CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the three-month period ended March 31, 2012

Warsaw, May 15, 2012

Table of contents

Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group in the three-month period ended March 31, 2012

Interim condensed consolidated financial statements for the three months ended March 31, 2012

Interim condensed financial statements for the three months ended March 31, 2012

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 Management Board's report on activities of the Capital Group 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 from 2011; "**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 as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service; „**churn Family Package**" and „**churn Mini Package**" relates to churn rate calculated for the Family Package and Mini Package, respectively; „**SAC**" relates to the sum of cost of commissions payable to distributors per each attracted customer; "**Audience share**" relates to percentage of television viewers tuned to a particular channel during a given period, expressed as a percentage of the total number of people watching TV, we present data after Nielsen Audience Measurement (NAM), 16-49, all day; "**Advertising market share**" relates to the share of Cyfrowy Polsat Capital Group revenues from advertising and sponsoring in the total revenues from TV advertising in Poland, the source of our data is Starlink; "**Power ratio**" relates to a ratio of advertising market share to audience share in the group All 4+; "**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.; "**VoD**" or "**VOD - Home Movie Rental**" relates in general to our services from the video on demand category, while "**nVoD**" relates to our service "VoD Home Movie Rental" - on TV; "**PPV**" relates to pay-per-view, pay access to chosen programming content; "**Catch-up TV**" relates to services enabling access to chosen programming content for a certain period of time after the original broadcast on TV channel; „**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; "**CPT**" relates to Cyfrowy Polsat Technology Sp. z o.o.; "**CPTM**" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "**Cyfrowy Polsat Finance**", "**CP Finance**" relate to Cyfrowy Polsat Finance AB (publ), Cyfrowy Polsat subsidiary registered in Sweden; "**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 HD**" relates to our channel on which we broadcast the content of our main channel in HD technology; "**Polsat Sport**" relates to our sport channel dedicated to Polish sports and major sports events; "**Polsat Sport 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 mainly on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone; "**Polsat Crime & Investigation Network**" relates to the criminal channel, that enriched our thematic channels portfolio in November 2011; „**Shares**" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013; "**Senior Facilities**" relates to senior secured facilities under Senior Facilities Agreement ("**SFA**") with a syndicate of banks including Term Facility Loan **("Term Facility**") of PLN 1,400,000,000 (not in thousands) maturing December 31, 2015; and Senior Secured Revolving Facility Loan ("**Revolving Facility**") of up to PLN 200,000,000 (not in thousands) maturing December 31, 2015; "**Bridge Loan**" relates to senior secured bridge facility of EUR 350,000,000 (not in thousands) with a syndicate of banks, that was fully repaid on May 20, 2011; "**Senior Notes**" or "**Notes**" relates to 7.125% senior secured notes of EUR 350,000,000 (not in thousands) issued by Cyfrowy Polsat Finance AB on May 20, 2011; "**Indenture**" relates to the indenture dated May 20, 2011 governing the 7.125% Senior Notes; "**PLN**" or "**zloty**" refers to the lawful currency of Poland; "**USD**" or "**dollars**" refers to the lawful currency of the United States of America; and "**EUR**" or "**euro**" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Financial and operating data

This 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 months ended March 31, 2012 and quarterly condensed financial statements for 3 months ended March 31, 2012. 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:

- Eurostat, for data relating to the Polish economy and GDP growth;
- Nielsen Audience Measurement;
- Starlink, Advertising market in Poland after the first quarter of 2012;
- ZenithOptimedia and
- Operators functioning on the Polish market.

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

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

1. Introduction

We are a leading integrated multimedia group in Poland with the number one position in subscriber based pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat. Additionally to DTH offer, we provide to our subscribers broadband Internet and mobile telephony services. From April 2012, within our Group, there are companies running ipla service – the leader on online video market in Poland.

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

Retail business segment

In pay TV, we are the largest pay TV 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+ and LTE and mobile telephony services (in MVNO model and from April 2012 based on cooperation with Polkomtel S.A., operator of Plus network). As of March 31, 2012 among our subscriber base we had 3,546,713 DTH subscribers, 88,674 users of broadband Internet service and 143,651 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 fifth most widely viewed sports channels in Poland in 2011. In addition, we offer our subscribers 25 HD channels and also provide VoD/PPV, catch-up TV and Multrioom services.

From April 2012, we are the owner of internet TV ipla. Ipla is the leader on online video market in Poland both in terms of availability on various devices (computers/laptops, tablets, smartphones, smart TVs, set-top boxes and game consoles) and quantity of offered content. Ipla has also a leading position in terms of number of users and time spent on watching video content by an average user.

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 2011, approximately 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 March 31, 2012 our sales network included 936 Points of Sales. From April 2012, within strategic partnership with Plus network operator we run cross selling of services. Thanks to that our standard offer is currently available in additional 200 points of sales of Polkomtel S.A. network and in the second half of the year it will be offered in its entire network.

Broadcasting and television production segment

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland – the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number one in terms of audience share with a 16.67% share in the first quarter of 2012. We also broadcast thematic channels, which have a 4.40% combined audience share, and sell advertising on our channels and certain third-party channels. We are a licensed broadcaster of 13 TV channels consisting of general entertainment, sports, news, business, lifestyle, movie and children's channels. Based on data from Starlink, we estimate that we captured a 23.9% share of the approximately PLN 855 million (not in thousands) Polish TV advertising market in the first quarter of 2012.

Our television channels include: POLSAT, Polsat HD, Polsat Sport, Polsat Sport Extra, Polsat Futbol, Polsat Sport HD, Polsat Film, Polsat Café, Polsat Play, Polsat 2, Polsat News, Polsat Crime & Investigation Network, TV Biznes, Polsat Jim

Jam, Polsat Sport News. POLSAT, our main channel, was the first commercial channel in Poland, that received a nationwide analog license and broadcasts 24 hours a day, seven days a week. It is the number one channel in Poland in terms of audience share. POLSAT airs a broad variety of movies (most of them created in the major US studios), lifestyle programs, news and feature programs, Polish and foreign series as well as popular sport events.

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

Polsat Sport is a sports channel broadcasting major sports events in Poland and worldwide which are mostly broadcasted live (volleyball, athletics, football, handball, world class boxing and MMA contests). Polsat Sport Extra is a sport channel broadcasting premium sport events, primarily Formula One and the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat 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 programs from football clubs. 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. Polsat Crime & Investigation Network is our criminal channel, that takes its viewers to the world of crime, providing the insight to criminal laboratories, police archives and courtrooms. This channel enriched our thematic channels portfolio in November 2011. 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

Placing of order concerning the purchase of data transfer services from Mobyland Sp. z o.o.

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

The order included the purchase of 13 million GB of data transfer service with the guaranteed utilization period till December 31, 2015, with a possible extension of the term. The net price of 1 MB is PLN 0.00774. The payment for the order will be done in 12 equal monthly installments, starting from January 2012.

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

On January 30, 2012, 100% shares in the share capital of INFO-TV-FM Sp. z o.o. (INFO-TV-FM) were transferred to the Company following the fulfillment of all conditions precedent included in the acquisition agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited dated October 28, 2011. The total price for the shares amounted to PLN 29,033,202.19 (not in thousands).

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

Acquisition of internet television ipla

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

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

The price for shares in the companies abovementioned and the amount necessary to repay current bank and trade liabilities of those companies amounted to PLN 150 million. The transfer of the legal rights to the acquired shares and the payment for the shares was effectuated on April 2, 2012.

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

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

Launching cooperation with Polkomtel S.A.

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

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

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

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

Presentation of new service – "TV Mobilna"

In March this year, the Company announced a new service – "TV Mobilna" (mobile TV) - to be introduced to the offer. Mobile TV services will be delivered based on DVB-T technology within the multiplex dedicated to mobile terrestrial digital television, on the frequencies owned by our subsidiary INFO-TV-FM. Broadcasting of channels will be supported by Info TV Operator's infrastructure comprising a network of 31 radio transmitters in the largest Polish cities. The target group for this service has been defined as customers located within the technical reach and owning a mobile device. Multiplex is expected to reach nearly 5 million households and about 15 million people. Pay packages of channels will be available both for retail and wholesale customers. Wholesale services will be provided by INFO-TV-FM.

"TV Mobilna" will provide a free access to all FTA channels and paid access to 8 television and 12 radio channels in subscription model, involving subsidizing of equipment. The reception of channels on mobile devices will be possible thanks to a new appliance in Cyfrowy Polsat's offer – mobile set-top box M-T 5000 – connected through WI-FI network to the terminal, ex. smartphone or tablet. The service will be also available through the latest model of DVB-T set-top box manufactured in Cyfrowy Polsat Technology factory – T-HD 1000.

Novelties in the offer of retail segment

Aiming at constant increase in satisfaction of our subscribers, we introduced a number of innovations to our offer.

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

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

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

In the first quarter of 2012, we also enriched our portfolio of channels offered in pay-TV packages. We introduced 5 new thematic channels: AXN Spin HD, BBC HD, History HD, ID Investigation Discovery and TTV. Thus the number of HD channels available on the platform increased to 25.

We also took care of our internet customers. For the clients who already have their own equipment enabling to connect with the network, i.e. modem or laptop, notebook or tablet with built-in modem, we launched a promotion "Internet dla każdego – tylko SIM" ("Internet for everyone – only SIM") including a choice of one of three packages: 3GB, 5GB and 10GB without the need to buy or lease a modem from us. We have also introduced to our offer the latest model of Samsung tablet - Galaxy Tab 8.9 LTE at a promotional price together with our LTE internet service.

3. Summary historical financial data

The following tables set out our summary historical interim consolidated financial information for the three months ended March 31, 2012 and March 31, 2011. The information shall be read in conjunction with interim condensed consolidated financial statements for the three-month period ended March 31, 2012 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 March 31, 2012 and March 31, 2011 have been converted into euro at a rate of PLN 4.2328 per €1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to March 31, 2012);

- from the consolidated balance sheet data as at March 31, 2012 and December 31, 2011 and March 31, 2011 have been converted into euro at a rate of PLN 4.1616 per €1.00 (an exchange rate published by NBP on March 31, 2012).

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

	For the three-month period ended March 31,			
	2012		2011	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated Income Statement				
Retail subscribtion	429,588	101,490	388,108	91,691
Advertising and sponsorship revenue	201,571	47,621	1,408	333
Revenue from cable and sattellite operator fees	23,329	5,511	-	-
Sale of equipment	2,720	643	6,474	1,529
Other revenue	16,919	3,997	6,789	1,604
Revenue	**674,127**	**159,263**	**402,779**	**95,157**
Cost of services, products, goods and materials sold	(365,558)	(86,363)	(208,154)	(49,176)
Selling expenses	(54,655)	(12,912)	(54,322)	(12,834)
General and administrative expenses	(41,166)	(9,725)	(24,858)	(5,873)
Total operating costs	**(461,379)**	**(109,001)**	**(287,334)**	**(67,883)**
Other operating income	762	180	7,742	1,829
Other operating costs	(10,520)	(2,485)	(27,188)	(6,423)
Profit from operating activities	**202,990**	**47,956**	**95,999**	**22,680**
Finance income	100,147	23,660	1,615	382
Finance costs	(57,599)	(13,608)	(3,982)	(941)
Share in net income of investments accounted for under the equity method	730	172	-	-
Gross profit	**246,268**	**58,181**	**93,632**	**22,121**
Income tax	(41,159)	(9,724)	(17,234)	(4,072)
Net profit / (loss)	**205,109**	**48,457**	**76,398**	**18,049**
Basic and diluted earnings per share (not in thousands)	0.59	0.14	0.28	0.07
Weighted average number of issued ordinary shares (not in thousands)	348,352,836		268,325,000	
Consolidated Cash Flow Statement				
Cash flow from operating activities	224,709	53,088	(5,146)	(1,216)
Cash flow from investing activities	(24,143)	(5,704)	(11,597)	(2,740)
Cash flow from financing activities	(52,972)	(12,515)	146,191	34,538
Net change in cash and cash equipments	147,594	34,869	129,448	30,582
Other consolidated financial data				
Depreciation and amortization and impairment allowance	54,433	12,860	28,340	6,695
EBITDA[1]	257,423	60,816	124,339	29,375
EBITDA margin	38.2%	38.2%	30.9%	30.9%
Operating margin	30.1%	30.1%	23.8%	23.8%
Capital expenditures[2]	20,804	4,915	11,386	2,690

[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					
	March 31, 2012		December 31, 2011		March 31, 2011	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated balance sheet						
Cash and cash equivalents	422,627	101,554	277,534	66,689	156,414	37,585
Assets	5,502,754	1,322,269	5,325,168	1,279,596	1,226,854	294,803
Non-current liabilities	2,394,601	575,404	2,476,485	595,080	77,192	18,549
Current liabilities	1,017,386	244,470	952,640	228,912	645,326	155,067
Equity	2,090,767	502,395	1,896,043	455,604	504,336	121,188
Share capital	13,934	3,348	13,934	3,348	10,733	2,579

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 March 31, 2012:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2012
Parent Company			
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a
Subsidiaries			
Cyfrowy Polsat Technology Sp. z o.o.*	Łubinowa 4a, Warsaw	production of set-top boxes	100%
Cyfrowy Polsat Trade Marks Sp. z o.o.*	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%
Cyfrowy Polsat Finance AB*	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%
Telewizja Polsat Sp. z o.o.*	Ostrobramska 77, Warsaw	television and advertising activities	100%
RS TV S.A.*	Chorzewska 15, Radom	terrestrial transmission	100%
Polsat Media Sp. z o.o.*	Ostrobramska 77, Warsaw	advertising activities	100%
Media-Biznes Sp. z o.o.*	Stanów Zjednoczonych 53, Warsaw	television activities	100%
Polsat Futbol Ltd.*	Office 1D 238-246 King Street London W6 0RF, UK	television activities	100%
Nord License AS*	Vollsvseien 13B Lysaker, Norway	trade of programming licenses	100%
Polsat License Ltd.*	Poststrasse 9 6300 Zug, Switzerland	trade of programming licenses	100%
INFO-TV-FM Sp. z o.o.**	Łubinowa 4a, Warsaw	radio and TV activities	100%

* consolidation using full method

** consolidation using full method from January 30, 2012

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2012
Polsat Jim Jam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%
Polski Operator Telewizyjny Sp. z o.o.*	Huculska 6, Warsaw	radio communications and radio diffusion	50%

* the company has suspended operations

Additionally, the shares in the following entities were included in the consolidated financial statements:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2012
Karpacka Telewizja Kablowa Sp. z o.o.*	ul. Chorzowska 3, Radom	dormant	85%

* Investment accounted for at cost less any accumulated impairment losses

As at March 31, 2012, 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

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

On January 30, 2012, 100% shares in the share capital of INFO-TV-FM Sp. z o.o. (INFO-TV-FM) were transferred to the Company following the fulfillment of all conditions precedent included in the acquisition agreement with Narodowy Fundusz Inwestycyjny Magna Polonia S.A. and Evotec Management Limited dated October 28, 2011. The total price for the shares amounted to PLN 29,033,202.19 (not in thousands).

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

Acquisition of internet television ipla

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

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

The price for shares in the companies abovementioned and the amount necessary to repay current bank and trade liabilities of those companies amounted to PLN 150 million. The transfer of the legal rights to the acquired shares and the payment for the shares was effectuated on April 2, 2012.

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

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

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

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

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

On March 21, 2012, Pola Investments Ltd. (Pola) acquired by way of donation from Mr. Zygmunt Solorz-Żak the total of 10,603,750 of the Company's shares. On the same day, Pola Investments Ltd. disposed 25,341,272 of the Company's shares to Sensor Overseas Ltd. seated in Nicosia, Cyprus.

As of March 12, 2012, i.e. the day of publication of the last financial report, Pola Investments Ltd. held 168,941,818 of the Company's shares constituting 48.5% of the Company's share capital and representing 335,884,319 votes at the general meeting of the Company, which constituted 63.64% of the total number of votes in the Company. After the transactions abovementioned and as of the day of publication of this quarterly report, Pola Investments Ltd. holds 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the general meeting of the Company, which constitutes 58.11% of total number of votes in the Company.

Prior to the transactions Mr. Zygmunt Solorz-Żak held the total of 179,545,568 of the Company's shares constituting 51.54% of the share capital of the Company and representing 357,091,819 votes at the general meeting, which constituted 67.66% of the total number of votes in the Company, and included:

- directly controlled shares: 10.603.750 privileged registered shares constituting 3.04% of the Company's share capital and representing 21,207,500 votes at the general meeting of the Company, which constituted 4.02% of the total number of votes in the Company, and

- shares controlled indirectly through Pola: 168,941,818 shares constituting 48.5% of the Company's share capital and representing 335,884,319 votes at the general meeting of the Company, which constituted 63.64% of the total number of votes in the Company.

After the transactions abovementioned and as of the day of publication of this quarterly report, Mr. Zygmunt Solorz-Żak does not hold directly any Company's shares but indirectly through Pola he holds 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the general meeting of the Company, which constitutes 58.11% of total number of votes in the Company.

Prior to the transactions, Sensor Overseas Ltd. did not hold any shares of the Company. After the transfer of shares and as of the day of publication of this quarterly report Sensor holds 25,341,272 of the Company's shares constituting 7.27% of the Company's share capital and representing 50.382.647 votes at the general meeting of the Company, which constitutes 9.55% of total number of votes in the Company. Sensor Overseas' holding entity is Mr. Heronim Ruta, Member of the Supervisory Board 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 May 15, 2012, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (annual report for 2011) on March 12, 2012. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Management Board Member	Balance as of March 12, 2012	Increases	Decreases	Balance as of May 15, 2012
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 May 15, 2012, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (annual report for 2011) on March 12, 2012. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Supervisory Board Member	Balance as of March 12, 2012	Increases	Decreases	Balance as of May 15, 2012
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	179,545,568	-	25,341,272	154,204,296
Heronim Ruta[2] Member of the Supervisory Board	0	25,341,272	-	25,341,272

[1] Mr. Zygmunt Solorz-Żak controls indirectly through Pola Investments Ltd. 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Meeting of the Company, which constitutes 58.11% of total number of votes in the Company.

[2] Mr. Heronim Ruta controls indirectly through Sensor Overseas Ltd. 25,341,272 of the Company's shares constituting 7.27% of the Company's share capital and representing 50,382,647 votes at the General Meeting of the Company, which constitutes 9.55% of total number of votes in the Company.

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

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

The Parent received UOKiK's decision No. 11/2009 dated December 31, 2009 whereby the President of UOKiK confirmed that certain statements included in the Company's service delivery regulations in force prior to November 1, 2009, were breaching the collective interests of consumers. 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, that 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 February 16, 2007 UOKiK 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 Competition and Consumers Protection Act dated February 16, 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 April 14, 2010, the President of UOKiK called for the appeal to be dismissed in full.

On August 12, 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 October 10, 2011 the Parent filed an appeal to the Polish Competition and Consumer Protection Court. 26 April 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500,000 (not in thousands). The ruling is enforceable, but both parties may further appeal to the Supreme Court.

As at the date of approval of these financial statements, no changes occurred in respect of the above.

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. On January 26, 2012, the Supreme Court has cancelled the judgment in full and turned the matter back for reappraisal. The date of the hearing before the Court of Appeal was set to June 15, 2012.

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

Legal regulations in Poland require broadcasters to pay various royalties to the organizations of authors, artists and professionals in the entertainment industry ("OZZPA") for the use of content produced by third parties. As at March 31, 2012, the Company's subsidiary, Telelewizja Polsat Sp. z o.o., was in a dispute with some of the OZZPA in respect of the validity, nature and the amount of the royalty fees for the rights belonging to the authors represented by such organizations. As at March 31, 2012, OZZPA filed claims against Telewizja Polsat Sp. z o.o. for the principal amount of PLN 10,560,000 (not in thousands) plus interest.

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

In the three-month period ended March 31, 2012 we did not conclude any material transactions with related parties on conditions other than market conditions.

11. Information on guarantees granted by the Company or subsidiaries

In the three-month period ended March 31, 2012 neither us, nor any of our affiliates or subsidiary companies had granted any guarantees to another entity.

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

12.1. Revenue

Revenue is derived from (i) retail sales, (ii) 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 sales 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) 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 target group. We set and publish rate-card prices on monthly basis. Rate-card pricing is, on average, higher than GRP pricing, as advertisers select the specific advertising breaks, which they believe best meet their marketing objectives. We determine the placement of advertising breaks sold on a GRP basis based on the availability of airtime after the booking of rate-card sales, and advertisers only pay for the actual number of rating points delivered in the relevant commercial breaks.

Revenue from cable TV and satellite operators

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

Sale of equipment

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

Other revenue

Other revenue sources consist primarily of revenue from:

(i) the lease of premises and facilities;
(ii) transmission services;
(iii) sales of licenses, sublicenses and property rights;
(iv) revenue from phone calls to call center;
(v) other services.

12.2. Operating costs

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

Programming costs

Programming costs consist of:

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

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

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

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of (i) commissions due to distributors consisting of amounts due both to distributors and retail points of sale when they conclude sale or retention agreements with our subscribers for DTH, broadband Internet and mobile telephony services and (ii) costs of courier services, distribution of 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.

Depreciation, amortization and impairment

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

Salaries and employee-related costs

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries and social security contributions of factory employees, which are included in the costs of manufacturing 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 settlements with mobile network operators and interconnection charges

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

Cost of 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) taxes and other charges,
(viii) the cost of licenses and other current assets sold,
(ix) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production and
(x) other costs.

12.3. Other operating income

Other operating income consists of:

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

12.4. Other operating costs

Other operating costs consist of:

(i) bad debt allowance and the cost of receivables written off,

(ii) inventory impairment write-downs,
(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 net foreign exchange losses on the valuation of Senior Notes denominated in euro as well as other realized and unrealized gains on exchange rates and interest income.

12.6. Finance costs

For the presented periods, finance costs primarily comprised interest accrued on our loans and borrowings and Senior Notes.

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 March 31		
	2012	**2011**	**Change / %**
Number of subscribers at end of period, of which:	**3,553,341**	**3,469,696**	**2.4%**
Family Package	2,797,114	2,725,525	2.6%
Mini Package	756,227	744,171	1.6%
Average number of subscribers[1], of which:	**3,554,875**	**3,466,101**	**2.6%**
Family Package	2,791,983	2,740,044	1.9%
Mini Package	762,892	726,057	5.1%
Churn rate of which:	**9.0%**	**9.6%**	**-0.6 p.p.**
Family Package	9.5%	11.0%	-1.5 p.p.
Mini Package	7.4%	7.8%	-0.4 p.p.
Average revenue per user (ARPU) (PLN), of which:	**38.9**	**36.8**	**5.7%**
Family Package (PLN)	45.9	43.6	5.3%
Mini Package (PLN)	13.6	11.4	19.3%
Subscriber average cost (SAC) (PLN)	**112.5**	**123.7**	**-9.1%**

[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 2.4%, to approximately 3,553.3 thousand subscribers as of March 31, 2012 from approximately

3,469.7 thousand subscribers as of March 31, 2011. Family Package subscribers constituted 78.7% and 78.6% of our entire subscriber base as of March 31, 2012 and 2011, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same twelve-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service. Our churn rate has decreased to 9,0% from 9.6% for the twelve-month period ended March 31, 2012 and March 31, 2011, respectively with the churn rate of the Family Package decreasing by 1.5 percentage point and the churn rate of Mini Package decreasing by 0.4 percentage points. Our churn rate decreased as a result of our attractive retention offers and thanks to our attention to maintain high satisfaction of our customers.

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. ARPU increased by 5.7% to PLN 38.9 in the first quarter of 2012 from PLN 36.8 in the first quarter of 2011. Family Package ARPU increased by 5.3%, to PLN 45.9 in the first quarter of 2012 from PLN 43.6 in the first quarter of 2011. Mini Package ARPU increased by 19.3%, to PLN 13.6 in the first quarter of 2012 from PLN 11.4 in the first quarter of 2011. The increase in ARPU resulted i.a. from the revenue from additional services (VoD) and increasing number of subscribers to higher packages.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 9.1% to PLN 112.5 in the first quarter of 2012 from PLN 123.7 in the first quarter of 2011.

Television broadcasting and production segment

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

	3 months ended March 31,		
	2012	**2011**	***Change / %***
Audience share[1], including:	**21.08%**	**19.65%**	**7.28%**
POLSAT (main channel)	**16.67%**	**15.88%**	**4.97%**
Thematic channels	**4.40%**	**3.77%**	**16.71%**
Polsat2	1.34%	1.26%	6.35%
Polsat News	0.70%	0.59%	18.64%
Polsat Sport	0.62%	0.48%	29.17%
Polsat Film	0.38%	0.39%	-2.56%
Polsat JimJam	0.38%	0.34%	11.76%
Polsat Cafe	0.34%	0.29%	17.24%
Polsat Play	0.32%	0.26%	23.08%
Polsat Sport Extra	0.14%	0.11%	27.27%
Polsat Crime & Investigation Network	0.13%	n/a	--
TV Biznes	0.03%	0.03%	0.00%
Polsat Futbol	0.01%	0.02%	-50.00%
Advertising market share[2]	**23.9%**	**21.3%**	**12.5%**

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

Polsat channels; technical reach[1]

	Three months ended March 31,		
	2012	**2011**	***Change / %***
Polsat	98.4	96.9	1.5%
Polsat 2	57.6	51.1	12.7%
TV Biznes	51.8	48.5	6.9%
Polsat News	49.1	40.6	20.9%
Polsat Cafe	48.3	42.7	13.0%
Polsat Sport	43.5	39.2	11.0%
Polsat Play	38.8	33.0	17.7%
Polsat JimJam	37.2	32.9	13.0%
Polsat Film	36.1	31.1	16.2%
Polsat Sport News[2]	32.5	n/a	--
Polsat Sport Extra	31.0	29.0	6.8%
Polsat Crime & Investigation Network[3]	28.6	n/a	--
Polsat Futbol	15.9	13.0	22.6%
Polsat Sport HD[4]	5.8	1.2	404.3%

[1] NAM, percentage of households which have a possibility to watch pointed channel; arithmetical average of monthly technical reach
[2] Data only for 3 months 2012 (not monitored before)
[3] Polsat Crime & Investigation Network, based on cooperation of Telewizja Polsat and A+E Networks UK, is broadcasted from November 2011
[4] Data for 1Q 2011 include the period February-March (not monitored before)

Audience share

Viewers were attracted by the fixed slots on the POLSAT channel's schedule, such as Monday's cycle *Mega Hit*, that gathered on average 1.5 million viewers in the first quarter of 2012, which translated into 22.5% audience share, Wednesday's comedy slot (at 8:00 pm) gathering 1.4 million viewers (22.2% audience share), series *Pierwsza milosc* (Monday-Friday, 6 pm; 1.4 million viewers, 27.3% audience share). The results of the first quarter were significantly influenced by the novelties in the channel's spring schedule: the new edition of talent show *Must be the Music – Tylko muzyka* (Sunday, 8 pm), in March it gathered over 2 million viewers in the commercial group which constituted 27.3% audience share, as well as the Friday's new talent show *Got to Dance – Tylko taniec* (1.4 million viewers, 22.7% audience share). In case of the thematic channels, the highest growth in audience share in the first quarter of 2012 was recorded by Polsat Sport, Polsat News, Polsat Play and Polsat Cafe. The audience results of Polsat Group include also the audience of the new channel Polsat Crime & Investigation Network, launched in November 2011, whose audience share in the first quarter of 2012 reached 0,13%.

Advertising market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first quarter of 2012 amounted to PLN 855 million (not in thousands) and decreased year-on-year by 1.9%. Based on these data, we estimate that our TV advertising market share in the first quarter of 2012 increased y-o-y to 23.9% from 21.3% share in TV advertising expenditures in the first quarter of 2011. The increase was mainly due to our strong performance in terms of audience share that improved for both our main channel POLSAT and our thematic channels as well as the ability to generate more Gross Rating Points (advertising, sponsorship and paid announcements audience). In total, in the first quarter of 2012 we generated 11.6% more GRPs than in the analogical period of the previous year.

Distribution and technical reach

Thematic channels of Polsat Group are currently available on almost all significant cable and satellite platforms. We observe significant increases in the distribution and technical reach in the first quarter of 2012 compared to the first quarter of 2011 resulting from the introduction of some of the channels of the Group to "n" platform in May 2011.

12.7.2. Review of the financial situation

The following review of results for the three-month period ended March 31, 2012 was prepared based on the interim condensed consolidated financial statements for the three-month period ended March 31, 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union as of January 1, 2012 and internal analysis.

All financial data is expressed in thousands of PLN.

Comparison of financial results for the three-month period ended March 31, 2012 with the results for the corresponding period of 2011

Revenue

Our total revenue increased by PLN 271,348, or 67.4%, to PLN 674,127 for the three-month period ended March 31, 2012 from PLN 402,779 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, our total revenue increased by PLN 36,559, or 9.1%, to PLN 439,338 for the three-month period ended March 31, 2012 from PLN 402,779 for the three-month period ended March 31, 2011. Revenue grew for the reasons set forth below.

Retail sales

Revenue from retail sales increased by PLN 41,480, or 10.7%, to PLN 429,588 for the three-month period ended March 31, 2012 from PLN 388,108 for the three-month period ended March 31, 2011. This increase primarily resulted from the increase in DTH subscription fee revenue (attributable to a higher average number of subscribers in the first quarter of 2012 compared to the first quarter of 2011 and an increase in ARPU) and the increase in revenue from telecommunication services. The acquisition of TV Polsat Group did not impact the retail subscription revenue.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 200,163 to PLN 201,571 for the three-month period ended March 31, 2011 from PLN 1,408 for the three-month period ended March 31, 2012. This increase is primarily an effect of advertising and sponsorship revenue of TV Polsat Group in the amount of PLN 200,954 (after consolidation adjustments). Excluding the effect of consolidation of TV Polsat Group, the revenue from advertising (previously presented in the other revenue from sales) decreased by PLN 743, or 52.8%, to PLN 665 for the three-month period ended March 31, 2012 from PLN 1,408 for the three-month period ended March 31, 2011.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees relates solely to revenue of TV Polsat Group. This revenue was consolidated in the first quarter of 2012 in the amount of PLN 23,329 (after consolidation adjustments).

Sale of equipment

Revenue from the sale of equipment decreased by PLN 3,754, or 58.0%, to PLN 2,720 for the three-month period ended March 31, 2012 from PLN 6,474 for the three-month period ended March 31, 2011. This decrease was a net effect of several factors, out of which the most significant were: (i) the change in presentation of CPT's costs and revenues from sale of components for production of own set-top-boxes and modems to third parties (currently, contrary to the first quarter of 2011, the costs and revenues are presented in net amount, and the margin is not charged), (ii) lower revenues from sale of DTH antennas, (iii) increased sales of modems, tablets, Internet antennas and routers. Consolidation of TV Polsat Group did not significantly impact revenue from sale of equipment.

Other revenue

Other revenue increased by PLN 10,130, or 149.2%, to PLN 16,919 for the three-month period ended March 31, 2012 from PLN 6,789 for the three-month period ended March 31, 2011. 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 440, or 6.5%, to PLN 6,349 for the three-month period ended March 31, 2012 from PLN 6,789 for the three-month period ended March 31, 2011.

Total operating costs

	For the three-month period ended March 31,		
	2012	**2011**	**Change / %**
Programming costs	100,146	100,264	-0.1%
Cost of internal and external TV production and amortization of sport rigths	78,575	-	n/a
Distribution, marketing, customer relation management and retention costs	74,268	74,081	0.3%
Depreciation, amortization and impairment	54,433	28,340	92.1%
Salaries and employee-related costs	40,597	22,388	81.3%
Broadcasting and signal transmission costs	33,671	20,425	64.9%
Amortization of purchased film licenses	28,040	-	n/a
Cost of settlements with mobile network operations and interconnection charges	10,535	5,298	98.8%
Cost of equipment sold	5,497	14,775	-62.8%
Other costs	35,617	21,763	63.7%
Total operating costs	**461,379**	**287,334**	**60.6%**

Total operating costs increased by PLN 174,045, or 60.6%, to PLN 461,379 for the three-month period ended March 31, 2012 from PLN 287,334 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, our total operating costs increased by PLN 20,291, or 7.1%, to PLN 307,625 for the three-month period ended March 31, 2012 from PLN 287,334 for the three-month period ended March 31, 2011. Costs grew for the reasons set forth below.

Programming costs

Programming costs decreased by PLN 118, or 0.1%, to PLN 100,146 for the three-month period ended March 31, 2012 from PLN 100,264 for the three-month period ended March 31, 2011. Excluding the consolidation of TV Polsat Group, programming costs increased by PLN 7,741, or 7.7%, to PLN 108,005 for the three-month period ended March 31, 2012 from PLN 100,264 for the three-month period ended March 31, 2011. This increase is a net effect of currency fluctuations (increase in costs) and other factors such as the increase in the average number of our DTH subscribers and lower costs of programming content.

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

The cost of internal and external production and amortization of sport rights relates solely to costs of TV Polsat Group. These costs were consolidated in the first quarter of 2012 in the amount of PLN 78,575.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 187, or 0.3%, to PLN 74,268 for the three-month period ended March 31, 2012 from PLN 74,081 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, these remained at almost unchanged level year-on-year and amounted to PLN 74,090 for the three-month period ended March 31, 2012.

Depreciation, amortization and impairment

Depreciation, amortization and impairment cost increased by PLN 26,093, or 92.1%, to PLN 54,433 for the three-month period ended March 31, 2012 from PLN 28,340 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 14,795, or 52.2%, to PLN 43,135 for the three-month period ended March 31, 2012 from PLN 28,340 for the three-month period ended March 31, 2011. The increase in depreciation, amortization and impairment was caused primarily by an increase in depreciation of set-top boxes (accounted for as fixed assets) resulting from the higher number of set-top boxes leased to our subscribers.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 18,209, or 81.3%, to PLN 40,597 for the three-month period ended March 31, 2012 from PLN 22,388 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, these costs increased by PLN 1,401, or 6.3%, to PLN 23,789 for the three-month period ended March 31, 2012 from PLN 22,388 for the three-month period ended March 31, 2011. The increase was mainly due to development of our activities.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 13,246, or 64.9%, to PLN 33,671 for the three-month period ended March 31, 2012 from PLN 20,425 for the three-month period ended March 31, 2011. This increase is primarily an effect of consolidation of broadcasting and signal transmission costs of Broadcasting and television production segment (TV broadcasting costs, including mainly rental costs of transponder capacity and analogue and digital terrestrial transmission signal). Excluding the effect of consolidation of TV Polsat Group, signal transmission costs increased by PLN 1,343, or 6.6%, to PLN 21,768 for the three-month period ended March 31, 2012 from PLN 20,425 for the three-month period ended March 31, 2011, mainly due to currency fluctuations (weakening of the Polish currency).

Amortization of purchased film licenses

The cost of amortization of purchased film licenses relates solely to costs of Broadcasting and television production segment. These costs were consolidated in the first quarter of 2012 in the amount of PLN 28,040.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 5,237, or 98.8%, to PLN 10,535 for the three-month period ended March 31, 2012 from PLN 5,298 for the three-month period ended March 31, 2011. The increase resulted primarily from the growth of the base of subscribers to Internet access service. Consolidation of TV Polsat Group did not have an effect on cost of settlements with mobile network operators and interconnection charges.

Cost of equipment sold

Cost of equipment sold decreased by PLN 9,278, or 62.8%, to PLN 5,497 for the three-month period ended March 31, 2012 from PLN 14,775 for the three-month period ended March 31, 2011. This decrease was a net effect of several factors, out of which the most significant were: (i) the change in presentation of CPT's costs and revenues from sale of components for production of own set-top-boxes and modems to third parties (currently, contrary to the first quarter of 2011, the costs and revenues are presented in net amount), (ii) significantly lower cost of sales of set-top boxes and hard discs for set-top boxes, resulting from the fact that the majority of our new subscribers prefer to lease rather than purchase set-top-boxes from us. Consolidation of TV Polsat Group did not have a significant effect on cost of equipment sold.

Other costs

Other costs increased by PLN 13,854, or 63.7%, to PLN 35,617 for the three-month period ended March 31, 2012 from PLN 21,763 for the three-month period ended March 31, 2011. Excluding the consolidation of TV Polsat Group, other costs decreased by PLN 974, or 4.5%, to PLN 20,789 for the three-month period ended March 31, 2012 from PLN 21,763 for the three-month period ended March 31, 2011.

Other operating income

Other operating income decreased by PLN 6,980, or 90.2%, to PLN 762 for the three-month period ended March 31, 2012 from PLN 7,742 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, other operating income decreased by PLN 7,158, or 92.5%, to PLN 584 for the three-month period ended March 31, 2012 from PLN 7,742 for the three-month period ended March 31, 2011. The decrease resulted mainly from a decrease in other income related to the recognition of CPT's revenues in the first quarter of 2011 from sale of equipment for testing modems (no such position in the first quarter of 2012).

Other operating costs

Other operating costs decreased by PLN 16,668, or 61.3%, to PLN 10,520 for the three-month period ended March 31, 2012 from PLN 27,188 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, other operating costs decreased by PLN 17,176, or 63.2%, to PLN 10,012 for the three-month period ended March 31, 2012 from PLN 27,188 for the three-month period ended March 31, 2011. The decrease was a net effect of several factors, including: (i) lower bad debt allowance and receivables written off, (ii) a decrease in other costs related to the recognition of CPT's costs in the first quarter of 2011 from sale of equipment for testing modems (no such position in the first quarter of 2012).

Finance income

Finance income increased by PLN 98,532, to PLN 100,147 for the three-month period ended March 31, 2012 from PLN 1,615 for the three-month period ended March 31, 2011. The increase resulted primarily from: (i) recognition of gains on foreign exchange fluctuations in the first quarter of 2012 relating to the valuation of Senior Notes (no such position in the first quarter of 2011), (ii) higher other gains on exchange rate fluctuations (including PLN 2,665 recognized by TV Polsat Group), (iii) higher interest income in the first quarter of 2012 (including PLN 3,145 recognized by TV Polsat Group).

Finance costs

Finance costs increased by PLN 53,617 to PLN 57,599 for the three-month period ended March 31, 2012 from PLN 3,982 for the three-month period ended March 31, 2011. Excluding the effect of consolidation of TV Polsat Group, finance costs increased by PLN 54,521, to PLN 58,503 for the three-month period ended March 31, 2012 from PLN 3,982 for the three-month period ended March 31, 2011. The increase was primarily due to the debt financing costs relating to the acquisition of TV Polsat (interest costs on Term Facility Loan and Senior Notes).

Net profit

Net profit for the first quarter of 2012 increased by PLN 128,711, or by 168.5%, to PLN 205,109 from PLN 76,398 in the first quarter of 2011.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 133,084, or 107.0%, to PLN 257,423 in the first quarter of 2012 from PLN 124,339 for the first quarter 2011. EBITDA margin increased to 38.2% for the first quarter of 2012 from 30.9% for the first quarter of 2011. Excluding the impact of TV Polsat Group, EBITDA increased by PLN 41,082, or 33.0%, to PLN 165,421 for the first quarter of 2012. Excluding the effect of consolidation of TV Polsat Group, EBITDA margin increased to 37.7% for the first quarter of 2012 from 30.9% for the first quarter of 2011.

Employment

Average number of employees in Cyfrowy Polsat Group was 1,206 in the three-month period ended March 31, 2012 (excluding production employees whose salaries are included in the costs of equipment sold and costs of internal television production), as compared to 763 in the corresponding period of 2011. The increase in the average number of employees resulted from the acquisition of TV Polsat - we include the employees of TV Polsat Group from the day of the finalization of the acquisition, i.e. April 20, 2011.

Results by business segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

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 programs as well as TV series and feature films broadcasted on television channel in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

The table below presents a summary of the Group's revenues and expenses by operating segment for the period of 3 months ended March 31, 2012:

The period of 3 months ended March 31, 2012	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	438,584	235,543	-	674,127
Inter-segment revenues	754	26,842	(27,596)	-
Revenues	**439,338**	**262,385**	**(27,596)**	**674,127**
EBITDA	**165,420**	**92,003**	**-**	**257,423**
Profit/(loss) from operating activities	**122,285**	**82,001**	**(1,296)**	**202,990**
Acquisition of property, plant and equipment, reception equipment and intangible assets	52,145*	8,158	-	60,303
Depreciation and amortization	41,347	10,002	1,296	52,645
Impairment	1,788	-	-	1,788
Balance as at December 31, 2011				
Assets, including:	5,541,812	741,393**	(780,451)***	5,502,754
Investments in associates	-	3,261	-	3,261

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

** Includes non-current assets located outside of Poland

*** This item relates primarily to elimination of TV Polsat shares and recognition of goodwill and Polsat brand

"Retail" segment was the Group's sole operating segment in the period ended March 31, 2011.

Transactions between operating segments are carried at arm's length.

Reconciliation of EBITDA and Gross profit for the period:

	for 3 months ended	
	March 31, 2012 unaudited	**March 31, 2011 unaudited**
EBITDA	**257,423**	**124,339**
Depreciation, amortization and impairment	(54,433)	(28,340)
Profit from operating activities	**202,990**	**95,999**
Other foreign exchange rate differences, net (note 11)	8,983	1,391
Interest income (note 11)	4,005	224
Share in net income of associates	730	-
Interest costs (note 12)	(56,323)	(1,066)
Foreign exchange differences on bonds (note 11)	87,093	-
Loss on call options (note 12)	-	(2,892)
Other	(1,210)	(24)
Gross profit for the period	**246,268**	**93,632**

Comparison of financial position as of March 31, 2012 and December 31, 2011

As of March 31, 2012 and December 31, 2011, our balance sheet amount was PLN 5,502,754 and PLN 5,325,168 respectively.

As of March 31, 2012 and December 31, 2011, our non-current assets were PLN 4,228,956 and PLN 4,225,320, respectively, and accounted for 76.9% and 79.3% of total assets, respectively.

The value of reception equipment increased by PLN 6,698 or by 1.6%, to PLN 415,308 as of March 31, 2012 from PLN 408,610 as of December 31, 2011 due to an increase in the number of leased satellite equipment.

The value of other property, plant and equipment decreased by PLN 4,577 or by 1.7% to PLN 258,700 as of March 31, 2012 from PLN 263,277 as of December 31, 2011. The decrease was a net effect of several factors including primarily depreciation charges for the period and purchase of equipment for the production of set-top boxes.

The value of goodwill increased by PLN 10,704, or by 0.4%, to PLN 2,422,989 as of March 31, 2012 from 2,412,285 as of December 31, 2011. The increase was due to the initial calculation of the goodwill following the acquisition of INFO-TV-FM.

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

The value of other intangible assets increased by PLN 15,272, or 28.2%, to PLN 69,466 as of March 31, 2012 from PLN 54,194 as of December 31, 2011. The increase resulted primarily from the acquisition of INFO-TV-FM together with reservation of frequencies as well as development works.

The value of non-current programming assets decreased by PLN 39,726, or by 30.3%, to 91,415 as of March 31, 2012 from PLN 131,141 as of December 31, 2011. While the value of current programming assets increased by PLN 38,685, or by 28.1%, to PLN 176,114 as of March 31, 2012 from PLN 137,429 as of December 31, 2011.

Investment property amounted to PLN 8,419 as of March 31, 2012 and remained almost unchanged (decrease by 0.2%) compared to the balance as of December 31, 2011. Total balance relates solely to TV Polsat Group and includes land and buildings for lease.

The value of other non-current assets amounted to PLN 92,159 as of March 31, 2012 and increased by PLN 40,512, or 78.4%, compared to PLN 51,647 as of December 31, 2011. This increase was primarily due to an increase in long-term deferred costs (mainly related to the second order for data transmission service from Mobyland).

As of March 31, 2012 and December 31, 2011, our current assets were PLN 1,273,798 and PLN 1,099,848, respectively, and accounted for 23.1% and 20.7% of total assets, respectively.

The value of inventories increased by PLN 7,249, or 4.1%, to PLN 185,376 as of March 31, 2012 from PLN 178,127 as of December 31, 2011. This change was primarily due to an increase in stock of set-top boxes and stock of materials for production of set-top boxes. The increases were partially offset primarily by a decrease in the stock of removable STB hard disk drives, telephones and modems.

As of March 31, 2012, the Group recognized receivables from loans granted in the amount of PLN 1,102 (no such position as of December 31, 2011). The balance relates to the loan granted to Redefine Sp. z o.o. and accrued interest.

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

The value of trade and other receivables increased by PLN 45,224, or 15.2%, to PLN 342,386 as of March 31, 2012 from PLN 297,162 as of December 31, 2011. The increase resulted mainly from higher trade receivables from third parties partially netted by a decrease in tax and social security receivables.

The value of cash and cash equivalents increased by PLN 145,093, to PLN 422,627 as of March 31, 2012, from PLN 277,534 as of December 31, 2011. This increase resulted primarily from cash generated from operating activities. The increase was partially netted by repayment of capital and interests from SFA as well as investment expenditures.

The value of other current assets decreased by PLN 48,357, or 26.2%, to PLN 136,299 as of March 31, 2012, from PLN 184,656 as of December 31, 2011. This decrease resulted primarily from lower short-term deferred costs, mainly related to the costs of data transmission.

Equity increased by PLN 194,724, or by 10.3%, to PLN 2,090,767 as of March 31, 2012 from PLN 1,896,043 as of December 31, 2011, primarily as a result of profit generated in the first quarter of 2012 and the change in valuation of hedging instruments.

The loans and borrowings liabilities (long and short term) decreased by PLN 22,754 to PLN 1,182,431 as of March 31, 2012, from PLN 1,205,185 as of December 31, 2011. The change was a net effect of primarily (i) repayments of Term Loan and interests and (ii) interest accrued for the first quarter of 2012.

The Senior Notes liabilities (long and short-term) decreased by PLN 61,104, or by 4.0%, to PLN 1,461,473 as of March 31, 2012 from PLN 1,522,577 as of December 31, 2011, primarily due to the decrease in the euro exchange rate used for valuation of the Senior Notes. The decrease was partially netted mainly by the interest accrued for the first quarter of 2012.

The value of other non-current liabilities and provisions increased by PLN 1,282, or by 10.3%, to PLN 13,779 as of March 31, 2012 from PLN 12,497 as of December 31, 2011, primarily due to the increase in the liabilities from financial instruments.

The value of trade and other payables increased by PLN 60,472, or 16.1%, to PLN 435,427 as of March 31, 2012 from PLN 374,955 as of December 31, 2011, mainly as a result of a decrease in trade payables from third parties.

The value of deposits for equipment decreased slightly (by 1.7%) to PLN 12,532 as of March 31, 2012 from PLN 12,744 as of December 31, 2011 due to a decrease in deposits from retail clients partially compensated by an increase in deposits from distributors.

Deferred income increased by PLN 4,769, or 2.6%, to PLN 188,402 as of March 31, 2012 from PLN 183,633 as of December 31, 2011 as a result of 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. In 2011, we used additional source of financing - issue of bonds. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in Polish zloty, we maintain also other currencies, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs, the costs of using the conditional access system, the purchase of set-top-boxes and the purchase of components for in-house manufactured set-top boxes, payments to be made pursuant to agreements with international movie studios and sports federations for programming as well as payments related to service of Senior Notes denominated in euro.

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

External sources of funding, financing and indebtedness

Bank Loans

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

The Senior Facilities Agreement provided for a term facility loan of up to PLN 1,400,000,000 (not in thousands) and a revolving facility loan of up to PLN 200,000,000 (not in thousands). The interest rate applicable for both, the term facility and revolving facility loan, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility loan is to be repaid in quarterly installments in varying amounts commencing June 30, 2011. Both facilities expire on December 31, 2015. As at March 31, 2012 the revolving facility was not used.

We use interest rate swaps to hedge our exposure to volatility in the Term Loan interest payments. These transactions were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 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 TV Polsat. The facilities shall become immediately due upon sale of all or substantially all of the Group or the assets of the Group.

Mandatory prepayments are also required in the following amounts:

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

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

Financial covenants

The loan agreement imposed on the Group the obligation to maintain financial ratios at a certain level. The Debt Service Cover shall be at least 1.4 for a given Period. The Interest Cover shall be at least 2.5 for a given Period. The Total leverage shall not exceed 4.10 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 and foreign exchange rate fluctuations in respect of the amounts outstanding under the term facility and Senior Notes
- all bank accounts shall be opened and maintained with the lending banks
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the majority of banks.

Senior Notes

On May 20, 2011, our solely owned subsidiary Cyfrowy Polsat Finance AB (publ) (the "Issuer"), the Bank of New York Mellon, London Branch (the "Trustee"), the Bank of New York Mellon Luxembourg S.A., and the Initial Guarantors, as defined below, entered into an indenture (the "Indenture") for the issuance by the Issuer of Senior Notes due 2018 (the "Notes") with aggregate principal amount of EUR 350 million (not in thousands). The closing of the sale of the Notes and the issue of the Notes occurred on May 20, 2011 (the "Issue Date"). The Notes were rated 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 accrues at the rate of 7.125% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Notes were issued in minimum denominations of EUR 100,000 (not in thousands) and integral multiples of EUR 1,000 (not in thousands) in excess thereof.

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, the Group concluded CIRS (cross-currency interest rate swap) transaction. These transactions were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011.

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

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

Optional redemption of the Notes

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

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

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

Change of control

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

The following table presents the summary of financial indebtedness of the Group as of March 31, 2012:

	March 31, 2012 in PLN million	**Maturity**
Senior facility[1]	1,182	2015
Revolving Facility[1]	0	2015
Eurobonds	1,461	2018
Leasing	1	2016
Cash and Cash equivalents	423	-
Net Debt	**2,222**	
Comparable 12M EBITDA[2]	887	
Net Debt / 12M EBITDA	**2.51**	

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

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for three-month periods ended March 31, 2012 and March 31, 2011:

	For the three months ended March 31,	
	2012	**2011**
Net cash flow from operating activities	224,709	(5,146)
Net cash flow used in investing activities	(24,143)	(11,597)
Net cash flow from financing activities	(52,972)	146,191
Net increase/(decrease) in cash and cash equivalents	147,594	129,448

Net cash flow from operating activities

Net cash from operating activities amounted PLN 224,709 in the first quarter of 2012 resulting mainly from the net profit of PLN 205,109 adjusted by various elements including primarily: (i) depreciation, amortization and impairment, interest expense and income tax, (ii) net gains on foreign exchange, (iii) a change in liabilities, provisions and deferred income, (iv) an increase in receivables and other assets, (v) amortization of film licenses and sport rights, (vi) a net increase in set-top boxes provided under operating lease, (vii) payments for film licenses and sport broadcasting rights. Net cash from operating activities in the first quarter of 2011 was negative in the amount of PLN 5,146 and it resulted from the net profit of PLN 76,398 adjusted by depreciation, amortization and impairment and income tax and offset primarily by (i) a net increase in set-top boxes provided under operating lease, (ii) a change in receivables and other assets.

Net cash flow used in investing activities

Net cash used in investing activities amounted to PLN 24,143 in the first quarter of 2012 and consisted primarily of the purchase of property, plant and equipment and acquisition of intangible assets. Net cash used in investing activities amounted to PLN 11,597 in the first quarter of 2011 and consisted primarily of acquisition of property, plant and equipment and acquisition of intangible assets.

Net cash flow from financing activities

Net cash used in financing activities amounted to PLN 52,972 in the first quarter of 2012 and consisted primarily of repayment of bank loans in the amount of PLN 26,755 and repayment of interests on loans in the amount of PLN 25,756. Net cash from financing activities amounted PLN 146,191 in the first quarter of 2011 and consisted primarily of cash from current account overdraft in the amount of PLN 146,607, that was partially netted mainly by repayment of interests on loans, borrowings, financial lease and commissions paid in the amount of PLN 1,052.

Capital expenditures

We incurred capital expenditures of PLN 20,804 and PLN 11,385 in the three-month periods ended March 31, 2012 and 2011, respectively. Capital expenditures to revenue ratio amounted 3.1% and 2.8% in the three-month periods ended March 31, 2012 and 2011, respectively. Capital expenditures in the first quarter of 2012 concerned primarily the payments of investment liabilities presented in the financial statement as of December 31, 2011 and the purchase of transmission equipment, technical equipment, equipment for production of set-top boxes, computers and other equipment as well as improvements in our IT systems.

Contractual Obligations

Our most significant contractual obligations (future cash flows) as of March 31, 2012 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	1,466,378	265,712	1,200,666	-
Senior Notes liabilities	2,131,130	103,780	415,120	1,612,230
Commitments to purchase programming asstes	321,792	158,854	162,938	-
Financial leases liabilities	1,047	237	810	-
Operating leases liabilities	722,116	148,188	437,610	136,318
Total contractual liabilities	**4,642,463**	**676,771**	**2,217,144**	**1,748,548**

As of March 31, 2012, most of our contractual liabilities were long-term liabilities due in more than one year.

Off-Balance Sheet Arrangements

Security relating to loans and borrowings

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

Commitments to purchase programming assets

As of March 31, 2012 the Group had outstanding contractual commitments in relation to purchase of programming assets of PLN 321,792.

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

	March 31, 2012 unaudited	December 31, 2011
within one year	6,020	6,702
Total	**6,020**	**6,702**

Total future minimum payments relating to operating lease agreements

As of March 31, 2012 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 722,116.

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

	March 31, 2012 unaudited	December 31, 2011
within one year	16,391	17,248
between 1 to 5 years	34,264	35,463
more than 5 years	312	313
Total	**50,967**	**53,024**

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 7,258 as of March 31, 2012 (PLN 10,613 as of December 31, 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 3,045 as of March 31, 2012 (PLN 3,906 as of December 31, 2011). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as of March 31, 2012 was PLN 709 (PLN 946 as of December 31, 2011).

Contingent liabilities relating to promissory notes

As of March 31, 2012, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 22 (excluding blank promissory notes).

Furthermore, as of March 31, 2012 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

Contingent liabilities related to granted guarantees

On March 26, 2012 the Group commissioned BRE Bank S.A. to grant a guarantee to Polkomtel S.A. amounting to PLN 100. The guarantee secures good performance related to cooperation agreement concluded by the Group and Polkomtel S.A. The guarantee is in force until March 22, 2013.

Information on market risks

Currency risk

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

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

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, the Group concluded CIRS (cross-currency interest rate swap) transaction. These transactions were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011.

Interest rate risk

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

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

In order to reduce interest rate risk exposure resulting from interest payments on floating rate senior facility, the Company stipulated interest rate swaps.

We use interest rate swaps to hedge our exposure to volatility in the Term Loan interest payments. These transactions were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011.

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.

In the time of global economic slowdown, Poland has maintained one of the highest GDP growth rates of any European Union member state. According to Eurostat, in 2011, Polish economy increased by 4.3% compared to 1.5% growth in 27 countries of the European Union. According to forecasts, GDP growth in 2012 will amount to 2.5% in Poland, while in the entire European Union the growth rate will be 0% (data and forecasts according to Eurostat as at April 24, 2012).

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

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 35% (as of three-month period ended March 31, 2012) of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro.

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

Situation on the pay TV market in Poland

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

We estimate the growth potential of the pay TV market at slightly above 0.5 million new households. As a result of our satellite TV transmission and infrastructure-light approach to mobile telephony and broadband Internet, we are able to access less-densely populated and rural areas of Poland at much lower cost than cable TV and Internet providers. Moreover, our programming packages offer the best value-for-money in the Polish DTH market. We believe, that it gives us a chance to attract the big part of those potential clients to our platform.

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

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

Providing Internet access services in LTE technology

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

Acquisition of ipla

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

Approximately 90% of the revenues of ipla service are generated from the sale of advertising in the fastest growing segment – online video, and approximately 10% of revenue comes from content purchase transactions done by users. Currently, ipla has approximately 1.4 million active users, compared to 0.5 million in 2009 (active users are defined as individuals who used the application and generated profit from advertising or subscription at least once a month). Its popularity grows constantly with the increasing availability of portable devices and TV sets connected to Internet.

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

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

Cooperation with Polkomtel S.A.

From April 2012, under the cooperation agreement with Polkomtel, we run cross-selling and we propose attractive joint offers to our clients. Currently, the cross-selling includes nearly 200 points of sales of each network, while the additional benefits to the customers of both satellite TV of Cyfrowy Polsat and telephony of Plus are provided in the entire sales networks of both companies. Cross-selling will be gradually expanded to cover all points of sales of both networks.

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

Within the strategic partnership, Cyfrowy Polsat has resigned from active selling of own mobile telephony services in MVNO model, in order to propose to its client the stronger telephony offer of Polkomtel – a leading telecommunications operator. We believe that our subscribers will gain significant advantages from more attractive mobile telephony offer, and therefore we will earn their higher satisfaction and loyalty and thus further decrease in churn.

We believe, that through generated synergies, both in terms of sales and offer, our partnership with Polkomtel S.A. will have a positive impact on our results.

Introduction of new service – "TV Mobilna"

We scheduled the launch of pay mobile television offer in the second quarter of 2012. "TV Mobilna" ("Mobile TV") will be delivered based on DVB-T technology within the multiplex dedicated to mobile terrestrial digital television. The service will be offered both to individual customers and telecommunications operators. "Mobile TV" will provide a free access to all FTA channels and paid access to 8 television and 12 radio channels in subscription model, including equipment subsidies. The service will be available on smartphones, tablets, laptops and set-top boxes.

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

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

Consolidation of TV Polsat and financing of the acquisition

On April 20, 2011, Cyfrowy Polsat completed the acquisition of TV Polsat. As a result of the acquisition, the results of operations of Cyfrowy Polsat and TV Polsat Group are consolidated from April 20, 2011 going forward. Therefore, also the results for the second quarter and first half of 2012 will not be fully comparable with analogical periods of 2011.

The acquisition of TV Polsat secured our access to key content in light of the progressive Polish TV market consolidation, the increasing importance of multi-play products and the continued development of alternative methods of TV content distribution. The acquisition also allows us to capitalize on certain synergies and pursue long-term goals to further strengthen our position in the highly competitive Polish market through cross-promotion and marketing, while enjoying increased bargaining power through the combined Group.

We will continue to incur significant interest costs resulting from the loan agreements signed in March 2011 to provide the Company with debt financing for the acquisition of TV 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

The majority of the revenue generated in our TV segment (approximately 80% in the first quarter of 2012) 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. Moreover in the first quarter of 2012, our channels recorded the highest 7.3% year on year growth of all day audience share in the group All 16-49, while in prime time we were the only one TV broadcaster which delivered growth of audience share, both in terms of aggregate audience share and in majority of individual channels, including primarily our main channel. Based on data from Starlink, we estimate that in the first quarter of 2012 we captured a 23.9% share of the approximately PLN 855 billion (not in thousands) Polish TV advertising market.

Thanks to our leading position on the market and our growing audience share, we are well-positioned to benefit from the expected growth of advertising market. We believe that the TV advertising market will benefit from the structural growth resulting from forecasted increasing disposable income of the Polish consumer. Media House ZenithOptimedia forecasts that in 2012 total net TV advertising expenditure in Poland should grow by 1.1%. 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 in the long term, there is a substantial growth potential for TV advertising in Poland.

Growing importance of thematic channels

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 in the first quarter of 2012 compared to the analogical period of 2011.The introduction of DTT is expected to further increase audience fragmentation.

We have focused on developing thematic channels in order to maintain total audience share and advertising market share. We have launched 13 thematic channels, including 9 in the past four years. Our thematic channels increased their combined audience share from 3.8% in the first quarter of 2011 to 4.4% in the first quarter of 2012, primarily due to the increase in audience share of Polsat Sport, Polsat2, Polsat News, Polsat Play and Polsat Café.

Development of our offer of sport channels

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

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

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

Expansion of technical reach of TV Polsat channels

TV Polsat's revenue from cable TV and satellite operator fees is dependent upon the number of our subscribers, the rates negotiated with cable TV and satellite operators and the number of distributed channels. The average number of paying subscribers of our basic channels, Polsat Sport, Polsat Sports Extra, Polsat News, Polsat Play, Polsat Café and Polsat Film, increased mainly as a result of entering on the "n" platform in May 2011.

Attractive content of our TV channels

We believe that attractive content of our channels is a significant competitive advantage. We have contracts with major film studios, such as Sony Pictures Entertainment Inc and 20th Century Fox, assuring us with wide selection of the most attractive films and series. Our direct production covers mainly shows and series based on international formats as well as solely created concepts. We offer also wide selection of sport transmission, including T-Mobile Ekstraklasa - Polish football league, Formula 1 races, volleyball games and many others.

The attractiveness of our programming content is confirmed by our growing audience share. In the first quarter of 2012 the aggregate audience share of our channels in the group 15-49 amounted to 21.1% and increased by 7.3% compared to the analogical period of last year. Our closest competitor, i.e. TVN Group noted in the same period a slight increase by 2.3% (21.5% audience share), while TVP Group recorded 12.6% decrease (28.1% audience share).

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2012

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

Table of contents

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 15 May 2012, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2012 to 31 March 2012 showing a net profit of:	PLN 205,109 thousand
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2012 to 31 March 2012 showing a total comprehensive income of:	PLN 194,724 thousand
Interim Consolidated Balance Sheet as at 31 March 2012 showing total assets and total equity and liabilities of:	PLN 5,502,754 thousand
Interim Consolidated Cash Flow Statement for the period from 1 January 2012 to 31 March 2012 showing a net increase in cash and cash equivalents amounting to:	PLN 147,594 thousand
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2012 to 31 March 2012 showing an increase in equity of:	PLN 194,724 thousand

Supplementary Information to the Interim Condensed Consolidated Financial Statements

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

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

Warsaw, 15 May 2012

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

Interim Consolidated Income Statement

	Note	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Revenue	7	674,127	402,779
Operating costs		(461,379)	(287,334)
Cost of services, products, goods and materials sold	8	(365,558)	(208,154)
Selling expenses	8	(54,655)	(54,322)
General and administrative expenses	8	(41,166)	(24,858)
Other operating income	9	762	7,742
Other operating costs	10	(10,520)	(27,188)
Profit from operating activities		**202,990**	**95,999**
Finance income	11	100,147	1,615
Finance costs	12	(57,599)	(3,982)
Share in net income of investments accounted for under the equity method		730	-
Gross profit for the period		**246,268**	**93,632**
Income tax		(41,159)	(17,234)
Net profit for the period		**205,109**	**76,398**
Net profit attributable to equity holders of the Parent		205,109	76,398
Basic and diluted earnings per share (in PLN)		**0.59**	**0.28**

Interim Consolidated Statement of Comprehensive Income

	Note	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Net profit for the period		**205,109**	**76,398**
Hedge valuation	14	(9,788)	-
Income tax relating to hedge valuation	14	1,860	-
Currency translation adjustment		(3,060)	-
Income tax relating to currency translation adjustment		603	-
Other comprehensive income, net of tax		**(10,385)**	**-**
Total comprehensive income for the period		**194,724**	**76,398**
Total comprehensive income attributable to equity holders of the Parent		194,724	76,398

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

Interim Consolidated Balance Sheet - Assets

	31 March 2012 unaudited	31 December 2011
Reception equipment	415,308	408,610
Other property, plant and equipment	258,700	263,277
Goodwill	2,422,989	2,412,285
Brands	840,000	840,000
Other intangible assets	69,466	54,194
Non-current programming assets	91,415	131,141
Investment property	8,419	8,440
Other non-current assets	92,159	51,647
Deferred tax assets	30,500	55,726
Total non-current assets	**4,228,956**	**4,225,320**
Current programming assets	176,114	137,429
Inventories	185,376	178,127
Loans granted to related parties	1,102	-
Bonds	-	14,854
Trade and other receivables	342,386	297,162
Income tax receivable	9,894	10,086
Other current assets	136,299	184,656
Cash and cash equivalents	422,627	277,534
Total current assets	**1,273,798**	**1,099,848**
Total assets	**5,502,754**	**5,325,168**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	31 March 2012 unaudited	31 December 2011
Share capital	13	13,934	13,934
Reserve capital		432,265	432,265
Other reserves		1,305,277	1,305,277
Hedge valuation reserve	14	(3,170)	4,758
Currency translation adjustment		2,396	4,853
Retained earnings		340,065	134,956
Total equity		**2,090,767**	**1,896,043**
Loans and borrowings	15	932,068	958,407
Senior Notes payable	16	1,360,637	1,417,525
Finance lease liabilities		810	934
Deferred tax liabilities		87,307	87,122
Other non-current liabilities and provisions		13,779	12,497
Total non-current liabilities		**2,394,601**	**2,476,485**
Loans and borrowings	15	250,363	246,778
Senior Notes payable	16	100,836	105,052
Finance lease liabilities		237	252
Trade and other payables		435,427	374,955
Income tax liability		29,589	29,226
Deposits for equipment		12,532	12,744
Deferred income		188,402	183,633
Total current liabilities		**1,017,386**	**952,640**
Total liabilities		**3,411,987**	**3,429,125**
Total equity and liabilities		**5,502,754**	**5,325,168**

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

Interim Consolidated Cash Flow Statement

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Net profit for the period	**205,109**	**76,398**
Adjustments for:	**28,318**	**(76,418)**
Depreciation, amortization and impairment	54,433	28,340
Payments for film licences and sports rights	(29,711)	-
Amortization of film licences and sports rights	46,909	-
Loss/(gain) on investing activity	(11)	143
Cost of programming rights sold	2,311	-
Interest expense	52,017	842
Change in inventories	(7,249)	17.195
Change in receivables and other assets	(48,496)	(61,402)
Change in liabilities, provisions and deferred income	53,564	(14,692)
Change in internal production and advance payments	(186)	-
Valuation of hedging instruments	(9,788)	-
Share in net income of associates accounted for under equity method	(730)	-
Foreign exchange losses/(gains), net	(87,786)	649
Income tax	41,159	17,234
Net increase in reception equipment provided under operating lease	(38,363)	(64,831)
Other adjustments	245	104
Cash flows from operations before income taxes and interest	**233,427**	**(20)**
Income tax paid	(12,561)	(5,344)
Interest received from operating activities	3,843	218
Net cash from/(used in) operating activities	**224,709**	**(5,146)**
Acquisition of property, plant and equipment	(13,759)	(8,104)
Acquisition of intangible assets	(7,045)	(3,281)
Acquisition of subsidiaries, net of cash acquired	(2,329)	(232)
Proceeds from sale of property, plant and equipment	90	19
Loans granted	(1,100)	-
Proceeds from interest on loans granted	-	1
Net cash used in investing activities	**(24,143)**	**(11,597)**

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

Net cash from bank overdraft	-	146,607
Proceeds from realization of foreign exchange call options	-	780
Repayment of loans and borrowings	(26,755)	-
Finance lease – principal repayments	(84)	(144)
Payment of interest on loans, borrowings, finance lease and commissions	(26,133)	(1,052)
Net cash from/(used in) financing activities	**(52,972)**	**146.191**
Net increase in cash and cash equivalents	**147,594**	**129,448**
Cash and cash equivalents at the beginning of the period	**277,534**	**27,615**
Effect of exchange rate fluctuations on cash and cash equivalents	(2,501)	(649)
Cash and cash equivalents at the end of the period	**422,627**	**156,414**

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

Interim Consolidated Statement of Changes in Equity for 3 months ended 31 March 2012

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Currency translation adjustment	Retained earnings	**Total equity**
Balance as at 1 January 2012	**13,934**	**432,265**	**1,305,277**	**4,758**	**4,853**	**134,956**	**1,896,043**
Hedge valuation reserve	-	-	-	(7,928)	-	-	**(7,928)**
Currency translation adjustment	-	-	-	-	(2,457)	-	**(2,457)**
Net profit for the period	-	-	-	-	-	205,109	**205,109**
Balance as at 31 March 2012	**13,934**	**432,265**	**1,305,277**	**(3,170)**	**2,396**	**340,065**	**2,090,767**

Interim Consolidated Statement of Changes in Equity for 3 months ended 31 March 2011

	Share capital	Reserve capital	Other reserves	Retained earnings	**Total equity**
Balance as at 1 January 2011	10,733	156,534	10,174	250,497	**427,938**
Net profit for the period	-	-	-	76,398	**76,398**
Balance as at 31 March 2011	**10,733**	**156,534**	**10,174**	**326,895**	**504,336**

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

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 months ended 31 March 2012

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 Mobile Virtual Network Operator and the Internet access service provider.

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

The interim condensed consolidated financial statements comprise the Parent and its subsidiaries (together with the Parent referred to as "the Group" and individually as "Group entities"), and the Group's interest in 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 months ended 31 March 2012 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 months ended 31 March 2012 and the consolidated financial statements for the years 2011 and 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 2012.

During the 3 months ended 31 March 2012 the following became effective:

(i) amendments to IFRS 7 – *Transfers of Financial Assets*
The amendments specify the scope of disclosures related to transfers of financial assets. The changes have no impact on these consolidated 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 IRFS"), 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 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*;
- amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- amendments to IAS 32 *Presentation – Offsetting Financial Assets and Financial Liabilities*;
- amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* – Government loans;
- 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 as at the date of approval of these interim condensed consolidated financial statements.

5. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 15 May 2012.

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

6. Information on Seasonality in the Group's Operations

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

7. Revenue

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Retail sales	429,588	388,108
Advertising and sponsorship revenue	201,571	1,408
Revenue from cable and satellite operator fees	23,329	-
Sale of equipment	2,720	6,474
Other revenue	16,919	6,789
Total	**674,127**	**402,779**

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

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

8. Operating costs

	Note	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Programming costs		100,146	100,264
Cost of internal and external TV production and amortization of sport rights		78,575	-
Distribution, marketing, customer relation management and retention costs		74,268	74,081
Depreciation, amortization and impairment		54,433	28,340
Salaries and employee-related costs	a	40,597	22,388
Broadcasting and signal transmission costs		33,671	20,425
Amortization of purchased film licenses		28,040	-
Cost of settlements with mobile network operators and interconnection charges		10,535	5,298
Cost of equipment sold		5,497	14,775
Other costs		35,617	21,763
Total costs by kind		**461,379**	**287,334**

	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Cost of services, products, goods and materials sold	365,558	208,154
Selling expenses	54,655	54,322
General and administrative expenses	41,166	24,858
Total costs by function	**461,379**	**287,334**

a) Salaries and employee-related costs

	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Salaries	33,200	18,696
Social security contributions	5,613	3,120
Other employee-related costs	1,784	572
Total	**40,597**	**22,388**

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

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

9. Other operating income

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Compensation	172	191
Other	590	7,551
Total	**762**	**7,742**

10. Other operating costs

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Bad debt allowance and receivables written off	8,100	20,178
Inventory impairment write-downs	346	328
Other	2,074	6,682
Total	**10,520**	**27,188**

11. Finance income

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Interest	4,005	224
Foreign exchange gains on *Senior Notes* due in 2018	87,093	-
Foreign exchange gains, net	8,983	1,391
Other	66	-
Total	**100,147**	**1,615**

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

12. Finance costs

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Interest expense on loans and borrowings	29,449	1,038
Realization of hedging instruments (IRS)	303	
Interest expense on *Senior Notes*	25,989	-
Impact of hedging instruments valuation on interest expense on *Senior Notes*	112	-
Other interest	469	28
Results on call options:	-	2,892
Foreign currency options not designated as hedging instruments	-	*1,994*
Foreign currency options – settlement of instruments	-	*898*
Guarantee fees	91	-
Bank and other charges	1,078	-
Other	108	24
Total	**57,599**	**3,982**

13. Equity

Share capital

Presented below is the structure of the Company's share capital as at 31 March 2012:

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

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

The shareholders' structure as at 31 March 2012 was as follows:

	31 March 2012				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd.[1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd.[2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

[1] Mr. Zygmunt Solorz-Żak held 85% shares and Mr. Heronim Ruta held 15% shares in the share capital of Pola Investments Ltd.

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

Share disposal

On 13 January 2012 Pola Investmets Ltd. acquired the total of 168,941,818 of the Company's shares through a donation received from its sole shareholder, i.e. Delas Holdings Limited.

On 21 March 2012 Mr. Zygmunt Solorz-Żak reduced his share in the total number of votes in the Company by donating the total of 10,603,750 of the Company's shares to its subsidiary, Pola Investments Ltd. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Pola Investments Ltd.

On 21 March 2012 Pola Investments Ltd., a subsidiary of Mr. Zygmunt Solorz-Żak, sold 25,341,272 of the Company's shares to Sensor Overseas Ltd., the share capital of which was held by Mr. Heronim Ruta.

As at the date of the approval of these financial statements, Pola Investments Ltd. directly held 154,204,296 shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Shareholders' Meeting of the Company, i.e. 58.11% of total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Pola Investments Ltd.

As at the date of the approval of these financial statements, Sensor Overseas Ltd. held directly 25,341,272 shares, constituting 7.27% of the Company's share capital and representing 50,382,647 votes at the General Shareholders' Meeting of the Company, i.e. 9.55% of total number of votes in the Company. Mr. Heronim Ruta held 100% shares in the share capital of Sensor Overseas Ltd.

As at the date of approval of these financial statements, Mr. Zygmunt Solorz-Żak did not hold directly any shares in the Company, however Mr. Zygmunt Solorz-Żak controlled (indirectly through Pola Investments Ltd.) 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Shareholders' Meeting of the Company, i.e. 58.11% of total number of votes in the Company.

As at the date of approval of these financial statements, Delas Holdings did not hold any shares in the Company. Mr. Zygmunt Solorz-Żak held 85% of the share in the share capital of Delas Holdings.

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

14. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	Hedge valuation reserve
Balance as at 1January 2012	**4,758**
Valuation of cash flow hedges	(9,900)
Amount transferred to income statement	112
Deferred tax	1,860
Change for the period	**(7,928)**
Balance as at 31 March 2012	**(3,170)**

In the first quarter of 2012 the valuation of the hedge was negative (PLN 9,900 thousand), including PLN 112 thousand recognized in the profit and loss account in correspondence with intercompany bond's finance results. Since the hedge was determined to be effective, the remaining loss in the amount of PLN 9,788 thousand was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve as at 31 March 2012 is negative (PLN 3,170 thousand), representing the amount of the valuation, net of related deferred tax.

15. Loans and borrowings

	31 March 2012 unaudited	**31 December 2011**
Short-term liabilities	250,363	246,778
Long-term liabilities	932,068	958,407
Total	**1,182,431**	**1,205,185**

Change in loans and borrowings liabilities

	2012
Loans and borrowings liabilities as at 1 January	**1,205,185**
Repayment of capital	(26,755)
Repayment of interest	(25,448)
Interest accrued	29,449
Loans and borrowings liabilities as at 31 March	**1,182,431**

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

16. Senior Notes

	31 March 2012 unaudited	31 December 2011
Short-term liabilities	100,836	105,052
Long-term liabilities	1,360,637	1,417,525
Total	**1,461,473**	**1,522,577**

Change in *Senior Notes* payable

	2012
***Senior Notes* payable as at 1 January**	**1,522,577**
Foreign exchange gains	(87,093)
Interest accrued	25,989
***Senior Notes* payable as at 31 March**	**1,461,473**

17. Acquisition of subsidiaries

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

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

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

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

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

a) Consideration transferred

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

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

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

b) Reconciliation of transactional cash flow

Cash transferred on acquisition	(14,329)
Cash and cash equivalents received	1
Cash outflow in the period ended 31 March 2012	**14,328**

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

	provisional fair value as at 30 January 2012
Property, plant and equipment	1.552
Other intangible assets	16.930
Tax and social security receivables	133
Cash and cash equivalents	1
Income tax liabilities	(7)
Preliminary value of net assets	**18,609**

The loss included in the interim condensed consolidated income statement for the reporting period since 30 January 2012 contributed by INFO-TV-FM was PLN 230 thousand. Had INFO-TV-FM been consolidated from 1 January 2012 the loss included in the interim condensed consolidated income statement would not differ significantly.

d) Preliminary provisional accounting for goodwill

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

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

The final purchase price allocation will be accounted for within 12 months from the date of acquisition.

18. Operating segments

The Group operates in the following two segments:

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

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

The Group conducts its operating activities primarily 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 from those of the Group's other segments.

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 programs as well as TV series and feature films broadcasted on television channel in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization and impairment allowance. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.
The table below presents a summary of the Group's revenues and expenses by operating segment for 3 months ended 31 March 2012:

The period of 3 months ended 31 March 2012	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	438,584	235,543	-	674,127
Inter-segment revenues	754	26,842	(27,596)	-
Revenues	**439,338**	**262,385**	**(27,596)**	**674,127**
EBITDA	**165,420**	**92,003**	**-**	**257,423**
Profit/(loss) from operating activities	**122,285**	**82,001**	**(1,296)**	**202,990**
Acquisition of property, plant and equipment, reception equipment and intangible assets	52,145*	8,158	-	60,303
Depreciation and amortization	41,347	10,002	1,296	52,645
Impairment	1,788	-	-	1,788
Balance as at 31 March 2012				
Assets, including:	5,541,812	741,393**	(780,451)***	5,502,754
Investments in associates	-	3,261	-	3,261

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

*This item also includes the acquisition of reception equipment for operating lease purposes
** Includes non-current assets located outside of Poland
*** This item relates primarily to elimination of TV Polsat shares and recognition of goodwill and Polsat brand

“Retail" segment was the Group’s sole operating segment in the period ended 31 March 2011.

Transactions between operating segments are carried at arm’s length.

Reconciliation of EBITDA and Gross profit for the period:

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
EBITDA	**257,423**	**124,339**
Depreciation, amortization and impairment	(54,433)	(28,340)
Profit from operating activities	**202,990**	**95,999**
Other foreign exchange rate differences, net (note 11)	8,983	1,391
Interest income (note 11)	4,005	224
Share in net income of associates	730	-
Interest costs (note 12)	(56,322)	(1,066)
Foreign exchange differences on bonds (note 11)	87,093	-
Loss on call options (note 12)	-	(2,892)
Other	(1,211)	(24)
Gross profit for the period	**246,268**	**93,632**

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

19. Transactions with related parties

Receivables

	31 March 2012 unaudited	31 December 2011
Teleaudio DWA Sp. z o.o.	4,563	5,059
Redefine Sp. z o.o.	3,272	3,239
Superstacja Sp. z o.o.	952	969
Polsat Jim Jam Ltd.	495	848
Polkomtel S.A.	264	1,181
PRN Polska Sp. z o.o.	175	268
Centernet S.A.	101	-
Radio PIN S.A.	100	106
Sferia S.A.	93	201
Aero 2 Sp. z o.o.	74	16
ATM System Sp. z o.o.	55	-
TFP Sp. z o.o.	23	24
Mobyland Sp. z o.o.	15	7
Ster Sp. z o.o.	10	17
Invest Bank S.A.*	8	128
Inwestycje Polskie Sp. z o.o.*	-	333
ATM Grupa S.A.	-	12
Other	2	2
Total	**10,202**	**12,410**

*Amounts presented above do not include deposits paid to Inwestycje Polskie, Invest Bank and Polsat Nieruchomości (PLN 2,061 thousand, PLN 92 thousand and PLN 15 thousand, respectively)

Liabilities

	31 March 2012 unaudited	31 December 2011
ATM Grupa S.A.	4,688	4,114
Polsat Jim Jam Ltd.	1,248	594
Polkomtel S.A.	1,134	1,001
TFP Sp. z o.o.	608	507
PRN Polska Sp. z o.o.	446	654
Redefine Sp. z o.o.	392	164
Superstacja Sp. z o.o.	277	102
PAI Media S.A.	219	170
Inwestycje Polskie Sp. z o.o.	187	166
ATM System Sp. z o.o.	86	-
Radio PIN S.A.	75	-
Polsat Nieruchomości Sp. z o.o.	49	-
Centernet S.A.	38	21
Ster Sp. z o.o.	35	-
Invest Bank S.A.	1	94
Other	9	65
Total	**9,492**	**7,652**

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

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

	31 March 2012 unaudited	31 December 2011
Mobyland Sp. z o.o.	111,526	94,281
Total	**111,526**	**94,281**

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

Revenues

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Polkomtel S.A.*	1,113	-
Teleaudio DWA Sp. z o.o.	724	215
Redefine Sp. z o.o.	475	-
Radio PIN S.A.	179	-
Sferia S.A.	129	-
Polsat Jim Jam Ltd.	87	2
Centernet S.A.	82	-
Aero 2 Sp. z o.o.**	73	-
Ster Sp. z o.o.	53	-
ATM System Sp. z o.o.	45	-
Superstacja Sp. z o.o.	21	13
TFP Sp. z o.o.	18	-
Nordisk Polska Sp. z o.o.	16	-
PRN Polska Sp. z o.o.	15	-
Invest Bank S.A.	3	15
Telewizja Polsat Sp. z o.o.***	-	384
Polsat Futbol Ltd.***	-	299
Media-Biznes Sp. z o.o.***	-	48
Dom Sprzedaży Radia PIN Sp. z o.o.	-	31
Polskie Media S.A.****	-	31
Other	9	-
Total	**3,042**	**1,038**

*Revenues for the first quarter of 2011 not included (the company is related from 9 November 2011)
**Revenues for the first quarter of 2011 not included (the company is related from 13 May 2011)
***Revenues for the first quarter of 2012 not included (the company is consolidated from 20 April 2011)
****Revenues for the first quarter of 2012 not included (the company was related until 8 July 2011)

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

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

Expenses and purchases of programming assets

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
ATM Grupa S.A.	9,008	-
Mobyland Sp. z o.o.*	8,514	-
Redefine Sp. z o.o.	4,832	70
Inwestycje Polskie Sp. z o.o.	4,384	-
Teleaudio DWA Sp. z o.o.	2,778	1,964
Polkomtel S.A.**	1,497	-
Polsat Jim Jam Ltd.	1,437	626
TFP Sp. z o.o.	663	-
PRN Polska Sp. z o.o.	658	-
Superstacja Sp. z o.o.	648	-
Elektrim S.A.	617	500
ATM System Sp. z o.o.	500	-
PAI Media S.A.	497	-
Invest Bank S.A.	245	-
Polsat Nieruchomości Sp. z o.o.	149	-
Radio PIN S.A.	71	-
Ster Sp. z o.o.	33	-
Sferia S.A.	30	56
Tower Service Sp. z o.o.***	14	-
Aero 2 Sp. z o.o.*	13	-
Centernet S.A.	12	-
Studio A Sp. z o.o.	10	-
Telewizja Polsat Sp. z o.o.****	-	18,493
Polsat Media Sp. z o.o.****	-	33
Media-Biznes Sp. z o.o.****	-	22
Other	17	-
Total	**36,627**	**21,764**

*Costs for the first quarter of 2011 not included (the company is related from 13 May 2011)
**Costs for the first quarter of 2011 not included (the company is related from 9 November 2011)
***Costs for the first quarter of 2011 not included (the company is related from 20 April 2011)
****Costs for the first quarter of 2012 not included (the company is consolidated from 20 April 2011)

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

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

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

Financial income

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Inwestycje Polskie Sp. z o.o.	28	-
Inne	5	-
Razem	**33**	**-**

20. Litigations

Management believes that the provisions as at 31 March 2012 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

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, that 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. On 26 April 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500 thousand. The ruling is enforceable, but both parties may further appeal to the Supreme Court.As at the date of approval of these financial statements, no changes occurred in respect of the above.

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. On 26 January 2012, the Supreme Court has cancelled the judgement in full and turned the matter back for reappraisal. The date of the hearing before the Court of Appeal was set to 15 June 2012.

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

Legal regulations in Poland require broadcasters to pay various royalties to the organizations of authors, artists and professionals in the entertainment industry ("OZZPA") for the use of content produced by third parties. As at 31 March 2012, the Company's subsidiary, Telelewizja Polsat Sp. z o.o., was in a dispute with some of the OZZPA in respect of the validity, nature and the amount of the royalty fees for the rights belonging to the authors represented by such organizations. As at 31 March 2012, OZZPA filed claims against Telewizja Polsat Sp. z o.o. for the principal amount of PLN 10,560 thousand plus interest.

21. Important agreements and events

Order for data transfer services

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

The order is for the purchase of 13 million GB of data transfer service with the guaranteed utilization period until 31 December 2015, with a possible extension of the term as stipulated by the agreement. The net price of 1 MB is PLN 0.00774. The payment for the order will be performed in 12 equal monthly installments, starting from January 2012.

22. Off-balance sheet liabilities

Security relating to loans and borrowings

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

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

Commitments to purchase programming assets

As at 31 March 2012 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2012 unaudited	31 December 2011
within one year	158,854	155,502
between 1 to 5 years	162,938	203,377
Total	**321,792**	**358,879**

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

	31 March 2012 unaudited	31 December 2011
within one year	6,020	6,702
Total	**6,020**	**6,702**

Total future minimum payments relating to operating lease agreements

As at 31 March 2012 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:

	31 March 2012 unaudited	31 December 2011
within one year	148,188	159,689
between 1 to 5 years	437,610	486,722
more than 5 years	136,318	152,323
Total	**722,116**	**798,734**

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

	31 March 2012 unaudited	31 December 2011
within one year	16,391	17,248
between 1 to 5 years	34,264	35,463
more than 5 years	312	313
Total	**50,967**	**53,024**

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 7,258 thousand as at 31 March 2012 (PLN 10,613 thousand as at 31 December 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 3,045 thousand as at 31 March 2012 (PLN 3,906 thousand as at 31 December 2011). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2012 was PLN 709 thousand (PLN 946 thousand as at 31 December 2011).

Contingent liabilities relating to promissory notes

As at 31 March 2012, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 22 thousand (excluding blank promissory notes).

Furthermore, as at 31 March 2012 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

Contingent liabilities related to granted guarantees

On 26 March 2012 the Group commissioned BRE Bank S.A. to grant a guarantee to Polkomtel S.A. amounting to PLN 100 thousand. The guarantee secures good performance related to cooperation agreement concluded by the Group and Polkomtel S.A. The guarantee is in force until 22 March 2013.

23. Subsequent events

Acquisition of ipla

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

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

The joint price for the shares, resulting from the above mentioned transactions amounted to PLN 42,689.8 thousand. The share purchase agreements also include the mechanism of correction of the acquisition price, in case there is a difference between the estimated and actual net debt of the acquired companies as at 31 March 2012.

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

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

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

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

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

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

	preliminary provisional fair value as at 2 April 2012
Net assets:	
Non-current assets	20,066
Current assets	6,073
Non-current liabilities	(299)
Current liabilities	(112,064)
Total net assets	**(86,224)**
Consideration transferred:	
Cash consideration	37,650
Provisional liabilities consideration transferred adjustment	7,674
Provisional receivables consideration transferred adjustment	(245)
Total consideration transferred	**45,079**
Goodwill	**131,303**

On 7 may 2012, Telewizja Polsat Holdings Sp. z o.o. was registered by the court. Telewizja Polsat Holdings Sp. z o.o. is controlled by Telewizja Polsat Sp. z o.o.

24. Accounting estimates and assumptions

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2011.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2012

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

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 15 May 2012, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Income Statement for the period	
from 1 January 2012 to 31 March 2012 showing a net profit of:	PLN 409,588 thousand
Interim Statement of Comprehensive Income for the period	
from 1 January 2012 to 31 March 2012 showing a total comprehensive income of:	PLN 401,660 thousand
Interim Balance Sheet as at	
31 March 2012 showing total assets and total equity and liabilities of:	PLN 6,112,385 thousand
Interim Cash Flow Statement for the period	
from 1 January 2012 to 31 March 2012 showing a net increase in cash and cash equivalents amounting to:	PLN 249,889 thousand
Interim Statement of Changes in Equity for the period	
from 1 January 2012 to 31 March 2012 showing an increase in equity of:	PLN 401,660 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, 15 May 2012

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

Interim Income Statement

	Note	for 3 months ended 31 March 2012 unaudited	31 March 2011 unaudited
Revenue	7	438,596	396,578
Operating costs		(320,209)	(288,045)
Cost of services, goods and materials sold	8	(230,401)	(204,967)
Selling expenses	8	(63,442)	(60,596)
General and administrative expenses	8	(26,366)	(22,482)
Other operating income	9	500	702
Other operating costs	10	(9,827)	(20,544)
Profit from operating activities		**109,060**	**88,691**
Finance income	11	388,810	397
Finance costs	12	(62,082)	(3,665)
Gross profit for the period		**435,788**	**85,423**
Income tax		(26,200)	(17,066)
Net profit for the period		**409,588**	**68,357**
Basic and diluted earnings per share (in PLN)		**1.18**	**0.25**

Interim Statement of Comprehensive Income

	Note	for 3 months ended 31 March 2012 unaudited	31 March 2011 unaudited
Net profit for the period		**409,588**	**68,357**
Hedge valuation	15	(9,788)	-
Income tax relating to hedge valuation	15	1,860	-
Other comprehensive income, net of tax		**(7,928)**	**-**
Total comprehensive income for the period		**401,660**	**68,357**

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

Interim Balance Sheet - Assets

	31 March 2012 unaudited	31 December 2011
Reception equipment	441,817	434,316
Other property, plant and equipment	128,075	133,841
Goodwill	52,022	52,022
Intangible assets	27,847	28,598
Investment property	6,815	6,843
Shares in subsidiaries and associates	4,545,345	4,516,033
Other non-current assets	84,492	44,691
Total non-current assets	**5,286,413**	**5,216,344**
Inventories	162,490	159,950
Loans granted to related parties	1,102	-
Bonds	-	14,854
Trade and other receivables	254,099	178,417
Income tax receivable	9,620	9,619
Other current assets	136,917	183,538
Cash and cash equivalents	261,744	11,858
Total current assets	**825,972**	**558,236**
Total assets	**6,112,385**	**5,774,580**

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

Interim Balance Sheet - Equity and Liabilities

	Note	31 March 2012 unaudited	31 December 2011
Share capital	14	13.934	13,934
Reserve capital		1.037.258	1,037,258
Other reserves		1.305.277	1,305,277
Hedge valuation reserve	15	(3.170)	4,758
Retained earnings		551.437	141,849
Total equity		**2.904.736**	**2,503,076**
Loans and borrowings	16	932,068	958,406
Issued bonds	17	1,345,097	1,397,481
Finance lease liabilities		810	934
Deferred tax liabilities		89,718	65,378
Other non-current liabilities and provisions		6,811	5,589
Total non-current liabilities		**2,374,504**	**2,427,788**
Loans and borrowings	16	250,363	290,617
Issued bonds	17	114,995	119,473
Finance lease liabilities		237	252
Trade and other payables		267,803	239,831
Deposits for equipment		12,532	12,743
Deferred income		187,215	180,800
Total current liabilities		**833,145**	**843,716**
Total liabilities		**3,207,649**	**3,271,504**
Total equity and liabilities		**6,112,385**	**5,774,580**

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

Interim Cash Flow Statement

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Net profit for the period	**409,588**	**68,357**
Adjustments for:	**(270,393)**	**(65,808)**
Depreciation, amortization and impairment	43,614	27,583
(Gain)/loss on investing activity	(4)	1
Interest expense	59,018	500
Change in inventories	(2,540)	8,943
Change in receivables and other assets	(3,608)	(58,424)
Change in liabilities, provisions and deferred income	41,136	7,371
Valuation of hedging instruments	(9,788)	-
Foreign exchange losses/(gains), net	(86,638)	692
Income tax	26,200	17,066
Net increase in reception equipment provided under operating lease	(40,911)	(69,472)
Dividends income	(297,230)	-
Other adjustments	358	(68)
Cash from operations before income taxes and interest	**139,195**	**2,549**
Income tax paid	-	(4,295)
Interest received from operating activities	630	207
Net cash from/(used in) operating activities	**139,825**	**(1,539)**
Acquisition of property, plant and equipment	(4,301)	(7,481)
Acquisition of intangible assets	(5,484)	(3,117)
Loans granted	(1,100)	-
Dividends received	220,000	-
Acquisition of shares in subsidiaries	(2,330)	(232)
Loans repaid - principal	-	50
Interest on loans repaid	-	2
Proceeds from sale of property, plant and equipment	90	-
Net cash from/(used) in investing activities	**206,875**	**(10,778)**
Net cash from bank overdraft/Cash Pool	(43,839)	138,077
Proceeds from realization of foreign exchange call options	-	780
Merger with related entities	-	31
Payment of interest on loans, borrowings, finance lease and commissions	(26,133)	(771)
Finance lease – principal repayments	(84)	(59)
Repayment of loans and borrowings	(26,755)	-
Net cash from/(used in) financing activities	**(96,811)**	**138,058**
Net increase in cash and cash equivalents	**249,889**	**125,741**
Cash and cash equivalents at the beginning of the period	**11,858**	**24,195**
Effect of exchange rate fluctuations on cash and cash equivalents	(3)	(692)
Cash and cash equivalents at the end of the period	**261,744**	**149,244**

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

Interim Statement of Changes in Equity
for 3 months ended 31 March 2012

	Share capital	Reserve capital	Other reserves	Hedge valuation reserve	Retained earnings	**Total equity**
Balance as at 1 January 2012	13,934	1,037,258	1,305,277	4,758	141,849	**2,503,076**
Hedge valuation	-	-	-	(7,928)	-	**(7,928)**
Net profit for the period	-	-	-	-	409,588	**409,588**
Balance as at 31 March 2012	**13,934**	**1,037,258**	**1,305,277**	**(3,170)**	**551,437**	**2,904,736**

Interim Statement of Changes in Equity
for 3 months ended 31 March 2011

	Share capital	Reserve capital	Other reserves	Retained earnings	**Total equity**
Balance as at 1 January 2011	10,733	153,093	10,174	885,036	**1,059,036**
Merger with M.Punkt Holdings Ltd.	-	-	-	(460)	**(460)**
Net profit for the period	-	-	-	68,357	**68,357**
Balance as at 31 March 2011	**10,733**	**153,093**	**10,174**	**952,933**	**1,126,933**

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

Supplementary Information to the Interim Condensed Financial Statements for 3 months ended 31 March 2012

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 financial statements

Statement of compliance

These interim condensed financial statements for 3 months ended 31 March 2012 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The Company applied the same accounting policies in the preparation of the financial data for 3 months ended 31 March 2012 and the financial statements for the years 2011 and 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 2012.

During the 3 months ended 31 March 2012 the following became effective:

(i) amendments to IFRS 7 – *Transfers of Financial Assets*
The amendments specify the scope of disclosures related to transfers of financial assets. The changes have no impact on these 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 IRFS"), 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 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*;
- amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- amendments to IAS 32 *Presentation – Offsetting Financial Assets and Financial Liabilities*;
- amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards –* Government loans;
- 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 as at the date of approval of these interim condensed financial statements.

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

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 15 May 2012.

6. Information on Seasonality in the Company's Operations

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

7. Revenue

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Retail sales	429,590	388,110
Sale of equipment	2,693	2,641
Other revenue	6,313	5,827
Total	**438,596**	**396,578**

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

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

8. Operating costs

	Note	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Programming costs		108,005	100,264
Distribution, marketing, customer relation management and retention costs		74,090	76,204
Depreciation, amortization and impairment		43,614	27,583
Salaries and employee-related costs	a	22,822	20,363
Broadcasting and signal transmission costs		21,768	20,425
Cost of settlements with mobile network operators and interconnection charges		10,535	5,298
Cost of equipment sold		5,420	11,615
Other costs		33,955	26,293
Total costs by kind		**320,209**	**288,045**

	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Cost of services, goods and materials sold	230,401	204,967
Selling expenses	63,442	60,596
General and administrative expenses	26,366	22,482
Total costs by function	**320,209**	**288,045**

a) Salaries and employee-related costs

	for 3 months ended 31 March 2012 unaudited	for 3 months ended 31 March 2011 unaudited
Salaries	18,792	16,991
Social security contributions	3,466	2,849
Other employee-related costs	564	523
Total	**22,822**	**20,363**

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

9. Other operating income

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Compensations	23	191
Other	477	511
Total	**500**	**702**

10. Other operating costs

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Bad debt allowance and receivables written off	7,655	20,143
Inventory impairment write-downs	210	43
Other	1,962	358
Total	**9,827**	**20,544**

11. Finance income

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Dividends received (see note 18)	297,230	-
Foreign exchange gains on issued bonds	86,640	-
Guarantee fees from related parties (see note 18)	2,292	-
Other foreign exchange gains, net	1,887	125
Interest	761	272
Total	**388,810**	**397**

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

12. Finance costs

	for 3 months ended	
	31 March 2012 unaudited	**31 March 2011 unaudited**
Interest expense on loans and borrowings	29,449	771
Realization of hedging instruments (IRS)	303	-
Interest expense on issued bonds	29,778	-
Impact of hedging instruments valuation on interest expense on issued bonds	112	-
Other interest	136	2
Results on call options:	-	2,892
Foreign currency options not designated as hedging instruments	-	*1,994*
Foreign currency options – settlement of instruments	-	*898*
Guarantee fees	1,221	-
Bank and other charges	1,078	-
Other	5	-
Total	**62,082**	**3,665**

13. Acquisition of subsidiary

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. was transferred to the Company on 30 January 2012 following fulfillment of the conditions precedent. The fair value of the consideration transferred is equal to PLN 29.313 thousand.

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

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

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

14. Equity

Share capital

Presented below is the structure of the Company's share capital as at 31 March 2012:

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

The shareholders' structure as at 31 March 2012 was as follows:

	31 March 2012				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd. [1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. [2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

[1] Mr. Zygmunt Solorz-Żak held 85% shares and Mr. Heronim Ruta held 15% shares in the share capital of Pola Investments Ltd.

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

Share disposal

On 13 January 2012 Pola Investmets Ltd. acquired the total of 168,941,818 of the Company's shares through a donation received from its sole shareholder, i.e. Delas Holdings Limited.

On 21 March 2012 Mr. Zygmunt Solorz-Żak donated to its subsidiary, Pola Investments Ltd., the total of 10,603,750 of the Company's shares. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Pola Investments Ltd.

On 21 March 2012 Pola Investments Ltd., a subsidiary of Mr. Zygmunt Solorz-Żak, sold 25,341,272 of the Company's shares to Sensor Overseas Ltd., the share capital of which was held by Mr. Heronim Ruta.

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

As at the date of the approval of these financial statements, Pola Investments Ltd. directly held 154,204,296 shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Shareholders' Meeting of the Company, i.e. 58.11% of total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Pola Investments Ltd.

As at the date of the approval of these financial statements, Sensor Overseas Ltd. held directly 25,341,272 shares, constituting 7.27% of the Company's share capital and representing 50,382,647 votes at the General Shareholders' Meeting of the Company, i.e. 9.55% of total number of votes in the Company. Mr. Heronim Ruta held 100% shares in the share capital of Sensor Overseas Ltd.

As at the date of approval of these financial statements, Mr. Zygmunt Solorz-Żak did not hold directly any shares in the Company, however Mr. Zygmunt Solorz-Żak controlled (indirectly through Pola Investments Ltd.) 154,204,296 of the Company's shares constituting 44.27% of the Company's share capital and representing 306,709,172 votes at the General Shareholders' Meeting of the Company, i.e. 58.11% of total number of votes in the Company.

As at the date of approval of these financial statements, Delas Holdings did not hold any shares in the Company. Mr. Zygmunt Solorz-Żak held 85% of the share in the share capital of Delas Holdings.

15. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	Hedge valuation reserve
Balance as at 1January 2012	**4,758**
Valuation of cash flow hedges	(9,900)
Amount transferred to income statement	112
Deferred tax	1,860
Change for the period	**(7,928)**
Balance as at 31 March 2012	**(3,170)**

In the first quarter of 2012 the valuation of the hedge was negative (PLN 9,900 thousand), including PLN 112 thousand recognized in the profit and loss account in correspondence with intercompany bond's finance results. Since the hedge was determined to be effective, the remaining loss in the amount of PLN 9,788 thousand was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve as at 31 March 2012 is negative (PLN 3,170 thousand), representing the amount of the valuation, net of related deferred tax.

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

16. Loans and borrowings

	31 March 2012 unaudited	31 December 2011
Short-term liabilities	250,363	290,617
Long-term liabilities	932,068	958,406
Total	**1,182,431**	**1,249,023**

Change in loans and borrowings liabilities

	2012
Loans and borrowings liabilities as at 1 January	**1,249,023**
Repayment of capital	(26,755)
Repayment of interest	(25,447)
Net cash from Cash Pool	(43,839)
Interest accrued	29,449
Loans and borrowings liabilities as at 31 March	**1,182,431**

17. Issued bonds

	31 March 2012 unaudited	31 December 2011
Short-term liabilities	114,995	119,473
Long-term liabilities	1,345,097	1,397,481
Total	**1,460,092**	**1,516,954**

Change in issued bonds payable

	2012
Issued bonds payable as at 1 January	**1,516,954**
Foreign exchange gains	(86,640)
Interest accrued	29,778
Issued bonds payable as at 31 March	**1,460,092**

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

18. Transactions with related parties

Receivables

	31 March 2012 unaudited	31 December 2011
Telewizja Polsat Sp. z o.o.*	77,942	724
Polsat Futbol Ltd.	1,060	1,442
Superstacja Sp. z o.o.	932	921
Cyfrowy Polsat Technology Sp. z o.o.	498	449
Polsat Jim Jam Ltd.	440	466
Teleaudio DWA Sp. z o.o.	54	77
Info-TV-FM Sp. z o.o.	33	-
Polkomtel S.A.	18	-
Mobyland Sp. z o.o.	15	7
Media-Biznes Sp. z o. o.	14	59
Cyfrowy Polsat Trade Marks Sp. z o.o.	9	21
Invest Bank S.A.	8	128
Sferia S.A.	1	15
Other	1	11
Total	**81,025**	**4,320**

*Including 77,230 thousand dividend receivables

Other current/non-current assets

	31 March 2012 unaudited	31 December 2011
Mobyland Sp. z o.o.	111,526	94,281
Cyfrowy Polsat Finance AB	3,461	1,169
Total	**114,987**	**95,450**

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

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

Liabilities

	31 March 2012 unaudited	31 December 2011
Cyfrowy Polsat Trade Marks Sp. z o.o.	50,156	41,181
Cyfrowy Polsat Technology Sp. z o.o.*	20,606	20,024
Telewizja Polsat Sp. z o.o.	15,601	6,360
Polsat Media Sp. z o.o.	2,791	2,916
Polsat Jim Jam Ltd.	783	-
Redefine Sp. z o.o.	64	8
Radio PIN S.A.	43	-
Ster Sp. z o.o.	35	-
Polkomtel S.A.	24	-
Invest Bank S.A.	-	12
Other	6	1
Total	**90,109**	**70,502**

*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 do not serve 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. In the first quarter of 2012 the Company purchased from Cyfrowy Polsat Technology Sp. z o.o. set-top boxes and set-top boxes' accessories for a total value of PLN 47,181 thousand.

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

Bond liabilities

	31 March 2012 unaudited	31 December 2011
Cyfrowy Polsat Finance AB	1,460,092	1,516,954
Total	**1,460,092**	**1,516,954**

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

Loans granted

	31 March 2012 unaudited	31 December 2011
Redefine Sp. z o.o.	1,102	-
Total	**1,102**	**-**

Revenues

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	1,204	534
Polkomtel S.A.*	838	-
Telewizja Polsat Sp. z o.o.	393	384
Cyfrowy Polsat Trade Marks Sp. z o.o.	364	326
Polsat Futbol Ltd.	313	299
Teleaudio DWA Sp. z o.o.	164	215
Radio PIN S.A.	56	-
Media-Biznes Sp. z o.o.	48	48
Superstacja Sp. z o.o.	16	13
Invest Bank S.A.	3	15
Dom Sprzedaży Radia PIN Sp. z o.o.	-	31
Polskie Media S.A.**	-	31
Other	22	2
Total	**3,421**	**1,898**

*Revenues for the first quarter of 2011 not included (the company is related from 9 November 2011)
** Revenues for the first quarter of 2012 not included (the company was related to 8 July 2011)

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

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

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

Expenses

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Telewizja Polsat Sp. z o.o.	19,640	18,493
Cyfrowy Polsat Trade Marks Sp. z o.o.	13,924	8,338
Mobyland Sp. z o.o.*	8,514	-
Polsat Media Sp. z o.o.	5,997	33
Teleaudio DWA Sp. z o.o.	2,778	1,964
Polkomtel S.A.**	1,363	-
Redefine Sp. z o.o.	933	70
Polsat Jim Jam Ltd.	735	626
Elektrim S.A.	617	500
Sferia S.A.	30	56
Radio PIN S.A.	40	-
Media-Biznes Sp. z o.o.	37	22
Ster Sp. z o.o.	29	-
Tower Service Sp. z o.o.***	14	-
Aero 2 Sp. z o.o.*	13	-
Superstacja Sp. z o.o.	10	-
mPunkt Polska S.A.	-	3,320
Other	1	-
Total	**54,675**	**33,422**

*Costs for the first quarter of 2011 not included (the company is related from 13 May 2011)
**Costs for the first quarter of 2011 not included (the company is related from 9 November 2011)
**Costs for the first quarter of 2011 not included (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. Mobyland Sp. z o.o. provides data transfer services. Polsat Media Sp. z o.o. sells advertising time to the Company. Teleaudio DWA Sp. z o.o. provides mainly telecommunication services with respect to the Company’s customer call center.

Transactions with related parties are being concluded substantially on an arm’s length basis.

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

Financial income

	for 3 months ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Telewizja Polsat Sp. z o.o.	297,230	-
Cyfrowy Polsat Finance AB	2,292	-
Other	2	-
Total	**299,524**	**-**

Financial income from Telewizja Polsat Sp. z o.o. comprises 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 the year ended	
	31 March 2012 unaudited	31 March 2011 unaudited
Cyfrowy Polsat Finance AB	29,780	-
Telewizja Polsat Sp. z o.o.	519	-
Cyfrowy Polsat Trade Marks Sp. z o.o.	491	
Polsat Media Sp. z o.o.	55	-
RS TV S.A.	29	-
Nord Licence AS	29	-
Other	5	-
Total	**30,908**	**-**

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

19. Litigations

Management believes that the provisions as at 31 March 2012 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

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

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, that 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 its verdict which supported the decision of the President of UOKiK in respect of practices breaching collective interests of consumers. The Court also agreed with the 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. On 26 April 2012 the Court of Appeals has ruled to reduce the penalty imposed on the Company by UOKiK to PLN 500 thousand. The ruling is enforceable, but both parties may further appeal to the Supreme Court.

As at the date of approval of these financial statements, no changes occurred in respect of the above.

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 its verdict, according to which, the Company was ordered to pay to SkyMedia Sp. z o.o. the 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. On 26 January 2012 the Supreme Court cancelled the judgement in full and turned the matter back for reappraisal. The date of the hearing before the Court of Appeal was set to 15 June 2012.

20. Important agreements and events

Order for data transfer services

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

The order is for the purchase of 13 million GB of data transfer service with the guaranteed utilization period until 31 December 2015, with a possible extension of the term as stipulated by the agreement. The net price of 1 MB is PLN 0.00774. The payment for the order will be performed in 12 equal monthly installments, starting from January 2012.

21. Off-balance sheet liabilities

Security relating to loans and borrowings

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

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 308 thousand as at 31 March 2012 (PLN 1,527 thousand as at 31 December 2011). Total amount of capital commitments resulting from agreements on property improvements was PLN 3,045 thousand as at 31 March 2012 (PLN 3,906 thousand as at 31 December 2011). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2012 was PLN 467 thousand (PLN 431 thousand as at 31 December 2011).

Contingent liabilities relating to promissory notes

As at 31 March 2012, the Company had contingent liabilities relating to promissory notes in the total amount of PLN 22 thousand (excluding blank promissory notes). Furthermore, as at 31 March 2012 the Company had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

Contingent liabilities related to granted guarantees

On 26 March 2012 the Company commissioned BRE Bank S.A. to grant a guarantee to Polkomtel S.A. amounting to PLN 100 thousand. The guarantee secures good performance related to cooperation agreement concluded by the Company and Polkomtel S.A. The guarantee is in force until 22 March 2013.

22. Events subsequent to the reporting date

Acquisition of ipla

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

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

4. 100% shares in Netshare Sp. z o.o. seated in Warsaw.

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

The joint price for the shares, resulting from the above mentioned transactions amounted to PLN 42,689.8 thousand. The share purchase agreements also include the mechanism of correction of the acquisition price, in case there is a difference between the estimated and actual net debt of the acquired companies as at 31 March 2012.

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

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

23. Accounting estimates and judgements

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed financial statements were the same as adopted in preparation of financial statements for the year ended 31 December 2011.