CONSOLIDATED ANNUAL REPORT
OF THE CYFROWY POLSAT S.A. CAPITAL GROUP
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2008

Warsaw, 26 March 2009

Content of the annual report

Dear Sirs,

It is with greatest pleasure and satisfaction that I present this Annual Report of the Cyfrowy Polsat S.A. Capital Group for 2008 to you. For our group, it was a year of dynamic growth, development of television services and delivery of new projects.

Record subscriber acquisition

We have strengthened our leading position on the pay DTH satellite television market in 2008 increasing our customer base by 659 thousand, which is the second best result in the history of our platform. Due to that, we completed last year with 2.726 million subscribers which represents a growth of 32 per cent in comparison with 2007 when we had 2.068 million subscribers.

Development of the HD offer

We strive to ensure regular growth of our television programming offer seeing to the satisfaction of our subscribers. The latest additions were the thematic channels of Telewizja Polsat - Polsat News, Polsat Cafe, Polsat Play and high definition channels - Eurosport HD, HBO HD, MTVNHD and Discovery HD. Currently over 70 Polish language channels are available to our subscribers, including five of high definition quality.

Dynamic development of financial results

In 2008 we significantly improved our financial results. Our consolidated revenue was PLN 1,136 million, an increase of 43% in comparison to 2007. EBITDA, or operating profit increased by depreciation, increased by 110% to PLN 348 PLN in the period, and the net profit increased by138% to PLN 270 million.

New business profiles

In November 2007 our subsidiary Cyfrowy Polsat Technology Sp. z o.o. launched production of cutting-edge set-top-boxes, which we began to offer our subscribers in March 2008. This has enabled us to become the first satellite television operator in Poland to include its own proprietary set top boxes in its offering. In order to ensure high quality of our set-top-boxes, we acquired one of the most advanced assembly lines available on the market, we hired a team of experienced engineers and programmers, and we obtain components from globally renowned suppliers. This decision to invest in own production of set-top-boxes enabled us to reduce the costs of set-top-boxes sold, thereby improving our profitability.

Mobile telephony services

In 2008 we also launched the mobile telephony services under the brand „Rodzinna Telefonia Komórkowa" (Family Mobile Telephony) as MVNO. We are the first operator in Poland which launch the full MVNO model, we have our own telecommunication structure, excluding the radio network, which we use on the basis of domestic roaming agreement with Polska Telefonia Cyfrowa Sp. z o.o.. Such a solutions enables us to shape our tariffs, pricelists, and added services independently. Since the launch of full offer on 8 September 2008 we managed to attract 39 thousand users of the new service, including 36 thousand users of the pre-paid offer. We believe that the synergies derived from providing two services will contribute to increased revenues from operating activities, an increase in overall client satisfaction and, as a result, lower churn rate and also to an increase in the number of clients.

Initial Public Offering

The a breakthrough moment for our Company the debut of Cyfrowy Polsat on the Warsaw Stock Exchange on 6 May 2008 was, when our shares were listed on the WSE for the first time. Cyfrowy Polsat is only one twenty largest IPOs of last year in Europe, but also the only European debutant of last year whose market price is still above the price of initial offering. Since its first listing, until 20 March 2009, Cyfrowy Polsat has brought its investors a profit of 11%, whereas the WIG20 index has dropped over 50% in that period. According to Warsaw Stock Exchange's revision of February, Cyfrowy Polsat was admitted into the WIG20 index, where it has been quoted since 23 March of this year. Cyfrowy Polsat's success not only confirms excellent financial situation of the Company but also the market's and investors' trust in the Company and the brand which we have been consequently building for several years.

High Reputation Company

As the Management Board we are very proud of the results achieved in 2008, which fully satisfied our expectations. Simultaneously we are very pleased that our efforts were appreciated and we were granted numerous awards and distinctions for our business in 2008 e.g. Dobra Firma 2008, Perła Polskiej Gospodarki 2008, Spółka Wysokiej Reputacji 2008.

Development strategy

One of the key factors of our company's success is certainly a vision of its development, an efficient strategy and its consequent implementation. Our goal is to become a multi-play operator. We intend to extend our offer by broadband internet services and fixed line telephony. We believe that it will further increase the number of our Subscribers, improve our ARPU, and strengthen loyalty of our Clients. We hope that effective cost management will contribute to the increased profitability of our platform – to the satisfaction of the Company's shareholders.

Yours truly,

Dominik Libicki

President of the Management Board

Cyfrowy Polsat S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE CYFROWY POLSAT S.A. CAPITAL GROUP IN THE FISCAL YEAR ENDED 31 DECEMBER 2008

This document is a free translation of the Polish original.
Terminology current in Anglo-Saxon countries has been used where practicable
for the purposes of this translation in order to aid understanding.
The binding Polish original should be referred to in matters of interpretation.

Table of content

Item 1. Introduction

We are the largest provider of pay DTH satellite television broadcasting services in Poland in terms of number of subscribers Our core business is to provide individual customers with access to television and radio channels grouped into different paid programming packages transmitted via satellite and mobile telephony services. Since November 2007 we produce our own set-top boxes. Since 8 September 2008 we provide telecommunication services as the mobile virtual network operator (MVNO).

We sell our satellite broadcasting services throughout Poland targeting the Polish viewing public with high-quality programming which is designed to appeal to, and be affordable for, every Polish family and with telecommunication services. We also offer other services such as signal transmission services for radio and television broadcasters.

The Company's offices are in Warsaw at 4a Lubinowa Street.

In this report on activities of the capital group references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiary. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company alone; „DTH" relates to digital satellite platform services which we provide in Poland since; „Family Package" and "Mini Package" relate to our starting packages available within our DTH services; "Subscriber" relates to a person who signed an agreement for subscription television services and who is obligated under the terms of agreement to make payments to access a package or packages of television channels or who has access to such packages after making required payments but witout having signed such an agreement; „ARPU" relates to average net revenue per user calculated as subscription revenues in the reporting period divided by average number of subscribers and by the number of months in the reporting period; „ARPU Family Package" and „ARPU Mini Package" relates to average revenue per subscriber to the Family Package and Mini Package, respectively; „churn" relates to churn rate, calculated as a percentage of terminated agreements – number of terminated agreements during the period divided by average number of subscriber in the period; „churn Family Package" and „churn Mini Package" relates to churn rate calculated for the Family Package and Mini Package, respectively; „SAC" relates to the sum of cost of provision paid to distributors and to the call center per each attracted customer – as required by Accounting Act dated 29 September 1994; „MVNO" relates to mobile virtual network operator services, which we launched on 8 September 2008; „Shares" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013: „the Report" refers to the Report on activities of the Capital Group prepared pursuant to art 92 section 3 of the Decree of the Finance Minister of 19 February 2009 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent information required by provisions of law of a country not being a member state.

Presentation of financial information

Unless otherwise indicated, financial information presented in the report was prepared pursuant to International Financial Reporting Standards ("IFRS") as approved for use in the European Union.

All financial data in this document is expressed in thousands unless otherwise indicated, with exception of prices of our programming packages and television channels. Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures shown as totals in this Report may not be exact arithmetic aggregations of the figures that precede them.

Industry and market data

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

- Informa Telecoms and Media, Eastern European TV, 12th Edition;

- Eurostat, for data relating to the Polish economy and GDP growth;
- World Advertising Research Center, for data relating to viewing time figures for particular European countries;
- Electronic Communications Authority; and
- Polish Central Statistical Office.

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

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

Forward looking statements

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

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

We disclose important risk factors that could cause our actual results to differ materially from our expectations under Item 4 „Key Risk and Threat Factors", Item 6 „Operating and Financial Review", and elsewhere in this Report. These cautionary statements qualify all forward looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial situation and results of operations.

Item 2. Currency presentation and exchange rate information

In this Report: (i) "PLN" or "zloty" refers to the lawful currency of Poland; (ii) "USD" or "dollars" refers to the lawful currency of the United States of America; and (iii) "EUR" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set out - for the periods indicated - certain information regarding the average buying/selling rates as published by the National Bank of Poland ("NBP"), for the zloty, the ("effective NBP exchange rate"), expressed in zloty per dollar and zloty per euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this Report. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such dollar or euro amounts or that such amounts could have been converted into dollars or euro at any particular rate.

Year (zloty per dollar)	Year ended 31 December				
	2004	2005	2006	2007	2008
Exchange rate at end of period	2.99	3.26	2.91	2.44	2.96
Average exchange rate during period	3.65	3.23	3.10	2.77	2.41
Highest exchange rate during period	4.06	3.45	3.30	3.04	3.13
Lowest exchange rate during period	2.97	2.91	2.86	2.43	2.02

Month (zloty per 1.00 dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
September 2008	2.45	2.25
October 2008	3.13	2.39
November 2008	3.08	2.73
December 2008	3.08	2.85
January 2009	3.46	2.88
February 2009	3.90	3.47

Year (zloty per 1.00 euro)	Year ended 31 December				
	2004	2005	2006	2007	2008
Exchange rate at end of period	4.08	3.86	3.83	3.58	4.17
Average exchange rate during period	4.53	4.03	3.90	3.78	3.52
Highest exchange rate during period	4.91	4.28	4.11	3.94	4.18
Lowest exchange rate during period	4.05	3.82	3.76	3.57	3.20

Month (zloty per 1.00 euro)	Highest exchange rate during the month	Lowest exchange rate during the month
September 2008	3.47	3.28
October 2008	3.93	3.38
November 2008	3.88	3.50
December 2008	4.18	3.83
January 2009	4.44	3.92
February 2009	4.90	4.44

Item 3. Selected financial data

The following tables set forth our selected historical financial data for the years ended 31 December 2008 and 2007 and should be read in conjunction with Item 6. "Operating and Financial Review" and the consolidated financial statements for the fiscal year ended 31 December 2008 (including the notes thereto) attached to this Report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements.

Selected financial data

- from the consolidated profit and loss statement and the consolidated cash flow for the period of twelve months ended 31 December 2008 and 31 December 2007 have been converted into EURO at the rate of PLN 3.5321 per 1 euro, (being the average of exchange rates announced by the NBP at the end of each month of the reporting period i.e. from 1 January to 31 December 2008),

- from the consolidated balance sheet as at 31 December 2008 and 31 December 2007 have been converted into euro at the rate of PLN 4.1724 per 1 euro (average NBP exchange rate on 31 December 2008).

The reader is advised not to view such conversions as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

	Year ended 31 December			
	2008		2007	
(in thousands)	PLN	EUR	PLN	EUR
Consolidated Income Statement				
Revenues from operating activities	1,136,281	321,701	796,669	225,551
Total operating expenses	(811,987)	(229,888)	(651,522)	(184,457)
Operating profit	324,294	91,813	145,147	41,094
Pre-tax profit	333,654	94,463	140,170	39,685
Income tax	63,891	18,089	26,755	7,575
Net profit attributable to shareholders of Cyfrowy Polsat S. A.	269,763	76,375		
Basic and diluted earnings per share (not in thousands)	1.01	0.29	0.43	0.12
Weighted average number of issued ordinary shares (not in thousands)	268,325,000	-	263,806,918	-
Consolidated Cash Flow Statement				
Net cash flow from operating activities	316,176	89,515	111,210	31,486
Net cash flow from investing activities	(55,495)	(15,712)	(54,358)	(15,390)
Net cash flow from financing activities	(165,390)	(46,825)	(15,667)	(4,436)
Cash and cash equivalents at the end of the period	95,291	26,979	41,185	11,660
Other consolidated financial data				
EBITDA*	347,841	98,480	165,924	46,976
EBITDA margin	30.6%	30.6%	20.8%	20.8%
Operating margin	28.5%	28.5%	18.2%	18.2%

	As at 31 December			
	2008		2007	
(in thousands)	PLN	EUR	PLN	EUR
Consolidated balance sheet				
Total equity	757,131	181,462	595,203	142,652
Total non-current liabilities	57,347	13,744	134,914	32,335
Total current liabilities	406,446	97,413	399,149	95,664
Retained earnings	293,338	70,304	61,140	14,653
Share capital	10,733	2,572	10,733	2,572

[1] The EBITDA result is calculated as operating profit plus depreciation. EBITDA is not a measure of operating profit, operating efficiency or liquidity. On the other hand, EBITDA is a measure used in activity management, because this measure is frequently used by investors and enables them to compare the efficiency without taking into account depreciation, the value of which may differ significantly depending on the accepted accounting methods as well as other operating and non-operating factors.

Item 4. Key risk and threat factors

System failures could disrupt our operations and thereby have a material adverse effect on our business, financial condition, results of operations and prospects

Our satellite broadcasting center and our information systems, including our subscriber management system, reporting systems, sales service system, and customer relationship management system are vulnerable to results of natural disasters (such as earthquakes, floods, hurricanes, fires, severe storms and other phenomena), power loss, telecommunications failures, network software flaws, satellite or transponder failure, acts of terrorism, sabotage, riots, civil disturbances, strikes and other industrial action and other catastrophic events. We may experience failures or shutdowns relating to individual components of the satellite broadcasting center or even catastrophic failure of our entire satellite broadcasting center. Any failure of our satellite broadcasting center, including the Eutelsat Hotbird 8 satellite or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise, or any breakdown of our subscriber management system, customer relationship management system, sales service system and reporting system, may result in serious disruption or even suspension of our operations for a prolonged period. The occurrence of any of these events may also increase the costs associated with our operations and may subject us to liability, any of which could materially and adversely affect our operations and thereby have a material adverse affect on our business, financial results, results of operations and prospects.

Our growth and satisfaction of our subscribers with our services depend on entering into new and extending current license agreements for access to key programming rights

The results of our operations depend on our ability to obtain attractive television programming. Currently, we provide our clients with attractive television programs distributed on the basis of license agreements concluded for specified periods of time with relevant broadcasters. Attractive television programming is one of the main factors that enable us to attract and retain our customers. We cannot guarantee that the license agreements currently in place, upon their expiration, will be renewed at all or on terms comparable to their current terms. In addition, there can be no guarantee that we will be able to introduce new attractive channels into our programming offer or retain channels currently included in our programming offer. Any inability to renew current license agreements on acceptable terms or negotiate new license agreements could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we cannot successfully deploy new products and services, our business, financial condition, results of operations and prospects may be adversely affected

Our business is characterized by rapid technological change and the introduction of new products and services. If new or improved products, services or technology (such as HDTV, sales of DVR set-top boxes, or the production and sales of our own set top boxes) introduced by us fail to achieve sufficient market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover the initial investment that we have made or may make to deploy these products and services. In addition, if our competitors offer the same or similar new products and services in the market more quickly or more effectively than we do, we may lose existing and potential customers to our competitors.

In addition, as we introduce new products and services to our customers and as the number of our customers and the number of services that we offer our customers increases, the complexity of our product and service offerings will also increase. A failure to manage the growth and complexity of our new products and services could lead to disruptions in our business which could harm our reputation and result in a loss of subscribers. In addition, we cannot assure you that we will not experience technical or logistical difficulties as we continue to develop these products and services. As a result, the occurrence of any of the above risks in the deployment of new products and services may materially adversely affect our business, financial condition, results of operations and prospects.

Our ability to provide our services is dependent upon the cooperation, facilities and equipment of certain third party providers, the failure of which could cause delays or interruptions in our service, damage our reputation and cause us to lose customers

Our success depends on our ability to provide high quality and reliable services, which is in part dependent upon the proper functioning of facilities and equipment owned and operated by third parties and is, therefore, beyond our control. For example, we currently lease three transponders and starting on 1 May 2009 we can use the fourth transponder on the Eutelsat Hotbird 8 satellite which allow us to provide our services to our customers. In addition, we use the Nagravision conditional access system to secure our system from unauthorized access through piracy or hacking by third parties.

If our third party service providers fail to maintain their networks properly, fail to respond quickly to problems, or fail to prevent unauthorized access by third parties, our customers may experience service interruptions. If interruptions adversely affect the perceived reliability of our service, we may have difficulty attracting new customers and our brand, reputation and growth will be negatively impacted.

If any of the abovementioned risks materialize, they may have a material adverse effect on our business, financial condition, results of operations or prospects.

We cannot guarantee that in the future the President of UOKiK may deem our practices to be limiting competition.

There are explanatory proceedings running before the President of the Polish Competition and Consumer Protection Office (UOKiK). If the President of UOKiK deems our practices to be limiting competition the President of UOKiK may call us to cease their application. Moreover, the President of UOKiK may impose a cash fine on us amounting to up to 10% of our revenue (as set out in the corporate tax law) for the fiscal year prior to the year the fine is imposed. Such a fine, if imposed, may materially adversely affect our business, financial condition, results of operations and prospects.

Our success depends on attracting and retaining key personnel

Running our business requires properly skilled personnel. There is a risk that we might lose our skilled personnel, or fail to attract properly trained staff in the face of intense competition for highly skilled personnel. Loss or failure to attract highly skilled personnel for key positions could have a material adverse effect on our business, financial condition, result of operations and prospects.

Advanced technology we employ in our business may fail or become obsolete

The software and technology that we use, in particular the compression, scrambling and subscriber management systems integral to our satellite broadcasting center, may not function as we expect. In addition, technology in the satellite television industry is in a rapid and continuing state of change, therefore we and our service suppliers may not be able to keep pace with technological developments or any urgent need to replace obsolete technology. In addition, delays in the delivery of components or other unforeseen problems in our broadcasting system that may occur could materially adversely affect our business, financial condition, results of operations and prospects.

Scrambling algorithm and access codes used in our business are vulnerable to security breaches

We currently use the Nagravision conditional access system, based on common scrambling algorithm Digital Video Broadcasting developed by Nagravision, a leading global producer of conditional access systems based on a digital video broadcasting common scrambling algorithm. The conditional access system provided by Nagravision facilitates the management of access codes to a subscriber's programs and the scrambled transmission of keys for the common scrambling algorithm. Nevertheless, unauthorized access to the keys may occasionally occur, and third parties may obtain unauthorized access to our services. We are currently upgrading our conditional access system (from NagraVision Aladin to the Nagravision 142 conditional access system) and taking measures to seek to ensure that persons who breach our conditional access system are pursued to the full extent of the law.

However, no conditional access system is able to guarantee operations without any security breaches whatsoever. Nagravision has agreed with us to remedy all security breaches within specified time limits or to pay damages, but Nagravision´s liability under this agreement is capped. In addition, there can be no assurance that the DVB scrambling algorithm used by the entire pay television industry will not be compromised, which would allow unauthorized access to our services without using access keys to the common scrambling algorithm and, consequently, require us to replace our set-top boxes to enable our customers to receive the services provided by us. The occurrence of any of these risks could have a material, adverse effect on our business, financial condition, results of operations and prospects.

The production of our own set-top boxes may be less cost effective than we expect

We commenced the production of our own set-top boxes in November 2007. We believe that we will be able to save substantial costs by producing our own set-top boxes. Any delays in increasing the production of our set-top boxes or our inability to realize significant cost savings from the operations of our set-top box production facility could have a material adverse effect on the set top box manufacture cost and thus may not bring expected improvement in the financial results.

Currency fluctuations could adversely affect our financial condition and results of operations

Our business is exposed to fluctuations in currency exchange rates. Although almost all of our revenue is denominated in Polish zloty, we have significant costs (including costs of purchasing set-top boxes, other hardware equipment, software and television programming) that are denominated in currencies other than the Polish zloty.

The exchange rate fluctuations are caused by events that are beyond our control. Adverse foreign currency fluctuations against zloty could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to grow our DTH satellite television services business depends in part on our ability to maintain the operations of our sales network

We have organized a DTH satellite sales network throughout Poland. If demand for our services distributed through this network declines, our distribution network may become smaller. Increased competition with other pay television services providers may also lead to an increase in our distribution costs. Further, as we enter into agency agreements with our distributors, we may be forced to make payments to these distributors if we or they terminate these agreements even though they no longer work as our distributors.

Any growth in distribution costs, decrease in the size of our sales network, decrease in the effectiveness of our sales network or obligations to make payments to former distributors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our subscriber churn may increase in the future

Our churn rate may increase in the future due to various factors such as increased competition, especially price competition, technical difficulties with the quality of our services or a decrease in the security level of our television signal. From time to time, we change our programming offer by adding individual channels or excluding individual channels and by introducing new pricing for our programming packages. Such changes may adversely affect our churn rate and decrease our revenues or decrease the profitability of our business. In order to counter a potential or actual increase of our churn rate, we may be required to incur additional costs, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

The risk of increasing average subscriber acquisition costs and declining average monthly revenue per subscriber in connection with the expansion of our business into new areas

We forecast that due to the expansion of our business into new areas in the future, in particular the MVNO business that we launched on 8 September 2008, and growing penetration on the pay television services market, our average subscriber acquisition costs, as well as the average subscriber acquisition cost for each single package may increase. Our blended ARPU, as well as the ARPU for each single segment also may decrease. At the same time, ARPU for both segments may decline particularly as a result of growing number of subscribers to the Mini Package, extended promotional periods, and changes to the structure of packages, and the launch of mobile telephony services or for other reasons. Any significant growth in the subscriber acquisition costs and any significant decrease in these revenues could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

Loss or failure to maintain our reputation and brand may adversely affect our business

Our brand name "Cyfrowy Polsat" is an important asset to our Group. Maintaining the reputation of, and value associated with, the Cyfrowy Polsat name is vital to the success of our business. However, there can be no assurance that we will be able to accomplish this objective. Our reputation may be harmed if we encounter difficulties in providing our services particularly such as HDTV, MVNO services, or in deploying new products such as DVR. The problems may result from technical faults, lack of necessary equipment or other factors. In addition, the quality of the MVNO services we offer depends on the services and quality of a third party's mobile network and related functions, over which we have no influence or control. Low quality of services provided by the operator may substantially erode our reputation or value associated with the "Cyfrowy Polsat".

A decrease in the "Cyfrowy Polsat" brand's reputation could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may pursue acquisitions which, if consummated, may adversely affect our business

We periodically evaluate potential acquisitions of businesses or business combination transactions that we believe will present opportunities to realize synergies and strengthen our market position, among other perceived benefits. Any acquisition or business combination we may undertake in the future could require us to use significant financial resources (including cash) to make potentially dilutive issuances of our equity securities, to incur debt and contingent liabilities.

If we experience any difficulties in integrating acquired operations into our business, we may incur higher than expected costs and not realize all the benefits of these acquisitions. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions, there could be a material adverse effect on our business, financial condition, results of operations and prospects. In addition, our debt burden may increase if we borrow funds to finance any future acquisition costs, which could have a negative impact on our cash flows and our ability to finance our overall operations.

On 28 August 2008 our Management Board resolved to merge and adopted a merger plan with Praga Business Park Sp. z o.o., seated in Warsaw, in which we held 100% share capital. The merger will be conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) will be moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code. The merger was recorded by the District Court for the City of Warsaw, XIII Entrepreneurs' Department of the National Court Register on 31 December 2008.

We may be exposed to risk of claims related to intellectual property right infringement

The success of our business depends to a large extent on the use of intellectual property rights. In particular, rights to advanced technological solutions, licenses for the software we use and the trademarks used by us. In our opinion we do not breach any third party's intellectual property rights. However, we cannot rule out the possibility that we have unintentionally breached or may breach such rights. As a result, we could be exposed to liability claims from third parties. To our knowledge, no such claims are currently pending against us. If it were alleged that we violated certain intellectual property rights, we might be required to obtain a paid license or acquire new solutions making it possible for us to engage in our business in a manner that does not breach third party rights. Any of these risks could create substantial costs and lead to a decrease in revenue and, consequently, materially adversely affect our business, financial condition, results of operations and prospects.

We are exposed to risk related to increasing competition on the market in which we operate

We operate in the pay DTH satellite television services market in Poland which is characterized by continuously changing technological development and increasing competition from other pay DTH satellite television services providers: Cyfra+, the "n" platform, or Telekomunikacja Polska S.A. ("TPSA") Viewers may also choose comparable content from other sources available via other transmission technologies, such as cable TV, IPTV and other alternative technologies that are not yet commercially viable. Moreover, joint ventures and strategic alliances between DTH satellite television services businesses, cable TV and telecommunications providers, as well as foreign competitors entering the Polish market, may result in the growth of competition in the market for the type of services we provide. Further, any earlier than expected roll-out of digital terrestrial television ("DTT") service could negatively affect our business as new customers could potentially migrate toward that service. Such new competitors may have access to greater financial and marketing resources and, if successful, capture a large share of the market on which we operate. We also cannot rule out the possibility that the development of terrestrial digital TV and the resulting possibility of the appearance of a high-quality programming offer without the need to pay fees will cause a decline in the number of customers who use our pay DTH satellite television services.

The occurrence of any of the above risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to significant legal regulation which could require us to incur unplanned costs, or limit our revenues

We are an MVNO provider in Poland and as a result we are subject to extensive administrational requirements regulating our business, e.g. setting maximum rates for telecommunication services by relevant regulatory authorities.

As providing mobile telephony services is a new business for us, we cannot assure you that we will be able to satisfy all of the different requirements resulting from provisions regulating the business and as a result we cannot rule out that in the case we cannot comply with all of these regulations, we may be forced to pay penalties for breaching these regulations. In particular, these penalties may include: (i) a fine of up to 3% of our revenues generated in the year preceding the year in which the fine is imposed and (ii) a prohibition on providing telecommunications services, which means that we would be deleted from the register of telecommunications businesses. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects

The National Broadcasting Council ("KRRiT") may withdraw or refuse to renew our license

Our business as a supplier of the pay digital satellite television involves wireless distribution of television programs which do not require a frequency reservation. It is currently unclear under Polish law whether our business requires a license. Notwithstanding this uncertainty, we have obtained a license to distribute television programs via satellite.

Article 38 of the Radio and Television Act lists a number of circumstances under which a license may be withdrawn, including, for example, activities that grossly violate the terms of the license, conducting business that violates the Radio and Television Act or the terms of the license and a failure to remedy such a situation despite a request to do so. The Radio and Television Act also specifies situations in which the license may be withdrawn for example, in cases involving a direct or indirect change of control over the licensed business.

Our compliance with the terms of the license granted by KRRiT on 22 October 2003 and amended by further decisions: No. DK - 346/2005 - 1/294, No. DK - 248/2006 - 2/294, No. DK - 295/2006, No. DK - 368/2007 - 3/294, No. DK - 395/2007 - 4/294, and No. DK - 398/2007 has never been questioned by the KRRiT. However, we cannot rule out that the KRRiT may decide that the scope of our license is insufficient or that our business exceeds the scope of the license. This is particularly true with television programs we broadcast that have not been listed in the license. The current market practice is that the license relates to the distribution of the channels itself without specifying particular channels. This practice is consistent with EU regulations, and in particular with the Council Directive of 3 October 1989 on the Coordination of Certain Provisions set forth by Law, Regulation or Administrative Action in Member States Concerning the Pursuit of Television Broadcasting Activities (89/552/EEC) (Official Journal of Law 89.298.23, as amended) and the European Convention on Transfrontier Television adopted in Strasbourg on 5 May 1989 (Dziennik Ustaw of 1995, No. 32, item 160, as amended). This practice is further supported by the fact that the distribution of television programs does not influence the content of those programs, and the obligation to hold a license for a program is imposed on the program broadcaster. Should the KRRiT change its position and interpret the regulations differently, penalties may be imposed, up to and including the withdrawal of our license.

In addition, according to Article 38 of the Radio and Television Act, the KRRiT may withdraw a license in the event of a direct or indirect change of control over our business. In the event of change of control, the KRRiT will be able to withdraw our license, which could force us to suspend our DTH satellite television services and apply for a new license.

Our television license has been granted for a definite period of time in accordance with market practice and is scheduled to expire in 2013. If there will be an obligation to obtain a license for television channel distribution after 2013, KRRiT may decide to extend it, or refuse to extend it.

Pursuant to Article 38, Section 1, Clauses 2 and 3 of the Radio and Television Act, a license will be withdrawn if the broadcaster grossly violates the terms set out in the Radio and Television Act, or in the license or if the activity that is subject to the license violates the Radio and Television Act or the license and if the license holder, despite a demand from the Chairman of the KRRiT, has failed to remedy the irregularity within the terms set out in the license or in the Radio and Television Act within a specified time limit.

If our license is withdrawn or not extended, this may force us to discontinue or suspend our DTH satellite television services for an indefinite time, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

A decline in consumer spending in Poland could significantly, adversely affect our business

All of our revenues are derived from customers in Poland. The level of our revenues depends on the amount of disposable income that existing and potential subscribers in Poland spend on entertainment, leisure and telecommunication needs. If the Polish economic situation deteriorates consumers will be likely to spend less on entertainment, leisure and telecommunication needs and in view of the existing numerous entertainment options on the market, consumers could also become less prepared to use their disposable income on our products and services. Any of these developments could adversely affect our subscriber number, or the rate of new client acquisition, which could adversely affect our business, financial condition and prospects.

Frequent changes in tax regulations may have an adverse effect on our financial and operating results, and prospects

The Polish tax system is characterized by low stability. Tax regulations are frequently amended, often to the detriment of the taxpayers. Tax laws may also have to be amended to implement new EU legislation, resulting from implementation or amendments to already existing regulations in the tax law.

In practice, tax regulators apply the law relying not only on regulations but also on interpretations thereof made by higher authorities or courts. Such interpretations are also subject to change, or can be replaced by new acts, or remain in force but clash with other regulations. The lack of consistency is further exacerbated by the lack of clarity of many regulations in the Polish tax system, and, to a limited extent, by a lack of clarity of judicial decisions. Taxes and other similar payments, such as customs duties and foreign currency payments, may be audited by tax authorities and, if any discrepancy is found, interest and penalties may be imposed. Tax returns submitted by us and our subsidiaries may be audited by tax authorities for five prior years and some transactions with our subsidiaries may also be challenged for tax reasons. We may be required to pay material additional taxes, as well as interest and penalties.

The need to pay additional taxes, interest and penalties may have a material adverse effect on our business, financial condition, results of operations and prospects.

Zygmunt Solorz-Zak, directly and indirectly through Polaris Finance, holds majority of votes in our general shareholders' meeting

Zygmunt Solorz-Zak has, directly and indirectly, (through Polaris Finance) more than 72% of the total votes at our General Shareholders' Meeting. As a result, Zygmunt Solorz-Zak and Polaris Finance will decide on a final content of resolutions adopted by the General Shareholders' Meeting.

Item 5. Presentation of our. Capital Group

Item 5.1. Key information about our Capital Group

We are the largest provider of pay DTH satellite television broadcasting services in Poland with 2,726,993 subscribers as at 31 December 2008. Our core business is to provide individual customers with access to television and radio channels grouped into different paid programming packages and transmitted via satellite. Since November 2007 we produce our own set-top boxes. On 8 September 2008 we started providing telecommunication services as MVNO.

We sell our satellite broadcasting services throughout Poland targeting the Polish viewing public with high-quality programming which is designed to appeal to, and be affordable for, every Polish family.

We provide our subscribers with an access to 74 Polish-language television channels, including sports, music/entertainment, news/information, children, education and film channels. We are the only pay DTH satellite operator to provide its customers with access to all major terrestrial channels in Poland, including Polsat, TVP 1, TVP 2 and TVN. In addition, we provide our customers with an access to over 500 free to air ("FTA") television and radio channels available via satellite in Poland. Starting in December 2007, we began to offer four thematic channels produced by BBC Worldwide Limited, all on an exclusive basis for DTH satellite operators in Poland. Moreover, we offer high definition channels, such as Polsat Sport HD, Eurosport HD, HBO HD and MTVN HD, and Discovery HD.

We currently offer our customers three introductory packages: the Family Package (Pakiet Familijny), the Mini Package (Pakiet Mini), and the Mini Max Package (Pakiet Mini Max). The Family Package is our most popular introductory package. Subscribers to our Family Package may also purchase six theme packages: the Film Package (Pakiet Film), the HBO Package (Pakiet HBO), the Sports Package (Pakiet Sport), the Cinemax Movie Package (Pakiet Cinemax), the Cartoon Package (Pakiet Bajeczka) and the Music Package (Pakiet Muzyka) and, in addition, the Playboy channel and HD channels. The thematic packages are available in four promotional packages: the Relax Mix Package (Pakiet Relax Mix), the Relax Mix + HBO Package (Pakiet Relax Mix + HBO), the Super Film Package (Pakiet Super Film) and the Relax Mix Film Package (Pakiet Relax Mix Film). The Relax Mix Film Package is only available to customers who subscribed to this package before 11 January 2008. We believe that a combination of our high-quality programming and competitive pricing have enabled us to significantly increase the number of our subscribers, which increased on a compound annual growth rate of 62% between 2004 and 2008.

We believe that the success of our DTH business can be attributed to our extensive high-quality programming, competitive pricing and effective marketing strategy. We were the first pay DTH satellite operator in Poland to introduce a DVR set-top box with an option to record and pause live television programs in November 2006. We offer HD channels since November 2007. We are also considering the introduction of video on demand ("VoD") and internet protocol television ("IPTV").

In November 2007, we launched the production of our own standard definition set top boxes, which enables us to decrease their acquisition costs. We started sales of our own-manufactured set top boxes on 26 March 2008 and in the period from that date to 31 December 2008 we sold or lease about 257 thousand our own set top boxes to our subscribers.

We sell our services through an effective sales network covering the entire territory of Poland that links our own central warehouse, 27 regional distributors, and a network of 1,296 retail points of sale.

On 8 September 2008, leveraging our strong brand name and our existing subscriber base we launched independent mobile telephony services as MVNO. We built our own telecommunications infrastructure (excluding radio access network), integrated a billing system and a customer relations management system (independent of the systems used in our DTH business), we have been granted a regulatory decision on mobile termination rates, which replaces the interconnection agreements with Polkomtel S.A. and PTK Centertel Sp. z o.o. and negotiated roaming and interconnect agreements with other telecommunications operators. All these activities allowed us to introduce our own pricelist and our own tariffs for both pre-paid and post-paid.

We believe that providing DTH and MVNO services will contribute to an increase in the number of clients, increase in our revenue from operating activities and an increase in the overall satisfaction of clients ultimately resulting in lower churn rate.

However, we expect, that until our telecommunication services and the integrated offer are fully developed, a substantial part of our revenue shall continue to be derived from the pay TV digital satellite platform.

Item 5.2. Organizational structure of the Capital Group

The following table presents the companies included in the organizational structure of Cyfrowy Polsat Capital Group as at 31 December 2008 together with its consolidation method and description of the method of consolidation:

Company	Activities	Share as at 31 December 2008	Consolidation method
Cyfrowy Polsat Technology Sp. z o.o.[1] ul. Lubinowa 4a, 03-878 Warszawa	Production of set-top boxes	100%	Full

[1]As at 2 March 2007 the company's name was changes from Cyfrowy Polsat Mobile Sp. z o.o. to Cyfrowy Polsat Technology Sp. z o.o.

The Extraordinary Shareholders' Meeting of Cyfrowy Polsat S.A. held on 4 November 2008 resolved to merge Cyfrowy Polsat S.A. (acquirer) with Praga Business Park Sp. z o.o. (taken-over company) through a transfer of all the assets of the taken-over company onto the acquirer. The Extraordinary Meeting of Shareholders of the Cyfrowy Polsat S.A. resolved the merger of the acquirer with the taken-over company without increasing the share capital of the acquirer and without amending the Articles of Association. The merger was registered by the District Court for the capital city of Warsaw, the XIII commercial division of the National Court Register on 31 of December 2008.

Item 5.3. Changes to the principle rules of management of our Company and the Capital Group

There were no changes to the principle rules of management of our Company and the Capital Group.

Item 5.4. Strategy, market opportunities and comparative advantage of the Capital Group.

Item 5.4.1. Group strategy

Our strategy is to maximize our shareholder value by concentrating on the following:

Maintain significant growth of our subscriber base. We intend to continue to grow rapidly the number of subscribers. We believe that we can accomplish this goal mainly due by: (i) maintaining competitive pricing of our high-quality programming offer; (ii) improving our customer service quality; (iii) continuing to develop our marketing strategy focused on the entire family; and (iv) launching new channels, products and services. We believe that the growth in the number of our subscribers is the most important factor driving growth and our future position in the pay DTH satellite broadcasting business.

Increase average monthly revenue per subscriber (ARPU) through new programming packages and innovative service. Our ARPU for the Family Package increased from PLN 37.8 in 2007 to PLN 39.4 in 2008. We believe that the growth in ARPU in this period resulted mainly from increased number of subscribers of the Relax Mix Package, Relax Mix Film Package and HBO and increased subscription fee for the Family Package in January 2008. In order to maintain the ARPU growth level we intend to extend our programming offer concentrating mainly on high quality film channels. We provide our subscribers with following high definition channels: Polsat Sport HD, Eurosport HD HBO HD, MTVN HD and Discovery HD. We are considering launching further HD channels. We believe that because we offer our channel offerings and services at competitive prices, we have the flexibility to raise our prices in the future and further increase our ARPU.

Improve profitability through efficient business costs management. the production of our own set-top boxes in November 2007. We believe that producing our own set-top boxes will enable us to save costs on set top boxes we sell to our subscribers. We recently added a sixth remote headend which enables us to secure access to television channels transmitted via transponders on the Eutelsat Hotbird 8 satellite. The television channels transmitted via remote headends are directly available to our customers and we do not bear any of the costs, including the leasing costs for the transponders, associated with the retransmission of the television channels. We intend to improve our existing information systems and to develop new systems if necessary, which we believe will enable us to reduce costs of software licenses and their technical support.

Launch bundled services by leveraging our Cyfrowy Polsat brand name and existing subscriber base. We believe that the market for bundled services in Poland is significantly underdeveloped and that it will experience rapid growth in the future. We will seek to capture a substantial share of this market by leveraging our strong Cyfrowy Polsat brand name and existing subscriber base. In 2008 we offered our existing subscribers a full range of mobile telephony products and services and to effectively use synergies between the two businesses to increase our competitive position in both markets. We are also considering offering other telecommunications services, including broadband internet.

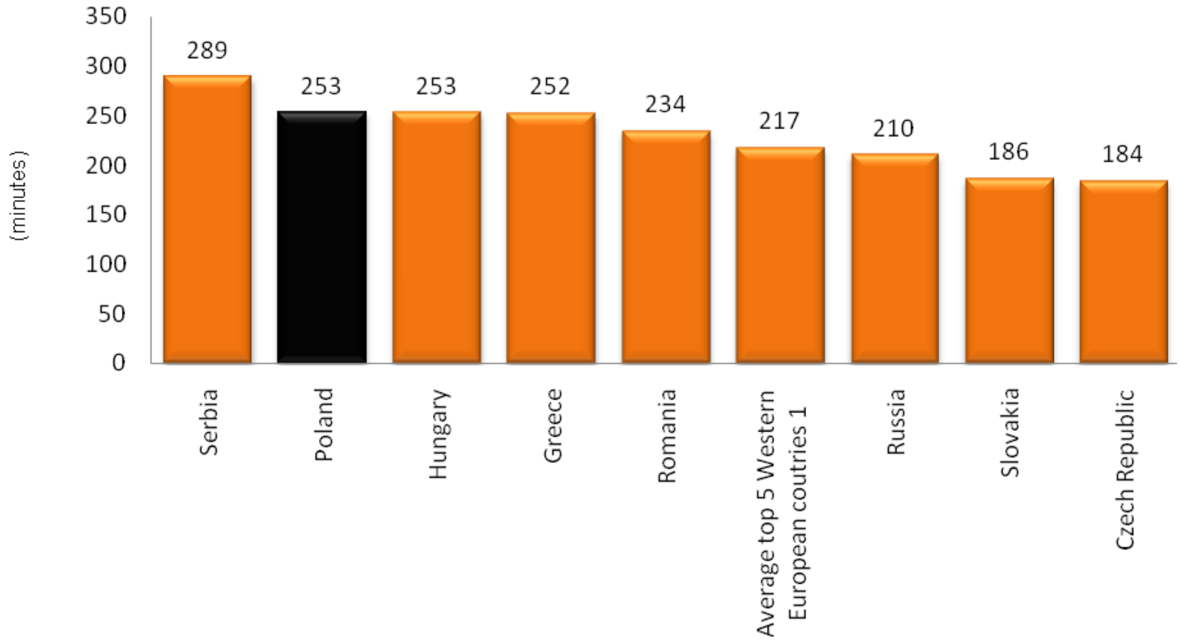
Item 5.4.2. Market opportunities

We believe that Poland is an attractive market for our products and services for a number of reasons. We present the key reasons below.

Strength of the Polish Economy. Dynamic growth in our revenues is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. The average annual GDP growth rate, according to Eurostat, between 1 January 2004 and 31 December 2008 in Poland was 4.7% as compared to 3.6%, according to Eurostat, during the same period for all 25 then current members of the European Union combined. Poland's GDP increased by 6.6% in 2007 and by approximately 5.4% in 2008. Together with the growth in the Polish GDP average consumer spending has also grown dynamically.

Penetration rate for pay television in Poland. According to Informa Telecoms & Media and data provided by GUS, a large percentage of households in Poland have a television set but do not use subscription television services. In 2008, subscription television services were provided to 9.3 million out of 14 million households in Poland, resulting in an implied penetration rate of approximately 66% of all households. The penetration rate for pay television in Poland is considerably lower as compared to the penetration rate for pay television on the most developed markets of 90%.

High Average Television Viewing Time. According to World Advertising Research Center the average daily television viewing time in Poland was approximately 253 minutes in 2007, which was one of the highest average daily television viewing rates among European countries. We believe that the high average daily television viewing rates contribute to development of our business.



Item 5.4.3. Competitive advantage

We offer high-quality programming designed to appeal to the entire family. We provide our customers with a wide selection of television channels, including seven sports channels, sixteen film channels, six children's' channels, six news/information channels, seven education channels, four music and thirteen entertainment channels. We are also the only pay DTH satellite operator in Poland that offers the three most widely viewed (according to AGB Nielsen) sports channels in Poland: Eurosport, Polsat Sport and Polsat Sport Extra. Polsat Sport and Polsat Sport Extra, which are not offered by other pay DTH satellite operators in Poland, have rights to popular sporting events including Formula 1 Grand Prix, ATP Masters Series tennis, Wimbledon, Volleyball World League, Volleyball World Championships and the Italian Football League (Serie A). Starting in December 2007, we began to offer four theme channels produced by BBC Worldwide Limited (BBC Knowledge, BBC Lifestyle, BBC Entertainment and CBeebies), all on an exclusive basis for pay DTH satellite operators in Poland. In January 2008, we expanded our programming offer to include three HBO premium movie channels: HBO, HBO2, and HBO Comedy. We also offer high definition channels: Polsat Sport HD, Eurosport HD, HBO HD, MTVN HD and Discovery HD. We believe that our position as the largest pay television provider of DTH satellite broadcasting services in Poland and our strong relationships with licensors provide us with a competitive advantage in obtaining access to high-quality programming on favorable market terms. In addition, we do not depend on any license for any sporting events which if we were to lose would have an impact on maintaining or growing our customer base because we have developed our products and services based on a variety of programming content designed to appeal to the entire family.

We offer high-quality programming packages at competitive prices. We place particular emphasis on offering our customers high-quality programming packages at competitive prices. Our Family Package, which includes a wide selection of sports, music, entertainment, news, children's and educational channels, is offered at a retail price of PLN 37.90 per month. We believe that the competitive prices of our high-quality programming packages enhance the attractiveness of our products and services

We have organized an effective DTH satellite sales network in Poland We have organized an effective DTH satellite sales network to distribute pay DTH satellite television services throughout Poland. We have established our own central warehouse supported by a logistics system capable of releasing 15,000 pre-activated set-top boxes with access cards included daily into the market and to store 300,000 ready-to-use set-top boxes with access cards included. Our network is based on cooperating with 27 distributors who work with a network currently consisting of more than 1,296 retail points of sale, which covers the territory of Poland. At these retail points of sale, our customers can sign an agreement to purchase our services, purchase a set-top box or telephones and order the installation of a satellite dish. In addition, our retail points of sale provide customers with technical assistance, act as intermediaries in servicing set-top boxes and supply replacement set-top boxes when customers' set-top boxes are being repaired.

We have strong brand recognition and enjoy good reputation among our customers. We have developed a well-recognized brand in the market for pay DTH satellite broadcasting services in Poland. According to GFK Polonia, we had the highest brand recognition of the three pay DTH satellite operators in Poland in December 2008 (Source: "The Digital Platform Brand Name Recognition", GFK Polonia, Survey Based on a Representative Sample of 1000 persons in Poland, December 2008). Our brand has been established through a successful, family-oriented marketing campaign based on establishing emotional ties between our brand and our customers. We concentrate on providing high-quality programming at competitive prices designed to appeal to the entire family. We provide channels that appeal to various age groups - including adults, as well as teenagers and children. For example, we offer channels such as the Disney Channel that encourage all family members to spend time watching television together. In addition, we emphasize the educational value of our programming through offers such as the Discovery Channel and the BBC Knowledge. Our goal is to constantly improve the quality of our customer service through our customer relationship management system and call center. In order to facilitate paying for and ordering our products and services we implemented a web-based customer service center. In addition, we provide regular training seminars for our in-house staff and training courses for staff at the retail points of sale within our distribution network.

We have low churn rates. We believe that our churn rate in 2008 was significantly lower than the annual average churn rate for the group of leading pay DTH satellite operators in the world.. We believe that our low churn rate reflects our high-quality programming packages offered at competitive prices, the technical reliability of our equipment and our network, as well as our superior customer service sale of receiving equipment to our subscribers and attractive retention offers.

We provide integrated services. In September 2008 we started providing mobile telephony services and, as a result, as the only DTH satellite provider we become a provider of integrated services. We are also considering providing our subscribers with broadband internet access. We believe that people in Poland will still prefer integrated services and we will be able to offer services that our competitors do not offer at present.

We have modern technological infrastructure. We partner with market-leading technology providers to ensure high technical standards of service for our subscribers. We have entered into long-term contracts for the provision of all technical services essential for our business. We use a conditional access system supplied by Nagravision, which is one of the two largest providers of such technology in the world. Our ground station and satellite uplink and transmission system were provided by NDSatcom GmbH. Key elements of our transmission system include equipment from leading manufacturers such as Sony, Tektronix, Harmonic and Harris. The majority of our set-top boxes are produced by our subsidiary Cyfrowy Polsat Technology Sp. z o.o, EIC Spain S.L. (a company of the Echostar Communications Corporation Group) and Samsung Electronics Polska Sp. z o.o. (a company of the Samsung Electonics Corporation Ltd Group.), leading set-top box manufacturers. Our signal is transmitted to customers via the Eutelsat Hotbird 8 satellite at 13 degrees East. Our telecommunications infrastructure is being delivered by leading producers so as Accenture and Alcatel – Lucent. We believe that this established technological infrastructure enables us to achieve a high level of technical quality and reliability that enhances customer satisfaction.

.**We have a unique business model in the Polish pay television market.** We believe that we are the only provider of pay DTH satellite broadcasting services in Poland to require customers to pay for services before they can access channels. As a result, we incur programming costs only for subscribers who actually pay their subscription fees and thereby significantly limit the number of subscribers who delay payments. This is possible because, among other factors, our in-house billing system is integrated with the subscriber authorization management system used in our set-top boxes, which enables us to transmit or block transmissions of our signal at any time. In addition, many of our subscribers purchase set-top boxes from us and are accordingly less willing to incur the additional costs of switching to another pay DTH satellite operator. We also believe that this is an important factor which enables us to maintain our low churn rate.

We have an attractive financial profile. We have significantly improved our financial results in the last few years. Our consolidated revenues from operating activities increased in 2008 on 2007 by 42.6% to PLN 1,136,281. EBITDA increased by 109.9% to PLN 347,841 in 2008. EBITDA margin reached 30.6% as compared to 20.8% in 2007.

We have also implemented a number of cost-cutting and financial profile improving measures, including:

- sending mailings with printed invoices with personalized forms mailed intermittently during the year instead of billing our customers on a monthly basis;

- deploying in-house information systems, in particular a customer management system, sales support system, and customer service system;

- integrating all DTH departments (except for the administrative offices for our MVNO business) in one location at our own headquarters in Warsaw;

- establishing our own set-top box service center;

- using remote headends for conditional access which enables us to secure access to TV channels transmitted via transponders on the Hotbird satellite, the TV channels transmitted via remote headends are directly available to our subscribers and we do not bear any of the costs, including the leasing costs for the transponders, and producing our own set-top boxes, which will improve the profitability of our operating activities.

Item 5.5. Services of providing radio and television channels via satellite

Item 5.5.1 Market overview

We operate on the Polish pay television market. We provide access to pay DTH satellite television services for individual customers, exclusively in the Polish market.

In 2008, 38.1 million citizens lived in 14.0 million households in Poland. According to AGB Nielsen, 99.0% of all Polish households have a television set and 36.0% of Polish households have at least two television sets.

According to our estimates, in 2008 the pay television penetration rate in Poland was about 66% (based on the adopted assumption that there are 14.0 million households).

The following table presents subscribers to pay television in Poland between 2005 and 2008 (in thousands at the end of a given year.)

	2005	2006	2007	2008	CAGR[1] 2005-2008
DTH satellite households.........................	1,439	2,215	3,388	4,607	47%
Percentage growth of the number of DTH satellite households .....…………………	29%	54%	53%	36%	-
Cable TV households	4,380	4,500	4,600	4,700	2%
Percentage growth of the number of cable TV households ....…………….	3%	3%	2%	2%	-
IPTV households .....………………………	-	4	43	69	-
Percentage growth of the number of IPTV household..…....	-	-	>100%	60%	-
Pay TV households combined …...….	5,819	6,715	7,988	9,307	17%
Percentage growth of the number of pay TV households	8%	15%	19%	17%	-
Number of new pay TV households ….....	447	896	1,273	1,319	-
Number of new DTH satellite households...	327	776	1,173	1,219	-
Share of new DTH satellite households to pay TV……….	73%	87%	92%	92%	-
Number of new net DTH satellite subscribers with Cyfrowy Polsat	264	617	795	659	-
Share of Cyfrowy Polsat in pay TV growth	59%	69%	62%	50%	-
Share of Cyfrowy Polsat in DTH growth	81%	80%	68%	54%	-

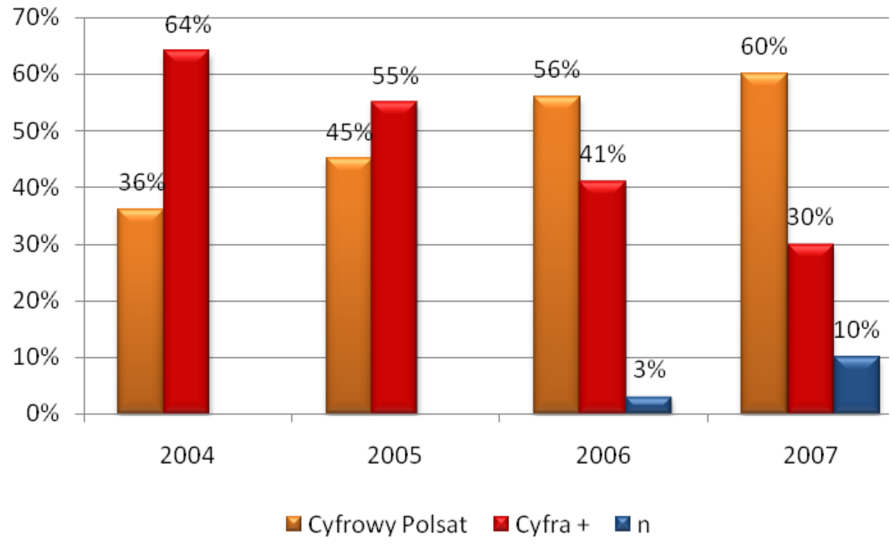
Sources: Company's calculations based on data from PIKE, GUS, KRRiR,
[1] Compound annual growth rate

The growth in the number of pay DTH satellite television subscribers from 2005 to 2008 was much faster than the growth in the number of cable television subscribers. From 2005 to 2008, the compound annual growth rate ("CAGR") of pay DTH satellite television households was 47%, while the CAGR for cable television over the same period was 2%. The slow growth rate of cable television households was due to a high penetration rate of cable television in urban areas as well as a need to make significant investments in cable infrastructure in other areas. Therefore, towns with up to 50,000 inhabitants, suburban and rural areas are the natural target markets for DTH satellite television because there are limited opportunities to develop cable television infrastructure in those locations and the local population has access to a limited number of Polish terrestrial channels only. In addition, the rapid growth in the number of pay DTH satellite television subscribers also reflects the fact that the digital satellite television providers' offer of television channels is much broader than the programming offer of those cable television providers who use the analog technology, which is limited to approximately 60 channels.

The Polish cable television market is highly fragmented, with some 500 operators at the end of 2008, according to the KRRiT with the biggest operators including UPC Telewizja Kablowa Sp. z o.o., Telewizja Kablowa Vectra S.A., Multimedia Polska S.A. and Aster Sp. z o.o.

The Polish DTH satellite TV market is divided among four pay DTH satellite operators: Cyfrowy Polsat with the Cyfrowy Polsat platform, Canal+ Cyfrowy Sp. z o.o. with the Cyfra+ platform and ITI Neovision with the "n" platform and Telewizja na kartę (pre-paid TV), and Telekomunikacja Polska S.A. (TPSA) which started providing DTH services in the fourth quarter of 2008. We estimate that at the end of 2008 our market share in the digital pay satellite television segment, based on the number of subscribers, was about 59%. Our share both in the pay television market and the pay DTH satellite television segment grew steadily in year 2004-2008.

The chart below presents the share of particular operators in the pay DTH satellite television market between 2004 and 2008 based on the number of subscribers:



Source: Company's calculations based on data published by operators

Item 5.5.2 Our direct competitors

We are the largest, in terms of the number of subscribers, pay digital satellite television platform providing DTH services in Poland and the Central and Eastern Europe region, and the fifth platform in Europe. Our main competitors are other pay digital DTH satellite television providers and, to a lesser extent, the cable television operators. We believe that in the future we will also compete with the digital terrestrial television. In our opinion, competition is based on price, programming offer and customer satisfaction with services and the quality of the infrastructure.

We divide our competitors into four groups:

Pay digital satellite television operators

Currently, there are four operators of pay digital satellite television in Poland: Cyfrowy Polsat S.A, Canal+ Cyfrowy Sp. z o.o., ITI Neovision Sp. z o.o. and Telekomunikacja Polska S.A. As at 31 December 2008 we had 2,727 thousand subscribers, Cyfra+ had about 1,380 thousand subscribers, „n" had about 500 thousand subscribers, the Telewizjia na kartę had 92 thousand users, and TPSA had 44 thousand users. Cyfra+, having merged with Wizją TV in 2001 was, until November 2006, the largest, in terms of the number of subscribers, provider of digital satellite television in Poland (based on information available publicly and our own estimates). ITI Neovision Sp. z o.o. („n") started its business in October 2006. TPSA started providing DTH television signal in 2008.

Cable television operators

We compete with cable television operators to a limited extent, due to the fact that they concentrate on clients residing in densely populated areas with developed infrastructure, or in locations where establishment of such infrastructure involves relatively low cost per subscriber, whereas we focus on clients residing in areas with no, or limited cable television infrastructure. Cable television operators concentrate on the growth of average ARPU through introduction of new services such as broadband internet, or fixed telephony lines, and to lesser extent, on the growth of the subscriber base. We believe we have an edge over cable television operators because we deliver our programming offer in digital quality providing higher quality of sound and vision than cable television operators who, in majority, offer analogue quality of signal. Currently, cable television operators are able to offer about 60 channels only and are not able to offer some 500 FTA channels offered by the pay DTH digital satellite television providers. However, the cable providers have an edge over the pay DTH digital satellite television providers in terms of offering integrated services and telecommunications services as they may use the cable television infrastructure to provide those services. Certain pay DTH digital satellite television operators in other European countries started providing broadband Internet access services and fixed line telephony through entering into agreements with other companies, or through acquisitions of companies which provide such services. We are also considering offering other telecommunication services in the future, including broadband Internet access.

Currently the dominant players on the Polish cable television market are: UPC Telewizja Kablowa Sp. z o.o., Telewizja Kablowa Vectra S.A., Multimedia Polska S.A., and Aster Sp. z o.o.

Digital television through internet protocol (IPTV)

The competitive threat from IPTV providers results from development of digital television signal broadcast through internet protocol, which is currently developing at a relatively slow rate in Poland. TPSA started providing IPTV to its clients with DSL in 2006. TPSA is the dominant provider offering fixed line telephony services and owning a developed infrastructure of subscriber loops, therefore the introduction of IPTV services by TPSA may have negative impact on the business of cable television operator in Poland. It should not, however affect the business of pay DTH digital satellite television providers because TPSA's plans regard launching IPTV services in the majority of urban areas. At present, it is difficult to assess when TPSA will be able to significantly develop the IPTV offer in rural and suburban areas and also in small and medium towns and the impact of the offer on the business of pay DTH digital satellite television providers. As at 31 December 2008, 69 thousand subscribers used the IPTV services offered by TPSA.

Digital Terrestrial Television (DTT)

The main threat coming from the digital terrestrial television technology is the removal of limitations regarding granting licenses for broadcasting frequencies and, as a result, an increased number of terrestrial channels. Currently, there are seven analogue terrestrial channels and only four of them are available to over 90% households. However, digitization has been postponed due to lack of formal regulations; there is also no formal government plan for utilization of available digital frequencies. We expect that the frequencies will be allocated to both: digital terrestrial television and the HD television, radio and DVB-H (the standard enabling broadcast of television channels to mobile telephones). Currently, it is too early to assess the potential influence of the competition from digital terrestrial television on our pay DTH digital satellite television business.

We expect that in the next few years the business of digital terrestrial television will be limited to two current analogue terrestrial channels and its offer will extended after 2012 as a result of availability of new frequencies.

Item 5.5.3. Our services

Programming offer

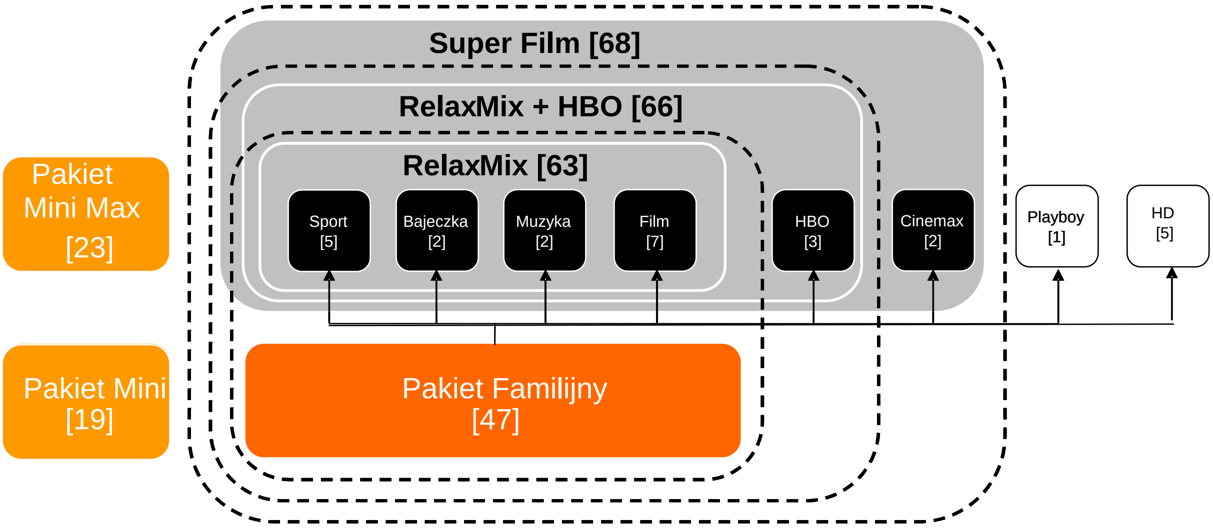
We provide our customers with access to 74 Polish language television channels, including sports, music, entertainment, news/information, education and film channels. We are also the only pay DTH satellite operator in Poland that offers main terrestrial channels available in Poland: Polsat, TVP 1, TVP 2 and TVN. We also offer seven sports channels such as: Eurosport, Polsat Sport and ESPN Classic, sixteen film channels including HBO, Cinemax, AXN and TV 1000, six children channels including Disney Channel, Jetix, and Cartoon Network, six news/information channels including channels such as

TVN 24, Superstacja and CNN, seven education channels including Discovery Channel, BBC Knowledge and Animal Planet and four music channels including MTV Polska, VIVA and VH 1 Polska and thirteen entertainment channels. We are also the only pay DTH satellite operator in Poland that offers three most watched (according to AGB Nielsen) sports channels: Eurosport, Polsat Sport and Polsat Sport Extra. Polsat Sport and Polsat Sport Extra, which are not offered by other pay DTH satellite operators in Poland, have rights to popular sporting events such as: Formula 1 Grand Prix, ATP Masters Series tennis, Wimbledon, Volleyball World League, Volleyball World Championships and the Italian Football League (Serie A), Euro Football Cup 2008. In addition, we offer our subscribers a wide selection of film channels such as HBO, HBO2, HBO Comedy (from January 2008) Cinemax, TV 1000 and AXN which feature major Hollywood productions. We also provide, on exclusive basis, the entertainment channel E!Entertainment which is fully dedicated to the life of Hollywood celebrities. In addition, we provide our subscribers with access to some 500 FTA television and radio channels available via satellite in Poland including BBC World, NBC, Bloomberg, Super RTL, ZDF, Rai News 24, Rai Due, Fashion TV, France 24. We also have nine leading radio channels in Poland including RMF, Radio Zet and three channels of the Polish Radio. Starting in December 2007, we began to offer four theme channels produced by BBC Worldwide Limited (BBC Knowledge, BBC Lifestyle, BBC Entertainment and CBeebies), all on an exclusive basis for pay DTH satellite operators in Poland.

We acquire all our pay television channels from reputable broadcasters including Telewizja Polsat S.A., TVN S.A., TVP S.A., Discovery Communications Europe, Turner Broadcasting System Europe Limited, Disney Channel Scandinavia, HBO Polska Sp. z o.o., Cinemax Polska Sp. z o.o., Eurosport S.A., MTV Networks Polska VOF, Viasat World Limited, E!Entertainment and AXN Europe Limited. In order to extend our subscriber base we focus on offering a wide selection of diversified television channels that appeal to the whole family. As a result, our offer's popularity does not depend on particular programming content e.g. single rights to popular sporting events. Our license agreements with television channel providers are mainly settled on the per subscriber basis, or in few cases on the lump sum basis.

We currently offer our customers three introductory packages: the Mini Package (*Pakiet Mini*), the Mini Max Package, (Pakiet Mini Max), and the Family Package (*Pakiet Familijny*). The Family Package is our most popular introductory package. Subscribers to our Family Package may also purchase six theme packages: the Film Package (*Pakiet Film*), the HBO Package (*Pakiet HBO*), the Sports Package (*Pakiet Sport*), the Cinemax Movie Package (*Pakiet Cinemax*), the Cartoon Package (*Pakiet Bajeczka*) and the Music Package (*Pakiet Muzyka*) and, in addition, the Playboy channel. The theme packages are available in four premium packages: the Relax Mix Package (*Pakiet Relax Mix*), the Relax Mix + HBO Package (*Pakiet Relax Mix + HBO*), the Super Film Package (*Pakiet Super Film*) and the Relax Mix Film Package (*Pakiet Relax Mix Film*).

The following diagram presents the structure of program packages we offer in breakdown into introductory packages (the Mini Package and the Familijny Package) and thematic packages (the Sports Package, the Cartoon Package, the Music Package, the Film Package, the HBO Package and the Cinemax Movie Package), premium packages (Relax Mix Package, Relax Mix + HBO Package and Super Film Package) and additionally, the Playboy channel and HD channels. The figures under the names of packages present the number of channels available in each package.



The Mini Package

We introduced the Mini Package in October 2006. This is an introductory package providing access to 19 Polish television channels and all the FTA television and radio channels available in Poland via satellite. Subscribers to the package may purchase the Mini Max Package or the Family Package at any time during the term of their agreement which will give them access other program packages including premium packages Relax Mix, Relax Mix + HBO and Super Film, or single thematic packages: the Sports Package, the Cartoon Package, the Music Package, the Film Package, the HBO Package, the Cinemax Movie Package and the Playboy channel.

The following diagram presents television channels available in the Mini Package

Polsat	Polsat 2	TV 4
TVP 1	TVP 2	TVP Polonia
TVP Kultura	TVP Info	TVN
TVN Siedem	Polonia 1	Tele 5
VIVA Polska	4FUN TV	TV Biznes
Mango 24	TV Puls	TV Silesia
ITV		

As at 31 December 2008 we had 441 thousand subscribers to the Mini and Mini Max packages.

We offer our Mini Package at PLN 9.90 gross a month. Subscribers to the Mini Package enter into a base agreement for a period of 24 months. We offer the Mini Package at such a low price in order to attract the largest number of subscribers.

We believe that a client who becomes our subscriber will be willing to purchase more expensive program packages in the future, as a result of our promotional and marketing campaigns. New subscribers to the Mini Package also receive one month access to the Family Package and the Relax Mix Package. Upon expiry of the base term of the agreement it is automatically extended for an indefinite period of time with a three month notice period.

The Mini Max Package

We introduced the Mini Max Package in November 2008. This package is an introductory package giving access to 23 Polish channels and all the FTA television and radio channels available via satellite in Poland. Subscribers to this package may purchase the Family Package at any time during the term of their agreement which will give them access to other program packages including premium packages Relax Mix, Relax Mix + HBO and Super Film, or single thematic packages: the Sports Package, the Cartoon Package, the Music Package, the Film Package, the HBO Package, the Cinemax Movie Package and the Playboy channel.

The following diagram presents television channels available in the Mini Max Package.

Polsat	Polsat 2	TV 4
TVP 1	TVP 2	TVP Polonia
TVP Kultura	TVP Info	TVN
TVN Siedem	Polonia 1	Tele 5
VIVA Polska	4FUN TV	TV Biznes
Mango 24	TV Puls	TV Silesia
ITV	Polsat Sport	Polsat Play
Polsat Cafe	Polsat News	

We offer the Mini Max Package at PLN 19.90 gross a month. Subscribers to the Mini Max Package conclude the agreement for the base term of 24 months. We introduced the Mini Max Package into our offer in order to facilitate the upgrade to higher packages to subscribers to the Mini Package.

The Family Package

The Family Package is an introductory package. The Family Package provides access to all channels available in the Mini Package, all the FTA television and radio channels available via satellite in Poland and 28 additional thematic channels. Subscribers to the Family Package have an option of subscribing to thematic channels including the HBO Package and the Relax Mix Package, the Relax Mix + HBO and Super Film Packages.

The following diagram presents television channels available in the Family Package.

	Channels available in the Mini Package plus	
Polsat Sport	Wedding TV	Animal Planet
Eurosport	TVN 24	Travel Channel
E!	TVN Meteo	Discovery Science
TVN Turbo	Cartoon Network	Discovery World
TVN Style	Disney Channel	AXN
Zone Reality	Jetix	Turner Classic Movies
Zone Club	Discovery Channel	Superstacja
BBC Knowledge	BBC Lifestyle	BBC Entertainment
CBeebies	Polsat Play	Polsat Cafe
Polsat News		

As at 31 December 2008 there were 2,286 thousand subscribers to the Family Package and premium packages.

We offered the Family Package at PLN 37.90 gross a month with agreements for the basic term. Upon expiry of the base term agreement it is automatically extended for an indefinite period with a three month notice period. Sum of subscription fees during the initial period of subscription contract and the length of the subscription contract depend on promotional offers available to our potential subscribers.

We designed the Family Package in such a way, that it gives access to all the categories of television channels that appeal to the entire family.

Thematic packages

Thematic packages, that comprise the premium packages Relax Mix, Relax Mix + HBO and Super Film, are also available separately to subscribers of the Family Package. The following table presents television channels that we offer in the thematic packages: Sports Package, Film Package, Cinemax Package, Cartoon Package, Music Package and HBO Package.

The following diagram presents television channels available in particular packages.

Sports Package	Film Package	Cinemax Package	Cartoon Package	Music Package	HBO Package
Eurosport 2	Zone Europa	Cinemax	Boomerang	MTV Polska	HBO
Polsat Sport Extra	Kino Polska	Cinemax 2	Jetix Play	VH1	HBO2
ESPN Classic Sport	AXN SciFi				HBO Comedy
Extreme Sport Chanel	AXN Crime				
TVP Sport	Zone Romantica				
	Fox Life				
	TV 1000				

The monthly gross fees for particular thematic packages are: PLN 13.90 for Sports Package, PLN 15.80 for Film Package, PLN 15.00 for Cinemax Movie Package, PLN 5.20 Cartoon Package, PLN 4.90 for Music Package and PLN 20.00 for HBO Package. Subscribers to the Family Package may purchase single thematic packages at any time without a written agreement by making monthly payments for a particular package and at the same time they may resign from the particular package during the subscription. The exception is the HBO Package which is available upon signing an agreement only.

The Relax Mix Package

We introduced the Relax Mix Package in December 2005. The Relax Mix Package gives access to 16 additional television channels grouped in five thematic packages including four sports channels (Sports Package), seven film channels (Film Package), two children channels (Cartoon Package) and two music channels (Music Package). Only subscribers to the Family Package may purchase the Relax Mix Package.

The following diagram presents television channels available in the Relax Mix Package.

	Channels available in the Family Package plus	
AXN Crime	Fox Life	ESPN Classic Sport
AXN Sci-Fi	TV 1000	Extreme Sport Chanel
Zone Europa	Boomerang	Eurosport 2
Zone Romantica	Jetix Play	TVP Sport
Kino Polska	Polsat Sport Extra	VH 1 Polska
		MTV Polska

The total fee for channels available in four packages mentioned above is PLN 39.80 gross a month. Subscribers signing an agreement for the Relax Mix Package receive a 50% discount and pay a monthly fee of PLN 19.90 gross (additional fee to the Family Package). The standard term for the Relax Mix Package for new subscribers is 24 months. Current subscribers to the Family Package entering into an agreement for the Relax Mix Package for an indefinite term also pay PLN 37.90 gross a month for the Family Package and additionally PLN 19.90 gross a month for the Relax Mix Package.

The Relax Mix Film Package

We introduced the Relax Mix Film Package in February 2007. The Relax Mix Film Package gives our subscribers access to thematic packages available in the Relax Mix Packag and additionally to the channels Cinemax and Cinemax 2. The Relax Mix Film Package is available to subscribers to the Family Package only, who signed an agreement for the package before 11 January 2008.

The total fee for the channels available in five mentioned above packages is PLN 54.80 gross a month. Subscribers to the package who signed an agreement for the Relax Mix Film Package received a discount of PLN 24.90 gross a month and pay a monthly fee of PLN 29.90 gross for this package (additional fee to the Family Package). The standard term of the agreement for the Relax Mix Film Package for new subscribers was 24 months.

The Relax Mix + HBO Package

We introduced the Relax Mix + HBO Package into our offer on 2 January 2008. The Relax Mix + HBO Package includes all channels available in the Relax Mix Package and three premium film channels: HBO, HBO2 and HBO Comedy (the HBO Package). The Relax Mix + HBO Package is available to Subscribers of the Family Package only. The total fee for the channels available in six thematic packages available in the Relax Mix + HBO Package is PLN 59.80 gross a month. Subscribers who sign an agreement for the Relax Mix + HBO Package receive a discount of PLN 19.90 gross a month and pay a fee of PLN 39.90 gross a month (additional fee to the Family Package).

The Super Film Package

We introduced the Super Film Package on 2 January 2008. The Super Film Package includes all the channels available in the Relax Mix + HBO Package and channels Cinemax i Cinemax 2. The Super Film Package is available to the Subscribers to the Family Package only. The total fee for the channels available in seven thematic packages available in the Super Film Package is PLN 74.80 gross a month. Subscribers signing an agreement for the Super Film Package receive a discount of PLN 24.90 gross and pay a fee of PLN 49.90 gross a month (additional fee to the Family Package).

Adult channel

Our Family Package subscribers also have access to the Playboy TV channel offered directly by Playboy UK/BENELUX Ltd.

High Definition Channels

Our subscribers also have access to five HD channels: Polsat Sport HD, Eurosport HD, HBO HD, MTVN HD and Discovery HD at PLN 6.00 gross a month per each channel. Polsat Sport HD, Eurosport HD, MTVN HD and Discovery HD channels are available only to subscribers of our Family Package and HBO HD is available only to subscribers with packages including the HBO channel.

Free to Air Channels

In addition to our paid programming packages, we offer our customers access to all free to air television and radio channels available via satellite in Poland, including BBC World, NBC, Bloomberg, Super RTL, ZDF, Rai News 24, Rai Due, Fashion TV, France 24 and leading Polish radio channels such as Radio Zet and three channels of Polskie Radio.

We have also entered into agreements with interactive and teleshopping channels (such as Mango 24) pursuant to which they pay us an agreed fee to incorporate their channels into our programming list and to place information about their channels in our advertising materials.

After the initial subscription term under an agreement expires, we allow our customers to use the set-top box to view all FTA channels without charging any additional subscription fees. A customer who purchased a set-top box and effectively terminated their agreement with us is able to use the set-top box to view all FTA channels. However, customers who defaulted under an agreement with us are not able to use the set-top box to view FTA channels because we block such access.

Development of programming offer

Important factors contributing to our growth have been the introduction of new channels, the improvement in the attractiveness of our existing programming packages and the development of new technological solutions. We plan to continue to develop our programming offer (while maintaining effective cost management) by incorporating new television channels and creating new programming packages. In addition, we believe that introducing new technological solutions will enable us to attract new customers and simultaneously maintain a low churn rate. To fully achieve these goals, we will also take measures to improve our brand name “Cyfrowy Polsat” and to increase the level of customer satisfaction.

BBC

Starting in December 2007, we began to offer four theme channels produced by BBC Worldwide Limited (BBC Knowledge, BBC Lifestyle, BBC Entertainment and CBeebies), all on an exclusive basis for DTH satellite operators in Poland which we believe will make our Family Package more attractive.

HBO

Starting in January 2008, we began to offer three premium movie channels: HBO, HBO 2 and HBO Comedy. These channels are available to subscribers to our Family Package who subscribed to our HBO Package, Relax Mix + HBO Package or our Super Film Package. The introduction of these channels does not involve any technical costs to us because we have already blocked the necessary capacity for these channels on our transponders.

High Definition Channels

In October 2008 we started offering HD channels: Polsat Sport HD, Eurosport HD, HBO HD, MTVN HD and Discovery HD

Set-top boxes

Most of the set-top boxes we offer come from EIC Spain S.L., Samsung Electronics Polska Sp. z o.o. and our subsidiary Cyfrowy Polsat Technology Sp. z o.o.. EIC Spain S.L. is a subsidiary of the American Echostar Communications Corporation Group, which is the leading company offering products and services of pay digital satellite television. Samsung Electronics

Polska Sp. z o.o. is an entity of the Korean Samsung Electonics Corporation Ltd., a leading producer of consumer electronics. As a result we are able to offer set-top boxes to our subscribers at lower prices which positively affects the growth in the number of our subscribers or a decrease in prices and as a result, improves our profitability.

We offer three types of set-top boxes: standard set-top boxes, DVR set-top boxes and HD set-top boxes, enabling reception of high definition signal. We also offer conditional access modules which cooperate with publicly available set-top boxes with the CI (Common Interface) access.

Standard Definition Set-Top Boxes

Our standard definition set-top boxes are primarily the Samsung DSB-S305G and the Echostar DSB-717 ,DSB-717A models and D1 produced by our subsidiary Cyfrowy Polsat Technology Sp. z o.o. The basic function of these set-top boxes is to enable our customers to watch all channels available in our packages, as well as the FTA channels. Additional functions of these set-top boxes include features allowing the selection of favorite channels, an electronic program guide and a parental control function. The retail purchase price to customers for these standard set-top boxes starts from PLN 99.00 depending on the package. We also offer an option of set-top box activation for PLN 79.00.

In November 2007, we launched the production of our own set-top box models with the same functions as the standard definition set-top boxes we currently offer. In the period between 26 March and 31 December 2008 we sold or leased257 thousand set-top boxes produced in our factory. Our team of engineers developed and is further developing software for certain types of set-top boxes we offer. As a result, we are able to improve customer care and functionalities of set-top boxes. Basic applications we created are: electronic channel guide, favorite channel list and communicator enabling sending text messages to subscribers such as payment reminders. We will continue our work to further improve the software of set-top boxes to make using them easier for our clients.

DVR Set-Top Boxes

In November 2006, we introduced the first hard-disk based set-top box in the Polish market, the Echostar DVR-747. The DVR set-top box has a built-in 160 GB hard disk drive (fully available for the subscriber's use), with 24 movies pre-recorded free of charge as part of a promotion. The DVR set-top box enables digital quality recording and live pausing of TV programs. We have introduced two pricing models for the DVR set-top box. Under the first model, we sell the set-top box for PLN 499.00. Under the second model, a customer pays a deposit of PLN 199.00 and then receives a set-top box subject to a monthly fee of PLN 25.00 for twelve months, after which the subscriber becomes the owner of the DVR set-top box.

HD Set-Top Boxes

In November 2007, we introduced the Samsung DSB-H370G set-top box and in October 2008 the Echostar HD DSB 7100 models. In addition to having the same functions as our standard set-top box, the HD set-top box is capable of receiving HDTV. We have introduced three different models for distributing our HD set-top boxes. Under the first model, we sell the set-top box to the customer starting from PLN 219 depending on the package the customer is signing up. Under the second model, a customer pays an activation fee of PLN 99.

We have our own service center in our offices in Warsaw where we service set-top boxes for remarketing and we also service faulty set-top boxes of our subscribers. As a result, we are able to improve customer care in terms of post-warranty repairs, decrease related costs and improve the level of customer satisfaction.

Item 5.5.4 Sales

In order to operate our distribution channels described below, we have a central warehouse with a logistics system capable of storing 300,000 pre-activated set-top boxes with access cards included and releasing 15,000 pre-activated set-top boxes a day into the market.

We conduct sales through the following five distribution channels:

DTH digital satellite television product and service sales network

We organized a pay DTH digital satellite television product and service sales network covering the territory of the whole Poland. It consists of 27 distributors cooperating with a network of 1,296 retail points of sale offering the pay satellite television services. The distributors are independent businesses entering into agreements directly with the retail points of sales, who provide both our services on that basis. Clients are able to sign agreements for our services, purchase a set-top box and request professional satellite dish installation service. The points provide technical assistance, mediate in set-top boxes and phones servicing and provide replacement devices for the period of repair.

Our retail points of sale are furnished with branded light boxes and illuminated placards, as well as other signs that serve as advertisements and identify the outlets as selling our DTH satellite television services. We supply our retail points of sale with marketing materials, such as posters, pamphlets and leaflets in order to increase client awareness of our services. We also organize training seminars for employees at these retail points of sale on techniques to attract new subscribers and disseminate information about our programming offer. In addition, we have introduced a commission system to motivate staff at retail points of sale to increase sales of our programming packages. The commission system is based on the payment of certain rates for each newly acquired customer. The rate depends on the programming package a new customer has subscribed for. In addition, if our staff generate substantial sales, we pay them a bonus. Once a certain number of new customers, or the target for the sale of a certain programming package, has been exceeded, we pay a bonus which allows us to remain competitive in light of the changing market conditions.

Call Center

In the advertisements of our products and services placed in various media, we provide our sales call center number to enable potential customers to find out information about our services, place orders, or ask for directions to the nearest retail point of sale. In high sales seasons, we hire external providers who specialize in providing call center services. This enables us to maintain a high standard of service and maximize sales results. As a result, we are able to reduce our costs of operation through optimization of our infrastructure.

Internet

Thanks to our website, we have access to a growing number of clients who use this medium. Our website at www.cyfrowypolsat.pl enables a detailed look at our offer, ordering a reception set with programming packages of choice, or post-paid tariffs, or finding the nearest point of sales. Our current clients may purchase additional programming packages and top up their mobile phone account via this distribution channel.

Direct Sales

This distribution channel enables us to target a selected group of customers with our programming offer, maintain direct contact with our customers and expand our distribution network. We cooperate with two companies that distribute our programming packages and satellite television receiving equipment via direct sales to our customers. We intend to increase significantly the number of direct sales companies with which we cooperate.

Portable Sales Stands

We also sell and advertise our products and services through portable sales stands in malls and at public events. As these portable sales stands are strategically located and supplied with promotional materials such as pamphlets and leaflets, they also perform a marketing function. As our sales have been growing through this channel, we intend to continue to use these portable sales stands more in the future.

Sales Seasonality

Sale presented as a number concluded agreements is subject to seasonal fluctuations. We make most of our annual sales in the fourth quarter of the year.

The following table shows our net new subscribers on a quarterly basis for the periods indicated:

	2008	2007	2006	2005
January – March	118,902	195,868	74,437	41,300
Percentage share	18%	25%	12%	16%
April – June	100,426	92,195	62,643	24,232
Percentage share	15%	11%	10%	9%
July – September	114,868	133,905	66,855	42,360
Percentage share	17%	17%	11%	16%
October - December	324,469	372,712	412,985	155,646
Percentage share	50%	47%	67%	59%
Total net subscribers	658,665 100%	794,680 100%	616,920 100%	263,538 100%

Item 5.5.5 Customer Service

We seek to consistently improve customer service quality using the latest technology. Our strengths with respect to our customer service are our experienced management staff and highly flexible approach supported by a quick decision-making process.

We use an advanced customer relationship management IT system developed by our specialists based on an integrated platform handling telephone, fax, e-mail, SMS and TTS communications and standard mail. The customer relationship management system makes it possible to comprehensively document and handle all requests placed by customers.

We furbished our CRM system with new functionalities, among others: electronic archive where we process paper documents in an electronic form which help to save time and improve security of the data we store and an integrated system of communication with subscribers including our website, internet customer service center, text messages sent to the TV screen and TTS communications. In addition, we implemented a modern customer retention program and payment monitoring system.

Call Center

We currently operate our call center with 333 operator stands as well as 70 back office personnel to handle written requests (including faxes and emails). Our call center serves our clients 24 hours a day, 7 days a week, providing answers to questions regarding the installation and use of set-top boxes and locations of our retail points of sale as well as our programming packages and allowing subscribers to order our services.

In order to maximize the security level (in the event of unexpected disasters) of our call center services, our call center is connected to two independent operators with fiber-optic lines and backed up with a double tele-transmission system.

Internet Customer Service Center (ICOK)

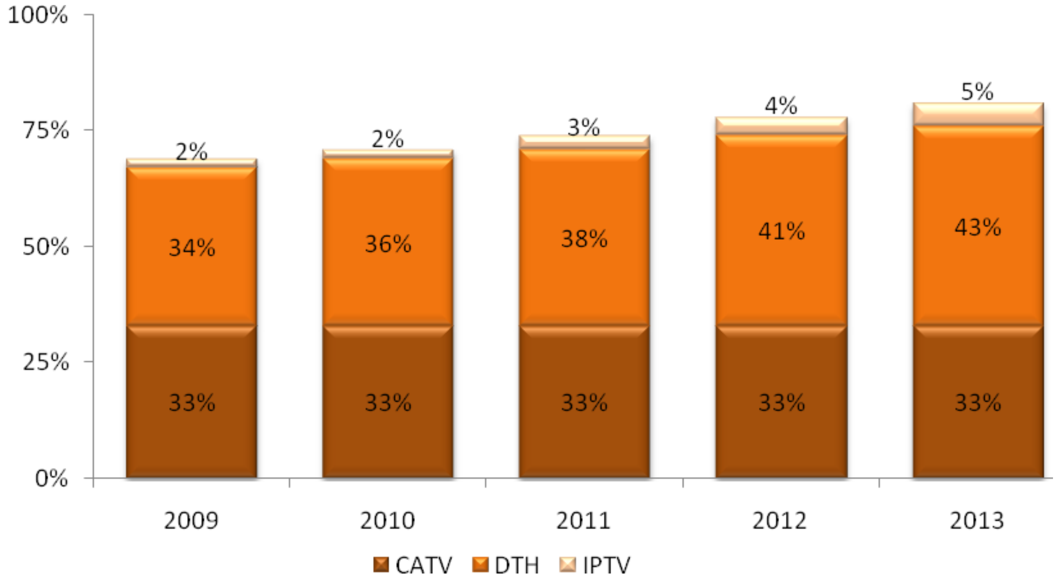
Our Customer Service Center is an advanced IT tool which enables our customers to have secure and free access to back office resources and to on-line technical support through the Internet. By accessing our website at www.cyfrowypolsat.pl, our customers can check their payment balances, print payment orders, or order bank transfers, review a history of changes to their agreements, check the characteristics of their set-top boxes, print the relevant user manual, restore signal transmission, restore the factory PIN settings of their set-top box, move funds between packages, revise personal data and become familiar with our program offer.

In addition, we furbished the ICOK with a possibility of making payments by a credit card, making e-transfers and currently we are working on implementing electronic banking solutions. Moreover, the system received additional functionalities related to our new product - MVNO: detailed phone call list on the phone number), their mobile phone account top-up, or any other number in our network, top-up history view, simple activation or deactivation of selected additional and promotional services, free of charge detailed view of services, view of available free impulses within the selected active services/packages, contact with the Customer Service Center. In addition, subscribers could receive information about the last invoice issued and the payments history.

Item 5.5.6 Development prospects

Due to a low number of public terrestrial analogue television channels and growing disposable income of Poles, we believe that high growth dynamics of the market observed in the last few years will continue in the future. We believe that as a result of a low penetration rate of pay television in Poland (66%) in comparison with the countries of the Western Europe (the average figure for five most developed pay television markets is over 90%), the market has high growth potential. In our opinion the availability of pay DTH satellite television on the entire territory of Poland and larger number of available channels in the programming offer, in comparison with cable television, should contribute to customers choosing the DTH digital satellite television when selecting their pay television provider. We believe that due to high quality programming and competitive prices we will be able to utilize the trend in the future and further increase our customer base.

The following graph presents forecasts of the pay television market development in Poland in 2009-2013.



Source: Informa , Eastern European TV, 12the edition (cable television penetration adjusted to data published by Polish operators)

There are four operators on the Polish DTH satellite market. On the better developed markets of the Western Europe, where consolidation processes have finished, each country has only one DTH satellite platform.

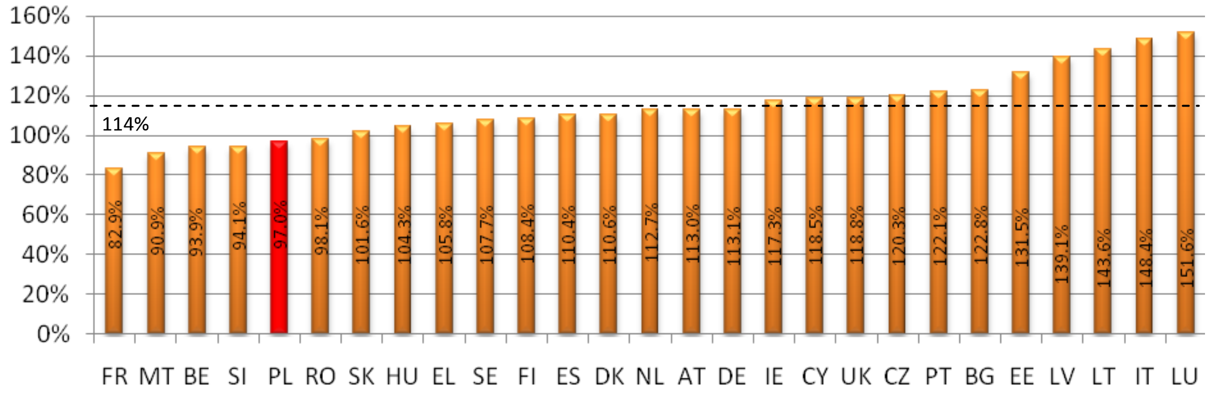
Item 5.6. Telecommunication services

Market environment

Data on the telecommunication services market is usually available in the second half of the following year, therefore the latest data available is from 2007.

The penetration rate in the Polish mobile telephony market still lags behind most European Union countries. According to a report by the European Commission, in 2007 Poland ranked 23rd out of all the 27 countries of the EU with regard to the market penetration criterion. The estimated penetration rate of 97% for Poland was substantially below the EU average of 114% (October 2007).

The following graph presents mobile telephony penetration rates in the EU countries as at 1 October 2007.



Source: 13th European Commission implementation report

According to the "Report on the state of the telecom market in 2007" prepared by the Electronic Communication Office (UKE), the nominal number of mobile telephony users was 41.4m at the end of 2007 (excluding dormant users it was 33.7m) and increased by 12% on 2006. It means that there were 108.6 mobile telephony users per 100 inhabitants of Poland in terms of nominal number of SIM cards.

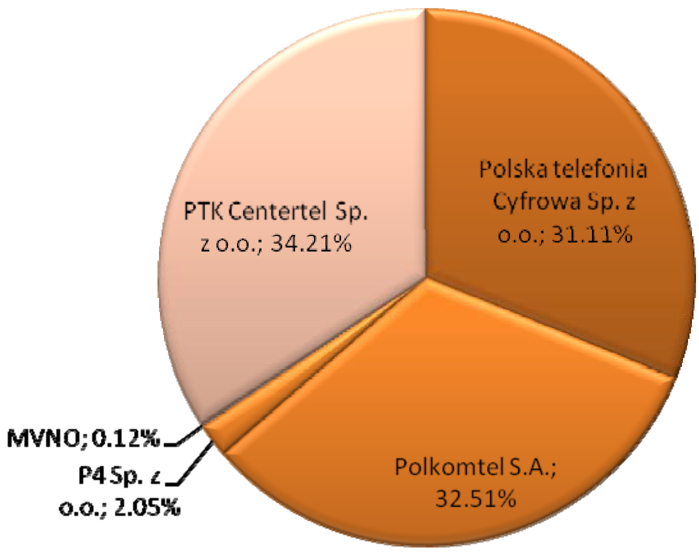
The following graph presents the nominal number of users and the nominal penetration rate of the market in Poland:

Source:"The report on the telecom market in 2007"- The Electronic Communication Office

As at 31 December 2007 there were eight operators active in the mobile telephony market, including four operators that use their own radio network (Polkomtel S.A., Polska Telefoni Cyfrowa Sp. z o.o., PTK Centertel Sp. z o.o. and to a limited extent, P4 Sp. z o.o.) and 4 MVNO providers (emFinance Sp. z o.o., Avon Mobile Sp. z o.o., MNI S.A. and Wirtualna Polska S.A.). P4 Sp. z o.o. and emFinance Sp. z o.o. use the network of Polkomtel S.A. and the other MVNO providers use the network of PTK Centertel Sp. z o.o. All the MVNO providers offered pre-paid services only in 2007.

The established providers (PTK Centertel Sp. z o.o., PTC SP. z o.o. and Polkomtel S.A.) are still way ahead with respect to the number of subscribers as well as the revenues from the mobile telephony, maintaining over 30% share in the market in both cases.

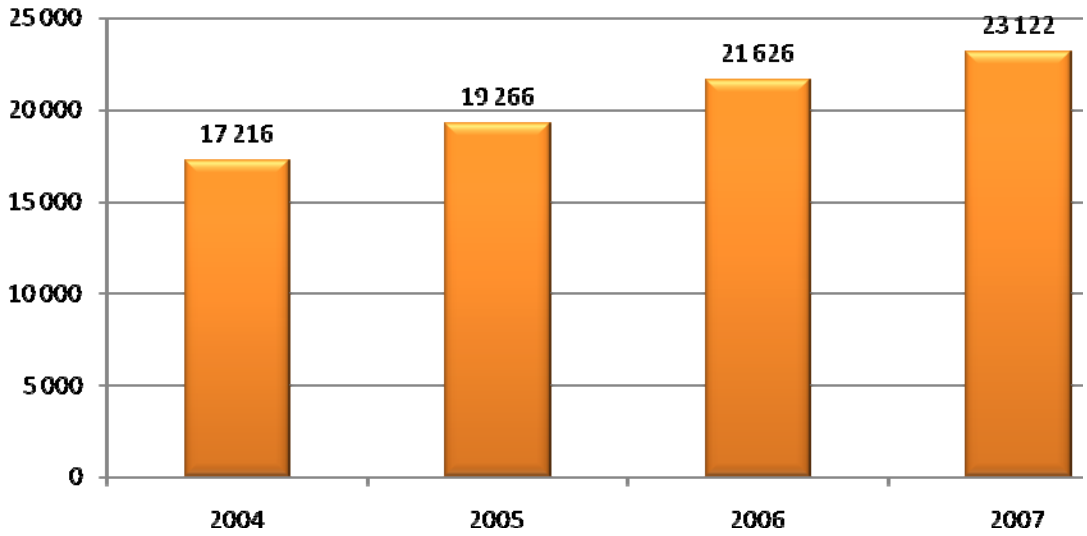
The following graph presents the providers' market share in 2007 according to the number of subscribers



Source:"The report on the telecommunications market in 2007"- The Electronic Communication Office

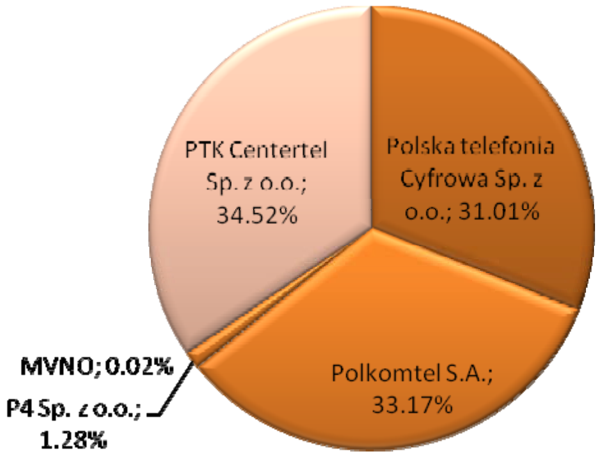
The size of the mobile telephony market in terms of operator revenue increased along with an increase in the number of users. In 2007, the size of the market was PLN 23,122m and 6% higher than in 2006. The CAGR during the 2004 to 2007 period was 10.3%.

The following graph presents the size of the mobile telephony market in 2004 - 2007 estimated as the size of net revenues from telecom business (in millions of zlotys as at the end of a given year).



Source:"The report on of the telecommunications market in 2007"- The Electronic Communication Office

The following graph presents providers' market share in 2007 according to net revenues from mobile telephony:

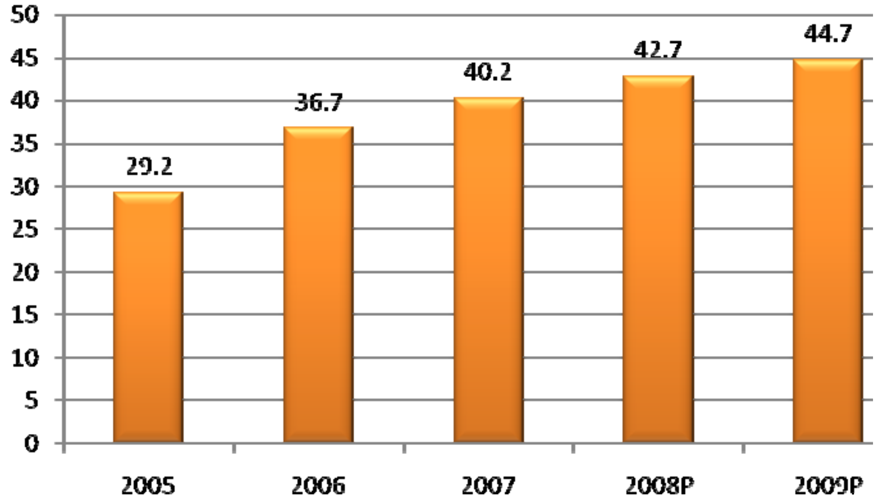


Source:"The report on of the telecommunications market in 2007"- The Electronic Communication Office

Trends

According to projections of PMR Ltd. analysts presented in the Report on Telecommunications Market in Poland between 2006 to 2009, the number of mobile phone users will continue to increase in the future, although at a slower pace, despite the fact that the market will reach a penetration rate of 100%. According to the UKE, it is expected that new operators will mainly take customers away from established operators in the future.

The graph below shows the number of mobile telephony users in Poland in 2005–2009 (in millions at the end of each year).



Source: "Report on telecommunications market in 2007"- UKE based on "The telecommunications market in Poland from 2006 to 2009" - PMR Research; data for 2008 nad 2009 are forecasted data

Competition

The mobile telephony market in Poland is a highly polarized one. On one hand, three established traditional operators, controlling over 97% of the market according to the active SIM card number (according to „Report on telecommunications market in 2007"), dominate the market. On the other hand, despite the domination of the large players, a new infrastructural operator (P4) managed to acquire two million active subscribers as at the end of 2008 (according to P4's statement). What is more, also the alternative operators seek opportunities to acquire a significant number of subscribers in the MVNO business model. As at 18 November 2008, 217 entrepreneurs applied for an entry into a registry held by the President of UKE planning to provide MVNO services and until February 2009, ten entities began providing commercial services as MVNO and there are announcements of further market entries in the current year. The majority of virtual operators provide their services on the pre-paid basis and only a few of them (including us) launched the post-paid offer.

Our offer

We provide mobile telephony service in the pre-paid and post-paid offers.

The pre-paid offer consists of two types of starters at PLN 7 and PLN 25 gross. Subscribers may top up their cards with four top up amounts (PLN 10, PLN 25, PLN 50, and PLN 100). We distribute top ups as cards and via electronic terminals available in the top up sales network.

Clients using the pre-paid offer may also use special offers and promotions developed for subscribers using the televisions services.

Within our post-paid offer clients may choose the level of their monthly fee (in the range between PLN 10 and PLN 55), select their handset and its purchase price, as well as the term of their fixed time agreement by themselves. When selecting an appropriate set of parameters the client receives an individual number of minutes available to them within the monthly fee. Also within the monthly fee the client may choose any number of additional promotional services enabling optimization of costs related to the mobile telephony.

Handsets

Currently, our subscribers may choose from seven handsets available on offer, however, the range is continuously refreshed through introduction of novelties of renowned manufacturers of handsets on the market. One handset is available under the Cyfrowy Polsat brand also in the form of „pre-paid set".

Customer service

There are dedicated employees to care about the telephony service clients in our own Customer Service Center. In this unit, we established processes necessary from the point of view of the telecommunications market, enabling provision of full scope of services to the mobile telephony subscribers. We support our customer care with a number of technical tools, including an advanced CRM system enabling high level of direct service, maintenance and management of customer relations.

Sales

Pre-paid telephony services are available in over 20 thousand points of sale in Poland on the basis of distribution agreements we concluded with our business partners. Electronic top ups are available in over 60 thousand retail points of sales.

The post paid offer is available in 613 selected authorized points of sales.

Technology and infrastructure

We plan our MVNO services on the full MVNO operator model. It means having our own telecommunication infrastructure (except for the radio network). Such business model lets us have control over the offer for clients thanks to our own billing system, and also due to interconnect relations resulting in additional interconnect revenues.

Interconnect relations

We have interconnect agreements with all providers of mobile telephony services in Poland and largest operators of fixed line telephony services.

We have indirect relations with other fixed line providers through agreements for transfer and transit of traffic agreement concluded with TPSA. We have agreements with TPSA, PTC and TATA Communications for international traffic. As a result, we are able to provide international call services.

The Spanish provider Telefonica and the international broker MACH are our strategic partner for international roaming. At the same time, we. sign direct roaming agreements with mobile telephony operators.

Item 5.7. Sales markets and independence from the supplier and client markets

All our services are offered in Poland. The share of any our supplier or client does not exceed 10% of our operating revenues.

Item 6. Presentation of operating and financial results

Item 6.1. Sources of revenues from operating activities

Our revenues from operating activities consist of: (i) subscription fees, (ii) rental of satellite television receiving equipment, (iii) sales of satellite television receiving equipment and telephones, (iv) sales of signal transmission services and (v) other operating revenue.

Subscription fees

Revenues from subscription fees consist of payments from subscribers for the use of our programming services.. They depend on the number of subscribers and the level of monthly subscription fee, which in turn depends on the structure of program packages used by subscribers. In 2008 revenues from subscription comprised 86.1% of our revenue from operating activities as compared to 83.2% in 2007.

Rental of satellite television receiving equipment

Revenues from the rental of satellite television receiving equipment (set-top boxes and satellite dishes) consist of amounts paid by our subscribers for the use of such equipment owned by us and rented to such subscribers, and depend on the number and the type of set-top boxes and satellite dishes rented and the amount of rental fees collected from our subscribers for these. Revenues in this category come from clients acquired in the period when rental was the main method of making receiving equipment available to our subscribers, by subscribers renting the more expensive HD and DVR set-top boxes and by subscribers acquired in the three month period ended 31 December 2008 as we noted an increased proportion of leased television receiving equipment in the total sale in this period. Since December 2004, we principally sold satellite television receiving equipment to subscribers. Revenues from rental of satellite receiving equipment accounted for 0.6% of our revenues from operating activities in 2008 compared to 0.7% in 2007.

Sales of satellite television receiving equipment and telephones

Revenues from the sale of satellite television receiving equipment consist of revenues from the sale of such equipment purchased by our subscribers when they enter into programming services agreements with us and from the sale of such equipment to subscribers under lease agreements which provide for the transfer of title to such equipment on the last day of the term agreement signed by them and revenues from sales of mobile phones. The sale price for the subscriber depends on initial value of the set-top box, the receiving set, or the mobile phone, as well as on what programming packages are purchased by the subscriber and on the purchase at termination option - the term of the contract. In 2008 our revenues from sale of television receiving equipment and mobile phones was 8.8% of our revenues from operating activities as compared to 13.5% in 2007.

Sales of signal transmission and broadcast services

We generate revenue by providing signal transmission and broadcast services, mainly to television and radio broadcasters. These services include access to part of the transponder band, signal transmission and coding as well as signal distribution to other operators including cable networks. These services are provided to broadcasters that are our licensors for programming. Additionally we generate revenues from telecommunications connections related to our call center. In 2008 our revenues from sale of signal transmission services were 1.4% of our revenues from operating activities as compared to 1.5% in 2007.

Other operating revenue

Other operating revenue was 3.1% of our operating revenue in 2008 when compared to 1.2% in 2007. Other operating revenue consists of:

(i) compensation for lost and damaged equipment. Subscribers using rented receiving set have to return the equipment upon cancellation of the agreement. If it is damaged the client shall pay for repairs. If the subscriber does not return the set-top box for any reason we charge them with the equivalent of its price. If the subscriber returns their set-top box in proper shape they receive the deposit they paid upon conclusion of the agreement;

(ii) revenues from real estate held for investment purposes, including rent paid by tenants who lease office and storage space at the location of our registered office. Our subsidiary Praga Business Park, who purchased the real estate in September 2006 and that we merged with on 31 December 2008, collected the rent payments;

(iii) increase in the balance of products. The positive change results from the fact. the combined production of set-top boxes in our factory in the 2008 surpassed the sale of those set-top boxes outside the Group during the period

(iv) other operating revenues consist mainly of advertising, transportation, mailing services and compensations

.Item 6.2.Sources of costs of operating activities

Costs of operating activities consist of: (i) depreciation and amortization, (ii) programming costs, (iii) signal transmission services costs, (iv) distribution and marketing costs, (v) salaries and employee- related expenses, (vi) costs of satellite television receiving equipment and telephones sold, and (vii) other operating costs.

Depreciation and amortization

Depreciation and amortization expenses primarily consisted of the depreciation of property, plant, equipment and intangible assets and depreciation of set-top boxes leased by us to our subscribers. Depreciation and amortization expenses were 2.9% of our costs of operating activities in 2008 as compared to 3.2% in 2007.

Programming costs

Programming costs constitute the sum of (i) monthly license fees paid to television broadcasters, in particular broadcasters of channels included in Family Package, and (ii) royalties payable to organizations for collective management of copyrights. The majority of our agreements with broadcasters provide that license fees are calculated as the product of the agreed rate per subscriber and the number of subscribers reported to a given broadcaster who paid for the package containing the broadcaster's channel. Some license agreements contain a so-called guaranteed minimum provision, pursuant to which we are required to pay a fixed license fee irrespective of the number of subscribers using the licensor's programming, and once this level is exceeded, the license fee is calculated as the product of the rate per one subscriber and the number of subscribers who paid for a package of programming services containing that licensor's channel. In the majority of cases, the number of our subscribers has exceeded the thresholds specified in those license agreements. In some cases, we are required to pay a flat-rate programming license fee. We have managed to enter into a number of license agreements under which the monthly per-subscriber rate of license fees declines as the number of subscribers increases. Majority of our programming costs are denominated in the euro and USD. Programming costs were 27.3% of our costs of operating activities in 2008 as compared to 23.4% in 2007.

Signal transmission services costs

Signal transmission services costs consist of: (i) payments for the lease of satellite transponder capacity, (ii) payments for the use of the Nagravision conditional access system, which since December 2005, this has been calculated as the product of the monthly unit rate per active access card and the number of active access cards and (iii) other signal transmission costs. Both payments for the lease of satellite transponder capacity and payment for the conditional access system are denominated in euro. Signal transmission service costs were 7.3% of our costs of operating activities in 2008 as compared to 7.4% in 2007.

Distribution and marketing costs

Distribution and marketing costs consist of: (i) commissions paid to distributors, (ii) marketing expenses, (iii) mailing costs, (iv) call center costs and (v) other expenses.

(i) Commissions paid to distributors consist of amounts paid both to distributors and retail points of sale when they conclude agreements with our customers for paid satellite televisions services. As a result, the costs of commissions for a specific agreement with a subscriber accrue throughout the initial term of the agreement. The cost of commissions paid to distributors, that we are not able to assign to specific subscription agreements, are debited in full on our income statement as they are incurred. Commissions paid to distributors increased significantly for all periods under review, over 90% because a significant portion of the growth in the number of subscribers occurred through this distribution channel. Total commissions paid to distributors and to the customer call center in a given period constitute our subscriber acquisition cost ("SAC") for such period.

(ii) Marketing expenses consist of expenses for television and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. These expenses are not directly related to changes in the number of subscribers.

(iii) Mailing costs (correspondence with customers) are comprised of expenses related to mailing invoices and information related, among other things, to changes in programming offers, prices or regulations to subscribers. Such mailings to subscribers are made at least twice a year (usually in the spring and fall). In addition, we regularly mail selected subscriber groups, for example new customers, welcome packages to encourage them to subscribe to additional programming offers.

(iv) Call center (Telephone Customer Service Center) costs include, among other things, payments to contract workers who make calls to and receive calls from our customers at our call center and sell pay DTH satellite television broadcasting services.

(v) Other distribution and marketing expenses include primarily courier services, costs of handling the distribution of satellite television receiving equipment, costs of the MVNO distribution and costs related to servicing our regional representatives.

Distribution and marketing costs were 24.9% of our costs of operating activities in 2008 as compared to 19.3% in 2007.

Salaries and employee-related expenses

Remuneration an employee benefits consist of salaries of permanent employees, management contracts, temporary employment contracts, remuneration of the Supervisory Board, social security charges and retirement benefits, or other employee benefits. The majority of our employees have an employment contract. Temporary agreements are used for persons employed in certain posts in the customer care and distribution departments. As a result, we are able to flexibly shape our employment structure, which suits our high seasonality of sales. Employee remunerations and benefits accounted for 8.0% of the operating costs in 2008 compared to 6.4% in2007.

Costs of satellite television receiving equipment sold and telephones

We currently offer satellite television receiving equipment purchased from third party vendors at prices which are higher than the retail price we charge to our customers. The purpose of subsidizing set-top boxes and telephones is to increase the price attractiveness and, in turn, affordability of our programming packages to make them available to a wide group of prospective customers of pay DTH satellite television services and telecommunication services. Despite generating some additional costs, we believe that these subsidies continue to be essential to maintain the growth of our subscriber base and the significant growth in subscription fees and telecommunication services fees. Satellite dishes sold to our customers are not subsidized.

To reduce our costs of purchasing satellite television receiving equipment, we launched the production of our own set-top boxes in November 2007. A decrease in the cost of acquisition of set-top boxes will enable us either to offer our subscribers a lower purchase price for set-top boxes, which we expect would positively affect subscriber growth, or to maintain the current prices to subscribers, but thereby improve our profitability.

Costs of satellite television receiving equipment and phones sold were 16.3% of our costs of operating activities in 2008 as compared to 32.1% in 2007.

Other operating costs

Key items of other operating costs include: (i) impairment of asset value, (ii) materials (mainly office and technical supplies) and energy costs including materials and energy consumed during the production of our own set-top boxes, (iii) repairs and maintenance costs, (iv) rent for premises, (v) expenses on legal, advisory and consulting services, (vi) interconnect costs, (vii) expenses on collection services, (viii) banking fees, (ix) expenses on telecommunications services, (x) contributions to the Polish Film Institute, (xi) costs of security, (xii) other taxes and charges, (xii) IT expenses, and (xiv) other operating costs.

Other operating costs were 13.4% of our costs of operating activities in 2008 as compared to 8.2% in 2007.

Item 6.3. Factors and occurrences that may impact our business and results in 2008

Promotions launched in the fourth quarter of 2007

Due to the fact that highest sales fall in the fourth quarter of the year in the fourth quarter of 2007 we prepared special promotions for potential subscribers. During the promotional period in the three months periods ended 31 December 2007, the newly acquired subscribers were purchasing our services with six month promotional period without subscription fees from the agreement conclusion date for an initial subscription contract base period. At the same time the initial period of subscription contract was 24 months. The structure of the promotion caused a slight decrease in the ARPU in the initial period of subscription contract concluded with customers in this promotion.

Competition

Our market is very dynamic and competitive. There are four main players on the DTH market in Poland: Canal + Cyfrowy, the operator of Cyfra+ platform, ITI Neovision the operator of “n” platform, TPSA providing DTH services and Cyfrowy Polsat S.A., operator of the Cyfrowy Polsat platform. During 2008 competition on the market became more aggressive.

Increased competition on the market influenced our special offers to newly acquired subscribers, particularly in the fourth quarter of 2008 when, within the promotion we offered new subscribers could use our services without the need for making subscription fee payments for a period from three to twelve months from the date of agreement conclusion for a basic period of 24 to 36 month. The structure of the promotion caused a slight decrease in the ARPU in the initial period of subscription contract concluded with customers in this promotion.

Exchange rates fluctuations

Our functional and reporting currency is Zloty. Majority of our revenues is expressed in Zloty, while the material part of our operating expenses and capital expenditure is denominated in currencies other than Zloty, mainly USDs and Euro.

In order to hedge against fluctuation of exchange rates, in August 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase USD 2,000 monthly with a fixed exchange rate of USD 1 = PLN 2.3180 for 11 consecutive months starting 1 October 2008. In September 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase EUR 1,500 monthly with a fixed exchange rate of EUR 1 = PLN 3.459 for 6 consecutive months starting 1 October 2008.

We are unable to predict the future foreign exchange rates fluctuations; however, future foreign exchange rate fluctuation will impact, either positively – in case of appreciation of Zloty or negatively – in case of depreciation of Zloty, our financial results.

Item 6.4. Review of operating and financial situation

DTH Operating results

	12 months ended		
	31 December 2008	31 December 2007	Percentage difference
Number of subscribers at end of period, of which:	2,726,993	2,068,328	31.8%
Number of subscribers to Family Package on end of period	2,286,191	1,827,011	25.1%
Number of subscribers to Mini Package on end of period	440,802	241,317	82.7%
Average number of subscribers[1], of which:	2,307,413	1,590,520	45.1%
Average number of subscribers to Family Package	1,998,180	1,424,187	40.3%
Average number of subscribers to Mini Package	309,233	166,333	85.9%
Churn rate[2], of which:	7.5%	5.1%	2.4 pp
Churn rate of Family Package	8.6%	5.7%	2.9 pp
Churn rate of Mini Package	0.1%	0.0%	0.1 pp
Average revenue per user (ARPU)[3)] (PLN), of which:	35.3	34.7	1.7%
Average revenue per user (ARPU) of Family Package (PLN),	39.4	37.8	4.2%
Average revenue per user (ARPU) of Mini Package (PLN),	8.6	8.4	2.4%
Subscriber average cost (SAC)[4)] (PLN),	116.4	143.8	(19.1%)

(1) Calculated as the sum of the average number of subscribers in each month divided by the number of months in the period. Average number of subscribers per month is calculated according to the following formula: (subscribers at the end of the month + subscribers at the beginning of the month)/2.
(2) The percentage of terminated agreements calculated as the ratio of the number of terminated agreements in a given period to the average number of agreements in the period. The churn rates calculated for periods shorter than one year only relate to those given periods and are not annualized.
(3) Revenues from subscription fees for the period divided by the average number of subscribers in such period and the number of months in the period.
(4) Calculated by dividing commissions paid to distributors and call center i by the number of subscription agreements concluded in the given period;.

As at 31 December 2008 we had 2,726,993 subscribers, 31.8% more than as at 31 December 2007 when we had 2,068,328 subscribers. Such a significant increase in our subscriber base was possible due to proper positioning of our services and process for those services on the DTH market. The number of our Family Package subscribers increased by 25.1% to 2,286,191 and the number of our Mini Package subscribers increased by 82,7% to 440.802 subscribers. By the number of subscribers of the Mini Package we understand the sum of subscribers of the Mini and the Max Mini Packages.

The churn rate in 2008 increased to 7.5% in the period of 12 months ended on 31 December 2008 in comparison to 5.1% in the corresponding period in 2007. The increase results primarily from an increase in the churn rate for the subscribers to the Family Package, which increased to 8.6% in the period of 12 months ended on 31 December 2008 from 5.7% in the period of 12 months ended on 31 December 2007. The increase in the churn rate of subscribers to the Family Package is partially caused by agreement termination process we initiated, as a result of changes to our collection procedures, which did not take place in the corresponding period of 2007. Additionally, in 2008 the number of subscribers beyond the initial period of the subscription contract increased significantly, which has a negative impact on our churn rate.

Our monthly ARPU increased by 1.7% to PLN 35.3 in 2008 from PLN 34.7 in 2007. Our ARPU per subscriber of the Family Package increased by 4.2% to PLN 39.4 from PLN 37.8 in 2007. The increase results mainly from the fact that since 1 January 2008 we have offered additionally paid bonus HBO and Super Film packages to our subscribers, which enjoy popularity among them, as well as the fact that since 1 January 2008 we have increased the price of our Family Package to PLN 37.90 for our subscribers, who were beyond the initial period of the subscription contract. This increase was partially offset by lower ARPU recognized on the subscribers acquired during the fourth quarter of 2007 when we offered our clients a 6 month free of charge promotional period.

Our average subscriber acquisition cost decreased by 19.1% to PLN 116.4 in the period of twelve months ended 31 December 2008 from PLN 143.8.1 in the corresponding period of 2007 due to optimiziation of the structure of dealers' commission.

Item 6.5. Presentation of differences between achieved financial results and published forecasts

The company did not present forecasts for 2008.

Item 6.6. Review of the financial situation

The following review of results for the fiscal year ended on 31 December 2008 was executed on the basis of consolidated financial statements for the fiscal year ended on 31 December 2008 created in accordance with International Accounting Standards approved for use in the European Union as at 1 January 2008. All financial data is expressed in thousands.

Comparison of financial situation as of 31 December 2008 and 2007

The value of television receiving equipment increased by PLN 20,236 to PLN 20,785 as at 31 December 2008 from PLN 549 as at 31 December 2007. This change was mainly a result of an increase in the number of leased set-top boxes, including HD and DVR set-top boxes, particularly in the three months period ended 31 December 2008.

Other fixed assets increased by PLN 28,644, or by 29.4% to PLN 125,970 as at 31 December 2008 from PLN 97,326 as at 31 December 2007. The change resulted mainly from an increase in the value of real estate located at 4A Lubinowa Street by PLN 12,522 resulting from reclassification and modernization works and an increase in the value of fixed assets related to the MVNO service by PLN 11,075.

Other non-current assets decreased by PLN 6,692 or 21.6% to PLN 24,264 as at 31 December 2008 from PLN 30,956 as at 31 December 2007. The decrease resulted from a decrease in long term interim settlements from commissions to distributors by PLN 6,691 to PLN 22,924 as at 31 December 2008 from PLN 29,615 as at 31 December 2007. Resulting from recognition into cost and at the same time reclassifying the commissions between long and short-term interim settlements paid to distributors for agreements concluded at the end of 2007 and from the lower number of agreements signed during 2008, compared to 2007, from which distributors' commission paid were recognized.

Inventories decreased by PLN 35,010, or 26.9 % to PLN 94,999 as at 31 December 2008 from PLN 130,009 as at 31 December 2007. This was mainly as a result of a decrease in the set-top boxes by PLN 20,872, a decrease in set-top boxes cards by PLN 10,593 and an increase in the inventory write-off by PLN 1,931.

Receivables from supply of goods and services and other receivables increased by PLN 40,382, or 51.0% to PLN 119,515 as at 31 December 2008 from PLN 79,133 as at 31 December 2007. The increase resulted mainly from an increase of PLN 33,208 in the subscribers' and distributors' receivables of PLN 33,208, mainly due to an increase in the number of subscribers and an increase in revenues.

Other current assets increased by PLN 16,698, or 24.2 % to PLN 85,669 as at 31 December 2008 from PLN 68,971 as at 31 December 2007. This was mainly as a result of the revaluation of forward contracts, as at 31 December 2008 in the amount of PLN 13,950 and an increase in distributors commissions settled in time of PLN 1,084.

Cash and cash equivalents increased by PLN 95,696, or 63.5% to PLN 246,422 as at 31 December 2008 from PLN 150,726 as at 31 December 2007, mainly as a result of generated cash from operating activities of PLN 316,176 partially offset by an outflow of cash related to investment and financial activities. The main items of the cash outflow, are:(i) partial repayment of a loan totaling PLN 107,928 within our loan facilities with Bank Pekao S.A. and Raiffeisen Bank Polska S.A., (ii) purchase of tangible and intangible assets totaling PLN 55,593 and (iii) disbursement of dividend totaling PLN 37,565.

Liabilities from credits and loans (short- and long-term) decreased by PLN 110,251, or 49.9% to PLN 110,706 as at 31 December 2008 from PLN 220,957 as at 31 December 2007, mainly as a result of repayment of PLN 81,518 within a credit agreement with Bank Pekao S.A. and early repayment of the bank loan of Praga Business Park Sp. z o.o. within a credit agreement with Raiffeisen Bank Polska in the amount of PLN 26,413.

Revenues of future periods increased by PLN 37,797, or 46.4% to PLN 119,265 as at 31 December 2008 from PLN 81,468 as at 31 December 2007 mainly as a result of an increase in subscription fees paid in advance and set-top boxes rental fees.

The equity increased by PLN 232,198 to PLN 293,338 as at 31 December 2008 from PLN 61,140 as at 31 December 2007, as a result of retained net profit for year 2008 in the amount of PLN 268,467 partially offset by the dividend paid for 2007 in the amount of PLN 37,565.

Comparison of results for 2008 with results for 2007

Revenue from operating activities. Our revenue from operating activities increased by 42.6% to PLN 1,136,281 in 2008 from PLN 796,669 in 2007. The increase resulted mainly from (i) an increase in revenue from subscription fees by 47.6% to PLN 977,678 from PLN 662,521 mainly due to an increase in the average number of subscribers in the period to 2,307,413 from 1,1590,520 and an increase in the monthly ARPU, resulting partially form increased the activation fee in the case of set-top box lease and increased share of leased set-top box, (ii) the increase in other operating revenue to 35,141 in 2008 from 9,387 in 2007 mainly as a result of recognizing a compensation from Nagravision S.A. into revenue of PLN 17,070 as a result of a need for card replacement and replacement of older set-top boxes that were incompatible with the new encryption system due to exchange of the encryption system used so far, a change in the level of set-top boxes we produced at the level of PLN 5,561. The increase was partially offset by a 6.6% decrease in the sales of television receiving equipment and telephones to PLN 100,180 from PLN 107,205 mainly as a result of lower prices offered to customers during the promotion introduced in the fourth quarter of 2008, (iii) lower number of sold television receiving equipment, resulting from the growth in the number of leased television receiving equipment and from lower number of subscription agreements signed in 2008 compared to 2007.

Costs of operating activities. Our costs of operating activities increased by 24,6% to PLN 811,987in 2008 from 651,522 in 2007. The increase resulted mainly from (i) increase in the distribution and marketing costs by 60.8% to PLN 202,465 from PLN 125,919 mainly as a result of an increase in commissions paid to distributors by PLN 24,756, (ii)an increase in marketing cost by PLN 23,860 as a result increased promotional campaigns of DTH services and introduction of MVNO services, an increase in mailing and call center costs by PLN 26,439 resulting largely from exchange of set-top box cards and older set top boxes incompatible with the new encryption systems resulting from introduction of a new encryption system and an increase in midterm number of subscribers, (iii) an increase in the programming license fees by 45.7% to PLN 221,443 from PLN 152,031 mainly due to an increase in the average number of subscribers and increase in the number of subscribers watching our three new television channels such as HBO, HBO 2 and HBO Comedy, and HD channels and depreciation of zloty against euro and USD (iv) an increase in other operating costs by 102.8% to PLN 108,815 from PLN 53,664 mainly due to the increase in costs related to telecommunication services and development of modification of existing IT systems, an increase in the usage of materials and energy, an increase in fees to the Polish Film Institute, (v) an increase in salaries and employee-related expenses, which increased by 54.9% to PLN 64,589 from PLN 41,701, mainly as a result of increase in the average number of employees in the period to 429 from 261, resulting from our organic growth, launch of MVNO services, and (vi) an increase in the cost of transmission by 21.9% to PLN 59,006 from PLN 48,402 resulting mainly from an increase in the cost of conditional access system, resulting from increased avarage number of subscribers and depreciation of zloty against euro and USD, and an increase in cost of transponder lease as a result of depreciation of zloty against euro and USD. These increases were partially offset by a decreased in the cost of receiving equipment and telephones sold mainly as a result of a decrease in the number of sold television receiving equipment, resulting mainly from the growth in the share of leased television receiving equipment which is amortized rather than expensed and the lower number of signed subscribers agreements in the three month period ended 31 December 2008 compared with the corresponding period of 2007and a decrease in the average unit cost of standard definition set top boxes sold, due to sales of our own factory manufactured set top boxes. Moreover, due to presentation of the Group's income statement according to the type method the set-top box production related costs were recognized in the particular items of costs. The costs mainly comprise materials and energy consumption costs and the cost of remuneration. under the own cost of set-top boxes and telephones item we presented the cost of receiving equipment sold that we purchased from external entities.

Profit from operating activities. Our profit from operating activities increased by 123.4% to PLN 324,294 in 2008 compared to PLN 145,147 in 2007. The increase primarily results from an increase in revenue from operating activities in a situation of operating activities costs growing much slower.

Financial revenues. Our financial revenue increased to PLN 19,359 in 2008 from PLN 18,976 in 2007.

Financial revenues mainly comprised interest revenue of PLN 8,443 in 2008 in comparison with PLN 6,201 in 2007 resulting from higher cash balances in our bank accounts and foreign exchange gains resulting from realized forwards in the amount of PLN 3,693, and revenue from settlement of services related to public issue of shares of PLN 7,223. The net exchange rate difference was PLN 12,406 in 2007.

Financial revenue from the revaluation of forwards. Our financial revenue from revaluation of unrealized forwards amounted to PLN 13,950 in 2008.

Financial costs. Our financial costs were PLN 23,949 in 2008 compared to PLN 23,936 in 2007.

Financial costs mainly comprised interest on bank loans of PLN 12,202 in 2008 compared to PLN 13,254 in 2007, costs related to the public share offering of PLN 6,691 in 2008 compared to PLN 9,731 in 2007 and net foreign exchange loss of PLN 4,703 accrued mainly on current operating costs.

Gross profit. Our gross profit increased to PLN 333,654 in 2008 compared to PLN 140,170 in 2007 mainly as a result of an increase in profit from operating activities and recognized gains on impairment of forwards.

Income tax. The income tax was PLN 63,891 in 2008 compared to PLN 26,755 in 2007. The effective tax rate was 19.1% compared to 19.1% in 2007.

Net profit. Our net profit increased to PLN 269,763 in 2008 compared to PLN 113,423 in 2007 as a result of significant increase in the gross profit.

Other information

EBITDA. EBITDA increased to PLN 347,841 in 2008 compared to PLN 165,924 in 2007. The increase resulted from an increase in profit on operating activities. The EBITDA margin was 30.6% compared to 20.8% in 2007.

Capital expenditure. Capital expenditure was PLN 77,219, including set top purchase costs of PLN 21,627 in operating activities in 2008 compared to PLN 54,958 in 2007, mainly due to expenditure borne on fixed assets and intangible assets for the provision of MVNO services, including expenditure on the billing system MVNO infrastructure, expenditure on upgrading the premises we own and expenditures on receiving sets, which are rented by our subscribers.

Employment. The average number of employees was 429 persons in 2008 compared with 261 in 2007. The increase in the staffing results from our organic growth, launching set-top boxes factory and launching MVNO telecom services.

Business Segments

We are in the DTH television segment and mobile telephony segment. We conclude transactions between segments on arms-length basis.

We divided segments on the basis of allocation of particular transactions into segments in the accounting system. The DTH segment covers our business related to providing individual clients with digital satellite television signal including High Definition (HD) and production of set-top boxes by our subsidiary Cyfrowy Polsat Technology Sp. z o. o. The MVNO segment covers the business related to provision of mobile telephony services.

During the year 2007 we had not yet achieved revenue from the MVNO segment. However, substantial investment expenditures were made in order to prepare for the introduction of MVNO-related services. In 2007 PLN 18,672 was spent on non-current assets of which PLN 12,235 was spent on tangible assets comprising computer hardware, testing equipment and telephone exchange. Investment expenditures relating to intangible assets, comprising mostly the MVNO billing system, amounted to PLN 6,437.

The table below presents our revenues and costs according to segments of activity in the year ended 31 December 2008:

	Digital television	Mobile phones	Other	Eliminations	Consolidated amount
Total revenue	1,130,057	2,773	3,783	(332)	1,136,281
Operating expenses	710,709	45,107	56,503	(332)	811,987
Operating profit	419,348	(42,334)	(52,720)	-	324,294
EBITDA*	429,662	(38,475)	(43,346)	-	347,841

Liquidity and capital reserves

The table below presents cash flow for the period of twelve months ended on 31 December 2008 and 2007.

	Twelve month period ended on	
	31 December 2008	31 December 2007
Cash flow from operating activities	316,176	111,210
Cash flow from investment activities	(55,495)	(54,358)
Cash flow from the financial activities	(165,390)	(15,667)
Net changes in cash and cash equivalents	95,291	41,185

Cash flow from operating activities

Cash flow from operating activities increased by PLN 204,966, or 184.3% to PLN 316,176 in 2008 from PLN 111,210 in 2007. The increase results mainly form an increase in the net result of PLN 156.340, an increase in net adjustment of result by PLN 72,732, which is partially offset by the income tax paid of PLN 26,347.

Cash flow used in investing activities

The value of cash used in investing activities increased by PLN 1,137 to PLN 55,495 in 2008 from PLN 54,358 in 2007. In both periods the funds were used mainly to purchase tangible fixed assets. In the period of twelve months ended on 31 December 2008 the amount totaled PLN 55,593 and was related to expenditure on: (i) MVNO infrastructure, (ii) modernization of real estate of our headquarters, (iii) equipment for the call center and (iv) means of transport.

Cash flow used in financial activities

Cash flow used in financial activities in 2008 was PLN 165,390 when compared to net cash flow used in financial activities of PLN 15,667 in 2007 and mainly comprised the repayment of bank debt in the amount of PLN 107,928, dividend payout of PLN 37,565 and repayment of interest on bank debt and financial lease and financial lease liabilities in the total amount of PLN 13,770, as well as inflow related to settlement of costs in relation to admission of our shares for trading on the regulated market for the amount of PLN 7,223.

Cash and cash equivalents as at 31 December 2008 were PLN 246,422 as compared to PLN 150,726 as at 31 December 2007. We keep our cash mainly in a form of bank deposits in Zloty, Euro and USDs in bank accounts held by Invest Bank S.A, Bank Pekao S.A and Raiffeisen Bank Polska S.A.

Item 6.7. Future liquidity and capital resources

We expect that our principal future cash needs will be (i) development of MVNO services, (ii) purchase of DVRs and HD set-top boxes from external suppliers as well as components for our own Standard Definition set-top boxes and (iii) planned capital expenditures, and (iv) debt service. We believe that our cash balances and cash generated from our current operations will be sufficient to fund these needs.

Our non-current liabilities amounted to PLN 57,347 as at 31 December 2008 as compared to PLN 134,914 as at 31 December 2007.

Our total debenture from long- and short-term loans and credit facilities as at 31 December 2008 was PLN 110,706, comprising debenture resulting from a loan agreement with Bank BPH S.A. (currently Bank Pekao S.A.) Our loans and borrowings debt are denominated in PLN only.

As at 31 December 2008 our cash balance was higher than our debt balance arising from loans and borrowings by about PLN 135,716.

Item 6.8. Information on incurred and noticed credit and loan agreements

We did not incur or notice any agreements regarding credits and loans in the fiscal year of 2008.

Item 6.9. Information on loans granted with particular emphasis on related entities

On 5 February 2008, Cyfrowy Polsat S.A. signed with the subsidiary company Cyfrowy Polsat Technology Sp. z o.o. an agreement for the loan of PLN 6,500 thousand to finance that company's operations, with maturity on 31 December 2008. The interest rate of the loan is variable and is equal to WIBOR 6M calculated on the last day prior to the date on which the interest is due and payable plus the margin of 2%. A borrower's incomplete blank promissory note with a bill of exchange declaration is the collateral for the loan. On 19 December 2008 Cyfrowy Polsat S.A. and Cyfrowy Polsat Technology Sp. z o.o. signed an annex to the loan agreement resulting in the postponement of the loan's repayment date to 31 December 2009.

On 11 September 2008 Cyfrowy Polsat S.A. (lender) and Praga Business Park Sp. z o.o. (borrower) - Company's subsidiary in which the Company owned 100% of shares signed two loan agreements for the total amount of PLN 29,000 thousand, out of which:

- A loan in the amount of PLN 26,000 thousand was granted for the repayment of the bank loan under an agreement with Raiffeisen Bank Polska S.A. The repayment of the bank loan allowed for removal of registry pledge on the shares of Praga Business Park Sp. z o.o., which was a prerequisite for the merger of both companies.

- A loan in the amount of PLN 3,000 thousand was granted to finance the current operations of Praga Business Park Sp. z o.o.

Both loans bore an interest based on variable interest rate of 6 month WIBOR increased by 2 percentage points. The loans were granted until 31 January 2009 and were secured by a promissory note. The liabilities were settled through the merger of companies.

On 4 November 2008 Cyfrowy Polsat S.A. signed, a loan agreement with its subsidiary Praga Business Park Sp.z o.o. for the amount of PLN 1,700 for financing of the company's business with repayment date on 31 January 2009. The liability was settled by the merger of the companies. The loan had a variable interest rate equal to WIBOR 6M calculated on the last day prior to the date on which the interest was due and payable plus the margin of 2%. A borrower's incomplete blank promissory note with a bill of exchange declaration was the collateral for the loan. The liabilities were settled through the merger of companies.

Item 6.10. Information on granted and received guarantees with particular emphasis on guarantees granted to related entities

We neither granted nor received any guarantees considering guarantees granted to related entities.

Item 6.11. Off balance liabilities

We present information regarding our off-balance liabilities in the consolidated financial report for the fiscal year ended on 31 December 2008 in Note 48 *Off-balance liabilities*.

Item 6.12. Major investments

In 2008 we did not invest in securities, financial instruments (excluding transactions hegdging our open currency position), intangible assets, or real estate.

Item 6.13. Trend information

The principal trends of which the Management Board of Cyfrowy Polsat S.A. is aware of and that we believe will affect our revenues and profitability are:

- Further development of pay television market, including cable and DTH;
- Devaluation of zloty against the euro and the USD. We are exposed to fluctuations in the exchange rates of Zloty to both the Euro and the USD. A large proportion of our cost of operating activities is denominated in these currencies. In the fourth quarter of 2008 the Zloty weakened significantly against the Euro and the USD. Further weakening of PLN against these currencies will have an adverse influence on our financial results.
- The inflationary trend in Poland is currently increasing, but until recently had been stable. December 2008 inflation was 3.3% year on year. We do not believe that the current inflationary trends will have a material impact on our business in the future.

We cannot predict future trends of development of the market, currency exchange rates and inflation.

Item 6.14. Information on market risks

All our business is conducted in Poland. However, due to the nature of our business we are exposed to fluctuations in exchange rates and interest rates, as a result of the fact that the amounts due to third parties are often expressed in dollars or euro, and our revenues are expressed primarily in the Polish Zloty.

Exchange rates risk management

Our functional and reporting currency is Zloty. Majority of our revenues is expressed in Zloty, while the material part of our operating expenses and capital expenditure is denominated in other currencies than Zloty, mainly USDs and Euro.

In order to limit the currency risk exposure we purchase currencies at rates negotiated on the basis of our current and future needs resulting from exercise of payments in foreign currencies. On 9 October 2007 we entered into a credit agreement enabling us to swap our obligations from loans in foreign currencies into a bank loan denominated in Zloty. It enabled us to significantly reduce future currency risk. As a result of increasing value of payments in foreign currencies, caused by an increase in the scale of our operations, we intend to use forward transactions for currency purchases, hedging our risk of unwanted USD and Euro currency fluctuation risk against Zloty.

In August 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase USD 2,000 monthly with a fixed exchange rate of USD 1 = PLN 2.3180 for 11 consecutive months starting 1 October 2008. In September 2008 we entered into a currency exchange agreement with Invest Bank based on which we will purchase EUR 1,500 monthly with a fixed exchange rate of EUR 1 = PLN 3.459 for 6 consecutive months starting 1 October 2008. We will further observe our market to hedge our remaining open position in USD and EUR.

In the twelve month period ended 31 December 2008 we repaid all our bank debt denominated in Euro which we had under the agreement between Praga Business Park Sp. z o. o. and Raiffeisen Bank Polska S.A. As a result of this repayment our debt under current agreements is denominated in PLN only.

Interest rate risk management

Fluctuations in market interest rates have no direct effect on our revenues or operating cash flows, however, they do have an effect on cash flow from financing activities through the cost of interest paid on bank credits.

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

At present moment we do not hedge our interest rate risk exposure.

Liquidity risk management

Our objective is to maintain a balance between the continuity and flexibility of financing by using various sources of financing, including bank loans and other borrowings. We maintain a significant amount of cash and cash equivalents to be able, among other things, (i) to ensure payments under the satellite television receiving equipment delivery schedule – the accessories to satellite television receiving equipment and components necessary to produce set-top boxes in-house, (ii) to finance planned expenses related to the launch of our MVNO services and the operation of our HDTV broadcasting, including the purchase of satellite TV receiving equipment with high unit purchase prices and (iii) to maintain financial liquidity in connection with planned client promotions.

We hold cash primarily in Polish Zloty but maintain Euro and USD positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs and the costs of conditional access system, as well as the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

The principal risk to our sources of liquidity are operational risks, including especially a risk associated with decreased pricing for the services we offer as a result of increased competition on the Polish market and the risk that our churn rate may increase.

Item 7. Dividend policy

Our Ordinary Annual Shareholders' Meeting, on 4 July 2008, approved a resolution on the dividend policy, stating that it is our intention to pay the dividend of 33% to 66% of the net profit, which will depend on the achieved profits, financial situation, existing liabilities (including restrictions coming from the loan agreements), possibility of disposition of capital reserves, valuation of our development perspective in the described market situation by the Management Board and the Supervisory Board, as well as the need of cash resources in pursuit of our superior target, which our its further development, especially through the acquisitions and new projects.

Our Ordinary Annual Shareholders Meeting also approved a resolution on dividend of PLN 0.14 (not in thousands) per share from our 2007 profits. The dividend was paid on 5 August 2008.

Item 8. Management contracts with members of the management board setting out severance packages payout as a result of their resignation or dismissal from the position without a material cause

Cyfrowy Polsat S.A concluded a management contract with Dominik Libicki who is the President of the Management Board setting out that his notice period is six months. As a result of expiry of the contract or lack of its continuation due to reasons caused by the Company, or noticing the contract by the Company, or its cancellation by Dominik Libicki as a result of default in his remuneration payment for three months Dominik Libicki will be entitled to a severance package equivalent to his six month remuneration.

The management contract with Andrzej Matuszynski sets out the notice period at four months. In addition the non-competition agreement concluded with Mr. Andrzej Matuszynski sets out a monthly payment of 100% of the remuneration received so far for the period of eight months (if the contract is terminated by Andrzej Matuszynski, or twelve months (if cancellation of the contract is effected by the Company). The contract also sets out a compensation package for Andrzej Matuszynski totaling his six month salary if the management contract expires, or due to lack of extension of the management contract for reasons caused by the Company, or for a contract noticed by the Company, or its dissolution by Andrzej Matuszynski due to default in his salary payment for three months.

The management contract with Maciej Gruber sets out the notice period at four months. In addition the non-competition agreement concluded with Maciej Gruber sets out a monthly payment of 100% of the remuneration received so far for the period of eight months (if the contract is terminated by Maciej Gruber, or twelve months (if cancellation of the contract is effected by the Company) for refraining from employment with a competing entity. The contract also sets out a compensation package for Maciej Gruber totaling his six month salary if the management contract expires, or due to lack of extension of the management contract for reasons caused by the Company, or for a contract noticed by the Company, or its dissolution by Mr. Maciej Gruber due to default in his salary payment for three months.

The management contract with Dariusz Dzialkowski sets out the notice period at four months. In addition the non-competition agreement concluded with Dariusz Dzialkowski sets out a monthly payment of 100% of the remuneration received so far for the period of eight months (if the contract is terminated by Dariusz Dzialkowski, or twelve months (if cancellation of the contract is effected by the Company) for refraining from employment with a competing entity. The contract also sets out a compensation package for Dariusz Dzialkowski totaling his six month salary if the management contract expires, or due to lack of extension of the management contract for reasons caused by the Company, or for a contract noticed by the Company, or its dissolution by Dariusz Dzialkowski due to default in his salary payment for three months.

Item 9. Remuneration of the Members of the Management Board and the Members of the Supervisory Board

Information regarding remuneration of members of the Management Board and the Supervisory Board for the fiscal year ended 31 December 2008 is included in Note 50 (Members of the Management Board) and Note 51 (Members of the Supervisory Board).

Item 9.1. Stock option plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted a resolution on the introduction of an incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional issued capital increase within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,

(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,

(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,

(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of these consolidated financial statements, the incentive plan had not been accepted.

According to the resolution described above, should not all shares of a given series be distributed, in line with the goal of the resolution, the Supervisory Board may transfer the remaining undistributed shares to other series, effectively increasing the number of shares in this series. On no account may the overall number of shares issued on the grounds of the resolution be changed.

Item 9.2. Stock option control system

Due to the fact that we have not implemented the stock based incentive program yet we have not introduced the stock control system yet.

Item 10. Shares of Cyfrowy Polsat held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table present information about shares held directly and indirectly by particular members of the Management Board as at day of the publication of this Report:

	No. of shares	Nominal value of shares (not in thousands)
Dominik Libicki	121,497	4,859.88
Dariusz Dzialkowski	500	20
Maciej Gruber..	-	-
Andrzej Matuszynski	-	-
Total	121,997	4,879.88

Shares held by members of the Supervisory Board

The following table present information about shares held directly and indirectly by particular members of the Supervisory Board as at day of the publication of this Report:

	No. of shares	Nominal value of shares (not in thousands)
Zygmunt Solorz-Zak.........................	169,105,938	6,764,237.52
Robert Gwiazdowski........................	-	-
Andrzej Papis..................................	-	-
Leszek Reksa..................................	-	-
Heronim Ruta..................................	26,312,812	1,052,512.48
Total...	195,418,750	7,816,750.00

Item 11. Transactions with related parties

We present information on material transaction we, or our subsidiary, concluded with a related party in the consolidated financial statements for the fiscal year ended 31 December 2008 in Note 51 *Transactions with related parties*.

Item 12. Material agreements

Agreement with the ZAIKS Authors' Association

As a result of conducted negotiations for determining the conditions of direct cooperation with the ZAIKS Authors' Association ("ZAIKS"), on 7 April 2008 the memorandum of agreement was concluded to pay ZAIKS the authors' compensation for works re-broadcasted on the digital platform in the period from 1 June 2006 to 31 December 2007. The payment of compensation under the memorandum of agreement satisfies ZAIKS's claims on account of authors' compensation for re-broadcasting the works on the digital platform in the aforementioned period.

Also, on the same date the license agreement was concluded with ZAIKS, which regulates conditions of further cooperation.

Agreement with Polaris Finance B.V.

On 1 April 2008, the Company concluded with Polaris Finance B.V. the memorandum of agreement regulating the principles of settling the services related to floating of shares. Pursuant to this memorandum of agreement, Polaris Finance B.V. undertook to cover part of the costs (up to PLN 5,017 thousand) incurred by the Company with regard to floating of the Company's shares. On 15 July 2008 the Company became aware that an annex to the memorandum of agreement was signed on 5 May 2008. The Annex amended the costs related to floating shares for trade on the regulated market that Polaris Finance B.V. guaranteed to pay from PLN 5,017 to PLN 7,807.

Agreement with Polska Telefonia Cyfrowa Sp. z o.o.

On 30 June 2008 Cyfrowy Polsat S.A. and Polska Telefonia Cyfrowa Sp. z o.o. („PTC") entered into an agreement regarding domestic roaming, setting out a possibility of the MVNO's users to use the radio network of PTC. The agreement sets out the terms and conditions of mutual settlements between the parties, by indicating rates for: (i) voice services (per minute of call), and (ii) data transfer (per Mb of information downloaded). The value of the agreement shall by the product of minutes of calls used by subscribers (or data downloaded) and rates indicated in the agreement. The rates are in line with market rates. The agreement's life is indefinite and provides for particular reasons entitling the parties to its notice.

According to requirements of PTC the agreement provides for an exclusivity clause, and in each case of breach of the exclusivity clause by Cyfrowy Polsat S.A. PTC is entitled to claiming payment of a contractual penalty by the Company in a level set for the year in which the breach took place, however in no case shall the penalty be lower than PLN 10,000.

The agreement has been executed according to the laws of Poland. Upon the conclusion of the agreement the domestic roaming agreement dated 8 June 2006 ceases to be valid.

Agreement with Polish Filmmakers Association (SFP)

On 7 July 2008 an agreement was signed between the Company and Polish Filmmakers Association ("SFP") regarding the fact that SFP, in exchange for a fee set out in the agreement, grants Cyfrowy Polsat a non-exclusive and transferable license for the use of audiovisual works and related rights available to audio-video producers for videograms in the area of re-broadcasting of audiovisual works and videograms contained within television programs made available by Cyfrowy Polsat through satellite receivers.

The agreement also regulates the issue of granting the mentioned above licenses by SFP and the rules of remuneration payout for the period from 1 January 2000, i.e. the year the digital platform started its operations until the date of agreement conclusion. The payment of the remuneration indicated in the agreement for the period satisfies all claims of SFP against the Company for use of rights represented by SFP prior to the date of agreement conclusion.

The agreement was concluded for a term until 31 December 2010 with an option of automatic renewal for a further three year period.

Agreement with EIC Spain S.L.

On 6 October 2008 Cyfrowy Polsat S.A. received a copy of agreement for delivery of receiving equipment signed by EIC Spain S.L.. The Agreement shall be effective 2 October 2008. The value of agreements signed with this supplier in the last 12 months reached USD 34,877 thousand.

The agreement with highest value is the order dated 2 October 2007 placed on the basis of the agreement of 14 April 2005. The subject of the order is supply of set-top boxes and its value was 18,825 USD.

All conditions of the agreement do not vary from market standards applied to this type of agreements.

Insurance agreements

We concluded following insurance agreements with PZU S.A. in 2008:

Subject	Insurance term	Insurance amount
CYFROWY POLSAT S.A.		
Third party liability	05.06.2008-04.06.2009	PLN 5,000
Asset insurance against all risks	05.06.2008-04.06.2009	PLN 132,435
Electronic equipment insurance against all risks	05.06.2008-04.06.2009	PLN 68,936
Cargo insurance in domestic transportation	05.06.2008-04.06.2009	PLN 15,000
CYFROWY POLSAT TECHNOLOGY SP. Z O.O.		
Third party liability	05.06.2008-04.06.2009	PLN 5,000
Asset insurance against all risks	05.06.2008-04.06.2009	PLN 20,131
Electronic equipment insurance against all risks	05.06.2008-04.06.2009	PLN 287
Loss of profit insurance on the basis of asset insurance against all risks	05.06.2008-04.06.2009	PLN 18,000
Insurance for equipment against damage	05.06.2008-04.06.2009	PLN 7,664
Insurance for cargo in domestic transportation	21.08.2008-20.08.2009	PLN 3,500

In addition, we conclude insurance agreements with PZU S.A., where we insure cargo in international transportation.

We entered into following insurance agreements with AIG Europe S.A. Oddzial w Polsce in 2008:

subject	Insurance term	Insurance amount
Third party liability insurance for sales of securities offer	17.04.2008-16.04.2009	PLN 75,000
Third party liability insurance of Directors and Members of the Management Board	17.04.2008-16.04.2009	PLN 75,000

Item 13. Public offer of shares in Cyfrowy Polsat S.A.

The Company made its floatation on the Warsaw Stock Exchange S.A., nevertheless the Company did not offer shares of a new issue to the public. Due to the structure of the public offering, where our shareholders sold their shares, we did not recognize any gains from that issue.

Item 14. Agreements with an entity certified to execute an audit of the financial statements

On 2 December 2008 the Company entered into an agreement with KPMG Audyt Sp. z o.o. with registered office in Warsaw at 51 Chlodna Street for performance of the audit of the standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the fiscal year ended 31 December 2008. On 2 December 2008 Cyfrowy Polsat Technology Sp. z o.o. entered into an agreement with KPMG Audyt Sp. z o.o. for performance of the audit of the financial statements of the company for the fiscal year ended 31 December 2008.

The following summary presents a list of services provided by KPMG Audyt Sp. z o.o. and remuneration for the services in the period of 12 months ended on 31 December 2008 and 31 December 2007.

	for year ended	
	31 December 2008	31 December 2007
Fee for audit and review of financial statements	1,103	161
Remuneration for services related to public offer of shares	244	4,160
Total	1,347	4,321

Item 15. Specification of the principles of corporate governance which the issuer is subject to ant the location of the set of principles where they are publicly available.

We are subject to the set of principles of the corporate governance as set out In the Best Practices of WSE Listed Companies, constituting an appendix to the Decree No. 12/1170/2007 of the Council of GPW of 4 July 2007.

The document was issued by the Warsaw Stock Exchange (GPW) and made available at the head office of the GPW and at a special website dedicated to issues of the corporate governance at http://corp-gov.gpw.pl.

Item 16. Specification of the principles of corporate governance not applied by the issuer together with reasons for not applying.

On 6 May 2008,. in the current report No. 9/2008 we informed that our intention is to comply with all the principles of the corporate governance contained in the Best Practices of Companies listed on the Warsaw Stock Exchange.

However, with regards to the principle No. III.6, setting out that at least two members of the Supervisory Board shall comply with the requirement of independence from the Company or entities being in material relation to the Company, our Management Board decided that the application of the principle shall depend on a decision of the General Meeting of Shareholders whose competencies include appointing members of the Supervisory Board.

The General Meeting of Shareholders of 4 July made changes to the composition of the Supervisory Board appointing two members to the Supervisory Board who comply with the independence criterion set out in Chapter III point 6 of the Best Practices of WSE Listed Companies.

Item 17. Description of the basic features of the internal control system and the risk management system applied at the Company with respect to the process of preparing financial statements.

Our Management Board is responsible for the internal control system at the Group and its effectiveness in the process of preparing financial statements and interim reports which are prepared and published in accordance with the provisions of the Decree of the Finance Minister of 19 February 2009 on current and interim information provided by issuers of securities and the conditions of accepting, as equivalent, information required by the provisions of a country not being a member state.

The objective of our internal control system in financial reporting is the assurance of the adequacy and correctness of financial information contained in the financial statements and interim reports. Our system of internal control and risk management comprises:

a) A specified scope of financial reporting by the Group;

b) A defined segregation of duties and work organisation;

c) A consistent set of financial and operational data which is in line with the respective decree contained in the financial reports enabling the results of successive periods to be comparable;

d) Regular reviews of the Capital Group’s results using established scope of the financial reporting; and

a. Specified scope of financial reporting by the Group

Our Management Board regularly reviews the strategy and business forecasts for the period of three to five years. Based on the conclusions from such reviews middle and senior management prepare a detailed financial plan for the following 12 months covering all the areas of our activities and updates business forecasts. The accounting policy regarding statutory reporting adopted by us is used in both the budgeting process and during the preparation of interim management reporting.

A detailed financial plan for the following 12 months is further accepted by our Management Board and approved by the Supervisory Board.

Our Management Board analyses the current financial results during the year by comparing them with the accepted financial plan.

b. Defined segregation of duties and work organisation

The Budgeting and Controlling Department is responsible - based on assumptions prepared by the Management Board and the senior and middle management - for preparation of the next 12 month and long-term financial plans; the Budgeting and Controlling Department reports to the Finance Director, who reports to the Member of the Management Board responsible for finance. The financial plan for the following 12 months, accepted by the Management Board, is passed on to the owners of the areas of our activities for implementation. The Budgeting and Controlling Department performs regular analyses of implementation of the plan and reports the results to the Management Board and the owners of the areas of our activities who are responsible for the execution of the plan.

The Reporting Department, which reports to the Chief Financial Office reporting directly to the Member of the Management Board responsible for Finance, is responsible for preparing our financial statements and the interim financial reports.

Before providing them to an independent auditor, the Director of the Finance Department and then the Management Board Member responsible for finance verify the prepared financial statements.

The Investor Relations Department prepares our interim reports on the basis of the interim and annual financial statements after the Management Board Member responsible for finance has accepted them, taking into consideration other data provided by managers and directors managing the functional of departments of the Group .

The Management Board Member responsible for finance accepts the interim reports before providing them to an independent auditor.

c. Consistent set of financial and operational data in the financial reports compliant with the respective Decree enabling comparison of results of successive periods.

The scope of basic data encompassed by the interim reporting process includes both the obligatory data defined in the Decree of 19 October 2005 on current and interim information provided by issuers of securities and a set of operational data enabling verification of effectiveness of our activities and update of analytical models used by external financial analysts.

We apply cohesive and uniform accounting principles in the presentation of financial data in the financial statements, interim financial reports, internal financial plans and other reports presented to investors.

d. Regular reviews of the Group's results using the established scope of financial reporting.

Data for the financial statements and interim reports is prepared on the basis of the reporting system used in the Finance-Accounting Department, which is based on interim management reporting. After closing of the reporting period, our financial results are analysed in detail, taking into consideration compliance with the budgeted numbers and cohesiveness of the accepted accounting policy. Corrections of possible errors and deviations from existing standards are recognised in the accounting records. Financial statements approved by the Management Board Member responsible for finance are distributed in accordance with accepted standards.

The financial and operating results, based on the prepared management reports, are analysed further at the level of Deputy Finance Director responsible for Budgeting and Controlling. Our Management Board and the operational departments are informed about the level of costs in a given period and the level of utilisation of the annual financial plan in the interim reports.

e. Regular independent reviews of the Group's published financial statements by an external auditor.

We apply the principle of an review of the published financial statements by an independent auditor .The semi-annual reports and annual reports which are published and the financial data which constitute the basis of this reporting, as well as the source data constituting the grounds for their preparation are reviewed by the Group's auditor.

Key management and data input systems, including the electronic document flow, billing systems as well as the system of booking revenues and expenses, constitute a part of the audit during the review of the financial statements.

The adequacy of the financial data and the extent of further disclosures are subject to review.

The results of the review or audit are presented by the auditor to the management of the Group's Finance Department during the summary meetings.

Item 18. Presentation of shareholders holding, directly or indirectly, material bundles of shares

The following table presents our shareholders. as at 31 December 2008:

Shareholder	Number of shares held	% of share capital	Number of votes	% of votes
Polaris Finance B.V.	162,943,750	60.73%	317,968,750	69.76%
Zygmunt Solorz-Zak	30,603,750	11.41%	61,207,500	13.43%
Others	74,777,500	27.86%	76,648,750	16.81%
Total	268,325,000	100.00%	455,825,000	100.00%

1Zygmunt Solorz-Zak owns 85% of shares of Polaris Finance B.V and Heronim Ruta owns 15% of shares of Polaris Finance B.V

Item 19. Presentation of owners of securities with special controlling rights

Current shareholders do not have any other rights in the General Meeting of Shareholders than those resulting from holding shares in the Company. The shares of the A through D series are shares preferential as to the voting rights in the way that:

- Series A shares totaling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series B shares totaling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series C shares totaling 7,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series D shares totaling 175,000,000 have preferential voting rights entitling their holder to two voting rights per share.

The holders of preferential shares are: Polaris Finance B.V. (155,025,000 shares entitling to 312,143,750 votes in the General Meeting), Zygmunt Solorz-Zak (30,603,750 shares entitling to 67,207,300 votes in the General Meeting), and Heronim Ruta (1.871.250 shares entitling to 3,742,500 votes in the General Meeting).

Series E shares amounting to 75,000,000 units and Series F shares amounting to 5,825,000 units are ordinary bearer shares.

Item 20. Specification of limitations of exercising the voting rights from shares

There are no limitations of exercise of the voting rights from our shares.

Item 21. Specification of limitations of the Company's securities ownership rights transfer

Except for the limitations regarding our securities ownership rights transfer resulting from the general provisions of the law and those set out in the Company's Prospectus published on 10 April 2008,, there are no other limits in particular contractual limitations regarding our securities ownership rights transfer.

Item 22. Specification of rules regarding appointment and dismissal of the managing personnel and their rights, in particular the right to issue or buy back shares

Pursuant to art. 15 of the Articles of Association of the Company the Management Board consist of one or more members, including the President of the Management Board appointed by the Supervisory Board. The Supervisory Board decides as to the number of Management Board members upon their appointment. The term of office of the Management Board is joint and lasts three years.

The members of the Management Board may be dismissed at any time by the Supervisory Board.

Pursuant to the Articles of Association, the Management Board of the Company, under supervision of the President of the Management Board, is responsible for the day-to-day management of the Company and for the representation of the Company in dealing with third parties. All issues related to the business of the Company are in the scope of activities of the Management Board, unless limited to the competence of the Supervisory Board or the General Shareholders' Meeting by the provisions of law or Articles of Association.

Members of the Management Board participate, in particular, in each General Shareholders' Meeting and provide answers to questions asked during the General Shareholders' Meeting. Moreover, Members of the Management Board invited to a Meeting of the Supervisory Board by the Chairman of the Supervisory Board, participate in the Meeting with a right to voice their opinion on issues on the agenda.

The General Shareholders' Meeting takes decisions regarding an issue or buy back of shares of the Company. The competencies of the Board in the scope are limited to execution of any resolutions adopted by the General Shareholders' Meeting.

Item 23. Specification of rules of amending the Articles of Association.

A change to the Articles of Association requires a resolution of the General Shareholders' Meeting and an entry into the Court register. The general provisions of Law and the Bylaws of the General Shareholders' Meeting and the Articles of Association govern the procedure of adopting resolutions regarding changes to the Articles of Association.

Pursuant to provisions of the Articles of Association, observing the provisions of art. 417 § 4 of the commercial companies code, a change of the Articles of Association may take place without a share buyback.

Item 24. The Bylaws of the General Shareholders' Meeting and its principal rights and description of the rights of shareholders and their exercise, in particular the rules resulting from the Bylaws of the General Shareholders' Meeting, unless information on that scope results from the provisions of law

The General Shareholders' Meeting acts pursuant to the provisions of the commercial companies' code. The Articles of Association, and the Bylaws of General Shareholders' Meeting adopted by the resolution No.6 of the Extraordinary Shareholders' Meeting of 4 December 2007.

The General Shareholders' Meeting adopts resolutions regarding, in particular:

a) discussion and approval of reports of the Management Board and the Supervisory Board, and the financial statements for the previous year,

b) decision about allocation of profits, or covering debts.

c) signing off for the performance of duties for the Supervisory Board and the Management Board,

d) appointment and dismissal of Members of the Supervisory Board and determination of their compensation,

e) changes to the Articles of Association of the Company,

f) changes to the business of the Company,

g) increase or decrease in the share capital,

h) merger or transformation of the Company,

i) dissolution or liquidation of the Company,

j) issue of bonds,

k) sale or lease of the Company and establishment of a right of use or sale of the Company's plant,

l) all decisions regarding claims for damages upon establishment of the Company, or performance of management or supervision.

The following persons may participate in the General Shareholders' Meeting: (i) holders of registered shares, who have been entered into the share register, at least a week prior to the scheduled date of the General Shareholders' Meeting, and (ii) owners of bearer shares, who submit, in the Company office's, at least a week prior to the scheduled date of the General Shareholders' Meeting, a registered depository certificates, stating the number of shares held, and containing a statement the shares indicated in the content of the certificates have been locked in the investment account and shall not be subject to trade until the date of the General Shareholders' Meeting.

A shareholder, being a natural person, is entitled to participation in the General Shareholders' Meeting and execution of voting rights in person, or through a proxy. A shareholder, being a legal entity, is entitled to participation in the General Shareholders' Meeting and execution of voting rights through a person authorized to forward statements of will on their behalf, or through a proxy.

The members of the Board, Supervisory Board and the auditors of the company are obligated to participate in the General Shareholders' Meeting if the items on the agenda are of financial nature. Other persons invited by the Board may also take part in the General Shareholders' Meeting.

The General Meeting is opened by the Chairman of the Supervisory Board or a person they nominate. Person opening the General Meeting shall cause immediate election of its Chairman, refraining from considering any other substantive or formal matters.

Each participant in the General Meeting is entitled to be elected the Chairman of the General Meeting, and also nominate one person as candidate to the position of the Chairman of the General Meeting. Until election of the Chairman the General Meeting shall not take any decisions.

The Chairman of the General Meeting directs proceedings in accordance with the agreed agenda, provisions of law, the Articles of Association and the By-laws, and in particular: giving the floor to speakers, ordering voting and announcing the results thereof. The Chairman ensures efficient proceedings and respecting of the rights and interests of all shareholders. The Chairman may decide on issues of the order of the agenda.

After creation and signing of the attendance list the Chairman approves that the Shareholders' Meeting has been called in a proper manner and is authorized to pass resolutions; presents the agenda and orders selection of the Ballot Committee.

The General Meeting may pass a motion regarding nonfeasance of voting over an item on the agenda, and also on adjourning the order of issues on the agenda. However, removing an item form the agenda, or its adjourning upon a request of shareholders, requires prior consent of all the shareholders present, who have forwarded such a motion, supported by a majority of votes of the General Meeting. Motions regarding the aforementioned issues shall be justified in detail.

The Chairman, after opening an item on the agenda, may give floor in order of application of speakers. In the event of a significant number of applications the Chairman may set a time limit or limit the number of speakers. The floor may be taken regarding items on the agenda and currently under discussion only. The Chairman may give the floor outside of the order of application to the members of the Management Board or Supervisory Board, and also to the Company experts called by them.

The Meeting may not pass resolutions regarding items that are not on the agenda unless all the share capital is represented in the General Meeting and none of the present in the Meeting raises any objections as to the adoption of a resolution.

Voting shall proceed in a manner adopted by the General Meeting using a computerized system of casting and counting votes, ensuring that votes are cast in the number corresponding to the number of shares held and - in case of a secret ballot - allowing to eliminate a possibility of detecting the manner of voting by individual Shareholders.

With observation of the governing provisions of law resolutions passed by the General Meeting are legally effective regardless of the number of shareholders and the number of shares they represent present in the Meeting and are adopted by a majority of votes.

The shareholders participating in the General Meeting have the number of votes corresponding to the number of shares held, observing the fact that the registered shares Series A through D are preferential in such a way that each of them entitles to casting two (2) votes in the General Meeting.

The Chairman of the General Meeting closes the General Meeting upon exhausting its agenda.

Item 25. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees

The Management Board

Currently, the Board consists of four members. The composition of the Board did not change during 2008.

Composition of the Management Board

The following table presents names, surnames, functions, date of appointment and date of expiry of the current term of particular members of the Management Board.

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Dominik Libicki.........................	President of the Management Board	2001	2007	2010
Dariusz Dzialkowski.................	Member of the Management Board	2007	2007	2010
Maciej Gruber	Member of the Management Board	2005	2007	2010
Andrzej Matuszynski............	Member of the Management Board	2007	2007	2010
		2001	2007	2010

Dominik Libicki has been the president and chief executive officer of Cyfrowy Polsat S.A. since March 2001. Mr. Libilcki is also the President of the Management Board of Cyfrowy Polsat Technology Sp. z o.o. He also sits on the Supervisory Board of Polskie Media S.A., the broadcaster of TV4. Mr. Libicki sits on the Supervisory Board of POT Sp. z o.o. which executes the project of implementing the digital terrestrial television in Poland. Since February 2005, Mr. Libicki has also been vice president of the Union of Private Media Employers of the Polish Confederation of Private Employers "Lewiatan" (Zwiazek Mediów przy Polskiej Konfederacji Pracodawców Prywatnych Lewiatan). His previous professional experience is related mainly to the television production industry. He was the Managing Director of PAI Film. He also ran his own company Studio Meg which produced television advertising spots and television programs. Between 2005 and 2006 he was a member and between 2006 and 2008 the Vice- Chairman of the Supervisory Board of Polska Telefonia Cyfrowa Sp. z o.o., the largest mobile network in Poland (the Era network). Mr. Libicki graduated from the Department of Environmental Studies at the Wroclaw Technical University and completed a training course for supervisory board members organized by the Polish Ministry of Economy.

Dariusz Dzialkowski has been a member of the Management Board responsible for technology since August 2007. Mr. Dzialkowski is also a member of the Management Board of Cyfrowy Polsat Technology Sp. z o.o. From November 2001 Dariusz was the Technical Director of Cyfrowy Polsat S.A.. Mr. Dzialkowski got his previous professional experience with Canal+ and Ericsson where he held the positions of Technical Director and Services Sales Department Manager respectively. He is one of the founders of Centrum Telemarketingowe Sp. z o.o. Mr. Dzialkowski graduated from the Electronics Department at the Warsaw University of Technology at the radio and TV faculty and has an MBA degree from the University of Maryland.

Maciej Gruber has been a member of the Management Board responsible for finance since 2005. He is also a member of the Management Board of Cyfrowy Polsat Technology Sp. z o.o. He was the Finance Director of Cyfrowy Polsat S.A. from December 2002. His previous experience is related to the finance and management sectors. Between 1998 and 2001 he was the Director of Development and a member of the Management Board of UPC Telewizja Kablowa Sp. z o.o. Between 1995 and 1998 he was a member of the team of corporate finance of the investment bank ABN Amro Hoare Govett Corporate Finance CEE Sp. z o.o. (previously known as MeesPierson EurAmerica). Previously Mr. Gruber worked as an auditor for Guérard Viala Polska Sp. z o.o. and participated in the project of sector capital privatization at Bain et Compagnie Snc. Before engaging with Cyfrowy Polsat S.A. Mr. Gruber ran his own business specializing in providing advisory services within the business management area to entities in the broadband communication and digital platform sectors, the tourist and healthcare industries. Mr. Gruber graduated from the Chemistry Faculty at the Wroclaw Technical University with a master's degree and completed a post-graduate diploma from the Copernic Program and obtained a diploma from the Collêge des Ingênieurs in Paris, France.

Andrzej Matuszynski has been a member of the Management Board responsible for marketing. since August 2007. From 2005 he was the Marketing and Customer Care Director of Cyfrowy Polsat S.A. His previous professional experience is closely related to the marketing and advertising areas. Between 1997 and 2004 he worked for the Eurozet holding (Radio

Zet, Radiostacja, RRM, Studio Zet), recently as the Research and Marketing Director and the Member of Management Board of Radiostacja. He was responsible for managing the marketing department, creation of the marketing campaign of Radio Zet and Radiostacja and cooperation with advertising agencies and media houses. Mr. Matuszynski graduated from the Psychology Department at the Catholic University of Lublin. He also completed post-graduate studies in management (executive MBA program) at the Canadian Management Institute in Warsaw.

Bylaws of the Management Board

Our Management Board of the Company acts pursuant to the provisions of the commercial companies code, and the Bylaws of Management Board approved by the Supervisory Board on 29 November 2007.

The Management Board runs the matters our in a transparent and efficient way pursuant to the provisions of the law, our internal provisions and "the Best Practices of WSE Listed Companies". Upon taking decisions related to our matters, the Members of the Management Board act within justified limits of business risk.

The following are entitled to submit statements on our behalf (i) in the case of one person Management Board – the President of the Management Board acting independently, and (ii) in the case of a more numerous Management Board – the President of the Management Board acting independently, two members of Management Board acting jointly, or a member of the Management Board acting jointly with a proxy.

All issues related to our management, not restricted by the provisions of the law or the Articles of Association to the competence of the Supervisory Board or the General Meeting, are within the scope of competence of the Management Board.

Members of the Management Board participate in sessions of the General Meeting and provide substantive answers to questions asked during the General Meeting. Members of the Management Board invited to a meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the meeting with the right to take the floor regarding issues on the agenda. Members of the Management Board shall, within their scope of competence and the scope necessary to settle issues discussed by the Supervisory Board, submit explanation and information regarding our matters to the participants in the meeting of the Supervisory Board.

The Board adopts resolutions, provided that at least half of the Members of the Board are present in the meeting and all the Members of the Board have been notified of the meeting. Resolutions are adopted by an absolute majority of votes of the Members of the Board present in the meeting or participating in the voting. The establishment of a proxy requires consent of all the members of the Management Board. Each member of the Management Board may revoke the power of proxy. In the case of equality of votes upon adoption of resolutions by the Management Board the vote of the President of the Management Board shall prevail.

Resolutions are adopted in a meeting or in a manner set out below. The President of the Management Board, or a person they authorized, calls meetings of the Management Board. The meetings of the Management Board are held in our offices or another place indicated by the person calling the meeting.

The voting is open. A secret voting shall be administered upon a request of just one Member of the Board present in the meeting.

Moreover, according to the Bylaws of the Management Board, the Management Board may adopt resolutions in writing, or in a manner enabling instantaneous communication of the Members of the Management Board by means of audio-video communication (e.g. teleconferencing, videoconferencing).

The Supervisory Board

The composition of the Supervisory Board of the Company as at 1 January 2008:

a) Heronim Ruta – Chairman of the Supervisory Board;

b) Mariola Gaca – Member of the Supervisory Board;

c) Anna Kwasnik - Member of the Supervisory Board;

d) Zdzislaw Gaca - Member of the Supervisory Board;

e) Andrzej Papis - Member of the Supervisory Board.

On 4 July 2008 the General Shareholders' Meeting of the Company passed a resolution regarding changes to composition of the Supervisory Board which dismissed Zdzislaw Gaca, Mariola Gaca, and Anna Kwasnik from the Supervisory Board and appointed Robert Gwiazdowski, Leszek Reksa, and Zygmunt Solorz-Zak to the Supervisory Board.

The composition of the Supervisory Board

From 4 July 2008 to 31 December 2008 the following persons sat on the Supervisory Board:

Name and Surname	Function	Year of first appointment	Year of appointment to the current term	Year of term expiry
Zygmunt Solorz-Zak.............	Chairman of the Supervisory Board Member of the Remuneration committee	2008	2008	2009
Robert Gwiazdowski..............	Independent[1] member of the Supervisory Board Member of the Audit Committee	2008	2008	2009
Andrzej Papis.................................	Member of the Supervisory Board	2007	2007	2009
Leszek Reksa.........................	Independent member of the Supervisory Board Member of the Audit Committee	2008	2008	2009
Andrzej Papis.........................	Member of the Supervisory Board Member of the Audit Committee Member of the Remuneration Committee	2001	2006	2009

- [1]conforms with the independence criteria listed in the Best Practices of WSE listed Companies in Chapter III point 6

Zygmunt Solorz-Zak is one of the greatest private entrepreneurs in Poland. Having spent a few years abroad returned to Poland and set up the Foreign Enterprise SOLPOL at the end of the 1980s. At the beginning of the 1990s Mr. Solorz-Zak took interest in the media sector investing in the Kurier Polski. In 1993 Mr. Solorz-Zak started first private satellite television in Poland – Polsat which, by receiving a license, transformed into a nationwide television. Within a few years Telewizja Polsat became the leader of the television market in Poland. Since the foundation of Telewizja Polsat Zygmunt Solorz-Zak has been the Chairman of the Supervisory Board. Mr. Solorz-Zak's investment interest also includes other business sectors through companies such as Elektrim S.A., Invest-Bank S.A., PAK S.A., PTE Polsat S.A., or TU Polisa Zycie S.A. Mr. Solorz-Zak is also the founder of Cyfrowy Polsat S.A. The entrepreneur has great experience of work in statutory bodies of commercial code companies from being the President of Supervisory Boards of companies such as Polskie Media S.A., Invest Bank S.A. and Elektrim S.A.

Robert Gwiazdowski a Ph. D. of Law. Since 1997 holder of Investment Advisor title. Mr. Gwiazdowski is also an arbiter in arbitrary proceedings at the Stock Exchange Court within the Warsaw Stock Exchange S.A.. He is the President of Adam Smith Centre. Between 1985 and 2006 he was a senior researcher at the University of Warsaw (assistant and then lecturer on the Law and Administration Faculty). In 1992-2002 he was partner in Smoktunowicz & Falandysz Legal Office. In 1994-2004 he was the Head of Tax Commission of Adam Smith Centre. Since 2002 he has run a business within legal and tax, and also finance and economic consultancy, trading as Gwiazdowski Consulting. Mr. Gwiazdowski is an author of commentaries regarding tax and economic topics on Polish TV and radio stations, and an author of numerous publications and articles. Mr. Gwiazdowski is the Supervisory Board member of Gemius S.A., MNI S.A. (independent member of the Supervisory Board) and DGA S.A.

Andrzej Papis is a Legal Advisor. Mr. Papis graduated from the Law and Administration Faculty of the Warsaw University and completed his legal apprenticeship in the Local BAR Chamber in Warsaw. Between 1998 and 1999 he was an assistant in the team of professor M. Kulesza for the administrational reform of the country, followed by his post as co-worker of the Government Proxy Office for Implementation of the General Health Insurance. Since 2000 he has been the lawyer of Telewizja Polsat S.A. Since 2003 he has also been a member of the Board of TFP Sp. z o.o. and since 2004 he has been a member of the Supervisory Board of Elektrim S.A.. Since 2007 Mr. Papis has been on the Supervisory Board of Media Biznes Sp. z o.o. – broadcaster of the television channel TV Biznes.

Leszek Reksa is a graduate of the Foreign Trade Faculty of the School of Planning and Statistics (now the Warsaw School of Economics). He has extensive professional experience on managerial positions in various companies. For over 15 years he has been employed on managerial positions in the banking sector (PKO BP S.A.). He also has great experience of work in statutory bodies of legal companies - held a position of President of Board of PHU BIMOT S.A., Member of the Supervisory Board of Bankowy Fundusz Leasingowy S.A. and Member of the Supervisory Board of Zaklady Azotowe Kędzierzyn S.A.

Heronim Ruta graduated from the Electrical Faculty of the Warsaw Polytechnic. He is employed by Ster Sp. z o.o. and seats on the Supervisory Boards of Invest Bank S.A., PAI Media S.A., Gurex S.A., and Telewizja Polsat S.A., and also on the board of Diasen Ltd. Between 1973 and1978 Mr. Ruta was a trainee and then an electrical technology specialist with Plastics Processing Plant (ZakladyTworzyw Sztucznych) Pronit Erg, between 1978 and 1979 he was a specialist supervising development of an experimental car for detection of cracks in rail tracks in Centralny Osrodek Badan Techniki Kolejnictwa. In 1980 Mr. Ruta worked for Cementation International Limited, London, designing the electrical layout for the Marriott Hotel in Warsaw. Between 1980 and 1987 he was the head of Wytwórczo-Uslugowa Spóldzielnia Pracy. In 1987 Heronim founded Herom Sp. z o.o., where he was president until 1992. From 1992 to 1994 he was president of Ster Sp. z o.o., and between 1991 and 1998 he ran his own business activities within trade and services in the field of electronics goods and establishment of television broadcast transmitters for Telewizja Polsat S.A.. From 2002 to 2005 Mr. Ruta was member of the Management Board of Polaris Finance B.V. and between 2002 and 2004 he was member of the Supervisory Board of Uzddaroji Akcine Bendrove „Baltijos Televizja".

Description of operations of the Supervisory Board

The Supervisory Board acts pursuant to the commercial companies code and also pursuant to the Articles of Association of the Company and the Bylaws of the Supervisory Board of 3 December 2007.

Pursuant to the Articles of Association of the Company the Supervisory Board performs constant supervision over activities of the enterprise. Within the scope of supervision performance the Supervisory Board may demand any information and documents regarding our business from the Management Board.

Members of the Supervisory Board shall take necessary steps to receive regular and full information from the Management Board regarding material matters concerning our business and risks involved in the business and the strategies of risk management. The Supervisory Board may - not infringing the competencies of other bodies of the Company - express their opinion on all the issues related to the Company's proceedings, including forwarding motions and proposals to the Board.

The competencies of the Supervisory Board also include matters restricted by the commercial companies code, in particular:

(a) audit of the financial statements both as to their compliance with books and documents and also the factual state, audit of the interim and annual reports of the Management Board, or Management Board's motions regarding allocation of profit or covering debts and presenting written reports with results of the audits before the General Shareholders Meeting,

(b) once a year, prepare and present a concise evaluation of the situation of the Company, considering the evaluation of the internal control system and the management system of risks that are important for the Company,

(c) appointment of members of the Management Board,

(d) delegation of members of the Supervisory Board to temporary performance of duties of members of the Management Board who are unable to perform their duties,

(e) suspending particular or all members of the Management Board for material reasons,

(f) approval of the Bylaws of the Management Board,

(g) determination of remuneration of the members of the Management Board,

(h) appointment of a certified auditor to examine financial statements of the Company.

Moreover, the competencies of the Supervisory Board include:

(a) creation and presentation of an evaluation of the Management Board's performance before the General Shareholders' Meeting,

(b) analysis and issuing of an opinion on matters that may be the subject of a resolution of the General Meeting,

(c) approval of one-year and long-term programs for the Company developed by the Management Board,

(d) determination of the remuneration level of the Supervisory Board delegated to temporary performance of duties of a member of the Management Board,

(e) granting consent for participation in other companies,

(f) granting consent for entering into a material agreement with a related entity,

(g) granting consent for performance of activities resulting in the Company incurring a liability, with the exception of:

- activities projected or set out in the annual program for the Company approved by the Supervisory Board, or

- activities resulting in incurring a liability of the value up to PLN 10,000,000 (ten million zlotys), including guarantees or issuing or guaranteeing bills of exchange done in the scope of daily business, in particular the business of pay digital television or the business of MVNO.

h) issuing, upon the Management Board's request, opinion on all issues material for the Company.

The Supervisory Board consists of five to nine members including the Chairman of the Supervisory Board, appointed by the General Shareholders' Meeting. The General Shareholders' Meeting, prior to appointment of members of the Supervisory Board for a new term, determines the number of members of the Supervisory Board. The term of office of the Supervisory Board is three years and is a joint one.

The Supervisory Board may consist of two members meeting the criteria of an independent member of the Supervisory Board as set out in the corporate governance regulations included in the Best Practices of WSE listed Companies.

Meetings of the Supervisory Board take place at least once a quarter. The venue for meetings is the seat of the Company or any other place indicated by the person calling the meeting.

The Chairman of the Supervisory Board, or a member of the Supervisory Board appointed by the Chairman calls a meeting of the Supervisory Board. Meetings of the Supervisory Board are chaired by the Chairman, and in the case of their absence by a member of the Supervisory Board indicated by the Chairman in writing, or another member of the Supervisory Board elected by the members present in the meeting.

The Chairman calls a meeting of the Supervisory Board also upon request of a member of the Management Board, or a member of the Supervisory Board, or upon a motion of a shareholder representing at least 1/10 (one tenth) of the share capital. A Meeting of the Supervisory Board shall take place at least within 14 days of the date of filing a written application to the Chairman.

Resolutions of the Supervisory Board are passed by majority of votes cast. In the case of equality the vote the Chairman prevails. A resolution of the Supervisory Board requires inviting all the members of the Supervisory Board and presence of at least half of the members of the Supervisory Board to be valid.

The Supervisory Board may pass resolutions via means of direct, remote communication and also a member of the Supervisory Board may cast their vote in writing via other member of the Supervisory Board.

Members of the Supervisory Board execute their rights and perform their duties in person. Members of the Supervisory Board participate in General Meetings.

Moreover, within the performance of their duties, the Supervisory Board shall:

(a) once a year prepare and present before the General Meeting a concise evaluation of the situation of the Company, considering the evaluation of the internal control system and the management system of risks that are important for the Company.

(b) once a year prepare and present before the Annual General Meeting an evaluation of its own performance,

(c) discuss and issue opinions about matters to be subjects of resolutions of the General Meeting.

Committees of the Supervisory Board

Pursuant to the Bylaws of the Supervisory Board the Supervisory Board may appoint permanent committees, in particular the Audit Committee, or the Remuneration Committee, or ad hoc committees to investigate certain issues remaining in the competence of the Supervisory Board or acting as advisory and opinion bodies of the Supervisory Board. The provisions of the Bylaws apply to meetings, resolutions, and minutes of the committees of the Supervisory Board, with exception of the following information.

On 4 August 2008 the Supervisory Board appointed the Audit Committee and the Remuneration Committee.

The Audit Committee consists of Mr. Heronim Ruta, Robert Gwiazdowski, and Leszek Reksa.

The Remuneration Committee consists of Zygmunt Solorz - Zak and Heronim Ruta.

A committee is appointed by the Supervisory Board from among its members by means of a resolution. The committee appoints, by means of a resolution, the Chairman of the particular committee from among its members. The mandate of a member of a particular committee expires upon expiry of the mandate of the Member of the Supervisory Board. The Supervisory Board may, by means of a resolution, resolve to dismiss a member from the composition of a particular committee before the expiry of the mandate of the Member of the Supervisory Board. Dismissal from membership in a committee is not tantamount to dismissal from the Supervisory Board.

The first meeting of a committee is convened by the Chairman of the Supervisory Board or other Member of the Supervisory Board they indicate. Meetings of the committees are convened as needs arise, ensuring thorough delivery of duties assigned with a particular committee. Minutes of committee's meetings and adopted resolutions are made available to the Members of the Supervisory Board not being members of the committee. The Chairman of a given committee chairs its proceedings. The Chairman also performs supervision over preparation of the agenda, distribution of documents, and preparation of minutes of the meetings of the committee.

Management Board's representations

Pursuant to the requirements of the *Regulation of the Council of Ministers of 19 February 2009 on ongoing and periodical information reported by issuers of securities and conditions of recognising as equivalent information required by the law of a country not being a member state* the Management Board of Cyfrowy Polsat S.A. represented by:

Dominik Libicki, President of the Management Board,

Dariusz Działkowski, Member of the Management Board,

Maciej Gruber, Member of the Management Board,

Andrzej Matuszyński, Member of the Management Board

hereby represents that:

- to the best of its knowledge the annual consolidated financial statements and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result, and the Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

- the entity authorised to audit the financial statements, which has audited the annual consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw, 26 March 2009

KPMG Audyt Sp. z o.o.
ul. Chłodna 51
00-867 Warszawa
Poland

Telefon +48 22 528 11 00
Fax +48 22 528 10 09
E-mail kpmg@kpmg.pl
Internet www.kpmg.pl

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Cyfrowy Polsat S.A.

We have audited the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group seated in Warsaw, ul. Łubinowa 4a ("the Group"), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 757,131 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 269,763 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 232,198 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 95,291 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) ("the Accounting Act"), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

KPMG Audyt Sp. z o.o., a Polish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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KRS 0000104753
Kapitał zakładowy: 125 000 PLN
NIP 526-10-24-841
REGON 010939471

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2008 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

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Certified Auditor No. 9645/7212
Marek Strugała

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9645/7212
Marek Strugała,
Member of the Management Board

26 March 2009
Warsaw, Poland

CYFROWY POLSAT S.A. GROUP

Consolidated financial statements
for the year ended 31 December 2008

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

This document is a free translation of the Polish original.

Terminology current in Anglo-Saxon countries has been used where practicable

for the purposes of this translation in order to aid understanding.

The binding Polish original should be referred to in matters of interpretation.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 26 March 2009, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

1. Consolidated Income Statements for the period

from 1 January 2008 to 31 December 2008	showing a net profit of:	PLN 269,763 thousand

2. Consolidated Balance Sheets as at

31 December 2008	showing total assets and total liabilities and equity of:	PLN 757,131 thousand

3. Consolidated Cash Flows Statements for the period

from 1 January 2008 to 31 December 2008	showing an increase in net cash amounting to:	PLN 95,291 thousand

4. Consolidated Statements of Changes in Equity for the period

from 1 January 2008 to 31 December 2008	showing an increase in equity of:	PLN 232,198 thousand

5. Accompanying notes

The consolidated financial statements are prepared in PLN thousand unless otherwise indicated

Dominik Libicki President of the Management Board	Maciej Gruber Member of the Management Board	Andrzej Matuszyński Member of the Management Board	Dariusz Działkowski Member of the Management Board

Janina Szarek-Majorowska
Chief Accountant

Warsaw, 26 March 2009

(all amounts in PLN thousand)

Consolidated Income Statement

	Note	for the year ended 31 December 2008	for the year ended 31 December 2007
Subscription fees	11	977,678	662,521
Rental of digital satellite reception equipment	12	6,842	5,954
Sale of digital satellite reception equipment and mobile phones	13	100,180	107,205
Transmission services	14	16,440	11,602
Other operating revenue	15	35,141	9,387
Total revenues from operating activities		1,136,281	796,669
Depreciation and amortisation		23,547	20,777
Programming costs	16	221,443	152,031
Transmission costs	17	59,006	48,402
Distribution and marketing costs	18	202,465	125,919
Salaries and employee-related expenses	19	64,589	41,701
Cost of sales of digital satellite reception equipment and mobile phones sold		132,122	209,028
Other operating costs	20	108,815	53,664
Total costs of operating activities		811,987	651,522
Profit from operating activities		324,294	145,147
Financial income	21	19,359	18,976
Financial income from valuation of forward exchange contracts	22	13,950	
Loss on disposal of subsidiary	25	-	17
Financial expenses	23	23,949	23,936
Gross profit for the year		333,654	140,170
Income tax	24	63,891	26,755
Net profit from continuing operations		269,763	113,415
Net profit from discontinued operations	25	-	8
Net profit for the year		269,763	113,423
Attributable to:			
Equity holders of the parent		269,763	113,421
Minority interests		-	2
		269,763	113,423
Basic and diluted earnings per share (in PLN)	27	1.01	0.43

The accompanying notes to the consolidated financial statements are an integral part thereof

(all amounts in PLN thousand)

Consolidated Balance Sheet - Assets

	Note	31 December 2008	31 December 2007
Digital satellite reception equipment	28	20,785	549
Other tangible assets	28	125,970	97,326
Intangible assets	29	11,876	11,465
Investment property	30	16,998	18,932
Other long-term assets	31	24,264	30,956
Deferred tax assets	24	1,223	4,134
Total non-current assets		201,116	163,362
Inventories	32	94,999	130,009
Trade and other receivables	33	119,515	79,133
Income tax receivables		9,410	3,002
Other current assets	34	85,669	68,971
Cash and cash equivalents	35	246,422	150,726
Total current assets		556,015	431,841
Total assets		757,131	595,203

(all amounts in PLN thousand)

Consolidated Balance Sheet – Equity and Liabilities

	Note	31 December 2008	31 December 2007
Share capital	36	10,733	10,733
Reserve capital	36	3,964	3,500
Statutory reserve funds	36	10,174	10,174
Retained earnings		268,467	36,733
Equity attributable to equity holders of the parent		293,338	61,140
Minority interests		-	-
Total Equity	36	293,338	61,140
Long-term loans	37	44,135	132,226
Long-term finance lease liabilities	38	1,407	1,412
Deferred tax liabilities	24	11,536	671
Other long-term liabilities and provisions		269	605
Total non-current liabilities		57,347	134,914
Current loans	37	66,571	88,731
Current finance lease liabilities	38	238	204
Trade and other payables	39	197,525	208,714
Income tax liabilities		400	-
Deposits for digital satellite reception equipment	40	22,447	20,032
Deferred income	41	119,265	81,468
Total current liabilities		406,446	399,149
Total liabilities		463,793	534,063
Total equity and liabilities		757,131	595,203

(all amounts in PLN thousand)

Consolidated Cash Flow Statement

	Note	for the year ended 31 December 2008	31 December 2007
Net profit for the year		269,763	113,423
Adjustments:		94,040	21,308
Depreciation and amortisation		23,547	20,777
Loss on disposal of subsidiary		-	17
(Gain)/loss on investment activities		(11)	466
Interest expense		3,789	7,024
(Increase)/decrease in inventories		35,033	(72,000)
Increase in receivables and other assets		(35,394)	(84,640)
Increase in liabilities, provisions, accruals and deferred income		38,540	120,873
Foreign exchange gains		(13,944)	(15,958)
Income tax	24	63,891	26,755
Net increase of set-top boxes provided under operating lease		(21,348)	(1,890)
Other adjustments	42	(63)	19,884
Net cash generated from operating activities		363,803	134,731
Income tax paid		(56,069)	(29,722)
Interest received from operating activity		8,442	6,201
Net cash flow from operating activities		316,176	111,210
Purchases of intangible assets		(7,484)	(11,508)
Purchases of tangible assets		(48,109)	(43,450)
Proceeds from sale of financial assets		-	600
Proceeds from sale of tangible assets		98	-
Net cash flow from investing activities		(55,495)	(54,358)
Proceeds from issue of shares		-	233
Settlement of IPO related costs		7,223	-
Proceeds from loans and borrowings		-	191,830
Repayment of loans and borrowings		(107,928)	(193,235)
Finance lease - principal repayments		(237)	(237)
Interest on loans, borrowings and finance leases		(13,533)	(11,680)
Dividend paid		(37,565)	-
Other net financing outflows		(13,350)	(2,578)
Net cash flow from financing activities		(165,390)	(15,667)
Net increase in cash and cash equivalents		95,291	41,185
Cash and cash equivalents at the beginning of the year		150,726	109,833
Change in cash resulting from foreign exchange gains/(losses)		405	(292)
Cash and cash equivalents at the end of the year		246,422	150,726

(all amounts in PLN thousand)

Consolidated Statement of Changes in Equity

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings	Equity attributable to equity holders of the parent	Minority interests	Total Equity
Balance as of 1 January 2008	36	10,733	3,500	10,174	36,733	61,140	-	61,140
Dividend declared and paid		-	-	-	(37,565)	(37,565)	-	(37,565)
Appropriation of 2007 profit – transfer to reserve capital	36	-	464	-	(464)	-	-	-
Net profit for the year		-	-	-	269,763	269,763	-	269,763
Balance as of 31 December 2008	36	10,733	3,964	10,174	268,467	293,338	-	293,338

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings	Equity attributable to equity holders of the parent	Minority interests	Total Equity
Balance as of 1 January 2007		10,500	-	-	(73,188)	(62,688)	70	(62,618)
Net profit for the year		-	-	-	113,421	113,421	2	113,423
Profit distribution	36	-	3,500	-	(3,500)	-	-	-
Issue of shares		233	-	10,174	-	10,407	-	10,407
Decrease on disposal of subsidiary		-	-	-	-	-	(72)	(72)
Balance as of 31 December 2007	36	10,733	3,500	10,174	36,733	61,140	-	61,140

Notes to the consolidated financial statements

1. The Parent

Cyfrowy Polsat S.A. ("the Company", "Cyfrowy Polsat", "the Parent") is incorporated in Poland as a joint stock company. The Company is domiciled at 4a Łubinowa Street, Warsaw.

The Parent operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Parent is also a Mobile Virtual Network Operator.

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

The principal activities of the Parent and its subsidiaries include:

- television and radio operations,
- telecommunication services,
- rental of real estate,
- real estate management,
- set-top boxes' designing and manufacturing.

The consolidated financial statements include the financial statements of the Parent and its subsidiaries (jointly, ''the Group'').

2. Composition of the Management Board of the Parent

The composition of the Management Board of the Company during the year 2008 was as follows:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Member of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Andrzej Matuszyński	Member of the Management Board.

3. Composition of the Supervisory Board of the Parent

From 1 January until 4 July 2008 the composition of the Supervisory Board of the Company was as follows:

- Mariola Gaca,
- Zdzisław Gaca,
- Anna Kwaśnik,
- Andrzej Papis,
- Heronim Ruta.

On 4 July 2008 General Shareholders Meeting dismissed Mariola Gaca, Zdzisław Gaca and Anna Kwaśnik from Supervisory Board and nominated Robert Gwiazdowski, Leszek Reksa and Zygmunt Solorz-Żak to Supervisory Board.

The composition of the Supervisory Board of the Company as at the date of the approval of the consolidated financial statements was as follows:

- Robert Gwiazdowski,
- Andrzej Papis,
- Leszek Reksa,
- Heronim Ruta,
- Zygmunt Solorz-Żak.

4. Basis of preparation of the consolidated financial statements

Statement of compliance

The consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS") and in effect as of 1 January 2008. The Group applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2008 presented in these consolidated financial statements.

5. Published International Financial Reporting Standards and Interpretations whose application is not mandatory

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

The Group did not early adopt standards which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2009 (presented below) with the exception of IFRS 8 *Operating Segments* applied in these consolidated financial statements for the first time. As at the balance sheet date, the Group is in the process of completing its assessment of the impact of the new standards and interpretations which will become effective after the balance sheet date on the consolidated financial statements of the Group for the period when they will be applied for the first time.

New International Financial Reporting Standards adopted by the EU which become effective after the balance sheet date and were not adopted by the Group

- amendments to IFRS 2 *Share-Based Payment* are effective for annual periods beginning on or after 1 January 2009;

- revised IAS 1 *Presentation of Financial Statements* is effective for annual periods beginning on or after 1 January 2009;

- revised IAS 23 *Borrowing Costs* is effective for annual periods beginning on or after 1 January 2009;

- amendments to IAS 27 *Consolidated and Separate Financial Statements* are effective for annual periods beginning on or after 1 January 2009;

- amendments to IAS 32 *Financial Instruments: Presentation* are effective for annual periods beginning on or after 1 January 2009;

- Revisions to International Financial Reporting Standards – a set of amendments to International Financial Reporting Standards are effective for annual periods beginning on or after 1 January 2009.

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

- revised IFRS 1 *First-time Adoption of International Financial Reporting Standards*;

- revised IFRS 3 *Business Combinations*;

- revised IAS 27 *Consolidated and Separate Financial Statements*;

- amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and *Reclassification of Financial Assets – Effective Date and Transition*;

- IFRIC 12 *Service Concession Arrangements*;

- IFRIC 15 *Agreements for the Construction of Real Estate*;

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;

- IFRIC 17 *Distribution of Non-cash Assets to Owners*;

- IFRIC 18 *Transfers of Assets from Customers*.

(all amounts in PLN thousand)

6. Group of consolidated companies

The consolidated financial statements for 2008 include the following entities:

	Company's registered office	Activity	Voting rights percentage (%) 31 December 2008	31 December 2007
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warszawa	Radio, TV and telecommunication activities		
Subsidiaries				
Cyfrowy Polsat Technology Sp. z o.o.*	Łubinowa 4a, Warszawa	production of set-top boxes	100%	100%
EMarket Sp. z o.o.	Ostrobramska 77, Warszawa	sale of electronic equipment	n/a**	75%
Praga Business Park Sp. z o.o.***	Łubinowa 4a, Warszawa	real estate rental	n/a***	100%

*On 2 March 2007, the name of the company was changed from Cyfrowy Polsat Mobile Sp. z o.o. to Cyfrowy Polsat Technology Sp. z o.o.
**Financial data of the company was consolidated until the day control over the entity ceased, i.e. 31 August 2007.
***Praga Business Park Sp. z o.o. was consolidated until it merged with Cyfrowy Polsat S.A., that is until 31 December 2008 (see note 47).

On 17 July 2007, Cyfrowy Polsat S.A. entered into an agreement with Teleaudio Sp. z o.o. of Warsaw, for the sale of 7,950 shares in EMarket Sp. z o.o. with a nominal value of PLN 1,000 each, representing 75% of the issued capital of EMarket Sp. z o.o. The sale agreement provided for the sale of the shares subject to prior transfer to Teleaudio Sp. z o.o. of all rights and obligations of Cyfrowy Polsat S.A under the guarantee agreement with ABC Data Sp. z o.o. entered into on 4 August 2007. The condition was fulfilled upon the execution on 31 August 2007 of an agreement on assignment of the rights and obligations under the guarantee agreement with Teleaudio Sp. z o.o.

EMarket Sp. z o.o. was consolidated until the date the control over the company ceased The date of the fulfillment of the condition contained in the sale agreement, i.e. 31 August 2007, was deemed as the date of control loss.

7. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements by all entities within the Group.

a) Basis of valuation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which are valued at fair value.

b) Going concern assumption

The 2008 consolidated financial statements have been prepared assuming that the Group will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2008.

c) Functional currency and presentation currency

The financial data presented in the consolidated financial statements is presented in Polish zloty, rounded to the nearest thousand. The functional currency of the Parent is the Polish zloty.

d) Judgments and estimates

The preparation of consolidated financial statements in accordance with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted methods and presented value of assets, liabilities, revenues and costs. The estimates and related assumptions are based on historical data and other factors regarded as reliable under the circumstances and their effects provide grounds for an accurate assessment of the carrying amount of assets and liabilities which are not based directly on any other factors. Actual results may differ from the estimated values.

The estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods. Note 53 contains information about the key sources of uncertainty and management judgments.

e) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible as at the balance sheet date are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Parent under accounting policies that are consistent with the Parent's accounting policies for transactions and economic events of a similar character.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

f) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as at the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP) for that date. Foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance–sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

g) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans, trade payables and other liabilities.

Non-derivative financial instruments are recognised initially at fair value increased by - except for investments valued at fair value through profit or loss - directly attributable transaction costs (except as described below).

A financial instrument is recognised if the Group becomes a party to the contractual obligations of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Standardised sale and purchase transactions of financial assets are recognised at the transaction date i.e. on the date the Group is obliged to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire (are discharged or cancelled).

Cash and cash equivalents comprise cash on hand and on-call deposits. The cash and cash equivalents balance presented in the consolidated cash flow statement comprises the above mentioned cash and cash equivalents.

Principles for recognition of financial income and financial costs are presented in note 7(u).

Loans and receivables and other financial liabilities

Loans and receivables which are not derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Other financial liabilities which are not derivative financial instruments are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes in fair value – other than impairment losses and in the case of monetary assets, such as bonds, other than gains or losses on foreign exchange differences – are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. If such investments are interest-bearing, interest earned on them, calculated using the effective interest method, is recognised in the income statement.

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value, related transaction costs are recognised in the income statement accounts when incurred. Subsequent to initial recognition, the Group measures derivative financial instruments at fair value and changes in the fair value are recognised directly in the income statement.

h) Equity

Ordinary shares

Costs directly attributable to the issue of ordinary shares reduce equity.

Preferred shares

Preferred shares are classified as equity, if they are not redeemable or only redeemable at the Company's option and the dividend payment is not obligatory. Dividend payments are recognised as distributions within equity.

Preferred shares are presented as liabilities if they are redeemable on a definite date or at the option of the shareholder or if a dividend payment is obligatory. Dividend payments are recognised as interest expense in the income statement.

Costs attributable to the issue of new shares and the public offer of existing shares

Costs relating to a new issue of shares are recognised in equity while costs relating to the public offering of existing shares are recognised directly in finance expenses. Costs relating to both new issue and the sale of existing shares are allocated proportionally and recognised in equity or expensed as financial expense, as appropriate.

Supplementary capital

Joint-stock companies, in accordance with the Commercial Code, are obliged to transfer at least 8% of annual net profit to supplementary capital until it reaches one third of total issued capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

Other reserves

Other reserves include the difference between the fair value of the shares purchased by Members of the Management Board and their issue price.

i) Property, plant and equipment

i) Property, plant and equipment owned by the Group

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and expenditures that are directly attributable to the acquisition and bringing the asset to working condition including initial delivery and handling costs. Discounts, rebates and other similar reductions decrease the cost. The cost of self-constructed assets and construction in progress includes all costs incurred for their construction, installation, adoption, and improvement incurred till the date they are available for use (or until the balance sheet date if an asset has not been made available for use). This cost includes also, if required, initially estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

Subsequent cost of replacing parts of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Group and the amount of the cost can be measured reliably. Other expenditures are expensed in the income statement as incurred.

(iii) Depreciation

Items of property, plant and equipment as well as their major components are depreciated using the straight-line method over their useful life, taking into account their residual value. Land is not depreciated.

The estimated useful life of property, plant and equipment, by significant class of asset, is as follows:

Buildings	60	years
Set-top boxes	5	years
Other technical equipment and machinery	3-14	years
Vehicles	5	years
Furniture and equipment	3-10	years

The estimated useful life of property, plant and equipment, depreciation methods and residual values (if material) are reviewed by the Group every year.

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease criteria, are classified as non-current assets and recognised at the lower of fair value of the leased asset at the commencement of the lease term and the present value of the minimum lease payments. Set-top boxes that are provided to customers under operational leases are accounted for as property, plant and equipment. Set-top boxes that are provided to customers under financial leases are not recognised as non-current assets.

Depreciation policies for leased assets are consistent with the depreciation policies applied for similar Group-owned assets. Depreciation is calculated in accordance with IAS 16 *Property, plant and equipment*. If it is not certain that the lessee will obtain title to the asset before the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's economic useful life.

Where there is uncertainty that set-top boxes and other property, plant and equipment will create revenue or continue to be used in the operating activity of the Group, the Group creates an impairment allowance.

j) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, jointly controlled entities and affiliates.

Acquisition before 1 January 2004

For acquisitions made before 1 January 2004, goodwill was measured based on the deemed costs, whose amount represents the value recorded in the books in accordance with the Accounting Act dated 29 September 1994.

Acquisition after 1 January 2004

In relation to acquisitions after January 1, 2004, goodwill is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the acquirer's interest exceeds the net fair value the acquiree's identifiable assets, the acquirer recognises any excess immediately in the profit or loss.

Acquisition of minority interest

Goodwill arising on acquisition of minority interests in subsidiaries is stated as the excess of the purchase price over the value of the subsidiaries' net assets acquired at the date of acquisition.

Valuation after initial recognition

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. In the case of investments in affiliates or jointly controlled entities, goodwill is included in the carrying value of the investment. Goodwill is allocated to cash-generating units and is not depreciated, but is annually tested for impairment.

(ii) Internally generated software

The Group capitalises costs of internally generated software, only if development costs can be reliably measured and the beginning and the end of the software development process can be reliably determined.

(iii) Other intangible assets

Other intangible assets purchased by the Group are stated at cost less accumulated amortisation and impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure is recognised in the profit or loss as incurred.

(v) Amortisation

Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. Goodwill and intangible assets with an indefinite useful life are not amortised but instead are subject to an impairment test at each balance sheet date. Other intangibles are amortised from the date they are available for use. The estimated useful life is 2 years.

k) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment property is measured at historical cost.

If there is a change in the use of real estate from investment property to owner–occupied property, the real estate is transferred to property, plant and equipment and its value on the transfer date becomes its deemded costs for the purpose of future recognition.

Buildings representing investment property are depreciated over a period of 60 years. Land which is considered investment property is not depreciated.

l) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is determined based on the first-in first-out principle. The cost of inventories includes purchase price, costs relating directly to the purchase and the costs related to preparing the inventory for use or sale. Cost of finished goods and work in progress include an appropriate share of production overheads determined based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, which under the business model applied by the Group are sold below cost, the loss on the sale is recorded when the set-top box is transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

m) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis at balance sheet date. The remaining financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to other operating costs. An allowance for receivables from individuals is estimated based on the historical recoverability of overdue receivables and recovery efficiency.

All impairment losses are recognised in profit or loss.

Impairment losses are reversed if a subsequent increase in recoverable value of a financial asset can be related objectively to an event occurring after the impairment losses were recognised.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets which are not yet ready for use is assessed at each balance sheet date.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognised in profit or loss. An impairment loss for a cash-generating unit is initially recognised as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets that do not generate independent cash flows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss for goodwill cannot be reversed. As for other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss other than that in respect of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n) Non-current assets held for sale

Non-current assets (or groups comprising assets and liabilities held for sale) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, at the date the assets (or a disposal group) are classified as held for sale, they are measured at the lower of their carrying amount or fair value less cost to sell. An impairment loss for a group of assets held for sale is initially recognised as a decrease of goodwill, then it proportionally reduces the carrying amounts of other assets from this group, except for inventories, financial assets, deferred tax assets and investment properties, which are valued in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised through profit or loss. Gains on re-measurement are recorded only to the level of previously recognised impairment losses.

o) Employee benefits

(i) Defined contribution program

All Group entities which have employees are obliged, under applicable regulations, to collect and pay the contribution for the state pension. These benefits, according to IAS 19 *Employee Benefits* are state plans and are characterised as defined contribution. Therefore, the Group's liabilities for each period are estimated on the basis of contributions to be paid for a given period.

(ii) Defined benefit program – retirement benefits

The Group companies are obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and forecasts of future employment levels.

Changes in the value of the retirement benefit provision are recognised in the income statement.

(iii) Redundancy benefits

Redundancy costs are recorded as an expense when the Group has a uncancellable detailed formal plan for the redundancy before the normal retirement date. Employee benefits relating to voluntary redundancy are recognised in profit and loss account, in case an offer is made to encourage voluntary redundancy, it is probable that the offer will be accepted and the number of voluntary redundancies can be reliably estimated.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognised as an expense as the related service is provided.

The Group creates a provision and charges the income statement for estimated short-term bonuses and profit sharing plans, if the Group has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

(v) Share-based payments

If shares are issued to employees unconditionally at an issue price lower than their fair value, the difference between the fair value and issue price is recorded as a salary expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by the employees.

p) Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Group discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

(i) Warranty provision

A warranty provision is recognised when products or services, for which the warranty was granted, are sold. The amount of the provision is based on historical experience and on a weighted average of all possible outflows connected with warranty claims.

(ii) Onerous contracts

A provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by it. A provision for an onerous contract is created at the lower of the cost of fulfilling the contract or the cost related to any compensation or penalties arising from failure to fulfill it. Before recognition of a provision for an onerous contract, the Group recognises the impairment of the assets connected with such contracts.

(iii) Royalties to copyright management organizations

According to the Act dated 4 February 1994, satellite TV operators are required to pay royalties to copyright management organizations (collecting society). The Group creates a provision for such charges.

q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events but is not recognised because it is not possible that the outflow of resources embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability.

r) Deposits

Deposits received from subscribers and distributors, regardless of the minimum term of the agreements, are presented as current liabilities due to the possibility of early termination of the agreements by clients.

s) Revenue

(i) Multi-element agreements

The Group enters into multi-element agreements which include the following components: sales of merchandise (satellite reception equipment, set-top boxes, CAM) and services. Amounts received or receivable from customers are allocated to these components based on their fair value.

(ii) Rendering of services

Revenue from the rendering of services is recognised in the income statement as the services are rendered.

(iia) Subscription fees

Revenue from subscription fees is recognised on a straight-line basis over the minimum basic period of the subscription contract.

(iib) Activation fees

Activation fees, concerning both rental and sales of satellite digital reception equipment, are recognised on a straight-line basis over the minimum basic period of the subscription contract. Activation fees are included in profit and loss statement with subscription fees.

(iic) Rental of set-top boxes

Revenue from the rental of set-top boxes is recognised on a straight-line basis over the minimum basic period of the subscription contract, except for finance lease agreements, which are recognised as sale with deferred payment date. Special promotional offers are recognised in the income statement together with the related lease costs.

(iid) Transmission services

Revenue from transmission services is recognised as the services are rendered.

(iii) Sale of digital satellite reception equipment, electronic equipment and other goods

Revenue from sale of digital satellite reception equipment, electronic equipment and other goods is recognised at the fair value of the payment received or due, decreased by discounts, rebates and the value of returned equipment.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(iv) Revenue from the rental of real estate

Revenue from the rental of investment property is recognised in the income statement on a straight-line basis over the period of the contract. Special promotional offers made as an incentive to conclude a lease contract, are recognised together with the related revenues from the rental of investment property.

t) Distribution fees

Commissions for distributors for registering new subscribers are recognised during the minimum basic period of the subscription agreement. Turnover commissions for concluding a certain number of subscription contracts are recognised in profit or loss as they are incurred.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as other current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as other long-term assets.

u) Finance income and finance expenses

Finance income includes interest income resulting from invested cash, dividends receivable, gains on sale of financial instruments available for sale, from changes in the fair value of financial instruments at fair value through profit or loss, from completed forward exchange contracts and net foreign exchange rate gains. Interest received is presented in the income statement on an accrual basis using the effective interest method. Dividends received are recognised in the income statement at the moment the Group obtains the right to the dividend.

Finance expenses include interest on debt, reversal of the discount on provisions, dividends from preference shares classified as liabilities, losses from completed forward exchange contracts, net foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through profit or loss, and financial assets impairment. Interest payable is calculated using the effective interest rate method.

The Group does not activate interest on loans and borrowings relating to the purchase of property, plant and equipment.

v) Taxation

Income tax in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realised. Deferred tax asset reductions are adjusted to the extent that realisation of sufficient taxable profits becomes probable.

Deferred tax assets and liabilities in the Group are offset by the Group companies, provided that they are entitled to compensate current tax assets and liabilities when calculating their tax liabilities. An entity has the entitlement to offset deferred tax assets and liabilities when calculating its tax liability if:

a) the entity has a legally enforceable right to offset current tax assets against current tax liabilities and

b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   - the same taxable entity or
   - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

w) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss on the continued operations attributable to ordinary shareholders and the weighted average number of ordinary shares adjusted for all potentially dilutive ordinary shares.

x) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in providing an individual product or service (business segment) or providing products or services within a particular economic environment (geographical segment) that is subject to risks and returns that are different from those of other segments.

y) Cash flow statement

Cash and cash equivalents in the consolidated cash flow statement are equal to cash and cash equivalents presented in the consolidated balance sheet.

The purchase of set-top boxes provided to clients under operating lease contracts are classified in the cash flow statement in operating activities. The purchase, disposal and impairment of these set-top boxes are classified in the cash flow statement in operating activities and presented as “Net decrease/(increase) of set-top boxes provided under operating lease”.

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

Changes in impairment allowances for property, plant and equipment, excluding allowances for set-top boxes, are presented as “Other adjustments” in cash flows from operating activities.

Costs attributable to the public offering of shares are presented as “Other adjustments” in cash flows from operating activities. Cash outflows related to these expenses are classified as “Other financing outflows” in cash flows from financing activities.

8. Determination of fair values

Accounting principles and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In justified cases, further information on methods of fair values measurement are described in the appropriate notes specific to that asset or liability.

(i) Property, plant and equipment and investment property

The fair value of property (including investment property), plant and equipment acquired in business combinations is based on market value. The market value of real estate is the amount for which it could be exchanged between knowledgeable and willing parties in an arm’s length transaction, after carrying out appropriate marketing activities, with both parties acting in a conscious and prudent manner. The fair value of other tangible non-current assets is based on prices of comparative market transactions.

(ii) Intangible non-current assets

The fair value of trademarks and patents acquired in business combinations is based on estimated discounted payments of royalties that were not incurred as a result of the acquisition of the trademarks and patents. The fair value of other intangibles is based on discounted cash flows forecasted from their usage and ultimate disposal.

(iii) Inventories

The fair value of inventories acquired in business combinations is based on net realisable market value, net of selling and finishing costs as well as a margin based on a reasonable estimate of expenditures incurred for finishing products and executing sales.

(iv) Investments in equity and debt instruments

The fair value of financial assets valued at fair value through profit or loss, investments held to maturity and financial assets available for sale is calculated based on a market quotation as at the balance sheet date. The fair value of investments held to maturity is calculated only for disclosure purposes.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(vi) Non-derivative financial liabilities

The fair value for disclosure purposes is based on the present value of future cash flows from repayment of capital and interest, discounted using a market interest rate as at the balance sheet date. A market interest rate for a finance lease contract is estimated based on interest rates for similar types of lease contracts.

(vii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current value of the contract calculated using market interest rates and spot exchange rate.

(viii) Shares subscribed for by the Members of the Management Board

The fair value of shares subscribed for by the Management Board was established at the date of their subscription based on an appropriate Group valuation model.

9. Segment reporting

Business segments

The Group operates in two business segments: Direct to Home and MVNO services.

Geographical segments

Sale of services is only domestic, therefore geographical factors, economic and political conditions and relations between activities in various geographical areas are not significant. As a result, the Group does not disclose financial information about geographical segments.

(all amounts in PLN thousand)

10. Discontinued operations

On 31 August 2007 the Group sold its shares in EMarket Sp. z o.o. The operating activity of EMarket Sp.z o.o. was based on selling electronic equipment. From this date, the Group is no longer involved in this activity. The net result of EMarket Sp. z o.o. for the period from 1 January 2007 to 31 August is presented as "Net profit/loss from discontinued operations" in the income statement. Further disclosures are presented in note 25.

11. Subscription fees

	for the year ended	
	31 December 2008	31 December 2007
Revenues from subscription fees (MINI package)	31,786	16,739
Revenues from subscription fees (other packages)	945,892	645,782
Total	977,678	662,521

The revenue generated from subscription fees depends on the number of subscribers, rates charged on the packages and the mix of packages sold.

12. Rental of digital satellite reception equipment

	for the year ended	
	31 December 2008	31 December 2007
Revenues from the rental of digital satellite reception equipment	6,842	5,954

Revenues from the rental of digital satellite reception equipment include revenues from rent of set-top boxes to subscribers under operating lease agreements.

13. Sales of digital satellite reception equipment and mobile phones

	for the year ended	
	31 December 2008	31 December 2007
Revenues from the sale of digital satellite reception equipment and mobile phones	100,180	107,205

Sales of digital satellite reception equipment include both new set-top boxes as well as used ones which were previously rented under operating lease agreements. The position also includes revenue from telecommunication equipment.

(all amounts in PLN thousand)

14. Transmission services

	for the year ended	
	31 December 2008	31 December 2007
Revenues from sale of signal transmission	16,440	11,602

Cyfrowy Polsat S.A. provides transmission services to TV and radio broadcasters. These services include rental of transponder capacity, signal transmission and related services.

15. Other operating revenues

	for the year ended	
	31 December 2008	31 December 2007
Contractual remedy covering the costs of encryption card and digital satellite reception equipment replacement (SWAP)	17,070	-
Compensation for lost and damaged equipment und subscribers' deposits written off	657	1,223
Net revenue from sales of goods and materials	13	-
Marketing and advertising services	3,607	3,485
Revenue from investment property	1,587	2,224
Reversal of bad debt provision	1,141	223
Subscription fees and interconnection revenues (MVNO)	1,005	-
Change of stock value	5,561	-
Other	4,500	2,232
Total	35,141	9,387

During the period covered by these consolidated financial statements the Group replaced smart cards and digital satellite reception equipment incompatible with the new encryption algorithm. According to the contract concluded on 2 November 2004 between Cyfrowy Polsat S.A. and Nagravision S.A., Nagravision S.A. was obliged to pay remedy covering the costs of smart cards' and digital satellite reception equipment's replacement. Based on that, the Group issued debit notes amounting to PLN 17,070 thousand.

16. Programming costs

	for the year ended	
	31 December 2008	31 December 2007
Programming costs	221,443	152,031

Programming costs include license fees paid to TV and radio broadcasters and royalties for copyright management organisations (collecting society).

(all amounts in PLN thousand)

17. Transmission costs

	for the year ended	
	31 December 2008	31 December 2007
Transponders rental	32,320	26,992
Conditional Access System rental	22,351	18,554
Other	4,335	2,856
Total	59,006	48,402

18. Distribution and marketing costs

	for the year ended	
	31 December 2008	31 December 2007
Distribution fees	101,667	76,911
Marketing costs	46,035	22,175
Mailing costs	21,981	9,895
Call center	27,119	12,766
Other	5,663	4,172
Total	202,465	125,919

19. Salaries and employee-related expenses

	for the year ended	
	31 December 2008	31 December 2007
Salaries - contract of employment	40,166	19,128
Salaries - freelance agreement	5,217	4,322
Salaries - management contracts	10,833	2,921
Salaries - cost of share-based payments	-	10,174
Salaries - Supervisory Board	662	213
Social security contributions	5,401	3,200
Pension obligations and other social benefits	2,310	1,743
Total	64,589	41,701

Average number of employees

	for the year ended	
	31 December 2008	31 December 2007
Number of employees- employment contracts	423	255
Number of employees- managerial contracts	6	6
Total	429	261

(all amounts in PLN thousand)

20. Other operating costs

	for the year ended	
	31 December 2008	31 December 2007
Fixed assets impairment and stock provision	2,206	2,347
Bad debt provision	15,802	16,498
Intangible assets impairment	754	-
Materials and energy used	23,938	3,343
Renovation and maintenance costs	2,961	928
Property lease	1,856	1,161
Legal, advisory and consulting costs	9,577	7,566
IT services	20,569	3,354
Bad debt recovery fees	1,857	185
Bank charges	1,307	1,023
Telecommunication services	2,086	1,091
Polish Film Institute fee	13,652	8,958
Security services	387	344
Other taxes and charges	1,746	2,465
Interconnection charges (MVNO)	2,067	-
Other	8,050	4,401
Total	108,815	53,664

21. Financial revenues

	for the year ended	
	31 December 2008	31 December 2007
Interest income	8,443	6,201
Foreign exchange differences, net	-	12,406
Gain on sale of financial instruments	-	369
Realised forward exchange contracts	3,693	-
Settlement of IPO related costs (see note 47)	7,223	-
Total	19,359	18,976

Interest revenue

Breakdown of interest income by type of financial instruments is presented below:

	for the year ended	
	31 December 2008	31 December 2007
Bank accounts and deposits	8,335	6,201
Other	108	-
Total	8,443	6,201

(all amounts in PLN thousand)

22. Finance income from valuation of exchange forward contracts

On 27 August 2008 Cyfrowy Polsat S.A. entered into eleven USD forward contracts (USD 2,000 thousand each), the currency dates set at the first working day of each consecutive months where the first currency date was set at 1 October 2008 and the last one on 3 August 2009. The nominal value of these transactions is USD 22,000 thousand.

For each of the above transactions collateral deposit was established with a fixed interest of 6% per annum.

On 11 September 2008 Cyfrowy Polsat S.A. entered into six EUR forward contracts (EUR 1,500 thousand each), the currency dates set at the first working day of each consecutive months where the first currency date was set at 1 October 2008 and the last one on 2 March 2009. The nominal value of these transactions is EUR 9,000 thousand.

For each of the above transactions collateral deposit was established. Collateral deposits are bearing a fixed interest of 6% per annum.

As at 31 December 2008 Cyfrowy Polsat S.A. had eight unsettled USD forward contracts and three unsettled EUR forward contracts. Financial income from valuation of unsettled forward contracts amounted to PLN 13,950 thousand as at 31 December 2008.

23. Finance expenses

	for the year ended	
	31 December 2008	31 December 2007
Interest	12,231	13,309
Costs attributable to public offering of shares	6,691	9,731
Foreign exchange differences, net	4,703	-
Impairment loss on investments	-	896
Realised forward exchange contracts	6	-
Other	318	-
Total	23,949	23,936

Interest expense

Breakdown of interest costs by types of financial instrument is presented below:

	for the year ended	
	31 December 2008	31 December 2007
Borrowings and loans	12,002	13,254
Other	229	55
Total	12,231	13,309

(all amounts in PLN thousand)

24. Income tax

(i) Income tax in the income statement

	for the year ended	
	31 December 2008	31 December 2007
Corporate income tax	50,224	26,720
Deferred income tax	13,667	35
Income tax expense in the income statement	63,891	26,755

	for the year ended	
Deferred tax	31 December 2008	31 December 2007
Tax losses carried forward	8,105	14,180
Receivables and other assets	11,705	7,135
Liabilities	(4,996)	(17,678)
Deferred distribution fees	(1,044)	(7,182)
Tangible and intangible non-current assets	(103)	3,580
Deferred tax – total	13,667	35

(ii) Effective tax rate reconciliation

	for the year ended	
	31 December 2008	31 December 2007
Profit before income tax	333,654	140,170
Profit before tax multiplied by statutory tax rate in Poland of 19%	63,394	26,632
Praga Business Park Sp. z o.o. – profit before tax multiplied by statutory tax rate in Poland of 19%	322	-
Deductible temporary differences of Praga Business Park Sp. z o.o. (prior to the merger)	(663)	-
Non-tax deductible, stock-taking differences at 19% tax rate	546	-
Non-tax deductible interest cost at 19% tax rate	206	241
Non-tax deductible cost of share-based payment (see note 37 and 49)	-	1,933
2005 tax loss, settled in 2007 not recognised in previous years at 19% tax rate	-	(2,249)
Tax losses not included in the calculation of deferred tax asset at 19% rate	-	448
Other non-taxable revenue and non-tax deductible costs, net at 19% tax rate	86	(250)
Tax charge for the year	63,891	26,755
Effective tax rate	19.1%	19.1%

(all amounts in PLN thousand)

(iii) Deferred tax assets

	31 December 2008	31 December 2007
Tax losses carried forward	216	8,321
Liabilities	12,597	6,795
Tangible non-current assets	1,375	124
Receivables and other assets	13,011	-
Total deferred tax assets	27,199	15,240
Offsetting of deferred tax liabilities and deferred tax assets	(25,976)	(11,106)
Deferred tax assets in the balance sheet	1,223	4,134

(iv) Tax losses

	31 December 2008	31 December 2007
Tax loss 2003 carried forward	-	19,849
Tax loss 2004 carried forward	-	15,398
Tax loss 2005 carried forward	-	5,919
Tax loss 2006 carried forward	3	459
Tax loss 2007 carried forward	1,132	4,174
Tax losses carried forward – total	1,135	45,799

(v) Tax losses recognised

	31 December 2008	31 December 2007
Tax loss 2003 carried forward	-	19,849
Tax loss 2004 carried forward	-	15,398
Tax loss 2005 carried forward	-	5,919
Tax loss 2006 carried forward	3	459
Tax loss 2007 carried forward	1,132	2,174
Tax losses carried forward – total	1,135	43,799

At each balance sheet date, the Group recognises tax losses that are likely to be utilised in the future.

In 2008 the Group utilised tax losses for years 2003-2007 in the total amount of PLN 43,143 thousand.

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilised in the following five tax years. However, tax loss utilised in a tax year cannot exceed 50% of the original tax loss for a given year.

(all amounts in PLN thousand)

(vi) Deferred tax liabilities

	31 December 2008	31 December 2007
Receivables and other assets	34,491	9,775
Liabilities	806	-
Deferred distribution fees	958	2,002
Tangible non-current assets	1,257	-
Total deferred tax liabilities	37,512	11,777
Offsetting of deferred tax liabilities and deferred tax assets	(25,976)	(11,106)
Deferred tax liabilities in the balance sheet	11,536	671

Due to the amendment to the Corporate Income Tax Act, taking effect 1 January 2007, in respect to regulations concerning tax-deductable costs, in the final calculation of tax for the year 2007, Cyfrowy Polsat S.A. classified distributors' remuneration for concluding service agreements with the clients and selling set-top boxes as costs directly related to revenues.

On 14 November 2008 Cyfrowy Polsat S.A. received an interpretation of tax law in respect to classification of distributors' remuneration for concluding service agreements with the clients and selling set-top boxes. According to the interpretation, the aforementioned costs should be classified as cost other than directly attributable to revenues and therefore deductible in full amount when born.

The calculation of current and deferred corporate income tax in these financial statements for the year 2008 has been presented in line with the interpretation received.

25. Discontinued operations

In 2007, the Group sold its shares in EMarket Sp. z o.o. This subsidiary was consolidated up to 31 August 2007, which is the date of the control over the entity ceased. Its net result in the period 1 January 2007 - 31 August 2007 was presented in the income statement, as „Net profit/(loss) from discontinued operations". A summary of EMarket's revenues and expenses in the year 2007 is presented below. There were no operations discontinued by the Group in 2008.

(all amounts in PLN thousand)

(i) Net profit/(loss) from discountinued operations

	for the period from 1 January 2007 to 31 August 2008 (unaudited)
Sales of electronic equipment	9,472
Other operating revenue	3
Salaries and employee-related expenses	(227)
Cost of electronic equipment sold	(8,919)
Other operating costs	(321)
Finance expenses	-
Net profit for the period	8
Group's share (75%)	6
Minority ineterests	2

Group's share of equity	(217)
Proceeds from disposal of shares	200
Loss on disposal of shares	(17)

(ii) Cash flow from discontinued operations

	for the period from 1 January 2007 to 31 August 2008 (unaudited)
Cash flow from operating activities	(200)
Cash flow from investment activities	200
Cash flow from discontinued operation	-

(all amounts in PLN thousand)

(iii) Effect of EMarket's disposal on the assets and liabilities of the Group

	31 August 2008 (unaudited)
Tangible non-current assets	8
Intangible assets	170
Inventories	60
Trade and other receivables	1,213
Cash and cash equivalents	179
Trade and other payables	(1,317)
Net assets	313
Cash received	200
Cash disposed of	(179)
Net cash inflow	21

26. EBITDA

The key measure of earnings in the Group is EBITDA. EBITDA measures the Group's ability to generate cash from recurring operations. The Group defines EBITDA as operating profit adjusted by depreciation and amortisation. EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

	for the year ended	
	31 December 2008	31 December 2007
Profit from operating activities	324,294	145,147
Depreciation and amortisation	23,547	20,777
EBITDA	347,841	165,924

27. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. The Company adjusted the average number of shares outstanding for the effect of the share split registered on 5 October 2007. As a result, one share with a nominal value of PLN 1 was divided into 25 shares with a nominal value of PLN 0.04.

As at the balance sheet date, the Group did not have financial instruments that could have a dilutive effect, therefore the Group does not present diluted earnings per share. As a result, basic earnings per share equals diluted earnings per share.

	for the year ended	
	31 December 2008	31 December 2007
Net profit from continuing operations (in thousand PLN)	269,763	113,415
Weighted average number of ordinary shares used to calculate earnings per share	268,325,000	263,806,918
Earnings per share in PLN	1.01	0.43

(all amounts in PLN thousand)

28. Property, plant and equipment

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2007	2,458	16,254	28,176	135,437	2,139	2,320	186,784	10,514	-
Additions	-	6,516	26,849	423	1,600	3,253	38,641	34,186	476
Transfers from investment property	1,580	7,934	-	-	-	-	9,514	-	-
Disposals	-	-	(366)	(9,188)	(369)	(123)	(10,046)	(22,068)	-
Cost as at 31 December 2007	4,038	30,704	54,659	126,672	3,370	5,450	224,893	22,632	476
Impairment provision as at 1 January 2007	-	-	(994)	(23,531)	-	-	(24,525)	-	-
Additions	-	-	-	-	-	-	-	-	-
Transfers from investment property	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	675	-	-	675	-	-
Impairment provision as at 31 December 2007	-	-	(994)	(22,856)	-	-	(23,850)	-	-
Accumulated depreciation as at 1 January 2007	-	695	13,016	103,927	455	984	119,077	-	-
Additions	-	689	6,071	8,032	509	737	16,038	-	-
Transfers from investment property	-	405	-	-	-	-	405	-	-
Disposals	-	-	(236)	(8,692)	(235)	(81)	(9,244)	-	-
Accumulated depreciation as at 31 December 2007	-	1,789	18,851	103,267	729	1,640	126,276	-	-
Carrying amounts									
As at 1 January 2007	2,458	15,559	14,166	7,979	1,684	1,336	43,182	10,514	-
As at 31 December 2007	4,038	28,915	34,814	549	2,641	3,810	74,767	22,632	476

As at 31 December 2007, the property at Łubinowa 4a Street in Warsaw was pledged as security for the repayment of the loan from Raiffeisen Bank Polska S.A. in the form of a bail mortgage (*hipoteka kaucyjna*) up to the amount of EUR 12,500 thousand.

The Group recognised an impairment provision for property, plant and equipment whose carrying amount exceeded recoverable amount.

(all amounts in PLN thousand)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2008	4,038	30,704	54,659	126,672	3,370	5,450	224,893	22,632	476
Additions	-	7,184	35,786	21,626	1,226	6,379	72,201	32,861	-
Transfers from investment property	310	1,396	-	-	-	-	1,706	-	-
Disposals	-	(171)	(473)	(3,854)	(226)	(56)	(4,780)	(39,845)	(446)
Cost as at 31 December 2008	4,348	39,113	89,972	144,444	4,370	11,773	294,020	15,648	30
Impairment provision as at 1 January 2008	-	-	(994)	(22,856)	-	-	(23,850)	-	-
Additions	-	-	-	(275)	-	-	(275)	-	-
Transfers from investment property	-	-	-	-	-	-	-	-	-
Disposals	-	-	36	-	-	-	36	-	-
Impairment provision as at 31 December 2008	-	-	(958)	(23,131)	-	-	(24,089)	-	-
Accumulated depreciation as at 1 January 2008	-	1,789	18,851	103,267	729	1,640	126,276	-	-
Additions	-	1,870	10,958	1,096	792	2,349	17,065	-	-
Transfers from investment property	-	27	-	-	-	-	27	-	-
Disposals	-	(56)	(437)	(3,835)	(139)	(47)	(4,514)	-	-
Accumulated depreciation as at 31 December 2008	-	3,630	29,372	100,528	1,382	3,942	138,854	-	-
Carrying amounts									
As at 1 January 2008	4,038	28,915	34,814	549	2,641	3,810	74,767	22,632	476
As at 31 December 2008	4,348	35,483	59,642	20,785	2,988	7,831	131,077	15,648	30

The Group recognised an impairment provision for property, plant and equipment whose carrying amount exceeded recoverable amount.

(all amounts in PLN thousand)

29. Intangible assets

	Software and licences	Other	In progress	Total
Cost				
Cost as at 1 January 2007	12,078	163	103	12,344
Additions	5,181	91	5,929	11,201
Disposals	-	-	(99)	(99)
Cost as at 31 December 2007	17,259	254	5,933	23,446
Cost as at 1 January 2008	17,259	254	5,933	23,446
Additions	10,683	1,496	6,726	18,905
Disposals	(341)	(932)	(11,791)	(13,064)
Cost as at 31 December 2008	27,601	818	868	29,287
Impairment loss as at 1 January 2008	-	-	-	-
Additions	-	(476)	(278)	(754)
Disposals	-	476	278	754
Impairment loss as at 31 December 2008	-	-	-	-
Accumulated depreciation				
Accumulated depreciation as at 1 January 2007	7,786	163	-	7,949
Additions	4,228	45	-	4,273
Disposals	(241)	-	-	(241)
Accumulated depreciation as at 31 December 2007	11,773	208	-	11,981
Accumulated depreciation as at 1 January 2008	11,773	208	-	11,981
Additions	5,834	393	-	6,227
Disposals	(341)	(456)	-	(797)
Accumulated depreciation as at 31 December 2008	17,266	145	-	17,411
Carrying amounts				
As at 1 January 2007	4,292	-	103	4,395
As at 1 January 2008	5,486	46	5,933	11,465
As at 31 December 2007	5,486	46	5,933	11,465
As at 31 December 2008	10,335	673	868	11,876

(all amounts in PLN thousand)

30. Investment property

Cost	
Cost as at 1 January 2007	28,796
Transfers to property, plant and equipment	9,514
Buildings	7,934
Land	1,580
Cost as at 31 December 2007	19,282

Accumulated depreciation	
Accumulated depreciation as at 1 January 2007	289
Additions	466
Transfers to property, plant and equipment	405
Accumulated depreciation as at 31 December 2007	350

Cost	
Cost as at 1 January 2008	19,282
Transfers to property, plant and equipment	1,706
Buildings	1,396
Land	310
Cost as at 31 December 2008	17.576

Accumulated depreciation	
Accumulated depreciation as at 1 January 2008	350
Additions	255
Transfers to property, plant and equipment	27
Accumulated depreciation as at 31 December 2008	578

Carrying amounts	
As at 1 January 2007	28,507
As at 31 December 2007	18,932

Carrying amounts	
As at 1 January 2008	18,932
As at 31 December 2008	16,998

The value of investment property is based on historical cost. The Group acquired the assets constituting investment property in September 2006. The Parent's management considers the fair value of the investment property at the balance sheet date to be substantially consistent with its purchase price.

Investment property of the Group comprises land and buildings held for rent.

Revenues from the rental of investment property amounted to PLN 1,587 thousand in the 12 months of 2008. The related costs amounted to PLN 1,030 thousand.

(all amounts in PLN thousand)

31. Other long-term assets

	31 December 2008	31 December 2007
Shares	1,335	1,335
Deferred distribution fees	22,924	29,615
Other lon-term receivables	5	6
Total	24,264	30,956

The Parent owns shares in Karpacka Telewizja Kablowa Sp. z o.o. Shares are valued at purchase price less impairment losses. In 2007, the shares were impaired by PLN 896 thousand (to the valued of PLN 1,335 thousand).

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Group over the minimum basic period of the subscription contracts.

32. Inventories

Types of inventories	31 December 2008	31 December 2007
Merchandise	59,516	84,599
Materials for production of set-top boxes	7,822	10,485
Set-top boxes - work in progress	934	4,029
Finished goods	10,145	-
Other inventories	12,578	21,834
Prepayments for inventory	7,771	10,898
Total gross value	98,766	131,845
Provision	3,767	1,836
Total net value	94,999	130,009

Merchandise	31 December 2008	31 December 2007
Set-top boxes	40,767	71,784
Remote controls	555	2
Satellite aerials	10,025	10,355
CAM modules	1,995	2,458
Mobile phones	5,914	-
Other	260	-
Total	59,516	84,599

(all amounts in PLN thousand)

Provision for inventories	31 December 2008	31 December 2007
Opening balance	1,836	586
Increase	1,931	1,250
Closing balance	3,767	1,836

There are no restrictions on the Group's rights to dispose its inventories.

33. Trade and other receivables

	31 December 2008	31 December 2007
Trade and other receivables from related entities	391	90
Trade and other receivables from non-related entities	84,654	44,407
Tax and social security receivables	33,587	33,225
Other receivables	883	1,411
Total	119,515	79,133

Trade receivables from non-related entities include mainly receivables from individual clients, distributors and others.

Trade receivables in currency

Currency	31 December 2008	31 December 2007
PLN	77,476	41,820
EUR	6,545	1,731
USD	1,024	946
Total	85,045	44,497

Movements in bad debt allowance

	31 December 2008	31 December 2007
Opening balance	46,484	30,209
Increase	15,802	16,498
Reversal	1,141	223
Utilisation	334	-
Closing balance	60,811	46,484

(all amounts in PLN thousand)

34. Other current assets

	31 December 2008	31 December 2007
Deferred distribution fees	68,234	67,150
Current assets from valuation of exchange forward contracts	13,950	-
Other deferred costs	2,444	1,821
Other deferred income	1,041	-
Total	85,669	68,971

Deferred distribution fees comprise commissions for distributors for contracts effectively concluded with subscribers. These costs are amortised over the minimum basic period of the subscription contracts.

35. Cash and cash equivalents

	31 December 2008	31 December 2007
Cash in hand	36	26
Current accounts	8,341	13,042
Deposits	238,045	137,658
Total	246,422	150,726

Currency	31 December 2008	31 December 2007
PLN	243,568	141,479
EUR	2,297	970
USD	557	8,277
Total	246,422	150,726

As the Group cooperates with well-established Polish and international banks, the risk relating to deposited cash is considerably limited.

(all amounts in PLN thousand)

36. Shareholders' equity

(i) Issued capital

In accordance with the National Court Register, the issued capital of Cyfrowy Polsat S.A. as at 31 December 2008 amounted to PLN 10,733 thousand. The issued capital is divided into 268,325,000 shares with a nominal value of PLN 0.04 each.

All shares were fully paid. The issued capital was not covered by contributions in kind in the period covered by these consolidated financial statements.

In Poland, each issue of shares is given a consecutive serial number. As at 31 December 2008, Series A, B, C and D are preference shares (2 voting rights per share). Series E and F are not preference shares.

The table below presents the shareholder's equity structrure:

Share series	Number od shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	175,000,000	7,000	preference shares (2 voting rights)
Series E	75,000,000	3,000	ordinary bearer share
Series F	5,825,000	233	ordinary bearer share
Total	268,325,000	10,733	

During the year 2008 there were no changes in the issued capital structure and number of issued shares.

The shareholders' structure as at 31 December 2008 and 31 December 2007 was as follows:

	31 December 2008				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	162,943,750	6,518	60,73%	317,968,750	69.76%
Zygmunt Solorz-Żak	30,603,750	1,224	11,41%	61,207,500	13,43%
Other[2]	74,777,500	2,991	27,86%	76,648,750	16,81%
Total	268,325,000	10,733	100%	455,825,000	100%

[1]Zygmunt Solorz-Żak indirectly holds 138,502,188 of the Company shares (51.62% of the share capital and 59.30% of votes) and Heronim Ruta indirectly holds 24,441,562 of the Company shares (9.11% of the share capital and 10.46% of votes) through Polaris Finance B.V.
[2] Heronim Ruta directly holds 1,871,250 of the Company shares (0.70% of the share capital and 0.82% of votes).

On 23 December 2008 20,000,000 dematerialised registered shares of the Cyfrowy Polsat S.A., privileged as to the number of votes in the ratio of 2 to 1 were sold by Polaris Finance B.V. and 20,000,000 dematerialised registered shares of Cyfrowy Polsat S.A., privileged as to the number of votes in the ratio of 2 to 1 were purchased by Zygmunt Solorz-Żak.

(all amounts in PLN thousand)

Prior to the aforementioned transaction Polaris Finance B.V. held 182,943,750 shares of Cyfrowy Polsat S.A. which accounted for 68.18% of the share capital of Cyfrowy Polsat S.A. entitling to 357,968,750 votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. which accounted for 78.53% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. After completing the aforementioned transaction Polaris Finance S.A. held 162,943,750 shares of the Company which accounted for 60.73% of the share capital of Cyfrowy Polsat S.A. entitling to 317,968,750 votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. which accounted for 69.76% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A.

Prior to the aforementioned transaction Zygmunt Solorz-Żak held 10,603,750 shares of Cyfrowy Polsat S.A. which accounted for 3.95% of the share capital of Cyfrowy Polsat S.A. entitling to 21,207,500 votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. which accounted for 4.65% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. After completing the aforementioned transaction Mr. Zygmunt Solorz-Żak held 30,603,750 shares of Cyfrowy Polsat S.A. which accounted for 11.41% of the share capital of Cyfrowy Polsat S.A. entitling to 61,207,500 votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. which accounted for 13.43% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A..

Moreover, Zygmunt Solorz-Żak advised Cyfrowy Polsat S.A. of lack of intention of further increasing the share in the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. within 12 months from 23 December 2008.

	31 December 2007				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V. [1]	250,025,000	10,001	93.18%	425,050,000	93.25%
Zygmunt Solorz-Żak	10,603,750	424	3.95%	21,207,500	4.66%
Heronim Ruta	1,871,250	75	0.70%	3,742,500	0.82%
Piotr Nurowski	1,706,250	68	0.63%	1.706.250	0.37%
Józef Birka	1,740,000	70	0.65%	1.740.000	0.38%
Aleksander Myszka	1,753,750	70	0.65%	1.753.750	0.38%
Dominik Libicki	500,000	20	0.19%	500.000	0.11%
Maciej Gruber	46,250	2	0.02%	46.250	0.01%
Andrzej Matuszyńki	32,500	1	0.01%	32.500	0.01%
Dariusz Działkowski	46,250	2	0.02%	46.250	0.01%
Total	268,325,000	10,733	100%	455,825,000	100%

[1]Additionally, Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. was 85% and Heronim Ruta's was 15% at 31 December 2007.

Initial public offering

On 30 April 2008 the public offering of the E series shares was completed – 67.081.250 shares owed as at 31 December 2007 by Polaris Finance BV were sold and all of them are listed as at 31 December 2008.

(all amounts in PLN thousand)

(ii) Supplementary capital

In accordance with art. 396 of the Commercial Companies Code, joint-stock companies are obliged to transfer 8% of annual net profit to supplementary capital until it reaches at least one third of total issued capital. Supplementary capital cannot be distributed.

On 5 September 2007, the General Shareholders Meeting adopted a resolution to transfer PLN 3,500 thousand from the 2006 net profit to supplementary capital.

On 4 July 2008, the General Shareholders Meeting adopted a resolution to transfer PLN 464 thousand from the 2007 net profit to supplementary capital.

(iii) Other reserves

Other reserves of PLN 10,174 thousand include the difference between the fair value of shares purchased by the Members of the Management Board and their issue price.

(iv) Retained earnings

The net profit for the year is presented under retained earnings.

(v) Profit distribution proposal

To the date of approval of these condolidated financial statements the Management Board of the Parent has not made recommendations regarding dividends. The dividend policy, approved by the Annual Shareholders Meeting of the Parent on 4 July 2008, states that in 2009-2011 the divdend shall amount to 33%-66% of the annual net profit.

37. Borrowings and loans

	31 December 2008		
	Long-term	Short-term	Total
Borrowings and loans	44,135	66,571	110,706
Total	44,135	66,571	110,706

	31 December 2007		
	Long-term	Short-term	Total
Borrowings and loans	132,226	88,731	220,957
Total	132,226	88,731	220,957

Borrowings and loans by currency

Currency	31 December 2008	31 December 2007
PLN	110,706	193,806
EUR	-	27,151
Total	110,706	220,957

(all amounts in PLN thousand)

Borrowings and loans

As at 31 December 2008

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.	PLN	191,830	110,312	110,706	9 October 2010*	6M WIBOR+ 0.55%	-**
Total				110,706			

*In 2008 the Company, according to the payment schedule, repaid part of the principal, in the amount of PLN 81,518 thousand. The remaining amount will be paid in equal installments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement.

**Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2.2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1.2:1. If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

Moreover, the Company is prohibited from:
- creating security over its assets for amounts in excess of PLN 100 thousand,
- disposing of its assets in order to incur financial debt or finance purchase of assets,
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business,
- merging with another legal entity without the consent of the agent,
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent,
- entering into transactions on terms less advantageous than arm's length terms,
- granting loans without the consent of the agent, with the exception of loans for Cyfrowy Polsat Technology Sp. z o.o., in a total amount exceeding PLN 40,000 thousand,
- providing guarantees without the consent of the agent,
- distributing dividends before the public offering,
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand,
- acquiring its shares for retirement without the consent of the agent,
- materially changing its business scope,
- transferring its receivables,
- opening any bank accounts without providing security for the agent,

and obliged to:
- provide the agent with any material documents and information concerning the financial standing of the Group,
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts),
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand,
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent.

(all amounts in PLN thousand)

As at 31 December 2007

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Bank Pekao S.A.	PLN	191,830	191,830	193,806	9 October 2010*	6M WIBOR+ 0.55%**	Obligation to conclude with the agent, within 3 months from 30 June 2008, a pledge agreement on the bank accounts of Cyfrowy Polsat S.A. The company shall not be obliged to fulfil this obligation upon repaying, no later than on June 30 2008, part of the loan in the minimum amount of PLN 50,000,000****
Raiffeisen Bank Polska S.A.	EUR	8,260	7,632	27,151	31 December 2016***	1M EURIBOR + 1.6%	Bail mortgage on the property at Łubinowa 4a Street to the amount of EUR 12,500 thousand. Assignment of receivables under lease agreements. Assignments of receivables under real estate insurance policies. Pledge on shares in Praga Business Park Sp. z o.o. held by Cyfrowy Polsat S.A. Subordination agreement on loans granted by Cyfrowy Polsat S.A. to Praga Business Park Sp. z o.o. Power of attorney for the bank to the current account of Praga Business Park Sp. z o.o. for repayment of the loan
Total				220,957			

* According to repayment schedule Cyfrowy Polsat S.A. is obliged to prepay the principal, in the minimum amount of PLN 50,000 thousand on the earlier of 30 days from the date of the offer (defined as issue or sale of shares in public offering on Warsaw Stock Exchange if shares which are the subject of the issue were admitted to trading on Warsaw Stock Exchange), or 30 June 2008. The remaining amount will be paid in equal installments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement.

** The loan margin is:
- 0.55% p.a. until final repayment
- if the initial public offer of the borrower's shares is not be carried out and the loan is not prepaid in the minimum amount PLN 50.000 thousand by 30 June 2008, the margin will be increased up to 0.7% p.a and will be in force until the date of final repayment of the loan

*** The detailed repayment schedule is as follows:
- EUR 5,644 thousand payable in 41 quarterly instalments; the first instalment was due on the interest payment date falling on 31 December 2006, the last installment is due on the final repayment date, i.e. 31 December 2016
- EUR 2,616 thousand payable on a one-off basis on an interest payment date falling no later than on the final repayment date, i.e. 31 December 2016

****Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) is lower than or equal to 2.2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service is higher than or equal to 1.2:1. If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

Moreover, the Company is prohibited from:
- creating security over its assets for amounts in excess of PLN 100 thousand,
- disposing of its assets in order to incur financial debt or finance purchase of assets,
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business,
- merging with another legal entity without the consent of the agent,
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent,
- entering into transactions on terms less advantageous than arm’s length terms,
- granting loans without the consent of the agent, with the exception of loans for Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o., in a total amount exceeding PLN 40,000 thousand,
- providing guarantees without the consent of the agent,
- distributing dividends before the public offering,
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand,
- acquiring its shares for retirement without the consent of the agent,
- materially changing its business scope,
- transferring its receivables,
- opening any bank accounts without providing security for the agent,

and obliged to:
- provide the agent with any material documents and information concerning the financial standing of the Group,
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company’s accounts),
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand,
- use, for the purpose of financial statements’ audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent.

Praga Business Park is obliged to make an early repayment of the loan if:
- any of the documents relating to the property purchase is deemed invalid
- disbursement or financing of a drawdown by the bank results in infringement of the the law
- cash surplus generated in a given accounting period is positive, the Company will allocate half of the surplus amount generated in a given accounting period for early repayment of the outstanding amount;

No circumstances obligating the Company to make an early repayment have arisen.

(all amounts in PLN thousand)

38. Lease liabilities

Group as a lessor and as a lessee

- Group as a lessor

Operating lease

The Group entered into a significant number of contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment. Assets connected with such contracts are presented as property, plant and equipment.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 12 to 29 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by subscribers.

Future minimimum lease payments concerning set-top boxes under operating lease are as follows:

Operating lease

	31 December 2008	31 December 2007
within 1 year	268	-
between 1 and 5 years	159	-
in more than 5 years	-	-
Total	427	-

Finance lease

The Group entered into a significant number of contracts with third parties, which are classified as finance leases due to their economic substance. The contracts relate to the rental of digital satellite reception equipment.

The Group does not record assets related to these contracts in the financial statements.

Future minimum lease payments under finance leases are as follows:

Finance lease

	31 December 2008	31 December 2007
within 1 year	2,199	4,149
between 1 and 5 years	-	-
in more than 5 years	-	-
Total	2,199	4,149

The present value of minimum lease payments amounted to PLN 2,154 thousand as at 31 December 2008 and PLN 4,041 thousand as at 31 December 2007.

(all amounts in PLN thousand)

- Group as a lessee

Operating leases

The Group entered into a significant number of agreements, which are classified as operating lease contracts due to their economic substance. Assets leased under these contracts are not recorded in the financial statements. The assets comprise rental of transponder capacity, rental of office and warehouse space, and rental of equipment.

Future minimum lease payments under operating leases are as follows:

Operating lease	31 December 2008	31 December 2007
within 1 year	74,407	44,124
between 1 and 5 years	149,131	68,724
in more than 5 years	30,760	10,556
Total	254,298	123,404

Finance leases

The carrying value of devices used on the basis of finance lease contracts amounted to PLN 2,242 thousand as at 31 December 2007 and PLN 1,980 thousand as at 31 December 2008.

The lease period is 10 years.

Future minimum lease payments under finance leases are as follows:

Finance lease	31 December 2008	31 December 2007
within 1 year	238	204
between 1 and 5 years	951	817
in more than 5 years	456	595
Total	1,645	1,616

The present value of minimum lease payments amounted to PLN 1,367 thousand as at 31 December 2008 and PLN 1,314 thousand as at 31 December 2007.

(all amounts in PLN thousand)

39. Trade payables and other current payables

Trade payables and other current payables

	31 December 2008	31 December 2007
Trade payables to related parties	2,352	3,565
Trade payables to non-related parties	127,956	153,341
Taxation and social security payables	8,088	4,240
Payables relating to purchases of fixed assets	4,844	10,745
Accruals	48,942	15,732
Short term provisions	4,032	18,236
Other	1,311	2,855
Total	197,525	208,714

Short-term provisions in 2007 relate to royalties for copyright management organizations (see note 47).

Accruals

	31 December 2008	31 December 2007
Salaries	17,324	2,933
Royalties for copyright management organisations	1,977	5,892
Licence fees	18,567	-
Cost attributable to public offering of shares	338	3,954
Other	10,736	2,953
Total	48,942	15,732

Trade payables and payables relating to purchases of fixed assets by currency

Currency	31 December 2008	31 December 2007
PLN	86,646	118,684
EUR	24,341	23,307
USD	24,165	25,660
Total	135,152	167,651

Accruals by currency

Currency	31 December 2008	31 December 2007
PLN	31,941	10,662
EUR	10,225	5,070
USD	6,776	-
Total	48,942	15,732

(all amounts in PLN thousand)

40. Deposits received for digital satellite reception equipment and mobile phones

	31 December 2008	31 December 2007
Subscribers	14,206	14,966
Distributors	8,224	5,044
Other	17	22
Total	22,447	20,032

Deposits received comprise amounts paid by subscribers under agreements for rental of set-top boxes and deposits paid by distributors for digital satellite reception equipment and mobile phones.

Deposits are returned to customers or offset against receivables from subscribers upon contract termination. All deposits are presented as short-term liabilities as the notice period is less than 12 months.

41. Deferred income

	31 December 2008	31 December 2007
Deferred income	119,265	81,468

Deferred income comprises mainly subscription fees paid in advance and rental fees for set-top boxes. These fees relate to services to be rendered within 12 months from the balance sheet date and thus are presented as short-term liabilities.

42. Other adjustments in the cash flow statement

	for the year ended	
	31 December 2008	31 December 2007
Cost of IPO	6,691	9,731
Settlement of IPO related costs (see note 47)	(7,223)	-
Cost of share-based payments	-	10,174
Impairment loss on property, plant and equipment (without digital satellite reception equipment)	754	-
Other	(285)	(21)
Other adjustments – total	(63)	19,884

(all amounts in PLN thousand)

43. Operating segments

Cyfrowy Polsat Group operates in digital television services segment as an operator of paid digital satellite platform (Direct to Home, DTH) and a set-top boxes' manufacturer and in mobile phone segment as a Mobile Virtual Network Operator, MVNO. Inter-segment transactions are concluded on terms that are not materially different from market terms. The Group operates only in Poland.

The activities of the Capital Group are grouped using branch criterion, i.e. distinguishable scope of operations where sevices are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterised by different risk levels and different investment returns. DTH segment comprises Group's activities connected with providing digital television transmission signal to individual clients and set-top boxes' manufacturing by a subsidiary company Cyfrowy Polsat Technology Sp. z o.o. MVNO segment comprises Group's activities connected with providing mobile phone services to the clients.

During the year 2007 the Group had not yet achieved revenue from MVNO segment. However, substantial investment expenditures were made in order to prepare for the introduction of MVNO-related services. In 2007 PLN 18,672 thousand was spent for non-current assets – PLN 12,235 thousand was spent on tangible assets comprising computer hardware, testing equipment and telephone exchange. Investment expenditures relating to intangible assets, comprising mostly MVNO billing system, amounted to PLN 6,437 thousand.

The table below presents Groups' segment revenue and costs for the year ended 31 December 2008.

	Digital television	Mobile phones	Other	Eliminations	Consolidated amount
External revenue	1,124,496	2,773	3,451	-	1,130,720
Change of stock value	5,561	-	-	-	5,561
Inter-segment revenue	-	-	332	(332)	-
Total revenue	1,130,057	2,773	3,783	(332)	1,136,281
Operating expenses, including:	710,709	45,107	56,503	(332)	811,987
Depreciation and amortisation	10,314	3,859	9,374	-	23,547
Operating profit	419,348	(42,334)	(52,720)	-	324,294
EBITDA*	429,662	(38,475)	(43,346)	-	347,841

*The key measure of earnings in the Group is EBITDA. EBITDA measures the Group's ability to generate cash from recurring operations. The Group defines EBITDA as operating profit adjusted by depreciation and amortisation. EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

(all amounts in PLN thousand)

Tables below present impact of impairment of assets on Group's income statement.

	Digital television	Mobile phones	Other
Reversal of bad debt provision	-	-	1,141
Impact on total revenue	-	-	1,141

	Digital television	Mobile phones	Other
Fixed assets impairment	275	-	-
Intangible assets impairment	754	-	-
Stock provision	1,931	-	-
Bad debt provision, receivables written-off	14,684	-	1,452
Impact on total cost	17,644	-	1,452

The table below presents Groups' investment expenditures by segments for the year ended 31 December 2008.

Investment expenditures:	Digital television	Mobile phones	Other	Consolidated amount
- intangible assets	4,111	2,426	947	7,484
- tangible assets and investment property	27,322*	16,110	26,303	69,735
Total investment	31,433	18,536	27,250	77,219

*The total amount comprises also increase of set-top under operating lease.

The table below presents Groups' assets by segments as at 31 December 2008.

	Digital television	Mobile phones	Other	Consolidated amount
Non-current assets	76,125	29,598	95,393	201,116
Current assets	240,683	9,075	306,257	556,015
Total assets	316,808	38,673	401,650	757,131

Non-current assets classified as other comprise mainly property at Łubinowa street, Group's car fleet and set-top boxes' production line. Current assets classified as other comprise mainly cash and cash equivalents, public receivables and forward exchange contracts' valuation.

During the previous years the Group had not analysed segment results.

(all amounts in PLN thousand)

44. Financial instruments

Overview

Cyfrowy Polsat S.A. Group is exposed to the following financial risks:
- credit risk,
- liquidity risk,
- market risk:
  - currency risk,
  - interest rate risk,
- capital risk.

The Group's risk management policies are designed to reduce the impact of adverse conditions on the Group's results.

The Management Board is responsible for oversight and management of each of the risks faced by the Group. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on forward contracts, credit risks and capital management.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included also in other notes to these consolidated financial statements.

Loans and borrowings, cash, forward exchange contracts and short-term bank deposits are the main financial instruments used by the Group. They are intended to secure the financing for the Group's activities. The Group uses also other financial instruments such as trade receivables and trade payables which arise in the course of business activities.

Financial assets	Carrying amount	
	31 December 2008	31 December 2007
Financial assets at fair value through profit or loss, including:	13,950	-
Forward exchange contracts*	13,950	-
Loans and receivables, including:	85,933	45,914
Trade and other receivables from related parties	391	90
Trade and other receivables	85,542	45,824
Financial assets held to maturity	-	-
Financial assets available for sale	-	-
Hedging derivative instruments *	-	-
Cash and cash equivalents	246,422	150,726

*The Group does not adopt hedge accounting, therefore forward exchange contracts are being presented at fair value through profit or loss.

(all amounts in PLN thousand)

Financial liabilities	Carrying amount	
	31 December 2008	31 December 2007
Financial liabilities at fair value through profit or loss	-	-
Other financial liabilities valued at amortised cost, including:	271,261	413,111
Financial lease liabilities	1,645	1,616
Borrowings and loans	110,706	220,957
Trade payables and other payables to third parties	156,558	186,973
Trade and other payables to related parties	2,352	3,565
Hedging derivative instruments*	-	-

*The Group does not adopt hedge accounting, therefore forward exchange contracts are being presented at fair value through profit or loss.

Credit risk

Credit risk arises mainly on trade receivables. In the financial year ended 31 December 2008, the Group's exposure to credit risk did not change since the Group's sales on credit did not increase. The Parent's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Postpaid subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to a MVNO client. Moreover, any recognised risk is reduced with appropriate allowances.

The Group analyses the creditworthiness of distributors as well as TV and radio broadcasters on an ongoing basis.

Credit risk related to other financial assets of the Group, such as receivables and cash and cash equivalents arises when a counterparty fails to make due payments. The maximum exposure to credit risk related to the financial assets equals the carrying amount of the assets. The maximum exposure to credit risk as at the balance sheet dates was as follows:

Receivables, cash and cash equivalents

	Carrying amount	
	31 December 2008	31 December 2007
Trade and other receivables	85,542	45,824
Trade and other receivables from related parties	391	90
Cash and cash equivalents	246,422	150,726
Total	332,355	196,640

(all amounts in PLN thousand)

The table below presents receivables' credit risk concentration:

	Carrying amount	
	31 December 2008	31 December 2007
Subscribers	59,550	19,155
Distributors	12,841	19,248
Media companies	4,582	4,683
Receivables from related parties	391	90
Receivables from non-related parties	8,569	2,738
Total	85,933	45,914

The table below presents the ageing of receivables:

	31 December 2008			31 December 2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	68,968	1,453	67,515	35,684	-	35,684
Past due 0-30 days	5,560	1,317	4,243	5,068	1,513	3,555
Past due 31-60 days	4,128	2,480	1,648	3,799	2,090	1,709
More than 60 days	68,088	55,561	12,527	47,847	42,881	4,966
Total	146,744	60,811	85,933	92,398	46,484	45,914

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of cash requirements based on budgeted cash flows.

(all amounts in PLN thousand)

The table below presents the contractual maturities of the Group's financial liabilities.

	31 December 2008						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	110,706	118,188	35,165	34,074	48,949	-	-
Finance lease liabilities	1,645	1,645	119	119	238	713	456
Trade payables and other	156,558	156,558	156,558	-	-	-	-
Trade and other payables to related parties	2,352	2,352	2,352	-	-	-	-
	271,261	278,743	194,194	34,193	49,187	713	456

	31 December 2007						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	220,957	246,672	58,953	38,836	74,903	52,727	21,253
Finance lease liabilities	1,616	1,616	102	102	204	613	595
Trade and other payables	186,973	186,973	186,950	23	-	-	-
Trade and other payables to related parties	3,565	3,565	3,565	-	-	-	-
	413,111	438,826	249,570	38,961	75,107	53,340	21,848

Market risk

Currency risk

One of the main risks to which the Group is exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by the Group are denominated mainly in Polish zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Group's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchasing digital satellite reception equipment (USD and EUR).

Currency risk related to transponder capacity leases is partly hedged against through actions aiming at the natural reduction of the exposure due to denominating receivables from transmission services in foreign currencies.

In order to hedge against the currency risk related to royalties for TV and radio broadcasters, costs of conditional access system and costs of digital satellite reception equipment purchases the Group entered into a number of forward exchange contracts and purchased currencies in spot transactions at the possibly most attractive prices.

In 2008, the Parent concluded 11 USD purchase agreement in the amount of USD 2,000 thousand each and 6 EUR purchase agreements in the amount of EUR 1,500 thousand each. As at 31 December 2008 8 USD purchase agreements and 3 EUR purchase agreements were not settled.

The Group does not hold any equity interests in foreign entities or available-for-sale assets denominated in foreign currencies. Therefore, depreciation of the Polish zloty against other currencies will not influence the Group's equity.

The Group does not apply hedge accounting.

The table below presents the Group's foreign currency risk exposure in foreign currencies:

	31 December 2008		31 December 2007	
(in thousands)	EUR	USD	EUR	USD
Trade receivables	1,569	346	483	389
Cash and cash equivalents	551	188	271	3,399
Loans and borrowings	-	-	(7,580)	-
Trade payables	(5,834)	(8,159)	(6,507)	(10,538)
Gross balance sheet exposure	(3,714)	(7,625)	(13,333)	(6,750)
Estimated sales revenue*	5,543	240	2,412	940
Estimated purchases*	(56,873)	(129,060)	(42,718)	(54,449)
Gross exposure	(55,044)	(136,445)	(53,639)	(60,259)
Forward exchange contracts	4,500	16,000	-	-
Net exposure	(50,544)	(120,445)	(53,639)	(60,259)

*During the 12-month period from the balance sheet date.

Following foreign exchange rates were applied in the presented periods:

(in PLN)	Average rate 2008	Average rate 2007	Rates at the balance sheet date 31 December 2008	Rates at the balance sheet date 31 December 2007
1 EUR	3.5166	3.7667	4.1724	3.5820
1 USD	2.4092	2.7829	2.9618	2.4350

A 5% weakening of the Polish zloty against the euro and US dollar would have decreased the gross profit by the amount presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis below is performed on the same basis for 2007.

For the purposes of exchange rate volatility sensitivity analysis as at 31 December 2007 and 31 December 2008 it was assumed that probable volatility will be in the +/- 5% band.

	2008				2007			
	As at 31 December 2008 in currency (in thousand)	As at 31 December 2008 in PLN (in thousand)	Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)	As at 31 December 2007 in currency (in thousand)	As at 31 December 2007 in PLN (in thousand)	Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
Trade receivables								
EUR	1,569	6,545	5%	327	483	1,731	5%	87
USD	346	1,024	5%	51	389	946	5%	47
Cash and cash equivalents								
EUR	551	2,297	5%	115	271	970	5%	49
USD	188	557	5%	28	3,399	8,277	5%	414
Loans								
EUR	-	-	5%	-	(7,580)	(27,151)	5%	(1,358)
USD	-	-	5%	-	-	-	5%	-
Trade payables								
EUR	(5,834)	(24,341)	5%	(1,217)	(6,507)	(23,307)	5%	(1,165)
USD	(8,159)	(24,165)	5%	(1,208)	(10,538)	(25,660)	5%	(1,283)
Change in operating profit				(1,904)				(3,209)
Forward exchange contracts								
EUR	4,500	18,776	5%	939	-	-	5%	-
USD	16,000	47,389	5%	2,369	-	-	5%	-
Income tax				267				(610)
Change in net profit				1,137				(2,599)

(all amounts in PLN thousand)

Had the exchange rate of euro and American dollar against the Polish zloty as at 31 December 2008 and 31 December 2007 been higher by 5%, the Group's net profit would have correspondingly increased by PLN 1,137 thousand and decreased by PLN 2,599 thousand. Strengthening of the Polish zloty against the above currencies by the given percentage would have the opposite effect on the net profit, assuming that all other variables remain constant.

Interest rate risk

Fluctuations in market interest rates have no direct effect on the Group's revenues or operating cash flows, however, they do have an effect on cash flow from financing activities through the cost of interest paid on bank credits.

The Group analyses the level of interest rate risk, including refinancing scenarios as well as hedging policies against interest rate risk on a regular basis. Based on the analyses, the Group estimates the effect of given changes in interest rates on its results.

The table below presents the interest rate risk profile for interest-bearing financial instruments as at the balance sheet date:

	Carrying amount	
	31 December 2008	31 December 2007
Fixed rate instruments		
Financial assets	158,161	-
Financial liabilities	-	-
Total	158,161	-

	Carrying amount	
	31 December 2008	31 December 2007
Variable rate instruments		
Financial assets	88,111	150,726
Financial liabilities	(110,312)	(220,957)
Total	(22,201)	(70,231)

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	Decrease by 100 bp
31 December 2008		
Variable rate instruments	(222)	222
Cash flow sensitivity (net)	(222)	222
31 December 2007		
Variable rate instruments	(702)	702
Cash flow sensitivity (net)	(702)	702

(all amounts in PLN thousand)

Fair value versus carrying amount

The fair value of forward currency contracts is estimated by discounting the difference between the amount resulting from the contractual exchange rate and the amount resulting from the theoretical exchange rate calculated on the basis of market interest rates and the official exchange rate as per National Bank of Poland at the balance sheet date.

The fair value of financial guarantees is calculated based on the appropriate measurement methods (discounted cash flows adjusted by probability index).

The fair value of other financial instruments is based on estimated discounted cash flows. It is assumed that the carrying amount of trade receivables (less impairment losses) and of trade payables due within 12 months approximates their fair value.

The table below presents the fair values and carrying amounts of financial assets and liabilities.

	31 December 2008		31 December 2007	
	Fair value	Carrying amount	Fair value	Carrying amount
Trade and other receivables	85,933	85,933	45,914	45,914
Forward exchange contracts	13,950	13,950	-	-
Cash and cash equivalents	246,422	246,422	150,726	150,726
Loans and borrowings	(109,308)	(110,706)	(220,707)	(220,957)
Finance lease liabilities	(1,645)	(1,645)	(1,616)	(1,616)
Trade and other payables	(158,910)	(158,910)	(190,538)	(190,538)
Total	76,442	75,044	(216,221)	(216,471)
Unrecognised gain		1,398		250

Capital management

The goal of capital management is to maintain the Group's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

45. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis.

	for the year ended	
	31 December 2008	31 December 2007
Revenues from barter transactions	2,215	757
Cost of barter transactions	3,062	42

(all amounts in PLN thousand)

	31 December 2008	31 December 2007
Barter receivables	427	1,265
Barter payables	200	-

46. Litigation and public administration proceedings

As at the date of preparation of these consolidated financial statements for the period ended 31 December 2008, there were a number of public administration proceedings and one material claim before the court against the consolidated entities.

Public administration proceedings

The proceeding before Office of Competition and Consumer Protection ("UOKiK") for alleged use of unlawful clauses in agreements with customers

On 21 May 2007, the President of the UOKiK informed the Company that certain clauses included in its agreement templates were a cause of concern for UOKiK. Cyfrowy Polsat S.A. submitted an initial response to some arguments raised by the President of the UOKiK in a letter dated 29 June 2007. As at the date of approval of these consolidated financial statements the proceedings were not ended.

If any provisions of the agreement templates were deemed unlawful, the Company would have to change the existing agreement forms. Such changes could lead to a situation in which customers who are parties to agreements whose provisions have been found unlawful could terminate such agreements without observing the notice period and without any obligation to pay contractual penalties. In addition, if the Company included in the agreement templates provisions that are unlawful, the President of the UOKiK could impose on the Company a maximum fine of 10% of its revenue earned in the financial year preceding the year in which such fine is imposed.

Proceedings before the President of UOKiK regarding a suspected application of practices breaching collective interests of consumers.

On 14 March 2007 the President of the Office of Competition and Consumer Protection decided to initiate preliminary proceedings in order to determine whether Cyfrowy Polsat S.A. committed a breach of legally protected consumer's rights.

On 11 June 2008 the Company received a decision of the President of UOKiK no. DDK 6/2008 issued on 30 May 2008. With regards to the issue in question, the President of UOKiK recognised the practice as breaching the collective rights of costumers, involving Company's activities comprising presentation of information of its advertising, that the Cinemax package is included in the Relax Mix Package, whereas the Package was not included in the Relax Mix Package, but was provided to consumers within a promotion regarding the Relax Mix Package. The decision became enforceable on 25 June 2008.

Proceedings before Office for Competition and Consumer Protection ("UOKiK") concerning allegedly use of the practices restricting competition – proceedings have been terminated

On 23 May 2007, the Wroclaw Regional Office of the UOKiK notified Cyfrowy Polsat S.A. that an explanatory proceeding had been initiated to initially determine whether the Company breached the ban on the use of competition restricting practices by preventing its authorised distributors from distributing a competitive digital platform operated by ITI Neovision Sp. z o.o. ("ITI Neovision") under the brand name "n". Such a practice may constitute a breach of Article 6, Section 1 of the Act on Protection of Competition and Consumers dated 16 February 2007. In a letter dated June 22, 2007,the Company submitted its explanations regarding the matter.

Cyfrowy Polsat S.A. obtained information (on the legal grounds of Act on access to public information) that the a resolution dated 26 June 2008 terminated the proceedings.

Explanatory proceedings initiated by the President of UOKiK regarding the rules of concluding agreements for public broadcasting of TV programs, including broadcast from Euro 2008, and the rules of selling relevant equipment necessary to receive the aforementioned programs

Cyfrowy Polsat S.A. received a letter regarding the issue in question on 13 June 2008. In a letter dated 16 June 2008 the Company responded, explaining, for example, that in the years 2007-2008 (which were mentioned in the UOKiK President's enquiry) it did not grant rights for public broadcast of TV programs, nor did it enter into agreements enabling granting license for public broadcast of TV channels to business entities (entrepreneurs). Cyfrowy Polsat S.A. also forwarded information that the rights for public broadcast of Polsat Sport Extra and Polsat Sport HD channels were granted by Telewizja Polsat S.A. Cyfrowy Polsat S.A. – in line with the possibility of public broadcast of Euro 2008 offered to business by Telewizja Polsat S.A. – and considering the to-date rule of offering products and services exclusively to individual customers for their private use, created a special set-top boxes' sales offer, aimed at entrepreneurs.

Should a proceeding against Cyfrowy Polsat S.A. be initiated and should the President of UOKiK find that Cyfrowy Polsat S.A. practices are limiting competition, the President of UOKiK could order their abandonment. Moreover, the President of UOKiK could impose on the Company a maximum fine of 10% of its revenue (as set out by the Tax Law) earned in the financial year preceding the year in which such fine is imposed.

Explanatory proceedings initiated by the President of UOKiK regarding prohibition of application of practices breaching collective interests of consumers, or breaching the legally protected laws of consumers.

The President of UOKiK initiated explanatory proceedings in order to initially determine whether any regulations were breached to the extent justifying initiation of proceedings regarding prohibition of practices breaching collective interests of consumers, or breaching the legally protected laws of consumers. A letter addressing that issue reached Cyfrowy Polsat S.A. on 12 November 2008. On 20 November 2008 Cyfrowy Polsat S.A. sent a letter to UOKiK, where it responded to the letter dated 5 November thoroughly describing the card replacement procedure.

Pursuant to art. 48 section 4 of the Act on Protection of Competition and Consumers the explanatory proceedings shall not take longer than 30 days from its initiation date (in particularly complicated cases the period is extended to 60 days). The proceedings were initiated on 5 November 2008, therefore the sixty-day period expired at the beginning of January 2009. However, considering the fact that pursuant to general provisions the proceedings before the administration authorities may be extended (however, as of today we do not hold any information regarding the matter from UOKiK) it should be assumed that the proceedings are still in progress.

Explanatory proceedings initiated by the President of UOKiK regarding prohibition of application of practices breaching collective interests of consumers, or breaching the legally protected laws of consumers.

A letter regarding the issue reached Cyfrowy Polsat S.A. on 6 November 2008. On 20 November 2008 the Company issued a letter to UOKiK where it submitted information regarding the following:

1) average waiting time for a connection with a consultant,
2) recording conversations held with consultants and their storage time by the Company (and also the way they are utilised – as internal training material and in settlement of complaints),
3) the scope of a consultant's competencies, the method of training and its scope,
4) issues that may be handled by the Call Centre,
5) the number and location of authorised points of sale that the subscribers may use,
6) Information which may be regarded as advertising material available for clients calling the Call Centre.

Pursuant to art. 48 section 4 of the Act on Protection of Competition and Consumers the explanatory proceedings shall not take longer than 30 days from its initiation date (in particularly complicated cases the period is extended to 60 days). The proceedings were initiated on 28 October 2008 so the sixty-day period expired at the end of December 2008. However, considering the fact that pursuant to general provisions the proceedings before the administration authorities may be extended (however, as of today we do not hold any information regarding the matter from UOKiK) it should be assumed that the proceedings are still in progress.

Administrative proceedings initiated by the President of Electronic Communications Authority („UKE") regarding imposing a financial penalty on Cyfrowy Polsat S.A. for breaching of the obligation to submit information and documents requested pursuant to the notification dated 13 November 2008.

On 17 November 2008, Cyfrowy Polsat S.A. received a letter dated 13 November 2008 from the UKE Office in Rzeszów regarding verification whether the rules of providing telecom services and templates of agreements regarding provision of telecom services include the complaint procedure and whether proceedings within the complaint mode are in line with the provisions of the Telecom Law and the decree of the Minister of Infrastructure dated 1 October 2004 on the complaint proceedings and the conditions that the telecom service complaint shall comply with.

The Company replied to the request in question in a letter dated 1 December 2008 where it explained that services it provides to subscribers are not telecom services as set forth in the Telecom Law and that the relevant authority is the President of UOKiK.

On 19 December 2008 Cyfrowy Polsat S.A. received a letter from the President of UKE regarding initiation of administration proceedings regarding imposing a financial penalty for breaching the obligation to submit information and documents requested pursuant to a notice dated 13 November 2008. In the same letter, UKE requested the Company to state its opinion with regard to accusations and submit information regarding the level of revenues in 2007 in order to calculate the level of penalty, which, pursuant to art. 210 section 1 of the Telecom Law, may total to a maximum of three per cent of the Company's revenues in the previous calendar year. A possible decision regarding imposing of the penalty may not be executed immediately due to the fact that art. 210 section 1 of the Telecom Law excludes such a possibility.

On 5 January 2009 Cyfrowy Polsat S.A. was requested to submit, within a 30 day period, data on the level of revenues in 2008. The data is necessary to calculate the level of a possible penalty. Art. 210 section 1 of the Telecom Law quotes the „previous calendar year" in respect to the year in which the fine was imposed.

On 3 February 2009 the Company issued a letter to UKE (the Rzeszów Office), where it applies for cancellation of the proceedings justifying the request with lack of UKE's competence to perform control proceedings and lack of information that UKE requested in its letter dated 13 November 2008 (due to the fact that providing subscribers with radio and television channels is not a telecommunication service and, as a result, there are no telecom service provision rules, agreements or pricelists).

Other litigations

The Group is a party to other litigations.

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. z with registered office in Katowice for compensation and indemnity claims that is in session before the District Court for Warszawa Praga in Warsaw X Entrepreneurs' Division – the value of dispute is PLN 1,071 thousand – is currently run by the legal advisor Antoni Zasada from a legal advisor's office with its office in Krakow.

The lawsuit is in the hearing of evidence phase. Since the last session, which took place on 5 November 2008, the parties have filed further correspondence with statements of case regarding evidence (mainly as hearing of witnesses). The most important of the correspondence in question is the letter of Cyfrowy Polsat S.A. of 10 December 2008, where the Company filed for dismissal of the case for proof from the opinion of an expert in the field of market research, and for a partial ruling dismissing the claim to adjudicate from the defendant in favor of the plaintiff (SkyMedia) an amount of PLN 214,493 with statutory interest calculated as from the day of payment of the compensation for improper execution of the agreement. Currently, as a result of the ruling of 12 December 2008 the Court adjourned the session to a date that it will determine *ex officio* and forwarded the case to a closed session. Cyfrowy Polsat S.A. filed a number of statements of case aiming at proving that the claim is unfounded. Considering the amplitude of proceeding correspondence of Cyfrowy Polsat S.A. it is impossible to summarise its procedural arguments.

Due to an unprecedented type of case in the scope of so called compensation consideration it is impossible to rationally determine the conclusion of the lawsuit or its financial consequences for Cyfrowy Polsat S.A.

In the Parent's Management Board's opinion a risk of negative outcome for the Group of the aforementioned proceedings and the lawsuit is lower than probable so no provisions were made for the purpose.

47. Important agreements and events

On 1 April 2008, Cyfrowy Polsat S.A. concluded with Polaris Finance B.V. the memorandum of agreement regulating the principles of settling the services related to Global Offer of Company's shares. Pursuant to this memorandum of agreement, Polaris Finance B.V. undertook to cover part of the costs incurred by Cyfrowy Polsat S.A. with regard to Global Offer of the Cyfrowy Polsat S.A. shares (up to the amount of PLN 5.017 thousand). On 15 July 2008 Cyfrowy Polsat S.A. was notified that on 5 May 2008 an annex to the agreement was signed. The annex changed the cost level, related to the introduction of shares onto the regulated market, which Polaris Finance B.V. as a shareholder obligated itself to cover, from PLN 5,017 thousand to PLN 7,807 thousand.

As a result of conducted negotiations for determining the conditions of direct cooperation with the ZAIKS Authors' Association ("ZAIKS"), on 7 April 2008 the memorandum of agreement was concluded to pay ZAIKS the authors' compensation for works re-broadcasted on the digital platform in the period from 1 June 2006 to 31 December 2007. The payment of compensation under the memorandum of agreement satisfies ZAIKS's claims on account of authors' compensation for re-broadcasting the works on the digital platform in the aforementioned period.

Also, on the same date the license agreement was concluded with ZAIKS, which regulates conditions of further cooperation.

On 16 April 2008, the President of Office of Electronic Communications ("UKE") issued the decisions replacing the agreements for connection of telecommunication networks, concluded between Cyfrowy Polsat S.A. and PTK Centertel Sp. z o.o. ("PTK Centertel") and between Cyfrowy Polsat S.A. and Polkomtel S.A. ("Polkomtel"). After examining Cyfrowy Polsat's applications of 16 January 2008 to issue decisions concerning the telecommunication access, the President of UKE focused on justification for future application of clause on automatic change of Mobile Termination Rates (MTR), which was requested by Polkomtel and PTK Centertel. When resolving the dispute, the legal and factual state of affairs as at the date of issuing the decision was of decisive importance. At the moment of issuing both decisions, the Mobile Termination Rate in Polkomtel and PTK Centertel should be PLN 0.40/minute. The President of UKE determined the same MTR for terminations in Cyfrowy Polsat's network. With respect to determining the MTRs, the parties, to which the decisions apply, are not subject to the same obligations. Polkomtel and PTK Centertel are obligated to determine fees on that account on the basis of incurred costs, and Cyfrowy Polsat may determine the rates on the basis of freedom of agreement principle. Therefore, it was not possible to automatically change, in the decisions issued by the UKE President, the MTRs charged by Cyfrowy Polsat in its own network because the MTRs charged by Polkomtel and PTK Centertel were about to change.

On 24 April 2008, Cyfrowy Polsat S.A. and Polaris Finance B.V. concluded a stand-by underwriting agreement with UBS Limited, Bank Austria Creditanstalt AG, Dom Maklerski Penetrator SA and UniCredit CAIB Poland SA. As part of the concluded agreement, the underwriters undertook to make every effort to acquire the buyers for the shares which will be offered in the tranche for institutional investors as part of the public offering of 67,081,250 series E shares of Cyfrowy Polsat S.A.

On 30 April 2008 the public offering of the E series shares on the Warsaw Stock Exchange ("GPW") was completed. 6,500,000 shares were offered to individual investors and 60,581,250 shares were offered to institutional investors, of which 30,424,481 in the international offer.

The Board of the GPW by the Resolution no. 322/2008 of 30 April 2008 admitted to trade on the primary market 75,000,000 ordinary shares of the Company of E series of face value 0.04 PLN each and 5,825,000 ordinary shares of the Company of F series of face value of PLN 0.04 each.

The Board of the GPW by the Resolution No. 326/2008 of 30 April 2008 resolved to introduce, as of 6 May 2008, into trade on the stock exchange on the primary market ordinary shares E and F series in the amount of 75,000,000 and 5,825,000, respectively and of face value of PLN 0.04 each and quote the shares of the Company in a continuous listing system under the short name of "CYFRPLSAT" and the ticker "CPS".

On 13 May 2008, Cyfrowy Polsat S.A. and Nagravision SA concluded annex no. 3 to an agreement of 2 November 2004. Pursuant to the annex, Cyfrowy Polsat S.A. will receive indemnity of EUR 1,897 thousand on account of incorrect operation of smart cards in Samsung set-top boxes, and indemnity of EUR 4,823 thousand for the damage incurred by Cyfrowy Polsat S.A. in connection with the need to replace the smart cards as a result of breaking the conditional access system. As at 31 December 2008 Cyfrowy Polsat S.A. issued debit notes in the amount of PLN 17,070 thousand, the entire amount is recognised as revenue for the current year.

On 19 May 2008 UBS Limited advised the Company and Polaris Finance B.V. that it shall not undertake any stabilisation activities due to the global offering and that no stabilisation activities were undertaken in the period from 6 May 2008 until 19 May 2008.

On 3 June 2008 the Management Board of Cyfrowy Polsat Technology Sp. z o.o. adopted a resolution on moving the set-top boxes factory from Żywiec to Warsaw. Employment contracts with the employees employed in Żywiec were terminated until 31 August 2008. On 1 September 2008 final assembly of set-top boxes was launched, and on 15 September 2008 the main production line was launched.

On 5 June 2008 the Company in line with the provisions of the credit agreement with Pekao S.A. dated 9 October 2007, repaid a part of the principal in the amount of PLN 50 million. The repayment was made out of own funds of the Company.

On 30 June 2008 Cyfrowy Polsat S.A. and Polska Telefonia Cyfrowa Sp. z o.o. („PTC") entered into an agreement regarding domestic roaming, setting out a possibility of the MVNO's users to use the radio network of PTC. The agreement sets out the terms and conditions of mutual settlements between the parties, by indicating rates for: (i) voice services (per minute of call), and (ii) data transfer (per Mb of information downloaded). The value of the agreement shall by the product of minutes of calls used by subscribers (or data downloaded) and rates indicated in the agreement. The rates are in line with market rates. The agreement's life is indefinite and provides for particular reasons entitling the parties to its notice.
According to requirements of PTC the agreement provides for an exclusivity clause, and in each case of breach of the exclusivity clause by Cyfrowy Polsat S.A. PTC is entitled to claiming payment of a contractual penalty by the Company in a level set for the year in which the breach took place, however in no case shall the penalty be lower than PLN 10,000 thousand.
The agreement has been executed according to the laws of Poland. Upon the conclusion of the agreement the domestic roaming agreement dated 8 June 2006 ceases to be valid.

On 4 July 2008, the General Shareholders Meeting of the Company, pursuant to Resolution no. 10 regarding distribution of profit for 2007 and dividend payment resolved to allocate the net profit in the amount of PLN 115,038,239.62 made by the Company in the financial year ended 31 December 2007 to the following purposes:
- the amount of PLN 37,565,500.00 to payment of dividend for 2007 to the shareholders of the Company. The dividend for 2007 shall be paid in the amount of PLN 0.14 per share,
- the amount of PLN 464,129.07 to supplementary capital,
- the amount of PLN 77,008,610.55 to cover for losses of previous years.
Moreover, the General Shareholders Meeting resolved that the dividend date applied for determination of shareholders entitled to a dividend for 2007 is 18 July 2008, and the dividend payment date shall 5 August 2008.

On 7 July 2008 an agreement was signed between the Company and Polish Filmmakers Association ("SFP") regarding the fact that SFP, in exchange for a fee set out in the agreement, grants Cyfrowy Polsat a non-exclusive and non-transferable license for the use of audiovisual works and related rights available to audio-video producers for videograms in the area of re-broadcasting of audiovisual works and videograms contained within television programs made available by Cyfrowy Polsat through satellite receivers.

The agreement regulates the issue of granting the aforementioned license by SFP and the rules of disbursement of a fee for the period from 1 January 2000, i.e. from the digital platform's operational launch until the agreement conclusion date. A payment of the fee set out in the agreement for the period shall exhaust all claims of SFP against Cyfrowy Polsat S.A. for the use of rights represented by SFP before the agreement conclusion date.

The agreement has been concluded for the period until 31 December 2010, with an option of automatic extension for a further three-year period.

The Management Board of Cyfrowy Polsat S.A. resolved on 28 August 28 2008 to merge with Praga Business Park Sp. z o.o., seated in Warsaw, in which Cyfrowy Polsat S.A. held 100% of share capital and approved a merger plan. On 4 November the Extraordinary Shareholder Meeting approved the merger.
The merger will allow for the optimisation of the organisational structure of Cyfrowy Polsat Group required in order to realis its medium and long-term strategy and will allow for optimisation of operating costs within the Group and in addition will simplify the documentation resulting from transactions between related parties.
The merger was conducted through a take-over, as a result of which the assets of Praga Business Park Sp. z o.o. (taken-over company) were moved to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Code. The merger of Cyfrowy Polsat S.A. with Praga Business Park Sp. z o.o. was registered by the District Court for the Capital City of Warsaw in Warsaw no 13th Department of National Court Register.

On 6 October 2008 Cyfrowy Polsat S.A. received a copy of agreement for delivery of receiving equipment signed by EIC Spain S.L. ("the Agreement"). The Agreement is effective from 2 October 2008. The value of agreements signed with this supplier in the last 12 months preceding the day of receiving the Agreement reached USD 34,877 thousand.
The agreement with highest value is the order dated 2 October 2007 placed on the basis of 14 April 2005. The subject of the order is supply of set-top boxes and its value was 18,825 thousand USD.
All conditions of the agreement do not vary from market standards applied to this type of agreements.

Praga Business Park Sp. z o.o., in which Cyfrowy Polsat S.A. held 100% of shares, repaid on 15 December 2008 the debt under the loan agreement with Raiffeisen Bank Polska S.A. concluded on 18 September 2006, by repayment of the last installment together with interest due. As a result of full repayment of debt resulting from the loan agreement the collateral in the form of cap mortgage up to the amount of EUR 12,500 thousand established on real estate owned by Praga Business Park Sp. z o.o. expired, and so did the secured interest on all shares of Praga Business Park Sp. z o.o.. Moreover, as a result of the loan repayment the collateral in the form of assignment of liabilities from real estate insurance agreement and transfer of liabilities from the rent agreements were released.

48. Non-balance sheet liabilities

Security relating to borrowings and loans

Security relating to borrowings and loans is described in note 37.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 38.

Future liabilities relating to barter transactions

Future liabilities relating to barter transactions are described in note 45.

Contractual liabilities related to purchase of property, plant and equipment

On 31 May 2007, Cyfrowy Polsat S.A. entered into an agreement with Accenture Sp. z o.o. for implementation and launch of a billing system. As at 31 December 2008 all deliveries and services resulting from the contract were invoiced. On 30 July 2008 Cyfrowy Polsat S.A. and Accenture Sp. z o.o. signed an annex to the agreement concluded on 31 May 2007. On the grounds of this annex Cyfrowy Polsat S.A. ordered additional hardware and software. The value of uninvoiced deliveries and services under this additional order was PLN 544 thousand as at 31 December 2008.

On 14 August 2007, Cyfrowy Polsat S.A. entered into an agreement with Nokia Siemens Networks Sp. z o.o. for delivery of hardware and software necessary for the provision of MVNO services. As of 31 December 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 46 thousand (PLN 191 thousand). Moreover, the value of uninvoiced deliveries and services under additional orders related to the agreement was EUR 72 thousand (PLN 301 thousand) as at 31 December 2008.

Contractual liabilities related to contracted services

On 31 May 2007, the Company entered into an agreement with Accenture Sp. z o.o. concerning maintenance of the billing system. The agreement is for a term of three years. The annual cost of the service amounts to EUR 245 thousand. Moreover, the Company entered into a service agreement for the billing system. The annual cost of the service amounts to PLN 592 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Polska Sp. z o.o. concerning maintenance of the MVNO system plus BOT (Build Operate Transfer) service. The contract is for a term of 13 months. As at 31 December 2008, the value of deliveries and services yet to be provided under the agreement amounted to EUR 350 thousand.

On 14 September 2007, the Company entered into an agreement with Nokia Siemens Networks Sp. z o.o. for maintenance of the MVNO system. The contract is for a term of five years. The annual cost of the service amounts to EUR 98 thousand.

On 28 September 2007, the Company entered into a maintenance agreement with Alcatel Lucent Polska S.A. The contract is for a term of three years. The annual cost of the service amounts to EUR 59 thousand.

Contingent liabilities to purchase shares in Karpacka Telewizja Kablowa Sp. z o.o.

On 17 April 2002 Cyfrowy Polsat S.A. filed with the District Court of Rzeszów an action to squeeze out Mr Andrzej Kliś, a shareholder in Karpacka Telewizja Kablowa Sp. z o.o., in which Cyfrowy Polsat S.A. holds 85% of shares. In the ruling dated 28 February 2006, the Court set the purchase price of the shares at PLN 701 thousand. The case has not been finally resolved and has been brought to the Court of Appeals.

Other contingent liabilities.

All shares of Praga Business Park Sp. z o.o. were subject to a pledge to Raiffeisen Bank Polska S.A. until 16 December 2008. The collateral secured repayment of the bank loan forwarded to Praga Business Park Sp. z o.o. which was fully repaid on the 15 December 2008.

On 8 November 2007 the Company and Telekomunikacja Polska S.A. entered into an agreement concerning interconnection of the public telecommunications network of Cyfrowy Polsat S.A. and the public fixed-line telephony network of Telekomunikacja Polska S.A. for the purpose of providing telecommunications services, specifying the technical conditions for setting up and maintaining interconnection of the networks, and also defining details of mutual payment terms. With a view to securing potential claims, on 7 December 2007 Cyfrowy Polsat S.A. made a statement on submitting to enforcement of amounts that may become due and payable to Telekomunikacja Polska S.A. up to PLN 201 thousand.

On 16 May 2008 the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polkomtel S.A. an irrevocable and unconditional bank guarantee to pay Polkomtel S.A. up to PLN 600 thousand at the first written payment request by Polkomtel S.A. The bank guarantee is valid until 16 May 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 16 June 2008 the Company entered into a bank guarantee agreement with Bank Pekao S.A. Under the agreement, Bank Pekao S.A. issued to Polska Telefonia Komórkowa Centertel Sp. z o.o. (“Centertel”) an irrevocable and unconditional bank guarantee to pay Centertel up to PLN 1,600 thousand at the first written payment request by Centertel. According to the agreement the bank guarantee was valid until 16 December 2008. On 4 December 2008 Annex no. 1 to this agreement was signed. According to the annex, bank guarantee is valid until 17 June 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

On 15 July 2008 Annex 1 to a bank guarantee concluded on 15 November 2007 between Bank BPH S.A. (currently Pekao S.A.) and Cyfrowy Polsat S.A. was signed. Pursuant to the guarantee agreement Bank BPH S.A. shall guarantee and obligated itself towards Polska Telefonia Cyfrowa Sp. z o.o. („PTC”) to irrevocably and unconditionally pay towards PTC a maximum amount of PLN 3,300 thousand upon first written demand of PTC. Pursuant to the signed annex, the maximum guarantee amount was raised to PLN 4,150 thousand. The guarantee is valid until 31 July 2009 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

(all amounts in PLN thousand)

49. Remuneration of the Management Board

The table below presents the Management Board's remuneration (excluding value of share-based payments and bonuses) from both the Parent and the subsidiaries.

Name	Function	2008	2007
Dominik Libicki	President of the Management Board	720	369
Maciej Gruber	Member of the Management Board	552	293
Dariusz Działkowski	Member of the Management Board	516	422
Andrzej Matuszyński	Member of the Management Board	480	390
Total		2,268	1,474

The bonuses paid to each member of the Management Board for years 2008 and 2007 are presented below:

Name	Function	2008	2007
Dominik Libicki	President of the Management Board	4,000	250
Maciej Gruber	Member of the Management Board	1,500	62
Dariusz Działkowski	Member of the Management Board	1,000	50
Andrzej Matuszyński	Member of the Management Board	1,000	50
Total		7,500	412

On 29 November 2007 an issued capital increase of PLN 233 thousand (5,825,000 shares with the nominal value of PLN 0.04) to PLN 10,733 thousand carried out through a private subscription was registered. The shares, with the nominal value of PLN 25 thousand, were subscribed for by the Members of the Management Board and fully paid in October 2007.

The issue of shares for the Management Board is regulated by IFRS 2 "Share-based payments". Since the price for which the shares were acquired by the Management Board is lower than their fair value, the Group accounted for, under IFRS 2 *"Share-based payments"*, additional remuneration for the Management Board in 2007 of PLN 10,174 thousand representing the difference between the fair value of the allotted shares and their issue price.

The table below presents the total remuneration of the Management Board presented in the income statement in the connection with the purchase of the Company shares for a price lower than the fair value:

Name	Function	2007
Dominik Libicki	President of the Management Board	8,139
Maciej Gruber	Member of the Management Board	753
Dariusz Działkowski	Member of the Management Board	753
Andrzej Matuszyński	Member of the Management Board	529
Total		10,174

(all amounts in PLN thousand)

The remuneration of Management Board members of subsidiaries, who are not Members of the Management Board of the Parent is presented below:

Name	Function	2008	2007
Piotr Jarosz	President of the Management Board	640	513
Total		640	513

The remuneration of Piotr Jarosz for the year 2007 included remuneration under management contract as well as a bonus paid for the year 2007. The bonus amounted to PLN 200 thousand. The remuneration of Piotr Jarosz for the year 2008 included remuneration under management contract, contract of employment and bonus paid for the year 2008. The bonus amounts to PLN 300 thousand.

Management contracts with Members of the Management Board

On 1 August 2007, Cyfrowy Polsat S.A. signed management contracts with all Members of the Management Board (excluding VAT):
Mr. Dominik Libicki – monthly PLN 55 thousand,
Mr. Maciej Gruber – monthly PLN 40 thousand,
Mr. Andrzej Matuszyński – monthly PLN 40 thousand,
Mr. Dariusz Działkowski – monthly PLN 40 thousand.

The management contracts also include non-compete and specific notice period provisions.

These agreements significantly increased the costs related to Management Board's remuneration after 1 August 2007 as compared with prior periods.

Management Stock Option Plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted a resolution on the introduction of a incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional issued capital increase within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,
(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,
(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,

(all amounts in PLN thousand)

(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of these consolidated financial statements, the incentive plan had not been accepted.

According to the resolution described above, should not all shares of a given series be distributed, in line with the goal of the resolution, the Supervisory Board may transfer the remaining undistributed shares to other series, effectively increasing the number of shares in this series. On no account may the overall number of shares issued on the grounds of the resolution be changed.

50. The Supervisory Board remuneration

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007.

The table below presents the total remuneration of the Supervisory Board members in 2008 and 2007:

Name	Function	2008	2007
Zygmunt Solorz-Żak	President of the Supervisory Board (from 4 August 2008), Member of the Supervisory Board (from 4 July 2008)	88	-
Heronim Ruta	Member of the Supervisory Board (from 4 August 2008), President of the Supervisory Board (until 4 August 2008)	153	60
Mariola Gaca	Member of the Supervisory Board (until 4 July 2008)	61	40
Zdzisław Gaca	Member of the Supervisory Board (until 4 July 2008)	61	40
Anna Kwaśnik	Member of the Supervisory Board (until 4 July 2008)	61	40
Andrzej Papis	Member of the Supervisory Board	120	33
Robert Gwiazdowski	Independent Member of the Supervisory Board (from 4 July 2008)	59	-
Leszek Reksa	Independent Member of the Supervisory Board (from 4 July 2008)	59	-
Total		662	213

(all amounts in PLN thousand)

51. Transactions with related parties

Receivables

	31 December 2008	31 December 2007
Invest Bank S.A.	-	1
Inwestycje Polskie Sp. z o.o.	-	1
Media Biznes Sp. z o.o.	11	-
Polsat Media Sp. z o.o.	1	1
Sferia S.A.	14	-
Superstacja Sp.z o.o.	21	10
Teleaudio Sp. z o.o.	2	-
Telewizja Polsat S.A.	342	77
Total	391	90

*

Liabilities

	31 December 2008	31 December 2007
Alpatran	31	107
Elektrim S.A.	2	13
EMarket Sp. z o.o.*	-	41
Media Biznes Sp. z o.o.	31	-
Polska Telefonia Cyfrowa Sp. z o.o.**	-	28
Radio PIN S.A.	28	-
Teleaudio Sp. z o.o.	175	522
Telewizja Polsat S.A.	2,085	2,854
Total	2,352	3,565

*EMarket Sp. z o.o. was consolidated until 31 August 2007 and was a related party until 17 June 2008.

**Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

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

(all amounts in PLN thousand)

Significant transactions with related parties are presented below:

Revenues from operating activities

	for the year ended	
	31 December 2008	31 December 2007
Inwestycje Polskie Sp. z o.o.	-	10
Media Biznes Sp. z o.o.	192	120
Polsat Media Sp. z o.o.	1	-
Polska Telefonia Cyfrowa Sp. z o.o.*	5	-
Polskie Media S.A.	24	125
Radio PIN S.A.	75	-
Sferia S.A.	11	-
Superstacja Sp. z o.o.	20	25
Teleaudio Sp. z o.o.	2	-
Telewizja Polsat S.A.	1,613	429
Total	1,943	709

*Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

Cost of operating activities

	for the year ended	
	31 December 2008	31 December 2007
Alpatran	355	362
Elektrim S.A.	1,356	821
EMarket Sp. z o.o.*	167	141
Invest Bank S.A.	1	-
Media Biznes Sp. z o.o.	192	120
Polska Telefonia Cyfrowa Sp. z o.o.**	198	200
Radio PIN S.A.	98	-
Teleaudio Sp. z o.o.	6,981	1,927
Telewizja Polsat S.A.	17,554	14,684
Total	26,902	18,255

*EMarket Sp. z o.o. was consolidated until 31 August 2007 and was a related party until 17 June 2008.

**Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

The most significant transactions include license fees to Telewizja Polsat S.A. for broadcasting programs “Polsat Sport” and “Polsat Sport Extra”.

Teleaudio Sp. z o.o. provides telecommunication services and rents “call center” equipment to the Group. The Group leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A. Alpatran provides the Group with consulting services.

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

(all amounts in PLN thousand)

Transactions with related parties are being concluded on terms that are not materially different from market terms.

Finance income

	for the year ended	
	31 December 2008	31 December 2007
Polaris Finance B.V.	7,223	-
Ster Sp. z o .o.*	-	369
Total	7,223	369

*Profit on the sale of shares in Satkabel Sp. z. o.o

Finance costs

	for the year ended	
	31 December 2008	31 December 2007
Polaris Finance B.V.	-	2,882
Satkabel Sp. z o.o.	-	18
Teleaudio Sp. z o.o.	-	17*
Total	-	2,917

*Loss on disposal of shares in EMarket Sp. z o.o.

Until 12 October 2007, the activities of Cyfrowy Polsat S.A. were partly financed by loans from the majority shareholder, Polaris Finance B.V. On 12 October 2007, the loan from Polaris Finance B.V. was repaid together with interest.

52. Subsequent events

On 13 January 2009 the Management Board of Cyfrowy Polsat S.A. performed following transactions:

a. Mr. Dominik Libicki made a contribution of 500,000 shares of Cyfrowy Polsat S.A. at the price of PLN 0.04 per share (the nominal price of share) into a company in which he holds 100 per cent shares;
b. Mr. Maciej Gruber made a contribution of 46,250 shares of Cyfrowy Polsat S.A. at the price of PLN 0.04 per share (the nominal price of share) into a company in which he holds 100 per cent shares,
c. Mr. Dariusz Działkowski made a contribution of 46,250 shares of Cyfrowy Polsat S.A. at the price of PLN 0.04 per share (the nominal price of share) into a company in which he holds 100 per cent shares;
d. Mr. Andrzej Matuszyński made a contribution of 32.500 shares of Cyfrowy Polsat S.A. at the price of PLN 0.04 per share (the nominal price of share) into a company in which he holds 100 per cent shares.

Entities related to the members of the Management Board of the Parent sold in the standard session transactions:

a. 46,250 shares of Cyfrowy Polsat S.A. at the price of PLN 14.10 per share on 15 January 2009;
b. 6,000 shares of Cyfrowy Polsat S.A. at the price of PLN 14.20 per share on 22 January 2009;
c. 26,500 shares of Cyfrowy Polsat S.A. at the price of PLN 14.10 per share on 23 January 2009;

d. 4,000 shares of Cyfrowy Polsat S.A. at the price of PLN 14.20 per share on 22 January 2009;
e. 38,060 shares of Cyfrowy Polsat S.A. at the price of PLN 14.10 per share on 23 January 2009;
f. 200 shares of Cyfrowy Polsat S.A. at the price of PLN 14.14 per share on 23 January 2009;
g. 2,740 shares of Cyfrowy Polsat S.A. at the price of PLN 14.19 per share on 23 January 2009
h. 1,250 shares of Cyfrowy Polsat S.A. at the price of PLN 14.20 per share on 23 January 2009;
i. 100,000 shares of Cyfrowy Polsat S.A. at the average price of PLN 14.88 per share on 30 January 2009;
j. 31.651 shares of Cyfrowy Polsat S.A. at the average price of PLN 15.04 per share on 3 February 2009;
k. 43,000 shares of Cyfrowy Polsat S.A. at the average price of PLN 14.72 per share on 4 February 2009;
l. 103,852 shares of Cyfrowy Polsat S.A. at the average price of PLN 14.42 per share on 5 February 2009;
m. 100,000 shares of Cyfrowy Polsat S.A. at the average price of PLN 15.25 per share on 6 February 2009.

On 25 February 2009 Cyfrowy Polsat S.A. and TVN S.A. concluded annexes to license agreements dated 14 February 2003 and 30 May 2006. By force of signed appendices Cyfrowy Polsat S.A. will distribute television programs broadcasted by TVN S.A. including TVN, TVN Siedem, TVN24, TVN Style, TVN Turbo and TVN Meteo. TVN and TVN Siedem will be distributed to subscribers of all packages offered by Cyfrowy Polsat S.A., whereas TVN24, TVN Style, TVN Turbo and TVN Meteo will be distributed to subscribers of Pakiet Familijny (Family Package).

On 26 February 2009 a long-term agreement between Cyfrowy Polsat S.A. and Eutelsat S.A. was signed. The subject of the agreement is the allotment of capacity on the HotBird 9 transponder. All conditions of the agreement do not vary from market standards applied to this type of agreements.

On 11 March 2009 Cyfrowy Polsat S.A. accepted an offer to purchase 350,000 privileged shares of a new issue of Sferia S.A. ("Sferia") of nominal value of PLN 100 each. These shares constitute approximately 11% in the increased share capital of Sferia. The shares were acquired at the issue price of PLN 152.56 per share. Before the acquisition of shares, Cyfrowy Polsat S.A. concluded an option agreement with Zygmunt Solorz-Żak, based on which upon request of Cyfrowy Polsat S.A., Zygmunt Solorz-Żak or an entity appointed by him will purchase the shares acquired by Cyfrowy Polsat S.A. If the option is exercised the shares will be sold for the total purchase price plus an interest of 5.5% p.a. The Parent may exercise the aforementioned option at any time, however no later than until 30 June 2009, but the term may be extended by further 3 months to 30 September 2009.

On 13 March 2009 Cyfrowy Polsat S.A., on the grounds of the Option Agreement dated 11 March 2009, exercised put option on Sferia shares. According to a notice forwarded to Zygmunt Solorz-Żak the Company shall sell to Mr. Zygmunt Solorz-Żak or an entity appointed by him 350,000 shares of Sferia for the total purchase price of PLN 53.396 thousand plus an interest of 5.5% p.a. payable for the period from 11 March 2009 to the day of payment for the shares bought under the Option Agreement. This decision was made due to a lack of acceptance of Cyfrowy Polsat S.A. equity participation in Sferia by a part of minority shareholders. The put option was executed with the acceptance of the Supervisory Board of Cyfrowy Polsat S.A.

53. Accounting estimates and assumptions

In the preparation of financial statements in accordance with EU IFRS the Management Board is required to make judgments, assumptions and estimates which influence the adopted policies and the presented values of assets, liabilities, revenues and expenses. Estimates and related assumptions are based on historical experience and other factors, which are deemed reasonable under given circumstances. The result of these estimates should be a basis for measuring the carrying values of assets and liabilities which cannot be established based on other sources. The actual values may differ from the estimated values.

Accounting estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are accounted for in the period when the change is made or in the current or future period, should the change concerns both periods.

The key accounting estimates made by the Management Board concern the fair value of shares acquired by the Management Board members, provision for impairment of set-top boxes, the depreciation period of set-top boxes rented to subscribers under operating leases, forward exchange contracts' valuation as well as royalties to copyright management organisations.

TRANSLATION

Cyfrowy Polsat S.A. Group

Report supplementing the auditor's opinion on the consolidated financial statements
Financial Year ended 31 December 2008

The report supplementing the auditor's opinion
contains 12 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2008

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

Contents

1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Cyfrowy Polsat S.A. Group

1.1.2 Registered office of the Parent Company of the Group

ul. Łubinowa 4a
03-878 Warsaw

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	21 June 2001
Registration number:	KRS 0000010078

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	796-18-10-732
REGON:	670925160

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2008, the following companies were consolidated by the Group:

Parent Company:

- Cyfrowy Polsat S.A.

Subsidiaries consolidated on the full consolidation basis:

- Cyfrowy Polsat Technology Sp. z o.o.

1.2.2 Entities excluded from consolidation

As at 31 December 2008, Karpacka Telewizja Kablowa Sp. z o.o. was not consolidated due to insignificant size of that company for the Group and fact that this entity does not carry out any operations.

1.3 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the Articles of Associations dated 30 October 1996.

The share capital of the Parent Company amounted to PLN 10,733 thousand as at 31 December 2008 divided into 268,325,000 ordinary shares with a nominal value of PLN 0.04 each.

As at 31 December 2008, the shareholder structure was as follows in the Parent Company:

Name of the Shareholder	Number of shares	Voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
Polaris Finance B.V.	162,943,750	69.76%	6,518	60.73%
Zygmunt Solorz-Żak	30,603,750	13.43%	1,224	11.41%
Pozostali	74,777,500	16.81%	2,991	27.86%
	268,325,000	100.00%	10,733	100.00%

Heronim Ruta directly holded 1,871,250 of the Company's shares (0.70% share in capital and 0.82% of voting rights).

Additionaly, Zygmunt Solorz-Żak indirectly holded 138,502,188 of the Company's shares (51.62% of the share capital and 59.30% of votes) and Heronim Ruta indirectly holded 24,441,562 of the Company's shares (9.11% of the share capital and 10.46% of votes) through Polaris Finance B.V.

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2008, the Management Board of the Parent Company was comprised of the following members:

- Dominik Libicki – President of the Management Board,
- Maciej Gruber – Member of the Management Board,
- Dariusz Działkowski – Member of the Management Board,
- Andrzej Matuszyński – Member of the Management Board.

1.4.3 Scope of activities

The business activities listed in the Parent Company's Statute include the following:

- radio and television services,

- advertising,
- services relating to the installation, repair and maintenance of electrical equipment,
- data transmission,
- renting of other machinery and equipment,
- other financial intermediation,
- other service activities,
- renting of office space.

The business activities of subsidiary of the Group, according to its Statute, include the following:

- designing and production of radio, TV and telecommunication devices and its accessories,
- installation, repairs and maintenance of TV and radio transmitters.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

- The financial statements were approved at the General Meeting on 4 July 2008.

The closing balances as at 31 December 2007 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 17 July 2008 and submitted for publication in Monitor Polski B on 25 March 2009.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of Cyfrowy Polsat S.A. seated in Warsaw, ul. Łubinowa 4a and relates to the consolidated financial statements comprising: the balance sheet as at 31 December 2008 with total assets and total liabilities and equity of PLN 757,131 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 269,763 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 232,198 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 95,291 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 4 December 2007.

The consolidated financial statements have been audited in accordance with the contract dated 2 December 2008, concluded on the basis of the resolution of Supervisory Board dated 25 November 2008 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 2 February 2009 to 26 March 2009.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Parent Company is obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion, and to prepare a supplementing report, on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities:

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Cyfrowy Polsat Technology Sp. z o.o.	KPMG Audyt Sp. z.o.o.	31.12.2008	is being audited

2. Financial analysis of the Company

2.1. Summary of the financial statements

2.1.1. Balance sheet

ASSETS	31.12.2008 PLN '000	% of total	31.12.2007 PLN '000	% of total
Non-current assets				
Digital satellite reception equipment	20,785	2.8	549	0.1
Other tangible assets	113,644	15.1	59,890	10.7
Intangible assets	11,187	1.5	10,367	1.8
Long-term intercompany loans	-	-	23,026	4.1
Long-term intercompany receivables	5,917	0.8	6,994	1.2
Other long term assets	21,846	2.9	-	-
Other long-term assets	24,264	3.2	30,951	5.6
Deferred tax assets	-	-	3,701	0.7
Total non-current assets	**197,643**	**26.2**	**135,478**	**24.1**
Current assets				
Inventories	89,038	11.8	126,639	22.6
Short-term intercompany loans	11,348	1.5	7,065	1.3
Income tax receivable	9,410	1.3	3,002	0.5
Trade and other receivables	120,793	16.0	78,672	14.0
Cash and cash equivalents	240,979	31.9	141,651	25.2
Other current assets	85,639	11.4	68,912	12.3
Total current assets	**557,207**	**73.8**	**425,941**	**75.9**
TOTAL ASSETS	**754,850**	**100.0**	**561,419**	**100.0**

EQUITY AND LIABILITIES	31.12.2008 PLN '000	% of total	31.12.2007 PLN '000	% of total
Equity				
Issued capital	10,733	1.4	10,733	1.9
Supplementary capital	3,964	0.5	3,500	0.6
Other reserves	10,174	1.4	10,174	1.8
Retained earnings	272,147	36.2	38,029	6.8
Total equity	**297,018**	**39.4**	**62,436**	**11.1**
Non-current liabilities				
Long-term loans	44,135	5.8	106,655	19.0
Long-term finance lease liabilities	1,407	0.2	1,412	0.2
Deffered tax liabilities	12,083	1.6	-	-
Other long-term liabilities and provisions	120	-	531	0.1
Total non-current liabilities	**57,745**	**7.6**	**108,598**	**19.3**
Current liabilities				
Current loans	66,571	8.8	87,151	15.5
Current finance lease liabilities	238	0.0	204	0.1
Trade and other payables	191,566	25.4	201,530	35.9
Deposits for digital satellite reception equipment	22,447	3.0	20,032	3.6
Deferred income	119,265	15.8	81,468	14.5
Total current liabilities	**400,087**	**53.0**	**390,385**	**69.6**
Total liabilities	**457,832**	**60.6**	**498,983**	**88.9**
TOTAL EQUITY AND LIABILITIES	**754,850**	**100.0**	**561,419**	**100.0**

2.1.2 Consolidated profit and loss account

	1.01.2008 - 31.12.2008 PLN '000	% of total sales	1.01.2007 - 31.12.2007 PLN '000	% of total sales
CONTINUING OPERATIONS				
Net revenues and net revenue equivalents				
Subscription fees	977.678	86,0	662.521	83,2
Rental of digital satellite reception equipment	6.842	0,6	5.954	0,7
Sale of digital satellite reception equipment	100.180	8,8	107.205	13,5
Transmission services	16.440	1,4	11.602	1,4
Other operating revenue	35.141	3,1	9.387	1,2
	1.136.281	**100,0**	**796.669**	**100,0**
Operating expenses				
Depreciation	(23.547)	2,1	(20.777)	2,6
Materials and energy	(221.443)	19,5	(152.031)	19,1
External services	(59.006)	5,2	(48.402)	6,1
Taxes and charges	(202.465)	17,8	(125.919)	15,8
Payroll	(64.589)	5,7	(41.701)	5,2
Social security and other benefits	(132.122)	11,6	(209.028)	26,3
Other expenses by kind	(108.815)	9,6	(53.664)	6,7
	(811.987)	**71,5**	**(651.522)**	**81,8**
Operating profit	***324.294***	***28,5***	***145.147***	***18,2***
Finance income	19.359	1,7	18.976	2,4
Finance income from forward contacts	13.950	1,3	-	-
Loss on disposal of subsidiary	-	-	(17)	-
Finance expenses	(23.949)	2,1	(23.936)	3,0
Net financing costs	9.360	0,9	(4.977)	0,6
Gross profit for the year	***333.654***	***29,4***	***140.170***	***17,6***
Income tax expense	(63.891)	5,7	(26.755)	3,4
Profit after tax but before gain on discontinued operation	***269.763***	***23,7***	***113.415***	***14,2***
DISCONTINUED OPERATIONS				-
Profit from discontinued operation, net of tax	-	-	8	-
Profit for the period	***269.763***	***23,7***	***113.423***	***14,2***
Attributable to:				
Equity holders of the parent	269.763	23,7	113.421	14,2
Minority interest	-	-	2	-
Profit for the period				
Basic and diluted earnings per share (in PLN)	1,01		0,43	

2.2 Selected financial ratios

	2008	2007	2006
1. Return on sales			
net profit x 100% / net revenues	23.7%	14.2%	11.6%
2. Return on equity			
net profit x 100% / equity - net profit	1144.3%	negative value	negative value
3. Debtors turnover			
average trade receivables (gross) x 365 days / net revenues	38 days	34 days	38 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	61.3%	89.7%	117.7%
5. Current ratio			
current assets / current liabilities	1.4	1.1	0.6

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales amounted to 23.7% and increased by 9.5 percentage point as compared to prior year due to increase in number of subscribers and increase in the average revenue per user.

Return on equity amounted to 1,144.3%. In prior year the return on equity ratio was negative due to losses incurred in previous years.

Debtors' days increased slightly by 4 days as compared to prior year.

Debt ratio decreased due to a substantial increase in equity, which is attributable to the significant net profit in 2008 and partial repayment of the bank loan.

Current ratio increased as compared to prior year due to increase in current assets of the Group, which is attributable to higher sales resulted in increase in trade receivables and cash.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

The subsidiary included in the Group prepares the financial statements according to Polish Accounting Act dated 29 September 1994. Appropriate adjustments to the financial statements of this entity were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the subsidiary included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Cyfrowy Polsat S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 12 December 2001 on principles for the preparation of financial statements of related entities by entities other than banks and insurance companies (Official Journal from 2001, No 152, Item 1729).

3.3 Method of consolidation

The method of consolidation is described in note 7e of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 7j of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the balance sheet date.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Cyfrowy Polsat S.A. and agreed with information received from the subsidiary.

3.7 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2008, we have issued an unqualified opinion.

Signed on the Polish original

....
Certified Auditor No. 9645/7212
Marek Strugała

Signed on the Polish original

....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9645/7212
Marek Strugała,
Member of the Management Board

26 March 2009
Warsaw, Poland