CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the three-month period ended 30 September 2011

Warsaw, 14 November 2011

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Interim condensed consolidated financial statements for the three and nine months ended 30 September 2011

Interim condensed financial statements for the three and nine months ended 30 September 2011

We have prepared this quarterly report as required by Paragraph 82 section 1 and Paragraph 87 of the Regulation of the Council of Ministers of 19 February 2009 concerning the submission of current and periodical information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union. The report meets also the requirements of section 4.15. of the Indenture for our 7.125% Senior Notes, dated May 20, 2011.

Presentation of financial and other information

In this quarterly report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group or Polsat Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company; „**DTH**" relates to digital satellite platform services which we provide in Poland; "**SD**" relates to the television signal in the standard definition technology (Standard Definition); „**HD**" relates to the television signal in the high definition technology (High Definition); „**DVR**" relates to set-top boxes with hard disk used to record television channels (Digital Video Recorder); "**Family Package**", "**Family HD Package**", "**Mini Package**" and "**Mini HD Package**" relate to our starting packages available within our DTH services; "**Subscriber**" relates to a person who signed an agreement for subscription to television services and who is obligated, under the terms of agreement, to make payments to access a package or packages of television channels or who has access to such packages after making required payments but without having signed such an agreement; „**ARPU**" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our DTH services divided by the average number of subscribers to whom we rendered services in the reporting period; „**ARPU Family Package**" and „**ARPU Mini Package**" relate to average revenue per subscriber to the Family Package and Mini Package, respectively; „**churn**" relates to the churn rate, defined as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period; „**churn Family Package**" and „**churn Mini Package**" relates to churn rate calculated for the Family Package and Mini Package, respectively; „**SAC**" relates to the sum of cost of provision payable to distributors per each attracted customer; "**Audience share**" relates to percentage of television viewers tuned to a particular channel during a given period, expressed as a percentage of the total number of people watching TV, we present data after Nielsen Audience Measurement, 16-49, all day; "**Advertising market share**" relates to the share of Cyfrowy Polsat Capital Group revenues from advertising and sponsoring in the total revenues from TV advertising in Poland, the source of our data is Starlink; "**GRP**" relates to gross rating point, defined as the number of people watching a particular TV program at a specific time, expressed as a percentage of the entire population. One GRP, as applied to Poland, is equal to 0.2 million inhabitants in the basic commercial target group (16-49 years old).; "**Technical reach**" or "**Technical Coverage**" relates to the percentage of households in Poland which have the technical ability to receive a channel broadcasted by Telewizja Polsat Sp. z o.o.; "**nVoD**" or "**VOD - Home Video Rental**" relates to the services from the video on demand category; „**MVNO**" relates to mobile virtual network operator services; "**Internet access services**" relates to broadband internet access services; "**HSPA+**" relates to radio data transfer technology in mobile networks (High Speed Packet Access Plus); "**LTE**" relates to radio data transfer technology in mobile networks (Long Term Evolution), characterized by much higher data transfer speed, greater capacity and lower network latency; „**Integrated services**" relates to services of pay DTH services, mobile services and internet access services provided under one agreement and one subscription fee; "**M.Punkt**" relates to M.Punkt Holdings Ltd.; "**mPunkt**" relates to mPunkt Polska S.A.; "**mTEL**" relates to mTEL Sp. z o.o.; "**CPT**" relates to Cyfrowy Polsat Technology Sp. z o.o.; "**CPTM**" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "**Cyfrowy Polsat Finance**" relates to Cyfrowy Polsat Finance AB (publ), Cyfrowy Polsat subsidiary registered in Sweden; "**CP**" relates to Cyfrowy Polsat S.A.; "**Telewizja Polsat**" or "**TV Polsat**" relates to Telewizja Polsat S.A., transformed to Telewizja Polsat Sp. z o.o. on June 15, 2011; "**TV Polsat Group**" relates to Telewizja Polsat Sp. z o.o. and its consolidated subsidiaries; "**POLSAT**" relates to our main FTA channel; "**Polsat Sport**" relates to our sport channel dedicated to Polish sports and major sports events; "**Polsat Sport Extra**" relates to our sport channel broadcasting premium sport events; "**Polsat Futbol**" relates to our sport channel dedicated to football games; "**Polsat Sport HD**" relates to our sport channel in HD technology; "**Polsat Sport News**" relates to our sport channel dedicated to sport news, that was launched on May 30, 2011; "**Polsat Film**" relates to our movie channel; "**Polsat Café**" relates to our lifestyle channel dedicated to women; "**Polsat Play**" relates to our lifestyle channel dedicated to men; "**Polsat 2**" relates to our channel broadcasting mainly reruns of programs that premiered on our other channels; "**Polsat News**" relates to our 24-hour news channel; "**TV Biznes**" relates to our channel dedicated to the latest news on the economy and financial markets; "**Polsat Jim Jam**" relates to children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone; „**Shares**" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013; "**Senior Facilities**" relates to senior secured facilities under Senior Facilities Agreement ("**SFA**") with a syndicate of banks including Term Facility Loan **("Term Facility**") of PLN 1,400,000,000 maturing December 31, 2015;and Senior Secured Revolving Facility Loan ("**Revolving Facility**") of up to PLN 200,000,000 maturing December 31, 2015; "**Bridge Loan**" relates to senior secured bridge facility of EUR 350,000,000 with a syndicate of banks, that was fully repaid on May 20, 2011; “**Senior Notes**” or “**Notes**” relates to 7.125% senior secured notes of EUR 350 million issued by Cyfrowy Polsat Finance on May 20, 2011; “**Indenture**” relates to the indenture dated May 20, 2011 governing the 7.125% Senior Notes; “**PLN**” or “**zloty**” refers to the lawful currency of Poland; “**USD**” or “**dollars**” refers to the lawful currency of the United States of America; and “**EUR**” or “**euro**” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Financial and operating data

This quarterly report contains financial statements and financial information relating to the Company and the Group. In particular, this quarterly report contains our interim condensed consolidated financial statements for 3 and 9 month periods ended 30 September 2011 quarterly condensed financial statements for 3 and 9 month periods ended 30 September 2011. The financial statements attached to this interim report have been prepared in accordance with International Financial Reporting Standards approved for use in the European Union ("IFRS") and are presented in thousand zlotys.

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

Currency presentation

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

All references to Zloty, U.S. dollars and Euro are in thousands, except ARPU, SAC, per share data and prices of our services unless otherwise stated.

Forward–looking statements

This quarterly 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 quarterly 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 quarterly 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 quarterly report.

Industry and market data

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

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

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

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

1. Introduction

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

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

Retail business segment

In pay TV, we are the largest pay TV and DTH provider in Poland and the fourth largest DTH platform in Europe by number of subscribers. We provide a comprehensive multimedia offer designed to appeal to the entire family. As part of our multi-play offer, we provide to our subscribers DTH, broadband Internet in HSPA+ technology and recently also in the latest LTE technology and mobile telephony services in MVNO model. We believe, that our integrated offer will contribute to an increase of the general satisfaction of our customers and in consequence, lower the churn, and increase the subscriber base which will be converted into a growth of our revenues. As of September 30, 2011 among our subscriber base we had 3,506,077 DTH subscribers, 54,004 users of broadband Internet service and 136,459 users of mobile telephony service.

We offer our subscribers access to over 90 Polish-language TV channels, including general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1, TVP2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sport Extra, the first, second and fourth most widely viewed sports channels in Poland in 2010. In addition, we offer our subscribers 23 HD channels and also provide nVoD, PPV and catch-up TV services.

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

We sell our services through an effective sales network covering the entire territory of Poland. We distribute our products and services through two main sales channels: retail sales channel and direct sales channel D2D ("door-to-door"). As of September 30, 2011 our sales network included 17 distributors and a total of 968 Authorized Points of Sales.

Television broadcasting and production segment

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland, which is the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number one in terms of audience share with a 16.2% share in the nine-month period ended September 30, 2011. We also broadcast thematic channels, which have a 4.4% combined audience share, and sell advertising on our channels and certain third-party channels. We are a licensed broadcaster of 13 TV channels consisting of general entertainment, sports, news, business, lifestyle, movie and children's channels. Based on data from Starlink, we estimate that we captured a 22.7% share of the approximately PLN 2.72 billion (not in thousands) Polish TV advertising market in the nine-month period ended September 30, 2011.

Our television channels include: POLSAT, Polsat Sport, Polsat Sport Extra, Polsat Futbol, Polsat Sport HD, Polsat Film, Polsat Café, Polsat Play, Polsat 2, Polsat News, TV Biznes, Polsat Jim Jam, Polsat Sport News. POLSAT, our main channel, was the first commercial channel in Poland, that received a nationwide analog license and broadcasts 24 hours a day, seven days a week. It is the number one private FTA channel in Poland in terms of audience share. POLSAT airs a broad variety of movies (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, Aster, Multimedia and via all major satellite platforms, excluding our sport channels to which Cyfrowy Polsat platform has exclusive rights.

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

2. Significant events

Launch of LTE Internet

Upon successful completion of the tests, on August 30, 2011, we launched commercial LTE Internet service. LTE (Long Term Evolution) technology is considered to be the future of mobile broadband internet and successor of commonly used UMTS standard. LTE Internet of speed up to 100 Mb/s is available in our offer from PLN 30 per month. Services are delivered using Huawei modem that supports both technologies of Internet access provided by Cyfrowy Polsat – LTE (1.800 MHz) and HSPA+ (900 MHz).

First sport event in pay-per-view

For the first time, Cyfrowy Polsat broadcasted an important sport event in pay-per-view (PPV). Over 3.5 million subscribers of Cyfrowy Polsat could buy access to the transmission of Tomasz Adamek vs Vitali Klitschko Live Boxing WBC title fight for PLN 40. Cyfrowy Polsat broadcasted the fight in two formats - traditional (SD) and high definition (HD). In addition, upon the end of the gala, the recording was available for 14 days in „Strefa Wideo" (our catch-up TV) for free to all who placed the order for the fight in PPV system.

We offer movies in PPV system since over one year and a half, but never before in Poland was a life sport event transmitted in PPV system.

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

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

Introduction of new autumn scheduling

In September, in TV Polsat we launched new autumn scheduling, which we based on the formats that were enthusiastically welcomed by the public in the spring season and contributed to a satisfactory audience share. Autumn scheduling includes: the second edition of "*Must be the Music -Tylko muzyka"* our talent show whose first edition brought a huge success, premiere episodes of new seasons of our successful series such as "*Szpilki na Giewoncie", "Hotel 52" or "Pierwsza miłość"*, docu-crime *"Malanowski i Partnerzy"* and para-documentary series *"Dlaczego ja?"* and "*Trudne sprawy"* as well as many other attractive formats. For the fans of sports we will broadcast popular events including European Volleyball Champions League, UEFA Champions League, T-Mobile Ekstraklasa, boxing galas and F1 racing.

Signing a new license agreement with HBO Polska Sp. z o.o.

On August 24, 2011, a license agreement ("Agreement") with HBO Polska Sp. z o.o. (indirect subsidiary of Time Warner Inc.) seated in Warsaw ("Licensor") was concluded in a written form. The Agreement replaced the previous license agreement for reemitting television channels distributed by HBO Polska Sp. z o.o., that expired February 28, 2011 and an oral agreement effective since then. Under the Agreement, the Company received a three-year license to distribute the following TV channels: HBO, HBO HD, HBO2, HBO Comedy and HBO2 HD and HBO Comedy HD. These channels will be distributed both as part of a bundle of channels and on "a la carte" basis.

Registration of merger with mTEL Sp. z o.o.

On August 31, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated August 31, 2011 regarding the registration of merger of the Company with mTEL Sp. z o.o.

3. Summary historical financial data

The following tables set out our summary historical interim consolidated financial information for the three and nine month periods ended September 30, 2011 and September 30, 2010. The information shall be read in conjunction with interim condensed consolidated financial statements for the three and nine month period ended September 30, 2011 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 12 of this quarterly report.

Certain financial data:

- from the consolidated profit and loss statements for the three-month periods ended September 30, 2011 and September 30, 2010 have been converted into euro at a rate of PLN 4.1490 per €1.00 (the arithmetic average of monthly average exchange rates published by the National Bank of Poland, or NBP, in the period i.e. from July 1 to September 30, 2011);

- from the consolidated profit and loss statements and the consolidated cash flow statement for the nine month periods ended 30 September 2011 and 30 September 2010 have been converted into euro at a rate of PLN 4.0188 per €1.00 (the arithmetic average of monthly average exchange rates published by the National Bank of Poland, or NBP in the period i.e. from 1 January to 30 September 2011);

- from the consolidated balance sheet data as at September 30, 2011 and December 31, 2010 and September 30, 2010 have been converted into euro at a rate of PLN 4.4112 per €1.00 (an exchange rate published by NBP on September 30, 2011).

Such translations shall not be viewed as a representation that such Zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

	For the three-month period ended September 30				For the nine-month period ended September 30			
	2011		2010		2011		2010	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated Income Statement								
Retail subscribtion	405,449	97,722	348,438	83,981	1,179,349	293,458	1,055,510	262,643
Advertising and sponsorship revenue	169,153	40,770	839	202	377,779	94,003	2,678	666
Revenue from cable and sattellite operator fees	21,985	5,299	-	-	38,204	9,506	-	-
Sale of equipment	2,720	656	7,284	1,756	11,878	2,956	28,448	7,079
Other revenue	16,205	3,906	7,008	1,689	39,486	9,825	19,194	4,776
Revenue	**615,512**	**148,352**	**363,569**	**87,628**	**1,646,696**	**409,748**	**1,105,830**	**275,164**
Cost of services, products, goods and materials sold	(356,687)	(85,969)	(194,920)	(46,980)	(902,425)	(224,551)	(580,024)	(144,328)
Selling expenses	(57,387)	(13,832)	(52,046)	(12,544)	(171,425)	(42,656)	(155,090)	(38,591)
General and administrative expenses	(39,190)	(9,446)	(24,900)	(6,001)	(107,809)	(26,826)	(69,524)	(17,300)
Total operating costs	**(453,264)**	**(109,247)**	**(271,866)**	**(65,526)**	**(1,181,659)**	**(294,033)**	**(804,638)**	**(200,218)**
Other operating income	653	157	2,293	553	9,357	2,328	11,970	2,979
Other operating costs	(14,939)	(3,601)	(12,481)	(3,008)	(57,675)	(14,351)	(35,024)	(8,715)
Profit from operating activities	**147,962**	**35,662**	**81,515**	**19,647**	**416,719**	**103,692**	**278,138**	**69,209**
Finance income	5,774	1,392	5,295	1,276	8,239	2,050	1,061	264
Finance costs	(223,193)	(53,794)	(2,488)	(600)	(311,388)	(77,483)	(5,511)	(1,371)
Share in net income of associates	918	221	-	-	1,487	370	-	-
Gross profit	**(68,539)**	**(16,519)**	**84,322**	**20,323**	**115,057**	**28,630**	**273,688**	**68,102**
Income tax	6,552	1,579	(15,929)	(3,839)	(31,164)	(7,755)	(52,167)	(12,981)
Net profit / (loss)	**(61,987)**	**(14,940)**	**68,393**	**16,484**	**83,893**	**20,875**	**221,521**	**55,121**
Basic and diluted earnings per share (not in thousands)	(0.18)	(0.04)	0.25	0.06	0.27	0.07	0.83	0.21
Weighted average number of issued ordinary shares (not in thousands)	348,352,836		268,325,000		316,107,188		268,325,000	
Consolidated Cash Flow Statement								
Cash flow from operating activities					244,945	60,950	92,898	23,116
Cash flow from investing activities					(2,376,802)	(591,421)	(74,115)	(18,442)
Cash flow from financing activities					2,465,722	613,547	(84,121)	(20,932)
Net change in cash and cash equipments					333,865	83,076	(65,338)	(16,258)
Other consolidated financial data								
Depreciation and amortization and impairment allowance	48,254	11,630	22,054	5,315	121,349	30,195	57,016	14,187
EBITDA[1]	196,216	47,292	103,569	24,962	538,068	133,888	335,154	83,397
EBITDA margin	31.9%	31.9%	28.5%	28.5%	32.7%	32.7%	30.3%	30.3%
Operating margin	24.0%	24.0%	22.4%	22.4%	25.3%	25.3%	25.2%	25.2%
Capital expenditures[2]	21,331	5,141	12,784	3,081	41,938	10,435	38,590	9,602

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

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

	As at					
	September 30, 2011		December 31, 2010		September 30, 2010	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated balance sheet						
Cash and cash equivalents	364,116	82,544	27,615	6,260	34,038	7,716
Assets	5,363,869	1,215,966	1,015,195	230,140	984,872	223,266
Non-current liabilities	2,534,566	574,575	68,817	15,601	67,142	15,221
Current liabilities	1,010,489	229,073	518,440	117,528	526,741	119,410
Equity	1,818,814	412,317	427,938	97,012	390,989	88,636
Share capital	13,934	3,159	10,733	2,433	10,733	2,433

4. Organizational structure of Cyfrowy Polsat Capital Group

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

	Company's registered office	Activities	Voting rights as at September 30, 2011 (%)	Consolidation method
Parent				
Cyfrowy Polsat S.A.	Łubinowa 4a Warsaw	radio and television activity, telecommunications		
Subsidiaries				
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	full consolidation from April 20, 2011
Cyfrowy Polsat Technology Sp. z o.o.	Łubinowa 4a, Warsaw	set-top boxes' production	100%	full consolidation
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	management of fix assets and intellectual property	100%	full consolidation
Cyfrowy Polsat Finance AB	Stureplan 4C, Stockholm, Sweden	financial transactions	100%	full consolidation

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

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

Merger with mTEL Sp. z o.o.

On August 31, 2011 we received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated August 31, 2011 regarding the registration of merger of the Company with mTEL Sp. z o.o. seated in Warsaw, address: Domaniewska 37, 02-672 Warsaw, Poland, registered in entrepreneurs register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division of the National Court Register, under the number KRS 0000008837.

The merger was effected by:

(i) transferring to Cyfrowy Polsat - as the sole shareholder of mTEL - all the assets of mTEL by the way of universal succession, and

(ii) termination of mTEL without liquidation,

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

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

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

The detailed terms of the merger, were specified in the Merger Plan prepared on June 17, 2011 and published on July 4, 2011 in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) no 127, item 8632.

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

We did not publish any financial forecasts.

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

The following table presents shareholders of Cyfrowy Polsat S.A. possessing - according to our best knowledge - no less than 5% of votes at General Meeting of Cyfrowy Polsat S.A. as of the date of publication of this quarterly report. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1 of the Act on changes of Public Offering, dated September 4, 2008, conditions governing the introduction of financial instruments to organized trading and public companies and changes of others acts.

Shareholder	Number of shares	% of share	Number of votes	% of votes
Polaris Finance B.V. [1]	168,941,818	48.50%	335,884,319	63.64%
Others [2]	179,411,018	51.50%	191,886,018	36.36%
Total	348,352,836	100.00%	527,770,337	100.00%

[1] Mr. Zygmunt Solorz-Żak holds 85% and Heronim Ruta holds 15% of the shares and voting power in Polaris Finance B.V.

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

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

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

The following table presents shares owned directly or indirectly by our Management Board members as of November 14, 2011, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (semi-annual report for the six-month period ended June 30, 2011) on August 31, 2011. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Management Board Member	Balance as of August 31, 2011	Increases	Decreases	Balance as of November 14, 2011
Dominik Libicki, President of the Management Board	1,497	-	-	1,497

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

The following table presents shares controlled directly or indirectly by our Supervisory Board members as of November 14, 2011, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (semi-annual report for the six-month period ended June 30, 2011) on August 31, 2011. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Supervisory Board Member	Balance as of August 31, 2011	Increases	Decreases	Balance as of November 14, 2011
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	179,545,568	-	-	179,545,568
Heronim Ruta[2] Member of the Supervisory Board	0	-	-	0

[1] Mr. Zygmunt Solorz-Zak controls: (i) 10,603,750 shares directly (representing 3.04% in the share capital and 4.02% of votes in the Cyfrowy Polsat); and (ii) 168,941,818 shares indirectly, through Polaris Finance B.V., (representing 48.50% in the share capital and 63.64% of votes in Cyfrowy Polsat).
[2] Mr. Heronim Ruta does not control directly or indirectly any shares of Cyfrowy Polsat S.A. However, Mr. Heronim Ruta holds 15% shares in Polaris Finance B.V.

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

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

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

The President of UOKiK also ordered, once the above decision becomes legally binding, it is published on the company's website (www.cyfrowypolsat.pl), and also in a daily nationwide newspaper. Moreover, pursuant to Article 106, Clause 1, Point 4 of the Protection of Competition and Consumers Act dated 16 February 2007UOKiK imposed a cash fine of PLN 994,000 (not in thousands), representing 0.09% of the Company's 2008 revenue, payable to the state budget, due to the breach of the interdiction set out in Article 24, Clause 1 and 2, Point 1 of the Protection of Competition and Consumers Act dated 16 February 2007, within the scope of the above decision.

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

On 12 August 2011 the Polish Competition and Consumer Protection Court announced a verdict which supports the decision of the President of UOKiK in respect of practices breaching a collective interests of consumers. The Court also agreed with the amount of penalty imposed by UOKiK in the amount of PLN 994,000 (not in thousands).

On 10 October 2011 the Parent filed an appeal to the Polish Competition and Consumer Protection Court.

Action brought by SkyMedia Sp. z o.o.

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

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

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

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

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

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

In the three-month period ended September 30, 2011 we did not conclude any material transactions with related parties on conditions other than market conditions.

11. Information on guarantees granted by the Company or subsidiaries

In the three-month period ended September 30, 2011 neither us, nor any of our affiliates or subsidiary companies had granted any guarantees for any third party or subsidiary.

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

12.1. Revenue

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

Retail subscription revenue

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

Sales of advertising and sponsorship

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

Revenue from cable TV and satellite operators

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

Sale of equipment

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

Other revenue

Other revenue sources consist primarily of revenue from:

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

12.2. Operating costs

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

Programming costs

Programming costs consist of:

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

Distribution, marketing, customer relation management and retention cost

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

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

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

Depreciation, amortization and impairment

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

Salaries and employee-related costs

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

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs consist of:

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

Amortization of purchased film licenses

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

Cost of equipment sold

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

Other costs

Key items of other costs include:

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

12.3. Other operating income

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

12.4. Other operating costs

Other operating costs consist of:

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

12.5. Finance income

Finance income for the presented periods consists primarily of interest on money deposited in bank accounts and gains on financial instruments not designated as hedging instruments.

12.6. Finance costs

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

12.7. Management discussion and analysis

12.7.1. Operating results

Retail business segment

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

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Change / %	2011	2010	Change / %
Number of subscribers at end of period, of which:	**3,506,077**	**3,277,936**	**7.0%**	**3,506,077**	**3,277,936**	**7.0%**
Family Package	2,742,191	2,595,572	5.6%	2,742,191	2,595,572	5.6%
Mini Package	763,886	682,364	11.9%	763,886	682,364	11.9%
Average number of subscribers[1], of which:	**3,493,124**	**3,259,728**	**7.2%**	**3,477,311**	**3,246,915**	**7.1%**
Family Package	2,726,903	2,581,652	5.6%	2,727,536	2,601,565	4.8%
Mini Package	766,221	678,076	13.0%	749,775	645,350	16.2%
Churn rate of which:	**9.4%**	**10.2%**	**-0.8 p.p.**	**9.4%**	**10.2%**	**-0.8 p.p.**
Family Package	10.2%	11.6%	-1.4 p.p.	10.2%	11.6%	-1.4 p.p.
Mini Package	6.4%	4.3%	2.1 p.p.	6.4%	4.3%	2.1 p.p.
Average revenue per user (ARPU) (PLN), of which:	**37.8**	**35.5**	**6.5%**	**37.0**	**35.8**	**3.4%**
Family Package (PLN)	44.7	41.9	6.7%	43.8	42.0	4.3%
Mini Package (PLN)	13.8	11.1	24.3%	12.3	10.9	12.8%
Subscriber average cost (SAC) (PLN)	**110.5**	**145.6**	**-24.1%**	**115.4**	**130.9**	**-11.8%**

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

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to DTH services and who is obligated, under the terms of the agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages after making required payments but without having signed such an agreement. Our number of subscribers increased by 7.0%, from approximately 3,277.9 thousand subscribers as of September 30, 2010 to approximately 3,506.1 thousand subscribers as of September 30, 2011. We attribute this increase in our subscriber base to the continued demand for DTH services in the Polish pay TV market and the value-for-money of our products. Family Package subscribers constituted 78.2% and 79.2% of our entire subscriber base as of September 30, 2011 and 2010, 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. Our churn rate has decreased from 10.2% to 9.4% for the twelve-month period ended September 30, 2010 and September 30, 2011, respectively with the churn rate of the Family Package decreasing by 1.4 percentage point and the churn rate of Mini Package increasing by 2.1 percentage points. Our churn rate decreased by 0.9 percentage point from 10.3% to 9.4% in the twelve-month periods ended December 31, 2011 and September 30, 2011 as a result of continued high satisfaction of our customers and thanks to our attractive retention offers.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period. Monthly Family Package ARPU increased by 6.7%, from PLN 41.9 in the third quarter of 2010 to PLN 44.7 in the third quarter of 2011. Monthly Mini Package ARPU increased by 24.3%, from PLN 11.1 in the third quarter of 2010 to PLN 13.8 in the third quarter of 2011. Monthly Family Package ARPU increased by 4.3%, from PLN 42.0 in the nine-month period ended 30 September 2010 to PLN 43.8 in the nine-month period ended 30 September 2011. Monthly Mini Package ARPU increased by 12.8%, from PLN 10.9 in the nine-month period ended 30 September 2010 to PLN 12.3 in the nine-month period ended 30 September 2011. One of the growth factors of monthly ARPU was broadcast of Adamek vs Klitschko Live Boxing WBC title fight in pay-per-view (PPV) system. Thanks to the service, in the third quarter of 2011, monthly Family Package ARPU increased by PLN 0.8 and monthly Mini Package ARPU by PLN 0.2. In the nine-month period ended September 30, 2011, the broadcast in PPV generated PLN 0.3 increase in monthly Family Package ARPU and PLN 0.1 in monthly Mini Package ARPU.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 24.1% from PLN 145.6 in the three-month period ended September 30, 2010 to PLN 110.5 in the three-month period ended September 30, 2011. Our average SAC decreased by 11.8% from PLN 130.9 in the nine-month period ended 30 September 2010 to PLN 115.4 in the nine-month period ended 30 September 2011.

Television broadcasting and production segment

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

	Three months ended September 30			Nine months ended September 30		
	2011	2010	*Change / %*	2011	2010	*Change / %*
Audience share[1]	**21.23%**	**19.31%**	***9.94%***	**20.60%**	**18.93%**	***8.82%***
POLSAT	**15.90%**	**15.79%**	***0.70%***	**16.24%**	**15.77%**	***2.98%***
Aggregate thematic channel audience share	**5.33%**	**3.52%**	***51.42%***	**4.36%**	**3.16%**	***37.97%***
Polsat 2	1.77%	1.08%	*63.89%*	1.46%	0.93%	*56.99%*
Polsat Cafe	0.46%	0.26%	*76.92%*	0.35%	0.21%	*66.67%*
Polsat Film	0.43%	0.26%	*65.38%*	0.40%	0.25%	*60.00%*
Polsat Futbol	0.05%	0.02%	*150.00%*	0.03%	0.02%	*50.00%*
Polsat JimJam	0.28%	0.16%	*75.00%*	0.29%	0.19%	*52.63%*
Polsat News	0.80%	0.63%	*26.98%*	0.68%	0.53%	*28.30%*
Polsat Play	0.37%	0.24%	*54.17%*	0.31%	0.22%	*40.91%*
Polsat Sport	0.93%	0.63%	*47.62%*	0.64%	0.57%	*12.28%*
Polsat Sport Extra	0.22%	0.20%	*10.00%*	0.18%	0.19%	*-5.26%*
TV Biznes	0.02%	0.03%	*-33.33%*	0.02%	0.04%	*-50.00%*
Advertising market share[2]	**23.7%**	**23.2%**	***2.2%***	**22.7%**	**22.0%**	***3.2%***

1 NAM, All day 16-49 audience share
2 Our estimates based on Starlink data

Polsat channels; technical reach[1]

	Three months ended September 30			Nine months ended September 30		
	2011	2010	*Change / %*	2011	2010	*Change / %*
POLSAT	97.8	95.1	2.8%	97.4	94.8	2.7%
Polsat 2	58.1	41.8	39.0%	55.2	39.5	39.7%
Polsat Cafe	47.4	33.7	40.7%	45.2	31.2	44.9%
Polsat Film	36.3	22.5	61.3%	33.9	20.0	69.5%
Polsat Futbol	18.5	11.5	60.9%	14.9	10.9	36.7%
Polsat JimJam[2]	37.0	20.4	81.4%	35.0	19.5	79.5%
Polsat News	48.7	30.2	61.3%	45.4	27.5	65.1%
Polsat Play	38.4	23.1	66.2%	36.0	20.8	73.1%
Polsat Sport	43.5	36.5	19.2%	42.0	35.6	18.0%
Polsat Sport Extra	30.2	27.4	10.2%	29.7	27.0	10.0%
TV Biznes	50.5	44.8	12.7%	49.6	43.8	13.2%
Polsat Sport News[3]	16.6	n/a	n/a	13.4	n/a	n/a
Polsat Sport HD[4]	4.8	n/a	n/a	3.1	n/a	n/a

1 NAM, percentage of households which have a possibility to watch pointed channel; arithmetical average of monthly technical reach
2 Data for 1-3Q 2010 include the period May-September (not monitored before)
3 Data for 1-3Q 2011 include the period June-September (not monitored before)
4 Data for 1-3Q 2011 include the period February-September (not monitored before)

Audience share

Our aggregated audience share increased from 19.3% in the third quarter of 2010 to 21.2% in the third quarter of 2011. The increase was mainly due to both the improved audience share of our main channel and to the very dynamic growth in audience share of our thematic channels. POLSAT's audience share increased by 0.7% from 15.8% in the third quarter of 2010 to 15.9% in the third quarter of 2011. POLSAT was the only channel among the "top four" to report the year-on-year growth. Our main channel strengthened its position in the third quarter of 2011 thanks to the programming formats well-known from previous seasons, including: our flagship talent show *Must be the Music – Tylko muzyka,* whose second edition appeared early September in the new time slot on Sundays at 8pm and went straight to number 1 in this slot (with the average audience share in 16-49 group of 28.4% for all four September episodes), scripted-reality series *Trudne sprawy* and *Dlaczego ja?*, that worked extremely well both in case of premiere episodes (aired after summer break from September 5, gained audience share of 26.0% and 27.2% respectively) as well as re-runs, on which our summer scheduling was based (*Dlaczego ja?* – 25.1%, *Trudne sprawy* at 5:50pm – 27.4%), new seasons of our series *Pierwsza miłość* (audience share in September – 28.9%), *Hotel 52* (18.4%), *Szpilki na Giewoncie* (20.5%), daily docu-crime *Malanowski i partnerzy* (23.7%). Moreover, feature films played an important role in building market position of our main channel - especially those in the oldest film slot on the Polish market: Monday *Mega Hit*, with average audience share of 25.4% in the third quarter 2011 (with the record score of *Die Hard 4* – 32.8%).

Over the same period, our thematic channels' audience share, in the aggregate, amounted to 5.3% and increased by 51.4% compared to the analogical period of the previous year. Such a high growth rate implies that in the third quarter, Polsat thematic channels gained market approximately five times faster than the entire non-FTA channels segment, that noted 12.3% growth in the third quarter of 2011 (as thematic channels – both of Polsat Group and of other broadcasters – are distributed mainly by cable and DTH operators, we compare them with non-FTA channels segment). The share of Polsat thematic channels in the dynamically increasing segment of non-FTA channels grew up from 10.3% in the third quarter of 2010 to 13.8% in the third quarter of 2011, that is almost 35% improvement.

The development of our thematic channels derived from the growing technical reach as well as increasing audience' interest in these channels expressed in longer average time spent (ATS) on viewing them. This indicator increased by over 9% year-on-year – from 39 minutes 48 seconds in the third quarter of 2010 to 43 minutes 30 seconds in the third quarter of 2011. In particular, it is worth to mention the growth in ATS of the following channels: Polsat Café (+22.5% y-o-y), Polsat Jim Jam (+29.8%), Polsat Sport (+27.4%) and Polsat2 (+24.4%).

Our aggregate audience share in the nine-month period of 2011 amounted to 20.6% which is by 8.8% higher as compared to prior year. Our main channel is the leader among television channels with 16.2% share and the only one among the major TV stations to record the growth compared to the analogical period of the previous year (+3.0%). Our thematic channels with the aggregated share of 4.4% and 38.0% growth rate constitute 12.5% of the non-FTA channels market segment.

Advertising market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the third quarter of 2011 amounted to PLN 717 billion (not in thousands) and decreased year-on-year by 1.0%. In the period January-September 2011, the expenditures on TV advertising increased by 2.7% compared to analogical period of the previous year, and amounted to PLN 2.7 billion (not in thousands). Based on these data, we estimate that our TV advertising market share in the third quarter of 2011 increased y-o-y to 23.7% from 23.2% and in the period January - September 2011 grew up to 22.7% from 22.0% share in TV advertising expenditures in Poland. The increase was mainly due to our strong performance in terms of audience share that improved for both our main channel POLSAT and our thematic channels as well as the ability to generate more Gross Rating Points (advertising, sponsorship and paid announcements audience). In total, in the third quarter of 2011 we generated 5.2% more GRPs than in the analogical period of the previous year, and by 9.6% more in the period January - September 2011.

Distribution and technical reach

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

12.7.2. Review of the financial situation

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

All financial data is expressed in thousands of PLN.

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

Revenue

Our total revenue increased by PLN 251,943, or 69.3%, from PLN 363,569 for the three-month period ended September 30, 2010 to PLN 615,512 for the three-month period ended September 30, 2011. Excluding the effect of consolidation of TV Polsat Group, our total revenue increased by PLN 51,728, or 14.2%, from PLN 363,569 for the three-month period ended September 30, 2010 to PLN 415,297 for the three-month period ended September 30, 2011. Revenue grew for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 57,011, or 16.4%, to PLN 405,449 for the three-month period ended September 30, 2011 from PLN 348,438 for the three-month period ended September 30, 2010. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in the third quarter of 2011 compared to the third quarter of 2010 and an increase in ARPU. The acquisition of TV Polsat Group did not impact the retail subscription revenue on the short term basis.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 168,314 to PLN 169,153 for the three-month period ended September 30, 2010 from PLN 839 for the three-month period ended September 30, 2011. This increase is primarily an effect of consolidation of advertising and sponsorship revenue of TV Polsat Group in the amount of PLN 168,532. Excluding the effect of consolidation of TV Polsat Group, the revenue from advertising (previously presented in the other revenue from sales) decreased by PLN 170, or 20.3%, to PLN 669 for the three-month period ended September 30, 2011 from PLN 839 for the three-month period ended September 30, 2010.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates in total to revenue of TV Polsat Group. This revenue was consolidated in the third quarter of 2011 in the amount of PLN 21,985.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 4,564, or 62.7%, to PLN 2,720 for the three-month period ended September 30, 2011 from PLN 7,284 for the three-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower revenues from sale of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease set-top-boxes instead of purchasing. Consolidation of TV Polsat Group did not significantly impact revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 9,197, or 131.2%, to PLN 16,205 for the three-month period ended September 30, 2011 from PLN 7,008 for the three-month period ended September 30, 2010. This increase is primarily an effect of consolidation of revenues recognized by TV Polsat Group, including mainly revenue from broadcasting and signal transmission services and revenue from sale of licenses, sub-licenses and property rights. Excluding the effect of consolidation of TV Polsat Group, other revenue decreased by PLN 576, or 8.2%, to PLN 6,432 for the three-month period ended September 30, 2011 from PLN 7,008 for the three-month period ended September 30, 2010 (the figures do not include revenues from advertising and marketing, now presented in Advertising and sponsorship revenue).

Total operating costs

	For the three-month period ended September 30,		
	2011	2010	Change / %
Programming costs	101,487	97,544	4.0%
Distribution, marketing, customer relation management and retention costs	75,436	68,716	9.8%
Cost of internal and external TV production and amortization of sport rigths	81,523	-	n/a
Depreciation, amortization and impairment	48,254	22,054	118.8%
Salaries and employee-related costs	35,739	20,828	71.6%
Broadcasting and signal transmission costs	32,958	20,552	60.4%
Amortization of purchased film licenses	30,757	-	n/a
Cost of equipment sold	5,585	9,802	-43.0%
Other costs	41,525	32,370	28.3%
Total operating costs	**453,264**	**271,866**	**66.7%**

Total operating costs increased by PLN 181,398, or 66.7%, to PLN 453,264 for the three-month period ended September 30, 2011 from PLN 271,866 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, our total operating costs increased by PLN 23,025, or 8.5%, from PLN 271,866 for the three-month period ended September 30, 2010 to PLN 294,891 for the three-month period ended September 30, 2011. Costs grew for the reasons set forth below.

Programming costs

Programming costs increased by PLN 3,943, or 4.0%, to PLN 101,487 for the three-month period ended September 30, 2011 from PLN 97,544 for the three-month period ended September 30, 2010. Excluding the consolidation of TV Polsat Group, programming costs increased by PLN 14,569, or 14.9%, to PLN 112,113 for the three-month period ended September 30, 2011 from PLN 97,544 for the three-month period ended September 30, 2010. This increase is a net effect of currency fluctuations (increase in costs) and other factors such as the increase in the average number of our DTH subscribers and changes in the programming content.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 6,720, or 9.8%, to PLN 75,436 for the three-month period ended September 30, 2011 from PLN 68,716 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 4,078, or 5.9%, to PLN 72,794 for the three-month period ended September 30, 2011 from PLN 68,716 for the three-month period ended September 30, 2010. This increase resulted primarily from an increase in subscriber base and consequently an increase in customer relation management costs and introduction of customer retention programs.

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

The cost of internal and external production and amortization of sport rights relates in total to costs of TV Polsat Group. These costs were consolidated in the third quarter of 2011 in the amount of PLN 81,523.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 26,200, or 118.8%, to PLN 48,254 for the three-month period ended September 30, 2011 from PLN 22,054 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 13,853, or 62.8%, to PLN 35,907 for the three-month period ended September 30, 2011 from PLN 22,054 for the three-month period ended September 30, 2010. The increase in depreciation, amortization and impairment was caused primarily by an increase in depreciation of set-top boxes leased to our subscribers, which we account for as fixed assets, resulting from the higher number of leased set-top boxes.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 14,911, or 71.6%, to PLN 35,739 for the three-month period ended September 30, 2011 from PLN 20,828 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs decreased by PLN 2,083, or 10.0%, to PLN 18,745 for the three-month period ended September 30, 2011 from PLN 20,828 for the three-month period ended September 30, 2010. The decrease was mainly resulting from the restructuring of employment of former mPunkt employees.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 12,406, or 60.4%, to PLN 32,958 for the three-month period ended September 30, 2011 from PLN 20,552 for the three-month period ended September 30, 2010. This increase is primarily an effect of consolidation of broadcasting and signal transmission costs of TV broadcasting and production segment (TV broadcasting costs, including mainly rental costs of transponder capacity and analogue terrestrial transmission signal). Excluding the effect of consolidation of TV Polsat Group, signal transmission costs increased by PLN 1,487, or 7.2%, to PLN 22,039 for the three-month period ended September 30, 2011 from PLN 20,552 for the three-month period ended September 30, 2010, mainly due to currency fluctuations (weakening of the Polish currency).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses relates in total to costs of TV Broadcasting and production segment. These costs were consolidated in the third quarter of 2011 in the amount of PLN 30,757.

Cost of equipment sold

Cost of equipment sold decreased by PLN 4,217, or 43.0%, to PLN 5,585 for the three-month period ended September 30, 2011 from PLN 9,802 for the three-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower cost of sales of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease rather than purchase set-top-boxes from us. Consolidation of TV Polsat Group did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 9,155, or 28.3%, to PLN 41,525 for the three-month period ended September 30, 2011 from PLN 32,370 for the three-month period ended September 30, 2010. Excluding the consolidation of TV Polsat Group, other costs decreased by PLN 4,690, or 14.5%, to PLN 27,680 for the three-month period ended September 30, 2011 from PLN 32,370 for the three-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was a decrease in the costs of infrastructure rental and network maintenance partially offset by higher payments to mobile network operators resulting from the increase in the number of our mobile telephony and Internet service users.

Other operating income

Other operating income decreased by PLN 1,640, or 71.5%, to PLN 653 for the three-month period ended September 30, 2011 from PLN 2,293 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating income decreased by PLN 1,757, or 76.6%, to PLN 536 for the three-month period ended September 30, 2011 from PLN 2,293 for the three-month period ended September 30, 2010. The decrease relates to revenue from the cession of tenant agreements of point of sale that was recognized in the third quarter of 2010 by mPunkt (no such revenue in the third quarter of 2011).

Other operating costs

Other operating costs increased by PLN 2,458, or 19.7%, to PLN 14,939 for the three-month period ended September 30, 2011 from PLN 12,481 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating costs increased by PLN 2,443, or 19.6%, to PLN 14,925 for the three-month period ended September 30, 2011 from PLN 12,482 for the three-month period ended September 30, 2010. The increase was a net effect of several factors, including: (i) higher bad debt allowance and receivables written off, (ii) lower stock provision, (iii) lower other costs including i.a. costs of compensations, costs of liquidated stock and losses on liquidation or sale of fixed assets.

Finance income

Finance income increased by PLN 479, to PLN 5,774 for the three-month period ended September 30, 2011 from PLN 5,295 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, finance income decreased by 1,093, or 20.6%. The change is explained by the net effect of several factors, including: (i) gains on foreign exchange rates fluctuations recognized in the third quarter of 2010 (losses in third quarter 2011), offset by (ii) increase in interest in the third quarter of 2011 and (iii) recognized gains on valuation of financial instruments (foreign exchange call options).

Finance costs

Finance costs increased by PLN 220,705 to PLN 223,193 for the three-month period ended September 30, 2011 from PLN 2,488 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, finance costs increased by PLN 211,115, to PLN 213,603 for the three-month period ended September 30, 2011 from PLN 2,488 for the three-month period ended September 30, 2010. The increase was primarily due to unrealized foreign exchange differences related to valuation of the EUR 350 million (not in thousands) Senior Notes, the costs of service of debt financing of acquisition of TV Polsat (interest costs on Term Facility Loan and 7.125% Senior Notes) and recognized losses on foreign exchange fluctuations.

Income tax

In the third quarter of 2011 Cyfrowy Polsat Group recorded gross loss.

Net profit

In the third quarter of 2011, Cyfrowy Polsat Group recorded a net loss of 61,987, due to high financial costs primarily resulting from significant foreign exchange rates fluctuations (mainly losses on valuation of Senior Notes denominated in euro).

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 92,647, or 89.5%, to PLN 196,216 for the three-month period ended September 30, 2011 from PLN 103,569 for the three-month period ended September 30, 2010. EBITDA margin increased to 31.9% for the third quarter of 2011 from 28.5% for the third quarter of 2010. Excluding the impact of TV Polsat Group, EBITDA increased by PLN 38,356, or 37.0%, to PLN 141,924 for the three-month period ended September 30, 2011 from PLN 103.568 for the three-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA margin increased to 34.2% for the third quarter of 2011 from 28.5% for the third quarter of 2010.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,826, including production employees in the three-month period ended September 30, 2011, as compared to 964 in the corresponding period of 2010. The increase in the average number of employees resulted from our organic growth and acquisition of TV Polsat - we include the employees of TV Polsat Group from the day of the finalization of the acquisition, i.e. April 20, 2011.

Comparison of financial results for the nine-month period ended September 30, 2011 with the results for the corresponding period of 2010

Revenue

Our total revenue increased by PLN 540,866, or 48.9%, from PLN 1,105,830 for the nine-month period ended September 30, 2010 to PLN 1,646,696 for the nine-month period ended September 30, 2011. Excluding the impact of TV broadcasting and production segment, our total revenue increased by PLN 108,508, or 9.8%, from PLN 1,105,830 for the nine-month period ended September 30, 2010 to PLN 1,214,338 for the nine-month period ended September 30, 2011. Revenue increased for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 123,839, or 11.7%, to PLN 1,179,349 for the nine-month period ended September 30, 2011 from PLN 1,055,510 for the nine-month period ended September 30, 2010. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in the nine-month period ended September 30, 2011 compared to the nine-month period ended September 30, 2010 and an increase in ARPU.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 375,101 to PLN 377,779 for the nine-month period ended September 30, 2011 from PLN 2,678 for the nine-month period ended September 30, 2010. This increase is primarily an effect of consolidation of advertising and sponsorship revenue of TV Polsat Group in the amount of PLN 375,091. Excluding the effect of consolidation of TV Polsat Group, the revenue from advertising (previously presented in the other revenue from sales) increased by PLN 96, or 3.6%, to PLN 2,774 for the nine-month period ended September 30, 2011 from PLN 2,678 for the nine-month period ended September 30, 2010 .

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates in total to revenue of TV Polsat Group. This revenue was consolidated in the nine-month period ended September 30, 2011 in the amount of PLN 38,204.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 16,570, or 58.2%, to PLN 11,878 for the nine-month period ended September 30, 2011 from PLN 28,448 for the nine-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower revenues from sale of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease set-top-boxes instead of purchasing. Consolidation of TV Polsat Group did not have a significant effect on revenue from the sale of equipment.

Other revenue

Other revenue increased by PLN 20,292, or 105.7%, to PLN 39,486 for the nine-month period ended September 30, 2011 from PLN 19,194 for the nine-month period ended September 30, 2010. This increase is primarily an effect of consolidation of revenues recognized by TV Polsat Group, including mainly revenue from broadcasting and signal transmission and revenue from sale of licenses, sub-licenses and property rights. Excluding the effect of consolidation of TV Polsat Group, other revenue increased by PLN 1,090, or 5.7%, to PLN 20,284 for the nine-month period ended September 30, 2011 from PLN 19,194 for the nine-month period ended September 30, 2010 (the figures do not include revenues from advertising and marketing, now presented in Advertising and sponsorship revenue).

Total operating costs

	For the nine-month period ended September 30,		
	2011	**2010**	**Change / %**
Programming costs	305,376	292,139	4.5%
Distribution, marketing, customer relation management and retention costs	226,408	204,076	10.9%
Cost of internal and external TV production and amortization of sport rigths	157,366	-	n/a
Depreciation, amortization and impairment	121,349	57,016	112.8%
Salaries and employee-related costs	97,518	59,935	62.7%
Broadcasting and signal transmission costs	80,303	61,857	29.8%
Amortization of purchased film licenses	56,526	-	n/a
Cost of equipment sold	24,710	41,652	-40.7%
Other costs	112,103	87,963	27.4%
Total operating costs	**1,181,659**	**804,638**	**46.9%**

Total operating costs increased by PLN 377,021, or 46.9%, to PLN 1,181,659 for the nine-month period ended September 30, 2011 from PLN 804,638 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, our total operating costs increased by PLN 74,545, or 9.3%, to PLN 879,183 for the nine-month period ended September 30, 2011, from PLN 804,638 for the nine-month period ended September 30, 2010. Costs grew for the reasons set forth below.

Programming costs

Programming costs increased by PLN 13,237, or 4.5%, to PLN 305,376 for the nine-month period ended September 30, 2011 from PLN 292,139 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, programming costs increased by PLN 26,234, or 9.0%, to PLN 318,373 for the nine-month period ended September 30, 2011 from PLN 292,139 for the nine-month period ended September 30, 2010. This increase was a net effect of currency fluctuations (decrease in costs) and other factors such as the increase in the average number of our DTH subscribers and changes in the programming content.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 22,332, or 10.9%, to PLN 226,408 for the nine-month period ended September 30, 2011 from PLN 204,076 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 16,616, or 8.1%, to PLN 220,692 for the nine-month period ended September 30, 2011 from PLN 204,076 for the nine-month period ended September 30, 2010. This increase resulted primarily from an increase in subscriber base and consequently an increase in customer relation management costs and introduction of customer retention programs.

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

The cost of internal and external production and amortization of sport rights relates in total to costs of TV Polsat Group. This costs were consolidated in the nine-month period ended September 30, 2011 in the amount of PLN 157,366.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 64,333, or 112.8%, to PLN 121,349 for the nine-month period ended September 30, 2011 from PLN 57,016 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 41,692, or 73.1%, to PLN 98,708 for the nine-month period ended September 30, 2011 from PLN 57,016 for the nine-month period ended September 30, 2010. The increase in depreciation, amortization and impairment was caused by (i) an increase in depreciation of set-top boxes leased to our subscribers, which we account for as fixed assets, resulting from the higher number of leased set-top boxes and (ii) recognition of non-current assets' impairment allowance (concerning primarily impairment of set-top boxes) in the nine-month period ended September 30, 2011.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 37,583, or 62.7%, to PLN 97,518 for the nine-month period ended September 30, 2011 from PLN 59,935 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 6,867, or 11.5%, to PLN 66,802 for the nine-month period ended September 30, 2011 from PLN 59,935 for the nine-month period ended September 30, 2010. The increase was mainly due to a higher number of employees resulting from the growth of our business and to the merger with mPunkt.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 18,446, or 29.8%, to PLN 80,303 for the nine-month period ended September 30, 2011 from PLN 61,857 for the nine-month period ended September 30, 2010. This increase is primarily an effect of consolidation of broadcasting and signal transmission costs of TV Polsat Group (TV broadcasting costs, including mainly rental costs of transponder capacity and analogue terrestrial transmission signal). Excluding the effect of consolidation of TV Polsat Group, signal transmission costs increased by PLN 1,133, or 1.8%, to PLN 62,990 for the nine-month period ended September 30, 2011 from PLN 61,857 for the nine-month period ended September 30, 2010, mainly due to currency fluctuations (weakening of the Polish currency).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses relates in total to costs of TV Polsat Group. This costs were consolidated in the nine-month period ended September 30, 2011 in the amount of PLN 56,526.

Cost of equipment sold

Cost of equipment sold decreased by PLN 16,942, or 40.7%, to PLN 24,710 for the nine-month period ended September 30, 2011 from PLN 41,652 for the nine-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower costs of sales of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease rather than purchase set-top-boxes from us. Consolidation of TV Polsat Group did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 24,140, or 27.4%, to PLN 112,103 for the nine-month period ended September 30, 2011 from PLN 87,963 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other costs decreased by PLN 1,104, or 1.3%, to PLN 86,859 for the nine-month period ended September 30, 2011 from PLN 87,963 for the nine-month period ended September 30, 2010. This decrease was a net effect of several factors, out of which the most significant was a decrease in the costs of infrastructure rental and network maintenance partially offset by higher payments to mobile network operators resulting from the increase in the number of our mobile telephony and Internet service users.

Other operating income

Other operating income decreased by PLN 2,613, or 21.8%, to PLN 9,357 for the nine-month period ended September 30, 2011 from PLN 11,970 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating income decreased by PLN 2,824, or 23.6%, to PLN 9,146 for the nine-month period ended September 30, 2011 from PLN 11,970 for the nine-month period ended September 30, 2010. The decrease was a net effect of several factors, out of which the most significant were: (i) sale of equipment for testing of modems in the nine-month period ended September 30, 2011 (no such item in the nine-month period ended September 30, 2010) and (ii) revenue from the cession of tenant agreements of points of sale that was recognized in the nine-month period ended September 30, 2010 by mPunkt (no such revenue in the nine-month period ended September 30, 2011).

Other operating costs

Other operating costs increased by PLN 22,651, or 64.7%, to PLN 57,675 for the nine-month period ended September 30, 2011 from PLN 35,024 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, other operating costs increased by PLN 21,481, or 61.3%, to PLN 56,505 for the nine-month period ended September 30, 2011 from PLN 35,024 for the nine-month period ended September 30, 2010. The increase was a net effect of several factors, including: (i) higher bad debt allowance and receivables written off, (ii) lower stock provision, (iii) higher other costs including mainly costs of sale of equipment for testing of modems in the nine-month period ended September 30, 2011 (no such item in the nine-month period ended September 30, 2010).

Finance income

Finance income increased by PLN 7,178, to PLN 8,239 for the nine-month period ended September 30, 2011 from PLN 1,061 for the nine-month period ended September 30, 2010. The change is explained by the increase in interests (including PLN 3,266 recognized by TV Polsat Group) and recognized gains on valuation of financial instruments.

Finance costs

Finance costs increased by PLN 305,877 to PLN 311,388 for the nine-month period ended September 30, 2011 from PLN 5,511 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, finance costs increased by PLN 298,710, to PLN 304,221 for the nine-month period ended September 30, 2011 from PLN 5,511 for the nine-month period ended September 30, 2010. The increase was primarily due to the costs of service of debt financing of acquisition of TV Polsat (interest costs on Term Facility Loan, Revolving Facility, Bridge Facility Loan and 7.125% Senior Notes) and unrealized foreign exchange differences related to valuation of the EUR 350 million (not in thousands) Senior Notes.

Income tax

Income tax expense decreased by PLN 21,003, or 40.3%, to PLN 31,164 for the nine-month period ended September 30, 2011 from PLN 52,167 for the nine-month period ended September 30, 2010.

Net profit

Net profit decreased by PLN 137,628 or 62.1%, to PLN 83,893 for the nine-month period ended September 30, 2011 from PLN 221,521 for the nine-month period ended September 30, 2010, due to high financial costs primarily resulting from significant foreign exchange rates fluctuations (mainly losses on valuation of Senior Notes denominated in euro).

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 202,914, or 60.5%, to PLN 538,068 for the nine-month period ended September 30, 2011 from PLN 335,154 for the nine-month period ended September 30, 2010. EBITDA margin increased to 32.7% for the nine-month period ended September 30, 2011 from 30.3% for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA increased by PLN 51,350, or 15.3%, to PLN 386,504 for the nine-month period ended September 30, 2011 from PLN 335,154 for the nine-month period ended September 30, 2010. Excluding the effect of consolidation of TV Polsat Group, EBITDA margin increased to 31.8% for the nine-month period ended September 30, 2011 from 30.3% for the nine-month period ended September 30, 2010.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,522, including production employees in the nine-month period ended September 30, 2011, as compared to 843 in the corresponding period of 2010. The increase in the average number of employees resulted from our organic growth and the acquisition of TV Polsat - we include the employees of TV Polsat Group from the day of the finalization of the transaction, i.e. April 20, 2011.

Results by business segments

The Group operates in the following two segments:

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

The Group conducts its operating activities mainly in Poland.

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

Retail business segment includes:

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

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

The table below presents a summary of the Group's revenues and expenses by operating segment for the period of 9 months ended September 30, 2011:

Period of 9 months ended September 30, 2011	Retail	Television broadcasting and production	Consolidation adjustments	Total
Revenues from sales to third parties	1,212,977	433,719	-	1,646,696
Inter-segment revenues	1,361	39,584	(40,945)	-
Revenues	1,214,338	473,303	(40,945)	1,646,696
EBITDA	**386,504**	**151,564**	**-**	**538,068**
Profit/(loss) from operating activities	**287,796**	**131,248**	**(2,325)**	**416,719**
Acquisition of property, plant and equipment, reception equipment and intangible assets	210,205*	9,065	-	219,270
Depreciation, amortization and impairment	98,708	20,316	2,325	121,349
Balance as at September 30, 2011				
Assets, including:	5,231,286	825,208	(692,625)**	5,363,869
Investments in associates	-	1,844	-	1,844

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

Reconciliation of EBITDA and Gross profit for the period:

	period of 9 months ended	
	30 September 2011 unaudited	**30 September 2010 unaudited**
EBITDA	**538,068**	**335,154**
Depreciation, amortization and impairment	(121,349)	(57,016)
Profit from operating activities	**416,719**	**278,138**
Other foreign exchange rate differences, net	(11,991)	(1,925)
Interest income	6,695	1,054
Share in net income of associates	1,487	-
Interest costs	(124,381)	(1,551)
Foreign exchange rate differences on bonds	(167,465)	-
Loss on call options	(2,946)	(1,707)
Other	(3,061)	(321)
Gross profit for the period	**115,057**	**273,688**

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

As of September 30, 2011 and December 31, 2010, our non-current assets were PLN 4,157,593 and PLN 545,224, respectively, and accounted for 77.5% and 53.7% of total assets, respectively. Excluding the effect of consolidation of TV Polsat Group, as of September 30, 2011 our non-current assets were PLN 4,560,259 and accounted for 87.2% of total assets.

The value of reception equipment increased by PLN 110,645 or by 40.2%, to PLN 386,044 as of September 30, 2011 from PLN 275,399 as of December 31, 2010 due to an increase in the number of leased set-top boxes. The consolidation of TV Polsat Group did not have any effect on the value of reception equipment.

The value of other property, plant and equipment increased by PLN 112,407 or by 73.5% to PLN 265,264 as of September 30, 2011 from PLN 152,857 as of December 31, 2010. The increase resulted from the acquisition of TV Polsat, which explains PLN 117,267 increase in the balance (concerns mainly TV and broadcasting equipment). Excluding the effect of consolidation of TV Polsat Group, the value of other property, plant and equipment decreased by PLN 4,860, or 3.2%, to PLN 147,997 as of September 30, 2011 primarily due to depreciation charges for the period.

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

Following the acquisition of TV Polsat, the Company recognized the value of "Polsat" brand as a new position in non-current assets. As of September 30, 2011, the value of "Polsat" brand was initially estimated at PLN 840,000.

The value of other intangible assets increased by PLN 24,836, or 108.2%, to PLN 47,780 as of September 30, 2011 from PLN 22.944 as of December 31, 2010. The increase resulted from the acquisition of TV Polsat, which explains PLN 23,976 increase in the balance (mainly concerns concessions to broadcast TV programs). Excluding the effect of consolidation of TV Polsat Group, the value of other intangible assets increased by PLN 860 to PLN 23,804 as of September 30, 2011, due to purchases of intangible assets offset by amortization charges for the period.

The value of other non-current assets amounted to PLN 53,686 as of September 30, 2011 and increased by PLN 16,142, or 43.0%, compared to PLN 37,544 as of December 31, 2010. This increase was due to recognition of CIRS and IRS transactions in 2011, an increase in long-term costs accruals and an increase in long-term deposits paid to contractors and recognition of investments of TV Polsat Group in jointly-controlled entities.

The value of non-current programming assets amounted to PLN 129,170 and the value of current programming assets amounted to PLN 195,354 as of September 30, 2011. These are new assets positions resulting from consolidation of TV Polsat Group, and including film licenses, capitalized costs of external TV production, sports broadcasting rights, co-productions and advances paid.

As of September 30, 2011 and December 31, 2010, our current assets were PLN 1,206,276 and PLN 469,971, respectively, and accounted for 22.5% and 46.3% of total assets, respectively. Excluding the effect of consolidation of TV Polsat Group, as of September 30, 2011 our current assets were PLN 671,027 and accounted for 12.8% of total assets.

The value of inventories decreased by PLN 5,896, or 3.4%, to PLN 167,258 as of September 30, 2011 from PLN 173,154 as of December 31, 2010. This was mainly a result of a decrease in the number of set-top boxes in stock, a decrease in the stock of materials owned by CPT, and a decrease in the value of SMART and SIM cards. The decreases were partially offset primarily by a new stock of removable STB hard disk drives, increase in stock of telephones and internet modems and recognition of stock owned by TV Polsat Group in the amount of PLN 1,040.

The value of trade and other receivables increased by PLN 129,198, or 70.1%, to PLN 313,496 as of September 30, 2011 from PLN 184,298 as of December 31, 2010. The increase resulted mainly from consolidation of trade and other receivables of TV Polsat Group (explains PLN 110,079 of the increase). The remaining change is explained mainly by an increase in trade receivables from subscription fees subject to linear accounting (these receivables were not yet mature).

The value of cash and cash equivalents increased by PLN 336,501, to PLN 364,116 as of September 30, 2011, from PLN 27,615 as of December 31, 2010. This increase resulted from recognition of cash and cash equivalents of TV Polsat Group in the amount of PLN 222,896, and the fact that in 2010 we paid the dividend from the profit of 2009 (it was paid in two tranches in August 2010 in the amount of PLN 101,963 and in November 2010 in the amount of PLN 50,982), which resulted in lower balance of cash and cash equivalents as of December 31, 2010.

The value of other current assets increased by PLN 79,338, or 102.6%, to PLN 156,700 as of September 30, 2011, from PLN 77,362 as of December 31, 2010. This increase resulted primarily from higher short term costs accruals (including TV Polsat Group short term costs accruals in the amount of PLN 3,877) and recognition of CIRS and IRS transactions in 2011.

Equity increased by PLN 1,390,876 to PLN 1,818,814 as of September 30, 2011 from PLN 427,938 as of December 31, 2010, primarily as a result of: (i) increase in share capital by PLN 3,201 through issue of H Series shares, (ii) recognition of the surplus of purchase price over the nominal value of acquired shares of TV Polsat in the amount of PLN 1,146,799 net of transaction costs of PLN 548 in Other reserves, (iii) recognition of issued subscription warrants in Other reserves (PLN 148,852), (iv) recognition of hedging instruments (PLN 5,230) and (v) PLN 83,893 profit we generated in the nine-month period ended September 30, 2011.

The value of liabilities from loans and borrowings (long and short term) increased by PLN 1,230,365 to PLN 1,248,406 as of September 30, 2011, from PLN 18,041 as of December 31, 2010. The increase resulted from Term Loan incurred to finance the acquisition of TV Polsat.

The value of Senior Notes liabilities (long and short term) amounted to PLN 1,546,818 as of 30 September 2011 and resulted from the issue of EUR 350 million Senior Notes maturing in 2018. The proceeds from the issue of the Notes were used to refinance the Bridge Loan that was used as part of financing of acquisition of TV Polsat.

The value of trade and other payables increased by PLN 140,417, or 44.2%, to PLN 458,370 as of September 30, 2011 from PLN 317,953 as of December 31, 2010. Consolidation of TV Polsat Group explains increase of PLN 196,294 (mainly trade payables, payables for purchase of programming assets, tax payables and short term provisions). Excluding the effect of consolidation of TV Polsat Group, the value of trade and other payables decreased by PLN 55,878 mainly as a result of a decrease in trade payables (explained primarily by significant purchases of set-top boxes for the high sales season before Christmas 2010).

Deferred income increased by PLN 8,415, or 5.1%, to PLN 174,847 as of September 30, 2011 from PLN 166,432 as of December 31, 2010 as a result of recognition of deferred income of TV Polsat Group of PLN 3,069 (prepayments for emission of commercials) and an increase in subscription fees paid in advance by our subscribers.

Liquidity and Capital Resources

Liquidity

Overview

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in Polish zloty. Historically, we have relied primarily upon cash flows from operations and bank borrowings to provide the funds required for acquisitions and operations. Recently, 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 zloty, we maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs, the costs of using the conditional access system, the purchase of set-top boxes and the purchase of components for in-house manufactured set-top boxes, payments to be made pursuant to agreements with international movie studios and sports federations for programming as well as payments related to service of 7.125% Senior Notes denominated in euro.

External sources of funding, financing and indebtedness

Bank Loans

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

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

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

On June 29, 2011 the Group concluded interest rate swap transaction (IRS). According to the agreement the Group is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at June 30, 2014. The notional amount is equal, in total, to PLN 332,150,000 (not in thousands).

On July 8, 2011 the Company concluded another interest rate swap transaction. According to the agreement the Group is a fixed rate payer and the floating rate payer is the bank. The termination date of the hedge relationship was agreed at June 30, 2014. The notional amount is equal, in total, to PLN 332,150,000 (not in thousands).

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

Summary of significant provisions of the agreements

Mandatory prepayments

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

Mandatory prepayments are also required in the following amounts:

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

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

Financial covenants

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

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

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

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

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

7.125% Senior Notes

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

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

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, on July 6, 2011 the Group concluded CIRS (cross-currency interest rate swap) transaction. According to the agreement the Group is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 691,950,000 (not in thousands).

On July 7, 2011 the Group concluded another CIRS transaction. According to the agreement the Group is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 691,425,000 (not in thousands).

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

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

Optional redemption of the Notes

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

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

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

Change of control

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

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

	September 30, 2011 in PLN million	**Maturity**
Senior facility[1]	1,248	2015
Revolving Facility[1]	0	2015
Eurobonds	1,547	2018
Leasing	1	2016
Cash and Cash equivalents	364	-
Net Debt	**2,432**	
Comparable 12M EBITDA[2]	794	
Net Debt / 12M EBITDA	**3.06**	

[1] Balance sheet value of debt outstanding
[2] EBITDA including Telewizja Polsat

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for nine-month periods ended September 30, 2011 and 2010:

	For the nine months ended September 30,	
	2011	**2010**
Net cash flow from operating activities	244,945	92,898
Net cash flow used in investing activities	(2,376,802)	(74,115)
Net cash flow from financing activities	2,465,722	(84,121)
Net increase/(decrease) in cash and cash equivalents	333,865	(65,338)

Net cash flow from operating activities

Net cash from operating activities amounted PLN 244,945 in the nine-month period ended September 30, 2011 resulting mainly from the net profit of PLN 83,893 adjusted by various elements including primarily: (i) depreciation, amortization and impairment, interest expense and income tax, (ii) a net increase in set-top boxes provided under operating lease, (iii) foreign exchange losses, (iv) a decrease in liabilities, provisions and deferred income, (v) an increase in receivables and other assets, (vi) payments for film licenses and sport broadcasting rights, (vii) amortization of film licenses and sport rights. Net cash from operating activities in the nine-month period ended September 30, 2010 amounted PLN 92,898 and it resulted from the net profit amounting to PLN 221,521 adjusted by depreciation, amortization and impairment and income tax and partially offset primarily by (i) a net increase in set-top boxes provided under operating lease, (ii) increase in receivables and other assets and (iii) increase in stock.

Net cash flow used in investing activities

Net cash used in investing activities amounted PLN 2,376,802 in the nine-month period ended September 30, 2011 and consisted primarily of the acquisition of 100% shares in TV Polsat, the other payments included: purchase of property, plant and equipment and acquisition of intangible assets. Net cash used in investing activities amounted PLN 74,115 in the nine-month period ended September 30, 2010 and consisted primarily of purchase of shares in M.Punkt, acquisition of property, plant and equipment and acquisition of intangible assets.

Net cash flow from financing activities

Net cash from financing activities amounted PLN 2,465,722 in the nine-month period ended September 30, 2011 and consisted primarily of PLN 2,800,000 cash from term loan and bridge loan and PLN 1,372,245 from the issue of Senior Notes, which was partially offset by repayment of bank loans in the amount or PLN 1,491,244, repayment of interests on loans, borrowings and finance lease in the amount of PLN 197,869 and repayment of current account overdraft of PLN 18,041. Net cash used in financing activities amounted PLN 84,121 in the nine-month period ended September 30, 2010 and consisted primarily of dividends paid and repayment of loans and borrowings, compensated by net cash from bank overdraft.

Capital expenditures

We incurred capital expenditures of PLN 41,938 and PLN 38,590 in the nine-month periods ended September 30, 2011 and 2010, respectively. Capital expenditures to revenue ratio amounted 2.5% and 3.5% in the nine-month periods ended September 30, 2011 and 2010, respectively. Capital expenditures in the nine-month period ended September 30, 2011 concerned primarily the payments of investment liabilities presented in the financial statement as of December 31, 2010 and the purchase of transmission and compression equipment, vehicles, computers and other equipment as well as modernization of our property and improvements in our IT systems.

Contractual Obligations

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

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	1,588,959	244,499	1,344,460	-
Senior Notes liabilities	2,313,950	110,004	440,017	1,763,929
Commitments to purchase programming asstes	353,091	130,667	222,424	-
Financial leases liabilities	1,283	251	1,032	-
Operating leases liabilities	813,176	152,185	498,938	162,053
Total contractual liabilities	**5,070,459**	**637,606**	**2,506,871**	**1,925,982**

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

Off-Balance Sheet Arrangements

Commitments to purchase programming assets

As of September 30, 2011 the Group had outstanding contractual payment commitments in relation to programming assets were PLN 353,091.

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

	September 30, 2011 unaudited	December 31, 2010
within one year	6,444	-
Total	**6,444**	**-**

Total future minimum payments relating to operating lease agreements

As of September 30, 2011 the Group had commitments relating to leases of studio, office, warehouse and technical (roofs, chimneys) premises, lease of satellite transponders capacity, telecom infrastructure and terrestrial transmitters as well as reception equipment, vehicles and other equipment in the amount of PLN 813,176.

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

	September 30, 2011 unaudited	December 31, 2010
within one year	152,185	93,637
between 1 to 5 years	498,938	365,433
more than 5 years	162,053	158,290
Total	**813,176**	**617,360**

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 23,578 as of September 30, 2011 (PLN 12,595 as of December 31, 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 2,412 as of September 30, 2011 (PLN 75 as of December 31, 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as of September 30, 2011 was PLN 293 (PLN 344 as of December 31, 2010).

Contingent liabilities relating to promissory notes

As of September 30, 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 22 (excluding blank promissory notes).

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

Information on market risks

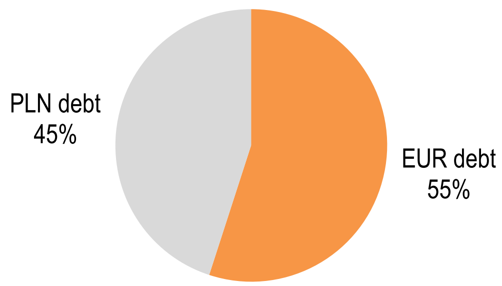
Currency risk

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

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

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

The following chart presents the currency structure of our debt:



In order to keep our currency risk related to royalties to TV and radio broadcasters, costs of our conditional access system and costs of reception equipment purchases to an acceptable level, we purchased a number of foreign exchange call options in 2010, that were fully settled by the date of the publication of this report. As of the date of publication of this report the Company does not have any open foreign exchange call options.

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, on July 6, 2011 the Group concluded CIRS (cross-currency interest rate swap) transaction. According to the agreement the Group is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 691,950,000 (not in thousands).

On July 7, 2011 the Group concluded another CIRS transaction. According to the agreement the Group is a PLN fixed rate payer and the EUR fixed rate payers are the banks. The termination date of the hedge relationship was agreed at May 20, 2013. The total EUR notional amount is equal to EUR 175,000,000 (not in thousands) and the PLN notional amount totals PLN 691,425,000 (not in thousands).

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

Interest rate risk

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

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

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

On June 29, 2011 the Group concluded interest rate swap transaction (IRS). According to the agreement the Group is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at June 30, 2014. The notional amount is equal, in total, to PLN 332,150,000 (not in thousands).

On July 8, 2011 the Company concluded another interest rate swap transaction. According to the agreement the Group is a fixed rate payer and the floating rate payer is the bank. The termination date of the hedge relationship was agreed at June 30, 2014. The notional amount is equal, in total, to PLN 332,150,000 (not in thousands).

Liquidity risk

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

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

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

The Polish economy

Growth in our revenue is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. In 2010, Poland’s GDP increased by 3.9% while GDP of the European Union increased by only 1.9%. For 2011 and 2012, Poland’s GDP is forecast to increase by 4.0% and 2.5%, respectively (data and forecasts according to Eurostat as at November 10, 2011). We believe that average consumer spending, including spending on pay TV, Internet access and mobile telephony services generally will vary in line with the overall GDP growth in Poland, and will support our future revenue growth.

Additionally, changes in the economic environment in Poland have historically had a significant impact on advertising spending, and so on the results of TV Polsat operations that are consolidated with the results of Cyfrowy Polsat Group from April 20, 2011. In the third quarter 2011 the revenue from advertising and sponsoring constituted 27% of the Group operational revenue.

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 38% (as of nine-month period ended September 30, 2011) of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro.

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

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

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

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

Competition on DTH market and offered promotions in the fourth quarter of 2011

Our market is very dynamic and competitive. Currently, there are four players on the DTH market in Poland: Canal + Cyfrowy Sp. z o.o., the operator of Cyfra+ platform, TVN S.A. the operator of “n” platform, Cyfrowy Polsat S.A., the operator of Cyfrowy Polsat platform and Telekomunikacja Polska S.A. According to the announcement, it is expected that TVN and Canal+ will combine their operations on the Polish pay-TV market and will form a joint-venture to create one DTH platform in Poland. An aggressive competition on the market has impact on promotional offers which we propose to our new acquired subscribers. Historically, approximately 50% of our new signed contracts occurred in the fourth quarter. As a result, in our autumn offer, launched in October this year, we proposed attractive promotional offers consisting of: introduction of Premium Package to the flexible offer, free of charge periods (up to 6 months), access to additional packages from PLN 10 or attractive pricing for equipment. Additionally, we enlarged the portfolio of our services by Multiroom service, enabling our subscribers to watch simultaneously different channels from the purchased TV package on two TV sets under one subscription fee. The service is available within the Family HD Package and higher packages. Due to the strong competition on the market, we continue to invest in customer loyalty programs and retention management. Although that results in an increase in our costs, we believe that our proactive approach to subscriber retention is more cost effective in the long run and decreases the churn rate.

Consolidation of Telewizja Polsat

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

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

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

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

Costs of financing of the acquisition of Telewizja Polsat

We will continue to incur significant interest costs resulting from credit agreements signed to provide the Company with debt financing for the acquisition of Telewizja Polsat of the total amount of up to PLN 3 billion (not in thousands) and 7.125% Senior Notes issued to refinance the Bridge Facility Loan. The Term Loan matures on December 31, 2015 and Senior Notes mature on May 20, 2018.

Development of advertising market in Poland

After the completion of acquisition of Telewizja Polsat on April 20, 2011, the majority of the revenue generated in our TV Broadcasting business segment comes from the sale of advertising airtime and sponsoring slots on TV channels. In TV broadcasting, we are one of the two leading private TV groups in Poland both in terms of audience share and TV advertising market share for the first three quarters of 2011. We are the only one TV broadcaster which delivered growth of audience share in the first three quarters of 2011, both in terms of aggregate audience share and in majority of individual channels. Based on data from Starlink, we estimate that in the first three quarters of 2011 we captured a 22.7% share of the approximately PLN 2.7 billion (not in thousands) Polish TV advertising market.

Thanks to our leading position on the market, we are well-positioned to benefit from the expected growth of advertising market. We believe that the TV advertising market will benefit from structural growth resulting from forecasted increasing disposable income of the Polish consumer. Starlink forecasts that in 2011 total net advertising expenditure in Poland should grow by 3 - 4%. We believe TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets that there is substantial growth potential for TV advertising in Poland.

Growing importance of thematic channels

Audience share represents the proportion of TV viewers watching a TV channel's program at a specific time. Our TV channels held an aggregate audience share of 20.6% in the first three quarters of 2011 and 18.9% in the analogical period of 2010. TVN and TVP, our closest competitors, noted decreases in the aggregate audience shares to 21.7% and 30.0%, respectively, in the first three quarters of 2011 from 22.2% and 33.2%, respectively, in the first three quarters of 2010.

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

Conversely, the audience share of thematic channels in Poland has been growing. We and other TV broadcasters have focused on launching thematic channels in order to maintain total audience share and advertising market share. We have launched 13 thematic channels, including seven in the past four years. Our thematic channels increased their combined audience share from 3.2% in the first three quarters of 2010 to 4.4% in the first three quarters of 2011, primarily due to the increase in audience share of Polsat2, Polsat News, Polsat Film and Polsat Café.

According to the estimates of Starlink media house, expenditures on advertising on non-FTA channels in the first three quarters of 2011 increased year-on-year by 20.3% and constituted 18.8% of total expenditures on TV advertising in Poland (increase from 16.1% in the first three quarters of 2010).

Seasonality of advertising market

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

Expansion of technical reach of TV Polsat channels

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

Attractive content of our TV channels

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

In our autumn scheduling, traditionally launched in September, we mainly continue the formats from spring scheduling that were enthusiastically welcome by the public and resulted in satisfactory audience share. They include i.a. series: *Szpilki na Giewoncie, Hotel 52, Pierwsza Miłość, Dlaczego Ja?* and *Trudne sprawy*. In autumn, we will broadcast over a dozen series including the novelties like *Pamiętniki z wakacji*. The main pillar of our entertainment offer is the second edition of our talent show *Must be the Music – Tylko muzyka*. Also feature films constitute traditionally an important part of Polsat's offer. This autumn, we will show i.a. the following recent years' blockbusters: *Day the Earth Stood Still* (Keanu Reeves), *Urban Justice* (Steven Seagal) and a Polish comedy *Ciacho* (Tomasz Karolak, Paweł Małaszyński). A new current affairs programme *Państwo w Państwie* (each episode is devoted to a carefully documented case of breach of law by an official dealing with an entrepreneur) is another novelty in our autumn scheduling. For the fans of sports we will broadcast popular events including UEFA Champions League, T-Mobile Ekstraklasa (Polish football top league), boxing galas and F1 racing.

Agreement concerning acquisition of INFO-TV-FM Sp. z o.o.

On October 28, 2011, Cyfrowy Polsat signed a conditional agreement with NFI Magna Polonia S.A. and Evotec Management Limited concerning acquisition of 100% shares in the share capital of INFO-TV-FM Sp. z o.o. for the total price of PLN 28,963. Upon the fulfillment of the conditions precedent, the Company will acquire frequencies to supply mobile television services (470-790 MHz) and reservation agreements related to them. Additionally, upon the "Agreement on the provision of multiplex signal broadcasting service for the wholesale of audiovisual media services, including distribution of radio and television programs" concluded with INFO-TV-FM Sp. z o.o., till the end of April, 2022, the Company will incur estimated annual costs of PLN 14,280.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 and 9 months ended 30 September 2011

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

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 14 November 2011, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2011 to 30 September 2011 showing a net profit of:	PLN 83,893 thousand
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2011 to 30 September 2011 showing a total comprehensive income of:	PLN 92,572 thousand
Interim Consolidated Balance Sheet as at 30 September 2011 showing total assets and total equity and liabilities of:	PLN 5,363,869 thousand
Interim Consolidated Cash Flow Statement for the period from 1 January 2011 to 30 September 2011 showing a net increase in cash and cash equivalents amounting to:	PLN 333,865 thousand
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2011 to 30 September 2011 showing an increase in equity of:	PLN 1,390,876 thousand

Supplementary Information to the Interim Condensed Consolidated Financial Statements

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

Dominik Libicki	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, 14 November 2011

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

Interim Consolidated Income Statement

	Note	for 3 months ended 30 September 2011 unaudited	for 3 months ended 30 September 2010 unaudited	for 9 months ended 30 September 2011 unaudited	for 9 months ended 30 September 2010 unaudited
Revenue	6	615,512	363,569	1,646,696	1,105,830
Operating costs		(453,264)	(271,866)	(1,181,659)	(804,638)
Cost of services, products, goods and materials sold	7	(356,687)	(194,920)	(902,425)	(580,024)
Selling expenses	7	(57,387)	(52,046)	(171,425)	(155,090)
General and administrative expenses	7	(39,190)	(24,900)	(107,809)	(69,524)
Other operating income	8	653	2,293	9,357	11,970
Other operating costs	9	(14,939)	(12,481)	(57,675)	(35,024)
Profit from operating activities		**147,962**	**81,515**	**416,719**	**278,138**
Finance income	10	5,774	5,295	8,239	1,061
Finance costs	11	(223,193)	(2,488)	(311,388)	(5,511)
Share in net income of associates		918	-	1,487	-
Gross profit/(loss) for the period		**(68,539)**	**84,322**	**115,057**	**273,688**
Income tax		6,552	(15,929)	(31,164)	(52,167)
Net profit/(loss) for the period		**(61,987)**	**68,393**	**83,893**	**221,521**
Net profit/(loss) attributable to:					
Equity holders of the Parent		(61,987)	68,393	83,893	221,498
Non-controlling interests		-	-	-	23
Basic and diluted profit/(loss) per share (in PLN)		**(0.18)**	**0.25**	**0.27**	**0.83**

Interim Consolidated Statement of Comprehensive Income

	for 3 months ended 30 September 2011 unaudited	for 3 months ended 30 September 2010 unaudited	for 9 months ended 30 September 2011 unaudited	for 9 months ended 30 September 2010 unaudited
Net profit/(loss) for the period	**(61,987)**	**68,393**	**83,893**	**221,521**
Other comprehensive income	-	-	-	-
Hedge valuation reserve	7,602	-	6,457	-
Currency translation adjustment	5,008	-	4,286	-
Income tax relating to components of other comprehensive income	(2,396)	-	(2,064)	-
Other comprehensive income, net of tax	**10,214**	**-**	**8,679**	**-**
Total comprehensive income/(loss) for the period	**(51,773)**	**68,393**	**92,572**	**221,521**
Total comprehensive income/(loss) attributable to:				
Equity holders of the Parent	(51,773)	68,393	92,572	221,498
Non-controlling interests	-	-	-	23

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

Interim Consolidated Balance Sheet - Assets

	Note	30 September 2011 unaudited	31 December 2010
Reception equipment		386,044	275,399
Other property, plant and equipment		265,264	152,857
Goodwill	12	2,412,285	52,022
Brands	13	840,000	300
Other intangible assets	14	47,780	22,944
Non-current programming assets	15	129,170	-
Investment property		7,701	-
Other non-current assets		53,686	37,544
Deferred tax assets		15,663	4,158
Total non-current assets		**4,157,593**	**545,224**
Current programming assets	15	195,354	-
Inventories		167,258	173,154
Trade and other receivables		313,496	184,298
Income tax receivable		9,352	7,542
Other current assets		156,700	77,362
Cash and cash equivalents		364,116	27,615
Total current assets		**1,206,276**	**469,971**
Total assets		**5,363,869**	**1,015,195**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 September 2011 unaudited	31 December 2010
Share capital	16	13,934	10,733
Reserve capital		432,265	156,534
Other reserves	16	1,305,277	10,174
Hedge valuation reserve	16	5,230	-
Currency translation adjustment		3,449	-
Retained earnings		58,659	250,497
Total equity		**1,818,814**	**427,938**
Loans and borrowings	17	1,018,123	-
Senior Notes liabilities	18	1,439,935	-
Finance lease liabilities		1,032	1,095
Deferred tax liabilities		63,474	65,338
Other non-current liabilities and provisions		12,002	2,384
Total non-current liabilities		**2,534,566**	**68,817**
Loans and borrowings	17	230,283	18,041
Senior Notes liabilities	18	106,883	-
Finance lease liabilities		251	491
Trade and other payables		458,370	317,953
Income tax liability		24,895	-
Deposits for equipment		14,960	15,523
Deferred income		174,847	166,432
Total current liabilities		**1,010,489**	**518,440**
Total liabilities		**3,545,055**	**587,257**
Total equity and liabilities		**5,363,869**	**1,015,195**

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

Interim Consolidated Cash Flow Statement

	for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited
Net profit for the period	**83,893**	**221,521**
Adjustments for:	**174,904**	**(127,592)**
Depreciation, amortization and impairment	121,349	57,016
Payments for film licences and sport rights	(94,701)	-
Amortization of film licences and sport rights	104,453	-
Loss on investing activity	1,304	2,181
Cost of programming rights sold	2,497	-
Interest expense	116,992	497
Change in inventories	7,437	(42,078)
Change in receivables and other assets	(66,006)	(84,462)
Change in liabilities, provisions and deferred income	(49,022)	7,562
Change in internal production and advance payments	(5,416)	-
Valuation of hedging instruments	6,457	-
Share in net income of associates accounted for under equity method	(1,487)	-
Foreign exchange losses	168,727	14
Compensation of income tax receivables with VAT liabilities	6,264	-
Income tax	31,164	52,167
Net increase in reception equipment provided under operating lease	(176,800)	(121,884)
Other adjustments	1,692	1,395
Cash from operations before income taxes and interest	**258,797**	**93,929**
Income tax paid	(20,519)	(2,062)
Interest received from operating activities	6,667	1,031
Net cash from operating activities	**244,945**	**92,898**
Acquisition of property, plant and equipment	(25,910)	(25,279)
Acquisition of intangible assets	(16,028)	(13,311)
Acquisition of subsidiary net of cash acquired	(2,336,697)	(33,271)
Proceeds from sale of property, plant and equipment	472	1,282
Loans granted	-	(3,536)
Proceeds from interest on loans granted	1	-
Other proceeds	1,360	-
Net cash used in investing activities	**(2,376,802)**	**(74,115)**

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

Dividends paid	-	(101,963)
Net cash from bank overdraft	(18,041)	71,541
Term loans received	2,800,000	-
Issuance of *Senior Notes*	1,372,245	-
Payments for currency options	-	(4,540)
Proceeds from realization of foreign exchange call options	1,043	213
Repayment of loans and borrowings	(1,491,244)	(47,277)
Finance lease – principal repayments	(412)	(636)
Payment of interest on loans, borrowings, finance lease and commissions	(197,869)	(1,459)
Net cash from/(used in) financing activities	**2,465,722**	**(84,121)**
Net increase/(decrease) in cash and cash equivalents	**333,865**	**(65,338)**
Cash and cash equivalents at the beginning of the period*	**27,615**	**99,390**
Effect of exchange rate fluctuations on cash and cash equivalents	2,636	(14)
Cash and cash equivalents at the end of the period	**364,116**	**34,038**

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

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

Interim Consolidated Statement of Changes in Equity for 9 months ended 30 September 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Currency translation adjustment	Retained earnings	Total equity
Balance as at 1 January 2011	10,733	156,534	10,174	-	-	250,497	**427,938**
Share issue	3,201	-	1,295,103	-	-	-	**1,298,304**
Hedge valuation reserve	-	-	-	5,230	-	-	**5,230**
Currency translation adjustment	-	-	-	-	3,449	-	**3,449**
Net profit for the period	-	-	-	-	-	83,893	**83,893**
Appropriation of 2010 profit – transfer to reserve capital	-	275,731	-	-	-	(275,731)	**-**
Balance as at 30 September 2011	**13,934**	**432,265**	**1,305,277**	**5,230**	**3,449**	**58,659**	**1,818,814**

Interim Consolidated Statement of Changes in Equity for 9 months ended 30 September 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 January 2010	10,733	73,997	10,174	227,509	-	**322,413**
Acquisition of 100% shares of M.Punkt Holdings Ltd.	-	-	-	23	(23)	**-**
Net profit for the period	-	-	-	221,498	23	**221,521**
Dividends approved	-	-	-	(152,945)	-	**(152,945)**
Appropriation of 2009 profit – transfer to reserve capital	-	82,537	-	(82,537)	-	**-**
Balance as at 30 September 2010	**10,733**	**156,534**	**10,174**	**213.548**	**-**	**390.989**

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

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 and 9 months ended 30 September 2011

1. The Parent Company

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

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

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

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

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

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

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

Statement of compliance

These interim condensed consolidated financial statements for 3 and 9 months ended 30 September 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. The Group applied the same accounting policies in the preparation of the financial data for 3 and 9 months ended 30 September 2011 and the consolidated financial statements for the year 2010, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on 1 January 2011.

During the 9 months ended 30 September 2011 the following changes entered into force:

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

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

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

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

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

(vi) amendment to IAS 32 *Classification of Rights Issues*
The amendment clarifies the classification of financial instruments that give the holders the right to be settled in issuer's own equity. The change has no impact on these consolidated financial statements.

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

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

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

- IFRS 9 *Financial Instruments*;
- IFRS 10 *Consolidated financial statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosures of Interests in Other Entities*;
- IFRS 13 *Fair Value Measurement*;
- IAS 27 *Separate Financial Statements*;

- IAS 28 *Investments in Associates and Joint Ventures*;
- amendments to IFRS 7 *Financial Instruments: Disclosures* - Disclosures – Transfer of financial assets;
- amendments to IFRS *9 Financial Instruments* (issued in 2010);
- amendments to IAS *12 Deferred tax* - Recovery of underlying assets;
- amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* – Hyperinflation and removal of fixed dates for first-time adopters;
- amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*;
- amendments to IAS 19 *Employee Benefits*;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

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

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

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

a) Basis of consolidation

Jointly controlled operations

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

b) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

c) Property, plant and equipment

(i) Depreciation

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

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

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

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

d) Intangible assets

(i) Amortization

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

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

The estimated useful lives are as follows:
- Computer software: 2 – 15 years,
- Concessions: period resulting from an administrative decision,
- Other: 2 – 7 years.

e) Investment property

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

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

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

f) Programming assets

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

(i) Initial recognition

Programming rights other than sport rights are recognised as programming assets at cost when the legally enforceable licence period begins and all of the following conditions have been met:
- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the Group in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

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

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

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

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

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

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

(ii) Amortization

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

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

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

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

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

(iii) Impairment

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

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

g) Provisions

(i) Provision for dismantling costs

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

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

(ii) Onerous contracts

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

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

h) Revenue

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

The Group's main sources of revenue are recognised as follows:

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

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

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

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

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

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

(e) Other revenue is recognised, net of any discount given, when the relevant goods or service are provided. Revenues from prepaid mobile telephone services are recognised in profit or loss once the prepaid credit is utilised or forfeited.

Other revenue includes: sales of broadcasting services, sales of audiotext and sms services, sales of programming licences, sales of sub-licences and broadcasting rights related to films and programs, rental revenue, production and technical services as well as sales of merchandise and material.

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

i) Barter revenue

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

j) Derivative financial instruments

Hedge accounting

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

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

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

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

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

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

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

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

Other derivatives not designated for hedge accounting

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

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

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

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on 14 November 2011.

5. Information on Seasonality in the Group's Operations

The Group's revenue which is subject to seasonality is the revenue from sales of equipment and advertising and sponsoring revenue. The seasonality of sales of equipment is caused by increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which are not covered in terrestrial channels. Advertising and sponsoring revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to increased consumer spending during the holiday season. Revenue from subscription fees is not directly subject to any seasonal trend.

6. Revenue

	for 3 months ended		**for 9 months ended**	
	30 September 2011	**30 September 2010**	**30 September 2011**	**30 September 2010**
	unaudited	**unaudited**	**unaudited**	**unaudited**
Retail subscription	405,449	348,438	1,179,349	1,055,510
Advertising and sponsorship revenue	169,153	839	377,779	2,678
Revenue from cable and satellite operator fees	21,985	-	38,204	-
Sale of equipment	2,720	7,284	11,878	28,448
Other revenue	16,205	7,008	39,486	19,194
Total	**615,512**	**363,569**	**1,646,696**	**1,105,830**

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

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

7. Operating costs

	Note	for 3 months ended		for 9 months ended	
		30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Programming costs		101,487	97,544	305,376	292,139
Distribution, marketing, customer relation management and retention costs		75,436	68,716	226,408	204,076
Cost of internal and external TV production and amortization of sport rights		81,523	-	157,366	-
Depreciation, amortization and impairment		48,254	22,054	121,349	57,016
Salaries and employee-related costs	a	35,739	20,828	97,518	59,935
Broadcasting and signal transmission costs		32,958	20,552	80,303	61,857
Amortization of purchased film licenses		30,757	-	56,526	-
Cost of equipment sold		5,585	9,802	24,710	41,652
Other costs		41,525	32,370	112,103	87,963
Total costs by kind		**453,264**	**271,866**	**1,181,659**	**804,638**

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Cost of services, products, goods and materials sold	356,687	194,920	902,425	580,024
Selling expenses	57,387	52,046	171,425	155,090
General and administrative expenses	39,190	24,900	107,809	69,524
Total costs by function	**453,264**	**271,866**	**1,181,659**	**804,638**

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

a) Salaries and employee-related costs

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Salaries	31,175	18,067	83,275	50,980
Social security contributions	3,026	2,205	10,639	6,740
Other employee-related costs	1,538	556	3,604	2,215
Total	**35,739**	**20,828**	**97,518**	**59,935**

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

8. Other operating income

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Compensation	376	404	755	956
Income from sale of Point of Sale	-	803	-	7,858
Other	277	1,086	8,602	3,156
Total	**653**	**2,293**	**9,357**	**11,970**

9. Other operating costs

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Bad debt allowance and receivables written off	12,908	6,388	46,147	27,861
Inventory impairment write-downs	286	3,020	1,227	3,307
Other	1,745	3,073	10,301	3,856
Total	**14,939**	**12,481**	**57,675**	**35,024**

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

10. Finance income

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Interest	3,339	277	6,695	1,054
Foreign exchange options not designated as hedging instruments	2,435	-	1,497	-
Foreign exchange rate differences, net	-	5,018	-	-
Other	-	-	47	7
Total	**5,774**	**5,295**	**8,239**	**1,061**

11. Finance costs

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Interest expense on loans and borrowings	31,093	531	85,542	1,321
Interest expense on bonds	26,685	-	38,107	-
Other interest	412	91	732	230
Loss on call options:	1,009	1,707	4,443	1,707
Foreign exchange options not designated as hedging instruments	-	*1,685*	-	*1,685*
Foreign exchange options – settlement of instruments	*1,009*	*22*	*4,443*	*22*
Foreign exchange rate differences on bonds	144,905	-	167,465	-
Other foreign exchange rate differences, net	17,908	-	11,991	1,925
Bank and other charges	901	159	2,593	328
Guarantee fees	91	-	132	-
Other	189	-	383	-
Total	**223,193**	**2,488**	**311,388**	**5,511**

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

12. Goodwill

	2011
Balance as at 1 January	**52,022**
Acquisition of 100% shares of Telewizja Polsat S.A. (provisional accounting of goodwill - see note 20)	2,360,263
Balance as at 30 September unaudited	**2,412,285**

Increased goodwill was allocated to cash-generating unit „television broadcasting and production" (see note 21).

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

13. Brands

	2011
Balance as at 1 January	**300**
Amortisation and impairment	(300)
Acquisition of Subsidiary – provisional accounting of Polsat brand (see note 20)	840,000
Balance as at 30 September unaudited	**840,000**

The provisional value of Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (see note 20).

The provisional carrying amount of the brand is allocated to cash-generating unit „television broadcasting and production" (see note 21).

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

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

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

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

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

mPunkt brand

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

14. Other intangible assets

	30 September 2011 unaudited	31 December 2010
Software and licences	23,334	12,870
Concessions for broadcasting television programs	15,161	-
Other	1,393	1,474
Under development	7,892	8,600
Total	**47,780**	**22,944**

Concessions for broadcasting television programs were recognized in the balance sheets following the acquisition of Telewizja Polsat S.A. based on the provisional accounting of purchase price allocation (see note 20). The carrying amount of the concessions is allocated to cash-generating unit „television broadcasting and production" (see note 21).

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

15. Programming assets

	2011
Net carrying amount as at 20 April (unaudited)	**298,793**
Increase:	133,242
Acquisition of film licences	*62,187*
Capitalised costs of sport rights	*71,055*
Change in impairment losses:	2,548
Film licences	*1,690*
Capitalised cost of external production and sport rights	*858*
Change in internal production	5,416
Amortization of film licences	(57,581)
Amortization of capitalized costs of sport rights	(49,421)
Disposals:	(2,497)
Sale of film licences	*(2,497)*
Currency translation adjustment	(6,012)
Other increases	36
Net carrying amount as at 30 September (unaudited)	**324,524**

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

As at 30 September 2011 the net carrying amount of programming assets amounted to PLN 324,524 thousand (including PLN 129,170 thousand non-current programming assets and PLN 195,354 thousand current programming assets).

16. Equity

Share capital

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

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

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

	30 September 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	168,941,818	6,758	48.50%	335,884,319	63.64%
Zygmunt Solorz-Żak	10,603,750	424	3.04%	21,207,500	4.02%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

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

Issue of subscription warrants

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

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

Share disposal

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

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

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

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

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

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

17. Hedge valuation reserve

Purchase of hedging instruments

On 29 June 2011 the Group concluded IRS (interest rate swap) transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see note 18). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Group is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

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

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

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

On 8 July 2011 the Group concluded IRS transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see note 18). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat Sp. z o.o. According to the agreement the Group is a fixed rate payer and the floating rate payer is the bank. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

Impact of hedging instruments valuation on hedge valuation reserve

	Hedge valuation reserve
Balance as at 1January 2011	**-**
Valuation of cash flow hedges	9,737
Amount transferred to income statement	(3,280)
Deferred tax	(1,227)
Change for the period	**5,230**
Balance as at 30 September 2011	**5,230**

As at 30 September 2011 the hedge was valued at PLN 9,737 thousand, including PLN 3,280 thousand recognized in the profit and loss account in correspondence with finance costs. Since the hedge is effective the remaining value of the gain in the amount of PLN 6,457 thousand relating to the future payments was recognized in hedge valuation reserve. The total influence of the hedge valuation on hedge valuation reserve amounts to PLN 5,230 thousand, which is equal to valuation offset by deferred tax.

In 2010 the Group did not have hedge instruments.

18. Loans and borrowings

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

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

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

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

Summary of significant provisions of the agreements

Mandatory prepayments

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

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

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

Financial covenants

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

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

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

Establishment of security for loan facilities

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

On 18 April 2011 the Group entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Transfers of receivables for security, due to the Company from various debtors.

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

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

As at 30 September 2011 the loans and borrowings liabilities amounted to PLN 1,248,406 thousand (including PLN 1,018,123 thousand long-term liabilities and PLN 230,283 thousand short-term liabilities).

19. Senior Notes

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

Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on 20 May and 20 November, commencing on 20 November 2011. Interest accrued as at 30 September 2011 amounts to PLN 38,107 thousand.

On 20 May 2011, the net proceeds from the Notes offering, together with EUR 14,897,339.53 of cash on hand, were used to repay in full the indebtedness outstanding under the Company's senior secured bridge facility (the "Bridge Facility Loan") (see note 18).

Summary of significant provisions of the agreements

The Indenture contains covenants that are typical for high yield notes and impose financial and operating restrictions on the Company. These covenants limit, among other things, the ability of the Company and its restricted subsidiaries to:
(i) incur additional indebtedness;
(ii) make certain restricted payments;
(iii) transfer or sell assets;
(iv) enter into transactions with affiliates;

(v) create certain liens;
(vi) create restrictions on the ability of restricted subsidiaries to pay dividends or other payments;
(vii) issue guarantees of indebtedness by restricted subsidiaries;
(viii) merge, consolidate, amalgamate or combine with other entities; and
(ix) designate restricted subsidiaries as unrestricted subsidiaries.

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

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

Establishment of securities

Aside from securities presented in note 18, pursuant to the Indenture, the Notes are guaranteed by each of the Initial Guarantors (the Company, CPT, CPTM).

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

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

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

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

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

As at 30 September 2011 the Senior Notes liabilities amounted to PLN 1,546,818 thousand (including PLN 1,439,935 thousand long-term liabilities and PLN 106,883 thousand short-term liabilities).

20. Acquisition of subsidiary

Acquisition of 100% of shares of Cyfrowy Polsat Finance AB

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

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

The loss included in the interim consolidated income statement for the reporting period since 10 March 2011 contributed by Cyfrowy Polsat Finance was PLN 42.0 million. Had Cyfrowy Polsat Finance been consolidated from 1 January 2011 the loss included in the interim consolidated income statement would not differ significantly.

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

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

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

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

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

Telewizja Polsat operates in television and advertising industry.

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

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

a) Purchase price of shares

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

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

b) Reconciliation of transactional cash flow

Cash transferred on acquisition	(2,600,000)
Cash and cash equivalents received	263,534
Cash outflow in the period of 9 months ended 30 September 2011	**2,336,466**

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

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

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

* includes restricted cash in the amount of PLN 42 thousand

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

Assuming the acquisition of Telewizja Polsat would have occurred on 1 January 2011 the Group's consolidated revenues would have amounted to PLN 1,926 million and the consolidated net profit would have amounted to PLN 142 million for the period of 9 months ended 30 September 2011.

d) Provisional accounting of goodwill

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

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

21. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities mainly in Poland.

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

Retail business segment includes:

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

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

Management evaluates 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 defined by IFRS and thus its calculations may differ among the entities.

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

The table below presents a summary of the Group's revenues and expenses by operating segment for the period of 9 months ended 30 September 2011:

Period of 9 months ended 30 September 2011	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,212,977	433,719	-	1,646,696
Inter-segment revenues	1,361	39,584	(40,945)	-
Revenues	1,214,338	473,303	(40,945)	1,646,696
EBITDA	**386,504**	**151,564**	**-**	**538,068**
Profit/(loss) from operating activities	**287,796**	**131,248**	**(2,325)**	**416,719**
Acquisition of property, plant and equipment, reception equipment and intangible assets	210,205*	9,065	-	219,270
Depreciation, amortization and impairment	98,708	20,316	2,325	121,349
Balance as at 30 September 2011				
Assets, including:	5,231,286	825,208	(692,625)**	5,363,869
Investments in associates	-	1,844	-	1,844

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

Reconciliation of EBITDA and Gross profit for the period:

	period of 9 months ended	
	30 September 2011 unaudited	**30 September 2010 unaudited**
EBITDA	**538,068**	**335,154**
Depreciation, amortization and impairment	(121,349)	(57,016)
Profit from operating activities	**416,719**	**278,138**
Other foreign exchange rate differences, net (note 10 and 11)	(11,991)	(1,925)
Interest income (note 10)	6,695	1,054
Share in net income of associates	1,487	-
Interest costs (note 11)	(124,381)	(1,551)
Foreign exchange rate differences on bonds (note 11)	(167,465)	-
Loss on call options (note 10 and 11)	(2,946)	(1,707)
Other	(3,061)	(321)
Gross profit for the period	**115,057**	**273,688**

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

22. Transactions with related parties

Receivables

	30 September 2011 unaudited	31 December 2010
Teleaudio Sp. z o.o.	3,570	108
Polskie Media S.A.	2,905	152
Redefine Sp. z o.o.	2,676	-
Inwestycje Polskie Sp. z o.o.	2,344	-
Superstacja Sp. z o.o.	1,033	347
Polsat Jim Jam Ltd.	652	326
PRN Polska Sp. z o.o.	267	-
Sferia S.A.	213	7
Invest Bank S.A.	101	9
Dom Sprzedaży Radia PIN Sp. z o.o.	99	108
Radio PIN S.A.	88	-
TFP Sp. z o.o.	63	-
Centernet S.A.	19	-
Polsat Nieruchomości Sp. z o.o.	15	-
Ster Sp. z o.o.	10	-
Tower Service Sp. z o.o.	10	-
Polsat Futbol Ltd.*	-	1,200
Telewizja Polsat Sp. z o.o.*	-	674
Media-Biznes Sp. z o.o.*	-	59
Other	12	1
Total	**14,077**	**2,991**

***** the company is consolidated from 20 April 2011

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

Liabilities

	30 September 2011 unaudited	31 December 2010
Mobyland Sp. z o.o.	11,373	-
ATM Grupa S.A.	2,810	-
Polskie Media S.A.	1,627	-
Redefine Sp. z o.o.	1,125	-
Polsat Jim Jam Ltd.	998	353
PRN Polska Sp. z o.o.	307	-
Studio A Sp. z o.o.	296	-
ATM System Sp. z o.o.	179	-
PAI Media S.A.	151	-
TFP Sp. z o.o.	147	-
Inwestycje Polskie Sp. z o.o.	196	-
Radio PIN S.A.	112	-
Telewizja Polsat Sp. z o.o.*	-	6,760
Polsat Media Sp. z o.o.*	-	24
Other	131	-
Total	**19,452**	**7,137**

* the company is consolidated from 20 April 2011

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

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

Other current assets

	30 September 2011 unaudited	31 December 2010
Mobyland Sp. z o.o.	73,147	-
Total	**73,147**	**-**

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

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

Revenues

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Polskie Media S.A.	4,980	36	8,862	115
Teleaudio Sp. z o.o.	1,037	105	2,432	273
Polsat Jim Jam Ltd.	1,537	-	1,603	-
Redefine Sp. z o.o.	577	-	1,092	-
Invest Bank S.A.	393	-	804	-
Telewizja Polsat Sp. z o.o.*	-	119	484	351
Polsat Futbol Ltd.*	-	300	364	901
Sferia S.A.	198	-	355	-
Radio PIN S.A.	153	-	247	-
ATM System Sp. z o.o.	167	-	174	-
PRN Polska Sp. z o.o.	90	-	160	-
Dom Sprzedaży Radia PIN Sp. z o.o.	-	31	63	106
Media-Biznes Sp. z o.o.*	-	48	59	144
Ster Sp. z o.o.	32	-	58	-
TFP Sp. z o.o.	35	-	43	-
Superstacja Sp. z o.o.	15	13	38	44
Centernet S.A.	13	-	13	-
Other	9	-	20	-
Total	**9,236**	**652**	**16,871**	**1,934**

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

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

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

Expenses

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Telewizja Polsat Sp. z o.o.*	-	17,947	22,497	56,300
ATM Grupa S.A.	4,809	-	11,602	-
Inwestycje Polskie Sp. z o.o.	4,380	-	7,923	-
Teleaudio Sp. z o.o.	2,666	2,853	6,885	7,559
Studio A Sp. z o.o.	6,562	-	6,801	-
Mobyland Sp. z o.o.**	3,726	-	5,672	-
Polsat Jim Jam Ltd.	1,596	439	3,390	439
Elektrim S.A.	509	440	1,508	1,297
Redefine Sp. z o.o.	1,065	-	1,470	-
ATM System Sp. z o.o.	185	-	1,238	-
PAI Media S.A.	428	1	876	82
TFP Sp. z o.o.	238	-	659	-
Polskie Media S.A.	121	-	468	-
Invest Bank S.A.	244	-	435	5
Polsat Nieruchomości Sp. z o.o.	142	-	249	-
Superstacja Sp. z o.o.	104	1	202	6
Sferia S.A.	9	48	193	132
Dom Sprzedaży Radia PIN Sp. z o.o.	89	99	127	99
Baltmedia Sp. z o.o.	-	-	90	-
Polsat Media Sp. z o.o.*	-	180	78	367
Ster Sp. z o.o.	44	-	60	-
Radio PIN S.A.	58	-	58	-
PRN Polska Sp. z o.o.	30	-	32	-
Media-Biznes Sp. z o.o.*	-	48	22	144
Tower Service Sp. z o.o.***	12	-	21	-
Telewizja Dolnośląska Sp. z o.o.	7	-	12	-
Polskie Nieruchomości Sp. z o.o.	6	-	11	-
Centernet S.A.	10	-	10	-
Other	315	-	521	-
Total	**27,355**	**22,056**	**73,110**	**66,430**

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

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

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

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

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

Financial income

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Inwestycje Polskie Sp. z o.o.	15	-	32	-
Other	4	-	12	-
Total	**19**	**-**	**44**	**-**

23. Litigations

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

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

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

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

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

On 10 October 2011 the Parent filed an appeal to the Polish Competition and Consumer Protection Court.

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

Action brought by SkyMedia Sp. z o.o.

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

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

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

On 19 September 2007 the SAWP association *("Stowarzyszenie Artystów Wykonawców Utworów Muzycznych i Słowno-Muzycznych"*) filed a claim against Telewizja Polsat where it demanded information with respect to which of the music and lyrical-music performances of artists represented by SAWP were used by Telewizja Polsat in its operations commencing 1 October 1997 until the date of the claim. The case is pending.

The STOART association filed a claim against Telewizja Polsat in respect of the period commencing July 2009 for the use of performances. The matter is at an early stage of proceedings.

24. Off-balance sheet liabilities

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 18.

Commitments to purchase programming assets

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

	30 September 2011 unaudited	31 December 2010
within one year	130,667	-
between 1 to 5 years	222,424	-
Total	**353,091**	**-**

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

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

	30 September 2011 unaudited	31 December 2010
within one year	6,444	-
Total	**6,444**	**-**

Total future minimum payments relating to operating lease agreements

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

	30 September 2011 unaudited	31 December 2010
within one year	152,185	93,637
between 1 to 5 years	498,938	365,433
more than 5 years	162,053	158,290
Total	**813,176**	**617,360**

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

	30 September 2011 unaudited	31 December 2010
within one year	16,511	4,377
between 1 to 5 years	38,046	16,494
more than 5 years	521	-
Total	**55,078**	**20,871**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 23,578 thousand as at 30 September 2011 (PLN 12,595 thousand as at 31 December 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 2,412 thousand as at 30 September 2011 (PLN 75 thousand as at 31 December 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 September 2011 was PLN 293 thousand (PLN 344 thousand as at 31 December 2010).

Contingent liabilities relating to promissory notes

As at 30 September 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 22 thousand (excluding blank promissory notes).

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

25. Subsequent events

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

On 28 October 2011 Cyfrowy Polsat entered into an agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited for the acquisition of 100% shares of INFO-TV-FM Sp. z o.o. for the amount of PLN 28,962,542.46.

The ownership of shares of INFO-TV-FM Sp. z o.o. shall be transferred to the Company following fulfillment of the conditions precedent.

The acquisition agreement was concluded in order to continue realization of Group's strategy which aims at wide distribution of content using all modern technologies. With this company the Group will be able to expand its business with services provided on mobile devices, which fits well into the Group's business plans and market development trends as well as consumer expectations.

Pursuant to IFRS 3 the Group shall complete accounting for a business combination, including recognition of the difference between consideration transferred and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, within twelve months from the acquisition date.

26. Accounting estimates and judgements

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as adopted in preparation of consolidated financial statements for the year ended 31 December 2010, except for initial purchase price allocation assumptions relating to acquisition of Telewizja Polsat.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 and 9 months ended 30 September 2011

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

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 14 November 2011, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Income Statement for the period
from 1 January 2011 to 30 September 2011 showing a net profit of: PLN 168,804 thousand

Interim Statement of Comprehensive Income for the period
from 1 January 2011 to 30 September 2011 showing a total comprehensive income of: PLN 174,034 thousand

Interim Balance Sheet as at
30 September 2011 showing total assets and total equity and liabilities of: PLN 5,816,729 thousand

Interim Cash Flow Statement for the period
from 1 January 2011 to 30 September 2011 showing a net increase in cash and cash equivalents amounting to: PLN 101,559 thousand

Interim Statement of Changes in Equity for the period
from 1 January 2011 to 30 September 2011 showing an increase in equity of: PLN 1,457,223 thousand

Supplementary Information to the Interim Condensed Financial Statements

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

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

Dorota Wołczyńska
Chief Accountant

Warsaw, 14 November 2011

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

Interim Income Statement

	Note	for 3 months ended 30 September 2011 unaudited	for 3 months ended 30 September 2010 unaudited	for 9 months ended 30 September 2011 unaudited	for 9 months ended 30 September 2010 unaudited
Revenue	**6**	413,829	360,217	1,204,240	1,097,767
Operating costs		(302,822)	(259,349)	(893,685)	(780,047)
Cost of services, goods and materials sold	**7**	(219,603)	(192,582)	(633,906)	(577,775)
Selling expenses	**7**	(57,909)	(45,558)	(181,137)	(141,140)
General and administrative expenses	**7**	(25,310)	(21,209)	(78,642)	(61,132)
Other operating income	**8**	690	1,492	1,811	3,740
Other operating costs	**9**	(14,443)	(9,945)	(49,626)	(31,860)
Profit from operating activities		**97,254**	**92,415**	**262,740**	**289,600**
Finance income	**11**	7,132	3,251	210,496	5,417
Finance costs	**12**	(211,712)	(2,221)	(305,173)	(4,022)
Gross profit/(loss) for the period		**(107,326)**	**93,445**	**168,063**	**290,995**
Income tax		19,046	(17,481)	741	(54,606)
Net profit/(loss) for the period		**(88,280)**	**75,964**	**168,804**	**236,389**
Basic and diluted profit/(loss) per share (in PLN)		**(0.25)**	**0.28**	**0.53**	**0.88**

Interim Statement of Comprehensive Income

	for 3 months ended 30 September 2011 unaudited	for 3 months ended 30 September 2010 unaudited	for 9 months ended 30 September 2011 unaudited	for 9 months ended 30 September 2010 unaudited
Net profit/(loss) for the period	**(88,280)**	**75,964**	**168,804**	**236,389**
Other comprehensive income	-	-	-	-
Hedge valuation reserve	7,602	-	6,457	-
Income tax relating to components of other comprehensive income	(1,445)	-	(1,227)	-
Other comprehensive income, net of tax	**6,157**	**-**	**5,230**	**-**
Total comprehensive income/(loss) for the period	**(82,123)**	**75,964**	**174,034**	**236,389**

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

Interim Balance Sheet - Assets

	Note	30 September 2011 unaudited	31 December 2010
Reception equipment		411,509	291,208
Other property, plant and equipment		131,255	131,994
Goodwill	**18**	52,022	-
Intangible assets		21,317	20,479
Investment property		6,870	6,931
Shares in subsidiaries and associates	**12**	4,516,033	675,471
Other non-current assets		47,509	35,898
Total non-current assets		**5,186,515**	**1,161,981**
Inventories		147,222	140,165
Short-term loans granted to related parties		-	5,446
Trade and other receivables		191,756	178,588
Income tax receivable		9,352	6,760
Other current assets		155,963	77,154
Cash and cash equivalents		125,921	24,195
Total current assets		**630,214**	**432,308**
Total assets		**5,816,729**	**1,594,289**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 September 2011 unaudited	31 December 2010
Share capital	13	13,934	10,733
Reserve capital		1,037,258	153,093
Other reserves	13	1,305,277	10,174
Hedge valuation reserve	14	5,230	-
Retained earnings		154,560	885,036
Total equity		**2,516,259**	**1,059,036**
Loans and borrowings	15	1,018,123	-
Bonds	16	1,423,091	-
Finance lease liabilities		1,032	884
Deferred tax liabilities		69,415	69,986
Other non-current liabilities and provisions		5,909	1,900
Total non-current liabilities		**2,517,570**	**72,770**
Loans and borrowings	15	230,283	-
Bonds	16	121,891	-
Finance lease liabilities		251	226
Trade and other payables		243,736	280,411
Deposits for equipment		14,960	15,434
Deferred income		171,779	166,412
Total current liabilities		**782,900**	**462,483**
Total liabilities		**3,300,470**	**535,253**
Total equity and liabilities		**5,816,729**	**1,594,289**

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

Interim Cash Flow Statement

	for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited
Net profit	**168,804**	**236,389**
Adjustments for:	**(124,881)**	**(137,051)**
Depreciation, amortization and impairment	98,283	55,567
Loss on investing activity	337	115
Interest expense/(income)	125,539	(54)
Change in inventories	(6,679)	(18,914)
Change in receivables and other assets	(95,380)	(92,597)
Change in liabilities, provisions and deferred income	(33,761)	(3,584)
Valuation of hedging instruments	6,457	-
Foreign exchange (gains)/losses	166,485	6
Income tax	(741)	54,606
Net increase in reception equipment provided under operating lease	(189,945)	(128,511)
Dividends income	(197,030)	(4,000)
Other adjustments	1,554	315
Cash from operations before income taxes and interest	**43,923**	**99,338**
Income tax paid	(1,630)	-
Interest received from operating activities	3,249	998
Net cash from operating activities	**45,542**	**100,336**
Acquisition of property, plant and equipment	(17,762)	(22,487)
Acquisition of intangible assets	(9,981)	(11,553)
Loans granted	-	(8,784)
Dividends received	196,817	4,000
Acquisition of shares in subsidiaries, net of cash acquired	(2,598,702)	(33,966)
Loans repaid - principal	50	-
Interest on loans repaid	2	3
Proceeds from sale of property, plant and equipment	211	62
Net cash used in investing activities	**(2,429,365)**	**(72,725)**
Term loans received	2,800,000	-
Issuance of bonds	1,372,245	-
Net cash from bank overdraft	-	62,170
Proceeds from realization of foreign exchange call options	1,043	213
Dividends paid	-	(101,963)
Purchases of foreign exchange call options	-	(4,540)
Payment of interest on loans, borrowings, finance lease and commissions	(204,214)	(1,304)
Finance lease – principal repayments	(269)	(178)
Repayment of loans and borrowings	(1,483,423)	(47,277)
Net cash from/(used in) financing activities	**2,485,382**	**(92,879)**
Net increase/(decrease) in cash and cash equivalents	**101,559**	**(65,268)**
Cash and cash equivalents at the beginning of the period*	**24,195**	**97,126**
Effect of exchange rate fluctuations on cash and cash equivalents	167	(6)
Cash and cash equivalents at the end of the period	**125,921**	**31,852**

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

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

Interim Statement of Changes in Equity for 9 months ended 30 September 2011

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Retained earnings	**Total equity**
Balance as at 1 January 2011	10,733	153,093	10,174	-	885,036	**1,059,036**
Share issue	3,201	-	1,295,103	-	-	**1,298,304**
Merger with M.Punkt Holdings Ltd.	-	-	-	-	(460)	**(460)**
Merger with mPunkt Polska S.A.	-	-	-	-	(14,616)	**(14,616)**
Merger with MTel Sp. z o.o.	-	-	-	-	(39)	**(39)**
Hedge valuation	-	-	-	5,230	-	**5,230**
Net profit for the period	-	-	-	-	168,804	**168,804**
Appropriation of 2010 profit – transfer to reserve capital	-	884,165	-	-	(884,165)	**-**
Balance as at 30 September 2011	**13,934**	**1,037,258**	**1,305,277**	**5,230**	**154,560**	**2,516,259**

Interim Statement of Changes in Equity for 9 months ended 30 September 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	**Total equity**
Balance as at 1 January 2010	10,733	73,997	10,174	232,911	**327,815**
Net profit for the period	-	-	-	236,389	**236,389**
Dividends approved	-	-	-	(152,945)	**(152,945)**
Appropriation of 2009 profit – transfer to reserve capital	-	79,096	-	(79,096)	**-**
Balance as at 30 September 2010	**10,733**	**153,093**	**10,174**	**237,259**	**411,259**

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

Supplementary Information to the Interim Condensed Financial Statements for 3 and 9 months ended 30 September 2011

1. The Company

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

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

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

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

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

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for 3 and 9 months ended 30 September 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as adopted by the EU. The Company applied the same accounting policies in the preparation of the financial data for 3 and 9 months ended 30 September 2011 and the financial statements for 2010, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2011.

During the 9 months ended 30 September 2011 the following changes entered into force:

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

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

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

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

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

(vi) amendment to IAS 32 *Classification of Rights Issues*
The amendment clarifies the classification of financial instruments that give the holders the right to be settled in issuer's own equity. The change has no impact on these financial statements.

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

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

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

- IFRS 9 *Financial Instruments;*
- IFRS 10 *Consolidated financial statements;*
- IFRS 11 *Joint Arrangements;*
- IFRS 12 *Disclosures of Interests in Other Entities;*
- IFRS 13 *Fair Value Measurement;*
- IAS 27 *Separate Financial Statements;*
- IAS 28 *Investments in Associates and Joint Ventures;*
- amendments to IFRS 7 *Financial Instruments: Disclosures* - Disclosures – Transfer of financial assets;
- amendments to IFRS 9 *Financial Instruments* (issued in 2010);
- amendments to IAS 12 *Deferred tax* - Recovery of underlying assets;
- amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* – Hyperinflation and removal of fixed dates for first-time adopters;
- amendments to IAS 1 *Presentation of Items of Other Comprehensive Income;*
- amendments to IAS 19 *Employee Benefits*;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

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

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

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

<u>Revenue</u>

Revenue, which excludes value added tax, returns, trade discounts and volume rebates, represents the gross inflow of economic benefit from Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Company's main sources of revenue are recognised as follows:

(a) Retail sales, including subscription fees for DTH, Near Video on Demand (nVoD), MVNO and Internet, interconnection revenue, settlements with mobile network operators, revenue from the rental of reception equipment, are recognised as the services are provided, net of discount given. Retail sales also include contractual penalties related to terminated agreements which are recognised when the contract is terminated.
Revenue from the rental of reception equipment is recognised on a straight-line basis over the minimum base period of the subscription contract, other than for finance lease agreements, that are recognised as a sale with deferred payment date.

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

(c) Other revenue is recognised, net of any discount given, when the relevant goods or service are provided. Revenues from prepaid mobile telephone services are recognised in profit or loss once the prepaid credit is utilised or forfeited.

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

Derivative financial instruments

Hedge accounting

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

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

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

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

For fair value hedges the change in the fair value of an hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised as other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are included in the initial carrying amount of the non-financial asset or liability.

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

Other derivatives not designated for hedge accounting

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

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

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

Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 14 November 2011.

5. Information on Seasonality in the Company's Operations

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

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

6. Revenue

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Retail subscription	405,451	348,439	1,179,354	1,055,531
Sale of equipment	2,741	5,113	7,478	21,748
Other revenue	5,637	6,665	17,408	20,488
Total	**413,829**	**360,217**	**1,204,240**	**1,097,767**

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

7. Operating costs

		for 3 months ended		for 9 months ended	
	Note	30 September 2011	30 September 2010	30 September 2011	30 September 2010
		unaudited	unaudited	unaudited	unaudited
Programming costs		112,114	97,544	318,373	292,139
Distribution, marketing, customer relation management and retention costs		72,794	66,185	224,973	199,519
Depreciation, amortization and impairment		36,360	21,074	98,283	55,567
Salaries and employee-related costs	a	17,721	16,294	62,011	50,514
Broadcasting and signal transmission costs		22,039	20,552	62,990	61,857
Cost of equipment sold		5,623	8,262	21,369	38,859
Other costs		36,171	29,438	105,686	81,592
Total costs by kind		**302,822**	**259,349**	**893,685**	**780,047**

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Cost of services, goods and materials sold	219,603	192,582	633,906	577,775
Selling expenses	57,909	45,558	181,137	141,140
General and administrative expenses	25,310	21,209	78,642	61,132
Total costs by function	**302,822**	**259,349**	**893,685**	**780,047**

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

a) Salaries and employee-related costs

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Salaries	15,636	14,223	52,850	42,936
Social security contributions	1,466	1,594	7,226	5,695
Other employee-related costs	619	477	1,935	1,883
Total	**17,721**	**16,294**	**62,011**	**50,514**

8. Other operating income

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Compensations	284	264	611	816
Other	406	1,228	1,200	2,924
Total	**690**	**1,492**	**1,811**	**3,740**

9. Other operating costs

	for 3 months ended		for 9 months ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	unaudited	unaudited	unaudited	unaudited
Bad debt allowance and receivables written off	13,388	6,390	45,530	27,868
Inventory impairment write-downs	199	2,214	939	2,286
Other	856	1,341	3,157	1,706
Total	**14,443**	**9,945**	**49,626**	**31,860**

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

10. Finance income

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Dividends received	-	-	197,030	4,000
Guarantee fees from related parties (see note 20)	3,009	-	8,655	-
Valuation of call options (not recognized under hedge accounting)	2,436	-	1,497	-
Foreign exchange rate differences, net	-	2,813	-	-
Interest	1,687	438	3,314	1,417
Total	**7,132**	**3,251**	**210,496**	**5,417**

11. Finance costs

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Interest expense on loans and borrowings	31,093	451	84,674	1,210
Interest expense on bonds	31,042	-	44,100	-
Other interest	73	43	80	153
Loss on call options:	1,009	1,707	4,443	1,707
Foreign exchange options not designated as hedging instruments	-	1,685	-	1,685
Foreign exchange options – settlement of instruments	1,009	22	4,443	22
Foreign exchange rate differences on bonds	144,151	-	166,651	-
Other foreign exchange rate differences, net	2,721	-	115	860
Guarantee fees	716	-	2,569	-
Bank and other charges	902	20	2,536	91
Other	5	-	5	1
Total	**211,712**	**2,221**	**305,173**	**4,022**

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

12. Acquisition of subsidiary

Changes in the value of shares

	1 January 2011	Additions	Decreases	30 September 2011
Cyfrowy Polsat Technology Sp. z o.o.	50	-	-	50
Cyfrowy Polsat Trade Marks Sp. z o.o.	615,445	-	-	615,445
M.Punkt Holdings Ltd.	58,522	-	(58,522)	-
mTel Sp. z o.o.	-	32	(32)	-
Telewizja Polsat Sp. z o.o.	-	3,898,852	-	3,898,852
Cyfrowy Polsat Finance AB	-	232	-	232
Karpacka Telewizja Kablowa Sp. z o.o.	1,454	-	-	1,454
Total	**675,471**	**3,899,116**	**(58,554)**	**4,516,033**

Acquisition of Cyfrowy Polsat Finance AB

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

Goldcup was acquired *inter alia* in order to perform issuance of bonds. On 18 March 2011 Goldcup has changed its name into Cyfrowy Polsat Finance AB.

Acquisition of Telewizja Polsat S.A.

On 20 April 2011 Cyfrowy Polsat S.A. pursuant to the investment agreement dated 15 November 2010 took control of 100% shares of Telewizja Polsat S.A. (Telewizja Polsat). The transaction also resulted in obtaining the control over the following subsidiaries: RSTV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Polsat Futbol Ltd., Nord Licence AS, Polsat Licence Ltd., and obtaining the influence over joint ventures: Polski Operator Telewizyjny Sp. z o.o. and Polsat Jim Jam Ltd.

The Company acquired 100% of the share capital of Telewizja Polsat and accounting for 100% votes at the shareholders' meetings of Telewizja Polsat, for the total purchase price of PLN 3,750,000 thousand. PLN 2,600,000 thousand was paid in the form of cash transfer on 28 April 2011 and PLN 1,150,000 thousand through the subscription warrants issued by the Company on 20 April 2011 (see note 13).

As a result of fair value measurement of consideration paid on 20 April 2011 the cost of the shares of Telewizja Polsat S.A. held by the Company was adjusted by PLN 148,852 thousand (the value of Telewizja Polsat S.A. shares amounted to PLN 3,898,852 thousand).

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

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

13. Equity

Share capital

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

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

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

	30 September 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	168,941,818	6,758	48.50%	335,884,319	63.64%
Zygmunt Solorz-Żak	10,603,750	424	3.04%	21,207,500	4.02%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

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

Issue of subscription warrants

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

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

As at 30 September 2011 other reserve capital amounted to PLN 1,305,277 thousand.

Share disposal

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

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

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

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

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

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

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

14. Hedge valuation reserve

Purchase of hedging instruments

On 29 June 2011 the Company concluded IRS (interest rate swap) transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see note 15). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Company is a fixed rate payer and the floating rate payers are banks. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

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

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

On 8 July 2011 the Company concluded IRS transaction for the purpose of hedging future cash flows regarding term loan interest payments (Senior Facilities Agreement – see note 15). The Senior Facility Agreement was concluded to finance acquisition of Telewizja Polsat S.A. According to the agreement the Company is a fixed rate payer and the floating rate payer is bank. The termination date of the hedge relationship was agreed at 30 June 2014. The notional amount is equal, in total, to PLN 332,150,000.

Impact of hedging instruments valuation on hedge valuation reserve

	Hedge valuation reserve
Balance as at 1January 2011	**-**
Valuation of cash flow hedges	9,737
Amount transferred to income statement	(3,280)
Deferred tax	(1,227)
Change for the period	**5,230**
Balance as at 30 September 2011	**5,230**

As at 30 September 2011 the hedge was valued at PLN 9,737 thousand, including PLN 3,280 thousand recognized in the profit and loss account in correspondence with bond's finance costs. Since the hedge is effective the remaining value of the gain in the amount of PLN 6,457 thousand was recognized in hedge valuation reserve. The total influence of the hedge valuation on hedge valuation reserve amounts to PLN 5,230 thousand, which is equal to valuation offset by deferred tax.

In 2010 the Group did not have hedge instruments.

15. Loans and borrowings

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

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

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

In addition, on 31 March 2011, the Company (together with its related parties) concluded a Bridge Facility Agreement with the Bookrunners. This agreement provided for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equals approximately EUR 350,000 thousand. The interest rate applicable for the bridge facility was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The outstanding bridge facility liability has been settled on 20 May 2011.

Summary of significant provisions of the agreements

Mandatory prepayments

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

Mandatory prepayments are also required in the following amounts:
- in the amount equal to 65% of excess cashflow for any financial year of the Company or equal to 25% if total net debt to EBITDA ratio of the Company is less than 2.0:1,

- in the amount of disposal proceeds for transaction exceeding PLN 10 million in respect of any one disposal or PLN 40 million in aggregate at any time before the facilities are repaid in full
- in the amount of debt proceeds or equity proceeds if total net debt to EBITDA ratio of the Company exceeds 2.0.

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

Financial covenants

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

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

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

Establishment of security for loan facilities

On 14 April 2011 the Company entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Registered pledge on tangibles and intangible rights comprising the business of the Company;
(ii) Financial and registered pledges on all shares in Cyfrowy Polsat Technology Sp. z o.o. and Cyfrowy Polsat Trade Marks Sp. z o.o. held by the Company;
(iii) Contractual mortgage on real estate owned by the Company;
(iv) Company's statement on submission to the enforcement procedure as stipulated by the notary deed.

On 18 April 2011 the Company entered into agreements for the establishment of the following security in respect to the Senior Facilities Agreement and the Bridge Facility Agreement:
(i) Transfers of receivables for security, due to the Company from various debtors.

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

As at 30 September 2011 the loans and borrowings liabilities amounted to PLN 1,248,406 thousand (including PLN 1,018,123 thousand long-term liabilities and PLN 230,283 thousand short-term liabilities).

16. Intercompany bonds

On 20 May 2011, the Company issued unsecured interest-bearing Series A Bonds due in 2018 in the nominal aggregate amount of EUR 350 million (EUR 35 million each) acquired in whole by its subsidiary Cyfrowy Polsat Finance AB (CP Finance) (the "Intercompany Bonds"). The aggregate issue price of the Intercompany Bonds in the amount of EUR 343 million was equal to the nominal value of the Bonds less 2% commission.

The interest rate applicable to the Intercompany Bonds will accrue at the rate of 8.16% per annum and will be payable semiannually in arrears on 20 May and 20 November, commencing on 20 November 2011. Intercompany Bonds shall be redeemed on 20 May 2018 by way of pecuniary payment equal to the nominal value of the Intercompany Bonds.

As at 30 September 2011 the bonds liabilities amounted to PLN 1,544,982 thousand (including PLN 1,423,091 thousand long-term liabilities and PLN 121,891 thousand short-term liabilities).

17. The impact of merger with M.Punkt Holdings Ltd. on assets, equity and liabilities

On 30 July 2010 the Management Board of Cyfrowy Polsat S.A. resolved to merge with M.Punkt Holdings Ltd. („M.Punkt Holdings") and approved cross-border merger plan. Earlier, on 4 May 2010 the Company completed the purchase of 94% shares in M.Punkt Holdings and on 9 June 2010 purchased remaining 6% shares. The transaction also resulted in the takeover of control over subsidiaries: mPunkt Polska S.A. and mTel Sp. z o.o. On 15 September 2010 the Extraordinary General Shareholders' Meeting resolved to execute the cross-border merger and authorized the Management Board to exercise all necessary activities related to conducting procedure of the cross-border merger.

On 18 March 2011 the Management Board of Cyfrowy Polsat S.A. received a decision of the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register dated 14 March 2010 regarding the registration of cross-border merger of the Company with M.Punkt Holdings.

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

As a result of the cross-border merger:

i. M.Punkt Holdings was terminated without liquidation, and

ii. Cyfrowy Polsat S.A. took over, by the way of universal succession, assets and liabilities of M.Punkt Holdings.

Merger's impact on assets, equity and liabilities of the Company

	Change resulting from merger as at 14 March 2011
Shares in mPunkt Polska S.A.*	5,248
Shares in M.Punkt Holdings	(146)
Receivables relating to a short-term loan granted to M.Punkt Holdings	(5,461)
Tax and social security receivables	12
Cash and cash equivalents	31
Trade payables to third parties	(74)
Accruals	(70)
Total	**(460)**

* The balance relates to the principal of the loan granted by Cyfrowy Polsat to M.Punkt Holdings as at 14 March 2011. The loan was granted in June 2010 (first tranche) and was utilized by M.Punkt Holdings to repay a loan raised from mPunkt Polska S.A. (the value of this loan as at the date of takeover of control by Cyfrowy Polsat, i.e. as at 4 May 2010 amounted to PLN 5.2 million). In terms of the merger as at 14 March 2011 the principal of the loan granted by Cyfrowy Polsat was recognized as an increase in the value of shares in mPunkt Polska S.A.

As a result of the merger net assets of Cyfrowy Polsat decreased by PLN 460 thousand, which was reflected in a decrease in retained earnings.

18. The impact of merger with mPunkt Polska S.A. on assets, equity and liabilities

On 31 May 2011 the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register registered the merger of the Company with mPunkt Polska S.A. ("mPunkt") seated in Warsaw.

The merger was effected by:

(i) transferring to the Company, as the sole shareholder of mPunkt, all the assets of mPunkt by the way of universal succession, and

(ii) termination of mPunkt without liquidation.

As a result of the merger, Cyfrowy Polsat assumed all rights and obligations of mPunkt, effective on the date of the merger. Given that before the merger, the Company held all the shares of mPunkt, the merger was effected without increasing the share capital of the Company. The detailed terms of the merger were specified in the Merger Plan prepared on 21 March 2011 and published on 1 April 2011 in the Court and Commercial Gazette (*Monitor Sądowy i Gospodarczy*). The merger was performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group, which is required in order to realize its medium and long term strategy.

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

Merger's impact on assets, equity and liabilities of the Company

	Change resulting from merger as at 31 May 2011
Shares in mPunkt	(63,590)
Goodwill *	52,022
Other property, plant and equipment	4,422
Intangible assets	333
Trade Mark	175
Other non-current assets	468
Deferred tax assets	1,452
Inventories	379
Receivables	1,978
Other current assets	(906)
Cash and cash equivalents	1,492
Non-current liabilities and provisions	(788)
Current liabilities and provisions	(12,039)
Deferred income	(14)
Total	**(14,616)**

* Goodwill arisen from the acquisition of mPunkt on 4 May 2010 amounting to PLN 52,227 thousand less impairment losses of PLN 205 thousand.

As a result of the merger, net assets of Cyfrowy Polsat were decreased by PLN 14,616 thousand, which was reflected in a decrease in retained earnings.

19. The impact of merger with mTel Sp. z o.o. on assets, equity and liabilities

On 31 August 2011 the District Court for the Capital City of Warsaw in Warsaw, XIII Business Division for the National Court Register registered the merger of the Company with mTel Sp. z o.o. ("mTel") seated in Warsaw.

The merger was effected by:
(i) transferring to the Company, as the sole shareholder of mTel, all the assets of mTel by the way of universal succession, and
(ii) termination of mTel without liquidation.

As a result of the merger, Cyfrowy Polsat assumed all rights and obligations of mTel, effective on the date of the merger. Given that before the merger, the Company held all the shares of mTel, the merger was effected without increasing the share capital of the Company. The detailed terms of the merger were specified in the Merger Plan prepared on 17 June 2011 and published on 4 July 2011 in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy). The merger was performed to optimize costs and simplify the organizational structure of Cyfrowy Polsat Group, which is required in order to realize its medium and long term strategy.

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

Merger's impact on assets, equity and liabilities of the Company

	Change resulting from merger as at 31 August 2011
Shares in mTel	(32)
Receivables	1
Cash and cash equivalenst	7
Liabilities	(15)
Total	**(39)**

As a result of the merger, net assets of Cyfrowy Polsat were decreased by PLN 39 thousand, which was reflected in a decrease in retained earnings.

20. Transactions with related parties

Receivables

	30 September 2011 unaudited	**31 December 2010**
Cyfrowy Polsat Finance AB	5,790	-
Polsat Futbol Ltd.	1,715	1,200
Cyfrowy Polsat Technology Sp. z o.o.	1,193	468
Superstacja Sp. z o.o.	841	347
Telewizja Polsat Sp. z o.o.	627	674
Polsat Jim Jam Ltd.	623	326
Polskie Media S.A.	579	152
Dom Sprzedaży Radia PIN Sp. z o.o.	99	108
Teleaudio Sp. z o.o.	88	108
Redefine Sp. z o.o.	79	-
Radio PIN S.A.	38	-
Centernet S.A.	16	-
Tower-Service Sp. z o.o.	10	-
mPunkt Polska S.A.	-	976
Media-Biznes Sp. z o. o.	-	59
Other	30	17
Total	**11,728**	**4,435**

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

Other current assets

	30 September 2011 unaudited	31 December 2010
Mobyland Sp. z o.o.	73,147	-
Cyfrowy Polsat Finance AB	3,423	-
Total	**76,570**	**-**

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

Liabilites

	30 September 2011 unaudited	31 December 2010
Cyfrowy Polsat Trade Marks Sp. z o.o.	25,087	-
Cyfrowy Polsat Technology Sp. z o.o.*	11,634	14,414
Mobyland Sp. z o.o.	11,373	-
Telewizja Polsat Sp. z o.o.	-	6,760
Polsat Jim Jam Ltd.	408	353
Polsat Media Sp. z o.o.	-	24
mPunkt Polska S.A.	-	3,395
Other	6	-
Total	**48,508**	**24,946**

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

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

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

Receivables due from Cyfrowy Polsat Technology Sp. z o.o. comprise mainly the receivables relating to guarantee service and property rental.

Liabilities due to Cyfrowy Polsat Technology Sp. z o.o. comprise mainly liabilities resulting from purchases of set-top boxes and set-top boxes' accessories. Until 30 September 2011 the Company purchased from Cyfrowy Polsat Technology Sp. z o.o. set-top boxes and set-top boxes' accessories for a total value of PLN 151,501 thousand.

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

Liabilities due to mPunkt Polska S.A. included mainly liabilities resulting from commissions for subscribers' acquisitions.

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

Bond liabilities

	30 September 2011 unaudited	31 December 2010
Cyfrowy Polsat Finance AB	1,544,982	-
Total	**1,544,982**	**-**

Loans granted

	30 September 2011 unaudited	31 December 2010
Cyfrowy Polsat Technology Sp. z o.o.	-	51
M.Punkt Holdings Ltd.	-	5,395
Total	**-**	**5,446**

Revenues

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	1,348	755	2,787	1,737
Telewizja Polsat Sp. z o.o.	418	119	1,218	351
Cyfrowy Polsat Trade Marks Sp. z o.o.	354	-	1,015	-
Polsat Futbol Ltd.	314	300	910	901
Polskie Media S.A.	551	36	790	115
Teleaudio Sp. z o.o.	164	105	514	273
Media-Biznes Sp. z o.o.	48	48	144	144
Dom Sprzedaży Radia PIN Sp. z o.o.	-	31	63	106
Superstacja Sp. z o.o.	15	13	38	44
Radio PIN S.A.	31	-	31	-
Invest Bank S.A.	2	-	21	-
Centernet S.A.	13	-	13	-
Other	8	83	12	133
Total	**3,266**	**1,490**	**7,556**	**3,804**

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

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

Expenses

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Telewizja Polsat Sp. z o.o.	20,469	17,947	57,185	56,300
Cyfrowy Polsat Trade Marks Sp. z o.o.	8,873	-	26,338	-
Teleaudio Sp. z o.o.	2,666	2,853	6,885	7,559
mPunkt Polska S.A.	-	2,517	6,222	3,713
Mobyland Sp. z o.o.*	3,726	-	5,672	-
Polsat Media Sp. z o.o.	2,752	180	2,871	367
Polsat Jim Jam Ltd.	736	439	1,941	439
Elektrim S.A.	509	440	1,508	1,297
Redefine Sp. z o.o.	540	-	730	-
Polskie Media S.A.	86	-	374	-
Sferia S.A.	9	48	193	132
Media-Biznes Sp. z o.o.	48	48	144	144
PAI Media S.A.	-	1	-	82
Dom Sprzedaży Radia PIN Sp. z o.o.	89	99	127	99
Ster Sp. z o.o.	39	-	52	-
Tower Service Sp. z o.o.**	12	-	21	-
Other	4	1	6	11
Total	**40,558**	**24,573**	**110,269**	**70,143**

*Costs cover the period from 13 May 2011 (the company is related from 13 May 2011)
**Costs cover the period from 20 April 2011 (the company is related from 20 April 2011)

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

The Company incurs expenses for using "Cyfrowy Polsat" trade mark for the benefit of Cyfrowy Polsat Trade Marks Sp. z o.o. The expenses incurred for the benefit of mPunkt Polska S.A. resulted mainly from the commissions for subscribers' acquisitions. On 31 May 2011 the merger of the Company with mPunkt Polska S.A. was registered (see note 18). Costs presented in the table above cover the 1 January-31 May 2011 period. Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Company's customer call center. Mobyland Sp. z o.o. provides data transfer services. Elektrim S.A. provides some office space lease to the Company.

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

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

Financial income

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Telewizja Polsat Sp. z o.o.	-	-	196,817	-
Cyfrowy Polsat Finance AB	3,009	-	8,655	-
Cyfrowy Polsat Technology Sp. z o.o.	-	105	213	4,330
Other	-	66	66	67
Total	**3,009**	**171**	**205,751**	**4,397**

Financial income from Telewizja Polsat Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o comprise dividends. Financial income from Cyfrowy Polsat Finance AB relates to guarantees granted by the Company in respect to settlement of high yield notes issued by Cyfrowy Polsat Finance AB.

Finance costs

	for 3 months ended		for 9 months ended	
	30 September 2011 unaudited	30 September 2010 unaudited	30 September 2011 unaudited	30 September 2010 unaudited
Cyfrowy Polsat Finance AB	31,043	-	44,101	-
Cyfrowy Polsat Trade Marks Sp. z o.o.	312	-	1,184	-
Telewizja Polsat Sp. z o.o.	263	-	989	-
Polsat Media Sp. z o.o.	14	-	96	-
RS TV S.A.	2	-	80	-
Nord Licence AS	14	-	55	-
Cyfrowy Polsat Technology Sp. z o.o.	7	-	13	-
Polsat License Ltd.	9	-	13	-
Other	3	-	5	-
Total	**31,667**	**-**	**46,536**	**-**

Finance cost due to Cyfrowy Polsat Finance AB comprise chiefly interest on bonds. Other finance costs incurred by the Company relate to guarantee fees in respect to settlement of Senior Facility loan.

21. Litigations

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

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

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

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

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

On 10 October 2011 the Company filed an appeal against the above-mentioned verdict.

Action brought by SkyMedia Sp. z o.o.

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

22. Off-balance sheet liabilities

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 15.

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 14,625 thousand as at 30 September 2011 (PLN 12,403 thousand as at 31 December 2010). Total amount of capital commitments resulting from agreements on property improvements was PLN 2,412 thousand as at 30 September 2011 (PLN 75 thousand as at 31 December 2010). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 September 2011 was PLN 89 thousand (PLN 173 thousand as at 31 December 2010).

Contingent liabilities relating to promissory notes

As at 30 September 2011, the Company had contingent liabilities relating to promissory notes in the total amount of PLN 22 thousand (excluding blank promissory notes). Furthermore, as at 30 September 2011 the Company had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

23. Events subsequent to the reporting date

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

On 28 October 2011 Cyfrowy Polsat entered into an agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited for the acquisition of 100% shares of INFO-TV-FM Sp. z o.o. for the amount of PLN 28,962,542.46.

The ownership of shares of INFO-TV-FM Sp. z o.o. shall be transferred to the Company following fulfillment of the conditions precedent.

The acquisition agreement was concluded in order to continue realization of Cyfrowy Polsat S.A. Group's ("Group") strategy which aims at wide distribution of content using all modern technologies. With this company the Group will be able to expand its business with services provided on mobile devices, which fits well into the Group's business plans and market development trends as well as consumer expectations.

24. Accounting estimates and judgements

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed financial statements were the same as adopted in preparation of financial statements for the year ended 31 December 2010.