

## **REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD OF CYFROWY POLSAT S.A. IN 2011**

The Supervisory Board presents the report on its activities in the financial year 2011, comprising, in particular, an assessment of the Management Board's report on activities of the Company in the financial year 2011, financial statements of the Company for the financial year 2011 and of the motion for distribution of profit generated by the Company in the financial year 2011, as well as an assessment of the internal control system and system of management of risks relevant to the Company.

### **1. Composition of the Supervisory Board**

In the period from January 1, 2011 to December 31, 2011 the Supervisory Board comprised:

- 1) Mr. Zygmunt Solorz- Żak;
- 2) Mr. Heronim Ruta;
- 3) Mr. Andrzej Papis;
- 4) Mr. Robert Gwiazdowski;
- 5) Mr. Leszek Reksa.

Robert Gwiazdowski and Pan Leszek Reksa were appointed as independent members of the Supervisory Board, in order to implement the principle No.III.6 of the Code of Best Practices for WSE Listed Companies, adopted by a resolution of the WSE Supervisory Board of 4 July 2007 with further amendments, according to which at least two members of the Supervisory Board should fulfill the criteria of independence from the Company and the parties related to the Company.

In the period from January 1, 2011 to December 31, 2011 Zygmunt Solorz-Żak was the President of the Supervisory Board.

### **2. The scope of activities of the Supervisory Board**

The Supervisory Board acts on the basis of Commercial Companies Code as well as the Company's Articles of Association and Regulations of the Supervisory Board of the Company dated December 3, 2007.

In 2011, the Supervisory Board performed constant supervision over the activities of the Company in all the branches of the enterprise. The Supervisory Board devoted particular attention to the analysis of the financial performance, in particular in the context of creating the largest media group on the Polish market by finalizing the acquisition of 100% shares in Telewizja Polsat S.A. (currently Telewizja Polsat Sp. z o.o.), as well as in relation to development of the Company's services including primarily the launch of LTE Internet access service and plans to introduce mobile TV services.

The Supervisory Board, upon familiarizing themselves with the plan of activities for 2011 and the budget allocated to its execution, approved the plan of activities for 2011 together with the budget allocated to its execution.

The Supervisory Board focused in particular on the analysis of the terms and conditions of obtaining financing of the acquisition of Telewizja Polsat and approved the conclusion of

term loan, revolving facility and bridge loan agreements, as well as the establishment of relevant guarantees and securities.

Pursuant to article 19 section 3 point g) and h) of the Company's Articles of Association, the Supervisory Board repeatedly agreed to incur liabilities of the value exceeding PLN 10,000,000. On the same basis the Supervisory Board also gave consent for the acquisition of 100% shares in Goldcup 10051 AB (afterwards converted to Cyfrowy Polsat Finance AB) and of 100% shares in Info-TV-FM Sp. z o.o.

In 2011, on several occasions, the Supervisory Board made use of the new competencies given to it in the article 19 section 3 point f) of the Articles of Association as amended pursuant to the resolution of the Extraordinary General Meeting of May 4, 2011, and approved the appointment or dismissal of members of authorities of the Company's subsidiaries.

Based on authorization given by the General Meeting, in 2011, the Supervisory Board adopted consolidated text of the Company's Articles of Association, amended by the resolution of the Annual General Meeting on May 19, 2011, concerning the increase of the share capital of the Company.

Since August 4, 2008, when the Supervisory Board appointed the Audit Committee and the Remuneration Committee, Audit Committee has comprised: Heronim Ruta, Robert Gwiazdowski and Leszek Reksa, and Remuneration Committee has comprised: Zygmunt Solorz-Żak and Heronim Ruta. The Members of the Audit Committee and the Remuneration Committee held meetings with the Management Board to discuss issues related to: the evaluation of the internal control system and the system of management of risks relevant to the Company.

Acting pursuant to article 382 § 3 of the Commercial Companies Code, article 19 section 2 point a) and b) of the Articles of Association of the Company and point III.1.1 of the Code of Best Practices for WSE-Listed Companies, the Supervisory Board approved the report on its activities in the financial year 2010, containing in particular results of evaluation of the Management Board's report on the Company's activities in the financial year 2010, of the financial statements of the Company for financial year 2010 and of the motion of the Management Board concerning the distribution of the profit generated by the Company in the financial year 2010, as well as evaluation of the activities of the Supervisory Board and evaluation of the internal control system and the system of management of risks relevant to the Company.

The Supervisory Board recommended the Annual General Meeting to approve the financial statements for 2010 and to grant a vote of approval for the performance of duties in 2010 to the members of the Management Board. The Supervisory Board after analyzing the motion of the Management Board concerning the distribution of the profit for 2010, including appropriation of the profit in total to the reserve capital, gave a positive opinion on it.

The Supervisory Board of the Company appointed KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. to conduct audit of the financial statements of the Company and the consolidated financial statements for the financial year 2011.

In 2011 the Supervisory Board did not conduct any control or explanatory process, and did not suspend members of the Company's Management Board.

### **3. Assessment of the internal control system and the system of management of risks relevant to the Company**

In the Company there is an internal control system and the Management Board of the Company is responsible for its efficiency. The internal control system covers the main processes of the Company's activities, where there is a need of establishing control mechanisms in order to monitor and limit the risks relevant to the Company. The primary task of this system is to assure realization of business goals of the Company. The Company maintains and updates the organizational structure, incorporating clearly defined reporting lines, responsibilities and levels of authorization on daily basis, which enables offsetting the risks related to the business conducted. In the opinion of the Supervisory Board, the system of internal control and management of risks relevant to the Company is at a satisfactory level.

### **4. Assessment of report of the Management Board's report on activities of the Company in the financial year 2011, financial statements of the Company for the financial year 2011 and the motion of the Management Board regarding distribution of profit generated by the Company in the financial year 2011**

The Supervisory Board of Cyfrowy Polsat S.A. seated in Warsaw presents a report on results of assessment of the following reports of the Company for the financial year 2011:

1. financial statements of the Company
2. the Management Board's report on activities of the Company in 2011 and
3. evaluation of the motion of the Management Board regarding distribution of profit.

#### **Ad. 1**

The Supervisory Board, having considered the opinion and report of the certified auditor on the course and results of the audit of the financial statements of the Company for the year 2011 and having evaluated the report, states that the financial statements of the Company for the financial year 2011 were prepared based on properly held ledgers, are compliant in terms of form and contents with the provisions of law in force and fairly present all the information relevant to evaluation of profitability and financial results in the audited period, as well as of the financial and economical situation of the Company as of December 31, 2011. Moreover, the Supervisory Board acknowledges that the financial statements of the Company for the financial year 2011 are compliant with the books and documents of the Company as well as with the actual state. Therefore, the Supervisory Board puts forward a motion to the General Meeting to approve the financial statements of the Company for the financial year 2011.

#### **Ad. 2**

The Supervisory Board, having analyzed and evaluated the Management Board's report on activities of the Company in 2011, acknowledges that the Management Board's report on

activities of the Company in the financial year 2011 is compliant with the books and documents of the Company as well as with the actual state. Therefore, the Supervisory Board approves the presented report and puts forward a motion to the General Meeting to approve it. Moreover, the Supervisory Board puts forward a motion to the General Meeting to grant a vote of approval for the performance of duties in the financial year 2011 to the President of the Management Board - Mr. Dominik Libicki, and Members of the Management Board: Mr. Tomasz Szelaąg, Mr. Dariusz Działkowski and Mrs. Aneta Jaskólska.

#### Ad. 3

The Supervisory Board, bearing in mind the indebtedness of the Company resulting from the financing of the acquisition of Telewizja Polsat and having considered the motion of the Management Board regarding the distribution of profit for 2011 in the amount of PLN 156,092,789.88 as follows: PLN 140,979,430.60 for the reserve capital and PLN 15,113,359.28 to cover losses from previous years, being losses of the companies acquired by the Company, i.e. M.Punkt Holdings Ltd., mPunkt Polska S.A. and mTel Sp. z o.o., issues a positive opinion and puts forward the motion to the General Meeting to adopt a resolution regarding distribution of profit in the way proposed by the Management Board.