2007

CYFROWY POLSAT S.A.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

WARSAW, 12 JUNE 2008

Dear Shareholders!

For the first time in this form, it is my pleasure to present you the Annual Report of the Cyfrowy Polsat S.A. for the 12 months ended 31 December 2007. It went down in the Company's history as a year of dynamic growth and continual improvement of the quality of services rendered.

Substantial growth in the subscriber base

In terms of number of subscribers we are the largest paid digital satellite platform in Poland. The year 2007 was record-breaking in our history with regards to number of new subscribers signed up – our subscriber base expanded from 1,273,648 on 31 December 2006 to 2,068,328 on 31 December 2007. This dynamic, over 62% increase in the number of subscribers can primarily be attributed to our rich and interesting program offer at an attractive price, an effective advertising campaign, high technical level of services we render and an exceptional importance we attach to customer service. This high position of the Cyfrowy Polsat platform in Poland is a result of our consistent efforts over the last several years.

Expansion of the programming offer

We strive to ensure the regular growth of our program offering. We enable our subscribers to receive 65 Polish language television channels, including film, sports, music, entertainment, news, children and educational channels. We are the only digital satellite platform that provides access to all the main terrestrial channels available in Poland. In 2007 we enriched our packages with numerous thematic channels. In the first half of the year we added the channels E! Entertainment and TV 1000 – both available exclusively through us in the satellite platform sector – as well as Superstacja and Wedding TV. In November, in line with introduction of HD decoders to the market, we launched Polsat Sport channel in High Definition technology; in the first half of 2008 we launched HBO HD and Eurosport HD. Since December 2007 we have been the only digital satellite television operator in Poland to offer four thematic channels produced by BBC Worldwide Limited: BBC Knowledge, BBC Lifestyle, BBC Entertainment and BBC CBeebies. In December 2007 we also signed a license agreement with HBO Polska Sp. z o.o. for the distribution of HBO, HBO2 and HBO Comedy programs.

Very good financial results

During the 12 months ended 31 December 2007 we substantially improved our financial results in comparison to 2006. Our operating revenue for the year 2007 increased by over 64% to 793.9 million złoty, EBITDA increased by over 124% to 164.9 million złoty, and net profit grew by over 107% up to 115 million, compared to 2006. Such a dynamic growth of operating revenue can be mainly attributed to the growth of our subscribers' base. Increased revenue combined with effective management of operating costs lie at the heart of our greatly improved financial results for 2007.

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 det 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 investment decision was rooted in our conviction that manufacturing set-top-boxes ourselves will enable us to reduce the costs of set-top-boxes sold, thereby improving the profitability of our operations over the years to come.

New technologies and projects

In 2007 we made the first capital expenditures toward launching services as a Mobile Virtual Network Operator (MVNO). We believe that our experience and knowledge acquired on the digital satellite television market will enable us to achieve success in the difficult mobile telephony services sector. We think that numerous synergies that will be achieved due to rendering both DTH and MVNO services will contribute to further growth in operating revenues, increased overall customer satisfaction and, consequently, to a reduced Subscriber churn rate as well as an increased number of customers.

Initial Public Offering

On 6 May 2008 our shares debuted on the Warsaw Stock Exchange. It was the crowning of a difficult and demanding process that lasted many months and took much time and effort of many people – members of the Management and Supervisory Boards, numerous employees, as well as consultants and staff of consulting firms that work with us. Without them, this success would not have been possible, which is why I would like to thank all of those who contributed to this achievement through their enormous commitment, knowledge and intense work.

Setting successive goals

A great many challenges await us in the coming years. We will aim to continue increasing our subscriber base and ARPU, among other ways, by offering new programming packages. Our subscribers can count on more and more new programs, particularly channels broadcast in HD technology. We are planning to launch integrated services using the Cyfrowy Polsat brand and our current subscriber base. We hope that effective cost management will contribute to the increased profitability of our platform – to the satisfaction of the Company's shareholders.

Today, looking back at how far this company has come over the last several years, I feel pride and satisfaction. I know that we never could have achieved the current stage of growth in our business without the wise vision and dedicated commitment, including financial commitment, of our founders and the enormous effort of the entire staff of Cyfrowy Polsat. I thank you all for your faith in our common success.

Yours Truly,

Dominik Libicki
President of the Board of Directors
Cyfrowy Polsat S.A.

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Management Board's report on Cyfrowy Polsat S.A. activities in the year ended 31 December 2007

1. Introduction

Cyfrowy Polsat S.A. (“Cyfrowy Polsat”, “the Company”, “the Issuer”) was established in 1996 under the name of Market S.A. On 21 June 2001, the company name of the Issuer was changed to Polsat Cyfrowy S.A., and in March 2004 it was changed again to Cyfrowy Polsat S.A. In 2003, the Company received a license from the National Radio and Television Broadcasting Board (“KRRiT”) for wireless broadcasting via a satellite-relay of television and radio programming.

Cyfrowy Polsat S.A. is the largest paid digital satellite platform (“DTH”) in Poland with respect to the number of subscribers – it had 2,068,328 subscribers as of 31 December 2007. The core business of Cyfrowy Polsat involves provision to households of access to satellite broadcast radio and television programming as part of paid programming packages.

The Company provides its subscribers over 65 Polish-language TV channels and access to approximately 500 “free-to-air” (“FTA”) TV and radio channels available via satellite in Poland.

The Company is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court, XIII Commercial Division of the National Court Register, under entry number KRS 0000010078. Cyfrowy Polsat was assigned the Industry Identification Number (REGON) 670925160. The Company’s registered offices are located in Warsaw at ul. Łubinowa 4a.

The duration of the Company is unlimited. Company’s financial year lasts from 1 January to 31 December.

2. Selected financial data translated into euro

The table below presents selected financial data for 2007 and 2006. The information included in the table should be read together with the information included in the financial statements of the Company for 2007 and the information included in item 7 of this annual report. All amounts stated in Polish Zloty and Euros are expressed in thousands unless indicated otherwise.

The selected financial data from the consolidated income statement and the consolidated cash flow statement were translated from Polish Zloty into Euros at the rate of PLN 3.7768 for EUR 1, representing the arithmetical average of average exchange rates published by the National Bank of Poland (NBP) for the last day of each month of the financial period (from 1 January to 31 December 2007). The selected financial data from the balance sheet were translated at the rate of PLN 3.5820 for EUR 1 (the average NBP rate on 31 December 2007). This translation should not be viewed as a representation that the PLN amounts actually represent the EUR amounts or that such amounts could have been converted into EUR at the rates indicated or any other rates. The financial data consistent with the International Financial Reporting Standards ("IFRS") as adopted by the European Union were obtained from the audited financial statements.

	for the year ended			
	31 December 2007		31 December 2006	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**
Income Statements				
Revenues from operating activities	793,932	210,213	482,737	127,816
Profit from operating activities	145,857	38,619	41,173	10,902
Gross profit for the period	142,038	37,608	70,086	18,557
Net profit attributable to Cyfrowy Polsat S.A. shareholders	115,038	30,459	55,507	14,697
Cash Flow Statements				
Cash flow from operating activities	91,035	24,104	96,566	25,568
Cash flow from investing activities	(44,819)	(11,867)	(24,285)	(6,430)
Cash flow from financing activities	(11,481)	(3,040)	(29,104)	(7,706)
Increase in cash and cash equivalents	34,735	9,197	43,177	11,432
Weighted average number of issued ordinary shares used to calculate basic earnings per share	263,806,918	-	262,500,000	-
Earnings per share (in PLN/EUR)	0.44	0.12	0.21	0.06
Other financial data				
EBITDA*	164,892	43,659	73,309	19,410
EBITDA margin	20.8%	20.8%	15.2%	15.2%
Operating margin	18.4%	18.4%	8.5%	8.5%

*Operating profit adjusted by depreciation and amortization

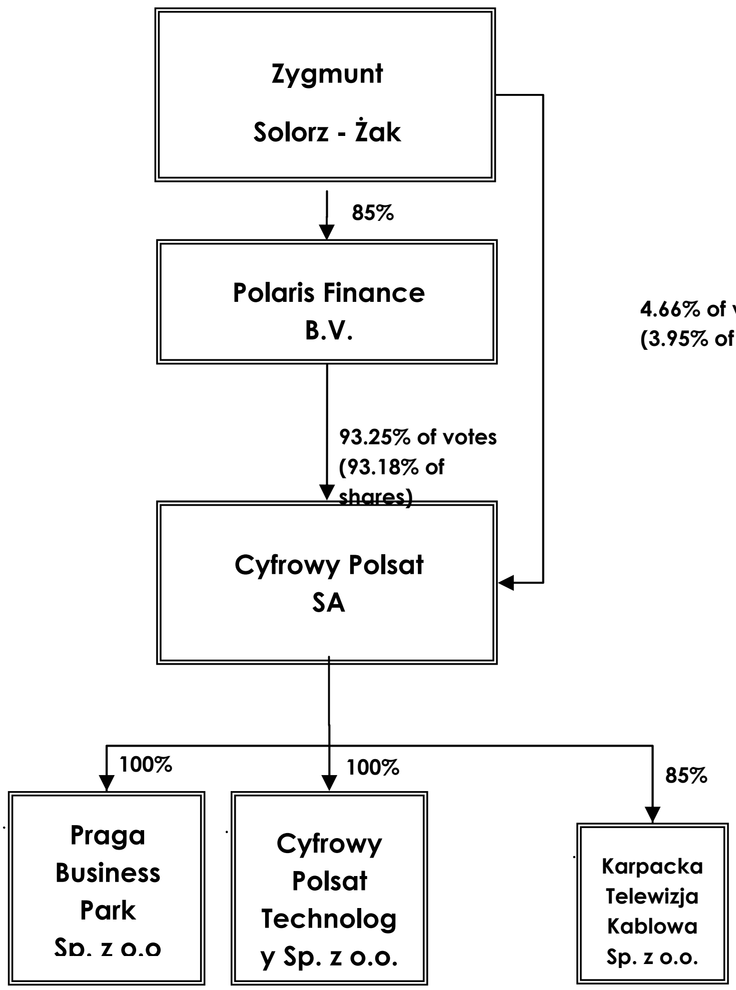
	31 December 2007		31 December 2006	
(in thousands)	**PLN**	**EUR**	**PLN**	**EUR**
Balance Sheets				
Total assets	561,419	156,733	320,200	89,391
Non-current liabilities	108,598	30,318	1,457	407
Current liabilities	390,385	108,985	381,752	106,575
Equity	62,436	17,430	(63,009)	(17,590)
Issued capital	10,733	2,996	10,500	2,931

3. Cyfrowy Polsat S.A. Capital Group

Organisational structure

The structure of the Cyfrowy Polsat Capital Group and the percentage share of individual entities in the number of votes at the Shareholder Meetings of the subsidiaries as at 31 December 2007 are presented in the diagram below. The figures in parentheses represent share in share capital – if it is different from the share in the number of votes at the Shareholder Meeting.

As at 31 December 2007, the Cyfrowy Polsat Capital Group S.A. included the Parent Undertaking and three subsidiary entities.



4. Information on the key products and sales markets

a) Information about the key products

As a core business activity, the Cyfrowy Polsat provides individual clients with access to television and radio channels transmitted via satellite and grouped into different paid programming packages. The programming packages are sold throughout Poland. They provide high quality channels to Polish audiences at attractive prices for every Polish family. In addition, the Company also provides services such as airing and transmitting signals for radio and TV broadcasters, as well as rental of office space.

Cyfrowy Polsat provides subscribers with access to 65 Polish-language television channels, which includes, among others, sport, music, entertainment, news, kid's, educational and film channels. It is the only paid digital satellite platform offering its clients all major terrestrial channels available in Poland, including Polsat, TVP 1, TVP 2 and TVN. In addition, it provides its clients access to approximately 500 free-to-air television and radio channels available via satellite in Poland. Since December 2007, the Company has also been the only digital satellite television operator in Poland to offer four thematic channels produced by BBC Worldwide Limited.

Two different introductory packages are available as part of the Company's provided services: Pakiet Mini (Mini Package) and Pakiet Familijny (Family Package). Family Package is the most frequently purchased introductory package. The subscribers of Family Package have the additional option to purchase six thematic channels: Pakiet Film (Film Package), Pakiet HBO (HBO Package), Pakiet Sport (Sports Package), Pakiet Cinemax (Cinemax Movie Package), Pakiet Bajeczka (Cartoon Package), Pakiet Muzyka (Music Package) as well as the Playboy channel. The theme packages are available in four premium packages i.e. Relax Mix Package, Relax Mix + HBO Package, Super Film Package and Relax Mix Film Package, which is available only to the subscribers who signed an agreement for that package before 2 January 2008. The combination of a high-quality programming and competitive pricing has contributed to the significant growth of the number of subscribers.

The number of subscribers in the specified years is presented in the following table:

	year ended 31 December			
	2007	**2006**	**2005**	**2004**
Family Package	1,827,011	1,168,913	656,728	393,190
Mini Package	241,317	104,735	-	-
Total	**2,068,328**	**1,273,648**	**656,728**	**393,190**

The table below presents the television channels available in Mini Package:

Polsat	TVP Kultura (TVP Culture)	Viva Polska
Polsat 2	TVN	4 Fun TV
TV 4	TVN Siedem (TVN Seven)	TV Biznes (Business TV)
Polsat Zdrowie i Uroda (Health and Wellness)	Tele 5	TVN Gra
TVP 1	Polonia 1	Mango 24
TVP 2	Puls	Podróże TV (Travel TV)
TVP Polonia	Promocja TV (TV Promotion)	

The table below presents the television channels available in Family Package:

All channels available in Mini Package and additionally:		
Polsat Sport	Wedding TV	Animal Planet
Eurosport	TVN 24	Travel Channel
E!Entertainment	TVN Meteo	Discovery Science
TVN Turbo	Cartoon Network	Discovery Civilization
TVN Style	Disney Channel	AXN
Zone Reality	Jetix	Turner Classic Movies
Zone Club	Discovery Channel	Superstacja
BBC Knowledge	BBC Lifestyle	BBC Entertainment
Cbeebies		

The table below presents the television channels available in the specified thematic packages:

Sports Package	**Film Package**	**Cinemax Movie Package**	**Cartoon Package**	**Music Package**
Eurosport 2	Zone Europa	Cinemax	Boomerang	MTV Polska
Polsat Sport Extra	Kino Polska (Polish Cinema)	Cinemax 2	Jetix Play	VH1
ESPN Classic Sport	AXN SciFi			
Extreme Sport Channel	AXN Crime			
	Zone Romantica			
	Fox Life			
	TV 1000			

The services are sold through the DTH satellite sales network across Poland. The network consists of the central warehouse and 25 distributors who co-operate with over 1,200 retail sales outlets.

b) Information about the sales markets

Cyfrowy Polsat is selling its products and services to individual clients in Poland. Poland is an attractive market for the services provided by the Company. The most significant market opportunities, in the Management Board’s opinion, are presented below.

Strength of the Polish economy

The dynamic growth of the Company’s revenues depends heavily on the condition of the Polish economy. Poland has one of the highest rates of growth of gross domestic product (“GDP”) in the European Union. In 2007, the Polish GDP grew by 6.5%, and in 2008 it is estimated to grow by 5.3%.The growth of the Polish GDP is accompanied by growth in average household spending.

Penetration rate for subscription television services in Poland

According to Informa Telecoms & Media and data of the Central Statistics Office ("GUS"), Poland has a large share of households with a television set that do not use subscription television services. In 2007, subscription television services were provided to 7.6 million out of 13.9 million households with a television set (calculated on the basis of data from AGB and GUS), which represents ca. 55% of all households with a television set. 6.3 million households, that do not use subscription television services, represent enormous potential to increase the number of subscribers.

High average television viewing time in Poland

In 2007, the average daily television viewing time in Poland was 241 minutes (according to AGB 2008), which is one of the highest average daily television viewing rates among European countries. Designating large amounts of free time for watching TV has a positive influence on the Company's development.

Significant growth potential for Polish pay DTH satellite broadcasting services

Due to the low number of FTA terrestrial analog channels in Poland and growing disposable income of the Polish people, the growth rate of subscription television services market should remain at the same high level over the next few years. Due to relatively low penetration rate in Poland (55%) as compared with Western European countries (the average figure for five of the most developed paid TV markets for 2006 was 90.6%), the market has enormous growth potential. The availability of pay DTH satellite broadcasting signal throughout Poland and the larger number of channels offered, as compared with the cable television operators, should lead clients, to frequently prefer paid DTH satellite broadcasting services. By offering high quality channels and competitive prices, the Company will try to take advantage of this trend in the future and continue to increase its subscriber base.

Competition on DTH satellite TV market

Cyfrowy Polsat's competitors are the paid TV operators, specifically paid DTH satellite operators. These include: Canal+ Cyfrowy Sp. z o.o. and ITI Neovison Sp. z o.o. The table below represents the share of DTH satellite operators in Poland as at the end of 2007.

Platform	**Share in the DTH market (%)**
Cyfrowy Polsat	61%
Canal +	30%
n	9%
Total	**100%**

Source: Polish Chamber of Electronic Communication, AGB and information published by platforms

Considerable growth potential for integrated services

The integrated services market in Poland is not very well developed as compared with most Western European countries. The Company intends to attract its growing number of clients with enhanced integrated services through the introduction of mobile telephony services and possibly broadband Internet access and fixed-line telephony services. This should increase client loyalty, which will reduce the churn rate.

5. Company's Management Board and Supervisory Board members

During the first seven months of 2007, the Management Board of the Company was composed of:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Management Board Member.

On 30 July 2007, Dariusz Działkowski and Andrzej Matuszyński were appointed as Management Board Members. The appointment became valid and rights and obligations of the new Members of the Management Board became effective on 1 August 2007.

From 1 August 2007 until the end of 2007, the composition of the Management Board of the Company was as follows:

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

From 1 January until 20 September 2007 the Supervisory Board of the Company was composed of:

- Heronim Ruta	Supervisory Board Chairman,
- Mariola Gaca	Supervisory Board Member,
- Zdzisław Gaca	Supervisory Board Member,
- Anna Kwaśnik	Supervisory Board Member.

At the Extraordinary Shareholder Meeting of the Company on 20 September, 2007 Andrzej Papis was appointed to the Supervisory Board. From 20 September 2007 until 31 December 2007, the composition of the Supervisory Board was as follows:

- Heronim Ruta	Supervisory Board Chairman,
- Mariola Gaca	Supervisory Board Member,
- Zdzisław Gaca	Supervisory Board Member,
- Anna Kwaśnik	Supervisory Board Member,
- Andrzej Papis	Supervisory Board Member.

6. Shareholders

a) Shareholders of the Cyfrowy Polsat as at the date of submitting the report

As at the date of submitting the report i.e. 11 June 2008, the shareholding structure was as follows:

	Number of shares	Par value of shares	% of votes at the Shareholder Meeting
Polaris Finance B.V.	175,025,000	7,001,000	76.79%
Other	93,300,000	3,732,000	23.21%
Total	**268,325,000**	**10,733,000**	**100.0%**

Mr. Zygmunt Solorz-Żak holds 85% in the share capital of Polaris Finance B.V., and Heronim Ruta holds 15% in the capital share of Polaris Finance B.V.

b) Shares of Cyfrowy Polsat S.A. held by persons managing and supervising the Company

Management Board

	31 December 2007				
Management Board Member	**Number of shares**	**Par value of the shares (thousands of PLN)**	**Share in capital**	**Number of votes**	**Share in total number of votes**
Dominik Libicki	500,000	20	0.19%	500,000	0.11%
Maciej Gruber	46,250	2	0.02%	46,250	0.01%
Andrzej Matuszyński	32,500	1	0.01%	32,500	0.01%
Dariusz Działkowski	46,250	2	0.02%	46,250	0.01%

Supervisory Board

	31 December 2007				
Supervisory Board Member	**Number of shares**	**Par value of the shares (thousands of PLN)**	**Share in capital**	**Number of votes**	**Share in total number of votes**
Heronim Ruta	1,871,250	75	0.70%	3,742,500	0.82%

c) Specification of holders of any securities that give special controlling rights over the issuer

The current shareholders do not have voting rights at the Shareholder Meeting other than the voting rights arising out of holding shares in Cyfrowy Polsat Series A to D shares are privileged regarding voting rights, as follows:

- Series A shares, numbering 2,500,000, are privileged regarding voting rights, meaning that one share gives the right to cast two votes;

- Series B shares, numbering 2,500,000, are privileged regarding voting rights, meaning that one share gives the right to cast two votes;
- Series C shares, numbering 7,500,000, are privileged regarding voting rights, meaning that one share gives the right to cast two votes;
- Series D shares, numbering 175,000,000, are privileged regarding voting rights, meaning that one share gives the right to cast two votes.

Series E shares, numbering 75,000,000, and Series F shares, numbering 5,825,000, are the common bearer shares.

The Parent Entity of Cyfrowy Polsat is Polaris Finance B.V.

The Articles of Association do not contain provisions on limitations in exercising control over Cyfrowy Polsat S.A.

d) Limitations in transfer of ownership title to shares and any limitations in exercise of voting rights under the shares

No limitations in marketability of the Company's shares existed in the period subject to presentation. Nor were there any limitations with respect to exercising voting rights under these shares.

e) Information on agreements, of which the Company is aware, which may result in subsequent changes to the proportions of shares held by the previous shareholders

– The Company is not aware of (except for the assumptions of the incentive program for the management described in item 13) any arrangements or agreements which may result in subsequent changes in the proportions of shares held by the previous shareholders.

f) Employee shares control system

– Cyfrowy Polsat does not have an employee shares program.

g) Resolutions adopted by the Extraordinary Shareholder Meetings concerning the Public Offering

At the Extraordinary Shareholder Meeting on 27 September 2007 the shareholders of Cyfrowy Polsat adopted Resolution no. 1 and amended the Articles of Association. Resolution no. 1 allowed the Company to convert 3,000,000 Series D registered shares into bearer shares and change their designation to Series E shares, and to divide all Series A to E shares and reduce their par value without reducing the share capital, meaning that 25 shares with a par value of PLN 0.04 are created in place of each previous share with a par value of PLN 1. Pursuant to that resolution, the privilege status to exercise voting rights under Series A and B shares was also changed. Currently, each Series A and B share gives the right to two votes at the Shareholder Meeting. Resolution no. 1 was registered by the registration court on 5 October 2007.

On 5 September 2007, the Extraordinary Shareholder Meeting of Cyfrowy Polsat adopted Resolution no. 2, amended with Resolution no. 2 adopted by the Extraordinary Shareholder Meeting dated 27 September 2007, to increase the share capital by PLN 233 thousand to PLN 10,733 thousand by the issue of 5,825,000 Series F bearer common shares with a par value of PLN 0.04 and an issue price of PLN 0.04, through a private subscription to Mr. Dominik Libicki, Company President of the

Management Board (offer of subscribing 500,000 shares), Mr. Maciej Gruber, Company Management Board Member (offer of subscribing 46,250 shares), Mr. Andrzej Matuszyński, Company Management Board Member (offer of subscribing 32,500 shares), Mr. Dariusz Działkowski, Company Management Board Member (offer of subscribing 46,250 shares), Mr. Piotr Nurowski (offer of subscribing 1,706,250 shares), Mr. Józef Birka (offer of subscribing 1,740,000 shares), Mr. Aleksander Myszka (offer of subscribing 1,753,750 shares), and to deprive the current shareholders of the pre-emptive right in its entirety with respect to all shares of the new issue, and to amend the Articles of Association. Mr. Piotr Nurowski, Mr. Józef Birka and Mr. Aleksander Myszka are members of the Supervisory Board of Telewizja Polsat SA.

On 5 September 2007, the Extraordinary Shareholder Meeting of Cyfrowy Polsat also adopted Resolution no. 3, amended by Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on 27 September 2007, to dematerialize and apply for a permit to allow all Series E and Series F shares to be traded on a regulated market.

7. Review of operational and financial sytuation and analysis of key balance sheet items

Operating results for the financial year ended 31 December 2007 as compared with the operating results for the previous financial year are as follows:

	for the year ended	
	31 December 2007	**31 December 2006**
Average number of Family Package subscribers[1)]	1,424,187	813,958
Average number of Mini Package subscribers	166,333	40,137
Average number of subscribers	**1,590,520**	**854,095**
Number of Family Package subscribers, end of the period	1,827,011	1,168,913
Number of Mini Package subscribers, end of the period	241,317	104,735
Number of subscribers, end of the period	**2,068,328**	**1,273,648**
Churn rate for the Family Package	5.7%	5.4%
Churn rate for the Mini Package	0.0%	0.0%
Churn rate[2)]	5.1%	5.1%
Average Revenue per Family Package subscriber (Family Package ARPU)[3)] (PLN)	37.8	35.9
Average Revenue per Mini Package subscriber (Mini Package ARPU) (PLN)	8.4	2.0[5)]
Average monthly revenue per subscriber (Total ARPU) (PLN)	**34.7**	**34.3**
Subscriber Acquisition Cost (SAC)[4)] (PLN)	143.8	105.9

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: [(number of subscribers at the end of the month + number of 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 the given period to the average number of agreements in the period.
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 as the average amount of commissions paid to distributors and to the customer call center per one new subscriber acquired.
5) For the period October – December 2006

As at 31 December 2007, the Company had a total of 2,068,328 subscribers, of which 1,827,011 were the Family Package subscribers and 241,317 were the Mini Package subscribers. In the period between 31 December 2006 and 31 December 2007, the total number of subscribers increased by 794,680 i.e. 62%. The number of Family Package subscribers increased by 658,098 i.e. 56%, and the number of Mini Package subscribers increased by 136,582 i.e. 130%. This growth contributed directly to the growth of revenues from operating actvities. Considerable growth in the number of subscribers was mostly attributable to the abundant and interesting channels offered, in combination with the attractive price Cyfrowy Polsat provides to its subscribers. The Company's robust growth is also attributable to an effective advertising campaign which promotes the channels and equipment offered that fits the needs our clients.

Financial results for the financial year ended 31 December 2007 as compared with the financial results for the financial year ended 31 December 2006 are as follows:

(in thousands of PLN)	for the year ended 31 December 2007	for the year ended 31 December 2006	change %
Subscription fees	662,521	351,090	88.7%
Rental of satellite TV receiving equipment	5,954	16,455	(63.8)%
Sales of satellite TV receiving equipment	107,205	101,689	5.4%
Sales of signal transmission services	11,602	10,316	12.5%
Other operating revenue	6,650	3,187	108.7%
Total revenues from operating activities	**793,932**	**482,737**	**64.5%**
Depreciation and amortization	19,035	32,136	(40.8)%
Programming costs	152,031	68,647	121.5%
Signal transmission services costs	48,402	36,083	34.1%
Distribution and marketing expenses	125,919	66,021	90.7%
Salaries and employee-related expenses	39,755	19,594	102.9%
Cost of satellite TV receiving equipment sold	209,027	180,616	15.7%
Other operating expenses	53,906	38,467	40.1%
Total cost of operating activity	**648,075**	**441,564**	**46.8%**
Profit from operating activities	**145,857**	**41,173**	**254.3%**
Financial revenues	18,493	42,812	(56.8)%
Financial costs	(22,312)	(13,899)	60.5%
Gross profit for the year	**142,038**	**70,086**	**102.7%**
Income tax	27,000	14,579	85.2%
Net profit for the period	**115,038**	**55,507**	**107.2%**
EBITDA	**164,892**	**73,309**	**124.9%**

All numerical values presented in the description below were rounded off to one place after the decimal point.

Revenues from operating activities increased by PLN 311.2 million (i.e. 64.5%) from PLN 482.7 million in the period ended 31 December 2006 to reach PLN 793.9 million in the period ended 31 December 2007. The growth is mostly attributable to increase in subscription fees which are the largest component of total revenues from operating activities.

Subscription fees increased by PLN 311.4 million (i.e. 88.7%) from PLN 351.1 million for the period ended 31 December 2006 to reach PLN 662.5 million for the period ended 31 December 2007. The main sources of this growth were: (i) increase in number of medium-term subscribers calculated as the sum of average number of subscribers in the given month divided by 12 months; and (ii) growth of Family Package's ARPU attributable to increased subscription fees.

Rental of satellite TV receiving equipment decreased by PLN 10.5 million (i.e. 63.8%) from PLN 16.5 million for the period ended 31 December 2006 to reach PLN 6 million for the period ended 31 December 2007. As a result of actions taken to encourage the subscribers renting the satellite TV receiving equipment to purchase them, the number of subscribers paying additional monthly fees on account of renting the satellite TV receiving equipment decreased, and therefore the rental of satellite TV receiving equipment decreased.

Sales of satellite TV receiving equipment (a set top box with a satellite dish) increased by PLN 5.5 million (i.e. 5.4%) from PLN 101.7 million for the period ended 31 December 2006 to reach PLN 107.2 million for the period ended 31 December 2007. This increase also includes the sales of new as well as previously rented satellite TV receiving equipment. Despite greater number of acquired subscribers, the income from sales of satellite TV receiving equipment increased only slightly, mostly as a result of the reduction of average retail prices of sold satellite TV receiving equipment.

Sales of signal transmission services to the broadcasters of TV and radio channels increased by PLN 1.3 million (i.e. 12.5%) from PLN 10.3 million for the period ended 31 December 2006 to reach PLN 11.6 million for the period ended 31 December 2007. This increase results primarily from the Company's acquisition of new clients of this service in 2007.

Cost of operating activities increased overall by PLN 206.5 million (i.e. 46.8%) from PLN 441.6 million for the period ended 31 December 2006 to reach PLN 648.1 million for the period ended 31 December 2007. The growth was mostly attributed to the increase in (i) programming costs by PLN 83.4 million i.e. 121.5% (this growth has its share in the growth of total costs of operating activities of 40.4%); (ii) distribution and marketing costs by PLN 59.9 million (share in the growth of 29%); (iii) cost of satellite TV receiving equipment sold by PLN 28.4 million (this growth has a share in growth of total costs of operating activities of 13.8%); and (iv) other operating costs by PLN 15,4 million (share in the growth of 7.5%).

In nominal terms, an increase in total costs of operating activities resulted from an increase in the scope of the activity. However, thanks to the application of an effective cost management policy, the share of operating expenses in total revenues from operating activities decreased by 9.9 percentage points from 91.5% in the period ended 31 December 2006 to 81.6% in the period ended 31 December 2007.

Depreciation and amortization decreased by PLN 13.1 million (i.e. 40.8%) from PLN 32.1 million in the year ended 31 December 2006 to reach PLN 19 million in the year ended 31 December 2007. This item includes mostly the depreciation of technical devices and machinery, as well as satellite TV receiving equipment owned by the Company that were rented to subscribers. The number of the satellite TV receiving equipment decreased because many of them were sold to the subscribers, and, accordingly, the satellite TV receiving equipment were no longer depreciated. This decrease resulted mostly from changes in strategy for distribution of satellite TV receiving equipment to the clients, which involved offering them to purchase the satellite TV receiving equipment at attractive retail prices instead of leasing them.

Programming costs increased by PLN 83.4 million (i.e. 121.5%) from PLN 68.6 million in the year ended 31 December 2006 to reach PLN 152 million in the year ended 31 December 2007. During that time, the programming costs increased more than the subscription fees and total revenue from operating activities, which resulted from broadening of the programming offer. In February 2007, the Company introduced additional television channels into its programming, which resulted in an increase of license fee costs per one subscriber. The majority of agreements concluded with the licensors provide that the programming costs are calculated as multiplication of rate per one subscriber and the number of subscribers, reported to the given broadcaster, who have paid for the package of channel services containing that broadcaster's channel.

Signal transmission services costs increased by PLN 12.3 million (i.e. 34.1%) from PLN 36.1 million in the year ended 31 December 2006 to reach PLN 48.4 million in the year ended 31 December 2007. This change results mostly from increase of fees for the conditional access system. Since November 2005, the Company has been paying monthly fees for use of the system, calculated as the product of a monthly unit rate per active access card and the number of active cards. Therefore, the growth of number of subscribers, and, consequently, the number of active cards, contributes to the growth of this cost category.

Distribution and marketing costs increased by PLN 59.9 million (i.e. 90.7%) from PLN 66.0 million in the year ended 31 December 2006 to reach PLN 125.9 million in the year ended 31 December 2007. The change was mostly attributable to an increase in the commission for distributors by PLN 34 million (i.e. by 79.2%) related to a greater number of newly attracted subscribers, and the increased value of target bonuses paid to distributors. The increase in the commission for distributors represented 56.7% of the increase in distribution and marketing costs in the year ended 31 December 2007 in comparison with the year ended 31 December 2006. The increase in marketing, mailing and call center costs by PLN 12.5 million, PLN 4.4 million, and PLN 5.4 million, respectively, in comparison with the year ended 31 December 2006 (i.e. 129.1%, 79.0% and 73.3%, respectively) also contributed to the increase in this cost item. The increase of these cost items results from increase of number of subscribers.

Salaries and employee-related expenses increased by PLN 20.2 million (i.e. 102.9%) from PLN 19.6 million in the year ended 31 December 2006 to reach PLN 39.8 million in the year ended 31 December 2007. This change resulted mostly from growth of average number of employees employed on the basis of employment contracts by 41 persons i.e. 21.8%. The growth of payroll and employee benefits also resulted from (i) acquisition of Series F shares by the Management Board members below their estimated fair value on the date of their purchase, which resulted in carrying an additional salaries cost of PLN 10.2 million, (ii) growth of the Management Board's compensation and (iii) bonuses paid out to employees for reaching the level of two million subscribers.

Cost of satellite TV receiving equipment sold increased by PLN 28.4 million (i.e. 15.7%) from PLN 180.6 million in the year ended 31 December 2006 to reach PLN 209 million in the year ended 31 December 2007. This growth is mostly related to greater number of new attracted subscribers who purchased the satellite TV receiving equipment from Cyfrowy Polsat. Cost of satellite TV receiving equipment sold was higher than the income from selling the satellite TV receiving equipment in both analyzed periods. Sales of satellite TV receiving equipment did not increase as a proportion of cost of satellite TV receiving equipment sold due to reduction of retail prices of sold satellite TV receiving equipment in the course of the promotional campaigns in 2007.

Other operating expenses increased by PLN 15.4 million (i.e. 40.1%) from PLN 38.5 million in 2006 to reach PLN 53.9 million in 2007. The main contributing factors for the changes included (i) establishment of additional revaluation charges of receivables (increase by PLN 3.3 million), (ii) increase of fee for the Polish Film Institute (increase by PLN 3.7 million), (iii) increase of legal, advisory and consulting costs (increase by PLN 4.1 million), (iv) increase of other operating cost components by PLN 3.8 million, (v) increase of other taxes and fees by PLN 1.6 million, and (vi) increase of consumption of materials and energy, repairs and renovations and rent of premises.

EBITDA increased by PLN 91.6 million (i.e. 124.9%) from PLN 73.3 million for the period ended 31 December 2006 to reach PLN 164.9 million for the period ended 31 December 2007. This growth resulted from an increase in profit from operating activities by PLN 104.7 million and a decrease in depreciation and amortization by PLN 13.1 million.

Financial revenues decreased by PLN 24.3 million (i.e. 56.8%) from PLN 42.8 million in the year ended 31 December 2006 to reach PLN 18.5 million in the year ended 31 December 2007. The decrease resulted mostly from lower net income on foreign exchange differences in the year ended 31 December 2007 as compared with the year ended 31 December 2006 (by PLN 13.9 million), which resulted from lower appreciation of PLN with respect to USD and EUR in the year ended 31 December 2007 as compared with 2006, and the impact of this appreciation on transactions denominated in foreign currencies. In addition, the gain on foreign exchange differences decreased due to a decrease in percentage share of loans denominated in foreign currencies in the overall amount of loans in the year ended 31 December 2007 as compared with 2006. In addition, the decrease in profits from sale of shares, shares and other investments by PLN 14.7 million was recorded, due to a one-off transaction concluded in 2006 (in 2006, the Company purchased receivables on account of the loan for the purchase price of PLN 15.3 million from the affiliated company Sky Service Sp. z o.o., and then the Company resold the receivable for the amount of PLN 30 million to the affiliated company PAI Media SA).

Financial costs increased by PLN 8.4 million (i.e. 60.5%) from PLN 13.9 million in the year ended 31 December 2006 to reach PLN 22.3 million in the year ended 31 December 2007. This growth resulted mainly from carrying the costs related to the initial public offering in the amount of PLN 9.7 million in 2007.

Analysis of main balance sheet items

Non-current assets

(in thousands of PLN)	31 December 2007	31 December 2006
Satellite TV receiving equipment	549	7,979
Other tangible assets	59,890	27,197
Intangible assets	10,367	4,395
Long term loans granted to related parties	23,026	21,392
Long term receivables from related parties	6,994	264
Other long-term assets	30,951	13,018
Deferred tax assets	3,701	3,981
Non-current assets	**135,478**	**78,226**

As at 31 December 2007 and 31 December 2006, the value of non-current assets was PLN 135.5 million and PLN 78.2 million, respectively, and represented 24.1% and 24.4%, respectively, of total assets.

The other tangible assets item includes mostly the value of buildings, technical devices and machinery, means of transport and fixed assets under construction. The growth of this item in 2007 is related to purchases of tangible assets in the amount of PLN 5.6 million for expansion of the satellite broadcasting center and PLN 17.9 million for telecommunication devices to provide mobile virtual network operator (MVNO) services.

As at 31 December 2007, the value of the satellite TV receiving equipment was PLN 0.5 million, and was approximately 93.1% lower as compared with PLN 8 million as at 31 December 2006. This decrease results from change in the distribution policy concerning the satellite TV receiving equipment, entailing the launch of sales of the satellite TV receiving equipment instead of renting them, and reduction of value of the satellite TV receiving equipment provided to the clients without the repurchase option as a result of making depreciation charges.

Increse in the long term loans granted to related parties in 2007 by PLN1.6 million results from interest relating to loan granted to Praga Business Park Sp. z o.o.

As at 31 December 2007 related parties long term receivables consisted of set top boxes production line lease contract with Cyfrowy Polsat Technology Sp. z o.o. The carrying amount of lease contract amounted to PLN 6.7 million.

In the period from 1 January 2007 to 31 December 2007, the other long-term assets item, which mostly includes commissions for distributors settled throughout the basic term of the subscriber agreement, as well as shares in subsidiary entities, increased considerably. Commissions for distributors, which will be settled after 12 months from the balance sheet date, are presented as other long-term assets. On the other hand, commissions for distributors, which will be settled within 12 months from the balance sheet date, are carried as other current assets. As at 31 December 2006, the value of long-term commissions for the distributors was PLN 10.6 million, and as at 31 December 2007 – PLN 29.6 million.

Current assets

(in thousands of PLN)	31 December 2007	31 December 2006
Inventories	126,639	58,009
Short-term loans granted to related parties	7,065	6,000
Income tax receivable	78,672	32,604
Trade and other receivables	3,002	-
Other current assets	68,912	38,153
Cash and cash equivalents	141,651	107,208
Current assets	**425,941**	**241,974**

The share of current assets in total assets as at 31 December 2007 and 31 December 2006 was 75.9% and 75.6%, respectively, and their value was PLN 425.9 million and PLN 242 million, respectively. The value of current assets increased in the period from 1 January 2007 to 31 December 2007 by 76%. The increase in the value of current assets in the discussed period results mostly from increase in the value of inventories (i.e. set top boxes, cards for the set top boxes, remote controls, satellite dishes and conditional access modules ("CAM")) by 118.3%, and a significant increase of cash and cash equivalents which as at 31 December 2007 amounted to PLN 141.7 million as compared with PLN 107.2 million as at 31 December 2006. Most cash is held in the form of deposits and on accounts in renowned Polish and international banks, which, in the Management Board's opinion, considerably mitigates the risk associated with investing cash.

Other current assets, whose value as at 31 December 2007 and 31 December 2006 was PLN 68.9 million and PLN 38.2 million, respectively, mostly included commissions for the distributors settled throughout the minimum term of the subscriber agreement, which are settled within 12 months from the balance sheet date. Their growth during the analyzed period resulted from the an increase of the scale of operations and an increase of the number of attracted subscribers.

Trade and other receivables include receivables from individual clients as well as receivables from the distributors and other entities. Their value increased by PLN 46.1 million (141.3%), reaching PLN 78.7 million as at 31 December 2007. This growth is the result of intensive sales made in the fourth quarter of 2007.

Equity and non-current liabilities

(in thousands of PLN)	31 December 2007	31 December 2006
Issued capital	10,733	10,500
Supplementary capital	3,500	-
Other reserves	10,174	-
Retained earnings/(accumulated losses)	38,029	(73,509)
Equity	**62,436**	**(63,009)**
Long-term loans and borrowings	106,655	-
Long-term finance lease liabilities	1,412	893
Other long-term liabilities and provisions	531	564
Non-current liabilities	**108,598**	**1,457**

The Company finances its operations using equity as well as long- and short-term liabilities. Equity as at 31 December 2006 was negative and amounted to PLN (63) million, while as at 31 December 2007 equity was positive and amounted to PLN 62.4 million. The reason for negative equity in 2006 is the fact that since its inception, the Company has been incurring considerable outlays related to the construction and development of the digital satellite platform. In addition, other costs associated with business development are incurred, in particular costs related to development of the subscriber base such as costs of programming costs related to introduction of an attractive programming offer, marketing costs or costs of purchasing the satellite TV receiving equipment for new clients. The high value of net profit in 2007 resulted in positive equity as at 31 December 2007. In addition, in 2007 share capital grew from PLN 10.5 million to PLN 10.7 million by the issue of 5,825,000 shares with a nominal value of PLN 0.04.

As at 31 December 2007, the long-term liabilities were PLN 108.6 million, and as at 31 December 2006 – they amounted to PLN 1.4 million. This increase resulted from taking out a long-term loan in Bank BPH S.A. (currently Pekao SA) (the loan agreement is described in detail in item 9).

Current liabilities

(in thousands of PLN)	31 December 2007	31 December 2006
Current loans and borrowings	87,151	205,823
Current finance lease liabilities	204	-
Trade and other payables	201,530	97,489
Deposits for satellite TV receiving equipment	20,032	21,641
Deferred income	81,468	56,799
Current liabilities	**390,385**	**381,752**

Current liabilities as at 31 December 2007 amounted to PLN 390.4 million and were 2.3% higher than during the same period in 2006, when they amounted to PLN 381.8 million. However, as at 31 December 2007, the Group has shown lower current loans and borrowings, which was PLN 87.2 million, where as at 31 December 2006 it was PLN 205.8 million. This change resulted from taking out a long-term loan in Bank Pekao SA in 2007, which was used to pay off the current loans.

Trade and other payables as at 31 December 2007 amounted to PLN 201.5 million and were 106.7% higher than the ones shown as at 31 December 2006, when they amounted to PLN 97.5 million. This growth results from higher purchases associated with the current business operations, which were made by the Company towards the end of 2007 and which are the product of intensive sales made in the fourth quarter of 2007.

As at 31 December 2006, the value of deposits for satellite TV receiving equipment decreased from PLN 21.6 million to reach PLN 20 million as at 31 December 2007. The decrease was caused by gradual reduction in the number of subscribers renting the set-top-boxes. The deposits were partially returned and applied towards the repurchase of set-top-boxes.

Deferred income includes mostly the subscription fees paid in advance and fees for renting the set-top-boxes. These fees concern the services which will be provided in the period of 12 months from the balance sheet date and are carried as current liabilities.

Liquidity analysis

The financial liquidity analysis was carried out on the basis of the three ratios. The method of calculating them is presented below:

(i) current ratio, which reflects the capacity to repay current liabilities using current assets – calculated as the ratio of the balance of current assets to the balance of short-term liabilities at the end of the given period;

(ii) quick ratio, which reflects the capacity to collect in a short amount of time the cash necessary to cover the immediately repayable liabilities – calculated as the ratio of the balance of current assets minus inventory to the balance of short-term liabilities at the end of the given period;

(iii) cash ratio, which reflects the capacity to repay payable liabilities immediately – calculated as the ratio of cash and cash equivalents to the balance of short-term liabilities at the end of the given period.

	31 December 2007	**31 December 2006**
Current ratio	1.09	0.63
Quick ratio	0.77	0.48
Cash ratio	0.36	0.28

The current ratio increased from 0.63 for the period ended 31 December 2006 to 1.09 for the period ended 31 December 2007. The growth resulted from higher growth of current assets than the growth of liabilities.

The quick ratio increased from 0.48 for the period ended 31 December 2006 to 0.77 for the period ended 31 December 2007. The quick ratio increased as a result of higher growth rate of current assets than the growth rate of liabilities.

The cash liquidity ratio increased from 0.28 for the period ended 31 December 2006 to 0.36 for the period ended 31 December 2007. The relatively high cash liquidity ratio results from the specificity of the business activity, which involves large amounts of cash and cash equivalents. The improvement of this ratio results from development of the Company's activity and increase in revenues.

Cash flows

(in thousands of PLN)	for the year ended 31 December 2007	31 December 2006
Cash flow from operating activities	91,035	96,566
Cash flow from investing activities	(44,819)	(24,285)
Cash flows from financing activities	(11,481)	(29,104)
Cash and cash equivalents at the end of the period	141,651	107,208

Cash flow from operating activities decreased by PLN 5.5 million from PLN 96.6 million in the period ended 31 December 2006 to reach PLN 91 million in the period ended 31 December 2007. Incease in receivables and other assets by PLN 76.3 million, increase in inventories by PLN 41 million and paid income tax in amout of PLN 29.7 million were offset by increase in liabilities, provisions, accruals and deferred income by PLN 53.4 million, decrease in depreciation and amortization by PLN 13.1 million, increase in other adjustments by PLN 19.6 million and increase in net profit by PLN 59.5 million.

Assessment of non-standard events influencing the operating result for the given period

The following non-standard events occurred in the period from 1 January 2007 to 31 December 2007 as part of the Company's basic activity:

On 17 July 2007, Cyfrowy Polsat sold all shares in the subsidiary Satkabel Sp. z o.o. belonging to the Company. The Company's line of business was, inter alia, telecommunication, production of movies and cable television. The Management Board believes that continuing to hold shares in that company was not consistent with the Company's long-term strategy. The outcome of the transaction did not have a material impact on the Company's activity in 2007.

On 17 July 2007, Cyfrowy Polsat concluded an agreement with Teleaudio Sp. z o.o. to sell 7,950 shares in EMarket Sp. z o.o. with a par value of PLN 1,000, representing a total of 75% of EMarket Sp. z o.o.'s share capital. The agreement was concluded on the condition that Teleaudio Sp. z o.o. would assume all the rights and obligations of Cyfrowy Polsat arising out of the surety agreement concluded on 4 August 2005 between Cyfrowy Polsat and ABC Data Sp. z o.o. That condition was fulfilled through signing, on 31 August 2007, the agreement to assign to Teleaudio Sp. z o.o. the rights and obligations arising out of the surety agreement.

EMarket Sp. z o.o. was subject to consolidation until the end date of exercising control over it. The date of fulfillment of the condition set forth in the sale agreement, i.e. 31 August 2007, was considered to be the date on which the exercise of control ended. The Management Board believes that continuing to hold shares in that company was not consistent with the Company's long-term strategy – the activity of EMarket Sp. z o.o., which involves the sale of electronic equipment, is different from the Company's planned basic operating activity. The outcome of the transaction did not have material impact on the Company's activity in 2007.

8. Management Board's explanation of any differences between the financial results disclosed in the annual report and the financial forecasts published earlier

The Company did not publish forecasts for 2007.

9. Credits, loans, guarantees and sureties

Information about taken out credits and loans, and obtained guarantees and sureties

Agreement with Bank BPH SA (currently Bank Pekao SA)

On 9 October 2007, Cyfrowy Polsat entered into a revolving credit facility agreement with Bank BPH SA, pursuant to which Bank BPH SA (acting as the original lender) undertook to provide funds up to PLN 200,000 thousand in two tranches, earmarked for: (i) refinancing Cyfrowy Polsat's debt towards Polaris Finance B.V., Cypress Media B.V. and EFG Investment Bank AB, and then, on the condition that the foregoing debt is repaid in its entirety - (ii) financing the Company's current operations. Furthermore, Bank Pekao agreed to act as arranger and security agent under the Bank Pekao Revolving Credit Facility. The rights and obligations of the senior may be transferred to another bank or financial institution (acting as a junior lender) with the consent of Cyfrowy Polsat, except for situations in which a transfer would result from the Company's failure to keep the terms and conditions of the agreement. In each of the two aforementioned tranches, Cyfrowy Polsat is authorized to receive payouts of at least PLN 20,000 thousand each. The period in which funds may be made available within the second tranche, elapses 30 days before the third anniversary of concluding the agreement. The interest rate with respect to each payout is the annual percentage rate which is the sum of the margin and the WIBOR rate. In addition, the Company undertook to pay Bank Pekao SA a commitment fee to every lender, amounting to 0.5% of the exposure with regard to each tranche per annum. The Company was obligated to prepay the loan, in an amount of at least PLN 50,000 thousand, within 30 days from the date of the offering (defined as the issue or sale of our shares as part of the initial public offering on Warsaw Stock Exchange ("WSE"), provided that the issued shares are approved to be traded publicly on WSE) or on 30 June 2008, whichever occurs earlier. In connection with the Offering, Cyfrowy Polsat made the foregoing prepayment on 5 June 2008. The Company also undertook to conclude with the agent (i.e. Bank BPH SA acting on behalf of and in favor of the lenders as the pledge administrator or on its own behalf and in its own favor) within three months from 30 June 2008, the pledge agreement on the Company's bank accounts. The final repayment of the loan should occur no later than on the third anniversary of the agreement.

The agreement imposes several limitations on the Company prevailing in the period from the date of its conclusion to the moment of repayment of liabilities. If Mr. Zygmunt Solorz – Żak loses control over the Company (i.e. if Mr. Zygmunt Solorz – Żak's share in the number of votes at our Shareholder Meeting falls below 42%), Bank BPH SA, acting as an agent, will be able to void the tranches and make the unpaid loan immediately repayable with interest, after serving a 30-day's notice. In addition, the limitations include in particular: (i) a ban on establishing security on the Company's assets for amounts exceeding PLN 100 thousand, (ii) ban on selling assets to incur financial debt or finance the purchase of assets, (iii) ban on selling, transferring or leasing the Company's assets if the market value of the subject matter of the transaction exceeds PLN 30,000 thousand, and the transaction was not concluded in the normal course of the activity, (iv) ban on merging with another legal entity without the agent's consent, (v) ban on purchasing shares in other enterprises or establishing companies without the agent's consent, (vi) ban on concluding transactions on conditions inferior to market conditions, (vii) ban on granting loans without the agent's consent; however, this does not apply to loans granted to Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o. in a maximum total amount of PLN 40,000 thousand, (viii) ban on drawing down guarantee liabilities without the agent's consent, (ix) ban on paying out a dividend before the Offering, (x) ban on drawing down financial debt other than the debt drawn down as part of current activity, whose total amount does not exceed PLN

10,000 thousand, (xi) ban on purchasing for the purpose of retiring, and ban on retiring the Company's shares without the agent's consent, (xii) ban on making material changes to the Company's line of business, (xiii) ban on disposing of the Company's receivables, (xiv) obligation to deliver to the agent all material documents and information concerning the capital group's financial standing, (xv) obligation to make monthly payments to the agent's account in the amount of at least PLN 30,000 thousand each (however, no more than 50% of funds deposited on the Company's accounts), (xvi) obligation to make international transfers of funds through the agent if these transfers exceed PLN 50 thousand, (xvii) ban on opening any bank accounts without previously granting security to the agent, (xviii) obligation to use, in the course of audits of financial statements, the services of auditors specified in the agreement or other auditors as the agent may agree.

Pursuant to the foregoing agreement, on 12 October 2007 Cyfrowy Polsat obtained funds that were used to repay the total liabilities towards Polaris Finance B.V. and Cypress Media B.V., and on 14 November 2007 the Company obtained funds that were used to repay the total liabilities towards EFG Investment Bank AB.

On 9 October 2007, the Company concluded with Bank BPH SA a master agreement governing in detail the principles of agreeing conditions, confirmations and settlements of transactions between the Company and Bank BPH SA.

Bank guarantee agreement

On 15 November 2007, Cyfrowy Polsat concluded with Bank BPH SA (currently Bank Pekao SA) a bank guarantee agreement pursuant to which Bank BPH SA undertook, should the Company fail to fulfill its obligations towards Polska Telefonia Cyfrowa Sp. z o.o. ("PTC"), to pay PTC up to the maximum amount of PLN 3,300 thousand, upon first written demand of PTC. The bank guarantee is valid up to and including 15 November 2008, and it expires automatically and entirely if the demand under this guarantee does not reach the bank on the same day in writing.

Information about granted loans, sureties and guarantees

Loans granted to Cyfrowy Polsat Technology Sp. z o.o.

On 22 May 2007, Cyfrowy Polsat concluded an agreement with Cyfrowy Polsat Technology Sp. z o.o. for the loan of PLN 1,500 thousand to finance the company's current operations. The parties agreed interest in the amount of WIBOR 6M calculated on the last day prior to the date on which the interest is due and payable plus a margin of 2%. The deadline for the repayment of the loan with interest was set as no later than on 31 December 2008. The borrower's irregular blank promissory note with a bill of exchange declaration was the collateral for the loan.

On 27 August 2007, Cyfrowy Polsat concluded an agreement with Cyfrowy Polsat Technology Sp. z o.o. for the loan of PLN 1,500 thousand to finance the company's current operations. The parties agreed interest based on the WIBOR 6M index calculated on the last day prior to the date on which interest is due and payable plus a margin of 2%. The deadline for the repayment of the loan with interest was set as no later than on 31 December 2008. The borrower's irregular blank promissory note with a bill of exchange declaration was the collateral for the loan.

On 21 December 2007, Cyfrowy Polsat concluded an agreement with Cyfrowy Polsat Technology Sp. z o.o. for a loan of PLN 4,000 thousand to finance the company's current operations. The parties agreed interest based on the WIBOR 6M index calculated on the last day prior to the date on which interest is due and payable plus a margin of 2%. The deadline for the repayment of the loan with interest was set as no later than on 31 December 2008. If that deadline is not kept, Cyfrowy

Polsat Technology will be obligated to pay interest of 15% on the unpaid amount per annum until the date of repaying the loan. The borrower's irregular blank promissory note with a bill of exchange declaration was the collateral for the loan.

10. Investments

Main domestic and international investments

In the period from 1 January 2007 to 31 December 2007, the Cyfrowy Polsat Capital Group incurred capital expenditures related to business development and acceptance of standards enabling it to provide services at a higher level. Capital expenditures are defined as the outflow of cash on account of investment purchases. The incurred outlays were also earmarked for increasing the subscriber base.

The table below presents the capital expenditures incurred by the Group in 2007

Type	Category	Value (thousands of PLN)
Tangible assets	Satellite uplink center	6,862
	Real estate	4,903
	Call Center	1,024
	MVNO	12,235
	Other	8,924
Intangible assets	Software for set-top-boxes	196
	Licenses for production systems	-
	MVNO	6,437
	Other	3,854
Total		**44,435**

Information about main future investments and assessment of their feasibility

The Company envisages that the capital expenditures in 2008, related to development of the Company's business, will approximately be PLN 62.6 million. As part of planned investments, the most important items will entail capital expenditures related to MVNO activities, capital expenditures for upgrade and development of the property in which the Company is running its business, and for IT infrastructure development. The capital expenditures related to MVNO activities will depend on this service's development rate, in particular the number of new users. The Company envisages that the capital expenditures for that purpose should not be greater than roughly PLN 12.7 million. These expenditures will be above all related to development of technological infrastructure, and the main investments will concern in particular the following:

(i) development of a billing system involving the introduction of a functionality to create new types of rate plans and promotional offers, and automation of selected billing processes (ca. PLN 5.7 million)

(ii) purchase and integration of the Mobile Switching Center (MSC) together with the Home Location Register (HLR), the Short Message Service Center (SMSC), and the management system for the telecommunication system elements (ca. PLN 4.1 million)

(iii) purchase and implementation of the SIM card management system (Over-The-Air, OTA), allowing one, inter alia, to configure remotely the settings of the client's phone and download on the client's SIM card the applications for provision of value added services (e.g. bank service applications) (ca. PLN 2.2 million), and

(iv) purchase of an MNP (Mobile Number Portability) platform allowing to provide the number transfer services; purchase of the Lawful Intercept system allowing to eavesdrop on phone calls and view the SMS content for the legal authorities (e.g. prosecutor's office) (ca. PLN 0.7 million)

In addition, the Company is considering the future introduction of the provision of digital TV services via Internet Protocol Television ("IPTV"). This service would make it possible to provide satellite digital TV services to clients who cannot use these services in a traditional way.

The table below presents the capital expenditures planned for 2008, related to subscription television services.

Description	Value (PLN thousand)
Upgrade and development of the property at ul. Łubinowa 4a, in this adjustment of a warehouse and a production hall for production of set-top-boxes, and upgrade and development of an office building	18,000
Development of the IT infrastructure	12,700
Investments in call center development	8,800
Sales, distribution, logistics	5,400
Investments in upgrades of the satellite center/ transmission of signal	2,900
Service center for set-top-boxes	2,100
Total	**49,900**

The Company will finance future capital expenditures with surplus cash on current operating activities.

11. Significant transactions with related parties

Transactions with affiliated entities in the period from 1 January 2007 to 31 December 2007, whose individual or total value exceeded the PLN equivalent of EUR 500 thousand, are as follows:

Operating costs *(PLN thousands)*

	for the year ended 31 December 2007
Praga Business Park Sp. z o.o.	2,933
Teleaudio Sp. z o.o.	1,927
Telewizja Polsat SA	14,684

The Company leases office space and warehouse space from Praga Business Park Sp. z o.o. Teleaudio Sp. z o.o. provides telecommunication services and rents "call center" equipment to the Company. The transactions with Telewizja Polsat SA include license fees on account of broadcasting "Polsat Sport" and "Polsat Sport Extra" channels.

Financial costs *(PLN thousands)*

	for the year ended 31 December 2007
Polaris Finance B.V.	2,882

Until 12 October 2007, the activity of Cyfrowy Polsat was partially financed with loans received from Polaris Finance B.V. On 12 October 2007, the loan to Polaris Finance B.V. was repaid with interest.

The list of material outstanding settlements to affiliated entities as at 31 December 2007 is presented in the table below.

Receivables *(PLN thousand)*

	31 December 2007
Cyfrowy Polsat Technology Sp. z o.o.	7,784

Receivables from Cyfrowy Polsat Technology Sp. z o.o. comprise mainly of the receivables due to finance lease of set top boxes' production line amounting to 7,713 thousand.

Liabilities *(PLN thousands)*

	31 December 2007
Telewizja Polsat SA	2,854

12. Material agreements concluded by the Cyfrowy Polsat S.A. in 2007

Agreement with Accenture Sp. z o.o.

On 31 May 2007, the Company concluded with Accenture Sp. z o.o. an agreement to implement and launch a billing system. The subject matter of the agreement is the implementation, including parameterization and configuration, and launch of the billing system (income management as well as settling and invoicing subscribers of telecommunication services, including data and voice transmission services provided through the telecommunication network) i.e. the IT system for administration of telecommunication processes i.e. the provision by the Company of the MVNO – Mobile Virtual Network Operator services and provision of mobile telephony services in cooperation with the mobile network operators and other providers of services. The agreement describes the parties' rights to terminate it and it specifies the principles and deadlines of its termination. The agreement provides details on Accenture Sp. z o.o.'s compensation. This compensation includes compensation for performance of implementation, one-off resale and delivery of hardware and software of third parties (software by Oracle such as Oracle Billing Revenue Management, Oracle Date Base, and by Hewlett-Packard – HP Open Call SAC, HP Open View and HP Open Backup), and granting a license for software written by Accenture Sp. z o.o. The parties to license agreements with respect to software by HP and Oracle are Hewlett-Packard Polska Sp. z o.o. and Oracle Polska Sp. z o.o., respectively. The license agreement may be terminated with a five-year termination notice. The agreement was concluded under Polish law.

Agreement with Nokia Poland Sp. z o.o.

On 1 July 2007, Cyfrowy Polsat concluded with Nokia Poland Sp. z o.o. ("Nokia") the delivery agreement pursuant to which Nokia undertook to deliver the system consisting of hardware and software and to provide services for installation of MVNO. The MSC server, Media Gateway MGW, Home Location Register HLRi, Short Message Center SMSC, and Cisco Catalyst 3750 site router with the software to be used in the test phase will be delivered. Pursuant to the agreement, the test phase is to last three months and may be extended to six months. The agreement envisages that after the test phase, the system upgrade will be carried out to enable Cyfrowy Polsat to provide services commercially. The agreement reserves that the ownership title to the hardware is transferred onto the Company upon making the payment. The agreement determines the prices for additional elements and services which Cyfrowy Polsat may purchase within the agreement, as well as the compensation for maintenance of the system in the subsequent years. The agreement establishes flat-rate fees for additional maintenance and installation services provided by Nokia. The agreement was concluded for a term of three years from the date of its signing, and it describes the parties' rights to terminate it. This agreement is governed by Polish law.

Pursuant to the Software License Terms constituting an attachment to the agreement, Nokia granted the Company a non-transferable, non-exclusive software license. During the test phase, the license cannot be used for commercial provision of services. The license agreement was concluded under the Finnish law.

Master agreements with Nokia Siemens Networks Sp. z o.o. and Nokia Siemens Networks Polska Sp. z o.o.

On 14 August 2007, the Company concluded a master agreement with Nokia Siemens Networks Sp. z o.o. and a master agreement with Nokia Siemens Networks Polska Sp. z o.o. The subject matter of the agreements is the delivery, by the foregoing companies, of hardware, network infrastructure, software (along with licenses) and implementation services for the installation of MVNO, and ensuring its operation and required parameters. The agreement performance schedule and the compensation payment principles were laid down in detail in attachments to the agreements. The agreements were concluded under Polish law and determine the cases in which the parties have the right to terminate or withdraw from the agreements.

On 14 September 2007, the Company concluded agreement with Nokia Siemens Networks Sp. z o.o. and agreement with Nokia Siemens Networks Polska Sp. z o.o. The subject matter of the agreements is the provision, by the foregoing companies, of the maintenance services for the telecommunication system, including hardware and software delivered to Cyfrowy Polsat pursuant to agreements of 14 August 2007. Detailed principles for payments of compensation for the services covered by the agreements were laid down in attachments to the agreements. The agreements were concluded for the term of five years and may be terminated in cases and on principles set forth in the agreement. The agreements were concluded under Polish law.

Agreement to purchase hardware from Nokia Siemens Networks Polska Sp. z o.o.

On 18 September 2007, the Company concluded with Nokia Siemens Networks Polska Sp. z o.o. an agreement to determine the terms and conditions of sale, delivery, installation and launch of hardware necessary for correct operation of the entire telecommunication infrastructure, including the power system. The parties determined the dates of delivery and launch of the system at 19 and 27 September 2007, respectively.

Agreements with Alcatel Lucent Polska SA

On 28 September 2007, the Company concluded with Alcatel Lucent Polska SA an agreement pursuant to which Alcatel Lucent Polska SA, in connection with extension of the Company's activity by MVNO services, undertook to deliver and install the Alcatel – Lucent system with software, and to provide training and technical assistance. Pursuant to the agreement, Alcatel Lucent Polska SA granted a software license to Cyfrowy Polsat. The license agreement may be terminated with a five-year termination notice in the cases specified therein. The parties reserved contractual penalties in the event of failure to perform or inadequate performance of the obligations under the agreement. The agreement is governed by Polish law and may be terminated by any of the parties in the event of a breach of its provisions.

On 28 September 2007, Cyfrowy Polsat concluded with Alcatel Lucent Polska SA the service agreement to determine the conditions for Alcatel Lucent Polska SA to provide maintenance services for the Alcatel – Lucent system – which is covered by a separate agreement between the Company and Alcatel Lucent Polska SA. The agreement regulates in detail the conditions for provision of maintenance services and compensation for these services. In addition, the agreement lays down the cases in which the parties have the right to terminate it, however Cyfrowy Polsat is authorized to terminate the agreement without stating the reason with a 6-month termination notice. Alcatel Lucent Polska SA granted a 6-month warranty for repairs made under the agreement.

Memorandum of Agreement with Telewizja Polsat SA

On 17 May 2007, the Company concluded with Telewizja Polsat SA a memorandum of agreement for mutual settlements between the parties concerning Telewizja Polsat SA's payment of compensation to eligible authors – members of ZAIKS Authors' Association ("ZAIKS"). The payment in question included the Company's receivables towards ZAIKS for the period until 31 May 2006. Pursuant to the memorandum of agreement, Cyfrowy Polsat paid PLN 2,700 thousand to Telewizja Polsat SA. The memorandum of agreement was concluded in connection with the provisions of the agreement of 31 January 2001 concluded between Telewizja Polsat SA and ZAIKS, pursuant to which Telewizja Polsat SA participated in making performances to ZAIKS with respect to the re-broadcast of programs on the digital platform which is currently operated by Cyfrowy Polsat. The memorandum of agreement confirms that with respect to the agreement of 31 January 2001, Telewizja Polsat SA represented Cyfrowy Polsat in its dealings with ZAIKS, and that starting from 1 June 2006 the Company was authorized to conduct its own settlements with ZAIKS in accordance with the terms and conditions of the agreement as well as to agree individually the conditions of further cooperation with ZAIKS.

As a result of the conducted negotiations for determining the conditions of direct cooperation with ZAIKS, on 7 April 2008 a memorandum of agreement was concluded to pay to 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. At the same time,a license agreement was concluded with ZAIKS, which regulates conditions of further cooperation.

Agreement with Interflux Sp. z o.o.

On 20 March 2007, the Company concluded with Interflux Sp. z o.o. an agreement for the purchase of a production line for assembly of set-top-boxes. The subject matter of the agreement is the sale to Cyfrowy Polsat of a technological line with software, designated for assembly of elements of electric and electronic devices, its delivery, assembly, installation, launch, training on the service of technological line and provision of maintenance services as part of warranty. The agreement reserves that the ownership title to the devices will be transferred when compensation is paid in full. Cyfrowy Polsat may transfer rights and obligations under the agreement to an entity in which it holds 100% of the share capital.

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

On 8 November 2007, the Company concluded with Polska Telefonia Cyfrowa Sp. z o.o. ("PTC") an agreement to determine the conditions for connecting the mobile public telephone network of Cyfrowy Polsat and the PTC public telephone network (used for provision of services according to their designation), and cooperation and mutual settlements between the Company and PTC, including also technical conditions related to installation and maintenance of network connection points i.e. the points of exchange and registration of traffic and inter-network signals between the parties.

Pursuant to the agreement, the parties make mutual connections between their networks for the purpose of allowing the exchange of telecommunication traffic between the networks. The costs of accepting and routing telephone traffic in its own network, including the costs associated with purchase, acquisition, installation and maintenance of devices necessary to provide telecommunication services are incurred by each party on its own. Each party is responsible for the maintenance of the technical capacity of hardware on its own side of the network connection point, and for ensuring the flow of telecommunication traffic from and to the telecommunication network of the other party, while preserving the continuity of provided services and without impairment of their quality. Mutual settlements of the parties for the traffic will be made on the basis of traffic registration in accordance with the detailed principles set forth in an attachment to the agreement. The agreement was concluded for an indefinite term i.e. for the term during which both parties are authorized to provide telecommunication services. The agreement will expire when one of the parties loses its authorization to provide telecommunication services. Each party has the right to terminate the agreement with a two-month termination notice effective at the end of the calendar month in writing, otherwise being null and void, if the other party is in gross breach of the agreement and does not discontinue breaching it despite being notified about the breach by the other party at least 30 days before the termination. Each party has the right to terminate the agreement at any time within a six-month period, effective at the end of the settlement period, in writing, otherwise being null and void, provided that this is not in contravention with the obligations imposed on the party by the relevant regulatory body.

With reference to the provisions of the foregoing agreement, on 15 November 2007, Cyfrowy Polsat concluded with Bank BPH SA (currently Bank Pekao SA) a bank guarantee agreement pursuant to which Bank BPH SA undertook, should the Company fail to fulfill its obligations towards PTC, to pay PTC up to the maximum amount of PLN 3,300 thousand, upon first written demand of PTC Sp. z o.o. The bank guarantee is valid up to and including 15 November 2008, and it expires automatically and entirely if the demand under this guarantee does not reach the Bank on the same day in writing.

Agreement with Telekomunikacja Polska SA

On 8 November 2007, the Company concluded with Telekomunikacja Polska SA ("TP") an agreement to determine the cooperation conditions for connecting the public telecommunication network of Cyfrowy Polsat and the TP fixed-line public telephone network for the needs of providing telecommunication services, to determine the technical conditions for connection and maintenance of the network connections, and also to specify detailed conditions of settlements. Pursuant to the agreement, the Company's network will be connected to TP's network in the way described in detail in the agreement, for the purpose of allowing the exchange of telecommunication traffic between the networks. The costs of accepting and routing the telephone traffic in own network, including also the costs associated with purchase, acquisition, installation and maintenance of devices necessary to provide telecommunication services are incurred by each party on its own. Each party is responsible for maintenance of technical efficiency of hardware on its own side of the network connection point, and for ensuring the flow of telecommunication traffic from and to the telecommunication network of the other party, while preserving the continuity of provided services and without impairment of their quality. Mutual settlements of the parties on account of traffic will be made on the basis of traffic registration in accordance with the detailed principles set forth in an attachment to the agreement. The agreement was concluded for an indefinite term i.e. for the term during which both parties are authorized to provide telecommunication services. Each party may terminate the agreement with immediate effect if the other party loses its authorization to provide telecommunication services. In addition, each party in particular has the right to terminate the agreement at any time in writing, with a three-month termination notice period, effective at the end of the calendar month, provided that this is not in contravention with the obligations imposed on the party by the relevant regulatory body or resulting from the provisions of law. In order to secure TP's possible claims under the agreement, Cyfrowy Polsat undertook to deliver to TP (i) a bank guarantee issued by a Polish bank or a Polish representative office of a foreign bank, or (ii) a proof of freezing the cash amount on the Company's bank account with the power-of-attorney for TP to dispose off this amount, or (iii) the notary deed containing Cyfrowy Polsat's representation on voluntary submission to enforcement. None of the parties may transfer the rights and obligations under the agreement to third parties without prior written consent of the other party, except for the situations specified in the agreement, and in particular (i) TP transferring the rights and obligations under the agreement to any of the companies belonging to the TP capital group, and (ii) Cyfrowy Polsat transferring the rights and obligations under the agreement to any of the companies belonging to the Company's capital group. For the purpose of securing TP's possible claims under the foregoing agreement, on 7 December 2007 Cyfrowy Polsat put forward a representation on submitting to enforcement with respect to receivables due and payable to TP, up to PLN 201 thousand.

Agreement with BBC Worldwide Limited

On 14 September 2007, Cyfrowy Polsat concluded with BBC Worldwide Limited an agreement pursuant to which BBC Worldwide Limited granted its license to broadcast BBC Entertainment, BBC Knowledge, BBC Lifestyle and Cbeebies channels (the "Channels") in exchange for a monthly license fee denominated in USD. The license fee is calculated as the product of the number of subscribers of each Channel and the amount of the license fee paid for each subscriber who has access to the given Channel. Neither party may transfer its rights or obligations under the agreement onto another entity without prior consent of the other party. Nevertheless BBC Worldwide Limited will be authorized to transfer its rights and obligations arising out of the agreement onto an entity belonging to the BBC Worldwide Limited capital group without obtaining the consent of Cyfrowy Polsat. In the event of material breach of terms and conditions of the agreement by one of the parties, which breach is not corrected within 30 days from the date of summoning the other party to correct it, the other party will have the right to terminate the agreement with a 30-day termination notice. In particular, each party will have the right to terminate the agreement without serving a notice if a bankruptcy application is filed against the other party. BBC Worldwide Limited will have the right to terminate the agreement with a 60-day termination notice if the actions of Cyfrowy Polsat have negative impact on the BBC Worldwide Limited brand. The agreement was concluded under British law.

Agreement with HBO Polska Sp. z o.o.

On 18 December 2007, Cyfrowy Polsat concluded with HBO Polska Sp. z o.o. an agreement pursuant to which HBO Polska Sp. z o.o. granted its license to broadcast HBO, HBO2 and HBO Comedy channels in exchange for a monthly license fee denominated in USD. The license fee is calculated as the product of the number of subscribers of each channel and the amount of the license fee paid for each subscriber who has access to the given Channel. The agreement was concluded for 3 years. After the elapse of this term, the agreement will be extended for three more years, provided that neither party submits a representation to the contrary at least 6 months before the end of the term. In the event of a material breach of the terms and conditions of the agreement by one of the parties, which breach is not corrected within 30 days from the date of summoning the other party to correct it, the other party will have the right to terminate the agreement with a 30-day termination notice. In particular, each party will have the right to terminate the agreement without serving a notice if a bankruptcy application is filed against the other party. The agreement was concluded under Polish law.

Insurance agreements

On 10 April 2007, Cyfrowy Polsat concluded an insurance agreement with PZU SA for the property – the set-top-boxes stored in the warehouse located in Błonie near Warsaw. The term of the insurance agreement is from 10 April 2007 to 31 August 2008. The sum insured is PLN 30,000 thousand.

On 2 October 2007, Cyfrowy Polsat concluded an insurance agreement with PZU SA for the production line for set-top-boxes. The term of the insurance agreement is from 3 October 2007 to 4 June 2008. The guarantee sum is PLN 10,000 thousand.

13. Remuneration of the Management Board members, Supervisory Board members and management and number of employees

a) Management Board

The table below presents the total remuneration amounts with bonuses of the Cyfrowy Polsat Management Board Members (without remuneration on account of subscribing shares below their fair value) on account of performance of management functions in the Parent Company and the subsidiary companies.

(in thousands of PLN)		for the year ended	
First and last name	**Function**	**31 December 2007**	**31 December 2006**
Dominik Libicki	President of the Management Board	560	60
Maciej Gruber	Management Board Member	291	48
Dariusz Działkowski	Management Board Member	442	-
Andrzej Matuszyński	Management Board Member	440	-
Total		**1,733**	**108**

The bonuses for the individual Management Board Members were as follows:

(in thousands of PLN)		for the year ended	
First and last name	**Function**	**31 December 2007**	**31 December 2006**
Dominik Libicki	President of the Management Board	250	-
Maciej Gruber	Management Board Member	62	-
Dariusz Działkowski	Management Board Member	50	-
Andrzej Matuszyński	Management Board Member	50	-
Total		**412**	**-**

On 29 November 2007, the share capital increase by PLN 233 thousand was registered (5,825,000 shares with a par value of PLN 0.04) up to the amount of PLN 10,733 thousand, by a private subscription. Shares with a par value of PLN 25 thousand were subscribed by the Company's Management Board Members and paid in October 2007.

The issue of shares for Management Board members is subject to regulations IFRS 2 “Payments in the form of shares”. Due to the fact that the issue price, at which the shares were subscribed by the Management Board Members, is lower than their estimated fair value, the Company, pursuant to IFRS 2 “Payments in the form of shares”, carried in the 2007 profit and loss account an additional cost of remunerating the Management Board Members of PLN 10,174 thousand, representing the difference between the fair value of the subscribed shares and their issue price.

Total amounts of Management Board Members’ remuneration carried in the profit and loss account by virtue of subscribing shares below their fair value is presented below:

(in thousands of PLN)

First and last name	Function	2007
Dominik Libicki	President of the Management Board	8 139
Maciej Gruber	Management Board Member	753
Dariusz Działkowski	Management Board Member	753
Andrzej Matuszyński	Management Board Member	529
Total		**10,174**

On 4 December 2007, the Extraordinary Shareholder Meeting of Cyfrowy Polsat adopted a resolution to introduce an incentive program for the management. It involves granting managers the option of subscribing shares of the Parent Undertaking. The persons eligible to subscribe shares will be the holders of subscription warrants who subscribe shares in accordance with the incentive program bylaws and the resolution of the Extraordinary Shareholder Meeting to issue subscription warrants.

b) Remuneration of the Management Board Members of the Cyfrowy Polsat for discharging functions in the governing bodies of the subsidiary companies

The information on the remuneration received by the Management Board Members of the Cyfrowy Polsat for discharging functions in the governing bodies of Cyfrowy Polsat Technology Sp. z o.o. and Praga Business Park Sp. z o.o. is presented in the table below.

(in thousands of PLN)	for the year ended	
First and last name	**31 December 2007**	**31 December 2006**
Dominik Libicki	59	16
Maciej Gruber	64	34
Dariusz Działkowski	30	-
Andrzej Matuszyński	-	-
Total	**153**	**50**

c) Supervisory Board

The remuneration of the Supervisory Board Members is paid pursuant to resolution adopted by the Extraordinary Shareholder Meeting of Cyfrowy Polsat on 5 September 2007.

Total amounts of remuneration of Supervisory Board members in 2007 are presented in the table below:

(in thousands of PLN)		for the year ended	
First and last name	**Function**	**31 December 2007**	**31 December 2006**
Heronim Ruta	Supervisory Board Chairman	60	-
Mariola Gaca	Supervisory Board Member	40	-
Zdzisław Gaca	Supervisory Board Member	40	-
Anna Kwaśnik	Supervisory Board Member	40	-
Andrzej Papis	Supervisory Board Member	33	-
Total		**213**	**-**

d) Information any agreements concluded between the issuer and its managing persons, which provide for compensation in the event of a given person resigning or being removed from his or her position without a good reason, or being removed as a result of the issuer being merged into another company

Dominik Libicki

The management agreement concluded by Cyfrowy Polsat with Mr. Dominik Libicki, the President of the Management Board, states that the termination notice period is six months. In the event of expiration of the agreement or its non-continuation for the reasons attributable to the Company, or its termination by the Company with a termination notice, as well as termination of the agreement by Mr. Dominik Libicki due to non-payment of compensation for three months, Mr. Dominik Libicki will be eligible to receive severance pay amounting to six times monthly compensation.

Andrzej Matuszyński

On 1 August 2007, the Company concluded a management agreement with Mr. Andrzej Matuszyński, in which the termination notice period was fixed at four months. In addition, on 1 August 2007, Cyfrowy Polsat concluded a non-competition agreement with Mr. Andrzej Matuszyński. The agreement envisages that in exchange for refraining from providing services to competitors, monthly compensation will be paid in the amount of 100% of the compensation received so far for the period of eight months (if the management contract is terminated by Mr. Andrzej Matuszyński) or 12 months (if the management contract is terminated by the Company). The agreement also envisages severance pay for Mr. Andrzej Matuszyński amounting to six times monthly compensation in the event of expiration or non-continuation of the management agreement for reasons attributable to the Company, or termination of this agreement by the Company with a termination notice, as well as its termination by Mr. Andrzej Matuszyński due to non-payment of compensation for three months.

Maciej Gruber

On 1 August 2007, Cyfrowy Polsat concluded a management agreement with Mr. Maciej Gruber, in which the termination notice period was fixed at four months. In addition, on 1 August 2007, the Company concluded a non-competition agreement with Mr. Maciej Gruber. The agreement envisages that in exchange for refraining from providing services to competitors, monthly compensation will be paid in the amount of 100% of the compensation received so far for the period of eight months (if the management contract is terminated by Mr. Maciej Gruber) or 12 months (if the management contract is terminated by the Company). The agreement also envisages severance pay for Mr. Maciej Gruber amounting to six times the monthly compensation in the event of expiration or non-continuation of the management agreement for reasons attributable to the

Company, or termination of this agreement by the Company with a termination notice, as well as its termination by Mr. Maciej Gruber due to non-payment of compensation for three months.

Dariusz Działkowski

On 1 August 2007, Cyfrowy Polsat concluded a management agreement with Mr. Dariusz Działkowski, in which the termination notice period was fixed at four months. In addition, on 1 August 2007, the Company concluded a non-competition agreement with Mr. Dariusz Działkowski. The agreement envisages that in exchange for refraining from providing services to competitors, monthly compensation will be paid in the amount of 100% of the compensation received so far for the period of eight months (if the management contract is terminated by Mr. Dariusz Działkowski) or 12 months (if the management contract is terminated by the Company). The agreement also envisages severance pay for Mr. Dariusz Działkowski amounting to six times the monthly compensation in the event of expiration or non-continuation of the management agreement for reasons attributable to the Company, or termination of this agreement by the Company with a termination notice, as well as its termination by Mr. Dariusz Działkowski due to non-payment of compensation for three months.

e) Average number of employees

The information about the average number of employees in 2006 and 2007 is presented below.

	for the year ended	
	31 December 2007	**31 December 2006**
Number of employees – employment contracts	229	188
Number of employees – managerial contracts	5	5
Total	**234**	**193**

14. Risk factors

Risk factors may be divided into the two following categories:

a) risk factors associated with the activities of the entities comprising the Company
b) risk factors associated with the environment in which the Company conducts its activities

The following items may be mentioned in the group of risk factors associated with the activities of the entities comprising the Company:

1' System failures could disrupt operations and thereby have a material adverse effect on the Company's business, financial condition, results of operations and prospects

Company's satellite broadcasting center and information systems such as Company's subscriber management system, customer relationship management system, sales service system and reporting system, may be damaged or unable to continue operations as a result 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. Company may experience failures or shutdowns relating to individual components of the satellite broadcasting center or even catastrophic failure of entire satellite broadcasting center. Any failure of Company's 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 subscriber management system, customer relationship management system, sales service system and reporting system, may result in serious disruption or even suspension of Company's operations for a prolonged period. The occurrence of any of these events may also increase the costs associated with operations and may subject Company to liability, any of which could materially and adversely affect operations and thereby have a material adverse affect on Company's business, financial condition, results of operations and prospects.

2' Failure to launch MVNO operations may have an adverse effect on the Company's overall activity, financial standing, operating results and development perspectives

Currently, the Company is providing pay digital satellite television services in Poland. In 2008 Cyfrowy Polsat is planning to develop its business as an independent mobile virtual network operator – using its strong brand and existing subscriber base. At present, the work to implement this service is in progress. Therefore, it is not certain whether the Company will be able to launch such activity.

On the other hand, after launching mobile virtual network operator activities, the Company will be dependent on key providers, in particular the mobile telephony operator (the provider of the radio network), and the providers of basic technical infrastructure for administering the telecommunication network and billing system elements. If the concluded agreements are terminated or inadequately performed, Cyfrowy Polsat may be unable to conclude replacement agreements for the delivery of necessary services or equipment on favorable financial conditions or in a short amount of time, which may have a considerable adverse effect on the Company's operations, its financial results or perspectives.

3' Cyfrowy Polsat currently does not have a license agreement with Telewizja Polska Spolka Akcyjna regulating the offering of so-called "must carry" television channels under Polish law

The Radio and Television Act of December 29, 1992 (the "Radio and Television Act") currently only imposes an obligation to provide public channels before offering commercial channels on cable television operators.

Cyfrowy Polsat has not entered into a license agreement with Telewizja Polska Spolka Akcyjna ("TVP") to transmit public television channels, TVP 1 and TVP 2. Company is currently negotiating with TVP to enter into such an agreement, and Management Board believes that TVP will agree to sign a license agreement with Cyfrowy Polsat without demanding that Company pays any license fees. TVP is currently not requesting Company to make payments, but initially it had proposed that Cyfrowy Polsat enters into such license agreement and pays license fees.

Due to prolonged negotiations with TVP regarding Company's distribution of public channels, Management Board has decided to distribute TVP's public channels without the relevant license agreement. Company has notified TVP, the Polish National Broadcasting Council (the "KRRiT") and the Polish Telecommunications and Post Regulatory Authority (Urzad Regulacji Telekomunikacji i Poczty) that Cyfrowy Polsat will provide the public television channels without having entered into a license agreement with TVP. Company's decision was based on the "must carry" principle set forth in the Radio and Television Act, which requires cable television operators to offer access to public television programming. Based on review of the provisions of the Council Directive on Universal Service (2002/22/EC) ("Universal Directive"), Cyfrowy Polsat believes that this requirement should also apply to DTH satellite operators. As the core mission of public television is to distribute channels to the widest possible range of viewers, the Universal Directive also provides for equal rights and obligations of cable television operators and DTH satellite operators, in particular with respect to the obligation to distribute public radio and television programming. This interpretation is supported by the KRRiT's statement dated July 5, 2005 on the cooperation between TVP and cable television and DTH satellite operators. In this statement, the KRRiT asserted that, based on Article 31 of the Universal Directive, the "must carry" principle should be extended to cover DTH satellite operators.

However, no assurance can be given that if Cyfrowy Polsat is unable to enter into such license agreement with TVP, it will not file a suit against Company in a Polish court. Any unfavorable decision issued against Cyfrowy Polsat could require Company to enter into a license agreement with TVP under which Company could be required to pay license fees. Such an unfavorable decision may also give TVP a possibility to file suit for damages against Cyfrowy Polsat for losses incurred as a result of previous distribution of TVP's channels without a license agreement. Any such development could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

4' Growth of Company and satisfaction of subscribers with services depend on entering into new and extending current license agreements for access to key programming rights

The results of Cyfrowy Polsat operations depend on ability to obtain attractive television programming. Currently, Company provides 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 enables Company to attract and retain customers. Company 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 Cyfrowy Polsat will be able to introduce new attractive channels into programming offer or retain channels currently included in programming offer. Any inability to renew current license agreements on acceptable terms or negotiate new license agreements could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

5' If Cyfrowy Polsat cannot successfully deploy new products and services, Company's business, financial condition, results of operations and prospects may be adversely affected

Company's 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 own set-top boxes) introduced by Company fail to achieve sufficient market acceptance or experience technical difficulties, revenue growth, margins and cash flows may be adversely affected. As a result, Company may not recover the initial investment that Cyfrowy Polsat has made or may make to deploy these products and services. In addition, if competitors offer the same or similar new products and services in the market more quickly or more effectively than Company does, Cyfrowy Polsat may lose existing and potential customers to Company's competitors.

In addition, as Cyfrowy Polsat introduces new products and services to customers and as the number of customers and the number of services that Company offers customers increases, the complexity of product and service offerings will also increase. A failure to manage the growth and complexity of new products and services could lead to disruptions in Company's business which could harm Cyfrowy Polsat reputation and result in a loss of subscribers. In addition, Company cannot assure you that Cyfrowy Polsat will not experience technical or logistical difficulties as Company continues 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 Company's business, financial condition, results of operations and prospects.

6’ Company ability to provide services is dependent upon the cooperation, facilities and equipment of certain third party providers, the failure of which could cause delays or interruptions in Company’s service, damage our reputation, cause Company to lose customers and limit its growth

Success of Cyfrowy Polsat depends on 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 control of Company. For example, Cyfrowy Polsat currently leases three transponders on the Eutelsat Hotbird 8 satellite which allow Company to provide services to customers. In addition, Cyfrowy Polsat uses the Nagravision conditional access system to secure system from unauthorized access through piracy or hacking by third parties.

If 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, customers of Cyfrowy Polsat may experience service interruptions. If interruptions adversely affect the perceived reliability of service, Company may have difficulty attracting new customers and Company’s brand, reputation and growth will be negatively impacted.

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

7’ Some of the provisions of agreements with clients may be considered to be prohibited.

On 18 October 2006, the President of the Office of Competition and Consumer Protection (“UOKiK”) sent to Cyfrowy Polsat a summons to send model agreements (agreements, bylaws, price lists) offered to consumers as part of the conducted activity. The Company sent the model agreements used with the bylaws. In his letter of 21 May 2007, the President of UOKiK advised the Company that the office had reservations with respect to some of the clauses applied in the model agreements and the provisions of the bylaws. These concerned in particular the provisions with regard to (i) force majeure, (ii) justified interruptions in provision of services, (iii) contractual penalties imposed on clients, (iv) termination notice periods, (v) use of personal data. Accordingly, the President of UOKiK summoned the Company to submit explanations, present relevant documents and voluntarily change the models in question. In its response, the Company took a stance with regard to the office’s argumentation. There is a risk that if legal action is brought to recognize the provisions of the model agreement as being prohibited, the competition and consumer protection court will prohibit – on the basis of the legally binding verdict – the use of the challenged provisions of the model agreement.

If certain provisions of the model agreements are considered to be prohibited, this will make it necessary to make changes in the binding model agreements. As a result, the opportunity will emerge for clients to withdraw from the agreements with challenged provisions, without observing the termination notice periods and without obligation to pay contractual penalties.

In addition, if the Company uses the prohibited provisions in the model agreements, the President of UOKiK may impose a contractual penalty on Cyfrowy Polsat in an amount not greater than 10% of revenues (as defined by the Act on Corporate Income Tax (the “PDOP” Act)) earned in the financial year preceding the year of imposing the penalty.

The occurrence of any of the risks described above, including in particular the imposition of the contractual penalty, withdrawal of some of the clients from the agreements concluded with the Company, as well as organizational complications and the need to incur additional costs, may have a considerable adverse effect on the Company’s operations, its financial results or development perspectives.

8' Some of the Issuer's practices may be considered to be the competition-limiting practices.

On 23 May 2007, Cyfrowy Polsat was notified by the UOKiK Delegate Office in Wrocław about the launch of clarification proceedings to determine initially whether the Company has breached the ban on using competition-limiting practices by making it difficult for authorized distributors to distribute the competing "n" digital platform, operated by ITI Neovision Sp. z o.o., which may constitute a breach of art. 6 sec. 1 of the Competition and Consumer Protection Act of 16 February 2007. In connection with the above, the Company was obligated to present the documents specified in the notification, in particular (i) a copy of the agreement concluded with the distributor, (ii) the principles and criteria for granting authorizations to distributors, (iii) a current excerpt from the Company's National Court Register (KRS). In its letter of 22 June 2007, Cyfrowy Polsat submitted explanations in the matter in question.

It is possible that in the future the President of UOKiK will consider other practices applied by the Company to be the competition-limiting practices.

If the President of UOKiK determines that the practices applied by the Company limit competition, the President of UOKiK may issue an order to discontinue them. In addition, the President of UOKiK may impose a contractual penalty in the amount not greater than 10% of revenues (as defined by the PDOP Act) earned by the Company in the financial year preceding the year of imposing the penalty. The imposition of the penalty in question may have a considerable adverse effect on operations, financial results or development perspectives.

9' As a result of the proceedings commenced by the President of UOKiK, the advertising practice applied by the Issuer may be considered to be a practice that breaches the collective interests of consumers.

On 30 May 2007, Cyfrowy Polsat was notified by the President of UOKiK about the commencement of proceedings to determine whether the advertising practice applied by the Company entailed misleading consumers with respect to the content of the TV channel offering.

The proceedings were launched on the basis of findings that the advertising offering, on the basis of which consumers decided to sign an agreement and select Pakiet Cinemax (the Cinemax channel), available together with Pakiet Relax Mix, was not the same as the content of the agreements signed by them. The President of UOKiK believes that the collective interests of consumers could be breached by unfair or misleading advertising. In the letters of 20 and 29 June 2007, the Company took a stance with regard to some of the office's comments, it acknowledged the discrepancies between the advertisements and the provisions of agreements concluded with the clients, and it pointed out the reasons for the situation that had occurred. The Company also emphasized that the discrepancies in question had been removed.

If the President of UOKiK determines that the practice applied by the Company misleads the consumers with respect to the TV channel offering, which amounts to a breach of the collective interests of consumers, the President of UOKiK may order to discontinue the practice and, for the purpose of ensuring the execution of the order, determine measures to remove the consequences of the breach. In particular, the President of UOKiK may obligate the Company to submit a single or multiple representations with the content and form specified in the decision. The President of UOKiK may also order the publication of the decision entirely or in part at the Company's expense. Due to change of provisions on competition and consumer protection, there is also a risk of adopting such interpretation of the binding provisions that would make it possible to impose a contractual penalty in an amount not greater than 10% of revenues (as defined by the PDOP Act) earned by Cyfrowy Polsat in the financial year preceding the year of imposing the penalty. The imposition of the penalty in question may have a considerable adverse effect on the Company's operations, its financial results or development perspectives.

10' Company's success depends on attracting and retaining key personnel

Management Board believes that commercial success will depend on Company's ability to attract and retain highly qualified personnel. Although Cyfrowy Polsat has been successful in attracting such people in the past, competition for highly skilled individuals in Poland has recently intensified. There can be no assurance that Company will continue to be successful in attracting and retaining such individuals in the future. Loss of services and failure to attract or retain such individuals could have a material adverse effect on Company's business, financial condition, result of operations and prospects.

11' The land on which Company's headquarters (including satellite broadcasting center) are located is used as collateral to service a bank loan to Company's subsidiary

On September 18, 2006, Company's subsidiary, Praga Business Park Sp. z o.o., entered into a loan agreement for EUR 8.260 thousand with Raiffeisen Bank Polska S.A. ("Raiffeisen Bank"). As security for the loan, Group provided Raiffeisen Bank, among other things, with a financial pledge (a registered and ordinary pledge) over all of the shares in Praga Business Park Sp. z o.o.. In the event of a default under the loan agreement, Raiffeisen Bank has the right under Polish law to enforce its pledge over these shares. If Company's shares in Praga Business Park Sp. z o.o. were to become the property of Raiffeisen Bank or any other authorized party upon an occurrence of events stipulated in the loan agreement or in the pledge agreement, Cyfrowy Polsat may lose control over Praga Business Park Sp. z o.o., which owns the real estate on which Company's headquarters and satellite broadcasting center are located, which may lead to a temporary suspension of Company's activities.

In addition, in order to secure the above loan, certain plots of land owned by Praga Business Park Sp. z o.o. located in Warsaw at ul. Lubinowa on which satellite broadcasting center is housed are encumbered with a capped mortgage of up to EUR 12,500 thousand for the benefit of Raiffeisen Bank as security for the loan granted to Praga Business Park Sp. z o.o.

Under Polish law, if satellite broadcasting center were deemed to be a permanent component of the real estate and if Raiffeisen Bank were to initiate enforcement proceedings against Praga Business Park Sp. z o.o., it could also satisfy its claims against Praga Business Park Sp. z o.o. by selling parts of satellite broadcasting center. Further, if the real estate of Praga Business Park Sp. z o.o. were to be repossessed in order to satisfy the mortgaged debt, Company may lose right to use the land and infrastructure located on that land for business of providing DTH satellite television services.

An occurrence of any of these risks would have a material effect on Company's business, financial condition, results of operations and prospects.

12' Complex technology used in Company's business could fail or become obsolete

The software and technology that Cyfrowy Polsat uses, in particular the compression, scrambling and subscriber management systems integral to satellite broadcasting center, may not function as Company expects. In addition, technology in the satellite television industry is in a rapid and continuing state of change. Cyfrowy Polsat as well as its 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 Company's broadcasting system may occur that could adversely affect performance or operation of broadcasting system, which could materially adversely affect Company's business, financial condition, results of operations and prospects.

13' Scrambling algorithm and access codes, which Cyfrowy Polsat uses in its activity, may be broken.

At the present time, the Group uses the conditional access system developed by Nagravision SA ("Nagravision"), one of the leading manufacturers of conditional access systems in the world, based on the common scrambling algorithm Digital Video Broadcasting (DVB). The Nagravision conditional access system ensures management of access rights to the subscriber's channels, and the encrypted transmission of keys for the common scrambling algorithm. Nevertheless, there are cases of obtaining unauthorized access to the keys, as a result of which third parties can obtain unauthorized access to the services provided by the Company. Currently, in order to ensure that third parties are prevented from unauthorized use of services, the Group consistently upgrades the conditional access system (from NagraVision Aladin to NagraVision 142 conditional access system), and it also takes actions to prosecute persons producing, distributing or using such illegal solutions. There is a risk, however, that the conditional access system used by Cyfrowy Polsat, despite being upgraded, may not be sufficient to prevent unauthorized use by third parties. None of the conditional access systems available on the market is able to guarantee full effectiveness. The agreement with Nagravision specifies, however, that if the conditional access system offered by Nagravision is broken, Nagravision will repair the system within a specified time or pay a specified indemnity whose maximum value is determined in the agreement. In addition, there is a risk of breaking the common scrambling algorithm DVB used in the entire pay TV industry, which will allow unauthorized access to the services provided by the Group without the need to use keys for the common scrambling algorithm, and, consequentially, will make it necessary to replace the set-top-boxes making it possible to use the services provided by the Company. The foregoing risks may have a considerable adverse effect on the Company's operations, its financial results or development perspectives.

14' Company's indebtedness may restrict Company's ability to grow business

Company finances operations in part from third-party loans, the outstanding amount of which may increase in the future. In October 2007, Cyfrowy Polsat entered into a revolving credit facility with Bank Pekao S.A ("Bank Pekao") under which Bank Pekao agreed to provide Group with a loan of up to PLN 200 million to (i) refinance current indebtness and thereafter (ii) finance business activities (the "Bank Pekao Revolving Credit Facility"). As of December 31, 2007, total outstanding indebtedness was PLN 193,806 thousand. Over the last three years, Cyfrowy Polsat has not experienced any difficulties in obtaining financing.

If the Polish zloty continues to appreciate in the future, it may positively affect the level of Company's indebtedness.

Any need to obtain additional loans to finance Company's business development, subject to compliance with covenants and other conditions under the Bank Pekao Revolving Credit Facility, could increase Company's level of indebtedness and trigger several significant consequences. Among others, it could:

- limit Company's ability to obtain additional financing for working capital, capital expenditures or other purposes even though Cyfrowy Polsat did not have any problems with obtaining such additional financing in the past;
- require to dedicate a substantial portion of Company's cash flows to pay interest expenses and repay principal debt, which would reduce funds that would be otherwise available;
- limit Company's ability to pay dividends; and
- place Company at a competitive disadvantage compared to Company's competitors that have fewer debts.

The occurrence of any of these risks could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

15' Frequent changes of foreign exchange rates may have an adverse effect on the Company's financial results and operations.

The Company's activity is exposed to FX volatility risk. Although almost all of the Company's revenues are denominated in Polish zloty, a considerable part of operating costs and capital outlays (including those related to purchase of set-top-boxes, other technical equipment, licenses for distribution of TV channels or software) are incurred in currencies other than Polish zloty.

FX volatilities may be caused by the events remaining outside of the Company's control. Unfavorable FX volatilities with respect to the Polish zloty may have a considerable adverse effect on the Company's operations, its financial results or development perspectives.

The impact of depreciation of the Polish zloty by 5% with respect to EUR and USD on the profit and loss account is presented below. The analysis assumes that all other variables, including especially the interest rates, remain constant. The following sensitivity analysis was performed for 2006 in the same way.

(in thousands of PLN)	**Profit and Loss Account**
2007	
EUR	(8,573)
USD	(22,501)
2006	
EUR	(5,050)
USD	(31,341)

Appreciation of the Polish zloty with respect to EUR and USD will have the same impact on the profit and loss account, however, the figures will have the opposite sign. The analysis assumes that all other variables remain constant.

16' Cyfrowy Polsat has a history of losses and negative shareholders' equity

Cyfrowy Polsat generated first positive net income in 2004, after having experienced net losses since launching our DTH satellite television services business. At the end of 2006, Company had a negative shareholder's equity of PLN 63,009 thousand (including losses from previous years of PLN 73,509 thousand). Since Company began operations in 2001, Cyfrowy Polsat has incurred substantial expenditures investing in DTH satellite broadcasting system, introducing multi-channel subscription television services to customers and offering subsidies for set-top boxes for new subscribers.
Management Board expects to incur in the future additional expenses as Company introduces new services and products into programming offer, such as HDTV and DVR, acquire new high-quality programming, offer subsidies for set-up boxes as well as expand business to new services such as mobile telephony service.
If costs that Cyfrowy Polsat incurred and will incur in the future are not offset by increased revenues, such a development could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

17’ Company’s ability to grow DTH satellite television services business depends in part on Company’s ability to maintain the operations of sales network

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

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

18’ Subscriber churn may increase in the future

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

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

Cyfrowy Polsat intends to expand into new business areas in the future, and in particular, Company intends to launch its own MVNO business by the end of the first half of 2008. In connection with this expansion, Cyfrowy Polsat expects that average subscriber acquisition costs (“SACs”) as well as the average subscriber acquisition cost for each single package may increase. At the same time, ARPU may decline as a result of growing number of subscribers to Mini Package and the launch of mobile telephony services or for other reasons. Any significant growth in these 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.

20’ Company’s business may be adversely affected by failure to maintain Company’s reputation and the value associated with Cyfrowy Polsat brand

Company’s brand name “Cyfrowy Polsat” is an important asset to Company’s business. Maintaining the reputation of, and value associated with, Cyfrowy Polsat name is vital to the success of Company’s business. However, there can be no assurance that Company’s business strategy and its execution will accomplish this objective. Company’s reputation may be harmed if Cyfrowy Polsat encounters difficulties in providing existing products and services, including HDTV and DVR, or in deploying new products and services, including mobile telephony service, whether from technical faults, lack of necessary equipment or other factors. In addition, the quality of the MVNO services, if Cyfrowy Polsat launches MVNO services, will depend on the services and quality of a third party’s mobile network and related functions, over which Company will have little or no influence or control. If these network operators or other third parties on whom Cyfrowy Polsat relies do not meet

Company's performance standards or provide technically flawed or imperfect products, the quality of products and services and Company's reputation may be harmed. Substantial erosion in the reputation of, or value associated with, the "Cyfrowy Polsat" brand could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

21' Company may not distribute dividends to shareholders in the future

A decision to pay out dividends in the future will be based on various circumstances. In particular, the payment of dividends will depend on the conditions then existing, including results of operations, financial and capital investment requirements, Company's profits, financial condition, existing liabilities, prospects and Company's general business condition. In addition, Cyfrowy Polsat cannot exclude that dividend payments may be restricted by debt financing agreements Company might enter into in the future.

22' Cyfrowy Polsat may pursue acquisitions which, if consummated, may adversely affect Company's business

Cyfrowy Polsat periodically evaluates potential acquisitions of businesses or business combination transactions that Management Board believes will present opportunities to realize synergies and strengthen Company's market position, among other perceived benefits. Any acquisition or business combination Cyfrowy Polsat may undertake in the future could require to use significant financial resources (including cash) to make potentially dilutive issuances of Company's equity securities, to incur debt and contingent liabilities and to incur impairments related to goodwill and other intangible assets.

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

23' Cyfrowy Polsat risks violating the intellectual property rights of third parties

The success of Company's business depends to a large extent on the use of intellectual property rights, in particular rights to advanced technological solutions, licenses for the software Company uses and the trademarks used by Company. Company strives and will continue to strive not to breach any third party's intellectual property rights. However, Company cannot rule out the possibility that Company has unintentionally breached or may breach such rights. As a result, Company could be exposed to liability claims from third parties. To knowledge of Management Board, no such claims are currently pending against Company. If it were alleged that Company violated certain intellectual property rights, Company may be required to obtain a license or acquire new solutions making it possible for Company to engage in 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 business, financial condition, results of operations and prospects.

The following issues may be mentioned among the risk factors associated with the environment in which the Company conducts its activities:

1' Risk associated with the growing competition on the market on which Cyfrowy Polsat conducts activity.

The Company is operating on the market of pay digital satellite TV providers in Poland, which is undergoing robust and continuous technological development as well as increasing competition from other operators such as Cyfra + and "n" platforms. Viewers may also choose access to comparable channel offerings through other transmission technologies such as cable TV, IPTV or other technologies that are not yet available commercially. In addition, joint undertakings and strategic alliances of digital satellite TV providers, cable TV providers and telecommunication operators, as well as the entry of new entities on the Polish market, may result in competition growth on the market of services provided by the Company. Earlier than anticipated development of digital terrestrial TV ("DTT"), according to the Polish press, may have an adverse effect on the Company's operations in connection with potential loss of subscribers to entities providing this service. Such new competitors may have, inter alia, much larger financial and marketing resources, and if they are successful, they can take over part of the market on which the Company operates. In addition, it is also possible that the development of the digital terrestrial TV and, consequentially, the possibility of emergence of a rich channel offering that is free of charge, will result in decrease of the number of clients interested in using pay digital satellite TV.

2' Cyfrowy Polsat is subject to significant government regulation, which could require to make additional expenditures or limit Company's revenues

As Company intends to become an MVNO providing mobile telephony services in Poland in the future, Company will be subject to extensive telecommunications regulations and supervision by various regulatory bodies, in addition to the regulatory authorities that currently regulate pay DTH satellite television services business. Upon commencement of mobile telephony business, Company will be subject, among others, to regulations governing the maximum amount of tariffs that Company can charge customers for MVNO services.

As providing mobile telephony services is a new business, Company cannot assure you that Company will be able to satisfy all of the different requirements imposed upon MVNO business by the relevant regulatory authorities. In the event that Company cannot comply with all of these regulations, Company may be forced to pay penalties for breaching these regulations. In particular, these penalties may include: (i) a fine of up to 3% of revenues (as defined under the Polish Income Tax Act) generated in the year preceding the year in which the fine is imposed and (ii) a prohibition on providing telecommunications services, which means that Company would be deleted from the register of telecommunications businesses in Poland and no longer allowed to operate as a telecommunications provider. The occurrence of any of these risks could have a material adverse effect on business, financial condition, results of operations and prospects.

3' The KRRiT may withdraw or fail to renew our license

Company's business consists of the 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, Company has 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 (but is not required to be withdrawn), for example, in cases involving a direct or indirect change of control over a licensed business.

Company's compliance with the terms of the above-mentioned license has never been questioned by the KRRiT. However, Company cannot rule out that the KRRiT may decide that the scope of license is insufficient or that business exceeds the scope of the license. This is particularly true with television programs Company broadcasts 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 October 3, 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 L 89.298.23, as amended) and the European Convention on Transfrontier Television adopted in Strasbourg on May 5, 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 licensein the event of a direct or indirect change of control over our business. Even though all of the offered Shares represent less than 50% of shares and will have less than 50% of the votes at general shareholders' meetings, Company may experience a change of control in the future. In such an event, 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.

Company's television license has been granted for a definite period of time in accordance with market practice and is scheduled to expire in 2013. If Company requires a license after 2013, there can be no assurance that the KRRiT will renew the license.

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 of the Radio and Television Act or in the license within a specified time limit.

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

4' A decline in consumer spending in Poland could adversely affect subscriber growth, revenues and profitability

Since all of Company's revenues are derived from customers in Poland, revenues depend on the amount of disposable income that existing and potential subscribers in Poland spend on entertainment and leisure.
If the Polish economy stagnates or shrinks, consumers' disposable income spent on leisure and entertainment would likely decline. A reduction in the growth rate of the Polish economy, and in particular a reduction in the growth of Polish consumers' disposable income, would likely result in a reduction in the growth of Company's revenues and subscriber numbers. In view of the existing numerous leisure and entertainment options, consumers could also become less prepared

to use their disposable income on products and services. Any of these developments could adversely affect Company's subscriber revenues and, as a consequence, business, financial condition, results of operations and prospects.

5' Exchange rate fluctuations could impact on the value of a non-Polish holder's shares and dividends

The Shares are, and any dividends to be paid with respect to them will be, denominated in Polish zloty. An investment in Shares by an investor whose principal currency is not Polish zloty will expose the investor to foreign currency rate risk. Any depreciation of Polish zloty in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.

6' Frequent changes of tax law may have a considerable adverse effect on the financial results, operating results and development perspectives.

The Polish tax system is very unstable. The tax laws change very frequently, and in many cases such changes are detrimental to the taxpayers. Changes of tax law may also result from the need to implement the new solutions envisaged under EU law, resulting from introduction of new or amendment of existing tax regulations.

In practice, the tax authorities, when applying the law, base their actions not only directly on the laws but also on the interpretations thereof made by higher instance authorities or the courts. In addition, such interpretations change, are replaced with different ones, or contradict one another. To some extent this also applies to jurisprudence. Taxes and similar fees e.g. customs duties and foreign currency payments, may be audited by the tax authorities, and if discrepancies are found, penalty interest and penalties may be imposed. The tax return forms submitted by the Company may be audited by the tax authorities for a period of five years going backwards, and some transactions with subsidiary entities may be challenged from the point of view of tax law. Accordingly, the figures stated in the Company's financial statements may change after the tax authorities conduct an audit. The Group may be obligated to pay additional large taxes, and also interest and penalties. The foregoing factors may have a considerable adverse effect on the Company's operations, its financial results or development perspectives.

7' Following the Global Offering, Mr. Zygmunt Solorz-Zak has, directly and indirectly (through Polaris Finance) a majority of votes at general shareholders meeting

Mr. Zygmunt Solorz-Zak has, directly and indirectly, (through Polaris Finance) 69% of the total votes at General Shareholders' Meeting following the Global Offering. As a result, Mr. Zygmunt Solorz-Zak and Polaris Finance have the ability to determine the outcome of any vote by the shareholders, including, but not limited to, those related to the increase or decrease of Company's share capital, amendments to Articles of Association, the election of members of the Supervisory Board, the payment of dividends and the approval of certain acquisitions. If the interests of Mr. Zygmunt Solorz-Zak and Polaris Finance conflict with the interests of other shareholders, including the holders of shares offered in the Global Offering, they could make decisions which would have a materially adverse effect on your investment in the Shares.

15. Development strategy.

The development strategy of Cyfrowy Polsat aims at increasing the Company's value through the following:

Maintaining robust growth in the number of subscribers. The Company is planning to maintain robust growth in the number of subscribers. It plans to achieve that objective by taking advantage of the growth of the Polish economy and the increase of Polish people's disposable income, as well as through: (i) maintaining attractive prices for a high quality channel offering, (ii) continuous growth of client service quality, (iii) marketing strategy aimed at the entire family, and (iv) introduction of new products, services and technologies. Growth of the number of subscribers is the most important factor influencing the Company's development and its future position on pay digital satellite TV market. In October 2006, Pakiet Mini was introduced into the offering with the aim of including in the subscriber base the clients with lowest or average income.

Increase of Average Monthly Revenue per User ("ARPU") due to introduction of new channel packages and innovative services. The ARPU ratio grew from PLN 29.6 in 2004 to 34.7 in 2007. Further broadening of the channel offering in planned in order to retain the growth of ARPU, above all through acquisition of new, high quality movie channels. In addition, the price of Family Package was slightly increased – for new subscribers the price will change in October 2007, and for the existing ones – not until the beginning of 2008. Due to the fact that it offers the channel packages and services at competitive prices, the Group will be able to conduct flexible price policy in the future, which should influence further growth of ARPU.

Introduction of integrated services using the "Cyfrowy Polsat" brand and the current subscriber base. The integrated services market in Poland is not very well developed, however it will be growing very rapidly in the future. The Company will try to acquire considerable share of this market using the strong Cyfrowy Polsat brand and the existing subscriber base. The current clients of subscription television services will have the opportunity to use the full range of mobile services and products. Due to this, the Company will be able to effectively use the synergy between these areas of activity to strengthen its position on both markets. The possibility of future introduction of other telecommunication services into the offering, including also the broadband Internet access, is also considered.

Increased profitability through production of set-top-boxes. In November 2007, the production of set-top-boxes was launched through the subsidiary company Cyfrowy Polsat Technology Sp. z o.o. The production of own set-top-boxes will enable the Company to reduce the in-house cost of set-top-boxes sold to the subscribers, which should have positive influence on improvement of operating profitability.

Effective operating costs management. Recently, the next – sixth – raised conditional access system has been launched, which makes it possible to secure the access to the TV channels transmitted via the HotBird satellite transponders, where the lease costs are incurred by the broadcasters. The channels broadcasted in such way are available directly for the Company's subscribers without the need to incur the transponder lease costs. In the future, the Company intends to continue to look for solutions aiming at more efficient management of operating costs. For this purpose, it will develop the existing IT systems and, if necessary, develop the new ones, which will make it possible to avoid high costs of implementation, system licenses and technical support.

16. Financial resources management

The main financial instruments used by the Company include the loans, bank loans, cash and short-term deposits. The main purpose of these financial instruments is to secure funds to finance the Company's operations. The Company also has other financial instruments such as trade receivables and liabilities, which are generated directly in the course of operating activity conducted by it.

In the financial year ended 31 December 2007, the Company was not exposed to material risk on account of increased sales made under credit. The Issuer has a significant number of individual subscribers scattered throughout the entire country, for whom the sales model based mostly on pre-paid services was accepted. For the ‘postpaid' subscribers, the Company is monitoring receivables on an ongoing basis and takes recovery actions up to and including disconnecting the signal transmission to the subscriber. In addition, any identified risks are mitigated through the adequate charges.

The basic assumption for maintaining the Company's liquidity is to maintain the adequate level of cash necessary to satisfy the current liabilities. All surpluses are deposited in bank deposits. The Company aims at maintaining the balance between continuity and flexibility of financing through use of various sources of financing, such as loans, current account overdrafts and bank loans.

The Company prepares on an ongoing basis the analyses and forecasts for the Company's liquid funds on the basis of cash flows.

The main risks, to which the Company is exposed, include foreign exchange risk related to foreign exchange volatilities between the Polish zloty and other currencies. Revenues generated by the Company are expressed mostly in Polish zloty, as opposite to large part of operating liabilities and capital expenditures which are carried in foreign currencies. The foreign exchange risk is related above all to the license fees for the TV and radio broadcasters (USD and EUR), satellite capacity lease agreements (EUR), conditional access system fees (EUR) as well as the loan to purchase the property in which the Company has its seat (EUR). In most cases, hedging against foreign exchange risk is effected through the activities aiming at natural reduction of exposure of receivables on account of signal broadcasting services denominated in foreign currencies (natural hedging).

The Company does not hold shares in the foreign entities and assets designated for trading denominated in foreign currencies. Accordingly, weakening of the Polish zloty with respect to other currencies will not affect the value of capital on account their valuation.

Changes of market interest rates do not have direct influence on the Company's revenues and its operating cash flows. Company's exposure to the risk caused by interest rate changes causes above all the risk of cash flow changes as a result of interest rate changes which influence the Company's bank loans. The Company analyzes, on regular basis, the exposure to risk of possible interest rate changes. The analyses are carried out, which take into account the scenarios of refinancing and hedging against the risk of interest rate changes. The influence of specified interest rate changes on the financial result are calculated on the basis of those scenarios.

17. Changes to primary management principles

No changes to the Company's management principles occurred in the presented period.

18. Subsequent events

Important agreements concluded after the balance sheet date

On 5 February 2008, Cyfrowy Polsat 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 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 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 incurred by the Company with regard to floating of the Company's shares.

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 and PTK Centertel Sp. z o.o. ("PTK Centertel") and between Cyfrowy Polsat and Polkomtel SA ("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 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.

On 13 May 2008, Cyfrowy Polsat and Nagravision SA concluded annex no. 3 to an agreement of 2 November 2004. Pursuant to the annex, Cyfrowy Polsat will receive indemnity of EUR 1,896.7 thousand on account of incorrect operation of cards in Samsung set-top-boxes, and indemnity of EUR 4,823.4 thousand for the damage incurred by Cyfrowy Polsat in connection with the need to replace the cards as a result of breaking the conditional access system.

Material events after the balance sheet date

The Company ended the Offering on 30 April 2008. On that date, Series E shares were allocated. 6,500,000 shares were allocated in the tranche for individual investors. 60,581,250 shares were allocated in the tranche for institutional investors, including 30,724,481 as part of an international offering.

Pursuant to resolution no. 322/2008 adopted by the Management Board of Giełda Papierów Wartościowych w Warszawie

SA (Warsaw Stock Exchange) on 30 April 2008, 75,000,000 Series E shares with a par value of PLN 0.04 each and 5,825,000 Series F shares with a par value of PLN 0.04 each were approved to be traded on the main market.

Pursuant to resolution no. 326/2008 adopted by the GPW Management Board on 30 April 2008, the GPW Management Board resolved to introduce into trading on the main market, as of 6 May 2008, 75,000,000 Series E and 5,825,000 Series F common bearer shares with a par value of PLN 0.04 each, and list the shares in the continuous trading system under the name CYFRPLSAT and designation CPS.

On 5 June 2008 the Company, according to agreement signed with Bank BPH SA (currently Bank Pekao SA) on 9 October 2007, prepaid PLN 50,000 thousand of the Bank Pekao Revolving Credit Facility. The Company made payment using cash generated from operations.

On 11 June 2008, the Company received decision no. DDK 6/2008 of the President of the Office of Competition and Consumer Protection (OCCP) issued on 30 May 2008. In the said decision, the President of the OCCP recognized as a practice violating the collective consumer interests the Company's activities consisting in presenting information in advertising materials that Cinemax package was an element of the Relax Mix package, whereas this package had not been an element of the Relax Mix package, but was offered to the consumers as part of the promotional offer concerning the Relax Mix package. Basing on the explanation presented by the Company in the course of the proceedings, in her decision, the President of the OCCP acknowledged that as of 1 February 2007 the Company ceased to employ the practice in question. The decision does not involve a financial penalty. The decision may be appealed against within two weeks after it is serviced.

Litigation

Lawsuit filed by SkyMedia Sp. z o.o.

On 31 January 2008, a statement of claim filed by SkyMedia Sp. z o.o., seated in Katowice, was delivered to Cyfrowy Polsat for payment of equalization benefit and indemnity in a total amount of PLN 1,071 thousand. Cyfrowy Polsat requested that the claim be dismissed in its entirety. On 14 February 2008, an extensive rejoinder to the statement of claim was filed, in which the plaintiff's allegations were refuted. At the present time, the case is pending.

19. Agreements with the entity authorized to audit financial statements

On 4 February 2008, the Company concluded with KPMG Audyt Sp. z o.o., seated in Warsaw at ul. Chłodna 51, an agreement to audit the Company's financial statements for 2007 and the consolidated financial statements of the Capital Group for the period from 1 January 2007 to 31 December 2007.

The summary below contains a list of services provided by KPMG Audyt Sp. z o.o. and compensation for these services in the period of twelve months ended 31 December 2007 and 31 December 2006.

	for the year ended	
(in thousands of PLN)	**31 December 2007**	**31 December 2006**
Compensation for audit	161	80
Compensation for services related to public offering of shares	4,160	-
Total	**4,321**	**80**

Management Board's representations

Pursuant to the requirements of the Regulation of the Council of Ministers of 19 October 2005 on Ongoing and Periodical Information Reported by Issuers of Securities, the Management Board of Cyfrowy Polsat SA 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 authorized 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 auditor who has carried out the audit satisfied the conditions for expressing an unbiased and independent opinion about an audit, as required by the relevant provisions of the national law.

Warsaw, 11 June 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.

OPINION OF THE INDEPENDENT AUDITOR

To the General Shareholders' Meeting of Cyfrowy Polsat S.A.

We have audited the accompanying separate financial statements of Cyfrowy Polsat S.A. seated in Warsaw, Łubinowa 4A (the "Company'), which comprise the balance sheet as at 31 December 2007, with total assets and total liabilities and equity of PLN 561,419 thousand, the income statement for the year then ended with a net profit of PLN 115,038 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 125,445 thousand, the cash flow statement for the year then ended with a net increase of cash and cash equivalents amounting to PLN 34,735 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these separate 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 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 separate financial statements, and whether the financial statements are derived from properly maintained accounting records. 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 about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

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 separate financial statements of Cyfrowy Polsat S.A. have been prepared and present fairly in all material respects the financial position of the Company as at 31 December 2007 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's Articles of Association that apply to the Company's separate financial statements and have been prepared from accounting records, that in all material respects have been properly maintained.

Other Matters

We also report that the report on the Company's activities includes, in all material respects, the information required by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the separate financial statements.

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 Warszawa
Certified Auditor No 9645/7212
Marek Strugała,
Member of the Management Board

Warsaw, 11 June 2008

CYFROWY POLSAT S.A.

Financial statements
for the year ended 31 December 2007

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

APPROVAL OF THE FINANCIAL STATEMENTS

On 11 June 2008, the Management Board of Cyfrowy Polsat S.A. approved the financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

1. Income Statement for the period

from 1 January 2007 to 31 December 2007	showing a net profit of:	PLN 115,038 thousand

2. Balance Sheet as at

31 December 2007	showing total assets and total liabilities and equity of:	PLN 561,419 thousand

3. Cash Flows Statement for the period

from 1 January 2007 to 31 December 2007	showing an increase in cash amounting to:	PLN 34,735 thousand

4. Statement of Changes in Equity for the period

from 1 January 2007 to 31 December 2007	showing an increase in equity of:	PLN 125,445 thousand

5. Accompanying notes

The 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

Warsaw, 11 June 2008

(all amounts in PLN thousand

Income Statement

	Note	for the year ended 31 December 2007	for the year ended 31 December 2006
Subscription fees	**9**	662,521	351,090
Rental of digital satellite reception equipment	**10**	5,954	16,455
Sale of digital satellite reception equipment	**11**	107,205	101,689
Transmission services	**12**	11,602	10,316
Other operating revenue	**13**	6,650	3,187
Total revenues from operating activities		**793,932**	**482,737**
Depreciation and amortisation		19,035	32,136
Programming costs	**14**	152,031	68,647
Transmission costs	**15**	48,402	36,083
Distribution and marketing costs	**16**	125,919	66,021
Salaries and employee-related expenses	**17**	39,755	19,594
Cost of digital satellite reception equipment sold		209,027	180,616
Other operating costs	**18**	53,906	38,467
Total costs of operating activities		**648,075**	**441,564**
Profit from operating activities		**145,857**	**41,173**
Finance income	**19**	18,493	42,812
Finance expenses	**20**	(22,312)	13,899
Gross profit for the year		**142,038**	**70,086**
Income tax	**21**	**27,000**	**14,579**
Net profit for the year		**115,038**	**55,507**
Basic and diluted earnings per share (in PLN)	**23**	**0.44**	**0.21**

(all amounts in PLN thousand

Balance Sheet - Assets

	Note	31 December 2007	31 December 2006
Digital satellite reception equipment	**24**	549	7,979
Other tangible assets	**24**	59,890	27,197
Intangible assets	**25**	10,367	4,395
Long term loans granted to related parties	**26**	23,026	21,392
Long term receivables from related parties	**27**	6,994	264
Other long-term assets	**28**	30,951	13,018
Deferred tax assets	**21**	3,701	3,981
Total non-current assets		**135,478**	**78,226**
Inventories	**29**	126,639	58,009
Short-term loans granted to related parties	**30**	7,065	6,000
Income tax receivable		3,002	-
Trade and other receivables	**31**	78,672	32,604
Other current assets	**32**	68,912	38,153
Cash and cash equivalents	**33**	141,651	107,208
Total current assets		**425,941**	**241,974**
Total assets		**561,419**	**320,200**

(all amounts in PLN thousand

Balance Sheet – Equity and Liabilities

	Note	31 December 2007	31 December 2006
Issued capital	**34**	10,733	10,500
Supplementary capital	**34**	3,500	-
Other reserves	**34**	10,174	-
Retained earnings/ (accumulated deficit)		38,029	(73,509)
Total Equity		**62,436**	**(63,009)**
Long-term loans	**35**	106,655	-
Long-term finance lease liabilities	**36**	1,412	893
Other long-term liabilities and provisions		531	564
Total non-current liabilities		**108,598**	**1,457**
Current loans	**35**	87,151	205,823
Current finance lease liabilities	**36**	204	-
Trade and other payables	**37**	201,530	97,489
Deposits for digital satellite reception equipment	**38**	20,032	21,641
Deferred income	**39**	81,468	56,799
Total current liabilities		**390,385**	**381,752**
Total liabilities		**498,983**	**383,209**
Total equity and liabilities		**561,419**	**320,200**

(all amounts in PLN thousand

Cash Flow Statement

	Note	for the year ended 31 December 2007	for the year ended 31 December 2006
Net profit for the year		**115,038**	**55,507**
Adjustments:		**(215)**	**38,085**
Depreciation and amortisation		19,035	32,136
Foreign exchange losses/(gains)		(14,079)	(24,427)
Interest expense/(income)		3,851	10,054
(Profit)/loss on investing activity		671	(14,606)
(Increase)/decrease in inventories		(68,629)	(27,653)
(Increase)/decrease in receivables and other assets		(102,630)	(26,311)
Increase/(decrease) in liabilities, provisions, accruals and deferred income		115,025	61,621
Income tax		27,000	14,579
Net decrease/(increase) in set-top boxes under operating lease		(798)	11,941
Other adjustments	**40**	20,339	751
Net cash flow from operating activities		**114,823**	**93,592**
Interest received from operating activity		5,934	2,974
Income tax paid		(29,722)	-
Cash flow from operating activities		**91,035**	**96,566**
Purchases of intangible assets		(10,487)	(1,209)
Purchases of tangible assets		(33,948)	(14,257)
Loans granted to related parties		(7,000)	(26,690)
Purchases of other financial assets		-	(15,353)
Loans repaid by related parties		6,000	-
Proceeds from sale of financial assets		616	33,224
Cash flow from investing activities		**(44,819)**	**(24,285)**
Proceeds from issue of shares		233	-
Proceeds from Lorans		191,830	32,941
Repayment of Lorans		(190,806)	(48,611)
Finance lease - principal repayments		(237)	(237)
Interest on loans and finance leases		(9,923)	(13,197)
Other financial inflows/(outflows), net		(2,578)	-
Cash flow from financing activities		**(11,481)**	**(29,104)**
Net increase/(decrease) in cash and cash equivalents		**34,735**	**43,177**
Cash and cash equivalents at the beginning of the year		**107,208**	**64,298**
Foreign exchange rate differences		(292)	(267)
Cash and cash equivalents at the end of the year		**141,651**	**107,208**

Statement of Changes in Equity

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings/ (accumulated deficit)	**Total Equity**
Balance as of 1 January 2007	**34**	10,500	-	-	(73,509)	**(63,009)**
Net profit for the year		-	-	-	115,038	**115,038**
Profit distribution		-	3,500	-	(3,500)	**-**
Issue of shares	**34**	233	-	10,174	-	**10,407**
Balance as of 31 December 2007	**34**	**10,733**	**3,500**	**10,174**	**38,029**	**62,436**

	Note	Issued capital	Supplementary capital	Other reserves	Retained earnings/ (accumulated deficit)	**Total Equity**
Balance as of 1 January 2006		10,500	-	-	(129,016)	**(118,516)**
Net profit/(loss) for the year		-	-	-	55,507	**55,507**
Balance as of 31 December 2007		**10,500**	**-**	**-**	**(73,509)**	**(63,009)**

Notes to the financial statements

1. The Company

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

The Company operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland.

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

The principal activities of the Company include:

- television and radio operations;
- telecommunication services;

2. Composition of the Management Board of the Company

The composition of the Management Board of the Company during the first 7 months of 2007 was as follows:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Member of the Management Board.

On 30 July 2007, Dariusz Działkowski and Andrzej Matuszyński were appointed as Management Board Members. The appointment became valid and rights and obligations of the new Members of the Management Board became effective on 1 August 2007.

The composition of the Management Board of the Company from 1 August 2007 until the date of preparation of the financial statements 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 Company

From 1 January until 20 September 2007 the composition of the Supervisory Board of the Company was as follows:

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

On 20 September 2007, Andrzej Papis was appointed as a Supervisory Board Member by the Extraordinary Meeting of Shareholders. The composition of the Supervisory Board of the Company as at the date of the approval of the financial statements was as follows:

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

4. Basis of preparation of the financial statements

Statement of compliance

The financial statements for the year ended 31 December 2007 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 2007. The Company applied the same accounting policies in the preparation of the financial data for the years ended 31 December 2007 and 31 December 2006, presented in these 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 Company did not early adopt standards and interpretations which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2007 (presented below). As at the balance sheet date, the Company 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 financial statements of the Company for the period when they will be applied for the first time.

New International Financial Reporting Standards and Interpretations adopted by the EU which become effective after the balance sheet date

- IFRIC 11 ”Group and Treasury share transactions ”.
- IFRS 8 ”Operating Segments”.

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

- IFRIC 12 ”Service Concession Arrangements”.
- IFRIC 13 ”Customer Loyalty Programs.

- IFRIC 14 *"IAS 19* – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*"*.
- Revised IAS 23 "Borrowing costs".
- Revised IAS 1 "Presentation of Financial Statements*"*.
- Revised IFRS 3 "Business Combinations".
- Revised IFRS 2 "Share-based Payments".
- Revised IAS 32 "Financial Instruments: Presentation" and Revised IAS 1 "Presentation of Financial Statements" related to puttable financial instruments and obligations arising on liquidation.
- Revised IAS 27 "Consolidated and Separate Financial Statements".

6. Accounting policies

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

a) Basis of valuation

The financial statements have been prepared on a historical cost basis.

b) Going concern assumption

The 2007 financial statements have been prepared assuming that the Company will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2007.

c) Functional currency and presentation currency

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

d) Judgments and estimates

The preparation of 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 recognized 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 50 contains information about the key sources of uncertainty and management judgments.

e) 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 recognized 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.

f) 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, forward currency transactions and other liabilities.

Non-derivative financial instruments are recognized 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 recognized if the Company becomes a party to the contractual obligations of the instrument. Financial assets are derecognized if the Company’s contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Standardized sale and purchase transactions of financial assets are recognized at the transaction date i.e. on the date the Company is obliged to purchase or sell the asset. Financial liabilities are derecognized if the Company’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 statement of cash flows comprises the above mentioned cash and cash equivalents.

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

Loans and receivables and other financial liabilities

Loans and receivables which are not derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Other financial liabilities which are not derivative financial instruments are measured at amortized 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 recognized at fair value, related transaction costs are recognized in the income statement accounts when incurred. Subsequent to initial recognition, the Company measures derivative financial instruments at fair value and changes in the fair value are recognized directly in the income statement.

g) 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 recognized 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 recognized 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 recognized in equity while costs relating to the public offering of existing shares are recognized directly in finance expenses. Costs relating to both a new issue and the sale of existing shares are allocated proportionally and recognized 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.

h) Property, plant and equipment

i) Property, plant and equipment owned by the Company

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 capitalized 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 capitalized if it is probable that the future economic benefits embodied within the part will flow to the Company 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
Transport means	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 Company every year.

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease, are classified as non-current assets and recognized 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. According to the above information, the set-top boxes that are provided to customers under operational leases are accounted for as property, plant and equipment. The set-top boxes that are provided to customers under financial leases are not recognized as non-current assets.

Depreciation policies for leased assets are consistent with the depreciation policies applied for similar Company-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 Company, the Company creates an impairment allowance.

i) Intangible assets

(ii) Internally generated software

The Company capitalizes 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 Company are stated at cost less accumulated amortization and impairment losses.

(iv) Subsequent expenditure

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

(v) Amortization

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

j) Shares

Shares in subsidiaries are measured at cost less impairment losses.

k) Inventories

Inventories are measured at the lower of cost or net realizable 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 includes 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 Company are sold below cost, the loss on the sale is recorded when the set-top box is transferred to the customer.

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

l) 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 recognized 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 recognized.

(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 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 recognized 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 recognized in profit or loss. An impairment loss for a cash-generating unit is initially recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

m) Employee benefits

(i) Defined contribution program

All Company 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 characterized as defined contribution. Therefore, the Company'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 Company is 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 roatation 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 recognised as an expense when the Comapny has a uncancellable detailed formal plan for the redundancy before the normal retirement date. Employee benefits relating to voluntary redundancy are recognised in costs. In the case of an offer made to encourage voluntary redundancy, the Company records an expense and a liability only if 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 Company creates a provision and charges the income statement for estimated short-term bonuses and profit sharing plans, if the Company 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 recognised as a salary expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by the employees.

n) Provisions

A provision is recognised when the Company 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 Company 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 Compnay 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 Company creates a provision for such charges.

o) 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 Company 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.

p) 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 subscribers.

r) Revenue

(i) Multi-element agreements

The Company enters into multi-element agreements which include the following components: sales of goods (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 recognized 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 basic period of the subscription contract.

(iib) Rental of set-top boxes

Revenue from the rental of set-top boxes is recognised on a straight-line basis over the 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.

(iic) Transmission services

Revenue from transmission services is recognized 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.

s) 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.

t) 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, and net exchange rate gains. Interest received is presented in the income statement on an accrual basis using the effective interest method. Revenue from dividends are recognised in the income statement at the moment the Company 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, 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 Company does not capitalise interest on loans and borrowings relating to the purchase of property, plant and equipment.

u) 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 expected 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 Company are offset by the Company provided that it is entitled to compensate current tax assets and liabilities when calculating its tax liabilities. The Company 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 Company 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 Company 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 cash flow statement are equal to cash and cash equivalents presented in the 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 increase / (decrease) of set-top boxes 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.

7. Determination of fair values

A number of the Company’s accounting policies 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 significant cases, fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability.

(i) Property, plant and equipment

The fair value of 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 forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(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 valuation model.

8. Segment reporting

Business segments

The Company operates in one business segment; it operates a paid digital satellite platform. In 2007, the Company made capital expenditures and incurred costs related to mobile telecommunication services planned to be provided in the future and started the production of set-top-boxes.

Geographical segments

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

(all amounts in PLN thousand

9. Subscription fees

	for the year ended	
	31 December 2007	**31 December 2006**
Revenue from subscription fees (MINI package)	16,739	239
Revenues from subscription fees (other packages)	645,782	350,851
Total	**662,521**	**351,090**

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

10. Rental of digital satellite reception equipment

	for the year ended	
	31 December 2007	**31 December 2006**
Revenues from the rental of digital satellite reception equipment	5,954	16,455

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

11. Sales of digital satellite reception equipment

	for the year ended	
	31 December 2007	**31 December 2006**
Revenues from the sale of digital satellite reception equipment	107,205	101,689

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.

12. Transmission services

	for the year ended	
	31 December 2006	**31 December 2006**
Revenues from sale of signal transmission	11,602	10,316

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

(all amounts in PLN thousand

13. Other operating revenues

	for the year ended	
	31 December 2007	31 December 2006
Compensation for lost and damaged equipment und subscribers' deposits written off	1,223	1,559
Other	5,427	1,588
Total	**6,650**	**3,187**

14. Programming costs

	for the year ended	
	31 December 2007	31 December 2006
Programming costs	152,031	68,647

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

15. Transmission costs

	for the year ended	
	31 December 2007	31 December 2006
Transponders rental	26,992	23,939
Conditional Access System rental	18,554	9,743
Other	2,856	2,401
Total	**48,402**	**36,083**

16. Distribution and marketing costs

	for the year ended	
	31 December 2007	31 December 2006
Distribution fees	76,911	42,928
Marketing costs	22,175	9,679
Mailing costs	9,895	5,529
Call center	12,766	7,366
Other	4,172	519
Total	**125,919**	**66,021**

(all amounts in PLN thousand

17. Salaries and employee-related expenses

	for the year ended	
	31 December 2007	31 December 2006
Salaries - contract of employment	17,935	12,383
Salaries - freelance agrement	4,184	3,709
Salaries - Management contracts	2,585	804
Salaries - cost of share-based payments	10,174	-
Salaries - Supervisory Board	213	-
Social security contributions	2,943	2,184
Pension obligations and other social benefits	1,721	514
Total	**39,755**	**19,594**

Average number of employees

	for the year ended	
	31 December 2007	31 December 2006
Number of employees- employment contracts	229	188
Number of employees- managerial contracts	5	5
Total	**234**	**193**

18. Other operating costs

	for the year ended	
	31 December 2007	31 December 2006
Fixed assets impairment and stock provision	1,250	3,718
Bad debt provision	16,498	13,231
Materials and energy used	2,983	1,737
Renovation and maintenance costs	309	764
Property lease	3,929	2,298
Legal, advisory and consulting costs	7,279	3,226
Bad debt recovery fees	185	852
Bank charges	991	792
Telecommunication services	1,084	1,361
Polish Film Institute fee	8,958	5,254
Security services	103	356
Other taxes and charges	1,942	259
Other	8,395	4,619
Total	**53,906**	**38,467**

(all amounts in PLN thousand

19. Financial revenues

	for the year ended	
	31 December 2007	31 December 2006
Foreign exchange differences, net	10,441	24,360
Interest income	7,694	3,707
Gain on financial instruments	358	-
Sale of receivables	-	14,700
Other	-	45
Total	**18,493**	**42,812**

Interest revenue

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

	for the year ended	
	31 December 2007	31 December 2006
Bank accounts and deposits	5,934	2,948
Loans	1,715	745
Other	45	14
Total	**7,694**	**3,707**

20. Finance expenses

	for the year ended	
	31 December 2007	31 December 2006
Interest	11,552	13,791
Costs attributable to public offering of shares	9,731	-
Impairment loss on investment	1,029	94
Other	-	14
Total	**22,312**	**13,899**

Interest expense

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

	for the year ended	
	31 December 2007	31 December 2006
Borrowings and Lorans	11,498	13,770
Other	54	21
Total	**11,552**	**13,791**

(all amounts in PLN thousand

21. Income tax

(i) Income tax in the income statement

	for the year ended	
	31 December 2007	**31 December 2006**
Corporate income tax	26,720	-
Deferred income tax	280	14,579
Income tax expense in the income statement	**27,000**	**14,579**

	for the year ended	
Deferred tax	**31 December 2007**	**31 December 2006**
Tax losses carried forward	14,562	5,843
Receivables and other assets	6,524	3,423
Liabilities	(17,067)	312
Deferred distribution fees	(7,182)	5,084
Tangible and intangible non-current assets	3,443	(83)
Deferred tax – total	**280**	**14,579**

(ii) Effective tax rate reconciliation

	for the year ended	
	31 December 2007	**31 December 2006**
Profit before income tax	142,038	70,085
Profit before tax multiplied by statutory tax rate in Poland of 19%	26,987	13,316
Non-tax deductible interest cost at 19% tax rate	241	792
Non-tax deductible cost of share based payment	1,933	-
2005 tax loss, settled in 2007 not recognised in previous years at 19% tax rate	(2,249)	-
Other non-taxable revenue and non-tax deductible costs, net at 19% tax rate	88	471
Tax charge for the year	**27,000**	**14,579**
Effective tax rate	**19,0%**	**20.8%**

(all amounts in PLN thousand

(iii) Deferred tax assets

	31 December 2007	31 December 2006
Tax losses carried forward	7,830	22,392
Liabilities	6,184	-
Tangible non-current assets	853	4,296
Total deferred tax assets	**14,867**	**26,688**
Offsetting of deferred tax liabilities and deferred tax assets	11,166	22,707
Deferred tax assets in the balance sheet	**3,701**	**3,981**

(iv) Tax losses

	31 December 2007	31 December 2006
Tax loss 2002 carried forward	-	63,778
Tax loss 2003 carried forward	19,896	39,792
Tax loss 2004 carried forward	15,398	30,796
Tax loss 2005 carried forward	5,919	4,588
Tax losses carried forward – total	**41,213**	**138,951**

(v) Tax losses recognized

	31 December 2007	31 December 2006
Tax loss 2002 carried forward	-	47,379
Tax loss 2003 carried forward	19,896	39,792
Tax loss 2004 carried forward	15,398	30,796
Tax loss 2005 carried forward	5,919	-
Tax losses carried forward – total	**41,213**	**117,851**

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

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.

In 2007, Cyfrowy Polsat S.A. corrected the corporate income tax return for 2005 by PLN 7,249 thousand. The tax loss for 2005 after the correction amounts to PLN 11,838 thousand. Cyfrowy Polsat S.A. utilised the 2005 tax loss of PLN 5,919 thousand in the calculation of the current income tax for 2007 and recognized the unutilised loss for 2005 as deferred tax asset as of 31 December 2007.

(vi) Deferred tax liabilities

	31 December 2007	31 December 2006
Receivables and other assets	9,164	2,640
Liabilities	-	10,883
Deferred distribution fees	2,002	9,184
Total deferred tax liabilities	**11,166**	**22,707**
Offsetting of deferred tax liabilities and deferred tax assets	11,166	22,707
Deferred tax liabilities in the balance sheet	**-**	**-**

22. EBITDA

The key measure of earnings in the Company is EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA measures the Compnay's ability to generate cash from recurring operations. The Company defines EBITDA as operating profit adjusted by depreciation and amortization. EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

	for the year ended	
	31 December 2007	31 December 2006
Profit from operating activities	145,857	41,173
Depreciation and amortization	19,035	32,136
EBITDA	**164,892**	**73,309**

23. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders of the Company 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 made pursuant to the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A., dated 5 September 2007. The share split was 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 Company did not have financial instruments that could have a dilutive effect, therefore the Company 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 2007	31 December 2006
Net profit from continuing operations (in thousand PLN)	115,038	55,507
Weighted average number of ordinary shares used to calculate earnings per share	263,806,918	262,500,000
Earnings per share in PLN	**0.44**	**0.21**

(all amounts in PLN thousand

24. Property, plant and equipment

	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 2006	**1,141**	**21,935**	**223,440**	**992**	**1,400**	**248,908**	**70**	**-**
Additions	187	5,605	-	960	889	**7,641**	10,821	-
Disposals	-	(424)	(88,003)	-	(20)	**(88,447)**	(377)	-
Cost as at 31 December 2006	**1,328**	**27,116**	**135,437**	**1,952**	**2,269**	**168,102**	**10,514**	**-**
Impairment provision as at 1 January 2006	**-**	**-**	**(21,363)**		**-**	**(21,363)**	**-**	**-**
Additions	-	(994)	(2,168)	-	-	**(3,162)**	-	-
Disposals	-	-	-	-	-	**-**	-	-
Impairment provision as at 31 December 2006	**-**	**(994)**	**(23,531)**		**-**	**(24,525)**	**-**	**-**
Accumulated depreciation								
Accumulated depreciation as at 1 January 2006	**142**	**8,705**	**159,933**	**199**	**564**	**169,543**	**-**	**-**
Additions	483	4,276	23,218	251	414	**28,642**	-	-
Disposals	-	(35)	(79,224)	-	(11)	**(79,270)**	-	-
Accumulated depreciation as at 31 December 2006	**625**	**12,946**	**103,927**	**450**	**967**	**118,915**	**-**	**-**
Carrying amounts								
As at 1 January 2006	**999**	**13,230**	**42,144**	**793**	**836**	**58,002**	**70**	**-**
As at 31 December 2006	**703**	**13,176**	**7,979**	**1,502**	**1,302**	**24,662**	**10,514**	**-**

(all amounts in PLN thousand

	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	**1,328**	**27,116**	**135,437**	**1,952**	**2,269**	**168,102**	**10,514**	**-**
Additions	5,349	19,068	423	1,577	3,040	**29,457**	31,336	476
Disposals	-	(433)	(9,188)	(369)	(114)	**(10,104)**	(20,837)	-
Cost as at 31 December 2007	**6,677**	**45,751**	**126,672**	**3,160**	**5,195**	**187,455**	**21,013**	**476**
Impairment provision as at 1 January 2007	**-**	**(994)**	**(23,531)**	**-**	**-**	**(24,525)**	**-**	**-**
Additions	-	-	-	-	-	**-**	-	-
Disposals	-	-	675	-	-	**675**	-	-
Impairment provision as at 31 December 2007	**-**	**(994)**	**(22,856)**	**-**	**-**	**(23,850)**	**-**	**-**
Accumulated depreciation as at 1 January 2007	**625**	**12,946**	**103,927**	**450**	**967**	**118,915**	**-**	**-**
Additions	80	5,545	8,032	481	664	**14,802**	-	-
Disposals	-	(61)	(8,692)	(235)	(74)	**(9,062)**	-	-
Accumulated depreciation as at 31 December 2007	**705**	**18,430**	**103,267**	**696**	**1,557**	**124,655**	**-**	**-**
Carrying amounts								
As at 1 January 2007	**703**	**13,176**	**7,979**	**1,502**	**1,302**	**24,662**	**10,514**	**-**
As at 31 December 2007	**5,972**	**26,327**	**549**	**2,464**	**3,638**	**38,950**	**21,013**	**476**

An impairment provision for the property, plant and equipment was recognised by the Company due to the uncertainty of future revenues to be generated by the assets.

As at 31 December 2007, Company is a part of the following operating lease agreements:
- office and warehouse space lease in Warszawie at ul. Łubinowa 4a (carrying amount of lease contract amounted to PLN 22.579 thousand),
- office space lease in Warsaw at ul. Chałubińskiego, (Company could not establish the carrying amount of the lease contract) ,
- warehouse space lease in Błonie (Company could not establish the carrying amount of the lease contract).

(all amounts in PLN thousand

25. Intangible assets

	Software and licences	Other	In Progress	Total
Cost				
Cost as at 1 January 2006	**14,404**	**147**	**310**	**14,861**
Additions	1,517	16	103	1,636
Disposals	(3,843)	-	(310)	(4,153)
Cost as at 31 December 2006	**12,078**	**163**	**103**	**12,344**
Cost as at 1 January 2007	**12,078**	**163**	**103**	**12,344**
Additions	5,174	7	4,882	10,063
Disposals	-	-	(99)	(99)
Cost as at 31 December 2007	**17,252**	**170**	**4,886**	**22,308**
Accumulated depreciation				
Accumulated depreciation as at 1 January 2006	**7,968**	**147**	**-**	**8,115**
Additions	3,478	16	-	3,494
Disposals	(3,660)	-	-	(3,660)
Accumulated depreciation as at 31 December 2006	**7,786**	**163**	**-**	**7,949**
Accumulated depreciation as at 1 January 2007	**7,786**	**163**	**-**	**7,949**
Additions	4,226	7	-	4,233
Disposals	(241)	-	-	(241)
Accumulated depreciation as at 31 December 2007	**11,771**	**170**	**-**	**11,941**
Carrying amounts				
As at 1 January 2006	**6,436**	**-**	**310**	**6,746**
As at 1 January 2007	**4,292**	**-**	**103**	**4,395**
As at 31 December 2006	**4,292**	**-**	**103**	**4,395**
As at 31 December 2007	**5,481**	**-**	**4,886**	**10,367**

The Company also uses internally developed software. The related costs were not capitalised due to the lack of reliable data regarding total development costs incurred by the Company.

(all amounts in PLN thousand

26. Long term loans granted to related parties

	31 December 2007	31 December 2007
Praga Business Park Sp. z o.o.	23,026	21,392
Total	**23,026**	**21,392**

Movements in long term loans

	2007	2006
Carrying amount as at 1 January	**21,392**	**-**
Loans grantem	-	20,690
Interest accrued	1,634	702
Carrying amount as at 31 December	**23,026**	**21,392**

Based on agreement concluded on 26 September 2006 between Raiffeisen Bank Polska S.A., Cyfrowy Polsat S.A. and Praga Business Park Sp. z o.o., all loans granted by Cyfrowy Polsat S.A. to Praga Business Park Sp. z o.o. are subordinate to the loan from Raiffeisen Bank Polska S.A, with the exception of the amount of PLN 11,500 thousands. Due to the partial loan repayment of PLN 6,000 thousand in 2007 the unsubordinated loan value as of 31 December 2007 amounted to PLN 5,500 thousand. The loan of Raiffeisen Bank Polska S.A. is due on 31 December 2016.

27. Long term receivables from related parties

As at 31 December 2007 related parties long term receivables consisted of set-up-boxes production line lease contract with Cyfrowy Polsat Technology. The carrying amount of lease contract amounted to PLN 6,730 thousand a is described in note 36.

28. Other long-term assets

	31 December 2007	31 December 2006
Shares	1,335	2,364
Deferred distribution fees	29,615	10,645
Other long-term receivables	1	9
Total	**30,951**	**13,018**

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.

(all amounts in PLN thousand

Zestawienie udziałów na dzień 31 grudnia 2007

	Company's registered office	Activity	Voting rights percentage	Cost	Impairment	Carrying amount
Cyfrowy Polsat Technology Sp. z o.o.**	ul. Łubinowa 4a, Warszawa	set-top boxes production	100%	804	804	-
Praga Business Park Sp. z o.o.*	ul. Łubinowa 4a, Warszawa	real estate rental	100%	50	50	-
Karpacka Telewizja Kablowa Sp. z o.o.	ul. Chorzowska 3, Radom	no activity	85%	2,231	896	1.335
			Razem	**3,085**	**1,750**	**1,335**

*until 21 February 2006 the company name was Polsat On Line Sp. z o.o.

**on 30 May 2006 the name of the company was changed from Onyx Investments Sp. z o.o. to Cyfrowy Polsat Mobile Sp. z o.o. On 2 March 2007 the name was changed again into Cyfrowy Polsat Technology Sp. z o.o.

A pledge on shares in Praga Business Park Sp. z o.o. held by Cyfrowy Polsat S.A. was established as a security for repayment of the loan from Raiffeisen Bank Polska S.A.

	2007	2006
Purchase price		
As at 1 January	**3,085**	**7,723**
Increase	-	53
Internal transfers	-	-
Transfer to short term investments	-	(4,691)
As at 31 December	**3,085**	**3,085**
Impairment provision		
As at 1 January	**721**	**3 366**
Increase	1,029	95
Internal transfers	-	-
Transfer to short term investments	-	(2,740)
As at 31 December	**1,750**	**721**
Carrying amounts		
As at 1 January	**2,364**	**4,357**
As at 31 December	**1,335**	**2,364**

(all amounts in PLN thousand

29. Inventories

Types of inventories	31 December 2007	31 December 2006
Merchandise	97,543	53,993
Other inventories	8,891	540
Prepayments for inventory	22,041	4,062
Total gross value	**128,475**	**58,595**
Provision	1,836	586
Total net value	**126,639**	**58,009**

Merchandise	31 December 2007	31 December 2006
Set-top Bowes	71,784	47,283
Smart cards	10,834	3,130
Remote controls	2	2
Satellite dishes	12,465	619
CAM module	2,458	2,959
Total	**97,543**	**53,993**

Other Inventories	31 December 2007	31 December 2006
Smart cards – in transit	3,601	-
Smart cards – 2008 swap	2,352	-
Materials for set-top boxes servicing	1,529	-
Other	1,409	540
Total	**8,891**	**540**

Prepayments for inventory

As at 31 December 2007 the position included prepayments to related company Cyfrowy Polsat Technology Sp. z o.o. for set top boxes' deliveries amounted to PLN 12,035 thousand and prepayments for set top boxes from other parties amounted to PLN 10,006 thousand. As at 31 December 2006 the balance represented prepayment for set top boxes in the amount of PLN 3,364 thousand and prepayment for smart cards amounted to PLN 698 thousand – both to non-related paries.

Provision for inventories	31 December 2007	31 December 2006
Opening balance	**586**	**155**
Increase	1,250	556
Decrease	-	125
Closing balance	**1,836**	**586**

There are no restrictions on the Company's rights to dispose of its inventories.

(all amounts in PLN thousand

30. Short term loans granted to related parties

	31 December 2007	31 December 2006
Praga Business Park Sp. z o.o.	-	6,000
Cyfrowy Polsat Technology Sp. z o.o.	7,065	-
Total	**7,065**	**6,000**

Movements in short term loans

	2007	2006
Carrying amount as at 1 January	**6,000**	**3,181**
Loans granted	7,000	6,000
Interest accrued	81	43
Repayment	(6,016)	(3,224)
Carrying amount as at 31 December	**7,065**	**6,000**

31. Trade and other receivables

	31 December 2007	31 December 2006
Trade and other receivables from related entities	1,144	630
Trade and other receivables from non-related entities	44,295	27,826
Tax and social security receivables	31,825	3,891
Other receivables	1,408	257
Total	**78,672**	**32,604**

Trade receivables from non-related entities include receivables from individual clients, distributors and others.

Currency	31 December 2007	31 December 2006
PLN	42,762	26,401
EUR	1,731	1,089
USD	946	966
Total	**45,439**	**28,456**

(all amounts in PLN thousand

Movements in bad debt allowance

	31 December 2007	31 December 2006
Opening balance	**30,209**	**17,548**
Increase	16,498	13,231
Reversal	223	-
Utilisation	-	570
Closing balance	**46,484**	**30,209**

32. Other current assets

	31 December 2007	31 December 2006
Deferred distribution fees	67,150	37,677
Other deferred costs	1,759	101
Shares	-	242
Total	**68,909**	**38,020**

Deferred distribution fees comprise commissions for distributors for contracts effectively concluded with subscribers. These costs are amortized over the minimum basic period of the subscription contracts.

As at 31 December 2006 shares include investments in Satkabel Sp. z o.o. and EMarket Sp. z o.o.

Movements in shares

	2007	2006
Purchase price		
As at 1 January	**2.982**	**-**
Increase	-	4.691
Decrease	(2.982)	(1.709)
As at 31 December	**-**	**2.982**
Impairment provision		
As at 1 January	**2.740**	**-**
Increase	-	2.740
Decrease	(2.740)	-
As at 31 December	**-**	**2.740**
Carrying amounts		
As at 1 January	**242**	**-**
As at 31 December	**-**	**242**

(all amounts in PLN thousand

On 17 July 2007, Cyfrowy Polsat S.A. concluded an agreement to sell 300 shares of Satkabel Sp. z o.o. with the nominal value of PLN 100 each at the price of PLN 400 thousand.

On 17 July 2007, Cyfrowy Polsat SA concluded an agreement with Teleaudio Sp. z o.o. to sell 7,950 shares in EMarket Sp. z o.o. with a par value of PLN 1,000, representing a total of 75% of EMarket Sp. z o.o. share capital. The price was set at PLN 200 thousand.

33. Cash and cash equivalents

	31 December 2007	31 December 2006
Cash in hand	17	26
Current accounts	12,845	6,984
Deposits	128,789	100,198
Total	**141,651**	**107,208**

Currency	31 December 2007	31 December 2006
PLN	132,719	93,035
EUR	950	9,540
USD	7,982	4,633
Total	**141,651**	**107,208**

34. Shareholder's equity

(i) Issued capital

In accordance with the National Court Register, the issued capital of Cyfrowy Polsat S.A. as at 31 December 2007 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 periods presented

In Poland, each issue of shares is given a consecutive serial number. As at 31 December 2007, Series A, B, C and D are preference shares (2 voting rights per share). Series E and F are not preference shares.

(all amounts in PLN thousand

The table below presents the shareholder’s equity as at 31 December 2007.

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	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**	

The following changes in the issued capital structure and number of issued shares in Cyfrowy Polsat S.A. took place in 2007:

- share split (one share with a nominal value of PLN 1 was divided into 25 shares with a nominal value of PLN 0.04);
- conversion of 3 million Series D registered shares into Series E ordinary bearer shares and their split into 75 million shares,
- changes in the voting rights attached to Series A and B preference shares - from 5 voting rights per share to 2 voting rights per share at the General Shareholders’ Meeting,
- issue of 5,825,000 shares with a nominal value of PLN 0.04.

The issue was addressed to the following persons:

- Dominik Libicki, President of the Management Board – 500,000 shares;
- Maciej Gruber, Member of the Management Board – 46,250 shares;
- Andrzej Matuszyński, Member of the Management Board – 32,500 shares;
- Dariusz Działkowski, Member of the Management Board – 46,250 shares;
- Piotr Nurowski – 1,706,250 shares;
- Józef Birka – 1,740,000 shares;
- Aleksander Myszka – 1,753,750 shares.

On 11 and 12 October 2007, Cyfrowy Polsat S.A and the above mentioned persons entered into share subscription agreements. The shares were paid for in October 2007.

The purchase of the shares by 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 significantly lower than their fair value as at the date of subscription, the Group recognized, in accordance with IFRS 2 *“Share-Based Payments”,* additional remuneration of the Management Board of PLN 10,174 thousand, representing the difference between the fair value of the allotted shares and their issue price. Note 46 “Remuneration of the Management Board” presents a detailed breakdown of this amount for each member of the Management Board.

(all amounts in PLN thousand

The shareholders' structure in the presented periods was as follows:

	31 December 2007				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.	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%**

	31 December 2006				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Zygmunt Solorz- Żak	424,150	424	4.0%	1,341,900	6.3%
Heronim Ruta	74,850	75	0.7%	234,300	1.1%
Polaris Finance B.V.	10,001,000	10,001	95.3%	19,723,800	92.6%
Total	**10,500,000**	**10,500**	**100%**	**21,300,000**	**100%**

Additionally, Zygmunt Solorz-Żak and Heronim Ruta hold the Company shares indirectly through Polaris Finance B.V. shares of the Company. Zygmunt Solorz-Żak's share in the issued capital of Polaris Finance B.V. is 85% and Heronim Ruta's is 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 was offered to the public.

(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 but can be transferred to cover accumulated losses.

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.

(all amounts in PLN thousand

(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 /(accumulated losses)

The net profit for the year is presented under retained earnings / (accumulated losses).

35. Borrowings and loans

	31 December 2007		
	Long-term	**Short-term**	**Total**
Borrowings and loans	106,655	87,151	193,806
Total	**106,655**	**87,151**	**193,806**

	31 December 2006		
	Long-term	**Short-term**	**Total**
Borrowings and loans	-	205,823	205,823
Total	**-**	**205,823**	**205,823**

Borrowings and loans

Currency	31 December 2007	31 December 2006
PLN	193,806	101
EUR	-	33,189
USD	-	172,533
Total	**193,806**	**205,823**

Borrowings and loans

As at 31 December 2007

Lender	Currency	Amount in currency ('000)	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 (Bank Pekao S.A. acting for and on behalf of lenders as the pledge administrator or acting for and on behalf of itself), within 3 months from 30 June 2008, a pledge agreement on the bank accounts of Cyfrowy Polsat S.A.
Total				**193,806**			

* 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

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 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

***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.

As at 31 December 2006

Lender	Currency	Amount in currency ('000)	Principal outstanding	Carrying amount	Repayment term	Interest	Security
Satkabel Sp.z o.o.	PLN	1,800	90	101	31 March 2007	WIBOR 6M (end of each month) +2.5%	None
EFG Investment Bank AB (publ)	EUR	8,450	8,450	33,189	14 June 2007*	3.9%	Bank guarantee in the amount of EUR 8,800 thousand
Polaris Finance B.V.	USD	20,000	20,000	58,148	31 December 2007**	6.5%	None
Cypress Media B.V.	USD	10,000	10,000	29,105	31 December 2007**	4.5%	None
Cypress Media B.V.	USD	13,800	13,800	40,165	31 December 2007**	6.5%	None
Cypress Media B.V.	USD	2,500	2,500	7,276	31 December 2007**	6.5%	None
Cypress Media B.V.	USD	4,000	4,000	11,642	31 December 2007((	6.5%	None
Cypress Media B.V.	USD	9,000	9,000	26,197	31 December 2007**	5.5%	None
Total				**237,324**			

* Company and EFG Investment Bank AB signed an annexe to the loan agreement, whereby repayment term was set at 14 November 2007.
** The repayment dates of loans granted by Polaris Finance B.V. and Cypress Media B.V. were prolonged. These loans were repaid on 12 October 2007.

Loans and borrowings are comprised of a long-term portion, due more than one year from the balance sheet date, and a short-term portion, presented in current liabilities, due within one year from the balance sheet date.

(all amounts in PLN thousand

36. Lease liabilities

Company as a lessor and as a lessee

- **Company as a lessor**

Operating lease

The Company 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 6 to 24 months. After the basic period, the contracts are converted into contracts with indefinite terms, unless terminated by the subscribers. The Company does not present the amounts of minimum lease payments under contracts on rental of set-top boxes for the particular balance sheet dates because all the contract were entered into for indefinite terms.

Finance lease

The Company enetered into a significant number of contracts with third parties for rental of digital satellite reception equipment, and entered into lease greemnet with relateed party–the contract relate to the rental of set top boxes production line. Due to their economic substance these contract are classified as finance leases.

The Company does not recognize assets related to these contracts in the financial statements.

Future minimum lease payments under finance leases are as follows:

Finance lease

	31 December 2007	31 December 2006
within 1 year	5,687	3,163
between 1 and 5 years	5,680	186
in more than 5 years	2,721	-
Total	**14,088**	**3,349**

- **Company 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 recognised in the financial statements. The assets comprise rental of transponder capacity, rental of office and warehouse space, and rental of equipment.

(all amounts in PLN thousand

Future minimum lease payments under operating leases are as follows:

Operating lease

	31 December 2007	31 December 2006
within 1 year	44,124	27,598
between 1 and 5 years	68,724	68,991
in more than 5 years	10,556	-
Total	**123,404**	**96,589**

Finance leases

The carrying value of devices used on the basis of finance lease contracts amounted to PLN 2,528 thousand as at 31 December 2006 and PLN 2,242 thousand as at 31 December 2007.

The lease period is 10 years.

Future minimum lease payments under finance leases are as follows:

Finance lease

	31 December 2007	31 December 2006
within 1 year	204	-
between 1 and 5 years	817	-
in more than 5 years	595	893
Razem	**1.616**	**893**

37. Trade payables and other current payables

Trade payables and other current payables

	31 December 2007	31 December 2006
Trade payables to related parties	3,756	2,854
Trade payables to non-related parties	149,786	76,797
Taxation and social security payables	4,125	3,331
Payables relating to purchases of fixed assets	8,663	4,066
Accruals	15,650	9,715
Short term provisions	18,236	-
Other	1,314	726
Total	**201,530**	**97,489**

Short-term provisions relate to royalties for copyright management organizations.

(all amounts in PLN thousand

Accruals

	31 December 2007	31 December 2006
Salaries	2,933	187
Royalties for copyright management organizations	5,892	8,593
Cost attributable to Public offering of shares	3,954	-
Other	2,871	935
Total	**15,650**	**9,715**

Trade payables and payables relating to purchases of fixed assets by currency

Currency	31 December 2007	31 December 2006
PLN	116,180	55,200
EUR	21,152	13,478
USD	24,873	15,039
Total	**162,205**	**83,717**

Accruals by currency

Currency	31 December 2007	31 December 2006
PLN	10,580	9,715
EUR	5,070	-
Total	**15,650**	**9,715**

38. Deposits received for digital satellite reception equipment

	31 December 2007	31 December 2006
Subscribers	14,966	18,418
Distributors	5,044	3,174
Other	22	49
Total	**20,032**	**21,641**

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.

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.

(all amounts in PLN thousand

39. Deferred income

	31 December 2007	31 December 2006
Deferred income	81,468	56,799

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.

40. Other adjustments in the cash flow statement

	for the year ended	
	31 December 2007	**31 December 2006**
Cost of IPO	9,731	-
Cost of share based payments	10,174	-
Impairment loss on property, plant and equipment (without digital satellite reception equipment)	-	859
Other	434	(108)
Other adjustments – total	**20,339**	**751**

41. Financial instruments

Overview

Cyfrowy Polsat S.A. is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk
    - currency risk
    - interest rate risk
- capital risk

The Company's risk management policies are designed to reduce the impact of adverse conditions on the Company's results.

The Management Board is responsible for oversight and management of each of the risks faced by the Company. 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 Company's exposure to each of the above risks, the Company'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 financial statements.

(all amounts in PLN thousand

Loans, cash and short-term bank deposits are the main financial instruments used by the Company. They are intended to secure the financing for the Company's activities. The Company uses also other financial instruments such as trade receivables and trade payables which arise in the course of business activities.

Credit risk

Credit risk arises mainly on trade receivables. In the financial year ended 31 December 2007, the Company's exposure to credit risk did not change since the Company's sales on credit did not increase. The Company'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. Moreover, any recognised risk is reduced with appropriate allowances.

The Company analyses the creditworthiness of distributors as well as TV and radio broadcasters on an ongoing basis.

In 2007, the Company did not grant any guarantees.

In terms of credit risk related to the loans granted to subordinate companies Praga Business Park Sp. z o.o. and Cyfrowy Polsat Technology Sp. z o.o and credit risk related to finance lease contract of set top boxes' production line, where Cyfrowy Polsat is a lessor and Cyfrowy Polsat Technology is a lessee, the Company is not exposed to a significant credit risk. The Company owns 100% shares in those subordinate companies and therefore exercises full control over their financial standing.

Moreover, low credit risk related to loan granted to Cyfrowy Polsat Technology Sp. z o.o. results from the fact that Cyfrowy Polsat Technology Sp. z o.o. has started selling manufactured set top boxes to the Company (the only customer). The price was set at the market level assuring sales profitability to Cyfrowy Polsat Technology and sufficient level of liquidity enabling timely loan repayment.

Credit risk related to other financial assets of the Company, such as 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:

Loans and receivables

	Carrying amount	
	31 December 2007	**31 December 2006**
Loans granted to and financial lease receivables from related parties	37,804	27,392
Trade and other receivables	46,128	28,977
Cash and cash equivalents	141,651	107,208
Total	**225,583**	**163,577**

(all amounts in PLN thousand

The table below presents loans' and receivables' credit risk concentration:

	Carrying amount	
	31 December 2007	**31 December 2006**
Subscribers	19,155	10,953
Distributors	19,248	13,538
Subscribers	4,683	3,134
Trade, loans and other related party receivables	38,229	28,022
Other	2,617	722
Total	**83,932**	**56,369**

Liquidity risk

The Company'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 Company aims to balance the continuity and flexibility of financing through the use of different sources of financing such as loans and bank overdraft.

The Company prepares, on an ongoing basis, analyses and forecasts of cash requirements based on budgeted cash flows.

The table below presents the contractual maturities of the Company's financial liabilities.

	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	193,806	209,364	57,346	37,254	71,585	43,179	-
Finance lease liabilities	1,616	1,616	102	102	204	613	595
Trade and other payables	199,201	199,201	199,178	23	-	-	-
	394,623	**410,181**	**256,626**	**37,379**	**71,789**	**43,792**	**595**

	31 December 2006						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	205,823	228,785	47,960	180,825	-	-	-
Finance lease liabilities	893	893	-	-	-	-	893
Trade and other payables	115,799	115,799	115,799	-	-	-	-
	322,515	**345,477**	**163,759**	**180,825**	**-**	**-**	**893**

Impairment

The table below presents the ageing of receivables:

	31 December 2007			31 December 2006		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Not past due	82,250	8,685	73,565	49,657	-	49,657
Past due 0-30 days	4,352	788	3,564	3,445	242	3,203
Past due 31-60 days	3,081	1,365	1,716	2,382	242	2,140
More than 60 days	43,615	38,528	5,087	31,094	29,725	1,369
Total	**133,298**	**49,366**	**83,932**	**86,578**	**30,209**	**56,369**

Market risk

Currency risk

One of the main risks to which the Company is exposed is currency risk related to fluctuations in the exchange rate between the zloty and other currencies. The revenues generated by the Company are denominated mainly in zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Company'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 a loan for the purchase of the real estate where the Company is domiciled (EUR). In most cases, foreign exchange risk is reduced by trade receivables for transmission services denominated in foreign currencies (natural hedging).

The Company 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 Company's equity.

The Company does not apply hedge accounting.

The table below presents the Company's foreign currency risk exposure in foreign currencies:

	31 December 2007		31 December 2006	
(in thousands)	**EUR**	**USD**	**EUR**	**USD**
Trade receivables	483	389	284	332
Loans	-	-	(8,663)	(59,300)
Trade payables	(5,905)	(10,215)	(3,518)	(5,167)
Accruals	(1,415)			
Gross balance sheet exposure	**(6,837)**	**(9,826)**	**(11,897)**	**(64,135)**
Estimated sales revenue	1,951	730	1,951	730
Estimated purchases	(43,540)	(51,974)	(35,372)	(97,188)
Gross exposure	**(48,426)**	**(61,070)**	**(45,318)**	**(160,593)**
Forward exchange contracts	-	-	-	-
Net exposure	**(48,426)**	**(61,070)**	**(45,318)**	**(160,593)**

(all amounts in PLN thousand

The foreign exchange rates applied in the presented periods:

	Average rate		Rates at the balance sheet date	
(in PLN)	2007	2006	31 December 2007	31 December 2006
1 EUR	3.7667	3.8951	3.5820	3.8312
1 USD	2.7829	3.1025	2.4350	2.9105

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 below sensitivity analysis below is performed on the same basis for 2006.

	Net profit
2007	
EUR	(8,573)
USD	(22,501)
2006	
EUR	(5,050)
USD	(31,341)

A 5 % strengthening of the polish zloty against the above currencies would have the same but opposite effect on the gross profit, assuming that all other variables remain constant.

Interest rate risk

Fluctuations in market interest rates have no direct effect on the Company's revenues and operating cash flows. The Company's exposure to interest rate risk is attributable primarily to the risk related to changes in cash flows caused by interest rate changes affecting the Company's bank loans.

The Company analyses its exposure to interest rate risk on a regular basis. Different refinancing scenarios as well as hedging policies against interest rate risk are prepared. Based on the analyses, Cyfrowy Polsat S.A. estimates the effect of given changes in interest rates on its results.

(all amounts in PLN thousand

The table below presents the interest rate risk profile for interest-bearing financial instruments as at the balance sheet date:

	Carrying amount	
	31 December 2007	**31 December 2006**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	(205,722)
Total	**-**	**(205,722)**

	Carrying amount	
	31 December 2007	**31 December 2006**
Variable rate instruments		
Financial assets	171,742	134,600
Financial liabilities	(193,806)	(101)
Total	**(22,064)**	**134,499**

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	**Decrease by 100 bp**
31 December 2007		
Variable rate	1,004	(1,004)
Cash flow sensitivity (net)	**1,004**	**(1,004)**
31 December 2006		
Variable rate instruments	638	(638)
Cash flow sensitivity (net)	**638**	**(638)**

Fair value versus carrying amount

The fair value of forward currency contracts is estimated based on forward foreign exchange rates effective on 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.

(all amounts in PLN thousand

The table below presents the fair values and carrying amounts of financial assets and liabilities.

	31 December 2007		31 December 2006	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	26,394	30,091	24,589	27,392
Lease receivables	7,588	7,713	-	-
Trade receivables	46,128	46,128	28,977	28,977
Cash and cash equivalents	141,651	141,651	107,208	107,208
Loans	(193,556)	(193,806)	(205,823)	(205,823)
Finance lease liabilities	(1,616)	(1,616)	(893)	(893)
Trade and other payables	(199,201)	(199,201)	(115,799)	(115,799)
Total	**(172,612)**	**(169,040)**	**(161,741)**	**(158,938)**
Unrecognised (loss)/gain		3,572		2,803

Capital management

The goal of capital management is to maintain the Company'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 Company is able to issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

42. Barter transactions

The Company 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 2007	31 December 2006
Revenues from barter transactions	757	1,851
Cost of barter transactions	42	1,426

	31 December 2007	31 December 2006
Barter receivables	1,265	-
Barter payables	-	218

43. Litigation and public administration proceedings

As at the date of preparation of these financial statements for the period ended 31 December 2007, there were a number of litigations and claims against the Company, before courts and public administration bodies.

Public administration proceedings

The proceeding before Office for Competition and Consumer Protection ("UOKiK") for alleged use of unlawful clauses in agreements with customers

On 18 October 2006, in connection with complaints lodged by customers, the President of the Polish Competition and Consumer Protection Office ("UOKiK") requested Cyfrowy Polsat S.A. to submit forms of agreements as part of its business. In a letter dated 21 May 2007, the President of the UOKiK informed the Company that certain clauses included in its agreement forms 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. On 23 July 2007, the President of the UOKiK sent a letter requesting the Company to state its opinion with regard to the rest of the arguments and to provide the price list used by the Company. In subsequent correspondence with the President of the UOKiK, dated 31 August 2007, Cyfrowy Polsat S.A. expressed its view on the other arguments raised by UOKiK. As at 31 December 2007 and the date of approval of these financial statements, the proceeding is still pending.

If any provisions of the agreement forms 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 forms 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.

The proceeding before Office for Competition and Consumer Protection ("UOKiK") concerning allegedly practices which violate collective consumer interests

On 14 March 2007, the President of UOKiK opened explanatory proceeding to initially determine whether Cyfrowy Polsat S.A infringed upon collective consumer interests.

The aim of the proceeding is to determine whether the marketing leaflets and information placed on the Company's webpage misled consumers as to the scope of services provided under specific agreements. The proceeding also concern a possible breach of the Civil Code by sending to customers text messages at their expense, on the assumption that a lack of objections from customers means a silent consent for such services.

On 30 May 2007, the President of the UOKiK notified Cyfrowy Polsat S.A. that it had initiated *ex-officio* proceeding against the Company to determine that its advertising practices misled consumers as to the content of the television programming it offers, which represents a practice which infringes upon collective consumer interests as defined in Article 24, Section 2 p. 3 of the Act on Protection of Competition and Consumers dated 16 February 2007 by consisting in the use of misleading advertising as defined in Article.16, Section 1 p. 2 of Antymonopoly Act dated 16 April 1993. In letters dated 20 June and 29 June 2007, Cyfrowy Polsat S.A. referred to certain reservations raised by the UOKiK and admitted that there were certain discrepancies between the information included in its advertising materials and the provisions of the agreements entered into with the customers, and explained the reasons behind the discrepancies. The Company further noted that the discrepancies had been eliminated. In a letter dated 25 September 2007, the President of the UOKiK requested the Company to provide its financial statement for 2006. The financial statement was sent together with the letter dated 8 October 2007. As at 31 December 2007 and the date of approval of this financial statement the proceeding is still pending.

If the President of the UOKiK decides that the practices misled consumers as to the content of the television programming the Company offers, which constitutes a practice infringing upon collective consumer interests, the President of the UOKiK may order such practices to be discontinued and – to ensure that the order is performed - may specify measures to be applied to remedy the effects of the infringement. In particular, the President of the UOKiK may oblige the Company to issue a statement (or statements) with the content and in the form as specified in the President's decision. The President of the UOKiK may also order the publication of the decision, in full or in part, at Company's expense. In addition, the President of the UOKiK may impose a fine, in the maximum amount of 10% of the Company's revenue earned in the financial year preceding the year in which such fine is imposed.

Proceedings before Office for Competition and Consumer Protection ("UOKiK") concerning allegedly use of the practices restricting competition

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. Cyfrowy Polsat S.A. was obliged to deliver documents specified in the notification to the UOKiK. In a letter dated June 22, 2007,the Company submitted to the UOKiK its explanations regarding the matter. Next on 17 October 2007 the Company sent the required documentation to the UOKiK. On 8 November 2007 the Wroclaw Regional Office of the UOKiK called upon Cyfrowy Polsat S.A. to provide additional information and data. Cyfrowy Polsat S.A. responded in a letter dated 28 November 2007.

If the President of the UOKiK finds that the practices employed by the Company restrict competition, the President of the UOKiK may order the Company to discontinue the practice. Moreover, the President may impose on the Company a fine in the maximum amount of 10% of its revenue earned in the financial year preceding the year in which such fine is imposed.

Other litigations

The Company is a party to other litigations.

Action brought by SkyMedia Sp. z o.o.

On 31 January 2008, Cyfrowy Polsat S.A received information on a lawsuit brought against by SkyMedia Sp. z o.o. of Katowice, a former distributor, for damages and compensatory benefits in the total amount of PLN 1,071 thousand. Cyfrowy Polsat S.A. has applied for full dismissal of the action. On the 14 February 2008, Cyfrowy Polsat S.A. submitted its response to the statement of claim. The case is pending.

Based on the legal analyses, the Parent's management does not expect that the outcome of the above mentioned issues will have a negative effect on the assets or financial condition of the Group.

44. Important agreements

In 2007, the Company entered into a number of agreements which suppliers of hardware and software for the implementation of the mobile virtual network operation “MVNO” project. These agreements are more extensively described in the note on the contingent liabilities.

Agreement with Telekomunkacja Polska S.A.

On 8 November 2007 the Company and Telekomunikacja Polska S.A. (“TP”) entered into an agreement defining the terms of cooperation regarding the connection of the public telecommunication network of the Company with the public telephone fixed line network of TP in order to provide telecommunication services, specifying the technical conditions of connecting the networks and maintaining the connection, as well as defining the detailed terms of settlements. Under the agreement, the Company’s network will be connected to TP’s network in the manner defined in detail in the agreement in order to enable data and voice transmission between the networks. The agreement was entered into for an indefinite term, however, no longer than the validity term of the telecommunication licences of both parties. The Company agreed to provide TP, as security for any claims arising under the agreement, with a bank guarantee issued by a Polish bank or a branch of a foreign bank in Poland or a confirmation of a block over cash in a bank account, together with a power of attorney issued to TP to such blocked cash, or a notary deed containing the Company’s statement on voluntary submission to enforcement for the benefit of TP.

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

On 8 November 2007, the Company and Polska Telefonia Cyfrowa Sp. z o.o. (“PTC”) entered into an agreement defining the terms of connection of the public mobile telephone network of Cyfrowy Polsat S.A. with the public telephone network of PTC (used to provide the services for which the networks are designed), cooperation and mutual settlements as well as technical conditions relating to the construction and maintenance of the interconnect points. The agreement describes interconnect services which will be mutually rendered by both parties. The agreement was entered into for an indefinite term, however, no longer than the validity terms of the telecommunication licences of both parties. To secure PTC’s claims under the agreement, the Company agreed to provide PTC with a bank guarantee of PLN 3,300 thousand.

Bank guarantee agreement

On 15 November 2007, the Company entered into a bank guarantee agreement with Bank BPH S.A. (currently Bank Pekao S.A.). Under the agreement, Bank BPH S.A. issued to PTC an irrevocable and unconditional bank guarantee to pay PTC Sp. z o.o. up to PLN 3,300 thousand at the first written payment request of PTC Sp. z o.o. The bank guarantee is valid until 15 November 2008 inclusively and expires automatically and entirely if a written payment request under the guarantee is not delivered to the bank by that date.

Loan agreement

On 9 October 2007, Cyfrowy Polsat S.A. entered into a loan agreement with Bank BPH SA of Kraków (currently Bank Pekao S.A.) up to the amount of PLN 200,000 thousand. On 31 December 2007 the unused loan was PLN 8,170.3 thousand.

45. Contingent libilities and security

Security relating to borrowings, loans and guarantees

Security relating to borrowings, loans and guarantees is described in note 35.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 36.

Future liabilities relating to barter transactions

Future liabilities relating to barter transactions are described in note 42.

Capital expenditure liabilities and liabilities under contracted services related to MVNO

Cyfrowy Polsat S.A. entered into number of agreements with the suppliers of hardware and software for the implementation of the mobile virtual network operations ("MVNO") project. As of 31 December 2007, the total amount of unrealised deliveries and services connected with purchase of tangible non–current assets and intangible assets amounted to PLN 4,866 thousand and included deliveries and services which had not been provided, denominated in PLN and EUR, amounting to EUR 1,229 thousand and PLN 464 thousand.

As at 31 December 2007, the value of additional contracted services related to initial maintenance of the system in 2008 amounted to EUR 1,784 thousand (PLN 6,390 thousand).

Furthermore, the Company entered into agreements on technical support of the purchased hardware and software with these suppliers for the period from 3 to 5 years. The annual cost of this support amounts to EUR 402 thousand (PLN 1.440 thousand as at 31 December 2007).

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.

A financial pledge has been established on the shares in Praga Business Park Sp. Sp. z o.o. for Raiffeisen Bank Polska S.A.. This constitutes a security for the loan drew in for Raiffeisen Bank Polska S.A by Praga Bizness Park Sp. Sp. z o.o..

(all amounts in PLN thousand

46. Remuneration of the Management Board

The table below presents the Management Board's remuneration (excluding value of share based payments and including bonuses) from the Compnay:

Name	Function	2007	2006
Dominik Libicki	President of the Management Board	560	60
Maciej Gruber	Member of the Management Board	291	48
Dariusz Działkowski	Member of the Management Board	442	-
Andrzej Matuszyński	Member of the Management Board	440	-
Total		**1,733**	**108**

The bonuses paid to each member of the Management Board for December 2007 are presented below:

Name	Function	2007	2006
Dominik Libicki	President of the Management Board	250	-
Maciej Gruber	Member of the Management Board	62	-
Dariusz Działkowski	Member of the Management Board	50	-
Andrzej Matuszyński	Member of the Management Board	50	-
Total		**412**	**-**

The table below presents the remuneration of the Management Board of Cyfrowy Polsat S.A. from other related companies:

Name	Function	2007	2006
Dominik Libicki	President of the Management Board	59	16
Maciej Gruber	Member of the Management Board	64	34
Dariusz Działkowski	Member of the Management Board	30	-
Andrzej Matuszyński	Member of the Management Board	-	-
Total		**153**	**50**

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 recognized, 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.

(all amounts in PLN thousand

The table below presents the total remuneration of the Management Board recognized 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**

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,

(all amounts in PLN thousand

(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 financial statements, the incentive plan had not been accepted.

47. 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 2007:

Name	Function	2007	2006
Heronim Ruta	President of the Supervisory Board	60	-
Mariola Gaca	Member of the Supervisory Board	40	-
Zdzisław Gaca	Member of the Supervisory Board	40	-
Anna Kwaśnik	Member of the Supervisory Board	40	-
Andrzej Papis	Member of the Supervisory Board	33	-
Total		**213**	**-**

48. Transactions with related parties

Receivables

	31 December 2007	31 December 2006
Praga Business Park Sp. z o.o.	264	321
Cyfrowy Polsat Technology Sp. z o.o.	71	3
Cyfrowy Polsat Technology Sp. z o.o. (leasing)	7,713	-
PM Sp. z o.o.	1	1
Invest Bank S.A.	1	-
Inwestycje Polskie Sp. z o.o.	1	-
Polskie Media S.A.	-	5
Superstacja Sp.z o.o.	10	-
Teleaudio Sp. z o.o.	-	5
Telewizja Polsat S.A.	77	295
Total	**8,138**	**630**

(all amounts in PLN thousand

Liabilities

	31 December 2007	31 December 2006
Praga Business Park Sp. z o.o.	189	122
Cyfrowy Polsat Technology Sp. z o.o.	2	-
EMarket Sp. z o.o.	41	212
Polska Telefonia Cyfrowa Sp. z o.o.	28	-
Polskie Media S.A.	-	4
Teleaudio Sp. z o.o.	522	58
Elektrim S.A.	13	-
Alpatran	107	-
Telewizja Polsat S.A.	2,854	2,456
Total	**3,756**	**2,852**

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

Receivables from Cyfrowy Polsat Technology Sp. z o.o. comprise mainly of the receivables due to finance lease of set top boxes' production line amounting to 7,713 thousand. The lease agreement was signed for the term of 7 years, the monthly rate was set at PLN 118 thousand (net of VAT)

Prepayments for set top boxes

In October 2007 (based on delivery agreement dated 24 September 2007) Cyfrowy Polsat S.A. made prepayment amounting to PLN 12,035 thousand to Cyfrowy Polsat Technology Sp. z o.o. for set top boxes' deliveries'.

Loans received

	31 December 2007	31 December 2006
Polaris Finance B.V.	-	58,148
Satkabel Sp. z o.o.	-	101
Total	**-**	**58,249**

Until 12 October 2007 the activity of Cyfrowy Polsat S.A. was partially financed by loan received from Polaris Finance B.V. On 12 October 2007 the loan and interests were paid back.

Loans granted

	31 grudnia 2007	31 grudnia 2006
Praga Business Park Sp. z o.o.	23,026	27,392
Cyfrowy Polsat Technology Sp. z o.o.	7,065	-
Total	**30,091**	**27,392**

(all amounts in PLN thousand

Significant transactions with related parties are presented below:

Revenues from operating activities

	for the year ended	
	31 December 2007	**31 December 2006**
Praga Business Park Sp. z o.o.	8	82
Inwestycje Polskie Sp. z o.o.	10	-
Invest Bank S.A.	-	135
PM Sp. z o.o.	-	15
Polskie Media S.A.	125	4
Superstacja Sp. z o.o.	25	-
Teleaudio Sp. z o.o.	-	4
Telewizja Polsat S.A.	429	621
Media Biznes Sp. z o.o.	120	-
Total	**717**	**861**

Cost of operating activities

	for the year ended	
	31 December 2007	**31 December 2006**
Praga Business Park Sp. z o.o.	2,933	579
Polska Telefonia Cyfrowa Sp. z o.o.	200	102
Polskie Media S.A.	-	4
Teleaudio Sp. z o.o.	1,927	512
EMarket Sp. z o.o.	141	174
Elektrim S.A.	821	-
Alpatran	362	300
Telewizja Polsat S.A.	14,684	12,128
Media Biznes Sp. z o.o.	120	-
Total	**21,188**	**13,799**

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 Company. The Company leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A. Alpatran provides the Company with consulting services. Polska Telefonia Cyfrowa Sp.z o.o. charges the Company for mobile telephony services.

(all amounts in PLN thousand

Finance income

	for the year ended	
	31 December 2007	**31 December 2006**
Praga Business Park Sp. z o.o.	1,600	703
Cyfrowy Polsat Technology Sp. z o.o.	162	-
EMarket Sp. z o.o.	-	13
Pai Media S.A.	-	14,700*
Ster Sp. z o .o.	369**	-
Total	**2,131**	**15,416**

* The net result on the sale of loans relates to the purchase of a loan for PLN 15,300 thousand from a related party, Sky Service Sp. z o.o., and its resale for PLN 30,000 thousand to a related party, PAI Media S.A.
** Profit on the sale of shares in Satkabel Sp. z. o.o

Finance costs

	for the year ended	
	31 December 2007	**31 December 2006**
Polaris Finance B.V.	2,882	5,791
Satkabel Sp. z o.o.	18	121
Teleaudio Sp. z o.o.	10*	-
Total	**2,910**	**5,912**

*Loss on disposal of shares in EMarket Sp. z o.o.

49. Subsequent events

Important agreements concluded after the balance sheet date

On 5 February 2008, Cyfrowy Polsat SA 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 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 1 April 2008, the Company 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 the Company with regard to Global Offer of the Company's shares.

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 SA and PTK Centertel Sp. z o.o. ("PTK Centertel") and between Cyfrowy Polsat SA and Polkomtel SA ("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 SA 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 13 May 2008, Cyfrowy Polsat SA and Nagravision SA concluded annex no. 3 to an agreement of 2 November 2004. Pursuant to the annex, Cyfrowy Polsat SA will receive indemnity of EUR 1,896.7 thousand on account of incorrect operation of smart cards in Samsung set-top-boxes, and indemnity of EUR 4,823.4 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.

Material events after the balance sheet date

On 30 April 2008The Company ended the Global Offering. On that date, Series E shares were allocated in following scheme. 6,500,000 shares were allocated in the tranche for individual investor; 60,581,250 shares were allocated in the tranche for institutional investors-including 30,724,481 as part of an international offering.

Pursuant to resolution no. 322/2008 adopted by the Management Board of Warsaw Stock Exchange. (WSE) on 30 April 2008, 75,000,000 Series E shares with a par value of PLN 0.04 each and 5,825,000 Series F shares with a par value of PLN 0.04 each were approved to be traded on the main market.

Pursuant to resolution no. 326/2008 adopted by the WSE Management Board on 30 April 2008, the WSE Management Board resolved to introduce into trading on the main market, as of 6 May 2008, 75,000,000 Series E and 5,825,000 Series F common bearer shares with a par value of PLN 0.04 each, and list the shares in the continuous trading system under the name CYFRPLSAT and designation CPS.

On 5 June 2008 the Company, according to agreement signed with Bank BPH SA (currently Bank Pekao SA) on 9 October 2007, prepaid PLN 50,000 thousand of the Bank Pekao Revolving Credit Facility. The Company made payment using cash generated from operations.

On 11 June 2008, the Company received decision no. DDK 6/2008 of the President of the Office of Competition and Consumer Protection (OCCP) issued on 30 May 2008. In the said decision, the President of the OCCP recognized as a practice violating the collective consumer interests the Company's activities consisting in presenting information in advertising materials that Cinemax package was an element of the Relax Mix package, whereas this package had not been an element of the Relax Mix package, but was offered to the consumers as part of the promotional offer concerning the Relax Mix package. Basing on the explanation presented by the Company in the course of the proceedings, in her decision, the President of the OCCP acknowledged that as of 1 February 2007 the Company ceased to employ the practice in question. The decision does not involve a financial penalty. The decision may be appealed against within two weeks after it is serviced.

Litigation

Lawsuit filed by SkyMedia Sp. z o.o.
On 31 January 2008, a statement of claim filed by SkyMedia Sp. z o.o., seated in Katowice, was delivered to Cyfrowy Polsat SA for compensation and compensatory benefits in a total amount of PLN 1,071 thousand. Cyfrowy Polsat SA requested that the claim be dismissed in its entirety. On 14 February 2008, an extensive rejoinder to the statement of claim was filed, in which the plaintiff's allegations were refuted. At the present time, the case is pending.

50. 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 the Management Board concerns 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, as well as royalties to copyright management organizations.

TRANSLATION

KPMG

Cyfrowy Polsat S.A.

Report supplementing the auditor's opinion on the separate financial statements Financial Year ended 31 December 2007

The report supplementing the auditor's opinion
contains 14 pages
Report supplementing the auditor's oppinion
on the separate financial statements
for the finanacial year ended
31 December 2007

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 General information about the Company

1.1.1 Company name
Cyfrowy Polsat S.A.

1.1.2 Registered office
Łubinowa 4a, 03-878 Warsaw

1.1.3 Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw, XIII Commercial Department of the National Court Register
Date:	21 June 2001 r.
Registration number:	KRS 0000010078

1.1.4 Tax Office and Provincial Statistical Office registration

NIP number:	796-18-10-732
REGON:	670925160

1.2 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	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.

1.3 Legal status

1.3.1 Share capital
The Company was established for an indefinite period under the Articles of Associations dated 30 October 1996.

The share capital of the Company according to the National Court Register amounted to PLN 10.733 thousand as at 31 December 2007 and was divided into 268.325.000 shares with a nominal value of PLN 0,04 each.

The following changes in the issued capital structure and the number of issued shares of the Company took place in 2007:

- under the resolution of the Extraordinary General Shareholders' Meeting dated 27 September 2007:

  1) 3,000,000 Series D registered shares with preferred voting rights of 2 votes per share were converted into ordinary bearer shares;

  2) all existing shares with a nominal value of PLN 1.00 were split into 25 shares with a nominal value of PLN 0.04. As a result the number of shares amounted to 262,500,000 with a nominal value of PLN 0.04 each including:

     i. 2,500,000 shares Series A, registered preference shares (5 voting rights per share) with a nominal value of PLN 0.04 each,

     ii. 2,500,000 shares Series B, registered preference shares (5 voting rights per share) with a nominal value of PLN 0.04 each,

     iii. 7,500,000 shares Series C, registered preference shares (2 voting rights per share) with a nominal value of PLN 0.04 each,

     iv. 175,000,000 shares Series D, registered preference shares (2 voting rights per share) with a nominal value of PLN 0.04 each,

     v. 75,000,000 shares Series E, ordinary bearer shares with a nominal value of PLN 0.04 each.

  3) voting rights attached to Series A and B preference shares were changed from 5 voting rights per share to 2 voting rights per share;

- under the resolution of the Extraordinary General Shareholders' Meeting dated 5 September 2007 amended by the resolution of the Extraordinary General Shareholders' Meeting dated 27 September 2007 the share capital was increased by PLN 233 thousand, from PLN 10,500 thousand to PLN 10,733 thousand, through a private placement of 5,825,000 ordinary bearer shares Series F with a nominal value of PLN 0.04 each. The offer was addressed to the following persons:

  i.Dominik Libicki, President of the Management Board – 500,000 shares;

  ii.Maciej Gruber, Member of the Management Board – 46,250 shares;

  iii.Andrzej Matuszyński, Member of the Management Board– 32,500 shares;

  iv.Dariusz Działkowski, Member of the Management Board – 46,250 shares;

v. Piotr Nurowski – 1,706,250 shares;

vi. Józef Birka – 1,740,000 shares;

vii. Aleksander Myszka – 1,753,750 shares.

The share purchase agreements between Cyfrowy Polsat S.A. and the individuals mentioned above were entered into on 11 and 12 October 2007 and the shares were fully paid for in October 2007.

As at 31 December 2007, the shareholders' structure was as follows:

Name of the shareholder	Number of shares	Voting rights	Nominal value PLN '000	Percentage of share capital
Polaris Finance B.V.	250,025,000	93.25%	10,001	93.18%
Zygmunt Solorz-Żak	10,603,750	4.66%	424	3.95%
Heronim Ruta	1,871,250	0.82%	75	0.70%
Piotr Nurowski	1,706,250	0.37%	68	0.63%
Józef Birka	1,740,000	0.38%	70	0.65%
Aleksander Myszka	1,753,750	0.38%	70	0.65%
Dominik Libicki	500,000	0.11%	20	0.19%
Maciej Gruber	46,250	0.01%	2	0.02%
Andrzej Matuszyńki	32,500	0.01%	1	0.01%
Dariusz Działkowski	46,250	0.01%	2	0.02%
	268,325,000	**100.0%**	**10,733.0**	**100.0%**

Under the resolution of the Extraordinary General Shareholders' Meeting of the Company dated 4 December 2007 the share capital was increased conditionally by the nominal amount of up to PLN 219 thousand (up to 5,476,020 shares through issuance of Series G1, G2, G3, G4 shares) for management incentive program including issuance of :

a) up to 1,369,005 ordinary bearer shares series G1,

b) up to 1,369,005 ordinary bearer shares series G2,

c) up to 1,369,005 ordinary bearer shares series G3,

d) up to 1,369,005 ordinary bearer shares series G4.

As at 31 December 2007 the resolution was not registered by the National Register Court.

The bylaws of the management incentive program were not approved until the date of the preparation of the financial statements.

On 30 April 2008 a public offer of Series E shares was closed. Polaris Finance B.V. sold 67,081,250 Series E shares in the public offer.

1.3.2 Management of the Company

The Management Board is responsible for management of the Company.

The composition of the Management Board of the Company from 1 January to 30 July 2007 was as follows:

- Dominik Libicki	President of the Management Board,
- Maciej Gruber	Member of the Management Board.

On 30 July 2007, Dariusz Działkowski and Andrzej Matuszyński were appointed as Management Board Members. The appointment became valid and rights and obligations of the new members of the Management Board became effective starting from 1 August 2007.

The composition of the Management Board of the Company from 1 August 2007 until the date of preparation of the financial statements 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.

1.3.3 Scope of activities

The business activities listed in the Company's Articles of Association include the following:

- radio and television services,
- advertising,
- services relating to the installation, repair and maintenance of electrical equipment,
- data transmission,
- radio communications,
- other telecommunications services,
- renting of other machinery and equipment,
- other financial intermediation,
- other service activities,
- radio diffusion.

1.4 Prior period financial statements

The financial statements for the year ended 31 December 2006, prepared in accordance with the Accounting Act dated 29 September 1994, were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The financial statements for 2006, prepared in accordance with the Accounting Act dated 29 September 1994, were approved at the Ordinary General Meeting of Shareholders on 5 September 2007 where it was resolved to transfer the profit for the prior financial year of PLN 51,521,248.37 to cover prior years' losses.

The separate financial statements for 2006 were submitted to the Registry Court on 25 September 2007 and were published in Monitor Polski B No 370 on 12 March 2008.

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A adopted a resolution on preparation of the Company's consolidated and separate financial statements in accordance with International Financial Reporting Standards in a meaning of the Regulation (EC) No 1606/2002 of the European Parliament and the Council dated 19 July 2002 on the application of international accounting standards, starting from financial statements for the year ended 31 December 2007. As a result the financial data as at 31 December 2006 and for the year then ended have been appropriately restated to make them comparable with the financial data as at and for the year ended 31 December 2007.

1.5 Audit scope and responsibilities

This report was prepared for the General Shareholders Meeting of Cyfrowy Polsat S.A. seated in Warsaw, Łubinowa 4a and relates to the separate financial statements comprising: the balance sheet as at 31 December 2007 with total assets and total liabilities and equity of PLN 561,419 thousand, the income statement for the year then ended with a net profit of PLN 115,038 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 125,445 thousand, the cash flow statement for the year then ended with a net increase of cash and cash equivalents amounting to PLN 34,735 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The separate financial statements have been audited in accordance with the audit agreement dated 4 February 2008, concluded on the basis of the resolution of Supervisory Board dated 10 October 2007 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 separate financial statements in the Company's head office during the period from 15 May to 10 June 2008.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with other applicable regulations.

Our responsibility is to express an opinion, and to prepare a supplementing report, on the separate financial statements, and whether the separate financial statements are derived from properly maintained accounting records, based on our audit.

Management of the Company submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate 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 separate financial statements of the Company fulfil independence requirements. 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.

2 Financial analysis of the Company

2.1 Summary of the separate financial statements

2.1.1 Balance sheet

ASSETS	31.12.2007 PLN '000	% of total	31.12.2006 PLN '000	% of total
Non-current assets				
Digital satellite reception equipment	549	0.1	7,979	2.5
Other tangible assets	59,890	10.7	27,197	8.5
Intangible assets	10,367	1.8	4,395	1.4
Long-term intercompany loans	23,026	4.1	21,392	6.7
Long-term intercompany receivables	6,994	1.2	264	0.1
Other long-term assets	30,951	5.5	13,018	4.0
Deferred tax assets	3,701	0.7	3,981	1.2
Total non-current assets	**135,478**	**24.1**	**78,226**	**24.4**
Current assets				
Inventories	126,639	22.6	58,009	18.1
Short-term intercompany loans	7,065	1.3	6,000	1.9
Income tax receivable	3,002	0.5	-	-
Trade and other receivables	78,672	14.0	32,604	10.2
Cash and cash equivalents	141,651	25.2	107,208	33.5
Other current assets	68,912	12.3	38,153	11.9
Total current assets	**425,941**	**75.9**	**241,974**	**75.6**
TOTAL ASSETS	**561,419**	**100.0**	**320,200**	**100.0**

EQUITY AND LIABILITIES	31.12.2007 PLN '000	% of total	31.12.2006 PLN '000	% of total
Equity				
Issued capital	10,733	1.9	10,500	3.3
Supplementary capital	3,500	0.6	-	-
Other reserves	10,174	1.8	-	-
Retained earnings/(accumulated losses)	38,029	6.8	(73,509)	22.9
Total equity	**62,436**	**11.1**	**(63,009)**	**19.6**
Non-current liabilities				
Long-term loans	106,655	19.0	-	-
Long-term finance lease liabilities	1,412	0.2	893	0.3
Other long-term liabilities and provisions	531	0.1	564	0.1
Total non-current liabilities	**108,598**	**19.3**	**1,457**	**0.4**
Current liabilities				
Current loans	87,151	15.5	205,823	64.3
Current finance lease liabilities	204	0.1	-	-
Trade and other payables	201,530	35.9	97,489	30.4
Deposits for digital satellite reception equipment	20,032	3.6	21,641	6.8
Deferred income	81,468	14.5	56,799	17.7
Total current liabilities	**390,385**	**69.6**	**381,752**	**119.2**
Total liabilities	**498,983**	**88.9**	**383,209**	**119.6**
TOTAL EQUITY AND LIABILITIES	**561,419**	**100.0**	**320,200**	**100.0**

2.1.2 Income statement

	1.01.2007 - 31.12.2007 zł '000	% of total sales	1.01.2006 - 31.12.2006 zł '000	% of total sales
Revenues				
Subscription fees	662,521	83.4	351,090	72.7
Rental of digital satellite reception equipment	5,954	0.8	16,455	3.4
Sale of digital satellite reception equipment	107,205	13.5	101,689	21.1
Transmission services	11,602	1.5	10,316	2.1
Other operating revenue	6,650	0.8	3,187	0.7
Total revenues from operating activities	**793,932**	**100.0**	**482,737**	**100.0**
Costs				
Depreciation and amortisation	(19,035)	2.4	(32,136)	6.6
Programming costs	(152,031)	19.1	(68,647)	14.2
Transmission costs	(48,402)	6.1	(36,083)	7.5
Distribution and marketing costs	(125,919)	15.9	(66,021)	13.7
Salaries and employee-related expenses	(39,755)	5.0	(19,594)	4.1
Cost of digital satellite reception equipment sold	(209,027)	26.3	(180,616)	37.4
Other operating costs	(53,906)	6.8	(38,467)	8.0
Total costs of operating activities	**(648,075)**	**81.6**	**(441,564)**	**91.5**
Profit from operating activities	***145,857***	***18.4***	***41,173***	***8.5***
Finance income	18,493	2.3	42,812	8.9
Finance expenses	(22,312)	2.8	(13,899)	2.9
Gross profit for the year	***142,038***	***17.9***	***70,086***	***14.5***
Income tax	(27,000)	3.4	(14,579)	3.0
Net profit for the year	***115,038***	***14.5***	***55,507***	***11.5***

2.2 Selected financial ratios

		2007	2006
1.	**Return on sales**		
	profit for the period x 100% / revenue	14.5%	11.5%
2.	**Return on equity**		
	profit for the period x 100% / equity - profit for the period	negative value	negative value
3.	**Debtors' days**		
	average trade receivables (gross) x 365 days / revenue	35 days	37 days
4.	**Debt ratio**		
	liabilities x 100% / equity and liabilities	88.9%	119.7%
5.	**Current ratio**		
	current assets / current liabilities	1.1	0.6

- Current assets exclude receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities (excluding liabilities due in more than 12 months) and other short-term accruals.
- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables to related and other parties at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales
Return on sales increased by 3 percentage points in comparison to the prior year and amounted to 14.5 %. The ratio was positively influenced by a rapid growth of the number of subscribers and an increase of average revenue per subscriber.

Return on equity
Return on equity ratio was negative in the current and the previous financial year as a result of losses incurred in the previous periods.

Debtors' turnover
Debtors' turnover ratio remains at a level comparable to the prior year.

Debt ratio
Debt ratio decrease mainly resulted from a significant increase in equity as a consequence of the net profit generated in current period.

Current ratio
Current ratio increased as compared to the prior year as a result of growth in the Company's current assets. This increase results from a higher sales level and a related increase of receivables and inventories. Furthermore, the current ratio is influenced by debt refinancing with a long-term loan, which caused a decrease of short-term debts.

3 Detailed report

3.1 Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles, adopted by the Management Board.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of business transactions,
- fairness, accuracy and verifiability of the books of account, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to safeguarding of accounting records, books of account and the financial statements.

On the basis of the work performed we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

3.2 Asset verification

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. No 26 of the Accounting Act. The following categories of assets were included in the verification:

- cash,
- inventories,
- trade receivables.

Count differences have been recorded in the period covered by the separate financial statements.

3.3 Notes to the financial statements

All information included in the notes to the 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 separate financial statements taken as a whole.

3.4 Report on the Company's activities

The Report on the Company's activities includes, in all material respects, information required by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the separate financial statements.

3.5 Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2007, we have issued an unqualified opinion.

Signed on the Polish original

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Certified Auditor No 9645/7212
Marek Strugała

Signed on the Polish original

....

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

Warsaw, 11 June 2008

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