amortization and impairment and income tax and partially offset primarily by (i) a net increase in set-top boxes provided under operating lease and (ii) change in receivables and other assets.

Net cash flow used in investing activities

Net cash used in investing activities was PLN 2,357,095 in the first half of 2011 and consisted primarily of the acquisition of 100% shares in TV Polsat, other payments included purchase of property, plant and equipment and the acquisition of intangible assets. Net cash used in investing activities was PLN 55,654 in the first half of 2010 and consisted primarily of purchase of shares in M.Punkt and the acquisition of property, plant and equipment and acquisition of intangible assets.

Net cash flow from financing activities

Net cash from financing activities was PLN 2,538,938 in the first half of 2011 and consisted primarily of PLN 2,800,000 cash from term loan and bridge loan and PLN 1,372,245 from the issue of Senior Notes, which was partially offset by repayment of bank loans in the amount or PLN 1,449,594, repayment of interests on loans, borrowings and finance lease in the amount of PLN 166,231 and repayment of current account overdraft of PLN 18,041. Net cash used in financing activities was PLN 28,290 in the first half of 2010 and consisted primarily of repayment of loans and borrowings.

Capital expenditures

We incurred capital expenditures of PLN 20,607 and PLN 25,806 in the six month periods ended June 30, 2011 and 2010, respectively. Capital expenditures in the six month period ended June 30, 2011 concerned primarily the payments of investment liabilities presented in the financial statement as of December 31, 2010 and the purchase of transmission and compression equipment, vehicles, computers and other equipment as well as modernization of our property and improvements in our IT systems.

Contractual Obligations

Our most significant contractual obligations (future cash flows) as of June 30, 2011 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	1,654,600	238,370	1,416,230	-
Senior Notes liabilities	2,091,221	99,416	397,663	1,594,142
Commitments to purchase programming asstes	378,333	180,365	197,968	-
Financial leases liabilities	1,330	227	1,103	-
Operating leases liabilities	781,325	147,785	467,112	166,428
Total contractual liabilities	4,906,809	666,163	2,480,076	1,760,570

As of June 30, 2011, most of our contractual liabilities were long-term liabilities due in more than one year.

Off-Balance Sheet Arrangements

Commitments to purchase programming assets

As of June 30, 2011 the Group had outstanding contractual payment commitments in relation to programming assets were PLN 378,333.

The table below presents commitments to purchase programming assets from related parties:

	June 30, 2011 unaudited	**December 31, 2010**
within one year	13,362	-
Total	**13,362**	**-**

Total future minimum payments relating to operating lease agreements

As of June 30, 2011 the Group had commitments relating to leases of studio, office, warehouse and technical (roofs, chimneys) premises, lease of satellite transponders capacity, telecom infrastructure and terrestrial transmitters as well as reception equipment, vehicles and other equipment in the amount of PLN 781,325.

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

	June 30, 2011 unaudited	December 31, 2010
within one year	16,002	4,377
between 1 to 5 years	40,447	16,494
Total	**56,449**	**20,871**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 15,031 as of June 30, 2011 (PLN 12,595 as of December 31, 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 321 as of June 30, 2011 (PLN 75 as of December 31, 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as of June 30, 2011 was PLN 178 (PLN 344 as of December 31, 2010).

Contingent liabilities relating to promissory notes

As of June 30, 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 as of June 30, 2011.

Furthermore, as of June 30, 2011 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

The promissory notes were returned on August 29, 2011.

Information on market risks

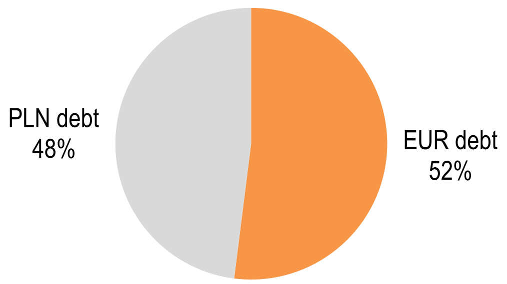
Currency risk

One of the main risks to which we are exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenue generated by us is denominated mainly in Polish zloty, however, a significant portion of our operating costs and capital expenditures are incurred in foreign currencies. Our currency risk is related to fees for broadcasting TV channels (U.S. dollar and euro), transponder capacity leases (euro), fees for conditional access system (euro), purchasing of reception equipment and accessories for reception equipment (U.S. dollar and euro) and purchasing of film licenses and sport rights (U.S. dollar and euro).

In respect of the license fees and transponder capacity leases the Group uses a natural hedge strategy by means of changing the currency of the existing license fee agreements into zloty as well as denominating receivables from signal broadcasting and marketing services in the same foreign currencies that license fees payable by the Group are denominated in.

In addition, the Senior Notes are denominated in euro, which significantly increases our exposure to foreign currency fluctuations as movements in the exchange rate of the euro to Polish zloty could therefore increase the amount of cash, in Polish zloty, that must be generated in order to pay principal and interest on the Notes.

The following chart presents the currency structure of our debt:



In order to keep our currency risk related to royalties to TV and radio broadcasters, costs of our conditional access system and costs of reception equipment purchases to an acceptable level, we purchased a number of foreign exchange call options in 2010 and entered into a number of forward currency exchange contracts in 2008 that were settled in 2008 and 2009.

On November 4, 2010 we purchased call options of USD 18,000. These options provide for monthly purchases of USD 1,500 until November 1, 2011, and are exercisable at a rate of 2.8000 USD/PLN.

The options described above were purchased in order to limit the impact of foreign exchange rates fluctuations on our net profit. We did not apply hedge accounting in respect to these options.

On July 6, 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. The Senior Notes were issued by related party Cyfrowy Polsat Finance AB. According to the agreement the Company is a PLN fixed rate 7.32% payer and the EUR fixed rate 7.125% payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000 and the PLN notional amount totals PLN 691,950.

On July 7, 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. According to the agreement the Company is a PLN fixed rate 7.34% payer and the EUR fixed rate 7.125% payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000 and the PLN notional amount totals PLN 691,425.

The CCIRS transactions described above were concluded in order to limit the impact of foreign exchange rates fluctuations on our net profit. We applied hedge accounting in respect to these transactions.

Interest rate risk

Although fluctuations in market interest rates have no direct effect on our revenue, they have an effect on net cash from operating activities through interest earned on overnight deposits and current accounts and cash from financing activities through the cost of interest paid on bank loans and Senior Notes.

We analyze the level of interest rate exposure, including refinancing scenarios as well as risk mitigating policies against interest rate risk on a regular basis. Based on these analyses, we estimate the effect of given changes in interest rates on financial results.

We use interest rate swaps to hedge our exposure to volatility in the Senior Secured Term Loan interest payments on floating rate.

On June 29, 2011 within the Senior Facility Agreement, we set up an amortizing swap float-to-fix from 3M WIBOR to 5.275% on the amount of PLN 332.150 for 11 settling periods to June 30, 2014. According to the agreement the Company is a fixed rate payer and the floating rate payers are the banks.

On July 8, 2011 the Company concluded interest rate swap transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement). According to the agreement the Company is a fixed rate 5.075% payer and the floating rate payer is the bank. The termination date of the hedge relationship was agreed at June 30, 2014. The notional amount is equal, in total, to PLN 332,150.

Liquidity risk

Our objective is to ensure cost-efficient access to various financing sources, 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 set-top boxes delivery schedule, (ii) to finance planned expenses related to the development of our multi-play services; (iii) to fund the day-to-day requirements of our TV segment (iv) to finance planned capital expenditures; (v) to maintain financial liquidity in connection with planned client promotions; (vi) to pay dividends in accordance with our dividend policy, (vii) to meet the financial obligations arising from debt service of Senior Facilities Agreements and Senior Notes. For a discussion of certain future liquidity needs, please see “Contractual Obligations”.

We hold cash primarily in 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 and the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes. Telewizja Polsat also maintains euro and U.S. dollar positions, the value of which depends on the amount of payments to be made pursuant to agreements with international movie studios and sports federations for programming.

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

The Polish economy

Growth in our revenue is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. In 2010, Poland’s GDP increased by 3.8% while GDP of the European Union increased by only 1.8%. In 2009, Poland’s GDP increased by approximately 1.7% while GDP of the European Union decreased by approximately 4.3%. For 2011 and 2012, Poland’s GDP is forecast to increase by 4.0% and 3.7%, respectively (data and forecasts according to Eurostat as at July 07, 2011). We believe that average consumer spending, including spending on pay TV, Internet access and mobile telephony services generally will vary in line with the overall GDP growth in Poland, and will support our future revenue growth.

Additionally, changes in the economic environment in Poland have historically had a significant impact on advertising spending, and, as a result, on the results of TV Polsat operations and thus it will have impact on the consolidated results of Cyfrowy Polsat Group.

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 38% (as of 1H 2011) of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro.

Our programming costs, signal transmission costs and payment obligations toward international movie studios and sports federations for programming and, to the extent that we have indebtedness, trade liabilities or other liabilities denominated in currencies other than the zloty in the future, our finance income and finance costs will continue to be impacted by the foreign exchange rate movements. In addition, the Senior Notes, that we offered, are denominated in euro, which significantly increases our exposure to foreign currency fluctuations as movements in the exchange rate of the euro to Polish zloty could therefore increase the amount of cash, in Polish zloty, that must be generated in order to pay principal and interest on the Notes.

Development of pay TV market in Poland and growing importance of multi-play services

Our revenue from subscription fees is dependent upon the number of our subscribers, pricing of our DTH services, subscriber loyalty and the penetration rate of pay TV in Poland. The estimated pay TV penetration rate in Poland for 2010 was approximately 72%, which is lower than in highly developed markets such as Belgium, the Netherlands, Norway and Denmark, where according to Informa, the penetration rate is above 90%.

As a result of our satellite TV transmission and infrastructure-light approach to mobile telephony and broadband Internet, we are able to access less-densely populated and rural areas of Poland at much lower cost than cable TV and Internet providers. Therefore, we believe we are well positioned to continue to capitalize on the growing demand for pay TV in Poland. Of the three leading DTH providers in Poland, we are the only operator that provides multi-play services. We further believe that our introduction of our DTH, mobile telephony and broadband Internet multi-play offer places us in a strong position to benefit from the continued growth in the Polish pay TV market. We believe we can leverage the strength of the Cyfrowy Polsat brand name and access to our large existing DTH subscriber base to expand the sales of our telephony and broadband Internet services as well as our multi-play services.

Competition on DTH market and offered promotions

Our market is very dynamic and competitive. There are four 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., the operator of Cyfrowy Polsat platform and Telekomunikacja Polska S.A. An aggressive competition on the market has impact on promotional offer which we offer to our new acquired subscribers. Historically, approximately 50% of our new signed contracts occurred in the fourth quarter. As a result, in the fourth quarter of 2010 we introduced attractive promotional offers consisting of free of charge periods (up to 6 months), access to additional premium packages or attractive pricing for equipment. To keep the competitive position we maintained the promotions - within the spring promotions we also offered free of charge periods of up to 6 months, and for the summer we prepared a special offer Family Set ("Zestaw Rodzinny") including Internet Package for the price of TV Package, additional set-top box and 6 moths free of charge. Longer promotion periods cause a slight decrease in ARPU in the initial period of subscription contracts.

Due to the strong competition on the market, we continue to invest in customer loyalty programs and retention management. Although that results in an increase in our costs, we believe that our proactive approach to subscriber retention is more cost effective in the long run and decreases the churn rate.

Consolidation of Telewizja Polsat

On April 20, 2011, Cyfrowy Polsat completed the acquisition of TV Polsat. As a result of the acquisition, the results of operations of Cyfrowy Polsat and TV Polsat Group are consolidated from April 20, 2011 going forward. Therefore the results for the following quarters will not be comparable with analogical periods of 2010.

The business is now divided into two operating segments with the historical Cyfrowy Polsat business comprising the Retail business segment and the historical TV Polsat business comprising the Television broadcasting and production segment.

The most important goal of the acquisition was to secure access to key content in light of the expected Polish TV market consolidation, the increasing importance of multi-play products and the continued development of alternative methods of TV content distribution. The acquisition secures our access to quality content and allows us to capitalize on certain synergies and pursue long-term goals to further strengthen our position in the highly competitive Polish market through cross-promotion and marketing, while enjoying increased bargaining power through the combined Group. From a short-term perspective, none of these benefits could be achieved through the development of our own thematic channels or establishing a joint-venture or other form of cooperation with other market participants.

We believe that the acquisition of TV Polsat is mutually beneficial to our two business segments. Our Retail business segment gained guaranteed access to high quality content produced internally through our TV production and broadcasting business segment. Our Television broadcasting and production segment benefits from access to a generally more affluent subscriber base, able to afford pay television, thereby increasing our potential advertising revenue, particularly through thematic channels. In addition, we believe that the TV Polsat acquisition presents the following potential post-acquisition synergies: (i) cross promotion and marketing opportunities, allowing us to promote our programming offer and multi-play services across our various media platforms, including VoD, pay-per-view, pay TV, mobile phones and online, (ii) technology synergies, allowing us to more effectively use our satellite equipment as well as to optimize software and hardware solutions and benefit from synergies on back-up solutions with regard to transmission center, (iii) content acquisition opportunities, allowing us to secure attractive programming due to the size of our integrated platform and the further enhanced bargaining power of the combined businesses and (iv) procurement and back office synergies, allowing us to benefit from the scale of our combined operations and sharing of our already successful solutions.

Costs of financing of the acquisition of Telewizja Polsat

We will continue to incur significant interest costs resulting from credit agreements signed to provide the Company with debt financing for the acquisition of Telewizja Polsat of the total amount of up to PLN 3 billion (not in thousands) and 7.125% Senior Notes issued to refinance the Bridge Facility Loan.

The Term Facility Loan of PLN 1.4 billion (not in thousands) and Revolving Facility loan of up to PLN 200 million (not in thousands) bear interest at variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The margin of the Term Facility and the Revolving Facility depends on the ratio of consolidated net debt / consolidated EBITDA with a lower ratio resulting in a lower applicable margin. The Term Facility will be repaid in quarterly installments in varying amounts starting from June 30, 2011, and the final facility repayment date is December 31, 2015. The termination date of the Revolving Facility is also December 31, 2015.

Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011.

Development of advertising market in Poland

After the completion of acquisition of Telewizja Polsat on April 20, 2011, the majority of the revenue generated in our TV Broadcasting business segment comes from the sale of advertising airtime and sponsoring slots on TV channels. In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of audience share, one of the two leading private TV broadcasters in terms of revenue and advertising market share and the third largest broadcaster in Poland in terms of audience share for the first half of 2011. We are the only one TV broadcaster which delivered growth of audience share in the first half of 2011, both in terms of aggregate audience share and in majority of individual channels. Based on data from Starlink, we estimate that we captured a 22.4% share of the approximately PLN 2.01 billion (not in thousands) Polish TV advertising market in the first half of 2011.

We are well-positioned to benefit from the expected growth of advertising market. We believe that the TV advertising market will benefit from structural growth resulting from forecasted increasing disposable income of the Polish consumer. Starlink forecasts that in 2011 total net advertising expenditure in Poland should grow by about 5%. We estimate that the growth of TV advertising market in Poland between 2011 and 2013 will outperform the forecasted GDP growth. We believe TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets that there is substantial growth potential for TV advertising in Poland.

Growing importance of thematic channels

Audience share represents the proportion of TV viewers watching a TV channel's program at a specific time. Our TV channels held an aggregate audience share of 20.3% in the first half of 2011 and 18.8% in the first half of 2010. TVN and TVP, our closest competitors, noted decreases in the aggregate audience shares to 21.9% and 30.9%, respectively, in the first half of 2011 from 22.4% and 33.5%, respectively, in the first half of 2010.

With the growing penetration of DTH across Poland, which provides viewers with a greater selection of thematic DTH channels, FTA channels, have experienced a decline in audience share. POLSAT was the only one among main FTA channels to deliver the increase in audience share in the first half of 2011 compared to the first half of 2010.The introduction of DTT is expected to further increase audience fragmentation. We believe that trend of decreasing FTA channels audience share will continue as DTH and DTT services continue to penetrate the Polish TV broadcasting market.

Conversely, the audience share of thematic channels in Poland has been growing. We and other TV broadcasters have focused on launching thematic channels in order to maintain total audience share and advertising market share. We have launched 13 thematic channels, including seven in the past four years. Our thematic channels increased their combined audience share from 3.0% in the first half of 2010 to 3.9% in the first half of 2011, primarily due to the increase in audience share of Polsat2, Polsat News, Polsat Film and Polsat Café.

Seasonality of advertising market

Our advertising revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to increased consumer spending during the holiday season. During the year ended December 31, 2010, TV Polsat generated approximately 23% of advertising revenue during the first quarter, 27% in the second quarter, 21% in the third quarter and 30% in the fourth quarter.

Expansion of technical reach of TV Polsat channels

Telewizja Polsat's revenue from cable TV and satellite operator fees is dependent upon the number of our paying subscribers and the rates negotiated with cable TV and satellite operators. The average number of paying subscribers to our basic channels, Polsat Sport, Polsat Sports Extra, Polsat News, Polsat Play, Polsat Café and Polsat Film, increased significantly mainly as a result of entering on Cyfra+ platform at the end of 2010, introduction of our channels to the offer of Multimedia cable operator in January 2011 and launching Polsat channels on "n" platform from May 2011.

Attractive content of our TV channels

We believe that attractive content of our channels is a significant competitive advantage. We have long-term contracts with major film studios, such as Sony Pictures Entertainment Inc and 20th Century Fox, assuring us with wide selection of the most attractive films and series. Our direct production covers mainly shows and series based on international formats as well as solely created concepts. We offer also wide selection of sport transmission, including UEFA Champions League, UEFA Europe League, Formula 1 races, volleyball games and many others. We have recently bought a sublicense to broadcast the selection of games of T-Mobile Ekstraklasa (Polish football league), beginning from season 2011/2012.

In our autumn scheduling, we will continue the formats from spring scheduling that were enthusiastically welcome by the public and resulted in satisfactory audience share.

14. Risk factors

Risks Related to Our Business

We could be adversely affected by the effects of a regional or global downturn on the Polish advertising market or consumer spending in Poland.

Almost all of our revenue is derived from TV advertisers and DTH subscribers in Poland. In our Television broadcasting and production segment, a decrease in advertising spending in Poland would significantly harm our revenue and prospects. Typically, a decrease in Poland's GDP growth results in significant decreases in advertising spending in Poland. Since many of the customers in our Television broadcasting and production segment are global companies, a global economic downturn, even if Poland is not directly or as significantly affected as other countries, could result in customers deciding to reduce their advertising budgets in Poland. Further, if any of these customers perceive there to be weakness in the Polish economy, there may be a reduction in demand for advertising in Poland. Any decrease in our advertising revenue may result in a decreased quality of programming or force us to reduce the quantity of programs that we make available either through direct production or acquisition. A decrease in program quality or a reduction in program quantity could cause us to lose audience share either to our competitors or to alternative entertainment and leisure activities, which would make us less attractive to potential advertisers and sponsors.

In our Retail business segment, any reduction or shift in consumer spending in Poland could adversely affect our subscriber base or the rate of subscriber growth, or the amount that our subscribers spend on our services. Revenue in our Retail business segment depends on the amount of disposable income that existing and potential subscribers in Poland are able to spend on entertainment, leisure and telecommunications services. If the Polish economy deteriorates, consumers may spend less on entertainment, leisure and telecommunications services. The effects of an economic downturn on consumer spending could also lead existing and potential subscribers to choose our lower-priced packages, which would negatively impact our revenue and growth prospects.

We are exposed to foreign currency risks that could harm our results of operations.

Our business is vulnerable to fluctuations in currency exchange rates. While we account for revenue in zloty, approximately 38% of our operating expenses (in the first half of 2011) are denominated in other currencies. We have trade receivables and trade liabilities (including costs of purchasing access to TV channels and TV programming from major studios and other content providers, set-top boxes, other hardware equipment, software and the cost of rental of capacity on transponders) that are denominated in foreign currencies, mostly in euro and U.S. dollars. We cannot control fluctuations in currency exchange rates, and adverse foreign currency fluctuations against the zloty could significantly increase our costs in zloty, which would have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the 7.125% Senior Notes issued are denominated in euro, which significantly increases our exposure to foreign currency fluctuations as movements in the exchange rate of the euro to zloty could therefore increase the amount of cash, in zloty, that must be generated in order to pay principal and interest on the Notes.

Our success is dependent upon customer satisfaction with and audience acceptance of our programs and our ability to profitably produce or obtain rights to such programs.

We operate in markets where commercial success depends primarily on the satisfaction and acceptance of programming content, which is difficult to predict. Our ability to generate advertising revenue is almost entirely contingent on audience demand for the TV programs we broadcast. Audience share for the programs we broadcast directly affects both the attractiveness of our channels to existing and potential advertisers as well as the price that we can charge for advertising airtime. We attempt to attract and retain DTH subscribers by providing access to a broad array of channels, including sports, music, entertainment, news/information, children, education, movie channels and all major terrestrial channels in Poland, as well as high definition channels and FTA TV and radio channels. Subscriber satisfaction with our program offerings is essential to our ability to attract and retain subscribers and to generate and grow subscriber revenue. We also generate revenue in our Television broadcasting and production segment through the production and sale of TV programs to third parties both within Poland and to a lesser extent, internationally. The price that we are able to charge potential purchasers of the programs we produce in-house directly correlates with audience acceptance of these programs, as such third- party purchasers will rely on audience acceptance of programming content in their efforts to generate advertising revenue.

Demand for TV programming as well as programming preferences change frequently, regardless of the medium through which access to such programming is obtained. We are constantly faced with the challenge of anticipating what programs and formats will be successful and at what times. We may be unable to attract and retain subscribers for our DTH services if we are not able to successfully anticipate program demand or changes in programming tastes, or if our competitors anticipate such demand or changes in tastes more effectively than we do. This would increase our churn rate, and make us unable to attract advertisers for advertising airtime for our Television broadcasting and production segment.

Our profitability depends in part on our ability to produce or obtain rights to the most attractive programs in a cost-efficient manner. While the production of local content is typically more expensive than acquiring programming content from external sources, we believe that increasing the amount of Polish programming on the channels we broadcast will increase audience demand and, therefore, advertiser demand. We cannot guarantee that we will recover the investments that we have already made or will make in the future to produce local programming content or that we will be able to generate sufficient revenue to offset such costs.

If we cannot enter into and extend license agreements for access to key programming rights we may not be able to attract and retain subscribers and advertisers.

We depend on our ability to obtain attractive TV programming. In our Retail business segment, we rely entirely on licenses with TV broadcasters in order to provide subscribers with access to TV channels. In our Television broadcasting and production segment, we produce certain TV programs ourselves and rely on license agreements to obtain the right to broadcast other TV programs and content. Our license agreements typically have limited terms, generally from two to three years for movie and series licenses and three to five years for sports licenses, and, in some instances, may be terminated prior to the expiration of the term by the licensor without our consent, in particular if we default on our obligations including our obligations to pay fees under the relevant license. Attractive TV programming is essential to our ability to attract and retain subscribers and advertisers. We cannot guarantee that our current license agreements will be renewed on terms as favorable as the current terms or at all upon their expiration or that licensors will not terminate material license agreements prior to their expiration. An inability to enter into or extend important licenses to programming content would hinder our ability to continue to provide and to introduce new channels and programs that are attractive to TV audiences. Failure to attract and retain subscribers and advertisers would have a material adverse effect on our business, financial condition and results of operation.

The operating results of our Television broadcasting and production segment are dependent on the importance of TV as advertising media.

The majority of the revenue that we generate in our Television broadcasting and production segment comes from the sale of advertising airtime and sponsoring slots on TV channels. In the Polish advertising market, TV competes with various other advertising media, such as Internet, newspapers, magazines, radio and outdoor advertising. However, we cannot assure that the TV advertising market will maintain its current position in the Polish advertising market or that changes in the regulatory environment will not favor other advertising media or other TV broadcasters. A further increase in competition among advertising media arising from the growth of online advertising in Poland, a significant increase of expenditures in thematic channels and the development of new forms of advertising media could have an adverse effect on the advertising revenue we generate in our Television broadcasting and production segment and, consequently, on our business, financial condition, results of operations and cash flow.

Our ability to generate advertising revenue depends, among other things, on the demand for and pricing of advertising time. We cannot assure that we will be able to respond successfully to changes in audience preferences, and as a consequence, we may lose audience share, which would negatively impact demand for advertising breaks and therefore have an adverse effect on advertising revenue. Any decline in the appeal of TV generally, or our channels specifically, whether as a result of an increase in the acceptance of other forms of entertainment or a decline in its appeal as an advertising medium could have an adverse effect on our business, financial condition, results of operations and cash flow.

We face intense competition in all of the market segments in which we operate, and we cannot guarantee that in the future subscribers and advertisers will choose to purchase or to continue purchasing the services we provide rather than those provided by our competitors.

Competition in the Polish TV market is intense, and we cannot guarantee that we will be successful in generating sufficient DTH subscriber revenue or TV advertising revenue in the future in light of the competition we face. Existing and potential future competitors may have access to greater financial and marketing resources than we do, which may allow them to more successfully capture subscribers and advertisers for their services. Our primary competitors in the DTH market are the Cyfra + platform, "n" platform and a DTH platform operated by Telekomunikacja Polska ("TP", Polish Telecom). In addition to our direct DTH competitors, we face competition from providers of other TV transmission technologies, such as terrestrial TV, cable TV and IPTV. We also expect to face growing competition from joint ventures and strategic alliances between DTH providers, cable TV and telecommunications providers. We may also face competition from foreign competitors entering the Polish market.

Our primary competitors for TV advertising revenue are the other TV broadcasters, TVN and TVP. TVN is the major commercial broadcaster in Poland. TVP is a state-owned broadcaster, which is publicly funded and which fulfils a public service broadcasting mandate. As a result of this public service broadcasting mandate, TVP is not permitted to interrupt individual programs with commercial spots. Any change to this restriction on TVP's ability to broadcast advertising could increase the competition we face from TVP and reduce our advertising revenue. Further, we compete with existing TV broadcasters and potential new entrants for the grant of terrestrial broadcasting and satellite broadcasting licenses in Poland, and many of these competitors may be larger broadcasters with better brand recognition and resources than us, particularly those competitors from other member states of the European Union. Also, new entrants may be attracted to the Polish TV market for several reasons, including changes in laws and regulations. For example, the Broadcasting Act has been amended to allow for greater product placement in TV programs and movies broadcast in Poland as well as expand other permitted advertising activities. Regulatory changes such as these proposed amendments could attract additional TV broadcasters to the Polish TV broadcasting market. Finally, the increasing success in Poland of satellite, cable TV and DTT providers will likely result in the increasing fragmentation of Polish TV viewing audiences, which may make it more difficult for us to persuade advertisers to purchase airtime on our channels. Loss of subscribers and advertisers to our competitors would have a material adverse effect on our business, financial condition and results of operations.

Our ability to increase sales of DTH, broadband Internet and mobile telephony services depends on our ability to maintain the effectiveness of our sales network.

We have an organized and specialized sales distribution network throughout Poland that we depend on to distribute our DTH, broadband Internet and mobile telephony services. Due to increased competition with other pay TV service providers, we may be forced to increase the commissions paid to our distributors, to expand our sales distribution network and to alter the distribution channels that we currently rely on to distribute our DTH, broadband Internet and mobile telephony services. Any increase in the commissions that we pay to distributors in our sales distribution network would increase our operating costs and likely decrease net income in our Retail business segment. Any failure to maintain or expand or modify our sales distribution network could significantly hinder our ability to retain and attract subscribers for our DTH, broadband Internet and mobile telephony services, which would materially and adversely impact our overall revenue. In addition, if we determine that we need to significantly reorganize or rebuild our existing sales distribution network, we may be forced to make significant incremental investments in our sales network.

We rely on third parties to support our operations and any delay or failure by such third-party providers to provide services, facilities or equipment could cause delays or interruptions in our operations, which could damage our reputation and result in the loss of customers.

We are reliant on third parties to provide support, equipment and facilities for our operations. We have limited or no control over how and when these third parties perform their obligations to us. We depend on third parties to provide our DTH, broadband Internet and mobile telephony services. In providing DTH services to our subscribers, we depend on third parties for the proper functioning of certain facilities and equipment. In providing broadband Internet and mobile telephony services, we depend on the quality of a third party's broadband Internet infrastructure and other third parties' mobile networks. We also rely on numerous third parties to assist us in providing our broadcasting services. We also outsource certain non-broadcasting aspects of our operations including certain administrative, financial, IT and information systems functions. These and other third-party services are critical to many of our operating activities.

If any of the third parties that we rely on becomes unable to or refuses to provide to us the services, facilities and equipment that we depend on in a timely and commercially reasonable manner or at all, we may experience disruptions or suspensions in the products and services we provide. We cannot guarantee that these or other risks to the reputation of, and value associated with, the "Cyfrowy Polsat" and "Telewizja Polsat" brands will not materialize. Any such damage or erosion in the reputation of, or value associated with our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

Technology in the markets in which we operate is constantly changing and any failure by us to anticipate and adapt to such changes and to introduce new products and services could render the services we provide undesirable or obsolete.

The technology used in the DTH, TV broadcasting, broadband Internet and mobile telephony markets is rapidly evolving, and we cannot assure that we will be able to sufficiently and efficiently adapt the services we provide to keep up with this rapid development. We face constant pressure to update our satellite TV technology and to provide the most up-to-date mobile telephony and broadband Internet service options to our subscribers. The compression, scrambling and subscriber management systems that are integral to the proper functioning of our satellite broadcasting center, the set-top boxes that we produce in-house, as well as other software and technology that we and our suppliers depend on, need to be continually updated and replaced as their technology becomes obsolete. If we are unable to replace obsolete technology we could experience disruptions in the DTH services we provide, and we may lose subscribers to competitors who have successfully replaced such obsolete technology. As we continue to expand the mobile telephony and broadband Internet services we offer, including our multi-play package, we may experience technical and logistical difficulties. In addition, we currently intend to capitalize on the lack of developed Internet infrastructure throughout Poland, especially in suburban and rural areas of Poland, to promote and sell our multi-play services and DTH services. If the fixed line Internet infrastructure in Poland improves, we may lose a competitive advantage that we have due to our current reliance on wireless technology rather than the Internet infrastructure to deliver our services.

We face constant pressure to adapt to changes in the way programming content is distributed and viewed. New technologies, including new video formats, IPTV, streaming and downloading capabilities via the Internet, VoD, mobile TV, digital video recorders and other devices and technologies are increasing the number of media and entertainment options available to audiences and are changing the way in which viewers consume content. Some of these devices and technologies allow users to view TV from a remote location or on a time-delayed basis and provide users with the ability to skip advertising and programming. These technologies are gaining in popularity and ease of use and the resulting audience fragmentation could lead to a general decline in our TV advertising revenue. We must identify ways to maintain audience and advertiser demand for the channels we broadcast. Any failure to adapt to the changing lifestyles and preferences of our target audiences and adjust our broadcasting business model to capitalize on technological advances could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our initiatives to expand the services we provide may cause costs to increase more rapidly than our revenue, which could temporarily or permanently decrease our profit margins.

While we believe it is important to continually expand the services we provide, the costs of our initiatives may be significant. We believe that our continued expansion in mobile telephony and broadband Internet could significantly increase our average SAC.. Our efforts to increase penetration in the pay TV services market could also significantly increase our average SAC. In addition, our average SAC may rise as a result of an increase in commissions we have to pay to our distributors. We cannot guarantee that we will recover the investments that we have already made or will make in the future to expand the services we provide or that we will be able to generate sufficient revenue to offset the costs of our expansion efforts.

IT and telecommunications system failures, including a failure in our satellite broadcasting center, could force significant capital expenditures to restore them and harm our operations and prospects.

We rely heavily on our information and telecommunications technology systems and a failure in one or more of these systems could significantly harm our results of operations and prospects. Our IT systems are vulnerable to damage and destruction from 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. In our Retail business segment, we rely heavily on our satellite broadcasting center as well as our customer management system, reporting systems, sales service system and customer relationship management system. Any failure of individual components of our satellite broadcasting center, including the satellite transponders or any link in the delivery chain, could result in serious disruption to, or suspension of, our operations for a prolonged period. In our Television broadcasting and production segment, we rely heavily on IT systems to manage advertising airtime, program broadcasting and relationships with our advertising customers. If any of our IT systems fail, we could be prevented from effectively operating our business or we may be required to make significant capital expenditures to restore operations. Further, we may be held liable by advertising customers and subscribers for any disruptions or suspensions resulting from any failures in our information technology systems.

Loss or failure to maintain Cyfrowy Polsat's and TV Polsat's historical reputation and the value of our brands would adversely affect our business.

The brand names “Cyfrowy Polsat” and “Telewizja Polsat” are important assets to our Group. It is vital to our continued ability to retain and attract subscribers and advertisers to maintain the reputation of, and value associated with, the “Cyfrowy Polsat” and “Telewizja Polsat” names. Our reputation may be harmed if we encounter difficulties in providing existing products and services, or in deploying new products and services, including HD TV, MVNO services, broadband Internet access and VoD services, whether due to technical faults, lack of necessary equipment or other factors or circumstances resulting in a failure to meet or exceed the expectations of our existing and potential subscribers. In addition, the quality of the products and services we offer will depend on the services and the quality of third party infrastructure, services and related functions, over which we will have little or no influence or control. If these third parties on whom we rely do not meet our performance standards or provide technically flawed products or services, the quality of our products and services and our reputation may be harmed. We cannot guarantee that these or other risks to the reputation of, and value associated with, the “Cyfrowy Polsat” and “Telewizja Polsat” brands will not materialize. Any such damage or erosion in the reputation of, or value associated with our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to realize the anticipated benefits of the acquisition of Telewizja Polsat or future acquisitions.

The success of the acquisition of Telewizja Polsat will depend on, among other things, our ability to realize our strategy and our ability to capitalize on synergies between the legacy Cyfrowy Polsat and TV Polsat businesses in a manner that does not materially disrupt existing relationships or otherwise result in decreased productivity. If we are unable to achieve these objectives, the anticipated benefits of the acquisition may not be realized in full or at all or may take longer to realize than expected.

It is possible that the acquisition integration process could result in the loss of key employees, the disruption of the ongoing businesses of our Retail business segment and Television broadcasting and production segment or inconsistencies in standards, controls, procedures or policies that could adversely affect our ability to maintain relationships with third parties and employees or to achieve the anticipated benefits of the transaction. Among other things, in order to realize the anticipated benefits of the acquisition we must identify and eliminate redundant operations and assets across the combined organization.

Integration efforts could also divert management attention and resources, which could negatively impact our day-to-day operations. An inability to realize the full extent of, or any of, the anticipated benefits of the acquisition, as well as any delays encountered in the integration process, could have a material adverse effect on us.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost synergies, if achieved at all, may be lower than we expect and may take longer to achieve than we anticipate.

Our debt service obligations under the Notes, the Senior Facilities and our other indebtedness may restrict our ability to fund our operations.

We are a highly leveraged company, and we have significant debt service obligations under the Senior Facilities and under the Senior Notes .

Our substantial debt could have important consequences, for example, it could:

- make it difficult for us to satisfy our obligations with respect to the Notes, the Senior Facilities and our other indebtedness;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, which will reduce our cash flow available to fund capital expenditures, working capital and other corporate requirements and business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt than we do;
- increase our vulnerability and limit our flexibility in planning for, or reacting to, general and specific adverse economic conditions in our industry; and
- limit our ability to borrow additional funds, increase the cost of any such borrowing and/or limit our ability to raise equity funding.

We may incur substantial additional debt in the future. The terms of the Indenture and the Senior Facilities will restrict our ability to incur, but will not prohibit us from incurring, additional indebtedness or other obligations that do not constitute indebtedness. If we were to incur additional debt, the related risks we now face would intensify.

We rely on the experience and talent of our management and skilled employees, and the loss of any of these individuals could harm our business.

The successful operation of our businesses as well as the successful implementation of our strategy is dependent on the experience of our management and the contributions of our key personnel. Our future success depends in part on our ability to retain the members of our management who have had a significant impact on our development, as well as on our ability to attract and retain skilled employees able to effectively operate our two business segments. There is intense competition for skilled personnel in the Polish and the global TV broadcasting, mobile telephony and Internet industries. We cannot guarantee that we will be able to attract and retain such members of management or skilled employees in the future. The loss of any of our key managers, or the inability to attract and appropriately train, motivate and retain qualified professionals, or any delay in doing so, could have a material adverse effect on our business, financial results, results of operations and prospects.

An increase in available FTA terrestrial channels which could result from the switch in Poland from analog to digital terrestrial TV could decrease demand for our DTH services, which would also lead to a decrease in our audience share, and increase our churn rate.

The required switch from analog to digital terrestrial TV in Poland could significantly increase the number of TV providers we compete with. It is also possible that current limitations on the granting of broadcasting licenses for digital terrestrial TV broadcasting frequencies could be removed. This would likely result in an increase in the number of digital channels available in the Polish TV market, which could lead to a corresponding decrease in our audience share. We believe that as a result of the switch from analog to digital terrestrial TV, the number of FTA terrestrial channels may significantly increase and FTA TV programming in Poland may become more attractive, which could result in decreased demand for our DTH services and loss of existing subscribers and could have a materially adverse effect on our business, financial results, results of operations and prospects.

Any disruption in our ability to internally produce set-top boxes for our DTH subscribers could harm our reputation and increase our churn rate.

To reduce our costs of obtaining satellite TV reception equipment and therefore enable us to offer our DTH subscribers more attractive purchase and rental prices for set-top boxes, we began producing SD set-top boxes in November 2007 and HD set-top boxes in April 2010. In 2010, *internally produced* set-top boxes represented almost 80% of overall set-top boxes that we sold or leased to our DTH subscribers. If any part of our *internally produced* set-top boxes proved to be defective and are recalled, we could be required to cover the costs of replacements or repairs which could be significant. In addition, our reputation could be damaged by any such recall. We currently manufacture at almost full capacity. If we encounter problems with our ability to produce set-top boxes in-house we could be forced to rely more heavily on external sources to obtain the set-top boxes that we offer. We may not be able to obtain the necessary quantity of set-top boxes from external suppliers in a timely manner. In addition, the costs involved in obtaining a greater proportion of the set-top boxes we offer from external sources will be significantly higher than our costs of in-house production of the large majority of the set-top boxes we offer. If we cannot obtain set-top boxes from external sources on satisfactory pricing terms, we may be forced to increase the prices that we charge our subscribers or our amortization cost will increase. In addition, if we do not have access to a sufficient supply of set-top boxes to meet subscriber demand, our reputation among existing and potential subscribers would be damaged. Any of the consequences related to difficulties we may encounter in our ability to *internally produced* the majority of set-top boxes we offer could result in the loss of existing subscribers and damage our ability to attract new subscribers for our DTH services. Any such damage or erosion in the reputation of, or value associated with, our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

Labor disruptions or increased labor costs could materially adversely affect our business.

While we believe we have good labor relations, we could experience a material labor disruption, strike, or significantly increased labor costs at one or more of our facilities. Any of these situations could prevent us from meeting customer demands or result in increased costs, thereby reducing our profitability. Additionally, labor issues that affect third parties that we rely on for services and technology could also have a material adverse effect on us if those issues interfere with our ability to obtain necessary services and technology on a timely basis. Any such disruption could have a material adverse effect on our business, financial condition and results of operation.

We may be adversely affected by claims of collective copyright management organizations.

Under the Polish Copyright Act we are required to pay fees to the collective copyright management organizations, which collect royalties on behalf of authors of copyright works broadcasted and distributed by us in the course of our business. These fees are collected pursuant to license agreements entered into with these organizations. Although we have entered into such agreements with several of the collective copyright management organizations, there is a risk that other such organizations may bring claims against us. It is currently impossible to estimate the aggregate amount of such possible claims. However, the final amount of payments that we may be required to make for the use of copyrights and the amount of the outstanding royalties we may be required to pay, may have a material adverse effect on our business, financial condition, results of operations and prospects.

If third parties claim that we have breached their intellectual property rights, we may be forced to make significant expenditures to either defend ourselves against such claims, license rights to the third party's technology or to identify ways to conduct our operations without breaching such rights.

The success of our business depends to a large extent on the use of intellectual property rights, in particular rights to advanced technological solutions, software and programming content. We cannot guarantee that we have not breached or that we will not in the future breach the intellectual property rights of third parties. Any alleged breach could expose us to liability claims from third parties. In addition, we might be required to obtain a license or acquire new solutions that allow us to conduct our business in a manner that does not breach such third party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of management's time and resources along with potentially significant expenses that could be involved could materially adversely affect our business, financial condition, results of operations and prospects.

Our intellectual property rights and other security measures may not fully protect our operations, and any failure to protect our content, technology and know-how could result in loss of customers to our competitors and decreased profits.

Our products are largely comprised of proprietary or licensed content that is transmitted through broadcast programming, interactive TV services and pay TV. We rely on trademark, copyright and other intellectual property laws to establish and protect our rights to this content. However, we cannot guarantee that the intellectual property rights we rely on will not be challenged, invalidated or circumvented. Further, we cannot guarantee that we will be able to renew our rights to such content when the term of protection for any such trademark or copyright expires.

Even if our intellectual property rights remain intact, we cannot assure that security and anti-piracy measures will prevent unauthorized access to our services and piracy of our content. Further, third parties may be able to copy, infringe or otherwise profit from our proprietary and licensed content, without our, or the respective right holders' authorization. The risk of piracy is especially acute in our Television broadcasting and production segment. Media piracy occurs in many parts of the world, including Poland, and is facilitated by technological advances and the conversion of media content into digital formats, which makes it easier to create, transmit and share high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set-top boxes and through unlicensed broadcasts on free-to-air TV and the Internet. In addition, the lack of Internet-specific legislation relating to trademark and copyright protection creates additional challenges for us in protecting our intellectual property rights in cyberspace. The unauthorized use of our intellectual property may adversely affect our business by harming our reputation and by decreasing the confidence our business partners rest in our ability to protect our proprietary and licensed content.

We are subject to laws and regulations relating to satellite TV distribution, broadcasting, advertising and sponsoring which are generally subject to periodic governmental review, and a violation of these laws and regulations could harm our business, reputation and financial results.

We are subject to Polish and European Union laws and regulations that restrict the manner in which we operate our businesses. Our operations are subject to significant governmental regulations and the market regulators, particularly the UKE and the KRRiT play an active role to ensure that we comply with the Broadcasting Act as well as the terms and conditions of our broadcasting licenses. Decisions by the Chairman of the KRRiT, the UKE and other regulators may restrict the way in which we operate our business.

The UKE regulates both of our business segments. Through our Retail business segment, we operate as an MVNO provider in Poland. MVNO providers in Poland are subject to extensive legal and administrative requirements regulating, among other things, the setting of maximum rates for telecommunications services. In our Television broadcasting and production segment, we are regularly reviewed by the UKE to ensure that we have complied with the terms of the radio licenses and frequency reservations granted to us by the UKE in order for us to provide our TV broadcasting services. We cannot assure that we will be able to satisfy the extensive requirements imposed on us by Polish telecommunications law, in particular those regulating the MVNO business and the broadcasting licenses we use. If the UKE were to determine that we breached a provision of the Polish Telecommunications Law, we could be forced to pay a fine of up to 3% of the revenue we generated in the year prior to the imposition of the fine and we could be prohibited from providing further telecommunications services in Poland.

While the KRRiT regulates both of our business segments, its regulations impact our Television broadcasting and production segment more significantly. As a TV broadcaster in Poland we are subject to extensive legal and administrative requirements regulating, among other things, broadcasting time, programming content and advertising. In addition, the KRRiT regularly monitors our compliance with the broadcasting licenses that we hold as well as with the provisions of the Broadcasting Act and the KRRiT's internal guidance. We cannot assure that we will be able to satisfy the extensive regulations imposed on our Television broadcasting and production segment through our broadcasting licenses, the Broadcasting Act and other regulations, in particular those regulating program content. If the KRRiT were to determine that we breached any applicable provisions of these regulations, we could be forced to pay a fine of up to 50% of the annual fee we pay for use of the frequency.

Broadcasting regulations are generally subject to periodic and on-going governmental review and we cannot guarantee that future changes in Polish broadcasting regulations will not negatively affect the nature of the programming we are able to offer or the manner in which we operate. For example, we may experience a decrease in sponsorship revenue due to new restrictions on the duration and content of sponsorship spots that became effective in Poland in April 2011. These new restrictions may make sponsorship spots less attractive for advertisers in Poland and, as a result, would decrease the revenue that we can generate from sponsorship activities.

Our DTH business could in the future become subject to zoning, environmental or other regulatory restrictions on our ability to place our satellite dishes. We could also encounter pressure from Polish citizens relating to our placement of satellite dishes. Any legal restrictions or social friction related to the placement of our satellite dishes could make our DTH services less attractive and cause us to lose subscribers.

We are also subject to UK laws and regulations that restrict the manner in which we operate our businesses. Ofcom ensures compliance with the extensive legal and administrative requirements primarily imposed by the U.K. Communications Act 2003 (the "Communications Act"). Ofcom can impose sanctions on a licensee for breaches of the license conditions, including the requirements for the content of the licensed service. The sanctions available to Ofcom range from the broadcasting of Ofcom's findings to the imposition of a fine on the licensee and revocation of the license.

Failure to comply with any of the laws or regulations that we are subject to could have a material adverse effect on our business, financial condition and results of operation.

Our broadcasting licenses may be revoked or may not be renewed when their terms expire.

We depend on our broadcasting licenses issued by Ofcom or the KRRiT to operate our businesses, and these licenses may be revoked or may not be renewed upon their expiration. It is unclear whether we are required to obtain a distribution license for the business we conduct in our Retail business segment. We have nonetheless obtained a license to distribute some of the TV programs we currently offer to our subscribers via satellite. This broadcasting license is scheduled to expire in 2013. We also hold two terrestrial broadcasting licenses and several satellite broadcasting licenses. All TV broadcasting licenses issued by the KRRiT have fixed terms. Our terrestrial analog TV broadcasting license will expire in 2014, and our satellite licenses will expire at various times between 2014 and 2020.

In order to maintain our broadcasting licenses, we must comply with the relevant laws, regulations established by the KRRiT and Ofcom, and the terms and conditions of the broadcasting licenses themselves. Failure to comply with the applicable laws and the terms of our broadcasting licenses, especially with respect to timeframe to commence broadcasting of a channel, could lead to such licenses being revoked as well as the imposition of certain fines. Our broadcasting licenses are also subject to revocation in the event that we are found to have conducted activities that conflict with the relevant laws, or the terms and conditions of our broadcasting licenses and we fail to remedy such conflict within the applicable grace period. In particular, there is a risk that the KRRiT may determine that we are indeed required to obtain a license for the business conducted by our Retail business segment and that the distribution license we have obtained is insufficient in that as it does not list many of the channels that we currently offer. Ofcom can revoke the license for a number of reasons, including breaches of the license conditions, failure to comply with a direction, and as a result of a sanction.

In addition to revocation, there is a risk that our broadcasting licenses issued by the KRRiT will not be renewed prior to or upon expiration. The Broadcasting Law is unclear as to whether broadcasting licenses will be automatically renewed upon expiration. We cannot assure that we will be able to extend our existing broadcasting licenses on the same terms or at all upon their expiration.

If any of our broadcasting licenses are revoked or not extended, we may be forced temporarily or permanently to discontinue those of our operations that are governed by that license.

We may not complete the switch of POLSAT from analog to digital in a timely manner or at all and such a failure could result in the loss of our TV broadcasting license or substantial fines.

We are required to switch our main channel, POLSAT, from analog terrestrial broadcasting to digital broadcasting via MUX-2. While we have begun to cover particular areas of Poland on the dates set forth in our broadcasting license (September 2010), the technical schedule with the operator of the MUX-2 for completing the process is currently not fully aligned with the schedule set forth in the regulatory decisions. Although regulatory authorities are aware of the delay and the issue of inconsistency between the schedules in the broadcasting license and the agreement with the MUX-2 operator affects all private broadcasters relying on MUX-2, if we have not completed the switch by the required date, the KRRiT has the power to revoke our TV broadcasting license. Without a broadcasting license, we would be forced to suspend the broadcasting of POLSAT. Even if the KRRiT does not revoke our broadcasting license, the failure to timely convert from analog to digital could subject us to fines of up to 50% of the annual license fee that we pay per channel.

We cannot guarantee that in the future the President of the Polish Competition and Consumer Protection Office (Antimonopoly Office) will not deem the operations we conduct to limit competition or violate the Polish consumer protection laws.

Our operations are frequently reviewed by competition authorities to ensure that we comply with Polish regulatory provisions that prohibit practices that limit competition or violate the collective interests of consumers, including providing inaccurate information to customers, dishonest market practices, use of prohibited contract clauses and terms and limiting competition. In addition to the Antimonopoly Office, natural persons can bring court actions against us claiming that certain provisions of our standard subscriber contracts violate consumer protection laws. If any of our practices or contract terms are deemed to be misleading or in conflict with Polish consumer protection laws, we may be subject to fines and our reputation could be harmed.

In addition, if the President of the Antimonopoly Office was to determine that any of our practices had the effect of limiting competition or violating the consumer protection law, the President of the Antimonopoly Office could require us to discontinue the unlawful practice. In addition, the President of the Antimonopoly Office could impose cash fines on us of up to 10% of our revenue for the fiscal year prior to the year the fine is imposed.

Risks Related to the 7.125% Senior Notes ("Notes") and Senior Facilities Agreement

The Issuer is a special purpose financing company with no operations of its own. The Issuer must rely on payments from us under the Notes Proceeds Loan to make cash payments on the Notes, and we must rely on payments from our subsidiaries to make cash payments on the Notes Proceeds Loan. Our subsidiaries are subject to various restrictions on making such payments.

We conduct a substantial part of our operations through direct and indirect subsidiaries, and the Issuer will rely solely on payments made to it under the Notes Proceeds Loan to make payments on the Notes. In order to make payments on the Notes Proceeds Loan and the Notes or to meet our other obligations, we depend upon receiving payments from our subsidiaries. In particular, we are dependent on dividends and other payments by our direct and indirect subsidiaries to service our obligations, including the Notes and those arising under our Senior Facilities Agreement. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to various restrictions. Existing and future debt of certain of these subsidiaries, including our Senior Facilities, may limit or prohibit the payment of dividends or loan payments or the making of loans or advances to us. In addition, the ability of our subsidiaries to make payments, loans or advances to us may be limited by the laws of the relevant jurisdictions in which such subsidiaries are organized or located. Any of the situations described above could make it more difficult for a Guarantor to service its obligations and therefore adversely affect our ability to service our obligations in respect of the Notes. If payments are not made to us by our subsidiaries, we may not have any other sources of funds available that would permit us to make payments on the Notes Proceeds Loan and the Notes.

We require a significant amount of cash to service our indebtedness. Our ability to generate sufficient cash depends on a number of factors, many of which are beyond our control.

Our ability to make payments on or repay our indebtedness will depend on our future operating performance and ability to generate sufficient cash to make such payments and satisfy our other obligations. This depends, to a significant degree, on general economic, financial, competitive, market, legislative, regulatory and other factors discussed in “Risk Factors”, many of which are beyond our control.

Historically, we met our debt service and other cash requirements with cash flows from operations and our existing revolving credit facilities. As a result of our recent acquisition of TV Polsat and the related financing transactions, our debt service requirements have increased significantly. We cannot assure that our business will generate sufficient cash flows from operating activities, or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other financing needs.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

In addition, the terms of the Indenture governing the Notes and our Senior Facilities Agreement will limit our ability to pursue any of these alternatives, and we may not be able to affect any of these actions, if necessary, on commercially reasonable terms, if at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more-onerous covenants, which could further restrict our business operations. If we obtain additional debt financing, the related risks we now face would intensify.

Furthermore, significant changes in market liquidity conditions resulting in a tightening in the credit markets and a reduction in the availability of debt and equity capital could impact our access to funding and our related funding costs, which could materially and adversely affect our ability to obtain and manage liquidity, to obtain additional capital and to restructure or refinance any of our existing debt.

If we default on the payments required under the terms of certain of our indebtedness, that indebtedness, together with debt incurred pursuant to other debt agreements or instruments that contain cross-default or cross-acceleration provisions, may become payable on demand, and we may not have sufficient funds to repay all of our debts, including the Notes. As a result, our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms, if at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

We may be unable to refinance our existing debt financings or obtain favorable refinancing terms or obtain financing for new projects.

We are subject to the customary risks associated with debt financings, including the risk that indebtedness will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness. We also may need to raise capital in the future if our cash flow from operations is not adequate to meet our liquidity requirements or to pursue new projects. Depending on capital requirements, market conditions and other factors, we may need to raise additional funds through debt or equity offerings. If we were unable to refinance indebtedness on acceptable terms, or at all, we might be forced to dispose of assets on disadvantageous terms, or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations. If we cannot obtain financing for new projects, we would decline to pursue them and this may be disadvantageous to us or our competitive position.

The Notes and the Guarantees will be structurally subordinated to indebtedness and preferred stock, if any, of our non-guarantor subsidiaries.

Not all of our subsidiaries will guarantee the Notes. In the event that any non-guarantor subsidiary becomes subject to foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and

- creditors of such non-guarantor subsidiary, including trade creditors, and preference shareholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

Covenant restrictions under the Indenture governing the Notes and our Senior Facilities Agreement impose significant operating and financial restrictions on us and may limit our ability to operate our business and consequently to make payments on the Notes. A failure to comply with those covenants, whether or not within our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Indenture governing the Notes contain, and other financing arrangements that we may enter into in the future may contain, covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

- incur or guarantee additional indebtedness;

- make certain restricted payments and investments;

- sell, lease or transfer certain assets, including shares of any restricted subsidiary of Cyfrowy Polsat;

- enter into certain transactions with affiliates;

- create or permit to exist certain liens;

- impose restrictions on the ability of restricted subsidiaries to pay dividends or other distributions, make loans or advances to, and on transfer of assets to, Cyfrowy Polsat and its Restricted Subsidiaries;

- impair the security interests provided for the benefit of the holders of the Notes;

- merge, consolidate, amalgamate or combine with other entities; and

- designate restricted subsidiaries as unrestricted subsidiaries.

Our Senior Facilities Agreement will contain negative covenants restricting, among other things, our ability to:

- make acquisitions or investments;

- make loans or otherwise extend credit to others;

- incur indebtedness or issue guarantees;

- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- make a substantial change to the general nature of our business;
- pay dividends, redeem share capital, pay intercompany indebtedness or redeem or reduce subordinated indebtedness;
- repay the principal of certain indebtedness, including the Notes;
- issue shares;
- enter into joint venture transactions;
- pay certain investors and creditors;
- make certain derivative transactions;
- enter into transactions other than at arm's length;
- enter into sale and leaseback transactions; and
- modify certain agreements, including agreements governing the Notes.

In addition, the Senior Facilities Agreement will require us to comply with certain affirmative covenants and certain specified financial covenants which require us to ensure that our leverage ratio (calculated as the ratio of total net debt on the last day of that relevant period to consolidated EBITDA) does not exceed an agreed level. Furthermore, our interest cover (calculated as the ratio of consolidated EBITDA to net finance charges) and cashflow cover (calculated as the ratio of consolidated cashflow to debt service charges) must meet an agreed level.

The restrictions contained in the Senior Facilities Agreement and the Indenture for the Notes could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Facilities Agreement, the Indenture and our other indebtedness.

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments, including the Notes. Our ability to make principal or interest payments when due on our indebtedness, including the Notes and our Senior Facilities Agreement, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors", many of which are beyond our control. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

The Guarantees and the security interests securing the Notes may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The obligations of the Guarantors incorporated in Poland, Switzerland, Norway and the United Kingdom, and the enforcement of each such guarantee as well as other security provided by the Guarantors will be limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction, to the extent that the granting of such guarantee is not in the relevant Guarantor's corporate interests, or the burden of such guarantee exceeds the benefit to the relevant Guarantor, or such guarantee would be in breach of the financial assistance rules, capital maintenance or thin capitalization rules or any other general statutory laws and would cause the directors of such Guarantor to contravene their fiduciary duties and incur civil or criminal liability. Accordingly, enforcement of any such guarantee or security interest against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the guarantees or relevant Security Document designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. As a result, a Guarantor's liability under its guarantee or security interest could be materially reduced or eliminated entirely, depending upon the law applicable to it. It is possible that a Guarantor, or a creditor of a Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantor's guarantee or security interest on any of the above grounds and that the applicable court may determine that the guarantee or security interest should be limited or voided. To the extent that agreed limitations on the guarantee obligation or security interest apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor or the guarantee obligations will be considered unenforceable. Future guarantees or security interest may be subject to similar limitations.

Fraudulent conveyance laws, bankruptcy regulations and other limitations on the Guarantees and the security interests securing the Notes may have a material adverse effect on the Guarantees' validity and enforceability, and may not be as favorable to creditors as laws of other jurisdictions.

The Guarantors guarantee the payment of the Notes on a senior secured basis. The Guarantors are organized under the laws of Poland, Switzerland, Norway and the United Kingdom. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor or, in certain jurisdictions, even when the recipient was merely aware that the guarantor was insolvent when it issued the guarantee;

- the Guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the Guarantor: (i) was insolvent or was rendered insolvent as a result of having granted the guarantee; (ii) was undercapitalized or became undercapitalized because of the guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the guarantee was held not to be in the best interests or not to be for the corporate benefit of the guarantor; or

- the aggregate amounts paid or payable under the guarantee were in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they become due, it has no access to new credit and/or if its liabilities exceed its assets. If a court decided any Guarantee was a fraudulent conveyance and voided the Guarantee, or held it unenforceable for any other reason, the holders would cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and the remaining Guarantors.

The Collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantees will be secured by security interests in the Collateral, which collateral also will secure the obligations under the Senior Facilities. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The holder's rights to the Collateral may be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure the holders that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located in a number of countries, and the multijurisdictional nature of any foreclosure on the collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The security over the Collateral is in each jurisdiction granted to the Security Agent. Pursuant to English law, the Security Agent holds all security on trust for each Secured Party which includes the Notes Trustee and each Noteholder. The Security Agent also has the benefit of a direct covenant to pay, or "parallel debt", from each debtor who is party to the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The ability of the Security Agent to enforce the security may be restricted by local law.

The ability of the Security Agent to enforce the security is subject to mandatory provisions of the laws of each jurisdiction in which security over the collateral is taken. There is some uncertainty under the laws of certain jurisdictions, including the laws of Poland, Norway and Switzerland, as to whether trusts, including the security trust created pursuant to the Intercreditor Agreement, will be recognized and enforceable. To address this, a direct covenant to pay (the "Parallel Debt") has been granted to the security agent by each debtor under the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The Parallel Debt provision allows the Security Agent to act in its own name in its capacity as a creditor. The Parallel Debt is an obligation under the Intercreditor Agreement to pay to the Security Agent amounts equal to any amounts owing from time to time by that debtor to any secured party under the debt documents, including the Notes and the Indenture (the "Principal Obligations"). The Parallel Debt is a separate obligation of each respective debtor to the Security Agent and independent from the corresponding Principal Obligations. The Parallel Debt provisions constitute a secured obligation for the purposes of each security document securing the notes and the other indebtedness secured subject to the Intercreditor Agreement. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to the Security Agent (including to secure the Parallel Debt), the Notes Trustee and the holders of Notes do not have direct security and are not entitled to take enforcement actions in respect of such security, except through the Security Agent. As a result, the holders of Notes bear some risks associated with the security trust and Parallel Debt structure. There also is no assurance that such Parallel Debt structure will be effective before all courts as there is no (or very limited) judicial or other guidance as to its effectiveness in each relevant jurisdiction.

Enforcing holders' rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may prove difficult.

The Issuer is incorporated under the laws of Sweden; the Guarantors are organized under the laws of Poland, Switzerland, Norway and the United Kingdom; the Collateral will include security interests granted under the laws of these jurisdictions. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Holders' rights under the Notes, the guarantees and the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that the holders will be able to effectively enforce their rights in such complex proceedings. In addition, the multijurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect the holders' ability to enforce their rights under the guarantees and the security documents in these jurisdictions or limit any amounts that they may receive.

The Issuer and the Guarantors will have control over the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, subject to specified restrictions in the Security Documents and Senior Facilities Agreement, among other things, without any release or consent by the Trustee or Security Agent, conduct ordinary-course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of Collateral and making ordinary-course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to the holders from the proceeds of any sale of the Collateral in the case of an enforcement of the Collateral.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, imperfections encumbrances and other liens permitted under the Indenture and the Senior Facilities Agreement. The existence of any such exceptions, defects, encumbrances, imperfections and other liens could adversely affect the value of the Collateral securing the Notes as well as the ability of the Security Agent to realize or foreclose on that Collateral. Further, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure that the Security Agent will be able to obtain any such consent. We also cannot assure that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

In addition, our business requires a variety of licenses. The continued operation of properties that comprise part of the Collateral and which depend on the maintenance of such permits and licenses may be prohibited. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure that the applicable governmental authorities will consent to the transfer of all such licenses. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

The assets that constitute the Collateral hereunder are also pledged, on a pari passu basis, for the benefit of the lenders and letter of credit issuers under the Senior Facilities Agreement and counterparties under certain hedging obligations. In addition, the Indenture and the Intercreditor Agreement will allow us to incur certain additional permitted indebtedness in the future that is secured by the Collateral. The incurrence of any additional secured indebtedness would reduce amounts payable from the proceeds of any sale of the Collateral.

The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral will be released in connection with an enforcement sale pursuant to the Intercreditor Agreement.

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can be properly perfected, and its priority retained only through certain actions undertaken by the secured party and/or the grantor of the security. The liens in the

Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we or the Security Agent fails or is unable to take the actions we are required to take to perfect any of these liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Trustee or the Security Agent for the Notes may not properly monitor, or we may not comply with our obligations to inform the Trustee or Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after acquired property or rights. Such failure may result in the invalidity of the security interest in the Collateral or adversely affect the priority of the security interest in favor of the Notes against third parties. Neither the Trustee nor the Security Agent for the Notes has any obligation to monitor the acquisition of additional property or rights by us or the perfection of any security interest.

The Senior Facilities Agreement will restrict our ability to repay the Notes or make certain amendments to the Notes.

The Senior Facilities Agreement and the Intercreditor Agreement will contain certain restrictions on our rights under the Indenture with respect to the Notes. These agreements restrict our ability to (i) repay, prepay, defease, redeem or purchase of the principal amount of the Notes (except to the extent the same is made out of excess cashflow not required to be applied in repayment of the senior secured facilities and a corresponding pro rata prepayment of such facilities also is made), and (ii) amend, waive, vary or supplement the Notes in any way inconsistent with the Senior Notes Major Terms (as defined in the Intercreditor Agreement). In addition, the Senior Facilities Agreement will restrict our ability to refinance the Notes without the consent of the Majority Lenders (as defined therein). Accordingly, the Senior Facilities Agreement and the Intercreditor Agreement may prevent us from exercising certain rights in respect of the Notes that would typically be available under the Indenture.

Holders of the Notes will not control certain decisions regarding the Collateral.

The Notes will be secured by the same Collateral securing the obligations under the Senior Facilities Agreement. In addition, under the terms of the Indenture, we will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the Notes and the liens on the Collateral securing our other secured debt.

As a result of the voting provisions set out in the Intercreditor Agreement, the lenders under the Senior Facilities Agreement, together with the counterparties to certain secured hedging, will have effective control on all decisions with respect to enforcement of the Collateral. The Intercreditor Agreement provides that Citicorp Trustee Company Limited who will serve as the Security Agent for the secured parties under the Senior Facilities Agreement and the Notes, will (subject to certain limited exceptions) act with respect to such Collateral (and with respect to the filing of claims necessary to enforce such Collateral) only at the direction of the majority (66.66%) with respect to the then committed and undrawn and outstanding senior secured debt (which includes creditors in respect of certain secured hedging obligations and which excludes creditors in respect of the Notes and any additional Notes), until the aggregate amount committed or funded under such senior secured debt (excluding the Notes and any additional Notes) is less than 25% of the aggregate principal amount of all such committed and undrawn and outstanding senior secured debt (including the Notes and any additional Notes). Thereafter, creditors holding more than 50% of the aggregate amount of committed and undrawn and outstanding senior secured debt (including the Notes and any additional Notes) will be able to instruct the Security Agent to enforce the Collateral. No holder of the Notes will have any separate right to enforce or to require the enforcement of the Collateral. The lenders under the Senior Facilities Agreement may have interests that are different from the interests of holders of the Notes and they may not elect to pursue their remedies under the Security Documents at a time when it would otherwise be advantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells the shares of our subsidiaries that have been pledged as Collateral through an enforcement of their security interest in accordance with the Intercreditor Agreement, claims under the guarantees of the Notes and the liens over any other assets securing the Notes and the Guarantees may be released.

As a result, until the aggregate of the undrawn committed and funded senior secured debt (other than debt under the Notes and any additional notes) has fallen below 25% of the aggregate amount of the undrawn committed and funded senior secured debt, lenders under the Senior Facilities Agreement, together with the counterparties to certain secured hedging arrangements, will have effective control of all decisions with respect to the Collateral. It is possible that disputes may occur between the holders of the Notes and lenders under the Senior Facilities Agreement as to the appropriate manner of pursuing enforcement remedies with respect to the Collateral (as well as with respect to the filing of claims necessary to enforce such Collateral). In such an event, the holders of the Notes will be bound by any decisions of the instructing group, which may result in enforcement actions against the Collateral that are not approved by the holders of the Notes or that may be adverse to such holders. The effective control of the lenders under the Senior Facilities Agreement and hedge counterparties may delay enforcement against the Collateral.

We may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control, we will be required to make an offer to the holders in cash to repurchase all or any part of their Notes at 101% of their principal amount, plus accrued and unpaid interest. If a change of control were to occur, our ability to make such purchase may be limited by our then existing financial resources and we cannot assure that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or to repay the indebtedness outstanding under our Senior Facilities Agreement or other indebtedness. As such, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure that we would be able to obtain such financing. In addition, restrictions in our then-existing contractual obligations, including the Senior Facilities Agreement, may not allow us to make such required repurchases upon the occurrence of certain events constituting a change of control. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing Notes, we may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, we will remain prohibited from repurchasing any tendered Notes. A change of control may result in an event of default under, or acceleration of, the indebtedness outstanding under the Senior Facilities Agreement and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. Any failure by us to offer to purchase Notes would constitute a default under the Indenture, which would in turn constitute a default under the Senior Facilities Agreement, and could result in an acceleration of our indebtedness thereunder, which could have a material adverse effect on our business.

The change of control provision contained in the Indenture may not necessarily afford the holders protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect holders of the Notes, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. With certain exceptions the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" contained in the Indenture includes a disposition of all or substantially all of the assets of Cyfrowy Polsat and its Restricted Subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Cyfrowy Polsat and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Enforcement of civil liabilities and judgments against the Issuer or us or any of our directors or officers may be difficult.

The Issuer is a Swedish public limited liability company, Cyfrowy Polsat is a Polish joint stock company and TV Polsat is a Polish limited liability company. Substantially all of our assets and all of our operations are located, and all of our revenue is derived, outside the United States. In addition, all of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Sweden or Poland would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the

United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws.

The interests of our principal shareholder may conflict with interests of holders of the Notes.

Mr. Zygmunt Solorz-Żak controls: (i) directly 10,603,750 shares (constituting 3.04% in the share capital and 4.02% of votes in Cyfrowy Polsat) and (ii) indirectly, through Polaris Finance B.V., 168,941,818 shares (representing 48.50% of the share capital and 63.64% of the voting power in Cyfrowy Polsat). As a result, Mr. Zygmunt Solorz-Żak, through his shareholdings, has and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders, and to effectively control many other major decisions regarding our operations. Mr. Zygmunt Solorz-Żak's and Polaris Finance's interests in these and other circumstances may conflict with the interests of holders of the Notes.

Transfers of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. The holders may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the indenture governing the Notes contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is the potential holders obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

An active trading market may not develop for the Notes, in which case the holders' ability to transfer the Notes will be more limited.

The Notes are listed on the Official List of the Luxembourg Stock Exchange to be traded on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot assure that the Notes will remain listed. We cannot guaranty the liquidity of any market for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. As a result, we cannot assure that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. The liquidity of, and trading market for, the Notes may also be hurt by declines in the market for high yield securities generally. Such a general decline may be caused by a number of factors, including, but not limited to, the following:

- interest rates and inflation expectations;
- foreign currency exchange rates;
- the prospect of quantitative easing in the money supply of major reserve currencies;
- general economic and business trends;
- regulatory developments in our operating countries;
- the condition of the media industry in the countries in which we operate; and
- investor and securities analyst perceptions of us and other companies that investors deem comparable in TV broadcasting.

Such a decline may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the Issue Date, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB- or better from S&P and no default or event of default has occurred and is continuing, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have such rating, certain covenants will cease to be applicable to the Notes. If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Management Board's representations

Pursuant to the requirements of the *Regulation of the Council of Ministers of 19 February 2009 on ongoing and periodical information reported by issuers of securities and conditions of recognising as equivalent information required by the law of a country not being a member state* the Management Board of Cyfrowy Polsat S.A. represented by:

Dominik Libicki, President of the Management Board,

Dariusz Działkowski, Member of the Management Board,

Aneta Jaskólska, Member of the Management Board,

Tomasz Szeląg, Member of the Management Board

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2011 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 semi-annual 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 authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2011 pursuant to relevant provisions of the national law and industry norms.

Dominik Libicki	Tomasz Szeląg	Dariusz Działkowski	Aneta Jaskólska
President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 30 August 2011

KPMG Audyt
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL INFORMATION OF CYFROWY POLSAT S.A. GROUP FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

To the Shareholders of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Cyfrowy Polsat S.A. Group, with its registered office in Warsaw, ul. Łubinowa 4a, as at 30 June 2011, the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flows for the six month period then ended and selected explanatory notes ("the condensed consolidated interim financial information").

Management of Cyfrowy Polsat S.A. is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial information, based on our review.

Scope of Review

We conducted our review in accordance with the national standard on auditing no. 3 *General principles of review of the financial statements/condensed financial statements and conducting of other assurance services* and the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 conducted in accordance with International Standards on Auditing 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 condensed consolidated interim financial information of Cyfrowy Polsat S.A. Group as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

K. Kuśmierski
....
Certified Auditor No. 90106
Krzyszfof Kuśmierski

....
Certified Auditor No. 9645
Limited Liability Partner with power of attorney
Marek Strugała

30 August 2011
Warsaw

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2011

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

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 30 August 2011, 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:

Interim Consolidated Income Statement for the period from 1 January 2011 to 30 June 2011 showing a net profit of:	PLN 145,880 thousand
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2011 to 30 June 2011 showing a total comprehensive income of:	PLN 144,345 thousand
Interim Consolidated Balance Sheet as at 30 June 2011 showing total assets and total equity and liabilities of:	PLN 5,248,075 thousand
Interim Consolidated Cash Flow Statement for the period from 1 January 2011 to 30 June 2011 showing a net increase in cash and cash equivalents amounting to:	PLN 270,381 thousand
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2011 to 30 June 2011 showing an increase in equity of:	PLN 1,442,649 thousand

Supplementary Information to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in PLN thousand unless otherwise indicated.

Dominik Libicki President of the Management Board	Tomasz Szeląg Member of the Management Board	Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board

Warsaw, 30 August 2011

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Income Statement

	Note	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Revenue	6	1,031,184	742,261
Operating costs		(727,467)	(532,772)
Cost of services, products, goods and materials sold	7	(544,810)	(385,104)
Selling expenses	7	(114,038)	(103,044)
General and administrative expenses	7	(68,619)	(44,624)
Other operating income	8	8,704	9,677
Other operating costs	9	(43,664)	(22,543)
Profit from operating activities		268,757	196,623
Finance income	10	9,320	797
Finance costs	11	(95,050)	(8,054)
Share in net income of associates		569	-
Gross profit for the period		183,596	189,366
Income tax		(37,716)	(36,238)
Net profit for the period		145,880	153,128
Net profit attributable to:			
Equity holders of the Parent		145,880	153,105
Non-controlling interests		-	23
Basic and diluted earnings per share (in PLN)		0.49	0.57

Interim Consolidated Statement of Comprehensive Income

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Net profit for the period	145,880	153,128
Other comprehensive income	-	-
Hedge valuation reserve	(1,145)	
Currency translation adjustment	(722)	
Income tax relating to components of other comprehensive income	332	-
Other comprehensive income, net of tax	(1,535)	-
Total comprehensive income for the period	144,345	153,128
Total comprehensive income attributable to:		
Equity holders of the Parent	144, 345	153,105
Non-controlling interests	-	23

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2011 unaudited	31 December 2010
Reception equipment		359,907	275,399
Other property, plant and equipment		272,116	152,857
Goodwill	12	2,412,285	52,022
Brands	13	840,000	300
Other intangible assets	14	47,470	22,944
Non-current programming assets	15	114,797	-
Investment property		7,658	-
Other non-current assets		46,322	37,544
Deferred tax assets		22,612	4,158
Total non-current assets		4,123,167	545,224
Current programming assets	15	172,701	-
Inventories		159,831	173,154
Trade and other receivables		358.165	184,298
Income tax receivable		9,402	7,542
Other current assets		126,195	77,362
Cash and cash equivalents		298,614	27,615
Total current assets		1,124,908	469,971
Total assets		5,248,075	1,015,195

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2011 unaudited	31 December 2010
Share capital	16	13,934	10,733
Reserve capital		432,265	156,534
Other reserves	16	1,305,277	10,174
Hedge valuation reserve	16	(927)	-
Currency translation adjustment		(608)	-
Retained earnings		120,646	250,497
Total equity		1,870,587	427,938
Loans and borrowings	17	1,061,912	-
Senior Notes liabilities	18	1,277,148	-
Finance lease liabilities		1,103	1,095
Deferred tax liabilities		86,665	65,338
Other non-current liabilities and provisions		11,108	2,384
Total non-current liabilities		2,437,936	68,817
Loans and borrowings	17	225,577	18,041
Senior Notes liabilities	18	94,800	-
Finance lease liabilities		227	491
Trade and other payables		409,504	317,953
Income tax liability		23,085	-
Deposits for equipment		15,170	15,523
Deferred income		171,189	166,432
Total current liabilities		939,552	518,440
Total liabilities		3,377,488	587,257
Total equity and liabilities		5,248,075	1,015,195

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Cash Flow Statement

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Net profit for the period	145,880	153,128
Adjustments for:	(50,425)	(120,796)
Depreciation, amortization and impairment	73,095	34,962
Payments for film licences and sport rights	(35,238)	-
Amortization of film licences and sport rights	46,114	-
Loss on investing activity	445	327
Cost of programming rights sold	957	-
Interest expense	62,460	153
Change in inventories	14,863	(16,835)
Change in receivables and other assets	(72,569)	(85,927)
Change in loans, senior notes, liabilities, provisions and deferred income	(58,673)	(12,570)
Change in internal production and advance payments	1,455	-
Valuation of hedging instruments	(1,145)	-
Share in net income of associates accounted for under equity method	(569)	-
Foreign exchange gains	(728)	(85)
Compensation of income tax receivables with VAT liabilities	6,264	-
Income tax	37,716	36,238
Net increase in set-top boxes provided under operating lease	(125,454)	(78,103)
Other adjustments	582	1,044
Cash from operations before income taxes and interest	95,455	32,332
Income tax paid	(10,320)	(1,067)
Interest received from operating activities	3,403	775
Net cash from operating activities	88,538	32,040
Acquisition of property, plant and equipment	(13,634)	(18,383)
Acquisition of intangible assets	(6,973)	(7,423)
Acquisition of subsidiary net of cash acquired	(2,336,697)	(30,552)
Proceeds from sale of property, plant and equipment	208	1,054
Loans granted	-	(350)
Proceeds from interest on loans granted	1	-
Net cash used in investing activities	(2,357,095)	(55,654)

(all amounts in PLN thousand, except where otherwise stated)

Net cash from bank overdraft	(18,041)	4,292
Term loans received	2,800,000	-
Issuance of *Senior Notes*	1,372,245	-
Proceeds from realization of foreign exchange call options	821	-
Repayment of loans and borrowings	(1,449,594)	(31,518)
Finance lease – principal repayments	(262)	(193)
Payment of interest on loans, borrowings, finance lease and commissions	(166,231)	(871)
Net cash from/(used in) financing activities	2,538,938	(28,290)
Net increase/(decrease) in cash and cash equivalents	270,381	(51,904)
Cash and cash equivalents at the beginning of the period*	27,615	99,390
Effect of exchange rate fluctuations on cash and cash equivalents	618	85
Cash and cash equivalents at the end of the period	298,614	47,571

* Cash and cash equivalents as at 1 January 2010 included PLN 26,738 thousand of restricted cash.

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Statement of Changes in Equity for 6 months ended 30 June 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Currency translation adjustment	Retained earnings	Total equity
Balance as at 1 January 2011	10,733	156,534	10,174	-	-	250,497	427,938
Share issue	3,201	-	1,295,103	-	-	-	1,298,304
Hedge valuation reserve	-	-	-	(927)	-	-	(927)
Currency translation adjustment	-	-	-	-	(608)	-	(608)
Net profit for the period	-	-	-	-	-	145,880	145,880
Appropriation of 2010 profit – transfer to reserve capital	-	275,731	-	-	-	(275,731)	-
Balance as at 30 June 2011	13,934	432,265	1,305,277	(927)	(608)	120,646	1,870,587

Interim Consolidated Statement of Changes in Equity for 6 months ended 30 June 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 January 2010	10,733	73,997	10,174	227,509	-	322,413
Acquisition of 100% shares of M.Punkt Holdings Ltd.	-	-	-	23	(23)	-
Net profit for the period	-	-	-	153,105	23	153,128
Dividends approved	-	-	-	(152,945)	-	(152,945)
Appropriation of 2009 profit – transfer to reserve capital	-	82,537	-	(82,537)	-	-
Balance as at 30 June 2010	10,733	156,534	10,174	145,155	-	322,596

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 6 months ended 30 June 2011

1. The Parent Company

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of "Cyfrowy Polsat", and also as a Virtual Network Operator and provides Internet access services.

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

The interim condensed consolidated financial statements comprise the Parent and its subsidiaries (together with the Parent referred to as "the Group" and individually as "Group entities"), and the Group's interest in associates and jointly controlled entities.

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- 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 6 months ended 30 June 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. The Group applied the same accounting policies in the preparation of the financial data for 6 months ended 30 June 2011 and the consolidated financial statements for the years 2010, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on 1 January 2011.

During the 6 months ended 30 June 2011 the following changes entered into force:

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures*
The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these consolidated financial statements.

(ii) amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
The amendments clarify how to account for prepayments of a minimum funding requirement. The changes have no impact on these consolidated financial statements.

(iii) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
Interpretation explains how to account for extinguishing financial liabilities with equity instruments. The changes have no impact on these consolidated financial statements.

(iv) revised IAS 24 *Related Party Disclosures* and amendment to IFRS 8 *Operating Segments*
Amendment to IFRS 8 specifies when an entity shall consider a government, its agencies and similar bodies and entities under control of the government as a single customer. Revised IAS 24 explains how to report transactions with related entities. The changes have no impact on these consolidated financial statements.

(v) Improvements to 2010 International Financial Reporting Standards revise six standards and one interpretation. The revisions relate to scope, presentation, recognition and measurement as well as changes of terminology and editorial changes. The changes have no impact on these consolidated financial statements.

Issued International Financial Reporting Standards and Interpretations whose application is not mandatory

The International Financial Reporting Standards include all International Accounting Standards, International Financial Reporting Standards and related Interpretations, save for the standards and interpretations which have not yet been adopted by the European Union or which have already been endorsed by the EU but are not yet effective.

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

- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosures of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- amendments to IFRS 7 Financial Instruments: Disclosures- Disclosures – Transfer of financial assets;
- amendments to IFRS 9 Financial Instruments (issued in 2010);
- amendments to IAS 12 Deferred tax - Recovery of underlying assets;
- amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Hyperinflation and removal of fixed dates for first-time adopters;
- amendments to IAS 1 Presentation of Items of Other Comprehensive Income;
- amendments to IAS 19 Employee Benefits.

The Group has not assessed the impact of the above amendments on the consolidated financial statements at the date of approval of these interim consolidated financial statements.

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

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

a) Basis of consolidation

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the following exchange rates at the dates of the transactions:

- transactions to sell or purchase cash denominated in foreign currencies and to settle receivables or payables denominated in foreign currencies are translated using the bid or offer exchange rate of the bank whose services are used by the entity at the date of the transaction,
- other foreign currency transactions are translated into the functional currency using the foreign exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date using the average NBP rate as of that date. Foreign exchange gains and losses resulting from translation of foreign currency transactions and valuation of foreign currency monetary assets and liabilities denominated in foreign currency are recognised in the income statement. Non-monetary foreign currency assets and liabilities valued at historical cost are translated at the average NBP rate as of the transaction date.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to PLN at the average NBP foreign exchange rate at the reporting date.

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to PLN at the exchange rate being an average of NBP foreign exchange rates at the end of each month of the period.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation adjustment (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

c) Property, plant and equipment

(i) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Buildings	2 - 61	years
Civil and water engineering structures	7 - 58	years
Television and broadcasting equipment	2 - 26	years
Vehicles	2 - 16	years
Fixtures and fittings	2 - 26	years

d) Intangible assets

(i) Amortization

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

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follows:

- Computer software: 2 – 15 years,
- Concessions: period resulting from an administrative decision,
- Other: 2 – 7 years.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Items recognised as investment property are measured at their cost, being their purchase price or cost of development, less accumulated depreciation and accumulated impairment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of an investment property changes to owner-occupied, it is reclassified as property, plant and equipment, and its gross value, depreciation and carrying value at the date of reclassification become its gross value, depreciation and carrying value for subsequent accounting.

f) Programming assets

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

(i) Initial recognition

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

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

Capitalised cost of productions includes costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalised productions of programs are valued individually at their production or acquisition costs, not higher than their recoverable amount.

Sport rights are recognised at cost at broadcast. Rights to broadcast seasonal sport events are capitalised at cost and recognised as programming assets on the first day of the season.

Advance payments for acquired programming assets, prior to meeting recognition criteria for programming assets, are recognised as prepayments for programming assets.

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

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

(all amounts in PLN thousand, except where otherwise stated)

(ii) Amortization

Programming assets are amortised using the method reflecting the manner of consuming the economic benefits embodied in the licence acquired. The useful life is equal to the term of the licence at the maximum. Amortization method and rates depend on the category of programming assets and the number of broadcasts permitted:

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

	Feature films		
Number of depreciable runs	Rate per run		
	I	II	III
1	100%		
2	80%	20%	
3	60%	20%	20%

	TV series		
Number of depreciable runs	Rate per run		
	I	II	III
1	100%		
2	80%	20%	

- Sport rights – 100% of the cost is recognised in profit or loss on the first broadcast or, where seasonal rights or rights for multiple seasons or competitions are acquired, such rights are principally amortised on a straight-line basis over the seasons or competitions.
- Commissioned external productions intended for only one run are fully amortised on their first broadcast.
- Informational programming is fully amortised at its first broadcast.
- General entertainment shows are fully amortised at their first broadcast.

(iii) Impairment

Programming assets are reviewed for impairment annually or if there is any indication that the carrying amount may not be recoverable. Impairment losses are recognised when the carrying amount of the asset exceeds the estimate recoverable amount. The basis for this assumption may include changes in the advertising environment, changing audience tastes, changes in strategic program scheduling, media-law restrictions on the usability of films, withdrawal from broadcasting an item and expected future losses anticipated on disposal of the rights.

Impairment write downs in programming assets are recognised as part of the cost of sales. Impairment of programming assets is reversed if the reason for the original impairment no longer exists, and a higher recoverable amount is expected. The reversals are netted against the cost of sales.

g) Provisions

(i) Provision for dismantling costs

Under lease/rental agreements for transmitter space and other space leased in connection with the Group's business operations, the Group is obliged to incur costs connected with dismantling of equipment and bringing the subject of the agreement to its original condition upon termination of the lease/rental agreement. Those costs were recognised upon putting equipment into use at the value of discounted estimated dismantling costs and costs of restoring the assets to their original condition. In subsequent years, the value of the provision for dismantling costs is increased by the unwinding of the discount in a given reporting period.

A provision for dismantling costs is recognised until an asset is dismantled or it is released when assessed to be excessive. If a new lease agreement is concluded to replace an expiring agreement, the provision is not derecognised and is reviewed in line with terms of the new agreement and the Group's obligations resulting therefrom.

(ii) Onerous contracts

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

Provisions for future losses in programming assets are recognised as provisions for onerous contracts for programming acquisition contracts (including sport rights) concluded before the reporting date and which current programming analyses indicate will not generate revenues in excess of acquisition cost of these assets. Raising of provisions for future losses in programming assets are recognised as part of the cost of sales.

h) Revenue

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

(a) Retail sales, including subscription fees for DTH, Near Video on Demand (nVoD), MVNO and Internet, interconnection revenue, settlements with mobile network operators, revenue from the rental of reception equipment, are recognised as the services are provided, net of discount given. Retail sales also include contractual penalties related to terminated agreements which are recognised when the contract is terminated.

    Revenues are recognised in profit and loss in the period when services are rendered.

    Revenue from the rental of reception equipment is recognised on a straight-line basis over the minimum base period of the subscription contract, other than for finance lease agreements, that are recognised as a sale with deferred payment date.

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

(c) Sale of equipment is measured at the fair value of the consideration received or receivable, net of discounts, rebates and returns. Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(d) Revenue from charges from cable and satellite operators includes charges from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognised when the programs are broadcast.

(e) Other revenue is recognised, net of any discount given, when the relevant goods or service are provided. Revenues from prepaid mobile telephone services are recognised in profit or loss once the prepaid credit is utilised or forfeited.
Other revenue includes: sales of broadcasting services, sales of audiotext and sms services, sales of programming licences, sales of sub-licences and broadcasting rights related to films and programs, rental revenue, production and technical services as well as sales of merchandise and material.

When the Group sells goods (reception equipment, set-top boxes, CAM) and services in one bundled transaction, the total consideration from the arrangement is allocated to each element of such multiple-element arrangements based on their relative fair values.

i) Barter revenue

Barter revenue (broadcasting of advertising in exchange for products and services) is recognised when advertising is broadcast. Programming licences, products and services received are expensed or capitalised when received or used. The Group recognises barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognised by the Group. Accordingly, when advertising is broadcast before products or services are received, a receivable is recognised by the Group.

j) Derivative financial instruments

Hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

For fair value hedges the change in the fair value of an hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement.
For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognised immediately in the income statement.
Amounts recognised as other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are included in the initial carrying amount of the non-financial asset or liability.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Other derivatives not designated for hedge accounting

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

(all amounts in PLN thousand, except where otherwise stated)

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

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on 30 August 2011.

5. Information on Seasonality in the Group's Operations

Seasonality of sales of equipment. The only portion of the Group's revenue which is subject to seasonality is the revenue from sales of 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. Advertising and sponsoring revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to increased consumer spending during the holiday season.

6. Revenue

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Retail subscription	773,899	707,072
Advertising and sponsorship revenue	208,627	1,839
Revenue from cable and satellite operator fees	16,219	-
Sale of equipment	9,159	21,164
Other revenue	23,280	12,186
Total	1,031,184	742,261

Retail subscription revenue consists of DTH subscription fees, MVNO and Internet subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

(all amounts in PLN thousand, except where otherwise stated)

7. Operating costs

	Note	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Programming costs		203,891	194,595
Distribution, marketing, customer relation management and retention costs		150,972	135,360
Cost of internal and external TV production and amortization of sport rights		75,842	-
Depreciation, amortization and impairment		73,095	34,962
Salaries and employee-related costs	a	61,779	39,107
Broadcasting and signal transmission costs		47,344	41,305
Amortization of purchased film licenses		25,769	-
Cost of equipment sold		19,125	31,850
Other costs		69,650	55,593
Total costs by kind		727,467	532,772

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Cost of services, products, goods and materials sold	544,810	385,104
Selling expenses	114,038	103,044
General and administrative expenses	68,619	44,624
Total costs by function	727,467	532,772

a) Salaries and employee-related costs

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Salaries	52,100	32,913
Social security contributions	7,613	4,535
Other employee-related costs	2,066	1,659
Total	61,779	39,107

Salaries and social security contributions relating to employees directly involved in set-top boxes manufacturing are presented as part of cost of equipment sold. Salaries and social security contributions in relation to employees directly involved in production of tv programmes are presented as part of cost of internal TV production.

(all amounts in PLN thousand, except where otherwise stated)

8. Other operating income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Compensation	380	552
Income from sale of Point of Sale	-	7,055
Other	8,324	2,070
Total	8,704	9,677

Other operating income consists primarily of income from the sale of equipment for testing modems.

9. Other operating costs

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Bad debt provision and receivables written off	33,238	21,473
Inventory impairment write-downs	941	287
Other	9,485	783
Total	43,664	22,543

Other operating costs consist primarily of costs of disposed equipment for testing modems.

10. Finance income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Foreign exchange rate differences, net	5,917	-
Interest	3,356	777
Other	47	20
Total	9,320	797

(all amounts in PLN thousand, except where otherwise stated)

11. Finance costs

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Interest expense on loans and borrowings	54,449	790
Interest expense on bonds due 2018	11,422	-
Other interest	320	139
Fair value losses on financial instruments:		
Loss on call options:	4,373	-
Foreign exchange options not designated as hedging instruments	*939*	-
Foreign exchange options – settlement of instruments	*3,434*	-
Foreign exchange rate differences on bonds due 2018	22,559	-
Other foreign exchange rate differences, net	-	6,943
Guarantee fees	41	-
Bank and other charges	1,692	182
Other	194	-
Total	95,050	8,054

12. Goodwill

	2011
Balance as at 1 January	52,022
Acquisition of 100% shares of Telewizja Polsat S.A. (provisional accounting of goodwill - see note 19)	2,360,263
Balance as at 30 June unaudited	2,412,285

Increased goodwill was allocated to cash-generating unit „television broadcasting and production" (see note 20).

The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell. The Group tests the total carrying amount of the cash-generating unit and in case of impairment write-offs are made with respect to goodwill first. If goodwill is fully impaired the Group continues impairment testing of the brand with potential write-offs against the carrying value of brand and other assets allocated to the cash-generating unit.

(all amounts in PLN thousand, except where otherwise stated)

13. Brands

	2011
Balance as at 1 January	300
Amortisation and impairment	(300)
Acquisition of Subsidiary – provisional accounting of Polsat brand (see note 19)	840,000
Balance as at 30 June unaudited	840,000

The provisional value of Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (see note 19).

The provisional carrying amount of the brand is allocated to cash-generating unit „television broadcasting and production" (see note 20).

The provisional fair value of the brand was estimated on the basis of relief from royalty method. The method is based on the assumption that the benefits of owning a brand are equivalent to the hypothetical costs the owner of the brand would have to incur, should the brand be licenced from another entity based on market rates.

The Polsat brand was valued provisionally based on the revenues from advertising and sponsorship stream for Polsat and thematic channels. Different levels of market rates of royalties for the media and television sector have been considered in the calculation of cash flows due to the varying strength of the Polsat and the trademarks related to thematic channels.
Due to the fact that revenues from distributions are generated in cooperation with cable television stations and digital satellite platforms, the calculation of cash flows based on these revenues was based on the market level of license fees for the cable television and digital platforms sector.

The discount rate which reflects the time value of money and the risks associated with anticipated future cash flows was set at 13.1%.

The Polsat brand is not amortised as management considers it to have an indefinite useful life.

<u>mPunkt brand</u>

In the purchase price allocation process relating to acquisition of M.Punkt Holdings the Group identified and valued trademark – mPunkt brand. The preliminary fair value of the trademark was estimated on the basis of relief from royalty method. The net book value as at 30 June 2011 amounts to zero.

(all amounts in PLN thousand, except where otherwise stated)

14. Other intangible assets

	30 June 2011 unaudited	31 December 2010
Software and licences	25,252	12,870
Concessions for broadcasting television programs	15,990	-
Other	1,063	1,474
Prepayments	24	-
Under development	5,141	8,600
Total	47,470	22,944

Concessions for broadcasting television programs were recognized in the balance sheets following the acquisition of Telewizja Polsat S.A. based on the provisional accounting of purchase price allocation (see note 19). The carrying amount of the concessions is allocated to cash-generating unit „television broadcasting and production" (see note 20).

The Group holds the following concessions:
- concession for analogue, free-to-air broadcasting „Polsat" channel valid until 2 March 2014,
- concession for analogue, free-to-air broadcasting „Polsat Sport News" channel valid until 29 August 2020 and
- concessions for satellite broadcasting of paid channels.

15. Programming assets

	2011
Net carrying amount as at 20 April (unaudited)	298,793
Increase:	37,568
Acquisition of film licences	*27,201*
Capitalised costs of sport rights	*10,367*
Change in prepayments	(264)
Change in impairment losses:	(1,881)
Film licences	*(1,881)*
Change in internal production	(1,405)
Amortization of film licences	(23,619)
Amortization of capitalized costs of sport rights	(20,613)
Disposals:	(957)
Sale of film licences	*(957)*
Currency translation adjustment	(161)
Other increases	37
Net carrying amount as at 30 June (unaudited)	287,498

As at 30 June 2011 the net carrying amount of programming assets amounted to PLN 287,498 thousand (including PLN 114,797 thousand non-current programming assets and PLN 172,701 thousand current programming assets).

(all amounts in PLN thousand, except where otherwise stated)

16. Equity

Share capital

Presented below is the structure of the Company's share capital as at 30 June 2011:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	348,352,836	13,934	

The shareholders' structure as at 30 June 2011 was as follows:

	30 June 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	168,941,818	6,758	48,50%	335,884,319	63,64%
Zygmunt Solorz-Żak	10,603,750	424	3,04%	21,207,500	4,02%
Other	168,807,268	6,752	48,46%	170,678,518	32,34%
Total	348,352,836	13,934	100%	527,770,337	100%

[1]Mr. Zygmunt Solorz-Żak held 85% shares and Mr Heronim Ruta held 15% shares in the share capital of Polaris Finance B.V.

Issue of subscription warrants

In relation to the acquisition of Telewizja Polsat S.A., on 1 April 2011 the Company entered into four subscription agreements with: (i) MAT Fundusz Inwestycyjny Zamknięty ("Seller I"), (ii) KOMA Fundusz Inwestycyjny Zamknięty ("Seller II"), (iii) Karswell Limited ("Seller III"), and (iv) Sensor Overseas Limited ("Seller IV") (jointly: "Sellers"), relating to the issuance of 80,027,836 registered Series H subscription warrants ("subscription warrants"). Subscription warrants authorise their holders to acquire Series H ordinary bearer shares with a nominal value of four groszy (PLN 0.04) per share issued by the Company in terms of the Company's General Shareholders Meeting's resolution dated 17 December 2010.

Pursuant to the subscription agreements, the Company offered the warrants for no consideration, and each of the Sellers accepted the offer to acquire the subscription warrants offered to it, as a result of which:
(i) Seller I took up 14,135,690 subscription warrants, authorising it to take up a total of 14,135,690,
(ii) Seller II took up 2,494,526 subscription warrants, authorising it to take up a total of 2,494,526,
(iii) Seller III took up 53,887,972 subscription warrants, authorising it to take up a total of 53,887,972,
(iv) Seller IV took up 9,509,648 subscription warrants, authorising it to take up a total of 9,509,648
ordinary Series H bearer shares in the share capital of the Company respectively, on or before 30 September 2011, in exchange for a cash contribution of PLN 14.37 per each share. The holders of registered subscription warrants exercised their rights under the subscription warrants on 20 April 2011. The Company issued to the Sellers the certificates of the Shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201 thousand and the other reserve capital was increased by PLN 1,295,103 thousand. As at 30 June 2011 other reserve capital amounted to PLN 1,305,277 thousand.

Share disposal

On 22 June 2011 Sensor Overseas Limited sold 12,004,174 Company' shares. Mr. Heronim Ruta held 100% of the share capital of Sensor.

On 22 June 2011 Mr Zygmunt Solorz-Żak decreased the interest held by him in the total number of votes in the Company. The decrease results from:
- the sale of 6,083,182 shares of the Company by Polaris Finance B.V. (Polaris)
- the sale of 68,023,662 shares of the Company by Karswell Limited (Karswell).

As at the date of preparation of these financial statements, Polaris held 168,941,818 shares in the Company (48.5% ownership interest), representing 335,884,319 votes at the General Shareholders' Meeting of the Company, i.e. 63.64% of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Polaris.

As at the date of preparation of these financial statements, Karswell did not hold directly or indirectly any shares in the Company. Mr. Zygmunt Solorz-Żak held 100% of the share capital of Karswell.

As at the date of preparation of these financial statements, Mr. Zygmunt Solorz-Żak controlled (directly and indirectly through Polaris) 179,545,568 shares in the Company (jointly representing 51.54% ownership interest), jointly representing 357,091,819 votes at the General Shareholders' Meeting of the Company, i.e. 67.66% of the total number of votes in the Company.

As at the date of preparation of these financial statements, Sensor does not hold directly or indirectly any shares in the Company. Mr. Heronim Ruta held 100% of the share capital of Sensor.

Purchase of hedging instrument

On 29 June 2011 the Company concluded interest rate swap transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see Note 17). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Company is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

As at 30 June 2011 the hedge was valued at PLN -1,145 thousand. Since the hedge is effective the loss was recognised in hedge valuation reserve. The total influence of the hedge valuation on hedge valuation reserve amounts to PLN -927 thousand, which is equal to valuation offset by deferred tax.

17. Loans and borrowings

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

In connection with the acquisition of Telewizja Polsat S.A., on 31 March 2011 the Group, concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners").

The Senior Facilities Agreement provided for a term facility loan of up to PLN 1,400,000 thousand and a revolving facility loan of up to PLN 200,000 thousand. The interest rate applicable for both, the term facility and revolving facility loan, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility loan will be repaid in quarterly instalments in varying amounts commencing 30 June 2011. Both facilities expire on 31 December 2015. As at 30 June 2011 the revolving facility was not used.

In addition, on 31 March 2011, the Group concluded a Bridge Facility Agreement with the Bookrunners. This agreement provided for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equalled approximately EUR 350,000 thousand. The interest rate applicable for the bridge facility loan was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The bridge facility was repaid on 20 May 2011.

Summary of significant provisions of the agreements

Mandatory prepayments

The facilities will be cancelled and the outstanding balance, together with accrued interest, shall become immediately due and payable upon loss of control by Mr Zygmunt Solorz-Żak (or party related with him) over the Company or loss of control by the Company over Telewizja Polsat. The facilities shall become immediately due upon sale of all or substantially all of the Group or the assets of the Group.

Mandatory prepayments are also required in the following amounts:
- in the amount equal to 65% of excess cashflow for any financial year of the Company or equal to 25% if total net debt to EBITDA ratio of the Company is less than 2.0:1,
- in the amount of disposal proceeds for transaction exceeding PLN 10 million in respect of any one disposal or PLN 40 million in aggregate at any time before the facilities are repaid in full
- in the amount of debt proceeds or equity proceeds if total net debt to EBITDA ratio of the Company exceeds 2.0.

In addition, voluntary High Yield Notes repayment is allowable only if accompanied by a repayment of term and revolving facilities.

Financial covenants

The loan agreement imposed on the Group the obligation to maintain financial ratios at a certain level. The Debt Service Cover shall be at least 1.4 for a given Period. The Interest Cover shall be at least 2.5 for a given Period. The Total leverage shall be at most 4.5 for a given Period. Financial covenants shall be tested on each quarter date and shall be reported on by an auditor on annual basis.

Additionally, restrictions which are imposed on the Group include the following:
- restrictions relating to mergers, acquisitions, joint venture transactions
- restrictions related to disposal of assets and substantial change of business
- restrictions related to incurring additional financial indebtedness and share capital issue
- restrictions relating to cash out transactions (*inter alia* dividend and other distribution payments, repayment of principal and interest of financial indebtedness, management/advisory fee payments, advance or similar kind of payment to related parties)

Additionally, the Group is obliged *inter alia* to the following:
- provide the banks with any material documents and information concerning the financial standing of the Group,
- hedge against interest rate foreign exchange rate fluctuations in respect of the amounts outstanding under the term facility and notes payable
- all bank accounts shall be opened and maintained with the lending banks
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the banks.

Establishment of security for loan facilities

On 14 April 2011 the Group entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreements and the Bridge Facility Agreements:
(i) Registered pledge on tangibles and intangible rights comprising the business of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A.;
(ii) Financial and registered pledges on all shares in Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o., held by the Company;
(iii) Transfer of receivables for security, due to Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A. from various debtors;
(iv) Contractual mortgage on real estate owned by the Company;
(v) Statement of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A. on submission to the enforcement procedure as stipulated by the notary deed.

On 18 April 2011 the Group entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Financial and registered pledges on all shares in mPunkt Polska S.A., held by the Company;

(ii) Transfers of receivables for security, due to the Company from various debtors.

On 20 June 2011, in connection with the transformation of the Company's subsidiary - Telewizja Polsat S.A. - into a limited liability company, the Company entered into a pledge agreement which established a financial and registered pledge on all the shares of Telewizja Polsat Sp. z o.o. held by the Company.

In June 2011, Telewizja Polsat Sp. z o.o. and Telewizja Polsat Sp. z o.o.'s subsidiaries: RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Nord License AS with its registered office in Norway, Polsat License Ltd. with its registered office in Switzerland and Polsat Futbol Ltd. with its registered office in the United Kingdom entered into agreements and other documents for establishment in particular of the following security in respect to the repayment of the term and revolving facility loans granted under the Senior Facilities Agreement and the repayment (redemption) of the High Yield Notes:
(i) Registered pledge on tangibles and intangible rights of Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o.;
(ii) Security established on the assets of Nord License AS, Polsat Futbol Ltd., Polsat License Ltd.;
(iii) Financial and registered pledge on all shares in RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., held by Telewizja Polsat Sp. z o.o.;
(iv) Pledge on shares in Nord License AS., Polsat License Ltd. and Polsat Futbol Ltd. held by Telewizja Polsat Sp. z o.o.;
(v) Transfer of receivables for security, due to Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o., Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. from various debtors;
(vi) Mortgage on real estate owned by Telewizja Polsat Sp. z o.o.;
(vii) Mortgage on real estate owned by RS TV S.A.;
(viii) Statement of Telewizja Polsat Sp. z o.o., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. on submission to the enforcement procedure as stipulated by the notary deed.

As at 30 June 2011 the loans and borrowings liabilities amounted to PLN 1,287,489 thousand (including PLN 1,061,912 thousand long-term liabilities and PLN 225,577 thousand short-term liabilities).

18. Senior Notes

On 20 May 2011, the Company, the Company's subsidiary Cyfrowy Polsat Finance AB (the "Issuer"), the Bank of New York Mellon, London Branch (the "Trustee"), the Bank of New York Mellon Luxembourg S.A., and the Initial Guarantors (the Company, CPT, CPTM and mPunkt Polsat) entered into an indenture (the "Indenture") for the issuance of senior notes due in 2018 with aggregate principal amount of EUR 350 million (the "Notes").

Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on 20 May and 20 November, commencing on 20 November 2011. Interest accrued as at 30 June 2011 amounts to PLN 11,422 thousand.

On 20 May 2011, the net proceeds from the Notes offering, together with EUR 14,897,339.53 of cash on hand, were used to repay in full the indebtedness outstanding under the Company's senior secured bridge facility (the "Bridge Facility Loan") (see note 17).

Summary of significant provisions of the agreements

The Indenture contains covenants that are typical for high yield notes and impose financial and operating restrictions on the Company. These covenants limit, among other things, the ability of the Company and its restricted subsidiaries to:

(i) incur additional indebtedness;
(ii) make certain restricted payments;
(iii) transfer or sell assets;
(iv) enter into transactions with affiliates;
(v) create certain liens;
(vi) create restrictions on the ability of restricted subsidiaries to pay dividends or other payments;
(vii) issue guarantees of indebtedness by restricted subsidiaries;
(viii) merge, consolidate, amalgamate or combine with other entities; and
(ix) designate restricted subsidiaries as unrestricted subsidiaries.

At any date prior to 20 May 2014, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, to the redemption date with the net cash proceeds of one or more equity offerings. At any date prior to 20 May 2014, the Issuer may at its own discretion redeem the Notes in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as at the redemption date and plus accrued and unpaid interest.

If a change of control (as defined in the Indenture) occurs, the Issuer must offer to repurchase all the Notes on the terms set forth in the Indenture.

Establishment of securities

Aside from securities presented in note 17, pursuant to the Indenture, the Notes are guaranteed by each of the Initial Guarantors (the Company, CPT, CPTM and mPunkt Polska).

In addition, on 20 May 2011, the following agreements have been concluded and the following securities have been established:

(i) Registered and financial pledges for Citicorp over rights to the bank accounts of the Issuer maintained by RBS Bank (Polska) S.A.

(ii) Share pledge for the benefit of the finance parties represented by Citicorp over all present and future shares in the Issuer and all rights relating to any of those shares.

(iii) Account pledge for the benefit of the finance parties represented by Citicorpover rights to the bank account of the Issuer maintained by EFB Bank AB.

On 10 June 2011, Cyfrowy Polsat Finance AB ("Cyfrowy Polsat Finance") entered into a pledge agreement with Citicorp Trustee Company Limited. Pursuant to the agreement Cyfrowy Polsat Finance established in favor of Citicorp a registered and financial pledge over 10 registered Series A bonds issued by the Company on 20 May 2011 with the total nominal value of EUR 350 million maturing in 2018 (the "Bonds"). The aforementioned pledges secure the senior secured bonds with the total nominal value of EUR 350 million maturing in 2018 issued by Cyfrowy Polsat Finance as well as liabilities of the Company and other debtors under the loan agreements.

As at 30 June 2011 the Senior Notes liabilities amounted to PLN 1,371,948 thousand (including PLN 1,277,148 thousand long-term liabilities and PLN 94,800 thousand short-term liabilities).

19. Acquisition of subsidiary

Acquisition of 100% of shares of Cyfrowy Polsat Finance AB

On 10 March 2011 the Company took control over 100% shares of Goldcup 100051 AB ("Goldcup"), an entity registered in Sweden, for the total consideration of SEK 500 thousand (PLN 232 thousand). The consideration transferred for the Swedish entity was equal to the value of the entity's share capital as at the acquisition date. The entity's balance sheet on the debit side showed only a claim on the seller of SEK 500 thousand and on the credit side only the share capital of SEK 500 thousand.

Goldcup was acquired *inter alia* as the vehicle for the anticipated bond issue. On 18 March 2011 Goldcup has changed its name into Cyfrowy Polsat Finance AB ("Cyfrowy Polsat Finance").

The loss included in the interim consolidated income statement for the reporting period since 10 March 2011 contributed by Cyfrowy Polsat Finance was PLN 11,523 thousand. Had Cyfrowy Polsat Finance been consolidated from 1 January 2011 the loss included in the interim consolidated income statement would not differ significantly.

Acquisition of 100% shares of Telewizja Polsat S.A.

On 20 April 2011 Cyfrowy Polsat S.A. pursuant to the investment agreement dated 15 November 2011 completed the acquisition of 100% shares of Telewizja Polsat S.A. (Telewizja Polsat). The transaction also resulted in obtaining control over the following subsidiaries: RSTV S.A., Polsat Media Sp. z o.o., Media Biznes Sp. z o.o., Polsat Futbol Ltd., Nord Licence A.A., Polsat Licence Ltd., and obtaining the influence over joint ventures: POT Sp. z o.o. and Polsat Jim Jam Ltd.

The Company acquired 100% of the share capital of Telewizja Polsat accounting for 100% of the votes at the shareholders' meetings of Telewizja Polsat, for the total contractual price of PLN 3,750,000 thousand. PLN 2,600,000 thousand was paid in cash on 28 April 2011 and PLN 1,150,000 thousand through the exercise and net settlement of subscription warrants issued by the Company (see note 16).

As a result of fair value measurement of consideration paid on 20 April 2011 the cost of the shares of Telewizja Polsat S.A. held by the Company was adjusted by PLN 148,852 thousand (i.e. the purchase price of Telewizja Polsat S.A. shares amounted to PLN 3,893,266 thousand).

On 15 June 2011 the transformation of Telewizja Polsat S.A. into Telewizja Polsat Sp. z o.o. was registered.

(all amounts in PLN thousand, except where otherwise stated)

Telewizja Polsat operates in television and advertising industry. The principal business activities of the subsidiaries of Telewizja Polsat are as follows:

- RSTV: telecommunication and radio diffusion
- Polsat Media: advertising
- Nord Licence A.S.: sales of programming licences
- Polsat Licence: sales of programming licences
- Polsat Futbol: television activities
- Media Biznes: television and activities and radio diffusion

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

a) Purchase price of shares

	30 June 2011
Cash consideration	2,600,000
Shares H series issued on 20 April 2011	1,298,852
Net trade settlements between Telewizja Polsat Group and the Company	(5,586)
Shares in Telewizja Polsat	3,893,266

The fair value of shares issued was established based on the closing price of PLN 16.23 as per the stock exchange quotation as at 20 April 2011.

b) Reconciliation of transactional cash flow

Cash transferred on acquisition	(2,600,000)
Cash and cash equivalents received	263,534
Cash outflow in the period of 6 months ended 30 June 2011	2,336,466

(all amounts in PLN thousand, except where otherwise stated)

c) Provisional fair value valuation of net assets as at the acquisition date

	fair value as at 20 April 2011
Property, plant and equipment:	
Land	2,046
Buildings	6,157
Television and broadcasting equipment	85,284
Vehicles	34,201
Other fixed assets	3,637
Assets under construction	1,308
Polsat brand (see note 13)	840,000
Other intangible assets	26,582
Non-current programming assets	62,561
Investment property	7,677
Other non-current assets	4,738
Deferred tax assets	16,649
Current programming assets	236,232
Inventory	1,540
Trade receivables and other receivables	148,459
Other current assets	5,280
Cash and cash equivalents*	263,534
Deferred tax liabilities	(6,180)
Non-current liabilities and accruals	(8,548)
Loans and borrowings	(20,121)
Trade liabilities and other liabilities	(171,974)
Income tax liabilities	(1,228)
Deferred income	(4,831)
Value of net assets	1,533,003

* includes restricted cash in the amount of PLN 42 thousand

During the provision accounting of purchase price allocation process the Group identified and valued the Polsat brand. The fair value was based on the relief from royalty method (see note 13).

Assuming the acquisition of Telewizja Polsat would have occurred on 1 January 2011 the Group's consolidated revenues would have amounted to PLN 1,311 million and the consolidated net profit would have amounted to PLN 205 million for the period of 6 months ended 30 June 2011.

d) Provisional accounting of goodwill

	20 April 2011
Purchase price of 100% shares	3,893,266
Fair value of net assets	(1,533,003)
Goodwill	2,360,263

The Company's management believes that the acquisition of Telewizja Polsat will enable the Group to strengthen its competitive advantages and achieve the position of the undisputable leader on the Polish media market. The investment in Telewizja Polsat provides diversification of revenues and sets a clear perspective for development. Additionally, the Company's management believes that the investment indicates the Group's preparation for the changing environment and will enable it to benefit from short-term effects of synergy, as well as medium- and long-term strategic advantages.

20. Operating segments

The Group operates in the following two segments:

1. retail business segment which relates to providing services to individual clients, including digital television transmission signal, mobile services, Internet access services and production of set-top boxes,
2. television broadcasting and production segment.

The Group conducts its operating activities mainly in Poland.

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

Retail business segment includes:

- digital satellite pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by DTH subscription fees;
- mobile telecommunication postpaid services which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- production of set-top boxes.

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

(all amounts in PLN thousand, except where otherwise stated)

Management evaluates operating segments' results based on analysis of revenues and EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as operating results adjusted for depreciation, amortization and impairment allowance. The EBITDA is not defined by IFRS and thus its calculations may differ among the entities. The definition of EBITDA is presented below.

The table below presents a summary of the Group's revenues and expenses by operating segment for the period of 6 months ended 30 June 2011:

Period of 6 months ended 30 June 2011	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	798,459	232,725	-	1,031,184
Inter-segment revenues	582	15,192	(15,774)	-
Revenues	799,041	247,917	(15,774)	1,031,184
EBITDA	244,579	97,273	-	341,852
Profit/(loss) from operating activities	181,778	88,007	(1,028)	268,757
Acquisition of property, plant and equipment, reception equipment and intangible assets	145,029*	1,183	-	146,212
Depreciation, amortization and impairment	62,802	9,265	1,028	73,095
Balance as at 30 June 2011				
Assets, including:	5,184,074	757,900	(693,899)**	5,248,075
Investments in associates	-	2,243	-	2,243

*This item also includes the acquisition of set-top boxes for operating lease purposes.
** This item relates primarily to elimination of TV Polsat shares and recognition of goodwill and Polsat brand

Reconciliation of EBITDA and Gross profit for the period:

	period of 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
EBITDA	341,852	231,585
Depreciation, amortization and impairment	(73,095)	(34,962)
Profit from operating activities	268,757	196,623
Other foreign exchange rate differences, net (note 10 and 11)	5,917	(6,943)
Interest income (note 10)	3,356	777
Share in net income of associates	569	-
Interest costs (note 11)	(66,191)	(929)
Foreign exchange rate differences on bonds (note 11)	(22,559)	-
Loss on call options (note 11)	(4,373)	-
Other	(1,880)	(162)
Gross profit for the period	183,596	189,366

(all amounts in PLN thousand, except where otherwise stated)

21. Transactions with related parties

Receivables

	30 June 2011 unaudited	31 December 2010
Teleaudio Sp. z o.o.	5,392	108
Polskie Media S.A.	2,450	152
Inwestycje Polskie Sp. z o.o.	2,328	-
Redefine Sp. z o.o.	2,080	-
Superstacja Sp. z o.o.	840	347
Polsat Jim Jam Ltd.	474	326
Sferia S.A.	269	7
PRN Polska Sp. z o.o.	264	-
Dom Sprzedaży Radia PIN Sp. z o.o.	146	108
Invest Bank S.A.	132	9
Radio PIN S.A.	99	-
TFP Sp. z o.o.	30	-
Polsat Nieruchomości Sp. z o.o.	15	-
Ster Sp. z o.o.	10	-
Tower Service Sp. z o.o.	10	-
Polsat Futbol Ltd.*	-	1,200
Telewizja Polsat Sp. z o.o.*	-	674
Media Biznes Sp. z o.o.*	-	59
Other	30	1
Total	14,569	2,991

* the company is consolidated from 20 April 2011

(all amounts in PLN thousand, except where otherwise stated)

Liabilities

	30 June 2011 unaudited	31 December 2010
Polskie Media S.A.	7,033	-
ATM Grupa S.A.	3,799	-
Redefine Sp. z o.o.	1,533	-
Polsat Jim Jam Ltd.	1,226	353
ATM System Sp. z o.o.	440	-
PAI Media S.A.	258	-
Superstacja Sp. z o.o.	248	-
PRN Polska Sp. z o.o.	226	-
TFP Sp. z o.o.	120	-
Radio PIN S.A.	42	-
Inwestycje Polskie Sp. z o.o.	33	-
Telewizja Polsat Sp. z o.o.*	-	6,760
Polsat Media Sp. z o.o.*	-	24
Other	113	-
Total	15,071	7,137

* the company is consolidated from 20 April 2011

Receivables due from related parties and liabilities due to related parties are unsecured and have not been pledged as security.

The amounts presented above ”Liabilities” do not include accruals.

Other current assets

	30 June 2011 unaudited	31 December 2010
Mobyland Sp. z o.o.	49,133	-
Total	49,133	-

Other current assets include deferred expenses relating to an agreement with Mobyland Sp. z o.o.

(all amounts in PLN thousand, except where otherwise stated)

Revenues

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Polskie Media S.A.	3,882	79
Teleaudio Sp. z o.o.	1,395	168
Redefine Sp. z o.o.	515	-
Telewizja Polsat Sp. z o.o.*	484	232
Invest Bank S.A.	411	-
Polsat Futbol Ltd.*	364	601
Sferia S.A.	157	-
Radio PIN S.A.	94	-
PRN Polska Sp. z o.o.	70	-
Polsat Jim Jam Ltd.	66	-
Dom Sprzedaży Radia PIN Sp. z o.o.	63	75
Media Biznes Sp. z o.o.*	59	96
Ster Sp. z o.o.	26	-
Superstacja Sp. z o.o.	23	31
Other	26	-
Total	7,635	1,282

*Revenues cover the 1 January-19 April 2011 period (the company is consolidated from 20 April 2011)

The most significant transactions include revenue from licence fees on programming assets from Polskie Media S.A. and Redefine Sp. z o.o., transponder rental fees from Polskie Media S.A., audiotext services rendered to Teleaudio Sp. z o.o. and transmission services rendered to Telewizja Polsat Sp. z o.o. and Polsat Futbol Ltd.

(all amounts in PLN thousand, except where otherwise stated)

Expenses

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Telewizja Polsat Sp. z o.o.*	22,497	38,353
ATM Grupa S.A.	6,793	-
Teleaudio Sp. z o.o.	4,219	4,706
Inwestycje Polskie Sp. z o.o.	3,543	-
Mobyland Sp. z o.o.**	1,946	-
Polsat Jim Jam Ltd.	1,794	-
ATM System Sp. z o.o.	1,053	-
Elektrim S.A.	999	857
PAI Media S.A.	448	81
TFP Sp. z o.o.	421	-
Redefine Sp. z o.o.	405	-
Polskie Media S.A.	347	-
Studio A Sp. z o.o.	239	-
Invest Bank S.A.	191	5
Sferia S.A.	184	84
Polsat Nieruchomości Sp. z o.o.	107	-
Superstacja Sp. z o.o.	98	5
Baltmedia Sp. z o.o.	90	-
Polsat Media Sp. z o.o.*	78	387
Dom Sprzedaży Radia PIN Sp. z o.o.	38	-
Media Biznes Sp. z o.o.*	22	96
Ster Sp. z o.o.	16	-
Other	227	-
Total	45,755	44,574

*Costs cover the 1 January-19 April 2011 period (the company is consolidated from 20 April 2011)
**Costs cover the 13 May-30 June 2011 period (the company is related from 13 May 2011)

The most significant transactions include license fees to Telewizja Polsat Sp. z o.o. for broadcasting programs: Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat Futbol, Polsat News, Polsat Play, Polsat Cafe and Polsat Sport HD and to Polsat Jim Jam Ltd. for broadcasting Polsat Jim Jam.

The Group purchases programming assets from ATM Grupa S.A. Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Group's customer call center. The Group rents property and advertising space from Inwestycje Polskie S.A.
Mobyland Sp. z o.o. provides data transfer services. The Group rents filming and lighting equipment from ATM Sysytem Sp. z o.o. Elektrim S.A. provides some office space lease to the Group.

Transactions with related parties are concluded on an arm's length basis.

(all amounts in PLN thousand, except where otherwise stated)

Financial income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Inwestycje Polskie Sp. z o.o.	17	-
Other	8	-
Total	25	-

22. Litigations

Proceedings before the President of Office of Competition and Consumer Protection ("UOKiK") regarding the application of practices breaching collective interests of consumers

The Parent received UOKiK's decision No. 11/2009 dated 31 December 2009 whereby the President of UOKiK confirmed that certain statements included in the Company's service delivery regulations in force prior to 1 November 2009, were breaching the collective interests of consumers. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

The President of UOKiK also ordered, once the above decision becomes legally binding, it is published on the company's website (www.cyfrowypolsat.pl), and also in a daily nationwide newspaper. Moreover, pursuant to Article 106, Clause 1, Point 4 of the Competition and Consumers Protection Act dated 16 February 2007UOKiK imposed a cash fine of PLN 994 thousand, representing 0.09% of the Company's 2008 revenue, payable to the state budget, due to the breach of the interdiction set out in Article 24, Clause 1 and 2, Point 1 of the Competition and Consumers Protection Act dated 16 February 2007, within the scope of the above decision.

The Parent filed an appeal against the decision to the Polish Competition and Consumer Protection Court. On 14 April 2010, the President of UOKiK called for the appeal to be dismissed in full.

On 12 August 2011 the Polish Competition and Consumer Protection Court announced a verdict which supports the decision of the President of UOKiK in respect of practices breaching a collective interests of consumers. The Court also agreed with the amount of penalty imposed by UOKiK in the amount of PLN 994 thousand.

The Parent plans to file an appeal to the Polish Competition and Consumer Protection Court.

In these consolidated financial statements the Group created a provision for potential costs resulting from the final settlement of the above-mentioned proceedings.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. with its registered office in Katowice, for compensation and indemnity. On 2 April 2010, the Praga District Court X Commercial Department, in Warsaw announced the verdict, according to which, the Company is ordered to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545 thousand plus legal interest accrued from 28 August 2007, and also PLN 30 thousand of legal costs reimbursement. On 22 September 2010 the Court of Appeals in Warsaw upheld the verdict. Both parties lodged a cassation appeal to the above verdict of the Court of Appeals in Warsaw. Both parties submitted a response to the cassation appeal. On 6 May 2011 the Company filed an application to dismiss the plaintiff's refusal to accept the Company's cassation appeal to be recognized by the Court. The Supreme Court has not addressed the cassation appeal of either party as at the date of publication of these interim condensed consolidated financial statements.

In these interim condensed consolidated financial statements the Group raised a provision for the above claims.

Disputes with the unions of authors, artists and professionals in the entertainment industry

Telewizja Polsat is in a dispute with the following organizations in respect to royalties: SAWP and STOART.

On 19 September 2007 SAWP filed a claim against Telewizja Polsat where it demanded information with respect to which of the music and lyrical-music performances of artists represented by SAWP were used by Telewizja Polsat in its operations commencing 1 October 1997 until the date of the claim. The case is pending. The plaintiff has extended its claim to the amount of PLN 8,371 thousand.

The STOART association filed a claim against Telewizja Polsat in respect of the period commencing July 2009 for the use of performances. The matter is at an early stage of proceedings. The value of the dispute amounts to PLN 2,189 thousand.

In these interim condensed consolidated financial statements the Group raised a provision for the abovementioned royalty claims.

23. Off-balance sheet liabilities

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 17.

(all amounts in PLN thousand, except where otherwise stated)

Commitments to purchase programming assets

As at 30 June 2011 the Group had outstanding contractual payment commitments in relation to programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2011 unaudited	31 December 2010
within one year	180,365	-
between 1 to 5 years	197,968	-
Total	378,333	-

The table below presents commitments to purchase programming assets from related parties:

	30 June 2011 unaudited	31 December 2010
within one year	13,362	-
Total	13,362	-

Total future minimum payments relating to operating lease agreements

As at 30 June 2011 the Group had commitments relating to leases of studio, office, warehouse and technical (roofs, chimneys) premises, lease of satellite transponders capacity, telecom infrastructure and terrestrial transmitters as well as reception equipment, vehicles and other equipment. The table below presents a maturity analysis for such commitments:

	30 June 2011 unaudited	31 December 2010
within one year	147,785	93,637
between 1 to 5 years	467,112	365,433
more than 5 years	166,428	158,290
Total	781,325	617,360

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

	30 June 2011 unaudited	31 December 2010
within one year	16,002	4,377
between 1 to 5 years	40,447	16,494
Total	56,449	20,871

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 15,031 thousand as at 30 June 2011 (PLN 12,595 thousand as at 31 December 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 321 thousand as at 30 June 2011 (PLN 75 thousand as at 31 December 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2011 was PLN 178 thousand (PLN 344 thousand as at 31 December 2010).

Contingent liabilities relating to promissory notes

As at 30 June 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 thousand (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 thousand as at 30 June 2011.

Furthermore, as at 30 June 2011 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

The abovementioned promissory notes were returned on 29 August 2011.

24. Subsequent events

Purchase of hedging instruments

On 6 July 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. The Senior Notes were issued by related party Cyfrowy Polsat Finance AB. According to the agreement the Company is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at 20 May 2013. The total EUR notional amount is equal to EUR 175,000,000 and the PLN notional amount totals PLN 691,950,000.

On 7 July 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. The Senior Notes were issued by related party Cyfrowy Polsat Finance AB. According to the agreement the Company is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at 20 May 2013. The total EUR notional amount is equal to EUR 175,000,000 and the PLN notional amount totals PLN 691,425,000.

On 8 July 2011 the Company concluded interest rate swap transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see Note 17). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat Sp. z o.o. According to the agreement the Company is a fixed rate payer and the floating rate payer is the bank. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

25. Accounting estimates and judgements

The preparation of interim consolidated financial statements in conformity with EU IAS 34 requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical data and other factors considered reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities, which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 2010, except for initial purchase price allocation assumptions relating to acquisition of Telewizja Polsat.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 6 Months Ended 30 June 2011

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

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(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Income Statement

		for 3 months ended		for 6 months ended	
	Note	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Revenue	5	628,405	368,265	1,031,184	742,261
Operating costs		(440,365)	(275.658)	(727,467)	(532,772)
Cost of services, products, goods and materials	6	(336,888)	(195,981)	(544,810)	(385,104)
Selling expenses	6	(59,716)	(54,528)	(114,038)	(103,044)
General and administrative expenses	6	(43,761)	(25,149)	(68,619)	(44,624)
Other operating income		962	8,908	8,704	9,677
Other operating costs		(16,244)	(11,786)	(43,664)	(22,543)
Profit from operating activities		172,758	89,729	268,757	196,623
Financial income		8,760	312	9,320	797
Financial expenses		(92,123)	(7,107)	(95,050)	(8,054)
Share in net income of associates		569	-	569	-
Gross profit for the period		89,964	82,934	183,596	189,366
Income tax		(20,482)	(15,940)	(37,716)	(36,238)
Net profit for the period		69,482	66,994	145,880	153,128
Net profit attributable to:					
Equity holders of the Parent		69,482	66,971	145,880	153,105
Non-controlling interests		-	23	-	23
Basic and diluted earnings per share (in PLN)		0.21	0.25	0.49	0.57

Interim Consolidated Statement of Comprehensive Income

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Net profit for the period	69,482	66,994	145,880	153,128
Other comprehensive income	-	-	-	-
Hedge valuation reserve	(1,145)	-	(1,145)	-
Currency translation adjustment	(722)	-	(722)	-
Income tax relating to components of other comprehensive income	332	-	332	-
Other comprehensive income, net of tax	(1,535)	-	(1,535)	-
Total comprehensive income for the period	67,947	66,994	144,345	153,128
Comprehensive income attributable to:				
Equity holders of the Parent	67,947	66,971	144,345	153,105
Non-controlling interests	-	23	-	23

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet – Assets

	30 June 2011 unaudited	31 December 2010
Reception equipment	359,907	275,399
Other property, plant and equipment	272,116	152,857
Goodwill	2,412,285	52,022
Brands	840,000	300
Other intangible assets	47,470	22,944
Non-current programming assets	114,797	-
Investment property	7,658	-
Other non-current assets	46,322	37,544
Deferred tax assets	22,612	4,158
Total non-current assets	4,123,167	545,224
Current programming assets	172,701	-
Inventories	159,831	173,154
Trade and other receivables	358.165	184,298
Income tax receivable	9,402	7,542
Other current assets	126,195	77,362
Cash and cash equivalents	298,614	27,615
Total current assets	1,124,908	469,971
Total assets	5,248,075	1,015,195

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet – Equity and Liabilities

	30 June 2011 unaudited	31 December 2010
Share capital	13,934	10,733
Reserve capital	432,265	156,534
Other reserves	1,305,277	10,174
Hedge valuation reserve	(927)	-
Currency translation adjustment	(608)	-
Retained earnings	120,646	250,497
Total equity	1,870,587	427,938
Loans and borrowings	1,061,912	-
Senior Notes liabilities	1,277,148	-
Finance lease liabilities	1,103	1,095
Deferred tax liabilities	86,665	65,338
Other non-current liabilities and provisions	11,108	2,384
Total non-current liabilities	2,437,936	68,817
Loans and borrowings	225,577	18,041
Senior Notes liabilities	94,800	-
Finance lease liabilities	227	491
Trade and other payables	409,504	317,953
Income tax liability	23,085	-
Deposits for equipment	15,170	15,523
Deferred income	171,189	166,432
Total current liabilities	939,552	518,440
Total liabilities	3,377,488	587,257
Total equity and liabilities	5,248,075	1,015,195

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Cash Flow Statement

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Net profit for the period	145,880	153,128
Adjustments for:	(50,425)	(120,796)
Depreciation, amortization and impairment	73,095	34,962
Payments for film licences and sport rights	(35,238)	-
Amortization of film licences and sport rights	46,114	-
Loss on investing activity	445	327
Cost of programming rights sold	957	-
Interest expense	62,460	153
Change in inventories	14,863	(16,835)
Change in receivables and other assets	(72,569)	(85,927)
Change in loans, senior notes, liabilities, provisions and deferred income	(58,673)	(12,570)
Change in internal production and advance payments	1,455	-
Valuation of hedging instruments	(1,145)	-
Share in net income of associates accounted for under equity method	(569)	-
Foreign exchange gains	(728)	(85)
Compensation of income tax receivables with VAT liabilities	6,264	-
Income tax	37,716	36,238
Net increase in set-top boxes provided under operating lease	(125,454)	(78,103)
Other adjustments	582	1,044
Cash from operations before income taxes and interest	95,455	32,332
Income tax paid	(10,320)	(1,067)
Interest received from operating activities	3,403	775
Net cash from operating activities	88,538	32,040
Acquisition of property, plant and equipment	(13,634)	(18,383)
Acquisition of intangible assets	(6,973)	(7,423)
Acquisition of subsidiary net of cash acquired	(2,336,697)	(30,552)
Proceeds from sale of property, plant and equipment	208	1,054
Loans granted	-	(350)
Proceeds from interest on loans granted	1	-
Net cash used in investing activities	(2,357,095)	(55,654)

(all amounts in PLN thousand, except where otherwise stated)

Net cash from bank overdraft	(18,041)	4,292
Term loans received	2,800,000	-
Issuance of *Senior Notes*	1,372,245	-
Proceeds from realization of foreign exchange call options	821	-
Repayment of loans and borrowings	(1,449,594)	(31,518)
Finance lease – principal repayments	(262)	(193)
Payment of interest on loans, borrowings, finance lease and commissions	(166,231)	(871)
Net cash from/(used in) financing activities	2,538,938	(28,290)
Net increase/(decrease) in cash and cash equivalents	270,381	(51,904)
Cash and cash equivalents at the beginning of the period*	27,615	99,390
Effect of exchange rate fluctuations on cash and cash equivalents	618	85
Cash and cash equivalents at the end of the period	298,614	47,571

* Cash and cash equivalents as at 1 January 2010 included PLN 26,738 thousand of restricted cash.

(all amounts in PLN thousand, except where otherwise stated)

Interim Consolidated Statement of Changes in Equity for 6 Months Ended 30 June 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Currency translation adjustment	Retained earnings	Total equity
Balance as at 1 January 2011	10,733	156,534	10,174	-	-	250,497	427,938
Share issue	3,201	-	1,295,103	-	-	-	1,298,304
Hedge valuation reserve	-	-	-	(927)	-	-	(927)
Currency translation adjustment	-	-	-	-	(608)	-	(608)
Net profit for the period	-	-	-	-	-	145,880	145,880
Appropriation of 2010 profit – transfer to reserve capital	-	275,731	-	-	-	(275,731)	-
Balance as at 30 June 2011	13,934	432,265	1,305,277	(927)	(608)	120,646	1,870,587

Interim Consolidated Statement of Changes in Equity for 6 Months Ended 30 June 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 January 2010	10,733	73,997	10,174	227,509	-	322,413
Acquisition of 100% shares of M.Punkt Holdings Ltd.	-	-	-	23	(23)	-
Net profit for the period	-	-	-	153,105	23	153,128
Dividends approved	-	-	-	(152,945)	-	(152,945)
Appropriation of 2009 profit – transfer to reserve capital	-	82,537	-	(82,537)	-	-
Balance as at 30 June 2010	10,733	156,534	10,174	145,155	-	322,596

(all amounts in PLN thousand, except where otherwise stated)

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 and 6 Months Ended 30 June 2011

1. Activity of the Parent

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of "Cyfrowy Polsat", and also as a Virtual Network Operator and provides Internet access services.

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

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak,	President of the Supervisory Board,
- 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 3 and 6 months ended 30 June 2011 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 2011 and the consolidated financial statements for the years 2010, 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 2011.

(all amounts in PLN thousand, except where otherwise stated)

IAS 34 requires minimum information disclosure assuming that the 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.

The most recent published annual financial statements were prepared and audited for the year ended 31 December 2010. Annual financial statements fully disclose accounting principles approved by the Company, except for new accounting principles, standards and interpretations, which are effective for the periods beginning after 1 January 2011 and were disclosed in the interim condensed financial statements for 6 months ended 30 June 2011.

5. Revenue

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Retail subscription	385,791	350,534	773,899	707,072
Advertising and sponsorship revenue	207,219	767	208,627	1,839
Revenue from cable and satellite operator fees	16,219	-	16,219	-
Sale of equipment	2,685	10,372	9,159	21,164
Other revenue	16,491	6,592	23,280	12,186
Total	628,405	368,265	1,031,184	742,261

6. Operating costs

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Programming costs	103,627	101,879	203,891	194,595
Distribution, marketing, customer relation management and retention costs	76,891	67,883	150,972	135,360
Cost of internal and external TV production and amortization of sport rights	75,842	-	75,842	-
Depreciation, amortization and impairment	44,755	18,966	73,095	34,962
Salaries and employee-related costs	39,391	21,149	61,779	39,107
Broadcasting and signal transmission costs	26,919	20,860	47,344	41,305
Amortization of purchased film licenses	25,769	-	25,769	-
Cost of equipment sold	4,350	13,617	19,125	31,850
Other costs	42,821	31,304	69,650	55,593
Total costs by kind	440,365	275,658	727,467	532,772

(all amounts in PLN thousand, except where otherwise stated)

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Cost of services, products, goods and materials sold	336,888	195,981	544,810	385,104
Selling expenses	59,716	54,528	114,038	103,044
General and administrative expenses	43,761	25,149	68,619	44,624
Total costs by function	440,365	275,658	727,467	532,772

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM FINANCIAL INFORMATION OF CYFROWY POLSAT S.A. FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

To the Shareholders of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying condensed separate balance sheet of Cyfrowy Polsat S.A., with its registered office in Warsaw, ul. Łubinowa 4a, as at 30 June 2011, the condensed separate income statement and the condensed separate statement of comprehensive income, the condensed separate statement of changes in equity and the condensed separate cash flows for the six month period then ended and selected explanatory notes ("the condensed separate interim financial information").

Management of Cyfrowy Polsat S.A. is responsible for the preparation and presentation of these condensed separate interim financial information in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these condensed separate interim financial information, based on our review.

Scope of Review

We conducted our review in accordance with the national standard on auditing no. 3 *General principles of review of the financial statements/condensed financial statements and conducting of other assurance services* and the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 conducted in accordance with International Standards on Auditing 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 condensed separate interim financial information of Cyfrowy Polsat S.A. as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

....
Certified Auditor No. 90106
Krzyszfof Kuśmierski

....
Certified Auditor No. 9645
Limited Liability Partner with power of attorney
Marek Strugała

30 August 2011
Warsaw

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2011

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

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 30 August 2011, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Income Statement for the period from 1 January 2011 to 30 June 2011 showing a net profit of:	PLN 257,084 thousand
Interim Statement of Comprehensive Income for the period from 1 January 2011 to 30 June 2011 showing a total comprehensive income of:	PLN 256,157 thousand
Interim Balance Sheet as at 30 June 2011 showing total assets and total equity and liabilities of:	PLN 5,770,739 thousand
Interim Cash Flow Statement for the period from 1 January 2011 to 30 June 2011 showing a net increase in cash and cash equivalents amounting to:	PLN 127,577 thousand
Interim Statement of Changes in Equity for the period from 1 January 2011 to 30 June 2011 showing an increase in equity of:	PLN 1,539,385 thousand

Supplementary Information to the Interim Condensed Financial Statements

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

Dominik Libicki President of the Management Board	Tomasz Szeląg Member of the Management Board	Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board

Dorota Wołczyńska
Chief Accountant

Warsaw, 30 August 2011

(all amounts in PLN thousand, except where otherwise stated)

Interim Income Statement

	Note	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Revenue	6	790,411	737,550
Operating costs		(589,934)	(520,698)
Cost of services, goods and materials sold	7	(413,374)	(385,193)
Selling expenses	7	(123,228)	(95,582)
General and administrative expenses	7	(53,332)	(39,923)
Other operating income	8	1,122	2,686
Other operating costs	9	(36,113)	(22,353)
Profit from operating activities		165,486	197,185
Finance income	10	206,909	4,979
Finance costs	11	(97,006)	(4,614)
Gross profit		275,389	197,550
Income tax		(18,305)	(37,125)
Net profit		257,084	160,425
Basic and diluted earnings per share (in PLN)		0.86	0.60

Interim Statement of Comprehensive Income

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Net profit	257,084	160,425
Other comprehensive income	-	-
Hedge valuation reserve	(1,145)	-
Income tax relating to components of other comprehensive income	218	-
Other comprehensive income, net of tax	(927)	-
Total comprehensive income for the period	256,157	160,425

(all amounts in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Assets

	Note	30 June 2011 unaudited	31 December 2010
Reception equipment		383,271	291,208
Other property, plant and equipment		129,943	131,994
Goodwill	17	52,022	-
Intangible assets		19,677	20,479
Investment property		6,896	6,931
Shares in subsidiaries and associates	12	4,516,065	675,471
Other non-current assets		39,515	35,898
Total non-current assets		5,147,389	1,161,981
Inventories		136,330	140,165
Short-term loans granted to related parties		-	5,446
Trade and other receivables		198,212	178,588
Income tax receivable		9,352	6,760
Other current assets		127,576	77,154
Cash and cash equivalents		151,880	24,195
Total current assets		623,350	432,308
Total assets		5,770,739	1,594,289

(all amounts in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2011 unaudited	31 December 2010
Share capital	13	13,934	10,733
Reserve capital		1,037,258	153,093
Other reserves	13	1,305,277	10,174
Hedge valuation reserve	13	(927)	-
Retained earnings		242,879	885,036
Total equity		2,598,421	1,059,036
Loans and borrowings	14	1,061,912	-
Bonds	15	1,258,698	-
Finance lease liabilities		1,103	884
Deferred tax liabilities		87,017	69,986
Other non-current liabilities and provisions		1,574	1,900
Total non-current liabilities		2,410,304	72,770
Loans and borrowings	14	225,577	-
Bonds	15	107,810	-
Finance lease liabilities		227	226
Trade and other payables		245,414	280,411
Deposits for equipment		15,170	15,434
Deferred income		167,816	166,412
Total current liabilities		762,014	462,483
Total liabilities		3,172,318	535,253
Total equity and liabilities		5.770,739	1,594,289

(all amounts in PLN thousand, except where otherwise stated)

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Net profit	257,084	160,425
Adjustments for:	(277,290)	(126,842)
Depreciation and amortization and impairment	61,923	34,493
Loss on investing activity	76	115
Interest expense/(income)	65,020	(110)
Change in inventories	4,213	(414)
Change in receivables and other assets	(65,514)	(85,727)
Change in liabilities, bonds, loans, provisions and deferred income	(28,912)	(25,553)
Valuation of hedging instruments	(1,145)	-
Foreign exchange gains	(108)	(82)
Income tax	18,305	37,125
Net increase in set-top boxes provided under operating lease	(135,110)	(82,688)
Dividends income	(197,030)	(4,000)
Other adjustments	992	(1)
Cash flows from operations before income taxes and interest	(20,206)	33,583
Income tax paid	(1,630)	-
Interest received from operating activities	1,562	751
Net cash (used in)/from operating activities	(20,274)	34,334
Acquisition of property, plant and equipment	(10,582)	(16,485)
Acquisition of intangible assets	(5,671)	(6,396)
Loans granted	-	(2,850)
Dividends received	196,817	4,000
Acquisition of shares in subsidiaries, net of cash acquired	(2,598,708)	(31,247)
Loans repaid - principal	50	-
Interest on loans repaid	2	-
Proceeds from sale of property, plant and equipment	54	62
Net cash used in investing activities	(2,418,038)	(52,916)
Term loans received	2,800,000	-
Issuance of bonds	1,372,245	-
Proceeds from realization of foreign exchange call options	821	-
Payment of interest on loans, borrowings, finance lease and commissions	(165,286)	(819)
Finance lease – principal repayments	(118)	(118)
Repayment of loans and borrowings	(1,441,773)	(31,518)
Net cash from/(used in) financing activities	2,565,889	(32,455)
Net increase/(decrease) in cash and cash equivalents	127,577	(51,037)
Cash and cash equivalents at the beginning of the period*	24,195	97,126
Effect of exchange rate fluctuations on cash and cash equivalents	108	82
Cash and cash equivalents at the end of the period	151,880	46,171

* Cash and cash equivalents as at 1 January 2010 included PLN 26,738 thousand of restricted cash.

(all amounts in PLN thousand, except where otherwise stated)

Interim Statement of Changes in Equity for 6 months ended 30 June 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Retained earnings	Total equity
Balance as at 1 January 2011	10,733	153,093	10,174	-	885,036	1,059,036
Share issue	3,201	-	1,295,103	-	-	1,298,304
Merger with M.Punkt Holdings Ltd.	-	-	-	-	(460)	(460)
Merger with mPunkt Polska S.A.	-	-	-	-	(14,616)	(14,616)
Hedge valuation	-	-	-	(927)	-	(927)
Net profit for the period	-	-	-	-	257,084	257,084
Appropriation of 2010 profit – transfer to reserve capital	-	884,165	-	-	(884,165)	-
Balance as at 30 June 2011	13,934	1,037,258	1,305,277	(927)	242,879	2,598,421

Interim Statement of Changes in Equity for 6 months ended 30 June 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2010	10,733	73,997	10,174	232,911	327,815
Net profit for the period	-	-	-	160,425	160,425
Dividends approved	-	-	-	(152,945)	(152,945)
Appropriation of 2009 profit – transfer to reserve capital	-	79,096	-	(79,096)	-
Balance as at 30 June 2010	10,733	153,093	10,174	161,295	335,295

(all amounts in PLN thousand, except where otherwise stated)

Supplementary Information to the Interim Condensed Financial Statements for 6 months ended 30 June 2011

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of "Cyfrowy Polsat" and also as a Mobile Virtual Network Operator and Internet access services provider.

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

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- 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 financial statements

Statement of compliance

These interim condensed financial statements for 6 months ended 30 June 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. The Company applied the same accounting policies in the preparation of the financial data for 6 months ended 30 June 2011 and the financial statements for 2010, 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 2011.

During the 6 months ended 30 June 2011 the following changes entered into force:

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures*
The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these financial statements.

(ii) amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
The amendments clarify how to account for prepayments of a minimum funding requirement. The changes have no impact on these financial statements.

(iii) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
Interpretation explains how to account for extinguishing financial liabilities with equity instruments. The changes have no impact on these financial statements.

(iv) revised IAS 24 *Related Party Disclosures* and amendment to IFRS 8 *Operating Segments*
Amendment to IFRS 8 specifies when an entity shall consider a government, its agencies and similar bodies and entities under control of the government as a single customer. Revised IAS 24 explains how to report transactions with related entities. The changes have no impact on these financial statements.

(v) Improvements to 2010 International Financial Reporting Standards revise six standards and one interpretation. The revisions relate to scope, presentation, recognition and measurement as well as changes of terminology and editorial changes. The changes have no impact on these financial statements.

Issued 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 related Interpretations, save for the standards and interpretations which have not yet been adopted by the European Union or which have already been endorsed by the EU but are not yet effective.

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

- IFRS 9 “Financial Instruments”
- IFRS 10 “Consolidated financial statements”
- IFRS 11 „Joint Arrangements”
- IFRS 12 „Disclosures of Interests in Other Entities”
- IFRS 13 „Fair Value Measurement”
- IAS 27 „Separate Financial Statements”
- IAS 28 „Investments in Associates and Joint Ventures”
- amendments to IFRS 7 “Financial Instruments*:* Disclosures” - Disclosures – Transfer of financial assets;
- amendments to IFRS 9 “Financial Instruments” (issued in 2010)
- amendments to IAS 12 “Deferred tax” - Recovery of underlying assets;
- amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards” – Hyperinflation and removal of fixed dates for first-time adopters
- amendments to IAS 1 „Presentation of Items of Other Comprehensive Income”
- amendments to IAS 19 „Employee Benefits”.

The Company has not assessed the impact of the above amendments on the financial statements at the date of approval of these interim financial statements.

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

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

Revenue

Revenue, which excludes value added tax, returns, trade discounts and volume rebates, represents the gross inflow of economic benefit from Company’s operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company’s main sources of revenue are recognised as follows:

(a) Retail sales, including subscription fees for DTH, Near Video on Demand (nVoD), MVNO and Internet, interconnection revenue, settlements with mobile network operators, revenue from the rental of reception equipment, are recognised as the services are provided, net of discount given. Retail sales also include contractual penalties related to terminated agreements which are recognised when the contract is terminated.
Revenue from the rental of reception equipment is recognised on a straight-line basis over the minimum base period of the subscription contract, other than for finance lease agreements, that are recognised as a sale with deferred payment date.

(b) Sale of equipment is measured at the fair value of the consideration received or receivable, net of discounts, rebates and returns. Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(c) Other revenue is recognised, net of any discount given, when the relevant goods or service are provided. Revenues from prepaid mobile telephone services are recognised in profit or loss once the prepaid credit is utilised or forfeited.

When the Company sells goods (reception equipment, set-top boxes, CAM) and services in one bundled transaction, the total consideration from the arrangement is allocated to each element of such multiple-element arrangements based on their relative fair values.

Derivative financial instruments

Hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (excluding currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

For fair value hedges the change in the fair value of an hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement.
For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognised immediately in the income statement.
Amounts recognised as other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are included in the initial carrying amount of the non-financial asset or liability.

(all amounts in PLN thousand, except where otherwise stated)

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Other derivatives not designated for hedge accounting

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

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

- Where the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 30 August 2011.

5. Information on Seasonality in the Company's Operations

Seasonality of sales of equipment. The only portion of the Company's revenue which is subject to seasonality is the revenue from sales of 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. Revenue

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Retail subscription	773,903	707,092
Sale of equipment	4,737	16,635
Other revenue	11,771	13,823
Total	790,411	737,550

Retail subscription revenue consists of DTH subscription fees, MVNO and Internet subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

(all amounts in PLN thousand, except where otherwise stated)

7. Operating costs

	Note	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Programming costs		206,259	194,595
Distribution, marketing, customer relation management and retention costs		152,179	133,334
Depreciation, amortization and impairment		61,923	34,493
Salaries and employee-related costs	a	44,290	34,220
Broadcasting and signal transmission costs		40,951	41,305
Cost of equipment sold		15,746	30,597
Other costs		68,586	52,154
Total costs by kind		589,934	520,698

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Cost of services, goods and materials sold	413,374	385,193
Selling expenses	123,228	95,582
General and administrative expenses	53,332	39,923
Total costs by function	589,934	520,698

a) Salaries and employee-related costs

	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Salaries	37,214	28,713
Social security contributions	5,760	4,101
Other employee-related costs	1,316	1,406
Total	44,290	34,220

(all amounts in PLN thousand, except where otherwise stated)

8. Other operating income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Compensation	327	552
Reversal of fixed assets impairment and stock provision	-	438
Other	795	1.696
Total	1,122	2.686

9. Other operating costs

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Bad debt provision and receivables written off	32,142	21,478
Inventory impairment write-downs	740	510
Other	3,231	365
Total	36,113	22,353

10. Finance income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Dividends received	197,030	4,000
Guarantee fees from related parties (see note 18)	5,646	-
Foreign exchange rate differences, net	2,606	-
Interest	1,627	979
Total	206,909	4,979

(all amounts in PLN thousand, except where otherwise stated)

11. Finance costs

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Interest expense on loans and borrowings	53,581	759
Interest expense on bonds due 2018	13,058	-
Other interest	7	110
Fair value losses on financial instruments:		
Loss on call options:	4,373	-
Foreign exchange options not designated as hedging instruments	*939*	-
Foreign exchange options – settlement of instruments	*3,434*	-
Foreign exchange rate differences on bonds due 2018	22,500	-
Other foreign exchange rate differences, net	-	3,673
Guarantee fees	1,853	-
Bank and other charges	1,634	71
Other	-	1
Total	97,006	4,614

12. Acquisition of subsidiary

Changes in the value of shares

	1 January 2011	Additions	Decreases	30 June 2011
Cyfrowy Polsat Technology Sp. z o.o.	50	-	-	50
Cyfrowy Polsat Trade Marks Sp. z o.o.	615,445	-	-	615,445
M.Punkt Holdings Ltd.	58,522	-	(58,522)	-
mTel Sp. z o.o.	-	32	-	32
Telewizja Polsat Sp. z o.o.	-	3,898,852	-	3,898,852
Cyfrowy Polsat Finance AB	-	232	-	232
Karpacka Telewizja Kablowa Sp. z o.o.	1,454	-	-	1,454
Total	675,471	3,899,116	(58,522)	4,516,065

Acquisition of Cyfrowy Polsat Finance AB

On 10 March 2011 the Company acquired 100% shares of Goldcup 100051 AB ("Goldcup"), an entity registered in Sweden, for the total consideration of SEK 500 thousand (PLN 232 thousand). The consideration transferred for the Swedish entity was equal to the value of the entity's share capital as at the acquisition date. The entity's balance sheet on the debit side showed only receivables from the seller of SEK 500 thousand and on the credit side only the share capital of SEK 500 thousand.

Goldcup was acquired *inter alia* in order to perform issuance of bonds. On 18 March 2011 Goldcup has changed its name into Cyfrowy Polsat Finance AB.

(all amounts in PLN thousand, except where otherwise stated)

Acquisition of Telewizja Polsat S.A.

On 20 April 2011 Cyfrowy Polsat S.A. pursuant to the investment agreement dated 15 November 2010 took control of 100% shares of Telewizja Polsat S.A. (Telewizja Polsat). The transaction also resulted in obtaining the control over the following subsidiaries: RSTV S.A., Polsat Media Sp. z o.o., Media Biznes Sp. z o.o., Polsat Futbol Ltd., Nord Licence A.A., Polsat Licence Ltd., and obtaining the influence over joint ventures: POT Sp. z o.o. and Polsat Jim Jam Ltd.

The Company acquired 100% of the share capital of Telewizja Polsat and accounting for 100% votes at the shareholders' meetings of Telewizja Polsat, for the total purchase price of PLN 3,750,000 thousand. PLN 2,600,000 thousand was paid in the form of cash transfer on 28 April 2011 and PLN 1,150,000 thousand through the subscription warrants issued by the Company on 20 April 2011 (see note 13).

As a result of fair value measurement of consideration paid on 20 April 2011 the cost of the shares of Telewizja Polsat S.A. held by the Company was adjusted by PLN 148,852 thousand (the value of Telewizja Polsat S.A. shares amounted to PLN 3,898,852 thousand).

On 15 June 2011 transformation of Telewizja Polsat S.A. into Telewizja Polsat Sp. z o.o. was registered.

13. Equity

Share capital

Presented below is the structure of the Company's share capital as at 30 June 2011:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	348,352,836	13,934	

The shareholders' structure as at 30 June 2011 was as follows:

	30 June 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	168,941,818	6,758	48.50%	335,884,319	63.64%
Zygmunt Solorz-Żak	10,603,750	424	3.04%	21,207,500	4.02%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	348,352,836	13,934	100%	527,770,337	100%

[1]Mr. Zygmunt Solorz-Żak held 85% shares and Mr Heronim Ruta held 15% shares in the share capital of Polaris Finance B.V.

Issue of subscription warrants

In relation to the acquisition of Telewizja Polsat S.A., on 1 April 2011 the Company entered into four subscription agreements with: (i) MAT Fundusz Inwestycyjny Zamknięty ("Seller I"), (ii) KOMA Fundusz Inwestycyjny Zamknięty ("Seller II"), (iii) Karswell Limited ("Seller III"), and (iv) Sensor Overseas Limited ("Seller IV") (jointly: "Sellers"), relating to the issuance of 80,027,836 registered Series H subscription warrants (“subscription warrants”). Subscription warrants authorise their holders to acquire Series H ordinary bearer shares with a nominal value of PLN 0.04 per share issued by the Company in terms of the Company's General Shareholders Meeting’s resolution dated 17 December 2010.

Pursuant to the subscription agreements, the Company offered the warrants for no consideration and each of the Sellers accepted the offer to acquire the subscription warrants offered to it, as a result of which:
(i) Seller I took up 14,135,690 subscription warrants, authorising it to take up a total of 14,135,690,
(ii) Seller II took up 2,494,526 subscription warrants, authorising it to take up a total of 2,494,526,
(iii) Seller III took up 53,887,972 subscription warrants, authorising it to take up a total of 53,887,972,
(iv) Seller IV took up 9,509,648 subscription warrants, authorising it to take up a total of 9,509,648
ordinary Series H bearer shares in the share capital of the Company respectively, on or before 30 September 2011, in exchange for a cash contribution of PLN 14.37 per each share. The holders of registered Series H subscription warrants exercised their rights under the subscription warrants on 20 April 2011. The Company issued to the Sellers the certificates of the shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201 thousand and other reserves were increased by PLN 1,295,103 thousand.

As at 30 June 2011 other reserve capital amounted to PLN 1,305,277 thousand.

Share disposal

On 22 June 2011 Sensor Overseas Limited sold 12,004,174 Company’ shares. Mr. Heronim Ruta held 100% of the share capital of Sensor.

On 22 June 2011 Mr Zygmunt Solorz-Żak decreased the interest held by him in the total number of votes in the Company. The decrease results from:
- the sale of 6,083,182 shares of the Company by Polaris Finance B.V. (Polaris)
- the sale of 68,023,662 shares of the Company by Karswell Limited (Karswell).

As at the date of preparation of these financial statements, Polaris held 168,941,818 shares in the Company (48.5% ownership interest), representing 335,884,319 votes at the General Shareholders’ Meeting of the Company, i.e. 63.64% of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Polaris.

As at the date of preparation of these financial statements, Karswell does not hold directly or indirectly any shares in the Company. Mr. Zygmunt Solorz-Żak held 100% of the share capital of Karswell.

As at the date of preparation of these financial statements, Mr. Zygmunt Solorz-Żak controlled (directly and indirectly through Polaris) 179,545,568 shares in the Company (jointly representing 51.54% ownership interest), jointly representing 357,091,819 votes at the General Shareholders’ Meeting of the Company, i.e. 67.66% of the total number of votes in the Company's General Shareholders Meeting.

As at the date of preparation of these financial statements, Sensor does not hold directly or indirectly any shares in the Company. Mr. Heronim Ruta held 100% of the share capital of Sensor.

Purchase of hedging instrument

On 29 June 2011 the Company concluded interest rate swap transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see Note 14). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Company is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

As at 30 June 2011 the hedge was valued at PLN -1,145 thousand. Since the hedge is effective the loss was recognised in cash flow hedge reserve. The total influence of the hedge valuation on cash flow hedge reserve amounts to PLN -927 thousand, which is equal to valuation offset by deferred tax.

14. Loans and borrowings

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

In connection with the acquisition of Telewizja Polsat S.A., on 31 March 2011 the Company (together with its related parties), concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners").

The Senior Facilities Agreement provided for a term facility loan of up to PLN 1,400,000 thousand and a revolving facility loan of up to PLN 200,000 thousand. The interest rate applicable for both, the term facility and revolving facility, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility will be repaid in quarterly instalments in varying amounts commencing 30 June 2011. Both facilities expire on 31 December 2015. As at 30 June 2011 the revolving facility was not used.

In addition, on 31 March 2011, the Company (together with its related parties) concluded a Bridge Facility Agreement with the Bookrunners. This agreement provided for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equals approximately EUR 350,000 thousand. The interest rate applicable for the bridge facility was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The outstanding bridge facility liability has been settled on 20 May 2011.

Summary of significant provisions of the agreements

Mandatory prepayments

The facilities will be cancelled and the outstanding balance, together with accrued interest, shall become immediately due and payable upon loss of control by Mr Zygmunt Solorz-Żak (or party related with him) over the Company or loss of control by the Company over Telewizja Polsat. The facilities shall become immediately due upon sale of all or substantially all of the Cyfrowy Polsat Group or the assets of the Cyfrowy Polsat Group.

Mandatory prepayments are also required in the following amounts:

- in the amount equal to 65% of excess cashflow for any financial year of the Company or equal to 25% if total net debt to EBITDA ratio of the Company is less than 2.0:1,
- in the amount of disposal proceeds for transaction exceeding PLN 10 million in respect of any one disposal or PLN 40 million in aggregate at any time before the facilities are repaid in full
- in the amount of debt proceeds or equity proceeds if total net debt to EBITDA ratio of the Company exceeds 2.0.

In addition, voluntary High Yield Notes repayment is allowable only if accompanied by a repayment of term and revolving facilities.

Additionally, restrictions which are imposed on the Company include the following:

- restrictions relating to mergers, acquisitions, joint venture transactions
- restrictions related to disposal of assets and substantial change of business
- restrictions related to incurring additional financial indebtedness and share capital issue
- restrictions relating to cash out transactions (*inter alia* dividend and other distribution payments, repayment of principal and interest of financial indebtedness, management/advisory fee payments, advance or similar kind of payment to related parties).

Additionally, the Company is obliged *inter alia* to the following:

- provide the banks with any material documents and information concerning the financial standing of the Company,
- hedge against interest rate foreign exchange rate fluctuations in respect of the amounts outstanding under the term facility and notes payable
- all bank accounts shall be opened and maintained with the lending banks
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the banks.

Establishment of security for loan facilities

On 14 April 2011 the Company entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Registered pledge on tangibles and intangible rights comprising the business of the Company;
(ii) Financial and registered pledges on all shares in Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o. held by the Company;
(iii) Contractual mortgage on real estate owned by the Company;
(iv) Company's statement on submission to the enforcement procedure as stipulated by the notary deed.

On 18 April 2011 the Company entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Financial and registered pledges on all shares in mPunkt Polska S.A., held by the Company;
(ii) Transfers of receivables for security, due to the Company from various debtors.

On 20 June 2011, in connection with the transformation of the Company's subsidiary - Telewizja Polsat S.A. - into a limited liability company, the Company entered into a pledge agreement which established a financial and registered pledge on all the shares of Telewizja Polsat Sp. z o.o. held by the Company.

As at 30 June 2011 the loans and borrowings liabilities amounted to PLN 1,287,489 thousand (including PLN 1,061,912 thousand long-term liabilities and PLN 225,577 thousand short-term liabilities).

15. Intercompany bonds

On 20 May 2011, the Company issued unsecured interest-bearing Series A Bonds due in 2018 in the nominal aggregate amount of EUR 350 million (EUR 35 million each) acquired in whole by its subsidiary Cyfrowy Polsat Finance AB (CP Finance) (the "Intercompany Bonds"). The aggregate issue price of the Intercompany Bonds in the amount of EUR 343 million was equal to the nominal value of the less 2% commission.

The interest rate applicable to the Intercompany Bonds will accrue at the rate of 8.16% per annum and will be payable semiannually in arrears on 20 May and 20 November, commencing on 20 November 2011. Intercompany Bonds shall be redeemed on 20 May 2018 by way of pecuniary payment equal to the nominal value of the Intercompany Bonds.

As at 30 June 2011 the bonds liabilities amounted to PLN 1,366,508 thousand (including PLN 1,258,698 thousand long-term liabilities and PLN 107,810 thousand short-term liabilities).

16. The impact of merger with M.Punkt Holdings Ltd. on assets, equity and liabilities

On 30 July 2010 the Management Board of Cyfrowy Polsat S.A. resolved to merge with M.Punkt Holdings Ltd. („M.Punkt Holdings") and approved cross-border merger plan. Earlier, on 4 May 2010 the Company completed the purchase of 94% shares in M.Punkt Holdings and on 9 June 2010 purchased remaining 6% shares. The transaction also resulted in the takeover of control over subsidiaries: mPunkt Polska S.A. and mTel Sp. z o.o. On 15 September 2010 the Extraordinary General Shareholders' Meeting resolved to execute the cross-border merger and authorized the Management Board to exercise all necessary activities related to conducting procedure of the cross-border merger.

On 18 March 2011 the Management Board of Cyfrowy Polsat S.A. received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated 14 March 2010 regarding the registration of cross-border merger of the Company with M.Punkt Holdings.

As a result of the cross-border merger:
i. M.Punkt Holdings was terminated without liquidation, and
ii. Cyfrowy Polsat S.A. took over, by the way of universal succession, assets and liabilities of M.Punkt Holdings.

(all amounts in PLN thousand, except where otherwise stated)

Merger's impact on assets, equity and liabilities of the Company

	Change resulting from merger as at 14 March 2011
Shares in mPunkt Polska S.A.*	5,248
Shares in M.Punkt Holdings	(146)
Receivables relating to a short-term loan granted to M.Punkt Holdings	(5,461)
Tax and social security receivables	12
Cash and cash equivalents	31
Trade payables to third parties	(74)
Accruals	(70)
Total	(460)

* The balance relates to the principal of the loan granted by Cyfrowy Polsat to M.Punkt Holdings as at 14 March 2011. The loan was granted in June 2010 (first tranche) and was utilized by M.Punkt Holdings to repay a loan raised from mPunkt Polska S.A. (the value of this loan as at the date of takeover of control by Cyfrowy Polsat, i.e. as at 4 May 2010 amounted to PLN 5.2 million). In terms of the merger as at 14 March 2011 the principal of the loan granted by Cyfrowy Polsat was recognized as an increase in the value of shares in mPunkt Polska S.A.

As a result of the merger net assets of Cyfrowy Polsat decreased by PLN 460 thousand, which was reflected in a decrease in retained earnings.

17. The impact of merger with mPunkt Polska S.A. on assets, equity and liabilities

On 31 May 2011 the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register registered the merger of the Company with mPunkt Polska S.A. ("mPunkt") seated in Warsaw.

The merger was effected by:
(i) transferring to the Company, as the sole shareholder of mPunkt, all the assets of mPunkt by the way of universal succession, and
(ii) termination of mPunkt without liquidation.

As a result of the merger, Cyfrowy Polsat assumed all rights and obligations of mPunkt, effective on the date of the merger. Given that before the merger, the Company held all the shares of mPunkt, the merger was effected without increasing the share capital of the Company. The detailed terms of the merger were specified in the Merger Plan prepared on 21 March 2011 and published on 1 April 2011 in the Court and Commercial Gazette (*Monitor Sądowy i Gospodarczy*). The merger was performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group, which is required in order to realize its medium and long term strategy.

(all amounts in PLN thousand, except where otherwise stated)

Merger’s impact on assets, equity and liabilities of the Company

	Change resulting from merger as at 31 May 2011
Shares in mPunkt	(63,590)
Goodwill *	52,022
Other property, plant and equipment	4,422
Intangible assets	333
Trade Mark	175
Other non-current assets	468
Deferred tax assets	1,452
Inventories	379
Receivables	1,978
Other current assets	(906)
Cash and cash equivalents	1,492
Non-current liabilities and provisions	(788)
Current liabilities and provisions	(12,039)
Deferred income	(14)
Total	(14,616)

* Goodwill arisen from the acquisition of mPunkt on 4 May 2010 amounting to PLN 52,227 thousand less impairment losses of PLN 205 thousand.

As a result of the merger, net assets of Cyfrowy Polsat were decreased by PLN 14,616 thousand, which was reflected in a decrease in retained earnings.

18. Transactions with related parties

Receivables

	30 June 2011 unaudited	31 December 2010
Polsat Futbol Ltd.	1,796	1,200
Superstacja Sp. z o.o.	756	347
Telewizja Polsat Sp. z o.o.	589	674
Polsat Jim Jam Ltd.	421	326
Cyfrowy Polsat Technology Sp. z o.o.	260	468
Polskie Media S.A.	213	152
Dom Sprzedaży Radia PIN Sp. z o.o.	146	108
Teleaudio Sp. z o.o.	113	108
Media Biznes Sp. z o. o.	91	59
Invest Bank S.A.	40	9
Tower-Service Sp. z o.o.	10	-
mPunkt Polska S.A.	-	976
Other	14	8
Total	4,449	4,435

(all amounts in PLN thousand, except where otherwise stated)

Other current assets

	30 June 2011 unaudited	31 December 2010
Mobyland Sp. z o.o.	49,133	-
Cyfrowy Polsat Finance AB	414	-
Cyfrowy Polsat Technology Sp. z o.o.	50	-
Other	7	-
Total	49,604	-

Other current assets comprise chiefly deferred costs related to the agreement with Mobyland Sp. z o.o.

Liabilites

	30 June 2011 unaudited	31 December 2010
Cyfrowy Polsat Trade Marks Sp. z o.o.	18,263	-
Cyfrowy Polsat Technology Sp. z o.o.*	14,129	14,414
Telewizja Polsat Sp. z o.o.	5,179	6,760
Polsat Jim Jam Ltd.	683	353
Polskie Media S.A.	148	-
Polsat Media Sp. z o.o.	83	24
mPunkt Polska S.A.	-	3,395
Other	14	-
Total	38,499	24,946

*Amounts presented above do not include deposit (PLN 29 thousand) related to leased property, paid by Cyfrowy Polsat Technology Sp. z o.o. to the Company.

Receivables due from related parties and liabilities due to related parties are unsecured and have not been pledged as security.

The amounts presented above ”Liabilities” do not include accruals.

Receivables due from Cyfrowy Polsat Technology Sp. z o.o. comprise mainly the receivables relating to guarantee service and property rental.

Liabilities due to Cyfrowy Polsat Technology Sp. z o.o. comprise mainly liabilities resulting from purchases of set-top boxes and set-top boxes’ accessories. Until 30 June 2011 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 91,612 thousand.

Liabilities due to Cyfrowy Polsat Trade Marks Sp. z o.o. comprise mainly liabilities resulting from using “Cyfrowy Polsat” trade mark.

Liabilities due to mPunkt Polska S.A. included mainly liabilities resulting from commissions for subscribers’ acquisitions.

(all amounts in PLN thousand, except where otherwise stated)

Bond liabilities

	30 June 2011 unaudited	31 December 2010
Cyfrowy Polsat Finance AB	1,366,508	-
Total	1,366,508	-

Loans granted

	30 June 2011 unaudited	31 December 2010
Cyfrowy Polsat Technology Sp. z o.o.	-	51
M.Punkt Holdings Ltd.	-	5,395
Total	-	5,446

Revenues

	for 6 months ended	
	30 June 2011 unaudited	31 December 2010
Cyfrowy Polsat Technology Sp. z o.o.	1,439	982
Telewizja Polsat Sp. z o.o.	800	232
Cyfrowy Polsat Trade Marks Sp. z o.o.	661	-
Polsat Futbol Ltd.	596	601
Teleaudio Sp. z o.o.	350	168
Polskie Media S.A.	239	79
Media Biznes Sp. z o.o.	96	96
Dom Sprzedaży Radia PIN Sp. z o.o.	63	75
Superstacja Sp. z o.o.	23	31
Invest Bank S.A.	19	-
Other	4	50
Total	4,290	2,314

The most significant transactions include revenues from Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o. for guarantee services and property rental and from Telewizja Polsat Sp. z o.o. and Polsat Futbol Ltd. for signal broadcast services.

On 31 May 2011 the merger of the Company with mPunkt Polska S.A. was registered (see note 17). Between 1 January and 31 May 2011 Cyfrowy Polsat recognized revenues from mPunkt Polska S.A. were insignificant.

(all amounts in PLN thousand, except where otherwise stated)

Expenses

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Telewizja Polsat Sp. z o.o.	36,716	38,353
Cyfrowy Polsat Trade Marks Sp. z o.o.	17,465	-
mPunkt Polska S.A.	6,222	1,196
Teleaudio Sp. z o.o.	4,219	4,706
Mobyland*	1,946	-
Polsat Jim Jam Ltd.	1,205	-
Elektrim S.A.	999	857
Polskie Media S.A.	288	-
Redefine Sp. z o.o.	190	-
Sferia S.A.	184	84
Polsat Media Sp. z o.o.	119	387
Media Biznes Sp. z o.o.	96	96
PAI Media S.A.	-	81
Dom Sprzedaży Radia PIN Sp. z o.o.	38	-
Ster Sp. z o.o.	13	-
Other	11	10
Total	69,711	45,770

*Costs cover the 13 May-30 June 2011 period (the company is related from 13 May 2011)

The most significant transactions include license fees to Telewizja Polsat Sp. z o.o. for broadcasting programs: Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat Futbol, Polsat News, Polsat Play, Polsat Cafe and Polsat Sport HD and to Polsat Jim Jam Ltd. for broadcasting Polsat Jim Jam.

The Company incurs expenses for using "Cyfrowy Polsat" trade mark for the benefit of Cyfrowy Polsat Trade Marks Sp. z o.o.
The expenses incurred for the benefit of mPunkt Polska S.A. resulted mainly from the commissions for subscribers' acquisitions. On 31 May 2011 the merger of the Company with mPunkt Polska S.A. was registered (see note 17). Costs presented in the table above cover the 1 January-31 May 2011 period. Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Company's customer call center. Mobyland Sp. z o.o. provides data transfer services. Elektrim S.A. provides some office space lease to the Company.

Transactions with related parties are concluded on an arm's length basis.

(all amounts in PLN thousand, except where otherwise stated)

Financial income

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Telewizja Polsat Sp. z o.o.	196,817	-
Cyfrowy Polsat Finance AB	5,646	-
Cyfrowy Polsat Technology Sp. z o.o.	213	4,225
Other	66	1
Total	202,742	4,226

Financial income from Telewizja Polsat Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o comprise dividends. Financial income from Cyfrowy Polsat Finance AB relates to guarantees granted by the Company in respect to settlement of high yield notes issued by Cyfrowy Polsat Finance AB.

Finance costs

	for 6 months ended	
	30 June 2011 unaudited	30 June 2011 unaudited
Cyfrowy Polsat Finance AB	13,058	-
Cyfrowy Polsat Trade Marks Sp. z o.o.	872	-
Telewizja Polsat Sp. z o.o.	726	-
Polsat Media Sp. z o.o.	82	-
RS TV S.A.	78	-
Nord Licence AS	41	-
Other	12	-
Total	14,869	-

Finance cost due to Cyfrowy Polsat Finance AB comprise chiefly interest on bonds. Other finance costs incurred by the Company relate to guarantee fees in respect to settlement of Senior Facility loan.

19. Litigations

Proceedings before the President of Office of Competition and Consumer Protection (“UOKiK”) regarding the application of practices breaching collective interests of consumers

The Company received UOKiK’s decision No. 11/2009 dated 31 December 2009 whereby the President of UOKiK confirmed that certain statements included in the Company’s service delivery regulations in force prior to 1 November 2009, were breaching the collective interests of consumers. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

The President of UOKiK also ordered, once the above decision becomes legally binding, it is published on the Company’s website (www.cyfrowypolsat.pl), and also in a daily nationwide newspaper. Moreover, pursuant to Article 106, Clause 1, Point 4 of the Competition and Consumer Protection Act dated 16 February 2007UOKiK imposed a cash fine of PLN 994 thousand, representing 0.09% of the Company's 2008 revenue, payable to the state budget, due to the breach of the interdiction set out in Article 24, Clause 1 and 2, Point 1 of the Competition and Consumer Protection Act dated 16 February 2007, within the scope of the above decision.

The Company filed an appeal against the decision to the Polish Competition and Consumer Protection Court. On 14 April 2010, the President of UOKiK called for the appeal to be dismissed in full.

On 12 August 2011 the Polish Competition and Consumer Protection Court announced a verdict which supports the decision of the President of UOKiK in respect of practices breaching a collective interests of consumers. The Court also agreed with the amount of penalty imposed by UOKiK in the amount of PLN 994 thousand.

The Company plans to file an appeal to the Polish Competition and Consumer Protection Court.

In these interim condensed financial statements the Company created a provision for potential costs resulting from the final settlement of the above-mentioned proceedings.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. z with its registered office in Katowice, for compensation and indemnity. On 2 April 2010, the Praga District Court X Commercial Department, in Warsaw announced the verdict, according to which, the Company is ordered to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545 thousand plus legal interest accrued from 28 August 2007, and also PLN 30 thousand of legal costs reimbursement. On 22 September 2010 the Court of Appeals in Warsaw upheld the verdict. Both parties lodged a cassation appeal to the above verdict of the Court of Appeals in Warsaw. Both parties submitted a response to the cassation appeal. On 6 May 2011 the Company filed an application to dismiss the plaintiff's refusal to accept the Company's cassation appeal to be recognized by the Court. The Supreme Court has not addressed the cassation appeal of either parties as at the date of publication of these interim condensed financial statements.

In these interim condensed financial statements the Company raised a provision for the above claims.

20. Off-balance sheet liabilities

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 14.

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 14,764 thousand as at 30 June 2011 (PLN 12.403 thousand as at 31 December 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 321 thousand as at 30 June 2011 (PLN 75 thousand as at 31 December 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2011 was PLN 89 thousand (PLN 173 thousand as at 31 December 2010).

Contingent liabilities relating to promissory notes

As at 30 June 2011, the Company had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 thousand (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 thousand as at 30 June 2011. Furthermore, as at 30 June 2011 the Company had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).
The abovementioned promissory notes were returned on 29 August 2011.

21. Events subsequent to the reporting date

Planned merger of Cyfrowy Polsat with mTel Sp. z o.o.

On 5 July 2011 Management of Cyfrowy Polsat S.A. informed that it resolved to merge the Company with mTel Sp. z o.o., in which it holds 100% of ownership interest.

Purchase of hedging instruments

On 6 July 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. The Senior Notes were issued by related party Cyfrowy Polsat Finance AB. According to the agreement the Company is a PLN fixed rate payer and the EUR fixed rate payers are banks. The termination date of the hedge relationship was agreed at 20 May 2013. The total EUR notional amount is equal to EUR 175,000,000 and the PLN notional amount totals PLN 691,950,000.

On 7 July 2011 the Company concluded CCIRS (cross-currency interest rate swap) transaction for the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro. The Senior Notes were issued by related party Cyfrowy Polsat Finance AB. According to the agreement the Company is a PLN fixed rate payer and the EUR fixed rate payers are banks. The termination date of the hedge relationship was agreed at 20 May 2013. The total EUR notional amount is equal to EUR 175,000,000 and the PLN notional amount totals PLN 691,425,000.

On 8 July 2011 the Company concluded interest rate swap transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see Note 14). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Company is a fixed rate payer and the floating rate payer is bank. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

22. Accounting estimates and judgements

The preparation of interim financial statements in conformity with EU IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical data and other factors considered reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities, which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 2010.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 and 6 Months Ended 30 June 2011

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

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(all amounts in PLN thousand, except where otherwise stated)

Interim Income Statement

	Note	for 3 months ended 30 June 2011 unaudited	for 3 months ended 30 June 2010 unaudited	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Revenue	5	393,833	364,710	790,411	737,550
Operating costs		(302,121)	(263,950)	(589,934)	(520,698)
Cost of services, goods and materials sold	6	(208,639)	(195,422)	(413,374)	(385,193)
Selling expenses	6	(62,632)	(47,328)	(123,228)	(95,582)
General and administrative expenses	6	(30,850)	(21,200)	(53,332)	(39,923)
Other operating income		420	1,824	1,122	2,686
Other operating costs		(15,337)	(10,812)	(36,113)	(22,353)
Profit from operating activities		76,795	91,772	165,486	197,185
Financial income		206,512	4,387	206,909	4,979
Financial expenses		(93,341)	(3,810)	(97,006)	(4,614)
Gross profit		189,966	92,349	275,389	197,550
Income tax		(1,239)	(17,066)	(18,305)	(37,125)
Net profit		188,727	75,283	257,084	160,425
Basic and diluted earnings per share (in PLN)		0.57	0.28	0.86	0.60

Interim Statement of Comprehensive Income

	for 3 months ended 30 June 2011 unaudited	for 3 months ended 30 June 2010 unaudited	for 6 months ended 30 June 2011 unaudited	for 6 months ended 30 June 2010 unaudited
Net profit for the period	188,727	75,283	257,084	160,425
Other comprehensive income	-	-	-	-
Hedge valuation reserve	(1,145)	-	(1,145)	-
Income tax relating to components of other comprehensive income	218	-	218	-
Other comprehensive income, net of tax	(927)	-	(927)	-
Total comprehensive income for the period	187,800	75,283	256,157	160,425

(all amounts in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Assets

	30 June 2011 unaudited	31 December 2010
Reception equipment	383,271	291,208
Other property, plant and equipment	129,943	131,994
Goodwill	52,022	-
Intangible assets	19,677	20,479
Investment property	6,896	6,931
Shares in subsidiaries and associates	4,516,065	675,471
Other non-current assets	39,515	35,898
Total non-current assets	5,147,389	1,161,981
Inventories	136,330	140,165
Short-term loans granted to related parties	-	5,446
Trade and other receivables	198,212	178,588
Income tax receivable	9,352	6,760
Other current assets	127,576	77,154
Cash and cash equivalents	151,880	24,195
Total current assets	623,350	432,308
Total assets	5,770,739	1,594,289

(all amounts in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Equity and Liabilities

	30 June 2011 unaudited	31 December 2010
Share capital	13,934	10,733
Reserve capital	1,037,258	153,093
Other reserves	1,305,277	10,174
Hedge valuation reserve	(927)	-
Retained earnings	242,879	885,036
Total equity	2,598,421	1,059,036
Loans and borrowings	1,061,912	-
Bonds	1,258,698	-
Finance lease liabilities	1,103	884
Deferred tax liabilities	87,017	69,986
Other non-current liabilities and provisions	1,574	1,900
Total non-current liabilities	2,410,304	72,770
Loans and borrowings	225,577	-
Bonds	107,810	-
Finance lease liabilities	227	226
Trade and other payables	245,414	280,411
Deposits for equipment	15,170	15,434
Deferred income	167,816	166,412
Total current liabilities	762,014	462,483
Total liabilities	3,172,318	535,253
Total equity and liabilities	5.770,739	1,594,289

(all amounts in PLN thousand, except where otherwise stated)

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited
Net profit	257,084	160,425
Adjustments for:	(277,290)	(126,842)
Depreciation and amortization and impairment	61,923	34,493
Loss on investing activity	76	115
Interest expense/(income)	65,020	(110)
Change in inventories	4,213	(414)
Change in receivables and other assets	(65,514)	(85,727)
Change in liabilities, bonds, loans, provisions and deferred income	(28,912)	(25,553)
Valuation of hedging instruments	(1,145)	-
Foreign exchange gains	(108)	(82)
Income tax	18,305	37,125
Net increase in set-top boxes provided under operating lease	(135,110)	(82,688)
Dividends income	(197,030)	(4,000)
Other adjustments	992	(1)
Cash flows from operations before income taxes and interest	(20,206)	33,583
Income tax paid	(1,630)	-
Interest received from operating activities	1,562	751
Net cash (used in)/from operating activities	(20,274)	34,334
Acquisition of property, plant and equipment	(10,582)	(16,485)
Acquisition of intangible assets	(5,671)	(6,396)
Loans granted	-	(2,850)
Dividends received	196,817	4,000
Acquisition of shares in subsidiaries, net of cash acquired	(2,598,708)	(31,247)
Loans repaid - principal	50	-
Interest on loans repaid	2	-
Proceeds from sale of property, plant and equipment	54	62
Net cash used in investing activities	(2,418,038)	(52,916)
Term loans received	2,800,000	-
Issuance of bonds	1,372,245	-
Proceeds from realization of foreign exchange call options	821	-
Payment of interest on loans, borrowings, finance lease and commissions	(165,286)	(819)
Finance lease – principal repayments	(118)	(118)
Repayment of loans and borrowings	(1,441,773)	(31,518)
Net cash from/(used in) financing activities	2,565,889	(32,455)
Net increase/(decrease) in cash and cash equivalents	127,577	(51,037)
Cash and cash equivalents at the beginning of the period*	24,195	97,126
Effect of exchange rate fluctuations on cash and cash equivalents	108	82
Cash and cash equivalents at the end of the period	151,880	46,171

* Cash and cash equivalents as at 1 January 2010 included PLN 26,738 thousand of restricted cash.

(all amounts in PLN thousand, except where otherwise stated)

Interim Statement of Changes in Equity
for 6 months ended 30 June 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Retained earnings	Total equity
Balance as at 1 January 2011	10,733	153,093	10,174	-	885,036	1,059,036
Share issue	3,201	-	1,295,103	-	-	1,298,304
Merger with M.Punkt Holdings Ltd.	-	-	-	-	(460)	(460)
Merger with mPunkt Polska S.A.	-	-	-	-	(14,616)	(14,616)
Hedge valuation	-	-	-	(927)	-	(927)
Net profit for the period	-	-	-	-	257,084	257,084
Appropriation of 2010 profit – transfer to reserve capital	-	884,165	-	-	(884,165)	-
Balance as at 30 June 2011	13,934	1,037,258	1,305,277	(927)	242,879	2,598,421

Interim Statement of Changes in Equity
for 6 months ended 30 June 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2010	10,733	73,997	10,174	232,911	327,815
Net profit for the period	-	-	-	160,425	160,425
Dividends approved	-	-	-	(152,945)	(152,945)
Appropriation of 2009 profit – transfer to reserve capital	-	79,096	-	(79,096)	-
Balance as at 30 June 2010	10,733	153,093	10,174	161,295	335,295

(all amounts in PLN thousand, except where otherwise stated)

Supplementary Information to the Interim Condensed Financial Statements for 3 and 6 Months Ended 30 June 2011

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of "Cyfrowy Polsat" and also as a Mobile Virtual Network Operator and Internet access services provider.

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

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak,	President of the Supervisory Board,
- 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 financial statements

Statement of compliance

These interim condensed financial statements for 3 and 6 months ended 30 June 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. The Company applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2011 and the financial statements for 2010, 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 2011.

(all amounts in PLN thousand, except where otherwise stated)

IAS 34 requires minimum information disclosure assuming that the 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.

The most recent published annual financial statements were prepared and audited for the year ended 31 December 2010. Annual financial statements fully disclose accounting principles approved by the Company, except for new accounting principles, standards and interpretations, which are effective for the periods beginning after 1 January 2011 and were disclosed in the interim condensed financial statements for 6 months ended 30 June 2011.

5. Revenue

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Retail subscription	385,793	350,554	773,903	707,092
Sale of equipment	2,096	7,487	4,737	16,635
Other revenue	5,944	6,669	11,771	13,823
Total	393,833	364,710	790,411	737,550

6. Operating costs

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Programming costs	105,995	101,880	206,259	194,595
Distribution, marketing, customer relation management and retention costs	75,975	65,857	152,179	133,334
Depreciation and amortization and impairment	34,340	18,346	61,923	34,493
Salaries and employee-related costs	23,927	16,931	44,290	34,220
Broadcasting and signal transmission costs	20,526	20,860	40,951	41,305
Cost of equipment sold	4,131	11,727	15,746	30,597
Other costs	37,227	28,349	68,586	52,154
Total costs by kind	302,121	263,950	589,934	520,698

(all amounts in PLN thousand, except where otherwise stated)

	for 3 months ended		for 6 months ended	
	30 June 2011 unaudited	30 June 2010 unaudited	30 June 2011 unaudited	30 June 2010 unaudited
Cost of services, goods and materials sold	208,639	195,422	413,374	385,193
Selling expenses	62,632	47,328	123,228	95,582
General and administrative expenses	30,850	21,200	53,332	39,923
Total costs by function	302,121	263,950	589,934	520,698