

MULTIMEDIA POLSKA GROUP

Quarterly report for the three and six months
ended 30 June 2007

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1. Multimedia Polska Group

The consolidated financial statements for the second quarter of 2007 were prepared for Multimedia Polska S.A. and the following entities of Multimedia Polska Group: Tele - Top Grupa Multimedia Polska Sp. z o.o., Multimedia Polska - Zachód Sp. z o.o., Multimedia Polska - Południe S.A., Automatic Serwis Sp. z o.o. and Telewizja Kablowa Brodnica Sp. z o.o.

As at the balance sheet date and as at the date of this report, Multimedia Polska Group (the "Group") is composed of Multimedia Polska Spółka Akcyjna (the "Company" or "MMP") and the following subsidiaries:

	Name	Address	Business activity	Share in capital 30 June 2007
1	Tele Top Grupa Multimedia Polska Sp. z o.o.	Gdynia, ul. T. Wendy 7/9	film and video production	99.90%
2	Multimedia Polska - Zachód Sp. z o.o.	Gdynia, ul. T. Wendy 7/9	voice, data and other telecommunications services	100.00%
3	Multimedia Polska - Południe S.A.	Gdynia, ul. T. Wendy 7/9	voice, data and other telecommunications services	100.00%
4	Telewizja Kablowa Brodnica Sp. z o.o.	Brodnica, ul. Witosza 12	other building installation	94.12%

Before the merger with Multimedia Polska S.A., Automatic Serwis Sp. z o.o. owned 240 shares of Telewizja Kablowa Brodnica Sp. z o.o., with its registered office in Brodnica, ul. Witosza 12, representing 94.12 % of the share capital of the company. Following registration of the merger of Automatic Serwis Sp. z o.o. with Multimedia Polska S.A. on 15 June 2007, ownership of the shares was transferred to Multimedia Polska S.A.

Basic information regarding the Group's parent company – Multimedia Polska S.A. – is given below:

Headquarters: 81-341 Gdynia, ul. Tadeusza Wendy 7/9
KRS: 0000238931
District Court for Gdańsk–Północ VIII Economic Division of the National Court Register
NIP: 586-10-44-881
REGON: 190007345

The Company was incorporated by virtue of Notarial Deed of 21 June 1991 as a limited liability company (*spółka z ograniczoną odpowiedzialnością*) and on 1 August 2005, pursuant to a ruling of the District Court for Gdańsk-Północ, VIII Economic Division, it changed its legal form from a limited liability company (*spółka z ograniczoną odpowiedzialnością*) into a joint stock company (*spółka akcyjna*).

The term of operation of the Company and the other Group entities is unlimited.

The Group's main activity is the provision of a wide range of telecommunications services, particularly radio, television, Internet and telephony over cable television systems.

The structure of Multimedia Polska Group changed as compared to the structure presented in the report for the first quarter 2007 as a result of the registration by the District Court for Gdańsk – Północ in Gdańsk, VIII Economic Division of the National Court Register, of the merger of Multimedia Polska S.A. (the Acquirer) with Automatic Serwis Sp. z o.o. (the Acquiree, a company wholly owned by Multimedia Polska S.A.) on 15 June 2007. In accordance with the merger plan adopted on 30 March 2007 and pursuant to Resolution no 4 of the Extraordinary General Meeting dated 25 May 2007, the merger was performed according to the simplified procedure in compliance with Art. 492 § 1.1 and Art. 516 § 6 of the Commercial Companies Code by transferring all assets of Automatic Serwis Sp. z o.o. to Multimedia Polska S.A.

The merger was carried out without increasing the share capital of Multimedia Polska S.A. and, consequently, no shares in the Acquirer were delivered to the shareholders of the Acquiree. As from the date of the merger, Multimedia Polska S.A. assumed all rights and obligations of Automatic Serwis Sp. z o.o.

2. Selected Items of Assets, Liabilities, Equity, Net Profit and Cash Flows, Including Items of Non-Recurring Nature, Size or Extent

2.1. Effects of Changes in the Group Structure in the Interim Period, Including Business Combinations, Acquisition or Disposal of Subsidiaries and Non-Current Investments, Restructuring, and Discontinuation of Operations after a Business Combination

On 15 June 2007, Multimedia Polska S.A. merged with Automatic Serwis Sp. z o.o. The combination did not have any effect on the consolidated financial statements. In accordance with the merger plan adopted on 30 March 2007 and Resolution no 4 of the Extraordinary General Meeting of Multimedia Polska S.A. dated 25 May 2007, the merger was performed according to the simplified procedure in compliance with Art. 492 § 1.1 in conjunction with Art. 516 § 6 of the Commercial Companies Code by transferring all assets of Automatic Serwis Sp. z o.o. to Multimedia Polska S.A. The merger was carried out without increasing the share capital of Multimedia Polska S.A. and, consequently, no shares in the acquirer were delivered to the shareholders of the acquiree. As from the date of the merger, Multimedia Polska S.A. assumed all rights and obligations of Automatic Serwis Sp. z o.o. The combination was aimed at streamlining the structure of the Group by consolidating subsidiaries, excluding mutual settlements, and reducing operating expenses.

Multimedia Polska Group had been consolidating the results of its 100% subsidiary, Automatic Serwis Sp. z o.o., from 19 February 2007 to 15 June 2007.

2.2. Dividends Paid and Declared

No dividend payments were made to the shareholders of Multimedia Polska S.A. in the reporting period. On 27 June 2007, the Ordinary General Meeting resolved to allocate the Company's profits to reserve capital.

Decisions regarding any future dividend payments will depend on the Company's financial condition, including results of operations, the need for capital expenditures, availability of capital reserves and other matters that management may consider relevant. The Company's senior credit facility, extended pursuant to an agreement dated 7 September 2005, restricts the Company from declaring or paying dividends under certain conditions.

2.3. Issued Capital and Reserves

2.3.1 Share capital

The Company's share capital as at 30 June 2007 and as at the date of this report is presented in the table below:

Series	Type	Number of shares	Nominal value per 1 share (PLN)	Votes at general meetings
A	ordinary bearer shares	63,590,876	1.00	63,590,876
C	ordinary bearer shares	8,245,623	1.00	8,245,623
D	ordinary bearer shares	32,205,874	1.00	32,205,874
E	ordinary bearer shares	32,869,899	1.00	32,869,899
F	ordinary bearer shares	20,787,728	1.00	20,787,728
Total		157,700,000		157,700,000

The data provided above did not change as compared to the previous quarterly report for Q1 2007.

2.3.2 Other capital

Pursuant to a resolution adopted by the Shareholders' Meeting held on 27 June 2007, the 2006 profit of Multimedia Polska S.A. amounting to PLN 44,262,722 was allocated in full to reserve capital.

The Company did not create any other reserve capital for the purpose of covering specific losses or expenses.

2.4. Interest-Bearing Loans and Borrowings

2.4.1 Senior Credit Facility Agreement for PLN 550,000,000

Multimedia Polska S.A. as the borrower, and Tele -Top Grupa Multimedia Polska Sp. z o.o., Multimedia Polska – Zachod Sp. z o.o. and Multimedia Polska – Poludnie S.A., as guarantors, entered on 7 September 2005 into a senior credit facility agreement. The Lenders are ABN AMRO Bank and Bank BPH S.A. (as Original Lenders) together with Bank Millenium SA, Calyon SA (branch in Poland) and BNP Paribas (branch in Poland). The

agreement was subsequently restated and amended twice: (i) by an amendment agreement dated 27 December 2005 and (ii) by an amendment agreement dated 20 June 2006.

The senior credit facility consists of three tranches: (i) tranche A of up to PLN 320,000,000; (ii) tranche B of up to PLN 130,000,000; and (iii) tranche C of up to PLN 100,000,000.

In accordance with the credit facility agreement, draw-downs in each interest period bear interest at a rate per annum equal to (i) WIBOR on three-month deposits in PLN plus (ii) a margin of 0.85%, provided that the margin is adjusted, i.e., appropriately reduced (to 0.65%) or increased (to no more than 0.90% respectively), depending on a margin adjustment procedure based on the ratio of our Net Consolidated Debt to Annual EBITDA after the expiration of the six month period beginning on the date of the first utilization of the proceeds from the senior credit facility. For details on our senior credit facility agreement please refer to our International Offering Circular (pp. 158-164).

The senior credit facility provides for the following security: (i) a transfer of receivables to which the Company and the guarantors are entitled under the insurance agreements as well as insurance policies issued on their basis, (ii) a registered pledge over the pool of all present and future assets, rights and claims each time in the possession of both the Company and the guarantors (except for rights and claims under insurance agreements and bank account agreements); in accordance with the amendment agreements referred to above, the maximum amount of security was increased to PLN 825,000,000 and was entered into the pledge register based on court decisions announced on 10 October 2006, (iii) a registered pledge on the Company's and the guarantors' rights and claims under certain bank accounts. In addition, on 22 December 2006, the Company made an appropriate declaration before notary public Hanna Warońska of the Notary Public's Office in Gdynia declaring that a joined capped mortgage on the Company's real property and rights equivalent to real property had been established for the benefit of the Lenders to secure all present and future rights and claims under the senior credit facility.

On 10 January 2007, the Company repaid PLN 100,000,000 of the credit facility.

In accordance with the objectives of the issue of Series F Shares, the Company transferred PLN 100,000,000 to the account of the Security Agent (ABN AMRO) on 23 November 2006 in order to repay PLN 100,000,000 representing Tranche C. In accordance with the senior credit facility agreement, the amount was delivered to the lenders by the Facility Agent on the last day of the interest period, i.e. on 10 January 2007.

2.4.2 Overdraft

The Company was a party to an agreement with Bank BPH S.A., Corporate Center in Krakow, concluded on 29 January 2002 (as amended) under which an overdraft facility in the amount of up to PLN 8,000,000 was made available to the Company on 25 May 2002.

The facility bore interest at a floating rate equal to WIBOR for 1 month deposits increased by a margin of 1.5%. The Company was required to pay the bank commission charge of 0.15% per month of the amount of the unutilized facility.

The overdraft was secured by (i) transfer of the ownership of the cable television network in Darlowo and Przasnysz together with certain studio equipment valued at PLN 6,700,000 (as of valuation made on 25 May 2006), (ii) capped mortgages on real property located in Malbork and identified in the Land and Mortgage Register No. 17064, maintained by the District Court of Malbork, (iii) capped mortgage on the share in perpetual usufruct and the ownership of a building constituting separate real property amounting to 6544/10,000 parts of the real estate located in Gdynia, identified in the Land and Mortgage Register No. 30830, (iv) capped mortgage on the real property located in Plock, identified in the Land and Mortgage Register No. 75068 (v) assignment of rights from insurance policies relating to the encumbered real property and transferred television networks, (vi) a blank promissory note together with a declaration, (vii) a power of attorney on all accounts held at the bank, and (viii) a declaration on submission to enforcement of judgment up to the amount of PLN 16,000,000.

The agreement was not renewed by the Company, and it terminated on 25 May 2007; the associated encumbrances have been cleared. When the lender agreed to discharge mortgages, the Company applied to competent courts to delete the relevant entries from mortgage books in June. As at the date of this report, the entries have not yet been deleted.

2.5. Court Proceedings

As at 30 June 2007 and as at the date of this report, no court, arbitration or administrative proceedings were pending which would concern any claims or liabilities of Multimedia Polska S.A. or its subsidiaries and whose value would exceed 10% of Multimedia Polska S.A.'s equity.

3. Operating and Financial Review and Prospects

The following discussion and analysis of the Group's results for the three and six months ended 30 June 2007 has been prepared on the basis of condensed consolidated interim financial statements for the three and six months ended 30 June 2007 prepared in accordance with IFRS. The financial statements present consolidated data of the Issuer's Group, i.e. Multimedia Polska Group, for the second quarter of 2007 and the second quarter of 2006, and cumulative data for the first half of 2007 and the first half of 2006 in the manner required by IAS 34. The following analysis also includes results for the first quarter of 2007 in order to better illustrate the quarter-on-quarter change.

As at 30 June 2007, our Group had 873,511 revenue generating units (RGUs), including 508,143 cable TV RGUs (of which 2,796 IPTV RGUs and 1,979 DTV RGUs), 175,208 broadband Internet RGUs, 156,988 voice RGUs, 24,388 premium channels RGUs, 8,073 indirect voice services, and 711 payphones.

As at 30 June 2007, we had over 180,000 subscribers who have subscribed for more than one service, including over 39,000 Triple Play subscribers.

In the second quarter of 2007, we recorded a net increase in RGUs of 11,761 (after churn), including:

- 1,743 CATV RGUs (disconnection of 519 analogue cable TV RGUs recorded as a result of price increases introduced at the start of 2007 and addition of 2,262 IPTV and DTV RGUs)
- 8,959 broadband Internet RGUs
- 535 voice RGUs (addition of 2,288 VoIP RGUs and disconnection of 1,753 PSTN RGUs)
- 664 indirect voice RGUs, and
- -141 decrease in premium channels RGUs

We expect that the upward trend in the number of customers subscribing for bundled offerings will continue, which may help to reduce our churn rate and provide an important source of revenue growth. While our average revenue per RGU is expected to continue to decline for our telephony services and our broadband Internet services, we expect that the effect of these decreases on our revenues may be more than offset as a result of rapid growth of the number of our broadband Internet customers and increasing popularity of bundled services. We also expect our cable television revenues to increase in the coming quarters as a result of the introduction of digital television offering addressed to cable customers in mid-April 2007. The results generated by digital cable TV in the second quarter of 2007 are not representative of full year results as the project in that period was only in its start-up phase.

The disconnection rate (churn), calculated as the ratio of disconnections to the number of RGUs for the service at the beginning of the period, was 6.07% (monthly average of 1.0%) in the first half of 2007 as compared to 5.45% in the first half of 2006 (monthly average of 0.9%). As previously declared, the churn rate in the second quarter of 2007 (monthly average of 0.9%) decreased as compared to churn recorded in the first quarter of 2007 (monthly average of 1.0%). Increased churn rates recorded in the first quarter were directly related to the increase in the pricing of our cable television service implemented at the beginning of 2007.

The ratio of RGUs per subscriber went up from 1.33 in the first half of 2006 to 1.45 in the first half of 2007. The average revenue per unique subscriber (ARPU/HC) was PLN 55.47 in the first half of 2007, up 5.5% from the first half of 2006.

3.1. Sales Revenue

Our sales revenues consist of cable television, broadband Internet, fixed-line telephony and other revenues. The shares of revenues from individual services as a percentage of total revenues are presented in the table below. Our revenue mix quarter-on-quarter remained stable.

	<u>Q1 2007</u>	<u>Q2 2007</u>	<u>6 mos 2006</u>	<u>6 mos 2007</u>
Cable television	48.4%	49.0%	46.0%	48.7%
Internet	20.5%	20.9%	18.9%	20.7%
Telephony	28.7%	27.9%	33.1%	28.3%
Other	2.5%	2.1%	2.1%	2.3%

Comparing the Group's results for the first six months year-on-year, sales revenues increased by PLN 15.7m, or 8.4%, from PLN 186.7m in 2006 to PLN 202.4m in 2007. The principal sources of sales revenue growth were an increase in the number of subscribers and prices of cable television (revenue growth of PLN 12.8m, including

IPTV, DTV and premium channels), and an increase in the number of broadband Internet subscribers (revenue growth of PLN 6.7m).

The continued downward trend in the PSTN business was largely offset by the dynamic growth in the number of VoIP subscribers; however, our revenues generated on voice services in aggregate decreased by PLN 4.5m as a result of a decrease in wholesale interconnection revenues.

Comparing our results quarter-on-quarter, sales revenues increased by PLN 2.5m, or 2.5%, from PLN 99.9m in the first quarter of 2007 to PLN 102.5m in the second quarter of 2007.

3.1.1 Cable Television

The following table sets forth the components of our cable television revenues.

(PLN '000)	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Subscription fees for regular television packages ⁽¹⁾ , DTV and IPTV	46 890.2	48 746.7	83 098.7	95 637.0
Subscription fees for premium channel packages	1 475.7	1 500.1	2 736.8	2 975.8
Total cable television revenues	48 365.9	50 246.9	85 835.5	98 612.8

(1) Include re-broadcasting of television programming and maintenance of the cable network and the connection.

The following table sets forth selected consolidated operational and financial data for our cable television business.

	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	732	740	667	740
Homes passed by PSTN networks (in thousands), including both existing and potential subscribers of IPTV	50	50	50	50
Revenue Generating Units (RGU) (in thousands) ⁽¹⁾	506	508	457	508
Premium channel RGUs (in thousands)	25	24	22	24
ARPU (PLN/RGU/Month) ⁽²⁾	31.80	32.03	30.52	32.37

(1) Cable television RGUs excluding premium channel subscriptions.

(2) Sales revenue recognized for the period for television services (excluding premium channels) divided by the number of months in the period and divided by the average number of RGUs for such service for the period (which average number of RGUs may vary from the number of RGUs for the period end).

Comparing our results for the first six months year-on-year, cable television revenues including DTV, IPTV and premium channel revenues increased by PLN 12.8m, or 14.9%, from PLN 85.8m in 2006 to PLN 98.6m in 2007. The growth in cable television revenues was driven by a 11.2% growth in CATV RGUs and price increases implemented in the first and second quarter of 2007, as well as migration of customers to higher packages in analogue cable TV which resulted in higher subscriber fees paid to the Company. Our digital television service provided over PSTN networks (IPTV) introduced in the second quarter of 2006 generated revenues of PLN 405.1 thousand in the first half of 2007. As at 30 June 2007, the Group had some 2,800 subscribers of the service. Our digital television service provided over cable networks (DTV) rolled out in the second quarter of 2007 generated revenues of PLN 5.6 thousand and was taken up by some 2,000 customers. The Company expects to see significant growth in revenue and the number of DTV subscribers in the coming quarters.

Churn on cable television in the first half of 2007 was at a level of 4.9% (monthly average of 0.8%) as compared to 3.4% (monthly average of 0.6%) in the first half of 2006. The increase in our churn rate was primarily the result of an increase in subscription fees introduced at the beginning of the first quarter of 2007. Management believes that the churn rate is effectively being kept under control thanks to service bundling, which makes for increased loyalty of double and triple play subscribers. Disconnections were mostly recorded in the single play segment. At the same time, we recorded a drop in churn in the second quarter of 2007 as compared to the first quarter of 2007 by 11.7% from a monthly average of 0.8% to 0.7%, respectively.

Comparing our results quarter-on-quarter, cable television revenues increased by PLN 1.9m, or 3.9%, from PLN 48.4m in the first quarter of 2007 to PLN 50.2m in the second quarter of 2007.

3.1.2 Broadband Internet

The following table sets forth the components of our Internet sales revenue.

(PLN '000)	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Broadband Internet	20 372.0	21 382.3	34 934.6	41 754.2
Other Internet access (including dial-up)	99.9	41.8	295.8	141.8
Total Internet revenues	20 471.9	21 424.1	35 230.4	41 896.0

The following table sets forth selected consolidated operational and financial data for our broadband Internet business.

	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	640	660	538	660
Homes passed by PSTN networks (in thousands), including both existing and potential subscribers	181	181	181	181
Revenue Generating Units (RGU) (in thousands)	166	175	117	175
ARPU (PLN/RGU/Month) ⁽¹⁾	43.77	41.83	54.72	43.57

(1) Sales revenues recognized for the period for broadband Internet divided by the number of months in the period and divided by the average number of RGUs for such service for the period (which average number of RGUs may vary from the number of RGUs for the period end).

Comparing our results for the first six months year-on-year, sales revenues generated by our broadband Internet business grew by PLN 6.7m, or 18.9% from PLN 35.2m in 2006 to PLN 41.9m in 2007. This resulted principally from a dynamic increase in the number of our broadband Internet RGUs (up ca. 50%). The positive effect of the increase in RGUs on sales revenues was partially offset by lower prices charged for broadband Internet services and discounts offered on the service. Our discounted offerings were aimed at attracting new customers and reducing churn. Consequently, ARPU dropped by 20.4% as compared to the first half of 2006.

We continue to reduce churn rates on our Internet services. The churn rate in the first half of 2007 was 7.2% (monthly average of 1.2%) against 9.0% in the first half of 2006 (monthly average of 1.5%), a decrease of 20%.

Comparing our results quarter-on-quarter, Internet revenues increased by PLN 0.9m, or 4.7%, from PLN 20.5m in the first quarter of 2007 to PLN 21.4m in the second quarter of 2007.

3.1.3 Telephony

The following table sets forth the components of our telephony sales revenues.

(PLN '000)	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Line rental fees	12 514.8	12 851.8	22 577.6	25 366.6
Usage fees (including additional services)	11 877.9	12 135.4	27 337.8	24 010.3
Interconnection (wholesale)	3 594.3	3 018.9	10 215.2	6 613.1
Other (including indirect services and payphones)	669.4	631.7	1 686.5	1 304.2
Total telephony revenues	28 656.4	28 637.8	61 817.2	57 294.3

The following table sets forth selected consolidated operational and financial data for our telephony business.

	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	441	480	320	480
Homes passed by PSTN networks (in thousands), including both existing and potential subscribers	181	181	181	181
Revenue Generating Units (RGU) (in thousands)	156	157	146	157
ARPU (PLN/RGU/Month) ⁽¹⁾	52.38	53.14	59.18	52.93

(1) Sales revenues recognized for the period for telephony services divided by the number of months in the period and divided by the average number of RGUs for such service for the period (which average number of RGUs may vary from the number of RGUs for the period end).

Comparing our results for the first six months year-on-year, telephony revenues decreased by PLN 4.5m, or 7.3% from PLN 61.8m in 2006 to PLN 57.3m in 2007.

Our telephony business consists of services provided using two distinct technologies: VoIP provided over cable networks and traditional telephony provided over PSTN networks. Our results in the telephony business are influenced by two contradictory trends – dynamic growth in VoIP telephony on the one hand, and a declining trend in PSTN telephony on the other.

As regards VoIP telephony, we have seen a PLN 4.5m growth in revenues (increase of 65%) from PLN 6.9m in the first half of 2006 to PLN 11.4m in the first half of 2007, mainly driven by RGU growth of 17,600, or 53.1%, from 33,100 in the first half of 2006 to 50,700 at the end of the first half of 2007. Our ARPU in this business segment decreased from PLN 42.87 in the first half of 2006 to PLN 40.25 in the first half of 2007, a decrease of 6.1% attributable to discounts offered to new subscribers.

In the PSTN business, we recorded a PLN 5.6m, or 12.9%, decline in revenues in the first half of 2007. Our revenues decreased from PLN 43.6m in the first half of 2006 to PLN 37.9m in the first half of 2007 as a result of a decrease in pricing and in our subscriber base. Our PSTN RGUs were down 6,800, or 6.0%, from 113,100 in the first half of 2006 to 106,300 RGUs in the first half of 2007. ARPU on the service went down 7.2% from PLN 62.99 in the first half of 2006 to PLN 58.48 in the first half of 2007.

Our wholesale interconnection revenues amounted to PLN 6.6m in the first half of 2007. They were PLN 3.6m, or 35.3%, lower compared to the first half of 2006 when they amounted to PLN 10.2m. The decrease in wholesale interconnection revenues was attributable to a decrease in the pricing of wholesale mobile and other voice call termination.

In the telephony business, the churn rate decreased from 6.2% (monthly average of 1.03%) in the first half of 2006 to 5.9% (monthly average of 0.99%) in the first half of 2007.

Comparing our results quarter-on-quarter, telephone revenues remained virtually unchanged at PLN 28.7m in the first quarter of 2007 against PLN 28.6m in the second quarter of 2007.

3.1.4 Other Revenue

Other revenue, including lease income, licence fees, revenue on TV productions and other subscriber-generated and interoperator revenues (migrations between packages, service, re-connection fees etc.), increased by PLN 0.8m, or 20.9%, from PLN 3.8m in the first half of 2006 to PLN 4.6m in the first half of 2007. The main reason behind the increase were higher revenues generated by Multimedia Polska Group on line and duct leases and, to a lesser extent, the lease of bandwidth, network and premises.

Comparing our results quarter-on-quarter, other revenues slightly decreased by PLN 0.3m from PLN 2.5m in the first quarter of 2007 to PLN 2.2m in the second quarter of 2007.

3.2. Operating Expenses

Comparing our results for the first six months year-on-year, operating expenses (excluding D&A) increased by PLN 3.0m, or 3.1%, from PLN 97.7m in 2006 to PLN 100.7m in 2007. The increase in operating expenses was slight, while it is worth noting that there was a significant reduction in operating expenses per RGU per month, from PLN 21.8 in the first half of 2006 to PLN 19.2 in the first half of 2007, a decrease of 11.8%. The largest increases were recorded in programming and copyrights (PLN 3.4m), sales and marketing (PLN 2.1m) and payroll and benefits (PLN 2.0m).

The increase in programming and copyright expenses is a direct result of the higher number of cable television RGUs.

Sales and marketing expenses increased, as expected, as a result of dynamic advertising campaigns launched in the second quarter of 2007.

Payroll and benefit expenses increased due to the take-over by MMP of telecom network maintenance services from subcontractors in July 2006 and the related increase in headcount. Subcontractors became direct employees of the Company and, consequently, the expenses related to services provided by subcontractors were reclassified from other expenses to payroll and benefits.

The largest decreases in operating expenses were recorded in other expenses (PLN 2.0m), interconnect (PLN 1.9m), bandwidth (PLN 1.7m) and professional services (PLN 1.4m).

As discussed above, other operating expenses decreased primarily due to the take-over by MMP of telecom network maintenance services from subcontractors in July 2006.

The decrease in interconnection costs is attributable to three factors: a decrease in the pricing of wholesale mobile voice call termination, expansion of our own telecom infrastructure by building new interconnection points with other operators and lower volume of traffic generated on our networks.

The costs of leasing fibre optic cables for Internet (bandwidth) were reduced as a result of our renegotiations of existing agreements, providing for more favourable tariff terms.

Expenses related to professional services decreased as a result of lower expenditure on advisory services.

The following table provides information on the components of our operating expenses.

(PLN '000)	Q1 2007	Q2 2007	6 mos 2006	6 mos 2007
Programming and copyrights	11 503.6	11 163.6	19 302.2	22 667.2
Bandwidth	2 172.3	2 141.6	6 057.4	4 313.8
Interconnect	4 149.4	4 294.3	10 364.3	8 443.7
Network costs	8 049.2	7 138.7	14 489.8	15 187.9
Sales and marketing	4 081.8	5 762.9	7 734.8	9 844.6
Payroll and benefits	11 559.9	11 235.2	20 785.7	22 795.1
Taxes and charges	2 710.7	2 632.2	4 544.5	5 342.9
Professional services	1 044.9	800.7	3 222.9	1 845.6
Energy and materials	2 852.9	2 568.5	4 298.4	5 421.4
Other expenses	2 515.1	2 320.7	6 906.8	4 835.8
Total	50 639.7	50 058.4	97 706.7	100 698.1

We continue to push down the ratio of operating expenses (excluding D&A) per RGU per month by adhering to our restrictive cost control policy. In the first half of 2006, the ratio (monthly average) was at a level of PLN 21.8 and dropped to PLN 19.2 in the first half of 2007.

Comparing our results quarter-on-quarter, operating expenses (excluding D&A) decreased by PLN 0.6m, or 1.1%, from PLN 50.6m in the first quarter of 2007 to PLN 50.1m in the second quarter of 2007. Our OPEX/ RGU/ month ratio was at PLN 19.1 in the second quarter 2007 compared with PLN 19.6 in the preceding quarter.

3.3. Other Operating Income and Expenses

In the second quarter of 2007, the Company retrospectively changed the method of presentation of income and expenses relating to overdue subscriber receivables. Income and expenses relating to subscriber receivables such as provisions, bad debt write-offs or collection of overdue receivables are netted and disclosed either in income or in expenses. The change of presentation method entailed a PLN 0.8m reduction in both other operating income and other operating expenses. Following the adjustment, other operating income and other operating expenses in the first quarter of 2007 amounted to PLN 0.3m and PLN 0.2m, respectively.

3.3.1 Other Operating Income

In the first half of 2007, other operating income decreased by PLN 0.7m or from PLN 1.4m in the first half of 2006 to PLN 0.7m in the first half of 2007. Higher other operating income in the first half of 2006 was primarily attributable to a one-off accounting adjustment of VAT in 2006.

In the second quarter of 2007, we recorded an increase in other operating income of PLN 0.1m, or 33.7%, from PLN 0.3m in the first quarter of 2007 to PLN 0.4m in the second quarter of 2007.

3.3.2 Other Operating Expenses

Other operating expenses decreased by PLN 3.1m from PLN 4.4m in the first half of 2006 to PLN 1.3m in the first half of 2007. The higher level of expenses in the first half of 2006 was related to the recognition of impairment of fixed assets in the first half of 2006.

In the second quarter of 2007, other operating expenses increased by PLN 1.0m from PLN 0.2m in the first quarter of 2007 to PLN 1.2m in the second quarter of 2007.

3.4. Operating Profit

Comparing our results for the first six months year-on-year, operating profit increased by PLN 7.6m, or 18.9%, from PLN 40.0m in 2006 to PLN 47.6m in 2007. The components of the increase recorded for the first six months of 2007 as compared to the same period of 2006 are presented below:

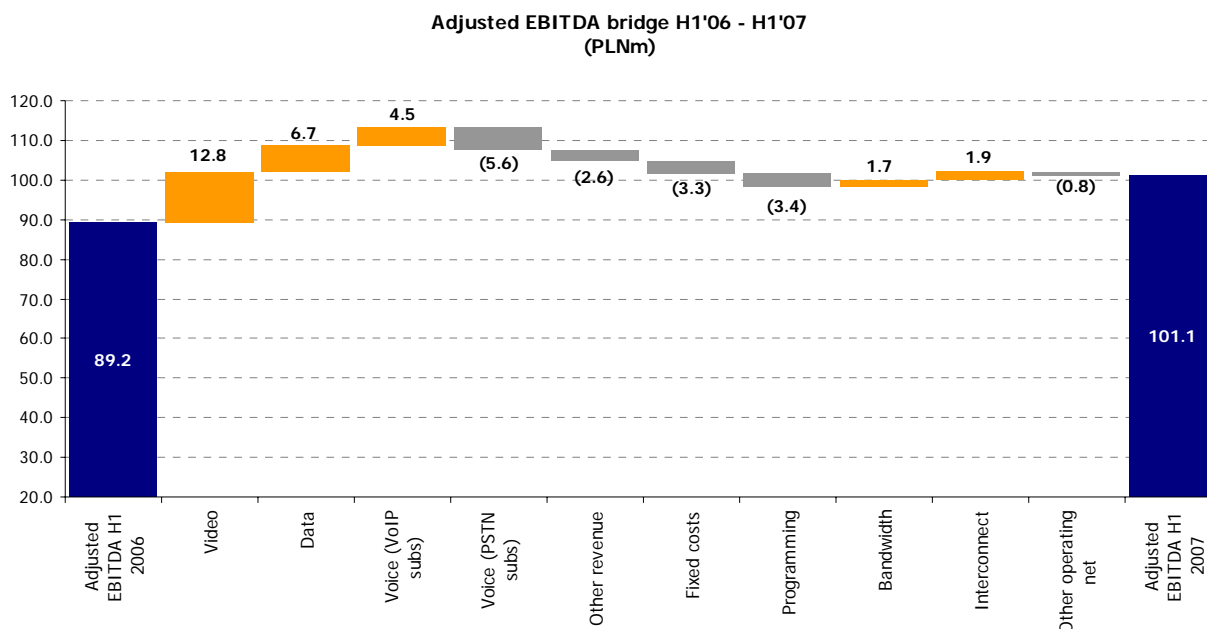
- + PLN 12.8m increase in cable television revenues resulting from a larger subscriber base and higher prices of the service,
- + PLN 6.7m increase in Internet revenues resulting from a larger subscriber base, despite price reductions,
- + PLN 4.5m increase in voice revenues generated by our VoIP subscribers due to service bundling,
- PLN 5.6m decrease in voice revenues generated by our PSTN subscribers as a result of a decrease in subscriber base and in the pricing of the service,
- PLN 2.6m decrease in other voice revenues including direct voice, interconnect and revenues from other operators and other revenues (e.g. leases etc.),
- PLN 3.3m increase in fixed costs,
- PLN 3.4m increase in programming costs,
- + PLN 1.7m decrease in costs connected with the lease of bandwidth for Internet,
- + PLN 1.9m decrease in interconnection costs,
- + PLN 2.4m increase per saldo of other operating income/ expenses, and
- PLN 7.6m increase in depreciation and amortisation.

Comparing our results quarter-on-quarter, operating profit decreased slightly by PLN 0.1m, or 0.5%, from PLN 23.8m in the first quarter of 2007 to PLN 23.7m in the second quarter of 2007. The decrease was directly attributable to an increase in depreciation and amortisation of PLN 2.3m in the second quarter of 2007.

3.5. EBITDA and Adjusted EBITDA

Comparing our results for the first six months year-on-year, EBITDA increased by PLN 15.1m, or 17.6%, from PLN 86.0m in 2006 to PLN 101.1m in 2007. The increase is attributable to the same factors which contributed to the increase in operating profit, as described above, except depreciation and amortisation.

In the same periods, Adjusted EBITDA increased by PLN 11.9m, or 13.3%, from PLN 89.2m in the first half of 2006 to PLN 101.1m in the first half of 2007. Adjusted EBITDA margin was up from 47.8% in the first half of 2006 to 50.0% in the first half of 2007. When calculating Adjusted EBITDA, as defined and measured by us, we excluded non-recurring events. For details on our method of measuring EBITDA please refer to our International Offering Circular – Operating and Financial Review and Prospects (pp. 50-52). Adjustments to EBITDA in the first half of 2007 were insignificant and amounted to PLN 0.02m. The reconciliation of Adjusted EBITDA to EBITDA is presented in note 8 to the financial statements.



Comparing our results quarter-on-quarter, EBITDA increased by PLN 2.2m, or 4.4%, from PLN 49.5m in the first quarter of 2007 to PLN 51.7m in the second quarter of 2007; similarly, Adjusted EBITDA increased by PLN 2.2m, or 4.4%, from PLN 49.5m in the first quarter of 2007 to PLN 51.7m in the second quarter of 2007. Adjusted EBITDA margin remained increased from 49.5% in the first quarter of 2007 to 50.4% in the second quarter of 2007. Management believes that Adjusted EBITDA permits a more complete and comparable analysis of our financial results.

3.6. Finance Income

Comparing our results for the first six months year-on-year, finance income increased by PLN 2.9m from PLN 2.9m in 2006 to PLN 5.8m in 2007. The increase of finance income was related to a significant increase in interest received, associated with the considerably higher balance of cash held in bank deposits (proceeds from the public offering) in the first half of 2007 as compared to the first half of 2006.

Comparing our results quarter-on-quarter, finance income increased by PLN 1.7m from PLN 2.1m in the first quarter of 2007 to PLN 3.7m in the second quarter of 2007. The increase in finance income was primarily attributable to the fact that we recorded a PLN 3.1m gain on the valuation of Interest Rates Swap contracts in the second quarter of 2007.

3.7. Finance Costs

Comparing our results for the first six months year-on-year, finance costs increased by PLN 1.0m from PLN 12.9m in 2006 to PLN 13.9m in 2007.

Comparing our results quarter-on-quarter, finance costs decreased by PLN 2.6m from PLN 8.3m in the first quarter of 2007 to PLN 5.7m in the second quarter of 2007. Lower finance costs in the second quarter of 2007 were attributable to the fact that in the first quarter of 2007 we accounted for a fee paid by us in relation to the senior credit facility, connected with the repayment of PLN 100m tranche of the facility in January 2007, and also because we revalued the remaining loan liabilities.

3.8. Capital Expenditure

We spent approximately PLN 35.6m on capital expenditure in the second quarter of 2007, including PLN 33.5m growth CAPEX connected with network upgrades and expansion and new connections, and PLN 1.4m other CAPEX connected with the purchase of additional equipment and devices necessary for the proper operation of the network and expenditures aimed at streamlining internal processes and reducing operating expenses. The remaining PLN 0.65m was acquisition CAPEX, which in the second quarter of 2007 involved an acquisition of two small internet systems operating in areas adjacent to our locations.

3.8.1 Growth Capital Expenditure

Our expenditure on growth projects, i.e. projects generating direct revenue increases in a given year or the coming years, amounted to PLN 33.5m. The main growth projects comprise:

- expenditures related to subscriber activations, such as installation costs and CPE (customer premises equipment) costs, including purchases of set-top boxes, which receive and decode digital television signals at customer premises,
- expenditures related to the development of our head-end and backbone network to carry digital television signals, and
- expenditures related to access network upgrades for VoIP telephony, digital television, and broadband Internet.

As a result of network upgrades completed in the second quarter of 2007, we upgraded cable networks passing by some 20,600 homes (HP) for broadband Internet and 39,000 homes for voice services.

At the same time, by the end of the second quarter of 2007, we had ca. 350,000 cable homes passed upgraded to receive and distribute digital television signal.

We also cabled 7,300 new homes passed, of which 2,000 HPs were cabled in areas already covered by other operators (overbuild).

As a result of the construction of new homes passed, the cable networks of Multimedia Polska Group passed by 789,700 homes as at the end of the first quarter of 2007.

No capital expenditure was incurred on increasing the number of PSTN homes passed in the second quarter of 2007. As a result, our PSTN homes passed remained unchanged at approximately 181,000 at the end of the quarter.

3.8.2 Other Capital Expenditure

Other capital expenditure, amounting to PLN 1.4m, not directly related to network expansion or subscriber activations, included:

- developing IT systems for our call centre,
- developing the billing system to migrate customers from several old systems to the single new system, and

- purchasing constant voltage power supply systems and air conditioning equipment for working telecommunications systems.

3.8.3 Acquisition Capital Expenditure

Acquisition CAPEX in the second quarter of 2007 amounted to PLN 0.65m and involved an acquisition of two minor internet providers operating in areas adjacent to Multimedia locations.

In line with our strategy of active participation in the consolidation of the Polish cable market, we acquired another cable operator, Automatic Serwis, in the first quarter of 2007. Automatic Serwis had ca. 31,000 cable television subscribers and 7,300 Internet users. We acquired another fifteen cable networks after the balance sheet date; the networks serve some 23,400 cable television subscribers and 5,600 Internet subscribers (see point 10.1 *Acquisition of Telecommunications Networks*).

3.9. Employment

As at 30 June 2007, Multimedia Polska Group had 1,055 employees in total. We employed 552 employees in our regions (including our network service and customer care personnel, sale managers, regional directors etc.) and 503 employees in our head offices. Employment levels were up by 31, or 3.0%, as compared to the previous quarter ended 31 March 2007. The increase in headcount was associated with further expansion of our Call Centre and the employment of a group of employees of the acquired Automatic Serwis.

4. Changes in the Composition of the Management Board and Supervisory Board

4.1. Changes in the Composition of the Management Board

As at the balance sheet date, 30 June 2007, and as at the date of this report, the Management Board was composed of the following persons:

Name	Position
Andrzej Rogowski	President
Arkadiusz Dorynek	Vice-President

On 12 June 2007, the Company's Supervisory Board reappointed the Management Board members for a further two-year term of office.

The composition of the Management Board did not change compared to information presented in the report for Q1 2007.

4.2. Changes in the Composition of the Supervisory Board

As at the balance sheet date, 30 June 2007, and as at the date of this report, the Supervisory Board was composed of the following persons:

Name	Position
Ygal Ozechov	Co-Chairman of the Supervisory Board
Tomek Ulatowski	Co-Chairman of the Supervisory Board
Konrad Jaskóła	Member of the Supervisory Board
David C. Seidman	Member of the Supervisory Board
Gabriel Wujek	Member of the Supervisory Board

The composition of the Supervisory Board did not change compared to information presented in the report for Q1 2007.

5. Related Party Transactions

The following transactions are considered to be common and routine and are part of the ongoing operations of the Company. The following information is included in this report for the sake of transparency of the operations of Multimedia Polska Group.

Agreements on Business Management and Advisory Services

On 3 July 2006, Multimedia Polska S.A. concluded agreements with its subsidiaries operating in the telecommunications sector (listed below), providing for business management and business management advisory services as well as the provision of business administration services; the Company also concluded an Agreement on Business Management and Business Administration Services with Automatic Serwis Sp. z o.o. on 14 March 2007. Under each of the agreements Multimedia Polska S.A. undertook separately with respect to each subsidiary to provide – against payment and on the terms detailed in the agreements – services consisting in the management of a part of an enterprise as defined in Art. 7 of the Commercial Companies Code and to advise the companies with respect to business management and telecom network operation. The agreements were concluded for indefinite terms and may be terminated at a six months' notice. Multimedia Polska S.A. undertook with respect to each subsidiary to bear the entire responsibility for any of its actions or omissions which constitute a breach of the agreement. Should any loss be caused to any of the subsidiaries, Multimedia Polska S.A. will be obliged to cover its full amount.

The monthly fees payable to Multimedia Polska S.A. for the provision of the services to each subsidiary in the reporting period were as follows:

Subsidiary	Remuneration to Multimedia Polska S.A. (PLN)
Multimedia Polska - Zachód Sp. z o.o.	470,000 ⁽¹⁾
Multimedia Polska – Południe S.A. ⁽²⁾	1,238,000 ⁽¹⁾

- (1) The monthly fees payable to Multimedia Polska S.A. are subject to monthly review based on actual costs incurred by Multimedia Polska S.A. in connection with the provision of the services in the period. The costs comprise only costs recorded in the books of account of Multimedia Polska S.A. attributable accordingly to each subsidiary.
- (2) The amount of remuneration payable by Multimedia Polska – Południe S.A. is the total of remuneration payable by the following companies: Multimedia Polska – Brzesko S.A., Multimedia Polska – Dębica S.A., Multimedia Polska – Konin S.A. and Multimedia Polska – Wschód S.A., which were merged with Multimedia Polska – Południe S.A. on 27 December 2006 and had been parties to respective agreements with Multimedia Polska S.A. on business management, business management advisory services and business administration, legally transferred to Multimedia Polska – Południe S.A. upon the finalisation of the merger.

Up until the date of the merger of Automatic Serwis Sp. z o.o. with Multimedia Polska S.A., Automatic Serwis Sp. z o.o. paid a monthly remuneration of PLN 200,000 to Multimedia Polska S.A. pursuant to the Agreement on Business Management and Business Administration Services concluded on 14 March 2007.

6. Other Information Relevant for the Assessment of the Situation of the Group

6.1. Choice of Independent Auditor

On 19 April 2007, the Supervisory Board of Multimedia Polska S.A. acting in accordance with § 25.2(g) of the Company's Statutes in a written ballot appointed Ernst & Young Sp. z o.o. with their registered office in Warsaw, at Rondo ONZ 1, registered in the register of auditors under no 130, as the Company's auditors authorised to audit the standalone and consolidated financial statements of the Company for the year ended 31 December 2007 and to review the standalone and consolidated financial statements of the Company for the six months ended 30 June 2007.

Ernst & Young Audit Sp. z o.o. previously provided its services to the Company in the same respect.

6.2. Reappointment of Management Board Members

On 12 June 2007, the Supervisory Board of Multimedia Polska S.A. by resolutions no 4/06/2007 and 5/06/2007 reappointed Mr. Andrzej Rogowski as President and Mr. Arkadiusz Dorynek as Vice President of the Management Board for a new two-year term of office.

6.3. Merger with Automatic Serwis Sp. z o.o.

On 15 June 2007, the District Court for Gdańsk – Północ in Gdańsk, VIII Economic Division of the National Court Register, registered the merger of Multimedia Polska S.A. (the Acquirer) with Automatic Serwis Sp. z o.o. (the Acquiree, a company wholly owned by Multimedia Polska S.A.). In accordance with the merger plan adopted on 30 March 2007 and pursuant to Resolution no 4 of the Extraordinary General Meeting dated 25 May 2007, the merger was performed according to the simplified procedure in compliance with Art. 492 § 1.1 and Art. 516 § 6 of the Commercial Companies Code by transferring all assets of Automatic Serwis Sp. z o.o. to Multimedia Polska S.A. The merger was carried out without increasing the share capital of Multimedia Polska S.A. and, consequently, no shares in the Acquirer were delivered to the shareholders of the Acquiree. As from the date of the merger, Multimedia Polska S.A. assumed all rights and obligations of Automatic Serwis Sp. z o.o.

7. Shareholders Entitled to Exercise at Least 5% of Total Voting Rights at the General Shareholders' Meeting, Either Directly or Indirectly through Subsidiaries, as at the Date of Publication of the Quarterly Report; Changes in the Ownership Structure in the Period from the Submission of the Previous Quarterly Financial Report

Information provided in the table below is prepared based on current reports submitted to the Warsaw Stock Exchange, which reflect all information provided by shareholders in accordance with Art. 69.1 of the Act on public offering and the terms for introduction of financial instruments to organised trading and on public companies.

The Company's shareholding structure as at 30 June 2007 and as at the date of this report was as follows:

Shareholder	Number of shares held	Number of votes at the General Shareholders' Meeting	Percentage of votes at the General Shareholders' Meeting	Percentage held in share capital
Tri Media Holdings Ltd ⁽¹⁾⁽²⁾	26,945,741	26,945,741	17.09%	17.09%
Emerita B.V. ⁽¹⁾	15,781,292	15,781,292	10.00%	10.00%
UNP Holdings B.V. ⁽¹⁾	45,439,617	45,439,617	28.81%	28.81%
Other shareholders	69,533,350	69,533,350	44.10%	44.10%
TOTAL	157,700,000	157,700,000	100.00%	100.00%

(1) Entities directly or indirectly controlled by EVL.

(2) 2,765,628 shares are held indirectly through Biscoden Trading & Investments Limited, a subsidiary of Tri Media Holdings.

The data provided above did not change as compared to the previous quarterly report for Q4 2006.

8. Statement of Changes in Ownership of Multimedia Polska S.A.'s Shares or Rights to Shares (Options) Held by Members of the Management Board and the Supervisory Board, According to Information available to Multimedia Polska S.A. in the Period from the Submission of the Previous Quarterly Financial Report to the Date of this Quarterly Report

8.1. Management Board

The information provided below regarding the number of shares held by the Management Board members is based on information provided by them in accordance with Art. 160.1 of the Act on trading in financial instruments.

Name	As at 31 March 2007	As at 30 June 2007	As at 7 July 2007
Andrzej Rogowski – President	1,485,585 ⁽¹⁾	1,485,585 ⁽¹⁾	1,505,888 ⁽¹⁾⁽²⁾
Arkadiusz Dorynek – Vice President	0	0	0

(1) Includes 670,870 shares held indirectly through a subsidiary, Kalberri Limited.

(2) President Andrzej Rogowski acquired 20,303 shares of the Company on 18 July 2007.

8.2. Supervisory Board

The Company is not aware of any member of the Supervisory Board holding shares of Multimedia Polska S.A. The Company has not received any information from any Supervisory Board member regarding any acquisition of shares in accordance with Art. 160.1 of the Act on trading in financial instruments.

The information provided above did not change as compared to the report for Q1 2007.

9. Information on Guarantees or Loan Collaterals Given by the Company or Its Subsidiaries to Other Entity or Its Subsidiary, where the Amount of the Guarantee or Collateral Accounts for 10% or more of the Company's Equity

In the second quarter of 2007, neither the Company nor any of its subsidiaries gave loan collaterals or guarantees to any other entity or subsidiary where the amount of the collateral or guarantee would account for 10% or more of Multimedia Polska's equity.

10. Events after the Balance Sheet Date

As at the date of this quarterly report, no events had occurred since the balance sheet date that were not, but should have been disclosed in the books of account for the given period.

10.1. Acquisition of Telecommunications Networks

On 17 July 2007, Multimedia Polska S.A. acquired 15 cable television networks located in Sochaczew, Rawa Mazowiecka, Łowicz, Głowno, Pajęczno, Zduńska Wola, Poddębice, Chojnów, Wołów, Barcin, Piechcin, Łabiszyn, Lubostroń, Chełmża and Chełmno.

The cable networks acquired in the transaction serve some 23,400 cable television subscribers and 5,600 Internet subscribers. 5,300 subscribers take up the two services jointly.

The networks have been acquired by Multimedia Polska S.A. for a total net consideration of PLN 33,499,908 plus 22% VAT.

The transaction was wholly financed from the issue proceeds generated last year; it is an accomplishment of one of the purposes of the Company's public offering and an important element of its strategy set forth in the prospectus.

10.2. Decision of the President of the UKE regarding WLR

On 17 July 2007 Multimedia Polska S.A. received a decision by the President of the Office of Electronic Communications no DRTH-WWM-60600-4/07(29) amending the Agreement on Network Interconnection dated 8 August 2006 concluded by and between Telekomunikacja Polska S.A. ("TP S.A.") and Multimedia ("the Decision").

The Decision sets forth the terms and conditions of cooperation between Multimedia and TP S.A. in respect of wholesale access by Multimedia to the telecom network of Telekomunikacja Polska S.A. The terms and conditions set out in the Decision are similar to those set out in other decisions previously issued by the President of the Office of Electronic Communications for other operators.

The Decision enables Multimedia to provide line rental services (WLR) to TP S.A.'s subscribers. The Company has already been able to offer basic telephone services to TP S.A.'s subscribers using carrier pre-selection (NDS) on the basis of the agreement dated 8 August 2006; this Decision enables the Company to sell a full range of voice services to TP S.A.'s subscribers (NDS + WLR).

Multimedia Polska S.A. intends to launch the sale of NDS + WLR once necessary arrangements, required for the proper implementation of the Decision, are made with TP S.A. The Company believes that the size of NDS + WLR sales may prove significant for the Company's future budget plans.

10.3. Company Shares Acquired by President of the Management Board

Multimedia Polska S.A. was notified on 23 July 2007 by the Company's President, Mr. Andrzej Rogowski, in compliance with Art. 160 of the Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws of 2005 no 183, item 1538), that he acquired 20,303 Multimedia shares for a total consideration of PLN 250,539.02 (PLN 12.34 per share) on 18 July 2007 in Warsaw. The shares were purchased during trading hours of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

10.4. Decision of the President of the UKE regarding LLU (local loop unbundling by TP S.A.)

On 2 August 2007 Multimedia Polska S.A. received a decision by the President of the Office of Electronic Communications no DRTH-WWM-60600-16/07(23) replacing the Agreement on Local Loop Unbundling and related amenities for full or shared access to local loops ("LLU") concluded by and between Telekomunikacja Polska S.A. ("TP S.A.") and Multimedia ("the Decision").

The Decision sets forth the terms and conditions of cooperation between Multimedia and TP S.A. in respect of access by Multimedia to local loops of Telekomunikacja Polska S.A. The terms and conditions set out in the Decision are similar to those set out in other decisions previously issued by the President of the Office of Electronic Communications for other operators.

The Decision enables Multimedia to use TP S.A.'s access infrastructure to provide its own telecommunications services. The Decision will allow the Company to address new markets with a full Triple Play package (video, voice and data) without having to build its own access networks.

Multimedia Polska S.A. intends to take full advantage of the Decision by starting service sales once all necessary arrangements, required for the proper implementation of the Decision, are made with TP S.A. The Company believes that the size of product sales based on LLU may prove significant for the Company's future financial results.

11. Management's Comments regarding Previously Published Financial Forecasts

The Group does not publish forecasts of financial results.

12. Factors which May Affect the Group's Operations in the Following Quarter

In management's opinion, the second quarter of 2007 proved difficult in delivering sales targeted for the quarter. Changes in the Polish labour market, particularly a high level of gainful migration to other European Union member states, resulted in our sales forces – largely based on external services – having serious staff problems and delivering below target. A large number of professional sales representatives left external sales companies in March and April, and their managers were not able to deal with replacements and rebuilding their sales teams in proper time. As a result, with a view to tackle the problem, management decided to start building its own sales networks in April 2007, taking full control of the process. New sales representatives were recruited, partly from external sales teams, which upset the effectiveness of our sales in the second quarter of 2007. We have now completed the process of restructuring the sales forces and as at the date of this report Multimedia Polska had its own sales structures, and has, therefore, considerably reduced the risks of possible similar disturbances in the future. The effects of the restructuring process described above were reflected in our sales results for July. We recorded a considerable surge in net RGUs, reaching some 10,000 net RGU additions, significantly above levels recorded in the preceding months (monthly increase comparable to the aggregate increase recorded in the three months ended 30 June 2007). Management is assured that the trend will continue into the following quarters, which will have a material effect on the next quarter results.

We also expect that the upward trend in the number of customers subscribing for bundled offerings will continue, which may help to reduce our churn rate and provide an important source of revenue growth. While our average revenue per RGU is expected to continue to decline for our telephony services and our broadband Internet services, we expect that the effect of these decreases on our revenues may be more than offset as a result of rapid growth of the number of our broadband Internet customers and increasing popularity of bundled services. Management also expects that our RGU per unique subscriber, currently at the level of 1.45, will continue to increase going forward. We also expect our cable television revenues to increase in the coming quarters as a result of the introduction of our digital television offering addressed to cable customers at the start of May 2007.

The digital television system is a High Definition solution (1080i), first of the kind offered over cable networks in Poland. Each STB has a two-way IP communication path which will be used to provide interactive television services in the future.

Digital television is currently offered to some 350,000 homes passed and will be gradually expanded to cover other Multimedia markets. The offer includes the following packages: Digital Basic (some 30 channels), Canal+ (3 channels) and Adult (3 channels). We will continue to expand our offering in the future.

We are planning to further enhance the digital platform in 2007 by rolling out new functionalities, such as Video on Demand (VoD) and interactive TV.

13. Foreign Exchange Rates

The table "Selected Financial Information" contains items of the income statement and the cash flow statement for 6 months ended 30 June 2007 and 30 June 2006, and items of the balance sheet as at 30 June 2007 and 31 December 2006 translated using the following EUR/PLN exchange rates:

	30 June 2007	30 June 2006	31 December 2006
Balance sheet ⁽¹⁾	3.7658	n/a	3.8312
Income statement, cash flow statement ⁽²⁾	3.8450	3.8887	n/a

(1) Average exchange rate published by the National Bank of Poland for the given day.

(2) Average of average daily exchange rates for the reference period.



MULTIMEDIA POLSKA S.A. GROUP

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS
ENDED JUNE 30TH 2007

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS

Gdynia, August 7th 2007

MULTIMEDIA POLSKA S.A.GROUP
Condensed consolidated interim financial statements
for the three months ended June 30th 2007

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The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

MULTIMEDIA POLSKA S.A. GROUP
Condensed consolidated interim financial statements
for the three months ended June 30th 2007

I. Consolidated Interim Income Statements

(PLN '000)

	Note	Three months ended	Six months ended	Three months ended	Six months ended
		June 30th 2007	June 30th 2007	June 30th 2006	June 30th 2006
Rendering of services to subscribers and other operators		100 693	198 624	92 817	183 598
Other revenue		1 776	3 808	1 618	3 114
Total Revenue	6.1	102 469	202 432	94 435	186 712
Depreciation and amortisation		27 943	53 585	23 456	46 015
Materials		2 569	5 421	2 487	4 298
External services		30 574	61 071	29 784	62 816
Taxes and charges		5 072	10 006	4 724	8 273
Payroll		10 130	20 189	8 966	18 335
Other employee benefits	6.6	1 105	2 606	1 012	2 450
Other expenses	6.6	584	1 365	968	1 531
Value of goods and materials sold		<u>25</u>	<u>40</u>	<u>—</u>	<u>3</u>
Operating expenses		78 001	154 283	71 395	143 721
Profit on sales		24 468	48 149	23 039	42 990
Other operating income	6.2	423	740	156	1 412
Other operating expenses	6.3	<u>1 167</u>	<u>1 332</u>	<u>3 255</u>	<u>4 418</u>
Operating profit		23 725	47 557	19 941	39 984
Finance income	6.4	3 738	5 809	2 766	2 948
Finance costs	6.5	5 661	13 924	6 370	12 906
Profit/(loss) before tax		21 802	39 442	16 337	30 026
Income tax expense	8	<u>9 508</u>	<u>10 682</u>	<u>1 917</u>	<u>4 416</u>
Net profit		<u>12 294</u>	<u>28 760</u>	<u>14 420</u>	<u>25 610</u>
Attributable to:					
Equity holders of the parent		12 294	28 760	14 420	25 610
Minority interest					
		<u>12 294</u>	<u>28 760</u>	<u>14 420</u>	<u>25 610</u>
Earnings per share	18	0,08	0,18	0,11	0,19

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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II. Consolidated Interim Balance Sheets

(PLN '000)

	Note	June 30th 2007	December 31st 2006
ASSETS			
Non-current assets			
Property, plant and equipment	11	667 316	651 326
Goodwill		40 462	4 796
Intangible assets		17 742	18 197
Financial assets		2	2
Non-current receivables		644	644
Prepayments and deferred costs		469	477
Deferred tax asset		<u>24 300</u>	<u>27 708</u>
		750 934	703 150
Inventories		323	353
Income tax receivables		2 336	9 253
Trade and other receivables		56 223	46 554
Prepayments and deferred costs		7 740	1 941
Current investments		15	3
Cash and cash equivalents	10	216 866	346 805
		<u>283 504</u>	<u>404 910</u>
Assets of disposal group classified as held for sale			
TOTAL ASSETS		<u>1 034 438</u>	<u>1 108 060</u>
EQUITY AND LIABILITIES			
Issued capital	12	157 700	157 700
Share premium		237 154	237 154
Other reserves		65 641	21 379
Retained earnings		90 868	106 371
		<u>551 363</u>	<u>522 604</u>
Minority interest		<u>15</u>	<u>522 604</u>
Total equity		551 378	522 604
Non-current liabilities			
Interest-bearing loans and borrowings, finance leases		400 100	496 443
Other non-current liabilities			4
Provisions		118	118
Deferred income tax liabilities		12 261	12 961
		<u>412 479</u>	<u>509 526</u>
Current liabilities			
Interest-bearing loans and borrowings and other		5 018	8 751
Interest Rate Swap (IRS) contracts			2 066
Trade and other payables		42 824	57 225
Accruals		2 305	3 359
Deferred income		20 014	4 041
Provisions		420	489
		<u>70 581</u>	<u>75 930</u>
Total liabilities		<u>483 060</u>	<u>585 456</u>
TOTAL EQUITY AND LIABILITIES		<u>1 034 438</u>	<u>1 108 060</u>

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

MULTIMEDIA POLSKA S.A. GROUP
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III. Consolidated Interim Cash-Flow Statements

(PLN '000)

	Six months ended	
	Six months ended Note June 30th 2007	June 30th 2006
Cash flows from operating activities		
Profit before taxation	39 442	30 026
Adjustments for:	69 159	44 165
Depreciation and amortisation	53 585	46 015
Interest and dividends, net	10 154	10 743
Foreign exchange gains/(losses)	-	2
Gain/(loss) from investing activities	(1)	527
Change in inventories	360	(279)
Change in trade and other receivables	(1 915)	(2 001)
Change in current payables except bank loans	2 803	(3 663)
Change in accruals and prepayments	8 795	(4 142)
Change in provisions	(69)	(116)
Income tax paid	(7 974)	(5 273)
Other adjustments,	3 421	2 353
Net cash flows from operating activities	<u>108 601</u>	<u>74 191</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	229	1 055
Purchase of property, plant and equipment and intangibles	(73 613)	(63 872)
Acquisition of subsidiary, net of cash acquired	(54 790)	-
Interest received	-	1
Repayment of loans granted	-	44
Granting of loans	(11)	-
Net cash flows from investing activities	<u>(128 185)</u>	<u>(62 772)</u>
Cash flows from financing activities		
Payment of finance lease liabilities	(54)	-
Repayment of loans and borrowings	(100 000)	-
SWAP contracts paid	(940)	-
Interest and fees paid	(7 823)	(10 676)
Net cash flows from financing activities	<u>(108 817)</u>	<u>(10 676)</u>
Net change in cash and cash equivalents	(128 400)	742
Cash and cash equivalents at the beginning of the period	345 249	10 239
Cash and cash equivalents at the end of the period	216 848	10 981

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

MULTIMEDIA POLSKA S.A. GROUP
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IV. Consolidated Interim Statements of Changes in Equity

(PLN '000)

	Attributable to equity holders of the parent				Total	Minority interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings			
At 1st January 2006	136 912	37 499	3 461	25 709	203 581	-	203 581
Profit for the year	-	-	-	25 610	25 610	-	25 610
Profit distribution	-	-	17 920	(17 920)	-	-	-
At 30th June 2006	136 912	37 499	21 381	33 398	229 190	-	229 190
At 1st January 2007	157 700	237 154	21 379	106 371	522 604	-	522 604
Profit for the year	-	-	-	28 760	28 760	-	28 760
Profit distribution	-	-	44 263	(44 263)	-	-	-
Minority interest	-	-	-	-	-	15	15
At 30th June 2007	157 700	237 154	65 641	90 868	551 363	15	551 378

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

V. Notes to the Condensed Consolidated Interim Financial Statements

1. General Information

The Multimedia Polska S.A. Group (the "Group", the "Multimedia Group") is composed of Multimedia Polska Spółka Akcyjna and its subsidiaries (see Note 2 below). These condensed consolidated interim financial statements of the Group cover the periods of the three and six months ended June 30th 2007.

Multimedia Polska Spółka Akcyjna of Gdynia (the "Company" or the "Parent Company") is the parent company of the Group. The Company is registered with the National Court Register kept by the District Court for Gdańsk, 16th Economic Department of the National Court Register, under entry no. 0000238931. The Company has been assigned industry identification number REGON 190007345. The Company's registered office is located in Gdynia, at 7/9 Tadeusza Wendy Street.

The term of operation of the Company and the other Group entities is unlimited.

The Group's main activity is the provision of a wide range of telecommunication services, in particular radio, television, Internet and telephony over cable television systems.

2. Composition of the Group

The Group comprises Multimedia Polska S.A. and the following subsidiaries:

Name	Address	Business activity	Share in capital Jun 30 2007
1 Tele Top Grupa Multimedia Polska Sp. z o.o.	Gdynia, ul. T. Wendy 7/9	film and video production	99.90%
2 Multimedia Polska - Zachód Sp. z o.o.	Gdynia, ul. T. Wendy 7/9	voice, data and other telecommunications services	100.00%
3 Multimedia Polska - Południe S.A.	Gdynia, ul. T. Wendy 7/9	voice, data and other telecommunications services	100.00%
4 Telewizja Kablowa Brodnica Sp. z o.o.	Brodnica, ul. Witosa 12	other building installation	94.12 %

As at June 30th 2007, the Group's share in the total vote at its subsidiaries was equal to the share in these subsidiaries' equity.

3. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements for the three and six months ended June 30th 2007 have been prepared in accordance with the International Financial Reporting Standards applicable for interim financial reporting, IAS 34 *Interim Financial Reporting*. These financial statements have not been audited.

These condensed consolidated interim financial statements do not include all information and disclosures required in the case of annual financial statements and should be read jointly with the Group's annual financial statements as at December 31st 2006.

The accounting policies applied in the preparation of these interim financial statements are consistent with the policies applied in the preparation of the Group's consolidated annual financial statements for the year ended December 31st 2006.

These condensed consolidated interim financial statements are presented in thousand Polish zloty, unless otherwise indicated.

These condensed consolidated interim financial statements of the Group have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future for at least 12 months following the balance sheet date. As at the date of authorisation of the consolidated financial statements, the Parent Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued operation of the Group.

4. Approval of the Consolidated Financial Statements for Publication

These condensed consolidated interim financial statements were approved for publication by the Management Board on August 7th 2007.

5. Merger

On June 15th 2007, Multimedia Polska S.A. merged with Automatic Serwis Sp. z o.o. The merger did not affect the consolidated financial statements. In accordance with the Merger Plan adopted on March 30th 2007 and based on Resolution No. 4 of the Company's Extraordinary General Shareholders Meeting of May 25th 2007, the merger was effected according to the simplified procedure of mergers of companies, as defined in Art. 492.1.1 in conjunction with Art. 516.6 of the Polish Commercial Companies Code, by way of transfer of all assets of Automatic Serwis Sp. z o.o. to Multimedia Polska S.A. The transfer was effected without increasing the share capital of Multimedia Polska S.A., and therefore no acquiring company shares were delivered to the shareholders of the acquired company. As at the merger date, Multimedia Polska S.A. assumed all the rights and obligations of Automatic Serwis Sp. z o.o. The objective of the merger was to streamline the structure of the Multimedia Polska Group by consolidating its subsidiaries, to eliminate inter-company settlements and reduce operating expenses.

Automatic Serwis owned 240 shares in Telewizja Kablowa Brodnica Sp. z o.o., registered office at ul. Witosa 12, Brodnica, Poland, representing 94.12% of the company's share capital. Following the merger of Automatic Serwis Sp. z o.o. and Multimedia Polska S.A. which was registered on June 15th 2007, the ownership title to the shares was transferred to Multimedia Polska S.A.

From February 19th 2007 to June 15th 2007, the Multimedia Polska Group consolidated the financial results of Automatic Serwis Sp. z o.o., its fully-owned subsidiary.

6. Income and Expenses

6.1. Sales Revenues

	Three months ended	Six months ended	Three months ended	Six months ended
	30th June 2007	30th June 2007	30th June 2006	30th June 2006
Subscriber-generated and interoperator revenues	100 693	198 624	92 817	183 598
CATV	50 257	98 613	41 336	85 836
Internet	21 424	41 896	19 539	35 230
Telephony	28 638	57 294	31 615	61 817
subscriber generated	25 563	50 580	26 522	51 526
interoperator	3 075	6 714	5 093	10 291
Other	374	821	327	715
Other revenue	1 776	3 808	1 618	3 114
Sales to unrelated parties	1 832	3 792	1 593	3 089
sales to related parties	(56)	16	25	25
Total revenues	102 469	202 432	94 435	186 712

Other sales revenues comprise revenues from telecom infrastructure lease and lease of other fixed assets, TV production, commercials, sale of licences and materials.

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6.2. Other Operating Income

	Three months ended	Six months ended	Three months ended	Six months ended
	30th June 2007	30th June 2007	30th June 2006	30th June 2006
Profit on disposal of property, plant and equipment		1	-	-
Compensation received	108	155	124	124
Income recognized on revaluation and reversal of impairment	143	143	-	20
Other	<u>176</u>	<u>440</u>	<u>33</u>	<u>1 268</u>
	427	740	156	1 412

6.3. Other Operating Costs

	Three months ended	Six months ended	Three months ended	Six months ended
	30th June 2007	30th June 2007	30th June 2006	30th June 2006
Loss on disposal of property, plant and equipment	4			552
	876	849	235	554
Receivables impairment and bad debt write-off				
Impairment of fixed assets	127	128	2 667	2 678
Other	<u>164</u>	<u>356</u>	<u>352</u>	<u>635</u>
	1 171	1 332	3 255	4 418

6.4. Finance Income

	Three months ended	Six months ended	Three months ended	Six months ended
	30th June 2007	30th June 2007	30th June 2006	30th June 2006
Interest received	2 121	4 004	79	167
Interest Rates Swap contracts change in value	1 337	1 337	-	-
Foreign exchange gains	(73)	7	114	114
Fees and interest on loans granted	1	2	2	3
Other	<u>351</u>	<u>458</u>	<u>2 571</u>	<u>2 664</u>
	3 738	5 809	2 766	2 948

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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6.5. Finance Costs

	Three months ended	Six months ended	Three months ended	Six months ended
	30th June 2007	30th June 2007	30th June 2006	30th June 2006
Interest and fess on bank loans	5 678	13 680	4 796	10 161
Interest on other liabilities	73	176	83	115
Finance charges payable under finance leases	28	65	205	604
Foreign exchange losses	-	-	(105)	-
Other	<u>(118)</u>	<u>3</u>	<u>1 391</u>	<u>2 027</u>
	<u>5 661</u>	<u>13 924</u>	<u>6 370</u>	<u>12 906</u>

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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6.6. Employee Benefits Expense

	Three months ended 30th June 2007	Six months ended 30th June 2007	Three months ended 30th June 2006	Six months ended 30th June 2006
Wages and salaries	10 130	20 189	8 966	18 335
Social security costs	867	2 105	693	1 965
Other	<u>238</u>	<u>501</u>	<u>319</u>	<u>485</u>
	11 235	22 795	9 978	20 786

7. EBITDA

The basic measure of profit in the telecommunications industry is EBITDA (earnings before interest, taxes, depreciation and amortisation). This measure reflects the Company's ability to generate cash on an ongoing basis in a comparable environment. The Company defines EBITDA as operating profit adjusted by depreciation and other costs and income resulting from a change in the value of non-current assets. In the calculation of EBITDA the Company disregards one-off events not directly related to its current operations. EBITDA is not defined in IFRS and may be calculated by different entities in different ways.

	Three months ended 30th June 2007	Six months ended 30th June 2007	Three months ended 30th June 2006	Six months ended 30th June 2006
Operating profit	<u>23 725</u>	<u>47 557</u>	<u>19 941</u>	<u>39 984</u>
Depreciation and amortisation	27 943	53 585	23 456	46 015
EBITDA	51 667	101 142	43 397	85 999
Other adjustments related to fixed assets, including:				
- disposal of fixed assets	4	(1)		552
- impairment, valuation and liquidation of fixed assets	(16)	(15)	2 683	2 674
Adjusted EBITDA	51 656	101 125	46 079	89 224

8. Income Tax

Major components of income tax expense are as follows:

	Three months ended 30th June 2007	Six months ended 30th June 2007	Three months ended 30th June 2006	Six months ended 30th June 2006
Consolidated income statement				
<i>Current income tax</i>				
Current income tax charge	6 271	7 974	2 597	5 273
<i>Deferred income tax</i>				
Related to origination and reversal of temporary differences	3 236	2 708	(681)	(857)
Income tax expense reported in Consolidated Income Statement	9 508	10 682	1 917	4 416

9. Earnings per Share

Basic earnings per share is computed as the quotient of the net profit for a given accounting period attributable to holders of the Parent Company's ordinary shares and the weighted average number of outstanding shares in that

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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period. As there are no instruments with potentially dilutive effect on the Company shares, the Company does not present diluted earnings per share.

The data relating to earnings and shares which served as the basis for computation of basic earnings per share are presented below:

	Three months ended 30th June 2007	Six months ended 30th June 2007	Three months ended 30th June 2006	Six months ended 30th June 2006
Net profit on continued operations	12 294	28 760	14 420	25 610
Weighted average number of outstanding shares used to calculate EPS	157 700	157 700	136 912	136 912
Earnings per share	0,08	0,18	0,11	0,19

There were no other transactions related to ordinary shares or potential ordinary shares in the period between the balance-sheet date and the date of preparation of this consolidated financial information.

10. Cash

For the purposes of the balance sheet and the consolidated cash flow statement, cash and cash equivalents comprise the following:

	June 30th 2007	December 31st 2006
Cash in bank	26 191	16 066
Short term deposit	180 006	330 688
Other cash	10 669	51
Cash and cash equivalent	216 866	346 805
Overdraft facility	<u>(18)</u>	<u>(1 557)</u>
	216 848	345 249

11. Property, Plant and Equipment

In the period of the three and six months ended June 30th 2007 and June 30th 2006, the Group acquired and disposed of property, plant and equipment, as well as intangible assets, in the amounts presented in the table below:

	Three months ended 30th June 2007	Six months ended 30th June 2007	Three months ended 30th June 2006	Six months ended 30th June 2006
Purchase of non current assets	73 613	63 872	35 557	42 374
Disposal of non current assets	249	1 193	177	1 123
Value of disposed assets	247	1 720	189	1 117
Profit/ (loss) of disposed assets	2	(527)	(12)	5

12. Share Capital

As at June 30th 2007 and as at the date of this report, the Company's share capital amounts to PLN 157,700,000.

The Company's share capital, comprising 157,000,000, shares is divided into:

- 63,590,876 Series A ordinary bearer shares

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

- 8,245,623 Series C ordinary bearer shares
- 32,205,874 Series D ordinary bearer shares
- 32,869,899 Series E ordinary bearer shares
- 20,787,728 Series F ordinary bearer shares

13. Interest-Bearing Loans and Borrowings

On May 25th 2007, a PLN 8m current-account loan agreement was terminated and the related security interests were released. Upon obtaining the creditor's consent to delete the mortgages, the Company filed requests for deletion of the mortgages serving as security interests with the competent courts in June. By the date of these financial statements, the mortgages have not been deleted.

14. Contingent Liabilities

As at June 30th 2007, no court, arbitration or administrative proceedings were pending which would concern any claims or liabilities of Multimedia Polska S.A. or its subsidiaries and whose value would exceed 10% of Multimedia Polska S.A.'s equity.

15. Related Party Transactions

Multimedia Polska S.A. and its subsidiaries are bound by the agreements of July 3rd 2006 for provision of business management, business management consultancy and business administration services. Under each of the agreements, Multimedia Polska S.A. undertook separately with respect to each subsidiary to provide – for fee and on the terms detailed in the agreements – enterprise management services and services related to the operation of telecommunications networks.

On March 14th 2007, the Management Board of Multimedia Polska S.A. and Automatic Serwis Sp. z o.o. of Brodnica, its wholly-owned subsidiary, concluded a similar agreement for provision of business management, business management consultancy and business administration services.

In the period April 1st–June 30th 2007, fees due to Multimedia Polska S.A. under the management agreements were:

from Multimedia Polska Zachód Sp. z o.o.	– PLN 1,706,084
from Multimedia Polska Południe S.A.	– PLN 6,090,585
from Automatic - Serwis Sp. z o.o.	– PLN 708,220.

In June 2007, Multimedia Polska S.A. repaid loans and interest to Multimedia Polska Południe in the amount of PLN 13,120,076.

In 2007 no transactions were concluded with related undertakings from outside the Group.

16. Events after the Balance Sheet Date

In the period from the balance-sheet date to the date of this report, no events had occurred that were not, but should have been disclosed under the respective period in the accounts for the year.

On July 17th 2007, Multimedia Polska S.A. acquired 15 cable TV networks located in Sochaczew, Rawa Mazowiecka, Łowicz, Głowno, Pajęczno, Zduńska Wola, Poddębica, Chojnów, Wołów, Barcin, Piechcin, Łabiszyn, Lubostroń, Chełmża and Chełmno. The acquired networks reach approx. 43.8 thousand households, 23.4 thousand cable TV subscribers and 5.6 thousand Internet subscribers. 5.3 thousand subscribers use both services. The networks were acquired by Multimedia Polska S.A. for a total net price of PLN 33,499,908 plus VAT at the rate of 22%.

On July 17th 2007, Multimedia Polska S.A. received a decision of the President of the Office for Electronic Communications (UKE) defining the terms of cooperation between Multimedia Polska S.A. and TP S.A. in the area of wholesale access to the network of Telekomunikacja Polska S.A. (wholesale line rental). On August 2nd 2007, the Company received another decision of the President of UKE defining the terms of cooperation between the Company and TP S.A. in the area of access to the local loop (subscriber line) of Telekomunikacja Polska S.A.

(local loop unbundling). Under the above decision, the Group gained ability to offer wholesale line rental services to TP S.A. subscribers and use TP S.A.'s access infrastructure to provide own telecommunication services (TV, Internet, telephone) without the need to develop own networks.

VI. Condensed Interim Financial Statements of Multimedia Polska S.A.

VI.1 General Information

Multimedia Polska Spółka Akcyjna of Gdynia (the "Company") is the parent company of the Multimedia Group. The Company is registered with the National Court Register kept by the District Court for Gdańsk, 16th Economic Department of the National Court Register, under entry no. 0000238931. The Company has been assigned industry identification number REGON 190007345. The Company's registered office is located in Gdynia, at 7/9 Tadeusza Wendy Street.

The term of operation of the Company and the other Group entities is unlimited.

The Multimedia Group's main activity is the provision of a wide range of telecommunication services, in particular radio, television, Internet and telephony over cable television systems.

These condensed interim financial statements cover the period of the three and six months ended June 30th 2007.

VI.2 Basis of Preparation and Accounting Policies

These condensed interim financial statements for the three and six months ended June 30th 2007 have been prepared in accordance with the International Financial Reporting Standards applicable for interim financial reporting, IAS 34 *Interim Financial Reporting*. These financial statements have not been audited.

These condensed interim financial statements do not include all information and disclosures required in the case of annual financial statements and should be read jointly with the Company's annual financial statements as at December 31st 2006.

The accounting policies applied in the preparation of the interim financial statements are consistent with the policies applied in the preparation of the Company's annual financial statements for the year ended December 31st 2006.

These condensed interim financial statements are presented in thousand Polish zloty, unless otherwise indicated.

These condensed consolidated interim financial statements of the Group have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future for at least 12 months following the balance sheet date. As at the date of authorisation of the financial statements, the Parent Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued operation of the Group companies.

VI.3 Approval of the Consolidated Financial Statements for Publication

These condensed interim financial statements were approved for publication by the Management Board on August 7th 2007.

VI.4 Merger

On June 15th 2007, Multimedia Polska S.A. merged with Automatic Serwis Sp. z o.o. The merger did not affect the consolidated financial statements. In accordance with the Merger Plan adopted on March 30th 2007 and based on Resolution No. 4 of the Company's Extraordinary General Shareholders Meeting of May 25th 2007, the merger was effected according to the simplified procedure of mergers of companies, as defined in Art. 492.1.1 in conjunction with Art. 516.6 of the Polish Commercial Companies Code, by way of transfer of all assets of Automatic Serwis Sp. z o.o. to Multimedia Polska S.A. The transfer was effected without increasing the share capital of Multimedia Polska S.A., and therefore no acquiring company shares were delivered to the shareholders of the acquired company. As at the merger date, Multimedia Polska S.A. assumed all the rights and obligations of Automatic Serwis Sp. z o.o. The objective of the merger was to streamline the structure of the Multimedia Polska Group by consolidating its subsidiaries, to eliminate inter-company settlements and reduce operating expenses.

Automatic Serwis owned 240 shares in Telewizja Kablowa Brodnica Sp. z o.o., registered office at ul. Witosa 12, Brodnica, Poland, representing 94.12% of the company's share capital. Following the merger of Automatic Serwis Sp. z o.o. and Multimedia Polska S.A. registered on June 15th 2007, the ownership title to the shares was transferred to Multimedia Polska S.A.

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VI.5 Non-Consolidated Interim Income Statement

(PLN '000)

	Three months ended	Six months ended	Three months ended	Six months ended
	June 30th 2007	June 30th 2007	June 30th 2006	June 30th 2006
Continuing operations				
Rendering of services to subscribers and other operators	85 717	165 701	69 357	130 516
Other revenue	9 138	18 270	6 810	13 246
Total Revenue	94 855	183 971	76 167	143 763
Depreciation and amortisation	21 249	39 819	16 643	30 483
Materials	2 471	5 092	2 092	3 369
External services	35 879	69 933	26 620	51 832
Taxes and charges	3 323	6 437	3 501	5 187
Payroll	11 910	20 066	8 956	17 966
Other employee benefits	1 117	2 600	1 023	2 420
Other expenses	528	1 245	858	1 278
Value of goods and materials sold	25	40		
Operating expenses	76 501	145 232	59 693	112 535
Profit on sales	18 354	38 739	16 474	31 228
Other operating income	204	1 239	856	2 193
Other operating expenses	419	1 255	1 413	2 757
Operating profit	18 139	38 723	15 918	30 664
Finance income	3 723	6 053	3 394	4 545
Finance costs	5 815	14 288	7 416	13 091
Profit/(loss) before tax	16 048	30 488	11 896	22 118
Income tax expense	7 457	8 992	2 069	4 296
Net profit/(loss)	8 591	21 496	9 827	17 822

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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VI.6 Non-Consolidated Interim Balance Sheet

(PLN '000)

June 30th 2007 December 31st 2006

ASSETS		
Non-current assets		
Property, plant and equipment	422 288	384 149
Goodwill	40 462	4 796
Intangible assets	17 634	17 906
Financial assets	188 886	201 511
Non-current receivables	644	644
Prepayments and deferred costs	<u>425</u>	<u>424</u>
	670 339	609 430
Inventories	1 718	14 586
Income tax receivables	2 336	7 892
Trade and other receivables	50 427	52 659
Prepayments and deferred costs	3 957	1 903
Current investments	27 387	36 453
Cash and cash equivalents	<u>207 206</u>	<u>332 021</u>
	293 031	445 514
TOTAL ASSETS	<u>963 370</u>	<u>1 054 944</u>
EQUITY AND LIABILITIES		
Issued capital	157 700	157 700
Share premium	237 154	237 154
Other reserves	65 641	21 379
Retained earnings	26 249	40 714
Minority interest		
Total equity	486 744	456 947
Non-current liabilities		
Interest-bearing loans and borrowings, finance leases	400 100	496 443
Other non-current liabilities		
Provisions	118	118
Deferred income tax liabilities	<u>8 160</u>	<u>7 139</u>
	408 378	503 701
Current liabilities		
Interest-bearing loans and borrowings and other	9 185	33 347
Interest Rate Swap (IRS) contracts		2 066
Trade and other payables	36 594	43 795
Accruals	2 305	10 840
Deferred income	19 744	3 761
Provisions	<u>420</u>	<u>489</u>
	68 247	94 297
Total liabilities	<u>476 626</u>	<u>597 998</u>
TOTAL EQUITY AND LIABILITIES	<u>963 370</u>	<u>1 054 944</u>

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

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VI.7 Non-Consolidated Interim Cash Flow Statements

(PLN '000)

	Six months ended	Six months ended
	June 30th 2007	June 30th 2006
Cash flows from operating activities		
Profit before taxation	30 488	22 118
Adjustments for:	61 298	34 597
Depreciation and amortisation	39 819	30 483
Interest and dividends, net	9 890	9 170
Foreign exchange gains/(losses)	-	(80)
Gain/(loss) from investing activities	(86)	593
Change in inventories	360	227
Change in trade and other receivables	2 868	10 084
Change in current payables except bank loans	274	(7 792)
Change in accruals and prepayments	12 596	(4 593)
Change in provisions	(69)	(116)
Income tax paid	(7 971)	(4 758)
Other adjustments, including	3 619	1 379
- liquidation of fixed assets	4	-
- financial items (fees and commissions)	3 589	2 025
- other	26	(646)
Net cash flows from operating activities	<u>91 787</u>	<u>56 716</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	31 971	1 269
Purchase of property, plant and equipment and intangibles	(73 052)	(58 967)
Acquisition of subsidiary, net of cash acquired	(54 790)	-
Interest received	-	1
Repayment of loans granted	10 522	39 848
Granting of loans	(11)	-
Net cash flows from investing activities	<u>(85 360)</u>	<u>(17 848)</u>
Cash flows from financing activities		
Payment of finance lease liabilities	(54)	(216)
Repayment of loans and borrowings	(119 300)	(29 226)
Interest and fees paid	(10 929)	(7 399)
Other	-	(2 025)
Net cash flows from financing activities	<u>(129 703)</u>	<u>(38 867)</u>
Net change in cash and cash equivalents	(123 276)	1
Cash and cash equivalents at the beginning of the period	330 465	(467)
Cash and cash equivalents at the end of the period	207 189	(466)

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.

MULTIMEDIA POLSKA S.A. GROUP
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VI.8 Non-Consolidated Interim Statements of Changes in Equity

(PLN '000)

	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
At January 1st 2006	136 912	37 499	3 458	14 372	192 241		192 241
Profit for the year				17 822	17 822		17 822
Profit distribution			17 920	(17 920)			
Corrections				10 182	10 182		10 182
At June 30th 2006	136 912	37 499	21 379	24 456	220 246		220 246
At January 1st 2007	157 700	237 154	21 379	40 714	456 947		456 947
Profit for the year				21 496	21 496		21 496
Profit distribution			44 263	(44 263)			
Corrections				8 301	8 301		8 301
At June 30th 2007	157 700	237 154	65 641	26 249	486 744		486 744

The notes to the condensed consolidated interim financial statements attached on pages F-6 to F-16 are an integral part of these financial statements.