

# **MULTIMEDIA POLSKA GROUP**

Quarterly report for the three and nine months  
ended 30 September 2007

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## 1. Multimedia Polska Group

The consolidated financial statements for the third 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., and Telewizja Kablowa Brodnica Sp. z o.o.

As at the balance sheet date, Multimedia Polska Group (the "Group") was composed of the parent entity Multimedia Polska Spółka Akcyjna (the "Company", "Multimedia" or "MMP") and the following subsidiaries:

	Name	Address	Business activity	Share in capital 30 Sept 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%

As at the date of this report, Multimedia Polska Group is composed of the parent entity Multimedia Polska S.A. and the following subsidiaries:

	Name	Address	Business activity	Share in capital 30 Sept 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.	Gdynia, ul. T. Wendy 7/9	other building installation	94.12%
5	Przedsiębiorstwo Handlowo-Usługowe Sotel Sp. z o.o.	Pruszcz Gdański ul. Obroćców Pokoju 6	cable television and data transmission services	100.00%
6	Intertel Sp. z o.o.	Trzebinia ul. Kościuszki 50	voice and data transmission services	100.00%

Basic information regarding the Group's parent entity – 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 second quarter 2007 as a result of the following events:

1. acquisition of 208 equal and indivisible shares on 23 October 2007 with a nominal value of PLN 500 each and an aggregate nominal value of PLN 104,000, constituting 100% of the share capital and carrying 100%

of votes at the Shareholders' Meeting of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o. with its registered office in Pruszcz Gdański, registered with the register of entrepreneurs kept by the District Court of Gdańsk, XII Economic Department of the National Court Register, entry no. 0000200185; and

2. acquisition of 8,110 equal and indivisible shares on 31 October 2007 with a nominal value of PLN 100 each and an aggregate nominal value of PLN 811,000, constituting 100% of the share capital and carrying 100% of votes at the Shareholders' Meeting of Intertel Sp. z o.o. with its registered office in Trzebinia, registered with the register of entrepreneurs kept by the District Court of Kraków, XII Economic Department of the National Court Register, entry no. 0000101743.

On 12 October 2007, the District Court of Toruń, VII Economic Department of the National Court Register, registered the transfer of the registered office of Telewizja Kablowa Brodnica Sp. z o.o. from Brodnica to Gdynia (full address: Gdynia, ul. Tadeusza Wendy 7/9) pursuant to a resolution of the Company's Extraordinary Shareholders' Meeting dated 26 June 2007.

## 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

As the change in the structure of Multimedia Polska Group which occurred as a result of the acquisition of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o. with its registered office in Pruszcz Gdański and INTERTEL Sp. z o.o. with its registered office in Trzebinia took place after the balance sheet date, 30 September 2007, it did not effect the consolidated financial statements for Q3 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 September 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
<b>Total</b>		<b>157,700,000</b>		<b>157,700,000</b>

The data provided above did not change as compared to the previous quarterly report for Q2 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 Waro ska 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.

## **2.5. Court Proceedings**

As at 30 September 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 nine months ended 30 September 2007 has been prepared on the basis of condensed consolidated interim financial statements for the three and nine months ended 30 September 2007 prepared in accordance with IFRS. The financial statements present consolidated data of the Issuer's Group, i.e. Multimedia Polska Group, for the third quarter of 2007 and the third quarter of 2006, and cumulative data for the nine months of 2007 and the nine months of 2006 in the manner required by IAS 34.

The following analysis also includes results for the second quarter of 2007 in order to better illustrate the quarter-on-quarter change. Please note that the previous quarterly report for the second quarter of 2007 contained unaudited data while the comparative analysis presented below is based on audited numbers published in the half year report for the first half of 2007. Consequently, differences may occur between the numbers published in the previous quarterly report for Q2 2007 and the Q2 2007 numbers quoted herein.

As at 30 September 2007, our Group had 918,545 revenue generating units (RGUs), including 537,795 cable TV RGUs (of which 3,059 IPTV RGUs and 9,159 DTV RGUs), 189,933 broadband Internet RGUs, 158,660 voice RGUs, 23,172 premium channels RGUs, 8,274 indirect voice services, and 711 payphones.

As at 30 September 2007, we had some 193,000 subscribers who have subscribed for more than one service, including 39,100 Triple Play subscribers.

In the third quarter of 2007, we recorded a net increase in RGUs of 45,034 (after churn), including:

- 29,652 CATV RGUs<sup>(1)</sup>
- 14,725 broadband Internet RGUs<sup>(2)</sup>
- 1,672 voice RGUs (addition of 3,742 VoIP RGUs and disconnection of 2,070 PSTN RGUs)
- 201 indirect voice RGUs, and
- -1,216 decrease in premium channels RGUs

(1) The increase in CATV RGUs involves the acquisition of 15 cable networks (increase of 15,421 RGUs) and organic growth of 6,788 RGUs. The aggregate increase of IPTV and DTV RGUs was 7,443 RGUs.

(2) Organic growth of 11,191 RGUs and addition of 3,534 RGUs as a result of the acquisition of 15 cable networks.

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 that our cable television revenues will continue to increase as a result of the fast expansion of digital television services offered over cable networks. The results generated by digital cable TV in the third quarter of 2007 are not yet fully illustrative as the project is developing rapidly and has not reached its target level yet.

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 9.9% (monthly average of 1.1%) in the first nine months of 2007 as compared to 8.2% in the first nine months of 2006 (monthly average of 0.9%). Increased churn rates year-on-year are directly related to the increase in the pricing of our cable television service implemented in 2007 and the termination of a number of subscriber contracts by subscribers acquired from other operators. Also the number of disconnections was higher in the third quarter of 2007 due to the fact that we encountered temporary problems with our billing system, which resulted in invoicing errors and a number of resignations. Management believes that the impact of these disruptions translated into ca. 10,000 RGU loss; however, management expects to get back and reconnect a significant number of customers lost in the process.

The ratio of RGUs per subscriber went up from 1.35 for the first nine months of 2006 to 1.47 for the first nine months of 2007. The average revenue per unique subscriber (ARPU/HC) was PLN 55.08 in the first nine months of 2007, up 4.4% from the same period 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.

	Q2 2007	Q3 2007	9M 2006	9M 2007
Cable television	49.0%	49.0%	46.0%	48.8%
Internet	20.9%	20.7%	19.4%	20.7%
Telephony	27.9%	27.2%	32.4%	27.9%
Other	2.1%	3.1%	2.2%	2.6%

Comparing the Group's results for the first nine months year-on-year, sales revenues increased by PLN 26.1m, or 9.3%, from PLN 281.5m in 2006 to PLN 307.6m 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 20.7m, including IPTV, DTV and premium channels), and an increase in the number of broadband Internet subscribers (revenue growth of PLN 9.2m).

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 5.5m as a result of a decrease in wholesale interconnection revenues.

Comparing our results quarter-on-quarter, sales revenues increased by PLN 2.7m, or 2.6%, from PLN 102.5m in the second quarter of 2007 to PLN 105.2m in the third quarter of 2007.

### 3.1.1 Cable Television

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

(PLN '000)	Q2 2007	Q3 2007	9M 2006	9M 2007
Subscription fees for regular television packages <sup>(1)</sup> , DTV and IPTV	48 746.7	50 041.3	125 260.6	145 678.3
Subscription fees for premium channel packages	1 500.1	1 488.1	4 147.7	4 463.9
<b>Total cable television revenues</b>	<b>50 246.9</b>	<b>51 529.4</b>	<b>129 408.3</b>	<b>150 142.2</b>

(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.

	Q2 2007	Q3 2007	9M 2006	9M 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	740	783	671	783
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) <sup>(1)</sup>	508	538	465	538
Premium channel RGUs (in thousands)	24	23	22	23
ARPU (PLN/RGU/Month) <sup>(2)</sup>	32.03	31.90	30.40	31.92

(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 nine months year-on-year, cable television revenues including DTV, IPTV and premium channel revenues increased by PLN 20.7m, or 16.0%, from PLN 129.4m in 2006 to PLN 150.1m in 2007. The growth in cable television revenues was driven by a 15.2% growth in CATV RGUs and price increases implemented in the first and third 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 new digital television services, both DTV and IPTV, generated revenues of PLN 780.0 thousand in the first nine months of 2007 compared to only PLN 64.3 thousand in the same period of 2006. As at 30 September 2007, the Group had some 12,218 digital television subscribers in both technologies (DTV and IPTV). In addition, Multimedia Polska Group launched video on demand (VoD) to selected cable locations in large cities on 27 September 2007. As a result of the launch of new services the Company expects to see significant growth in the number of DTV and VoD users and in revenues generated on those services in the coming quarters.

Our CATV ARPU for the first nine months of 2007 was PLN 31.92 compared to PLN 30.40 for the same period of 2006. The increase in ARPU was primarily the result of price increases implemented in 2007. At the same time, ARPU between the second and third quarter decreased as a result of the acquisition of cable networks completed in the third quarter due to the fact that subscribers of the acquired networks paid substantially smaller subscription fees. The second price increase was not introduced until September 2007; hence, its impact on ARPU in the third quarter was insignificant.

Churn on cable television in the first nine months of 2007 was at a level of 7.7% (monthly average of 0.9%) as compared to 5.2% (monthly average of 0.6%) in the same period of 2006. The increase in our churn rate was primarily the result of increases of subscription fees introduced in 2007 and resignations by subscribers of the acquired cable networks—a natural phenomenon accompanying acquisitions of other operator's networks. Management believes that the churn rate is kept under control thanks to increased 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 an increase of churn in the third quarter of 2007 as compared to the second quarter of 2007 from a monthly average of 0.7% to 0.9%, respectively.

Comparing our results quarter-on-quarter, cable television revenues increased by PLN 1.3m, or 2.6%, from PLN 50.2m in the second quarter of 2007 to PLN 51.5m in the third quarter of 2007.

### 3.1.2 **Broadband Internet**

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

(PLN '000)	Q2 2007	Q3 2007	9M 2006	9M 2007
Broadband Internet	21 382.3	21 774.0	54 065.3	63 528.3
Other Internet access (including dial-up)	41.8	25.8	406.0	167.6
<b>Total Internet revenues</b>	<b>21 424.1</b>	<b>21 799.8</b>	<b>54 471.3</b>	<b>63 695.8</b>

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

	Q2 2007	Q3 2007	9M 2006	9M 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	660	711	568	711
Homes passed by PSTN networks (in thousands), including both existing and potential subscribers	181	181	181	181
Revenue Generating Units (RGU) (in thousands)	175	190	127	190
ARPU (PLN/RGU/Month) <sup>(1)</sup>	41.83	39.80	53.75	42.22

(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 nine months year-on-year, sales revenues generated by our broadband Internet business grew by PLN 9.2m, or 16.9% from PLN 54.5m in 2006 to PLN 63.7m 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 21.5% as compared to the first nine months of 2006.

Comparing the data for nine months year-on-year, we continue to reduce churn rates on our Internet services. The churn rate in the first nine months of 2007 was 12.3% (monthly average of 1.4%) against 14.0% in the first nine months of 2006 (monthly average of 1.6%), a decrease of 11.7%.

Comparing our results quarter-on-quarter, Internet revenues increased by PLN 0.4m, or 1.8%, from PLN 21.4m in the second quarter of 2007 to PLN 21.8m in the third quarter of 2007.

### 3.1.3 **Telephony**

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

(PLN '000)	Q2 2007	Q3 2007	9M 2006	9M 2007
Line rental fees	12 851.8	12 986.1	34 522.3	38 352.6
Usage fees (including additional services)	12 135.4	11 921.9	39 539.1	35 932.3
Interconnection (wholesale)	3 018.9	2 948.0	14 879.3	9 561.1
Other (including indirect services and payphones)	631.7	703.8	2 377.4	2 008.0
<b>Total telephony revenues</b>	<b>28 637.8</b>	<b>28 559.7</b>	<b>91 318.1</b>	<b>85 854.0</b>

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

	Q2 2007	Q3 2007	9M 2006	9M 2007
Homes passed by cable networks (in thousands), including both existing and potential subscribers	480	545	360	545
Homes passed by PSTN networks (in thousands), including both existing and potential subscribers	181	181	181	181
Revenue Generating Units (RGU) (in thousands)	157	159	149	159
ARPU (PLN/RGU/Month) <sup>(1)</sup>	53.14	52.61	57.80	52.80

(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).

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Comparing our results for the first nine months year-on-year, telephony revenues decreased by PLN 5.5m, or 6.0%, from PLN 91.3m in 2006 to PLN 85.9m 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 8.0m growth in revenues (increase of 71.4%) from PLN 11.2m in the first nine months of 2006 to PLN 19.1m in the first nine months of 2007, mainly driven by RGU growth of 17,100, or 45.7%, from 37,400 at the end of September 2006 to 54,500 at the end of September 2007. Our ARPU in this business segment increased from PLN 42.68 in the first nine months of 2006 to PLN 43.12 in the first nine months of 2007, an increase of 1.0% attributable to the expiry of a significant portion of subscriber discounts.

In the PSTN business, we recorded a PLN 8.4m, or 13.2%, decline in revenues in the first nine months of 2007. Our revenues decreased from PLN 63.6m in the first nine months of 2006 to PLN 55.2m in the first nine months of 2007 as a result of a decrease in pricing and in our subscriber base. Our PSTN RGUs were down 7,600, or 6.8%, from 111,800 in the first nine months of 2006 to 104,200 RGUs in the first nine months of 2007. ARPU on the service went down 7.1% from PLN 61.63 in the first nine months of 2006 to PLN 57.25 in the first nine months of 2007.

Our wholesale interconnection revenues amounted to PLN 9.6m in the first nine months of 2007. They were PLN 5.3m, or 35.7%, lower compared to the first nine months of 2006 when they amounted to PLN 14.9m. 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 increased from 8.8% (monthly average of 0.97%) for the first nine months of 2006 to 9.4% (monthly average of 1.05%) for the first nine months of 2007.

Comparing our results quarter-on-quarter, telephone revenues remained virtually unchanged at PLN 28.6m in the second quarter of 2007 against PLN 28.6m in the third quarter of 2007, a decrease of PLN 0.07m.

### **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 1.6m, or 26.1%, from PLN 6.3m for the first nine months of 2006 to PLN 7.9m for the first nine months of 2007. The main reason behind the increase were higher revenues generated by Multimedia Polska Group on network leases (increase of PLN 1.3m).

Comparing our results quarter-on-quarter, other revenues increased by PLN 1.1m from PLN 2.2m in the second quarter of 2007 to PLN 3.3m in the third quarter of 2007 in connection with higher recorded revenues on network leases. In the third quarter of 2007, we recorded revenue from network lease from the operator of the networks acquired in July 2007.

### **3.2. Operating Expenses**

Comparing our results for the first nine months year-on-year, operating expenses (excluding D&A) increased by PLN 7.7m, or 5.3%, from PLN 146.1m in 2006 to PLN 153.8m in 2007. At the same time, the operating expenses per RGU per month indicator was down from PLN 21.1 for the first nine months of 2006 to PLN 18.6 in the first nine months of 2007, a drop of 11.8%.

The largest increases were recorded in programming and copyrights (PLN 6.0m), network maintenance (PLN 3.4m), and payroll and benefits (PLN 1.4m). The increase in programming and copyright expenses is a direct result of the higher number of cable television RGUs. Network maintenance expenses increased as a result of higher expenses on lease of technical premises and the related increase in energy expenses. The increase of this cost category was also impacted by high outlays on network service and network equipment. Payroll and benefit expenses increased primarily in connection with the restructuring of sales forces, including employment of 340 new personnel.

The largest decreases in operating expenses were recorded in bandwidth (PLN 2.2m), other expenses (PLN 1.6m) and interconnect (PLN 1.2m). 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. 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 following table provides information on the components of our operating expenses.

(PLN '000)	Q2 2007	Q3 2007	9M 2006	9M 2007
Programming and copyrights	11 156.9	11 382.9	28 031.3	34 043.4
Bandwidth	2 111.7	2 324.6	8 760.7	6 608.5
Interconnect	4 725.7	5 851.6	15 945.7	14 726.8
Network costs	7 138.7	9 784.1	21 619.1	24 972.0
Sales and marketing	5 598.6	3 081.9	12 280.8	12 762.3
Payroll and benefits	11 368.5	10 843.6	32 420.5	33 772.0
Taxes and charges	2 632.2	2 650.3	6 854.5	7 993.2
Professional services	800.7	743.4	3 391.3	2 589.0
Energy and materials	2 644.3	2 682.4	7 064.4	8 179.5
Other expenses	2 444.7	3 180.7	9 715.9	8 140.5
<b>Total</b>	<b>50 622.2</b>	<b>52 525.4</b>	<b>146 084.2</b>	<b>153 787.3</b>

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 nine months of 2006, the ratio (monthly average) was at a level of PLN 21.1 and dropped to PLN 18.6 in the first nine months of 2007.

Comparing our results quarter-on-quarter, operating expenses (excluding D&A) increased by PLN 1.9m, or 3.8%, from PLN 50.6m in the second quarter of 2007 to PLN 52.5m in the third quarter of 2007. Our OPEX/ RGU/ month ratio was at PLN 19.1 in the third quarter 2007 compared with PLN 19.3 in the preceding quarter.

### 3.3. Other Operating Income and Expenses

In the nine months ended 30 September 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. A detailed discussion of adjustments made in that respect in the first half of 2007 is provided in the report for Q2 2007.

#### 3.3.1 Other Operating Income

Other operating income decreased by PLN 13.0m from PLN 14.0m for the first nine months of 2006 to PLN 1.0m for the first nine months of 2007. Higher other operating income in the first nine months of 2006 was primarily attributable to compensation received in the amount of PLN 12.0m, being a non-recurring event, and a one-off accounting adjustment of VAT in 2006 in the amount of PLN 0.8m.

In the third quarter of 2007, we recorded a decrease in other operating income of PLN 0.2m, or 33%, from PLN 0.4m in the second quarter of 2007 to PLN 0.2m in the third quarter of 2007.

#### 3.3.2 Other Operating Expenses

Other operating expenses decreased by PLN 2.3m from PLN 5.2m for the first nine months of 2006 to PLN 2.9m for the first nine months of 2007. The higher level of other operating expenses in the first nine months of 2006 was related to higher impairment of fixed assets recorded in that period.

In the third quarter of 2007, other operating expenses amounted to PLN 0.1m and were PLN 1.7m lower than in the second quarter when they amounted to PLN 1.8m.

### 3.4. Operating Profit

Comparing our results for the first nine months year-on-year, operating profit decreased by PLN 5.1m, or 7.0%, from PLN 73.7m in 2006 to PLN 68.5m in 2007. The components of the decrease recorded for the first nine months of 2007 as compared to the same period of 2006 are presented below:

- + PLN 20.7m increase in cable television revenues resulting from a larger subscriber base and higher prices of the service,
- + PLN 9.2m increase in Internet revenues resulting from a larger subscriber base, despite price reductions,
- + PLN 8.0m increase in voice revenues generated by our VoIP subscribers due to service bundling,
- PLN 8.4m 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 3.4m decrease in other voice revenues including direct voice, interconnect and revenues from other operators and other revenues (e.g. leases etc.),
- PLN 5.1m increase in fixed costs,
- PLN 6.0m increase in programming costs,
- + PLN 2.2m decrease in costs connected with the lease of bandwidth for Internet,
- + PLN 1.2m decrease in interconnection costs,
- PLN 10.7m decrease per saldo of other operating income/ expenses, and
- PLN 12.9m increase in depreciation and amortisation.

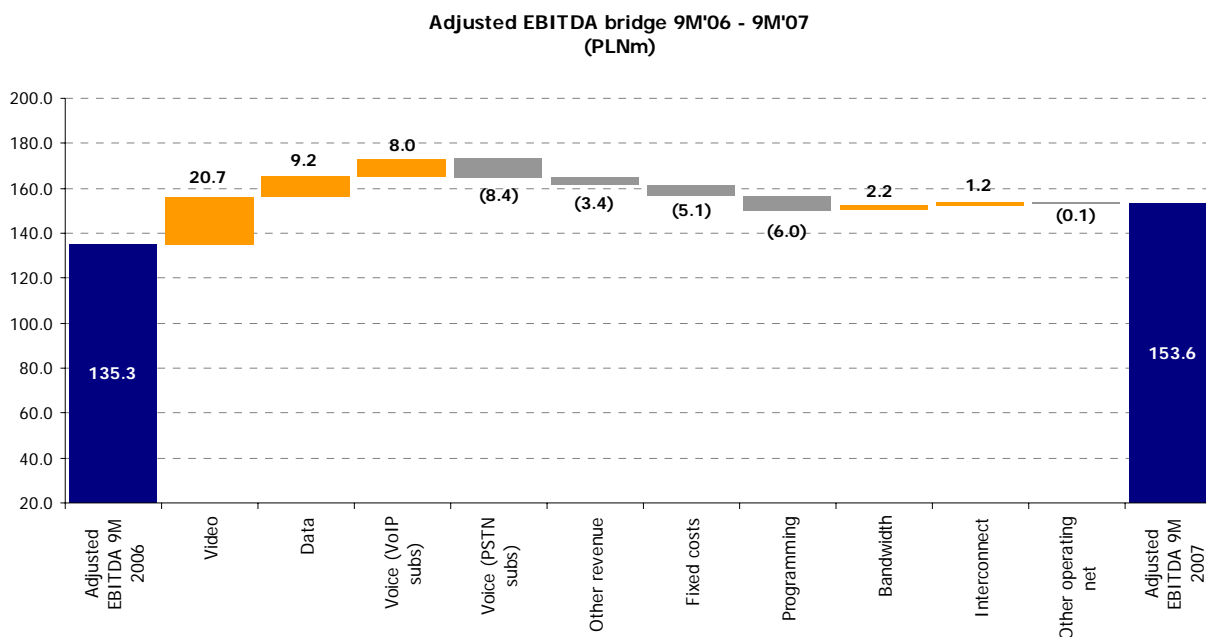
The main reason behind the decrease of operating profit was the one-off compensation of PLN 12.0m received in 2006, which did not occur in 2007.

Comparing our results quarter-on-quarter, operating profit increased by PLN 1.7m, or 8.0%, from PLN 21.5m in the second quarter of 2007 to PLN 23.2m in the third quarter of 2007.

### 3.5. EBITDA and Adjusted EBITDA

Comparing our results for the first nine months year-on-year, EBITDA increased by PLN 7.7m, or 5.4%, from PLN 144.2m in 2006 to PLN 152.0m 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 18.3m, or 13.5%, from PLN 135.3m for the first nine months of 2006 to PLN 153.6m for the first nine months of 2007. Adjusted EBITDA margin was up from 48.1% for the first nine months of 2006 to 49.9% for the first nine months 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 nine months of 2007 amounted to PLN 1.6m. The reconciliation of Adjusted EBITDA to EBITDA is presented in note 12 to the financial statements.



Comparing our results quarter-on-quarter, EBITDA increased by PLN 3.1m, or 6.2%, from PLN 49.7m in the second quarter of 2007 to PLN 52.8m in the third quarter of 2007; similarly, Adjusted EBITDA increased by PLN 1.9m, or 3.7%, from PLN 51.1m in the second quarter of 2007 to PLN 53.0m in the third quarter of 2007. Adjusted EBITDA margin remained increased from 49.9% in the second quarter of 2007 to 50.4% in the third 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 nine months year-on-year, finance income increased by PLN 3.7m from PLN 3.9m in 2006 to PLN 7.5m in 2007. The increase of finance income was related to a significant increase in

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interest received, associated with the considerably higher balance of cash held in bank deposits (proceeds from the public offering) in the first nine months of 2007 as compared to the same period of 2006.

Comparing our results quarter-on-quarter, finance income decreased by PLN 1.6m from PLN 3.6m in the second quarter of 2007 to PLN 1.9m in the third quarter of 2007. The decrease in finance income was primarily attributable to the valuation of SWAP contracts. At the end of the second quarter 2007 income on the valuation of SWAP contract amounted to PLN 1.3m while in the third quarter 2007, only expenses were recorded in that respect amounting to PLN 0.3m.

### **3.7. Finance Costs**

Comparing our results for the first nine months year-on-year, finance costs decreased by PLN 0.7m from PLN 21.4m in 2006 to PLN 20.7m in 2007.

Comparing our results quarter-on-quarter, finance costs decreased by PLN 1.0m from PLN 6.7m in the second quarter of 2007 to PLN 5.7m in the third quarter of 2007. Lower finance costs in the third quarter of 2007 were connected with the fact that in the second quarter of 2007 we accounted for a credit facility stand-by fee of PLN 1.0m.

### **3.8. Capital Expenditure**

We spent approximately PLN 60.2m on capital expenditure in the third quarter of 2007, including PLN 30.5m in connection with the acquisition of 15 cable networks from a natural person, and PLN 29.7m CAPEX connected with upgrades and expansion of our own networks and new connections.

Out of the PLN 29.7m CAPEX spent on expansion of our own networks, PLN 5m were expenditures incurred to ensure continuity of the provision of services and expenditure on replacement equipment (Other Capital Expenditure), while the remaining PLN 24.7m was growth CAPEX connected with expanding the range of services provided and subscriber activations.

#### **3.8.1 Growth Capital Expenditure**

Our growth capital expenditure in the third quarter amounted to PLN 24.7m and accounted for ca. 83% of our network CAPEX. 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 access network upgrades for VoIP telephony, digital television, and broadband Internet,
- purchases of equipment for video on demand,
- purchases of new cable routers to increase the range of our Internet services, upgrade the acquired networks and increase the capacity of subscriber lines, and
- construction of new homes passed as part of our active acquisitions project and to expand the reach of our networks by cabling newly constructed housing estates.

As a result of network upgrades completed in the second quarter of 2007, we upgraded cable networks passing by some 16,200 homes (HP) for broadband Internet and 59,000 homes for voice services.

In the third quarter 2007, we added 5,300 new homes passed, of which 3,000 HPs were cabled in areas already covered by other operators (overbuild).

As a result of the construction of new homes passed and acquisitions finalised in the third quarter, the cable services of Multimedia Polska Group were made available to 832,700 homes passed as at the end of the third quarter of 2007.

No capital expenditure was incurred on increasing the number of PSTN homes passed in the third 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 5m, not directly related to network expansion or subscriber activations, included:

- upgrading wireless systems for WiMax, and
- expenditures on IT infrastructure.

### 3.8.3 Acquisition Capital Expenditure

As part of our project of consolidating the Polish cable market, Multimedia Polska S.A. acquired fifteen cable networks from a natural person located in Sochaczew, Rawa Mazowiecka, Łowicz, Głowno, Pajeczno, Zduńska Wola, Poddębice, Chojnów, Wołów, Barcin, Piechcin, Łabiszyn, Lubostroń, Chełmża and Chełmno.

As at the date of completion of the transaction, the cable networks acquired in the transaction passed by some 43,800 homes and served 23,400 cable television subscribers and 5,600 Internet subscribers. As at 30 September 2007, 15,400 CATV subscribers and 3,500 internet subscribers had been transferred to the billing system of Multimedia Polska.

### 3.9. Employment

As at 30 September 2007, Multimedia Polska Group had 1,395 employees in total. We employed 844 employees in our regions (including our network service and customer care personnel, sales representatives, sales managers, regional directors etc.) and 551 employees in our head offices. Employment levels were up by 340, or 32%, as compared to the previous quarter ended 30 June 2007. The considerable increase in headcount was primarily associated with the take-over of 291 sales representatives by Multimedia Polska Group from external providers, further expansion of our Call Centre by 41 persons and organisational changes introduced in the Network Maintenance and Expansion and Investment Departments.

## 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 September 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

The composition of the Management Board did not change compared to information presented in the report for Q2 2007.

### 4.2. Changes in the Composition of the Supervisory Board

As at the balance sheet date, 30 September 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 Q2 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.

### 5.1. Agreements on Business Management and Advisory Services and Business Administration 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. 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:

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

- (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 – D bica 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.

## **5.2. Agreements on Physical Network, Logical Network and Service Inventory Services**

On 3 September 2007, in order to properly perform passportisation services required by, inter alia, agreements on business management and advisory services and business administration services discussed in point 5.1. above, Multimedia Polska S.A. concluded agreements on physical network, logical network and service inventory services with Multimedia Polska – Południe S.A. and Multimedia Polska – Zachód Sp. z o.o. whereby Multimedia Polska – Południe S.A. and Multimedia Polska – Zachód Sp. z o.o. undertook to inventory the following data for the benefit of the Issuer and against payment: physical network, logical network and services provided. Monthly remuneration for the inventory of data referred to above will be treated as cost incurred by each subsidiary in connection with data inventory plus 3%. Agreements cover the duration of data inventory and may be terminated at a three months' notice.

## **5.3. Agency Agreement for Accountancy Services**

On 3 September 2007, Multimedia Polska S.A. concluded an agency agreement with its subsidiary Telewizja Kablowa Brodnica Sp. z o.o. for accountancy services, book-keeping in particular, and the provision of accounting consultancy services against payment. Multimedia Polska S.A. is entitled to monthly remuneration of PLN 300 (three hundred) for the services provided payable by Telewizja Kablowa Brodnica Sp. z o.o., subject to monthly review based on actual costs (recorded and directly attributable to Telewizja Kablowa Brodnica Sp. z o.o. in the Issuer's books of account) incurred by the Issuer in order to provide those services. Margin of 3.5% and an applicable VAT rate should be added. The agreement was concluded for an indefinite term and may be terminated at a six months' notice.

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

### **6.1. Acquisition of Telecommunications Networks**

On 17 July 2007, Multimedia Polska S.A. acquired 15 cable television networks located in Sochaczew, Rawa Mazowiecka, Łowicz, Głowno, Paj czno, Zdu ska Wola, Podd bice, Chojnów, Wołów, Barcin, Piehcin, Łabiszyn, Lubostro , Chełm a 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.

## **6.2. 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.

## **6.3. 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.

## **6.4. Decision of the President of the UKE regarding flat interconnection rates for Multimedia Polska S.A.**

On 24 August 2007, Multimedia Polska S.A. received a decision by the President of the Office of Electronic Communications no DRTH-WWM-60600-34/07(21) 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 introduces a flat-rate model for interconnection charging, which will allow Multimedia to reduce the cost of carrying domestic voice traffic over TP S.A.'s networks. The terms and conditions set out in the Decision are similar to those set out in several other decisions previously issued by the President of the Office of Electronic Communications for other operators.

## **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 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 <sup>(1)(2)</sup>	26,945,741	26,945,741	17.09%	17.09%
Emerita B.V. <sup>(1)</sup>	15,781,292	15,781,292	10.00%	10.00%
UNP Holdings B.V. <sup>(1)</sup>	45,439,617	45,439,617	28.81%	28.81%
BZ WBK AIB Asset Management S.A.	7,942,247	7,942,247	5.04%	5.04%
Other shareholders	61,591,103	61,591,103	39.06%	39.06%
<b>TOTAL</b>	<b>157,700,000</b>	<b>157,700,000</b>	<b>100.00%</b>	<b>100.00%</b>

(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.

Compared to the previous quarterly report for Q2 2007, the shareholding structure changed as a result of the following:

On 8 October 2007, the Management Board of Multimedia Polska S.A. received a notification in accordance with Art. 69.1.1 in conjunction with Art. 87.1.3.b) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies from BZ WBK AIB Asset Management S.A. with its registered office in Poznań, managing investment portfolios for investment funds pursuant to an agreement with BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Poznań.

The notification stated that as a result of share purchase transactions settled on 2 October 2007 and as at the date of their final settlement, clients of BZ WBK AIB Asset Management S.A. jointly held 7,942,247 Multimedia shares, constituting 5.04% of the Company's share capital and carrying 7,942,247 (5.04%) of total voting rights exercisable at the Company's general meetings.

Before the aforementioned settlement of the transactions, the clients of BZ WBK AIB Asset Management S.A. held 7,865,163 shares constituting 4.99% of the Company's share capital and carrying 7,865,163 (4.99%) of total voting rights exercisable at the Company's general meetings.

## 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 June 2007	As at 30 Sept 2007	As at 8 Nov 2007
Andrzej Rogowski – President	1,485,585 <sup>(1)</sup>	1,505,888 <sup>(1)</sup>	1,505,888 <sup>(1)</sup>
Arkadiusz Dorynek – Vice President	0	0	0

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

On 18 July 2007 in Warsaw, Mr. Andrzej Rogowski acquired 20,303 Multimedia shares for a total consideration of PLN 250,539.02 (PLN 12.34 per share). The shares were purchased during trading hours of the Warsaw Stock Exchange.

## **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 Q2 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 third 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 Significant Value Assets – PHU SOTEL Sp. z o.o.**

On 23 October 2007 Multimedia Polska S.A. (the "Acquirer") entered into a share purchase agreement with Maribenia Ltd with its registered office in Kimonos, the Republic of Cyprus (the "Seller") to acquire 208 shares of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o. with its registered office in Pruszcz Gdański (the "Company") (the "Agreement") registered with the register of entrepreneurs kept by the District Court of Gdańsk, XII Economic Department of the National Court Register, entry no. 0000200185 (the "Shares").

The Shares acquired under the Agreement with a nominal value of PLN 500 each and an aggregate nominal value of PLN 104,000 are equal and indivisible shares constituting 100% of the share capital of the Company and represent 100% of votes at the Shareholders' Meeting of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o.

As at the date of signing of the Agreement, the Share purchase price has been set at PLN 5,500,000.00 plus cash held by the Company and less the value of the Company's debt as at the date of signing (the "Price of Shares").

The final Price of Shares will be reviewed and referred to the final settlement of the transaction upon completion of a due diligence process, involving primarily determination of the value of the Company's debt and level of cash held.

Payment for the Shares will be made in two instalments:

1. PLN 500,000 advance payment will be made within 3 days from the conclusion of the Agreement;
2. the remainder will be payable on 23 November 2007.

Ownership of the Shares will be transferred to the Acquirer upon payment of the second instalment of the Price of Shares.

The transactions will be financed with the issuer's existing cash.

The primary business activity of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o. is offering cable television and internet services to the town of Pruszcz Gdański.

The acquisition of Przedsiębiorstwo Handlowo-Usługowe SOTEL Sp. z o.o. is a realisation of one of the purposes of the public offering and an important element of MMP's strategy set forth in the prospectus, which include active participation in the consolidation of cable television operators through mergers and acquisitions.

There are no existing links between the Seller and MMP and directors or supervisors of MMP.

### **10.2. Acquisition of Significant Value Assets – INTERTEL Sp. z o.o.**

On 31 October 2007 Multimedia Polska S.A. (the "Acquirer") entered into a share ownership transfer agreement with OPEN-NET S.A. with its registered office in Katowice to transfer the ownership of 8,010 shares of INTERTEL Spółka z ograniczoną odpowiedzialnością with its registered office in Trzebinia (the "Agreement") registered with

the register of entrepreneurs kept by the District Court for Krakow- ródmie cie of Kraków, XII Economic Department of the National Court Register, entry no. 0000101743 (the "Company") (the "Shares").

The Shares with a nominal value of PLN 100 each and an aggregate nominal value of PLN 801,000 are equal and indivisible shares constituting 98.77% of the share capital of the Company and representing 98.77% of votes at the Shareholders' Meeting of INTERTEL Sp. z o.o.

As at the date of signing of the Agreement, the Share purchase price has been set at PLN 5,500,000.00. The final price of Shares will be verified upon completion of the due diligence process and determined upon its completion.

Payment for the Shares will be made in two instalments:

1. an amount of PLN 2,750,000 will be paid within 3 days from the conclusion of the Agreement;
2. the remainder of the Share price will be payable no later than on 22 November 2007.

The transactions will be financed with the issuer's existing cash.

The primary business activity of INTERTEL Sp. z o.o. is the provision of fixed-line telephony and internet services. A significant portion of the Company's revenue is attributable to revenues generated by business customers as well as wholesale traffic exchange. The Company provides services using its own telecom infrastructure, including own fibre optic backbone network.

The acquisition of INTERTEL is a realisation of one of the purposes of the public offering of Multimedia Polska S.A. set forth in the prospectus, which include, among other things, mergers and acquisitions of other operators and/or acquisitions of other operators' assets. The acquisition of INTERTEL Sp. z o.o. will allow MMP to expand its activities in Upper Silesia and to integrate other carriers operating within the reach of INTERTEL's fibre optic network.

In addition, on 31 November 2007 MMP acquired from "Klub Obywatelski w Trzebinia Sierszy" (Trzebinia-Siersza Citizens Club) with its office in Trzebinia 100 equal and indivisible shares with a nominal value of PLN 100 each, representing 100 votes at the Shareholders' Meeting of INTERTEL Sp. z o.o. constituting 1.23% of the Company's share capital and representing 1.23% of total vote at General Meetings for the price of PLN 50,000.

As a result of these transactions, MMP became the sole owner of the Company and currently has 100% of votes at General Meetings of INTERTEL Sp. z o.o.

There are no existing links between the Seller and MMP and directors or supervisors of MMP.

#### **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**

Sales results generated in the third quarter confirm that the decision to give up outsourced sales forces and recruit our own sales representatives was right. We also reorganised our other sales channels, Customer Care Centre and Call Centre. Given the results generated in the third quarter and in October, management believes that the current organisation of sales has demonstrated its potential. It is worth noticing that the positive sales results generated in Q3 were significantly weakened by an increase in churn. We added ca. 26,000 net RGUs as a result of organic growth (a total of 57,000 subscriber contracts signed, or gross RGUs, with as much as 30,600 RGUs lost as a result of high churn). We believe that the high level of churn is attributable to considerable disruptions in customer service that we encountered on mass scale in the third quarter after we migrated data to a new billing system, which took place between May and September. The most serious problems with the billing system involved delayed release of invoices, errors in invoicing, customers' inability to clear the errors with Customer Service Centres due to serious system disturbances and difficulties in accessing customer databases. We estimate the impact of those difficulties to be some 10,000 RGUs that churned out. As of today, the billing system is stable and management believes that a large group of customers will be reconnected, and the functional billing system will serve as an important tool supporting our sales in the coming quarters. We have seen first positive effects of sales supported by the billing system in October when the number of subscriber contracts went up to 17,000 (net).

We have created two new regions where we wish to actively expand our operations through network construction and acquisitions. The first new region is our Warsaw Region covering the Warsaw urban agglomeration, where we are commencing network construction for some 50,000 HPs. The second is our Silesian Region covering the Upper Silesia agglomeration, where we are going to expand our operations to cover at least 100,000 HPs and

where the recently acquired company Intertel Sp. z o.o. with its registered office in Trzebinia will serve as our base for growth in that region.

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. Management also expects that our RGU/unique subscriber indicator, currently at the level of 1.47, will continue to increase going forward.

We rolled out video on demand (VOD) at the end of Q3 in six cities (Gdynia, Kalisz, Toruń, Łódź, Olsztyn, and Lublin). The roll out of VOD is the first such venture in the Polish cable TV market, considerably reinforcing the position of Multimedia's digital platform against other operators' competitive offerings. We are planning to add new VOD locations within the next few months.

We expect our cable television revenues to increase in the coming quarters as a result of the introduction of new services offered over cable networks, such as digital television and value added services (i.e. VOD). 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 available to some 440,000 homes passed and will be gradually expanded to cover other Multimedia markets.

### 13. Foreign Exchange Rates

The table "Selected Financial Information" contains items of the income statement and the cash flow statement for 9 months ended 30 September 2007 and 30 September 2006, and items of the balance sheet as at 30 September 2007 and 31 December 2006 translated using the following EUR/PLN exchange rates:

	30 September 2007	30 September 2006	31 December 2006
Balance sheet <sup>(1)</sup>	3.7775	n/a	3.8312
Income statement, cash flow statement <sup>(2)</sup>	3.8263	3.9112	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**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30TH 2007

*MULTIMEDIA POLSKA S.A. GROUP*  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
for three and nine months ended 30 September 2007  
(in thousand PLN)

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*GRUPA MULTIMEDIA S.A. GROUP.*  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
for three and nine months ended 30 September 2007  
(in thousand PLN)

**I INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	Three months ended	Nine months ended	Three months ended	Nine months ended
		Sep 30 <sup>th</sup> 2007	Sep 30 <sup>th</sup> 2007	Sep 30 <sup>th</sup> 2006	Sep 30 <sup>th</sup> 2006
Rendering of services to subscribers and other operators		102 307	300 932	92 648	276 260
Other revenue		2 857	6 684	2 123	5 222
<b>Total Revenue</b>	11.1	<b>105 164</b>	<b>307 616</b>	<b>94 771</b>	<b>281 482</b>
Depreciation and amortisation		29 588	83 441	24 555	70 570
Materials		2 682	8 180	2 766	7 064
External services		33 287	94 713	29 277	92 093
Taxes and charges		5 028	15 035	3 941	12 213
Payroll		9 452	29 775	10 390	28 726
Other employee benefits		1 391	3 997	1 245	3 695
Other expenses		625	1 987	721	2 252
Value of goods and materials sold		<u>60</u>	<u>100</u>	<u>38</u>	<u>41</u>
Operating expenses		82 113	237 228	72 933	216 654
<b>Profit on sales</b>		<b>23 051</b>	<b>70 388</b>	<b>21 838</b>	<b>64 828</b>
Other operating income	11.2	283	1 023	12 591	14 004
Other operating expenses	11.3	<u>124</u>	<u>2 875</u>	<u>755</u>	<u>5 174</u>
<b>Operating profit</b>		<b>23 210</b>	<b>68 536</b>	<b>33 674</b>	<b>73 658</b>
Finance income	11.4	1 907	7 539	927	3 875
Finance costs	11.5	<u>5 719</u>	<u>20 699</u>	<u>8 490</u>	<u>21 396</u>
<b>Profit/(loss) before tax</b>		<b>19 398</b>	<b>55 376</b>	<b>26 111</b>	<b>56 137</b>
Income tax expense	13	<u>3 892</u>	<u>12 015</u>	<u>6 100</u>	<u>10 516</u>
<b>Net profit</b>		<b><u>15 506</u></b>	<b><u>43 361</u></b>	<b><u>20 011</u></b>	<b><u>45 621</u></b>
Attributable to:					
Equity holders of the parent		15 506	43 361	20 011	45 621
Minority interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		15 506	43 361	20 011	45 621
<b>Earnings per share</b>	14	<b>0,10</b>	<b>0,27</b>	<b>0,15</b>	<b>0,33</b>

The accompanying notes are an integral part of these condensed interim financial statements

*GRUPA MULTIMEDIA S.A. GROUP.*  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
as at September 30, 2007  
(in thousand PLN)

**II INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

	Nota	Sep 30 <sup>th</sup> 2007	Dec 31 <sup>th</sup> 2006
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		683 533	651 326
Goodwill	16	66 723	4 796
Intangible assets		17 000	18 197
Financial assets		2	2
Non-current receivables		644	644
Prepayment and deferred costs		422	477
Deferred tax asset		<u>26 342</u>	<u>27 708</u>
		794 666	703 150
Inventories		362	353
Income tax receivables			9 253
Trade and other receivables		69 498	46 555
Prepayment and deferred costs		5 846	1 941
Current investments		13	3
Cash and cash equivalents	17	<u>192 167</u>	<u>346 805</u>
		267 886	404 910
<b>TOTAL ASSETS</b>		<b><u>1 062 552</u></b>	<b><u>1 108 060</u></b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	18	157 700	157 700
Share premium			237 154
Other reserves		302 795	21 379
Retained earnings		<u>105 470</u>	<u>106 371</u>
		565 965	522 604
Minority interest		<u>15</u>	-
<b>Total equity</b>		565 980	522 604
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings, finance leases	19	401 656	496 443
Other non-current liabilities		-	4
Provisions		536	118
Deferred income tax liabilities		<u>12 119</u>	<u>12 961</u>
		414 311	509 526
<b>Current liabilities</b>			
Interest-bearing loans and borrowings and other	19	4 835	8 751
Interest Rate Swap (IRS) contracts		-	2 066
Trade and other payables		54 758	57 225
Accruals		1 880	3 359
Deferred income		20 612	4 041
Provisions		<u>176</u>	<u>489</u>
		82 261	75 931
<b>Total liabilities</b>		<u>496 572</u>	<u>585 457</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1 062 552</u></b>	<b><u>1 108 060</u></b>

The accompanying notes are an integral part of these condensed interim financial statements

*GRUPA MULTIMEDIA S.A. GROUP.*  
**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
for three and nine months ended 30 September 2007  
(in thousand PLN)

**III INTERIM CONDENSED CONSOLIDATED CASH-FLOW STATEMENT**

	Nota	Nine months ended Sep 30 <sup>th</sup> 2007	Nine months ended Sep 30 <sup>th</sup> 2006
<b>Cash flows from operating activities</b>			
Profit before taxation		55 376	56 137
Adjustment for:		97 398	49 320
Depreciation and amortisation		83 441	70 570
Interest and dividends, net		15 217	17 798
Foreign exchange gains/(losses)		-	2
Gain (loss) from investing activities		(2)	552
Change in inventories		321	(346)
Change in trade and other receivables		(12 649)	(8 085)
Change in current payables, except bank loans		1 382	(12 163)
Change in accruals and prepayments		13 723	(7 926)
Change in provisions		104	(909)
Income tax paid		(11 489)	(10 516)
Other adjustments		7 350	343
<b>Net cash flows from operating activities</b>		<b><u>152 774</u></b>	<b><u>105 457</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangibles		(204)	1 041
Purchase of property, plant and equipment and intangibles	17	(188 261)	(103 041)
Interest received		-	6
Repayment of loans granted		-	66
Granting of loans		(8)	-
Other			(91 905)
<b>Net cash flows from investing activities</b>		<b><u>(188 473)</u></b>	<b><u>(193 833)</u></b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(62)	(681)
Repayment of loans and borrowings		(100 000)	103 323
SWAP contracts paid		(902)	-
Proceeds from loans and borrowings			(1 175)
Interest and fees paid		(16 438)	(14 786)
<b>Net cash flows from financing activities</b>		<b><u>(117 402)</u></b>	<b><u>86 681</u></b>
Net change in cash and cash equivalents		(153 101)	(1 694)
Cash and cash equivalents at the beginning of the period		345 249	12 484
Cash and cash equivalents at the end of the period	17	192 148	10 790

The accompanying notes are an integral part of these condensed interim financial statements

*GRUPA MULTIMEDIA S.A. GROUP.*  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 for three and nine months ended 30 September 2007  
 (in thousand PLN)

**IV INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury share</i>	<i>Foreign exchange gains/losses</i>	<i>Other reserve capital</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
At 1 January 2007	157 700	237 154	-	-	21 379	106 371	522 604	-	522 604
Profit (loss) from valuation of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Profit/ loss from valuation of cash flow hedges	-	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-
Income/costs for the period recognised directly in equity after deferred tax	-	-	-	-	-	-	-	-	-
Profit/loss for the period	-	-	-	-	-	43 361	43 361	-	43 361
<b>Total income/costs for the period</b>	-	-	-	-	-	43 361	43 361	-	43 361
Issue of shares	-	-	-	-	-	-	-	-	-
Issue of shares cost	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Purchase of minority interest	-	-	-	-	-	-	-	15	15
Distribution of prior years profit	-	-	-	-	44 262	(44 262)	-	-	-
<b>At 30 September 2007 (unaudited)</b>	<b>157 700</b>	<b>237 154</b>	<b>-</b>	<b>-</b>	<b>65 641</b>	<b>105 470</b>	<b>565 965</b>	<b>15</b>	<b>565 980</b>

The accompanying notes are an integral part of these condensed interim financial statements

*GRUPA MULTIMEDIA S.A. GROUP.*  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 for three and nine months ended 30 September 2007  
 (in thousand PLN)

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury share</i>	<i>Foreign exchange gains/losses</i>	<i>Other reserve capital</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
At 1 January 2006	136 912	37 499	-	-	3 461	25 709	203 581	-	203 581
Profit (loss) from valuation of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Profit/ loss from valuation of cash flow hedges	-	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-
Income/costs for the period recognised directly in equity after deferred tax	-	-	-	-	-	-	-	-	-
Other corrections in equity of related parties	-	-	-	-	(3)	(23)	(25)	-	(25)
Profit/loss for the period	-	-	-	-	-	98 606	98 606	-	98 606
<b>Total income/costs for the period</b>	-	-	-	-	(3)	98 583	98 580	-	98 580
Issue of shares	20 788	199 655	-	-	-	-	220 443	-	220 443
Issue of shares cost	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Purchase of minority interest	-	-	-	-	-	-	-	-	-
Distribution of prior years profit	-	-	-	-	17 920	(17 920)	-	-	-
<b>At 30 September 2006 ( unaudited )</b>	<b>157 700</b>	<b>237 154</b>	<b>-</b>	<b>-</b>	<b>21 378</b>	<b>106 371</b>	<b>522 604</b>	<b>-</b>	<b>522 604</b>

The accompanying notes are an integral part of these condensed interim financial statements

*MULTIMEDIA POLSKA S.A. GROUP*  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
for three and nine months ended September 30th, 2007  
(in thousand PLN)

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## V NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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 nine months ended September 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. On 1 August 2005, the Company changes its legal form from a limited liability company into a joint stock company and since then has been operating under the trading name of MULTIMEDIA POLSKA S.A. 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 09.2007
1 Tele Top Grupa Multimedia Polska Sp.z o.o. (TOP)	Gdynia, ul.T.Wendy 7/9	- film and video production	99,9%
2 Multimedia Polska - Zachód Sp. z o.o. (TNZ)	Gdynia, ul.T.Wendy 7/9	- voice, data and other telecommunications services	100,0%
3 Multimedia Polska - Południe S.A. (TNPD)	Gdynia, ul.T.Wendy 7/9	- voice, data and other telecommunications services	100,0%
4 Telewizja Kablowa Brodnica Sp. z o.o.	Gdynia, ul.T.Wendy 7/9	- voice, data and other telecommunications services	94,1%

There were following changes to the Group structure in the reporting period.

On 30<sup>th</sup> March 2007 Multimedia Polska S.A. merge with Multimedia Polska – Mielec S.A.

On 19 February 2007, Multimedia Polska S.A. acquired 100% shares of Automatic Serwis Sp. z o. o. with its register office in Brodnica, entered in the register of entrepreneurs held by the District Court of Toruń, VII Economic Division of the National Court Register, under no 0000086484. The acquisition was a realisation of one of the purposes of the public offering and an important element of the company strategy set forth in the prospectus, which include active participation in the consolidation of cable television operators through mergers and acquisitions. The acquisition has been accounted for with the purchase method.

On 15 June 2007 Multimedia Polska S.A. merged with Automatic Serwis Sp. z o. o. The merger did not affect the consolidated financial statement. In accordance with the merger plan adopted on 30 March 2007 and pursuant to Resolution no 4 of 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 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.

It is and has been the Group strategy to consolidate the subsidiaries in order to streamline the structure of the Group, exclude mutual settlements, and reduce operating expenses.

Automatic Serwis Sp. z o.o.owned 240 shares of Telewizja Kablowa Brodnica Sp. z o.o., with its registered office in Brodnica, Witosa 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.

In the period from 19 February 2007 to 15 June 2007, the Group Multimedia Polska S.A. consolidated financial performance of Automatic Serwis Sp. z o. o.

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

### **3. Composition of the Management Board**

As at 30 September 2007, the following persons served as Members of the Management Board of the Multimedia Polska S.A.

Andrzej Rogowski – President  
Arkadiusz Dorynek – Vice President

The composition of the Management Board did not change compared to information published in the semi annual 2007 report.

### **4. Approval of Consolidated Interim Financial Statements for Publication**

These consolidated interim financial statements were approved for publication by the Management Board on November 8th, 2007.

### **5. Basis of preparation of the Consolidated Financial Statements**

These interim condensed consolidated financial statements have been prepared on a historical costs basis, except for financial instruments, which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedges are adjusted to reflect changes in the fair values attributable to the risk that are being hedged. These consolidated interim financial statements are presented in thousand of Polish złoty ("PLN"), except when otherwise indicated.

These consolidated interim financial statements have been prepared on the assumption that the Group companies will continue as going concerns.

As at day of approval of these consolidated financial statements, the Management Board is not aware of any facts or circumstances that would indicate a threat to the continued operation of the Group.

The operating activity of the Group is not characterised by any seasonal or cyclical trends.

## 5.1. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") in particular in accordance with IFRS 34 and IFRSs endorsed by European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Boards ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). As at the date on which these consolidated financial statements were approved for publication, given the current process of implementation of IFRS in the European Union and the scope of the Group's activities, in terms of the Group's accounting policies there is no difference between IFRSs applied by the Group and IFRSs endorsed by the European Union.

The Group companies keep their books of account in accordance with the accounting policies specified in the Accountancy Act dated September 29<sup>th</sup> 1994 ("The Accountancy Act") and the regulations issued on its basis ("Polish Accountancy Standards"). These consolidated financial statements include a number of adjustments not included in the books of account of the Group companies, which were made to bring the financial statements of those companies to conformity with IFRS.

These consolidated interim financial statements have been prepared in accordance with annual financial statements of the Group ended on 31 December 2006 in all of these aspects.

## 5.2. Measurement currency and reporting currency of consolidated financial statements

The Parent's company's and its subsidiaries measurement currency and the reporting currency of these consolidated financial statements is the Polish zloty (PLN).

These consolidated interim financial statements are presented in thousand of Polish zloty ("PLN"), except when otherwise indicated.

## 6. Changes in the adopted accounting policies.

Presented below are new and amended IFRS standards, and new IFRIC interpretations applied by the Group in 2007. Except for the introduction of a new disclosures, their application had no effect on the financial statements.

IAS 1 Presentation of Financial Statements, Disclosures on capital, IFRS 7 Financial Instruments: Disclosures  
Amendments to IAS 1 and new IFRS 7 regulations include disclosures regarding goals and policies of management of financial risk and financial instruments respectively. Dealings and transactions that are important to understand this interim reporting period have been disclosed in these condensed interim financial statements in accordance with the above standards.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"

The Company adopted IFRIC 7. Application of this IFRIC did not have a material impact on the financial statements.

IFRIC 8- Scope of IFRS 2

The Groups adopted IFRIC 8. As a result the Company changed a few accounting policies. The transactions involving share issues (or transactions where the Company incurred a share based liability) as a share-based payment were reviewed and it has been concluded that there were not such transactions in the reporting period.

IFRIC 9 Reassessment of Embedded Derivatives.

The Company adopted regulations of IFRIC 9. The interpretation concludes that the entity shall assess whether the embedded derivatives components are included in the contract at the moment when the Company first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. Application of this IFRS did not materially change accounting for embedded derivatives by the Company.

#### IFRIC 10 Interim Financial Reporting and Impairment

The company adopted IFRIC 10. The interpretation concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Application of this IFRIC did not include changes that materially changed these condensed interim financial statements.

### **7. IAS and IFRIC Interpretations issued but not yet effective**

The International Accounting Standards Board or the International Financial Reporting Interpretation Committee issued the following standards and interpretations which have not yet become effective:

- IFRS 8 Operating Segments - effective for annual periods beginning after January 1st 2009 – as at the date of authorization of these financial statement has not been adopted by the EU.
- IAS 23 Borrowing Costs (transformed in March 2007) effective for annual periods beginning after January 1st 2009 - as at the date of authorization of these financial statement has not been adopted by the EU.
- Interpretation IFRIC 11 Group and Treasury Share Transactions - effective for annual periods beginning after March 1st 2007
- Interpretation IFRIC 12 Service Concession Arrangements - effective for annual periods beginning after January 1st 2008 - as at the date of authorization of these financial statement has not been adopted by the EU.
- Interpretation IFRIC 13 Loyalty Programmes - effective for annual periods beginning after July 1st 2008 - as at the date of authorization of these financial statement has not been adopted by the EU.
- Interpretation IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - effective for annual periods beginning after January 1st 2008 - as at the date of authorization of these financial statement has not been adopted by the EU.

The Management Board plans to implement the New Standard and Interpretations on the date on which they become effective. In the Management Board's opinion, the implementation of the new standards and interpretations will have no material effect on the accounting policies applied by the Group.

As at the date of these consolidated interim financial statements, the Management Board does not expect the newly issued standards, whose application will be mandatory or optional in future reporting periods, to have a material effect on the Group's financial results.

### **8. Consolidation rules**

These consolidated interim financial statements include the interim financial statements of Multimedia Polska S.A. and of its subsidiaries prepared for the period of three and nine months ended 30 September 2007. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent Company, with the use of consistent accounting policies and uniform accounting policies applied for transactions and economic events of a similar nature.

All significant balances and transactions between the Group companies, including unrealised profits and losses on intra-group transactions, have been eliminated in their entirety.

Subsidiaries are consolidated starting from the date when the Group assumes control over them and cease to be consolidated when the control is lost. The Parent Company is deemed to exert control when it holds, directly or indirectly, through its subsidiaries, more than 50% of votes in a given company unless it is possible to prove that the ownership of over 50% of votes is not tantamount to exerting control. The Group's ability to influence a given company's financial and operational policies is also deemed as control.

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**9. Segment Information**

**Business Segments**

The Group does not classify its services into business segments, as the services it provides and the related assets are integrated. The services offered by the Group include primarily cable television, Internet and fixed telephony. Customers are offered the possibility of purchasing one basic service (cable television, Internet or telephone) or two/three services in a package. Services are rendered using the same infrastructure, as the technological development enables the Group to broaden its offering.

The Management Board analyses only sales revenues by product and direct margin. Total costs incurred by the Company cannot be classified in a manner reflecting the actual results of particular segments.

**10. Significant one-off transactions**

On 17 July 2007, Multimedia Polska S.A. acquired 15 cable television networks located in Sochaczew, Rawa Mazowiecka, Łowicz, Głowno, Paj czno, Zdu ska Wola, Podd bice, Chojnów, Wołów, Barcin, Piechcin, Łabiszyn, Lubostro , Chełm a and Chełmno. The acquired networks (asset transaction) provided services to, 23.400 cable television subscribers and 5.600 Internet subscribers.

The networks have been acquired by Multimedia Polska S.A. for a total net price of PLN 33.5m The preliminary estimation of the fair value of the fixed assets acquired amounts to PLN 7.195.000 and preliminary calculation of goodwill in this transaction amounts to PLN 26.4m

**11. Income and Expenses**

**11.1. Sales revenue**

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Subscriber-generated and interoperator revenues	102 307	300 932	92 648	276 260
CATV	51 529	150 142	43 573	129 408
Internet	21 800	63 696	19 241	54 471
Telephony	28 560	85 854	29 501	91 318
subscriber generated	25 554	76 134	24 777	76 304
interoperator	3 006	9 720	4 724	15 014
Other	418	1 240	333	1 063
Other revenue	<u>2 857</u>	<u>6 684</u>	<u>2 123</u>	<u>5 222</u>
<b>Total revenues</b>	<b>105 164</b>	<b>307 616</b>	<b>94 771</b>	<b>281 482</b>

Other sales revenues comprise revenues from leases of telecom infrastructure and other items of property, plant and equipment, revenues from TV productions, commercials, sales of licences and materials.

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**11.2. Other Operating Income**

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Profit on disposal of property, plant and equipment	-	2	-	-
Compensation received	125	280	12	136
Income recognised on revaluation and reversal of impairment	-	143	-	20
Other	<u>158</u>	<u>598</u>	<u>12 579</u>	<u>13 848</u>
	<u>283</u>	<u>1 023</u>	<u>12 591</u>	<u>14 004</u>

**11.3. Other Operating Costs**

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Loss on disposal of property, plant and equipment	-	-	25	552
Receivables impairment and bad debt write-off	(240)	609	285	839
Impairment of fixed assets	228	1 776	(129)	2 524
Other	<u>136</u>	<u>490</u>	<u>574</u>	<u>1 259</u>
	<u>124</u>	<u>2 875</u>	<u>755</u>	<u>5 174</u>

**11.4. Finance Income**

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Interest received	1 951	5 955	1 102	1 269
Foreign exchange gains	128	135	18	132
Fees and interest on loans granted	1	3	5	8
Rother	<u>(173)</u>	<u>1 446</u>	<u>(198)</u>	<u>2 466</u>
	<u>1 907</u>	<u>7 539</u>	<u>927</u>	<u>3 875</u>

**11.5. Finance Costs**

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Interest and fess on bank loans	5 611	20 335	9 077	19 238
Interest on other liabilities	77	252	89	204
Finance charges payable under finance leases	30	96	77	681
Foreign exchange losses	-	-	-	-
Other	<u>1</u>	<u>16</u>	<u>(753)</u>	<u>1 273</u>
	<u>5 719</u>	<u>20 699</u>	<u>8 490</u>	<u>21 396</u>

**12. 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

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in a comparable environment. The Group defines EBITDA as operating profit adjusted for depreciation/amortisation and other costs and income resulting from a change in the value of non-current assets. In the calculation of EBITDA the Group disregards one-off events not directly related to its current operations, such as profit/loss on sale of non-current assets or revaluation of non-current assets. EBITDA is not defined in IFRS and may be calculated by different entities in different ways.

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Operating profit	23 210	68 536	33 674	73 658
Amortisation	29 588	83 441	24 555	70 570
<b>EBITDA</b>	<b>52 798</b>	<b>151 976</b>	<b>58 229</b>	<b>144 228</b>
Other adjustments related to fixed assets, including:				
- disposal of fixed assets	(1)	(2)	25	552
- impairment, valuation and liquidation of fixed assets	223	1 633	(150)	2 524
- settlement write-off (one-off item)	-	-	(12 011)	(12 011)
<b>Adjusted EBITDA</b>	<b>53 020</b>	<b>153 607</b>	<b>46 094</b>	<b>135 294</b>

### 13. Income Tax

Major components of the income tax expense were as follows:

	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Consolidated income statement				
<i>Current income tax</i>				
Current income tax charge	3 968	11 489	5 753	11 026
<i>Deferred income tax</i>				
Related to origination and reversal of temporary differences	(76)	526	347	(510)
Income tax expense reported in Consolidated Income Statement	3 892	12 015	6 100	10 516

As at September 30th 2007, the deferred tax liability amounted to PLN 12,119 thousand, and the deferred tax asset amounted to PLN 26,341 thousand. As at September 30th 2006, the deferred tax liability amounted to PLN 9,285 thousand, and the deferred tax asset amounted to PLN 6,231 thousand.

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**14. Earnings per Share**

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in this reporting period. The Group does not disclose the diluted earnings/loss per share since there are no potentially dilutive ordinary shares.

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

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	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2007	September 30, 2007	September 30, 2006	September 30, 2006
Net profit for period	15 506	43 361	20 012	45 621
Weighted average number of outstanding shares used to calculate EPS	157 700	157 700	136 912	136 912
Earnings per share	0,10	0,27	0,15	0,33

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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 these consolidated financial statements.

**15. Dividends Paid and Declared**

Pursuant to a resolution of the Company's Shareholders Meeting adopted on June 27th 2007, there were no distributions from Multimedia Polska S.A.'s 2006 profit in the form of dividend payments. Net profit of the Group amounting to PLN 44,262 thousand was allocated to statutory reserve funds. The Management Board points out that the provisions of the senior credit facility agreement limit the Company's ability to pay out dividends. The main provisions of that agreement are discussed in Note 19.

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**16. Goodwill and Intangible Assets with Indefinite Useful Lives**

Goodwill generated on acquisition of Automatic Serwis Sp. z o.o. was calculated as follows:

	Carrying amount	Recognised on acquisition
Property, plant and equipment	16 767	810
Long – term investments	263	1 200
Cash and cash equivalents	5 198	5 198
Trade receivables	670	670
Inventories	320	320
Prepayments	29	29
Trade liabilities	(1 425)	(1 425)
Deferred income tax liability	(45)	(45)
Prepayments	(142)	(142)
Fair value of net assets	21 635	
Goodwill arising on acquisition	35 555	
Cost of acquisition	57 190	
<hr/>		
Cash outflow on acquisition	5 198	
Cash paid	(54 052)	
Net cash acquired with the subsidiary	(738)	
Net cash outflow	(49 592)	

The combination did not result in any disposal of business activities. The calculation of goodwill arising on acquisition is not final and may be subject to change. PLN 2,400 thousand has yet not yet been paid and is subject to final settlement. Multimedia Polska S.A. recorded in the books of account PLN 1,112 thousand profit of the acquired entity for the period from the acquisition of control to the date of merger.

Fixed assets were valued to fair value using the replacement value method; their fair value is higher than their carrying amount by PLN 15,957 thousand.

Goodwill generated on acquisition of 15 CATV in 3Q 2007 (Note 10) was calculated as follows:

	Carrying amount
Property, plant and equipment	7 210
Goodwill arising on acquisition	26 360
Cost of acquisition	33 570

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**17. Cash and Cash Equivalents**

	30 September 2007	31 December 2006
Cash on hand and at bank	27 743	16 066
Short term deposit	130 688	330 688
Other cash / deposits	<u>33 736</u>	<u>51</u>
Cash and cash equivalents	192 167	346 805
Overdraft	<u>(19)</u>	<u>(1 557)</u>
	192 148	345 248

Cash at banks earns interest at floating rates applicable to overnight deposits. Short-term deposits are placed for periods of different lengths, from overnight up to one month depending on the Group's current cash requirements, and bear interest at rates fixed in advance for such deposits.

The interim consolidated cash flow statement for nine months ended September 30<sup>th</sup>, 2007 include "Purchase of property, plant and equipment and intangibles" in an amount 188,261 thousand.

	Nine months ended September 30, 2007
acquisitions	85 692
purchase of property	82 546
purchase of assets under construction	2 401
intangible assets	2 657
cash / accrual adjustments	<u>14 965</u>
Purchase of property plant and equipment and intangibles	188 261

**18. Share Capital and Statutory Reserve Funds/Capital Reserves**

**18.1. Share Capital**

The Company's share capital comprises of 157.7 millions shares and is made up of:

- 63.590.876 Series A bearer shares
- 8.245.623 Series C bearer shares
- 32.205.874 Series D bearer shares
- 32.869.899 Series E bearer shares
- 20.787.728 Series F bearer shares

All shares in issue have a par value of PLN 1 and they have been fully paid up.

**Rights Granted to Shareholders**

Pursuant to the provisions of the Commercial Companies Code and the Company' Articles of Association, the shareholders were granted the following special rights attached to the shares held by them.

**Right to Participate in Distribution of the Company's Assets upon Its Liquidation**

Pursuant to Par. 6.3 and Par. 8 of the Company's Articles of Association, Series C registered shares carried preference with respect to distribution of assets in the event of the Company's liquidation. However, under Par. 6.3 the provisions concerning preference attached to Series C registered shares with respect to distribution of assets ceased to have effect on September 19th 2006, i.e. at the time when, pursuant to Par. 7.2 of the Company's Articles of Association, Series C registered shares were converted into bearer shares at the demand of ABN AMRO Ventures.

Pursuant to Resolution No. 5 adopted by the Company's Extraordinary General Shareholders Meeting on February 5th 2007 on amendment to the Company's Articles of Association, and by virtue of a decision issued by the District Court for Gdańsk-Północ in Gdańsk, VIII Commercial Division of the National Court Register, dated March 26th 2007, concerning registration of the aforementioned amendments.

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**Personal Rights Granted to ABN AMRO**

As stipulated in the Company's Articles of Association in effect since March 26th 2007, in the period when ABN AMRO Ventures B.V. held the Series B registered share and until the day on which the Company shares representing at least 6.22% of the total vote at the Company would be acquired in a public offering, a prior consent of ABN AMRO Ventures B.V. was required for the Company's General Shareholders Meeting to adopt resolutions of appointing the Supervisory Board, selection of the qualified auditor, as well as amending the Company's Articles of Association.

Pursuant to Resolution No. 5 adopted by the Company's Extraordinary General Shareholders Meeting on February 5th 2007 on amending the Company's Articles of Association, and by virtue of a decision issued by the District Court for Gdańsk-Północ in Gdańsk, VIII Commercial Division of the National Court Register, dated March 26th 2007, concerning registration of the aforementioned amendments, the provisions described above were deleted from the Company's Articles of Association.

Apart from the exceptions described above, all the remaining shares carry the same preference with respect to participation in dividends and capital.

**Shareholders with significant interests at September 30th 2007**

Shareholder	Number of shares held	Number of votes at GM	Share in total vote at GM	Percentage of share capital held
UNP Holdings B.V. <sup>(1)</sup>	45.439.617	45.439.617	28,81 %	28,81 %
Tri Media Holdings Ltd <sup>(1)(2)</sup>	26.945.741	26.945.741	17,09 %	17,09 %
Emerita B.V. <sup>(1)</sup>	15.781.292	15.781.292	10,00 %	10,00 %
Remaining shareholders	69.533.350	69.533.350	44,10 %	44,10%
<b>TOTAL</b>	<b>157.700.000</b>	<b>157.700.000</b>	<b>100,00%</b>	<b>100,00%</b>

(1) Companies under indirect or direct control of EVL. EVL does not consolidate Multimedia Polska S.A.'s financial statements.

(2) 2.765.628 shares held indirectly through Biscoden Trading & Investments Limited, a subsidiary

The percentage of the total vote at the Company's General Shareholders Meeting corresponds to the percentage of share capital held.

**18.2. Reserve Capital**

Except Issued Capital at per value the Company owns other capitals as follow:

- capital amounting to PLN 237.0 milions was created from share premium
- capital reserves amounting to PLN 66.0 milions was created distributions of profits generated in previous financial years, as well as from gains achieved as a result of acquisitions and mergers with subsidiaries.
- retained earnings amounting to PLN 105 milions.

**19. Interest-Bearing Bank Loans and Borrowings**

In 2005, Multimedia executed a credit facility agreement with a syndicate comprising ABN AMRO Bank N.V. and Bank BPH S.A. The first instalment of the facility, maturing in September 2012, is to be paid in March 2008. The facility is repayable in semi-annual instalments. The detailed repayment schedule is presented in the table below:

Repayment date	Drawdown to be repaid
March 7th 2008	10.0
September 7th 2008	20.0
March 7th 2009	30.0
September 7th 2009	40.0
March 7th 2010	50.0
September 7th 2010	60.0
March 7th 2011	70.0
September 7th 2011	80.0

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March 7th 2012	90.0
September 7th 2012	100.0

The agreement imposes on the Company and its subsidiaries restrictions with respect to:

1. Dividend payment and other distributions to shareholders
2. Execution of acquisitions and takeovers as well as equity investments with the exception of telecommunications and cable television industry (so called Allowed Acquisition)
3. Execution of transactions with related companies over the limits under the credit facility agreement
4. Disposal of assets other than in ordinary course of business
5. Mergers with other companies with the exception of subsidiaries
6. Assumption of additional financial indebtedness and issue of guarantees
7. Execution of factoring transactions
8. Execution of FX risk hedging agreements (other than allowed in credit facility agreement)
9. Encumbrance over the Company's assets, including pledges
10. Changes to the Company's business plans
11. Grant of loans and guarantees; assumption of responsibility for third-party liabilities of any other form except Allowed Loans and Guarantees regarding mainly loans for employees of the Group
12. Creation of security over assets
13. Execution of agreements having the same commercial effect as factoring

Execution of an agreement or taking a decision concerning the aforementioned issues is subject to the consent of the banks which are parties to the credit facility agreement.

Pursuant to the credit facility agreement, the Company agreed to deposit the following in an account specified therein:

1. A portion of Net Disposal Proceeds which, when aggregated with all other Net Disposal Proceeds received in a given financial year, represents an excess over PLN 15,000,000;
2. Proceeds from insurance claims enforced by the Company or its subsidiaries, in excess of PLN 1,000,000 with respect to each single claim relating to damage to a Group's asset; and
3. Share issue proceeds received by the Company on or before December 31st 2006, up to the amount of any outstanding tranche C drawdowns and interest accrued thereon (the obligation to deposit will not apply to proceeds received after December 31st 2006).

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

Furthermore, under the credit facility agreement, the Company agreed that in 2006 and 2007 the Group would allocate no less than PLN 70.000.000 annually on capital expenditure.

Under the credit facility agreement, Multimedia Polska S.A. is required to maintain specified levels of debt ratios. At June 30th 2007 debt ratios were as follows:

Pursuant to the credit facility agreement all ratios had permitted level.

As at the balance-sheet date, the Parent Company and its subsidiaries had the following liabilities secured on assets:

Long-term credit facility with BPH S.A. and ABN AMRO Bank N.V.:

1. Agreement on registered pledge over all existing and future assets representing movables or property rights, from time to time owned by each of the debtors (with the exception of claims under insurance policies and bank account agreements); each of the pledges secures receivables of up to PLN 675.000.000
2. Agreement on transfer of receivables under insurance policies
3. Agreement on subordination of future receivables
4. Declaration on submission to enforcement

The overdraft facility agreement in the amount of up to PLN 8,0m 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 statement, the entries have not yet been deleted.

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Interest bearing-loans, borrowings and finance leases are presented below:

	September 30, 2007 unaudited	December 31, 2006
<b>Short terms</b>		
Obligations under finance leases	322	1 256
Current account credit	19	1 557
Current portion of of long term credits	4 494	5 938
	<u>4 835</u>	<u>8 751</u>
<b>Long terms</b>		
Obligations under finance leases	495	623
Long term credits	401 161	495 820
	<u>401 656</u>	<u>496 443</u>
<b>Total interest bearing-loans and borrowings</b>	<u>406 491</u>	<u>505 194</u>

## 20. Contingent Liabilities

### 20.1. Court Proceedings

#### **Proceedings in which Multimedia Polska S.A. (or any other Group Company) acts (or may act) as the defendant:**

As at September 30th 2007, the Group was a party to several court proceedings. The majority of the proceedings related to labour law litigations initiated in previous periods and not ended till present financial statement. The rulings issued in similar cases in 2006 were not consistent; therefore, it is difficult to anticipate with certainty the outcome of the pending proceedings. As at September 30th 2007, the total liabilities under court proceedings in which the Group acted as the defendant amounted to PLN 276,0 thousands.

### 20.2. Other Contingent Liabilities, Including Guarantees and Sureties Granted by the Group, Also under Promissory Notes

Due to the fact, that Multimedia Polska S.A. is a party to lease agreements, it issues blank promissory notes as collateral for lease payments. Assets held under lease agreements include vehicles and computer hardware mainly.

The Group is also a party to several real estate tax collection proceedings carried out by Municipal Offices, and pending before Local Government Boards of Appeals and Provincial Administrative Courts. After consultations with lawyers, the Management Board believes that the risk of an additional tax assessment to the Company is not material; however, as at the date of these financial statements the above proceedings are still pending and their final outcome is uncertain. The basic tax risk related to the proceedings is associated with the determination of the real estate tax due for the period January 1st 2003 – January 27th 2006. Certain local tax authorities interpreted changes in the applicable tax regulations introduced in that period as giving grounds for imposing real estate tax on the parts of the network infrastructure which were excluded from the tax base declared by the Group companies. The decisions regarding arrears in real estate tax issued so far in similar cases by competent tax authorities were ambiguous and varied from case to case; therefore, it is difficult to evaluate the potential effect of such decisions on the disputes of the Group companies with their local tax authorities. Currently, there can be no assurance that new real estate tax proceedings will not be instigated against the Group companies and that the Group companies will not be required to pay additional tax together with interest.

The Group has created provisions for its potential tax liabilities. As at September 30th 2007 provisions for potential tax liabilities amounted to PLN 211 thousand and as at December 31st, 2006, provisions for potential tax liabilities amounted to PLN 98,0 thousands.

As at September 30th 2007 the liabilities to be paid amounted to PLN 3.3m for pay-off in December 2007. Arrangements were closed in 2001-2003 years by telents. In the effect of this agreement there was reduction of employment about 30-40% recorded on deferred revenue. In the period of January 1st 2007 till September 30th 2007 there were no changes concerning arrangements with creditors.

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## 21. Incentive Plan

On 14 August 2007 a group of Multimedia Polska S.A. employees (the "Authorized Employees") was granted an offer to purchase a specific number of the company's shares from its shareholder - Biscoden Trading & Investments Limited („Biscoden”). The offer serves as an incentive for employees to keep a long term employment with the company and incentivize them to undertake decisions aiming at increasing the Company's value. The Incentive Plan gives the employees a right to purchase of up to total of 286.000 shares. The purchase will be realized without increasing the Company's share capital. The Company doesn't have any liabilities connected with the Plan. The options are of european type with maturity date of 31 December 2008. The strike price is PLN 6.

The estimated total cost of the Plan is PLN 1 540,8 thousands and will be recoquized in the period from 3Q 2007 to 4Q 2008. In 3Q 2007 the cost of 143,4 thousands was recoquized in operating costs. In 2007 the expense related to the Plan will amount to PLN 424,1 thousands, and 1.116 thousand in 2008.

The option's valuation was made on base of Black-Scholes model determined by using following input data:

Price at the date of grant	11,20 zł
Strike date	31.12.2008
Strike price	6,00 zł
Expected volatility of the share price returns	27,94%
Employee exit rate	5%
Risk free interest rate	5,35%.

Exepected volatility of the share price returns was based on historical prices of the Company's shares. Model assumes that dividends will not be paid during this period.

The right to exercise the options will vest on 31 December 2008 provided that an Autorized Employee remains employee of the Company.

If case of dissolution of employment contract or imosing the sanction the employe the right to option will expire.

The options may be exercised and setted by February 20,2009.

The Management Board numbers participate in the Incentive Plan as presended below:

	<b>Number of options held</b>	<b>Fair value</b>
Arkadiusz Dorynek	39.000	221,2

## 22. Related party transactions

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

## 23. Events Subsequent to the Balance-Sheet Date

As at the date of these consolidated interim financial statements, i.e. November 08th 2007, no events had occurred since the balance-sheet date that were not, but should have been disclosed in the financial stalemnts as at September 30th 2007

On 23 October 2007 Multimedia Polska S.A. entered into a share purchase agreement with Maribenia Ltd to acquire 208 shares of Przedsii biorstwo Handlowo-Uslugowe SOTEL Sp. z o.o. repreret 100% of the share capital of the Company. The Share purchase price amounts to PLN 5.5 millions.

On 31 October 2007 Multimedia Polska S.A. entered into a share purchase agreement with OPEN-NET S.A. to transfer the ownership of 8,010 shares of INTERTEL Spółka z ograniczon odpowiedzialno ci constitutine 98.77% of the share capital of the Company. The purchase price has been agreed at PLN 5,5millions.

On 31 November 2007 Multimedia Polska S.A. acquired from "Klub Obywatelski w Trzebini Sierszy" with its office in Trzebinia 100 shares of INTERTEL Sp. z o.o. representing 1.23% of the Company's share capital 1.23% of total vote at General Meetings for the price of PLN 50,000.

As a result of these transactions, Multimedia Polska S.A. became the sole owner of the Company and currently has 100% of votes at General Meetings of INTERTEL Sp. z o.o.

## **MULTIMEDIA POLSKA S.A.**

INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30TH 2007

*MULTIMEDIA POLSKA S.A.*  
**INTERIM CONDENSED BALANCE SHEET**  
for three and nine months ended September 30th, 2007  
(in thousand PLN)

**I INTERIM CONDENSED INCOME STATEMENT**  
(in thousand PLN)

	Three months ended	Nine months ended	Three months ended	Nine months ended
	Sep 30 <sup>th</sup> 2007	Sep 30 <sup>th</sup> 2007	Sep 30 <sup>th</sup> 2006	Sep 30 <sup>th</sup> 2006
Rendering of services to subscribers and other operators	85 277	250 978	67 403	197 925
Other revenue	9 527	27 797	9 510	22 750
<b>Total Revenue</b>	<b>94 804</b>	<b>278 775</b>	<b>76 913</b>	<b>220 675</b>
Depreciation and amortisation	21 989	62 075	14 553	45 036
Materials	2 568	7 717	2 417	5 786
External services	38 408	116 492	26 754	78 586
Taxes and charges	3 251	9 689	2 365	7 552
Payroll	6 489	18 892	10 238	28 204
Other employee benefits	1 387	3 987	1 231	3 652
Other expenses	565	1 810	596	1 872
Value of goods and materials sold	<u>60</u>	<u>100</u>	<u>38</u>	<u>38</u>
Operating expenses	74 718	220 762	58 192	170 726
<b>Profit on sales</b>	<b>20 086</b>	<b>58 013</b>	<b>18 721</b>	<b>49 949</b>
Other operating income	8 145	27 453	471	3 206
Other operating expenses	<u>7 583</u>	<u>28 326</u>	<u>609</u>	<u>3 908</u>
<b>Operating profit</b>	<b>20 648</b>	<b>57 140</b>	<b>18 583</b>	<b>49 247</b>
Finance income	2 386	9 340	1 386	5 932
Finance costs	<u>6 001</u>	<u>2 180</u>	<u>8 697</u>	<u>21 788</u>
<b>Profit before tax</b>	<b>17 033</b>	<b>44 300</b>	<b>11 272</b>	<b>33 391</b>
Income tax expense	<u>3 048</u>	<u>9 480</u>	<u>3 819</u>	<u>8 115</u>
<b>Net profit</b>	<b><u>13 985</u></b>	<b><u>34 820</u></b>	<b><u>7 453</u></b>	<b><u>25 276</u></b>

*MULTIMEDIA POLSKA S.A.*  
**INTERIM CONDENSED BALANCE SHEET**  
as at September 30, 2007  
(in thousand PLN)

**II INTERIM CONDENSED BALANCE SHEET**  
(in thousand PLN)

	Nota	Sep 30 <sup>th</sup> 2007	Dec 31 <sup>th</sup> 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		438 178	384 149
Goodwill		66 716	4 796
Intangible assets		16 939	17 906
Financial assets		189 150	201 511
Non-current receivables		644	644
Prepayments and deferred costs		381	424
Deferred tax asset		<u>6 986</u>	<u>-</u>
		718 994	609 430
Inventories		2 482	14 586
Income tax receivables			7 892
Trade and other receivables		67 794	52 659
Prepayments and deferred costs		3 566	1 903
Current investments		25 217	36 453
Cash and cash equivalents		<u>172 793</u>	<u>332 021</u>
		271 852	455 514
<b>TOTAL ASSETS</b>		<b><u>990 846</u></b>	<b><u>1 054 944</u></b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		157 700	157 700
Share premium			237 154
Other reserves		302 795	21 378
Retained earnings		<u>39 572</u>	<u>40 714</u>
<b>Total equity</b>		<b>500 067</b>	<b>456 946</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings, finance leases		401 656	496 443
Other non-current liabilities		-	-
Provisions		536	118
Deferred income tax liabilities		<u>12 119</u>	<u>7 140</u>
		414 311	503 701
<b>Current liabilities</b>			
Interest-bearing loans and borrowings and other		4 835	33 347
Interest Rate Swap (IRS) contracts		-	2 065
Trade and other payables		49 422	43 795
Accruals		1 881	10 840
Deferred income		20 155	3 761
Provisions		<u>175</u>	<u>489</u>
		76 468	94 297
<b>Total liabilities</b>		<b><u>490 779</u></b>	<b><u>597 998</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>990 846</u></b>	<b><u>1 054 944</u></b>

*MULTIMEDIA POLSKA S.A.*  
 INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
 for three and nine months ended September 30th, 2007  
 (in thousand PLN)

**III INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
 (in thousand PLN)

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury share</i>	<i>Other reserve capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
At 1 January 2007	157 700	237 154	-	21 379	49 213	465 446
Profit (loss) from valuation of available-for-sale financial assets	-	-	-	-	-	-
Profit/ loss from valuation of cash flow hedges	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Income/costs for the period recognised directly in equity after deferred tax	-	-	-	-	-	-
Mergers adjustment	-	-	-	-	(198)	(198)
Profit/loss for the period	-	-	-	-	34 820	34 820
<b>Total income/costs for the period</b>	-	-	-	-	34 622	34 622
Issue of shares	-	-	-	-	-	-
Issue of shares cost	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Purchase of minority interest	-	-	-	-	-	-
Distribution of prior years profit	-	-	-	44 262	(44 262)	-
At 30 September 2007 ( unaudited )	157 700	237 154	-	65 641	39 573	500 068

*MULTIMEDIA POLSKA S.A.*  
 INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
 for three and nine months ended September 30th, 2007  
 (in thousand PLN)

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury share</i>	<i>Other reserve capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
At 1 January 2006	136 912	37 499	-	3 458	14 372	192 241
Profit (loss) from valuation of available-for-sale financial assets	-	-	-	-	-	-
Profit/ loss from valuation of cash flow hedges	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Income/costs for the period recognised directly in equity after deferred tax	-	-	-	-	-	-
Profit/loss for the period	-	-	-	-	44 263	44 263
<b>Total income/costs for the period</b>	-	-	-	-	44 263	44 263
Issue of shares	20 788	199 655	-	-	-	220 442
Issue of shares cost	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Purchase of minority interest	-	-	-	-	-	-
Distribution of prior years profit	-	-	-	17 920	(17 920)	-
At 31 December 2006	157 700	237 154	-	21 378	40 715	456 946

*MULTIMEDIA POLSKA S.A.*  
**INTERIM CONDENSED CASH FLOW STATEMENT**  
for nine months ended September 30th, 2007  
(in thousand PLN)

**IV INTERIM CONDENSED CASH FLOW STATEMENT**  
(in thousand PLN)

	Nine months ended Sep 30 <sup>th</sup> 2007	Nine months ended Sep 30 <sup>th</sup> 2006
<b>Cash flows from operating activities</b>		
Profit before taxation	44 300	33 390
Adjustment for:	78 753	30 892
Depreciation and amortisation	62 075	45 036
Interest and dividends, net	14 633	15 840
Foreign exchange gains/(losses)	-	(40)
Gain (loss) from investing activities	(87)	558
Change in inventories	321	161
Change in trade and other receivables	(8 846)	(4 834)
Change in current payables, except bank loans	(1 181)	(7 544)
Change in accruals and prepayments	16 762	(7 674)
Change in provisions	104	(249)
Income tax paid	(11 486)	(8 238)
Other adjustments	6 460	(2 123)
<b>Net cash flows from operating activities</b>	<u>123 053</u>	<u>64 282</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangibles	36 031)	948
Purchase of property, plant and equipment and intangibles	(187 653)	(97 339)
Acquisition of subsidiary, net of cash acquired	-	(91 904)
Interest received	-	6
Repayment of loans granted	13 355	23 654
Granting of loans	(8)	-
<b>Net cash flows from investing activities</b>	<u>(138 276)</u>	<u>(164 637)</u>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(62)	(280)
Repayment of loans and borrowings	(123 300)	-
SWAP contracts paid	(901)	(826)
Interest and fees paid	(18 205)	(15 146)
Other	-	-
<b>Net cash flows from financing activities</b>	<u>(142 468)</u>	<u>99 807</u>
Net change in cash and cash equivalents	(157 691)	(547)
Cash and cash equivalents at the beginning of the period	330 465	3 472
Cash and cash equivalents at the end of the period	172 774	2 925