CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the three month period ended 31 March 2011

Warsaw, 16 May 2011

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We have prepared this quarterly report as required by Paragraph 82 section 1 of the Regulation of the Council of Ministers of 19 February 2009 concerning the submission of current and periodical information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union.

Presentation of financial and other information

In this quarterly report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company; „DTH" relates to digital satellite platform services which we provide in Poland; "SD" relates to the television signal in the standard definition technology (Standard Definition); „HD" relates to the television signal in the high definition technology (High Definition); „DVR" relates to set-top boxes with hard disk used to record television channels (Digital Video Recorder); "Family Package", "Family HD Package", "Mini Package", "Mini HD Package" and "Mini Max Package" relate to our starting packages available within our DTH services; "Subscriber" relates to a person who signed an agreement for subscription to television services and who is obligated, under the terms of agreement, to make payments to access a package or packages of television channels or who has access to such packages after making required payments but without having signed such an agreement; „ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our DTH services divided by the average number of subscribers to whom we rendered services in the reporting period; „ARPU Family Package" and „ARPU Mini Package" relate to average revenue per subscriber to the Family Package and Mini Package, respectively; „churn" relates to the churn rate, defined as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period; „churn Family Package" and „churn Mini Package" relates to churn rate calculated for the Family Package and Mini Package, respectively; „SAC" relates to the sum of cost of provision payable to distributors per each attracted customer; "nVoD" relates to the services from the video on demand category; „MVNO" relates to mobile virtual network operator services; "Internet access services" relates to broadband internet access services; "HSPA+" relates to radio data transfer technology in mobile networks (High Speed Packet Access Plus) ; "LTE" relates to radio data transfer technology in mobile networks (Long Term Evolution), characterized by much higher data transfer speed, greater capacity and lower network latency; „Integrated services" relates to services of pay DTH services, mobile services and internet access services provided under one agreement and one subscription fee; "M.Punkt" relates to M.Punkt Holdings Ltd.; "mPunkt" relates to mPunkt Polska S.A.; "CPT" relates to Cyfrowy Polsat Technology Sp. z o.o.; "CPTM" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "CP" relates to Cyfrowy Polsat S.A.; "Telewizja Polsat" or "TV Polsat" relates to Telewizja Polsat S.A.; „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; "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 quarterly condensed consolidated financial statements for 3 month period ended 31 March 2011 and quarterly condensed financial statements for the 3 month period ended 31 March 2011. The financial statements attached to this interim report have been prepared in accordance with International Financial Reporting Standards approved for use in the European Union ("IFRS") and are presented in thousand Zlotys.

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

Currency presentation

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

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

Forward–looking statements

This quarterly report contains forward looking statements relating to future expectations regarding our business, financial condition and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this quarterly report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to place undue reliance on such statements, which speak only as at the date of this quarterly report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of publication of this quarterly report.

1. Introduction

We are the largest pay TV and DTH provider in Poland. 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 and mobile telephony services. As of March 31, 2011 among our subscriber base we had 3,469,696 DTH subscribers (an increase of 229,941 or 7.1% compared to 3,239,755 as of March 31, 2010), 35,530 users of broadband Internet service and 119,921 users of mobile telephony service.

After the completion of the acquisition of Telewizja Polsat S.A. on April 20, 2011, we entered the TV broadcasting market and we will generate revenues from advertising. Cyfrowy Polsat together with Telewizja Polsat formed a leading multimedia group in Poland, characterized by two major businesses of different revenue sources. Our business will be divided into two operating segments with the historical Cyfrowy Polsat business comprising the Retail Customers business segment and the historical TV Polsat business comprising the TV Broadcasting business segment. Financial results of TV Polsat will be consolidated from the completion date of the transaction.In this report we present only the results of Cyfrowy Polsat and its consolidated subsidiaries prior to the acquisition of TV Polsat.

We offer our subscribers access to over 80 Polish-language TV channels, including sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP 1, TVP 2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sport Extra. In addition, we offer 21 high definition channels and provide nVoD services. We also provide our subscribers with access to over 500 free to air ("FTA") television and radio channels available via satellite in Poland.

In November 2007, we began manufacturing our own SD set-top boxes, which has enabled us to decrease the cost of obtaining set-top boxes. We started selling our own-manufactured set-top boxes in March 2008. In 2010, almost 80% of our sold or leased set-top boxes were manufactured by us. In April 2010, we began manufacturing our own HD set-top boxes and plan to introduce our second HD set-top box model in 2011.

From June 2010 we offer our clients a multi-play offer including all three services in one invoice. We believe, that our integrated offer will contribute to an increase of the general satisfaction of our customers and in consequence, lower the churn, and increase the subscriber base which will be converted into a growth of our revenues.

We sell our services through an effective sales network covering the entire territory of Poland. We distribute our products and services through two sales channels: retail sales channel and direct sales channel D2D ("door-to-door"). As of March 31, 2011 traditional sales channel included 1,109 Authorized Points of Sales, out of which 973 APS managed by 24 distributors of traditional network and 136 APS managed by our own distributor mPunkt. Direct sales channel includes our own structure employing 212 D2D sales agents and external structure managed by 3 distributors employing 49 D2D sales agents.

2. Significant events

Events regarding the completion of acquisition of 100% of Telewizja Polsat S.A.

1. Conclusion of an Annex No. 2 to Investment Agreement with Telewizja Polsat S.A. of November 15, 2010

On March 24, 2011 we concluded an Annex No. 2 to the investment agreement, concluded by the Company on November 15, 2010, amended by Annex 1 of December 28, 2010 (the "Investment Agreement").

The Annex was concluded between the Company, Mr. Zygmunt Solorz-Żak, Mr. Heronim Ruta, Mat Fundusz Inwestycyjny Zamknięty, Koma Fundusz Inwestycyjny Zamknięty, Karswell Limited and Sensor Overseas Limited (hereinafter the "Sellers").

The Annex provides that a portion of the price for the shares in Telewizja Polsat S.A. (the "Sale Shares"), i.e. PLN 2,600,000,000 (not in thousands) in total, which is to be paid by money transfer, shall be paid by the Company for the benefit of each of the Sellers within 48 days from the date of concluding with the given Seller of a Sale Shares sale agreement, however, not earlier than upon the delivery of the Sale Shares to the Company by a given Seller. The remaining part of the price, i.e. PLN 1,150,000,003.32 (not in thousands) in total, shall be paid by the Company on the sale day of the Sale Shares by way of setting off the Sellers' liabilities against the Company's liabilities arising from the payment by the Sellers for the shares taken up by them in the performance of the rights attached to subscription warrants issued by the Company on the basis of Resolution No. 6 of the Extraordinary Shareholders' Meeting of the Company of December 17, 2010.

Additionally, the Annex provides that the Company shall offer to the Sellers subscription warrants authorizing them to take up Series H Shares issued by the Company on the basis of Resolution No. 8 of the Extraordinary Shareholders' Meeting of the Company of December 17, 2010 not later than within 5 days from the day of concluding credit agreements, the funds from which are to be allocated for, inter alia, the acquisition of the Sale Shares.

The above amendments to the Investment Agreement came into force as of the day of the signing of the Annex by all parties. The parties also executed the uniform text of the Investment Agreement with amendments adopted by the Annex.

2. Conclusion of credit agreements to finance the acquisition of Telewizja Polsat

The Company, acting as a borrower, together with Cyfrowy Polsat Technology Sp. z o.o., mPunkt Polska S.A. and Cyfrowy Polsat Trade Marks Sp. z o.o. 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") and including: Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, The Royal Bank of Scotland N.V., RBS Bank (Polska) S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Millennium S.A., ING Bank Śląski S.A., HSBC Bank plc, Bank Gospodarki Żywnościowej S.A., Nordea Bank Polska S.A., Raiffeisen Bank International AG, Bank DnB Nord Polska S.A., DnB NOR Bank ASA, Alior Bank S.A. Citibank International plc will act as the Facility Agent and Citicorp Trustee Company Limited will act as Security Agent for the Senior Facilities.

The Senior Facilities Agreement provides for a term facility loan of up to PLN 1,400,000,000 (one billion four hundred million zloty, not in thousands) ("Term Facility") and a revolving facility loan of up to PLN 200,000,000 (two hundred million zloty, not in thousands) ("Revolving Facility").

The Term Facility and Revolving Facility loans bear interest at variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The margin of the Term Facility and the Revolving Facility depends on the ratio of consolidated net debt / consolidated EBITDA with a lower ratio resulting in a lower applicable margin. The Term Facility will be repaid in quarterly installments in varying amounts starting from June 30, 2011, and the final facility repayment date is December 31, 2015. The termination date of the Revolving Facility is also December 31, 2015.

In addition, on March 31, 2011, the Company, acting as a borrower, together with Cyfrowy Polsat Technology Sp. z o.o., mPunkt Polska S.A. and Cyfrowy Polsat Trade Marks Sp. z o.o. concluded a Bridge Facility Agreement with the Bookrunners. Citibank International plc will act as the Facility Agent and Citicorp Trustee Company Limited will act as Security Agent for the Bridge Facility. This agreement provides for a bridge loan facility in EUR of up to the equivalent of PLN

1,400,000,000 (one billion four hundred million zloty, not in thousands) which, as of the day of the execution of this agreement, equaled approximately EUR 350,000,000 (Three hundred and fifty million Euros, not in thousands) ("Bridge Facility").

The Bridge Facility bears interest at variable rates being the sum of: EURIBOR, for the relevant interest periods, and the applicable margin, which increases as the term of the facility increases. The Bridge Facility is to be repaid within 12 months of the day of concluding the agreement.

3. Issue of subscription warrants

On April 1, 2011 the Company entered into four subscription agreements with: MAT Fundusz Inwestycyjny Zamknięty, KOMA Fundusz Inwestycyjny Zamknięty, Karswell Limited, and Sensor Overseas Limited (jointly: "Sellers"), concerning the take up of an aggregate of 80,027,836 registered Series H subscription warrants. Series H subscription warrants issued pursuant to Resolution No. 6 of the Extraordinary General Meeting of the Company of December 17, 2010 authorize their holders to acquire Series H ordinary bearer shares with the nominal value of four grosz (PLN 0.04) per share, issued by the Company pursuant to § 1 of Resolution No. 8 of the Extraordinary General Meeting of the Company of December 17, 2010. The ratio at which the Subscription Warrants were offered to the Sellers was defined by the Company's Management Board in Resolution No. 1 of the Company's Management Board of April 1, 2011.

Pursuant to the subscription agreements, the Company made an offer of free of charge acquisition, and each of the Sellers accepted the offer to acquire the Subscription Warrants offered to it, as a result of which:

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

ordinary Series H bearer shares in the share capital of the Company respectively, on or before September 30, 2011, in exchange for a cash contribution of PLN 14.37 per each share.

4. Establishment of forms of security for facilities on assets carrying a significant value

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

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

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

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

On 20 April 2011, Telewizja Polsat S.A. and Telewizja Polsat S.A. subsidiaries: RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. acceded to a Senior Facilities Agreement with regard to the so-called Revolving Facility (not destined for financing the acquisition of the shares in Telewizja Polsat S.A. by the Company) and therefore Telewizja Polsat S.A. and the Telewizja Polsat S.A. subsidiaries named above entered into agreements for the establishment in particular of the following security:

(i) Registered pledge on set of chattels and rights of Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o.;
(ii) Security established on the assets of Polsat Futbol Ltd. (Fixed and Floating Security (Debenture));
(iii) Financial and registered pledge on all shares in RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., held by Telewizja Polsat S.A.;
(iv) Pledge on shares in Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. held by Telewizja Polsat S.A.;
(v) Transfer of receivables for security, due to Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. from various debtors;
(vi) Security assignment entered into by Nord License AS (Third Priority Charge, First Priority Charge, Sub-Charge Agreement);
(vii) Security assignment entered into by Polsat License Ltd and Polsat Futbol Ltd.;
(viii) Contractual mortgage on real estate owned by Telewizja Polsat S.A.;
(ix) Joint contractual mortgage on real estate owned by RS TV S.A.;
(x) Statement of Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. on submission to the enforcement procedure as stipulated by the notary deed.

5. Completion of the acquisition transaction of Telewizja Polsat

On April 20, 2011 Cyfrowy Polsat completed the acquisition of Telewizja Polsat. Several events occurred and several legal transactions were executed in connection with the performance of the investment agreements executed by the Company on November 15, 2010 and amended by Annex 1 of December 28, 2010 and Annex 2 of March 24, 2011.

I. Statements on take-up of Series H Shares in the Company

The holders of registered Series H subscription warrants, which entitled their holders to take up ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each as issued by the Company, exercised their rights under the subscription warrants on April 20, 2011, i.e. they made statements on the take-up of ordinary bearer Series H Shares in the same proportion as described in the point 3. Issue of subscription warrants.

The payment for ordinary bearer Series H Shares by the Sellers involved a contractual setoff of the Company's claims against the Sellers in respect of the payment for the Shares with the Sellers' claims against the Company in respect of the payment of a portion of the price for the shares in Telewizja Polsat S.A. sold to the Company. The Company and the Sellers set off their claims under the setoff agreements discussed herein below.

II. Materialization of conditions precedent under the investment agreement

The acquisition of the Shares by the Sellers satisfied one of the conditions precedent specified in the Investment Agreement.

On April 20, 2011. with respect to the remaining conditions precedent specified in the Investment Agreement:

(i) the parties confirmed the performance of obligations under the Investment Agreement as well as obligations concerning the stabilization period;
(ii) the Sellers obtained a consent of the Supervisory Board of TV Polsat to sell 100% of shares in its share capital;
(iii) the non-exercise of the preemptive rights to the sale shares by the shareholders of TV Polsat, i.e. to 2,369,467 shares in TV Polsat with the nominal value of PLN 100.00 each (not in thousands), representing 100% of the share capital of TV Polsat, ceased to be the condition precedent set forth in the Investment Agreement because the District Court for the Capital City of Warsaw, XIII Commercial Division for the National Court Register registered the amendments to the Articles of Association of TV Polsat providing, inter alia, for the deletion of the provision granting the holders of shares in TV Polsat the preemptive right to sale shares.

III. Material agreements signed by Cyfrowy Polsat

On April 20, 2011, the Company signed the following agreements concerning the acquisition of shares in TV Polsat by the Company:

(i) the Share Purchase Agreement between the Company and MAT Fundusz Inwestycyjny Zamknięty;
(ii) the Share Purchase Agreement between the Company and KOMA Fundusz Inwestycyjny Zamknięty;
(iii) the Share Purchase Agreement between the Company and Karswell Limited;
(iv) the Share Purchase Agreement between the Company and Sensor Overseas Limited.

Under the foregoing agreements, respectively:

(i) MAT Fundusz Inwestycyjny Zamknięty transferred to the Company the title to 418,530 registered shares in TV Polsat as follows: Series A shares numbered from 1 to 49,130, Series B shares numbered from 50,001 to 150.000, Series C shares numbered from 150,001 to 249,400, Series D shares numbered from 250,001 to 400,000, Series F shares numbered from 400,001 to 420,000, with the nominal value of PLN 100.00 each, for the price of PLN 662,379,983.58 (not in thousands);
(ii) KOMA Fundusz Inwestycyjny Zamknięty transferred to the Company the title to 73,858 registered shares in TV Polsat as follows: Series A shares numbered from 49,131 to 50,000, Series C shares numbered from 249,401 to 249,985, Series I shares numbered from 1 to 72,403, with the nominal value of PLN 100.00 each, for the price of PLN 116,890,218.95 (not in thousands);
(iii) Karswell Limited transferred to the Company the title to 1,595,517 registered shares in TV Polsat as follows: Series C shares numbered from 249,986 to 250,000, Series F shares numbered from 420,001 to 471,064, Series G shares numbered from 000,001 to 160,521, Series H shares numbered from 1 to 40,917, Series J shares numbered from 1 to 748,000, Series K shares numbered from 1 to 595,000, with the nominal value of PLN 100.00 each, for the price of PLN 2,525,120,094.23 (not in thousands);
(iv) Sensor Overseas Limited transferred to the Company the title to 281,562 registered shares in TV Polsat as follows: Series G shares numbered from 160,522 to 205,083, Series J shares numbered from 748,001 to 880,000, Series K shares numbered from 595,001 to 700,000, with the nominal value of PLN 100.00 each, for the price of PLN 445,609,706.56 (not in thousands).

At the same time, on April 20, 2011, the Company declared, in the form of a notarial deed, to submit voluntarily to execution under such notarial deeds in the manner provided for in Article 777 §1 item 4 of the Code of Civil Procedure with respect to the payment of the purchase price for the acquired shares in the share capital of TV Polsat if the Company fails to perform its liabilities towards MAT Fundusz Inwestycyjny Zamknięty up to the amount of PLN 662,379,983.58 (not in thousands) and towards KOMA Fundusz Inwestycyjny Zamknięty up to the amount of PLN 116,890,218.95 (not in thousands) with a stipulation that MAT Fundusz Inwestycyjny Zamknięty or KOMA Fundusz Inwestycyjny Zamknięty is authorized to apply for an enforcement clause for the relevant deed by December 31, 2012.

Part of the price for shares in TV Polsat acquired by the Company from the Sellers, i.e. PLN 2,600,000,000.00 (not in thousands) in total, is to be paid by a bank transfer and will be due from the Company in favor of the Sellers within 48 days of signing the Share Purchase Agreements with them, however, not earlier than upon the delivery of the shares in TV Polsat to the Company by the Sellers. The remainder of the price, i.e. PLN 1,150,000,003.32 (not in thousands) in total, was paid by the Company on the TV Polsat share sale day by setting off the Sellers' claims with the Company's claims in respect of the payment by the Sellers for the Shares acquired by the Sellers as described hereinabove. The contractual setoffs were made under the following agreements executed on April 20, 2011:

(i) the setoff agreement executed by the Company and MAT Fundusz Inwestycyjny Zamknięty under which the Company's claims in respect of the payment of PLN 203,129,865.30 (not in thousands) by MAT Fundusz Inwestycyjny Zamknięty for the acquisition of 14,135,690 Series H shares in the Company, was set off with the claims of MAT Fundusz Inwestycyjny Zamknięty in respect of the payment of PLN 203,129,865.30 (not in thousands) by the Company for the shares in TV Polsat's share capital sold to the Company;
(ii) the setoff agreement executed by the Company and KOMA Fundusz Inwestycyjny Zamknięty under which the Company's claims in respect of the payment of PLN 35,846,338.62 (not in thousands) by KOMA Fundusz Inwestycyjny Zamknięty for the acquisition of 2,494,526 Series H shares in the Company, was set off with the

claims of KOMA Fundusz Inwestycyjny Zamknięty in respect of the payment of PLN 35,846,338.62 (not in thousands) by the Company for the shares in TV Polsat's share capital sold to the Company;

(iii) the setoff agreement executed by the Company and Karswell Limited under which the Company's claims in respect of the payment of PLN 774,370,157.64 (not in thousands) by Karswell Limited for the acquisition of 53,887,972 Series H shares in the Company, was set off with the claims of Karswell Limited in respect of the payment of PLN 774,370,157.64 (not in thousands) by the Company for the shares in TV Polsat's share capital sold to the Company;

(iv) the setoff agreement executed by the Company and Sensor Overseas Limited under which the Company's claims in respect of the payment of PLN 136,653,641.76 (not in thousands) by Sensor Overseas Limited for the acquisition of 9,509,648 Series H shares in the Company, was set off with the claims of Sensor Overseas Limited in respect of the payment of PLN 136,653,641.76 (not in thousands) by the Company for the shares in TV Polsat's share capital sold to the Company.

IV. Cyfrowy Polsat's share capital increase

On April 20, 2011 the Company issued to the Sellers the certificates of the Shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201,113.44 (not in thousands). The current share capital of the Company is PLN 13,934,113.44 (not in thousands), divided into 348,352,836 shares At present, the total number of votes at the General Shareholders' Meeting of the Company is 527,770,337.

The increase was effected as a result of the issuance of the Share Certificates to the Sellers as follows:

(i) MAT Fundusz Inwestycyjny Zamknięty acquired 14,135,690 Series H Shares,
(ii) KOMA Fundusz Inwestycyjny Zamknięty acquired 2,494,526 Series H Shares,
(iii) Karswell Limited acquired 53,887,972 Series H Shares,
(iv) Sensor Overseas Limited acquired 9,509,648 Series H Shares

issued as part of the conditional share capital increase under Resolution No. 6 of the Extraordinary General Shareholders' Meeting of December 17, 2010 on the Company's conditional share capital increase.

The Company's conditional share capital increase was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division for the National Court Register under a decision of December 28, 2010.

V. Acquisition of assets of significant value by Cyfrowy Polsat

As a result of the Share Purchase Agreements with the Sellers, the Company acquired the shares in TV Polsat, i.e. a total of 2,369,467 shares in TV Polsat, representing 100% of the share capital of TV Polsat and 100% of voting rights at the General Shareholders' Meeting, with the nominal value of PLN 100.00 each, for the total price of PLN 3,750,000,003.32 (not in thousands).

The acquisition of the TV Polsat shares is to be funded from loans granted under the Senior Facilities Agreement signed by the Company on March 31, 2011 and the Bridge Facility Agreement as mentioned above and, in part, with the contractual setoffs of the Company's claims against the Sellers in respect of the payment for the Shares with the Sellers' claims against the Company in respect of the payment of a portion of the price for TV Polsat shares sold to the Company, which was described above.

6. Credit rating and rating to the proposed Senior Secured Notes

Moody’s Investors Service (“Moody’s”) assigned a Ba3 corporate family rating (CFR) to Cyfrowy Polsat. Moody’s also assigned a provisional (P) Ba3 rating to the proposed EUR 350 million senior secured notes due 2018, to be issued by Cyfrowy Polsat Finance AB (publ). Outlook for the assigned ratings is stable.

Standard & Poor’s Rating Services (“S&P”) assigned a preliminary ‘BB-’ long-term corporate credit rating to Cyfrowy Polsat with stable outlook. S&P also assigned a preliminary ‘BB-’ issue rating to the EUR 350 million (not in thousands) senior secured notes due 2018, to be issued by Cyfrowy Polsat Finance AB (publ).

7. Announcement of the Pricing of the Offering of €350.0 Million 7.125% Senior Secured Notes by Cyfrowy Polsat Finance B (publ)

On May 3, 2011 the Management Board of the Company informed that its wholly owned Swedish subsidiary Cyfrowy Polsat Finance AB (publ) (the "Issuer") plans to make a private placement of fixed rate senior secured notes in the aggregate principal amount of EUR 350.0 million (not in thousands) (the "Senior Notes"). The Senior Notes will be senior secured obligations of the Issuer and will be guaranteed by Cyfrowy Polsat and certain of its subsidiaries.

On May 6, 2011 Cyfrowy Polsat Finance AB (publ) priced its offering of fixed rate senior secured notes in the aggregate principal amount of €350.0 million (not in thousands). The Senior Notes will be sold to investors at a purchase price equal to 100.0% of the principal amount, bear interest semi-annually at a rate of 7.125% per year beginning May 20, 2011, and will mature on May 20, 2018.

The Senior Notes will be senior secured obligations of the Issuer and will be guaranteed by Cyfrowy Polsat and certain of its subsidiaries. The sale of the Senior Notes is expected to close on May 20, 2011.

On May 6, 2011, in relation to the offering of the Senior Notes, the Issuer, Cyfrowy Polsat and certain of its subsidiaries entered into a Purchase Agreement, containing covenants that are typical of such offerings, including, without limitation, the terms of closing for the Senior Notes issuance.

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

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

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

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

Decision on merger of Cyfrowy Polsat S.A. with mPunkt Polska S.A.

On March 21, 2011 the Management Board of Cyfrowy Polsat S.A. resolved to merge the Company with mPunkt Polska S.A. seated in Warsaw , in which Cyfrowy Polsat S.A. holds 100% of share capital, and approved the merger plan. The decision was approved by the Extraordinary General Meeting of Cyfrowy Polsat S.A. on 4, May 2011.

The planned merger is aimed to optimize costs and simplify the organizational structure of the Capital Group of Cyfrowy Polsat S.A. which is required in order to realize its medium and long term strategy.

Conclusion of significant agreements with TVN S.A. Group

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

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

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

The agreements were concluded for a specified period and are valid from May 1, 2011 to April 30, 2015. Other conditions of the agreements do not deviate from the market standards applicable to such agreements.

Extension of the programming offer

Our programming offer was extended in the first quarter of 2011 with eight new channels, including four in HD. Additionally in April we launched another three channels (including one HD channel) and in May – four new channels (including 2 in HD).

Since January 2011 we launched 15 new channels including Disney Playhouse, Fox, National Geographic, Comedy Central Family, National Geographic HD, HBO2 HD, HBO Comedy HD, Cinemax2 HD, TVP HD, TVP Seriale, Religia tv, TVN HD, TVN HD+1, TVN CNBC and TVP Historia.

Expansion of our HSPA+ Internet network

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

Launch of nationwide consumer tests of LTE Internet

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

The first stage of testing, scheduled till June 30, 2011 will be attended by 2,000 people - participants of the campaign "Subscribe to LTE Internet", employees and associates of the operator, employees of Cyfrowy Polsat distributors and media representatives. Every month they will receive a data package of 100 GB free of charge.

3. Summary historical financial data

The following tables set out our summary historical interim consolidated financial information for the three month periods ended March 31, 2011 and March 31, 2010. The information shall be read in conjunction with interim condensed consolidated financial statements for the three month period ended March 31, 2011 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 12 of this quarterly report.

Certain financial data:

- from the consolidated profit and loss statements for the three month periods ended March 31, 2011 and March 31, 2010 have been converted into euro at a rate of PLN 3.9476 per €1.00 (the arithmetic average of average exchange rates published by the National Bank of Poland, or NBP, on the last date of each of the months in the period i.e. from January 1 to March 31, 2011);

- from consolidated balance sheet data as at March 31, 2011 and December 31, 2010 and March 31, 2010 have been converted into euro at a rate of PLN 4.0119 per €1.00 (an exchange rate published by NBP on March 31, 2011).

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

	For the three month period ended March 31			
	2011		2010	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**
Consolidated Income Statement				
Retail subscribtion	388,108	98,315	356,538	90,318
Sale of equipment	6,474	1,640	10,792	2,734
Other revenue	8,197	2,076	6,666	1,689
Revenue	**402,779**	**102,031**	**373,996**	**94,740**
Cost of services, products, goods and materials sold	(207,200)	(52,488)	(189,123)	(47,908)
Selling expenses	(54,322)	(13,761)	(48,516)	(12,290)
General and administrative expenses	(24,858)	(6,297)	(19,475)	(4,933)
Total operating costs	**(286,380)**	**(72,545)**	**(257,114)**	**(65,132)**
Other operating income	7,742	1,961	1,116	283
Other operating costs	(28,142)	(7,129)	(11,104)	(2,813)
Profit from operating activities	**95,999**	**24,318**	**106,894**	**27,078**
Finance income	1,615	409	485	123
Finance costs	(3,982)	(1,009)	(947)	(240)
Gross profit	**93,632**	**23,719**	**106,432**	**26,961**
Income tax	(17,234)	(4,366)	(20,298)	(5,142)
Net profit	**76,398**	**19,353**	**86,134**	**21,819**
Basic and diluted earnings per share (not in thousands)	0.28	0.07	0.32	0.08
Weighted average number of issued ordinary shares (not in thousands)	268,325,000		268,325,000	
Consolidated Cash Flow Statement				
Cash flow from operating activities	(5,146)	(1,304)	15,635	3,961
Cash flow from investing activities	(11,597)	(2,938)	(11,649)	(2,951)
Cash flow from financing activities	146,191	37,033	(16,296)	(4,128)
Net decrease in cash and cash equipments	129,448	32,792	(12,310)	(3,118)
Other consolidated financial data				
Depreciation and amortization	27,618	6,996	15,996	4,052
EBITDA[1]	123,617	31,314	122,890	31,130
EBITDA margin	30.7%	30.7%	32.9%	32.9%
Operating margin	23.8%	23.8%	28.6%	28.6%
Capital expenditures[2]	11,386	2,884	11,699	2,964

[1]We define EBITDA as operating profit before amortization and depreciation, 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, 2011		December 31, 2010		March 31, 2010	
(in thousands)	PLN	EUR	PLN	EUR	PLN	EUR
Consolidated balance sheet						
Cash and cash equivalents	156,414	38,988	27,615	6,883	60,120	14,985
Assets	1,226,854	305,804	1,015,195	253,046	856,760	213,555
Non-current liabilities	77,192	19,241	68,817	17,153	48,241	12,024
Current liabilities	645,326	160,853	518,440	129,226	399,972	99,696
Equity	504,336	125,710	427,938	106,667	408,547	101,834
Share capital	10,733	2,675	10,733	2,675	10,733	2,675

4. Organizational structure of Cyfrowy Polsat Capital Group

The following table presents the companies included in the organizational structure of Cyfrowy Polsat Capital Group as at March 31, 2011 and consolidated using full consolidation method :

	Company's registered office	Activities	Voting rights as at 31 March 2011 (%)	Consolidation method
Parent				
Cyfrowy Polsat S.A.	Łubinowa 4a Warsaw	radio and television activity, telecommunications		
Subsidiaries				
Cyfrowy Polsat Technology Sp. z o.o.	Łubinowa 4a, Warsaw	set-top boxes' production	100%	full consolidation
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	management of fix assets and intellectual property	100%	full consolidation
mPunkt Polska S.A.[1]	Domaniewska 37, Warsaw	Distribution of telecommunications services and products	100%	full consolidation
mTel Sp. z o.o.	Domaniewska 37, Warsaw	Agency services for mPunkt Polska S.A.	100%	full consolidation
Cyfrowy Polsat Finance AB	Stureplan 4C, Stockholm, Sweden	Financial transactions	100%	full consolidation

[1] In the process of merger

Additionally shares in Karpacka Telewizja Kablowa Sp. z o.o. (85%) were presented in interim condensed consolidated financial statements for the three months ended 31 March 2011. As at 31 March 2011 Karpacka Telewizja Kablowa Sp. z o.o. was not consolidated due to insignificant size of that company from the Group perspective and as this entity does not carry out any operating activities.

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

Cross-border merger with M.Punkt Holdings Ltd

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

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

The cross-border merger was effected in accordance with article 491 and further, in particular articles 516^1-516^{18} of the Commercial Companies Code of 15 September 2000 (Cross-border mergers of joint-stock companies) and with Sections 201 I to 201 X of the Cyprus Companies Law, Cap 113, amended by Section II Law N.186(I)/2007.

The cross-border merger resulted in:

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

ii. Cyfrowy Polsat S.A. took over, by the way of universal succession, the Ceasing company's assets and liabilities, including, in particular the ownership of share capital in mPunkt Polska S.A.

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

Decision on merger with mPunkt Polska S.A.

On March 21, 2011 the Management Board of Cyfrowy Polsat S.A. ("Company" or "Acquiring Company") resolved to merge the Company with mPunkt Polska S.A. seated in Warsaw ("Ceasing company" or "MPP"), in which Cyfrowy Polsat S.A. holds 100% of share capital, and approved the merger plan. The decision was approved by the Extraordinary General Meeting of Cyfrowy Polsat S.A. on May 4, 2011.

mPunkt Polska S.A., specializes in the distribution of telecommunication goods and services.

The merger will be effected by:

(i) transferring to Acquiring Company - as the sole shareholder of Ceasing company - all the assets of Ceasing Company by the way of universal succession, and

(ii) termination of Ceasing Company without liquidation,

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

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

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

The detailed terms of the merger, were specified in the Merger Plan prepared on March 21, 2011 and published on April 1, 2011 in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) no 3620/2011, item 3908.

The planned merger is meant to optimize costs and simplify the organizational structure of the Capital Group of Cyfrowy Polsat S.A. which is required in order to realize its medium and long term strategy.

Cyfrowy Polsat Finance AB

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

Completion of the acquisition of Telewizja Polsat S.A.

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

We will consolidate the results of Telewizja Polsat beginning from the date of the completion of the transaction,

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

We did not publish any financial forecasts.

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

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

Shareholder	Number of shares	% of share	Number of votes	% of votes
Polaris Finance B.V. [1]	175,025,000	50.24%	341,967,501	64.79%
Karswell Limited [2]	53,887,972	15.47%	53,887,972	10.21%
Other [3]	119,439,864	34.29%	131,914,864	24.99%
Total	348,352,836	100.00%	527,770,337	100.00%

[1] Mr. Zygmunt Solorz-Żak holds 85% and Heronim Ruta holds 15% of the shares and voting power in Polaris Finance B.V.
[2] Mr. Zygmunt Solorz-Żak holds 100% of the shares and voting power at the shareholders' meeting of Karswell Limited
[3] Mr. Zygmunt Solorz-Żak directly holds 3.04% of the shares of Cyfrowy Polsat, representing 4.02% of the votes at the shareholders meeting of Cyfrowy Polsat. Heronim Ruta holds 100% of the shares and voting power at the shareholders' meeting of Sensor Overseas Limited, that in turn owns 2.73% of the shares of Cyfrowy Polsat, representing 1.8% of the votes at the shareholders' meeting of Cyfrowy Polsat.

Increase of the share capital

On April 20, 2011 the Company's share capital was increased by PLN 3,201,113.44 (not in thousands). The current share capital of the Company is PLN 13,934,113.44 (not in thousands), divided into 348,352,836 shares At present, the total number of votes at the General Shareholders' Meeting of the Company is 527,770,337.

Changes in the shareholding structure

On April 28, 2011, the Management Board of the Company was informed (i) of a change of the number of votes held by Polaris Finance B.V. ("Polaris") in the total number of votes in the Company, (ii) that Karswell Limited ("Karswell") exceeded 10% of the total number of votes at the General Meeting of the Company.

The above change with respect to the number of votes in the Company resulted from the fact that the entitled persons, including Karswell Limited and Sensor Overseas Limited ("Sensor"), have taken up 80,027,836 Series H ordinary bearer shares of the Company of the nominal value of PLN 0.04 (four grosz) each share, issued by the Company pursuant to a resolution No. 6 and a resolution No. 7 of the Extraordinary General Meeting of the Company of December 17, 2010 on the conditional increase of the share capital of the Company by way of the issuance of up to 80,027,836 Series H ordinary bearer shares of the nominal value of PLN 0.04 (four grosz) each share with the preemptive right concerning the shares excluded with respect to the current shareholders of the Company. Karswell Limited took up 53,887,972 Shares, while Sensor Overseas Limited took up 9,509,648.

The Shares have been taken up due to the execution, of the entitled persons including Karswell Limited and Sensor Overseas Limited, of the right to subscribe for the Shares arising from 80,027,836 of the subscription warrants issued pursuant to the Resolutions Nos. 8 and 9 of the said General Meeting on the issue of 80,027,836 of Series H subscription warrants authorizing their holders to take up the Shares, issued by the Company, under the Resolution No. 6 and exclude the preemptive right of the Shares in question. On April 1, 2011 the Company issued the Subscription Warrants for the benefit of individual shareholders, including Karswell Limited and Sensor Overseas, of TV Polsat, in order to secure the performance by the Company of the provisions of the agreements on the acquisition, from the Shareholders of TV Polsat, the shares in TV Polsat held by them and to secure the payment by the Company, for the benefit of the Shareholders of TV Polsat, of a part of the price due to them for the shares in TV Polsat being the subject of sale.

The change in the current equity interest of Polaris and of Karswell's exceeding 10% in the total number of votes in the Company took place on April 20, 2011.

Change in equity interest of Polaris

Prior to the transaction, Polaris held directly 175,025,000 shares of the Company which constituted 65.23 % of the share capital of the Company, representing 341,967,501 votes at the General Meeting of the Company, i.e. 76.38% of the total number of votes in the Company. This block of shares comprised:

a) 166,942,501 registered preferred shares representing 62.22% of the share capital, carrying 333,885,002 votes at the General Meeting of the Company, representing 74.57% of the total number of votes at the General Meeting of the Company; and
b) 8,082,499 dematerialized shares representing 3.01% of the share capital, carrying 8,082,499 votes at the General Meeting of the Company, representing 1.81% of the total number of votes at the General Meeting of the Company.

Currently, Polaris holds 175,025,000 shares of the Company which constitute 50.24 % of the share capital of the Company, representing 341,967,501 votes at the General Meeting of the Company, i.e. 64.79 % of the total number of votes in the Company.

This block of shares comprises:

a) 166,942,501 registered preferred shares representing 47.92% of the share capital, carrying 333,885,002 votes at the General Meeting of the Company, representing 63.26% of the total number of votes at the General Meeting of the Company; and
b) 8,082,499 dematerialized shares representing 2.32% of the share capital, carrying 8,082,499 votes at the General Meeting of the Company, representing 1.53% of the total number of votes at the General Meeting of the Company.

There are no subsidiaries of Polaris which hold shares in the Company, and Polaris is not a party to any agreements on the transfer of any rights to execute voting rights from the Company's shares.

Mr. Zygmunt Solorz-Żak holds 85% share in the share capital of Polaris.

Change in equity interest of Karswell Limited

Prior to the transaction, Karswell Limited did not hold, directly or indirectly, any shares of the Company.

Currently, Karswell Limited holds directly 53,887,972 shares of the Company, which constitute 15.47% of the share capital of the Company, representing 53,887,972 votes at the General Meeting of the Company, i.e. 10.21% of the total number of votes in the Company.

There are no subsidiaries of Karswell Limited which hold shares in the Company, and Karswell Limited is not a party to any agreements on the transfer of any rights to execute voting rights from the Company's shares.

Within a period of 12 months following the notification, Karswell does not intend to increase its share of the number of votes at the General Meeting of the Company.

Mr. Zygmunt Solorz-Żak holds 100% share in the share capital of Karswell.

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 16, 2011, 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 the twelve month period ended December 31, 2010) on March 17, 2011. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Management Board Member	Balance as of March 17, 2011	Increases	Decreases	Balance as of May 16, 2011
Dominik Libicki, President of the Management Board	1,497	-	-	1,497

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

The following table presents shares controlled directly or indirectly by our Supervisory Board members as of May 16, 2011, 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 the twelve month period ended December 31, 2010) on March 17, 2011. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading, dated July 29, 2005.

Supervisory Board Member	Balance as of March 17, 2011	Increases	Decreases	Balance as of May 16, 2011
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	185,628,750	53,887,972	-	239,516,722
Heronim Ruta[2] Member of the Supervisory Board	-	9,509,648	-	9,509,648

[1] Mr. Zygmunt Solorz-˙Zak controls: (i) 10,603,750 shares directly (representing 3.04% in the share capital and 4.02% of votes in the Cyfrowy Polsat); (ii) 175,025,000 shares indirectly, through Polaris Finance B.V., (representing 50.24% in the share capital and 64.79% of votes in Cyfrowy Polsat) and (iii) 53,887,972 shares indirectly, through Karswell Limited, (representing 15.47% in the share capital and 10.21% of votes in Cyfrowy Polsat).
[2] Mr. Heronim Ruta indirectly holds, through Sensor Overseas Limited, 9,509,648 shares constituting 2.73% of the share capital and 1.80% of votes in Cyfrowy Polsat.

Change in equity interest of Mr. Zygmunt Solorz-Żak

Prior the take-up by entitled entities of Series H shares of the Company, Mr. Zygmunt Solorz-Żak controlled (directly and indirectly through Polaris) 185,628,750 shares of the Company which jointly constituted 69.18% of the share capital of the Company, jointly representing 363,175,001 votes at the General Meeting of the Company, i.e. 81.12% of the total number of votes in the Company.

Currently, Mr. Zygmunt Solorz-Żak controls (directly and indirectly through Karswell and Polaris) 239,516,722 shares of the Company jointly representing 68.75% of the share capital of the Company, jointly representing 417,062,973 votes at the General Meeting of the Company, i.e. 79.02% of the total number of votes in the Company.

Change in equity interest of Mr. Heronim Ruta

Mr. Heronim Ruta holds 100% share in the share capital of Sensor.

Prior the take-up by entitled entities of Series H shares of the Company, Sensor did not hold, directly or indirectly, any shares of the Company.

Currently, Sensor holds directly 9,509,648 (shares of the Company representing 2.73% of the share capital of the Company, representing 9,509,648 votes at the General Meeting of the Company, i.e. 1.80% of the 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

Other litigations

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 favor of SkyMedia Sp. z o.o. an amount of PLN 545,000 (not in thousands) plus legal interest accrued from 28 August 2007, and also PLN 30,000 (not in thousands) of legal costs reimbursement. On 22 September 2010 the Court of Appeals in Warsaw upheld the verdict. Both parties lodged a cassation appeal to the above verdict of the Court of Appeals in Warsaw. The Supreme Court has not addressed the cassation appeal of either parties as at the date of publication of these interim condensed consolidated financial statements.

In these interim condensed consolidated financial statements the Group created a provision for the above liabilities.

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, 2011 we did not conclude any material transactions with related parties on conditions other than market conditions.

11. Information on guarantees granted by the Company or subsidiaries

Claims against the Company and other debtors under the loan facilities agreements signed on March 31, 2011, and explained above, are secured with security interests granted by the Company and certain other entities. These security interests will include, in particular, registered pledges on collections of fungible movables and economic rights representing parts of the enterprises of the Company and other respective entities, registered and financial pledges on shares of the Company's subsidiaries, including the shares of Telewizja Polsat S.A. upon their acquisition by the Company, assignments of rights, mortgages and official deeds of submission to enforcement as well as analogical security interests established over shares or assets of Company's or Telewizja Polsat S.A.'s subsidiaries, which will be governed by foreign laws.

On April 14, 2011 agreements and other documents were signed which provided for the establishment of the following forms of security:

- (i) Registered pledge on a set of chattels and rights of variable composition constituting the Company's business;
- (ii) Registered pledge on a set of chattels and rights of variable composition constituting the business of Cyfrowy Polsat Technology Sp. z o.o., a subsidiary of the Company;
- (iii) Registered pledge on a set of chattels and rights of variable composition constituting the business of Cyfrowy Polsat Trade Marks Sp. z o.o., a subsidiary of the company;
- (iv) Registered pledge on a set of chattels and rights of variable composition constituting the business of mPunkt Polska S.A., a subsidiary of the Company;
- (v) Financial and registered pledges on all shares in Cyfrowy Polsat Technology Sp. z o.o., held by the Company;
- (vi) Financial and registered pledges on all shares in Cyfrowy Polsat Trade Marks Sp. z o.o., held by the Company;
- (vii) Transfer of receivables for security, which receivables Cyfrowy Polsat Technology Sp. z o.o. holds vis-a-vis various debtors;
- (viii) Transfer of receivables for security, which receivables Cyfrowy Polsat Trade Marks Sp. z o.o. holds vis-á-vis various debtors;
- (ix) Transfer of receivables for security, which receivables mPunkt Polska S.A. owns from various debtors;

(x) Blanket contractual mortgage on real estate owned by the Company;
(xi) Company's statement on submission to the enforcement procedure as stipulated om the notary deed;
(xii) Statement of Cyfrowy Polsat Technology Sp. z o.o. on submission to the enforcement procedure as stipulated in the notary deed;
(xiii) Statement of Cyfrowy Polsat Trade Marks Sp. z o.o. on the submission to the enforcement procedure as stipulated in the notary deed;
(xiv) Statement of mPunkt Polska S.A. on the submission to the enforcement procedure as stipulated in the notary deed.

On April 18, 2011 further agreements and other documents were signed which provided for the establishment of the following forms of security in connection with the credit agreements signed:

(i) Financial and registered pledges on all shares in mPunkt Polska S.A., held by the Company;
(ii) Transfers of receivables for security, which receivables the Company holds vis-a-vis various debtors.

On April 20, 2011 further forms of security were established. We entered into an English law security assignment as well as pledge agreement by which we established a financial and registered pledge on all the shares of Telewizja Polsat S.A. held by the Company, and acquired earlier on the same day of April 20, 2011.

On the same day of April 20, 2011, Telewizja Polsat S.A. and Telewizja Polsat S.A. subsidiaries: RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Nord License AS with its registered office in Norway, Polsat License Ltd. with its registered office in Switzerland and Polsat Futbol Ltd. with its registered office in the United Kingdom acceded to a Senior Facilities Agreement with regard to the so-called Revolving Facility (not destined for financing the acquisition of the shares in Telewizja Polsat S.A. by the Company) and therefore Telewizja Polsat S.A. and the Telewizja Polsat S.A. subsidiaries named above executed and signed agreements and other documents envisaging the establishment in particular of the following security interests:

(i) Registered pledge on set of chattels and rights of variable composition constituting the Telewizja Polsat S.A.'s enterprise;
(ii) Registered pledge on set of chattels and rights of variable composition constituting the RS TV S.A 's enterprise;
(iii) Registered pledge on set of chattels and rights of variable composition constituting the Polsat Media Sp. z o.o.'s enterprise;
(iv) Registered pledge on set of chattels and rights of variable composition constituting the Media-Biznes Sp. z o.o.;'s enterprise;
(v) Security interests established on the assets of Polsat Futbol Ltd. (Fixed and Floating Security (Debenture));
(vi) Financial and registered pledge on all shares in RS TV S.A. held by Telewizja Polsat S.A.;
(vii) Financial and registered pledge on all shares in Polsat Media Sp. z o.o., held by Telewizja Polsat S.A.;
(viii) Financial and registered pledge on all shares in Media-Biznes Sp. z o.o., held by Telewizja Polsat S.A.;
(ix) Pledge on shares in Nord License AS, held by Telewizja Polsat S.A.;
(x) Pledge on shares in w Polsat License Ltd., held by Telewizja Polsat S.A.;
(xi) Pledge on shares in Polsat Futbol Ltd., held by Telewizja Polsat S.A.;
(xii) Transfer of receivables for security, which receivables Telewizja Polsat S.A. holds vis-a-vis various debtors;
(xiii) Transfer of receivables for security, which receivables RS TV S.A. holds vis-a-vis various debtors;
(xiv) Transfer of receivables for security, which receivables Polsat Media Sp. z o.o. holds vis-a-vis various debtors;
(xv) Transfer of receivables for security, which receivables Media-Biznes Sp. z o.o. holds vis-a-vis various debtors;
(xvi) Security assignment entered into by Nord License AS (Third Priority Charge, First Priority Charge, Sub-Charge Agreement);
(xvii) Security assignment entered into by Polsat License Ltd;
(xviii) Security assignment entered into by Polsat Futbol Ltd.;
(xix) Contractual mortgage on real properties owned by Telewizja Polsat S.A.;
(xx) Joint contractual mortgage on real properties owned by RS TV S.A.;
(xxi) Statement of Telewizja Polsat S.A. on submission to the enforcement procedure as stipulated in the notary deed;
(xxii) Statement of RS TV S.A. on submission to the enforcement procedure as stipulated in the notary deed;

(xxiii) Statement of Polsat Media Sp. z o.o. on submission to the enforcement procedure as stipulated in the notary deed;
(xxiv) Statement of Media-Biznes Sp. z o.o. on submission to the enforcement procedure as stipulated in the notary deed.

Registered pledges will become valid when entered into the register of pledges. The mortgage will become valid when entered into the relevant land and mortgage registers. All the forms of security are established for the benefit of CITICORP TRUSTEE COMPANY LIMITED, with its registered office in London, United Kingdom, in the capacity of security agent.

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 from services, products, goods and materials sold

Revenue is derived from (i) retail subscription fees, (ii) sale of equipment and (iii) other revenue sources.

Retail subscription revenue

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

Sale of equipment

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

Other revenue

Other revenue sources consist of revenue from:

(i) the lease of premises and facilities;
(ii) transmission services;
(iii) marketing and advertising services and
(iv) other services.

12.2. Operating costs

Operating costs consist of (i) programming costs, (ii) distribution, marketing, customer relation management and retention costs, (iii) depreciation and amortization, (iv) salaries and employee-related expenses, (v) signal transmission services costs, (vi) costs of equipment sold and (vii) other costs.

Programming costs

Programming costs consist of:

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

Distribution, marketing, customer relation management and retention cost

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

Depreciation and amortization

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

Salaries and employee-related expenses

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

Broadcasting and signal transmission services costs

Signal transmission services 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 and
(iii) other signal transmission costs.

Cost of equipment sold

Cost of equipment sold relates mostly to reception equipment, handsets and modems we sell to our customers.

Other costs

Key items of other costs include:

(i) infrastructure rental and network maintenance,
(ii) the cost of SMART and SIM cards provided to customers,
(iii) IT services,
(iv) property maintenance costs,
(v) guarantee services costs,
(vi) legal, advisory and consulting costs,
(vii) charges from mobile network operators and
(viii) taxes and other charges.

12.3. Other operating income

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

12.4. Other operating costs

Other operating costs consist of:

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

12.5. Finance income

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

12.6. Finance costs

For the presented periods, finance costs primarily comprised interest payable on our loans and borrowings and net foreign exchange losses as well as realized and unrealized losses on financial instruments.

12.7. Management discussion and analysis

12.7.1. Operating results

We consider the number of subscribers, churn rate, ARPU and subscriber acquisition cost when analyzing and evaluating our business. 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		
	2011	**2010**	**Difference**
Number of subscribers at end of period, of which:	**3,469,696**	**3,239,755**	**7.1%**
Family Package	2,725,525	2,608,101	4.5%
Mini Package	744,171	631,654	17.8%
Average number of subscribers[1], of which:	**3,466,101**	**3,251,518**	**6.6%**
Family Package	2,740,044	2,644,027	3.6%
Mini Package	726,057	607,491	19.5%
Churn rate of which:	**9.6%**	**9.1%**	**0.5p.p.**
Family Package	11.0%	10.4%	0.6p.p.
Mini Package	7.8%	3.7%	4.1p.p.
Average revenue per user (ARPU) (PLN), of which:	**36.8**	**36.1**	**1.9%**
Family Package (PLN)	43.6	42.0	3.8%
Mini Package (PLN)	11.4	10.6	7.5%
Subscriber average cost (SAC) (PLN)	**123.7**	**131.2**	**5.7%**

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

Subscribers

We define a “subscriber” as a person who signed an agreement for subscription to DTH services and who is obligated, under the terms of the agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages after making required payments but without having signed such an agreement. Our number of subscribers increased by 7.1%, from approximately 3,239.8 thousand subscribers as of March 31, 2010 to approximately 3,469.7 thousand subscribers as of March 31, 2011. We attribute this increase in our subscriber base to a growing demand for DTH services in the Polish pay TV market and the value-for-money of our products. Family Package subscribers constituted 78.6% and 80.5% of our entire subscriber base as of March 31, 2011 and 2010, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period. Our churn rate has increased slightly from 9.1% to 9.6% for the twelve month periods ended March 31, 2010 and March 31, 2011, respectively with the churn rates of both the Family Package and the Mini Package increasing over this period (the Mini Package churn rate increased by 4.1 percentage points while the Family Package churn rate increased by 0.6 percentage points). In the first quarter of 2011 we improved our retention offers, that resulted in a decrease of 0.7 percentage point in the churn rate in the 12-month periods ended March 31, 2011 and December 31, 2010.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period. Monthly Family Package ARPU increased by 3.8%, from PLN 42.0 in the three months ended March 31, 2010 to PLN 43.6 in the three months ended March 31, 2011. Monthly Mini Package ARPU increased by 7.5%, from PLN 10.6 in the three months ended March 31, 2010 to PLN 11.4 in the three months ended March 31, 2011. The changes were primarily due to introduction of flexible offer, additional payments from DTH subscribers using promotional second set-top box as well as introduction of nVoD service and new HD channels.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 5.7% from PLN 131.2 in the three month period ended March 31, 2010 to PLN 123.7 in the three month period ended March 31, 2011.

12.7.2. Review of the financial situation

The following review of results for the three month period ended March 31, 2011 was prepared based on interim condensed consolidated financial statements for the three months ended March 31, 2011 prepared in accordance with International Accounting Standards approved for use in the European Union as at January 1, 2011 and internal analysis.

All financial data is expressed in thousands of PLN.

Comparison of financial results for the three month period ended March 31, 2011 with the results for the corresponding period of 2010

Revenue

Our total revenues increased by PLN 28,783, or 7.7%, from PLN 373,996 for the three month period ended March 31, 2010 to PLN 402,779 for the three month period ended March 31, 2011. Revenue grew for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 31,570, or 8.9%, to PLN 388,108 for the three month period ended March 31, 2011 from PLN 356,538 for the three month period ended March 31, 2010. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in the first quarter of 2011 compared to the first quarter of 2010 and an increase in ARPU (explained above).

Sale of equipment

Revenue from the sale of equipment decreased by PLN 4,318, or 40.0%, to PLN 6,474 for the three month period ended March 31, 2011 from PLN 10,792 for the three month period ended March 31, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower revenues from sale of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease set-top-boxes instead of purchasing.

Other revenue

Other revenue increased by PLN 1,531, or 23.0%, to PLN 8,197 for the three month period ended March 31, 2011 from PLN 6,666 for the three month period ended March 31, 2010. This increase resulted primarily from an increase in revenue from transmission services and other services.

Total operating costs

	For the three month period ended March 31,		
	2011	2010	Percentage Change
Programming costs	100,264	92,716	8.1%
Distribution, marketing, customer relation management and retention costs	74,081	67,477	9.8%
Depreciation and amortization	27,618	15,996	72.7%
Salaries and employee-related costs	22,388	17,958	24.7%
Broadcasting and signal transmission costs	20,425	20,445	-0.1%
Cost of equipment sold	14,775	18,233	-19.0%
Other operating costs	26,829	24,289	10.5%
Total operating costs	**286,380**	**257,114**	**11.4%**

Total operating costs increased by PLN 29,266, or 11.4%, to PLN 286,380 for the three months period ended March 31, 2011 from PLN 257,114 for the three months period ended March 31, 2010.

Programming costs

Programming costs increased by PLN 7,548, or 8.1%, to PLN 100,264 for the three months period ended March 31, 2011 from PLN 92,716 for the three months period ended March 31, 2010. This increase is primarily attributable to the 6.6% increase in the average number of our DTH subscribers and the growing number of subscribers using our nVoD services.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 6,604, or 9.8%, to PLN 74,081 for the three month period ended March 31, 2011 from PLN 67,477 for the three month period ended March 31, 2010. This increase resulted primarily from an increase in subscriber base and consequently an increase in customer relation management costs and introduction of customer retention programs.

Depreciation and amortization

Depreciation and amortization increased by PLN 11,622, or 72.7%, to PLN 27,618 for the three month period ended March 31, 2011 from PLN 15,996 for the three month period ended March 31, 2010. The increase in depreciation and amortization was caused by (i) an increase in depreciation of set-top boxes leased to our subscribers, which we account for as fixed assets, resulting from the higher number of leased set-top boxes and (ii) our acquisition of M.Punkt Holdings Ltd.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 4,430, or 24.7%, to PLN 22,388 for the three month period ended March 31, 2011 from PLN 17,958 for the three month period ended March 31, 2010, mainly due to a higher number of employees resulting from the growth of our business and our acquisition of M.Punkt Holdings Ltd.

Broadcasting and signal transmission costs

Signal transmission costs amounted to PLN 20,425 for the three month period ended March 31, 2011 and remained at almost the same level as for the three month period ended March 31, 2010, when these costs amounted to PLN 20,445.

Cost of equipment sold

Cost of equipment sold decreased by PLN 3,458, or 19,0%, to PLN 14,775 for the three month period ended March 31, 2011 from PLN 18,233 for the three month period ended March 31, 2010. This decrease was a net effect of several factors, out of which the most significant was significantly lower costs of sales of set-top boxes, resulting from the fact that the majority of our new subscribers chose to lease rather than purchase set-top-boxes from us.

Other costs

Other costs increased by PLN 2,540, or 10.5%, to PLN 26,829 for the three month period ended March 31, 2011 from PLN 24,289 for the three month period ended March 31, 2010. This increase was a net effect of several factors, out of which the most significant were: (i) acquisition of M.Punkt and costs of maintenance of mPunkt properties, (ii) higher payments to mobile network operators resulting from the increase in the number of our mobile telephony and Internet service users, (iii) a decrease in the costs of infrastructure rental and network maintenance.

Other operating income

Other operating income increased by PLN 6,626, or 593.7%, to PLN 7,742 for the three month period ended March 31, 2011 from PLN 1,116 for the three month period ended March 31, 2010, mainly as a result of sale of equipment for testing of modems in the three month period ended March 31, 2011 (no such item in the three month period ended March 31, 2010).

Other operating costs

Other operating costs increased by PLN 17,038, or 153.4%, to PLN 28,142 for the three month period ended March 31, 2011 from PLN 11,104 for the three month period ended March 31, 2010 mainly due to higher bad debt provision and higher cost of receivables written off and the cost of sold equipment for testing of modems as well as higher provisions for tangibles and inventories.

Finance income

Finance income increased by PLN 1,130, or 233.0%, to PLN 1,615 for the three month period ended March 31, 2011 from PLN 485 for the three month period ended March 31, 2010 mainly due to the fact that in the three month period ended March 31, 2011 we recognized PLN 1,391 of gains on foreign exchange fluctuations.

Finance costs

Finance costs increased by PLN 3,035, or 320.5%, to PLN 3,982 for the three month period ended March 31, 2011 from PLN 947 for the three month period ended March 31, 2010 mainly due to the fact that in the three month period ended March 31, 2011 we recognized PLN 2,892 of loss on foreign exchange forward contracts, and to higher interests costs.

Income tax

Income tax expense decreased by PLN 3,064 to PLN 17,234 for the three month period ended March 31, 2011 from PLN 20,298 for the three month period ended March 31, 2010. This decrease resulted mainly from lower profits generated in the three month period ended March 31, 2011.

Net profit for the 1st quarter

Net profit for the three month period decreased by PLN 9,736, or 11.3%, to PLN 76,398 for the three month period ended March 31, 2011 from PLN 86,134 for the three month period ended March 31, 2010.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 727, or 0.6%, to PLN 123,617 for the three month period ended March 31, 2011 from PLN 122,890 for the three month period ended March 31, 2010. EBITDA margin decreased to 30.7% for the first quarter of 2011 from 32.9% for the first quarter of 2010.

Employment

Average number of employees was 889, including factory employees in the three month period ended 31 March 2011, as compared to 673 in corresponding period in 2010. The increase in the average number of employees resulted from acquisition of M.Punkt, our organic growth, increase in the capacity of our set-top boxes factory and launch of internet access services.

Comparison of financial situation as of March 31, 2011 and December 31, 2010

As of March 31, 2011 and December 31, 2010, our non-current assets were PLN 586,547 and PLN 545,224, respectively, and accounted for 47.8% and 53.7% of total assets, respectively.

The value of reception equipment increased by PLN 45,003, or by 16.3%, to PLN 320,402 as of March 31, 2011 from PLN 275,399 as of December 31, 2010, due to an increase in the number of leased set-top boxes.

The value of other property, plant and equipment amounted to PLN 152,588 as of March 31, 2011 and remained at a similar level compared to the balance of PLN 152,857 as of December 31, 2010.

The value of goodwill amounted to PLN 52,022 as of March 31, 2011 and remained at the same level as of December 31, 2010.

The value of intangible assets decreased by PLN 1,907, or 8.2%, to PLN 21,337 as of March 31, 2011 from PLN 23.244 as of December 31, 2010. The decrease resulted mainly from the depreciation charges, offset partially by expansion of some of our systems.

The value of other non-current assets amounted to PLN 35,135 as of March 31, 2011 and decreased by PLN 2,409, or 6.4%, compared to PLN 37,544 as of December 31, 2010. This decrease resulted mainly from a decrease in commissions due to distributors that are amortized throughout the initial term of agreements.

As of March 31, 2011 and December 31, 2010, our current assets were PLN 640,307 and PLN 469,971, respectively, and accounted for 52.2% and 46.3% of total assets, respectively.

The value of inventories decreased by PLN 17,195, or 9.9%, to PLN 155,959 as of March 31, 2011 from PLN 173,154 as of December 31, 2010. This was mainly a result of a decrease in the number of set-top boxes in stock after the intensive sales season, a decrease in the stock of materials owned by CPT, and a decrease in the value of SMART and SIM cards. The decreases were partially offset by a new stock of removable STB hard disk drives and an increase in the value of antennas and converters.

The value of trade and other receivables increased by PLN 17,577, or 9.5%, to PLN 201,875 as of March 31, 2011 from PLN 184,298 as of December 31, 2010. The increase resulted mainly from two opposing factors: an increase in trade receivables and a decrease in tax receivables (mainly VAT receivables).

The value of cash and cash equivalents increased by PLN 128,799, or 466.4%, to PLN 156,414 as of March 31, 2011, from PLN 27,615 as of December 31, 2010. This increase resulted primarily from incurred overdrafts of PLN 146,607, offset by negative cash flows from investment activities and operating activities.

Equity increased by PLN 76,398 to PLN 504,336 as of March 31, 2011 from PLN 427,938 as of December 31, 2010 as a result of the PLN 76,398 profit we generated in the three month period ended March 31, 2011.

The value of liabilities from loans and borrowings (long and short term) increased by PLN 146,607, or 812.6%, to PLN 164,648 as of March 31, 2011, from PLN 18,041 as of December 31, 2010. The increase resulted from overdrafts incurred by the Company and its subsidiaries.

The value of trade and other payables decreased by PLN 23,020, or 7.2%, to PLN 294,933 as of March 31, 2011 from PLN 317,953 as of December 31, 2010 mainly as a result of a decrease in trade payables and payables for the purchased assets to third parties and a decrease in other liabilities. The decrease was partially offset by an increase in trade payables to related parties, an increase in short-term provisions and an increase in tax liabilities (mainly VAT liabilities of CPTM).

Deferred income increased by PLN 4,759, or 2.9%, to PLN 171,191 as of March 31, 2011 from PLN 166,432 as of December 31, 2010 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. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in zloty, we maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs, the costs of using the conditional access system, the purchase of set-top boxes and the purchase of components for in-house manufactured set-top boxes.

External sources of funding, financing and indebtedness—borrowings

On March 31, 2011 we concluded credit agreements with a syndicate of banks, that will provide the Company with debt financing for the acquisition of Telewizja Polsat of the total amount of up to PLN 3 billion (not in thousands). The loan facilities will be used in the transaction together with issuance of warrants of the value of PLN 1.15 billion exchangeable for shares. The following table presents the summary of credit agreements signed on 31 March 2011:

Type of financing	Bank	Borrower	Currency	Amount (CUR ths)	Terms	Amount used as of March 31, 2011	Maturity date	Guarantees
Senior Secured Term Loan Facility	a syndicate of banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc	Cyfrowy Polsat S.A.	PLN	1,400,000	WIBOR + margin	0.0	Dec 31, 2015	Registered pledges on a set of chattels and rights; Financial and registered pledges on all shares in subsidiaries; Transfer of receivables for security; Mortgage; Official deeds of submission to enforcement
Senior Secured Revolving Credit Facility		Cyfrowy Polsat S.A., Cyfrowy Polsat Technology Sp. zo.o.,	PLN	200,000	WIBOR + margin	0.0	Dec 31, 2015	
Senior Secured Bridge Facility		Cyfrowy Polsat S.A.	EUR	350,000	EURIBOR + margin	0.0	Mar 31, 2012	

Additionally, as of March 31, 2011, we had PLN 166,000 available for borrowing, of which PLN 164,648 was drawn. These credit lines were repaid and closed on April 28, 2011.

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for three month periods ended March 31, 2011 and 2010:

	For the three months ended March 31, 2011	2010
Net cash flow from operating activities	(5,146)	15,635
Net cash flow used in investing activities	(11,597)	(11,649)
Net cash flow from financing activities	146,191	(16,296)
Net increase/(decrease) in cash and cash equivalents	129,448	(12,310)

Net cash flow from operating activities

Net cash from operating activities was negative and amounted to PLN 5,146 in the first quarter of 2011 resulting mainly from the net profit of PLN 76,398 offset by various elements of which the main one was a net increase in set-top boxes provided under operating lease and a negative impact of change in receivables and other assets. Net cash from operating activities in the first quarter of 2010 was PLN 15,635 and similarly to the first quarter of 2011 it resulted from the net profit amounting to PLN 86,134 partially offset primarily by a net increase in set-top boxes provided under operating lease and a negative impact of change in receivables and other assets.

Net cash flow used in investing activities

Net cash used in investing activities was PLN 11,597 in the first quarter of 2011 and consisted primarily of the acquisition of property, plant and equipment and the acquisition of intangible assets. Net cash used in investing activities was PLN 11,649 in the first quarter of 2010 and consisted primarily of the acquisition of property, plant and equipment and acquisition of intangible assets.

Net cash flow from financing activities

Net cash from financing activities was PLN 146,191 in the first quarter of 2011 and consisted primarily of PLN 146,607 cash from bank overdrafts, which was partially offset by the payment of interests on loans, borrowings and finance lease in the amount of PLN 1,052. Net cash used in financing activities was PLN 16,296 in the first quarter of 2010 and consisted primarily of repayment of loans and borrowings.

Capital expenditures

We incurred capital expenditures of PLN 11,386 and PLN 11,699 for the three month periods ended March 31, 2011 and 2010, respectively. Capital expenditures in the three month period ended March 31, 2011 concerned the payments of investment liabilities presented in the financial statement as of December 31, 2010 and the purchase of transmission equipment, vehicles, computers and other equipment as well as improvements in our IT systems. All our property, plant and equipment is located in Poland, therefore all our capital expenditures are concentrated in Poland.

Contractual Obligations

Our aggregate contractual obligations as of March 31, 2011 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
		(PLN in thousands)		
Contractual liabilities				
Loans and borrowings	164,648	164,648		
Financial leases liabilities	1,458	430	1,028	
Operating leases liabilities	615,418	97,082	379,672	138,664
Total contractual liabilities	781,524	262,160	380,700	138,664

As of March 31, 2011, most of our contractual liabilities were long-term liabilities due in more than one year.

We have entered into a significant number of agreements that are classified as operating lease contracts based on their economic substance. These contracts comprise rental of transponder capacity, rental of office space and rental of equipment. In addition we are party to general agreements for commercial space which is subleased to franchisees.

Off-Balance Sheet Arrangements

In addition to the operating lease liabilities described above, we have described below our off-balance sheet arrangement as of March 31, 2011.

Contractual liabilities related to purchase of non-current assets

We have entered into agreements for the manufacturing and purchase of technical equipment. The unbilled amount of goods and services purchased under these agreements totaled PLN 11,103 as of March 31, 2011. We have also entered into several agreements for the refurbishment of property. The unbilled amount of goods and services purchased under these refurbishment agreements totaled PLN 47 as of March 31, 2011. In addition, we have entered into agreements for the purchase of licenses and software, and as of March 31, 2011, the unbilled value of software and services purchased under these agreements amounted to PLN 312.

Contingent liabilities relating to promissory notes

As of March 31, 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 as of March 31, 2011.

Furthermore, as of March 31, 2011 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

Information on market risks

Currency risk

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

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

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

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

On August 10, 2010 we purchased EUR 12,000 and the USD 18,000 of call options. These options provide for monthly purchases of EUR 1,000 and USD 1,500 until August 1, 2011, and are exercisable at rates of 4.0310 EUR/PLN and 3.0790 USD/PLN, respectively.

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

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

Interest rate risk

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

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

Liquidity risk

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

Following the credit agreements signed on March 31, 2011, we have significant debt service obligations under the Senior Secured Revolving Credit Facility, and we will have significant debt service obligations under the Senior Secured Notes we plan to offer to refinance our Senior Secured Bridge Facility.

We hold cash primarily in zloty but maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs and the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

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

Consolidation of Telewizja Polsat S.A.

On April 20, 2011, Cyfrowy Polsat S.A. completed the acquisition of TV Polsat. As a result of the acquisition, the results of operations of Cyfrowy Polsat and TV Polsat will be consolidated from April 20, 2011 going forward.

The business will be divided into two operating segments with the historical Cyfrowy Polsat business comprising the Retail customers business segment and the historical TV Polsat business comprising the TV Broadcasting business segment.

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

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

Costs of financing of the acquisition of Telewizja Polsat S.A.

We will incur significant interest costs resulting from credit agreements concluded on March 31, 2011 to provide the Company with debt financing for the acquisition of Telewizja Polsat of the total amount of up to PLN 3 billion (not in thousands).

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

The Bridge Facility of up to equivalent of PLN 1.4 billion (not in thousands) bears interest at variable rates being the sum of: EURIBOR, for the relevant interest periods, and the applicable margin, which increases as the term of the facility increases. The Bridge Facility is to be repaid within 12 months of the day of concluding the agreement.

The Bridge Facility will be refinanced by issuance of registered bonds. The bonds will be offered in a private placement to a special purpose vehicle being a subsidiary of the Company and the issuer of Senior Secured Notes on international markets. The bonds will generate significant debt service obligations.

Exchange rates fluctuations

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 35% of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro.

Our programming costs and signal transmission costs and, to the extent that we have indebtedness, trade liabilities or other liabilities denominated in currencies other than the zloty in the future, our finance income and finance costs will continue to be impacted by these foreign exchange rate movements.

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

In order to minimize the influence of foreign exchange rate fluctuations on our financial results, on August 10, 2010 we purchased call options for EUR 12,000 and USD 18,000. These options provide for monthly purchases of EUR 1,000 and USD 1,500 until August 1, 2011, and are exercisable at rates of 4.0310 EUR/PLN and 3.0790 USD/PLN, respectively. On November 4, 2010 we purchased call options for USD 18,000. These options provide for monthly purchases of USD 1,500 until November 1, 2011, and are exercisable at a rate of 2.8000 USD/PLN. All instruments described above were acquired in order to limit the impact of foreign exchange rate fluctuations on our net profit. We did not apply hedge accounting with regard to these options.

TV Polsat conducts its operations primarily in zloty. Its payment obligations toward international movie studios and sports federations for programming and to satellite capacity providers, however, are generally denominated in U.S. dollars or euro. These expenses accounted for approximately 30% of TV Polsat operating expenses in 2010. TV Polsat results of operations are therefore affected by fluctuations in the exchange rate of the U.S. dollar and the euro against the zloty. The programming costs, broadcasting and signal transmission costs and obligations under debt instruments denominated in currencies other than the zloty will continue to be impacted by foreign exchange rate movements.

The Polish economy

Growth in our revenue is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. In 2010, Poland's GDP increased by 3.8% while GDP of the European Union increased by only 1.8%. In 2009, Poland's GDP increased by approximately 1.7% while GDP of the European Union decreased by approximately 4.2%. For 2011 and 2012, Poland's GDP is forecast to increase by 3.9% and 4.2%, respectively. We believe that average consumer spending, including spending on pay TV, Internet access and mobile telephony services generally will vary in line with the overall GDP growth in Poland, and will support our future revenue growth.

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

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

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

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

Development of advertising market in Poland

After the completion of acquisition of Telewizja Polsat on April 20, 2011, the majority of the revenue generated in our TV Broadcasting business segment will come from the sale of advertising airtime and sponsoring slots on TV channels. In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of audience share, one of the two leading private TV broadcasters in terms of revenue and advertising market share and the third largest broadcaster in Poland in terms of audience share for 2010. Based on data from Starlink, we estimate that we captured a 22% share of the approximately PLN 3.84 billion Polish TV advertising market and had the second highest power ratio in 2010 among our key competitors.

We are well-positioned to benefit from the expected grow of advertising market. We believe that the TV advertising market will benefit from structural growth resulting from forecasted increasing disposable income of the Polish consumer. Zenith forecasts that in 2011 total net advertising expenditure in Poland should grow by 5.1%. Based on Zenith's data, we estimate that TV advertising in Poland will have a 6.6% CAGR between 2010 and 2012, driven by the expected sustained GDP growth in Poland. We believe TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets that there is substantial growth potential for TV advertising in Poland.

Competition and offered promotions

Our market is very dynamic and competitive. There are four players on the DTH market in Poland: Canal + Cyfrowy Sp. z o.o., the operator of Cyfra+ platform, ITI Neovision Sp. z o.o. the operator of "n" platform, Cyfrowy Polsat S.A., the operator of Cyfrowy Polsat platform and Telekomunikacja Polska S.A. An aggressive competition on the market has impact on promotional offer which we offer to our new acquired subscribers. Historically, approximatelly 50% of our new signed contracts occurred in the fourth quarter. As a result, in the fourth quarter of 2010 we introduced attractive promotional offers consisting of free of charge periods (up to 6 months), access to additional premium packages or attractive pricing for equipment. To keep the competitive position we maintained the promotions and now within the spring promotions we still offer free of charge periods of up to 6 months. Longer promotion periods cause a slight decrease in ARPU in the initial period of subscription contracts.

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

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2011

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

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 16 May 2011, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period	
from 1 January 2011 to 31 March 2011 showing a net profit of:	PLN 76,398 thousand
Interim Consolidated Statement of Comprehensive Income for the period	
from 1 January 2011 to 31 March 2011 showing a total comprehensive income of:	PLN 76,398 thousand
Interim Consolidated Balance Sheet as at	
31 March 2011 showing total assets and total equity and liabilities of:	PLN 1,226,854 thousand
Interim Consolidated Cash Flow Statement for the period	
from 1 January 2011 to 31 March 2011 showing a net increase in cash and cash equivalents amounting to:	PLN 129,448 thousand
Interim Consolidated Statement of Changes in Equity for the period	
from 1 January 2011 to 31 March 2011 showing an increase in equity of:	PLN 76,398 thousand

Supplementary Information to the Interim Condensed Consolidated Financial Statements

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

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

Warsaw, 16 May 2011

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

Interim Consolidated Income Statement

	Note	for 3 months ended 31 March 2011 unaudited	for 3 months ended 31 March 2010 unaudited
Revenue	6	402,779	373,996
Operating costs		(286,380)	(257,114)
Cost of services, products, goods and materials sold	7	(207,200)	(189,123)
Selling expenses	7	(54,322)	(48,516)
General and administrative expenses	7	(24,858)	(19,475)
Other operating income	8	7,742	1,116
Other operating costs	9	(28,142)	(11,104)
Profit from operating activities		**95,999**	**106,894**
Finance income	10	1,615	485
Finance costs	11	(3,982)	(947)
Gross profit for the period		**93,632**	**106,432**
Income tax		(17,234)	(20,298)
Net profit for the period attributable to equity holders of Cyfrowy Polsat S.A.		**76,398**	**86,134**
Basic and diluted earnings per share (in PLN)		**0.28**	**0.32**

Interim Consolidated Statement of Comprehensive Income

	for 3 months ended 31 March 2011 unaudited	for 3 months ended 31 March 2010 unaudited
Net profit for the period	**76,398**	**86,134**
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income for the period attributable to equity holders of Cyfrowy Polsat S.A.	**76,398**	**86,134**

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

Interim Consolidated Balance Sheet - Assets

	31 March 2011 unaudited	31 December 2010
Reception equipment	320,402	275,399
Other property, plant and equipment	152,588	152,857
Goodwill	52,022	52,022
Intangible assets	21,337	23,244
Other non-current assets	35,135	37,544
Deferred tax assets	5,063	4,158
Total non-current assets	**586,547**	**545,224**
Inventories	155,959	173,154
Trade and other receivables	201,875	184,298
Income tax receivable	3,254	7,542
Other current assets	122,805	77,362
Cash and cash equivalents	156,414	27,615
Total current assets	**640,307**	**469,971**
Total assets	**1,226,854**	**1,015,195**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	31 March 2011 unaudited	31 December 2010
Share capital	12	10,733	10,733
Reserve capital		156,534	156,534
Other reserves		10,174	10,174
Retained earnings		326,895	250,497
Total equity		**504,336**	**427,938**
Finance lease liabilities		1,029	1,095
Deferred tax liabilities		73,846	65,338
Other non-current liabilities and provisions		2,317	2,384
Total non-current liabilities		**77,192**	**68,817**
Loans and borrowings	13	164,648	18,041
Finance lease liabilities		430	491
Trade and other payables		294,933	317,953
Deposits for equipment		14,124	15,523
Deferred income		171,191	166,432
Total current liabilities		**645,326**	**518,440**
Total liabilities		**722,518**	**587,257**
Total equity and liabilities		**1,226,854**	**1,015,195**

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

Interim Consolidated Cash Flow Statement

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Net profit for the period	**76,398**	**86,134**
Adjustments for:	**(76,418)**	**(70,683)**
Depreciation and amortisation	27,618	15,996
Loss on investing activity	143	123
Interest expense	842	93
Change in inventories	17,195	(11,720)
Change in receivables and other assets	(61,402)	(45,999)
Change in liabilities, provisions and deferred income	(14,692)	(10,155)
Foreign exchange losses	649	222
Income tax	17,234	20,298
Net increase in set-top boxes provided under operating lease	(64,109)	(39,545)
Other adjustments	104	4
Cash (used in)/ from operations before income taxes and interest	**(20)**	**15,451**
Income tax paid	(5,344)	(301)
Interest received from operating activities	218	485
Net cash (used in)/ from operating activities	**(5,146)**	**15,635**
Acquisition of property, plant and equipment	(8,104)	(9,036)
Acquisition of intangible assets	(3,281)	(2,663)
Acquisition of subsidiary	(232)	-
Proceeds from sale of property, plant and equipment	19	50
Proceeds from interest on loans granted	1	-
Net cash used in investing activities	**(11,597)**	**(11,649)**
Net cash from bank overdraft	146,607	-
Proceeds from realization of foreign exchange call options	780	-
Repayment of loans and borrowings	-	(15,759)
Finance lease – principal repayments	(144)	(59)
Payment of interest on loans, borrowings and finance lease	(1,052)	(478)
Net cash from/(used in) financing activities	**146,191**	**(16,296)**
Net increase/(decrease) in cash and cash equivalents	**129,448**	**(12,310)**
Cash and cash equivalents at the beginning of the period*	**27,615**	**99,390**
Effect of exchange rate fluctuations on cash and cash equivalents	(649)	(222)
Cash and cash equivalents at the end of the period*	**156,414**	**86,858**

*The amounts in 2010 include PLN 26,738 thousand of restricted cash.

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

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**
Total comprehensive income	-	-	-	76,398	**76,398**
Balance as at 31 March 2011	**10,733**	**156,534**	**10,174**	**326,895**	**504,336**

Interim Consolidated Statement of Changes in Equity for 3 months ended 31 March 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	**Total equity**
Balance as at 1 January 2010	10,733	73,997	10,174	227,509	**322,413**
Total comprehensive income	-	-	-	86,134	**86,134**
Balance as at 31 March 2010	**10,733**	**73,997**	**10,174**	**313,643**	**408,547**

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

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 months ended 31 March 2011

1. The Parent Company

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

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

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

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

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

4. Basis of preparation of the interim consolidated financial statements

Statement of compliance

These interim condensed consolidated financial statements for 3 months ended 31 March 2011 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The Group applied the same accounting policies in the preparation of the financial data for 3 months ended 31 March 2011 and the consolidated financial statements for the years 2010 and 2009, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2011.

During the 3 months ended 31 March 2011 the following changes entered into force:

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures*

The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these consolidated financial statements.

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

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

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

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

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

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

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

- IFRS 9 *Financial Instruments*;
- amendments to IFRS 7 *Financial Instruments: Disclosures*- Disclosures – Transfer of financial assets;
- amendments to IAS 12 *Income 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.

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

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

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

<u>Revenue</u>

Revenue, which excludes value added tax and transactions between Group companies, represents the gross inflow of economic benefit from Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The Group's main sources of revenue are recognised as follows:

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

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

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

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

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

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on 16 May 2011.

5. Information on Seasonality in the Group's Operations

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

6. Revenue

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Retail subscription	388,108	356,538
Sale of equipment	6,474	10,792
Other revenue	8,197	6,666
Total	**402,779**	**373,996**

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

7. Operating costs

		for 3 months ended	
	Note	**31 March 2011 unaudited**	**31 March 2010 unaudited**
Programming costs		100,264	92,716
Distribution, marketing, customer relation management and retention costs		74,081	67,477
Depreciation and amortisation		27,618	15,996
Salaries and employee-related costs	a	22,388	17,958
Broadcasting and signal transmission costs		20,425	20,445
Cost of equipment sold		14,775	18,233
Other costs		26,829	24,289
Total costs by kind		**286,380**	**257,114**

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

	for 3 months ended	
	31 March 2011	**31 March 2010**
	unaudited	**unaudited**
Cost of services, products, goods and materials sold	207,200	189,123
Selling expenses	54,322	48,516
General and administrative expenses	24,858	19,475
Total costs by function	**286,380**	**257,114**

a) Salaries and employee-related costs

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Salaries	18,696	15,011
Social security contributions	3,120	2,268
Other employee-related costs	572	679
Total	**22,388**	**17,958**

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

8. Other operating income

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Other compensation	191	218
Reversal of impairment on fixed assets and inventory	-	242
Other	7,551	656
Total	**7,742**	**1,116**

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

9. Other operating costs

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Bad debt provision and cost of receivables written off	20,178	10,798
Fixed assets and inventory impairment write-downs	1,050	-
Other	6,914	306
Total	**28,142**	**11,104**

10. Finance income

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Foreign exchange rate differences, net	1,391	-
Interest	224	485
Total	**1,615**	**485**

11. Finance costs

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Valuation of foreign exchange call options	1,994	-
Interest	1,066	577
Realisation of foreign exchange call options	898	-
Foreign exchange rate differences, net	-	370
Other	24	-
Total	**3,982**	**947**

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

12. Equity

Share capital

Presented below is the structure of the Company's share capital as at 31 March 2011:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

The shareholders' structure as at 31 March 2011 was as follows:

	31 March 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	175,025,000	7,001	65.23%	341,967,501	76.38%
Zygmunt Solorz-Żak	10,603,750	424	3.95%	21,207,500	4.74%
Other	82,696,250	3,308	30.82%	84,567,500	18.88%
Total	**268,325,000**	**10,733**	**100%**	**447,742,501**	**100%**

[1]Zygmunt Solorz-Żak indirectly holds 148,771,250 shares in the Company (respectively, 55.45% ownership interest and 64.92% of votes), while Heronim Ruta indirectly holds 26,253,750 shares in the Company (respectively, 9.78% ownership interest and 11.46% of votes) through Polaris Finance B.V. Heronim Ruta does not hold directly any shares of Cyfrowy Polsat S.A.

Issue of subscription warrants

In relation to the acquisition of Telewizja Polsat S.A. (see note 19), on 1 April 2011 the Company entered into four subscription agreements with: (i) MAT Fundusz Inwestycyjny Zamknięty ("Seller I"), (ii) KOMA Fundusz Inwestycyjny Zamknięty ("Seller II"), (iii) Karswell Limited ("Seller III"), and (iv) Sensor Overseas Limited ("Seller IV") (jointly: "Sellers"), relating to the issuance of 80,027,836 registered Series H subscription warrants ("subscription warrants"). Subscription warrants authorise their holders to acquire Series H ordinary bearer shares with a nominal value of four groszy (PLN 0.04) per share issued by the Company in terms of the Company's General Shareholders Meeting's resolution dated 17 December 2010.

Pursuant to the subscription agreements, the Company made an offer of free of charge acquisition, and each of the Sellers accepted the offer to acquire the subscription warrants offered to it, as a result of which:
(i) Seller I took up 14,135,690 subscription warrants, authorising it to take up a total of 14,135,690,
(ii) Seller II took up 2,494,526 subscription warrants, authorising it to take up a total of 2,494,526,
(iii) Seller III took up 53,887,972 subscription warrants, authorising it to take up a total of 53.887.972,
(iv) Seller IV took up 9,509,648 subscription warrants, authorising it to take up a total of 9,509,648
ordinary Series H bearer shares in the share capital of the Company respectively, on or before 30 September 2011, in exchange for a cash contribution of PLN 14.37 per each share. The holders of registered subscription warrants exercised their rights under the subscription warrants on 20 April 2011. The Company issued to the Sellers the certificates of the Shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201 thousand.

As at the date of preparation of these financial statements, Polaris Finance B.V. (Polaris) held 175,025,000 shares in the Company (50.24 % ownership interest), representing 341,967,501 votes at the General Shareholders' Meeting of the Company, i.e. 64.79 % of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Polaris.

As at the date of preparation of these financial statements, Karswell held directly 53,887,972 shares in the Company (15.47% ownership interest), representing 53,887,972 votes at the General Shareholders' Meeting of the Company, i.e. 10.21% of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 100% share in the share capital of Karswell.

As at the date of preparation of these financial statements, Mr. Zygmunt Solorz-Żak controlled (directly and indirectly through Karswell and Polaris) 239,516,722 shares in the Company (jointly representing 68.75% ownership interest), jointly representing 417,062,973 votes at the General Shareholders' Meeting of the Company, i.e. 79.02% of the total number of votes in the Company.

As at the date of preparation of these financial statements, Sensor held directly 9,509,648 shares in the Company (2.73% ownership interest), representing 9,509,648 votes at the General Shareholders' Meeting of the Company, i.e. 1.80% of the total number of votes in the Company. Mr. Heronim Ruta held 100% share in the share capital of Sensor.

13. Loans and borrowings

As at 31 March 2011, the Group was a party to an overdraft facility agreement with Bank Pekao S.A. available to the amount of PLN 139,000 thousand. The interest rate for the facility was WIBOR O/N plus a margin. The credit line was secured by the Group's declaration on submission to enforcement of up to PLN 208,500 thousand. As at 31 March 2011 the overdraft was used to the amount of PLN 138,077 thousand and was classified as current. After the balance sheet date, the above agreement was terminated and replaced by the Revolving Facility described below.

The Group's subsidiary had an overdraft facility with Bank Pekao S.A. available up to the amount of PLN 15,000 thousand. The facility could also be used to secure letters of credit and guarantees. The interest rate applicable to the facility was WIBOR 1M plus a margin. The facility was secured by the bank's proxy to subsidiary's bank accounts, the Company's declaration on submission to enforcement of up to PLN 22,500 thousand and an additional declaration on submission to enforcement each time a guarantee or letter of credit was provided. As at 31 March 2011 overdraft was used to the amount of PLN 14,611 thousand and was classified as current. After the balance sheet date, the above agreement was terminated and replaced by the Revolving Facility described below.

The Group's subsidiary had an overdraft facility with BRE Bank S.A. available up to the amount of PLN 12,000 thousand. The applicable interest rate was agreed as WIBOR O/N plus a margin. The facility was secured by the borrower's blank promissory note along with a promissory note declaration and a declaration on submission to enforcement of up to PLN 7,500 thousand, as well as a guarantee by the Company of up to PLN 13,000 thousand. As at 31 March 2011 the overdraft was used to the amount of PLN 11,960 thousand and was classified as current. After the balance sheet date, the above agreement was terminated and replaced by the Revolving Facility described below.

BRE Bank could also provide good performance guarantees in the amounts of up to PLN 9,000 thousand in respect of agreements concluded by the Group's subsidiary.
The following served as security for the benefit of BRE Bank S.A. for the revolving line of credit:

- registered pledge on merchandise inventory in the minimum amount of PLN 4,500 thousand
- blank promissory note issued by the borrower
- assignment of receivables due to subsidiary in respect of sales transactions concluded with customers indicated by the Bank
- commitment to insure the underlying movable assets over the full loan period.

The line of credit as stipulated in the above agreement was not utilised as at the balance sheet date.

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

In connection with the acquisition of Telewizja Polsat S.A. (see note 19), on 31 March 2011 the Group, concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners").

The Senior Facilities Agreement provides for a term facility loan of up to PLN 1,400,000 thousand and a revolving facility loan of up to PLN 200,000 thousand. The interest rate applicable for both, the term facility and revolving facility loan, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility loan will be repaid in quarterly instalments in varying amounts commencing 30 June 2011. Both facilities expire on 31 December 2015.

In addition, on 31 March 2011, the Group concluded a Bridge Facility Agreement with the Bookrunners. This agreement provides for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equals approximately EUR 350,000 thousand. The interest rate applicable for the bridge facility loan was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The bridge facility loan is to be repaid within 12 months of the day of concluding the agreement.

Establishment of security for loan facilities

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

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

On 20 April 2011, Telewizja Polsat S.A. and Telewizja Polsat S.A. subsidiaries: RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. acceded to a Senior Facilities Agreement with regard to the so-called Revolving Facility (not destined for financing the acquisition of the shares in Telewizja Polsat S.A. by the Company) and therefore Telewizja Polsat S.A. and the Telewizja Polsat S.A. subsidiaries named above entered into agreements for the establishment in particular of the following security:
(i) Registered pledge on set of chattels and rights of Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o.;
(ii) Security established on the assets of Polsat Futbol Ltd. (Fixed and Floating Security (Debenture));
(iii) Financial and registered pledge on all shares in RS TV S.A., Polsat Media Sp. z o.o., Media-Biznes Sp. z o.o., held by Telewizja Polsat S.A.;
(iv) Pledge on shares in Nord License AS, Polsat License Ltd. and Polsat Futbol Ltd. held by Telewizja Polsat S.A.;
(v) Transfer of receivables for security, due to Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. from various debtors;
(vi) Security assignment entered into by Nord License AS (Third Priority Charge, First Priority Charge, Sub-Charge Agreement);
(vii) Security assignment entered into by Polsat License Ltd and Polsat Futbol Ltd.;
(viii) Contractual mortgage on real estate owned by Telewizja Polsat S.A.;
(ix) Joint contractual mortgage on real estate owned by RS TV S.A.;
(x) Statement of Telewizja Polsat S.A., RS TV S.A., Polsat Media Sp. z o.o. and Media-Biznes Sp. z o.o. on submission to the enforcement procedure as stipulated by the notary deed.

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

14. Acquisition of subsidiary

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

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

The loss included in the interim consolidated income statement for the reporting period since 10 March 2011 contributed by Goldcup was PLN 7 thousand. Had Goldcup been consolidated from 1 January 2011 the loss included in the interim consolidated income statement would not differ significantly.

15. Transactions with related parties

Receivables

	31 March 2011 unaudited	31 December 2010
Polsat Futbol Ltd.	1,499	1,200
Superstacja Sp. z o.o.	690	347
Telewizja Polsat S.A.	605	674
Polsat Jim Jam Ltd.	282	326
Dom Sprzedaży Radia PIN Sp. z o.o.	146	108
Teleaudio Sp. z o.o.	79	108
Media Biznes Sp. z o. o.	59	59
Sferia S.A.	21	7
Polskie Media S.A.	13	152
Invest Bank S.A.	-	9
Polsat Media Sp. z o.o.	-	1
Total	**3,394**	**2,991**

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

Liabilities

	31 March 2011 unaudited	31 December 2010
Telewizja Polsat S.A.	8,915	6,760
Teleaudio Sp. z o.o.	750	-
Polsat Media Sp. z o.o.	167	24
Superstacja Sp. z o.o.	150	-
Sferia S.A.	30	-
Polskie Media S.A.	6	-
Polsat Jim Jam Ltd.	-	353
Total	**10,018**	**7,137**

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.

Revenues

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Telewizja Polsat S.A.	384	124
Polsat Futbol Ltd.	299	298
Teleaudio Sp. z o.o.	215	110
Media Biznes Sp. z o.o.	48	48
Dom Sprzedaży Radia PIN Sp. z o.o.	31	38
Polskie Media S.A.	31	36
Invest Bank S.A.	15	-
Superstacja Sp. z o.o.	13	12
Polsat Jim Jam Ltd.	2	-
mPunkt Polska S.A.	-	6
Total	**1,038**	**672**

The most significant transactions include revenue for signal broadcast services from Telewizja Polsat S.A. and Polsat Futbol Ltd.

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

Expenses

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Telewizja Polsat S.A.	18,493	18,675
Teleaudio Sp. z o.o.	1,964	2,264
Polsat Jim Jam Ltd.	626	-
Elektrim S.A.	500	427
Redefine Sp. z o.o.	70	-
Sferia S.A.	56	42
Polsat Media Sp. z o.o.	33	50
Media Biznes Sp. z o.o.	22	48
PAI Media S.A.	-	36
Superstacja Sp. z o.o.	-	5
Invest Bank S.A.	-	3
Total	**21,764**	**21,550**

The most significant transactions include license fees to Telewizja Polsat S.A. 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.

Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Group's customer call center. Elektrim S.A. provides some office space lease to the Group.

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

16. Litigations

Action brought by SkyMedia Sp. z o.o.

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

In these interim condensed consolidated financial statements the Group created a provision for the above liabilities.

17. Important agreements and events

Merger of Cyfrowy Polsat with mPunkt Polska S.A.

On 21 March 2011 Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to merge the Company with mPunkt Polska S.A., in which it holds 100% of ownership interest.

18. Off-balance sheet liabilities

Securities relating to granted pledges

On 25 August 2010 we granted our subsidiary a pledge of PLN 13,000 thousand as the collateral for the overdraft facility from BRE Bank of up to PLN 12,000 thousand. After the balance sheet date, the pledge was no longer in force as the overdraft facility was terminated.

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 13.

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 11,103 thousand as at 31 March 2011. Total amount of capital commitments resulting from agreements on property improvements was PLN 47 thousand as at 31 March 2011. Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2011 was PLN 312 thousand.

Contingent liabilities relating to promissory notes

As at 31 March 2011, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 thousand (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 thousand as at 31 March 2011.

Furthermore, as at 31 March 2011 the Group had blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

19. Events subsequent to the reporting date

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

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

The Group acquired 100% of the share capital of Telewizja Polsat and accounting for 100% votes at the shareholders' meetings of Telewizja Polsat, for the total purchase price of PLN 3,750,000 thousand. PLN 2,600,000 thousand was paid in the form of cash transfer on 28 April 2011 and PLN 1,150,000 thousand through the subscription warrants issued by the Company (see note 12).

The Group applies acquisition method of accounting for business combinations among entities under common control. The fair value measurement and the resulting purchase price allocation will be completed and finalized in the financial statements of the Group within 12 months of the acquisition date, that is by 19 April 2012.

20. Accounting estimates and judgements

The preparation of interim 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 recognised in the period in which the estimates are revised and in any future periods affected.

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

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2011

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

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 16 May 2011, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Interim Income Statement for the period
from 1 January 2011 to 31 March 2011 showing a net profit of: PLN 68,357 thousand

Interim Statement of Comprehensive Income for the period
from 1 January 2011 to 31 March 2011 showing a total comprehensive income of: PLN 68,357 thousand

Interim Balance Sheet as at
31 March 2011 showing total assets and total equity and liabilities of: PLN 1,811,299 thousand

Interim Cash Flow Statement for the period
from 1 January 2011 to 31 March 2011 showing a net increase in cash and cash equivalents amounting to: PLN 125,741 thousand

Interim Statement of Changes in Equity for the period
from 1 January 2011 to 31 March 2011 showing an increase in equity of: PLN 67,897 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, 16 May 2011

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

Interim Income Statement

	Note	for 3 months ended 31 March 2011 unaudited	for 3 months ended 31 March 2010 unaudited
Revenue	6	396,578	372,840
Operating costs		(287,091)	(256,748)
Cost of services, goods and materials sold	7	(204,013)	(189,771)
Selling expenses	7	(60,596)	(48,254)
General and administrative expenses	7	(22,482)	(18,723)
Other operating income	8	702	862
Other operating costs	9	(21,498)	(11,541)
Profit from operating activities		**88,691**	**105,413**
Finance income	10	397	592
Finance costs	11	(3,665)	(804)
Gross profit for the year		**85,423**	**105,201**
Income tax		(17,066)	(20,059)
Net profit for the period		**68,357**	**85,142**
Basic and diluted earnings per share (in PLN)		**0.25**	**0.32**

Interim Statement of Comprehensive Income

	for 3 months ended 31 March 2011 unaudited	for 3 months ended 31 March 2010 unaudited
Net profit for the period	**68,357**	**85,142**
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income for the period	**68,357**	**85,142**

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

Interim Balance Sheet - Assets

	31 March 2011 unaudited	31 December 2010
Reception equipment	339,909	291,208
Other property, plant and equipment	131,703	131,994
Intangible assets	18,987	20,479
Investment property	6,908	6,931
Shares in subsidiaries	680,803	675,471
Other non-current assets	33,770	35,898
Total non-current assets	**1,212,080**	**1,161,981**
Inventories	131,222	140,165
Short-term loans granted to related parties	-	5,446
Trade and other receivables	192,236	178,588
Income tax receivable	3,227	6,760
Other current assets	123,290	77,154
Cash and cash equivalents	149,244	24,195
Total current assets	**599,219**	**432,308**
Total assets	**1,811,299**	**1,594,289**

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

Interim Balance Sheet - Equity and Liabilities

	Note	31 March 2011 unaudited	31 December 2010
Share capital	13	10,733	10,733
Reserve capital		153,093	153,093
Other reserves		10,174	10,174
Retained earnings		952,933	885,036
Total equity		**1,126,933**	**1,059,036**
Finance lease liabilities		838	884
Deferred tax liabilities		79,225	69,986
Other non-current liabilities and provisions		1,404	1,900
Total non-current liabilities		**81,467**	**72,770**
Loans and borrowings	14	138,077	-
Finance lease liabilities		229	226
Trade and other payables		279,338	280,411
Deposits for equipment		14,078	15,434
Deferred income		171,177	166,412
Total current liabilities		**602,899**	**462,483**
Total liabilities		**684,366**	**535,253**
Total equity and liabilities		**1,811,299**	**1,594,289**

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

Interim Cash Flow Statement

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Net profit for the period	**68,357**	**85,142**
Adjustments for:	**(65,808)**	**(69,402)**
Depreciation and amortisation	26,861	16,147
Loss on investing activity	1	123
Interest expense/(income)	500	(14)
Change in inventories	8,943	(5,926)
Change in receivables and other assets	(58,424)	(44,634)
Change in liabilities, provisions and deferred income	7,371	(12,374)
Foreign exchange losses	692	233
Income tax	17,066	20,059
Net increase in set-top boxes provided under operating lease	(68,750)	(43,016)
Other adjustments	(68)	-
Cash flows from operations before income taxes and interest	**2,549**	**15,740**
Income tax paid	(4,295)	-
Interest received from operating activities	207	477
Net cash (used in)/from operating activities	**(1,539)**	**16,217**
Acquisition of property, plant and equipment	(7,481)	(8,834)
Acquisition of intangible assets	(3,117)	(2,350)
Acquisition of shares (net of cash)	(201)	-
Loans repaid - principal	50	-
Interest on loans repaid	2	-
Proceeds from sale of property, plant and equipment	-	50
Net cash used in investing activities	**(10,747)**	**(11,134)**
Net cash from bank overdraft	138,077	-
Proceeds from realization of foreign exchange call options	780	-
Payment of interest on loans and borrowings	(771)	(478)
Finance lease – principal repayments	(59)	(59)
Repayment of loans and borrowings	-	(15,759)
Net cash from/(used in) financing activities	**138,027**	**(16,296)**
Net increase/(decrease) in cash and cash equivalents	**125,741**	**(11,213)**
Cash and cash equivalents at the beginning of the period*	**24,195**	**97,126**
Effect of exchange rate fluctuations on cash and cash equivalents	(692)	(233)
Cash and cash equivalents at the end of the period*	**149,244**	**85,680**

* Cash and cash equivalents in 2010 included PLN 26,738 thousand of restricted cash

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

Interim Statement of Changes in Equity for 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)**
Total comprehensive income	-	-	-	68,357	**68,357**
Balance as at 31 March 2011	**10,733**	**153,093**	**10,174**	**952,933**	**1,126,933**

Interim Statement of Changes in Equity for 3 months ended 31 March 2010

	Share capital	Reserve capital	Other reserves	Retained earnings	**Total equity**
Balance as at 1 January 2010	10,733	73,997	10,174	232,911	**327,815**
Total comprehensive income	-	-	-	85,142	**85,142**
Balance as at 31 March 2010	**10,733**	**73,997**	**10,174**	**318,053**	**412,957**

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

Supplementary Information to the Interim Condensed Financial Statements for 3 months ended 31 March 2011

1. The Company

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

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 2011 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 2011 and the financial statements for the years 2010 and 2009, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2011.

During the 3 months ended 31 March 2011 the following changes entered into force:

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures*

The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these financial statements.

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

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

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

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

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

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

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

- IFRS 9 *Financial Instruments*;
- amendments to IFRS 7 *Financial Instruments: Disclosures* - Disclosures – Transfer of financial assets;
- amendments to IAS 12 *Income 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.

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

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

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

<u>Revenue</u>

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

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

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

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

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

Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 16 May 2011.

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

5. Information on Seasonality in the Company's Operations

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

6. Revenue

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Retail subscription	388,110	356,538
Sale of equipment	2,641	9,148
Other revenue	5,827	7,154
Total	**396,578**	**372,840**

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

7. Operating costs

		for 3 months ended	
	Note	**31 March 2011 unaudited**	**31 March 2010 unaudited**
Programming costs		100,264	92,715
Distribution, marketing, customer relation management and retention costs		76,204	67,477
Depreciation and amortisation		26,861	16,147
Broadcasting and signal transmission costs		20,425	20,445
Salaries and employee-related costs	**a**	20,363	17,289
Cost of equipment sold		11,615	18,870
Other costs		31,359	23,805
Total costs by kind		**287,091**	**256,748**

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

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Cost of services, goods and materials sold	204,013	189,771
Selling expenses	60,596	48,254
General and administrative expenses	22,482	18,723
Total costs by function	**287,091**	**256,748**

a) Salaries and employee-related costs

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Salaries	16,991	14,459
Social security contributions	2,849	2,175
Other employee-related costs	523	655
Total	**20,363**	**17,289**

8. Other operating income

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Other compensation	191	218
Other	511	644
Total	**702**	**862**

9. Other operating costs

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Bad debt provision and cost of receivables written off	20,143	10,798
Fixed assets and inventory impairment write-downs	765	462
Other	590	281
Total	**21,498**	**11,541**

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

10. Finance income

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Interest	272	592
Foreign exchange rate differences, net	125	-
Total	**397**	**592**

11. Finance costs

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Valuation of foreign exchange call options	1,994	-
Realisation of foreign exchange call options	898	-
Interest	773	577
Foreign exchange rate differences, net	-	227
Total	**3,665**	**804**

12. Acquisition of subsidiary

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

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

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

13. Equity

Share capital

Presented below is the structure of the Company's share capital as at 31 March 2011:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

The shareholders' structure as at 31 March 2011 was as follows:

	31 March 2011				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	175,025,000	7,001	65.23%	341,967,501	76.38%
Zygmunt Solorz-Żak	10,603,750	424	3.95%	21,207,500	4.74%
Other	82,696,250	3,308	30.82%	84,567,500	18.88%
Total	**268,325,000**	**10,733**	**100%**	**447,742,501**	**100%**

[1]Zygmunt Solorz-Żak indirectly holds 148,771,250 shares in the Company (respectively, 55.45% ownership interest and 64.92% of votes), while Heronim Ruta indirectly holds 26,253,750 shares in the Company (respectively, 9.78% ownership interest and 11.46% of votes) through Polaris Finance B.V. Heronim Ruta does not hold directly any shares of Cyfrowy Polsat S.A.

Issue of subscription warrants

In relation to the acquisition of Telewizja Polsat S.A. (see note 20), on 1 April 2011 the Company entered into four subscription agreements with: (i) MAT Fundusz Inwestycyjny Zamknięty ("Seller I"), (ii) KOMA Fundusz Inwestycyjny Zamknięty ("Seller II"), (iii) Karswell Limited ("Seller III"), and (iv) Sensor Overseas Limited ("Seller IV") (jointly: "Sellers"), relating to the issuance of 80,027,836 registered Series H subscription warrants ("subscription warrants"). Subscription warrants authorise their holders to acquire Series H ordinary bearer shares with a nominal value of PLN 0.04 per share issued by the Company in terms of the Company's General Shareholders Meeting's resolution dated 17 December 2010.

Pursuant to the subscription agreements, the Company made an offer of free of charge acquisition, and each of the Sellers accepted the offer to acquire the subscription warrants offered to it, as a result of which:
(i) Seller I took up 14,135,690 subscription warrants, authorising it to take up a total of 14,135,690,
(ii) Seller II took up 2,494,526 subscription warrants, authorising it to take up a total of 2,494,526,
(iii) Seller III took up 53,887,972 subscription warrants, authorising it to take up a total of 53,887,972,
(iv) Seller IV took up 9,509,648 subscription warrants, authorising it to take up a total of 9,509,648
ordinary Series H bearer shares in the share capital of the Company respectively, on or before 30 September 2011, in exchange for a cash contribution of PLN 14.37 per each share. The holders of registered Series H subscription warrants exercised their rights under the subscription warrants on 20 April 2011. The Company issued to the Sellers the certificates of the shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201 thousand.

As at the date of preparation of these financial statements, Polaris Finance B.V. (Polaris) held 175,025,000 shares in the Company (50.24% ownership interest), representing 341,967,501 votes at the General Shareholders' Meeting of the Company, i.e. 64.79% of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 85% shares in the share capital of Polaris.

As at the date of preparation of these financial statements, Karswell held directly 53,887,972 shares in the Company (15.47% ownership interest), representing 53,887,972 votes at the General Shareholders' Meeting of the Company, i.e. 10.21% of the total number of votes in the Company. Mr. Zygmunt Solorz-Żak held 100% share in the share capital of Karswell.

As at the date of preparation of these financial statements, Mr. Zygmunt Solorz-Żak controlled (directly and indirectly through Karswell and Polaris) 239,516,722 shares in the Company (jointly representing 68.75% ownership interest), jointly representing 417,062,973 votes at the General Shareholders' Meeting of the Company, i.e. 79.02% of the total number of votes in the Company.

As at the date of preparation of these financial statements, Sensor held directly 9,509,648 shares in the Company (2.73% ownership interest), representing 9,509,648 votes at the General Shareholders' Meeting of the Company, i.e. 1.80% of the total number of votes in the Company. Mr. Heronim Ruta held 100% share in the share capital of Sensor.

14. Loans and borrowings

As at 31 March 2011, the Company was a party to an overdraft facility agreement with Bank Pekao S.A. available to the amount of PLN 139,000 thousand. The interest rate for the facility was WIBOR O/N plus a margin. The credit line was secured by the Company's declaration on submission to enforcement of up to PLN 208,500 thousand. As at 31 March 2011 the overdraft was used to the amount of PLN 138,077 thousand. After the balance sheet date, the above agreement was terminated and replaced by the Revolving Facility described below.

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

In connection with the acquisition of Telewizja Polsat S.A. (see note 20), on 31 March 2011 the Company (together with its related parties), concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners")

The Senior Facilities Agreement provides for a term facility loan of up to PLN 1,400,000 thousand and a revolving facility loan of up to PLN 200,000 thousand. The interest rate applicable for both, the term facility and revolving facility, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility will be repaid in quarterly instalments in varying amounts commencing 30 June 2011. Both facilities expire on 31 December 2015.

In addition, on 31 March 2011, the Company (together with its related parties) concluded a Bridge Facility Agreement with the Bookrunners. This agreement provides for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equals approximately EUR 350,000 thousand. The interest rate applicable for the bridge facility was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The bridge facility is to be repaid within 12 months of the day of concluding the agreement.

Establishment of security for loan facilities

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

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

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

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

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

Meeting resolved to execute the cross-border merger and authorized the Management Board to exercise all necessary activities related to conducting procedure of the cross-border merger.

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

As a result of the cross-border merger:
i. M.Punkt Holdings was terminated without liquidation, and
ii. Cyfrowy Polsat S.A. took over, by the way of universal succession, assets and liabilities of M.Punkt Holdings.

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

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

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

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

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

16. Transactions with related parties

Receivables

	31 March 2011 unaudited	31 December 2010
mPunkt Polska S.A.	1,936	976
Polsat Futbol Ltd.	1,499	1,200
Cyfrowy Polsat Technology Sp. z o.o.	1,283	468
Superstacja Sp. z o.o.	690	347
Telewizja Polsat S.A.	605	674
Cyfrowy Polsat Trade Marks Sp. z o.o.	570	-
Polsat Jim Jam Ltd.	282	326
Dom Sprzedaży Radia PIN Sp. z o.o.	146	108
Teleaudio Sp. z o.o.	79	108
Media Biznes Sp. z o. o.	59	59
Sferia S.A.	21	7
Polskie Media S.A.	13	152
Invest Bank S.A.	-	9
Polsat Media Sp. z o.o.	-	1
Total	**7,183**	**4,435**

Liabilities

	31 March 2011 unaudited	31 December 2010
Cyfrowy Polsat Technology Sp. z o.o.*	23,027	14,414
Telewizja Polsat S.A.	8,915	6,760
Cyfrowy Polsat Trade Marks Sp. z o.o.	4,703	-
mPunkt Polska S.A.	3,470	3,395
Teleaudio Sp. z o.o.	750	-
Polsat Media Sp. z o.o.	167	24
Superstacja Sp. z o.o.	150	-
Sferia S.A.	30	-
Polskie Media S.A.	6	-
Polsat Jim Jam Ltd.	-	353
Total	**41,218**	**24,946**

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

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

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

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

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 2011 the Company purchased from Cyfrowy Polsat Technology Sp. z o.o. set-top boxes and set-top boxes' accessories for a total value of PLN 46,419 thousand.

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

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

Loans granted

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

Revenues

	for 3 months ended	
	31 March 2011 unaudited	31 March 2010 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	534	488
Telewizja Polsat S.A.	384	124
Cyfrowy Polsat Trade Marks Sp. z o.o.	326	-
Polsat Futbol Ltd.	299	298
Teleaudio Sp. z o.o.	215	110
Media Biznes Sp. z o.o.	48	48
Dom Sprzedaży Radia PIN Sp. z o.o.	31	38
Polskie Media S.A.	31	36
Invest Bank S.A.	15	-
Superstacja Sp. z o.o.	13	12
Polsat Jim Jam Ltd.	2	-
mPunkt Polska S.A.	-	6
Total	**1,898**	**1,160**

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

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

On 14 March 2011 the cross-border merger of the Company with M.Punkt Holdings Ltd. was registered (see note 15). Between 1 January and 14 March 2011 Cyfrowy Polsat recognized revenues from M.Punkt Holdings Ltd. amounting to PLN 66 thousand.

Expenses

	for 3 months ended	
	31 March 2011 unaudited	**31 March 2010 unaudited**
Telewizja Polsat S.A.	18,493	18,675
Cyfrowy Polsat Trade Marks Sp. z o.o.	8,338	-
mPunkt Polska S.A.	3,320	-
Teleaudio Sp. z o.o.	1,964	2,264
Polsat Jim Jam Ltd.	626	-
Elektrim S.A.	500	427
Redefine Sp. z o.o.	70	-
Sferia S.A.	56	42
Polsat Media Sp. z o.o.	33	50
Media Biznes Sp. z o.o.	22	48
PAI Media S.A.	-	36
Superstacja Sp. z o.o.	-	5
Invest Bank S.A.	-	3
Total	**33,422**	**21,550**

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

The Company incurs expenses for using “Cyfrowy Polsat” trade mark for the benefit of Cyfrowy Polsat Trade Marks Sp. z o.o.
The expenses incurred for the benefit of mPunkt Polska S.A. result mainly from the commissions for subscribers’ acquisitions. Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Company’s customer call center. Elektrim S.A. provides some office space lease to the Company.

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 2011	**31 March 2010**
	unaudited	**unaudited**
Cyfrowy Polsat Technology Sp. z o.o.	-	115
Total	**-**	**115**

Invest Bank is the main banking partner of the Company and, therefore, the Company pays banking fees and bears the costs of mass payment reconciliation. At the same time, the Company earns interest income from term deposits.

17. Litigations

Action brought by SkyMedia Sp. z o.o.

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

In these interim condensed financial statements the Company created a provision for the above liabilities.

18. Important agreements and events

Merger of Cyfrowy Polsat with mPunkt Polska S.A.

On 21 March 2011 Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to merge the Company with mPunkt Polska S.A., in which it holds 100% of ownership interest.

19. Off-balance sheet liabilities

Securities relating to granted pledges

On 25 August 2010 we granted our subsidiary a pledge of PLN 13,000 thousand as the collateral for the overdraft facility from BRE Bank of up to PLN 12,000 thousand. After the balance sheet date, the pledge was no longer in force as the overdraft facility was terminated.

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 14.

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 9,924 thousand as at 31 March 2011. Total amount of capital commitments resulting from agreements on property improvements was PLN 47 thousand as at 31 March 2011. Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2011 was PLN 173 thousand.

20. Events subsequent to the reporting date

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

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

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

21. Accounting estimates and judgements

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

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

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