

Cyfrowy Polsat S.A.

Report on the application of the principles of corporate governance
for the financial year ended 31 December 2007

Part I

Specification of the principles of corporate governance, which were not applied by the issuer, together with a circumstances and reasons for not applying the given principle and how the company intends to eliminate the possible consequences of non-applying of the given principle or which steps it intends to take to reduce the risk of non-applying of the given principle in future.

Cyfrowy Polsat S.A. was not a public company in 2007 and therefore the principles of corporate governance which applied to public companies did not apply to it.

Part II

Description of the method of calling a general meeting and its fundamental rights, as well as the rights of the shareholders and the method in which they are exercised.

The General Meeting operates on the basis of:

1. Articles 24-29 of the Articles of Association of Cyfrowy Polsat S.A.
2. The regulations of the General Meeting of Cyfrowy Polsat S.A. adopted by resolution no. 6 of the Extraordinary Shareholders Meeting of Cyfrowy Polsat S.A. dated 4 December 2007.

(i) Owners of registered shares, who have been entered into the register of shareholders at least one week before the General Meeting and (ii) owners of bearer shares who submit a registered deposit certificate at the Company's registered office specifying the number of shares held and containing a statement that the shares have been blocked on the securities account, in the quantity specified in the wording of the certificate, and confirming that they will not be traded until the date of the General Meeting, no later than one week before the General Meeting, are entitled to participate in the General Meeting.

A shareholder, who is a natural person, may participate in the General Meeting and exercise his/her voting rights personally or through a proxy.

A shareholder, who is a legal person, may participate in the General Meeting and exercise its voting rights through a person authorised to represent it or through a proxy.

The General Meeting should be attended by the members of the Management Board and Supervisory Board, as well as the Company's statutory auditor, if financial matters are to be discussed at the General Meeting.

Other people invited by the Management Board are also entitled to participate in the General Meeting.

The General Meeting is opened by the Chairman of the Supervisory Board or a person nominated by him/her. The person opening the General Meeting should bring about the immediate election of the Chairperson of the General Meeting, similarly withholding from all other substantive or formal settlements. Every Meeting Participant has the right to be a candidate to the post of Chairperson of the General Meeting, as well as to nominate one candidate to the post of Chairperson of the General Meeting. The nominated candidate is entered onto the list after submitting a representation to the minutes that he/she accepts the nomination. The list of nominated candidates is prepared by person opening the General Meeting. The list is considered closed at the time when it is announced.

The Chairperson of the General Meeting is elected by voting for each candidate in turn in alphabetic order. The Chairperson is elected in an open vote unless any of the Shareholders authorised to vote demands a secret ballot.

The person opening the General Meeting ensures the correct course of voting and announces its results.

No settlements are made until the Chairperson of the General Meeting is elected.

The Chairperson manages the course of the Meeting in accordance with the specified agenda, the provisions of the law, the Articles of Association and the Regulations and, in particular: gives the floor to those wishing to raise an issue, demands voting and announces the results of the vote. The Chairperson assures the efficient course of the meeting and that the rights and interests of all Shareholders are respected.

The Chairperson may decide on matters of order which are considered, in particular:

- i. the admittance of people who are not Shareholders into the meeting room;
- ii. the submission of a motion to change the order of reviewing matters provided in the meeting agenda;
- iii. the election of the ballot counting committee;
- iv. the method of additionally recording the course of the meeting.

The Chairperson of the General Meeting confirms the correctness of calling of the General Meeting and its capacity to pass resolutions, presents the meeting agenda and demands the election of the Ballot Counting Committee.

The General Meeting may adopt a resolution to waive reviewing an item contained in the meeting agenda and to change the order of items contained in the meeting agenda. However, the removal of an item contained in the agenda or the waiver of reviewing it requires the prior consent of all shareholders present who submitted such a motion, supported by an absolute majority of votes of the General Meeting. Motions on the above matters should be justified in detail.

Resolutions cannot be adopted on matters which are not included in the agenda unless the whole of the capital is represented at the General Meeting and nobody present files an objection to adopting the resolution.

After opening a point of the agenda, the Chairperson opens the discussions giving the floor to speakers in the order in which they apply. In the event of a large number of applications, the Chairperson may set a time limit for speaking or reduce the number of speakers. The floor can only be taken on matters covered by the meeting agenda and which are currently being reviewed. The Chairperson may give the floor out of order to members of the Management Board or the Supervisory Board, as well as the Company's experts on whom they call.

Voting takes place in the manner accepted by the General Meeting or with the use of a computer system of casting and counting votes, ensuring that votes are cast in numbers that reflect the number of shares held, as well as eliminating the possibility of identifying the way in which the individual Meeting participants cast their votes in the case of a secret ballot.

Resolutions passed by the General Meeting are legally effective regardless of the number of shareholders present at the Meeting and the number of shares which they represent.

The Shareholders participating in the General Meeting have a number of votes which reflects the number of shares they hold with the reservation that series "A" to "D" shares give the right to two votes at the General Meeting.

After the meeting agenda is exhausted, the Chairperson of the General Meeting announces the close of the General Meeting.

Part III

Membership and principles of operation of the company's management and supervisory authorities and its committees.

Membership of the Management Board

As at 31 December 2007, the Company's Management Board had four members as presented in the following table.

Forename and surname	Age	Position	Year of initial appointment	Year of appointment of to the present term of office	Year of expiry of the present term of office
Dominik Libicki	44	President of the Management Board	2001	2007	2010
Dariusz Działkowski	41	Board Member responsible for technology	2007	2007	2010
Maciej Gruber	42	Board Member responsible for finance	2005	2007	2010
Andrzej Matuszyński	37	Board Member responsible for marketing	2007	2007	2010

Rules of the Management Board's activities

The Cyfrowy Polsat S.A. Management Board operates under the provisions of the Code of Commercial Companies and

1. Articles 14-18 of the Articles of Association of Cyfrowy Polsat S.A.
2. The Regulations of the Management Board approved by the Supervisory Board on 29 November 2007.

According to the Company's Articles of Association, the Management Board operates under the leadership of the President of the Management Board, handles the Company's current affairs and represents it externally.

All matters related to the management of the Company which are not reserved for the Supervisory Board or General Meeting by the provisions of the law or the Articles of Association lie within the competence of the Management Board.

The procedures of the Management Board's activities are defined in detail in the Management Board's Regulations which are adopted by the Management Board and approved by the Supervisory Board.

The Management Board consists of one or more members, including the President of the Management Board. When appointing members of the Management Board, the Supervisory Board specifies their number.

The term of office of the first Management Board lasts two years. The term of office of the subsequent Management Boards lasts three years. The Management Board's term of office is joint.

The members of the Management Board may be recalled by the Supervisory Board at any time, which does not obstruct their claims arising from their employment contracts.

In the event of an equal number of votes when passing Management Board resolutions, the vote of the President of the Management Board shall be decisive.

The following are authorised to make representations on behalf of the Company:

- in the case of a single-member Management Board - the President of the Management Board independently,

- in the case of a Management Board with more than one member, the President of the Management Board independently, two Board Members together or one Board Member with a proxy.

The appointment of a proxy requires the consent of all Board Members. Any member of the Management Board may recall a proxy.

The Supervisory Board is authorised to sign contracts with the Board Members on behalf of the Company.

Membership of the Supervisory Board

As at 31 December 2007, the Company's Supervisory Board had five members as presented in the following table.

Forename and surname	Age	Position	Year of initial appointment	Year of appointment to the present term of office	Year of expiry of the present term of office
Heronim Ruta	57	Chairperson of the Supervisory Board	2001	2006	2009
Mariola Gaca	41	Member of the Supervisory Board	1996	2006	2009
Zdzisław Gaca	42	Member of the Supervisory Board	1996	2006	2009
Anna Kwaśnik	47	Member of the Supervisory Board	1996	2006	2009
Andrzej Papis	32	Member of the Supervisory Board	2007	2007	2009

Principles of operation of the Supervisory Board

The Supervisory Board operates on the principles of the Code of Commercial Companies, as well as on the basis of:

1. Articles 19-23 of the Articles of Association of Cyfrowy Polsat S.A.
2. The Regulations of the Supervisory Board dated 3 December 2007.

In accordance with the Company's Articles of Association, the Supervisory Board exercises constant supervision over the Company's activities in all areas of its business. As a part of the supervision, the Supervisory Board may demand any information and documents on the Company's activities from the Management Board.

The competence of the Supervisory Board includes all matters contained in the provisions of the Code of Commercial Companies, in particular:

- a) auditing the financial statements both with regard to the conformity with the accounting ledgers and documents, as well as the actual situation, auditing the Management Board's interim and annual reports, as well as the Management Board's motions on the distribution of profit and the coverage of losses and the submission of a written report to the General Meeting on the results of the audits;
- b) preparing a succinct assessment of the Company's position, including an evaluation of the internal control system and the system for managing risks which are material to the Company, and submitting it to the Annual General Meeting;
- c) appointing members of the Management Board;
- d) nominating members of the Supervisory Board for temporary fulfilment of the duties of the members of the Management Board who cannot fulfil their duties;
- e) suspending individual or all members of the Management Board from their activities for important reasons;
- f) approving the regulations of the Management Board;
- g) defining the principles of compensating the members of the Management Board;
- h) choosing a statutory auditor to audit the Company's financial statements.

Furthermore, the competence of the Supervisory Board includes the following matters:

- a) assessing the work of the Management Board and presenting this assessment to the Annual General Meeting;
- b) reviewing and providing an opinion on matters which are to be subjects of resolutions of the General Meeting;
- c) approving the Company's annual and long-term action plans prepared by the Management Board;
- d) setting the level of compensation for the members of the Supervisory Board nominated to temporarily fulfil the duties of a member of the Management Board;
- e) expressing consent to participating in other companies;
- f) expressing consent to the company executing a material agreement with a related party;
- g) expressing consent for the Company to conduct activities resulting in the assumption of a liability, with the exception of:
 - (i) activities provided for in the Company's annual action plan which is approved by the Supervisory Board or
 - (ii) activities resulting in the assumption of a liability of a value of up to PLN 10,000,000 (ten million zlotys), including granting sureties or guarantees and issuing or guaranteeing bills of exchange as a part of the ongoing activities, including, in particular, activities of pay digital television and activities of a virtual mobile telephony operator.
- h) issuing opinions on all matters which are important to the Company on the Management Board's request.

The detailed procedures of the Supervisory Board's activities, including the principles of operation of its individual committees are specified in the Supervisory Board's Regulations, which it approves.

The Supervisory Board consists of between five and nine members including the Chairman of the Supervisory Board.

The General Meeting specifies the number of members of the Supervisory Board before the election of new members of the Supervisory Board for a new term of office.

The Supervisory Board elects a Chairman from its members in a secret ballot. The Supervisory Board's term of office is three years and is joint.

At the time when the Company's shares are traded on the regulated market, as defined by the Act on trading in financial instruments of 29 July 2005, the Supervisory Board's membership may include two members who satisfy the criteria of an independent member of the Supervisory Board, as specified in the regulations which apply on the regulated market on which the Company's shares are traded.

Supervisory Board meetings are held at least once a quarter.

The Chairman of the Supervisory Board or a member of the Supervisory Board nominated by the Chairman of the Supervisory Board calls Supervisory Board meetings. Supervisory Board meetings are chaired by the Chairman and, in the event of his/her absence, a member of the Supervisory Board nominated in writing by the Chairman or another member of the Supervisory Board elected by the members present at the meeting.

Furthermore, the Chairman calls Supervisory Board meetings on the request of a member of the Management Board or a member of the Supervisory Board or on the request of shareholders representing at least 1/10 (one tenth) of the share capital. Supervisory Board meetings should be held within 14 days of the date of the submission of a written request to the Chairman.

Supervisory Board resolutions are passed with a majority of votes cast. In the event of an equal number of votes, the Chairman's vote is decisive.

All members of the Supervisory Board must be invited and no less than half of the members of the Supervisory Board must be present at the meeting in order for Supervisory Board resolutions to be valid.

Supervisory Board resolutions may be passed through means of direct remote communication and a member of the Supervisory Board may cast his vote in writing through another member of the Supervisory Board.

The members of the Supervisory Board exercise their rights and duties personally.

Part IV

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

The Company's Management Board is responsible for the internal control system at the Company and its effectiveness in the process of preparing financial statements and interim reports which are prepared and published in accordance with the principles of the Regulation of 19 October 2005 on current and interim information provided by issuers of securities.

The objective of an effective internal control system in financial reporting at the Company is the assurance of the adequacy and correctness of financial information contained in the financial

statements and interim reports. An effective system of internal control and risk management in the financial reporting process at the Company was developed through:

- . A specified scope of financial reporting by the Company;
- . A defined segregation of duties and work organisation in the financial reporting process;
- . A repeatable set of financial and operational data, which is consistent with the respective decree, contained in the financial reports enabling the results of successive periods to be comparable;
- . Regular reviews of the Company's results using the applied financial reporting; and
- . Regular reviews of the Company's published financial statements by an auditor.

a. Specified scope of financial reporting by the Company

The Management Board of the Company regularly reviews the strategy and business forecasts for the period of three to five years. Based on the conclusions from such reviews middle and senior management prepares the detailed financial plan for the following 12 months covering all the areas of Company's activities and updates business forecast covering the following 5 years. The accounting policy adopted by the Company regarding statutory reporting is used in both the budgeting process and during the preparation of interim management reporting.

Prepared financial plan for the following 12 months is further accepted by the Company's Management Board and approved by the Supervisory Board.

The Company's Management Board analyses the current financial results during the year, comparing them with the accepted financial plan.

b. Defined demarcation of duties and work organisation in the financial reporting process

Budgeting and Controlling Department is responsible, based the assumptions prepared by the Management Board and senior and Middle management, for preparation of 12 month financial plan. The Budgeting and Controlling Department reports to the Member of Management Board responsible for finance. The financial plan for the following 12 months, accepted by the Management Board, is passed on to the owners of the areas of Company's activities for realization. Budgeting and Controlling Department analysis execution of the plan and report the results of its analysis to the Management Board and the owners of the areas of Company's activities who are responsible for the execution of the plan.

The Reporting Department, which is subordinated to the Management Board Member responsible for Finance is responsible for preparing the financial statements and the interim financial reports.

Before being provided to an independent auditor, the prepared financial statements are checked by the Director of the Finance Department and then by the Management Board Member responsible for finance.

The Company's interim reports are prepared by the Investor Relations Department on the basis of interim and annual financial statements after they are accepted by the Management Board Member responsible for finance, taking into consideration other supplementary data provided by specified employees of other departments.

Before being provided to an independent auditor, the interim reports are checked by the Management Board Member responsible for finance.

c. Repeatable set of financial and operational data, which is consistent with the respective Regulation, contained in the financial reports enabling the results of successive periods to be compared

The scope of the basic data encompassed by the interim reporting process includes both the obligatory data defined in the Regulation of 19 October 2005 on current and interim information provided by issuers of securities and a set of operational data enabling the effectiveness of the Company's activities to be verified and analytical models used by external financial analysts to be updated.

The Company applies cohesive accounting principles in the presentation of financial data in the financial statements, interim financial reports, internal financial plans and other reports presented to investors.

d. Regular reviews of the Company's results using the applied financial reporting

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

The financial and operating results based on the prepared management reports are analysed further at the level of Deputy Finance Director responsible for Budgeting and Controlling. The Company's Management Board and the operational departments are informed in the monthly reports of the level of costs in a given month and the level of utilisation of the annual financial plan.

The preparation of the financial statements and interim reports starts after the Board Member responsible for Finance accepts the results for the period which has ended.

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

The Company applies the principle of an independent review of the published financial statements by an independent auditor regardless of whether or not the duty to conduct the review or audit arises from the provisions of the law. The quarterly financial statements and reports which are published and the financial data which constitute the basis of this reporting, as well as the source data constituting the grounds for their preparation, as well as the procedures for preparing financial statements are reviewed by the Company's auditor.

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

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

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