
**REPORT OF THE MANAGEMENT BOARD OF
CYFROWY POLSAT SA WITH REGISTERED OFFICE IN WARSAW**

**prepared in the procedure of Art. 516⁵ of the Commercial Companies Code
and justifying substantiating the merger**

**CYFROWY POLSAT SPÓŁKA AKCYJNA WITH REGISTERED OFFICE IN WARSAW
and
M.PUNKT HOLDINGS LIMITED WITH REGISTERED OFFICE IN NICOSIA, CYPRUS**

Warsaw, 12 August 2010

This report has been prepared by the Management Board of Cyfrowy Polsat SA, a joint stock company incorporated under the Polish law, with registered office in Warsaw, at 4a Łubinowa Street, 03-878 Warsaw, Poland, entered in the register of entrepreneurs kept by the District Court for the City Warsaw, 13th Commercial Division of the National Court Register under KRS number 0000010078, pursuant to Article 516⁵ of 15 September 2000, the Commercial Companies Code.

I. DEFINITIONS USED IN THE REPORT

Unless herein otherwise provided or unless the context otherwise indicates, the following terms spelled with a capital letter shall have the following meaning in this document:

„CYPRIOT COMPANIES LAW”	shall mean The Companies Law, Cap. 113 of The Republic of Cyprus amended by Section II of Law 186(I) of 2007.
„MERGER DAY”	shall mean the date the Merger is registered into a registrar relevant for Cyfrowy Polsat.
„DIRECTIVE”	shall mean Directive 2005/56/EC of the European Parliament and the Council of 26 October 2005 on cross-border mergers (Official Journal L 310, 25/11/2005 P.0001-0009).
„CCC”	shall mean the Polish Law of 15 September 2000, the Commercial Companies Code (Journal of Laws of 2000, No. 94, item 1037, as amended)
„MERGER PLAN”	shall mean a plan of the cross-border merger of Cyfrowy Polsat and MPH agreed on 30 July 2010.
„MERGER”	shall mean a cross-border merger of Cyfrowy Polsat and MPH.
„ MERGING COMPANIES”.	shall mean Cyfrowy Polsat and MPH.
„ACQUIRING COMPANY” or „CYFROWY POLSAT”	shall mean Cyfrowy Polsat S.A. with registered office in Warsaw, at 4a Łubinowa Street, 03-878 Warsaw, Poland, entered in the register of entrepreneurs kept by the District Court for the City Warsaw, 13 th Commercial Division of the National Court Register under KRS number 0000010078.
„ACQUIRED COMPANY” or „MPH”	shall mean M.PUNKT HOLDINGS LIMITED, a company incorporated under the laws of Cyprus, based in Nicosia, Cyprus, address: Themistokli Dervi 3, postal code 1066 Nicosia, Cyprus, registered with the Registrar of Companies under number 125353.
„MANAGEMENT BOARDS”	shall mean the Management Board of Cyfrowy Polsat and the Management Board of MPH.
„REPORT”	shall mean this document.

II. PURPOSE OF THE REPORT

Pursuant to the relevant provisions of the CCC (in particular Article 516¹ - 516¹⁸ CCC), this Report has been prepared in order to justify the cross-border merger between:

- (i) **Cyfrowy Polsat S.A.**, a limited company incorporated under Polish law, based in Warsaw, at 4a Łubinowa Street, 03-878 Warsaw, Poland, recorded in the entrepreneur register kept by the District Court for the Capital City Warsaw, 13th Commercial Division of the National Court Register under KRS number 0000010078 - as the Acquiring Company, and
- (ii) **M.PUNKT HOLDINGS LIMITED**, a company incorporated under the laws of Cyprus, based in Nicosia, Cyprus Address: Themistokli Dervi 3, postal code 1066 Nicosia, Cyprus, entered in the Register of Companies and Official Receiver under the number 125353 - as the Acquired Company.

including in particular in to provide:

- (i) the legal basis and economic justification of the Merger
- (ii) the implications of the Merger for the shareholders, creditors and employees.

III. JUSTIFICATION OF THE MERGER

1. MERGER MECHANISM

The only shareholder of the Acquired Company is Cyfrowy Polsat.

The merger of the Merging Companies will be effected by:

- (i) the transferring to the Acquiring Company - as the sole shareholder of the Acquired Company - all of the assets of the Acquired Company, in particular the ownership of the share capital of mPunkt Polska S.A. with its registered office in Warsaw, by way of universal succession, and
- (ii) dissolving the Acquired Company without going into liquidation, pursuant to the provisions of Article 492 §1 item 1) CCC in connection with 516¹⁵ CCC and Article 516¹ CCC and Section 201 I of the Cypriot Companies Law and the provisions of Article 2 (2) (c) of the Directive.

As a result of the Merger, Cyfrowy Polsat - pursuant to the provisions of Article 494 §1 CCC in connection with 516¹ CCC and Section 201 I of the Cypriot Companies Law - shall assume, upon the Merger Date, all of MPH's rights and duties.

Considering that all the shares in the Acquired Company are held by the Acquiring Company, pursuant to Article 515 §1 CCC in connection with Article 516¹ CCC the Merger will be effected without increasing the Acquiring Company the share capital.

Once the Merger is effected, Cyfrowy Polsat shall be the company resulting from a cross-border merger and shall not change its legal form, name or registered office in connection with the Merger.

2. LEGAL BASIS FOR THE MERGER

2.1. PRESENTATION OF THE LEGAL BASIS FOR THE MERGER

The Merger is effected as a cross-border merger by acquisition in pursuant to the provisions of Title IV, Section I (*Mergers of companies*), Chapter I (*General Provisions*) and Subchapter 1 of Chapter 2¹ (*Cross-border mergers of joint-stock companies*) of CCC, which implement the provisions of the Directive, and Sections from 201 I to 201 X of the Cypriot Companies Law.

In connection with the fact that Cyfrowy Polsat is the sole shareholder of the Acquired Company in the merger process the obligation to examine the Merger Plan by an certified auditor shall not apply (Article 516¹⁵ §1 CCC in connection with Article 516¹ CCC, Section 201 V of the Cypriot Companies Law and Article 15 paragraph 1 of the Directive).

Pursuant to Article 506 §1 CCC in in connection with Article 516¹ CCC, and Article 9, item 1 of the Directive and Section 201 P of the Cypriot Companies Law the basis for the Merger shall be a resolution of the General Meeting of Cyfrowy Polsat with consent from the shareholders of Cyfrowy Polsat to the Merger Plan. Pursuant to

Article 516¹⁵ §2 CCC, Article 15 item 1 of the Directive and Section 201 V of the Cypriot Companies Law no resolution of the shareholders meeting of MPH is required for the Merger.

The Acquired Company shall be dissolved without going into liquidation, and all of the assets and liabilities and the rights and obligations of the Acquired Company, including, in particular, the ownership of the share capital of mPunkt Polska S.A. with registered office in Warsaw, shall be transferred to the Acquiring Company by way of universal succession (492 §1 item 1) CCC in connection with Article 516¹⁵ CCC and Article 516¹ CCC).

As of the Merger Date, all of MPH's transactions will be treated for accounting purposes as a transaction of Cyfrowy Polsat.

2.2. MERGER PLAN

On 30 July 2010 the Management Boards of Cyfrowy Polsat and MPH - pursuant to the provisions of Article 498 CCC in connection with Article 516¹ CCC and Article 516³ CCC and Section 201L of the Cypriot Companies Law - agreed on the Merger Plan. The Merger Plan has been notified to the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register and pursuant to Article 516⁴ CCC was published by Cyfrowy Polsat on 11th August 2010 in the Monitor Sądowy i Gospodarczy (Court and Business Gazette) No 155/2010, item 10111.

3. ECONOMIC JUSTIFICATION OF THE MERGER

The Merger's objective is to carry out internal property restructuring and simplify the capital structure of Cyfrowy Polsat capital group which will result in cost optimization. The Merger shall not affect the financial situation of the shareholders of Cyfrowy Polsat, due to the fact that the Acquired Company is whole owned by Cyfrowy Polsat, does not carry on any operations activities and the only creditors of MPH are suppliers of administrative and financial services to MPH, related to the functioning of MPH.

As a result of the transfer of all assets and liabilities of MPH by way of universal succession to Cyfrowy Polsat, Cyfrowy Polsat shall become the direct shareholder in mPunkt Polska S.A. with registered office in Warsaw and in mTel Sp. z o.o. with registered office in Warsaw, who will hold 100% of the share capital in mPunkt Polska S.A. and mTel Sp. z o.o. respectively.

The Merger is in line with the strategy of Cyfrowy Polsat capital group which is aimed at reducing the costs of operations of individual companies within the capital group and reducing operating costs at the consolidated level.

4. IMPLICATIONS OF MERGER FOR SHAREHOLDERS, CREDITORS AND EMPLOYEES

4.1. IMPLICATIONS OF MERGER FOR SHAREHOLDERS OF CYFROWY POLSAT

The Merger shall not affect the financial situation of the shareholders of Cyfrowy Polsat, due to the fact that the Acquired Company is whole owned by Cyfrowy Polsat, does not carry on any operations and the only creditors of MPH are suppliers of administrative and financial services to MPH, related to the functioning of MPH, the obligations towards which are settled in a timely manner.

Considering the above, it should be noted that as a result of the acquisition of assets and liabilities of MPH by Cyfrowy Polsat, which shall occur on the Merger Day, Cyfrowy Polsat's financial condition shall not deteriorate.

4.2. IMPLICATIONS OF THE MERGER FOR CREDITORS

4.2.1. IMPLICATIONS OF THE MERGER FOR CYFROWY POLSAT'S CREDITORS

The Merger of Cyfrowy Polsat and MPH shall have no negative impact on the liabilities of Cyfrowy Polsat towards its creditors, in particular due to the fact that Cyfrowy Polsat performs the role of the acquiring company in the Merger.

In addition, as a result of the Merger, Cyfrowy Polsat shall acquire all assets and liabilities of MPH, in particular the ownership of share capital in mPunkt Polska S.A. with registered office in Warsaw, which means that the value of the assets of Cyfrowy Polsat will increase and the creditors will be entitled to seek satisfaction of their claims against Cyfrowy Polsat's assets, which also includes the assets of the Acquired Company.

Cyfrowy Polsat's creditors may exercise the rights indicated in Article 495 CCC and Article 496 CCC, which means as follows:

- (i) those creditors who submit their claims within six (6) months of the date of announcement of the Merger and substantiate that their satisfaction is threatened by the Merger, may demand that their claims be secured,
- (ii) the Acquiring Company will manage MPH's assets and Cyfrowy Polsat's assets separately until the day all creditors whose debt claims arose or will arise before the Merger Day, and who, demand payment in writing before the lapse of six (6) months of the announcement of the Merger are satisfied or secured,
- (iii) in the period of the separate management of the assets of MPH and the assets of Cyfrowy Polsat by the Acquiring Company, the creditors of MPH will have priority in the satisfaction of their claims against MPH assets before the creditors of Cyfrowy Polsat, whereas, the creditors of Cyfrowy Polsat will have priority, before the creditors of MPH, in the satisfaction of their claims against Cyfrowy Polsat's assets.

4.2.2. IMPLICATIONS OF THE MERGER FOR CREDITORS OF MPH

As a result of the Merger all of the assets and liabilities and the rights and obligations of the Acquired Company will be transferred on the Acquiring Company on the Merger Day by way of universal succession, and the Acquired Company shall be dissolved without going into liquidation (Article 492 §1 item 1) CCC in connection with Article 516¹⁵ CCC and Article 516¹ CCC).

The above means that MPH will cease to exist and as of the Merger Date Cyfrowy Polsat will become a debtor in respect of all liabilities of MPH, and MPH's creditors will become the creditors of Cyfrowy Polsat as of the Merger Day and will be able to demand satisfaction of their debt claims against MPH's assets separately managed by Cyfrowy Polsat.

The protection of MPH's creditors is further ensured by Section 201K of the Cypriot Companies Law, pursuant to which creditors of MPH should by majority of 75% of the value of the obligations, consent to the cross-border Merger.

Taking the above into account it should be stated that the Merger will not adversely affect the situation of the creditors of MPH.

4.3. EFFECTS OF THE MERGER FOR EMPLOYEES

The Merger shall have no implications for the employees of Cyfrowy Polsat, in particular due to the fact that the Acquired Company does not employ any employees.

IV. OPINION OF STAFF REPRESENTATIVES

The Report, pursuant to Article 516⁵ §3 CCC, is subject to availability to Cyfrowy Polsat's employees who are entitled to submit their opinion to the Management Board. If the opinion of the employees will have been delivered to the Management Board of Cyfrowy Polsat without undue delay, it will be appended to this Report. The term, which can be regarded as "without undue delay" is the term before the convening of the General Meeting of Cyfrowy Polsat, which is to take a resolution on the Merger, which General Meeting will be convened on 15 September 2010.

V. OTHER ISSUES

Pursuant to Article 516⁵ §2 CCC the Management Report justifying the Merger should specify, in addition to issues indicated in section III of this Report:

- (i) the exchange ratio for shares or other securities referred to in the merger plan, and
- (ii) the particular difficulties associated with the valuation of the shares of the merging companies.

Due to the fact the Merger is conducted in the procedure provided for in Article 516¹⁵ CCC, the Merger Plan, and, consequently, this Report do not contain any information on the exchange ratio for shares or other securities and on any particular difficulties in the valuation of the shares of the Merging Companies.

Warsaw, 12 August 2010

Signature:
Name: Dominik Libicki
Function: President of the Management Board

Signature:
Name: Tomasz Szeląg
Function: Member of the Management Board

Signature:
Name: Dariusz Działkowski
Function: Member of the Management Board

Signature:
Name: Aneta Jaskólska
Function: Member of the Management Board