CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the six-month period ended June 30, 2013

Place and date of publication: Warsaw, August 28, 2013

Table of contents

Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group in the six-month period ended June 30, 2013

1. Introduction 7
2. Significant events 9
3. Selected financial data 12
4. Organizational structure of Cyfrowy Polsat S.A. Capital Group 14
5. Changes in the organizational structure of Cyfrowy Polsat S.A. Capital Group and their effects 15
6. Discussion of the difference of the Group's results to published forecasts for the year 16
7. Shareholders possessing no less than 5% of the votes at General Meeting of Cyfrowy Polsat S.A. as of the date of publication of the interim report 16
8. Changes in the number of shares of Cyfrowy Polsat S.A. owned by the members of the Management Board and the Supervisory Board 17
8.1. The Management Board of Cyfrowy Polsat S.A. 17
8.2. The Supervisory Board of Cyfrowy Polsat S.A. 17
9. Information on material proceedings at the court, arbitration body or public authorities against the Company or its consolidated subsidiaries 18
10. Information on concluding by the Company or its subsidiaries material transactions with related parties concluded on conditions other than market conditions 18
11. Information on guarantees granted by the Company or subsidiaries 18
12. Other information important for the assessment of the Company's personnel, economic and financial position, as well as its financial results 19
12.1. Revenue 19
12.2. Operating costs 20
12.3. Other operating income/costs 22
12.4. Gain/loss on investment activities, net 22
12.5. Finance costs, net 22
12.6. Management discussion and analysis 23
12.6.1. Operating results 23
12.6.2. Review of the financial situation 27
13. Factors that may impact the results of the Company and the Cyfrowy Polsat S.A. Capital Group in at least the following quarter 45
14. Risk Factors 50

Management Board's representations

Independent auditor's review report on the interim condensed consolidated financial statements for the 6 months ended 30 June 2013

Interim condensed consolidated financial statements for the 6 months ended 30 June 2013

Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2013

Independent auditor's review report on the interim condensed financial statements for the 6 months ended 30 June 2013

Interim condensed financial statements for the 6 months ended 30 June 2013

Interim condensed financial statements for the 3 and 6 months ended 30 June 2013

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 Senior Notes, dated May 20, 2011.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

References to the Company contained in this Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group apply to Cyfrowy Polsat S.A. (Cyfrowy Polsat) and all references to the Capital Group, Cyfrowy Polsat Group, Cyfrowy Polsat 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, Family Max 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 (TV Mobilna); "**TV Mobilna**" relates to our pay mobile TV service rendered in DVB-T technology; "**Ekstra Package**" relates to the pay programming package offered within our services 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; „**Our pay digital TV services**" relate to our paid DTH, mobile and internet television services offered in both prepaid and postpaid model; "**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 within pay digital television services, after making required monthly 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 net 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; "**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, data are presented based on 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 on the size of the market 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 television households in Poland which have the technical ability to receive a given channel broadcasted by Telewizja Polsat Sp. z o.o.; "**Real users**" relates to estimated number of people who at least once in the given month opened the internet application or the website; "**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 entities from 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 Sp. z o.o.; "**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. (until the merger with Redefine Sp. z o.o. on November 30, 2012); "**INFO-TV-FM**" relates to the company INFO-TV-FM Sp. z o.o.; "**POLSAT**" relates to our main FTA channel, available also in digital terrestrial television; "**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 sports and major sports events in Poland and in the world; "**Polsat Sport HD**" relates to our channel on which we broadcast the content of Polsat Sport channel in HD technology (until 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 broadcasted since June 2012; "**Polsat Futbol**" relates to our sport channel dedicated to football games broadcasted until the end of May 2012; "**Polsat Sport News**" relates to our sport channel dedicated to sport news available in digital terrestrial television; "**Polsat Film**" relates to our movie channel; "**Polsat Film HD**" relates to our channel on which we broadcast the content of Polsat Film channel in HD technology, the channel is broadcasted since November 2012; "**Polsat Café**" relates to our lifestyle channel dedicated to women; "**Polsat Play**" relates to our lifestyle channel dedicated to men; "**Polsat2**" relates to our channel broadcasting mainly reruns of programs that premiered on our other channels; "**Polsat News**" relates to our 24-hour news channel; "**Polsat Biznes**" relates to our channel dedicated to the latest news on the economy and financial markets, until February 2013 the channel operated under "TV Biznes" brand; "**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; "**Polsat Food**" relates to culinary and lifestyle channel launched by Telewizja Polsat in cooperation with Scripps Networks Interactive in November 2012; "**Polsat Viasat Explorer**" relates to a channel dedicated to men, since March 2013 broadcasted based on cooperation between Viasat Broadcasting and Telewizja Polsat; "**Polsat Viasat Nature**" relates to a nature channel dedicated to entire family, since March 2013 broadcasted based on cooperation between Viasat Broadcasting and Telewizja Polsat; "**Polsat Viasat History**" relates to a history channel since March 2013 broadcasted based on cooperation between Viasat Broadcasting and Telewizja Polsat; „**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 2013, quarterly condensed consolidated financial statements for 3 and 6 month periods ended 30 June 2013, interim condensed financial statements for the 6 month period ended 30 June 2013 and quarterly condensed financial statements for the 3 and 6 month period ended 30 June 2013. 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 2013 and the interim condensed financial statements for the 6 months ended 30 June 2013 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 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, 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;
- Megapanel PBI/Gemius;
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2013-2017);
- 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, terrestrial and the Internet), we provide to our subscribers broadband Internet access 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 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. We provide to our subscribers DTH service, mobile television, broadband Internet in HSPA/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, 2013 we had 3,545,582 pay digital television subscribers (including 572,748 subscribers to Multiroom service – y-o-y increase by 99%), 187,628 users of broadband Internet service (89.4% y-o-y increase) and the number of mobile telephony users amounted to 136,324*.

We offer our subscribers access to over 130 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 2012 in the commercial group 16-49 (NAM). In addition, we offer our subscribers access to 37 HD channels and also provide VoD/PPV, catch-up TV and Multrioom services. We provide the subscribers to our TV Mobilna 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 the first half of 2013, over 90% 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. In the first half of 2013, the number of real users of ipla application and website amounted on monthly average to over 2.5 million (based on data from Megapanel PBI/Gemius research). In addition, according to our estimates, in the same period, ipla recorded monthly, an average of about 1.3 million users of application for mobile devices, Smart TVs, set-top-boxes and game consoles.

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, 2013 our sales network included 786 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 June 2013, was available in additional 779 points of sales of Polkomtel Sp. z o.o. 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. Our main channel, POLSAT, is number two in terms of audience share with a 14.0% share in the first half of 2013. We

* including 126,822 users of our MVNO service and 9,502 our clients who bought Polkomtel's mobile telephony service within cross promotion

also broadcast thematic channels, which had a 5.9% combined audience share, and sell advertising on our channels and certain third-party channels. TV Polsat branded channels' portfolio consists of 20 stations including 4 HD channels. We broadcast 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 1.76 billion (not in thousands) Polish TV advertising market in the first half of 2013.

Our television channels include: POLSAT, Polsat HD, Polsat Sport, Polsat Sport Extra, Polsat Sport HD, Polsat Sport Extra HD, Polsat Film, Polsat Film HD, Polsat Café, Polsat Play, Polsat2, Polsat News, Polsat Crime & Investigation Network, Polsat Biznes, Polsat Jim Jam, Polsat Sport News, Polsat Food, Polsat Viasat Explorer, Polsat Viasat Nature and Polsat Viasat History. POLSAT, our main channel, was the first commercial channel in Poland, that received a nationwide analogue 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, Multimedia and Vectra 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 Film HD is a version of our movie channel offering high definition broadcast. 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. Polsat2 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. Polsat 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. Polsat Food is a culinary channel, based on the content library of Food Network's, one of the most popular channels on American television. This is a joint venture of TV Polsat and Scripps Network Interactive. Polsat Viasat Explorer is a channel dedicated to men, simple-unusual people, who work hard and have fantastic fun realizing extraordinary dreams. Polsat Viasat Nature is a nature channel targeted to entire family, that aims to accompany wildlife researchers, veterinary doctors and celebrities in their journey developing knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat History is a channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time; the content features historical events, that influenced the world's history. Polsat Viasat Explorer, Polsat Viasat Nature and Polsat Viasat History operate based on the cooperation with Viasat Broadcasting.

2. Significant events

Revision of outlook within BB rating from stable to positive by Standard & Poor's Rating Services

On February 26, 2013, Standard & Poor's Rating Services ("S&P") revised its outlook on Cyfrowy Polsat to positive from stable and affirmed the long-term corporate credit rating assigned to the Company at 'BB'. S&P also affirmed the long-term issue rating at 'BB' assigned to the issue of the Senior Notes.

According to S&P's report, the positive outlook reflects their view that Cyfrowy Polsat could post credit measures commensurate with a higher rating in 2013, thanks to its good cash flow generation and continued debt reduction.

Signing of preliminary and conditional agreements for the purchase of shares in Polskie Media S.A.

On March 28, 2013 preliminary and conditional agreements for the sale of shares in Polskie Media S.A. (the "Agreements") were concluded between Telewizja Polsat Sp. z o.o. and Karswell Limited seated in Nicosia, Cyprus and Sensor Overseas Limited seated in Nicosia, Cyprus.

Pursuant to the Agreements, Telewizja Polsat is obliged to enter into the promised agreements whereby it will purchase and Karswell Limited and Sensor Overseas Limited will sell a total of 14.500.000 registered shares in Polskie Media S.A. seated in Warsaw ("Polskie Media") with nominal value of PLN 10 (not in thousands) each comprising 100% of Polskie Media's share capital and giving right to 100% of voting rights at the general meeting for the total amount of PLN 99m (not in thousands), comprising price for shares and adjustments related to enterprise value.

The Agreements were concluded subject to the following precedent conditions:

a. issue of the relevant approval by the President of the Office of Competition and Consumer Protection

b. acquisition by either Karswell Limited or Sensor Overseas Limited of 2,500 registered shares with total nominal value of PLN 25,000 (not in thousands) from the current minority shareholder of Polskie Media.

Polskie Media is a broadcaster of two channels distributed both in terrestrial and cable-satellite: TV4 and TV6. An independent opinion of KPMG Advisory, prepared for the Management Board of Cyfrowy Polsat, confirms that price terms of the planned transaction are fair from the point of view of Cyfrowy Polsat.

We consider the acquisition of Polskie Media a strategic step towards strengthening of Telewizja Polsat's market position. This opens the possibility to increase advertising revenue based on the increasing reach and Group's stronger negotiations standing as well as the synergies in the following areas: access and use of the programming content, technical, advertising, marketing and cross-promotions as well as back-office resources.

Signing of conditional agreement to sell RS TV S.A.

On March 28, 2013, the Group signed a conditional agreement to sell RS TV S.A. (RS TV) to Emitel Sp. z o.o. for PLN 45.5 million (not in thousands).

The sale of RS TV, providing signal transmission services primarily for Cyfrowy Polsat Group, aims at focusing the Group's activities on two main business segments – providing retail services and broadcasting and television production.

Following the switch of terrestrial television from analogue to digital broadcasting, continuing RS TV operations would involve additional investments with limited possibilities to achieve synergy.

The transaction abovementioned is subject to the following precedent conditions: issue of relevant approval by the banks being parties to Cyfrowy Polsat's loan agreement (the SFA), waiving all securities (established on the shares and assets of the company) in respect to the SFA and the issue of Senior Notes and registration of division of RS TV by the Registry Court.

According to the SFA, the proceeds from the sale of shares in RS TV in the amount of PLN 45.5 million (not in thousands) will be allocated in total to repayment of the Term Loan incurred for the purchase of Telewizja Polsat.

Reduction of indebtedness

On June 28, 2013 we effectuated another partial voluntary pre-payment of the Term Facility Loan, taken in 2011 for the acquisition of TV Polsat. The prepayment amounted to PLN 100 million (not in thousands) and significantly reduced the total indebtedness of the Group. Thanks to the prepayment, both principal payments and accrued interests will be lower in the future periods.

Changes to Cyfrowy Polsat brand communication

In accordance with the strategy to provide complete multimedia products and services for the entire family, at the end of May 2013, we introduced changes to Cyfrowy Polsat brand communication, that include new slogan: „Twój Multimedialny Dom" ("Your Multimedia Home") and new icons. The change is the highlight of the new phase in the consistent development of the company creating a broad portfolio of products for its customers. The changes in the communication were followed by new promotions that encourage combining our services into sets tailored to the needs of each family as well as testing new online services.

Development of Internet services

At the beginning of February 2013, every second Pole was already within the reach of Cyfrowy Polsat's LTE Internet. While in July, as a result of intense works on the development of LTE and HSPA/HSPA+ networks by our partners – Polkomtel Sp. z o.o. and Midas S.A., the technical reach of LTE Internet increased to almost 55% and of HSPA/HSPA+ to over 94% of the population in Poland.

We have also been focusing on the permanently increasing the attractiveness of our Internet offer by introducing new solutions for the users. We have added new equipment to the offer, i.a. the market's first tablet with a built-in LTE modem enabling data downloading speed of up to 150 Mb/s and a router with an integrated LTE modem (available within additional promotion enabling to use one subscription/data package on two SIM cards). We have also offered to the users of our Internet services new option 'Plan ZERO' without fixed-term agreement, subscription or a need of regular top-ups, as well as new Multimedia tariffs that enable i.a. the use of selected online content, including video services, without reducing the purchased data package.

Three new channels under "Polsat" brand

On March 1, 2013, TV Polsat expanded its portfolio by three new channels available under "Polsat" brand. Following the cooperation established in November 2012 between Cyfrowy Polsat Group and Viasat Broadcasting group, owned by international media company Modern Times Group, Viasat channels available on the Polish market started to be broadcast under two brands – "Polsat" and "Viasat", being called: Polsat Viasat History, Polsat Viasat Explorer and Polsat Viasat Nature. Thus the portfolio of channels under "Polsat" brand increased to 20 positions. In addition, since January 2013, the sale of advertising on these channels is handled by Polsat Media sales office. Thanks to that the portfolio of channels serviced by Polsat Media increased to 24 stations.

Success of Polsat Boxing Night gala

Over 120 thousand people bought the access to Polsat Boxing Night gala on February 23, 2013, in the PPV service of Cyfrowy Polsat and in ipla internet television. The fight of the night showed the meeting of two legends of heavy weight Andrzej Golota and Przemyslaw Saleta.

Following previous positive experience in realization of pay-per-view transmissions, we offered our viewers pay access to three other life broadcasts of important sports events in the second quarter. Our assumption is that such broadcasts become regular element of our offer (at least four events per year). Revenues from sports broadcasting in the PPV have a positive impact on the level of our ARPU.

Re-launch of Polsat Biznes business channel

In February 2013, TV Biznes channel underwent a re-branding to Polsat Biznes with new logo and framework prepared by Polsat News editorial. Polsat Biznes represent a new approach to business television in Poland – business & life channel. The scheduling includes the most important domestic and international economic events, current news from the stock market and analysis of recognized economists. In addition, Polsat Biznes is a lifestyle guide targeted to all related to the Polish business environment.

New sports portal polsatsport.pl

In February 2013, TV Polsat launched a new version of the sports portal polsatsport.pl, which complements the sports offer of the Group's sport channels. The service focuses not only on the disciplines present on the offer of Polsat's sport channels, but also on other disciplines important to the Polish sports fans. The portal features news, its advantage comes from the emphasis on video materials, which distinguishes the portal from other websites of a similar profile and provides a potential to become the best sports portal in Poland.

Enrichment of ipla offer

The first half of the year resulted in further development of our Internet TV ipla. With the new contracts including NBCUniversal International Television Distribution, Monolith Films, Discovery Communications and SPT Networks, ipla's offer was enriched by additional movie hits and other materials popular around the world and expected by the Polish audience. We have also introduced changes in the available packages, including iplaNetTV – new package that allows to watch more than a dozen popular online TV channels (including news, movies, entertainment and education channels).

Record results of ipla

According to the Megapanel PBI/Gemius results, in March 2013, ipla reached a highest ever in its history result of 3.2 million real users of the internet application and the website. Moreover, due to the fact that Megapanel PBI /Gemius research does not cover full spectrum of devices on which ipla is available, the actual scope of the service should be extended by the users of the application on mobile devices, consoles, pay-TV set-top-boxes and Smart TVs, on which, according to our data, 1.5 million viewers used ipla offer in March.

In the full first half of 2013, the number of real users of ipla application and website amounted on monthly average to over 2.5 million (based on data from Megapanel PBI/Gemius research). In addition, according to our estimates, in the same period, ipla recorded monthly, an average of about 1.3 million users of application for mobile devices, Smart TVs, set-top-boxes and game consoles.

Sales of devices for reception of TV Mobilna

We ran our enhanced promotion of TV Mobilna service and sales of in-house produced DVB-T set-top-boxes until the end of July 2013 or the complete switch-off of the analogue signal, which resulted from the change in technology from analogue terrestrial television broadcast to the digital broadcast conducted in Poland. From the launch of the project we sold over 350 thousand devices for reception of TV Mobilna. In the group of households that have purchased such devices from our offer, we see an opportunity to obtain new customers of pay-TV services in the future.

New in-house produced PVR set-top-box

In early June 2013, we introduced to our offer new set-top-box – PVR HD 7000 – manufactured in our factory. It is the first model of in-house produced set-top-boxes that is equipped with a built-in hard drive.

3. Selected financial data

The following tables set out selected consolidated financial data for the three and six-month periods ended June 30, 2013 and June 30, 2012. The information shall be read in conjunction with interim condensed consolidated financial statements for the six-month period ended June 30, 2013 and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2013 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, 2013 and June 30, 2012 have been converted into euro at a rate of PLN 4.2011 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, 2013;

- from the consolidated income statements and the consolidated cash flow statement for the six-month periods ended 30 June 2013 and 30 June 2012 have been converted into euro at a rate of PLN 4.1786 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, 2013;

- from the consolidated balance sheet data as at June 30, 2013 and December 31, 2012 have been converted into euro at a rate of PLN 4.3292 per €1.00 (an exchange rate published by NBP on June 30, 2013).

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, 2013 are not fully comparable to the periods of 3 and 6 months ended June 30, 2012 as 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,			
	2013		2012		2013		2012	
	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Consolidated Income Statement								
Retail revenue	452,429	107,693	427,880	101,850	904,438	216,445	852,554	204,029
Advertising and sponsorship revenue	226,631	53,946	238,377	56,742	410,849	98,322	439,948	105,286
Revenue from cable and satellite operator fees	24,503	5,833	23,551	5,606	49,370	11,815	46,880	11,219
Sale of equipment	11,752	2,797	6,192	1,474	24,864	5,950	8,912	2,133
Other revenue	20,619	4,908	17,845	4,248	43,489	10,408	34,764	8,320
Revenue	**735,934**	**175,177**	**713,845**	**169,919**	**1,433,010**	**342,940**	**1,383,058**	**330,986**
Cost of services, products, goods and materials sold	(434,201)	(103,354)	(402,712)	(95,859)	(842,080)	(201,522)	(771,457)	(184,621)
Selling expenses	(65,654)	(15,628)	(55,531)	(13,218)	(127,494)	(30,511)	(110,186)	(26,369)
General and administrative expenses	(42,522)	(10,122)	(41,409)	(9,857)	(85,769)	(20,526)	(82,574)	(19,761)
Total operating costs	**(542,377)**	**(129,104)**	**(499,652)**	**(118,934)**	**(1,055,343)**	**(252,559)**	**(964,217)**	**(230,751)**
Other operating income/(costs)	1,447	344	(1,112)	(265)	1,951	467	(2,770)	(663)
Profit from operating activities	**195,004**	**46,417**	**213,081**	**50,720**	**379,618**	**90,848**	**416,071**	**99,572**
Gain/(loss) on investment activities, net	747	178	(8,490)	(2,021)	4,582	1,097	3,987	954
Finance costs, net	(102,398)	(24,374)	(92,458)	(22,008)	(182,473)	(43,668)	(62,387)	(14,930)
Share of the profit or loss of jointly controlled entity accounted for using the equity method	818	195	771	184	1,580	378	1,501	359
Gross profit for the period	**94,171**	**22,416**	**112,904**	**26,875**	**203,307**	**48,654**	**359,172**	**85,955**
Income tax	(13,426)	(3,196)	(13,401)	(3,190)	(27,457)	(6,571)	(54,560)	(13,057)
Net profit for the period	**80,745**	**19,220**	**99,503**	**23,685**	**175,850**	**42,083**	**304,612**	**72,898**
Basic and diluted earnings per share (not in thousands)	0.23	0.06	0.29	0.07	0.50	0.12	0.87	0.21
Weighted average number of issued ordinary shares (not in thousands)	348,352,836		348,352,836		348,352,836		348,352,836	
Consolidated Cash Flow Statement								
Net cash from operating activities					331,713	79,384	376,567	90,118
Net cash used in investing activities					(58,354)	(13,965)	(83,230)	(19,918)
Cash flow used in financing activities					(278,438)	(66,634)	(260,081)	(62,241)
Net change in cash and cash equivalents					(5,079)	(1,215)	33,256	7,959
Other consolidated financial data								
Depreciation and amortization and impairment allowance	62,263	14,821	56,684	13,493	122,961	29,426	111,117	26,592
EBITDA[1]	257,267	61,238	269,765	64,213	502,579	120,274	527,188	126,164
EBITDA margin	35.0%	35.0%	37.8%	37.8%	35.1%	35.1%	38.1%	38.1%
Operating margin	26.5%	26.5%	29.8%	29.8%	26.5%	26.5%	30.1%	30.1%
Capital expenditures[2]	25,931	6,172	18,706	4,453	61,011	14,601	39,510	9,455

[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 results of jointly controlled entities. 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 be different from the approach 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.

(all financial data presented in PLN thousand, unless otherwise stated)

	As at			
	June 30, 2013		December 31, 2012	
	PLN	EUR	PLN	EUR
Consolidated balance sheet				
Cash and cash equivalents	265,803	61,398	270,354	62,449
Assets	5,592,707	1,291,857	5,561,345	1,284,613
Non-current liabilities	1,927,312	445,189	2,026,162	468,022
Current liabilities	1,018,100	235,170	1,066,780	246,415
Equity	2,647,295	611,498	2,468,403	570,175
Share capital	13,934	3,219	13,934	3,219

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 entities consolidated using full consolidation method as of June 30, 2013:

	Entity's registered office	Activity	Share in voting rights (%) June 30, 2013
Parent Company			
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a
Subsidiaries			
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	broadcasting and television production	100%
RS TV S.A.*	Chorzowska 15, Radom	terrestrial transmission	100%
Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością S. k.*	Ostrobramska 77, Warsaw	advertising activities	100%
Polsat Media Biuro Reklamy Sp. z o.o.*	Ostrobramska 77, Warsaw	advertising activities	100%
Polsat Futbol Ltd.*	Office 1D, 238-246 King St. 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%
Media-Biznes Sp. z o.o.*	Stanów Zjednoczonych 53, Warsaw	television activities	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%
Gery.pl Sp. z o.o.*	Al. Stanów Zjednoczonych 61 A, Warsaw	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%
CPSPV1 Sp. z o.o.**	Łubinowa 4a, Warsaw	provision of technical services	99%
CPSPV2 Sp. z o.o.**	Łubinowa 4a, Warsaw	provision of technical services	99%

* consolidation using full consolidation method
** consolidation using full consolidation method from March 15, 2013

(all financial data presented in PLN thousand, unless otherwise stated)

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) June 30, 2013
Polsat JimJam 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

Additionally, the following entities were included in the interim condensed consolidated financial statements for the 6-month period ended June 30, 2013:

	Entity's registered office	Activity	Share in voting rights (%) June 30, 2013
Karpacka Telewizja Kablowa Sp. z o.o.*	Chorzowska 3, Radom	dormant	85%

* Investment accounted for at cost less any accumulated impairment losses

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

In the first half of 2013, the following changes were implemented to the structure of Cyfrowy Polsat Capital Group. The changes make part of the process of optimizing the structure and processes realized within the Capital Group.

Establishment of Polsat Media Biuro Reklamy Sp. z o.o.

On January 10, 2013, a company Polsat Media Biuro Reklamy Sp. z o.o. was established and on February 14, 2013, it was registered in the Court Registry. Telewizja Polsat Sp. z o.o. holds 100% shares in the share capital of this company.

On March 28, 2013, Polsat Media Biuro Reklamy Sp. z o.o. acquired the shares in the increased capital of Polsat Media Sp. z o.o. in exchange for cash contribution. Consequently, Polsat Media Biuro Reklamy Sp. z o.o. acquired 1.01% share in Polsat Media Sp. z o.o.

Transformation of Polsat Media Sp. z o.o. in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.(limited partnership)

On June 12, 2013, Extraordinary Shareholders Meeting of Polsat Media Sp. z o.o. resolved on the transformation of the company into Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. (limited partnership). The articles of association of the company were signed by Polsat Media Biuro Reklamy Sp. z o.o. (general partner) holding 1.01% share in Polsat Media Sp. z o.o. and Telewizja Polsat Sp. z o.o. (limited partner) holding 98.99% share in Polsat Media Sp. z o.o. On July 1, 2013, the company Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k. was entered into the National Court Register.

On July 1, 2013, new companies have contributed and joined the company as limited partners: Redefine Sp. z o.o. (30.5% share), Media-Biznes Sp. z o.o. (10%), Netshare Sp. z o.o. (2,5%), Gery.pl Sp. z o.o. (2,25%), Poszkole.pl Sp. z o.o. (1%), Frazpc.pl Sp. z o.o. (0,75%). After the change of the articles of association, Telewizja Polsat Sp. z o.o. holds 51% share and Polsat Media Biuro Reklamy Sp. z o.o. – 2%.

Transfer of shares and division of RS TV S.A.

On March 6, 2013, the shares in RS TV S.A. were transferred from Telewizja Polsat Sp. z o.o. to Telewizja Polsat Holdings Sp. z o.o.

On June 28, 2013, the court registered the division of RS TV S.A., including the transfer of a part of the assets of the company to INFO-TV-FM Sp. z o.o. The division of the company was one of the conditions precedent contained in the conditional agreement concerning the sale of shares in RS TV S.A. to Emitel Sp. z o.o.

Following the division, the share capital of RS TV S.A. has been reduced, and the increase in share capital of INFO-TV-FM Sp. z o.o. was effectuated. The shares in the increased capital of INFO-TV-FM Sp. z o.o. were acquired by Telewizja Polsat Holdings Sp. z o.o., holding 100% shares in the company being divided.

Consequently, Telewizja Polsat Holdings Sp. z o.o. holds 26.5% share in INFO-TV-FM Sp. z o.o. (thus Cyfrowy Polsat holds directly 73.5% share in INFO-TV-FM Sp. z o.o.).

Acquisition of CPSPV1 Sp. z o.o. and CPSPV2 Sp. z o.o.

On March 15, 2013, Cyfrowy Polsat Trade Marks Sp. z o.o. acquired 99% of shares in two companies mentioned below at the price of PLN 5,445 (not in thousands) per company:

- CPSPV1 Sp. z o.o. seated in Warsaw, with share capital of PLN 5.000 (not in thousands),
- CPSPV2 Sp. z o.o. seated in Warsaw, with share capital of PLN 5.000 (not in thousands).

Transfer of shares in Nord License AS

On May 31, 2013, Telewizja Polsat Holdings Sp. z o.o. purchased from the mother company Telewizja Polsat Sp. z o.o. 100% shares in Nord License AS.

6. Discussion of the difference of the Group's results to published forecasts for the year

We did not publish any financial forecasts.

7. Shareholders possessing no less than 5% of the votes at General Meeting of Cyfrowy Polsat S.A. 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), including:	154,204,296	44.27%	306,709,172*	58.11%*
- Privileged registered shares	152,504,876	43.78%	305,009,752*	57.79%*
- Ordinary bearer shares	1,699,420	0.49%	1,699,420	0.32%
Sensor Overseas Ltd. (2), including:	25,341,272	7.27%	50,382,647	9.55%
- Privileged registered shares	25,041,375	7.19%	50,082,750	9.49%
- Ordinary bearer shares	299,897	0.09%	299,897	0.06%
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 family foundation (trust) TiVi Foundation.
2 Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta.

(all financial data presented in PLN thousand, unless otherwise stated)

* On February 12, 2013, the Company was informed that on February 7, 2013, Pola Investments Ltd. ("Pola") received from Sensor Overseas Limited the proxy to exercise voting rights from 20,791,375 privileged registered shares of the Company, constituting 5.97% of the Company's share capital and representing 41,582,750 votes at the general meeting of the Company, which is 7.88% of the total number of votes (the "Proxy"). After receiving the Proxy, Pola holds and is entitled to exercise voting rights from 174,995,671 shares of the Company, that constitute 50.24% of the Company's share capital. The shares held by Pola and included in the Proxy represent 348,291,922 votes at the general meeting of the Company, which is 65.99% of the total number of votes in the Company.

The abovementioned package includes:

a) 173,296,251 privileged registered shares constituting 49.75% of the Company's share capital and representing 346,592,502 votes at the general meeting of the Company, which constitutes 65.67% of the total number of votes in the Company, and

b) 1,699,420 bearer shares constituting 0.49% of the Company's share capital and representing 1,699,420 votes at the general meeting of the Company, which constitutes 0.32% of the total number of votes in the Company.

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, 2013, until 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. 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 28, 2013, 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 2013) on May 15, 2013. The information included in the table is based on information received from members of our Management Board.

Management Board Member	Balance as of May 15, 2013	Increases	Decreases	Balance as of August 28, 2013
Dominik Libicki, President of the Management Board	1,497	-	-	1,497

8.2. 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 28, 2013, 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 2013) on May 15, 2013. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as of May 15, 2013	Increases	Decreases	Balance as of August 28, 2013
Heronim Ruta[1] Member of the Supervisory Board	25,341,272	-	-	25,341,272

[1] 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

As at the date of approval of this report no changes occurred as compared to the description included in the annual consolidated financial statements for 2012 (published on March 12, 2013).

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, 2013 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

Following the increase in the share capital of the companies: Redefine Sp. z o.o., Frazpc.pl Sp. z o.o., Netshare Sp. z o.o. and Gery.pl Sp. z o.o., executed through the issue of new shares and assuming the shares by Cyfrowy Polsat S.A. and pursuant to the provisions of pledges agreements established on the shares of these companies on April 18, 2012, on February 28 and March 26, 2013, the Company has concluded with Citicorp Trustee Company Limited agreements for the establishment of registered and financial pledges on the new shares in the increased share capital of the companies abovementioned, that complement the securities in respect to the repayment of the Term Loan and Revolving Facility according to the Senior Facilities Agreement entered into on March 31, 2011 and the repayment (redemption, repurchase) of the High Yield Notes (Senior Notes).

In addition, on February 28, 2013, Telewizja Polsat Sp. z o.o. entered into agreement with Citicorp Trustee Company Limited establishing registered and financial pledges on all shares in Polsat Media Biuro Reklamy Sp. z o.o.

On March 6, 2013, the change of the pledger on the shares of RS TV S.A. was effected following the transfer of 100% shares in this company from Telewizja Polsat Sp. z o.o. (initial pledger) to Telewizja Polsat Holdings Sp. z o.o. (new pledger).

On March 26, 2013, the companies: Polsat Media Biuro Reklamy Sp. z o.o., Redefine Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Netshare Sp. z o.o. and Frazpc.pl Sp. z o.o. entered the Senior Facilities Agreement dated March 31, 2011, and consequently established the following securities securing the repayment of the Term Loan, Revolving Facility and Senior Notes, in particular:

- transfer of receivables for security, due to Polsat Media Biuro Reklamy Sp. z o.o., Redefine Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Netshare Sp. z o.o. and Frazpc.pl Sp. z o.o.;
- registered pledge on tangible assets and rights of a varying composition comprising the business of: Polsat Media Biuro Reklamy Sp. z o.o., Redefine Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Netshare Sp. z o.o. and Frazpc.pl Sp. z o.o.;
- financial and registered pledges on all shares in Poszkole.pl Sp. z o.o.;
- statements on submission to the enforcement procedure as stipulated by the notary deed of Polsat Media Biuro Reklamy Sp. z o.o., Redefine Sp. z o.o., Poszkole.pl Sp. z o.o., Gery.pl Sp. z o.o., Netshare Sp. z o.o. and Frazpc.pl Sp. z o.o.

Following the share capital increase of Telewizja Polsat Holdings Sp. z o.o. dated March 6, 2013 (through new shares issued acquired by Telewizja Polsat Sp. z.o.o.) and pursuant to the pledge agreement over the shares dated July 10, 2012, on April 25, 2013 the Telewizja Polsat Sp. z o.o. entered into agreement establishing registered and financial pledges on all new shares in the increased share capital.

On June 12, 2013, following the sale of 100% shares in Nord License AS by Telewizja Polsat Sp. z o.o. to Telewizja Polsat Holdings Sp. z o.o. and the release of pledges on the shares in the sold company established by Telewizja Polsat Sp. z o.o., Telewizja Polsat Holdings Sp. z o.o. signed with Citicorp Trustee Company Limited an agreement establishing the pledge on all shares in Nord License AS.

On June 26, 2013, the following companies: Redefine Sp. z o.o., Gery Sp. z o.o., Poszkole.pl Sp. z o.o., Netshare Sp. z o.o., Frazpc.pl Sp. z o.o., Polsat Media Biuro Reklamy Sp. z o.o. and Telewizja Polsat Holdings Sp. z o.o. have joined the

Indenture and agreed to provide unconditional guarantees for the obligations of the issuer – Cyfrowy Polsat Finance AB – related to Senior Notes. In addition, on July 1, 2013, Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. has joined the Indenture as guaranteeing entity.

Following the increase in share capital of INFO-TV-FM Sp. z o.o. through new shares issued and acquired by Telewizja Polsat Holdings Sp. z o.o., on July 15, 2013, Telewizja Polsat Holdings Sp. z o.o. entered into agreement establishing registered and financial pledges on new shares in the increased share capital of INFO-TV-FM Sp. z o.o.

On July 15, 2013, the following companies: Telewizja Polsat Sp. z o.o., Polsat Media Biuro Reklamy Sp. z o.o., Media-Biznes Sp. z o.o., Redefine Sp. z o.o., Netshare Sp. z o.o., Frazpc.pl Sp z o.o., Gery.pl Sp. z o.o. and Poszkole.pl Sp. z o.o. (partners in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.) signed agreements with Citicorp Trustee Company Ltd. establishing ordinary and registered pledges on partner's share in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. (i.e. on all transferable rights and obligations arising from the participation as a partner in the limited partnership company), securing the repayment of the Term Loan, Revolving Facility and Senior Notes.

Until the date of the publication of this report, in connection with the ongoing process of sale of 100% shares in RS TV S.A., all securities established on shares and assets of this company have been waived. It was one of the conditions precedent included in the conditional agreement concerning the sale of 100% shares in RS TV S.A.

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 and satellite operators, (iv) sale of equipment and (v) other revenue sources.

Retail subscription revenue

Retail revenue 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 Internet and mobile telephony 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 PPV service in ipla).

Sales of advertising and sponsorship

Our revenue from advertising and sponsorship is generated mainly by TV Polsat Group (approximately 97%), the rest relates to the revenue from sale of marketing and advertising services generated by the Company and 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. (consolidated from the second quarter of 2012). 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 and satellite operators

Revenue from cable and satellite operators consists primarily 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, tablets, laptops, 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 within Internet and telecommunications services 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, amortization and impairment,
(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 due 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. These costs include also amortization of sport broadcasting rights. Amortization of TV production is based on the estimated number of showings and type of programming content. Amortization of sport broadcasting rights is recognized in 100% on the first broadcast or on a straight-line basis over the seasons or competitions.

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of (i) commissions due to the distributors consisting of the amounts due both to distributors and retail points of sale when they conclude sale or retention agreements with our subscribers for pay television, 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 of set-top boxes leased to our subscribers, plant and equipment, depreciation of TV and broadcasting equipment and amortization and depreciation of intangible assets and telecommunications equipment related to our mobile telephony services, as well as non-current 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 the reception equipment and salaries and social security contributions relating to employees directly involved in the production of TV programmes which are presented as part of the 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 conditional access system based on the number of access cards;
(iii) TV broadcasting costs (analogue and digital terrestrial transmission)
(iv) costs related to transmission of DVB-T signal and
(v) 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 the 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, tablets, laptops 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., and
(xi) other costs.

12.3. Other operating income/costs

Other operating income/costs consists of:

(i) compensations from customers and distributors for failing to return equipment or returning damaged equipment,
(ii) inventory impairment write-downs/reversals,
(iii) other operating revenue/costs, not derived in the ordinary course of business.

12.4. Gain/loss on investment activities, net

Gain/loss on investment activities, net include interest income on funds invested, interest expenses (other than interest expenses on borrowings), dividends income, results on the disposal of available-for-sale financial instruments, fair value gains/losses on financial instruments at fair value through profit or loss, net foreign currency gains/losses (other than on valuation of Senior Notes), impairment losses recognized on financial assets, unwinding of the discount on provisions.

12.5. Finance costs, net

Finance costs, net comprise interest expense on borrowings (including bank loans and Senior Notes), foreign exchange gains/losses on Senior Notes, bank and other charges on borrowings as well as guarantee fees resulting from the indebtedness resulting from SFA and Indenture.

(all financial data presented in PLN thousand, unless otherwise stated)

12.6. Management discussion and analysis

12.6.1. Operating results

Retail business segment

We consider the number of subscribers, churn rate and ARPU 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		
	2013	**2012**	**Change / %**	**2013**	**2012**	**Change / %**
Number of subscribers at end of period, of which:	**3,545,582**	**3,553,473**	**-0.2%**	**3,545,582**	**3,553,473**	**-0.2%**
Family Package	2,720,118	2,750,888	-1.1%	2,720,118	2,750,888	-1.1%
Mini Package	825,464	802,585	2.9%	825,464	802,585	2.9%
Average number of subscribers[1], of which:	**3,551,207**	**3,538,441**	**0.4%**	**3,546,087**	**3,546,658**	**0.0%**
Family Package	2,734,699	2,772,423	-1.4%	2,739,724	2,782,203	-1.5%
Mini Package	816,508	766,018	6.6%	806,363	764,455	5.5%
Churn rate of which:	**8.8%**	**9.2%**	**-0.4 p.p.**	**8.8%**	**9.2%**	**-0.4 p.p.**
Family Package	9.1%	9.5%	-0.4 p.p.	9.1%	9.5%	-0.4 p.p.
Mini Package	7.9%	8.1%	-0.2 p.p.	7.9%	8.1%	-0.2 p.p.
Average revenue per user (ARPU) (PLN), of which:	**40.1**	**38.8**	**3.4%**	**40.2**	**38.6**	**4.1%**
Family Package (PLN)	48.3	45.9	5.2%	48.2	45.6	5.7%
Mini Package (PLN)	12.8	13.2	-3.0%	13.0	13.3	-2.3%

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

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to 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. The number of our subscribers amounted to approximately 3,545.6 thousand as of June 30, 2013 and remained at almost unchanged level compared to approximately 3,553.5 thousand subscribers as of June 30, 2012. Family Package subscribers constituted 76.7% and 77.4% of our entire subscriber base as of June 30, 2013 and June 30, 2012, 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. Thanks to our efficient retention programs we manage to decrease our churn rate to 8.8% in the twelve-month period ended June 30, 2013 as compared to 9.2% in the twelve-month period ended June 30, 2012. The churn rate of the Family Package decreased by 0.4 percentage point and the churn rate of Mini Package decreased by 0.2 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 3.4% to PLN 40.1 in the second quarter of 2013 from PLN 38.8 in the second quarter of 2012. Family Package ARPU increased by 5.2%, to PLN 48.3 in the second quarter of 2013 from PLN 45.9 in the second quarter of 2012. Mini Package ARPU decreased by 3.0%, to PLN 12.8 in the second quarter of 2013 from PLN 13.2 in the second quarter of 2012. ARPU increased by 4.1% to PLN 40.2 in the first half of 2013 from PLN 38.6 in the first half of 2012. Family Package ARPU increased by 5.7%, to PLN 48.2 in the first half of 2013 from PLN 45.6 in the first half of 2012. Mini Package ARPU decreased by 2.3%, to PLN 13.0 in the first half of 2013 from PLN 13.3 in the first half of 2012. The increase in ARPU resulted i.a. from the revenue from additional services (PPV, Multiroom) and increasing number of subscribers to higher packages. The decrease in Mini Package ARPU was influenced by i.a. TV Mobilna project (primarily due to longer free-of-charge periods granted to newly acquired subscribers).

(all financial data presented in PLN thousand, unless otherwise stated)

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 following tables 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,		
	2013	**2012**	***Change / %***	**2013**	**2012**	***Change / %***
Audience share[1], including:	**19.66%**	**20.03%**	**-1.85%**	**19.96%**	**20.59%**	**-3.06%**
POLSAT (main channel)	**13.38%**	**15.51%**	**-13.73%**	**14.02%**	**16.13%**	**-13.08%**
Thematic channels	**6.28%**	**4.51%**	**39.25%**	**5.94%**	**4.45%**	**33.48%**
Polsat2	1.79%	1.26%	42.06%	1.82%	1.30%	40.00%
Polsat News	0.80%	0.74%	8.11%	0.79%	0.72%	9.72%
Polsat Sport	0.82%	0.71%	15.49%	0.71%	0.66%	7.58%
Polsat Sport Extra	0.23%	0.18%	27.78%	0.18%	0.16%	12.50%
Polsat Sport News(2)	0.37%	n/a	--	0.31%	n/a	--
Polsat Film	0.60%	0.46%	30.43%	0.50%	0.42%	19.05%
Polsat JimJam [JimJam]	0.29%	0.34%	-14.71%	0.32%	0.36%	-11.11%
Polsat Cafe	0.37%	0.35%	5.71%	0.39%	0.34%	14.71%
Polsat Play	0.51%	0.34%	50.00%	0.51%	0.33%	54.55%
Polsat Crime & Investigation Network	0.10%	0.12%	-16.67%	0.10%	0.13%	-23.08%
Polsat Biznes(3)	0.07%	0.02%	250.00%	0.06%	0.02%	200.00%
Polsat Futbol(4)	n/a	0.00%	--	n/a	0.01%	--
Polsat Food(5)	0.08%	n/a	--	0.09%	n/a	--
Polsat Viasat Explorer(6)	0.07%	n/a	--	0.06%	n/a	--
Polsat Viasat History(6)	0.17%	n/a	--	0.17%	n/a	--
Polsat Viasat Nature(6)	0.02%	n/a	--	0.02%	n/a	--
Advertising market share(7)	**22.7%**	**22.6%**	**0.5%**	**23.1%**	**23.4%**	**-1.2%**

(1) NAM, All day 16-49 audience share
(2) channel monitored since November 2012
(3) until February 2013 the channel broadcasted under TV Biznes
(4) channel broadcasted until the end of May 2012
(5) channel broadcasted since November 2012
(6) channels broadcasted under "Polsat" since March 2013, data for H1' 2013 include March-June
(7) our estimates based on Starlink data

(all financial data presented in PLN thousand, unless otherwise stated)

Polsat channels; technical reach[1]

	3 months ended June 30,			6 months ended June 30,		
	2013	**2012**	***Change / %***	**2013**	**2012**	***Change / %***
Polsat	98.2	98.4	-0.2%	98.5	98.4	0.1%
Polsat2	63.1	56.9	10.9%	62.8	57.2	9.8%
Polsat Biznes[2]	54.1	52.4	3.2%	54.0	52.1	3.6%
Polsat News	54.6	48.9	11.7%	54.0	49.0	10.2%
Polsat Cafe	53.2	48.3	10.1%	52.7	48.3	9.1%
Polsat Sport	49.4	42.9	15.2%	48.9	43.2	13.2%
Polsat Play	42.4	39.2	8.2%	41.7	39.0	6.9%
Polsat JimJam	39.3	37.4	5.1%	38.7	37.3	3.8%
Polsat Film	48.0	36.4	31.9%	46.7	36.3	28.7%
Polsat Sport News	76.4	37.7	102.7%	71.8	35.1	104.6%
Polsat Sport Extra[3]	33.9	30.3	11.9%	33.3	30.7	8.5%
Polsat Crime & Investigation Network	34.9	32.0	9.1%	34.3	30.3	13.2%
Polsat Futbol[4]	n/a	13.6	-100.0%	n/a	15.0	-100.0%
Polsat Sport HD[5]	n/a	5.6	-100.0%	n/a	5.7	-100.0%
Polsat Food[6]	20.7	n/a	--	20.3	n/a	--
Polsat Viasat Explorer[7]	21.6	7.7	180.5%	20.6	7.8	164.1%
Polsat Viasat History[7]	30.9	14.6	111.6%	29.5	14.5	103.4%
Polsat Viasat Nature[8]	18.7	n/a	--	17.2	n/a	--

(1) NAM, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach
(2) until February 2013, the channel broadcasted under TV Biznes
(3) data since June 2012, aggregated with Polsat Sport Extra HD (new channel)
(4) channel broadcasted until May 2012
(5) data for the second quarter of 2012 and first half of 2012 only, due to the unification of scheduling with Polsat Sport later on
(6) channel broadcasted since November 2012
(7) the channels broadcasted based on cooperation of TV Polsat and Viasat Broadcasting since March 2013 (data for prior periods relate to the technical reach before the cooperation with TV Polsat)
(8) the channel broadcasted based on cooperation of TV Polsat and Viasat Broadcasting since March 2013 (data for prior periods relate to the technical reach before the cooperation with TV Polsat), the channel was not broadcasted in the second quarter 2012 and first half of 2012

Audience share

In the second quarter of 2013, viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.2 million viewers, which translated into 20.3% audience share, as well as analogical Tuesday's slot gathering almost 1 million viewers (17.3% audience share). Another fixed element of the scheduling, *Pierwsza Milosc* series, attracted on average 0.9 million viewers, giving 23.7% audience share.

The results of the second quarter were significantly influenced by the content from the spring scheduling. The largest audience was gathered by the talent show *Must be the Music – Tylko muzyka* (on average almost 1.4 million viewers – 21.5% audience share). Another talent show *Got to Dance – Tylko taniec* attracted on average almost 1 million viewers (16.5% audience share). The series *Przyjaciolki* reached significant audience – 1.3 million viewers and 21.2% audience share.

Significant audience was also attracted by *TOPtrendy* festival broadcasted on the second weekend of June. It was watched on average by 1.1 million viewers – 22.8% audience share. *Kabareton,* broadcasted on the third day of the festival, gathered on average 1.5 million viewers and reached 31.1% audience share.

In case of the first half of 2013, the most popular programs on the POLSAT channel were *Must be the Music – Tylko Muzyka*, with an average audience of all episodes reaching almost 1.7 million and audience share of 24%, Monday's cycle *Mega Hit* (1.3 million viewers and 22.2% audience share), *Przyjaciolki* series (1.2 million viewers and 19.8% audience share) and Tuesday's *Mega Hit* with the average of almost 1.1 million viewers and 17.2% audience share. Moreover, 1 million viewers were also gathered by: *Got to Dance – Tylko taniec* (16.7% audience share), *Pierwsza Milosc* series (23.4% audience share) and Sunday broadcast of CSI:NY series with 14.8% audience share.

Apart from TOPtrendy festival mentioned above, a significant audience was also gathered by *Neo-Nowka* cabaret's program broadcasted in January: 1.7 million viewers, 26% audience share. It is worth mentioning that one of the movies broadcasted within *Mega Hit* cycle – Avatar – gathered 2.5 million viewers, which translated to 41.4% audience share.

Among the thematic channels, in the second quarter of 2013 the largest audience was reached by Polsat2, Polsat News and Polsat Sport. The thematic channels with the highest audience growth dynamics (vs the second quarter of 2012) were Polsat Biznes, Polsat Play and Polsat2. The same channels reached the largest audience share and the highest audience growth dynamics in the first half of 2013. The audience share results of Polsat Group include also the audience of Polsat Food launched in November 2012. Other new channels include Polsat Viasat Explorer, Polsat Viasat History and Polsat Viasat Nature since March 2013 operated within the cooperation of Visat Broadcasting and TV Polsat. The aggregated audience share of Polsat Group influenced also by Polsat Sport News, that was not monitored in the analogical period of last year.

Advertising and sponsoring market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first half of 2013 amounted to PLN 1.76 billion (not in thousands) and decreased year-on-year by 6.5%. Based on these, we estimate that our TV advertising market share in the first half of 2013 decreased y-o-y to 23.1% from 23.4% share in the TV advertising expenditures in the first half of 2012. In the second quarter of 2013, the value of the market declined by 5.4% and was estimated at PLN 987 million (not in thousands), compared to PLN 1,044 million (not in thousands) in the second quarter of 2012. Based on these estimations, our share increased y-o-y from 22.6% in the second quarter of 2012 to 22.7% in the second quarter of 2013.

In total, in the first half of 2013 we generated 6.4% less GRPs as compared to the same period in the prior year. In the second quarter of 2013 we generated 5.6% GRPs less as compared to the same quarter of 2012.

Distribution and technical reach

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The largest annual growth in technical reach in the first half of 2013 was recorded by Polsat Sport News. This increase resulted i.a. from the expansion of digital terrestrial television. In case of Polsat Viasat Explorer and Polsat Viasat History, data for the first half of 2012 include the technical reach of the channel before the launch of cooperation with Polsat Group. Polsat Viasat Nature and Polsat Food were not broadcasted in the first half of 2012. In terms of the second quarter of 2013, we observe the same trends in the technical reach.

12.6.2. Review of the financial situation

The following review of results for the three and six-month period ended June 30, 2013 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2013, and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2013, prepared in accordance with International Accounting Standard 34 and internal analysis.

All financial data is in thousands of PLN.

Since in 2012, the results of the 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. (further called "the companies acquired in 2012") were consolidated from January 30, in case of INFO-TV-FM and from April 2, in case of other companies, our results for the first half of 2013 are not fully comparable with the results for the analogical period of 2012. For comparability reasons, we exclude the effect of consolidation of the companies acquired in 2012 in the following analysis of financial results for the six-month period ended June 30, 2013 as compared to the same period of 2012.

Comparison of financial results for the three-month period ended June 30, 2013 with the results for the corresponding period of 2012

Revenue

Our total revenue increased by PLN 22,089, or 3.1%, to PLN 735,934 for the three-month period ended June 30, 2013 from PLN 713,845 for the three-month period ended June 30, 2012. Revenue grew for the reasons set forth below.

Retail revenue

Retail revenue increased by PLN 24,549, or 5.7%, to PLN 452,429 for the three-month period ended June 30, 2013 from PLN 427,880 for the three-month period ended June 30, 2012. This increase primarily resulted from the increase in DTH subscription fee revenue (attributable to an increase in ARPU) and the increase in revenue from telecommunication services.

Advertising and sponsorship revenue

Advertising and sponsorship revenue decreased by PLN 11,746, or 4.9%, to PLN 226,631 for the three-month period ended June 30, 2013 from PLN 238,377 for the three-month period ended June 30, 2012. The decrease was primarily due to lower revenue from advertising generated by TV Polsat Group, related primarily to the unfavourable situation on the advertising market.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees increased by PLN 952, or by 4.0% to PLN 24,503 in the second quarter of 2013 from PLN 23,551 in the second quarter of 2012, primarily due to including Vectra cable TV network in the distribution of TV Polsat channels.

Sale of equipment

Revenue from the sale of equipment increased by 5,560, or 89.8%, to PLN 11,752 in the second quarter of 2013 from PLN 6,192 in the second quarter of 2012, primarily due to higher sale of reception equipment for TV Mobilna in DVB-T standard and revenue from sale of laptops recognized in the second quarter of 2013 (no such revenue in the comparable period).

Other revenue

Other revenue increased by PLN 2,774, or 15.5%, to PLN 20,619 for the three-month period ended June 30, 2013 from PLN 17,845 for the three-month period ended June 30, 2012. The increase was mainly due to higher revenue from signal transmission services.

(all financial data presented in PLN thousand, unless otherwise stated)

Operating costs

	For the three-month period ended June 30,		
	2013	**2012**	**Change / %**
Programming costs	102,521	97,117	5.6%
Cost of internal and external TV production and amortization of sport rigths	102,947	104,933	-1.9%
Distribution, marketing, customer relation management and retention costs	81,314	71,795	13.3%
Depreciation, amortization and impairment	62,263	56,684	9.8%
Salaries and employee - related costs	41,943	40,274	4.1%
Broadcasting and signal transmission costs	39,535	36,205	9.2%
Amortization of purchased film licenses	34,025	24,587	38.4%
Cost of settlements with mobile network operators and interconnection charges	16,749	11,106	50.8%
Cost of equipment sold	16,830	7,567	122.4%
Cost of debt collection services and bad debt allowance and receivables written off	9,248	8,387	10.3%
Other costs	35,002	40,997	-14.6%
Total operating costs	**542,377**	**499,652**	**8.6%**

Our operating costs increased by PLN 42,725, or 8.6%, to PLN 542,377 for the three-month period ended June 30, 2013 from PLN 499,652 for the three-month period ended June 30, 2012. Costs increased for the reasons set forth below.

Programming costs

Programming costs increased by PLN 5,404, or 5.6%, to PLN 102,521 for the three-month period ended June 30, 2013 from PLN 97,117 for the three-month period ended June 30, 2012. The increase was a net effect of two groups of factors: exchange rate fluctuations, that caused a decrease in costs, and other factors including primarily higher costs of DTH licences related to introduction of new channels to the newly created programming packages aiming at building ARPU in the future.

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

The cost of internal and external TV production and amortization of sport rights decreased by PLN 1,986, or 1.9%, to PLN 102,947 in the second quarter of 2013 from PLN 104,933 in the second quarter of 2012. The decrease was primarily due to lower cost of amortization of sport rights (i.a. following the resignation from contract for European League and UEFA Champions League).

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 9,519, or 13.3%, to PLN 81,314 for the three-month period ended June 30, 2013 from PLN 71,795 for the three-month period ended June 30, 2012. The increase was primarily due to higher costs of distribution of equipment for reception of TV Mobilna in DVB-T, that was continued in such a significant scale only until the end of July 2013, higher costs of marketing communication designed especially to compete with the announced offer of new nc+ platform as well as higher efficiency of retention programs that will have a positive impact on the future financial results.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 5,579, or 9.8%, to PLN 62,263 for the three-month period ended June 30, 2013 from PLN 56,684 for the three-month period ended June 30, 2012. The increase in depreciation, amortization and impairment resulted primarily from 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 1,669, or 4.1%, to PLN 41,943 for the three-month period ended June 30, 2013 from PLN 40,274 for the three-month period ended June 30, 2012.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 3,330, or 9.2%, to PLN 39,535 for the three-month period ended June 30, 2013 from PLN 36,205 for the three-month period ended June 30, 2012, primarily due to the lease of the additional transponder capacities (from May and August 2012) as well as higher costs of broadcasting DVB-T signal (TV Mobilna service, launched on June 4, 2012) and higher costs of digital terrestrial broadcasting. The increase was partially offset by a decrease in cost of analogue terrestrial broadcasting.

Amortization of purchased film licenses

The cost of amortization of purchased film licenses increased by PLN 9,438, or 38.4%, to PLN 34,025 in the second quarter of 2013 from PLN 24,587 in the second quarter of 2012. The increase resulted primarily from higher costs of amortization of movies broadcasted on Polsat main channel.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 5,643, or 50.8%, to PLN 16,749 for the second quarter of 2013 from PLN 11,106 for the second quarter of 2012. The increase resulted primarily from the growth of the Internet access subscribers base and higher average use of data packages.

Cost of equipment sold

Cost of equipment sold increased by PLN 9,263, or 122.4%, to PLN 16,830 for the three-month period ended June 30, 2013 from PLN 7,567 for the three-month period ended June 30, 2012. This increase was a net effect of several factors, out of which the most significant were: (i) higher cost of sale of equipment for reception of TV Mobilna in DVB-T standard recognized in the second quarter of 2013, that was continued in such a significant scale only until the end of July 2013, (ii) sale of laptops recognized in the second quarter of 2013 (no such positions in the corresponding period).

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 increased by PLN 861, or 10.3%, to PLN 9,248 in the second quarter of 2013 from PLN 8,387 in the second quarter of 2012.

Other costs

Other costs decreased by PLN 5,995, or 14.6%, to PLN 35,002 for the three-month period ended June 30, 2013 from PLN 40,997 for the three-month period ended June 30, 2012, primarily due to lower costs of IT services and guarantee service.

Other operating income / costs

Net other operating income and costs amounted to PLN 1,447 for the three-month period ended June 30, 2013 compared to PLN (-1,112) for the three-month period ended June 30, 2012.

Gain/(loss) on investment activities, net

In the three-month period ended June 30, 2013, we recorded gain on investment activities, net of PLN 747, while in the three-month period ended June 30, 2012 – loss on investment activities, net of PLN 8,490. The change was primarily an effect of lower other foreign exchange losses recognized in the second quarter of 2013 than in the second quarter of 2012.

Finance costs, net

Finance costs, net amounted to PLN 102,398 for the three-month period ended June 30, 2013 and increased by PLN 9,940 compared to PLN 92,458 for the three-month period ended June 30, 2012. The increase was primarily a net effect of (i) higher foreign exchange losses on valuation of Senior Notes recognized in the second quarter of 2013 as compared to the second quarter of 2012 and (ii) lower interest costs on Senior Facility Loan due to lower principal pursuant to the schedule and the pre-payment of PLN 200,000 made in August 2012 as well as to lower interest rate (lower WIBOR and lower margin according to the margin reduction mechanism as well as the decrease in the net debt to EBITDA ratio).

Net profit for the period

Net profit for the second quarter of 2013 decreased by PLN 18,758, or 18.9%, to PLN 80,745 in the second quarter of 2013 from PLN 99,503 in the second quarter of 2012. Net profit was negatively impacted by a higher than in the second quarter of 2012 loss on valuation of the Senior Notes denominated in euro.

Other information

EBITDA & EBITDA margin

EBITDA decreased by PLN 12,498, or 4.6%, to PLN 257,267 in the second quarter of 2013 from PLN 269,765 in the second quarter of 2012. EBITDA margin decreased to 35.0% for the second quarter of 2013 from 37.8% in the second quarter of 2012.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,466 in the three-month period ended June 30, 2013, as compared to 1,490 in the corresponding period of 2012.

Comparison of financial results for the six-month period ended June 30, 2013 with the results for the corresponding period of 2012

Revenue

Our total revenue increased by PLN 49,952, or 3.6%, to PLN 1,433,010 for the six-month period ended June 30, 2013 from PLN 1,383,058 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, our total revenue increased by PLN 50,499, or 3.7%, to PLN 1,429,680 for the six-month period ended June 30, 2013 from PLN 1,379,181 in the comparable period of 2012. Revenue grew for the reasons set forth below.

Retail revenue

Retail revenue increased by PLN 51,844, or 6.1%, to PLN 904,438 for the six-month period ended June 30, 2013 from PLN 852,554 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, the retail revenue increased by PLN 50,691, or 5.9%, to PLN 902,692 in the first half of 2013 from PLN 852,001 in the first half of 2012. This increase primarily resulted from the increase in DTH subscription fee revenue (attributable to an increase in ARPU) and the increase in revenue from the telecommunication services.

(all financial data presented in PLN thousand, unless otherwise stated)

Advertising and sponsorship revenue

Advertising and sponsorship revenue decreased by PLN 29,099, or 6.6%, to PLN 410,849 for the six-month period ended June 30, 2013 from PLN 439,948 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, the revenue from advertising and sponsorship decreased by PLN 33,347, or 7.6%, to PLN 402,593 in the first half of 2013 from PLN 435,940 in the first half of 2012. The decrease was primarily due to lower revenue from advertising generated by TV Polsat Group, related primarily to the unfavourable situation on the advertising market as well as relatively high revenue in the prior year.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees increased by PLN 2,490, or by 5.3% to PLN 49,370 in the first half of 2013 from PLN 46,880 in the first half of 2012, primarily due to including Vectra cable TV network in the distribution of TV Polsat channels. Consolidation of the companies acquired in 2012 did not have an impact on this revenue.

Sale of equipment

Revenue from the sale of equipment increased by 15,952, or 179.0%, to PLN 24,864 in the first half of 2013 from PLN 8,912 in the first half of 2012, primarily due to higher sale of reception equipment for TV Mobilna in DVB-T standard and revenue from sale of laptops recognized in the first half of 2013 (no such revenue in the comparable period). Consolidation of the companies acquired in 2012 did not impact the revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 8,725, or 25.1%, to PLN 43,489 for the six-month period ended June 30, 2013 from PLN 34,764 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, other revenue increased by PLN 14,713, or 41.5%, to PLN 50,161 in the first half of 2013 from PLN 35,448 in the first half of 2012. The increase was mainly due to higher revenue from signal transmission services and other revenue from sales.

Operating costs

	For the six-month period ended June 30,		
	2013	**2012**	**Change / %**
Programming costs	201,676	197,263	2.2%
Cost of internal and external TV production and amortization of sport rigths	178,551	183,508	-2.7%
Distribution, marketing, customer relation management and retention costs	160,304	143,331	11.8%
Depreciation, amortization and impairment	122,961	111,117	10.7%
Salaries and employee - related costs	85,033	80,871	5.1%
Broadcasting and signal transmission costs	77,539	69,876	11.0%
Amortization of purchased film licenses	66,686	52,627	26.7%
Cost of settlements with mobile network operators and interconnection charges	32,508	21,641	50.2%
Cost of equipment sold	42,753	13,064	227.3%
Cost of debt collection services and bad debt allowance and receivables written off	15,678	14,305	9.6%
Other costs	71,654	76,614	-6.5%
Total operating costs	**1,055,343**	**964,217**	**9.5%**

Our operating costs increased by PLN 91,126, or 9.5%, to PLN 1,055,343 for the six-month period ended June 30, 2013 from PLN 964,217 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, our total operating costs increased by PLN 102,298, or 10.7%, to PLN 1,057,096 in the first half of 2013 from PLN 954,798 in the first half of 2012. Costs increased for the reasons set forth below.

Programming costs

Programming costs increased by PLN 4,413, or 2.2%, to PLN 201,676 for the six-month period ended June 30, 2013 from PLN 197,263 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, programming costs increased by PLN 19,693, or 10.0%, to PLN 216,973 in the first half of 2013 from PLN 197,280 in the first half of 2012. The increase was a net effect of two groups of factors: exchange rate fluctuations, that caused a decrease in costs, and other factors including primarily additional licence costs related to TV Mobilna (eliminated on consolidation) as well as higher costs of DTH licences related to introduction of new channels to the newly created programming packages aiming at building ARPU in the future.

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

The cost of internal and external TV production and amortization of sport rights decreased by PLN 4,957, or 2.7%, to PLN 178,551 in the first half of 2013 from PLN 183,508 in the first half of 2012. Excluding the effect of the consolidation of the companies acquired in 2012, these costs decreased by PLN 5,073, or 2.8%, to PLN 178,215 in the six-month period ended June 30, 2013 from PLN 183,288 in the six-month period ended June 30, 2012. The decrease was primarily due to lower cost of amortization of sport rights (i.a. following the resignation from contract for European League and UEFA Champions League).

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 16,973, or 11.8%, to PLN 160,304 for the six-month period ended June 30, 2013 from PLN 143,331 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, these costs increased by PLN 16,881, or 11.8%, to PLN 160,040 in the first half of 2013 from PLN 143,159 in the first half of 2012. The increase was primarily due to higher costs of distribution of equipment for reception of TV Mobilna in DVB-T standard, that was continued in such a significant scale only until the end of July 2013, higher costs of marketing communication designed especially to compete with the announced offer of new nc+ platform as well as higher efficiency of retention programs that will have a positive impact on the future financial results.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 11,844, or 10.7%, to PLN 122,961 for the six-month period ended June 30, 2013 from PLN 111,117 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, these costs increased by PLN 12,172, or 11.0%, to PLN 122,472 in the first half of 2013 from PLN 110,300 in the first half of 2012. The increase in depreciation, amortization and impairment resulted primarily from 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 4,162, or 5.1%, to PLN 85,033 for the six-month period ended June 30, 2013 from PLN 80,871 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, these costs increased by PLN 3,728, or 4.7%, to PLN 82,594 in the first half of 2013, from PLN 78,866 in the first half of 2012.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 7,663, or 11.0%, to PLN 77,539 for the six-month period ended June 30, 2013 from PLN 69,876 for the six-month period ended June 30, 2012. Excluding the effect of consolidation of the companies acquired in 2012, broadcasting and signal transmission costs amounted to PLN 68,867 in the first half of 2013 and remained at almost unchanged level compared to the first half of 2012 (increase by 1.0%).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses increased by PLN 14,059, or 26.7%, to PLN 66,686 in the first half of 2013 from PLN 52,627 in the first half of 2012. Excluding the effect of consolidation of the companies acquired in 2012, costs of amortization of purchased film licenses increased by PLN 14,505, or 27.8%, to PLN 66,721 in the first half of 2013 from PLN 52,216 in the first half of 2012. The increase resulted primarily from higher costs of amortization of movies broadcasted on Polsat main channel.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 10,867, or 50.2%, to PLN 32,508 for the first half of 2013 from PLN 21,641 for the first half of 2012. The increase resulted primarily from the growth of Internet access subscribers base and higher average use of data packages. The consolidation of the companies acquired in 2012 had no effect on cost of settlements with mobile network operators and interconnection charges.

Cost of equipment sold

Cost of equipment sold increased by PLN 29,689, or 227.3%, to PLN 42,753 for the six-month period ended June 30, 2013 from PLN 13,064 for the six-month period ended June 30, 2012. This increase was a net effect of several factors, out of which the most significant were: (i) higher cost of sale of equipment for reception of TV Mobilna in DVB-T standard recognized in the first half of 2013, that continued in such a significant scale only until the end of July 2013, (ii) sale of laptops recognized in the first half of 2013 (no such position in the corresponding period). The consolidation of the companies acquired in 2012 had no impact on cost of equipment sold.

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 increased by PLN 1,373, or 9.6%, to PLN 15,678 in the first half of 2013 from PLN 14,305 in the first half of 2012. The consolidation of the companies acquired in 2012 had no impact on these costs.

Other costs

Other costs decreased by PLN 4,960, or 6.5%, to PLN 71,654 for the six-month period ended June 30, 2013 from PLN 76,614 for the six-month period ended June 30, 2012. Excluding the consolidation of the companies acquired in 2012, other costs decreased by PLN 2,245, or by 3.1%, to PLN 70,275 in the first half of 2013 from PLN 72,520 in the first half of 2012, primarily due to lower costs of SMART and SIM cards and costs of guarantee service.

Other operating income / costs

Net other operating income and costs amounted to PLN 1,951 for the six-month period ended June 30, 2013 compared to PLN (-2,770) for the six-month period ended June 30, 2012. Excluding the consolidation of the companies acquired in 2012, net other operating income and costs amounted to PLN 1,829 in the first half of 2013 compared to PLN (-2,767) in the first half of 2012.

Gain on investment activities, net

Gain on investment activities, net increased by PLN 595, or by 14.9%, to PLN 4,582 for the six-month period ended June 30, 2013 from PLN 3,987 for the six-month period ended June 30, 2012. Excluding the consolidation of the companies acquired in 2012, gain on investment activities, net increased by PLN 233 to PLN 5,073 in the first half of 2013 from PLN 4,840 in the first half of 2012. The increase was primarily an effect of other foreign exchange gains recognized in the first half of 2013 compared to other foreign exchange losses recognized in the first half of 2012. The increase was partially netted mainly by a decrease in interests income.

Finance costs, net

Finance costs, net amounted to PLN 182,473 for the six-month period ended June 30, 2013 and increased by PLN 120,086 compared to PLN 62,387 for the six-month period ended June 30, 2012. Excluding the consolidation of the companies acquired in 2012, finance costs, net increased by PLN 120,593 to PLN 182,479 in the first half of 2013 from PLN 61,886 in the first half of 2012. The increase was primarily a net effect of (i) foreign exchange losses on valuation of Senior Notes recognized in the first half of 2013 (gains in the first half of 2012) and (ii) lower interest costs on Senior Facility Loan due to lower principal pursuant to the schedule and the pre-payment of PLN 200,000 done in August 2012 as well as to lower interest rate (lower WIBOR and lower margin according to the margin reduction mechanism as well as the decrease in the net debt to EBITDA ratio).

Net profit for the period

Net profit for the first half of 2013 decreased by PLN 128,762, or 42.3%, to PLN 175,850 in the first half of 2013 from PLN 304,612 in the first half of 2012. Excluding the effect of consolidation of the companies acquired in 2012, net profit decreased by PLN 139,434, or by 44.9%, to PLN 171,447 in the first half of 2013 from PLN 310,881 in the first half of 2012. Net profit was negatively impacted by the loss on valuation of the Senior Notes denominated in euro.

Other information

EBITDA & EBITDA margin

EBITDA decreased by PLN 24,609, or 4.7%, to PLN 502,579 in the first half of 2013 from PLN 527,188 in the first half of 2012. EBITDA margin decreased to 35.1% for the first half of 2013 from 38.1% in the first half of 2012. Excluding the effect of consolidation of the companies acquired in 2012, EBITDA decreased by PLN 35,031, or 6.6%, to PLN 496,885 for the first half of 2013 from PLN 531,916 in the first half of 2012. Excluding the effect of consolidation of the companies acquired in 2012, EBITDA margin decreased to 34.8% in the first half of 2013 from 38.6% in the first half of 2012.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,466 in the six-month period ended June 30, 2013, as compared to 1,461 in the corresponding period of 2012.

Results by 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:

(all financial data presented in PLN thousand, unless otherwise stated)

- 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;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet;
- 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 the 6 months ended June 30, 2013:

The 6 months ended June 30, 2013 unaudited	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	950,268	482,742	-	1,433,010
Inter-segment revenues	12,445	50,039	(62,484)	-
Revenues	**962,713**	**532,781**	**(62,484)**	**1,433,010**
EBITDA	**324,199**	**178,380**	**-**	**502,579**
Profit/(loss) from operating activities	**217,082**	**163,924**	**(1,388)**	**379,618**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	134,791*	10,747	-	145,538
Depreciation and amortization	106,350	14,456	1,388	122,194
Impairment	767	-	-	767
Balance as at June 30, 2013				
Assets, including:	1,743,160	4,065,459**	(215,912)***	5,592,707
Investments in jointly controlled entity	-	1,787	-	1,787

*This item also includes the acquisition of reception equipment for operating lease purposes
** Includes non-current assets located outside of Poland
*** Includes mainly dividend receivable from Telewizja Polsat Sp. z o.o.

Practically all revenues are generated in Poland.

It should be noted that the 6 months ended June 30, 2013 are not comparable to the 6 months ended June 30, 2012 as INFO-TV-FM was acquired on January 30, 2012 and ipla platform was acquired on April 2, 2012.

(all financial data presented in PLN thousand, unless 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 June 30, 2012:

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 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 June 30, 2012				
Assets, including:	1,695,442	3,908,750**	(6,391)	5,597,801
Investments in jointly controlled entity	-	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

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	June 30, 2013 unaudited	**June 30, 2012 unaudited**
EBITDA	**502,579**	**527,188**
Depreciation, amortization and impairment	(122,961)	(111,117)
Profit from operating activities	**379,618**	**416,071**
Other foreign exchange rate differences, net	162	(3,177)
Interest income	6,221	8,335
Share of the profit of jointly controlled entity accounted for using the equity method	1,580	1,501
Interest costs	(99,796)	(114,758)
Foreign exchange differences on *Senior Notes*	(82,247)	53,068
Other	(2,231)	(1,868)
Gross profit for the period	**203,307**	**359,172**
Income tax	(27,457)	(54,560)
Net profit for the period	**175,850**	**304,612**

Comparison of financial position as of June 30, 2013 and December 31, 2012

As of June 30, 2013 and December 31, 2012, our balance sheet amount was PLN 5,592,707 and PLN 5,561,345 respectively.

As of June 30, 2013 and December 31, 2012, our non-current assets were PLN 4,428,544 and PLN 4,476,148, respectively, and accounted for 79.2% and 80.5% of the total assets respectively.

The value of reception equipment amounted to PLN 418,521 as of June 30, 2013 and remained at almost unchanged level compared to the balance as of December 31, 2012 (decrease by 0.4%).

The value of other property, plant and equipment decreased by PLN 11,396 or 4.1% to PLN 265,011 as of June 30, 2013 from PLN 276,407 as of December 31, 2012. The decrease was primarily due to the depreciation charges partially netted by increase in technical equipment and other expenditure on fixed assets.

The value of goodwill amounted to PLN 2,568,033 as of June 30, 2013 and remained unchanged compared to the balance as of December 31, 2012.

As of June 30, 2013, the value of brands was PLN 847,800 and remained unchanged compared to the balance as of December 31, 2012.

The value of other intangible assets increased by PLN 2,424, or 3.0%, to PLN 83,804 as of June 30, 2013 from PLN 81,380 as of December 31, 2012, primarily due to increase in intangible assets under construction and purchase of licenses and software, which was partially netted by amortization charges.

The value of non-current and current programming assets increased by PLN 47,007, or 19.6%, to 286,647 as of June 30, 2013 from PLN 239,640 as of December 31, 2012. The increase was a net effect of several factors including primarily purchased film licenses and recognized sports rights and depreciation charges.

Investment property amounted to PLN 7,788 as of June 30, 2013 and decreased by PLN 569 compared to PLN 8,357 as of December 31, 2012. Total balance relates solely to TV Polsat Group and includes land and buildings for lease.

Non-current and current deferred distribution fees increased by PLN 4,278, or by 4.6%, to PLN 96,499 as of June 30, 2013 from PLN 92,221 as of December 31, 2012.

The value of other non-current assets amounted to PLN 61,422 as of June 30, 2013 and decreased by PLN 48,220, or 44.0%, compared to PLN 109,642 as of December 31, 2012. This decrease resulted primarily from the recognition of the greater part of the data package from Mobyland as short-term prepayments.

As of June 30, 2013 and December 31, 2012, our current assets were PLN 1,164,163 and PLN 1,085,197, respectively, and accounted for 20.8% and 19.5% of the total assets respectively.

The value of inventories was PLN 157,445 as of June 30, 2013 and decreased by 4,529, or 2.8%, from PLN 161,974 as of December 31, 2012. The decrease was a net effect of several factors including primarily: (i) lower stock of hard discs for set-top-boxes, (ii) decrease in the stock of reception equipment for digital terrestrial television, (iii) decrease in the stock of materials for production of set-top-boxes, and (iv) increase in stock of set-top-boxes.

The value of trade and other receivables increased by PLN 35,243, or 9.4%, to PLN 410,902 as of June 30, 2013 from PLN 375,659 as of December 31, 2012. The increase resulted mainly from higher trade receivables from third parties partially netted off by a decrease in tax and social security receivables.

The value of cash and cash equivalents decreased by PLN 4,551, or 1.7%, to PLN 265,803 as of June 30, 2013, from PLN 270,354 as of December 31, 2012.

The value of other current assets increased by PLN 21,786, or by 30.3%, to PLN 93,754 as of June 30, 2013 from PLN 71,968 as of December 31, 2012. This increase resulted primarily from the recognition of the greater part of the data package from Mobyland as short-term prepayments.

Equity increased by PLN 178,892, or by 7.2%, to PLN 2,647,295 as of June 30, 2013 from PLN 2,468,403 as of December 31, 2012, primarily as a result of profit generated in the first half of 2013.

Loans and borrowings (long and short term) decreased by PLN 181,364, or 20.9%, to PLN 686,247 as of June 30, 2013, from PLN 867,611 as of December 31, 2012. The change was due primarily to the voluntary pre-payment of PLN 100,000 and scheduled repayments of the Term Loan.

The Senior Notes liabilities (long and short-term) increased by PLN 85,194, or by 6.0%, to PLN 1,498,929 as of June 30, 2013 from PLN 1,413,735 as of December 31, 2012, primarily due to the increase in the euro exchange rate used for valuation of the Senior Notes.

Non-current and current deferred income increased by PLN 2,777, or by 1.3%, to PLN 209,196 as of June 30, 2013 from PLN 206,419 as of December 31, 2012.

The value of other non-current liabilities and provisions amounted to PLN 10,154 as of June 30, 2013 and decreased by PLN 7,536, or 42.6%, from PLN 17,690 as of December 31, 2012. The decrease was primarily due to the change in valuation of hedging instruments.

The value of trade and other payables decreased by PLN 44,090, or 9.3%, to PLN 428,004 as of June 30, 2013 from PLN 472,094 as of December 31, 2012, mainly as a result of a decrease in trade payables and payables related to purchase of fixed assets and intangible assets as well as a decrease in accruals. The decrease was partially netted off primarily by an increase in payables relating to purchase of programming assets.

The value of short-term deposits for equipment amounted to PLN 12,551 as of June 30, 2013 and decreased by PLN 708, or 5.3%, from 13,259 as of December 31, 2012.

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. Until 2011, we 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 rights and licenses 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, service of our debt as well as for realization of investment plans.

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, 2013 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 were described in the consolidated financial statements for the year ended December 31, 2012 (in the Note no. 30).

On August 29, 2012 and on June 28, 2013 we have voluntarily partly repaid the Term Facility Loan in the amount of PLN 200,000 and PLN 100,000, respectively. The repayments were executed using the cash generated from the Group's operations. These repayments have a positive impact on our results through proportional decrease in 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 1.50 for the period of 12 months ended June 30, 2013. The Interest Cover shall be at least 3.00 for the period of 12 months ended June 30, 2013. The Total leverage shall not exceed 3.30 for the period of 12 months ended June 30, 2013. 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 Secured Notes due 2018 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 is 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 is 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 were described in the consolidated financial statements for the year ended December 31, 2012 (in the Note no. 30).

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, 2013:

	June 30, 2013 in PLN million	**Maturity**
Senior facility[1]	686	2015
Revolving Facility[1]	0	2015
Senior Notes	1,499	2018
Leasing	1	2015
Cash and Cash equivalents	266	-
Net Debt	**1,920**	
12M EBITDA	1,008	
Net Debt / 12M EBITDA	**1.90**	

[1] Balance sheet value of debt

(all financial data presented in PLN thousand, unless otherwise stated)

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for six-month periods ended June 30, 2013 and June 30, 2012:

	For the six months ended June 30,	
	2013	**2012**
Net cash from operating activities	331,713	376,567
Net cash used in investing activities	(58,354)	(83,230)
Net cash from/(used in) financing activities	(278,438)	(260,081)
Net increase/decrease in cash and cash equivalents	(5,079)	33,256

Net cash from operating activities

Net cash from operating activities amounted to PLN 331,713 in the first half of 2013 and resulted mainly from the generated net profit of PLN 175,850 adjusted by various elements including primarily: (i) depreciation, amortization and impairment, interest expense and income tax, (ii) payments for film licenses and sport broadcasting rights, (iii) amortization of film licenses and sport rights, (iv) a net increase in set-top boxes provided under operating lease, (v) net loss on foreign exchange, (vi) a decrease in liabilities, provisions and deferred income. Net cash from operating activities amounted to 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) an increase 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 used in investing activities

Net cash used in investing activities amounted to PLN 58,354 in the first half of 2013 and consisted primarily of the purchase of property, plant and equipment and acquisition of intangible assets. 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 from/(used in) financing activities

Net cash used in financing activities amounted to PLN 278,438 in the first half of 2013 and consisted primarily of voluntary prepayment of PLN 100,000 as well as scheduled repayments of principal and interests on bank loan and payment of interests on Senior Notes. 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) and repayment of interests on loans, borrowings and finance lease.

Capital expenditures

We incurred capital expenditures of PLN 61,011 and PLN 39,510 in the six-month periods ended June 30, 2013 and June 30, 2012, respectively. Capital expenditures to revenue ratio amounted 4.3% and 2.9% in the six-month periods ended June 30, 2013 and June 30, 2012, respectively. Capital expenditures in the first half of 2013 concerned primarily the purchase of IT equipment, technical equipment and licenses, as well as improvements of our systems and development of infrastructure in our headquarters at Lubinowa Street.

(all financial data presented in PLN thousand, unless otherwise stated)

Contractual Obligations

Our most significant contractual obligations (future cash flows) as of June 30, 2013 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	776,841	275,767	501,074	-
Senior Notes liabilities	2,055,017	107,959	1,947,058	-
Commitments to purchase programming assets	140,823	111,303	29,520	-
Total contractual liabilities	**2,972,681**	**495,029**	**2,477,652**	**-**

As of June 30, 2013, most of our contractual liabilities were long-term liabilities due in more than one year.

Off-Balance Sheet Arrangements

Commitments to purchase programming assets

As of June 30, 2013 the Group had outstanding contractual commitments in relation to purchase of programming assets of PLN 140,823.

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

	June 30, 2013 unaudited	December 31, 2012
within one year	10,724	15,913
Total	**10,724**	**15,913**

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 5,033 as of June 30, 2013 (PLN 4,082 as of December 31, 2012). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,668 as of June 30, 2013 (PLN 5,878 as of December 31, 2012). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as of June 30, 2013 was PLN 17,253 (PLN 405 as of December 31, 2012).

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 broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR). Since 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. After this purchase currency risk exposure is also associated to purchases of foreign programming licenses (USD).

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 were described in the consolidated financial statements for the year ended December 31, 2012 (in the Note no. 30).

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 minimizing 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 were described in the consolidated financial statements for the year ended December 31, 2012 (in the Note no. 30).

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 some extent, 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 1.9% in 2012 compared to 0,3% decline in 27 countries of the European Union. According to forecasts, GDP growth in Poland will slow down slightly in 2013, especially in the first half of the year, to reach the annual 1.1%. The rate, however, will continue to be above the entire European Union average, where the growth rate will be -0,1% (data and forecasts according to Eurostat as at July 12, 2013). Recovery of economies both of Poland and other EU countries (already observed to some extent in the second quarter of 2013) is supposed to come in 2014 (forecasted GDP growth for Poland at 2.2% and for EU countries at 1.4%)

We believe that average consumer spending, including spending on pay TV, Internet access and bundle 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 still has a negative impact on the expenditures on TV advertising, and therefore on the revenue from our broadcasting and television production segment. We believe, that the economic recovery, expected in 2014, will have a positive impact on the advertising expenditures in Poland.

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 35% (in the first half of 2013) 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 of 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, that we consider almost saturated.

The market on which we operate is very dynamic and competitive. Currently our main competitor is nc+ platform established on finalization of merger of Cyfra+ and "n" satellite platforms at the end of 2012. The changing market environment and aggressive competition have an impact on our promotional offers proposed to newly acquired subscribers as well as our retention programs aimed at building customers' loyalty.

Currently, we consider our programming packages to 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 the migrating clients to our platform. Moreover, our proactive approach to subscriber retention contributes to maintaining low churn rate.

The growing importance of additional services

The growing interest in additional services, observed among our subscribers base, provides us with a possibility to generate an increase in the average revenue per user of our television services. We carefully follow the evolution of the expectations of our customers and strive to meet their growing needs by combining our traditional pay-TV packages services with VOD, PPV, Multiroom, online video services and mobile television. These efforts have a positive impact on our revenue.

Moreover, caring for the satisfaction of our subscribers, we continue the process of replacing SD set-top-boxes used by our subscribers with HD set-top-boxes. Currently, already 77% of the subscriber base uses HD set-top-boxes. In addition to higher satisfaction of our subscribers, thanks to the increasing penetration by HD set-top-boxes we gain the ability to achieve savings resulting from more efficient use of transponder capacity (due to the transition from MPEG2 to MPEG4).

Providing Internet access services in LTE technology

We provide mobile broadband Internet access services in two technologies: HSPA/HSPA+ and the latest LTE technology. 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 constitutes a significant competitive advantage and it will help us to further increase our subscribers base both of stand-alone and integrated services.

Technical reach of LTE network is growing systematically and with its expansion we can expect the growth in the number of subscribers to our service, that translates to growth in revenue from telecommunication services.

According to information disclosed by our supplier, in July 2013 the LTE network reached already almost 55% of residents in Poland, and HSPA/HSPA+ internet network covered already over 94% of the country's population. Eventually, the LTE network is supposed to reach approximately 66% of the population in Poland and HSPA+ network – approximately 99%.

Offering services in DVB-T technology

In June 2012 we launched a pay mobile television offer. "TV Mobilna" 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.

"TV Mobilna" provides paid access to Ekstra Package (8 television and 12 radio channels) in a subscription model, which includes equipment subsidies and a free access to all DTT channels. The access to Ekstra Package is also available in prepaid model (without written agreement) on purchase of one of our DVB-T set-top-boxes. The service is accessible through a range of devices, including smartphones, tablets, laptops and set-top boxes.

Along with the process of switching off the analogue signal started in November 2012 and finished by the end of July 2013, thanks to services in DVB-T technology offered at attractive prices, we managed to attract a part of the households that faced the decision concerning the purchase of equipment necessary to receive digital television signal. A significant number of households have purchased our home-produced DVB-T set-top-boxes and in this group we see an up-sell potential (conversion to pay-TV packages).

Development of ipla

The acquisition of companies running ipla in 2012 complemented our long-term development strategy, aiming at the widest possible distribution of content using the latest equipment and technologies. Ipla, the leader on online video market, strengthens our position of an aggregator and distributor of content. The product provides us with an important competitive advantage. We continue to develop the service using our experience in sales of pay-TV.

In the first half of 2013, the number of real users of ipla application and website amounted on monthly average to over 2.5 million (based on data from Megapanel PBI/Gemius research). In addition, according to our estimates, in the same period, ipla recorded monthly, an average of about 1.3 million users of application for mobile devices, Smart TVs, set-top-boxes and game consoles.

Developing ipla is a source of synergies in terms of costs and revenues. Costs synergies come from jointly executed content acquisition and investments in technology development, marketing activities, use of the same infrastructure as well as optimized use of back-office resources. Revenues synergies come from cross-selling and from increased attractiveness of current and new products introduced, that positively impact the customers' satisfaction level.

We believe that with the growing importance of the Internet, ipla internet television will make an increasingly significant element of our business in the future. Already within 6 months after the acquisition, we managed to bring the companies running ipla to profitability and we are confident that their results will grow gradually. Currently, approximately 85% of the revenues of ipla service are generated from the sale of advertising in the fastest growing online video segment, and approximately 15% of the revenue comes from content purchase transactions done by users. Financial results of the companies running ipla are consolidated with the results of the Group since April 2, 2012.

Cooperation with Polkomtel Sp. z o.o.

Based on the cooperation agreement with Polkomtel Sp. z o.o. (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 2013, the cross-selling included 779 points of sales of Polkomtel's network and almost 700 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.

Thanks to the established cooperation, we can add the purchase potential of approximately 14 million clients of Polkomtel to over 11 million people in over 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 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 future results.

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 2013) comes from the sale of advertising airtime and sponsoring slots on TV channels.

Demand for advertising air-time is highly correlated with macro-economic situation. Despite relatively good condition of the Polish economy, world economic downturn and problems in some EU countries still have a negative impact on the expenditures on TV advertising in Poland. ZenithOptimedia Media House forecasts that in 2013 total net TV advertising expenditure in Poland shall decline by 5.9%. We believe, that the economic recovery, expected in 2014, will have a positive impact on the advertising expenditures in Poland.

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. It is worth noticing, that despite the growing importance of new media, it is forecasted that watching television will remain an attractive and popular activity, primarily thanks to new technical opportunities, including: increasing number of HD channels and VoD, as well as thanks to growing number of smart-TVs.

According to IAB AdEX report Internet advertising market shows a dynamic growth, with the advertising expenditures of PLN 2.2 billion (not in thousands) in 2012, an increase of 10.1% y-o-y. The expenditures on video advertising segment, in which we generate our revenue, increased in 2012 by 64.9% and represented 5.8% of the total expenditures on online advertising (increase by 2.0 p.p. compared to 2011). According to PwC forecasts (Global entertainment and media outlook: 2013-2017) the online video advertising in Poland will grow by an average 48% (CAGR) in the years 2013-2017. We believe that thanks to the leading position on the online video market (through ipla internet television) we may benefit from the growth of this promising advertising market segment.

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, 2012, TV Polsat generated approximately 24% of advertising revenue in the first quarter, 28% in the second quarter, 19% in the third quarter and 29% in the fourth quarter.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with increasingly greater selection of thematic channels, and with the process of implementation of digital terrestrial television and switch-off of the analogue signal completed at the end of July 2013, main general entertainment channels (FTA) have experienced a decline in audience share. In order to maintain total audience share and advertising market share, we have focused on developing our thematic channels portfolio. Currently, 18 thematic channels are broadcast under "Polsat" brand, they are available within cable and satellite distribution and one of them also in DTT (MUX-2). They compete in different market segments including sport, channels targeted to men or women audience, film and information. Our thematic channels increased their combined audience share to 5.94% in the first half of 2013 from 4.45% in the first half of 2012, primarily due to: the increase in audience share of Polsat2, Polsat Play and Polsat News, four new channels: Polsat Food, Polsat Viasat Explorer, Polsat Viasat History, Polsat Viasat Nature, as well as thanks to including Polsat Sport News into the telemetric panel.

Moreover, the planned acquisition of TV4 and TV6 channels present in the most dynamically developing segment – DTT enables the reinforcement of TV Polsat Group's market position thanks to the increased audience share in the target group. In the first half of 2013, the combined audience share of these channels amounted to 3.47%.

Switch-off of analogue broadcasting of Polsat channel

Following the completion of the process of switching off the analogue broadcasting of terrestrial television in Poland by the end of July 2013, we have ceased to incur double costs (analogue and digital) of broadcasting of our main channel.

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 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 also offer a wide selection of sport transmission, including volleyball games, boxing and mixed martial arts galas, Formula 1 races, football T-Mobile Ekstraklasa games and many others.

Costs of debt service

Following the acquisition of TV Polsat, financed in great part by the Term Loan and the Bridge Loan repaid with the proceeds from the issue of the Senior Notes, we will continue to incur significant interest costs on the debt financing. The Term Loan matures on December 31, 2015 and the Senior Notes mature on May 20, 2018. Our Term Loan has a built-in mechanism of bank margin reduction parallel to the decrease in the net debt to EBITDA ratio. Making timely payments and voluntarily prepayments, we are able to decrease both interest costs and the remaining principal in the future periods. So far, we have made two voluntary prepayments of the Term Facility Loan in the amount of PLN 200,000 and PLN 100,000 on August 29, 2012 and June 28, 2013, respectively.

Signing of preliminary and conditional agreements for the purchase of shares in Polskie Media S.A.

On March 28, 2013, TV Polsat concluded preliminary and conditional agreements for the acquisition of 100% shares in Polskie Media S.A., broadcaster of TV4 and TV6 channels for the total amount of PLN 99 million (not in thousands), comprising price for shares and adjustments related to enterprise value.

We consider the acquisition of Polskie Media a strategic step towards strengthening of Telewizja Polsat's market position. This opens the possibility to increase advertising revenue based on the increasing reach and Group's stronger negotiations standing as well as the synergies in the following areas: access and use of the programming content, technical, advertising, marketing and cross-promotions as well as back-office resources.

Finalization of the acquisition is scheduled for the third quarter of 2013. The transaction is subject to two precedent conditions – the buyer needs to get an approval of the Office of Competition and Consumer Protection and the sellers must acquire the shares from the current minority shareholders.

Signing of conditional agreement to sell RS TV S.A.

On March 28, 2013, the Group signed a conditional agreement to sell RS TV S.A. ("RS TV") to Emitel Sp. z o.o. for PLN 45.5 million (not in thousands). The sale of RS TV, company providing signal transmission services primarily for Cyfrowy Polsat Group, aims at focusing the Group's activities on two main business segments – providing retail services and broadcasting and television production.

According to the SFA, the proceeds from the sale of shares in RS TV in the amount of PLN 45,5 million (not in thousands) will be allocated in total to the partial prepayment of the Term Loan incurred for the purchase of Telewizja Polsat, which will have a positive impact on both reduction of the principal amount as well as debt service costs in the future.

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 number of programs that we make available either through direct production or acquisition. A decrease in a program quality or a reduction in program number 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 2013) 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. 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 competitor in the DTH market is nc+ platform established after the merger of Cyfra+ and "n" satellite platforms finalized at the end of 2012. In addition to our direct DTH competitors, we face competition from providers of other TV transmission technologies, such as terrestrial TV, cable TV and internet television. 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 and broadband Internet 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 and broadband Internet. 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 and broadband Internet. 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 integrated services offer, 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 subscriber acquisition cost. Our efforts to increase penetration in the pay TV services market could also significantly increase our average cost of acquisition. In addition, our average subscriber acquisition cost 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, 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 resulting from the switch in Poland from analogue 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 switch from analogue to digital terrestrial TV in Poland has significantly increased 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. As a result of the switch from analogue to digital terrestrial TV, the number of FTA terrestrial channels has significantly increased and FTA TV programming in Poland is becoming 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 2012, internally produced set-top boxes represented over 85% 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-specific legislation relating to trademark and copyright protection creates additional challenges for us in protecting our intellectual property rights in cyberspace. The unauthorized use of our intellectual property may adversely affect our business by harming our reputation and by decreasing the confidence our business partners rest in our ability to protect our proprietary and licensed content.

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

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

The UKE regulates both of our business segments. Through our Retail business segment, we operate as an MVNO provider. 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.

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 was 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. Pursuant to the recent amendments to the Broadcasting Act, the distribution of TV programs by DTH providers requires only registration with the President of the KRRiT and does not require a distribution license. We also hold two terrestrial broadcasting licenses and over a dozen satellite broadcasting licenses. All TV broadcasting licenses issued by the KRRiT have fixed terms. Our terrestrial TV broadcasting licenses 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. 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. Under the Broadcasting Act, we are entitled to renew our broadcasting licenses issued by the KRRiT provided we file a renewal application with the KRRiT no later than 12 months before their respective expiry dates. The KRRiT may reject our renewal application for limited reasons, including: (i) we have grossly breached the terms of our existing licenses; (ii) if broadcasting threatens the interests of national culture or state security; and (iii) a change of control (other than the Acquisition) occurs. 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 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 by court 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. we carry on our balance sheet significant amounts relating to 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 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 this 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 the 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.

Pola Investments Ltd., controlled by the family foundation (trust) TiVi Foundation founded by Mr. Zygmunt Solorz-Żak, holds voting right from 174,995,671 shares (representing 50.24% of the share capital and 65.99% of the voting power in Cyfrowy Polsat). As a result, Pola Investments Ltd., through his shareholdings, has and will continue to have, 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. 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.

The holders' ability to transfer the Notes may be 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 guarantee 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 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. On February 26, 2013, S&P revised its outlook on Cyfrowy Polsat from stable to positive.

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 27, 2013

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 2013 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 2013 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, 27 August 2013

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Cyfrowy Polsat S.A. and its subsidiaries (the 'Group') as of June 30, 2013 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 statements 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 statements are 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.

August 27, 2013,
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Polska
Telefon +48 22 523 4000, Faks +48 22 508 4040, www.pwc.pl

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2013

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

Table of contents

Approval of the Interim Condensed Consolidated Financial Statements....F 3

Interim Consolidated Income Statement....F 4

Interim Consolidated Statement of Comprehensive Income....F 4

Interim Consolidated Balance Sheet....F 5

Interim Consolidated Cash Flow Statement....F 7

Interim Consolidated Statement of Changes in Equity....F 9

Notes to the Interim Condensed Consolidated Financial Statements....F10

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 27 August 2013, 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 2013 to 30 June 2013 showing a net profit for the period of:	PLN 175,850
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2013 to 30 June 2013 showing a total comprehensive income for the period of:	PLN 178,892
Interim Consolidated Balance Sheet as at 30 June 2013 showing total assets and total equity and liabilities of:	PLN 5,592,707
Interim Consolidated Cash Flow Statement for the period from 1 January 2013 to 30 June 2013 showing a net decrease in cash and cash equivalents amounting to:	PLN 5,079
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2013 to 30 June 2013 showing an increase in equity of:	PLN 178,892

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, 27 August 2013

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Income Statement

		for the 6 months ended	
	Note	30 June 2013 unaudited	30 June 2012 unaudited
Continuing operations			
Revenue	7	1,433,010	1,383,058
Operating costs	8	(1,055,343)	(964,217)
Cost of services, products, goods and materials sold		(842,080)	(771,457)
Selling expenses		(127,494)	(110,186)
General and administrative expenses		(85,769)	(82,574)
Other operating income/(costs)		1,951	(2,770)
Profit from operating activities		**379,618**	**416,071**
Gain on investment activities, net	9	4,582	3,987
Finance costs, net	10	(182,473)	(62,387)
Share of the profit of jointly controlled entity accounted for using the equity method		1,580	1,501
Gross profit for the period		**203,307**	**359,172**
Income tax		(27,457)	(54,560)
Net profit for the period		**175,850**	**304,612**
Net profit attributable to equity holders of the Parent		175,850	304,612
Basic and diluted earnings per share (in PLN)		**0.50**	**0.87**

Interim Consolidated Statement of Comprehensive Income

		for the 6 months ended	
	Note	30 June 2013 unaudited	30 June 2012 unaudited
Net profit for the period		**175,850**	**304,612**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	12	9,069	(10,354)
Income tax relating to hedge valuation	12	(1,723)	1,968
Currency translation adjustment		(5,314)	-
Income tax relating to currency translation adjustment		1,010	-
Total items that may be reclassified subsequently to profit or loss		**3,042**	**(8,386)**
Other comprehensive income, net of tax		**3,042**	**(8,386)**
Total comprehensive income for the period		**178,892**	**296,226**
Total comprehensive income attributable to equity holders of the Parent		178,892	296,226

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Assets

	30 June 2013 unaudited	31 December 2012
Reception equipment	418,521	420,060
Other property, plant and equipment	265,011	276,407
Goodwill	2,568,033	2,568,033
Brands	847,800	847,800
Other intangible assets	83,804	81,380
Non-current programming assets	115,904	97,988
Investment property	7,788	8,357
Non-current deferred distribution fees	32,935	35,125
Other non-current assets	61,422	109,642
Deferred tax assets	27,326	31,356
Total non-current assets	**4,428,544**	**4,476,148**
Current programming assets	170,743	141,652
Inventories	157,445	161,974
Trade and other receivables	410,902	375,659
Income tax receivable	1,952	6,494
Current deferred distribution fees	63,564	57,096
Other current assets	93,754	71,968
Cash and cash equivalents	265,803	270,354
Total current assets	**1,164,163**	**1,085,197**
Total assets	**5,592,707**	**5,561,345**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2013 unaudited	31 December 2012
Share capital	11	13,934	13,934
Share premium		1,295,103	1,295,103
Other reserves		(13,285)	(16,327)
Retained earnings		1,351,543	1,175,693
Total equity		**2,647,295**	**2,468,403**
Loans and borrowings	13	422,858	592,003
Senior Notes payable	14	1,395,972	1,316,479
Finance lease liabilities		424	551
Deferred tax liabilities		93,150	94,258
Deferred income		4,754	5,181
Other non-current liabilities and provisions		10,154	17,690
Total non-current liabilities		**1,927,312**	**2,026,162**
Loans and borrowings	13	263,389	275,608
Senior Notes payable	14	102,957	97,256
Finance lease liabilities		247	233
Trade and other payables		428,004	472,094
Income tax liability		6,510	7,092
Deposits for equipment		12,551	13,259
Deferred income		204,442	201,238
Total current liabilities		**1,018,100**	**1,066,780**
Total liabilities		**2,945,412**	**3,092,942**
Total equity and liabilities		**5,592,707**	**5,561,345**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Cash Flow Statement

		for the 6 months ended	
	Note	30 June 2013 unaudited	30 June 2012 unaudited
Net profit for the period		**175,850**	**304,612**
Adjustments for:		**176,078**	**110,999**
Depreciation, amortization and impairment	8	122,961	111,117
Payments for film licenses and sports rights		(122,451)	(88,683)
Amortization of film licenses and sports rights		102,423	99,832
Loss/(gain) on investing activity		73	(257)
Cost of programming rights sold		5,843	4,602
Interest expense		93,389	105,822
Change in inventories		4,474	(7,381)
Change in receivables and other assets		(16,358)	(85,073)
Change in liabilities, provisions and deferred income		(56,232)	51,881
Change in internal production and advance payments		2,417	4,073
Valuation of hedging instruments		9,069	(10,354)
Share of the profit of jointly controlled entity accounted for using the equity method		(1,580)	(1,501)
Foreign exchange losses/(gains), net		77,413	(51,798)
Compensation of income tax receivables with VAT liabilities		4,842	-
Income tax		27,457	54,560
Net additions of reception equipment provided under operating lease		(81,859)	(76,626)
Other adjustments		4,197	785
Cash from operating activities		**351,928**	**415,611**
Income tax paid		(26,319)	(47,188)
Interest received from operating activities		6,104	8,144
Net cash from operating activities		**331,713**	**376,567**
Acquisition of property, plant and equipment		(40,633)	(28,180)
Acquisition of intangible assets		(20,378)	(11,330)
Acquisition of subsidiaries, net of cash acquired		(268)	(45,099)
Proceeds from sale of property, plant and equipment		410	121
Loans granted		-	(1,100)
Repayment of loans granted		-	1,100
Other proceeds		2,515	1,258
Net cash used in investing activities		**(58,354)**	**(83,230)**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Repayment of loans and borrowings	13	(192,590)	(155,763)
Repayment of interest on Cash Pool		(1,241)	(821)
Finance lease – principal repayments		(168)	(166)
Payment of interest on loans, borrowings, bonds, finance lease and commissions		(84,439)	(103,258)
Other net financing outflows		-	(73)
Net cash used in financing activities		**(278,438)**	**(260,081)**
Net increase/(decrease) in cash and cash equivalents		**(5,079)**	**33,256**
Cash and cash equivalents at the beginning of the period		**270,354**	**277,534**
Effect of exchange rate fluctuations on cash and cash equivalents		528	(1,271)
Cash and cash equivalents at the end of the period		**265,803**	**309,519**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(16,327)**	**1,175,693**	**2,468,403**
Total comprehensive income	-	-	3,042	175,850	**178,892**
Hedge valuation reserve	-	-	*7,346*	-	***7,346***
Currency translation adjustment	-	-	*(4,304)*	-	***(4,304)***
Net profit for the period	-	-	-	*175,850*	***175,850***
Balance as at 30 June 2013 unaudited	**13,934**	**1,295,103**	**(13,285)**	**1,351,543**	**2,647,295**

* 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 the 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.

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 the Internet access service provider and a Mobile Virtual Network Operator ('MVNO').

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 jointly controlled entity. 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, Internet access services, mobile TV services, online TV services, mobile 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 2013 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 the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Group applied the same accounting policies in the preparation of the interim condensed consolidated financial statements for the 6 months ended 30 June 2013 and the annual consolidated financial statements for the year 2012, except for the EU-endorsed standards, amendments to standards and interpretations which are effective for the reporting periods beginning on 1 January 2013. Standards, amendments to standards and interpretations that are effective for the reporting periods beginning on 1 January 2013 do not have a material impact on these interim condensed consolidated financial statements, except for the IFRS 13 *Fair values*, that *inter alia* require the disclosure of fair values of financial instruments presented in interim condensed consolidated financial statements.

Comparable results presented in previously published consolidated financial statements have been reclassified to conform to the current period presentation. None of the introduced changes affected the previously reported amounts of net profit for the period or equity.

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 27 August 2013.

6. 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 cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

7. Revenue

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Retail revenue	904,438	852,554
Advertising and sponsorship revenue	410,849	439,948
Revenue from cable and satellite operator fees	49,370	46,880
Sale of equipment	24,864	8,912
Other revenue	43,489	34,764
Total	**1,433,010**	**1,383,058**

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

8. Operating costs

		for the 6 months ended	
	Note	30 June 2013 unaudited	30 June 2012 unaudited
Programming costs		201,676	197,263
Cost of internal and external TV production and amortization of sport rights		178,551	183,508
Distribution, marketing, customer relation management and retention costs		160,304	143,331
Depreciation, amortization and impairment		122,961	111,117
Salaries and employee-related costs	a	85,033	80,871
Broadcasting and signal transmission costs		77,539	69,876
Amortization of purchased film licenses		66,686	52,627
Cost of equipment sold		42,753	13,064
Cost of settlements with mobile network operators and interconnection charges		32,508	21,641
Cost of debt collection services and bad debt allowance and receivables written off		15,678	14,305
Other costs		71,654	76,614
Total costs by kind		**1,055,343**	**964,217**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Cost of services, products, goods and materials sold	842,080	771,457
Selling expenses	127,494	110,186
General and administrative expenses	85,769	82,574
Total costs by function	**1,055,343**	**964,217**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Salaries	71,272	67,117
Social security contributions	11,302	10,436
Other employee-related costs	2,459	3,318
Total	**85,033**	**80,871**

9. Gain on investment activities, net

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited restated
Interest income	6,221	8,335
Other interest	(1,688)	(1,760)
Other foreign exchange gains/(losses)	162	(3,177)
Other	(113)	589
Total	**4,582**	**3,987**

Changes of comparable results were presented in details in the consolidated financial statement for the year 2012.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

10. Finance costs, net

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited restated**
Interest expense on loans and borrowings	36,580	59,029
Realization of hedging instruments (IRS)	3,830	666
Interest expense on Senior Notes	54,973	55,042
Impact of hedging instruments valuation on interest expense on Senior Notes	217	444
Realization of hedging instruments (CIRS)	2,508	(2,183)
Foreign exchange differences on Senior Notes	82,247	(53,068)
Guarantee fees	183	184
Bank and other charges	1,935	2,273
Total	**182,473**	**62,387**

Changes of comparable results were presented in details in the consolidated financial statement for the year 2012.

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2013 and as at 31 December 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**	

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The shareholders' structure as at 30 June 2013 and 31 December 2012 was as follows:

	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] Pola Investments Ltd. is controlled by family foundation (trust) TiVi Foundation

[2] Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta

12. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves / other comprehensive income

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Balance as at 1 January	**(20,631)**	**4,758**
Valuation of cash flow hedges	8,852	(10,798)
Amount transferred to income statement	217	444
Deferred tax	(1,723)	1,968
Change for the period	**7,346**	**(8,386)**
Balance as at 30 June	**(13,285)**	**(3,628)**

In the 6 months ended 30 June 2013 the hedge was valued at PLN 8,852 (positive), including PLN 217 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, the amount of PLN 9,069 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve in the 6 months ended 30 June 2013 amounts to PLN 7,346, representing the amount of the valuation, net of related deferred tax.

In the 6 months ended 30 June 2012 the hedge was valued at negative PLN 10,798, including PLN 444 recognized in the profit and loss account. Since the hedge was determined to be effective, 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 other reserves is negative and amounts to PLN 8,386.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

13. Loans and borrowings

Loans and borrowings	**30 June 2013 unaudited**	**31 December 2012**
Short-term liabilities	263,389	275,608
Long-term liabilities	422,858	592,003
Total	**686,247**	**867,611**

Change in loans and borrowings liabilities

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Loans and borrowings as at 1 January	**867,611**	**1,205,185**
Loans an borrowings assumed through acquisition of entities	-	96,818
Repayment of capital	(192,590)	(155,763)
Repayment of interest and commissions	(25,354)	(50,318)
Interest accrued	36,580	59,029
Loans and borrowings as at 30 June	**686,247**	**1,154,951**

On 28 June 2013 the Company has partly pre-paid a principal of its Term Facility Loan in the amount of PLN 100,000.

14. Senior Notes

	30 June 2013 unaudited	**31 December 2012**
Short-term liabilities	102,957	97,256
Long-term liabilities	1,395,972	1,316,479
Total	**1,498,929**	**1,413,735**

Change in *Senior Notes* payable

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
***Senior Notes* payable as at 1 January**	**1,413,735**	**1,522,577**
Unrealized foreign exchange (gains)/losses	82,247	(53,068)
Repayment of interest and commission	(52,026)	(53,616)
Interest accrued	54,973	55,042
***Senior Notes* payable as at 30 June**	**1,498,929**	**1,470,935**

15. 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;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet
- 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 allowance. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are 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 6 months ended 30 June 2013:

The 6 months ended 30 June 2013 unaudited	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	950,268	482,742	-	1,433,010
Inter-segment revenues	12,445	50,039	(62,484)	-
Revenues	**962,713**	**532,781**	**(62,484)**	**1,433,010**
EBITDA	**324,199**	**178,380**	**-**	**502,579**
Profit/(loss) from operating activities	**217,082**	**163,924**	**(1,388)**	**379,618**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	134,791*	10,747	-	145,538
Depreciation and amortization	106,350	14,456	1,388	122,194
Impairment	767	-	-	767
Balance as at 30 June 2013				
Assets, including:	1,743,160	4,065,459**	(215,912)***	5,592,707
Investments in jointly controlled entity	-	1,787	-	1,787

*This item also includes the acquisition of reception equipment for operating lease purposes
** Includes non-current assets located outside of Poland
*** Includes mainly dividend receivable from Telewizja Polsat Sp. z o.o.

Practically all revenues are generated in Poland.

It should be noted that the 6 months ended 30 June 2013 are not fully comparable to the 6 months ended 30 June 2012 as INFO-TV-FM was acquired on 30 January 2012 and ipla platform was acquired on 2 April 2012.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are 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 2012:

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	3,908,750**	(6,391)	5,597,801
Investments in jointly controlled entity	-	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

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
EBITDA	**502,579**	**527,188**
Depreciation, amortization and impairment	(122,961)	(111,117)
Profit from operating activities	**379,618**	**416,071**
Other foreign exchange rate differences, net (note 9)	162	(3,177)
Interest income (note 9)	6,221	8,335
Share of the profit of jointly controlled entity accounted for using the equity method	1,580	1,501
Interest costs (note 9 and 10)	(99,796)	(114,758)
Foreign exchange differences on *Senior Notes* (note 10)	(82,247)	53,068
Other	(2,231)	(1,868)
Gross profit for the period	**203,307**	**359,172**
Income tax	(27,457)	(54,560)
Net profit for the period	**175,850**	**304,612**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

16. Transactions with related parties

Receivables

	30 June 2013 unaudited	31 December 2012
Jointly controlled entities	421	487
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	13,150	15,883
Total	**13,571**	**16,370**

*Amounts presented above do not include deposits paid (30 June 2013 – PLN 2,626, 31 December 2012 – PLN 2,561)

Liabilities

	30 June 2013 unaudited	31 December 2012
Jointly controlled entities	826	1,045
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	17,236	27,447
Total	**18,062**	**28,492**

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

Other assets

	30 June 2013 unaudited	31 December 2012
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	135,985	160,173
Total	**135,985**	**160,173**

Other current and non-current assets comprise mainly of deferred costs related to the agreement with Mobyland Sp. z o.o.

Revenues

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Subsidiaries*	-	474
Jointly controlled entities	278	212
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	22,768	11,488
Total	**23,046**	**12,174**

*Concerns transactions with subsidiaries executed prior to their acquisition

The most significant transactions include licence fees on programming assets, transponder rental fees, sale of equipment and interconnect services, sale of advertisments and revenues from audiotext services.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries*	-	4,832
Jointly controlled entities	2,765	2,872
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	121,903	61,297
Total	**124,668**	**69,001**

* Concerns transactions with subsidiaries executed prior to their acquisition

Most significant transactions include expenses for advertising airtime, data transfer services, advertising services, property rental, telecommunication services with respect to the Group's customer call center, advertising and IT services, license fees for broadcasting Polsat Jim Jam and rental of filming and lighting equipment.

Gain on investment activities

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries*	-	2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	67	57
Total	**67**	**59**

*Concerns transactions with subsidiaries executed prior to their acquisition

Finance costs

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	-	87
Total	**-**	**87**

17. Litigations

Management believes that the provisions as at 30 June 2013 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.

As at the date of approval of these interim condensed consolidated financial statements no changes occurred as compared to the description included in the consolidated financial statements for the year 2012.

18. Significant agreements

Acquisition of Polskie Media S.A.

On 28 March 2013 preliminary and conditional agreements for the sale of shares in Polskie Media S.A. were concluded between Telewizja Polsat Sp. z o.o. seated in Warsaw ('Telewizja Polsat'), subsidiary of Cyfrowy Polsat, and Karswell Limited seated in Nicosia, Cyprus (the 'Seller I') and Sensor Overseas Limited seated in Nicosia, Cyprus (the 'Seller II').

Pursuant to the agreements, Telewizja Polsat is obliged to enter into the promised agreements whereby it will purchase and Seller I and Seller II will sell a total of 14.500.000 registered shares in Polskie Media S.A. seated in Warsaw ('Polskie Media') with nominal value of PLN 10 (not in thousand) each comprising 100% of the share capital of Polskie Media and giving rise to 100% of voting rights at the annual general meeting for the total amount of PLN 99,000, comprising price for shares and adjustments related to enterprise value.
The agreement was concluded subject to the following precedent conditions:

a) issue of the relevant approval by the President of the Office of Competition and Consumer Protection
b) acquisition by either Seller I or Seller II of 2,500 registered shares with total nominal value of PLN 25 from the company's minority shareholder.

Polskie Media is a broadcaster of two channels distributed both in terrestrial and cable-satellite: TV4 and TV6. The acquisition of Polskie Media opens the possibility to increase advertising revenue based on the increasing reach and Group's stronger negotiations standing as well as the synergies in the following areas: access and use of the programming content, technical, advertising, marketing and cross-promotions as well as back-office resources.

Disposal of subsidiary

On 28 March 2013 the conditional agreement for disposal of RS TV S.A ('RS TV') was concluded between the Group and EmiTel Sp. z o.o. for the total amount of PLN 45,500.
The agreement was concluded subject to the following precedent conditions:

a) receiving consents from banks which are parties to the loan agreement (SFA)
b) release of all security (on shares and assets of the company) related to the loan agreement and bond issue
c) court registration of the division of the RS TV.

19. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. There have been no changes in the risk management department or in any risk management policies since the year end.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value

Presented below are fair values and carrying amounts of financial instruments.

	Category according to IAS 39	30 June 2013 unaudited		31 December 2012	
		Fair value	Carrying amount	Fair value	Carrying amount
Loans granted to third parties	L&R	137	137	228	228
Trade and other receivables	L&R	394,385	394,385	338,547	338,547
Interest rate swaps	Hedges	(12,933)	(12,933)	(15,321)	(15,321)
Cross-currency interest rate swaps	Hedges	(4,235)	(4,235)	(10,700)	(10,700)
Cash and cash equivalents	L&R	265,803	265,803	270,354	270,354
Loans and borrowings	Other	(729,190)	(686,247)	(936,191)	(867,611)
Senior notes	Other	(1,556,973)	(1,498,929)	(1,486,680)	(1,413,735)
Finance lease liabilities	Other	(671)	(671)	(727)	(784)
Accruals	Other	(116,518)	(116,518)	(155,426)	(155,426)
Trade and other payables and deposits	Other	(235,403)	(235,403)	(251,493)	(251,493)
Total		**(1,995,598)**	**(1,894,611)**	**(2,247,409)**	**(2,105,941)**
Unrecognized gain/(loss)			(100,987)		(141,468)

It is assumed that the fair value of cash and cash equivalents is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of finance lease liabilities, forecasted cash flows from the reporting date to June 2016 (assumed date of lease agreements termination) were analyzed. The discount rate for each month was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking into account the time value of money, would approximately be equal to their nominal value. Evaluation methods used to calculate fair values of loans granted to related and non-related parties are based on observable market data – WIBOR interest rates.

As at 30 June 2013 loans and borrowings comprised senior facility. When determining the fair value of senior facility, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The fair value of interest rate swaps and cross-currency interest rate swaps is assumed in accordance to the valuation of the Bank, with which the Parent concluded agreements.

When determining the fair value of bonds, forecasted cash flows from the reporting date to 20 May 2018 (assumed maturity date of the bonds) were analyzed. EURIBOR interest rate plus margin was applied as a discount rate.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2013, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	30 June 2013 unaudited	Level 1	Level 2	Level 3
IRS			115	
CIRS			130	
Total		**-**	**245**	**-**

Liabilities measured at fair value	30 June 2013 unaudited	Level 1	Level 2	Level 3
IRS			(13,048)	
CIRS			(4,365)	
Total		**-**	**(17,413)**	**-**

As at 31 December 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31 December 2012	Level 1	Level 2	Level 3
CIRS			478	
Total		**-**	**478**	**-**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Liabilities measured at fair value

	31 December 2012	Level 1	Level 2	Level 3
IRS			(15,321)	
CIRS			(11,178)	
Total		**-**	**(26,499)**	**-**

20. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities and Senior Notes

Aside from the security agreements described in the note 45 in the consolidated financial statements for the year 2012, the Group entered into several agreements for the establishment of security for loan facilities and Senior Notes.

Commitments to purchase programming assets

As at 30 June 2013 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 2013 unaudited	31 December 2012
within one year	111,303	157,273
between 1 to 5 years	29,520	69,541
Total	**140,823**	**226,814**

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

	30 June 2013 unaudited	31 December 2012
within one year	10,724	15,913
Total	**10,724**	**15,913**

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 5,033 as at 30 June 2013 (PLN 4,082 as at 31 December 2012). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,668 as at 30 June 2013 (PLN 5,878 as at 31 December 2012). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2013 was PLN 17,253 (PLN 405 as at 31 December 2012).

21. Judgments, financial estimates and assumptions

The preparation of interim condensed consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as 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 2012 with the exception of changes in estimates that are required in determining the provision for income taxes.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 6 Months Ended 30 June 2013

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

Interim Consolidated Income Statement .... F III

Interim Consolidated Statement of Comprehensive Income .... F IV

Interim Consolidated Balance Sheet .... F V

Interim Consolidated Cash Flow Statement .... F VII

Interim Consolidated Statement of Changes in Equity .... F IX

Notes to the Interim Condensed Consolidated Financial Statements .... F X

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

Interim Consolidated Income Statement

		for the 3 months ended		for the 6 months ended	
	Note	**30 June 2013 unaudited**	**30 June 2012 unaudited**	**30 June 2013 unaudited**	**30 June 2012 unaudited**
Revenue	**5**	735,934	713,845	1,433,010	1,383,058
Operating costs		(542,377)	(499,652)	(1,055,343)	(964,217)
Cost of services, products, goods and materials sold	**6**	(434,201)	(402,712)	(842,080)	(771,457)
Selling expenses	**6**	(65,654)	(55,531)	(127,494)	(110,186)
General and administrative costs	**6**	(42,522)	(41,409)	(85,769)	(82,574)
Other operating income/(costs)		1,447	(1,112)	1,951	(2,770)
Profit from operating activities		**195,004**	**213,081**	**379,618**	**416,071**
Gain/(loss) on investment activities		747	(8,490)	4,582	3,987
Finance costs, net		(102,398)	(92,458)	(182,473)	(62,387)
Share of the profit of jointly controlled entity accounted for using the equity method		818	771	1,580	1,501
Gross profit for the period		**94,171**	**112,904**	**203,307**	**359,172**
Income tax		(13,426)	(13,401)	(27,457)	(54,560)
Net profit for the period		**80,745**	**99,503**	**175,850**	**304,612**
Net profit attributable to equity holders of the Parent		80,745	99,503	175,850	304,612
Basic and diluted earnings per share (in PLN)		**0.23**	**0.29**	**0.50**	**0.87**

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

Interim Consolidated Statement of Comprehensive Income

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**	**30 June 2013 unaudited**	**30 June 2012 unaudited**
Net profit for the period	**80,745**	**99,503**	**175,850**	**304,612**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	5,409	(566)	9,069	(10,354)
Income tax relating to hedge valuation	(1,027)	108	(1,723)	1,968
Currency translation adjustment	-	3,060	(5,314)	-
Income tax relating to currency translation adjustment	-	(603)	1,010	-
Total items that may be reclassified subsequently to profit or loss	**4,382**	**1,999**	**3,042**	**(8,386)**
Other comprehensive income, net of tax	**4,382**	**1,999**	**3,042**	**(8,386)**
Total comprehensive income for the period	**85,127**	**101,502**	**178,892**	**296,226**
Total comprehensive income attributable to equity holders of the Parent	85,127	101,502	178,892	296,226

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

Interim Consolidated Balance Sheet – Assets

	30 June 2013 unaudited	31 December 2012
Reception equipment	418,521	420,060
Other property, plant and equipment	265,011	276,407
Goodwill	2,568,033	2,568,033
Brands	847,800	847,800
Other intangible assets	83,804	81,380
Non-current programming assets	115,904	97,988
Investment property	7,788	8,357
Non-current deferred distribution fees	32,935	35,125
Other non-current assets	61,422	109,642
Deferred tax assets	27,326	31,356
Total non-current assets	**4,428,544**	**4,476,148**
Current programming assets	170,743	141,652
Inventories	157,445	161,974
Trade and other receivables	410,902	375,659
Income tax receivable	1,952	6,494
Current deferred distribution fees	63,564	57,096
Other current assets	93,754	71,968
Cash and cash equivalents	265,803	270,354
Total current assets	**1,164,163**	**1,085,197**
Total assets	**5,592,707**	**5,561,345**

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

Interim Consolidated Balance Sheet – Equity and Liabilities

	30 June 2013 unaudited	31 December 2012
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Other reserves	(13,285)	(16,327)
Retained earnings	1,351,543	1,175,693
Total equity	**2,647,295**	**2,468,403**
Loans and borrowings	422,858	592,003
Senior Notes payable	1,395,972	1,316,479
Finance lease liabilities	424	551
Deferred tax liabilities	93,150	94,258
Deferred income	4,754	5,181
Other non-current liabilities and provisions	10,154	17,690
Total non-current liabilities	**1,927,312**	**2,026,162**
Loans and borrowings	263,389	275,608
Senior Notes payable	102,957	97,256
Finance lease liabilities	247	233
Trade and other payables	428,004	472,094
Income tax liability	6,510	7,092
Deposits for equipment	12,551	13,259
Deferred income	204,442	201,238
Total current liabilities	**1.018,100**	**1,066,780**
Total liabilities	**2,945,412**	**3,092,942**
Total equity and liabilities	**5,592,707**	**5,561,345**

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

Interim Consolidated Cash Flow Statement

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Net profit for the period	**175,850**	**304,612**
Adjustments for:	**176,078**	**110,999**
Depreciation, amortization and impairment	122,961	111,117
Payments for film licenses and sports rights	(122,451)	(88,683)
Amortization of film licenses and sports rights	102,423	99,832
Loss/(gain) on investing activity	73	(257)
Cost of programming rights sold	5,843	4,602
Interest expense	93,389	105,822
Change in inventories	4,474	(7,381)
Change in receivables and other assets	(16,358)	(85,073)
Change in liabilities, provisions and deferred income	(56,232)	51,881
Change in internal production and advance payments	2,417	4,073
Valuation of hedging instruments	9,069	(10,354)
Share of the profit of jointly controlled entity accounted for using the equity method	(1,580)	(1,501)
Foreign exchange losses/(gains), net	77,413	(51,798)
Compensation of income tax receivables with VAT liabilities	4,842	-
Income tax	27,457	54,560
Net additions of reception equipment provided under operating lease	(81,859)	(76,626)
Other adjustments	4,197	785
Cash from operating activities	**351,928**	**415,611**
Income tax paid	(26,319)	(47,188)
Interest received from operating activities	6,104	8,144
Net cash from operating activities	**331,713**	**376,567**
Acquisition of property, plant and equipment	(40,633)	(28,180)
Acquisition of intangible assets	(20,378)	(11,330)
Acquisition of subsidiaries, net of cash acquired	(268)	(45,099)
Proceeds from sale of property, plant and equipment	410	121
Loans granted	-	(1,100)
Repayment of loans granted	-	1,100
Other proceeds	2,515	1,258
Net cash used in investing activities	**(58,354)**	**(83,230)**

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

Repayment of loans and borrowings	(192,590)	(155,763)
Repayment of interest on Cash Pool	(1,241)	(821)
Finance lease – principal repayments	(168)	(166)
Payment of interest on loans, borrowings, bonds, finance lease and commissions	(84,439)	(103,258)
Other net financing outflows	-	(73)
Net cash used in financing activities	**(278,438)**	**(260,081)**
Net increase/(decrease) in cash and cash equivalents	**(5,079)**	**33,256**
Cash and cash equivalents at the beginning of the period	**270,354**	**277,534**
Effect of exchange rate fluctuations on cash and cash equivalents	528	(1,271)
Cash and cash equivalents at the end of the period	**265,803**	**309,519**

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(16,327)**	**1,175,693**	**2,468,403**
Total comprehensive income	-	-	3,042	175,850	**178,892**
Hedge valuation reserve	-	-	*7,346*	-	***7,346***
Currency translation adjustment	-	-	*(4,304)*	-	***(4,304)***
Net profit for the period	-	-	-	*175,850*	***175,850***
Balance as at 30 June 2013 unaudited	**13,934**	**1,295,103**	**(13,285)**	**1,351,543**	**2,647,295**

* 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 the 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.

Notes to the Interim Condensed Consolidated Financial Statements for 3 and 6 months ended 30 June 2013

1. Activity of the Parent

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

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

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

The consolidated financial statements comprise the Parent and its subsidiaries (together with the Parent referred to as 'the Group'), and the Group's interest in jointly controlled entity. 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, Internet access services, mobile TV services, online TV services, mobile 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 Parent

- 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 Parent

- 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.

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

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

Statement of compliance

These interim condensed consolidated financial statements for 3 and 6 months ended 30 June 2013 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 the annual consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance 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 3 and 6 months ended 30 June 2013 and the consolidated financial statements for the year 2012, 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 2013.

The most recent published annual consolidated financial statements were prepared and audited for the year ended 31 December 2012. Annual consolidated financial statements fully disclose accounting policies approved by the Group.

5. Revenue

	for the 3 months ended		**for the 6 months ended**	
	30 June 2013 unaudited	**30 June 2012 unaudited**	**30 June 2013 unaudited**	**30 June 2012 unaudited**
Retail revenue	452,429	427,880	904,438	852,554
Advertising and sponsorship revenue	226,631	238,377	410,849	439,948
Revenue from cable and satellite operator fees	24,503	23,551	49,370	46,880
Sale of equipment	11,752	6,192	24,864	8,912
Other revenue	20,619	17,845	43,489	34,764
Total	**735,934**	**713,845**	**1,433,010**	**1,383,058**

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

6. Operating costs

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Programming costs	102,521	97,117	201,676	197,263
Cost of internal and external TV production and amortization of sport rights	102,947	104,933	178,551	183,508
Distribution, marketing, customer relation management and retention costs	81,314	71,795	160,304	143,331
Depreciation, amortization and impairment	62,263	56,684	122,961	111,117
Salaries and employee-related costs	41,943	40,274	85,033	80,871
Broadcasting and signal transmission costs	39,535	36,205	77,539	69,876
Amortization of purchased film licenses	34,025	24,587	66,686	52,627
Cost of equipment sold	16,830	7,567	42,753	13,064
Cost of settlements with mobile network operators and interconnection charges	16,749	11,106	32,508	21,641
Cost of debt collection services and bad debt allowance and receivables written off	9,248	8,387	15,678	14,305
Other costs	35,002	40,997	71,654	76,614
Total costs by kind	**542,377**	**499,652**	**1,055,343**	**964,217**

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Cost of services, products, goods and materials sold	434,201	402,712	842,080	771,457
Selling expenses	65,654	55,531	127,494	110,186
General and administrative expenses	42,522	41,409	85,769	82,574
Total costs by function	**542,377**	**499,652**	**1,055,343**	**964,217**

pwc

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim balance sheet of Cyfrowy Polsat S.A. (the 'Company') as of June 30, 2013 and the related interim income statement, interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 statements 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 statements are 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.

August 27, 2013,
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Polska
Telefon +48 22 523 4000, Faks +48 22 508 4040, www.pwc.pl

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2013

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

Table of contents

Approval of the Interim Condensed Financial Statements .... F 3

Interim Income Statement .... F 4

Interim Statement of Comprehensive Income .... F 4

Interim Balance Sheet .... F 5

Interim Cash Flow Statement .... F 7

Interim Statement of Changes in Equity .... F 8

Notes to the Interim Condensed Financial Statements .... F 9

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 27 August 2013, 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 2013 to 30 June 2013 showing a net profit for the period of:	PLN 298,708
Interim Statement of Comprehensive Income for the period from 1 January 2013 to 30 June 2013 showing a total comprehensive income for the period of:	PLN 306,054
Interim Balance Sheet as at 30 June 2013 showing total assets and total equity and liabilities of:	PLN 6,220,174
Interim Cash Flow Statement for the period from 1 January 2013 to 30 June 2013 showing a net decrease in cash and cash equivalents amounting to:	PLN 17,542
Interim Statement of Changes in Equity for the period from 1 January 2013 to 30 June 2013 showing an increase in equity of:	PLN 306,054

Notes to the Interim Condensed Financial Statements

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

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

Dorota Wołczyńska
Chief Accountant

Warsaw, 27 August 2013

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Income Statement

	Note	for the 6 months ended 30 June 2013 unaudited	for the 6 months ended 30 June 2012 unaudited
Revenue	7	954,101	872,570
Operating costs	8	(773,032)	(650,024)
Cost of services, products, goods and materials sold		(559,858)	(470,614)
Selling expenses		(152,493)	(127,417)
General and administrative expenses		(60,681)	(51,993)
Other operating costs, net		(281)	(1,884)
Profit from operating activities		**180,788**	**220,662**
Gain on investment activities, net	9	303,334	307,433
Finance costs, net	10	(191,172)	(72,435)
Gross profit for the period		**292,950**	**455,660**
Income tax		5,758	(30,684)
Net profit for the period		**298,708**	**424,976**
Basic and diluted earnings per share (in PLN)		**0.86**	**1.22**

Interim Statement of Comprehensive Income

	Note	for the 6 months ended 30 June 2013 unaudited	for the 6 months ended 30 June 2012 unaudited
Net profit for the period		**298,708**	**424,976**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	12	9,069	(10,354)
Income tax relating to hedge valuation	12	(1,723)	1,968
Total items that may be reclassified subsequently to profit or loss		**7,346**	**(8,386)**
Other comprehensive income, net of tax		**7,346**	**(8,386)**
Total comprehensive income for the period		**306,054**	**416,590**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Assets

	30 June 2013 unaudited	31 December 2012
Reception equipment	418,521	420,060
Other property, plant and equipment	164,066	172,201
Goodwill	52,022	52,022
Other intangible assets	50,935	47,821
Shares in subsidiaries	4,719,928	4,588,928
Non-current deferred distribution fees	32,935	35,125
Investment property	1,944	-
Other non-current assets	54,319	101,604
Total non-current assets	**5,494,670**	**5,417,761**
Inventories	156,215	159,885
Trade and other receivables	370,044	222,767
Income tax receivable	1,337	6,458
Current deferred distribution fees	63,564	57,096
Other current assets	92,581	71,256
Cash and cash equivalents	41,763	59,316
Total current assets	**725,504**	**576,778**
Total assets	**6,220,174**	**5,994,539**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2013 unaudited	31 December 2012
Share capital	11	13,934	13,934
Share premium		1,295,103	1,295,103
Hedge valuation reserve		(13,285)	(20,631)
Retained earnings		1,990,800	1,692,092
Total equity		**3,286,552**	**2,980,498**
Loans and borrowings	13	422,858	592,003
Issued bonds	14	1,377,459	1,298,661
Finance lease liabilities		2,517	3,554
Deferred tax liabilities		82,872	90,611
Deferred income		4,754	5,181
Other non-current liabilities and provisions		7,618	14,644
Total non-current liabilities		**1,898,078**	**2,004,654**
Loans and borrowings	13	400,295	311,439
Issued bonds	14	117,089	110,610
Finance lease liabilities		2,241	1,954
Trade and other payables		299,430	371,461
Deposits for equipment		12,551	13,259
Deferred income		203,938	200,664
Total current liabilities		**1,035,544**	**1,009,387**
Total liabilities		**2,933,622**	**3,014,041**
Total equity and liabilities		**6,220,174**	**5,994,539**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2013 unaudited	for the 6 months ended 30 June 2012 unaudited
Net profit for the period		**298,708**	**424,976**
Adjustments for:		**(116,927)**	**(249,739)**
Depreciation, amortization and impairment	8	106,427	89,851
Loss on investing activity		108	34
Interest expense		106,164	117,927
Change in inventories		3,670	3,939
Change in receivables and other assets		13,337	(34,015)
Change in liabilities, provisions and deferred income		(49,764)	(17,255)
Valuation of hedging instruments		9,069	(10,354)
Foreign exchange (gains)/ losses, net		81,831	(52,737)
Income tax		(5,758)	30,684
Net additions of reception equipment provided under operating lease		(81,859)	(81,320)
Dividends income		(303,210)	(297,230)
Other adjustments		3,058	737
Cash from operating activities		**181,781**	**175,237**
Income tax received		1,418	7,060
Interest received from operating activities		630	2,814
Net cash from operating activities		**183,829**	**185,111**
Acquisition of property, plant and equipment		(31,584)	(7,944)
Acquisition of intangible assets		(18,100)	(10,461)
Loans granted		-	(1,700)
Dividends received		164,379	297,230
Acquisition of shares in subsidiaries		-	(45,185)
Loans repaid - principal		-	1,700
Interest in loans repaid		-	12
Share capital increase in subsidiaries		(131,000)	-
Proceeds from sale of property, plant and equipment		59	121
Net cash from/(used in) investing activities		**(16,246)**	**233,773**
Net cash from Cash Pool		100,541	(43,839)
Payment of interest on loans, borrowings, bonds, finance lease and commissions		(91,965)	(109,472)
Finance lease – principal repayments		(1,112)	(166)
Repayment of loans and borrowings	13	(192,589)	(60,091)
Net cash used in financing activities		**(185,125)**	**(213,568)**
Net increase/(decrease) in cash and cash equivalents		**(17,542)**	**205,316**
Cash and cash equivalents at the beginning of the period		**59,316**	**11,858**
Effect of exchange rate fluctuations on cash and cash equivalents		(11)	(55)
Cash and cash equivalents at the end of the period		**41,763**	**217,119**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Statement of Changes in Equity for the 6 months ended 30 June 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(20,631)**	**1,692,092**	**2,980,498**
Total comprehensive income	-	-	7,346	298,708	**306,054**
Hedge valuation reserve	-	-	*7,346*	-	***7,346***
Net profit for the period	-	-	-	*298,708*	***298,708***
Balance as at 30 June 2013 unaudited	**13,934**	**1,295,103**	**(13,285)**	**1,990,800**	**3,286,552**

* 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 the 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.

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 head 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 the Internet access services provider and a Mobile Virtual Network Operator ('MVNO').

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

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

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group ('Group'). The Group encompasses the Company, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. zo.o., Cyfrowy Polsat Finance AB, Telewizja Polsat Sp. z o.o. and its subsidiaries and jointly controlled entity accounted for under the equity method, Redefine Sp. z o.o. and its subsidiary, Netshare Sp. z o.o., Gery.pl Sp. z o.o. and Frazpc.pl Sp. z o.o. 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, Internet access services, mobile TV services, online TV services, mobile 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 financial statements

Statement of compliance

These interim condensed financial statements for the 6 months ended 30 June 2013 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 2012, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Company applied the same accounting policies in the preparation of the interim condensed financial statements for the 6 months ended 30 June 2013 and the annual financial statements for the year 2012, except for the EU-endorsed standards, amendments to standards and interpretations which are effective for the reporting periods beginning on 1 January 2013. Standards, amendments to standards and interpretations that are effective for the reporting periods beginning on 1 January 2013 do not have a material impact on these interim condensed financial statements, except for the IFRS 13 *Fair values*, that *inter alia* require the disclosure of fair values of financial instruments presented in interim condensed financial statements.

The results for the 6 months ended 30 June 2013 are not fully comparable to the results for the 6 months ended 30 June 2012 as a result of merger of the Company with Cyfrowy Polsat Technology Sp. z o.o. on 31 December 2012.

Comparable results presented in previously published financial statements have been reclassified to conform to the current period presentation. None of the introduced changes affected the previously reported amounts of net profit for the period or equity.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 27 August 2013.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

6. 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.

7. Revenue

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Retail revenue	902,692	852,006
Sale of equipment	24,851	8,754
Other revenue	26,558	11,810
Total	**954,101**	**872,570**

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

8. Operating costs

		for the 6 months ended	
	Note	**30 June 2013 unaudited**	**30 June 2012 unaudited**
Programming costs		235,425	211,031
Distribution, marketing, customer relation management and retention costs		164,159	142,880
Depreciation, amortization and impairment		106,427	89,851
Salaries and employee-related costs	a	53,010	44,465
Broadcasting and signal transmission costs		45,995	44,272
Cost of equipment sold		42,624	12,831
Cost of settlements with mobile network operators and interconnection charges		32,508	21,641
Cost of debt collection services and bad debt allowance and receivables written off		17,372	13,957
Other costs		75,512	69,096
Total costs by kind		**773,032**	**650,024**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Cost of services, products, goods and materials sold	559,858	470,614
Selling expenses	152,493	127,417
General and administrative expenses	60,681	51,993
Total costs by function	**773,032**	**650,024**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Salaries	43,579	36,843
Social security contributions	7,736	6,329
Other employee-related costs	1,695	1,293
Total	**53,010**	**44,465**

9. Gain on investment activities, net

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited restated
Dividends received	303,210	297,230
Guarantee fees from related parties	4,570	4,913
Interest income/(expense)	(210)	2,679
Other foreign exchange gains/(losses)	(4,236)	1,835
Other gains and losses on investment activities, net	-	776
Total	**303,334**	**307,433**

Changes of comparable results were presented in details in the financial statement for the year 2012.

Dividends received comprise mainly dividends received from Telewizja Polsat Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

10. Finance costs, net

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited restated**
Interest expense on loans and borrowings	36,580	58,600
Realization of hedging instruments (IRS)	3,830	666
Interest expense on issued bonds	62,819	63,079
Impact of hedging instruments valuation on interest expense on issued bonds	217	444
Realization of hedging instruments (CIRS)	2,508	(2,183)
Foreign exchange differences on issued bonds	81,820	(52,792)
Bank and other charges	1,934	2,202
Guarantee fees	1,464	2,419
Total	**191,172**	**72,435**

Changes of comparable results were presented in details in the financial statement for the year 2012.

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2013 and as at 31 December 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**	

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The shareholders' structure as at 30 June 2013 and 31 December 2012 was as follows:

	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] Pola Investments Ltd. is controlled by family foundation (trust) TiVi Foundation

[2] Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited
Balance as at 1 January	**(20,631)**	**4,758**
Valuation of cash flow hedges	8,852	(10,798)
Amount transferred to income statement	217	444
Deferred tax	(1,723)	1,968
Change for the period	**7,346**	**(8,386)**
Balance as at 30 June	**(13,285)**	**(3,628)**

In the 6 months ended 30 June 2013 the hedge was valued at PLN 8,852 (positive), including PLN 217 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, the amount of PLN 9,069 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve in the 6 months ended 30 June 2013 amounts to PLN 7,346, representing the amount of the valuation, net of related deferred tax.

In the 6 months ended 30 June 2012 the hedge was valued at negative PLN 10,798, including PLN 444 recognized in the profit and loss account. Since the hedge was determined to be effective, 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 other reserves is negative and amounts to PLN 8,386.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

13. Loans and borrowings

Loans and borrowings	**30 June 2013 unaudited**	**31 December 2012**
Short-term liabilities	400,295	311,439
Long-term liabilities	422,858	592,003
Total	**823,153**	**903,442**

Change in loans and borrowings liabilities

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Loans and borrowings as at 1 January	**903,442**	**1,249,023**
Repayment of capital	(192,589)	(60,091)
Repayment of interest and commissions	(25,354)	(48,742)
Net cash from Cash Pool	101,074	(43,839)
Interest accrued	36,580	58,600
Loans and borrowings as at 30 June	**823,153**	**1,154,951**

On 28 June 2013 the Company has partly pre-paid a principal of its Term Facility Loan in the amount of PLN 100,000.

14. Issued bonds

	30 June 2013 unaudited	**31 December 2012**
Short-term liabilities	117,089	110,610
Long-term liabilities	1,377,459	1,298,661
Total	**1,494,548**	**1,409,271**

Change in issued bonds payable

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Issued bonds payable as at 1 January	**1,409,271**	**1,516,954**
Unrealized foreign exchange (gains)/losses	81,820	(52,792)
Repayment of interest and commissions	(59,362)	(61,405)
Interest accrued	62,819	63,079
Issued bonds payable as at 30 June	**1,494,548**	**1,465,836**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

15. Transactions with related parties

Receivables

	30 June 2013 unaudited	31 December 2012
Subsidiaries*	143,925	1,906
Jointly controlled entities	286	432
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	5,121	8,401
Total	**149,332**	**10,739**

*Chiefly dividends receivable

Other assets

	30 June 2013 unaudited	31 December 2012
Subsidiaries	1,347	1,195
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	135,985	160,172
Total	**137,332**	**161,367**

Other current assets comprise mainly of deferred costs related to the agreement with Mobyland Sp. z o.o.

Liabilites

	30 June 2013 unaudited	31 December 2012
Subsidiaries	40,238	48,243
Jointly controlled entities	399	375
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	4,776	10,743
Total	**45,413**	**59,361**

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

Liabilities due comprise *inter alia* liabilities resulting from using 'Cyfrowy Polsat' trade mark.

Bond liabilities

	30 June 2013 unaudited	31 December 2012
Subsidiaries	1,494,548	1,409,271
Total	**1,494,548**	**1,409,271**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Revenues

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries*	10,800	4,283
Jointly controlled entities	8	5
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	3,585	6,425
Total	**14,393**	**10,713**

*Concerns also transactions with subsidiaries executed prior to their acquisition (PLN 3 for the 6 months ended 30 June 2012)

The most significant transactions include revenues from accounting services rendered to subsidiaries, interconnect services, guarantee services rendered to Cyfrowy Polsat Technology Sp. z o.o. (this category only in 2012), programming fees, property rental and signal broadcast services.

Expenses

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries*	105,000	81,339
Jointly controlled entities	1,443	1,467
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	40,380	27,124
Total	**146,823**	**109,930**

*Includes donation forwarded to Fundacja Polsat; concerns also transactions with subsidiaries executed prior to their acquisition (PLN 933 for the 6 months ended 30 June 2012)

The most significant transactions include license fees for broadcasting programs: Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD, Polsat Film, Polsat Futbol (this channel only in 2012), Polsat News, Polsat Play, Polsat Cafe, Polsat Sport HD and Polsat Jim Jam.

The Company also incurs expenses for using 'Cyfrowy Polsat' trade mark, data transfer services, purchasing advertising time, telecommunication services with respect to the Company's customer call center and commissions for subscribers' acquisitions.

Gain on investment activities

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries*	307,780	302,155
Total	**307,780**	**302,155**

*Concerns also transactions with subsidiaries executed prior to their acquisition (PLN 2 for the 6 months ended 30 June 2012)

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Gain on investment activities comprises chiefly dividends and also income from guarantees granted by the Company in respect to settlement of high yield notes issued by Cyfrowy Polsat Finance AB.

Finance costs

	for the 6 months ended	
	30 June 2013 unaudited	**30 June 2012 unaudited**
Subsidiaries	64,262	65,315
Total	**64,262**	**65,315**

Finance costs comprise chiefly interest on bonds and also guarantee fees in respect to settlement of Senior Facility loan.

Important agreements and events

In January 2013 companies listed below issued new shares which were acquired and paid for by the Company:

(i) in Redefine Sp. z o.o. share capital was increased by PLN 488 and share premium amounted to PLN 97,012;
(ii) in Frazpc.pl Sp. z o.o. share capital was increased by PLN 28 and share premium amounted to PLN 5,472;
(iii) in Netshare Sp. z o.o. share capital was increased by PLN 65 and share premium amounted to PLN 12,935;
(iv) in Gery.pl Sp. z o.o. share capital was increased by PLN 75 and share premium amounted to PLN 14,925.

16. Litigations

Management believes that the provisions as at 30 June 2013 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.

As at the date of approval of these interim condensed financial statements no changes occurred as compared to the description included in the financial statements for the year 2012.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

17. Risk and fair value

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value

Presented below are fair values and carrying amounts of financial instruments.

	Category according to IAS 39	30 June 2013 unaudited		31 December 2012	
		Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Trade and other receivables	L&R	355,230	355,230	190,368	190,368
IRS	Hedges	(12,933)	(12,933)	(15,321)	(15,321)
CIRS	Hedges	(4,235)	(4,235)	(10,700)	(10,700)
Cash and cash equivalents	L&R	41,763	41,763	59,316	59,316
Loans and borrowings	Other	(866,096)	(823,153)	(972,022)	(903,442)
Issued bonds	Other	(1,560,282)	(1,494,548)	(1,489,990)	(1,409,271)
Finance lease liabilities	Other	(4,880)	(4,758)	(5,616)	(5,508)
Accruals	Other	(113,759)	(113,759)	(148,875)	(148,875)
Trade and other payables and deposits	Other	(136,495)	(136,495)	(175,167)	(175,167)
Total		**(2,301,687)**	**(2,192,888)**	**(2,568,007)**	**(2,418,600)**
Unrecognized gain/(loss)			(108,799)		(149,407)

It is assumed that the fair value of cash and cash equivalents is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of financial lease liabilities, forecasted cash flows from the reporting date to June 2017 (assumed date of repayment of lease agreements termination) were analyzed. The discount rate for each month was calculated as an applicable WIBOR interest rate plus a margin regarding the Company's credit risk.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 30 June 2013 loans and borrowings comprised senior facility and Cash Pool. When determining the fair value of senior facility, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin. The fair value of Cash Pool is set as the nominal value, which is equal to carrying amount.

The fair value of interest rate swaps and cross-currency interest rate swaps is assumed in accordance to the valuation of the Bank, with which the Company concluded agreements.

When determining the fair value of issued bonds, forecasted cash flows from the reporting date to 20 May 2018 (assumed maturity date of the bonds) were analyzed. EURIBOR interest rate plus margin was applied as a discount rate.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2013, the Company held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	**30 June 2013 unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS			115	
CIRS			130	
Total		**-**	**245**	**-**

Liabilities measured at fair value	**30 June 2013 unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS			(13,048)	
CIRS			(4,365)	
Total		**-**	**(17,413)**	**-**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

As at 31 December 2012, the Company held the following financial instruments measured at fair value:

Assets measured at fair value				
	31 December 2012	**Level 1**	**Level 2**	**Level 3**
CIRS			478	
Total		**-**	**478**	**-**
Liabilities measured at fair value				
	31 December 2012	**Level 1**	**Level 2**	**Level 3**
IRS			(15,321)	
CIRS			(11,178)	
Total		**-**	**(26,499)**	**-**

18. Other disclosures

Security relating to loans and borrowings

Aside from the security agreements described in the note 41 in the financial statements for the year 2012, the Company entered into the several agreements for the establishment of security for loan facilities.

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 1,537 as at 30 June 2013 (PLN 66 as at 31 December 2012). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,668 as at 30 June 2013 (PLN 5,878 as at 31 December 2012). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2013 was PLN 4,083 (PLN 405 as at 31 December 2012).

19. Judgments, financial estimates and assumptions

The preparation of interim condensed financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as 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 financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2012.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 and 6 Months Ended 30 June 2013

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

Interim Income Statement .... F III

Interim Statement of Comprehensive Income .... F III

Interim Balance Sheet .... F IV

Interim Cash Flow Statement .... F VI

Interim Statement of Changes in Equity .... F VII

Notes to the Interim Condensed Financial Statements .... FVIII

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

Interim Income Statement

	Note	for the 3 months ended		for the 6 months ended	
		30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Revenue	**5**	476,624	438,888	954,101	872,570
Operating costs		(389,857)	(327,074)	(773,032)	(650,024)
Cost of services, products, goods and materials sold	**6**	(279,681)	(237,472)	(559,858)	(470,614)
Selling expenses	**6**	(80,005)	(63,975)	(152,493)	(127,417)
General and administrative expenses	**6**	(30,171)	(25,627)	(60,681)	(51,993)
Other operating costs, net		(677)	(212)	(281)	(1,884)
Profit from operating activities		**86,090**	**111,602**	**180,788**	**220,662**
Gain on investment activities, net		279,962	5,404	303,334	307,433
Finance costs, net		(106,619)	(97,135)	(191,172)	(72,435)
Gross profit for the period		**259,433**	**19,871**	**292,950**	**455,660**
Income tax		4,373	(4,483)	5,758	(30,684)
Net profit for the period		**263,806**	**15,388**	**298,708**	**424,976**
Basic and diluted earnings per share (in PLN)		**0.76**	**0.04**	**0.86**	**1.22**

Interim Statement of Comprehensive Income

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Net profit for the period	**263,806**	**15,388**	**298,708**	**424,976**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	5,409	(566)	9,069	(10,354)
Income tax relating to hedge valuation	(1,027)	108	(1,723)	1,968
Total items that may be reclassified subsequently to profit or loss	**4,382**	**(458)**	**7,346**	**(8,386)**
Other comprehensive income, net of tax	**4,382**	**(458)**	**7,346**	**(8,386)**
Total comprehensive income for the period	**268,188**	**14,930**	**306,054**	**416,590**

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

Interim Balance Sheet – Assets

	30 June 2013 unaudited	31 December 2012
Reception equipment	418,521	420,060
Other property, plant and equipment	164,066	172,201
Goodwill	52,022	52,022
Other intangible assets	50,935	47,821
Shares in subsidiaries	4,719,928	4,588,928
Non-current deferred distribution fees	32,935	35,125
Investment property	1,944	-
Other non-current assets	54,319	101,604
Total non-current assets	**5,494,670**	**5,417,761**
Inventories	156,215	159,885
Trade and other receivables	370,044	222,767
Income tax receivable	1,337	6,458
Current deferred distribution fees	63,564	57,096
Other current assets	92,581	71,256
Cash and cash equivalents	41,763	59,316
Total current assets	**725,504**	**576,778**
Total assets	**6,220,174**	**5,994,539**

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

Interim Balance Sheet – Equity and Liabilities

	30 June 2013 unaudited	31 December 2012
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Hedge valuation reserve	(13,285)	(20,631)
Retained earnings	1,990,800	1,692,092
Total equity	**3,286,552**	**2,980,498**
Loans and borrowings	422,858	592,003
Issued bonds	1,377,459	1,298,661
Finance lease liabilities	2,517	3,554
Deferred tax liabilities	82,872	90,611
Deferred income	4,754	5,181
Other non-current liabilities and provisions	7,618	14,644
Total non-current liabilities	**1,898,078**	**2,004,654**
Loans and borrowings	400,295	311,439
Issued bonds	117,089	110,610
Finance lease liabilities	2,241	1,954
Trade and other payables	299,430	371,461
Deposits for equipment	12,551	13,259
Deferred income	203,938	200,664
Total current liabilities	**1,035,544**	**1,009,387**
Total liabilities	**2,933,622**	**3,014,041**
Total equity and liabilities	**6,220,174**	**5,994,539**

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

Interim Cash Flow Statement

	for the 6 months ended	
	30 June 2013	**30 June 2012**
Net profit for the period	**298,708**	**424,976**
Adjustments for:	**(116,927)**	**(249,739)**
Depreciation, amortization and impairment	106,427	89,851
Loss on investing activity	108	34
Interest expense	106,164	117,927
Change in inventories	3,670	3,939
Change in receivables and other assets	13,337	(34,015)
Change in liabilities, provisions and deferred income	(49,764)	(17,255)
Valuation of hedging instruments	9,069	(10,354)
Foreign exchange (gains)/ losses, net	81,831	(52,737)
Income tax	(5,758)	30,684
Net additions of reception equipment provided under operating lease	(81,859)	(81,320)
Dividends income	(303,210)	(297,230)
Other adjustments	3,058	737
Cash from operating activities	**181,781**	**175,237**
Income tax received	1,418	7,060
Interest received from operating activities	630	2,814
Net cash from operating activities	**183,829**	**185,111**
Acquisition of property, plant and equipment	(31,584)	(7,944)
Acquisition of intangible assets	(18,100)	(10,461)
Loans granted	-	(1,700)
Dividends received	164,379	297,230
Acquisition of shares in subsidiaries	-	(45,185)
Loans repaid - principal	-	1,700
Interest in loans repaid	-	12
Share capital increase in subsidiaries	(131,000)	-
Proceeds from sale of property, plant and equipment	59	121
Net cash from/(used in) investing activities	**(16,246)**	**233,773**
Net cash from Cash Pool	100,541	(43,839)
Payment of interest on loans, borrowings, bonds, finance lease and commissions	(91,965)	(109,472)
Finance lease – principal repayments	(1,112)	(166)
Repayment of loans and borrowings	(192,589)	(60,091)
Net cash used in financing activities	**(185,125)**	**(213,568)**
Net increase/(decrease) in cash and cash equivalents	**(17,542)**	**205,316**
Cash and cash equivalents at the beginning of the period	**59,316**	**11,858**
Effect of exchange rate fluctuations on cash and cash equivalents	(11)	(55)
Cash and cash equivalents at the end of the period	**41,763**	**217,119**

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

Interim Statement of Changes in Equity for the 6 months ended 30 June 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(20,631)**	**1,692,092**	**2,980,498**
Total comprehensive income	-	-	7,346	298,708	**306,054**
Hedge valuation reserve	-	-	*7,346*	-	***7,346***
Net profit for the period	-	-	-	*298,708*	***298,708***
Balance as at 30 June 2013 unaudited	**13,934**	**1,295,103**	**(13,285)**	**1,990,800**	**3,286,552**

* 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 the 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.

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

Notes to the Interim Condensed Financial Statements for 3 and 6 months Ended 30 June 2013

1. Activity of 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 Internet access services provider and a Mobile Virtual Network Operator ('MVNO').

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 2013 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 2012, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2013 and the financial statements for the year 2012, 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 2013.

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

The most recent published annual financial statements were prepared and audited for the year ended 31 December 2012. Annual financial statements fully disclose accounting policies approved by the Company.

5. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Retail revenue	451,794	427,330	902,692	852,006
Sale of equipment	11,753	6,061	24,851	8,754
Other revenue	13,077	5,497	26,558	11,810
Total	**476,624**	**438,888**	**954,101**	**872,570**

6. Operating costs

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Programming costs	119,034	103,026	235,425	211,031
Distribution, marketing, customer relation management and retention costs	85,363	71,522	164,159	142,880
Depreciation, amortization and impairment	54,105	46,237	106,427	89,851
Salaries and employee-related costs	26,056	21,644	53,010	44,465
Broadcasting and signal transmission costs	24,378	22,504	45,995	44,272
Cost of equipment sold	16,909	7,411	42,624	12,831
Cost of settlements with mobile network operators and interconnection charges	16,749	11,107	32,508	21,641
Cost of debt collection services and bad debt allowance and receivables written off	10,044	8,483	17,372	13,957
Other costs	37,219	35,140	75,512	69,096
Total costs by kind	**389,857**	**327,074**	**773,032**	**650,024**

	for the 3 months ended		for the 6 months ended	
	30 June 2013 unaudited	30 June 2012 unaudited	30 June 2013 unaudited	30 June 2012 unaudited
Cost of services, products, goods and materials sold	279,681	237,472	559,858	470,614
Selling expenses	80,005	63,975	152,493	127,417
General and administrative expenses	30,171	25,627	60,681	51,993
Total costs by function	**389,857**	**327,074**	**773,032**	**650,024**