CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the six-month period ended June 30, 2012

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We have prepared this semi-annual report as required by Paragraph 82 section 1 and 2 and Paragraph 90 of the Regulation of the Minister of Finance of 19 February 2009 concerning the submission of current and periodic 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 Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group, references to the Company apply to Cyfrowy Polsat S.A. and all references to the Capital Group or Polsat Group apply to Cyfrowy Polsat S.A. and its 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 from 2001; "**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"** – starting programming package offered within the pay digital television service including the subscribers to the following packages: Family Package, Family HD Package and premium packages related to them;**"Mini Package"** – starting programming package offered within the pay digital television service including the subscribers to the following packages: Mini Package, Mini HD Package, Extra Package (Mobile TV); "**MOBILE TV**" relates to our pay mobile TV service rendered in DVB-T technology; "**DVB-T**" (Digital Video Broadcasting – Terrestrial) relates to technology of terrestrial broadcasting of digital television; "**DTT**" relates to digital terrestrial television; "**Subscriber**" relates to a person who signed an agreement for subscription to pay digital television services and who is obligated, under the terms of 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.; „**ARPU**" relates to average monthly net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting period; „**ARPU Family Package**" and „**ARPU Mini Package**" relate to average monthly 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 as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service; „**Churn Family Package**" and „**Churn Mini Package**" relate to churn rate calculated for the Family Package and Mini Package, respectively; „**SAC**" relates to the sum of cost of commissions 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 (NAM), 16-49, all day; "**Advertising market share**" relates to the share of Cyfrowy Polsat Capital Group revenues from advertising and sponsoring in the total revenues from TV advertising in Poland, the source of our data is Starlink; "**GRP**" relates to gross rating point, defined as the number of people watching a particular spot at a specific time, expressed as a percentage within 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**" relate to the percentage of households in Poland which have the technical ability to receive a channel broadcasted by Telewizja Polsat Sp. z o.o.; "**VoD**" or "**VOD - Home Movie Rental**" relate in general to our services from the video on demand category, while "**nVoD**" relates to our service "VoD - Home Movie Rental" - on TV; "**PPV**" relates to pay-per-view, pay access to chosen programming content; "**Catch-up TV**" relates to services enabling access to chosen programming content for a certain period of time after the original broadcast on TV channel; "**Multiroom**" relates to our service enabling to profit from the same variety of channels simultaneously on two TV-sets in one household within one subscription fee; „**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 a bundle of two or more services from delivered by us pay TV services, mobile telephony services and Internet access services provided under one agreement and one subscription fee; "**ipla**" relates to internet platform enabling access to video content operated by our subsidiary Redefine Sp. z o.o. Group; "**Muzo**" relates to online music subscription service offered by our subsidiary Redefine Sp. z o.o. Group; "**CP**" relates to the company Cyfrowy Polsat S.A.; "**CPT**" relates to Cyfrowy Polsat Technology Sp. z o.o.; "**CPTM**" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "**Cyfrowy Polsat Finance**", "**CP Finance**" relate to Cyfrowy Polsat Finance AB (publ), Cyfrowy Polsat subsidiary registered in Sweden; "**Telewizja Polsat**" or "**TV Polsat**" relates to the company 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; **"Redefine Sp. z o.o. Group"** relates to Redefine Sp. z o.o. and its consolidated subsidiaries: Poszkole.pl Sp. z o.o. and Stat24 Sp. z o.o.; "**POLSAT**" relates to our main FTA channel; "**Polsat HD**" relates to our channel on which we broadcast the content of our main channel in HD technology; "**Polsat Sport**" relates to our sport channel dedicated to Polish sports and major sports events; "**Polsat Sport HD**" relates to our channel on which we broadcast the content of Polsat Sport channel in HD technology (till the end of May 2012, the content of this channel differed from Polsat Sport); "**Polsat Sport Extra**" relates to our sport channel broadcasting premium sport events; "**Polsat Sport Extra HD**" relates to our channel on which we broadcast the content of Polsat Sport Extra channel in HD technology, the channel is broadcast since June 2012; "**Polsat Futbol**" relates to our sport channel dedicated to football games broadcasted till the end of May 2012; "**Polsat Sport News**" relates to our sport channel dedicated to sport news; "**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 mainly on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone; "**Polsat Crime & Investigation Network**" relates to the criminal channel, this channel is a joint project of Telewizja Polsat and British company A+E Networks UK; „**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 (not in thousands) maturing December 31, 2015; and Senior Secured Revolving Facility Loan ("**Revolving Facility**") of up to PLN 200,000,000 (not in thousands) maturing December 31, 2015; "**Bridge Loan**" relates to senior secured bridge facility of EUR 350,000,000 (not in thousands) 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 350,000,000 (not in thousands) issued by Cyfrowy Polsat Finance AB 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 2012, quarterly condensed consolidated financial statements for 3 and 6 month periods ended 30 June 2012, interim condensed financial statements for the 6 month period ended 30 June 2012 and quarterly condensed financial statements for the 3 and 6 month period ended 30 June 2012. The financial statements attached to this interim report have been prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" ("IAS 34")("IFRS") and are presented in thousand zlotys. The financial statements were not audited, however, the interim condensed consolidated financial statements for 6 month period ended 30 June 2012, were reviewed by an independent auditor.

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:

- Eurostat, for data relating to the Polish economy and GDP growth;
- Nielsen Audience Measurement;
- Starlink, Advertising market in Poland in the first half of 2012;
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2012-2016);
- 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 pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat. Additionally to the offer of pay TV (delivered through satellite, DTT and the Internet), we provide to our subscribers broadband Internet and mobile telephony services.

We operate through two business segments: our Retail business segment, comprising pay TV, broadband Internet and mobile telephony services and our recently acquired Broadcasting and television 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 Broadcasting and television production segment).

Retail business segment

In pay TV, we are the largest pay TV 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, mobile television, broadband Internet in HSPA+ and LTE and mobile telephony services (in MVNO model and from April 2012 based on cooperation with Polkomtel Sp. z o.o., operator of Plus network). As of June 30, 2012 among our subscriber base we had 3,553,473 pay digital television subscribers, 99,069 users of broadband Internet service and 141,161 users of our mobile telephony service.

We offer our subscribers access to over 100 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 fifth most widely viewed sports channels in Poland in 2011. In addition, we offer our subscribers 28 HD channels and also provide VoD/PPV, catch-up TV and Multrioom services. We provide the subscribers to our Mobile TV service with the access to 20 encrypted channels (8 television and 12 radio channels) and to all DTT channels, through various devices (including smartphones, tablets and laptops).

We offer set-top boxes, enabling reception of pay-TV services, that 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 2011, approximately 80% of our sold or leased set-top boxes were manufactured in our own factory.

From April 2012, we are the owner of internet TV ipla. Ipla is the leader on online video market in Poland both in terms of availability on various devices (computers/laptops, tablets, smartphones, smart TVs, set-top boxes and game consoles) and range of offered content. Ipla has also a leading position in terms of number of users and time spent on watching video content by an average user. Currently, the base of active users (defined as individuals who used the application and generated revenue from advertising or subscription at least once a month) of ipla applications amounts to approximately 1.8 million.

We sell our services through 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, 2012 our sales network included 858 Points of Sales. In addition, from April 2012, within cooperation with Plus network operator we run cross selling of services. Thanks to that our standard offer, as of the end of the first half of 2012, was available in additional more than 600 points of sales of Polkomtel Sp. z o.o. network and in the second half of 2012 it is planned to be offered in its entire network.

Broadcasting and television 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 – the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number one in terms of audience share with a 16.1% share in the first half of 2012. We also broadcast thematic channels, which had a 4.5% 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 23.1% share of the approximately PLN 1,90 billion (not in thousands) Polish TV advertising market in the first half of 2012.

Our television channels include: POLSAT, Polsat HD, Polsat Sport, Polsat Sport Extra, Polsat Sport HD, Polsat Sport Extra HD, Polsat Film, Polsat Café, Polsat Play, Polsat 2, Polsat News, Polsat Crime & Investigation Network, 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 channel in Poland in terms of audience share. POLSAT airs a broad variety of movies (most of them created in the 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 and 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 major sports events in Poland and worldwide which are mostly broadcasted 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 Sport HD and Polsat Sport Extra HD broadcast the content of both our sports channels in HD standard. Polsat Sport News is our new sport channel dedicated to sport news, 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. Polsat Crime & Investigation Network is our criminal channel, that takes its viewers to the world of crime, providing the insight to criminal laboratories, police archives and courtrooms. TV Biznes covers the latest news on the economy and financial markets. Polsat Jim Jam is a children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.

2. Significant events

Purchase of data transfer services from Mobyland Sp. z o.o.

On January 23, 2012, the Company placed with Mobyland Sp. z o.o. ("Mobyland") an order for data transfer services. The order was placed under the provisions of the agreement between both parties concluded on December 15, 2010. Under that agreement, Mobyland provides the access to wireless data transfer service, based on 1800MHz and 900MHz bands in LTE and HSPA+ technologies, respectively.

The order included the purchase of 13 million GB of data transfer service with the guaranteed utilization period till December 31, 2015, with a possible extension of the term. The net price of 1 MB is PLN 0.00774 (not in thousands). The payment for the order will be settled in 12 equal monthly installments, starting from January 2012.

Finalization of acquisition of INFO-TV-FM Sp. z o.o.

On January 30, 2012, 100% shares in the share capital of INFO-TV-FM Sp. z o.o. (INFO-TV-FM) were transferred to the Company following the fulfillment of all conditions precedent included in the acquisition agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited dated October 28, 2011. The fair value price of the acquisition amounted to PLN 29,313,202.19 (not in thousands).

The agreement for the acquisition of shares in INFO-TV-FM was concluded in order to further implementation of the Group's strategy aiming at the widest possible content distribution based on all latest technologies. Upon the acquisition of INFO-TV-FM, the Company acquired frequencies on 470-790 MHz and reservation agreements related to them. Based on these assets, we have expanded our business by pay-TV services provided through mobile devices, which fits well with both our business plans, market development trends and customers' expectations.

Acquisition of internet television ipla

On March 12, 2012, the Company concluded with Bithell Holdings Ltd. agreements concerning the acquisition of shares in the companies running ipla service, the leader in online video distribution in Poland. The agreements concerned the following shares:

1. 100% shares in Redefine Sp. z o.o. seated in Warsaw ("Redefine")
2. 100% shares in Gery.pl Sp. z o.o. seated in Warsaw (in liquidation)
3. 100% shares in Frazpc.pl Sp. z o.o. seated in Warsaw
4. 100% shares in Netshare Sp. z o.o. seated in Warsaw.

The price for shares in the companies abovementioned and the amount necessary to repay ipla's current bank and trade liabilities amounted to PLN 150 million (not in thousands); cash consideration transferred amounted to PLN 43 million (not in thousands. The transfer of the legal rights to the acquired shares was effectuated on April 2, 2012.

The purchased entities run ipla, the leader of online video market in Poland in terms of: availability on different devices - PCs, laptops, tablets, smatrphones, connected TVs, game consoles, home cinemas and set-top-boxes; content library, thanks to programming deals with TV Polsat, TVP and film studios (i.e. Warner Bros, Best Film, Kino Świat, Epelpol Entertainment); number of users and time spent by user on watching video online.

The acquisition of ipla completes the Company's strategy of which an important element was the acquisition of TV Polsat, aiming at providing the best quality content using most advanced devices and technologies. Ipla, being the leader on online video market, strengthens Cyfrowy Polsat's market position as a content aggregator and distributor and provides a competitive advantage in the developing market segment.

Upgrade of our ratings

On June 14, 2012, Standard & Poor's Rating Services ("S&P") raised the long-term corporate credit rating assigned to Cyfrowy Polsat from 'BB-' to 'BB' with stable outlook. S&P also raised the long-term issue rating assigned to the EUR 350 million senior secured notes due 2018 issued by Cyfrowy Polsat Finance AB (publ), a wholly owned Swedish subsidiary of Cyfrowy Polsat, from 'BB-' to 'BB'.

S&P justified its decision by Cyfrowy Polsat Group's improved financial risk profile, as well as maintained current financial policy of the Group aimed at further reduction of debt in the future.

On July 23, 2012, Moody's Investors Service (Moody's) upgraded both the corporate family rating of Cyfrowy Polsat and the rating on the EUR 350 million senior secured notes to Ba2 from Ba3. The ratings outlook is stable.

According to Moody's press release, the Ba2 corporate family rating reflects Cyfrowy Polsat's strong operating performance following a full four quarters of the integration of TV Polsat and the synergies derived from the merger leading to a substantial improvement in the company's financial profile.

Launching cooperation with Polkomtel Sp. z o.o.

The Company has established cooperation with Polkomtel S.A. (currently Polkomtel Sp. z o.o., "Polkomtel"), the leading telecommunications company operating Plus mobile network, within the introduction of package offer and cross selling of standard products. The agreement is effective from April 2012.

As a result of this cooperation, Cyfrowy Polsat began to offer its subscribers a special offer of mobile telephony services rendered by Polkomtel, and Polkomtel's customers can profit from dedicated offer of the largest satellite TV platform in Poland. New customers can get a joint offer and receive additional benefits with both services. At the same time standard offers of Polkomtel and Cyfrowy Polsat were introduced to both sales networks.

As of the end of the first half of 2012, the cross-selling included over 600 points of sales of Polkomtel's network and over 400 points of sales of our network, while the additional benefits to the customers of both satellite TV of Cyfrowy Polsat and telephony of Plus are provided in the entire sales networks of both companies. Cross-selling will be gradually expanded to cover all points of sales of both networks.

The cooperation of Cyfrowy Polsat and Polkomtel means more attractive offers of both companies, additional benefits for the users buying services from both operators, increased sales potential due to the possibility to reach the partner's subscribers with an attractive product, increased availability of services of both operators through cross selling and customer service in the points of sales as well as consequently, increased customer satisfaction and loyalty.

Thanks to established cooperation, we can combine the purchase potential of approximately 14 million customers of Polkomtel, who now get access to television services, and more than 11 million people in over 3.5 million Polish households currently using Cyfrowy Polsat's services.

The letter of intent with Polkomtel Sp. z o.o.

In August 2012, we have concluded a letter of intent with Polkomtel, based on which we will provide the internet access service within the operator's 3G and 2G radio networks on 2100 MHz and 900 MHz frequencies in HSPA and EDGE/GPRS technology.

Thanks to this cooperation the reach of Cyfrowy Polsat's HSPA/HSPA+ Internet service expanded to 85% of the population. The access to the fastest LTE internet is currently available for 28% of Poles. The new proposal provides both our new and already subscribed clients of internet service with possibility to use 2G network in EDGE/GPRS technology on 900 MHz, that has a nationwide coverage.

Introduction of new service – "TV MOBILNA"

On June 4, 2012 we introduced to our offer a new service – "TV Mobilna" (mobile TV). The service is delivered based on DVB-T technology within the multiplex dedicated to mobile terrestrial digital television, on the frequencies owned by INFO-TV-FM. Broadcasting of channels is supported by Info TV Operator's infrastructure comprising a network of radio transmitters in 31 largest Polish cities. Multiplex reaches nearly 5 million households and about 15 million people.

"TV Mobilna" is a paid package of 20 encrypted channels - 8 TV and 12 radio channels. It includes channels from four thematic categories: sports - Polsat Sport and Polsat Sport Extra, movie - Polsat Film, Kino Polska, TVP Seriale, Comedy Central, news - Polsat News, children - Nickelodeon and radio stations: Radio Zet, Antyradio, Radio Plus, RMF FM, RMF MAXXX, Radio TOK FM, Radio ROXY FM, Radio Złote Przeboje, Eska Rock, Radio PiN, Radio Bajka, Moje Polskie Radio. Set-top boxes for the reception of "TV MOBILNA" give additionally access to FTA channels broadcast within digital terrestrial television multiplexes, including: Polsat, TVN, Polsat Sport News, TV4, TVP1, TVP 2, TVP Info, TVP Kultura, TVN 7.

The reception of channels on mobile devices is enabled by a new appliance in Cyfrowy Polsat's offer – mobile set-top box M-T 5000 – connected through WI-FI network to the terminal, ex. smartphone or tablet. The service is also available through the latest model of DVB-T set-top box manufactured in Cyfrowy Polsat Technology factory – T-HD 1000.

Pay packages of channels are available both for retail and wholesale customers. Wholesale services is provided by our subsidiary - INFO-TV-FM. An agreement on cooperation with INFO-TV-FM was signed with, except Cyfrowy Polsat, the operator of Plus network (Polkomtel Sp. z o.o.).

Launch of muzo

In April 2012 we have launched a new music subscription portal named muzo. The service offers legally millions of songs online. Muzo is the second, next to ipla, key entertainment project of Redefine Sp. z o.o. Group, that is part of our Capital Group since April 2012.

Access to the content of muzo is offered in three schemes: muzo, muzo+ and muzoGO. The first is a free of charge model, within which 20 hours of access to the entire base of songs is given per month. The pay options include unlimited access to muzo library and guarantee no commercials. Muzo+ package offers unlimited listening time through an application for PC with Windows operating system. For those who want to have access to the music library at any time and in any place, we developed muzoGO package with an application for mobile devices. The key advantage of muzoGO package is the possibility to download unlimited number of music pieces to mobile phone memory and have off-line access to them. Pay packages (muzo+ and muzoGO) are activated for one-month period and cost PLN 9.90 and PLN 19.90, respectively.

Other novelties in the offer of retail segment

Except the new service abovementioned, and aiming at constant increase in satisfaction of our subscribers, we introduced a number of innovations to our offer.

In February 2012, we enriched our VoD offer by providing the possibility to access films directly in the Internet and currently our subscribers can use the service not only on TV set but also on the PC. We provide this service based on ipla application. Thanks to this service our subscribers got an access to attractive movie offer in any place and at any time.

In the beginning of March 2012, we introduced a possibility to use ipla internet television through Cyfrowy Polsat's set-top boxes. Subscribers using our HD set-top boxes connected to internet network are able to watch content from the large video library of one of the biggest internet television in Poland – series, TV programs, news and sport events aired by TV stations such as Polsat, Polsat News, TV Biznes, Superstacja, Polsat Café, Wedding TV, Polsat Play, MTV, iTV, TV4, TV Plus, Polsat Sport and Polsat Sport Extra. Simultaneously, a new functionality was added to the menu of set-top-boxes – "Strefa abonenta" ("Subscriber's zone") including current status of the subscriber's account.

Moreover, in March 2012 we expanded our Multiroom service by HD version, that enables to watch simultaneously different HD channels on two TV-sets within one subscription fee.

In the first half of 2012, we also enriched our portfolio of channels offered in pay-TV packages. We introduced 12 new channels: Polsat Sport Extra HD, TVP1 HD, TVP2 HD, AXN Spin HD, BBC HD, History HD, ID Investigation Discovery, TTV, FightBox, FilmBox Extra, FilmBox Family and ATM Rozrywka. Thus the number of HD channels available on the platform increased to 28.

We also took care of our internet customers. We enlarged our internet packages available so far, and thinking to the new users of the Internet, we introduced 1GB Package for as little as PLN 14.90 per month, which is currently the cheapest solution on the market. For the clients who already have their own equipment enabling to connect with the network, i.e. modem or laptop, notebook or tablet with built-in modem, we launched a promotion "Internet dla każdego – tylko SIM" ("Internet for everyone – only SIM") including a choice of data packages without the need to buy or lease a modem from us. We have also introduced to our offer the latest model of Samsung tablet - Galaxy Tab 8.9 LTE at a promotional price together with our LTE internet service. In addition, to our new subscribers to Internet access service we propose an attractive special offer including 3 months free access to muzo service.

Agreement concerning distribution of TV channels with Vectra S.A.

On May 29, 2012, we have signed an agreement with cable TV operator Vectra S.A. ("Vectra"), concerning distribution of TV Polsat television channels.

According to the signed agreement, 9 television channels broadcasted by Telewizja Polsat: Polsat HD, Polsat 2, Polsat News, Polsat Sport News, Polsat Sport, Polsat Sport HD, Polsat Sport Extra, Polsat Sport Extra HD and Polsat Cafe will be distributed through Vectra network beginning from October 1, 2012.

The signed agreement is part of implementation of Polsat Group's strategy, which involves ensuring the widest possible distribution of TV Polsat's channels by cable and satellite operators, thus enlarging technical reach of the channels, that might have a positive impact on the future audience results.

Development of our offer of sport channels

In June 2012 we introduced changes to our sport channels, consisting of concentration of the most valuable sports rights within two channels – Polsat Sport and Polsat Sport Extra, including also its HD versions. Our news channel Polsat Sport News, available within DTT, is also distributed through pay-TV platforms. Moreover, in May 2012 together with expiry of the license for broadcasting UEFA Europe League, we ceased to broadcast Polsat Futbol channel, that was launched in 2009 i.a. in connection with the purchase of the abovementioned rights. Taking into account the insufficient interest of football fans in both UEFA Europe League and UEFA Champions League, we did not participate in the tender for the rights to broadcast them in the following years. Instead, we decided to purchase rights to selected football games of T-Mobile Ekstraklasa.

Thanks to these changes, the viewers of Polsat's sport channels gained a clear access to the most important sports events, broadcasted in the highest quality. Moreover, we expect that the abovementioned changes will result in the strengthening of the market position of TV Polsat, particularly in the area of HD (and thus strengthening of the offer of HD programming packages of Cyfrowy Polsat), and will lead to further increase in our audience share and advertising revenue.

3. Selected financial data

The following tables set out selected consolidated financial data for the three and six-month periods ended June 30, 2012 and June 30, 2011. The information shall be read in conjunction with interim condensed consolidated financial statements for the six-month period ended June 30, 2012 and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2012 and the information included in point 12 of this semi-annual report.

Certain financial data:

- from the consolidated income statements for the three-month periods ended June 30, 2012 and June 30, 2011 have been converted into euro at a rate of PLN 4.2571 per €1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from April 1 to June 30, 2012;

- from the consolidated income statements and the consolidated cash flow statement for the six-month periods ended 30 June 2012 and 30 June 2011 have been converted into euro at a rate of PLN 4.2450 per €1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to June 30, 2012;

- from the consolidated balance sheet data as at June 30, 2012 and December 31, 2011 have been converted into euro at a rate of PLN 4.2613 per €1.00 (an exchange rate published by NBP on June 30, 2012).

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.

It should be noted that the periods of 3 and 6 months ended June 30, 2012 are not comparable to the periods of 3 and 6 months ended June 30, 2011 as shares in Telewizja Polsat Sp. z o.o. were acquired on April 20, 2011, shares in INFO-TV-FM were acquired on January 30, 2012 and shares of entities running ipla platform were acquired on April 2, 2012.

	For the three-month period ended June 30,				For the six-month period ended June 30,			
	2012		2011		2012		2011	
	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Consolidated Income Statement								
Retail sales	427,880	100,510	385,791	90,623	852,554	200,837	773,899	182,308
Advertising and sponsorship revenue	238,377	55,995	207,219	48,676	439,948	103,639	208,627	49,147
Revenue from cable and sattellite operator fees	23,551	5,532	16,219	3,810	46,880	11,044	16,219	3,821
Sale of equipment	6,192	1,455	2,685	631	8,912	2,099	9,159	2,158
Other revenue	17,845	4,192	16,491	3,874	34,764	8,189	23,280	5,484
Revenue	**713,845**	**167,683**	**628,405**	**147,613**	**1,383,058**	**325,809**	**1,031,184**	**242,917**
Cost of services, products, goods and materials sold	(402,712)	(94,598)	(348,440)	(81,849)	(771,457)	(181,733)	(576,771)	(135,871)
Selling expenses	(55,531)	(13,044)	(61,921)	(14,545)	(110,186)	(25,957)	(116,243)	(27,384)
General and administrative expenses	(41,409)	(9,727)	(43,761)	(10,280)	(82,574)	(19,452)	(68,619)	(16,165)
Total operating costs	**(499,652)**	**(117,369)**	**(454,122)**	**(106,674)**	**(964,217)**	**(227,142)**	**(761,633)**	**(179,419)**
Other operating income /costs	(1,112)	(261)	(1,525)	(358)	(2,770)	(653)	(794)	(187)
Profit from operating activities	**213,081**	**50,053**	**172,758**	**40,581**	**416,071**	**98,014**	**268,757**	**63,311**
Finance income	5,060	1,189	7,705	1,810	62,199	14,652	9,320	2,196
Finance costs	(106,008)	(24,901)	(91,068)	(21,392)	(120,599)	(28,410)	(95,050)	(22,391)
Share of the profit or loss of associate accounted for using the equity method	771	181	569	134	1,501	354	569	134
Gross profit	**112,904**	**26,521**	**89,964**	**21,133**	**359,172**	**84,611**	**183,596**	**43,250**
Income tax	(13,401)	(3,148)	(20,482)	(4,811)	(54,560)	(12,853)	(37,716)	(8,885)
Net profit	**99,503**	**23,373**	**69,482**	**16,321**	**304,612**	**71,758**	**145,880**	**34,365**
Basic and diluted earnings per share (not in thousands)	0.29	0.07	0.21	0.05	0.87	0.21	0.49	0.11
Weighted average number of issued ordinary shares (not in thousands)	348,352,836		330,764,301		348,352,836		299,717,135	
Consolidated Cash Flow Statement								
Net cash from operating activities					376,567	88,708	88,538	20,857
Net cash used in investing activities					(83,230)	(19,607)	(2,357,095)	(555,264)
Cash flow from/(used in) financing activities					(260,081)	(61,268)	2,538,938	598,101
Net change in cash and cash equipments					33,256	7,834	270,381	63,694
Other consolidated financial data								
Depreciation and amortization and impairment allowance	56,684	13,315	44,755	10,513	111,117	26,176	73,095	17,219
EBITDA[1]	269,765	63,368	217,513	51,094	527,188	124,190	341,852	80,531
EBITDA margin	37.8%	37.8%	34.6%	34.6%	38.1%	38.1%	33.2%	33.2%
Operating margin	29.8%	29.8%	27.5%	27.5%	30.1%	30.1%	26.1%	26.1%
Capital expenditures[2]	18,706	4,394	9,221	2,166	39,510	9,307	20,607	4,854

[1] We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, interest income, finance expenses, foreign exchange gains and losses, income taxes and share of net results of associates. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets.
We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

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

	As at			
	June 30, 2012		December 31, 2011	
	PLN	EUR	PLN	EUR
Consolidated balance sheet				
Cash and cash equivalents	309,519	72,635	277,534	65,129
Assets	5,597,801	1,313,637	5,348,548	1,255,145
Non-current liabilities	2,372,089	556,659	2,484,080	582,939
Current liabilities	1,033,443	242,518	968,425	227,260
Equity	2,192,269	514,460	1,896,043	444,945
Share capital	13,934	3,270	13,934	3,270

4. Organizational structure of Cyfrowy Polsat S.A. Capital Group

The following table presents the organizational structure of Cyfrowy Polsat S.A. Capital Group and consolidated using full consolidation method as of June 30, 2012:

	Entity's registered office	Activity	Share in voting rights (%) June 30, 2012
Parent Company			
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a
Subsidiaries			
Cyfrowy Polsat Technology Sp. z o.o.*	Łubinowa 4a, Warsaw	production of set-top boxes	100%
Cyfrowy Polsat Trade Marks Sp. z o.o.*	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%
Cyfrowy Polsat Finance AB*	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%
Telewizja Polsat Sp. z o.o.*	Ostrobramska 77, Warsaw	television and advertising activities	100%
RS TV S.A.*	Chorzowska 15, Radom	terrestrial transmission	100%
Polsat Media Sp. z o.o.*	Ostrobramska 77, Warsaw	advertising activities	100%
Media-Biznes Sp. z o.o.*	Stanów Zjednoczonych 53, Warsaw	television activities	100%
Polsat Futbol Ltd.*	Office 1D 238-246 King Street London W6 0RF, UK	television activities	100%
Nord License AS*	Vollsveien 13B Lysaker, Norway	trade of programming licenses	100%
Polsat License Ltd.*	Poststrasse 9 6300 Zug, Switzerland	trade of programming licenses	100%
Telewizja Polsat Holdings Sp. z o.o.*	Ostrobramska 77, Warsaw	broadcasting and TV production	100%
INFO-TV-FM Sp. z o.o.**	Łubinowa 4a, Warsaw	radio and TV activities	100%
Redefine Sp. z o.o.***	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Poszkole. pl Sp. z o.o.***	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Stat24 Sp.z o.o.***	Al. Stanów Zjednoczonych 61 A, Warsaw	market research	100%
Gery.pl Sp. z o.o. in liquidation***	Ostrobramska 75c, Warszawa	web portals activities	100%
Frazpc.pl Sp. z o.o.***	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Netshare Sp. z o.o***	Al. Stanów Zjednoczonych 61 A, Warsaw	Electronic media (Internet) advertising broker	100%

* consolidation using full consolidation method
** consolidation using full consolidation method from January 30, 2012
*** consolidation using full consolidation method from April 2, 2012

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) June 30, 2012
Polsat Jim Jam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%
Polski Operator Telewizyjny Sp. z o.o.*	Huculska 6, Warsaw	radio communications and radio diffusion	50%

* the company has suspended operations

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

Finalization of acquisition of INFO-TV-FM Sp. z o.o.

On January 30, 2012, 100% shares in the share capital of INFO-TV-FM Sp. z o.o. (INFO-TV-FM) were transferred to the Company following the fulfillment of all conditions precedent included in the acquisition agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited dated October 28, 2011. The fair value price of the acquisition amounted to PLN 29,313,202.19 (not in thousands).

Acquisition of internet television ipla

On March 12, 2012, the Company concluded with Bithell Holdings Ltd. agreements concerning the acquisition of shares in the companies running ipla service, the leader in online video distribution in Poland.. The agreements concerned the following shares:

1. 100% shares in Redefine Sp. z o.o. seated in Warsaw ("Redefine")
2. 100% shares in Gery.pl Sp. z o.o. seated in Warsaw (in liquidation)
3. 100% shares in Frazpc.pl Sp. z o.o. seated in Warsaw
4. 100% shares in Netshare Sp. z o.o. seated in Warsaw.

Following the acquisition of the companies abovementioned, we also took control over the subsidiaries of Redefine Sp. z o.o.: Poszkole Sp. z o.o. and Stat24 Sp. z o.o.

The transfer of the legal rights to the acquired shares was effectuated on April 2, 2012.

Registration of Telewizja Polsat Holdings Sp. z o.o.

On May 7, 2012, Telewizja Polsat Holdings Sp. z o.o. was registered by the court. Telewizja Polsat Sp. z o.o. holds 100% shares in the share capital of Telewizja Polsat Holdings Sp. z o.o.

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 votes at General Meeting of the Company 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 other acts ("Offering Act").

Shareholder	Number of shares	% of share	Number of votes	% of votes
Pola Investments Ltd. (1)	154,204,296	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. (2)	25,341,272	7.27%	50,382,647	9.55%
Others	168,807,268	48.46%	170,678,518	32.34%
Total	348,352,836	100.00%	527,770,337	100.00%

1 Pola Investments Ltd. is controlled by Mr. Zygmunt Solorz-Żak
2 Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta.

Changes in the structure of ownership of significant number of shares of the issuer in the period since the publication of the last periodic report

In the period from the publication of the last periodic report, that is May 15, 2012, till the date of this report, the Company did not receive any notice from shareholders obligatory under article 69 section 1 of the Offering Act.

8. Changes in the number of shares of Cyfrowy Polsat S.A. owned by the members of the Management Board and the 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 30, 2012, the date of publication of this semi-annual report, and changes in their holdings since the date of publication of our last periodic report (report for the first quarter of 2012) on May 15, 2012. 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 15, 2012	Increases	Decreases	Balance as of August 30, 2012
Dominik Libicki, President of the Management Board	1,497	400,000(*)	191,510(*)	209,987

(*) On July 20, 2012, the Company was informed, that based on a disposition dated July 19, 2011, a package of 400,000 (four hundred thousand) shares of the Company was transferred from the account of a person closely related to Mr. Dominik Libicki to his account, so that the following transactions:

- sale of 90,465 shares of the Company, executed on October 24 - 25, 2011;

- sale of 8,101 shares of the Company, executed on July 3, 2012;

- sale of 766 shares of the Company, executed on July 4, 2012,

on which the Company informed in the Current Reports no. 63/2011 dated October 31, 2011 and no. 19/2012 dated July 10, 2012, were executed by Mr. Dominik Libicki personally and not by a person closely related to him.

In addition, in July 2012, Mr. Dominik Libicki sold 92,178 shares of the Company.

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 30, 2012, the date of publication of this semi-annual report, and changes in their holdings since the date of publication of our last financial report (report for the first quarter of 2012) on May 15, 2012. 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 15, 2012	Increases	Decreases	Balance as of August 30, 2012
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	154,204,296	-	-	154,204,296
Heronim Ruta[2] Member of the Supervisory Board	25,341,272	-	-	25,341,272

[1] Mr. Zygmunt Solorz-Żak controls indirectly through Pola Investments Ltd. 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Meeting of the Company, which constitutes 58.11% of total number of votes in the Company.
[2] Mr. Heronim Ruta controls indirectly through Sensor Overseas Ltd. 25,341,272 of the Company's shares constituting 7.27% of the Company's share capital and representing 50,382,647 votes at the General Meeting of the Company, which constitutes 9.55% of total number of votes in the Company.

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

In 2009 the Parent received UOKiK's decision whereby the President of UOKiK confirmed that certain statements included in the Company's service delivery regulations in force prior to November 1, 2009, were breaching the collective interests of consumers and imposed a cash fine of PLN 994. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

On April 26, 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500 which was paid by the Company on June 6, 2012.

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

Legal regulations in Poland require broadcasters to pay various royalties to the organizations of authors, artists and professionals in the entertainment industry ('OZZPA') for the use of content produced by third parties. As at June 30, 2012, the Company's subsidiary, Telewizja Polsat Sp. z o.o., was in a dispute with some of the OZZPA in respect of the validity, nature and the amount of the royalty fees for the rights belonging to the authors represented by such organizations. As at June 30, 2012, OZZPA filed claims against Telewizja Polsat Sp. z o.o. for the principal amount of PLN 10,560 plus interest.

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, 2012 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

In the six-month period ended June 30, 2012 neither us, nor any of subsidiary companies had granted any guarantees to another entity.

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 sales, (ii) advertising and sponsorship, (iii) fees from cable TV and satellite operators, (iv) sale of equipment and (v) other revenue sources.

Retail subscription revenue

Retail sales consists primarily of (i) monthly subscription fees paid by our pay digital television subscribers for programming packages, (ii) fees for the leasing of set-top boxes, (iii) activation fees, (iv) penalties 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 pay digital television 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. In this position we also present non-advertising revenue of the companies of Redefine Sp. z o.o. Group, consolidated since April 2, 2012 (primarily revenue from subscription of ipla and muzo and PPV service in ipla).

Sales of advertising and sponsorship

Our revenue from advertising and sponsorship is generated mainly by TV Polsat Group (99%), the rest relates to revenue from sale of marketing and advertising services by the Company and consolidated from the second quarter of 2012 revenue from advertising generated by Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. in liquidation. 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 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 breaks 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 commercial 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) transmission services;
- (ii) the lease of premises and facilities;
- (iii) sales of licenses, sublicenses and property rights;
- (iv) revenue from phone calls to call center;
- (v) other services.

12.2. Operating costs

Operating costs consist of:

(i) programming costs,
(ii) costs of internal and external TV production and amortization of sport rights,
(iii) distribution, marketing, customer relation management and retention costs,
(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) cost of settlements with mobile network operators and interconnection charges,
(ix) cost of debt collection services and bad debt allowance and receivables written off,
(x) costs of equipment sold and
(xi) 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.

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.

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 conclude sale or retention agreements with our subscribers for DTH, broadband Internet and mobile telephony services and (ii) costs of courier services, distribution of reception equipment 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 centre costs and other customer relation management costs.

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 and social security contributions of factory employees, which are included in the costs of manufacturing reception equipment 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 (analogue and digital terrestrial transmission) 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 settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges include costs related to MVNO services – domestic and international roaming and InterConnect (depending on the number of connections, text and multimedia messages realized) as well as costs related to internet services – costs of data transfer service.

Cost of debt collection services and bad debt allowance and receivables written off

In this group of costs we present:

(i) bad debt recovery fees, previously included in distribution, marketing, customer relation management and retention costs,
(ii) bad debt allowance and the cost of receivables written off, previously included in other operating costs.

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 cost,
(ii) the cost of SMART and SIM cards provided to customers,
(iii) IT services costs,
(iv) property maintenance costs,
(v) guarantee services costs,
(vi) legal, advisory and consulting costs,
(vii) taxes and other charges,
(viii) the cost of licenses and other current assets sold,
(ix) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production
(x) costs of purchase of advertising space generated by the companies from Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. in liquidation, consolidated from April 2, 2012, and
(xi) other costs.

12.3. Other operating income

Other operating income consists of:

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

12.4. Other operating costs

Other operating costs consist of:

(i) inventory impairment write-downs,
(ii) 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 net foreign exchange gains on the valuation of Senior Notes denominated in euro and interest income.

12.6. Finance costs

For the presented periods, finance costs primarily comprised interest accrued on our loans and borrowings and Senior Notes, other interests cost, foreign exchange losses and costs of bank charges and commissions.

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.

	3 months ended June 30			6 months ended June 30		
	2012	**2011**	**Change / %**	**2012**	**2011**	**Change / %**
Number of subscribers at end of period, of which:	**3,553,473**	**3,472,757**	**2.3%**	**3,553,473**	**3,472,757**	**2.3%**
Family Package	2,750,888	2,706,080	1.7%	2,750,888	2,706,080	1.7%
Mini Package	802,585	766,677	4.7%	802,585	766,677	4.7%
Average number of subscribers[1], of which:	**3,538,441**	**3,472,710**	**1.9%**	**3,546,658**	**3,469,405**	**2.2%**
Family Package	2,772,423	2,715,662	2.1%	2,782,203	2,727,853	2.0%
Mini Package	766,018	757,048	1.2%	764,455	741,552	3.1%
Churn rate of which:	**9.2%**	**9.1%**	**0.1 p.p.**	**9.2%**	**9.1%**	**0.1 p.p.**
Family Package	9.5%	10.3%	-0.8 p.p.	9.5%	10.3%	-0.8 p.p.
Mini Package	8.1%	6.8%	1.3 p.p.	8.1%	6.8%	1.3 p.p.
Average revenue per user[2] (ARPU) (PLN), of which:	**38.8**	**36.3**	**6.9%**	**38.6**	**36.6**	**5.5%**
Family Package (PLN)	45.9	43.2	6.3%	45.6	43.4	5.1%
Mini Package (PLN)	13.2	11.6	13.8%	13.3	11.5	15.7%
Subscriber average cost (SAC) (PLN)	**96.8**	**110.4**	**-12.3%**	**104.4**	**117.9**	**-11.5%**

[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.

[2]In line with the provisions of IAS 18, starting from the year 2012 the Group recognizes lower revenues from penalties for breaching contracts by the clients due to change of accounting estimates regarding recognition and recoverability of these revenues. This change of estimates does not materially influence the Group's operating results as the Group respectively recognizes lower bad debt allowance expense. It causes, however, a slight decrease in ARPU, though not perturbing its stable upward trend (applying the methodology abovementioned, ARPU in the 6 months ended June 30, 2011 would amount to PLN 35.7). The Management Board believes that this approach reflects the business standing of the Group more precisely and is more transparent for the market environment.

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to pay digital television services and who is obligated, under the terms of 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 2.3%, to approximately 3,553.5 thousand subscribers as of June 30, 2012 from approximately 3,472.8 thousand subscribers as of June 30, 2011. Family Package subscribers constituted 77.4% and 77.9% of our entire subscriber base as of June 30, 2012 and 2011, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-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 twelve-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service. Our churn rate has remained almost unchanged in the twelve-month period ended June 30, 2012 and June 30, 2011, and amounted to 9.2% and 9.1% respectively with the churn rate of the Family Package decreasing by 0.8 percentage point and the churn rate of Mini Package increasing by 1.3 percentage point.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting period. ARPU increased by 6.9% to PLN 38.8 in the second quarter of 2012 from PLN 36.3 in the second quarter of 2011. Family Package ARPU increased by 6.3%, to PLN 45.9 in the second quarter of 2012 from PLN 43.2 in the second quarter of 2011. Mini Package ARPU increased by 13.8%, to PLN 13.2 in the second quarter of 2012 from PLN 11.6 in the second quarter of 2011. ARPU increased by 5.5% to PLN 38.6 in the first half of 2012 from PLN 36.6 in the first half of 2011. Family Package ARPU increased by 5.1%, to PLN 45.6 in the first half of 2012 from PLN 43.4 in the first half of 2011. Mini Package ARPU increased by 15.7%, to PLN 13.3 in the first half of 2012 from PLN 11.5 in the first half of 2011. The increase in ARPU resulted i.a. from the revenue from additional services (VoD) and increasing number of subscribers to higher packages.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 12.3% to PLN 96.8 in the second quarter of 2012 from PLN 110.4 in the second quarter of 2011. Our average SAC decreased by 11.5% to PLN 104.4 in the first half of 2012 from 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.

	3 months ended June 30,			6 months ended June 30,		
	2012	**2011**	***Change / %***	**2012**	**2011**	***Change / %***
Audience share[1], including:	**20.03%**	**21.15%**	**-5.30%**	**20.59%**	**20.34%**	**1.23%**
POLSAT (main channel)	**15.51%**	**17.00%**	**-8.76%**	**16.13%**	**16.39%**	**-1.59%**
Thematic channels	**4.51%**	**4.15%**	**8.67%**	**4.45%**	**3.95%**	**12.66%**
Polsat2	1.26%	1.40%	-10.00%	1.30%	1.32%	-1.52%
Polsat News	0.74%	0.67%	10.45%	0.72%	0.63%	14.29%
Polsat Sport	0.71%	0.56%	26.79%	0.66%	0.52%	26.92%
Polsat Film	0.46%	0.38%	21.05%	0.42%	0.38%	10.53%
Polsat JimJam	0.34%	0.24%	41.67%	0.36%	0.30%	20.00%
Polsat Cafe	0.35%	0.31%	12.90%	0.34%	0.30%	13.33%
Polsat Play	0.34%	0.33%	3.03%	0.33%	0.29%	13.79%
Polsat Sport Extra	0.18%	0.22%	-18.18%	0.16%	0.16%	0.00%
Polsat Crime & Investigation Network	0.12%	0.00%	--	0.13%	0.00%	--
TV Biznes	0.02%	0.02%	0.00%	0.02%	0.02%	0.00%
Polsat Futbol[2]	0.00%	0.02%	-100.00%	0.01%	0.02%	-50.00%
Advertising market share[3]	**22.5%**	**23.0%**	**-2.4%**	**23.1%**	**22.3%**	**3.9%**

[1] NAM, All day 16-49 audience share
[2] Polsat Futbol broadcast till the end of May 2012
[3] Our estimates based on Starlink data

Polsat channels; technical reach[1]

	3 months ended June 30,			6 months ended June 30,		
	2012	**2011**	***Change / %***	**2012**	**2011**	***Change / %***
Polsat	98.4	97.6	0.9%	98.4	97.2	1.2%
Polsat 2	56.9	56.5	0.7%	57.2	53.8	6.4%
TV Biznes	52.4	49.8	5.2%	52.1	49.1	6.0%
Polsat News	48.9	47.0	4.2%	49.0	43.8	12.0%
Polsat Cafe	48.3	45.6	5.9%	48.3	44.2	9.3%
Polsat Sport	42.9	43.2	-0.8%	43.2	41.2	4.8%
Polsat Play	39.2	36.7	6.6%	39.0	34.9	11.9%
Polsat JimJam	37.4	35.0	6.9%	37.3	34.0	9.8%
Polsat Film	36.4	34.4	5.8%	36.3	32.8	10.7%
Polsat Sport News[2]	37.7	3.8	891.4%	35.1	3.8	822.9%
Polsat Sport Extra[3]	35.6	29.8	19.2%	33.3	29.4	13.1%
Polsat Crime & Investigation Network[4]	32.0	6.7	375.7%	30.3	7.4	311.7%
Polsat Futbol[5]	13.6	13.3	2.3%	15.0	13.1	14.1%
Polsat Sport HD[6]	5.6	2.8	101.1%	5.7	2.1	168.0%

[1] NAM, percentage of households which have a possibility to watch pointed channel; arithmetical average of monthly technical reach
[2] Data only from June 2012 (not monitored before)
[3] Since June 2012, the joint reach with Polsat Sport Extra HD (new channel)
[4] Polsat Crime & Investigation Network, based on cooperation of Telewizja Polsat and A+E Networks UK, is broadcasted from November 2011 (earlier data relate to the technical reach of the channel prior to the cooperation)
[5] Data till May 2012 (channel closed down)
[6] Data from February 2011 (not monitored before)

Audience share

Audience results in the second quarter of 2012 were significantly influenced by transmission from EURO 2012 tournament, broadcasted on public TV channels. The leading commercial channels were impacted the most, especially during the transmissions of matches of Polish national team. It is worth noting, that compared to the other large commercial station TVN, the results of POLSAT in June showed lower decreases in audience share. In case of TV Polsat thematic channels, the effect of EURO 2012 was not so visible.

Viewers were attracted by the fixed slots on the POLSAT channel's schedule, such as Monday's cycle *Mega Hit*, that gathered on average 1.4 million viewers in the second quarter of 2012, which translated into 23.7% audience share, Wednesday's comedy slot (at 8:30 pm) gathering 1 million viewers (16.6% audience share), series *Pierwsza miłość* (Monday-Friday, 6 pm; 1 million viewers, 27.1% audience share). The results of the second quarter were significantly influenced by the novelties in the channel's spring schedule: the new edition of talent show *Must be the Music – Tylko muzyka* (Sunday, 8 pm), 1.7 million viewers which constituted 24.4% audience share, as well as the Friday's new talent show *Got to Dance – Tylko taniec* (1.1 million viewers, 19.3% audience share). In case of the Group's thematic channels, the highest audience share in the second quarter of 2012 was recorded by Polsat 2, Polsat News and Polsat Sport. The thematic channels with the highest audience growth dynamics were Polsat JimJam, Polsat Sport and Polsat Film. The audience results of Polsat Group include also the audience of the new channel Polsat Crime & Investigation Network, launched in November 2011, whose audience share in the second quarter of 2012 reached 0.12%.

In case of the first half 2012, the most popular programs on POLSAT channel were *Must be the Music – Tylko Muzyka*, with an average audience of all episodes exceeding 1.8 million and audience share of 25.5%, Monday's cycle *Mega Hit* (1.5 million viewers and 23.1% audience share), Sunday emissions of CSI:Miami series (1.2 million viewers and 17.9% audience share), *Got to Dance – Tylko taniec* (1.2 million viewers, 20.9% audience share), Sunday emissions of *Bones* series (1.2 million viewers and 21.3% audience share). Among the thematic channels, in the first half of 2012, similarly to the second quarter of 2012, the largest audience was gathered by Polsat 2, Polsat News and Polsat Sport. The thematic channels with the highest audience growth dynamics were Polsat Sport, Polsat JimJam and Polsat News.

Advertising market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the second quarter of 2012 amounted to PLN 1.05 billion (not in thousands) and decreased year-on-year by 7.8%. Based on these data, we estimate that our TV advertising market share in the second quarter of 2012 decreased y-o-y to 22.5% from 23.0% share in TV advertising expenditures in the second quarter of 2011. It was mainly due to the reduced activity of advertisers during EURO 2012. In total, in the second quarter of 2012 we generated 1.6% less GRPs than in the analogical period of the previous year.

Starlink media house, estimated the expenditures on TV advertising and sponsoring in the first half of 2012 at PLN 1.9 billion (not in thousands), which is 5.2% less compared to the first half of 2011. Based on this estimation, our share in TV advertising market in the first half of 2012 grew y-o-y to 23.1% from 22.3% in the first half of 2011. In total, in the first half of 2012 we generated 5.3% more GRPs than in the analogical period of the previous year.

Distribution and technical reach

Thematic channels of Polsat Group are currently available on almost all significant cable and satellite platforms. Comparing the data for the second quarter of 2012 and 2011, the largest increases were recorded in case of Polsat Sport News and Polsat Sport HD, that were launched in June and February 2011, respectively. In case of Polsat Crime & Investigation Network, data for 2011 include the technical reach of the channel before the cooperation with TV Polsat was launched. The year-on-year increase in technical reach in the first half of 2012 was influenced by the introduction of some of channels of the Group to "n" platform in May 2011.

12.7.2. Review of the financial situation

The following review of results for the three and six-month period ended June 30, 2012 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2012, and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2012, prepared in accordance with International Accounting Standard 34 and internal analysis.

All financial data is expressed in thousands of PLN.

As in 2011, the results of TV Polsat Group were consolidated from April 20, furthermore in 2012 we begun to consolidate the results of the newly acquired companies, i.e. INFO-TV-FM Sp. z o.o., Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. in liquidation (further called "the newly acquired companies"), our results in 2012 are not fully comparable with the results of the analogical periods in 2011. For comparability reasons, in the following comparison of financial results for the three- and six-month periods ended June 30, 2012 with the results for the corresponding periods of 2011, we exclude the effect of consolidation of TV Polsat Group and the newly acquired companies.

Comparison of financial results for the three-month period ended June 30, 2012 with the results for the corresponding period of 2011

Revenue

Our total revenue increased by PLN 85,440, or 13.6%, to PLN 713,845 for the three-month period ended June 30, 2012 from PLN 628,405 for the three-month period ended June 30, 2011. The fact that in 2012 we consolidated the full quarter results of TV Polsat Group while in 2011 the results were consolidated from April 20, and the consolidation of the results of the newly acquired companies in 2012, had a significant impact on the increase in consolidated revenue. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, our total revenue increased by PLN 44,280, or 11.2%, to PLN 440,542 for the three-month period ended June 30, 2012 from PLN 396,262 for the three-month period ended June 30, 2011. Revenue grew for the reasons set forth below.

Retail sales

Revenue from retail sales increased by PLN 42,089, or 10.9%, to PLN 427,880 for the three-month period ended June 30, 2012 from PLN 385,791 for the three-month period ended June 30, 2011. The consolidation of TV Polsat Group did not have impact of the revenue from retail sales, while excluding the effect of consolidation of the newly acquired companies, the revenue from retail sales increased by PLN 41,536, or 10.8%, to PLN 427,327 in the three-month period ended June 30, 2012. This increase primarily resulted from the increase in DTH subscription fee revenue (attributable to a higher average number of subscribers in the second quarter of 2012 compared to the second quarter of 2011 and an increase in ARPU) and the increase in revenue from telecommunication services.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 31,158, or 15.0%, to PLN 238,377 for the three-month period ended June 30, 2012 from PLN 207,219 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, the revenue from advertising increased by PLN 23, or 3.3%, to PLN 720 for the three-month period ended June 30, 2012 from PLN 697 for the three-month period ended June 30, 2011.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates solely to revenue of TV Polsat Group. This revenue was consolidated in the second quarter of 2012 in the amount of PLN 23,551 (for the full three months), compared to PLN 16,219 in the second quarter of 2011 (consolidation from April 20, 2011). The increase was also due i.a. to the introduction of TV Polsat channels to "n" platform in May 2011.

Sale of equipment

Revenue from the sale of equipment increased by PLN 3,507, or 130.6%, to PLN 6,192 for the three-month period ended June 30, 2012 from PLN 2,685 for the three-month period ended June 30, 2011. This increase was primarily due to recognition of revenue from sale of equipment for reception of DTT in the second quarter of 2012 (no such position in the reference period). Consolidation of TV Polsat Group or consolidation of the newly acquired companies did not significantly impact revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 1,354, or 8.2%, to PLN 17,845 for the three-month period ended June 30, 2012 from PLN 16,491 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group (mainly revenue from broadcasting and signal transmission services and revenue from sale of licenses, sub-licenses and property rights) and the effect of consolidation of the newly acquired companies, other revenue decreased by PLN 801, or 11.4%, to PLN 6,261 in the second quarter of 2012 from PLN 7,063 in the second quarter of 2011.

Total operating costs

	For the three-month period ended June 30,		
	2012	2011	Change / %
Programming costs	97,117	103,627	-6.3%
Cost of internal and external TV production and amortization of sport rigths	104,933	75,842	38.4%
Distribution, marketing, customer relation management and retention costs	71,795	74,801	-4.0%
Depreciation, amortization and impairment	56,684	44,755	26.7%
Salaries and employee - related costs	40,274	39,391	2.2%
Broadcasting and signal transmission costs	36,205	26,919	34.5%
Amortization of purchased film licenses	24,587	25,769	-4.6%
Cost of settlements with mobile network operators and interconnection charges*	11,106	5,699	94.9%
Cost of debt collection services and bad debt allowance and receivables written off**	8,387	15,150	-44.6%
Cost of equipment sold	7,567	4,350	74.0%
Other costs***	40,997	37,819	8.4%
Total operating costs	**499,652**	**454,122**	**10.0%**

* From the first quarter of 2012, we present the Cost of settlements with mobile network operators and interconnection charges (previously presented in Other costs) in a separate line. We adjusted the presentation in the second quarter of 2011 for comparability reasons.

** From the second quarter 2012, we present bad debt recovery fees (previously presented in Distribution, marketing, customer relation management and retention costs) and bad debt allowance and the cost of receivables written off (previously presented in *Other operating costs*) in a separate line in Operating costs. We adjusted the presentation in the second quarter of 2011 for comparability reasons.

*** Following the presentation changes abovementioned, we adjusted the presentation in the second quarter of 2011 for comparability reasons.

Total operating costs increased by PLN 45,530, or 10.0%, to PLN 499,652 for the three-month period ended June 30, 2012 from PLN 454,122 for the three-month period ended June 30, 2011. The fact that in 2012 we consolidated the results of the full quarter of TV Polsat Group while in 2011 the results were consolidated from April 20 and the consolidation of the results of the newly acquired companies in 2012 had a significant impact on the increase in consolidated costs. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, our total operating costs increased by PLN 6,750, or 2.2%, to PLN 315,683 for the three-month period ended June 30, 2012 from PLN 308,933 for the three-month period ended June 30, 2011. Costs grew for the reasons set forth below.

Programming costs

Programming costs decreased by PLN 6,510, or 6.3%, to PLN 97,117 for the three-month period ended June 30, 2012 from PLN 103,627 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, programming costs decreased by PLN 2,970, or 2.8%, to PLN 103,026 for the three-month period ended June 30, 2012 from PLN 105,996 for the three-month period ended June 30, 2011. This decrease is the effect of better fees negotiated for the purchase of programming content, despite the negative impact of currency fluctuations (increase in costs) and the increase in the average number of our DTH subscribers.

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

The cost of internal and external production and amortization of sport rights increased by PLN 29,091, or 38.4%, to PLN 104,933 in the second quarter of 2012 from PLN 75,842 in the second quarter of 2011. The increase is mainly due to consolidation of the results of TV Polsat Group for the full second quarter of 2012 compared to a part of the second quarter in 2011. The effect of the consolidation of the newly acquired companies was not significant.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 3,006, or 4.0%, to PLN 71,795 for the three-month period ended June 30, 2012 from PLN 74,801 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, these costs decreased by PLN 204, or 0.3%, and amounted to PLN 71,522 in the three-month period ended June 30, 2012 compared to PLN 71,726 in the three-month period ended June 30, 2011.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 11,929, or 26.7%, to PLN 56,684 for the three-month period ended June 30, 2012 from PLN 44,755 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, these costs increased by PLN 11,022, or 32.0%, to PLN 45,483 for the three-month period ended June 30, 2012 from PLN 34,461 for the three-month period ended June 30, 2011. The increase in depreciation, amortization and impairment was caused primarily by the dynamic increase in the number of set-top-boxes, modems, STB hard disks and routers leased to our subscribers (accounted for as fixed assets).

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 883, or 2.2%, to PLN 40,274 for the three-month period ended June 30, 2012 from PLN 39,391 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, these costs decreased by PLN 3,002, or 11.7%, to PLN 22,667 for the three-month period ended June 30, 2012 from PLN 25,669 for the three-month period ended June 30, 2011.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 9,286, or 34.5%, to PLN 36,205 for the three-month period ended June 30, 2012 from PLN 26,919 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, broadcasting and signal transmission costs increased by PLN 1,978, or 9.6%, to PLN 22,504 for the three-month period ended June 30, 2012 from PLN 20,526 for the three-month period ended June 30, 2011, mainly due to currency fluctuations (weakening of the Polish currency).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses decreased by PLN 1,182, or 4.6%, to PLN 24,587 in the second quarter of 2012 from 25,769 in the second quarter of 2011. The decrease is mainly due to lower cost of TV series in POLSAT channel's programming and reversal of impairment write-downs. The decrease was partially offset by the consolidation of the results of TV Polsat Group for the full second quarter of 2012 compared to a part of the second quarter of 2011. The effect of the consolidation of the newly acquired companies was not significant.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 5,407, or 94.9%, to PLN 11,106 for the second quarter of 2012 from PLN 5,699 for the second quarter of 2011. The increase resulted primarily from the growth of the base of subscribers to Internet access service. The consolidation of TV Polsat Group and the newly acquired companies did not have an effect on cost of settlements with mobile network operators and interconnection charges.

Cost of debt collection services and bad debt allowance and receivables written off

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 6,763, or 44.6%, to PLN 8,387 in the second quarter of 2012 from PLN 15,150 in the second quarter of 2011. Excluding the effect of consolidation of TV Polsat Group, these costs decreased by PLN 5,580, or 39.7%, to PLN 8,485 in the second quarter of 2012 from PLN 14,065 in the second quarter of 2011. The decrease was primarily due to lower bad debt allowance and the cost of receivables written off. The consolidation of the newly acquired companies had no impact on these costs.

Cost of equipment sold

Cost of equipment sold increased by PLN 3,217, or 74.0%, to PLN 7,567 for the three-month period ended June 30, 2012 from PLN 4,350 for the three-month period ended June 30, 2011. This decrease was a net effect of several factors, out of which the most significant was cost of sale of equipment for reception of DTT recognized in the second quarter of 2012 (no such a position in the reference period). Consolidation of TV Polsat Group and the newly acquired companies did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 3,178, or 8.4%, to PLN 40,997 for the three-month period ended June 30, 2012 from PLN 37,819 for the three-month period ended June 30, 2011. Excluding the consolidation of TV Polsat Group and the newly acquired companies, other costs decreased by PLN 3,119, or 11.8%, to PLN 23,299 for the three-month period ended June 30, 2012 from PLN 26,418 for the three-month period ended June 30, 2011. The decrease was primarily due to lower legal, advisory and consulting costs and property maintenance costs.

Other operating income / costs

Net other operating income and costs amounted to PLN -1,112 for the three-month period ended June 30, 2012 compared to PLN -1,525 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group, net other operating income and costs amounted to PLN -1,160 for the three-month period ended June 30, 2012 compared to PLN -1,551 for the three-month period ended June 30, 2011. The consolidation of the newly acquired companies did not have a material impact on net other operating income and costs.

Finance income

Finance income decreased by PLN 2,645, or 34.3%, to PLN 5,060 for the three-month period ended June 30, 2012 from PLN 7,705 for the three-month period ended June 30, 2011. The decrease was a net result of several factors including primarily: (i) gains on exchange rate fluctuations recognized in the second quarter of 2011 (losses in the second quarter of 2012), (ii) higher interest income in the second quarter of 2012 (including PLN 1,529 recognized by TV Polsat Group). The consolidation of the newly acquired companies did not have a significant effect on finance income.

Finance costs

Finance costs increased by PLN 14,940, or 16.4%, to PLN 106,008 for the three-month period ended June 30, 2012 from PLN 91,068 for the three-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, finance costs increased by PLN 5,265, or 5.7%, to PLN 97,187 for the three-month period ended June 30, 2012 from PLN 91,922 for the three-month period ended June 30, 2011. The increase was a net effect of several factors including primarily: (i) higher cost of interests on Senior Notes, resulting from the fact that the cost of interests in 2012 was calculated for the full quarter, compared to less than a quarter in 2011 (from May 20, 2011), (ii) decreased cost of interests on loans and borrowings mainly due to the decrease in interests on bridge facility repaid in total in May 2011, partially offset by higher interest costs on Term Facility Loan (for the full period of 2012 vs less than a quarter in 2011), (iii) higher loss on valuation of Senior Notes recognized in the second quarter of 2012, (iv) other foreign exchange losses recognized in the second quarter of 2012 (gains in the second quarter of 2011).

Net profit

Net profit for the second quarter of 2012 increased by PLN 30,021, or by 43.2%, to PLN 99,503 from PLN 69,482 in the second quarter of 2011.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 52,252, or 24.0%, to PLN 269,765 in the second quarter of 2012 from PLN 217,513 for the second quarter of 2011. EBITDA margin increased to 37,8% for the second quarter of 2012 from 34.6% for the second quarter of 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, EBITDA increased by PLN 48,944, or 40.7%, to PLN 169,184 for the second quarter of 2012 from PLN 120,240 for the second quarter of 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, EBITDA margin increased to 38.4% for the second quarter of 2012 from 30.3% for the second quarter of 2011.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,490 in the three-month period ended June 30, 2012, as compared to 1,440 in the corresponding period of 2011. The increase in the average number of employees is a net effect of growth resulting primarily from the acquisition of companies of Redefine Sp. z o.o. Group and Netshare Sp. z o.o. and employment reductions in mPunkt and TV Polsat.

Comparison of financial results for the six-month period ended June 30, 2012 with the results for the corresponding period of 2011

Revenue

Our total revenue increased by PLN 351,874, or 34.1%, to PLN 1,383,058 for the six-month period ended June 30, 2012 from PLN 1,031,184 for the six-month period ended June 30, 2011. The fact that in 2012 we consolidated the full half-year results of TV Polsat Group while in 2011 the results were consolidated from April 20 and the consolidation of the results of the newly acquired companies in 2012, had a significant impact on the increase in consolidated revenue. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, our total revenue increased by PLN 75,934, or 9.5%, to PLN 874,975 for the six-month period ended June 30, 2012 from PLN 799,041 for the six-month period ended June 30, 2011. Revenue grew for the reasons set forth below.

Retail sales

Revenue from retail sales increased by PLN 78,655, or 10.2%, to PLN 852,554 for the six-month period ended June 30, 2012 from PLN 773,899 for the six-month period ended June 30, 2011. The consolidation of TV Polsat Group did not have impact of the revenue from retail sales, while excluding the effect of consolidation of the newly acquired companies, the revenue from retail sales increased by PLN 78,102, or 10.1%, to PLN 852,001 in the six-month period ended June 30, 2012. This increase primarily resulted from the increase in DTH subscription fee revenue (attributable to a higher average number of subscribers in the first half of 2012 compared to the first half of 2011 and an increase in ARPU) and the increase in revenue from telecommunication services.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 231,322, or 110.9%, to PLN 439,948 for the six-month period ended June 30, 2012 from PLN 208,627 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, the revenue from advertising decreased by PLN 720, or 34.2%, to PLN 1,385 for the six-month period ended June 30, 2012 from PLN 2,105 for the six-month period ended June 30, 2011.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates solely to revenue of TV Polsat Group. This revenue was consolidated in the first half of 2012 in the amount of PLN 46,880, compared to PLN 16,219 in the first half of 2011 (consolidation from April 20, 2011). The increase was also due i.a. to the introduction of TV Polsat channels to "n" platform in May 2011.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 247, or 2.7%, to PLN 8,912 for the six-month period ended June 30, 2012 from PLN 9,159 for the six-month period ended June 30, 2011. Consolidation of TV Polsat Group or consolidation of the newly acquired companies did not significantly impact revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 11,484, or 49.3%, to PLN 34,764 for the six-month period ended June 30, 2012 from PLN 23,280 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group (mainly revenue from broadcasting and signal transmission services and revenue from sale of licenses, sub-licenses and property rights) and the effect of consolidation of the newly acquired companies, other revenue decreased by PLN 1,233, or 8.9%, to PLN 12,619 in the first half of 2012 from PLN 13,852 in the first half of 2011.

Total operating costs

	For the six-month period ended June 30,		
	2012	**2011**	**Change / %**
Programming costs	197,263	203,891	-3.3%
Cost of internal and external TV production and amortization of sport rigths	183,508	75,842	142.0%
Distribution, marketing, customer relation management and retention costs	143,331	147,481	-2.8%
Depreciation, amortization and impairment	111,117	73,095	52.0%
Salaries and employee-related costs	80,871	61,779	30.9%
Broadcasting and signal transmission costs	69,876	47,344	47.6%
Amortization of purchased film licenses	52,627	25,769	104.2%
Cost of settlements with mobile network operators and interconnection charges*	21,641	10,997	96.8%
Cost of debt collection services and bad debt allowance and receivables written off**	14,305	36,729	-61.1%
Cost of equipment sold	13,064	19,125	-31.7%
Other costs***	76,614	59,581	28.6%
Total operating costs	**964,217**	**761,633**	**26.6%**

* From the first quarter of 2012, we present the Cost of settlements with mobile network operators and interconnection charges (previously presented in Other costs) in a separate line. We adjusted the presentation in the first half of 2011 for comparability reasons.

** From the first half 2012, we present bad debt recovery fees (previously presented in Distribution, marketing, customer relation management and retention costs) and bad debt allowance and the cost of receivables written off (previously presented in *Other operating costs*) in a separate line in Operating costs. We adjusted the presentation in the first half of 2011 for comparability reasons.

*** Following the presentation changes abovementioned, we adjusted the presentation in the first half of 2011 for comparability reasons.

Total operating costs increased by PLN 202,584, or 26,6%, to PLN 964,217 for the six-month period ended June 30, 2012 from PLN 761,633 for the six-month period ended June 30, 2011. The fact that in 2012 we consolidated the full half-year results of TV Polsat Group while in 2011 the results were consolidated from April 20 and the consolidation of the results of the newly acquired companies in 2012 had a significant impact on the increase in consolidated costs. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, our total operating costs increased by PLN 9,383, or

1.5%, to PLN 625,827 for the six-month period ended June 30, 2012 from PLN 616,444 for the six-month period ended June 30, 2011. Costs grew for the reasons set forth below.

Programming costs

Programming costs decreased by PLN 6,628, or 3.3%, to PLN 197,263 for the six-month period ended June 30, 2012 from PLN 203,891 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, programming costs increased by PLN 4,772, or 2.3%, to PLN 211,031 for the six-month period ended June 30, 2012 from PLN 206,259 for the six-month period ended June 30, 2011. This increase is a net effect of currency fluctuations (increase in costs) and other factors such as the increase in the average number of our DTH subscribers and lower costs of programming content.

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

The cost of internal and external production and amortization of sport rights increased by PLN 107,666, or 142.0%, to PLN 183,508 in the first half of 2012 from PLN 75,842 in the first half of 2011. The increase is mainly due to consolidation of the results of TV Polsat Group for the full half-year of 2012 compared to a part of the second quarter in 2011. The effect of the consolidation of the newly acquired companies was not significant.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 4,150, or 2.8%, to PLN 143,331 for the six-month period ended June 30, 2012 from PLN 147,481 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, the cost amounted to PLN 142,880 in the six-month period ended June 30, 2012 and remained at similar level compared to PLN 144,406 in the six-month period ended June 30, 2011 (decrease by 1.1%).

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 38,022, or 52.0%, to PLN 111,117 for the six-month period ended June 30, 2012 from PLN 73,095 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, these costs increased by PLN 25,613, or 40.8%, to PLN 88,415 for the six-month period ended June 30, 2012 from PLN 62,802 for the six-month period ended June 30, 2011. The increase in depreciation, amortization and impairment was caused primarily by the dynamic increase in the number of set-top-boxes, modems, STB hard disks and routers leased to our subscribers (accounted for as fixed assets).

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 19,092, or 30.9%, to PLN 80,871 for the six-month period ended June 30, 2012 from PLN 61,779 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, these costs decreased by PLN 1,608, or 3.3%, to PLN 46,449 for the six-month period ended June 30, 2012 from PLN 48,057 for the six-month period ended June 30, 2011.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 22,532, or 47.6%, to PLN 69,876 for the six-month period ended June 30, 2012 from PLN 47,344 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, broadcasting and signal transmission costs increased by PLN 3,321, or 8.1%, to PLN 44,272 for the six-month period ended June 30, 2012 from PLN 40,951 for the six-month period ended June 30, 2011, mainly due to currency fluctuations (weakening of the Polish currency).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses increased by PLN 26,858, or 104.2%, to PLN 52,627 in the first half of

2012 from 25,769 in the first half of 2011. The increase is mainly due to consolidation of the results of TV Polsat Group for the full half-year of 2012 compared to a part of the second quarter in 2011. The effect of the consolidation of the newly acquired companies was not significant.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 10,644, or 96.8%, to PLN 21,641 for the first half of 2012 from PLN 10,997 for the first half of 2011. The increase resulted primarily from the growth of the base of subscribers to Internet access service. The consolidation of TV Polsat Group and the newly acquired companies did not have an effect on cost of settlements with mobile network operators and interconnection charges.

Cost of debt collection services and bad debt allowance and receivables written off

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 22,424, or 61.1%, to PLN 14,305 in the first half of 2012 from PLN 36,729 in the first half of 2011. Excluding the effect of consolidation of TV Polsat Group, these costs decreased by PLN 21,687, or 60.8%, to PLN 13,957 in the first half of 2012 from PLN 35,644 in the first half of 2011. The decrease was primarily due to lower bad debt allowance and the cost of receivables written off. The consolidation of the newly acquired companies had no impact on these costs.

Cost of equipment sold

Cost of equipment sold decreased by PLN 6,061, or 31.7%, to PLN 13,064 for the six-month period ended June 30, 2012 from PLN 19,125 for the six-month period ended June 30, 2011. This decrease was a net effect of several factors, out of which the most significant were: (i) the change in presentation of CPT's costs and revenues from sale of components for production of own set-top-boxes and modems to third parties (currently, contrary to the first half of 2011, the costs and revenues are presented in net amount), (ii) lower cost of sales of set-top boxes and hard discs for set-top boxes, resulting from the fact that the majority of our new subscribers prefer to lease rather than purchase set-top-boxes from us, and (iii) cost of sale of equipment for reception of DTT recognized in the first half of 2012 (no such a position in the reference period). Consolidation of TV Polsat Group and the newly acquired companies did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 17,033, or 28.6%, to PLN 76,614 for the six-month period ended June 30, 2012 from PLN 59,581 for the six-month period ended June 30, 2011. Excluding the consolidation of TV Polsat Group and the newly acquired companies, other costs decreased by PLN 4,105, or 8.5%, to PLN 44,076 for the six-month period ended June 30, 2012 from PLN 48,181 for the six-month period ended June 30, 2011. The decrease was primarily due to lower legal, advisory and consulting costs, property maintenance costs and the cost of SMART and SIM cards provided to customers.

Other operating income / costs

Net other operating income and costs amounted to PLN -2,770 for the six-month period ended June 30, 2012 compared to PLN -794 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group, net other operating income and costs amounted to PLN -2,933 for the six-month period ended June 30, 2012 compared to PLN -819 for the six-month period ended June 30, 2011. The consolidation of the newly acquired companies did not have a material impact on net other operating income and costs.

Finance income

Finance income increased by PLN 52,879, to PLN 62,199 for the six-month period ended June 30, 2012 from PLN 9,320 for the six-month period ended June 30, 2011. The increase was a net result of several factors including primarily: (i) recognition of gains on foreign exchange fluctuations in the first half of 2012 relating to the valuation of Senior Notes (loss recognized in the first half of 2011), (ii) higher interest income in the first half of 2012 (including PLN 4,674 recognized in the first half of 2012 by TV Polsat Group, compared to PLN 1,694 consolidated in the first half of 2011) (iii) other gains on exchange rate fluctuations recognized in the first half of 2011 (losses in the first half of 2012). The consolidation of the newly acquired companies did not have a material impact on finance income.

Finance costs

Finance costs increased by PLN 25,549, or 26.9%, to PLN 120,599 for the six-month period ended June 30, 2012 from PLN 95,050 for the six-month period ended June 30, 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, finance costs increased by PLN 22,091, or 23.0%, to PLN 117,995 for the six-month period ended June 30, 2012 from PLN 95,904 for the six-month period ended June 30, 2011. The increase was a net effect of sever factors including primarily: (i) higher cost of interests on Senior Notes, resulting from the fact that in the cost of interests in 2012 were calculated for the full half-year, compared to less than a quarter in 2011 (from May 20, 2011), (ii) increased cost of interests on loans and borrowings mainly due to the higher interest costs on Term Facility Loan (for the full period of 2012 vs less than a quarter in 2011), partially offset by a decrease in interests on bridge facility repaid in total in May 2011, (iii) foreign exchange losses on valuation of Senior Notes recognized in the first half of 2011 vs. gains recognized in the first half of 2012.

Net profit

Net profit for the first half of 2012 increased by PLN 158,732, or by 108.8%, to PLN 304,612 from PLN 145,880 in the first half of 2011.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 185,336, or 54.2%, to PLN 527,188 in the first half of 2012 from PLN 341,852 for the first half of 2011. EBITDA margin increased to 38.1% for the first half of 2012 from 33.2% for the first half of 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, EBITDA increased by PLN 90,052, or 36.8%, to PLN 334,631 for the first half of 2012 from PLN 244,579 for the first half of 2011. Excluding the effect of consolidation of TV Polsat Group and the newly acquired companies, EBITDA margin increased to 38.2% for the first half of 2012 from 30.6% for the first half of 2011.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,461 in the six-month period ended June 30, 2012, as compared to 1,102 in the corresponding period of 2011. The increase in the average number of employees resulted from the acquisition of TV Polsat (we include the employees of TV Polsat Group from the day of the finalization of the acquisition, i.e. April 20, 2011) and the acquisition of companies of Redefine Sp. z o.o. Group and Netshare Sp. z o.o.

Results by business segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into 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 from those of the Group's other segments.

Retail business segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication 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 programs 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.

The table below presents a summary of the Group's revenues and expenses by operating segment for 6 months ended June 30, 2012:

The period of 6 months ended June 30, 2012 unaudited	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	874,720	508,338	-	1,383,058
Inter-segment revenues	5,142	49,889	(55,031)	-
Revenues	**879,862**	**558,227**	**(55,031)**	**1,383,058**
EBITDA	**329,905**	**197,281**	**2**	**527,188**
Profit/(loss) from operating activities	**240,673**	**177,453**	**(2,055)**	**416,071**
Acquisition of property, plant and equipment, reception equipment and intangible assets	102,572*	15,866	-	118,438
Depreciation and amortization	85,739	19,730	2,057	107,526
Impairment	3,493	98	-	3,591
Balance as at June 30, 2012				
Assets, including:	1,695,442	3,068,750**	833,609***	5,597,801
Investments in associates	-	2,774	-	2,774

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

** Includes non-current assets located outside of Poland

*** This item relates primarily to recognition of Polsat brand

It should be noted that the period of 6 months ended June 30, 2012 is not comparable to the period of 6 months ended June 30, 2011 as shares in Telewizja Polsat Sp. z o.o. were acquired on April 20, 2011, shares in INFO-TV-FM were acquired on January 30, 2012 and shares of entities running ipla platform were acquired on April 2, 2012.

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 unaudited	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 June 30, 2011				
Assets, including:	1,285,222	3,118,163	844,690**	5,248,075
Investments in associates	-	2,243	-	2,243

*This item also includes the acquisition of reception equipment for operating lease purposes.
** This item relates primarily to recognition of Polsat brand

Reconciliation of EBITDA and Gross profit for the period:

	for 6 months ended	
	June 30, 2012 unaudited	**June 30, 2011 unaudited**
EBITDA	**527,188**	**341,852**
Depreciation, amortization and impairment	(111,117)	(73,095)
Profit from operating activities	**416,071**	**268,757**
Foreign exchange differences on Senior Notes	53,068	(22,559)
Other foreign exchange rate differences, net	(3,177)	5,917
Interest income	8,335	3,356
Share of the profit or loss of associate accounted for using the equity method	1,501	569
Interest costs	(114,758)	(66,191)
Loss on call options	-	(4,373)
Other	(1,868)	(1,880)
Gross profit for the period	**359,172**	**183,596**
Income tax	(54,560)	(37,716)
Net profit for the period	**304,612**	**145,880**

Comparison of financial position as of June 30, 2012 and December 31, 2011

As of June 30, 2012 and December 31, 2011, our balance sheet amount was PLN 5,597,801 and PLN 5,348,548 respectively. Excluding the effect of consolidation of the companies acquired in 2012 (i.e. INFO-TV-FM Sp. z o.o., Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. in liquidation, further called: "the newly acquired companies") as of June 30, 2012, our balance sheet amount was PLN 5,593,761.

As of June 30, 2012 and December 31, 2011, our non-current assets were PLN 4,425,145 and PLN 4,278,148, respectively, and accounted for 79.1% and 80.0% of the total assets respectively. Excluding the effect of consolidation of the newly acquired companies, as of June 30, 2012, our non-current assets were PLN 4,311,659 and accounted for 77.1% of the total assets.

The value of reception equipment increased by PLN 10,869 or 2.7%, to PLN 419,479 as of June 30, 2012 from PLN 408,610 as of December 31, 2011 due to an increase in the number of equipment for reception of pay-TV and internet sets leased to our subscribers.

The value of other property, plant and equipment decreased by PLN 4,771 or 1.8% to PLN 258,506 as of June 30, 2012 from PLN 263,277 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of other property, plant and equipment decreased by PLN 9,766, or by 3.7%, to PLN 253,511 as of June 30, 2012. The decrease was a net effect of several factors including primarily depreciation charges for the period and purchase of equipment for the production of set-top boxes.

The value of goodwill increased by PLN 163,171, or 6.8%, to PLN 2,575,456 as of June 30, 2012 from PLN 2,412,285 as of December 31, 2011. The increase was due to the initial calculation of the goodwill following the acquisition of INFO-TV-FM and the companies of Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery Sp. z o.o. in liquidation.

As of June 30, 2012, the value of "Polsat" brand was PLN 840,000 and remained unchanged compared to December 31, 2011.

The value of other intangible assets increased by PLN 15,433, or 28.5%, to PLN 69,627 as of June 30, 2012 from PLN 54,194 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of other intangible assets decreased by PLN 1,263, or by 2.3%, and amounted to PLN 52,931 as of June 30, 2012. The decrease resulted primarily from the amortization charged for the period.

The value of non-current programming assets decreased by PLN 35,736, or 27.3%, to 95,405 as of June 30, 2012 from PLN 131,141 as of December 31, 2011. The value of current programming assets increased by PLN 29,822, or by 21.7%, to PLN 167,251 as of June 30, 2012 from PLN 137,429 as of December 31, 2011. The effect of consolidation of the newly acquired companies was positive and amounted to PLN 220.

Investment property amounted to PLN 8,398 as of June 30, 2012 and remained almost unchanged (decrease by 0.5%) compared to the balance as of December 31, 2011. Total balance relates solely to TV Polsat Group and includes land and buildings for lease.

Non-current deferred distribution fees (previously presented in Other non-current assets) decreased by PLN 1,769, or by 5.1%, to PLN 33,259 as of June 30, 2012 from PLN 35,028 as of December 31, 2011. Current deferred distribution fees (previously presented in Other current assets) decreased by PLN 5,445, or 9.2%, to PLN 53,916 as of June 30, 2012 from PLN 59,361 as of December 31, 2011. The consolidation of the newly acquired companies had no impact on these balances.

The value of other non-current assets amounted to PLN 84,770 as of June 30, 2012 and increased by PLN 15,323, or 22.1%, compared to PLN 69,447 as of December 31, 2011. This increase was primarily due to an increase in long-term deferred costs (mainly related to the second order for data transmission service from Mobyland).

As of June 30, 2012 and December 31, 2011, our current assets were PLN 1,172,656 and PLN 1,070,400, respectively, and accounted for 20.9% and 20,0% of the total assets respectively. Excluding the effect of consolidation of the newly acquired companies, as of June 30, 2012, our current assets were PLN 1,282,102 and accounted for 22.9% of the total assets.

The value of inventories increased by PLN 7,401, or 4.2%, to PLN 185,528 as of June 30, 2012 from PLN 178,127 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of inventories increased by PLN 7,379, or 4.1%, to PLN 185,506 as of June 30, 2012. This change was primarily due to an increase in the stock of DTT reception equipment for and stock of materials for production of set-top boxes. The increases were partially offset primarily by a decrease in the stock of set-top-boxes and removable STB hard disk drives.

The value of bonds amounted to PLN 0 as of June 30, 2012 compared to PLN 14,854 as of December 31, 2011. The balance as of the end of 2011 related to unsecured interest-bearing bonds of NFI Magna Polonia S.A. with nominal value of PLN 14,000.

The value of trade and other receivables increased by PLN 61.823, or 19.3%, to PLN 382,365 as of June 30, 2012 from PLN 320,542 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of trade and other receivables increased by PLN 61,644 and amounted to PLN 382,186 as of the end of June 2012. The increase resulted mainly from higher trade receivables from third parties partially netted by a decrease in tax and social security receivables.

The value of cash and cash equivalents increased by PLN 31,985, or 11.5%, to PLN 309,519 as of June 30, 2012, from PLN 277,534 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of cash and cash equivalents increased by PLN 141,238, or 50.9%, to PLN 418,772 as of June 30, 2012. This increase resulted primarily from cash generated from operating activities. The increase was partially netted by repayment of capital and interests from SFA, repayment of the loan assumed through the acquisition of Redefine Sp. z o.o. Group and payment of interests on Senior Notes as well as investment expenditures.

The value of other current assets increased by PLN 1,347, or 1.9%, to PLN 73,814 as of June 30, 2012, from PLN 72,467 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of other current assets increased by PLN 1,961, or 2.7%, to PLN 74,428 as of June 30, 2012. This increase resulted primarily from higher short-term deferred costs, mainly related to the costs of data transmission. The increase was partially netted primarily by a decrease in assets from valuation of financial instruments and a decrease in other assets.

Equity increased by PLN 296,226, or by 15.6%, to PLN 2,192,269 as of June 30, 2012 from PLN 1,896,043 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the equity increased by PLN 302,492, or 16.0%, to PLN 2,198,535 as of June 30, 2012, primarily as a result of profit generated in the first half of 2012. The increase was partially offset by the change in the valuation of hedging instruments.

The loans and borrowings liabilities (long and short term) decreased by PLN 50,234 to PLN 1,154,951 as of June 30, 2012, from PLN 1,205,185 as of December 31, 2011. The change was due primarily to the repayments of Term Loan. The consolidation of the newly acquired companies had no impact on the balance of the loans and borrowings liabilities.

The Senior Notes liabilities (long and short-term) decreased by PLN 51,642, or by 3.4%, to PLN 1,470,935 as of June 30, 2012 from PLN 1,522,577 as of December 31, 2011, primarily due to the repayment of interests and a decrease in the euro exchange rate used for valuation of the Senior Notes. The decrease was partially netted mainly by the interest accrued for the new period. The consolidation of the newly acquired companies had no impact on the balance of Senior Notes liabilities.

Non-current and current deferred income increased by PLN 9,222, or by 4.5%, and amounted to PLN 216,235 as of June 30, 2012 compared to PLN 207,013 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, deferred income increased by PLN 8,678, or 4.2%, to PLN 215,691 as of June 30, 2012, mainly as a result of an increase in subscription fees paid in advance by our subscribers.

The value of other non-current liabilities and provisions increased by PLN 5,338, or by 42.7%, to PLN 17,835 as of June 30, 2012 from PLN 12,497 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of other non-current liabilities and provisions increased by PLN 5,109, or 40.9%, to PLN 17,606 as of June 30, 2012, primarily due to the increase in the liabilities from financial instruments.

The value of trade and other payables increased by PLN 61,233, or 16.3%, to PLN 436,188 as of June 30, 2012 from PLN 374,955 as of December 31, 2011. Excluding the effect of consolidation of the newly acquired companies, the value of trade and other payables increased by PLN 51,700, or 13.8%, to PLN 426,655 as of June 30, 2012, mainly as a result of a increase in trade payables from third parties.

The value of deposits for equipment decreased by PLN 619 to PLN 12,125 as of June 30, 2012 from PLN 12,744 as of December 31, 2011, primarily due to a decrease in deposits from distributors. The consolidation of the newly acquired companies had no impact on the balance of deposits for equipment.

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. In 2011, we used additional source of financing - issue of bonds. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in Polish zloty, we maintain also other currencies, 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 Senior Notes denominated in euro.

We believe that our cash balances and cash generated from our current operations as well as means available within our revolving facility (described below) will be sufficient to fund the future cash needs for our operational activity, development of our services and for service of our debt.

External sources of funding, financing and indebtedness

Bank Loans

In connection with the acquisition of TV 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 is to be repaid in quarterly installments in varying amounts commencing June 30, 2011. Both facilities expire on December 31, 2015. As at June 30, 2012 the revolving facility was not used.

We use interest rate swaps to hedge our exposure to volatility in the Term Loan interest payments. The IRS transactions concluded in 2011 were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011, and the transactions concluded in 2012 are described in the attached consolidated financial statement for the 6 months ended June 30, 2012 (in the Note no. 13).

On August 29, 2012 we have partly re-paid the Term Facility Loan in the amount of PLN 200,000. The repayment was executed using the cash generated from the Group's operations. This repayment will have a positive impact on our future results through proportional decrease in further principal payments and accrued interest.

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 TV 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,
- 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 the period of 12 months ended June 30, 2012. The Interest Cover shall be at least 2.5 for the period of 12 months ended June 30, 2012. The Total leverage shall not exceed 3.95 for the period of 12 months ended June 30, 2012. 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 and foreign exchange rate fluctuations in respect of the amounts outstanding under the term facility and Senior 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 majority of banks.

Senior Notes

On May 20, 2011, our solely 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") for the issuance by the Issuer of Senior Notes due 2018 (the

"Notes") with aggregate principal amount of EUR 350 million (not in thousands). 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 Ba2/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 accrues 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 EUR 100,000 (not in thousands) and integral multiples of EUR 1,000 (not in thousands) in excess thereof.

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, the Group concluded CIRS (cross-currency interest rate swap) transaction. The CIRS transactions concluded in 2011 were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011, and the transactions concluded in 2012 are described in the attached consolidated financial statement for the six-month period ended June 30, 2012 (in the Note no. 13).

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 own discretion 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. Under the offer resulting from the change of control, 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).

The following table presents the summary of financial indebtedness of the Group as of June 30, 2012:

	June 30, 2012 in PLN million	**Maturity**
Senior facility[1]	1,155	2015
Revolving Facility[1]	0	2015
Eurobonds[1]	1,471	2018
Leasing	1	2016
Cash and Cash equivalents	310	-
Net Debt	**2,317**	
Comparable 12M EBITDA[2]	921	
Net Debt / 12M EBITDA	**2.52**	

[1] Balance sheet value of debt
[2] EBITDA including TV Polsat Group

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for six-month periods ended June 30, 2012 and June 30, 2011:

	For the six months ended June 30,	
	2012	**2011**
Net cash from operating activities	376,567	88,538
Net cash used in investing activities	(83,230)	(2,357,095)
Net cash from/(used in) financing activities	(260,081)	2,538,938
Net increase in cash and cash equivalents	33,256	270,381

Net cash from operating activities

Net cash from operating activities amounted PLN 376,567 in the first half of 2012 resulting mainly from the generated net profit of PLN 304,612 adjusted by various elements including primarily: (i) depreciation, amortization and impairment, interest expense and income tax, (ii) net gains on foreign exchange, (iii) a change in liabilities, provisions and deferred income, (iv) an increase in receivables and other assets, (v) amortization of film licenses and sport rights, (vi) a net increase in set-top boxes provided under operating lease, (vii) payments for film licenses and sport broadcasting rights. Net cash from operating activities in the first half of 2011 was PLN 88,538 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 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 used in investing activities

Net cash used in investing activities amounted to PLN 83,230 in the first half of 2012 and consisted primarily of the purchase of property, plant and equipment and acquisition of intangible assets, as well as acquisition of shares in subsidiaries (net of cash acquired). Net cash used in investing activities amounted to PLN 2,357,095 in the first half of 2011 and consisted primarily of the acquisition of 100% shares in TV Polsat, other payments including purchase of property, plant and equipment and the acquisition of intangible assets.

Net cash from/(used in) financing activities

Net cash used in financing activities amounted to PLN 260.081 in the first half of 2012 and consisted primarily of repayment of bank loans (scheduled repayment of SFA and repayment of the loan assumed through the acquisition of Redefine Sp. z o.o. Group) in the amount of PLN 155,763 and repayment of interests on loans, borrowings and finance lease in the amount of PLN 103,258. Net cash from financing activities amounted 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.

Capital expenditures

We incurred capital expenditures of PLN 39,510 and PLN 20,607 in the six-month periods ended June 30, 2012 and 2011, respectively. Capital expenditures to revenue ratio amounted 2.8% and 2.0% in the six-month periods ended June 30, 2012 and 2011, respectively. Capital expenditures in the first half of 2012 concerned primarily the payments of investment liabilities presented in the financial statement as of December 31, 2011 and the purchase of transmission equipment, technical equipment, equipment for production of set-top boxes, computers and other equipment as well as improvements in our IT systems.

Contractual Obligations

Our most significant contractual obligations (future cash flows) as of June 30, 2012 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	2,129,052	106,266	425,065	1,597,721
Senior Notes liabilities	1,415,806	282,004	1,133,802	-
Commitments to purchase programming asstes	294,742	164,946	129,796	-
Total contractual liabilities	**3,839,600**	**553,216**	**1,688,663**	**1,597,721**

As of June 30, 2012, most of our contractual liabilities were long-term liabilities due in more than one year.

Off-Balance Sheet Arrangements

Security relating to loans and borrowings

Security relating to loans and borrowings did not change compared with the ones described in the consolidated financial statements for the year ended December 31, 2011.

Commitments to purchase programming assets

As of June 30, 2012 the Group had outstanding contractual commitments in relation to purchase of programming assets of PLN 294,742.

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

	June 30, 2012 unaudited	**December 31, 2011**
within one year	2,450	6,702
Total	**2,450**	**6,702**

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 4,569 as of June 30, 2012 (PLN 10,613 as of December 31, 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 4,186 as of June 30, 2012 (PLN 3,906 as of December 31, 2011). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as of June 30, 2012 was PLN 1,196 (PLN 946 as of December 31, 2011), including PLN 60 from related parties.

Information on market risks

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Group's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR), purchases of reception equipment and accessories for reception equipment (USD and EUR) purchases of foreign programming licenses (USD). In 2011 the level of currency risk exposure has increased because of new financing denominated in EUR obtained to purchase Telewizja Polsat Sp. z o.o. (Senior Notes denominated in EUR).

In respect of license fees and transponder capacity leases, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, the Group concluded CIRS (cross-currency interest rate swap) transaction. The CIRS transactions concluded in 2011 were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011, and the transactions concluded in 2012 are described in the attached consolidated financial statement for the six-month period ended June 30, 2012 (in the Note no. 13).

Interest rate risk

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

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

We use interest rate swaps to hedge our exposure to volatility in the Term Loan interest payments. The IRS transactions concluded in 2011 were described in the Note no. 32 of the consolidated financial statements for the year ended December

31, 2011, and the transactions concluded in 2012 are described in the attached consolidated financial statement for the six-month period ended June 30, 2012 (in the Note no. 13).

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

The Polish economy

Growth in our revenue is linked to the state of the Polish economy.

In the time of global economic slowdown, Poland has maintained one of the highest GDP growth rates of any European Union member state. According to Eurostat, the Polish economy increased by 4.3% in 2011 compared to 1.5% growth in 27 countries of the European Union. According to forecasts, GDP growth in 2012 will reach 2.7% in Poland, while in the entire European Union the growth rate will be 0% (data and forecasts according to Eurostat as at August 10, 2012).

We believe that average consumer spending, including spending on pay TV, Internet access and mobile telephony services generally will grow in line with the overall GDP growth in Poland, and will support our future revenue growth. However, despite relatively good condition of the Polish economy, world economic downturn has a negative impact on the expenditures on TV advertising, and therefore on the revenue from our broadcasting and television production segment.

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 35% (as of six-month period ended June 30, 2012) of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro.

In the future, our finance income and finance costs will continue to be impacted by the foreign exchange rate movements through our programming costs, signal transmission costs, payment obligations toward international movie studios and sports federations for programming, trade liabilities or other liabilities denominated in currencies other than the zloty. 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 increase the amount of cash, in Polish zloty, that must be generated in order to pay principal and interest on the Senior Notes.

Situation on the pay TV market in Poland

Our revenue from subscription fees is dependent upon the number of our subscribers, pricing of our services, subscriber loyalty and the penetration rate of pay TV in Poland.

We estimate the growth potential of the pay TV market at slightly above 0.5 million new households. 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. Moreover, our programming packages offer the best value-for-money in the Polish DTH market. We believe, that it gives us a chance to attract the significant portion of these potential clients to our platform.

We further believe, that we can significantly expand the pay TV market by adequately responding to changes in the customers behaviors and expectations and addressing new target groups. With the development of the market and technologies, the choice of devices, for which we can produce and distribute television content, has grown significantly. The number of mobile equipment, like laptops, tablets and smartphones, held by customers increases rapidly. In this group we see the perspective market segment, inter alia for TV services. Furthermore, we see the potential for the market growth in the group of Polish households equipped in more than one TV set as well as in the low ARPU market segment.

We consider the combination of traditional television with VOD, on-line video services and mobile television to be the key to the future growth. We believe we can seize the potential market expansion by developing our pay TV offer enriched by complementary products and services. These steps may have a positive impact on our revenues.

Pay TV market is very dynamic and competitive. Aggressive competition and changing market environment impact our promotional offers proposed to our newly acquired subscribers as well as our retention programs aimed at building customers' loyalty. We believe that our proactive approach to subscriber retention is more cost effective in the long run and decreases the churn rate.

Providing Internet access services in LTE technology

We provide mobile Internet access services in two technologies: HSPA+ MIMO and since 2011 in the latest LTE technology enabling the fastest and cutting-edge mobile Internet. LTE technology is considered to be the future of mobile broadband Internet and successor of commonly used UMTS standard. Due to its technical characteristics and quality parameters, mobile LTE Internet can eventually replace fixed-line connections and satisfy increasingly demanding customers while enabling them to profit from growing capabilities of the Internet. In addition it has the advantage of mobility, which is increasingly more desired by consumers. We strongly believe that over the long term, as the necessary radio infrastructure and LTE-enabled devices develop, the technology will revolutionize not only the broadband Internet market but also content distribution. We believe, our LTE Internet service constitute a significant competitive advantage and it will help us to further increase our subscribers base both of stand-alone and integrated services.

Acquisition of ipla

Cyfrowy Polsat S.A. acquired 100% shares in the companies running ipla service, the leader on online video market in Poland. The transfer of legal rights to acquired shares and the payment were effectuated on April 2, 2012 and from that moment on the financial results of the acquired companies are consolidated with the results of the Group.

Approximately 90% of the revenues of ipla service are generated from the sale of advertising in the fastest growing segment – online video, and approximately 10% of revenue comes from content purchase transactions done by users. Currently, ipla has approximately 1.8 million active users, compared to 0.5 million in 2009 (active users are defined as individuals who used the application and generated profit from advertising or subscription at least once a month).

Ipla, the online video market leader, strengthens the market position of Cyfrowy Polsat as an aggregator and distributor of content. The acquisition provides us also with a competitive advantage in a growing market segment and with a source of synergies in the short and medium term.

We expect that the acquisition of ipla will result in short and medium term synergies in terms of costs and revenues. Costs synergies will come from jointly executed content acquisition and investments in technology development, marketing activities, use of the same billing systems as well as optimized use of back-office resources. Revenues synergies will come from cross-selling and from increased attractiveness of current and new products introduced, that should positively impact the customers' satisfaction level.

Cooperation with Polkomtel Sp. z o.o.

Based on the cooperation agreement with Polkomtel, since April 2012, we run cross-selling as well as we propose attractive joint offers to our clients. As of the end of the first half of 2012, the cross-selling included over 600 points of sales of Polkomtel's network and over 400 points of sales of our network, while the additional benefits to the customers of both satellite TV of Cyfrowy Polsat and telephony of Plus are provided in the entire sales networks of both companies. Cross-selling will be gradually expanded to cover all points of sales of both networks by the end of the year.

Thanks to the established cooperation, we can add the purchase potential of approximately 14 million clients of Polkomtel to over 11 million people in 3.5 million Polish households using Cyfrowy Polsat services. This provides a chance for us to acquire new customers by offering our services to Plus telephony users.

Cyfrowy Polsat has resigned from active selling of own mobile telephony services in MVNO model, in order to provide its clients with a stronger telephony offer of Polkomtel – a leading telecommunications operator. We believe that our subscribers will benefit significantly from the more attractive mobile telephony offer, and therefore we will achieve higher customer satisfaction and loyalty and thus further decrease in churn rate.

We believe, that through achieved synergies, both in terms of sales and offer, our cooperation with Polkomtel Sp. z o.o. will have a positive impact on our results.

Introduction of "Mobile TV"

In June 2012 we launched a pay mobile television offer. "Mobile TV" is delivered based on DVB-T technology within the multiplex dedicated to mobile terrestrial digital television. The advantage of this technology is its low cost for the user as the only requirement is to have a DVB-T tuner which does not generate data transfer.

"Mobile TV" provides paid access to 8 television and 12 radio channels in a subscription model, which includes equipment subsidies and a free access to all DTT channels. The service is accessible through smartphones, tablets, laptops and set-top boxes.

The service is offered both to individual customers and telecommunications operators.

We believe, that mobile services in Poland have a large growth potential. Growing availability of smartphones and tablets as well as increasingly faster and more reliable technologies of mobile Internet access, such as LTE, will have a significant impact on development of this market segment, and Cyfrowy Polsat will play an active role in this process.

We further believe, that thanks to "Mobile TV" service offered at a reasonable price, we will manage to attract also the households that currently use the free analog signal and soon will face the decision concerning the purchase of equipment necessary to receive digital television signal.

Consolidation of TV Polsat and financing of the acquisition

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 thereon. The annual results for 2012 and 2011 will not be fully comparable.

The acquisition of TV Polsat secured our access to key content in the light of the progressive Polish TV market consolidation, the increasing importance of multi-play products and the continued development of alternative methods of TV content distribution. The acquisition also 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.

We will continue to incur interest costs resulting from the loan agreements signed in March 2011 to provide the Company with debt financing for the acquisition of TV Polsat and 7.125% Senior Notes issued to refinance the Bridge Facility Loan. The Term Loan matures on December 31, 2015 and Senior Notes mature on May 20, 2018.

On August 29, 2012 we have partly re-paid the Term Facility Loan in the amount of PLN 200,000. This repayment will have a positive impact on our future results through proportional decrease in further principal payments and accrued interest.

Development of advertising market in Poland

The majority of the revenue generated in our television broadcasting and production segment (approximately 80% in the first half of 2012) comes from the sale of advertising airtime and sponsoring slots on TV channels.

In terms of TV broadcasting, we are one of the two leading private TV groups in Poland both in terms of audience share and TV advertising market share. Moreover in the first half of 2012, we were the only broadcaster to record an increase in audience share in the group All 16-49 – both all day and in the prime time. Based on Starlink data source, we estimate that in the first half of 2012 we captured a 23.1% share of the approximately PLN 1,90 billion (not in thousands) Polish TV advertising market.

We are the leader on the Polish online video market, through ipla internet television, both in terms of being available on various devices, the size of the library content as well as the number of users and time spent by one viewer on the video content consumption.

Our leading position on the market and our growing audience share make us well-positioned to benefit from the expected growth of advertising market in the years to come. ZenithOptimedia Media House forecasts that in 2012 total net TV advertising expenditure in Poland shall decline by 0.4% due to the economic forecasts showing the slowdown of the Polish economy and to the updated expectations in respect to the EURO 2012 football tournament, while in the following years 2012-2014 the expenditures shall grow by an average 1.1% (CAGR). 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, there is a substantial growth potential for TV advertising in Poland in the long term.

According to IAB AdEX report Internet advertising market shows a dynamic growth, with the advertising expenditures of PLN 1.9 billion in 2011, an increase of 22% y-o-y. The expenditures on video advertising segment, in which we generate our revenue, increased in 2011 by 35% and represented 2.5% of the total expenditures on online advertising (increase by 1.7p.p. compared to 2009). According to our estimates based on PwC forecasts (Global entertainment and media outlook: 2012-2016) the online video advertising will grow by an average 42% (CAGR) in the years 2011-2014. We believe that thanks to the leading position we will benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

With the growing penetration of DTH across Poland, which provides viewers with a greater selection of thematic channels, main general entertainment channels (FTA) have experienced a decline in audience share. The introduction of DTT is expected to further increase audience fragmentation.

We have focused on developing thematic channels in order to maintain total audience share and advertising market share. We have launched 13 thematic channels, including 9 in the past four years. Our thematic channels increased their combined audience share from 3.95% in the first half of 2011 to 4.45% in the first half of 2012, primarily due to the increase in audience share of Polsat Sport, Polsat News, Polsat Play and Polsat Jim Jam, as well as thanks to the new channel launched in November 2011 – Polsat Crime & Investigation Network, whose audience share in the period under consideration amounted to 0.13%.

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 the increased consumer spending during the Christmas season. In the year ended December 31, 2011, TV Polsat generated approximately 21% of advertising revenue in the first quarter, 30% in the second quarter, 19% in the third quarter and 30% in the fourth quarter.

Expansion of technical reach of TV Polsat channels

TV Polsat's revenue from cable and satellite operator fees is dependent upon the number of our subscribers, the rates negotiated with cable and satellite operators and the number of distributed channels. In May 2012, we signed an agreement with Vectra S.A., cable television operator, for the distribution of TV Polsat channels. Based on the agreement, 9 television channels broadcast by Telewizja Polsat (Polsat HD, Polsat 2, Polsat News, Polsat Sport News, Polsat Sport SD, Polsat Sport HD, Polsat Sport Extra SD, Polsat Sport Extra HD and Polsat Café) will be distributed in Vectra's network beginning from October 1, 2012. As of the end of the first quarter 2012 Vectra had a total of 772.8 thousand subscribers of analogue and digital television, out of which 52% had digital television service. The increase in audience share may have a positive impact on the future audience results of our channels.

Attractive content of our TV channels

We believe that attractive content of our channels is a significant competitive advantage. We have 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 T-Mobile Ekstraklasa - Polish football league, Formula 1 races, volleyball games and many others.

The attractiveness of our programming content is confirmed by our growing audience share. In the first half of 2012 the aggregate audience share of our channels in the group 16-49 amounted to 20.6% and increased by 1.2% compared to the same period last year. Our closest competitor, i.e. TVN Group noted a decrease by 1.3% (21.6% audience share in the same period), while TVP Group recorded 7.8% decrease (28.5% 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 pay TV subscribers in Poland. In our Broadcasting and television production segment, a decrease in advertising spending in Poland would significantly deteriorate our revenue and growth prospects. Typically, a decrease in Poland's GDP growth results in a significant decrease of the advertising spending in Poland. Since many of the customers in our Broadcasting and television 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 a 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 a 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 the 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 mainly in zloty, approximately 35% of our operating expenses (in the first half of 2012) are denominated in other currencies. We have trade receivables and trade liabilities (including liabilities from purchasing access to TV channels and TV programming from major studios and other content providers, set-top boxes, other hardware equipment, software and the liabilities from 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 Senior 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 pay TV 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 offer is essential to our ability to attract and retain subscribers and to generate and grow subscriber revenue. We also generate revenue in our Broadcasting and television 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 air times. We may be unable to attract and retain subscribers for our pay TV 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 Broadcasting and television 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 share 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 Broadcasting and television 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 Broadcasting and television production segment are dependent on the importance of TV as advertising media.

The majority of the revenue that we generate in our Broadcasting and television 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 Broadcasting and television 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 the advertising time. We cannot assure that we will be able to respond successfully to changes in the 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 the advertising revenue. Any decline of TV's appeal in general, or specifically of our channels, 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 on the Polish TV market is intense, and we cannot guarantee that we will be successful in generating sufficient pay TV subscriber revenue or TV advertising revenue in the future in the 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 Cyfra+ platform and "n" platform. 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, such as TVN and TVP. TVN is a major commercial broadcaster in Poland. TVP is a state-owned broadcaster, which is financed partially from public funds. TVP 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 the range of 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 of satellite, cable TV and DTT providers in Poland will likely result in the increasing fragmentation of the Polish TV viewing audiences, which may make it more difficult for us to persuade advertisers to purchase airtime on our channels. Loss of the 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 pay TV, 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 pay TV, 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 pay TV, 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 pay TV, 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 pay TV, broadband Internet and mobile telephony services. In providing pay TV 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 pay TV, 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 pay TV services we provide, and we may lose subscribers to competitors who have successfully replaced such obsolete technology. As we continue to expand the 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 pay TV 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.

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 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, 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 Broadcasting and television 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.

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 pay TV 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 pay TV 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 2011, internally produced set-top boxes represented approximately 80% of overall set-top boxes that we sold or leased to our pay TV 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 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 because 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 produce the majority of set-top boxes we offer could result in the loss of existing subscribers and limit our ability to attract new subscribers for our pay TV 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 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 an 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. The risk of piracy is especially acute in our Broadcasting and television 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-specifics 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. 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 Broadcasting and television 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 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 Broadcasting and television 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 Broadcasting and television 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 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 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 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 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 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 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 license. Without a 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.

Impairment of goodwill and brand allocated to our retail and broadcasting and television production segments may have an adverse effect on our business

As a result of our acquisition of mPunkt, TV Polsat, INFO-TV-FM and entities of Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. in liquidation we carry on our balance sheet significant amounts of intangible goodwill and brand. We test annually whether the goodwill and brand allocated to our segments have revealed any impairment by estimating the recoverable amount of the online cash generating unit based on value in use. If any of the key assumptions we use for impairment testing were to change unfavorably, this could have an adverse effect on our business, financial condition and results of operations.

Frequent changes and ambiguities in Polish tax regulations may adversely affect our business

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of the taxpayers, they may also need to be amended in order to implement new EU legislation.

Tax payment and other regulated areas of business (including customs and currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation, Polish regulations tend to be unclear and inconsistent. There are frequent differences in the interpretation of tax regulations both within state administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, tax risk in Poland is substantially higher than in countries with more mature tax systems. Tax payments may be inspected for five years after the year when the tax was paid.

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

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 his chapter, 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 contains 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 this chapter, 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 the 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 precisely 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 the 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 indirectly, through Pola Investments Ltd., 154,204,296 shares (representing 44.27% of the share capital and 58.11% 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 Pola Investments Ltd. 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 hindered 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.

The abovementioned factors 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 Ba3 or better by Moody's and a rating of BB- 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.

Currently the ratings of the Notes assigned by Moody's and S&P are Ba2 and BB, respectively. The agencies have upgraded the ratings of Ba3 and BB- assigned in 2011, on July 23, 2012 and June 14, 2012, respectively.

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, August 30, 2012

Management Board's representations

Pursuant to the requirements of the *Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent* 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 2012 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board's report on the activities contains a true image of the Group's development, achievements, and standing, including 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 2012 pursuant to relevant provisions of the national law and industry norms.

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, 29 August 2012

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Report on review of interim financial information

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Cyfrowy Polsat S.A. and its subsidiaries (the 'Group') as of 30 June 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the six-month period then ended (the 'interim condensed consolidated financial information'). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
29 August 2012, Warsaw, Poland

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2012

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 29 August 2012, 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 Accounting Standard 34 *Interim Financial Reporting*, which include:

Interim Consolidated Income Statement for the period from 1 January 2012 to 30 June 2012 showing a net profit for the period of:	PLN 304,612
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2012 to 30 June 2012 showing a total comprehensive income for the period of:	PLN 296,226
Interim Consolidated Balance Sheet as at 30 June 2012 showing total assets and total equity and liabilities of:	PLN 5,597,801
Interim Consolidated Cash Flow Statement for the period from 1 January 2012 to 30 June 2012 showing a net increase in cash and cash equivalents amounting to:	PLN 33,256
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2012 to 30 June 2012 showing an increase in equity of:	PLN 296,226

Notes to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in thousands of Polish zloty ('PLN') except where otherwise indicated.

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, 29 August 2012

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

Interim Consolidated Income Statement

		for 6 months ended	
	Note	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Revenue	8	1,383,058	1,031,184
Operating costs		(964,217)	(761,633)
Cost of services, products, goods and materials sold	9	(771,457)	(576,771)
Selling expenses	9	(110,186)	(116,243)
General and administrative expenses	9	(82,574)	(68,619)
Other operating income/costs		(2,770)	(794)
Profit from operating activities		**416,071**	**268,757**
Finance income	10	62,199	9,320
Finance costs	11	(120,599)	(95,050)
Share of the profit of associate accounted for using the equity method		1,501	569
Gross profit for the period		**359,172**	**183,596**
Income tax		(54,560)	(37,716)
Net profit for the period		**304,612**	**145,880**
Net profit attributable to equity holders of the Parent		304,612	145,880
Basic and diluted earnings per share (in PLN)		**0.87**	**0.49**

Interim Consolidated Statement of Comprehensive Income

		for 6 months ended	
	Note	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Net profit for the period		**304,612**	**145,880**
Hedge valuation	13	(10,354)	(1,145)
Income tax relating to hedge valuation	13	1,968	217
Currency translation adjustment		-	(722)
Income tax relating to currency translation adjustment		-	115
Other comprehensive income, net of tax		**(8,386)**	**(1,535)**
Total comprehensive income for the period		**296,226**	**144,345**
Total comprehensive income attributable to equity holders of the Parent		296,226	144,345

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2012 unaudited	31 December 2011
Reception equipment		419,479	408,610
Other property, plant and equipment		258,506	263,277
Goodwill		2,575,456	2,412,285
Brands		840,000	840,000
Other intangible assets		69,627	54,194
Non-current programming assets		95,405	131,141
Investment property		8,398	8,440
Non-current deferred distribution fees		33,259	35,028
Other non-current assets		84,770	69,447
Deferred tax assets		40,245	55,726
Total non-current assets		**4,425,145**	**4,278,148**
Current programming assets		167,251	137,429
Inventories		185,528	178,127
Bonds	16	-	14,854
Trade and other receivables		382,365	320,542
Income tax receivable		263	10,086
Current deferred distribution fees		53,916	59,361
Other current assets		73,814	72,467
Cash and cash equivalents		309,519	277,534
Total current assets		**1,172,656**	**1,070,400**
Total assets		**5,597,801**	**5,348,548**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2012 unaudited	31 December 2011
Share capital	12	13,934	13,934
Share premium		1,295,103	1,295,103
Other reserves		1,225	9,611
Retained earnings		882,007	577,395
Total equity		**2,192,269**	**1,896,043**
Loans and borrowings	14	889,155	958,407
Senior Notes payable	15	1,369,593	1,417,525
Finance lease liabilities		741	934
Deferred tax liabilities		88,480	87,122
Deferred income		6,285	7,595
Other non-current liabilities and provisions		17,835	12,497
Total non-current liabilities		**2,372,089**	**2,484,080**
Loans and borrowings	14	265,796	246,778
Senior Notes payable	15	101,342	105,052
Finance lease liabilities		243	252
Trade and other payables		436,188	374,955
Income tax liability		7,799	29,226
Deposits for equipment		12,125	12,744
Deferred income		209,950	199,418
Total current liabilities		**1,033,443**	**968,425**
Total liabilities		**3,405,532**	**3,452,505**
Total equity and liabilities		**5,597,801**	**5,348,548**

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

Interim Consolidated Cash Flow Statement

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Net profit for the period	**304,612**	**145,880**
Adjustments for:	**110,999**	**(50,425)**
Depreciation, amortization and impairment	111,117	73,095
Payments for film licences and sports rights	(88,683)	(35,238)
Amortization of film licences and sports rights	99,832	46,114
Loss/(gain) on investing activity	(257)	445
Cost of programming rights sold	4,602	957
Interest expense	105,822	62,460
Change in inventories	(7,381)	14,863
Change in receivables and other assets	(85,073)	(72,569)
Change in liabilities, provisions and deferred income	51,881	(81,232)
Change in internal production and advance payments	4,073	1,455
Valuation of hedging instruments	(10,354)	(1,145)
Share of the profit of associate accounted for using the equity method	(1,501)	(569)
Foreign exchange losses/(gains), net	(51,798)	21,831
Compensation of income tax receivables with VAT liabilities	-	6,264
Income tax	54,560	37,716
Net increase in reception equipment provided under operating lease	(76,626)	(125,454)
Other adjustments	785	582
Cash flows from operations before income taxes and interest	**415,611**	**95,455**
Income tax paid	(47,188)	(10,320)
Interest received from operating activities	8,144	3,403
Net cash from operating activities	**376,567**	**88,538**
Acquisition of property, plant and equipment	(28,180)	(13,634)
Acquisition of intangible assets	(11,330)	(6,973)
Acquisition of subsidiaries, net of cash acquired	(45,099)	(2,336,697)
Proceeds from sale of property, plant and equipment	121	208
Loans granted	(1,100)	-
Repayment of loans granted	1,100	-
Proceeds from interest on loans granted	-	1
Other proceeds	1,258	-
Net cash used in investing activities	**(83,230)**	**(2,357,095)**

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

Net cash from bank overdraft	-	(18,041)
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	(155,763)	(1,449,594)
Repayment of Cash Pool	(821)	-
Finance lease – principal repayments	(166)	(262)
Payment of interest on loans, borrowings, bonds, finance lease and commissions	(103,258)	(166,231)
Other net financing outflows	(73)	-
Net cash from/(used in) financing activities	**(260,081)**	**2,538,938**
Net increase in cash and cash equivalents	**33,256**	**270,381**
Cash and cash equivalents at the beginning of the period	**277,534**	**27,615**
Effect of exchange rate fluctuations on cash and cash equivalents	(1,271)	618
Cash and cash equivalents at the end of the period	**309,519**	**298,614**

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

Interim Consolidated Statement of Changes in Equity for 6 months ended 30 June 2012

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2012	**13,934**	**1,295,103**	**9,611**	**577,395**	**1,896,043**
Total comprehensive income	-	-	(8,386)	304,612	**296,226**
Hedge valuation reserve (Note 13)	-	-	*(8,386)*	-	***(8,386)***
Net profit for the period	-	-		*304,612*	***304,612***
Balance as at 30 June 2012 unaudited	**13,934**	**1,295,103**	**1,225**	**882,007**	**2,192,269**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2011	**10,733**	**-**	**-**	**417,205**	**427,938**
Total comprehensive income	-	-	(1,535)	145,880	**144,345**
Hedge valuation reserve	-	-	*(928)*	-	***(928)***
Currency translation adjustment	-	-	*(607)*	-	***(607)***
Net profit for the period	-	-	-	*145,880*	***145,880***
Share issue	3,201	1,295,103	-	-	**1,298,304**
Balance as at 30 June 2011 unaudited	**13,934**	**1,295,103**	**(1,535)**	**563,085**	**1,870,587**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as a Mobile Virtual Network Operator ('MVNO') and the Internet access service provider.

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

2. Composition of the Management Board of the Company

- 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 the 6 months ended 30 June 2012 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with International Financial Reporting Standards as adopted by the European Union. The Group applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 2012 and the consolidated financial statements for the year 2011, 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 2012 and except for effects of presentation changes as described in note 6.

During the 6 months ended 30 June 2012 the following became effective:

(i) amendments to IFRS 7 – *Transfers of Financial Assets*
The amendments specify the scope of disclosures related to transfers of financial assets. The changes have no impact on these interim condensed consolidated financial statements.

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

In line with the provisions of IAS 18, starting from the year 2012 the Group recognizes lower revenues from penalties for breaching contracts by the clients due to change of accounting estimates regarding recognition and recoverability of these revenues. This change of estimates does not materially influence the Group's operating results as the Group respectively recognizes lower bad debt allowance expense. The Management Board believes that this approach reflects the business standing of the Group more precisely and is more transparent for the market environment.

Had the Group proceeded with this approach in the year 2011, the revenue would have totalled PLN 2,323,078.

5. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 29 August 2012.

6. Change in presentation

The Group changed its interim consolidated income statement presentation to present cost of debt collection services together with bad debt allowance expenses and income resulting from reversal of bad debt allowance in the operating costs. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

Cost of debt collection services were previously presented within Costs of services, products, goods and materials sold (Distribution, marketing, customer relation management and retention costs in costs by kind – see note 9) while bad debt allowance was presented within Other operating income/costs.

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

Comparable results for the period ended 30 June 2011 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications are presented in the table below. Reclassifications have also been made in the notes to these interim condensed consolidated financial statements.

	for 6 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	1,031,184		1,031,184
Operating costs	(727,467)	(34,166)	(761,633)
Cost of services, products, goods and materials sold	(544,810)	(31,961)	(576,771)
Selling expenses	(114,038)	(2,205)	(116,243)
General and administrative expenses	(68,619)		(68,619)
Other operating income/costs	(34,960)	34,166	(794)
Profit from operating activities	**268,757**	**-**	**268,757**
Finance income	9,320		9,320
Finance costs	(95,050)		(95,050)
Share of the profit or loss of associate accounted for using the equity method	569		569
Gross profit for the period	**183,596**	**-**	**183,596**
Income tax	(37,716)		(37,716)
Net profit for the period	**145,880**	**-**	**145,880**

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

The Group changed its consolidated balance sheet presentation to present long term portion of the data transfer order from Mobyland in Other non-current assets (reclassification from Other current assets). The Group also reclassified and presented Non-current deferred distribution fees and Current deferred distribution fees separately from Other non-current assets and Other current assets, respectively. The Group reclassified receivables and deferred income. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

	31 December 2011 *(reported)*	**Change**	**31 December 2011** *(restated)*
Reception equipment	408,610		408,610
Other property, plant and equipment	263,277		263,277
Goodwill	2,412,285		2,412,285
Brands	840,000		840,000
Other intangible assets	54,194		54,194
Non-current programming assets	131,141		131,141
Investment property	8,440		8,440
Non-current deferred distribution fees	-	35,028	35,028
Other non-current assets	51,647	17,800	69,447
Deferred tax assets	55,726		55,726
Total non-current assets	**4,225,320**	**52,828**	**4,278,148**
Current programming assets	137,429		137,429
Inventories	178,127		178,127
Bonds	14,854		14,854
Trade and other receivables	297,162	23,380	320,542
Income tax receivable	10,086		10,086
Current deferred distribution fees	-	59,361	59,361
Other current assets	184,656	(112,189)	72,467
Cash and cash equivalents	277,534		277,534
Total current assets	**1,099,848**	**(29,448)**	**1,070,400**
Total assets	**5,325,168**	**23,380**	**5,348,548**

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

	31 December 2011 *(reported)*	Change	31 December 2011 *(restated)*
Share capital	13,934		13,934
Reserve capital	432,265	(432,265)	-
Other reserves	1,305,277	(1,305,277)	-
Share premium	-	1,295,103	1,295,103
Hedge valuation reserve	4,758	(4,758)	-
Currency translation adjustment	4,853	(4,853)	-
Other reserves	-	9,611	9,611
Retained earnings	134,956	442,439	577,395
Total equity	**1,896,043**	**-**	**1,896,043**
Loans and borrowings	958,407		958,407
Senior Notes payable	1,417,525		1,417,525
Finance lease liabilities	934		934
Deferred tax liabilities	87,122		87,122
Deferred income	-	7,595	7,595
Other non-current liabilities and provisions	12,497		12,497
Total non-current liabilities	**2,476,485**	**7,595**	**2,484,080**
Loans and borrowings	246,778		246,778
Senior Notes payable	105,052		105,052
Finance lease liabilities	252		252
Trade and other payables	374,955		374,955
Income tax liability	29,226		29,226
Deposits for equipment	12,744		12,744
Deferred income	183,633	15,785	199,418
Total current liabilities	**952,640**	**15,785**	**968,425**
Total liabilities	**3,429,125**	**23,380**	**3,452,505**
Total equity and liabilities	**5,325,168**	**23,380**	**5,348,548**

7. Information on Seasonality in the Group's Operations

Historically, revenues from sales of equipment were subject to seasonality. The seasonality of sales of equipment was due to the increased number of new subscribers in the fourth quarter of the year (i.e. before Christmas holidays) and important sporting events which were not covered by terrestrial channels. 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 second and fourth quarter of each calendar year due to the introduction of a new programming offer. Revenue from subscription fees is not directly subject to any seasonal trend.

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

8. Revenue

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Retail sales	852,554	773,899
Advertising and sponsorship revenue	439,948	208,627
Revenue from cable and satellite operator fees	46,880	16,219
Sale of equipment	8,912	9,159
Other revenue	34,764	23,280
Total	**1,383,058**	**1,031,184**

Retail revenue consists of pay-TV 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.

9. Operating costs

		for 6 months ended	
	Note	30 June 2012 unaudited	30 June 2011 unaudited
Programming costs		197,263	203,891
Cost of internal and external TV production and amortization of sport rights		183,508	75,842
Distribution, marketing, customer relation management and retention costs		143,331	147,481
Depreciation, amortization and impairment		111,117	73,095
Salaries and employee-related costs	a	80,871	61,779
Broadcasting and signal transmission costs		69,876	47,344
Amortization of purchased film licenses		52,627	25,769
Cost of settlements with mobile network operators and interconnection charges		21,641	10,997
Cost of debt collection services and bad debt allowance and receivables written off		14,305	36,729
Cost of equipment sold		13,064	19,125
Other costs		76,614	59,581
Total costs by kind		**964,217**	**761,633**

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Cost of services, products, goods and materials sold	771,457	576,771
Selling expenses	110,186	116,243
General and administrative expenses	82,574	68,619
Total costs by function	**964,217**	**761,633**

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

a) Salaries and employee-related costs

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Salaries	67,117	52,100
Social security contributions	10,436	7,613
Other employee-related costs	3,318	2,066
Total	**80,871**	**61,779**

10. Finance income

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Interest	8,335	3,356
Foreign exchange gains on *Senior Notes* due in 2018	53,068	-
Foreign exchange gains, net	-	5,917
Other	796	47
Total	**62,199**	**9,320**

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

11. Finance costs

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Interest expense on loans and borrowings	59,029	54,449
Realization of hedging instruments (IRS)	666	-
Interest expense on *Senior Notes*	55,042	11,422
Impact of hedging instruments valuation on interest expense on *Senior Notes*	444	-
Realization of hedging instruments (CIRS)	(2,183)	-
Other interest	1,760	320
Results on call options:	-	4,373
Foreign currency options not designated as hedging instruments	-	*939*
Foreign currency options – settlement of instruments	-	*3,434*
Foreign exchange losses on *Senior Notes* due in 2018	-	22,559
Foreign exchange losses, net	3,177	-
Guarantee fees	184	41
Bank and other charges	2,273	1,692
Other	207	194
Total	**120,599**	**95,050**

12. Equity

Share capital

Presented below is the structure of the Company's share capital as at 30 June 2012:

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 2012 was as follows:

	30 June 2012				
	Number of shares	**Nominal value of shares**	**% of share capital held**	**Number of votes**	**% of voting rights**
Pola Investments Ltd.[1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd.[2]	25,341,272	1,014	7.27%	50,382,647	9.55%
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 Pola Investments Ltd.

[2] Mr. Heronim Ruta held 100% shares in the share capital of Sensor Overseas Ltd.

13. Hedge valuation reserve

Hedging instruments

On 17 May 2012 the Company concluded CIRS (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 payer is bank. The termination date of the hedge relationship was agreed at 20 May 2014. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 760,375,000 (not in thousands).

On 28 June 2012 the Company concluded IRS (interest rate swap) transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement). 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 31 December 2014. The notional amount is equal to PLN 362,869,769 (not in thousands).

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

Impact of hedging instruments valuation on hedge valuation reserve

Hedge valuation reserve	for 6 months ended 30 June 2012 unaudited	for 6 months ended 30 June 2011 unaudited
Balance as at 1 January	**4,758**	**-**
Valuation of cash flow hedges	(10,798)	(1,145)
Amount transferred to income statement	444	-
Deferred tax	1,968	218
Change for the period	**(8,386)**	**(927)**
Balance as at 30 June	**(3,628)**	**(927)**

During the 6 months ended 30 June 2012 the valuation of the hedge was negative PLN 10,798, including PLN 444 recognized in the profit and loss account. Since the hedge was determined to be effective, the remaining loss in the amount of PLN 10,354 was recognized within the hedge valuation reserve. Taking into consideration deferred tax, the total effect of the hedge valuation on the hedge valuation reserve is negative and amounts to PLN 8,386.

14. Loans and borrowings

	30 June 2012 unaudited	31 December 2011
Short-term liabilities	265,796	246,778
Long-term liabilities	889,155	958,407
Total	**1,154,951**	**1,205,185**

Change in loans and borrowings liabilities

	for 6 months ended 30 June 2012 unaudited	for 6 months ended 30 June 2011 unaudited
Loans and borrowings liabilities as at 1 January	**1,205,185**	**-**
Term loans received	-	2,800,000
Loans and borrowings assumed through acquisition of entities	96,818	19,978
Repayment of capital	(155,763)	(1,449,594)
Repayment of interest and commissions	(50,318)	(129,067)
Unpaid commissions included in the amortised cost valuation	-	(8,277)
Interest accrued	59,029	54,449
Loans and borrowings liabilities as at 30 June	**1,154,951**	**1,287,489**

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

15. Senior Notes payable

	30 June 2012 unaudited	31 December 2011
Short-term liabilities	101,342	105,052
Long-term liabilities	1,369,593	1,417,525
Total	**1,470,935**	**1,522,577**

Change in *Senior Notes* payable

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
***Senior Notes* payable as at 1 January**	**1,522,577**	**-**
Issuance of *Senior Notes*	-	1,372,245
Unrealized foreign exchange (gains)/losses	(53,068)	22,559
Repayment of interest and commission	(53,616)	(27,445)
Unpaid commissions included in the amortised cost valuation	-	(6,833)
Interest accrued	55,042	11,422
***Senior Notes* payable as at 30 June**	**1,470,935**	**1,371,948**

16. Acquisition of subsidiaries

Acquisition of 100% shares of INFO-TV-FM Sp. z o.o.

On 28 October 2011 Cyfrowy Polsat entered into an agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited for the acquisition of 100% shares of INFO-TV-FM Sp. z o.o. ('INFO-TV-FM').

INFO-TV-FM is the only wholesale provider of mobile media services, which includes distribution of radio and television broadcasts in DVB-T.

The ownership of shares of INFO-TV-FM Sp. z o.o. was transferred to the Group on 30 January 2012 following fulfillment of the conditions precedent.

The conditions precedent included separation of some INFO-TV-FM assets and activities, signing of the guarantee agreement by INFO-TV-OPERATOR Sp. z o. o. ('INFO Operator') (spin-off company) for the benefit of the Company and entering into a guarantee agreement by INFO-TV-FM and INFO Operator.

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

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

a) Consideration transferred

	30 June 2012
Cash consideration	14,329
Settlement through purchase of Magna NFI bonds	14,984
Total	**29,313**

The fair value of the settlement through purchase of Magna NFI bonds includes the nominal value of the bonds and interest.

b) Reconciliation of transactional cash flow

Cash transferred on acquisition	(14,329)
Cash and cash equivalents received	1
Cash outflow in the period of 6 months ended 30 June 2012	**14,328**

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

The table below presents provisionally established fair values of identified assets and liabilities of the acquired companies, as at the acquisition date. The final purchase price allocation will be accounted for within 12 months from the date of acquisition.

	provisional fair value as at 30 January 2012
Property, plant and equipment	1,552
Other intangible assets	16,930
Tax and social security receivables	133
Cash and cash equivalents	1
Income tax liabilities	(7)
Provisional fair value of net assets acquired	**18,609**

The loss included in the interim condensed consolidated income statement for the reporting period since 30 January 2012 contributed by INFO-TV-FM was PLN 2,135. Had INFO-TV-FM been consolidated from 1 January 2012 the loss included in the interim condensed consolidated income statement would not differ significantly.

d) Provisional accounting for goodwill

	30 January 2012
Purchase price of 100% shares	**29,313**
Provisional fair value of net assets	(**18,609**)
Provisional goodwill	**10,704**

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

The acquisition agreement was concluded in order to continue realization of the Group's strategy aiming at wide distribution of content using all modern technologies.

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations.

Acquisition of ipla

On 12 March 2012 the Company concluded agreements with Bithell Holdings Ltd. (Seller) relating to acquisition of shares in entities running ipla platform. Ipla is the leader in online video distribution in Poland. Agreements comprise acquisition of shares in the following entities:
1. 100% shares in Redefine Sp. z o.o., seated in Warsaw ('Redefine'),
2. 100% shares in Gery.pl Sp. z o.o., seated in Warsaw (in liquidation),
3. 100% shares in Frazpc.pl Sp. z o.o., seated in Warsaw,
4. 100% shares in Netshare Sp. z o.o. seated in Warsaw.

The Seller is controlled by Mr. Zygmunt Solorz-Żak.

The joint price for the shares, resulting from the above mentioned transactions amounted to PLN 42,856.

As at the date of signing the share purchase agreement, Redefine Sp. z o.o. held 100% of shares in POSZKOLE.pl Sp. z o.o. and 100 % of shares in STAT24 Sp. z o.o.

The acquisition date is 2 April 2012, when the title to the shares of the acquired companies was transferred to Cyfrowy Polsat.

On 13 April 2012, the acquired companies have entered into the cash pool agreement signed by the companies of the Group with RBS Bank Polska, which allowed the companies of the Group to use the cash pool in order to settle their liabilities.

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

a) Consideration transferred

	30 June 2012
Cash consideration	42,856
Total	**42,856**

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

b) Reconciliation of transactional cash flow

Cash transferred on acquisition	(42,856)
Cash and cash equivalents received	161
Cash outflow in the period of 6 months ended 30 June 2012	**(42,695)**

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

The table below presents provisionally established fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and the provisionally determined goodwill. The final purchase price allocation will be accounted for within 12 months from the date of acquisition.

Provisionally established fair values of assets and liabilities acquired as at 2 April 2012:

	provisional fair value as at the acquisition date (2 April 2012)
Net assets:	
Non-current assets	1,448
Current assets	4,912
Non-current liabilities	-
Current liabilities	(115,971)
Total net assets	**(109,611)**
Consideration transferred:	
Cash consideration	42,856
Provisional goodwill	**152,467**

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations.

Registration of Telewizja Polsat Holdings Sp. z o.o.

On 7 may 2012, Telewizja Polsat Holdings Sp. z o.o. was registered by the court. As at 30 June 2012 Telewizja Polsat Sp. z o.o. held 100% shares in the share capital of Telewizja Polsat Holdings Sp. z o.o.

17. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into 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 from those of the Group's other segments.

Retail business segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication 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 programs 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.

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

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

The table below presents a summary of the Group's revenues and expenses by operating segment for 6 months ended 30 June 2012:

The period of 6 months ended 30 June 2012 unaudited	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	874,720	508,338	-	1,383,058
Inter-segment revenues	5,142	49,889	(55,031)	-
Revenues	**879,862**	**558,227**	**(55,031)**	**1,383,058**
EBITDA	**329,905**	**197,281**	**2**	**527,188**
Profit/(loss) from operating activities	**240,673**	**177,453**	**(2,055)**	**416,071**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	102,572*	15,866	-	118,438
Depreciation and amortization	85,739	19,730	2,057	107,526
Impairment	3,493	98	-	3,591
Balance as at 30 June 2012				
Assets, including:	1,695,442	3,068,750**	833,609***	5,597,801
Investments in associates	-	2,774	-	2,774

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

** Includes non-current assets located outside of Poland

*** This item relates primarily to recognition of Polsat brand

It should be noted that the period of 6 months ended 30 June 2012 is not comparable to the period of 6 months ended 30 June 2011 as shares in Telewizja Polsat Sp. z o.o. were acquired on 20 April 2011, shares in INFO-TV-FM were acquired on 30 January 2012 and shares of entities running ipla platform were acquired on 2 April 2012.

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

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 unaudited	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 other 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:	1,285,222	3,118,163	844,690**	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 recognition of Polsat brand

Reconciliation of EBITDA and Net profit for the period:

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
EBITDA	**527,188**	**341,852**
Depreciation, amortization and impairment	(111,117)	(73,095)
Profit from operating activities	**416,071**	**268,757**
Foreign exchange differences on Senior Notes (notes 10 and 11)	53,068	(22,559)
Other foreign exchange rate differences, net (notes 10 and 11)	(3,177)	5,917
Interest income (note 10)	8,335	3,356
Share of the profit of associate accounted for using the equity method	1,501	569
Interest costs (note 11)	(114,758)	(66,191)
Loss on call options (note 11)	-	(4,373)
Other	(1,868)	(1,880)
Gross profit for the period	**359,172**	**183,596**
Income tax	(54,560)	(37,716)
Net profit for the period	**304,612**	**145,880**

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

18. Transactions with related parties

Receivables

	30 June 2012 unaudited	31 December 2011
Polkomtel Sp. z o.o.	5,688	1,181
Teleaudio DWA Sp. z o.o.	2,131	5,059
Superstacja Sp. z o.o.	892	969
Polsat Jim Jam Ltd.	356	848
ATM Grupa S.A.	157	12
Sirocco Mobile Sp. z o.o.	132	-
Radio PIN S.A.	120	106
PRN Polska Sp. z o.o.	83	268
Aero 2 Sp. z o.o.	81	16
Sferia S.A.	73	201
TFP Sp. z o.o.	16	24
Invest Bank S.A.*	13	128
Ster Sp. z o.o.	10	17
Redefine Sp. z o.o.	-	3,239
Inwestycje Polskie Sp. z o.o.*	-	333
Other	11	9
Total	**9,763**	**12,410**

*Amounts presented above do not include deposits paid to Inwestycje Polskie, Invest Bank and Polsat Nieruchomości (PLN 2,418, PLN 92 and PLN 15, respectively)

Liabilities

	30 June 2012 unaudited	31 December 2011
Polkomtel Sp. z o.o.	2,523	1,001
Teleaudio DWA Sp. z o.o.	1,161	-
ATM Grupa S.A.	953	4,114
Polsat Jim Jam Ltd.	862	594
Polsat Media BV	516	-
TFP Sp. z o.o.	258	507
Inwestycje Polskie Sp. z o.o.	243	166
PRN Polska Sp. z o.o.	230	654
Sirocco Mobile Sp. z o.o.	228	-
Blue Jet Sp. z.o.o.	151	-
PAI Media S.A.	124	170
Superstacja Sp. z o.o.	99	102
Radio PIN S.A.	38	-
ATM System Sp. z o.o.	22	-
Centernet S.A.	-	21
Invest Bank S.A.	1	94
Redefine Sp. z o.o.	-	164
Other	10	65
Total	**7,419**	**7,652**

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 non-current / current assets

	30 June 2012 unaudited	31 December 2011
Mobyland Sp. z o.o.	128,040	94,281
Polkomtel Sp. z o.o.	1,006	-
Radio PIN S.A.	118	-
Total	**129,164**	**94,281**

Other current assets include deferred expenses (current and non-current) relating to an agreement with Mobyland Sp. z o.o. On 23 January 2012 the Group placed an order with Mobyland Sp. z o.o. for data transfer services. The order was placed pursuant to the provisions of the agreement dated 15 December 2010. According to the agreement, Mobyland provides the access to wireless data transfer services, based on 1800MHz and 900MHz bands in LTE and HSPA+ technologies.

The order is for the purchase of 13 million GB of data transfer service with the guaranteed utilization period until 31 December 2015, with a possible extension of the term as stipulated by the agreement. The net price of 1 MB is PLN 0.00774 (not in thousands). The payment for the order will be performed in 12 equal monthly installments, starting from January 2012.

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

Revenues

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Polkomtel Sp. z o.o.*	7,040	-
Teleaudio DWA Sp. z o.o.	2,661	1,395
Redefine Sp. z o.o.**	474	515
Radio PIN S.A.	415	94
Invest Bank S.A.	407	411
Aero 2 Sp. z o.o.***	281	-
Polsat Jim Jam Ltd.	212	66
Sferia S.A.	130	157
ATM Grupa S.A.	129	4
Centernet S.A.	91	-
ATM System Sp. z o.o.	90	-
Ster Sp. z o.o.	87	26
Superstacja Sp. z o.o.	34	23
Nordisk Polska Sp. z o.o.	33	-
TFP Sp. z o.o.	32	-
PRN Polska Sp. z o.o.	30	70
Mobyland Sp. z o.o.	24	-
Telewizja Polsat Sp. z o.o.****	-	484
Polsat Futbol Ltd.****	-	364
Media-Biznes Sp. z o.o.****	-	59
Dom Sprzedaży Radia PIN Sp. z o.o.	-	63
Polskie Media S.A.*****	-	3,882
Other	4	22
Total	**12,174**	**7,635**

* Revenues for 6 months ended 30 June 2011 not included (the company is related from 9 November 2011).
** Within 6 months ended 30 June 2012 revenues cover the 1 January-1 April period (the company is consolidated from 2 April 2012).
*** Within 6 months ended 30 June 2011 revenues cover the 13 May-30 June period (the company is related from 13 May 2011).
**** Revenues for 6 months ended 30 June 2012 not included; within 6 months ended 30 June 2011 revenues cover the 1 January-19 April period (the company is consolidated from 20 April 2011).
***** Revenues for 6 months ended 30 June 2012 not included (the company was related until 8 July 2011).

The most significant transactions include sale of equipment and interconnect services rendered to Polkomtel Sp. z o.o., revenues from audiotext services rendered to Teleaudio DWA Sp. z o.o., licence fees on programming assets from Redefine Sp. z o.o.

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

Expenses and purchases of programming assets

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Mobyland Sp. z o.o.*	17,759	1,946
ATM Grupa S.A.	16,935	6,793
Inwestycje Polskie Sp. z o.o.	9,371	3,543
Teleaudio DWA Sp. z o.o.	5,594	4,219
Redefine Sp. z o.o.**	4,832	405
Polkomtel Sp. z o.o.***	3,127	-
Polsat Jim Jam Ltd.	2,872	1,794
PRN Polska Sp. z o.o.	1,447	2
ATM System Sp. z o.o.	1,426	1,053
Superstacja Sp. z o.o.	1,416	98
Elektrim S.A.	1,266	999
TFP Sp. z o.o.	1,164	421
PAI Media S.A.	934	448
Polsat Nieruchomości Sp. z o.o.	297	107
Invest Bank S.A.	247	191
Radio PIN S.A.	71	-
Sferia S.A.	49	184
ATM Studio Sp. z o.o.	45	-
Ster Sp. z o.o.	38	16
Tower Service Sp. z o.o.****	28	9
Aero 2 Sp. z o.o.*	27	-
Telewizja Dolnośląska Sp. z o.o.	15	5
Centernet S.A.	13	-
Polskie Nieruchomości Sp. z o.o.	12	5
Studio A Sp. z o.o.	10	239
Telewizja Polsat Sp. z o.o.*****	-	22,497
Polskie Media Sp. z o.o.	-	347
Baltmedia Sp. z o.o.	-	90
Polsat Media Sp. z o.o.*****	-	78
Dom Sprzedaży Radia PIN Sp. z o.o.	-	38
Media-Biznes Sp. z o.o.*****	-	22
Other	6	206
Total	**69,001**	**45,755**

* Within 6 months ended 30 June 2011 costs cover the 13 May-30 June period (the company is related from 13 May 2011).
** Within 6 months ended 30 June 2012 costs cover the 1 January-1 April period (the company is consolidated from 2 April 2012).
*** Costs for 6 months ended 30 June 2011 not included (the company is related from 9 November 2011).
**** Within 6 months ended 30 June 2011 costs cover the 20 April-30 June (the company is related from 20 April 2011).
***** Costs for 6 months ended 30 June 2012 not included; within 6 months ended 30 June 2011 costs cover the 1 January-19 April period (the company is consolidated from 20 April 2011).

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

Mobyland Sp. z o.o. provides data transfer services. The Group purchases programming assets from ATM Grupa S.A., Studio A Sp. z o.o. and TFP SP. z o.o. Redefine Sp. z o.o. provides advertising and IT services. The Group rents property and advertising space from Inwestycje Polskie S.A. and Elektrim S.A. Teleaudio DWA Sp. z o.o. provides mainly telecommunication services with respect to the Group's customer call center. The Group pays license fees to Polsat Jim Jam Ltd. for broadcasting Polsat Jim Jam. The Group rents filming and lighting equipment from ATM System Sp. z o.o.

Finance income

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Inwestycje Polskie Sp. z o.o.	51	-
Other	8	-
Total	**59**	**-**

Finance costs

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Laris Investments Sp. z o.o.	87	-
Total	**87**	**-**

19. Litigations

Management believes that the provisions as at 30 June 2012 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

In 2009 the Parent received UOKiK's decision 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 and imposed a cash fine of PLN 994. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

On 26 April 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500 which was paid by the Company on 6 June 2012.

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

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

Legal regulations in Poland require broadcasters to pay various royalties to the organizations of authors, artists and professionals in the entertainment industry ('OZZPA') for the use of content produced by third parties. As at 30 June 2012, the Company's subsidiary, Telewizja Polsat Sp. z o.o., was in a dispute with some of the OZZPA in respect of the validity, nature and the amount of the royalty fees for the rights belonging to the authors represented by such organizations. As at 30 June 2012, OZZPA filed claims against Telewizja Polsat Sp. z o.o. for the principal amount of PLN 10,560 plus interest.

20. Other disclosures

Security relating to loans and borrowings

Security relating to loans and borrowings did not change compared with the ones described in the consolidated financial statements for the year ended 31 December 2011.

Commitments to purchase programming assets

As at 30 June 2012 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2012 unaudited	**31 December 2011**
within one year	164,946	155,502
between 1 to 5 years	129,796	203,377
Total	**294,742**	**358,879**

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

	30 June 2012 unaudited	**31 December 2011**
within one year	2,450	6,702
Total	**2,450**	**6,702**

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 4,569 as at 30 June 2012 (PLN 10,613 as at 31 December 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 4,186 as at 30 June 2012 (PLN 3,906 as at 31 December 2011). Additionally the yet unbilled amount of deliveries and services committed to agreements for the purchases of licences and software as at 30 June 2012 was PLN 1,196 (PLN 946 as at 31 December 2011), including PLN 60 from related parties.

21. Subsequent events

On 29 August 2012 the Group has partly re-paid a principal of its Term Facility Loan in the amount of PLN 200,000. The repayment was executed using the cash generated from operations.

22. Accounting estimates and judgments

The preparation of interim condensed consolidated 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 recognized 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 those adopted in the preparation of consolidated financial statements for the year ended 31 December 2011.

The most significant estimates and judgments made related primarily to the economic useful live of Polsat brand. The Group concluded that there is no foreseeable time limit in which the Polsat brand will bring net cash inflows to the Group, therefore an indefinite economic useful live has been adopted. The Group reviews at least as at the balance sheet date whether events and circumstances continue to justify the indefinite useful live of the Polsat brand.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 6 months ended 30 June 2012

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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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 2012 unaudited**	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Revenue	6	713,845	628,405	1,383,058	1,031,184
Operating costs		(499,652)	(454,122)	(964,217)	(761,633)
Cost of services, products, goods and materials	7	(402,712)	(348,440)	(771,457)	(576,771)
Selling expenses	7	(55,531)	(61,921)	(110,186)	(116,243)
General and administrative expenses	7	(41,409)	(43,761)	(82,574)	(68,619)
Other operating income/costs		(1,112)	(1,525)	(2,770)	(794)
Profit from operating activities		**213,081**	**172,758**	**416,071**	**268,757**
Finance income		5,060	7,705	62,199	9,320
Finance costs		(106,008)	(91,068)	(120,599)	(95,050)
Share of the profit of associate accounted for using the equity method		771	569	1,501	569
Gross profit for the period		**112,904**	**89,964**	**359,172**	**183,596**
Income tax		(13,401)	(20,482)	(54,560)	(37,716)
Net profit for the period		**99,503**	**69,482**	**304,612**	**145,880**
Net profit attributable to equity holders of the Parent		99,503	69,482	304,612	145,880
Basic and diluted earnings per share (in PLN)		**0.29**	**0.21**	**0.87**	**0.49**

Interim Consolidated Statement of Comprehensive Income

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Net profit for the period	**99,503**	**69,482**	**304,612**	**145,880**
Hedge valuation	(566)	(1,145)	(10,354)	(1,145)
Income tax relating to hedge valuation	108	217	1,968	217
Currency translation adjustment	3,060	(722)	-	(722)
Income tax relating to currency translation adjustment	(603)	115	-	115
Other comprehensive income, net of tax	**1,999**	**(1,535)**	**(8,386)**	**(1,535)**
Total comprehensive income for the period	**101,502**	**67,947**	**296,226**	**144,345**
Total comprehensive income attributable to equity holders of the Parent	101,502	67,947	296,226	144,345

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

Interim Consolidated Balance Sheet – Assets

	30 June 2012 unaudited	31 December 2011
Reception equipment	419,479	408,610
Other property, plant and equipment	258,506	263,277
Goodwill	2,575,456	2,412,285
Brands	840,000	840,000
Other intangible assets	69,627	54,194
Non-current programming assets	95,405	131,141
Investment property	8,398	8,440
Non-current deferred distribution fees	33,259	35,028
Other non-current assets	84,770	69,447
Deferred tax assets	40,245	55,726
Total non-current assets	**4,425,145**	**4,278,148**
Current programming assets	167,251	137,429
Inventories	185,528	178,127
Bonds	-	14,854
Trade and other receivables	382,365	320,542
Income tax receivable	263	10,086
Current deferred distribution fees	53,916	59,361
Other current assets	73,814	72,467
Cash and cash equivalents	309,519	277,534
Total current assets	**1,172,656**	**1,070,400**
Total assets	**5,597,801**	**5,348,548**

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

Interim Consolidated Balance Sheet – Equity and Liabilities

	30 June 2012 unaudited	**31 December 2011**
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Other reserves	1,225	9,611
Retained earnings	882,007	577,395
Total equity	**2,192,269**	**1,896,043**
Loans and borrowings	889,155	958,407
Senior Notes payable	1,369,593	1,417,525
Finance lease liabilities	741	934
Deferred tax liabilities	88,480	87,122
Deferred income	6,285	7,595
Other non-current liabilities and provisions	17,835	12,497
Total non-current liabilities	**2,372,089**	**2,484,080**
Loans and borrowings	265,796	246,778
Senior Notes payable	101,342	105,052
Finance lease liabilities	243	252
Trade and other payables	436,188	374,955
Income tax liability	7,799	29,226
Deposits for equipment	12,125	12,744
Deferred income	209,950	199,418
Total current liabilities	**1,033,443**	**968,425**
Total liabilities	**3,405,532**	**3,452,505**
Total equity and liabilities	**5,597,801**	**5,348,548**

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

Interim Consolidated Cash Flow Statement

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Net profit for the period	**304,612**	**145,880**
Adjustments for:	**110,999**	**(50,425)**
Depreciation, amortization and impairment	111,117	73,095
Payments for film licences and sports rights	(88,683)	(35,238)
Amortization of film licences and sports rights	99,832	46,114
Loss/(gain) on investing activity	(257)	445
Cost of programming rights sold	4,602	957
Interest expense	105,822	62,460
Change in inventories	(7,381)	14,863
Change in receivables and other assets	(85,073)	(72,569)
Change in liabilities, provisions and deferred income	51,881	(81,232)
Change in internal production and advance payments	4,073	1,455
Valuation of hedging instruments	(10,354)	(1,145)
Share of the profit of associate accounted for using the equity method	(1,501)	(569)
Foreign exchange losses/(gains), net	(51,798)	21,831
Compensation of income tax receivables with VAT liabilities	-	6,264
Income tax	54,560	37,716
Net increase in reception equipment provided under operating lease	(76,626)	(125,454)
Other adjustments	785	582
Cash flows from operations before income taxes and interest	**415,611**	**95,455**
Income tax paid	(47,188)	(10,320)
Interest received from operating activities	8,144	3,403
Net cash from operating activities	**376,567**	**88,538**
Acquisition of property, plant and equipment	(28,180)	(13,634)
Acquisition of intangible assets	(11,330)	(6,973)
Acquisition of subsidiaries, net of cash acquired	(45,099)	(2,336,697)
Proceeds from sale of property, plant and equipment	121	208
Loans granted	(1,100)	-
Repayment of loans granted	1,100	-
Proceeds from interest on loans granted	-	1
Other proceeds	1,258	-
Net cash used in investing activities	**(83,230)**	**(2,357,095)**

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

Net cash from bank overdraft	-	(18,041)
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	(155,763)	(1,449,594)
Repayment of Cash Pool	(821)	-
Finance lease – principal repayments	(166)	(262)
Payment of interest on loans, borrowings, finance lease and commissions	(103,258)	(166,231)
Other net financing outflows	(73)	-
Net cash from/(used in) financing activities	**(260,081)**	**2,538,938**
Net increase in cash and cash equivalents	**33,256**	**270,381**
Cash and cash equivalents at the beginning of the period	**277,534**	**27,615**
Effect of exchange rate fluctuations on cash and cash equivalents	(1,271)	618
Cash and cash equivalents at the end of the period	**309,519**	**298,614**

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

Interim Consolidated Statement of Changes in Equity for 6 Months Ended 30 June 2012

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2012	**13,934**	**1,295,103**	**9,611**	**577,395**	**1,896,043**
Total comprehensive income	-	-	(8,386)	304,612	**296,226**
Hedge valuation reserve	*-*	*-*	*(8,386)*	*-*	***(8,386)***
Net profit for the period	*-*	*-*		*304,612*	***304,612***
Balance as at 30 June 2012 unaudited	**13,934**	**1,295,103**	**1,225**	**882,007**	**2,192,269**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2011	**10,733**	**-**	-	**417,205**	**427,938**
Total comprehensive income	-	-	(1,535)	145,880	**144,345**
Hedge valuation reserve	*-*	*-*	*(928)*	*-*	***(928)***
Currency translation adjustment	*-*	*-*	*(607)*	*-*	***(607)***
Net profit for the period	*-*	*-*	*-*	*145,880*	***145,880***
Share issue	3,201	1,295,103	-	-	**1,298,304**
Balance as at 30 June 2011 unaudited	**13,934**	**1,295,103**	**(1,535)**	**563,085**	**1,870,587**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as a Mobile Virtual Network Operator ('MVNO') 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 associate. The Group operates in two segments: (1) retail business which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, mobile TV services, online TV services and production of set-top boxes; (2) broadcasting and television production which consists of consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- 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 the 3 and 6 months ended 30 June 2012 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with International Financial Reporting Standards as adopted by the European Union. The Group applied the same accounting policies in the preparation of the financial data for the 3 and 6 months ended 30 June 2012 and the consolidated financial statements for the year 2011, 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 2012 and except for effects of presentation changes as described in note 5.

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 consolidated financial statements were prepared and audited for the year ended 31 December 2011. Annual consolidated financial statements fully disclose accounting principles approved by the Group.

5. Change in presentation

The Group changed its interim consolidated income statement presentation to present cost of debt collection services together with bad debt allowance expenses and income resulting from reversal of bad debt allowance in the operating costs. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

Cost of debt collection services were previously presented within Costs of services, products, goods and materials sold (Distribution, marketing, customer relation management and retention costs in costs by kind) while bad debt allowance was presented within Other operating income/costs.

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

Comparable results for the periods ended 31 March 2011 and 30 June 2011 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications concerning periods ended 30 June 2011 are presented in the tables below. Reclassifications have also been made in the notes to these interim condensed consolidated financial statements.

	for 3 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	628,405		628,405
Operating costs	(440,365)	(13,757)	(454,122)
Cost of services, products, goods and materials sold	(336,888)	(11,552)	(348,440)
Selling expenses	(59,716)	(2,205)	(61,921)
General and administrative expenses	(43,761)		(43,761)
Other operating income/costs	(15,282)	13,757	(1,525)
Profit from operating activities	**172,758**	**-**	**172,758**
Finance income	8,760	(1,055)	7,705
Finance costs	(92,123)	1,055	(91,068)
Share of the profit of associate accounted for using the equity method	569		569
Gross profit for the period	**89,964**	**-**	**89,964**
Income tax	(20,482)		(20,482)
Net profit for the period	**69,482**	**-**	**69,482**

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

	for 6 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	1,031,184		1,031,184
Operating costs	(727,467)	(34,166)	(761,633)
Cost of services, products, goods and materials sold	(544,810)	(31,961)	(576,771)
Selling expenses	(114,038)	(2,205)	(116,243)
General and administrative expenses	(68,619)		(68,619)
Other operating income/costs	(34,960)	34,166	(794)
Profit from operating activities	**268,757**	**-**	**268,757**
Finance income	9,320		9,320
Finance costs	(95,050)		(95,050)
Share of the profit of associate accounted for using the equity method	569		569
Gross profit for the period	**183,596**	**-**	**183,596**
Income tax	(37,716)		(37,716)
Net profit for the period	**145,880**	**-**	**145,880**

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

The Group changed its interim consolidated balance sheet presentation to present long term portion of the data transfer order from Mobyland in Other non-current assets (reclassification from Other current assets). The Group also reclassified and presented Non-current deferred distribution fees and Current deferred distribution fees separately from Other non-current assets and Other current assets, respectively. The Group reclassified receivables and deferred income. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

	31 December 2011 *(reported)*	**Change**	**31 December 2011** *(restated)*
Reception equipment	408,610		408,610
Other property, plant and equipment	263,277		263,277
Goodwill	2,412,285		2,412,285
Brands	840,000		840,000
Other intangible assets	54,194		54,194
Non-current programming assets	131,141		131,141
Investment property	8,440		8,440
Non-current deferred distribution fees	-	35,028	35,028
Other non-current assets	51,647	17,800	69,447
Deferred tax assets	55,726		55,726
Total non-current assets	**4,225,320**	**52,828**	**4,278,148**
Current programming assets	137,429		137,429
Inventories	178,127		178,127
Bonds	14,854		14,854
Trade and other receivables	297,162	23,380	320,542
Income tax receivable	10,086		10,086
Current deferred distribution fees	-	59,361	59,361
Other current assets	184,656	(112,189)	72,467
Cash and cash equivalents	277,534		277,534
Total current assets	**1,099,848**	**(29,448)**	**1,070,400**
Total assets	**5,325,168**	**23,380**	**5,348,548**

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

	31 December 2011 *(reported)*	**Change**	**31 December 2011** *(restated)*
Share capital	13,934		13,934
Reserve capital	432,265	(432,265)	-
Other reserves	1,305,277	(1,305,277)	-
Share premium	-	1,295,103	1,295,103
Hedge valuation reserve	4,758	(4,758)	-
Currency translation adjustment	4,853	(4,853)	-
Other reserves	-	9,611	9,611
Retained earnings	134,956	442,439	577,395
Total equity	**1,896,043**	**-**	**1,896,043**
Loans and borrowings	958,407		958,407
Senior Notes payable	1,417,525		1,417,525
Finance lease liabilities	934		934
Deferred tax liabilities	87,122		87,122
Deferred income	-	7,595	7,595
Other non-current liabilities and provisions	12,497		12,497
Total non-current liabilities	**2,476,485**	**7,595**	**2,484,080**
Loans and borrowings	246,778		246,778
Senior Notes payable	105,052		105,052
Finance lease liabilities	252		252
Trade and other payables	374,955		374,955
Income tax liability	29,226		29,226
Deposits for equipment	12,744		12,744
Deferred income	183,633	15,785	199,418
Total current liabilities	**952,640**	**15,785**	**968,425**
Total liabilities	**3,429,125**	**23,380**	**3,452,505**
Total equity and liabilities	**5,325,168**	**23,380**	**5,348,548**

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

6. Revenue

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Retail sales	427,880	385,791	852,554	773,899
Advertising and sponsorship revenue	238,377	207,219	439,948	208,627
Revenue from cable and satellite operator fees	23,551	16,219	46,880	16,219
Sale of equipment	6,192	2,685	8,912	9,159
Other revenue	17,845	16,491	34,764	23,280
Total	**713,845**	**628,405**	**1,383,058**	**1,031,184**

7. Operating costs

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Programming costs	97,117	103,627	197,263	203,891
Cost of internal and external TV production and amortization of sport rights	104,933	75,842	183,508	75,842
Distribution, marketing, customer relation management and retention costs	71,795	74,801	143,331	147,481
Depreciation, amortization and impairment	56,684	44,755	111,117	73,095
Salaries and employee-related costs	40,274	39,391	80,871	61,779
Broadcasting and signal transmission costs	36,205	26,919	69,876	47,344
Amortization of purchased film licenses	24,587	25,769	52,627	25,769
Cost of settlements with mobile network operators and interconnection charges	11,106	5,699	21,641	10,997
Cost of debt collection services and bad debt allowance and receivables written off	8,387	15,150	14,305	36,729
Cost of equipment sold	7,567	4,350	13,064	19,125
Other costs	40,997	37,819	76,614	59,581
Total costs by kind	**499,652**	**454,122**	**964,217**	**761,633**

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Cost of services, products, goods and materials sold	402,712	348,440	771,457	576,771
Selling expenses	55,531	61,921	110,186	116,243
General and administrative expenses	41,409	43,761	82,574	68,619
Total costs by function	**499,652**	**454,122**	**964,217**	**761,633**

Report on review of interim financial information

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying interim condensed balance sheet of Cyfrowy Polsat S.A. (the 'Company') as of 30 June 2012 and the related interim condensed income statement, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed cash flow statement for the six-month period then ended (the 'interim condensed financial information'). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim condensed 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 interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.
29 August 2012, Warsaw, Poland

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements for the 6 months ended 30 June 2012

Prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 29 August 2012, 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 Accounting Standard 34 *Interim Financial Reporting*, which include:

Interim Income Statement for the period
from 1 January 2012 to 30 June 2012 showing a net profit for the period of: PLN 424,976

Interim Statement of Comprehensive Income for the period
from 1 January 2012 to 30 June 2012 showing a total comprehensive income for the period of: PLN 416,590

Interim Balance Sheet as at
30 June 2012 showing total assets and total equity and liabilities of: PLN 6,076,834

Interim Cash Flow Statement for the period
from 1 January 2012 to 30 June 2012 showing a net increase in cash and cash equivalents amounting to: PLN 205,316

Interim Statement of Changes in Equity for the period
from 1 January 2012 to 30 June 2012 showing an increase in equity of: PLN 416,590

Notes to the Interim Condensed Financial Statements

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

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

Dorota Wołczyńska
Chief Accountant

Warsaw, 29 August 2012

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

Interim Income Statement

	Note	for 6 months ended 30 June 2012 unaudited	for 6 months ended 30 June 2011 unaudited
Revenue	8	872,570	790,411
Operating costs		(650,024)	(623,005)
Cost of services, goods and materials sold	9	(470,614)	(446,445)
Selling expenses	9	(127,417)	(123,228)
General and administrative expenses	9	(51,993)	(53,332)
Other operating income/costs		(1,884)	(1,920)
Profit from operating activities		**220,662**	**165,486**
Finance income	10	360,505	206,909
Finance costs	11	(125,507)	(97,006)
Gross profit for the period		**455,660**	**275,389**
Income tax		(30,684)	(18,305)
Net profit for the period		**424,976**	**257,084**
Basic and diluted earnings per share (in PLN)		**1.22**	**0.86**

Interim Statement of Comprehensive Income

	Note	for 6 months ended 30 June 2012 unaudited	for 6 months ended 30 June 2011 unaudited
Net profit for the period		**424,976**	**257,084**
Hedge valuation	14	(10,354)	(1,145)
Income tax relating to hedge valuation	14	1,968	218
Other comprehensive income, net of tax		**(8,386)**	**(927)**
Total comprehensive income for the period		**416,590**	**256,157**

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

Interim Balance Sheet - Assets

	30 June 2012 unaudited	31 December 2011
Reception equipment	446,296	434,316
Other property, plant and equipment	127,181	133,841
Goodwill	52,022	52,022
Other intangible assets	30,766	28,598
Investment property	7,010	6,843
Shares in subsidiaries	4,588,978	4,516,033
Non-current deferred distribution fees	33,259	35,028
Other non-current assets	76,538	62,491
Total non-current assets	**5,362,050**	**5,269,172**
Inventories	156,011	159,950
Bonds	-	14,854
Trade and other receivables	214,260	201,797
Income tax receivable	163	9,619
Current deferred distribution fees	53,916	59,361
Other current assets	73,315	71,349
Cash and cash equivalents	217,119	11,858
Total current assets	**714,784**	**528,788**
Total assets	**6,076,834**	**5,797,960**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2012 unaudited	31 December 2011
Share capital	13	13,934	13,934
Share premium		1,295,103	1,295,103
Hedge valuation reserve	14	(3,628)	4,758
Retained earnings		1,614,257	1,189,281
Total equity		**2,919,666**	**2,503,076**
Loans and borrowings	15	889,155	958,406
Issued bonds	16	1,350,584	1,397,481
Finance lease liabilities		741	934
Deferred tax liabilities		91,697	65,378
Deferred income		6,285	7,595
Other non-current liabilities and provisions		10,065	5,589
Total non-current liabilities		**2,348,527**	**2,435,383**
Loans and borrowings	15	265,796	290,617
Issued bonds	16	115,252	119,473
Finance lease liabilities		243	252
Trade and other payables		206,533	239,831
Deposits for equipment		12,125	12,743
Deferred income		208,692	196,585
Total current liabilities		**808,641**	**859,501**
Total liabilities		**3,157,168**	**3,294,884**
Total equity and liabilities		**6,076,834**	**5,797,960**

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

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Net profit for the period	**424,976**	**257,084**
Adjustments for:	**(249,739)**	**(277,290)**
Depreciation, amortization and impairment	89,851	61,923
Loss on investing activity	34	76
Interest expense	117,927	65,020
Change in inventories	3,939	4,213
Change in receivables and other assets	(34,015)	(65,514)
Change in liabilities, provisions and deferred income	(17,255)	(51,412)
Valuation of hedging instruments	(10,354)	(1,145)
Foreign exchange losses/(gains), net	(52,737)	22,392
Income tax	30,684	18,305
Net increase in reception equipment provided under operating lease	(81,320)	(135,110)
Dividends income	(297,230)	(197,030)
Other adjustments	737	992
Net cash from/(used in) operations before income taxes and interest	**175,237**	**(20,206)**
Income tax received/(paid)	7,060	(1,630)
Interest received from operating activities	2,814	1,562
Net cash from/(used in) operating activities	**185,111**	**(20,274)**
Acquisition of property, plant and equipment	(7,944)	(10,582)
Acquisition of intangible assets	(10,461)	(5,671)
Loans granted	(1,700)	-
Dividends received	297,230	196,817
Acquisition of shares in subsidiaries	(45,185)	(2,600,231)
Loans repaid - principal	1,700	50
Interest on loans repaid	12	2
Proceeds from sale of property, plant and equipment	121	54
Net cash from/(used in) investing activities	**233,773**	**(2,419,561)**
Loans and borrowings	-	2,800,000
Issuance of bonds	-	1,372,245
Net cash from Cash Pool	(43,839)	-
Proceeds from realization of foreign exchange call options	-	821
Merger with subsidiaries	-	1,523
Payment of interest on loans, borrowings, bonds, finance lease and commissions	(109,472)	(165,286)
Finance lease – principal repayments	(166)	(118)
Repayment of loans and borrowings	(60,091)	(1,441,773)
Net cash from/(used in) financing activities	**(213,568)**	**2,567,412**
Net increase in cash and cash equivalents	**205,316**	**127,577**
Cash and cash equivalents at the beginning of the period	**11,858**	**24,195**
Effect of exchange rate fluctuations on cash and cash equivalents	(55)	108
Cash and cash equivalents at the end of the period	**217,119**	**151,880**

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

Interim Statement of Changes in Equity for 6 months ended 30 June 2012

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2012	**13,934**	**1,295,103**	**4,758**	**1,189,281**	**2,503,076**
Total comprehensive income	-	-	(8,386)	424,976	**416,590**
Hedge valuation reserve (Note 14)	-	-	*(8,386)*	-	***(8,386)***
Net profit for the period	-	-	-	*424,976*	***424,976***
Balance as at 30 June 2012 unaudited	**13,934**	**1,295,103**	**(3,628)**	**1,614,257**	**2,919,666**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2011	**10,733**	**-**	**-**	**1,048,303**	**1,059,036**
Total comprehensive income	-	-	(927)	257,084	**256,157**
Hedge valuation reserve	-	-	*(927)*	-	***(927)***
Net profit for the period	-	-	-	*257,084*	***257,084***
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)**
Balance as at 30 June 2011 unaudited	**13,934**	**1,295,103**	**(927)**	**1,290,311**	**2,598,421**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

Notes to the Interim Condensed Financial Statements

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 paid digital terrestrial television as well as a Mobile Virtual Network Operator ('MVNO') and Internet access services provider.

The Company's activities comprise one segment – services rendered to general public.

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 the 6 months ended 30 June 2012 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting.* These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Company applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 2012 and the financial statements for the year 2011, 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 2012 and except for effects of presentation changes as described in note 6.

During the 6 months ended 30 June 2012 the following became effective:

(i) amendments to IFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets*
The amendments specify the scope of disclosures related to transfers of financial assets. The changes have no impact on these interim condensed financial statements.

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

In line with the provisions of IAS 18, starting from the year 2012 the Company recognizes lower revenues from penalties for breaching contracts by the clients due to change of accounting estimates regarding recognition and recoverability of these revenues. This change of estimates does not materially influence the Company's operating results as the Company respectively recognizes lower bad debt allowance expense. The Management Board believes that this approach reflects the business standing of the Company more precisely and is more transparent for the market environment.

Had the Company proceeded with this approach in the year 2011, the revenue would have totalled PLN 1,588,781.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 29 August 2012.

6. Change in presentation

The Company changed its interim income statement presentation to present cost of debt collection services together with bad debt allowance expenses and income resulting from reversal of bad debt allowance in the operating costs. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

Cost of debt collection services were previously presented within Costs of services, goods and materials sold (Distribution, marketing, customer relation management and retention costs in costs by kind – see note 9) while bad debt allowance was presented within Other operating income/costs.

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

Comparable results for the period ended 30 June 2011 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications are presented in the table below. Reclassifications have also been made in the notes to these interim condensed financial statements.

	for 6 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	790,411		790,411
Operating costs	(589,934)	(33,071)	(623,005)
Cost of services, goods and materials sold	(413,374)	(33,071)	(446,445)
Selling expenses	(123,228)		(123,228)
General and administrative expenses	(53,332)		(53,332)
Other operating income/costs	(34,991)	33,071	(1,920)
Profit from operating activities	**165,486**	**-**	**165,486**
Finance income	206,909		206,909
Finance costs	(97,006)		(97,006)
Gross profit for the period	**275,389**	**-**	**275,389**
Income tax	(18,305)		(18,305)
Net profit for the period	**257,084**	**-**	**257,084**

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

The Company changed its balance sheet presentation to present long term portion of the data transfer order from Mobyland in Other non-current assets (reclassification from Other current assets). The Company also reclassified and presented Non-current deferred distribution fees and Current deferred distribution fees separately from Other non-current assets and Other current assets, respectively. The Company reclassified receivables and deferred income. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

	31 December 2011 *(reported)*	**Change**	**31 December 2011** *(restated)*
Reception equipment	434,316		434,316
Other property, plant and equipment	133,841		133,841
Goodwill	52,022		52,022
Other intangible assets	28,598		28,598
Investment property	6,843		6,843
Shares in subsidiaries	4,516,033		4,516,033
Non-current deferred distribution fees	-	35,028	35,028
Other non-current assets	44,691	17,800	62,491
Total non-current assets	**5,216,344**	**52,828**	**5,269,172**
Inventories	159,950		159,950
Bonds	14,854		14,854
Trade and other receivables	178,417	23,380	201,797
Income tax receivable	9,619		9,619
Current deferred distribution fees	-	59,361	59,361
Other current assets	183,538	(112,189)	71,349
Cash and cash equivalents	11,858		11,858
Total current assets	**558,236**	**(29,448)**	**528,788**
Total assets	**5,774,580**	**23,380**	**5,797,960**

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

	31 December 2011 *(reported)*	Change	31 December 2011 *(restated)*
Share capital	13,934		13,934
Reserve capital	1,037,258	(1,037,258)	-
Other reserves	1,305,277	(1,305,277)	-
Share premium	-	1,295,103	1,295,103
Hedge valuation reserve	4,758		4,758
Retained earnings	141,849	1,047,432	1,189,281
Total equity	**2,503,076**	**-**	**2,503,076**
Loans and borrowings	958,406		958,406
Issued bonds	1,397,481		1,397,481
Finance lease liabilities	934		934
Deferred tax liabilities	65,378		65,378
Deferred income	-	7,595	7,595
Other non-current liabilities and provisions	5,589		5,589
Total non-current liabilities	**2,427,788**	**7,595**	**2,435,383**
Loans and borrowings	290,617		290,617
Issued bonds	119,473		119,473
Finance lease liabilities	252		252
Trade and other payables	239,831		239,831
Deposits for equipment	12,743		12,743
Deferred income	180,800	15,785	196,585
Total current liabilities	**843,716**	**15,785**	**859,501**
Total liabilities	**3,271,504**	**23,380**	**3,294,884**
Total equity and liabilities	**5,774,580**	**23,380**	**5,797,960**

7. Information on Seasonality in the Company's Operations

Historically, revenues from sales of equipment were subject to seasonality. The seasonality of sales of equipment was due to the increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which were not covered in terrestrial channels. Revenue from subscription fees is not directly subject to any seasonal trend.

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

8. Revenue

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Retail sales	852,006	773,903
Sale of equipment	8,754	4,737
Other revenue	11,810	11,771
Total	**872,570**	**790,411**

Retail revenue consists of pay-TV 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.

9. Operating costs

		for 6 months ended	
	Note	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Programming costs		211,031	206,259
Distribution, marketing, customer relation management and retention costs		142,880	148,688
Depreciation, amortization and impairment		89,851	61,923
Salaries and employee-related costs	a	44,465	44,290
Broadcasting and signal transmission costs		44,272	40,951
Cost of settlements with mobile network operators and interconnection charges		21,641	10,997
Cost of debt collection services and bad debt allowance and receivables written off		13,957	35,633
Cost of equipment sold		12,831	15,746
Other costs		69,096	58,518
Total costs by kind		**650,024**	**623,005**

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Cost of services, goods and materials sold	470,614	446,445
Selling expenses	127,417	123,228
General and administrative expenses	51,993	53,332
Total costs by function	**650,024**	**623,005**

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

a) Salaries and employee-related costs

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Salaries	36,843	37,214
Social security contributions	6,329	5,760
Other employee-related costs	1,293	1,316
Total	**44,465**	**44,290**

10. Finance income

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Dividends received (see note 17)	297,230	197,030
Foreign exchange gains on issued bonds	52,792	-
Guarantee fees from related parties (see note 17)	4,913	5,646
Interest	2,956	1,627
Other foreign exchange gains, net	1,835	2,606
Other	779	-
Total	**360,505**	**206,909**

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

11. Finance costs

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Interest expense on loans and borrowings	58,600	53,581
Realization of hedging instruments (IRS)	666	-
Interest expense on issued bonds	63,079	13,058
Impact of hedging instruments valuation on interest expense on issued bonds	444	-
Realization of hedging instruments (CIRS)	(2,183)	-
Other interest	277	7
Results on call options:	-	4,373
Foreign currency options not designated as hedging instruments	-	*939*
Foreign currency options – settlement of instruments	-	*3,434*
Foreign exchange losses on issued bonds	-	22,500
Guarantee fees	2,419	1,853
Bank and other charges	2,202	1,634
Other	3	-
Total	**125,507**	**97,006**

12. Acquisition of subsidiaries

On 28 October 2011 Cyfrowy Polsat entered into an agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited for the acquisition of 100% shares of INFO-TV-FM Sp. z o.o. ('INFO-TV-FM').

INFO-TV-FM is the only wholesale provider of mobile media services, which includes distribution of radio and television broadcasts in DVB-T.

The ownership of shares of INFO-TV-FM Sp. z o.o. was transferred to the Company on 30 January 2012 following fulfillment of the conditions precedent. The fair value of the consideration transferred is equal to PLN 29,313.

The conditions precedent included separation of some INFO-TV-FM assets and activities, signing of the guarantee agreement by INFO-TV-OPERATOR Sp. z o.o. ('INFO Operator') (spin-off company) for the benefit of the Company and entering of a guarantee agreement by INFO-TV-FM and INFO Operator.

The acquisition agreement was concluded in order to continue realization of strategy of Cyfrowy Polsat S.A. Group ('Group') aiming at wide distribution of content using all modern technologies.

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

On 12 March 2012 the Company concluded agreements with Bithell Holdings Ltd. (Seller) relating acquisition of shares in entities running ipla platform. Ipla is the leader in online video distribution in Poland. Agreements comprised acquisition of shares in the following entities:

1. 100% shares in Redefine Sp. z o.o., seated in Warsaw (‘Redefine’),
2. 100% shares in Gery.pl Sp. z o.o., seated in Warsaw (in liquidation),
3. 100% shares in Frazpc.pl Sp. z o.o., seated in Warsaw,
4. 100% shares in Netshare Sp. z o.o. seated in Warsaw.

The Seller is controlled by Mr. Zygmunt Solorz-Żak.

The acquisition date is 2 April 2012, when the title to the shares of the acquired companies was transferred to Cyfrowy Polsat. The joint price for the shares, resulting from the above mentioned transactions amounted to PLN 42,856.

As at the date of signing the share purchase agreement, Redefine Sp. z o.o. held 100% of shares in POSZKOLE.pl Sp. z o.o. and 100 % of shares in STAT24 Sp. z o.o.

13. Equity

Share capital

Presented below is the structure of the Company’s share capital as at 30 June 2012:

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 2012 was as follows:

	30 June 2012				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd. [1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. [2]	25,341,272	1,014	7.27%	50,382,647	9.55%
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 Pola Investments Ltd.

[2] Mr. Heronim Ruta held 100% shares in the share capital of Sensor Overseas Ltd.

14. Hedge valuation reserve

Purchase of hedging instruments

On 17 May 2012 the Company concluded CIRS (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 payer is bank. The termination date of the hedge relationship was agreed at 20 May 2014. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 760,375,000 (not in thousands).

On 28 June 2012 the Company concluded IRS (interest rate swap) transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement). 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 31 December 2014. The notional amount is equal to PLN 362,869,769 (not in thousands).

Impact of hedging instruments valuation on hedge valuation reserve

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Hedge valuation reserve as at 1 January	**4,758**	**-**
Valuation of cash flow hedges	(10,798)	(1,145)
Amount transferred to income statement	444	-
Deferred tax	1,968	218
Change for the period	**(8,386)**	**(927)**
Hedge valuation reserve as at 30 June	**(3,628)**	**(927)**

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

During the 6 months ended 30 June 2012 the valuation of the hedge was negative PLN 10,798, including PLN 444 recognized in the profit and loss account. Since the hedge was determined to be effective, the remaining loss in the amount of PLN 10,354 was recognized within the hedge valuation reserve. Taking into consideration deferred tax, the total effect of the hedge valuation on the hedge valuation reserve is negative and amounts to PLN 8,386.

15. Loans and borrowings

	30 June 2012 unaudited	31 December 2011
Short-term liabilities	265,796	290,617
Long-term liabilities	889,155	958,406
Total	**1,154,951**	**1,249,023**

Change in loans and borrowings liabilities

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Loans and borrowings liabilities as at 1 January	**1,249,023**	**-**
Merger with mPunkt	-	12,101
Loans received	-	2,800,000
Repayment of capital	(60,091)	(1,441,773)
Repayment of interest and commissions	(48,742)	(128,143)
Unpaid commissions valued at amortized cost	-	(8,277)
Net cash from cash pool	(43,839)	-
Interest accrued	58,600	53,581
Loans and borrowings liabilities as at 30 June	**1,154,951**	**1,287,489**

16. Issued bonds

	30 June 2012 unaudited	31 December 2011
Short-term liabilities	115,252	119,473
Long-term liabilities	1,350,584	1,397,481
Total	**1,465,836**	**1,516,954**

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

Change in issued bonds payable

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Issued bonds payable as at 1 January	**1,516,954**	**-**
Bonds issue	-	1,372,245
Repayment of interest and commissions	(61,405)	(27,445)
Foreign exchange (gains)/losses	(52,792)	22,500
Unpaid commissions valued at amortized cost	-	(13,850)
Interest accrued	63,079	13,058
Issued bonds payable as at 30 June	**1,465,836**	**1,366,508**

17. Transactions with related parties

Receivables

	30 June 2012 unaudited	31 December 2011
Polkomtel Sp. z o.o.	5,469	-
Cyfrowy Polsat Finance AB	4,869	-
Telewizja Polsat Sp. z o.o.	968	724
Superstacja Sp. z o.o.	890	921
Polsat Futbol Ltd.	318	1,442
Polsat Jim Jam Ltd.	299	466
Cyfrowy Polsat Technology Sp. z o.o.	194	449
ATM Grupa S.A.	153	-
Media-Biznes Sp. z o. o.	73	59
Info-TV-FM Sp. z o.o.	73	-
Teleaudio DWA Sp. z o.o.	45	77
Redefine Sp. z o.o.	30	1
Radio PIN S.A.	17	6
Invest Bank S.A.	13	128
Cyfrowy Polsat Trade Marks Sp. z o.o.	9	21
Sferia S.A.	2	15
Other	12	11
Total	**13,434**	**4,320**

Other current/non-current assets

	30 June 2012 unaudited	31 December 2011
Mobyland Sp. z o.o.	128,040	94,281
Cyfrowy Polsat Finance AB	1,091	1,169
Polkomtel Sp. z o.o.	1,006	-
Info-TV-FM Sp. z o.o.	666	-
Radio PIN S.A.	118	-
Total	**130,921**	**95,450**

The position above comprises mainly deferred costs (short- and long term) related to the agreement with Mobyland Sp. z o.o.

On 23 January 2012 the Company placed an order with Mobyland Sp. z o.o. for data transfer services. The order was placed pursuant to the provisions of the agreement dated 15 December 2010. According to the agreement, Mobyland provides the access to wireless data transfer services, based on 1800MHz and 900MHz bands in LTE and HSPA+ technologies.

The order is for the purchase of 13 million GB of data transfer service with the guaranteed utilization period until 31 December 2015, with a possible extension of the term as stipulated by the agreement. The net price of 1 MB is PLN 0.00774 (not in thousands). The payment for the order will be performed in 12 equal monthly installments, starting from January 2012.

Liabilities

	30 June 2012 unaudited	31 December 2011
Cyfrowy Polsat Technology Sp. z o.o.*	13,680	20,024
Telewizja Polsat Sp. z o.o.	7,799	6,360
Cyfrowy Polsat Trade Marks Sp. z o.o.	5,599	41,181
Polsat Media Sp. z o.o.	3,383	2,916
Polkomtel Sp. z o.o.	1,742	-
Teleaudio DWA Sp. z o.o.	1,161	-
Redefine Sp. z o.o.	698	8
Polsat Jim Jam Ltd.	393	-
Info-TV-FM Sp. z o.o.	405	-
Netshare Sp. z o.o.	27	-
Invest Bank S.A.	-	12
Other	-	1
Total	**34,887**	**70,502**

*Amounts presented above do not include deposit (PLN 29) related to leased property, paid by Cyfrowy Polsat Technology Sp. z o.o. to the Company.

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

Receivables and liabilities

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

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

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. In the first half of 2012 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 82,108.

Liabilities due to Cyfrowy Polsat Trade Marks Sp. z o.o. comprise mainly liabilities resulting from using 'Cyfrowy Polsat' trade mark.

Issued bonds

	30 June 2012 unaudited	31 December 2011
Cyfrowy Polsat Finance AB	1,465,836	1,516,954
Total	**1,465,836**	**1,516,954**

Revenues

	for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited
Polkomtel Sp. z o.o.*	5,770	-
Cyfrowy Polsat Technology Sp. z o.o.	1,773	1,439
Telewizja Polsat Sp. z o.o.	812	800
Cyfrowy Polsat Trade Marks Sp. z o.o.	727	661
Polsat Futbol Ltd.	527	596
Info-TV-FM Sp. z o.o.	337	-
Teleaudio DWA Sp. z o.o.	302	350
Radio PIN S.A.	167	-
ATM Grupa S.A.	124	-
Media-Biznes Sp. z o.o.	96	96
Superstacja Sp. z o.o.	27	23
Mobyland Sp. z o.o.	24	4
Invest Bank S.A.	7	19
Dom Sprzedaży Radia PIN Sp. z o.o.	-	63
Polskie Media S.A.**	-	239
Other	20	-
Total	**10,713**	**4,290**

*Revenues for 6 months ended 30 June 2011 not included (the company is related from 9 November 2011)
**Revenues for 6 months ended 30 June 2012 not included (the company was related to 8 July 2011)

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

The most significant transactions include revenues from Polkomtel Sp. z o.o. for sale of equipment and interconnect services, from Cyfrowy Polsat Technology Sp. z o.o. for guarantee services and property rental, from Cyfrowy Polsat Trade Marks Sp. z o.o. for property rental and from Telewizja Polsat Sp. z o.o. and Polsat Futbol Ltd. for signal broadcast services.

On 14 March 2011 the cross-border merger of the Company with M.Punkt Holdings Ltd. was registered. Between 1 January and 14 March 2011 Cyfrowy Polsat recognized revenues from M.Punkt Holdings Ltd. amounting to PLN 66.

Expenses

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Telewizja Polsat Sp. z o.o.	39,324	36,716
Cyfrowy Polsat Trade Marks Sp. z o.o.	27,904	17,465
Mobyland Sp. z o.o.*	17,759	1,946
Polsat Media Sp. z o.o.	11,894	119
Teleaudio DWA Sp. z o.o.	5,594	4,219
Polkomtel Sp. z o.o.**	2,326	-
Redefine Sp. z o.o.	1,779	190
Polsat Jim Jam Ltd.	1,467	1,205
Elektrim S.A.	1,266	999
Cyfrowy Polsat Technology Sp. z o.o.***	333	-
Media-Biznes Sp. z o.o.	67	96
Sferia S.A.	49	184
Radio PIN S.A.	40	-
Ster Sp. z o.o.	29	13
Tower Service Sp. z o.o.****	28	9
Aero 2 Sp. z o.o.*	26	-
Netshare Sp. z o.o.	22	-
Info-TV-FM Sp. z o.o.	16	-
Dom Sprzedaży Radia PIN Sp. z o.o.	-	38
Polskie Media S.A.*****	-	288
mPunkt Polska S.A.	-	6,222
Other	7	2
Total	**109,930**	**69,711**

*Costs cover the period from 13 May 2011 (the company is related from 13 May 2011)
**Costs for 6 months ended 30 June 2011 not included (the company is related from 9 November 2011)
***Costs presented in the table do not include depreciation, impairment write-downs and cost of equipment sold relating to equipment purchased from the company
****Costs cover the period from 20 April 2011 (the company is related from 20 April 2011)
*****Costs for 6 months ended 30 June 2012 not included (the company was related to 8 July 2011)

The most significant transactions include license fees to Telewizja Polsat Sp. z o.o. for broadcasting programs: Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD, 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.

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

The Company incurs expenses for using 'Cyfrowy Polsat' trade mark for the benefit of Cyfrowy Polsat Trade Marks Sp. z o.o. Mobyland Sp. z o.o. provides data transfer services. Polsat Media Sp. z o.o. sells advertising time to the Company. Teleaudio DWA Sp. z o.o. provides mainly telecommunication services with respect to the Company's customer call center.

Finance income

	for 6 months ended	
	30 June 2012	**30 June 2011**
	unaudited	**unaudited**
Telewizja Polsat Sp. z o.o.	297,230	196,817
Cyfrowy Polsat Finance AB	4,913	5,646
Cyfrowy Polsat Technology Sp. z o.o.	-	213
Redefine Sp. z o.o.	12	-
Other	-	66
Total	**302,155**	**202,742**

Finance income from Telewizja Polsat Sp. z o.o. comprises dividends. Finance 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 2012	**30 June 2011**
	unaudited	**unaudited**
Cyfrowy Polsat Finance AB	63,080	13,058
Telewizja Polsat Sp. z o.o.	1,028	726
Cyfrowy Polsat Trade Marks Sp. z o.o.	972	872
Polsat Media Sp. z o.o.	109	82
RS TV S.A.	58	78
Nord Licence AS	58	41
Other	10	12
Total	**65,315**	**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.

18. Litigations

Management believes that the provisions as at 30 June 2012 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

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

In 2009 the Company received UOKiK's decision 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 and imposed a cash fine of PLN 994. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

On 26 April 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500 which was paid by the Company on 6 June 2012.

19. Other disclosures

Security relating to loans and borrowings

Security relating to loans and borrowings is the same as presented in financial statements for the year ended 31 December 2011.

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 431 as at 30 June 2012 (PLN 1,527 as at 31 December 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 4,186 as at 30 June 2012 (PLN 3,906 as at 31 December 2011). Additionally the yet unbilled amount of deliveries and services committed to agreements for the purchases of licences and software as at 30 June 2012 was PLN 564 (PLN 431 as at 31 December 2011).

20. Events subsequent to the reporting date

On 29 August 2012 the Company has partly re-paid a principal of its Term Facility Loan in the amount of PLN 200,000. The repayment was executed using the cash generated from operations.

21. 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 2011.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 and 6 months ended 30 June 2012

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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

Interim Income Statement

		for 3 months ended		for 6 months ended	
	Note	30 June 2012 unaudited	30 June 2011 unaudited	30 June 2012 unaudited	30 June 2011 unaudited
Revenue	6	438,888	393,833	872,570	790,411
Operating costs		(327,074)	(314,817)	(650,024)	(623,005)
Cost of services, goods and materials sold	7	(237,472)	(221,335)	(470,614)	(446,445)
Selling expenses	7	(63,975)	(62,632)	(127,417)	(123,228)
General and administrative expenses	7	(25,627)	(30,850)	(51,993)	(53,332)
Other operating income/costs		(212)	(2,221)	(1,884)	(1,920)
Profit from operating activities		**111,602**	**76,795**	**220,662**	**165,486**
Finance income		5,594	205,457	360,505	206,909
Finance costs		(97,325)	(92,286)	(125,507)	(97,006)
Gross profit for the period		**19,871**	**189,966**	**455,660**	**275,389**
Income tax		(4,483)	(1,239)	(30,684)	(18,305)
Net profit for the period		**15,388**	**188,727**	**424,976**	**257,084**
Basic and diluted earnings per share (PLN)		**0.04**	**0.57**	**1.22**	**0.86**

Interim Statement of Comprehensive Income

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited	30 June 2012 unaudited	30 June 2011 unaudited
Net profit for the period	**15,388**	**188,727**	**424,976**	**257,084**
Hedge valuation	(566)	(1,145)	(10,354)	(1,145)
Income tax relating to hedge valuation	108	218	1,968	218
Other comprehensive income, net of tax	**(458)**	**(927)**	**(8,386)**	**(927)**
Total comprehensive income for the period	**14,930**	**187,800**	**416,590**	**256,157**

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

Interim Balance Sheet – Assets

	30 June 2012 unaudited	31 December 2011
Reception equipment	446,296	434,316
Other property, plant and equipment	127,181	133,841
Goodwill	52,022	52,022
Other intangible assets	30,766	28,598
Investment property	7,010	6,843
Shares in subsidiaries	4,588,978	4,516,033
Non-current deferred distribution fees	33,259	35,028
Other non-current assets	76,538	62,491
Total non-current assets	**5,362,050**	**5,269,172**
Inventories	156,011	159,950
Bonds	-	14,854
Trade and other receivables	214,260	201,797
Income tax receivable	163	9,619
Current deferred distribution fees	53,916	59,361
Other current assets	73,315	71,349
Cash and cash equivalents	217,119	11,858
Total current assets	**714,784**	**528,788**
Total assets	**6,076,834**	**5,797,960**

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

Interim Balance Sheet – Equity and Liabilities

	30 June 2012 unaudited	31 December 2011
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Hedge valuation reserve	(3,628)	4,758
Retained earnings	1,614,257	1,189,281
Total equity	**2,919,666**	**2,503,076**
Loans and borrowings	889,155	958,406
Issued bonds	1,350,584	1,397,481
Finance lease liabilities	741	934
Deferred tax liabilities	91,697	65,378
Deferred income	6,285	7,595
Other non-current liabilities and provisions	10,065	5,589
Total non-current liabilities	**2,348,527**	**2,435,383**
Loans and borrowings	265,796	290,617
Issued bonds	115,252	119,473
Finance lease liabilities	243	252
Trade and other payables	206,533	239,831
Deposits for equipment	12,125	12,743
Deferred income	208,692	196,585
Total current liabilities	**808,641**	**859,501**
Total liabilities	**3,157,168**	**3,294,884**
Total equity and liabilities	**6,076,834**	**5,797,960**

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

Interim Cash Flow Statement

	for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**
Net profit for the period	**424,976**	**257,084**
Adjustments for:	**(249,739)**	**(277,290)**
Depreciation, amortization and impairment	89,851	61,923
Loss on investing activity	34	76
Interest expense	117,927	65,020
Change in inventories	3,939	4,213
Change in receivables and other assets	(34,015)	(65,514)
Change in liabilities, provisions and deferred income	(17,255)	(51,412)
Valuation of hedging instruments	(10,354)	(1,145)
Foreign exchange losses/(gains), net	(52,737)	22,392
Income tax	30,684	18,305
Net increase in reception equipment provided under operating lease	(81,320)	(135,110)
Dividends income	(297,230)	(197,030)
Other adjustments	737	992
Net cash from/(used in) operations before income taxes and interest	**175,237**	**(20,206)**
Income tax received/(paid)	7,060	(1,630)
Interest received from operating activities	2,814	1,562
Net cash from/(used in) operating activities	**185,111**	**(20,274)**
Acquisition of property, plant and equipment	(7,944)	(10,582)
Acquisition of intangible assets	(10,461)	(5,671)
Loans granted	(1,700)	-
Dividends received	297,230	196,817
Acquisition of shares in subsidiaries	(45,185)	(2,600,231)
Loans repaid - principal	1,700	50
Interest on loans repaid	12	2
Proceeds from sale of property, plant and equipment	121	54
Net cash from/(used) in investing activities	**233,773**	**(2,419,561)**
Loans and borrowings	-	2,800,000
Issuance of bonds	-	1,372,245
Net cash from Cash Pool	(43,839)	-
Proceeds from realization of foreign exchange call options	-	821
Merger with subsidiaries	-	1,523
Payment of interest on loans, borrowings, bonds, finance lease and commissions	(109,472)	(165,286)
Finance lease – principal repayments	(166)	(118)
Repayment of loans and borrowings	(60,091)	(1,441,773)
Net cash from/(used in) financing activities	**(213,568)**	**2,567,412**
Net increase in cash and cash equivalents	**205,316**	**127,577**
Cash and cash equivalents at the beginning of the period	**11,858**	**24,195**
Effect of exchange rate fluctuations on cash and cash equivalents	(55)	108
Cash and cash equivalents at the end of the period	**217,119**	**151,880**

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

Interim Statement of Changes in Equity for 6 months ended 30 June 2012

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2012	**13,934**	**1,295,103**	**4,758**	**1,189,281**	**2,503,076**
Total comprehensive income	-	-	(8,386)	424,976	**416,590**
Hedge valuation reserve	-	-	*(8,386)*	-	***(8,386)***
Net profit for the period	-	-	-	*424,976*	***424,976***
Balance as at 30 June 2012 unaudited	**13,934**	**1,295,103**	**(3,628)**	**1,614,257**	**2,919,666**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2011	**10,733**	**-**	**-**	**1,048,303**	**1,059,036**
Total comprehensive income	-	-	(927)	257,084	**256,157**
Hedge valuation reserve	-	-	*(927)*	-	***(927)***
Net profit for the period	-	-	-	*257,084*	***257,084***
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)**
Balance as at 30 June 2011 unaudited	**13,934**	**1,295,103**	**(927)**	**1,290,311**	**2,598,421**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

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

Notes to the Interim Condensed Financial Statements

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 paid digital terrestrial television as well as a Mobile Virtual Network Operator ('MVNO') and Internet access services provider.

The Company's activities comprise one segment – services rendered to general public.

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 2012 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 31 June 2012 and the financial statements for the year 2011, presented in the annual report for 2011.

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

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

The most recent published annual financial statements were prepared and audited for the year ended 31 December 2011. Annual financial statements fully disclose accounting policies approved by the Company, except for new accounting principles, standards and interpretations, which are effective for the periods beginning after 1 January 2012 and were disclosed in the interim condensed financial statements for 6 months ended 30 June 2012.

5. Change in presentation

The Company changed its interim income statement presentation to present cost of debt collection services together with bad debt allowance expenses and income resulting from reversal of bad debt allowance in the operating costs. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

Cost of debt collection services were previously presented within Costs of services, goods and materials sold (Distribution, marketing, customer relation management and retention costs in costs by kind – see note 7) while bad debt allowance was presented within Other operating income/costs.

Comparable results for the periods ended 31 March 2011 and 30 June 2011 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications concerning periods ended 30 June 2011 are presented in the tables below. Reclassifications have also been made in the notes to these interim condensed financial statements.

	for 3 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	393,833		393,833
Operating costs	(302,121)	(12,696)	(314,817)
Cost of services, goods and materials sold	(208,639)	(12,696)	(221,335)
Selling expenses	(62,632)		(62,632)
General and administrative expenses	(30,850)		(30,850)
Other operating income/costs	(14,917)	12,696	(2,221)
Profit from operating activities	**76,795**	**-**	**76,795**
Finance income	206,512	(1,055)	205,457
Finance costs	(93,341)	1.055	(92,286)
Gross profit for the period	**189,966**	**-**	**189,966**
Income tax	(1,239)		(1,239)
Net profit for the period	**188,727**	**-**	**188,727**

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

	for 6 months ended		
	30 June 2011 unaudited *(reported)*	**Change**	**30 June 2011 unaudited** *(restated)*
Revenue	790,411		790,411
Operating costs	(589,934)	(33,071)	(623,005)
Cost of services, goods and materials sold	(413,374)	(33,071)	(446,445)
Selling expenses	(123,228)		(123,228)
General and administrative expenses	(53,332)		(53,332)
Other operating income/costs	(34,991)	33,071	(1,920)
Profit from operating activities	**165,486**	**-**	**165,486**
Finance income	206,909		206,909
Finance costs	(97,006)		(97,006)
Gross profit for the period	**275,389**	**-**	**275,389**
Income tax	(18,305)		(18,305)
Net profit for the period	**257,084**	**-**	**257,084**

The Company changed its balance sheet presentation to present long term portion of the data transfer order from Mobyland in Other non-current assets (reclassification from Other current assets). The Company also reclassified and presented Non-current deferred distribution fees and Current deferred distribution fees separately from Other non-current assets and Other current assets, respectively. The Company reclassified receivables and deferred income. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

	31 December 2011 *(reported)*	**Change**	**31 December 2011** *(restated)*
Reception equipment	434,316		434,316
Other property, plant and equipment	133,841		133,841
Goodwill	52,022		52,022
Other intangible assets	28,598		28,598
Investment property	6,843		6,843
Shares in subsidiaries	4,516,033		4,516,033
Non-current deferred distribution fees	-	35,028	35,028
Other non-current assets	44,691	17,800	62,491
Total non-current assets	**5,216,344**	**52,828**	**5,269,172**
Inventories	159,950		159,950
Bonds	14,854		14,854
Trade and other receivables	178,417	23,380	201,797
Income tax receivable	9,619		9,619
Current deferred distribution fees	-	59,361	59,361
Other current assets	183,538	(112,189)	71,349
Cash and cash equivalents	11,858		11,858
Total current assets	**558,236**	**(29,448)**	**528,788**
Total assets	**5,774,580**	**23,380**	**5,797,960**

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

	31 December 2011 *(reported)*	Change	31 December 2011 *(restated)*
Share capital	13,934		13,934
Reserve capital	1,037,258	(1,037,258)	-
Other reserves	1,305,277	(1,305,277)	-
Share premium	-	1,295,103	1,295,103
Hedge valuation reserve	4,758		4,758
Retained earnings	141,849	1,047,432	1,189,281
Total equity	**2,503,076**	**-**	**2,503,076**
Loans and borrowings	958,406		958,406
Issued bonds	1,397,481		1,397,481
Finance lease liabilities	934		934
Deferred tax liabilities	65,378		65,378
Deferred income	-	7,595	7,595
Other non-current liabilities and provisions	5,589		5,589
Total non-current liabilities	**2,427,788**	**7,595**	**2,435,383**
Loans and borrowings	290,617		290,617
Issued bonds	119,473		119,473
Finance lease liabilities	252		252
Trade and other payables	239,831		239,831
Deposits for equipment	12,743		12,743
Deferred income	180,800	15,785	196,585
Total current liabilities	**843,716**	**15,785**	**859,501**
Total liabilities	**3,271,504**	**23,380**	**3,294,884**
Total equity and liabilities	**5,774,580**	**23,380**	**5,797,960**

6. Revenue

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	**30 June 2011 unaudited**	**30 June 2012 unaudited**	**30 June 2011 unaudited**
Retail sales	427,330	385,793	852,006	773,903
Sale of equipment	6,061	2,096	8,754	4,737
Other revenue	5,497	5,944	11,810	11,771
Total	**438,888**	**393,833**	**872,570**	**790,411**

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

7. Operating costs

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited	30 June 2012 unaudited	30 June 2011 unaudited
Programming costs	103,026	105,995	211,031	206,259
Distribution, marketing, customer relation management and retention costs	71,522	73,885	142,880	148,688
Depreciation, amortization and impairment	46,237	34,340	89,851	61,923
Salaries and employee-related costs	21,644	23,927	44,465	44,290
Broadcasting and signal transmission costs	22,504	20,526	44,272	40,951
Cost of settlements with mobile network operators and interconnection charges	11,107	5,699	21,641	10,997
Cost of debt collection services and bad debt allowance and receivables written off	8,483	14,089	13,957	35,633
Cost of equipment sold	7,411	4,131	12,831	15,746
Other costs	35,140	32,225	69,096	58,518
Total costs by kind	**327,074**	**314,817**	**650,024**	**623,005**

	for 3 months ended		for 6 months ended	
	30 June 2012 unaudited	30 June 2011 unaudited	30 June 2012 unaudited	30 June 2011 unaudited
Cost of services, goods and materials sold	237,472	221,335	470,614	446,445
Selling expenses	63,975	62,632	127,417	123,228
General and administrative expenses	25,627	30,850	51,993	53,332
Total costs by function	**327,074**	**314,817**	**650,024**	**623,005**