IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The offering memorandum has been prepared in connection with the proposed offer and sale of the securities (including the guarantees) described herein. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, you must be either (1) a QIB or (2) purchasing securities in offshore transactions outside the United States in reliance on Regulation S, provided that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us and the Initial Purchasers named as such in the attached offering memorandum (the "Initial Purchasers") that:

(1) you consent to delivery of such offering memorandum by electronic transmission; and

(2) either:

  (a) you and any customers you represent are QIBs; or

  (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the offering memorandum to any other person. You may not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of us in such jurisdiction.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which section 21(1) of the FSMA does not apply to us.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Initial Purchasers, or any person who controls any of the Initial Purchasers, or any of their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM **CONFIDENTIAL**

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

TELEWIZJA INTERNET TELEFON

Cyfrowy Polsat Finance AB (publ)

€350,000,000 7⅛% Senior Secured Notes due 2018

Guaranteed on a senior secured basis by Cyfrowy Polsat S.A. and certain of its subsidiaries

---

Cyfrowy Polsat Finance AB (publ), a public limited liability company incorporated under the laws of Sweden (the "Issuer") and a wholly owned subsidiary of Cyfrowy Polsat S.A., is offering (the "Offering") €350,000,000 aggregate principal amount of its 7⅛% Senior Secured Notes due May 20, 2018 (the "Notes"). Interest on the Notes will be payable semi-annually on each May 20 and November 20, commencing on November 20, 2011. The Notes will mature on May 20, 2018. At any time on or after May 20, 2014, the Issuer may redeem all or part of the Notes by paying a specified premium to you, and at any time prior to May 20, 2014, the Issuer may redeem all or part of the Notes by paying a "make-whole" premium to you. In addition, prior to May 20, 2014 the Issuer may redeem at its option up to 35% of the Notes with the net proceeds of certain equity offerings of Cyfrowy Polsat S.A. If Cyfrowy Polsat S.A. undergoes a change of control together with a rating decline, the Issuer will be required to make an offer to purchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any. If Cyfrowy Polsat S.A. sells certain assets, the Issuer may be required to make an offer to purchase Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

The Notes will be the senior secured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated to the Notes. The Notes will be initially guaranteed (the "Initial Guarantees") on a senior secured basis by Cyfrowy Polsat S.A. and certain of Cyfrowy Polsat S.A.'s subsidiaries (the "Initial Guarantors"). After issuance, the Notes and the Initial Guarantees will be secured by liens over the Collateral (as defined herein) owned by the Issuer and the Initial Guarantors. Please see "Description of the Notes—Security". Telewizja Polsat S.A. and its material subsidiaries (the "Subsequent Guarantors" and, together with the Initial Guarantors, the "Guarantors") will guarantee the Notes (the "Subsequent Guarantees" and, together with the Initial Guarantees, the "Guarantees") and grant security interests over the Collateral they own upon the transformation of Telewizja Polsat S.A. into a limited liability company. Each Guarantee will rank *pari passu* in right of payment with all of the relevant Guarantor's existing and future indebtedness that is not subordinated to its Guarantee. The security interests over the Collateral will be shared on a *pari passu* basis with certain other senior secured obligations of the Issuer and the Guarantors, including the Senior Secured Credit Facilities (as defined herein).

Currently there is no public market for the Notes. We have filed an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. There is no assurance that the Notes will be listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 25 of this offering memorandum.

Offering price: 100.00% plus accrued interest from the Issue Date, if any.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to persons outside the United States in accordance with Regulation S under the U.S. Securities Act. For further details about eligible offerees and resale restrictions, please see "Notices to Investors" and "Transfer Restrictions".

We expect that delivery of the Notes will be made to investors in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), on or about May 20, 2011 (the "Issue Date"). Interests in each global note will be exchangeable for definitive notes only in certain limited circumstances. Please see "Book-Entry, Delivery and Form".

Joint Bookrunning Managers

Citi **Crédit Agricole CIB** **The Royal Bank of Scotland** **Deutsche Bank**

The date of this offering memorandum is May 6, 2011.

In making your investment decision, you should rely only on the information contained in this offering memorandum. We and the Initial Purchasers have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it.

We and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted.

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum.

TABLE OF CONTENTS

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

The Issuer is a public limited liability company incorporated under the laws of Sweden with the registration number 556842-4435. Its registered address is Stureplan 4C, 4tr, 114 35 Stockholm, Sweden and its telephone number at that address is +46 8 463 10 44. The Issuer is a wholly owned subsidiary of Cyfrowy Polsat. Cyfrowy Polsat Finance AB (publ) has not engaged in any activities prior to the date of this offering memorandum. Cyfrowy Polsat is a joint stock company incorporated under the laws of the Republic of Poland. Its principal executive offices are located at ul. Łubinowa 4a, 03-878 Warsaw, Poland, and its telephone number at that address is +48 22 356 66 00. TV Polsat is a joint stock company incorporated under the laws of the Republic of Poland. Its principal executive offices are located at ul. Ostrobramska 77, 04-175 Warsaw, Poland, and its telephone number at that address is +48 22 514 40 00.

We have prepared this offering memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this offering memorandum may not be complete. We will make copies of actual documents available to you upon request. None of us, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, The Royal Bank of Scotland plc and Deutsche Bank AG, London Branch (collectively, the "Initial Purchasers"), represent that the information herein is complete. The information in this offering memorandum is current only as at the date on the cover, and our business or financial condition and other information in this offering memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this offering memorandum is not legal, tax or business advice.

You should base your decision to invest in the Notes solely on information contained in this offering memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with any different information.

The Issuer is offering the Notes, and the Guarantors will issue the Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "Notices to Investors". You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

None of the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority or other authority has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regard to us, our subsidiaries and affiliates, and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

We have prepared this offering memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers under Rule 144A under the U.S. Securities Act and to persons outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form", is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

We cannot guarantee that our application for the admission of the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Euro MTF Market of the Luxembourg Stock Exchange will be approved as at the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Please see "Notices to Investors".

STABILIZATION

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE PURSUANT TO TREASURY CIRCULAR 230

PURSUANT TO U.S. TREASURY DEPARTMENT CIRCULAR 230, YOU ARE ADVISED THAT THE SUMMARY HEREIN OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. IT WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICES TO INVESTORS

NOTICE TO U.S. INVESTORS

This offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. Please see "Transfer Restrictions".

This offering memorandum is being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be "qualified institutional buyers" under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes, and (2) to investors outside the United States in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S. The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISIONS WITH RESPECT TO AN INVESTMENT IN THE NOTES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO EEA INVESTORS

This offering memorandum has been prepared on the basis that this offering of the Notes will be made pursuant to an exemption under Directive 2003/71/EC (the "Prospectus Directive") as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each a "Relevant Member State") of the Notes which are the subject of the placement referred to in this offering memorandum must only do so in circumstances in which no obligation arises for us to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Notes must be in compliance with the laws of such jurisdiction.

The Notes may not be offered and will not be offered to the public in any Relevant Member State except that the Notes may be offered to:

- legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall result in a requirement for the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

NOTICE TO UK INVESTORS

This offering memorandum is directed only at persons ("relevant persons") who (i) fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated.

This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

NOTICE TO SWISS INVESTORS

This offering memorandum and any other materials relating to the Notes may not be publicly distributed to any person or entity in or from Switzerland. The Notes must not be publicly offered (as such term is defined in article 652a and 1156 of the Swiss Code of Obligations) in, or to investors from, Switzerland. This offering memorandum does not constitute an offering prospectus as that term is defined under Articles 652a or 1156 of the Swiss Federal Code of Obligations.

INDUSTRY, MARKET AND SUBSCRIBER DATA

This offering memorandum includes market share and industry data that we obtained from various third-party sources, discussions with customers and internal estimates. Market and industry data relating to our business was obtained from providers of industry data, including:

- The Statistical Office of the European Union ("Eurostat"), charged with the task of providing the European Union with statistics at the European level that enable comparisons among countries and regions;
- The Central Statistical Office of Poland ("GUS"), Poland's chief government executive agency charged with collecting and publishing statistics related to Poland's economy, population and society, at both national and local levels;
- The President of the Polish Chamber of Electronic Communications ("UKE"), which supervises and regulates the Polish telecommunications market. The UKE is responsible for supporting effective and fair competition in the Polish telecommunications market and has certain regulatory and supervisory powers with respect to the provision of all electronic communications services, including satellite TV as well as radio and mobile telephony services; unless otherwise indicated all references to the UKE Report in this offering memorandum should be read as references to the UKE report of June 2010, "Telecommunication market status report, Poland 2009" (the "UKE Report");
- The National Broadcasting Council (*Krajowa Rada Radiofonii i Telewizji*, "KRRiT") which supervises and regulates the Polish radio and TV broadcasting in Poland. The KRRiT grants broadcasting licenses and supervises TV broadcasters in Poland; unless otherwise indicated all references to the KRRiT Report in this offering memorandum should be read as references to the KRRiT annual report for the year ended December 31, 2009;
- The Chamber of Electronic Communication (*Polska Izba Komunikacji Elektronicznej*, "PIKE"); unless otherwise indicated all references to PIKE data in this offering memorandum should be read as references to PIKE data as of September 30, 2010;
- Informa U.K. Limited ("Informa"), a UK research company, which monitors and analyzes market data for the media and entertainment, broadband and fixed telecommunications, mobile telephony markets and other sectors; unless otherwise indicated all references to Informa should be read as references to Informa's report "Informa Telecoms and Media, Western European TV, 14^{th} Edition" or "Informa Telecoms and Media, Eastern Europe TV, 14^{th} Edition", respectively;
- Starlink Sp. z o.o. ("Starlink"), a Polish media house which provides estimates of the net advertising market; unless otherwise indicated all references to Starlink in this offering memorandum should be read as references to Starlink's report "Estimate of the Polish Advertising Market in 2010";
- ZenithOptimedia Group Sp. z o.o. ("Zenith"), a global media services agency which provides market research with respect to all forms of advertising media; unless otherwise indicated all references to Zenith in this offering memorandum should be read as references to Zenith's report "Advertising Expenditures Forecasts, December 2010";
- AGB Nielsen Media Research Polska ("NAM"), which is a third-party source of market share and industry data relating to the Polish TV broadcasting industry;
- GFK Polonia Sp. z o.o. ("GFK Polonia"), a Polish research agency which provides information about the intensity and the uses of media and the level of their acceptance by consumers in the TV, radio, press and Internet industries; unless otherwise indicated all references to GFK Polonia in this offering memorandum should be read as references to GFK Polonia's report "Brand's imagine survey, May 2010";

- The European Commission "Europe's Digital Competitiveness Report 2010, Commission Staff Working Document, ICT Country Profiles, vol. 2" (the "ICT Report");
- PMR Publication "Telecommunication Market in Poland 2010, Development Forecast for 2010-2014" (the "PMR Report");
- VFP Communication Ltd Sp. z o.o., the publisher of Media & Marketing Polska, a trade magazine ("Media & Marketing"), unless otherwise indicated all references to Media & Marketing in this offering memorandum should be read as references to Media & Marketing's report "Advertizing Agencies 2010", published in December 2010.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We believe that these industry publications, surveys and forecasts are reliable, but neither we nor the Initial Purchasers have independently verified them or can guarantee their accuracy or completeness. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources.

In addition, in many cases, statements in this offering memorandum regarding our industry and our position in the industry are based on our experience and investigation of market conditions. Neither we nor the Initial Purchasers can assure you that any of these statements are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Statements or estimates as to our market position, or our Group more generally, which are not attributed to independent sources, are based on market data or internal information currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this offering memorandum.

The subscriber data included in this offering memorandum, including ARPU, SAC and churn rate, are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of the terms ARPU, SAC and churn rate may not be comparable to the use or computation of similarly titled measures reported by other companies in our industry. For more information on how we calculate ARPU, SAC and churn rate and why we believe this data provides useful information, please see "Operating and Financial Review and Prospects—Operating and Financial Review and Prospects of Cyfrowy Polsat Group—Key Performance Indicators". None of ARPU, SAC or churn rates should be considered in isolation or as an alternative measure of performance under EU IFRS.

Unless specified otherwise in this offering memorandum, all references to audience share should be read as references to the audience share in the year ended December 31, 2010 in the "All Day 16-49" segment according to NAM data, which is the audience segment that advertisers focus most heavily on in determining advertising expenditures and is recognized as the settlement benchmark for the majority of advertising agreements in Poland.

The industry, market and subscriber data included herein are produced only as of their respective dates, and may be, or have been, superseded with the passage of time.

TRADEMARKS

We own or have rights to certain trademarks that we use in the operation of our business. *Cyfrowy Polsat* (registered by the Polish Patent Office under registration No. R-205747) and *POLSAT* (registered by the Polish Patent Office under registration No. R-122706) are our two key trademarks. All other brand names, trademarks or service marks referred to in this offering memorandum are the property of their respective owners.

DEFINITIONS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout the document:

"Acquisition"	The purchase of 100% of the shares of TV Polsat by Cyfrowy Polsat completed on April 20, 2011, pursuant to the Investment Agreement dated November 15, 2010, as amended, described under "The Transactions".
"Clearstream"	Clearstream Banking, *société anonyme*.
"Collateral"	The collateral securing the Notes, as described in "Description of the Notes—Security".
"Cyfrowy Polsat"	Cyfrowy Polsat S.A.
"Cyfrowy Polsat Group"	Cyfrowy Polsat and its consolidated subsidiaries prior to the completion of the Acquisition.
"EU"	The European Union.
"EU IFRS"	International Financial Reporting Standards, as adopted by the European Union.
"€", "EUR" or "euro"	The single currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
"Euroclear"	Euroclear Bank SA/NV.
"Group", "we", "us" or "our"	Cyfrowy Polsat and its consolidated subsidiaries, after giving effect to the Acquisition.
"Guarantors"	The Initial Guarantors and the Subsequent Guarantors, together.
"Initial Guarantors"	Cyfrowy Polsat, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A.
"Initial Purchasers"	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, The Royal Bank of Scotland plc and Deutsche Bank AG, London Branch, together.
"Issuer"	Cyfrowy Polsat Finance AB (publ).
"NBP"	The National Bank of Poland.
"Notes"	The €350,000,000 aggregate principal amount of 7⅛% senior secured notes due 2018 offered hereby.
"Notes Proceeds Loan"	The intercompany loan by the Issuer to Cyfrowy Polsat, or the intercompany bonds issued by Cyfrowy Polsat to the Issuer, pursuant to which Cyfrowy Polsat will onlend the aggregate principal amount of the Notes to the Issuer.
"Offering"	The offering of the Notes contemplated hereby.
"PLN" or "zloty"	Polish zloty, the lawful currency of the Republic of Poland.

"Polsat Media"	Polsat Media Sp. z o.o., a wholly owned subsidiary of TV Polsat.
"SEC"	The United States Securities and Exchange Commission.
"Security Agent"	Citicorp Trustee Company Limited.
"Security Documents"	The security documents with respect to the Notes, as described in "Description of the Notes—Security".
"SEK"	Swedish krona, the lawful currency of Sweden.
"Senior Secured Bridge Facility"	The senior secured bridge facility dated March 31, 2011, which we intend to refinance with the proceeds of the Offering.
"Senior Secured Credit Facilities Agreement"	The Senior Facilities Agreement, dated March 31, 2011, as described under "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement".
"Senior Secured Credit Facilities"	The Senior Secured Term Loan Facility and the Senior Secured Revolving Credit Facility under the Senior Secured Credit Facilities Agreement.
"Subsequent Guarantors"	TV Polsat, RS TV S.A., Polsat Media, Media Biznes Sp. z o.o., Nord License AS, Polsat Futbol Ltd. and Polsat License Ltd.
"Transformation"	The transformation of the legal form of TV Polsat from a joint-stock company to a limited liability company.
"Transactions"	The Acquisition, the financing of the Acquisition under the Senior Secured Term Loan Facility, the Senior Secured Revolving Credit Facility and the Senior Secured Bridge Facility and the issuance and sale of the Notes offered hereby. Please see "The Transactions."
"Trustee"	The Bank of New York Mellon.
"TV Polsat"	Telewizja Polsat S.A.
"TV Polsat Group"	TV Polsat and its consolidated subsidiaries.
"U.S. Exchange Act"	The U.S. Securities Exchange Act of 1934, as amended.
"U.S. GAAP"	Generally accepted accounting principles in the United States.
"U.S. GAAS"	Generally accepted auditing standards in the United States.
"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended.
"$", "USD", "dollars" or "U.S. dollars"	The lawful currency of the United States of America.
"WIBOR"	The Warsaw Interbank Offered Rate, a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Warsaw wholesale money market (or interbank market).

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

Unless otherwise indicated, the financial information contained in this offering memorandum has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). In this offering memorandum, the term "financial statements" refers to (i) the audited consolidated financial statements of Cyfrowy Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 and (ii) the audited consolidated financial statements of TV Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010.

The financial information included elsewhere in this offering memorandum is not intended to comply with the SEC's reporting requirements.

EU IFRS differs in various significant respects from U.S. GAAP. In making an investment decision, you should rely upon your own examination of the terms of the offering and the financial information contained in this offering memorandum. You should consult your own professional advisors for an understanding of the differences between EU IFRS, on one hand, and U.S. GAAP, on the other hand, and how those differences could affect the financial information contained in this offering memorandum.

The preparation of financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in those consolidated financial statements.

The consolidated financial statements have been prepared based on a calendar year and are presented in zloty rounded to the nearest thousand. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding. The consolidated financial statements have been prepared under the historical cost convention.

Non-EU IFRS Financial Measures—EBITDA and EBITDA margin

The financial measures of EBITDA and EBITDA margin, as presented in this offering memorandum, are supplemental measures of a company's performance that are not EU IFRS measures. As presented in this offering memorandum, EBITDA is defined as net income before interest expense and interest income, income tax expense, and depreciation and amortization. EBITDA margin is defined as EBITDA divided by revenue.

We present EBITDA and EBITDA margin because we believe that, when considered in conjunction with related EU IFRS financial measures, these measures provide investors with important additional information to evaluate operating performance. We believe EBITDA-based measures are useful to investors because these measures (i) provide investors with financial measures on which management bases financial, operational, compensation and planning decisions and (ii) present measurements that investors and rating agencies have indicated to management are useful to them in assessing a company and its results of operations. These measures, however, are not measures of financial performance under EU IFRS, have not been audited and should not be considered alternatives to, or more meaningful than, net income as a measure of operating performance. Since EBITDA-based measures are not determined in accordance with EU IFRS and thus are susceptible to varying interpretations and calculations, the measures we present may not necessarily be comparable to similarly titled measures used by other companies. These measures have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, financial information prepared in accordance with EU IFRS. Some of these limitations are:

- they do not reflect cash outlays for capital expenditures or future contractual commitments;

- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect interest expense or the cash requirements necessary to service interest, or principal payments, on indebtedness, nor do they reflect interest expense related to this offering;
- they do not reflect income tax expense or the cash necessary to pay income taxes;
- they do not reflect available liquidity; and
- other companies, including companies in our industry, may not use such measures or may calculate such measures differently than as presented in this offering memorandum, limiting their usefulness as comparative measures.

For a reconciliation of EBITDA and EBITDA margin to net profit, please see "Summary—Summary Historical and Pro Forma Financial Information".

Pro Forma Financial Information

This offering memorandum includes unaudited pro forma financial income statement information of the Group that illustrates the estimated pro forma effects of the impact of the Transactions as if they had occurred on January 1, 2010 and unaudited pro forma consolidated balance sheet information that illustrates the estimated pro forma effects of the impact of the Transactions as if they had occurred on December 31, 2010 (together, the "Pro Forma Financial Information").

The Pro Forma Financial Information has not been compiled in accordance with the requirements of Regulation S-X under the U.S. Exchange Act or U.S. GAAP.

The Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature does not represent what our actual financial position or results of operations would have been had we in fact incurred the relevant new debt, completed the Acquisition and refinanced our existing indebtedness on the dates set forth above, nor does it purport to project our results of operations for any future period or as of any future date. The Pro Forma Financial Information is not comparable to Cyfrowy Polsat Group's historical financial information due to the inclusion of the effects of the Transactions.

Neither the Pro Forma Financial Information nor the underlying adjustments have been audited.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The table below sets forth the period end, average, high and low exchange rates for the euro expressed in zloty per euro, for the years indicated.

	Zloty per euro[1]			
Year Ended December 31,	**Period Ending**	**Average[2]**	**High**	**Low**
2006	3.8312	3.8951	4.1065	3.7565
2007	3.5820	3.7829	3.9385	3.5699
2008	4.1724	3.5166	4.1848	3.2026
2009	4.1082	4.3273	4.8999	3.9170
2010	3.9603	3.9946	4.1770	3.8356

(1) Source: NBP

(2) The average exchange rate published by the NBP, expressed in zloty per euro.

The table below sets forth the period end, high and low exchange rates for the euro expressed in zloty per euro, for each of the six months prior to the date of this offering memorandum.

	Zloty per euro[1]		
Month	**Period Ending**	**High**	**Low**
November 2010	4.0734	4.0734	3.8964
December 2010	3.9603	4.0415	3.9603
January 2011	3.9345	3.9622	3.8403
February 2011	3.9763	3.9916	3.8684
March 2011	4.0119	4.0800	3.9612
April 2011	3.9376	4.0325	3.9353
May 2011 (through May 5, 2011)	3.9406	3.9406	3.9322

(1) Source: NBP

On May 5, 2011, the NBP exchange rate, expressed in zloty per euro, was PLN 3.9406.

The rates above may differ from the actual rates used in the preparation of our consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such euro amounts or that such amounts could have been converted into euro at the rates indicated or at any other rate.

The table below sets forth the period end, average, high and low exchange rates for the U.S. dollar expressed in zloty per U.S. dollar, for the years indicated.

	Zloty per U.S. dollar[1]			
Year Ended December 31,	**Period Ending**	**Average[2]**	**High**	**Low**
2006	2.9105	3.1025	3.3008	2.8628
2007	2.4350	2.7667	3.0400	2.4260
2008	2.9618	2.4092	3.1303	2.0220
2009	2.8503	3.1162	3.8978	2.7093
2010	2.9641	3.0157	3.4916	2.7449

(1) Source: NBP

(2) The average exchange rate published by the NBP, expressed in zloty per U.S. dollar.

The table below sets forth the period end, high and low exchange rates for the U.S. dollar expressed in zloty per U.S. dollar, for each of the six months prior to the date of this offering memorandum.

	Zloty per U.S. dollar[1]		
Month	**Period Ending**	**High**	**Low**
November 2010	3.1308	3.1308	2.7449
December 2010	2.9641	3.0753	2.9641
January 2011	2.8845	3.0268	2.8280
February 2011	2.8765	2.9219	2.8230
March 2011	2.8229	2.9284	2.8227
April 2011	2.6501	2.8455	2.6501
May 2011 (through May 5, 2011)	2.6458	2.6541	2.6458

(1) Source: NBP

On May 5, 2011, the NBP exchange rate, expressed in zloty per U.S. dollar, was PLN 2.6458.

The rates above may differ from the actual rates used in the preparation of our consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollar amounts at the rates indicated or at any other rate.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, the risks and uncertainties listed below and described in the "Risk Factors" section of this offering memorandum:

- risks related to the effects of an economic downturn on the Polish advertising and sponsoring market;
- risks related to exposure to foreign currency exchange rates;
- risks related to dependence upon audience acceptance of TV programs;
- risks related to licenses for access to key programming rights which may be subject to revocation or may not be renewed;
- risks related to the continued importance of TV as an advertising medium;
- risks related to conducting business in highly regulated and competitive industries;
- risks related to the effectiveness of our sales force;
- risks related to dependence on third-party providers of key services;
- risks related to rapid technological changes and the need to introduce new products and services;
- risks related to business disruptions and increased capital expenditures due to system failures;
- risks related to an inability to integrate acquired businesses and realize synergies, including the business of TV Polsat acquired by Cyfrowy Polsat;
- risks related to the loss of or inability to attract experienced management and skilled employees;
- risks related to the pending process of digitalization of terrestrial TV;
- risks related to our ability to produce set-top boxes in-house;
- risks related to claims of intellectual property right infringements and inadequate protection of intellectual property rights;
- risks related to the Notes and the Offering; and
- risks related to the Guarantees and the Collateral.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this offering memorandum.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that we make in this offering memorandum speak only as of the date of such statement, and we undertake no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

AVAILABLE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. Please see "Description of the Notes—Certain Covenants—Reports".

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendment or supplement to this offering memorandum. Each person receiving the offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein; (ii) such person has not relied on any of the Initial Purchasers or any person affiliated with any Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and (iii) except as provided pursuant to (i) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or any Initial Purchaser. We have agreed in the Indenture governing these Notes that, for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, upon written request of a holder or beneficial owner of the Notes, furnish to such holder or beneficial owner or to the Trustee or any relevant paying agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at Stureplan 4C, 4tr, 114 35 Stockholm, Sweden.

So long as the Notes are admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg. In addition, copies of the Indenture, form of Note, Intercreditor Agreement and Security Documents may be requested from the Issuer.

The creation and issue of the Notes will be authorized by the Issuer's Board of Directors prior to the Issue Date. The creation and issue of the Initial Guarantors' Guarantees will be authorized by the respective board of directors of each Initial Guarantor prior to the Issue Date. The creation and issue of the Subsequent Guarantors' Guarantees will be authorized by the respective board of directors of each Subsequent Guarantor after the date of the Transformation.

SUMMARY

This summary highlights certain information about us and the Offering. It does not contain all information that may be relevant in making your investment decision. You should read the following summary in conjunction with the more detailed information contained elsewhere in this offering memorandum, including the "Risk Factors" section, and the financial statements and the related notes included elsewhere in this offering memorandum.

Overview

We are a leading integrated multimedia group in Poland with the number one position in subscriber-based pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat, the only private TV group in Poland with a nationwide broadcasting license. We provide a comprehensive multimedia offer designed to appeal to the entire family. As part of our multi-play offer, we provide to our subscribers DTH, broadband Internet and mobile telephony services.

In pay TV, we are the largest pay TV and DTH provider in Poland and the fourth largest DTH platform in Europe by number of subscribers. As of and for the year ended December 31, 2010, we had a domestic market share of approximately 55%, over 3.4 million subscribers and approximately 48% of net subscriber additions in the growing Polish DTH market. Our monthly Family Package ARPU and Mini Package ARPU were PLN 42.1 and PLN 11.1, respectively, in 2010. We offer our subscribers access to approximately 80 Polish-language TV channels, including sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1, TVP2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sport Extra, the first, second and fourth most widely viewed sports channels in Poland in 2010. In addition, we offer our subscribers 19 HD channels and provide nVoD services.

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland, the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number two in terms of audience share with a 16.0% share in 2010. We also broadcast thematic channels, which have a 3.2% combined audience share, and sell advertising space on our channels and certain third-party channels. We are a licensed broadcaster of 13 TV channels consisting of general entertainment, sports, news, business, lifestyle, movie and children's channels. Based on data from Starlink, we estimate that we captured a 22% share of the approximately PLN 3.84 billion Polish TV advertising market and had the second highest power ratio in 2010 among our key competitors.

We operate through two business segments: our Retail Customers business segment, comprising DTH, broadband Internet and mobile telephony services and our recently acquired TV Broadcasting business segment. Our two business segments produce revenue streams with distinct characteristics: retail subscription and related revenue (through our Retail Customers business segment), which accounted for 58% of our consolidated revenue on a pro forma basis in 2010, and TV broadcasting advertising revenue (through our TV Broadcasting business segment), which accounted for 35% of our consolidated revenue on a pro forma basis in 2010. Our DTH revenue has grown at a CAGR of 19% over the last three years and continued to grow during the financial downturn, demonstrating both growth potential and resilience to the economic cycle. In contrast, TV advertising revenue is generally cyclical, growing at above average rates during periods of economic growth and suffering declines during economic downturns. We believe we are well-positioned to benefit from the attractive and growing macroeconomic environment in Poland. In 2011, according to Eurostat, Polish GDP is forecast to increase by 3.9% compared to a growth forecast of 1.7% for the European Union. Furthermore, we believe that the TV advertising market will benefit from structural growth resulting from the forecasted increasing disposable income of the Polish consumer over the longer term. Zenith forecasts that TV advertising revenue in Poland will grow at a 6.6% CAGR between 2010 and 2012. We believe that we are well-positioned to continue to grow our DTH subscriber base as household pay TV penetration increases in Poland and that our strategy to grow our multi-play subscriber base will provide us with a competitive advantage in the DTH market, bolstering our ability to increase revenue per subscriber and improving customer loyalty.

For the year ended December 31, 2010, the consolidated revenue and EBITDA of our Retail Customers business segment was PLN 1,482.5 million and PLN 406.9 million, respectively, and consolidated revenue and EBITDA of our TV Broadcasting business segment was PLN 1,025.6 million and PLN 314.2 million, respectively. For the year ended December 31, 2010, our consolidated revenue and EBITDA on a pro forma basis was PLN 2,426.2 million and PLN 716.8 million, respectively, in each case after intergroup eliminations.

Our Competitive Strengths

We are a leading integrated multimedia group in Poland

We are a leading integrated multimedia group in Poland in terms of revenue and EBITDA. We operate a diversified business comprising DTH, TV broadcasting, broadband Internet and mobile telephony services. We are the largest provider of DTH services in Poland in terms of number of subscribers. With over 3.4 million subscribers as of December 31, 2010, we had more than twice the number of subscribers as our nearest DTH competitor and more subscribers than all of our DTH competitors combined. We had a domestic market share of approximately 55% and approximately 48% of net subscriber additions in the growing DTH market in 2010. In 2010, we were one of the two leading private TV broadcasters in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland in terms of audience share. Polish customers recognize the Cyfrowy Polsat and TV Polsat brand names and, we believe, associate both brand names with high quality and value-for-money services aimed at the entire family. According to GFK Polonia, among the brands of the three main DTH operators in Poland, the Cyfrowy Polsat brand name was found to have the highest (91%) spontaneous brand awareness. Advertisers recognize TV Polsat as a leader in the TV advertising market, as evidenced by Polsat Media, our subsidiary responsible for advertising sales, being ranked number one by media buying agencies and clients among broadcasters in Poland in 2009 and 2010 in terms of service quality (Source: Media & Marketing). We believe that our leading market positions and our subscriber base are attractive to content and channel providers and position us well to secure attractive programming. In addition, we believe that through our integrated platform, we are able to provide our subscribers access to a multi-play offer that may not be available to the subscribers of our competitors who do not have such an integrated platform. We believe we will also be able to use cross-promotion of our services through our various media platforms, including pay TV, nVoD, broadband Internet and mobile telephony, to drive future audience share and advertising revenue, to further expand our library of content and to optimize our cost base, including reducing content acquisition costs and other costs common to both our business segments.

We operate in one of Europe's most favorable markets and are well-positioned to capitalize on growth opportunities

As a leading TV broadcaster, we believe we are in a strong position to capitalize on the expected growth in the Polish TV advertising market as the economic recovery continues and on the structural increase in the size of the advertising market we believe should result from growing disposable income of Polish consumers over the medium to long term. According to Eurostat, Polish GDP increased by 3.8% in 2010 compared to a growth rate of 1.8% for the European Union and is forecast to increase by 3.9% in 2011 compared to 1.7% for the European Union. Average consumer spending in Poland, which includes spending on pay TV, Internet and mobile telephony services, is expected to grow by 6% in 2011, according to GFK Polonia. According to Starlink, TV advertising expenditure in Poland increased by 7.2% in 2010. Between 2010 and 2012, Zenith forecasts a CAGR of TV advertising expenditure in Poland of 6.6%.

We believe there is still growth potential in the Polish pay TV market, which in 2010 had an estimated pay TV penetration rate of approximately 72%, lower than in the most developed markets such as Belgium, The Netherlands, Norway and Denmark where, according to Informa, the penetration rate is above 90%. Through our satellite TV transmission, wireless broadband Internet services and delivery of mobile telephony services as an MVNO, we are able to access less-densely populated and rural areas of Poland at a significantly lower cost than cable TV and other fixed line providers. Of the three leading DTH providers in Poland, we are the only DTH operator that provides broadband Internet and mobile telephony services under a multi-play offer. We believe that we will be able to leverage the strength of the Cyfrowy Polsat brand name and our large existing DTH subscriber base to expand the sales of our broadband Internet and mobile telephony services through our multi-play offer.

New entrants must overcome significant regulatory and operational barriers to compete effectively in the markets in which we operate

We believe that we benefit from significant barriers to entry that will aid us in maintaining our leadership positions in the competitive Polish pay TV and TV broadcasting markets. Unlike potential entrants to the Polish pay TV market, we benefit from economies of scale and a loyal subscriber base, and we can spread the relatively high cost of the necessary technology over our large subscriber base and leverage the stronger bargaining power that comes with a leading market position. The efficiency of our subscriber retention programs, penalties related to early termination of our fixed-term contracts and the burdens related to changing set-top boxes upon a change of pay TV provider all serve as barriers to potential new competitors. Our experience in pay TV translates into an ability to extend attractive programming offers through our existing sales network covering all of Poland. As of December 31, 2010, we had 25 distributors, including the recently acquired mPunkt distribution network, with access to more than 1,100 authorized retail points of sale across Poland. In addition, we have organized our own central warehouse and logistics system which together enable us to prepare 15,000 pre-activated set-top boxes per day for delivery and the capacity to store up to 300,000 set-top boxes and access cards, which allows us to meet peak or sudden surges in demand.

In the Polish TV broadcasting market, there are currently no new analog frequencies available for new entrants or for existing competitors to expand. In addition, we believe that the planned conversion from analog to DTT, which would make new frequencies available to potential entrants, may be delayed beyond its current implementation target of July 31, 2013. Also, we believe that our established position as a leading TV broadcaster will allow us to obtain additional frequencies if and when they become available. Potential entrants to the Polish TV broadcasting market would also incur high technical and licensing costs and would have to compete in a market that is currently dominated by only a few broadcasting groups. In 2010, the FTA channels of the top three broadcasters accounted for an aggregate audience share of approximately 62%. No other TV channel in Poland had an audience share greater than 3% in 2010. In addition, a new entrant to the Polish TV broadcasting market would have to create a programming library, acquire access to content providers, establish and develop a distribution network and long-term advertising partner relationships.

We believe that these barriers to entry present significant challenges in terms of time and cost to any potential entrants to the Polish pay TV and TV broadcasting markets.

We have an attractive operating platform with low churn rates and strong customer loyalty

Our churn rate was 10.3% in 2010, which we believe was the lowest churn rate in the Polish DTH market and among the lowest in the European Union based on reported churn rates of 11.6% by Canal+ in France, 16.2% by Sky Deutschland in Germany and 10.3% by British Sky Broadcasting in the U.K. for the same period. According to GFK Polonia, among the three main DTH operators in Poland, Cyfrowy Polsat had the highest score on the Loyalty Index (69%) in 2010. Our position as the largest DTH operator in Poland, our well-developed subscriber retention programs and our strong relationships with licensors enable us to maintain strong customer loyalty by providing our DTH subscribers with high-quality programming on favorable market terms. We offer our Family HD Package at a retail price of PLN 39.90 per month and our Mini HD Package at a retail price of PLN 14.90 per month, which constitutes approximately 1.2% and 0.5%, respectively, of the average monthly remuneration in Poland. We believe our programming packages offer the best value-for-money in the Polish DTH market. We further believe that the development of our subscriber retention programs and our multi-play services, especially in less-densely populated areas of Poland where quality pay TV and Internet service options are limited, will increase subscriber loyalty and consequently further lower our churn rate.

We have strong, stable and diversified cash flows and significant operating leverage

We generate revenue through two distinct revenue streams: (i) retail subscription and related revenue and (ii) TV broadcasting advertising revenue. In our Retail Customers business segment, our large subscriber base, monthly subscription revenue and relatively low churn rates provide us with significant predictability of future revenue and strong recurring cash flows, which have historically proven to be resilient, even during periods of challenging economic conditions. Our Retail Customers business segment generated EBITDA margins of 31.7%, 25.1% and 27.5% in 2008, 2009 and 2010, respectively, and retail subscription revenue grew at a CAGR of 20% over the last three years. In our TV Broadcasting business segment, where TV advertising revenue generally fluctuates depending on the strength of the Polish economy, we have observed recent growth in the Polish advertising market and expect this growth to continue in the near future. Zenith forecasts that TV advertising revenue in Poland will grow at a 6.6% CAGR between 2010 and 2012.

We focus on our cost base and initiatives to develop in-house services and systems in order to improve quality and efficiency. In our Retail Customers business segment, we have deployed in-house information systems, including customer relations management, sales support and customer service systems, which we believe provide better customer service and enable us to move quickly in deploying changes to our product offerings and systems upgrades. We manufacture and service our subscriber set-top boxes and in 2010, we manufactured almost 80% of the set-top boxes that we sold or leased to our subscribers. In our manufacturing process, we utilize tried and tested technology and are able to optimize the cost of set-top box provision and to tailor set-top box specifications to better meet the requirements of our subscribers. We believe that we are able to provide our set-top boxes at an approximately 20% lower cost than if we were to purchase them from third parties.

In addition, we believe that the relatively low future capital expenditure requirements of both of our business segments will allow us to grow our revenue and profitability while maintaining a high cash conversion rate. Our consolidated pro forma EBITDA margin was 29.5% and our cash conversion rate on a pro forma basis was 53% for the year ended December 31, 2010, which we believe is attractive compared to the average across the media and telecommunications landscape. We define cash conversion rate as net cash from operating activities, per our financial statements, divided by EBITDA.

We have a strong management team

Our management team consists of executives that have been members of the management boards or served in other managerial positions within the media, TV and telecommunications industries and have extensive experience in these industries. In addition, our operations in both business segments are managed by teams of experienced senior managers who provide expertise and a deep understanding of the markets in which we operate, especially with respect to marketing and sales, customer relations management and retention, technology and finance. Our senior managers have a significant track record of growing our subscriber base and market share and introducing new products in competitive environments while managing costs and increasing free cash flow. For example, Dominik Libicki, who has been our Chief Executive Officer for the last ten years, served on the supervisory board of Polskie Media, has held the position of Managing Director of PAI Film and served as vice president of the supervisory board of Polska Telefonia Cyfrowa, the largest mobile telephony provider in Poland.

Our Strategy

The key components of our strategy are to:

- drive continued revenue and profit growth by leveraging our DTH platform and our TV broadcasting business and capitalizing on the growth of the Polish economy;
- capitalize on our integrated media platform;
- further enhance subscriber satisfaction and maintain low churn rates through operational excellence; and
- focus on cash flow growth and reduce our financial leverage.

Drive continued revenue and profit growth by leveraging our DTH platform and our TV broadcasting business and capitalizing on the growth of the Polish economy

Since 2008, we have achieved significant revenue growth in our Retail Customers business segment and we plan to further increase our market share and revenue through targeted marketing to our existing and future subscribers. We intend to take advantage of the expected increase in consumer spending resulting from the growth of the Polish economy by attracting new subscribers to our DTH offerings and migrating our existing subscribers to higher-ARPU packages. We plan to focus on the acquisition of new subscribers by maintaining our value-for-money Family HD Package and Mini HD Package at, we believe, the most competitive prices in the Polish market. We have launched several initiatives to increase our ARPU from our existing subscribers by providing new attractive program packages, including HD channels, continuing to expand our nVoD services and promoting our multi-play bundles. We believe that we will be able to migrate our new subscribers to higher-priced program packages in the medium term, thereby further increasing our revenue and ARPU. We also intend to capitalize on our leadership position in the Polish TV broadcasting market, including in the "All Day 16-49" key audience segment, to capture the expected growth in the Polish TV advertising market resulting from the growth of the Polish economy.

Capitalize on our integrated media platform

We believe that the acquisition of TV Polsat was mutually beneficial to our two business segments and have identified the following post-acquisition synergies: (i) cross promotion and marketing opportunities, allowing us to promote our programming offer, multi-play services and TV Polsat channels across our various media platforms, including pay TV, nVoD, broadband Internet and mobile telephony, (ii) technology synergies, allowing us to more effectively use our satellite equipment, to optimize software and hardware solutions and to benefit from synergies on back-up solutions with regard to our transmission center, (iii) content acquisition opportunities, allowing us to secure attractive programming due to the size of our integrated platform and the further enhanced bargaining power of our combined businesses and (iv) procurement and back office synergies, allowing us to benefit from the scale of our combined operations and sharing of our already successful solutions.

Further enhance subscriber satisfaction and maintain relatively low churn rates through operational excellence

We offer high-quality TV programming to our DTH subscribers at more favorable pricing points than our main competitors. In addition, we have well-developed and tailored subscriber retention programs through which we offer upgrades of set-top boxes, extra programming or automatic contract renewal packages, all aimed at extending the subscriber's contract or reacquiring subscribers who have already submitted termination notices. As a result, we believe we experience the lowest churn rates in the Polish DTH market and one of the lowest among large DTH platforms in the European Union. We plan to remain focused on providing best value-for-money pay TV packages and further enhancing subscriber satisfaction levels.

Focus on cash flow growth and reduce our financial leverage

We are committed to developing growth opportunities available to us, such as the upgrade of our subscribers from our basic to our premium packages and the targeted marketing of our multi-play bundles, in a manner that generates high incremental return on our investments. The large scale of our operations provides us with a platform to roll out new products and services to our large existing subscriber base and translate revenue growth into profitability and cash flow generation. We expect to reduce our financial leverage over time on a multiple basis, in terms of debt to EBITDA, by increasing our EBITDA, as well as on an absolute basis, by using our cash flow to repay debt.

Summary of the Acquisition and Related Transactions

Investment Agreement

On November 15, 2010, we entered into an Investment Agreement with Mr. Solorz-Żak, Mr. Ruta and other parties, pursuant to which Cyfrowy Polsat agreed to acquire 100% of the shares of TV Polsat at an aggregate purchase price of PLN 3,750 million, paid with PLN 2,600 million in cash drawn by Cyfrowy Polsat under the new Senior Secured Credit Facilities and the Senior Secured Bridge Facility, and PLN 1,150 million in Cyfrowy Polsat shares. The Acquisition was completed on April 20, 2011. Please see "Major Shareholders and Related Party Transactions—Investment Agreement with Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta".

The following table summarizes the sources and uses of funds in connection with the Acquisition:

Sources	(in millions)	Uses	(in millions)
Senior Secured Term Loan Facility	PLN 1,400	Purchase of TV Polsat Share Capital	PLN 3,750
Senior Secured Revolving Credit Facility(1)	186	Refinancing of existing indebtedness	186
Senior Secured Bridge Facility(2)	1,400	Estimated fees and expenses(3)	200
Equity	1,150		
Total Sources	**PLN 4,136**	**Total Uses**	**PLN 4,136**

(1) As of April 28, 2011, we had drawn approximately PLN 186 million of PLN 200 million available under our Senior Secured Revolving Credit Facility. As of April 28, 2011, the Group had approximately PLN 516 million of cash of which PLN 0.1 million was restricted cash. We were not able to use cash at TV Polsat and its subsidiaries to repay existing debt pending the implementation of cash pooling arrangements for the Group.

(2) The Senior Secured Bridge Facility will be refinanced in full with the proceeds of the Offering together with cash on hand.

(3) Includes fees and expenses relating to the Acquisition, the Senior Secured Credit Facilities Agreement, the Senior Secured Bridge Facility and the Offering.

Transformation

On December 21, 2010, the management board of TV Polsat authorized the transformation of the legal form of TV Polsat from a joint stock company to a limited liability company. Upon completion of the Transformation, the Subsequent Guarantors, comprising TV Polsat and its material subsidiaries, will grant security interests and guarantees for the benefit of the lenders under the Senior Secured Term Loan Facility, as required by the Senior Secured Credit Facilities Agreement. Such Guarantees and Collateral will also be granted for the benefit of the Notes at or about the same time as they are established for the benefit of the Senior Secured Term Loan Facility. We have undertaken to the lenders under the Senior Secured Credit Facilities Agreement to complete the Transformation no later than August 18, 2011. Such guarantees and security of the Subsequent Guarantors previously have been granted in respect of the Senior Secured Revolving Credit Facility. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Security" and "Description of the Notes—Additional Guarantees" and "—Security". The Transformation is expected to be completed no later than August 18, 2011. Please see "Risk Factors—Risks Related to the Notes and the Offering—Until the Transformation of TV Polsat into a limited liability company has been completed, none of TV Polsat or any of its subsidiaries will guarantee the Notes or provide security over their assets to secure the Notes".

The Issuer

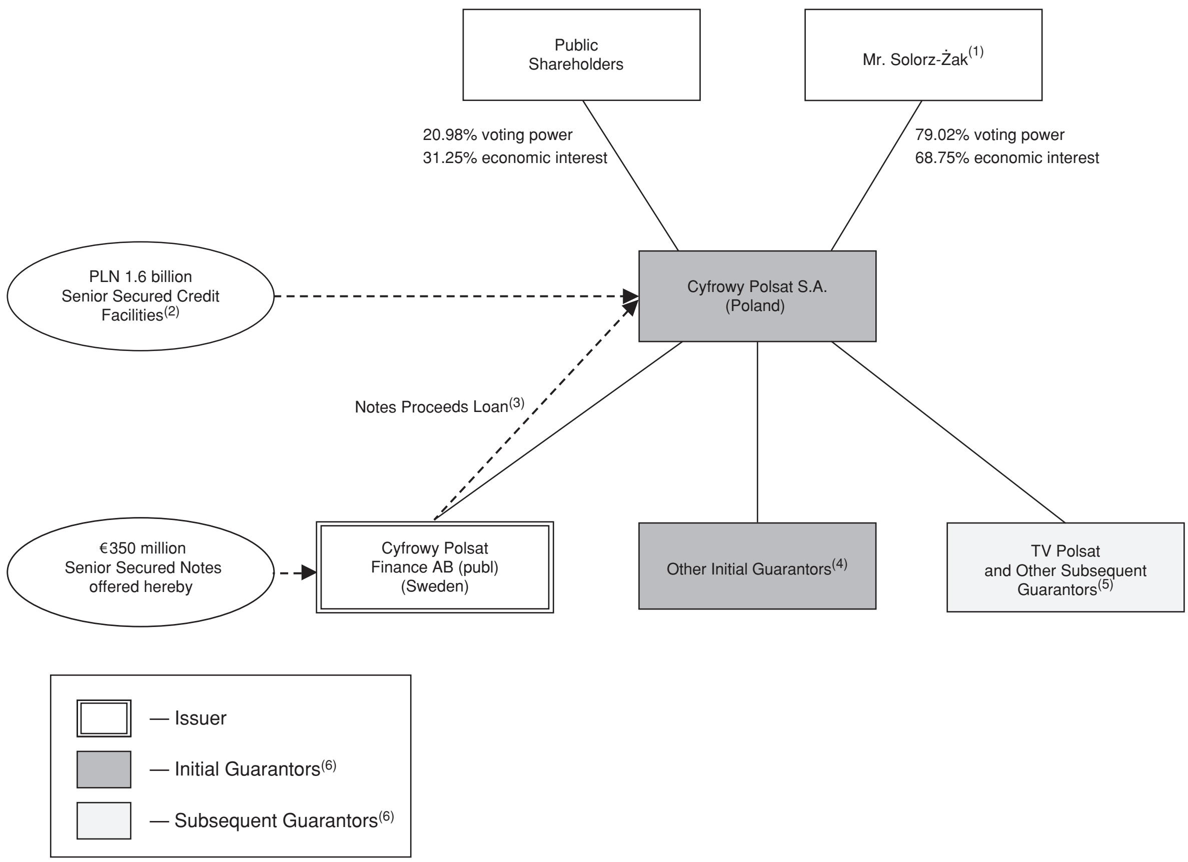
Cyfrowy Polsat Finance AB (publ) is a wholly owned subsidiary of Cyfrowy Polsat and is incorporated under the laws of Sweden. Cyfrowy Polsat Finance AB (publ) is a finance company that has not engaged in any activities prior to the date of this offering memorandum.

Other Recent Developments

On April 29, 2011, we entered into a four-year agreement with TVN and its subsidiaries ITI Neovision and Mango Media. Under this agreement, seven of our channels, eight beginning on July 1, 2011, including POLSAT, Polsat HD, Polsat News and Polsat Sports News, will be distributed through the "n" platform. In addition, we will continue to distribute several TVN channels through our platform. We believe that this agreement will allow us to significantly expand the distribution of our channels.

Summary Corporate and Financing Structure

The following diagram depicts, in simplified form, our current corporate and financing structure, as adjusted for the Offering and the application of the net proceeds therefrom, including the completion of the Acquisition. This diagram does not include all of our debt obligations or those of our subsidiaries. Please see "Use of Proceeds", "Capitalization", "Description of Certain Financing Arrangements" and "Description of the Notes" for more information.



(1) Mr. Solorz-Żak holds his shares and voting power directly and indirectly through Polaris Finance B.V. and Karswell Limited.

(2) The new Senior Secured Credit Facilities comprise a Senior Secured Term Loan Facility in the amount of PLN 1,400 million and a Senior Secured Revolving Credit Facility of up to PLN 200 million available to Cyfrowy Polsat and certain of the Guarantors. As of April 28, 2011 we had drawn approximately PLN 186 million of PLN 200 million available under our Senior Secured Revolving Credit Facility and used the proceeds to repay certain of our existing debt facilities. Please see "Description of Certain Financing Arrangements".

(3) The Notes Proceeds Loan will take the form of either an intercompany loan or intercompany bonds equal in amount to the principal amount of the Notes, which will be assigned for the benefit of the holders of the Notes and the lenders under our Senior Secured Credit Facilities on a first ranking basis.

(4) The other Initial Guarantors include Cyfrowy Polsat Trade Marks Sp. z o.o., Cyfrowy Polsat Technology Sp. z o.o. and mPunkt Polska S.A. We expect to complete the merger of mPunkt Polska S.A. into Cyfrowy Polsat by the end of 2011.

(5) The other Subsequent Guarantors include the following subsidiaries of TV Polsat: RS TV S.A., Polsat Media, Media Biznes Sp. z o.o., Nord License AS, Polsat Futbol Limited and Polsat License Ltd.

(6) The Initial Guarantors will guarantee the Notes on a senior secured basis from and after the Issue Date; the Subsequent Guarantors will guarantee the Notes after the transformation of TV Polsat from a joint stock company to a limited liability company, which is expected to be completed no later than August 18, 2011 (the "Transformation"). Upon completion of the

Transformation, the Subsequent Guarantors, comprising TV Polsat and its material subsidiaries, will be permitted to grant the security interests and guarantees required by the Senior Secured Credit Facilities Agreement and the Indenture. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Security" and "Description of the Notes—The Guarantees" and "—Security". Upon completion of the Transformation, the Notes will be guaranteed by substantially all of our subsidiaries and secured by substantially all of our assets; however, prior to the Transformation, the Notes will not be guaranteed by, or secured by the assets of, TV Polsat and its subsidiaries, which comprised approximately 42.3% of our revenue and 43.8% of our EBITDA on a pro forma basis for the year ended December 31, 2010, and 17.3% of our assets on pro forma basis as of December 31, 2010. The Initial Guarantors and the Subsequent Guarantors will also guarantee or be obligors in respect of the Senior Secured Term Loan Facility and the Senior Secured Revolving Credit Facility, and provide security over substantially all of their assets, on a senior secured basis, ranking *pari passu* with the Notes, subject to the terms of the Intercreditor Agreement. Please see "Description of Certain Financing Arrangements".

The Offering

The following is a brief summary of certain terms of the Offering. Certain terms and conditions described below are subject to important limitations and exceptions. This summary may not contain all the information that is important to you. For additional information regarding the Notes and the Guarantees and Collateral, please see "Description of the Notes" and "Description of Certain Financing Arrangements—Intercreditor Agreement".

Issuer	Cyfrowy Polsat Finance AB (publ), a public limited liability company incorporated under the laws of Sweden with the registration number 556842-4435 and a wholly owned subsidiary of Cyfrowy Polsat.
Notes Offered	€350,000,000 aggregate principal amount of 7⅛% Senior Secured Notes due May 20, 2018.
Issue Date	On or about May 20, 2011.
Maturity Date	May 20, 2018.
Interest Rate and Payment Dates	We will pay interest in arrears on the Notes semi-annually on May 20 and November 20 of each year, commencing on November 20, 2011, at a rate of 7.125% per annum. Interest will accrue from the Issue Date.
Ranking	The Notes will: • be senior secured obligations of the Issuer; • together with obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and subject to the Intercreditor Agreement, be secured by first-priority liens over the Collateral; • rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated to the Notes, including its guarantee of the Senior Secured Credit Facilities Agreement; • rank senior in right of payment to any and all future obligations of the Issuer that are expressly subordinated to the Notes, if any; • be guaranteed by the Initial Guarantors on the Issue Date and by the Subsequent Guarantor following the Transformation; • rank effectively senior to the existing and future senior indebtedness of the Issuer and the Guarantors that is unsecured to the extent of the value of the Collateral; and • be structurally subordinated to all obligations of Cyfrowy Polsat's subsidiaries that are not Guarantors. The Guarantee to be provided by each Guarantor will: • be a senior secured obligation of each Guarantor;

- together with obligations of such Guarantor under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and subject to the Intercreditor Agreement, be secured by first-priority liens over the Collateral;
- rank *pari passu* in right of payment with all existing and future senior indebtedness of such Guarantor that is not subordinated in right of payment to its Guarantee, including its obligations under the Senior Secured Credit Facilities Agreement;
- rank senior to all future Indebtedness of such Guarantor, if any, that is subordinated in right of payment to its Guarantee;
- rank effectively senior to the existing and future senior indebtedness of the Issuer and the Guarantors that is unsecured to the extent of the value of the Collateral; and
- be structurally subordinated to all existing and future indebtedness of any of such Guarantor's subsidiaries that do not guarantee the Notes.

Subject to the terms of the Security Documents, the Intercreditor Agreement, the Notes and the Guarantees will be secured by first-ranking liens on the same assets (subject to certain exceptions) that will secure the obligations under the Senior Secured Credit Facilities Agreement.

TV Polsat will be transformed from a joint stock company under Polish law to a limited liability company under Polish law, which is expected to be completed not later than August 18, 2011. Upon completion of the Transformation, TV Polsat and its material subsidiaries will be permitted to grant the security interests and guarantees required to be granted in respect of the Senior Secured Term Loan Facility by the Senior Secured Credit Facilities Agreement and the Notes. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Security" and "Description of the Notes—The Guarantees" and "—Security". Upon completion of the Transformation, the Notes will be guaranteed by substantially all of our Subsidiaries and secured by substantially all of our assets; however, prior to the Transformation, the Notes will not be guaranteed by, or secured by the assets of, TV Polsat and its subsidiaries, which comprised approximately 42.3% of our revenue and 43.8% of our EBITDA on a pro forma basis for the year ended December 31, 2010 and 17.3% of our assets on a pro forma basis as of December 31, 2010.

Form and Denomination . . . . The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes

	in denominations of less than €100,000 will not be available. Please see "Book-Entry, Delivery and Form".

Security; Enforcement of Security . . .	The Notes and the Guarantees will be secured by security interests in the Collateral, which will, pursuant to the Security Documents and the Intercreditor Agreement, provide first ranking security interests in substantially all of the assets of the Issuer, Cyfrowy Polsat and Cyfrowy Polsat's restricted subsidiaries, including:
	• on the Issue Date, subject to filing and registration requirements:
	  • security interests over the share capital of the Issuer, its rights under the Notes Proceeds Loan, and its bank accounts; and
	  • security interests over substantially all of the assets of Cyfrowy Polsat (including all of the share capital of TV Polsat), Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A.; and
	• in addition, after the Transformation, security interests in substantially all of the assets of TV Polsat, Polsat Futbol Limited, Polsat License Ltd., Media Biznes Sp. z o.o., Polsat Media, RS TV S.A. and the shares of Nord License AS and its intra-group receivables.
	The Collateral will be shared on a *pari passu* basis with creditors under the Senior Secured Credit Facilities Agreement and certain counterparties in respect of secured hedging obligations pursuant to the terms of the Intercreditor Agreement. See "Description of Certain Financing Arrangements—Intercreditor Agreement". The Collateral to be provided after the Transformation will secure the Notes at or about the same time as it is granted in favor of the Senior Secured Term Loan Facility (the Senior Secured Revolving Loan Facility already has the benefit of such security). We have undertaken to the lenders under the Senior Secured Credit Facilities Agreement to complete the Transformation no later than August 18, 2011.
	The Security Agent has entered into or will enter into the Security Documents relating to the Collateral set out above with the other relevant parties thereto. The Collateral will secure the payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Indenture, the Notes and the Guarantees as provided in the relevant Security Document. Please see "Risk Factors—Risks Related to the Notes and this Offering" and "Description of the Notes—Security".

Intercreditor Agreement	Pursuant to the Intercreditor Agreement, the security interests securing the Notes will be first priority liens that rank equally with the liens that secure (i) obligations under the Senior

Secured Credit Facilities Agreement, (ii) certain other future indebtedness permitted to be incurred under the Indenture and the Intercreditor Agreement, and (iii) certain secured hedging obligations (the counterparties in respect of which are parties to the Intercreditor Agreement). Such liens will be evidenced by security documents for the benefit of the holders of the Notes, the lenders under the Senior Secured Credit Facilities Agreement, the counterparties to certain hedging obligations and the holders of certain other future indebtedness and obligations. Under the terms of the Intercreditor Agreement and the security documents, the Notes and the Guarantees will be secured by security interests in the same assets that will secure the Senior Secured Credit Facilities Agreement as described above.

The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement actions and the Security Agent will act only at the direction of Cyfrowy Polsat's senior secured creditors, other than holders of the Notes and any additional Notes, until the aggregate amount of committed and uncancelled senior secured debt (including under the Senior Secured Credit Facilities Agreement and certain secured hedging obligations), other than debt under the Notes and any other senior secured notes that may accede to the Intercreditor Agreement in the future, is less than 25% of the aggregate principal amount of all committed and undrawn and outstanding senior secured debt (including the Notes and any other senior secured notes that may accede to the Intercreditor Agreement). At any other time, creditors holding a majority in aggregate principal amount of committed and undrawn and outstanding debt under the Senior Secured Credit Facilities Agreement, certain secured hedging obligations, the Notes and any other senior secured debt permitted to be incurred in the future under the Intercreditor Agreement will be able to instruct the Security Agent to enforce the Collateral. Please see "Description of Certain Financing Arrangements—Intercreditor Agreement" and "Risk Factors—Risks Related to the Notes and the Offering—Holders of the Notes will not control certain decisions regarding the Collateral".

Use of Proceeds .... We intend to use the net proceeds from the issue of the Notes together with cash on hand, to repay in full indebtedness outstanding under the Senior Secured Bridge Facility, the proceeds of which were used to pay a portion of the consideration for the Acquisition. Please see "Use of Proceeds".

Additional Amounts; Optional Redemption for Tax Reasons .... All payments in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer (or the Guarantor, as appropriate) will

	pay additional amounts so that the net amount each holder of the Notes receives is no less than the holder would have received in the absence of such withholding or deduction. Please see "Description of the Notes—Payment of Additional Amounts".
	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes or the Guarantees the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. Please see "Description of the Notes—Optional Tax Redemption".
Optional Redemption	Prior to May 20, 2014, we will be entitled at our option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium and accrued and unpaid interest to the redemption date. Please see "Description of the Notes—Optional Redemption".
	On or after May 20, 2014, we will be entitled at our option to redeem all or a portion of the Notes at the redemption prices set out under "Description of the Notes—Optional Redemption" plus accrued and unpaid interest to the redemption date.
	Prior to May 20, 2014, we will be entitled at our option on one or more occasions to redeem the Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes, as the case may be, with the net cash proceeds from certain equity offerings at a redemption price equal to 107.125% of the principal amount outstanding in respect of the Notes, plus accrued and unpaid interest to the redemption date. Please see "Description of the Notes—Optional Redemption".
Mandatory Offers to Purchase	If Cyfrowy Polsat experiences a "Change of Control" together with a "Rating Decline", you will have the right to require the Issuer to offer to purchase from you all or a portion of your Notes at a purchase price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase. Please see "Description of the Notes—Change of Control and Rating Decline".
	Certain asset dispositions by Cyfrowy Polsat and its restricted subsidiaries will be triggering events which may require the Issuer and Cyfrowy Polsat to use the excess proceeds from those asset dispositions to make an offer to purchase the Notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase, which may be accompanied by an offer to purchase any *pari passu* indebtedness.
	Please see "Description of the Notes—Certain Covenants—Limitation on sales of assets and subsidiary stock".

Certain Covenants	The Indenture will limit, among other things, our ability to: • incur or guarantee additional indebtedness; • create or permit to exist certain liens; • pay dividends on, redeem or repurchase our capital stock and make certain other restricted payments; • make certain investments; • impose restrictions on the ability of restricted subsidiaries to pay dividends or other distributions, loans or advances to, and on the transfer of assets to Cyfrowy Polsat or any of its restricted subsidiaries; • merge or consolidate with other entities; • enter into certain transactions with affiliates; • sell, lease or transfer certain assets, including shares of any restricted subsidiary of Cyfrowy Polsat; and • impair the security interests for the holders of the Notes. Each of the covenants is subject to a number of important exceptions and qualifications and certain of the covenants may be suspended in the event we achieve an investment grade rating. Please see "Description of the Notes—Certain Covenants".
Transfer Restrictions	The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. Please see "Transfer Restrictions" and "Plan of Distribution". Holders of the Notes will not have the benefit of any exchange or registration rights.
No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have informed us that they intend to undertake limited market-making activities, they are not obliged to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing and Trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Luxembourg Stock Exchange's Euro MTF Market.
Governing Law	The Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement will be governed by English law. The security documents will be governed by applicable local law of the jurisdiction under which the security interests are granted.
Trustee	The Bank of New York Mellon.
Registrar, Luxembourg Paying Agent, Transfer Agent and Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon.
Security Agent	Citicorp Trustee Company Limited.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set out in the "Risk Factors" section in this offering memorandum before making a decision whether to invest in the Notes.

Summary Historical and Pro Forma Financial Information

Cyfrowy Polsat Group Historical

The following summary consolidated financial information for Cyfrowy Polsat Group should be read in conjunction with "Operating and Financial Review and Prospects—Operating and Financial Review and Prospects of Cyfrowy Polsat Group", "Selected Historical Financial Information of Cyfrowy Polsat Group", "Unaudited Pro Forma Consolidated Financial Information", "Capitalization" and the consolidated financial statements of Cyfrowy Polsat Group for the periods presented as well as the other financial information of Cyfrowy Polsat Group included elsewhere in this offering memorandum. The following table sets forth summary historical consolidated financial information of Cyfrowy Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 which was derived from the audited consolidated financial statements of Cyfrowy Polsat Group for these respective years prepared in accordance with EU IFRS, included elsewhere in this offering memorandum.

	Year Ended December 31,		
	2008	**2009**	**2010**
	(in thousands of PLN)		
Summary Consolidated Income Statement Information:			
Revenue	1,098,474	1,266,137	1,482,463
Cost of services, products, goods and materials sold	(531,776)	(690,984)	(788,496)
Selling expenses	(169,216)	(205,263)	(232,973)
General and administrative expenses	(74,817)	(82,111)	(100,783)
Other operating income	20,206	12,541	13,970
Other operating costs	(18,577)	(24,270)	(48,427)
Profit from operating activities	**324,294**	**276,050**	**325,754**
Finance income	33,309	14,319	1,288
Finance costs	(23,949)	(6,032)	(5,760)
Income tax	(63,891)	(54,018)	(62,812)
Net profit for the year	**269,763**	**230,319**	**258,470**
Summary Consolidated Cash Flow Statement Information:			
Net cash from operating activities	316,176	183,442	197,534
Net cash used in investing activities	(55,495)	(61,483)	(77,419)
Net cash used in financing activities	(165,390)	(268,826)	(191,769)
Net increase/(decrease) in cash and cash equivalents	95,291	(146,867)	(71,654)

	As of December 31,		
	2008	**2009**	**2010**
	(in thousands of PLN)		
Summary Consolidated Balance Sheet Information:			
Cash and cash equivalents[1]	246,422	99,390	27,615
Total assets	757,131	774,846	1,015,195
Total current liabilities	406,446	423,679	518,440
Total non-current liabilities	57,347	28,754	68,817
Total equity	293,338	322,413	427,938

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Other Financial Information:			
EBITDA[(2)]	347,841	317,998	406,944
EBITDA margin[(3)]	31.7%	25.1%	27.5%

	Year Ended December 31,		
	2008	2009	2010
Other Operating Data of Cyfrowy Polsat Group:			
Subscribers[(4)]	2,726	3,202	3,436
Churn[(5)]	6.0%	8.2%	10.3%
Family Package ARPU (PLN)	39.4	40.3	42.1
Mini Package ARPU (PLN)	8.6	9.2	11.1

(1) The amount as of December 31, 2009 includes PLN 26.7 million of restricted cash.

(2) EBITDA is defined as net profit before income tax, finance costs and depreciation and amortization. EBITDA is not a measure of net profit, operating performance or liquidity under EU IFRS. EBITDA is a measure used by us in managing our business, and we believe EBITDA is commonly reported and widely used by investors in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred) or other non-operating factors. Accordingly, EBITDA has been disclosed in this offering memorandum to permit a more complete and comprehensive analysis of our results of operations relative to other companies. You should not, however, consider EBITDA in isolation or as a substitute for net profit as determined by EU IFRS, or as an indicator of our operating performance or of our cash flows from operating activities as determined in accordance with EU IFRS. You should not use this non-EU IFRS measure as a substitute for the analysis provided in our income statements or in our cash flow statements. The EBITDA disclosed here is not necessarily comparable to EBITDA disclosed by other companies as EBITDA is not uniformly defined. Therefore, our calculation and presentation of EBITDA may not be comparable to similarly titled measures of other companies.

The table below reconciles EBITDA to Cyfrowy Polsat Group's consolidated net profit:

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Reconciliation from EBITDA to Cyfrowy Polsat Group's consolidated net profit:			
Net profit for the year	269,763	230,319	258,470
Income tax expense	63,891	54,018	62,812
Finance costs	23,949	6,032	5,760
Finance income	(33,309)	(14,319)	(1,288)
Depreciation and amortization	23,547	41,948	81,190
EBITDA	347,841	317,998	406,944

(3) We define EBITDA margin as EBITDA divided by revenue.

(4) As of the end of the respective periods, in thousands.

(5) Please see "Annex A—Glossary of Technical Terms" for our definition of "churn".

TV Polsat Group Historical

The following summary consolidated financial information for TV Polsat Group should be read in conjunction with "Operating and Financial Review and Prospects—Operating and Financial Review and Prospects of TV Polsat Group", "Selected Historical Financial Information of TV Polsat Group", "Unaudited Pro Forma Consolidated Financial Information", "Capitalization" and the consolidated financial statements of TV Polsat Group for the periods presented as well as other financial information of TV Polsat Group included elsewhere in this offering memorandum. The following table sets forth summary historical consolidated financial information of TV Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 which was derived from the audited consolidated financial statements of TV Polsat Group for these respective years prepared in accordance with EU IFRS, included elsewhere in this offering memorandum.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Summary Consolidated Income Statement Information:			
Revenue from services, products, merchandise and materials sold	1,125,371	981,454	1,025,560
Operating expenses	(806,756)	(767,274)	(758,500)
Cost of services, products, merchandise and materials sold	(706,977)	(683,332)	(669,913)
Selling expenses	(49,067)	(33,848)	(35,241)
General and administrative expenses	(50,712)	(50,094)	(53,346)
Other operating revenue	5,107	2,999	3,288
Other operating expenses	(3,426)	(2,967)	(3,727)
Profit from operating activities	**320,296**	**214,212**	**266,621**
Finance income	58,660	18,324	16,773
Finance costs	(39,675)	(13,002)	(2,847)
Goodwill impairment	—	(9)	—
Share in net income of associates	—	—	888
Profit before income tax	**339,281**	**219,525**	**281,435**
Income tax expense	(68,717)	(39,153)	(61,739)
Profit for the period	**270,564**	**180,372**	**219,696**
Summary Consolidated Statement of Cash Flow Information:			
Net cash from operating activities	325,818	182,673	216,666
Net cash (used in)/from investing activities	(81,119)	30,050	(12,189)
Net cash used in financing activities	(191,282)	(205,939)	(232,755)
Net increase/(decrease) in cash and cash equivalents	58,273	5,276	(28,179)

	As of December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Summary Consolidated Statement of Financial Position Information:			
Cash and cash equivalents[1]	250,652	255,928	227,749
Total assets	886,738	856,498	870,915
Total current liabilities	289,639	222,737	250,161
Total non-current liabilities	32,204	46,478	4,048
Total equity	564,895	587,283	616,706

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Other Financial Information:			
EBITDA[2]	353,895	259,369	314,177
EBITDA margin[3]	31.4%	26.4%	30.6%

	Year Ended December 31,		
	2008	2009	2010
Other Operating Data of TV Polsat Group:			
POLSAT channel audience share	18.5%	17.4%	16.0%
Aggregate thematic channel audience share[4]	1.9%	2.6%	3.2%
All Day 16-49 audience share	20.3%	19.9%	19.3%

(1) The amounts as of December 31, 2009 and December 31, 2010 include PLN 42 thousand and PLN 131 thousand of restricted cash, respectively.

(2) EBITDA is defined as net profit before income tax, finance costs and depreciation and amortization. EBITDA is not a measure of net profit, operating performance or liquidity under EU IFRS. EBITDA is a measure used by us in managing our business, and we believe EBITDA is commonly reported and widely used by investors in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred) or other non-operating factors. Accordingly, EBITDA has been disclosed in this offering memorandum to permit a more complete and comprehensive analysis of our results of operations relative to other companies. You should not, however, consider EBITDA in isolation or as a substitute for net profit as determined by EU IFRS, or as an indicator of our operating performance or of our cash flows from operating activities as determined in accordance with EU IFRS. You should not use this non-EU IFRS measure as a substitute for the analysis provided in our income statements or in our cash flow statements. The EBITDA disclosed here is not necessarily comparable to EBITDA disclosed by other companies as EBITDA is not uniformly defined. Therefore, our calculation and presentation of EBITDA may not be comparable to similarly titled measures of other companies.

The table below reconciles EBITDA to TV Polsat Group's net profit:

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Reconciliation from EBITDA to TV Polsat Group's net profit:			
Profit for the period	270,564	180,372	219,696
Income tax expense	68,717	39,153	61,739
Finance costs	39,675	13,002	2,847
Finance income	(58,660)	(18,324)	(16,773)
Depreciation and amortization[a]	33,599	45,157	47,556
Goodwill impairment	—	9	—
Share in net income of associates	—	—	(888)
EBITDA	353,895	259,369	314,177

(a) Does not include the amortization of sport rights and purchased film licenses.

(3) We define EBITDA margin as EBITDA divided by revenues.

(4) Includes TV Polsat's thematic channels; does not include the *Polsat Zdrowie i Uroda* channel in 2008.

Pro Forma Financial Information

The unaudited pro forma consolidated financial information (the "Pro Forma Financial Information") set forth below has been prepared for the purpose of providing additional information to illustrate how the following transactions might have affected the Group's results of operations and financial position: (i) the Acquisition, (ii) the entry into the Senior Secured Credit Facilities, (iii) the entry into the Senior Secured Bridge Facility and (iv) the issuance of the Notes in the Offering and the application of the proceeds thereof, as described under "The Transactions" and "Use of Proceeds". The Acquisition was completed on April 20, 2011.

The pro forma consolidated income statement information gives effect to the Transactions as if they had occurred on January 1, 2010. The pro forma consolidated balance sheet information gives effect to the Transactions as if they had occurred on December 31, 2010.

The Pro Forma Financial Information has not been compiled in accordance with the requirements of Regulation S-X under the U.S. Exchange Act or U.S. GAAP.

The Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature does not represent what our actual financial position or results of operations would have been had we in fact incurred the relevant new debt, completed the Acquisition and refinanced our existing indebtedness on the dates set forth above, nor does it purport to project our results of operations for any future period or as of any future date. The Pro Forma Financial Information is not comparable to Cyfrowy Polsat Group's historical financial information due to the inclusion of the effects of the Transactions.

Neither the Pro Forma Financial Information nor the underlying adjustments have been audited.

The Pro Forma Financial Information should be read in conjunction with the "The Transactions", "Use of Proceeds" and "Operating and Financial Review and Prospects", as well as the audited consolidated financial statements of Cyfrowy Polsat Group and TV Polsat Group, each included elsewhere in this offering memorandum.

The Pro Forma Financial Information set forth below has been prepared on the basis of: the audited consolidated financial statements of Cyfrowy Polsat Group as of and for the year ended December 31, 2010 and the audited consolidated financial statements of TV Polsat Group as of and for the year ended December 31, 2010, each included elsewhere in this offering memorandum. In addition, pro forma adjustments that are (i) directly attributable to the Transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, have been included in the Pro Forma Financial Information. These pro forma adjustments are based upon available information and certain assumptions and preliminary estimates that we believe are reasonable.

The following have been adjusted in the pro forma consolidated income statement information: (i) the hypothetical amount of interest expense, related foreign exchange differences, advisory and other related costs of drawing of the Senior Secured Credit Facilities, the Senior Secured Bridge Facility and the issuance of the Notes for an assumed 12-month period ending December 31, 2010; (ii) the elimination of intergroup transactions that occurred during such period; (iii) advisory costs associated with the Acquisition; and (iv) the income tax effects of the adjustments described above.

The following have been adjusted in the pro forma consolidated balance sheet information: (i) drawings under the Senior Secured Credit Facilities and the Senior Secured Bridge Facility, the issuance of the Notes, and the application of proceeds thereof, as if they had occured on December 31, 2010; (ii) the elimination of intergroup transaction balances that were outstanding as of December 31, 2010, (iii) the business combination accounting for the Acquisition as if it had occurred on December 31, 2010, and (iv) the income tax effects of the adjustments above.

The Pro Forma Financial Information does not include potential acquisition and integration related synergies.

A more detailed description of the pro forma adjustments is presented in the accompanying notes. These adjustments are based on our estimates and may vary significantly from the actual amounts that would or will be incurred.

Please note that both Cyfrowy Polsat Group and TV Polsat Group were ultimately controlled by the same party as of the Acquisition date, and thus met the definition of entities under common control. The acquisition method of accounting for business combinations among entities under common control was used for the purpose of preparation of this Pro Forma Financial Information to present the effects of the Acquisition. This assumption is in line with the accounting policy election made by the Group to be applied consistently to business combinations of entities under common control. The pro forma adjustments illustrating the acquisition method of accounting for the Acquisition are presented on a provisional basis only. They do not reflect any purchase price allocation adjustments as the fair value measurement of the acquired assets and liabilities has not been completed yet. Accordingly, we have presented the total excess of the Acquisition consideration paid over the book value of the net assets acquired as goodwill. The fair value measurement and the resulting purchase price allocation will be completed and finalized in the financial statements of the Group within 12 months of the Acquisition date, that is by April 19, 2012. We expect that this will result in adjustments to intangible assets and property, plant and equipment, as well as related adjustments to the amortization and depreciation expense, which would have decreased our profit from operating activities for that and future periods.

The Pro Forma Financial Information should be read in conjunction with the "The Transactions", "Use of Proceeds" and "Operating and Financial Review and Prospects", as well as the audited consolidated financial statements of Cyfrowy Polsat Group and TV Polsat Group, included elsewhere in this offering memorandum.

	Year Ended December 31, 2010
	(in thousands of PLN)
Pro Forma Consolidated Income Statement Information:	
Revenue	2,426,214
Cost of services, products, goods and materials sold	(1,377,430)
Selling expenses	(267,384)
General and administrative expenses	(158,429)
Other operating costs, net	(34,896)
Profit from operating activities	**588,075**
Finance costs, net	(221,022)
Share in net income of associates	888
Income tax	(79,944)
Net profit for the year	**287,997**

	As of December 31, 2010
	(in thousands of PLN)
Pro Forma Consolidated Balance Sheet Information:	
Cash and cash equivalents[(1)]	292,669
Total assets	5,044,966
Total current liabilities	858,778
Total non-current liabilities	2,634,262
Total equity	1,551,926

(1) Includes PLN 131 thousand of restricted cash.

	As of and for the Year Ended December 31, 2010
	(in thousands of PLN, except ratios and percents)
Pro Forma Other Financial Information:	
Pro Forma EBITDA[(1)]	716,821
Pro Forma EBITDA margin[(2)]	29.5%
Pro Forma net debt[(3)]	2,553,048
Pro Forma net cash interest expense[(4)]	233,834
Pro Forma total assets	5,044,966
Pro Forma ratio of pro forma net debt to pro forma EBITDA[(1)(3)]	3.56x
Pro Forma ratio of EBITDA to pro forma net cash interest expense[(4)]	3.07x

(1) The table below reconciles pro forma EBITDA to pro forma net profit for the year ended December 31, 2010:

	Year Ended December 31, 2010
	(in thousands of PLN)
Pro forma net profit for the year	287,997
Pro forma income tax	79,944
Pro forma finance costs, net	221,022
Pro forma share in net income of associates	(888)
Pro forma depreciation and amortization[(a)]	128,746
Pro forma EBITDA	**716,821**

(a) Does not include amortization of TV Polsat sports rights and purchased film licenses.

(2) We define pro forma EBITDA margin as pro forma EBITDA divided by pro forma revenues.

(3) We define pro forma net debt as interest-bearing loans, borrowings, which we presented net of related capitalized transaction costs, and finance lease liabilities less cash and cash equivalents (including restricted cash). Net debt is not a measurement of our financial performance or liquidity under U.S. GAAP or EU IFRS and should not be considered as an alternative to net profit or any other performance measures derived in accordance with U.S. GAAP or EU IFRS or as an alternative to cash flow from operating, investing and financing activities or as a measure of our liquidity as derived in accordance with U.S. GAAP or EU IFRS.

Assumes a drawing of PLN 58 million under our Senior Secured Revolving Credit Facility, based on our cash needs as of December 31, 2010. We drew PLN 186 million under such facility on April 28, 2011, out of a maximum drawable amount of PLN 200 million, as a result of higher seasonal cash needs at such time of the year and because we were not able to use cash from TV Polsat Group to repay existing debt pending the implementation of cash pooling arrangements for the Group.

Pro Forma net Debt as of December 31, 2010

	Cyfrowy Polsat Group Actual	TV Polsat Group Actual	Adjustments	Pro Forma Financial Information
	(in thousands of PLN)			
Current and non-current loans and borrowings and finance lease liabilities	19,627	39,985	2,786,105[(a)]	2,845,717
Cash and cash equivalents	(27,615)	(227,749)	(37,305)[(b)]	(292,669)
Net debt	**(7,988)**	**(187,764)**	**2,748,800**	**2,553,048**

(a) Reflects the borrowings pursuant to the Transactions (without deduction of capitalized transaction costs), which consisted of PLN 1,400 million under the Senior Secured Term Loan Facility, PLN 58 million under the Senior Secured Revolving Credit Facility, the issuance of €350 million aggregate principal amount of Notes and the application of the proceeds thereof together, if necessary, with cash on hand, to repay the Senior Secured Bridge Facility in full. In addition to the amounts set forth in the table above, our drawings under the Senior Secured Revolving Credit Facility amounted to PLN 186 million as of April 28, 2011.

(b) Reflects the net amount of the proceeds to Cyfrowy Polsat of the borrowings described above, giving effect to the payment of PLN 2,600 million in connection with the Acquisition.

(4) Pro forma net cash interest expense represents the estimated annualized interest expense based on the total pro forma debt, as if the Transactions had occurred on January 1, 2010. It does not reflect the amortization of deferred financing costs.

Pro forma interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

RISK FACTORS

Before you purchase the Notes, you should know that making such an investment involves significant risks, including the risks described below and elsewhere in this offering memorandum, such as those set forth under the caption "Forward-Looking Statements". You should carefully consider the factors described below in addition to the remainder of this offering memorandum before purchasing the Notes.

If any of the events described in the risk factors below occurs, our business, financial condition, operating results and prospects could be materially adversely affected, which in turn could adversely affect the Issuer's ability to pay all or part of the interest or principal on the Notes.

Risks Related to Our Business

We could be adversely affected by the effects of a regional or global downturn on the Polish advertising market or consumer spending in Poland.

Almost all of our revenue is derived from TV advertisers and DTH subscribers in Poland. In our TV Broadcasting business segment, a decrease in advertising spending in Poland would significantly harm our revenue and prospects. Typically, a decrease in Poland's GDP growth results in significant decreases in advertising spending in Poland. Starlink estimates that during the recent global economic downturn, total net advertising expenditures in Poland declined by 8.7% from PLN 7.69 billion in 2008 to PLN 7.02 billion in 2009. This decrease in advertising spending in Poland contributed to a decrease in revenue of our TV Broadcasting business segment of 12.8% from PLN 1,125.4 million in 2008 to PLN 981.5 million in 2009, and a decrease in net income of 33.3% from PLN 270.6 million in 2008 to PLN 180.4 million in 2009. Since many of the customers in our TV Broadcasting business segment are global companies, a global economic downturn, even if Poland is not directly or as significantly affected as other countries, could result in customers deciding to reduce their advertising budgets in Poland. Further, if any of these customers perceive there to be weakness in the Polish economy, there may be a reduction in demand for advertising in Poland. Any decrease in our advertising revenue may result in a decreased quality of programming or force us to reduce the quantity of programs that we make available either through direct production or acquisition. A decrease in program quality or a reduction in program quantity could cause us to lose audience share either to our competitors or to alternative entertainment and leisure activities, which would make us less attractive to potential advertisers and sponsors.

In our Retail Customers business segment, any reduction or shift in consumer spending in Poland could adversely affect our subscriber base or the rate of subscriber growth, or the amount that our subscribers spend on our services. Revenue in our Retail Customers business segment depends on the amount of disposable income that existing and potential subscribers in Poland are able to spend on entertainment, leisure and telecommunications services. If the Polish economy deteriorates, consumers may spend less on entertainment, leisure and telecommunications services. The effects of an economic downturn on consumer spending could also lead existing and potential subscribers to choose our lower-priced packages, which would negatively impact our revenue and growth prospects.

We are exposed to foreign currency risks that could harm our results of operations.

Our business is vulnerable to fluctuations in currency exchange rates. While we account for revenue in zloty, approximately 38% of our operating expenses are denominated in other currencies. We have trade receivables and trade liabilities (including costs of purchasing access to TV channels and TV programming from major studios and other content providers, set-top boxes, other hardware equipment, software and the cost of rental of capacity on transponders) that are denominated in foreign currencies, mostly in euro and U.S. dollars. In 2009, the zloty depreciated by approximately 23.3% against the euro and approximately 29.6% against the U.S. dollar. This depreciation resulted in an increase of PLN 70 million in our programming costs and signal transmission costs, which represented 33.8% of the total increase in our operating costs. We cannot control fluctuations in currency exchange rates, and adverse foreign currency fluctuations against the zloty could significantly increase our costs in zloty, which would have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the Notes offered hereby are denominated in euro, which significantly increases our exposure to foreign currency fluctuations as movements in the exchange rate of the euro to zloty could therefore increase the amount of cash, in zloty, that must be generated in order to pay principal and interest on the Notes.

Our success is dependant upon customer satisfaction with and audience acceptance of our programs and our ability to profitably produce or obtain rights to such programs.

We operate in markets where commercial success depends primarily on the satisfaction and acceptance of programming content, which is difficult to predict. Our ability to generate advertising revenue is almost entirely contingent on audience demand for the TV programs we broadcast. Audience share for the programs we broadcast directly affects both the attractiveness of our channels to existing and potential advertisers as well as the price that we can charge for advertising airtime. We attempt to attract and retain DTH subscribers by providing access to a broad array of channels, including sports, music, entertainment, news/information, children, education, movie channels and all major terrestrial channels in Poland, as well as high definition channels and FTA TV and radio channels. Subscriber satisfaction with our program offerings is essential to our ability to attract and retain subscribers and to generate and grow subscriber revenue. We also generate revenue in our TV Broadcasting business segment through the production and sale of TV programs to third parties both within Poland and to a lesser extent, internationally. The price that we are able to charge potential purchasers of the programs we produce in-house directly correlates with audience acceptance of these programs, as such third-party purchasers will rely on audience acceptance of programming content in their efforts to generate advertising revenue.

Demand for TV programming as well as programming preferences change frequently, regardless of the medium through which access to such programming is obtained. We are constantly faced with the challenge of anticipating what programs and formats will be successful and at what times. We may be unable to attract and retain subscribers for our DTH services if we are not able to successfully anticipate program demand or changes in programming tastes, or if our competitors anticipate such demand or changes in tastes more effectively than we do. This would increase our churn rate, and make us unable to attract advertisers for advertising airtime for our TV Broadcasting business segment.

Our profitability depends in part on our ability to produce or obtain rights to the most attractive programs in a cost-efficient manner. Approximately 60% of costs related to the production and acquisition of TV programming in 2010 in our TV Broadcasting business segment were generated by the costs of local content production. While the production of local content is typically more expensive than acquiring programming content from external sources, we believe that increasing the amount of Polish programming on the channels we broadcast will increase audience demand and, therefore, advertiser demand. We cannot guarantee that we will recover the investments that we have already made or will make in the future to produce local programming content or that we will be able to generate sufficient revenue to offset such costs.

If we cannot enter into and extend license agreements for access to key programming rights we may not be able to attract and retain subscribers and advertisers.

We depend on our ability to obtain attractive TV programming. In our Retail Customers business segment, we rely entirely on licenses with TV broadcasters in order to provide subscribers with access to TV channels. In our TV Broadcasting business segment, we produce certain TV programs ourselves and rely on license agreements to obtain the right to broadcast other TV programs and content. Our license agreements typically have limited terms, generally from two to three years for movie and series licenses and three to five years for sports licenses, and, in some instances, may be terminated prior to the expiration of the term by the licensor without our consent, in particular if we default on our obligations including our obligations to pay fees under the relevant license. Attractive TV programming is essential to our ability to attract and retain subscribers and advertisers. We cannot guarantee that our current license agreements will be renewed on terms as favorable as the current terms or at all upon their expiration or that licensors will not terminate material license agreements prior to their expiration. An inability to enter into or extend important licenses to programming content would hinder our ability to continue to provide and to introduce new channels and programs that are attractive to TV audiences. Failure to attract and retain subscribers and advertisers would have a material adverse effect on our business, financial condition and results of operation.

The operating results of our TV Broadcasting business segment are dependent on the importance of TV as advertising media.

The majority of the revenue that we generate in our TV Broadcasting business segment comes from the sale of advertising airtime and sponsoring slots on TV channels. For the year ended December 31, 2010, we derived 83% of our total TV Broadcasting business segment revenue from commercial TV. In the Polish advertising market, TV competes with various other advertising media, such as Internet, newspapers, magazines, radio and outdoor advertising. According to Zenith, net expenditures on TV advertising in Poland accounted for approximately 53% of total net advertising spending in 2010. However, we cannot assure you that the TV advertising market will maintain its current position in the Polish advertising market or that changes in the regulatory environment will not favor other advertising media or other TV broadcasters. A further increase in competition among advertising media arising from the growth of online advertising in Poland (from 10% of total advertising spend in 2008 to a forecast of 17% of total advertising spend estimated for 2012 according to Zenith), a significant increase of expenditures in thematic channels and the development of new forms of advertising media could have an adverse effect on the advertising revenue we generate in our TV Broadcasting business segment and, consequently, on our business, financial condition, results of operations and cash flow.

Our ability to generate advertising revenue depends, among other things, on the demand for and pricing of advertising time. We cannot assure you that we will be able to respond successfully to changes in audience preferences, and as a consequence, we may lose audience share, which would negatively impact demand for advertising breaks and therefore have an adverse effect on advertising revenue. Any decline in the appeal of TV generally, or our channels specifically, whether as a result of an increase in the acceptance of other forms of entertainment or a decline in its appeal as an advertising medium could have an adverse effect on our business, financial condition, results of operations and cash flow.

We face intense competition in all of the market segments in which we operate, and we cannot guarantee that in the future subscribers and advertisers will choose to purchase or to continue purchasing the services we provide rather than those provided by our competitors.

Competition in the Polish TV market is intense, and we cannot guarantee that we will be successful in generating sufficient DTH subscriber revenue or TV advertising revenue in the future in light of the competition we face. Existing and future competitors may have access to greater financial and marketing resources than we do, which may allow them to more successfully capture subscribers and advertisers for their services. Our primary competitors in the DTH market are the Cyfra + platform, "n" platform and a DTH platform operated by TP. In addition to our direct DTH competitors, we face competition from providers of other TV transmission technologies, such as terrestrial TV, cable TV and IPTV. We also expect to face growing competition from joint ventures and strategic alliances between DTH providers, cable TV and telecommunications providers. For example, "n" platform and TP recently announced an alliance to deliver "n" content via a terrestrial broadband connection provided by TP. We may also face competition from foreign competitors entering the Polish market.

Our primary competitors for TV advertising revenue are the other TV broadcasters, TVN and TVP. TVN is the major commercial broadcaster in Poland. TVP is a state-owned broadcaster, which is publicly funded and which fulfils a public service broadcasting mandate. As a result of this public service broadcasting mandate, TVP is not permitted to interrupt individual programs with commercial spots. Any change to this restriction on TVP's ability to broadcast advertising could increase the competition we face from TVP and reduce our advertising revenue. Further, we compete with existing TV broadcasters and potential new entrants for the grant of terrestrial broadcasting and satellite broadcasting licenses in Poland, and many of these competitors may be larger broadcasters with better brand recognition and resources than us, particularly those competitors from other member states of the European Union. Also, new entrants may be attracted to the Polish TV market for several reasons, including changes in laws and regulations. For example, the Broadcasting Act has been amended to allow for greater product placement in TV programs and movies broadcast in Poland as well as expand other permitted advertising activities. Regulatory changes such as these proposed amendments could attract additional TV broadcasters to the Polish TV broadcasting market. Finally, the increasing success in Poland of satellite, cable TV and DTT providers will likely result in the increasing fragmentation of Polish TV viewing audiences, which may make it more difficult for us to persuade advertisers to purchase airtime on our channels. Due in part to fragmentation in the Polish TV market, the audience share for our main channel, POLSAT, decreased from 18.5% in 2008 to 16.0% in 2010, and this trend was not fully offset by an increase in our thematic channel audience share from 1.9% to 3.2% over the same period. We believe this contributed to the decrease in our advertising market share from 26.3% in 2008 to 22.1% in 2010. Loss of subscribers and advertisers to our competitors would have a material adverse effect on our business, financial condition and results of operations.

Our ability to increase sales of DTH, broadband Internet and mobile telephony services depends on our ability to maintain the effectiveness of our sales network.

We have an organized and specialized sales distribution network throughout Poland that we depend on to distribute our DTH, broadband Internet and mobile telephony services. Due to increased competition with other pay TV service providers, we may be forced to increase the commissions paid to our distributors, to expand our sales distribution network and to alter the distribution channels that we currently rely on to distribute our DTH, broadband Internet and mobile telephony services. Any increase in the commissions that we pay to distributors in our sales distribution network would increase our operating costs and likely decrease net income in our Retail Customers business segment. Any failure to maintain or expand or modify our sales distribution network could significantly hinder our ability to retain and attract subscribers for our DTH, broadband Internet and mobile telephony services, which would materially and adversely impact our overall revenue. In addition, if we determine that we need to significantly reorganize or rebuild our existing sales distribution network, we may be forced to make significant incremental investments in our sales network.

We rely on third parties to support our operations and any delay or failure by such third-party providers to provide services, facilities or equipment could cause delays or interruptions in our operations, which could damage our reputation and result in the loss of customers.

We are reliant on third parties to provide support, equipment and facilities for our operations. We have limited or no control over how and when these third parties perform their obligations to us. We depend on third parties to provide our DTH, broadband Internet and mobile telephony services. In providing DTH services to our subscribers, we depend on third parties for the proper functioning of certain facilities and equipment. For example, we currently lease transponders from Eutelsat that allow us to provide a digital TV signal to individual subscribers throughout Poland and we rely on a third party for access to and the operation of the Nagravision conditional access system, which we rely on to secure our system from unauthorized access through piracy or hacking. In providing broadband Internet and mobile telephony services, we depend on the quality of a third party's broadband Internet infrastructure and other third parties' mobile networks. For example, our data transfer services using the HSPA+ and LTE technology are heavily dependant on the ability of third parties such as Mobyland to develop and make available to us radio access networks across Poland.

We also rely on numerous third parties to assist us in providing our broadcasting services. For example, we are reliant on a number of third parties such as TP EmiTel to operate a variety of key functions for us, including the provision of important aspects of our transmission, telecommunications and IT requirements. We also outsource certain non-broadcasting aspects of our operations including certain administrative, financial, IT and information systems functions. These and other third-party services are critical to many of our operating activities.

If any of the third parties that we rely on becomes unable to or refuses to provide to us the services, facilities and equipment that we depend on in a timely and commercially reasonable manner or at all, we may experience disruptions or suspensions in the products and services we provide. We cannot guarantee that these or other risks to the reputation of, and value associated with, the "Cyfrowy Polsat" and "Telewizja Polsat" brands will not materialize. Any such damage or erosion in the reputation of, or value associated with our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

Technology in the markets in which we operate is constantly changing and any failure by us to anticipate and adapt to such changes and to introduce new products and services could render the services we provide undesirable or obsolete.

The technology used in the DTH, TV broadcasting, broadband Internet and mobile telephony markets is rapidly evolving, and we cannot assure you that we will be able to sufficiently and efficiently adapt the services we provide to keep up with this rapid development. We face constant pressure to update our satellite TV technology and to provide the most up-to-date mobile telephony and broadband Internet service options to our subscribers. The compression, scrambling and subscriber management systems that are integral to the proper functioning of our satellite broadcasting center, the set-top boxes that we produce in-house (which accounted for almost 80% of all set-top boxes we sold in 2010), as well as other software and technology that we and our suppliers depend on, need to be continually updated and replaced as their technology becomes obsolete. If we are not able to replace obsolete technology we could experience disruptions in the DTH services we provide, and we may lose subscribers to competitors who have successfully replaced such obsolete technology. As we continue to expand the mobile telephony and broadband Internet services we offer, including our multi-play package, we may experience technical and logistical difficulties. In addition, we currently intend to capitalize on the lack of developed Internet infrastructure throughout Poland, especially in suburban and rural areas of Poland, to promote and sell our multi-play services and DTH services. If the fixed line Internet infrastructure in Poland improves, we may lose a competitive advantage that we have due to our current reliance on wireless technology rather than the Internet infrastructure to deliver our services.

We face constant pressure to adapt to changes in the way programming content is distributed and viewed. New technologies, including new video formats, IPTV, streaming and downloading capabilities via the Internet, VoD, mobile TV, digital video recorders and other devices and technologies are increasing the number of media and entertainment options available to audiences and are changing the way in which viewers consume content. Some of these devices and technologies allow users to view TV from a remote location or on a time-delayed basis and provide users with the ability to skip advertising and programming. These technologies are gaining in popularity and ease of use and the resulting audience fragmentation could lead to a general decline in our TV advertising revenue. We must identify ways to maintain audience and advertiser demand for the channels we broadcast. Any failure to adapt to the changing lifestyles and preferences of our target audiences and adjust our broadcasting business model to capitalize on technological advances could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our initiatives to expand the services we provide may cause costs to increase more rapidly than our revenue, which could temporarily or permanently decrease our profit margins.

While we believe it is important to continually expand the services we provide, the costs of our initiatives may be significant. We believe that our continued expansion in mobile telephony and broadband Internet could significantly increase our average SAC. Our mobile telephony and broadband Internet services currently do not generate profits and we cannot guarantee that these services will become profitable for us in the near future or at all. Our efforts to increase penetration in the pay TV services market could also significantly increase our average SAC. In addition, our average SAC may rise as a result of an increase in commissions we have to pay to our distributors. We cannot guarantee that we will recover the investments that we have already made or will make in the future to expand the services we provide or that we will be able to generate sufficient revenue to offset the costs of our expansion efforts.

IT and telecommunications system failures, including a failure in our satellite broadcasting center, could force significant capital expenditures to restore them and harm our operations and prospects.

We rely heavily on our information and telecommunications technology systems and a failure in one or more of these systems could significantly harm our results of operations and prospects. Our IT systems are vulnerable to damage and destruction from 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. In our Retail Customers business segment, we rely heavily on our satellite broadcasting center as well as our customer management system, reporting systems, sales service system and customer relationship management system. Any failure of individual components of our satellite broadcasting center, including the satellite transponders or any link in the delivery chain, could result in serious disruption to, or suspension of, our operations for a prolonged period. In our TV Broadcasting business segment, we rely heavily on IT systems to manage advertising airtime, program broadcasting and relationships with our advertising customers. If any of our IT systems fail, we could be prevented from effectively operating our business or we may be required to make significant capital expenditures to restore operations. Further, we may be held liable by advertising customers and subscribers for any disruptions or suspensions resulting from any failures in our information technology systems.

Loss or failure to maintain Cyfrowy Polsat's and TV Polsat's historical reputation and the value of our brands would adversely affect our business.

The brand names "Cyfrowy Polsat" and "Telewizja Polsat" are important assets to our Group. It is vital to our continued ability to retain and attract subscribers and advertisers to maintain the reputation of, and value associated with, the "Cyfrowy Polsat" and "Telewizja Polsat" names. Our reputation may be harmed if we encounter difficulties in providing existing products and services, or in deploying new products and services, including HD TV, MVNO services, broadband Internet access and VoD services, whether due to technical faults, lack of necessary equipment or other factors or circumstances resulting in a failure to meet or exceed the expectations of our existing and potential subscribers. In addition, the quality of the products and services we offer will depend on the services and the quality of third party infrastructure, services and related functions, over which we will have little or no influence or control. If these third parties on whom we rely do not meet our performance standards or provide technically flawed products or services, the quality of our products and services and our reputation may be harmed. We cannot guarantee that these or other risks to the reputation of, and value associated with, the "Cyfrowy Polsat" and "Telewizja Polsat" brands will not materialize. Any such damage or erosion in the reputation of, or value associated with our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to realize the anticipated benefits of the Acquisition or future acquisitions.

The success of the Acquisition will depend on, among other things, our ability to realize our strategy and our ability to capitalize on synergies between the legacy Cyfrowy Polsat and TV Polsat businesses in a manner that does not materially disrupt existing relationships or otherwise result in decreased productivity. If we are unable to achieve these objectives, the anticipated benefits of the Acquisition may not be realized fully or at all or may take longer to realize than expected.

It is possible that the Acquisition integration process could result in the loss of key employees, the disruption of the ongoing businesses of our Retail Customers and TV Broadcasting businesses or inconsistencies in standards, controls, procedures or policies that could adversely affect our ability to maintain relationships with third parties and employees or to achieve the anticipated benefits of the transaction. Among other things, in order to realize the anticipated benefits of the Acquisition we must identify and eliminate redundant operations and assets across the combined organization.

Integration efforts could also divert management attention and resources, which could negatively impact our day-to-day operations. An inability to realize the full extent of, or any of, the anticipated benefits of the Acquisition, as well as any delays encountered in the integration process, could have a material adverse effect on us.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost synergies, if achieved at all, may be lower than we expect and may take longer to achieve than we anticipate.

We rely on the experience and talent of our management and skilled employees, and the loss of any of these individuals could harm our business.

The successful operation of our businesses as well as the successful implementation of our strategy is dependant on the experience of our management and the contributions of our key personnel. Our future success depends in part on our ability to retain the members of our management who have had a significant impact on our development, as well as on our ability to attract and retain skilled employees able to effectively operate our two business segments. There is intense competition for skilled personnel in the Polish and the global TV broadcasting, mobile telephony and Internet industries. We cannot guarantee that we will be able to attract and retain such members of management or skilled employees in the future. The loss of any of our key managers, or the inability to attract and appropriately train, motivate and retain qualified professionals, or any delay in doing so, could have a material adverse effect on our business, financial results, results of operations and prospects.

An increase in available FTA terrestrial channels could result from the switch in Poland from analog to digital terrestrial TV could decrease demand for our DTH services, which would also lead to a decrease in our audience share, and increase our churn rate.

The required switch from analog to digital terrestrial TV in Poland could significantly increase the number of TV providers we compete with. It is also possible that current limitations on the granting of broadcasting licenses for digital terrestrial TV broadcasting frequencies could be removed. This would likely result in an increase in the number of digital channels available in the Polish TV market, which could lead to a corresponding decrease in our audience share. Currently, of the seven terrestrial channels in Poland only five are available to at least 90% of Polish households. We believe that as a result of the switch from analog to digital terrestrial TV, the number of FTA terrestrial channels may significantly increase and FTA TV programming in Poland may become more attractive, which could result in decreased demand for our DTH services and loss of existing subscribers and could have a materially adverse effect on our business, financial results, results of operations and prospects.

Any disruption in our ability to internally-produce set-top boxes for our DTH subscribers could harm our reputation and increase our churn rate.

To reduce our costs of obtaining satellite TV receiving equipment and therefore enable us to offer our DTH subscribers more attractive purchase and rental prices for set-top boxes, we began producing SD set-top boxes in November 2007 and HD set-top boxes in April 2010. In 2010, in-house-produced set-top boxes represented almost 80% of overall set-top boxes that we sold or leased to our DTH subscribers. If any part of our in-house-produced set-top boxes proved to be defective and are recalled, we could be required to cover the costs of replacements or repairs which could be significant. In addition, our reputation could be damaged by any such recall. We currently manufacture at almost full capacity. If we encounter problems with our ability to produce set-top boxes in-house we could be forced to rely more heavily on external sources to obtain the set-top boxes that we sell. We may not be able to obtain the necessary quantity of set-top boxes from external suppliers in a timely manner. In addition, the costs involved in obtaining a greater proportion of the set-top boxes we sell from external sources will be significantly higher than our costs of in-house production of the large majority of the set-top boxes we sell. If we cannot obtain set-top boxes from external sources on satisfactory pricing terms, we may be forced to increase the prices that we charge our subscribers or our amortization cost will increase. In addition, if we do not have access to a sufficient supply of set-top boxes to meet subscriber demand, our reputation among existing and potential subscribers would be damaged. Any of the consequences related to difficulties we may encounter in our ability to internally-produce the majority of set-top boxes we sell could result in the loss of existing subscribers and damage our ability to attract new subscribers for our DTH services. Any such damage or erosion in the reputation of, or value associated with, our brands could have a material adverse effect on our business, financial condition, results of operations and prospects.

Labor disruptions or increased labor costs could materially adversely affect our business.

While we believe we have good labor relations, we could experience a material labor disruption, strike, or significantly increased labor costs at one or more of our facilities. Any of these situations could prevent us from meeting customer demands or result in increased costs, thereby reducing our profitability. Additionally, labor issues that affect third parties that we rely on for services and technology could also have a material adverse effect on us if those issues interfere with our ability to obtain necessary services and technology on a timely basis. Any such disruption could have a material adverse effect on our business, financial condition and results of operation.

We may be adversely affected by claims of collective copyright management organizations.

Under the Polish Copyright Act we are required to pay fees to the collective copyright management organizations, which collect royalties on behalf of authors of copyright works broadcast and distributed by us in the course of our business. These fees are collected pursuant to license agreements entered into with these organizations. Although we have entered into such agreements with several of the collective copyright management organizations, there is a risk that other such organizations may bring claims against us. It is currently impossible to estimate the aggregate amount of such possible claims. However, the final amount of payments that we may be required to make for the use of copyrights and the amount of the outstanding royalties we may be required to pay, may have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Intellectual Property

If third parties claim that we have breached their intellectual property rights, we may be forced to make significant expenditures to either defend ourselves against such claims, license rights to the third party's technology or to identify ways to conduct our operations without breaching such rights.

The success of our business depends to a large extent on the use of intellectual property rights, in particular rights to advanced technological solutions, software and programming content. We cannot guarantee that we have not breached or that we will not in the future breach the intellectual property rights of third parties. Any alleged breach could expose us to liability claims from third parties. In addition, we might be required to obtain a license or acquire new solutions that allow us to conduct our business in a manner that does not breach such third party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of management's time and resources along with potentially significant expenses that could be involved could materially adversely affect our business, financial condition, results of operations and prospects.

Our intellectual property rights and other security measures may not fully protect our operations, and any failure to protect our content, technology and know-how could result in loss of customers to our competitors and decreased profits.

Our products are largely comprised of proprietary or licensed content that is transmitted through broadcast programming, interactive TV services and pay TV. We rely on trademark, copyright and other intellectual property laws to establish and protect our rights to this content. However, we cannot guarantee that the intellectual property rights we rely on will not be challenged, invalidated or circumvented. Further, we cannot guarantee that we will be able to renew our rights to such content when the term of protection for any such trademark or copyright expires.

Even if our intellectual property rights remain intact, we cannot assure you that security and anti-piracy measures will prevent unauthorized access to our services and piracy of our content. In our Retail Customers business segment, we rely on the Nagravision conditional access system, which is an encoding system used in digital TV broadcasting to encrypt digital TV signals in order to restrict unauthorized access to our satellite TV services. The Nagravision conditional access system is based on advanced technology including the Digital Video Broadcasting ("DVB") common scrambling algorithm developed by Nagravision. Despite the security measures we have undertaken, third parties may still obtain unauthorized access to our services. While Nagravision has undertaken to remedy all security breaches within specified time limits or to compensate us under certain conditions and up to certain limits, we cannot assure you that Nagravision will be able to remedy any security breaches in a timely manner or at all. In addition, we cannot guarantee that the DVB scrambling algorithm will not be compromised, which could result in unauthorized access to our services and, consequently, require us to replace all of our set-top boxes to enable our subscribers to receive our DTH services.

Further, third parties may be able to copy, infringe or otherwise profit from our proprietary and licensed content, without our, or the respective right holders', authorization. The risk of piracy is especially acute in our TV Broadcasting business segment. Media piracy occurs in many parts of the world, including Poland, and is facilitated by technological advances and the conversion of media content into digital formats, which makes it easier to create, transmit and share high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set-top boxes and through unlicensed broadcasts on free-to-air TV and the Internet. In addition, the lack of Internet-specific legislation relating to trademark and copyright protection creates additional challenges for us in protecting our intellectual property rights in cyberspace. The unauthorized use of our intellectual property may adversely affect our business by harming our reputation and by decreasing the confidence our business partners rest in our ability to protect our proprietary and licensed content.

Risks Related to Regulatory Matters

We are subject to laws and regulations relating to satellite TV distribution, broadcasting, advertising and sponsoring which are generally subject to periodic governmental review, and a violation of these laws and regulations could harm our business, reputation and financial results.

We are subject to Polish and European Union laws and regulations that restrict the manner in which we operate our businesses. Our operations are subject to significant governmental regulations and the market regulators, particularly the UKE and the KRRiT play an active role to ensure that we comply with the Broadcasting Act as well as the terms and conditions of our broadcasting licenses. Decisions by the Chairman of the KRRiT, the UKE and other regulators may restrict the way in which we operate our business.

The UKE regulates both of our business segments. Through our Retail Customers business segment, we operate as an MVNO provider in Poland. MVNO providers in Poland are subject to extensive legal and administrative requirements regulating, among other things, the setting of maximum rates for telecommunications services. In our TV Broadcasting business segment, we are regularly reviewed by the UKE to ensure that we have complied with the terms of the radio licenses and frequency reservations granted to us by the UKE in order for us to provide our TV broadcasting services. We cannot assure you that we will be able to satisfy the extensive requirements imposed on us by Polish telecommunications law, in particular those regulating the MVNO business and the broadcasting licenses we use. If the UKE were to determine that we breached a provision of the Polish Telecommunications Law, we could be forced to pay a fine of up to 3% of the revenue we generated in the year prior to the imposition of the fine and we could be prohibited from providing further telecommunications services in Poland.

While the KRRiT regulates both of our business segments, its regulations impact our TV Broadcasting business segment more significantly. As a TV broadcaster in Poland we are subject to extensive legal and administrative requirements regulating, among other things, broadcasting time, programming content and advertising. In addition, the KRRiT regularly monitors our compliance with the broadcasting licenses that we hold as well as with the provisions of the Broadcasting Act and the KRRiT's internal guidance. We cannot assure you that we will be able to satisfy the extensive regulations imposed on our TV Broadcasting business segment through our broadcasting licenses, the Broadcasting Act and other regulations, in particular those regulating program content. If the KRRiT were to determine that we breached any applicable provisions of these regulations, we could be forced to pay a fine of up to 50% of the annual fee we pay for use of the frequency.

Broadcasting regulations are generally subject to periodic and on-going governmental review and we cannot guarantee that future changes in Polish broadcasting regulations will not negatively affect the nature of the programming we are able to offer or the manner in which we operate. For example, we may experience a decrease in sponsorship revenue due to new restrictions on the duration and content of sponsorship spots that will become effective in Poland in April 2011. These new restrictions may make sponsorship spots less attractive for advertisers in Poland and, as a result, would decrease the revenue that we can generate from sponsorship activities.

Our DTH business could in the future become subject to zoning, environmental or other regulatory restrictions on our ability to place our satellite dishes. We could also encounter pressure from Polish citizens relating to our placement of satellite dishes. Any legal restrictions or social friction related to the placement of our satellite dishes could make our DTH services less attractive and cause us to lose subscribers.

We are also subject to UK laws and regulations that restrict the manner in which we operate our businesses. Ofcom ensures compliance with the extensive legal and administrative requirements primarily imposed by the U.K. Communications Act 2003 (the "Communications Act"). Ofcom can impose sanctions on a licensee for breaches of the license conditions, including the requirements for the content of the licensed service. The sanctions available to Ofcom range from the broadcasting of Ofcom's findings to the imposition of a fine on the licensee and revocation of the license.

Failure to comply with any of the laws or regulations that we are subject to could have a material adverse effect on our business, financial condition and results of operation.

For more information on the regulations that we must comply with, please see "Regulatory Overview".

Our broadcasting licenses may be revoked or may not be renewed when their terms expire.

We depend on our broadcasting licenses issued by Ofcom or the KRRiT to operate our businesses, and these licenses may be revoked or may not be renewed upon their expiration. It is unclear whether we are required to obtain a distribution license for the business we conduct in our Retail Customers business segment. We have nonetheless obtained a license to distribute some of the TV programs we currently offer to our subscribers via satellite. This broadcasting license is scheduled to expire in 2013. We also hold two terrestrial broadcasting licenses and several satellite broadcasting licenses. All TV broadcasting licenses issued by the KRRiT have fixed terms. Our terrestrial analog TV broadcasting license will expire in 2014, and our satellite licenses will expire at various times between 2014 and 2020.

In order to maintain our broadcasting licenses, we must comply with the relevant laws, regulations established by the KRRiT and Ofcom, and the terms and conditions of the broadcasting licenses themselves. Failure to comply with the applicable laws and the terms of our broadcasting licenses, especially with respect to timeframe to commence broadcasting of a channel, could lead to such licenses being revoked as well as the imposition of certain fines. Our broadcasting licenses are also subject to revocation in the event that we are found to have conducted activities that conflict with the relevant laws, or the terms and conditions of our broadcasting licenses and we fail to remedy such conflict within the applicable grace period. In particular, there is a risk that the KRRiT may determine that we are indeed required to obtain a license for the business conducted by our Retail Customers business segment and that the distribution license we have obtained is insufficient in that as it does not list many of the channels that we currently offer. On January 3, 2011, the KRRiT revoked our broadcasting license for our *Polsat International* channel due to the failure to commence broadcasting within the time specified in the license. Currently there are two proceedings pending before the KRRiT for the revocation of broadcasting licenses for our *Polsat dla Dzieci* and *Polsat dla Młodzieży* thematic channels due to delays in broadcasting these channels. Ofcom can revoke the license for a number of reasons, including breaches of the license conditions, failure to comply with a direction, and as a result of a sanction. For further information, please see "Regulatory Overview".

In addition to revocation, there is a risk that our broadcasting licenses issued by the KRRiT will not be renewed prior to or upon expiration. The Broadcasting Law is unclear as to whether broadcasting licenses will be automatically renewed upon expiration. We cannot assure you that we will be able to extend our existing broadcasting licenses on the same terms or at all upon their expiration.

If any of our broadcasting licenses are revoked or not extended, we may be forced temporarily or permanently to discontinue those of our operations that are governed by that license.

We may not complete the switch of POLSAT from analog to digital in a timely manner or at all and such a failure could result in the loss of our TV broadcasting license or substantial fines.

We are required to switch our main channel, POLSAT, from analog terrestrial broadcasting to digital broadcasting via MUX-2. While we have begun to cover particular areas of Poland on the dates set forth in our broadcasting license (September 2010), the technical schedule with the operator of the MUX-2 for completing the process is currently not fully aligned with the schedule set forth in the regulatory decisions. Although regulatory authorities are aware of the delay and the issue of inconsistency between the schedules in the broadcasting license and the agreement with the MUX-2 operator affects all private broadcasters relying on MUX-2, if we have not completed the switch by the required date, the KRRiT has the power to revoke our TV broadcasting license. Without a broadcasting license, we would be forced to suspend the broadcasting of POLSAT. Even if the KRRiT does not revoke our broadcasting license, the failure to timely convert from analog to digital could subject us to fines of up to 50% of the annual license fee that we pay per channel.

The KRRiT and Ofcom may revoke the broadcasting licenses held by TV Polsat due to the change of control of TV Polsat following the Acquisition.

Under the Broadcasting Act, broadcasting licenses are generally non-transferable. The KRRiT may revoke a broadcasting license as a result of a direct or indirect change of control of the broadcaster. On April 20, 2011, Cyfrowy Polsat acquired TV Polsat. Pursuant to the official announcement of the KRRiT dated June 12, 2007, a broadcaster is required to submit a formal notification to the KRRiT providing information on any changes in information provided by the broadcaster in its initial license application, including any changes in the ownership structure of the broadcaster. This announcement further states that the term "*direct or indirect change of control*" is not defined under the Broadcasting Act and any potential change of control of a broadcaster will be analyzed on an individual basis. We have notified the KRRiT about the change in TV Polsat's ownership structure. Similarly Ofcom may revoke a broadcasting license as a result of a direct or indirect change of control of the broadcaster if the change affecting control of the licensee would have precluded the original grant of the license. Under the U.K. Broadcasting Act of 1990, a TV content license is transferrable only with the prior written consent of Ofcom, which will be granted insofar as the proposed transferee can comply with all of the conditions of the license. We also notified Ofcom about the change in TV Polsat's ownership structure. We cannot guarantee that the KRRiT or Ofcom will not deem a change of control of TV Polsat to have occurred and will not use this as a basis to revoke the relevant broadcasting licenses. If this were to occur, we would be forced to cease the TV broadcasting operations of our TV Broadcasting business segment until new broadcasting licenses could be obtained.

We cannot guarantee that in the future the President of the Polish Competition and Consumer Protection Office (Antimonopoly Office) will not deem the operations we conduct to limit competition or violate the Polish consumer protection laws.

Our operations are frequently reviewed by competition authorities to ensure that we comply with Polish regulatory provisions that prohibit practices that limit competition or violate the collective interests of consumers, including providing inaccurate information to customers, dishonest market practices, use of prohibited contract clauses and terms and limiting competition. In the past, including most recently in December 2009, the President of the Antimonopoly Office has questioned certain aspects of the business conducted by our Retail Customers business segment, including whether certain of our advertising practices misled subscribers as to the content of the TV programming we offered and whether certain provisions in our standard subscriber contracts violated the consumer protection laws. The President of the Antimonopoly Office imposed fines, ordered us to discontinue certain practices and imposed certain additional obligations. In addition to the Antimonopoly Office, natural persons can bring court actions against us claiming that certain provisions of our standard subscriber contracts violate consumer protection laws. If any of our practices or contract terms are deemed to be misleading or in conflict with Polish consumer protection laws, we may be subject to fines and our reputation could be harmed.

In addition, if the President of the Antimonopoly Office was to determine that any of our practices had the effect of limiting competition or violating the consumer protection law, the President of the Antimonopoly Office could require us to discontinue the unlawful practice. In addition, the President of the Antimonopoly Office could impose cash fines on us of up to 10% of our revenue for the fiscal year prior to the year the fine is imposed.

Frequent changes in Polish tax regulations may have an adverse effect on our results of operations and financial condition.

The Polish tax system is characterized by instability. Tax regulations are frequently amended, often to the detriment of taxpayers. Tax laws in Poland may also need to be amended in order to implement new European Union legislation. These frequent changes in tax regulations have had and may in the future have negative effects on our business, financial condition, results of operations and prospects. Further, the lack of stability in the Polish tax regulations may hinder our ability to effectively plan for the future and to implement our business plan as designed. The instability in the Polish tax system stems not only from changes in law but from reliance by tax regulators on court interpretations, which are also subject to potential changes and reversals. Despite the instability in the Polish tax system, our tax and similar payments, as well as customs duties and foreign currency payments, are subject to audits by tax authorities and, should any discrepancy be found, interest and monetary penalties could be imposed on us.

Tax authorities may impose additional tax liabilities based on transactions we have conducted with related parties, which could have a material adverse effect on our business, results of operations and financial condition.

We have conducted a number of transactions, including transactions for the supply of services, with related parties. It is possible that in the future Polish tax authorities could determine that one or more of such related party transactions was not conducted on an arms' length basis or that statutorily required documentation was not sufficient or properly prepared. If Polish tax authorities were to make such a determination, they could assess income and/or tax-deductible expenses at values that differ from the values declared by us, and consequently, assess the values of the taxable base and the amounts of income tax due that are higher than were declared and paid. If so, we would be liable for additional tax amounts and interest on tax arrears, which could have a material adverse effect on our business, results of operations and financial condition.

We are currently and may in the future be subject to tax proceedings regarding past VAT charges by TV Polsat. An unfavorable decision by tax authorities in any such proceedings could have a material adverse effect on our business, current results of operations (with respect to transactions to-date) and financial conditions.

Our TV Polsat subsidiary was subject to tax audits in connection with VAT settlements by TV Polsat in 2009, subsequent to which tax proceedings were initiated. In the course of the proceedings, tax authorities have expressed the view that they believe the 22% VAT rate (currently at 23%) should have applied to such services and not the reduced rate of 7% (currently at 8%). TV Polsat applied such a reduced 7% VAT rate on the basis of a statistical classification issued by the Statistical Office on October 28, 2005. TV Polsat also received an individual tax ruling confirming that it correctly determined the tax rate under the VAT Act, as in force from September 1, 2010 to October 31, 2010. However, if Polish tax authorities were to issue a decision that, in connection with granting licenses to cable TV operators to retransmit TV Polsat-produced programming, TV Polsat was not authorized to apply the VAT rate of 7%, we, through our TV Polsat subsidiary, could be obligated to pay additional tax (the difference between the applied and the higher rate) and interest on tax arrears.

In addition to the above-described audit, it is possible that Polish tax authorities could challenge VAT rates charged by TV Polsat in connection with licenses granted over a greater period of time. An adverse tax decision in the current proceeding or any future proceedings concerning other settlement periods (that have not expired yet) may also result in an obligation to pay additional tax amounts with interest on tax arrears, which would have an adverse effect on our business, current results of operations (with respect to to-date transactions) and financial condition.

Risks Related to the Notes and the Offering

The Issuer is a special purpose financing company with no operations of its own. The Issuer must rely on payments from us under the Notes Proceeds Loan to make cash payments on the Notes, and we must rely on payments from our subsidiaries to make cash payments on the Notes Proceeds Loan. Our subsidiaries are subject to various restrictions on making such payments.

We conduct a substantial part of our operations through direct and indirect subsidiaries, and the Issuer will rely solely on payments made to it under the Notes Proceeds Loan to make payments on the Notes. In order to make payments on the Notes Proceeds Loan and the Notes or to meet our other obligations, we depend upon receiving payments from our subsidiaries. In particular, we are dependant on dividends and other payments by our direct and indirect subsidiaries to service our obligations, including the Notes and those arising under our Senior Secured Credit Facilities Agreement. You will not have any direct claim on the cash flow or assets of our non-guarantor operating subsidiaries and our non-guarantor operating subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes Proceeds Loan, the Notes or the Guarantees, or to make funds available to us for those payments. Prior to the Transformation, none of TV Polsat or its subsidiaries will guarantee the Notes. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to various restrictions. Existing and future debt of certain of these subsidiaries, including our Senior Secured Credit Facilities, may limit or prohibit the payment of dividends or loan payments or the making of loans or advances to us. In addition, the ability of our subsidiaries to make payments, loans or advances to us may be limited by the laws of the relevant jurisdictions in which such subsidiaries are organized or located. Any of the situations described above could make it more difficult for a Guarantor to service its obligations and therefore adversely affect our ability to service our obligations in respect of the Notes. If payments are not made to us by our subsidiaries, we may not have any other sources of funds available that would permit us to make payments on the Notes Proceeds Loan and the Notes.

Our debt service obligations under the Notes, the Senior Secured Credit Facilities and our other indebtedness may restrict our ability to fund our operations.

We are a highly leveraged company, and we have significant debt service obligations under the Senior Secured Credit Facilities and our Senior Secured Bridge Facility. Following the Offering, we will have significant debt service obligations under the Notes, the proceeds of which will be used to refinance our Senior Secured Bridge Facility. As of December 31, 2010, on a pro forma basis as adjusted to give effect to the issuance of Notes in this Offering, our indebtedness under the Notes and Senior Secured Credit Facilities (including the Senior Secured Revolving Credit Facility) would have amounted to approximately PLN 2,844 million and we would have had approximately PLN 142 million available for borrowing under our Senior Secured Revolving Credit Facility.

Our substantial debt could have important consequences to you as a holder of the Notes. For example, it could:

- make it difficult for us to satisfy our obligations with respect to the Notes, the Senior Secured Credit Facilities and our other indebtedness;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, which will reduce our cash flow available to fund capital expenditures, working capital and other corporate requirements and business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt than we do;
- increase our vulnerability and limit our flexibility in planning for, or reacting to, general and specific adverse economic conditions in our industry; and

- limit our ability to borrow additional funds, increase the cost of any such borrowing and/or limit our ability to raise equity funding.

We may incur substantial additional debt in the future. The terms of the Indenture and the Senior Secured Credit Facilities will restrict our ability to incur, but will not prohibit us from incurring, additional indebtedness or other obligations that do not constitute indebtedness. If we were to incur additional debt, the related risks we now face would intensify.

We require a significant amount of cash to service our indebtedness. Our ability to generate sufficient cash depends on a number of factors, many of which are beyond our control.

Our ability to make payments on or repay our indebtedness will depend on our future operating performance and ability to generate sufficient cash to make such payments and satisfy our other obligations. This depends, to a significant degree, on general economic, financial, competitive, market, legislative, regulatory and other factors discussed in "Risk Factors", many of which are beyond our control.

Historically, we met our debt service and other cash requirements with cash flows from operations and our existing revolving credit facilities. As a result of our recent acquisition of TV Polsat and the related financing transactions, our debt service requirements have increased significantly. We cannot assure you that our business will generate sufficient cash flows from operating activities, or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other financing needs.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

In addition, the terms of the Indenture governing the Notes and our Senior Secured Credit Facilities Agreement will limit our ability to pursue any of these alternatives, and we may not be able to affect any of these actions, if necessary, on commercially reasonable terms, if at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more-onerous covenants, which could further restrict our business operations. If we obtain additional debt financing, the related risks we now face would intensify.

Furthermore, significant changes in market liquidity conditions resulting in a tightening in the credit markets and a reduction in the availability of debt and equity capital could impact our access to funding and our related funding costs, which could materially and adversely affect our ability to obtain and manage liquidity, to obtain additional capital and to restructure or refinance any of our existing debt.

If we default on the payments required under the terms of certain of our indebtedness, that indebtedness, together with debt incurred pursuant to other debt agreements or instruments that contain cross-default or cross-acceleration provisions, may become payable on demand, and we may not have sufficient funds to repay all of our debts, including the Notes. Please see "Description of Certain Financing Arrangements". As a result, our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms, if at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

We may be unable to refinance our existing debt financings or obtain favorable refinancing terms or obtain financing for new projects.

We are subject to the customary risks associated with debt financings, including the risk that indebtedness will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness. We also may need to raise capital in the future if our cash flow from operations is not adequate to meet our liquidity requirements or to pursue new projects. Depending on capital requirements, market conditions and other factors, we may need to raise additional funds through debt or equity offerings. If we were unable to refinance indebtedness on acceptable terms, or at all, we might be forced to dispose of assets on disadvantageous terms, or reduce or suspend operations, any of which would materially and adversely affect our financial condition and results of operations. If we cannot obtain financing for new projects, we would decline to pursue them and this may be disadvantageous to us or our competitive position.

Until the Transformation of TV Polsat into a limited liability company has been completed, none of TV Polsat or any of its subsidiaries will guarantee the Notes or provide security over their assets to secure the Notes.

At the Issue Date, the Notes will be guaranteed by the Initial Guarantors. On the Issue Date, the Notes and the Initial Guarantees will, subject to filing and registration requirements, be secured by first ranking security interests over the share capital of the Issuer, its rights under the Notes Proceeds Loan and its bank accounts, and by first ranking security interests over substantially all of the assets of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A.; however, until the Transformation of TV Polsat into a limited liability company has been completed, none of TV Polsat nor any subsidiary of TV Polsat will guarantee the Notes or provide security over their assets to secure the Notes. Upon completion of the Transformation, TV Polsat and its material subsidiaries will grant security interests and guarantees for the benefit of the lenders under the Senior Secured Term Loan Facility, as required by the Senior Secured Credit Facilities Agreement. Such guarantees and security will be granted for the benefit of the Notes at or about the same time as they are established for the benefit of the Senior Secured Term Loan Facility, and we have undertaken in the Senior Secured Credit Facilities to complete the Transformation no later than August 18, 2011. There can be no assurance that we will be successful in procuring such additional guarantees or liens within the time period specified, or at all. The additional guarantees will be limited to the same extent as otherwise as set forth under "Description of the Notes—Note Guarantees".

TV Polsat and its subsidiaries are subject to similar restrictions on guaranteeing or providing security in respect of the Senior Secured Term Loan Facility; however, TV Polsat and its subsidiaries have provided guarantees and security in respect of the Senior Secured Revolving Credit Facility. In addition, the granting by the Subsequent Guarantors of the Subsequent Guarantees and of security interests over the Collateral they own may be subject to hardening periods under applicable law. Please see "Limitations on validity and enforceability of the guarantees and other security".

The registry court in Poland may refuse to register a new corporate form of TV Polsat, and, in that event, TV Polsat and its subsidiaries will not be able to guarantee or provide security for the Notes.

TV Polsat has commenced the transformation of its legal form from a joint stock company to a limited liability company in order to guarantee and provide security for the Notes, which it is not permitted to undertake, under Polish, law prior to the Transformation. The Transformation will become effective once the registry court issues a decision on inserting the limited liability company into the register of limited liability companies.

There can be no guarantee that the registry court will not question the transformation documentation submitted by TV Polsat to the court. The registry court may request that we supplement such documentation, which may delay the registration process, and it may ultimately issue a decision refusing to enter the limited liability company into the register if it finds that TV Polsat did not comply with the applicable laws regulating the transformation process. Should the registry court refuse to register the Transformation, neither TV Polsat nor its subsidiaries will be able to guarantee or provide security for the Notes as is contemplated by the Senior Secured Credit Facilities Agreement.

The Notes and the Guarantees will be structurally subordinated to indebtedness and preferred stock, if any, of our non-guarantor subsidiaries.

Not all of our subsidiaries will guarantee the Notes. As of December 31, 2010, on a pro forma basis and after adjusting for the completion of this Offering, the Subsequent Guarantors had PLN 40.0 million of debt outstanding and our restricted subsidiaries other than the Guarantor had no debt. Accordingly, in the event that any non-guarantor subsidiary becomes subject to foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-guarantor subsidiary, including trade creditors, and preference shareholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

Covenant restrictions under the Indenture governing the Notes and our Senior Secured Credit Facilities Agreement impose significant operating and financial restrictions on us and may limit our ability to operate our business and consequently to make payments on the Notes. A failure to comply with those covenants, whether or not within our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Indenture governing the Notes will contain, and other financing arrangements that we may enter into in the future may contain, covenants that restrict our ability to finance future operations or capital needs or to take advantage of other business opportunities that may be in our interest. These covenants restrict our ability to, among other things:

- incur or guarantee additional indebtedness;
- make certain restricted payments and investments;
- sell, lease or transfer certain assets, including shares of any restricted subsidiary of Cyfrowy Polsat;
- enter into certain transactions with affiliates;
- create or permit to exist certain liens;
- impose restrictions on the ability of restricted subsidiaries to pay dividends or other distributions, make loans or advances to, and on transfer of assets to, Cyfrowy Polsat and its Restricted Subsidiaries;
- impair the security interests provided for the benefit of the holders of the Notes;
- merge, consolidate, amalgamate or combine with other entities; and
- designate restricted subsidiaries as unrestricted subsidiaries.

Our Senior Secured Credit Facilities Agreement will contain negative covenants restricting, among other things, our ability to:

- make acquisitions or investments;

- make loans or otherwise extend credit to others;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- make a substantial change to the general nature of our business;
- pay dividends, redeem share capital, pay intercompany indebtedness or redeem or reduce subordinated indebtedness;
- repay the principal of certain indebtedness, including the Notes;
- issue shares;
- enter into joint venture transactions;
- pay certain investors and creditors;
- make certain derivative transactions;
- enter into transactions other than at arm's length;
- enter into sale and leaseback transactions; and
- modify certain agreements, including agreements governing the Notes.

In addition, the Senior Secured Credit Facilities Agreement will require us to comply with certain affirmative covenants and certain specified financial covenants which require us to ensure that our leverage ratio (calculated as the ratio of total net debt on the last day of that relevant period to consolidated EBITDA) does not exceed an agreed level. Furthermore, our interest cover (calculated as the ratio of consolidated EBITDA to net finance charges) and cashflow cover (calculated as the ratio of consolidated cashflow to debt service charges) must meet an agreed level. A full list of the financial covenants and ratios that we must comply with is included in "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement".

The restrictions contained in the Senior Secured Credit Facilities Agreement and the Indenture for the Notes could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Secured Credit Facilities Agreement, the Indenture and our other indebtedness.

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments, including the Notes. Our ability to make principal or interest payments when due on our indebtedness, including the Notes and our Senior Secured Credit Facilities Agreement, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk

Factors", many of which are beyond our control. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

The Guarantees and the security interests securing the Notes may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The obligations of the Guarantors incorporated in Poland, Switzerland, Norway and the United Kingdom, and the enforcement of each such guarantee as well as other security provided by the Guarantors will be limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction, to the extent that the granting of such guarantee is not in the relevant Guarantor's corporate interests, or the burden of such guarantee exceeds the benefit to the relevant Guarantor, or such guarantee would be in breach of the financial assistance rules, capital maintenance or thin capitalization rules or any other general statutory laws and would cause the directors of such Guarantor to contravene their fiduciary duties and incur civil or criminal liability. Accordingly, enforcement of any such guarantee or security interest against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the guarantees or relevant Security Document designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. As a result, a Guarantor's liability under its guarantee or security interest could be materially reduced or eliminated entirely, depending upon the law applicable to it. It is possible that a Guarantor, or a creditor of a Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantor's guarantee or security interest on any of the above grounds and that the applicable court may determine that the guarantee or security interest should be limited or voided. To the extent that agreed limitations on the guarantee obligation or security interest apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor or the guarantee obligations will be considered unenforceable. Future guarantees or security interest may be subject to similar limitations. Please see "Limitations on validity and enforceability of the guarantees and other security".

A refinancing or replacement of certain indebtedness, and amendments and re-establishment of security in connection with the Transformation, or otherwise, could result in a release of the liens on the Collateral or amendments thereto. Although the security may be reinstated on substantially similar terms, the security could be subject to avoidance by an insolvency administrator or third-party creditors.

The Indenture and the Security Documents provide that in connection with the refinancing or replacement of certain indebtedness, and in connection with the Transformation security interests in the Collateral may be released, provided that such security interests are re-taken on substantially similar terms to secure the Notes. Although such re-taken security interests would, subject to registration, perfection or any other required actions, be established on substantially the same terms as the original security interests, in certain jurisdictions there will be new hardening periods applicable to such re-taken security interests following the date on which such replacement occurs during which, under the laws of those jurisdictions, the transaction creating the new security interests may be avoided by an insolvency administrator or third-party creditors if the entity granting such security interest becomes insolvent. The Collateral may also be released in a number of circumstances prior to repayment in full of the Notes. Please see "Description of the Notes—Security" and "—Impairment of Security Interests" and "Limitations on validity and enforceability of the guarantees and other security".

Fraudulent conveyance laws, bankruptcy regulations and other limitations on the Guarantees and the security interests securing the Notes may have a material adverse effect on the Guarantees' validity and enforceability, and may not be as favorable to creditors as laws of other jurisdictions with which you are familiar.

The Guarantors guarantee the payment of the Notes on a senior secured basis. The Guarantors are organized under the laws of Poland, Switzerland, Norway and the United Kingdom. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor or, in certain jurisdictions, even when the recipient was merely aware that the guarantor was insolvent when it issued the guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the Guarantor: (i) was insolvent or was rendered insolvent as a result of having granted the guarantee; (ii) was undercapitalized or became undercapitalized because of the guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the guarantee was held not to be in the best interests or not to be for the corporate benefit of the guarantor; or
- the aggregate amounts paid or payable under the guarantee were in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they become due, it has no access to new credit and/or if its liabilities exceed its assets. If a court decided any Guarantee was a fraudulent conveyance and voided the Guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and the remaining Guarantors.

Please see "Limitations on Validity and Enforceability of the Guarantees and Other Security" and "Enforcement of Judgments".

The Collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantees will be secured by security interests in the Collateral described in this offering memorandum, which collateral also will secure the obligations under the Senior Secured Credit Facilities. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. Your rights to the Collateral may be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes. In addition, a substantial portion of the Collateral will not be provided on the Issue Date. See "Description of the Notes—Security".

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located in a number of countries, and the multijurisdictional nature of any foreclosure on the collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The security over the Collateral is in each jurisdiction granted to the Security Agent. Pursuant to English law, the Security Agent holds all security on trust for each Secured Party which includes the Notes Trustee and each Noteholder. The Security Agent also has the benefit of a direct covenant to pay, or "parallel debt", from each debtor who is party to the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The ability of the Security Agent to enforce the security may be restricted by local law.

The ability of the Security Agent to enforce the security is subject to mandatory provisions of the laws of each jurisdiction in which security over the collateral is taken. There is some uncertainty under the laws of certain jurisdictions, including the laws of Poland, Norway and Switzerland, as to whether trusts, including the security trust created pursuant to the Intercreditor Agreement, will be recognized and enforceable. To address this, a direct covenant to pay (the "Parallel Debt") has been granted to the security agent by each debtor under the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The Parallel Debt provision allows the Security Agent to act in its own name in its capacity as a creditor. The Parallel Debt is an obligation under the Intercreditor Agreement to pay to the Security Agent amounts equal to any amounts owing from time to time by that debtor to any secured party under the debt documents, including the Notes and the Indenture (the "Principal Obligations"). The Parallel Debt is a separate obligation of each respective debtor to the Security Agent and independent from the corresponding Principal Obligations. The Parallel Debt provisions constitute a secured obligation for the purposes of each security document securing the notes and the other indebtedness secured subject to the Intercreditor Agreement. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to the Security Agent (including to secure the Parallel Debt), the Notes Trustee and the holders of Notes do not have direct security and are not entitled to take enforcement actions in respect of such security, except through the Security Agent. As a result, the holders of Notes bear some risks associated with the security trust and Parallel Debt structure. There also is no assurance that such Parallel Debt structure will be effective before all courts as there is no (or very limited) judicial or other guidance as to its effectiveness in each relevant jurisdiction.

Enforcing your rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may prove difficult.

The Issuer is incorporated under the laws of Sweden; the Guarantors are organized under the laws of Poland, Switzerland, Norway and the United Kingdom; the Collateral will include security interests granted under the laws of these jurisdictions. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes, the guarantees and the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multijurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the guarantees and the security documents in these jurisdictions or limit any amounts that you may receive. For more details, see “Limitations on Validity and Enforceability of the Guarantees and Other Security”.

The Issuer and the Guarantors will have control over the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, subject to specified restrictions in the Security Documents and Senior Secured Credit Facilities Agreement, among other things, without any release or consent by the Trustee or Security Agent, conduct ordinary-course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of Collateral and making ordinary-course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the Collateral.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, imperfections encumbrances and other liens permitted under the Indenture and the Senior Secured Credit Facilities Agreement. The existence of any such exceptions, defects, encumbrances, imperfections and other liens could adversely affect the value of the Collateral securing the Notes as well as the ability of the Security Agent to realize or foreclose on that Collateral. Further, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

In addition, our business requires a variety of licenses. The continued operation of properties that comprise part of the Collateral and which depend on the maintenance of such permits and licenses may be prohibited. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such licenses. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

The assets that constitute the Collateral hereunder are (or, in the case of assets owned by TV Polsat and its material subsidiaries, will be) also pledged, on a *pari passu* basis, for the benefit of the lenders and letter of credit issuers under the Senior Secured Credit Facilities Agreement and counterparties under certain hedging obligations. In addition, the Indenture and the Intercreditor Agreement will allow us to incur certain additional permitted indebtedness in the future that is secured by the Collateral. Please see “Description of the Notes—Certain Covenants—Limitation on Liens” and “Description of Certain Financing Arrangements—Intercreditor Agreement”. The incurrence of any additional secured indebtedness would reduce amounts payable to you from the proceeds of any sale of the Collateral.

The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral will be released in connection with an enforcement sale pursuant to the Intercreditor Agreement.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can be properly perfected, and its priority retained only through certain actions undertaken by the secured party and/or the grantor of the security. The liens in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we or the Security Agent fails or is unable to take the actions we are required to take to perfect any of these liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Trustee or the Security Agent for the Notes may not properly monitor, or we may not comply with our obligations to inform the Trustee or Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after acquired property or rights. Such failure may result in the invalidity of the security interest in the Collateral or adversely affect the priority of the security interest in favor of the Notes against third parties. Neither the Trustee nor the Security Agent for the Notes has any obligation to monitor the acquisition of additional property or rights by us or the perfection of any security interest.

The Senior Secured Credit Facilities Agreement will restrict our ability to repay the Notes or make certain amendments to the Notes.

The Senior Secured Credit Facilities Agreement and the Intercreditor Agreement will contain certain restrictions on our rights under the Indenture with respect to the Notes. These agreements will restrict our ability to (i) repay, prepay, defease, redeem or purchase of the principal amount of the Notes (except to the extent the same is made out of excess cashflow not required to be applied in repayment of the senior secured facilities and a corresponding pro rata prepayment of such facilities also is made), and (ii) amend, waive, vary or supplement the Notes in any way inconsistent with the Senior Secured Notes Major Terms (as defined in the Intercreditor Agreement). In addition, the Senior Secured Credit Facilities Agreement will restrict our ability to refinance the Notes without the consent of the Majority Lenders (as defined therein). Accordingly, the Senior Secured Credit Facilities Agreement and the Intercreditor Agreement may prevent us from exercising certain rights in respect of the Notes that would typically be available under the Indenture. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement" and "—Intercreditor Agreement".

Holders of the Notes will not control certain decisions regarding the Collateral.

The Notes will be secured by the same Collateral securing the obligations under the Senior Secured Credit Facilities Agreement. In addition, under the terms of the Indenture, we will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the Notes and the liens on the Collateral securing our other secured debt.

As a result of the voting provisions set out in the Intercreditor Agreement, the lenders under the Senior Secured Credit Facilities Agreement, together with the counterparties to certain secured hedging, will have effective control on all decisions with respect to enforcement of the Collateral. The Intercreditor Agreement provides that Citicorp Trustee Company Limited who will serve as the Security Agent for the secured parties under the Senior Secured Credit Facilities Agreement and the Notes, will (subject to certain limited exceptions) act with respect to such Collateral (and with respect to the filing of claims necessary to enforce such Collateral) only at the direction of the majority (66⅔%) with respect to the then committed and undrawn and outstanding senior secured debt (which includes creditors in respect of certain secured hedging obligations and which excludes creditors in respect of the Notes and any additional Notes), until the aggregate amount committed or funded under such senior secured debt (excluding the Notes and any additional Notes) is less than 25% of the aggregate principal amount of all such committed and undrawn and outstanding senior secured debt (including the Notes and any additional Notes). Thereafter, creditors holding more than 50% of the aggregate amount of committed and undrawn and outstanding senior secured debt (including the Notes and any additional Notes) will be able to instruct the Security Agent to enforce the Collateral. No holder of the Notes will have any separate right to enforce or to require the enforcement of the Collateral. Please see "Description of Certain Financing Arrangements—Intercreditor Agreement." The lenders under the Senior Secured Credit Facilities Agreement may have interests that are different from the interests of holders of the Notes and they may not elect to pursue their remedies under the Security Documents at a time when it would otherwise be advantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells the shares of our subsidiaries that have been pledged as Collateral through an enforcement of their security interest in accordance with the Intercreditor Agreement, claims under the guarantees of the Notes and the liens over any other assets securing the Notes and the Guarantees may be released. Please see "Description of Certain Financing Arrangements—Intercreditor Agreement" and "Description of the Notes—Security".

As a result, until the aggregate of the undrawn committed and funded senior secured debt (other than debt under the Notes and any additional notes) has fallen below 25% of the aggregate amount of the undrawn committed and funded senior secured debt, lenders under the Senior Secured Credit Facilities Agreement, together with the counterparties to certain secured hedging arrangements, will have effective control of all decisions with respect to the Collateral. It is possible that disputes may occur between the holders of the Notes and lenders under the Senior Secured Credit Facilities Agreement as to the appropriate manner of pursuing enforcement remedies with respect to the Collateral (as well as with respect to the filing of claims necessary to enforce such Collateral). In such an event, the holders of the Notes will be bound by any decisions of the instructing group, which may result in enforcement actions against the Collateral that are not approved by the holders of the Notes or that may be adverse to such holders. The effective control of the lenders under the Senior Secured Credit Facilities Agreement and hedge counterparties may delay enforcement against the Collateral. Please see "Description of Certain Financing Arrangements—Intercreditor Agreement".

We may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control, we will be required to make an offer to you in cash to repurchase all or any part of your Notes at 101% of their principal amount, plus accrued and unpaid interest. If a change of control were to occur, our ability to make such purchase may be limited by our then existing financial resources and we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or to repay the indebtedness outstanding under our Senior Secured Credit Facilities Agreement or other indebtedness. As such, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. In addition, restrictions in our then-existing contractual obligations, including the Senior Secured Credit Facilities Agreement, may not allow us to make such required repurchases upon the occurrence of certain events constituting a change of control. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing Notes, we may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, we will remain prohibited from repurchasing any tendered Notes. A change of control may result in an event of default under, or acceleration of, the indebtedness outstanding under the Senior Secured Credit Facilities Agreement and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. Any failure by us to offer to purchase Notes would constitute a default under the Indenture, which would in turn constitute a default under the Senior Secured Credit Facilities Agreement, and could result in an acceleration of our indebtedness thereunder, which could have a material adverse effect on our business. Please see "Description of the Notes—Certain Covenants—Change of Control".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect holders of the Notes, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "Description of the Notes—Certain Repurchase at the Option of Holders—Change of Control", the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" contained in the Indenture includes a disposition of all or substantially all of the assets of Cyfrowy Polsat and its Restricted Subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Cyfrowy Polsat and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Enforcement of civil liabilities and judgments against the Issuer or us or any of our directors or officers may be difficult.

The Issuer is a Swedish public limited liability company and Cyfrowy Polsat and TV Polsat are Polish joint stock companies. Substantially all of our assets and all of our operations are located, and all of our revenue is derived, outside the United States. In addition, all of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Sweden or Poland would enforce (i) judgments of United States courts obtained against us or such persons predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against us or such persons predicated upon the United States federal and state securities laws. Please see "Enforceability of Judgments".

The interests of our principal shareholder may conflict with your interests as a holder of the Notes.

Mr. Zygmunt Solorz-Żak holds: (i) directly 10,603,750 shares (constituting 3.04% in the share capital and 4.02% of votes in Cyfrowy Polsat); (ii) indirectly, through Polaris Finance B.V., 175,025,000 shares (representing 50.24% of the share capital and 64.79% of the voting power in Cyfrowy Polsat) and (iii) indirectly, through Karswell Limited, 53,887,972 shares (representing 15.47% in the share capital and

10.21% of the voting power in Cyfrowy Polsat). As a result, Mr. Zygmunt Solorz-Żak, through his shareholdings, has and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders, and to effectively control many other major decisions regarding our operations. Mr. Zygmunt Solorz-Żak's, Polaris Finance's and Karswell Limited's interests in these and other circumstances may conflict with your interests as holders of the Notes.

We have a very limited operating history as a single group, and an evaluation of our business based on historical or pro forma financial information may be difficult.

Our Group as it exists today has only operated as a single group since April 20, 2011. Accordingly, this offering memorandum includes unaudited pro forma consolidated income statement and information presenting the results of operations of our Group as if the Acquisition had occurred and been completed on January 1, 2010. This financial information has been prepared for illustrative purposes only and does not purport to present the results of operations of our Group and/or our predecessor businesses as if they had operated as a single group during the periods under review. The methods that were used to prepare consolidated unaudited pro forma financial information for our Group were not the same as those that would have been used to prepare consolidated financial information for these entities as if they had operated as a single group during the periods under review. Due to this limited operating history upon which you may evaluate our business and prospects as a single group, making an evaluation regarding our future operating results may be difficult.

Transfers of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the indenture governing the Notes will contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. Please see "Transfer Restrictions".

An active trading market may not develop for the Notes, in which case your ability to transfer the Notes will be more limited.

The Notes are new securities for which there currently is no market. Although application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange to be traded on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot assure you that the Notes will become or remain listed. We cannot guaranty the liquidity of any market for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations of securities analysts. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. The liquidity of, and trading market for, the Notes may also be hurt by declines in the market for high yield securities generally. Such a general decline may be caused by a number of factors, including, but not limited to, the following:

- interest rates and inflation expectations;

- foreign currency exchange rates;
- the prospect of quantitative easing in the money supply of major reserve currencies;
- general economic and business trends;
- regulatory developments in our operating countries;
- the condition of the media industry in the countries in which we operate; and
- investor and securities analyst perceptions of us and other companies that investors deem comparable in TV broadcasting.

Such a decline may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially be issued only in global certificated form and held through Euroclear as operator of Euroclear and Clearstream.

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, as Principal Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. Please see "Book-Entry, Delivery and Form".

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the Issue Date, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB- or better from S&P and no default or event of default has occurred and is continuing, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have such rating, certain covenants will cease to be applicable to the Notes. Please see

"Description of the Notes—Certain Covenants—Suspension of Covenants when Notes Rated Investment Grade".

If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

THE TRANSACTIONS

Investment Agreement

On November 15, 2010, we entered into an Investment Agreement with Mr. Solorz-Żak, Mr. Ruta and other parties, pursuant to which Cyfrowy Polsat agreed to acquire 100% of the shares of TV Polsat at an aggregate purchase price of PLN 3,750 million.

The most important goal of the Acquisition was to secure access to key content in light of the expected Polish TV market consolidation, the increasing importance of multi-play products and the continued development of alternative methods of TV content distribution. The Acquisition also allows us to capitalize on certain synergies and pursue long-term goals to further strengthen our position in the competitive Polish market through cross-promotion and marketing, while enjoying increased bargaining power through the combined Group.

Pursuant to the Investment Agreement, the purchase price for the shares was paid with PLN 2,600 million in cash drawn by Cyfrowy Polsat under the new Senior Secured Credit Facilities Agreement and the Senior Secured Bridge Facility, and PLN 1,150 million in Cyfrowy Polsat shares. The Acquisition was completed on April 20, 2011. Please see "Major Shareholders and Related Party Transactions—Related Party Transactions—Investment Agreement with Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta".

The following table summarizes the sources and uses of funds in connection with the Acquisition:

Sources	(in millions)	Uses	(in millions)
Senior Secured Term Loan Facility	PLN 1,400	Purchase of TV Polsat Share Capital	PLN 3,750
Senior Secured Revolving Credit Facility(1)	186	Refinancing of existing indebtedness	186
Senior Secured Bridge Facility(2)	1,400		
Equity	1,150	Estimated fees and expenses(3)	200
Total Sources	**PLN 4,136**	**Total Uses**	**PLN 4,136**

(1) As of April 28, 2011, we had drawn approximately PLN 186 million of PLN 200 million available under our Senior Secured Revolving Credit Facility. As of April 28, 2011, the Group had approximately PLN 516 million of cash. We were not able to use cash at TV Polsat and its subsidiaries to repay existing debt pending the implemenatation of cash pooling, of which PLN 0.1 million was restricted cash arrangements for the Group.

(2) The Senior Secured Bridge Facility will be refinanced in full with the proceeds of the Offering together with cash on hand.

(3) Includes fees and expenses relating to the Acquisition, the Senior Secured Credit Facilities, the Senior Secured Bridge Facility and the Offering.

Transformation

On December 21, 2010, the management board of TV Polsat authorized the transformation of the legal form of TV Polsat from a joint stock company to a limited liability company. Upon completion of the transformation, the Subsequent Guarantors, comprising TV Polsat, and its material subsidiaries, will grant security interests and guarantees for the benefit of the lenders under the Senior Secured Term Loan Facility, as required by the Senior Secured Credit Facilities Agreement. Such Guarantees and Collateral will also be granted for the benefit of the Notes at or about the same time as they are established for the benefit of the Senior Secured Term Loan Facility. We have undertaken to the lenders under the Senior Secured Credit Facilities Agreement to complete the Transformation no later than August 18, 2011. Such guarantees and security of the Subsequent Guarantors previously have been granted in respect of the Senior Secured Revolving Credit Facility. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Security" and "Description of the Notes—Additional Guarantees" and "—Security". The transformation is expected to be completed not later than August 18, 2011. Please see "Risk Factors—Risks Related to the Notes and this Offering—Until the Transformation of TV Polsat into a limited liability company has been completed, none of TV Polsat or any of its subsidiaries will guarantee the Notes or provide security over their assets to secure the Notes".

USE OF PROCEEDS

We expect that the net proceeds of the Offering after deducting the Initial Purchasers' commissions and expenses and our estimated offering expenses, will be approximately €340 million. We intend to use the net proceeds of the Offering together with cash on hand, to repay in full indebtedness outstanding under the Senior Secured Bridge Facility, the proceeds of which were used to pay a portion of the consideration for the Acquisition. Please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement" for more information regarding the terms thereof and the "Transactions" for more information regarding the funding of the Acquisition.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and the consolidated capitalization of Cyfrowy Polsat Group and TV Polsat Group as of December 31, 2010 as follows:

- on an actual basis; and
- on a pro forma basis to give effect to: (i) the Acquisition (ii) the entry into the Senior Secured Credit Facilities, (iii) the entry into the Senior Secured Bridge Facility, and (iv) the issuance of the Notes offered hereby and the application of the proceeds thereof as described under "Use of Proceeds".

This table should be read in conjunction with "The Transactions", "Use of Proceeds", "Unaudited Pro Forma Consolidated Financial Information", "Operating and Financial Review and Prospects", "Description of Certain Financing Arrangements", and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2010.

	As of December 31, 2010			
	Cyfrowy Polsat Group Actual	TV Polsat Group Actual	Adjustments	Pro forma
	(in thousands of PLN)			
Cash and cash equivalents	27,615	227,749	37,305	292,669
Senior Secured Revolving Credit Facility[1][2]	—	—	58,026	58,026
Current portion of Senior Secured Term Loan Facility[2]	—	—	119,000	119,000
Other current loans and borrowings and finance lease liabilities	18,532	39,985	(58,026)	491
Total current loans and borrowings and finance lease liabilities	18,532	39,985	119,000	177,517
Non-current portion of Senior Secured Term Loan Facility[2]	—	—	1,281,000	1,281,000
Notes offered hereby[3]	—	—	1,386,105	1,386,105
Non-current finance lease liabilities	1,095	—	—	1,095
Total non-current loans and borrowings (a)	1,095	—	2,667,105	2,668,200
Total equity (b)[4]	427,938	616,706	507,282	1,551,926
Total capitalization (a + b)	429,033	616,706	3,174,387	4,220,126

(1) Assumes a drawing of PLN 58 million under our Senior Secured Revolving Credit Facility, based on our cash needs as of December 31, 2010. We drew PLN 186 million under such facility on April 28, 2011, out of a maximum drawable amount of PLN 200 million, as a result of higher seasonal cash needs at such time of the year and because we were not able to use cash from TV Polsat Group to repay existing debt pending the implementation of cash pooling arrangements for the Group.

(2) The amounts are presented before capitalized transaction costs.

(3) The Notes will be issued in an aggregate principal amount of €350 million, which represents PLN 1,386 million based on the NBP exchange rate, expressed in zloty per euro, of 3.9603 as of December 31, 2010. This amount would have represented PLN 1,378 million based on the exchange rate, expressed in zloty per euro, of PLN 3.9376 as of April 29, 2011.

(4) The pro forma adjustment of PLN 507 million consists of the PLN 1,150 million fixed non-cash consideration for the Acquisition, as provided in the Investment Agreement, offset by the acquisition accounting-related reversal of PLN 617 million corresponding to the book value of TV Polsat Group's net assets (as if the Acquisition had occurred on December 31, 2010), as well as the effect on earnings of other adjustments described in our pro forma balance sheet information included elsewhere in this offering memorandum. The number of shares issued in consideration for the Acquisition was calculated based on the agreed amount of the non-cash consideration divided by the average price of Cyfrowy Polsat's common shares in the 90-day period immediately preceding the Investment Agreement's date (PLN 14.37 per share). Please see "The Transactions" for more detail on the non-cash consideration pursuant to the Investment Agreement.

SELECTED HISTORICAL FINANCIAL INFORMATION OF CYFROWY POLSAT GROUP

The following selected historical consolidated financial information for Cyfrowy Polsat Group should be read in conjunction with "Operating and Financial Review and Prospects—Consolidated Operating and Financial Review and Prospects of Cyfrowy Polsat Group", "Unaudited Pro Forma Consolidated Financial Information", "Capitalization" and the consolidated financial statements of Cyfrowy Polsat Group for the periods presented as well as the other financial information of Cyfrowy Polsat included elsewhere in this offering memorandum. The following table sets forth selected historical consolidated financial information of Cyfrowy Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 which was derived from the audited consolidated financial statements of Cyfrowy Polsat Group for these respective years prepared in accordance with EU IFRS, included elsewhere in this offering memorandum.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Income Statement Information:			
Revenue	1,098,474	1,266,137	1,482,463
Cost of services, products, goods and materials sold	(531,776)	(690,984)	(788,496)
Selling expenses	(169,216)	(205,263)	(232,973)
General and administrative expenses	(74,817)	(82,111)	(100,783)
Other operating income	20,206	12,541	13,970
Other operating costs	(18,577)	(24,270)	(48,427)
Profit from operating activities	**324,294**	**276,050**	**325,754**
Finance income	33,309	14,319	1,288
Finance costs	(23,949)	(6,032)	(5,760)
Income tax	(63,891)	(54,018)	(62,812)
Net profit for the year	**269,763**	**230,319**	**258,470**

	As of December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Balance Sheet Information:			
Cash and cash equivalents(1)	246,422	99,390	27,615
Total assets	757,131	774,846	1,015,195
Total current liabilities	406,446	423,679	518,440
Total non-current liabilities	57,347	28,754	68,817
Total equity	293,338	322,413	427,938
Total liabilities	463,793	452,433	587,257
Total equity and liabilities	757,131	774,846	1,015,195

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Cash Flow Statement Information:			
Net cash from operating activities	316,176	183,442	197,534
Net cash used in investing activities	(55,495)	(61,483)	(77,419)
Net cash used in financing activities	(165,390)	(268,826)	(191,769)
Net increase/(decrease) in cash and cash equivalents	95,291	(146,867)	(71,654)

(1) The amount as of December 31, 2009 includes PLN 26.7 million of restricted cash.

SELECTED HISTORICAL FINANCIAL INFORMATION OF TV POLSAT GROUP

The following selected historical consolidated financial information for TV Polsat Group should be read in conjunction with "Operating and Financial Review and Prospects—Operating and Financial Review and Prospects of TV Polsat Group", "Unaudited Pro Forma Consolidated Financial Information", "Capitalization" and the consolidated financial statements of TV Polsat Group and other financial information of TV Polsat included elsewhere in this offering memorandum. The following table sets forth selected historical consolidated financial information of TV Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 which was derived from the audited consolidated financial statements of TV Polsat Group prepared in accordance with EU IFRS included elsewhere in this offering memorandum.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Income Statement Information:			
Revenue from services, products, merchandise and materials sold	1,125,371	981,454	1,025,560
Cost of services, products, merchandise and materials sold	(706,977)	(683,332)	(669,913)
Selling expenses	(49,067)	(33,848)	(35,241)
General and administrative expenses	(50,712)	(50,094)	(53,346)
Other operating revenue	5,107	2,999	3,288
Other operating expenses	(3,426)	(2,967)	(3,727)
Profit from operating activities	**320,296**	**214,212**	**266,621**
Finance income	58,660	18,324	16,773
Finance costs	(39,675)	(13,002)	(2,847)
Goodwill impairment	—	(9)	—
Share in net income of associates	—	—	888
Profit before income tax	**339,281**	**219,525**	**281,435**
Income tax expense	(68,717)	(39,153)	(61,739)
Profit for the period	**270,564**	**180,372**	**219,696**

	As of December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Statement of Financial Position Information:			
Cash and cash equivalents(1)	250,652	255,928	227,749
Total assets	886,738	856,498	870,915
Total current liabilities	289,639	222,737	250,161
Total non-current liabilities	32,204	46,478	4,048
Total equity	564,895	587,283	616,706

(1) The amounts as of December 31, 2009 and December 31, 2010 include PLN 42 thousand and PLN 131 thousand of restricted cash, respectively.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Consolidated Statement of Cash Flows Information:			
Net cash from operating activities	325,818	182,673	216,666
Net cash from (used in) investing activities	(81,119)	30,050	(12,189)
Net cash used in financing activities	(191,282)	(205,939)	(232,755)
Net increase/(decrease) in cash and cash equivalents	58,273	5,276	(28,179)

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated financial information (the "Pro Forma Financial Information") set forth below has been prepared for the purpose of providing additional information to illustrate how the following transactions might have affected the Group's results of operations and financial position: (i) the Acquisition, (ii) the entry into the Senior Secured Credit Facilities, (iii) the entry into the Senior Secured Bridge Facility and (iv) the issuance of the Notes in the Offering and the application of the proceeds thereof, as described under "The Transactions" and "Use of Proceeds". The Acquisition was completed on April 20, 2011.

The pro forma consolidated income statement information gives effect to the Transactions as if they had occurred on January 1, 2010. The pro forma consolidated balance sheet information gives effect to the Transactions as if they had occurred on December 31, 2010.

The Pro Forma Financial Information has not been compiled in accordance with the requirements of Regulation S-X under the U.S. Exchange Act or U.S. GAAP.

The Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature does not represent what our actual financial position or results of operations would have been had we in fact incurred the relevant new debt, completed the Acquisition and refinanced our existing indebtedness on the dates set forth above, nor does it purport to project our results of operations for any future period or as of any future date. The Pro Forma Financial Information is not comparable to Cyfrowy Polsat Group's historical financial information due to the inclusion of the effects of the Transactions.

Neither the Pro Forma Financial Information nor the underlying adjustments have been audited.

The Pro Forma Financial Information should be read in conjunction with the "The Transactions", "Use of Proceeds" and "Operating and Financial Review and Prospects", as well as the audited consolidated financial statements of Cyfrowy Polsat Group and TV Polsat Group, each included elsewhere in this offering memorandum.

The Pro Forma Financial Information set forth below has been prepared on the basis of the audited consolidated financial statements of Cyfrowy Polsat Group as of and for the year ended December 31, 2010 and the audited consolidated financial statements of TV Polsat Group as of and for the year ended December 31, 2010, each included elsewhere in this offering memorandum. In addition, pro forma adjustments that are (i) directly attributable to the Transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, have been included in the Pro Forma Financial Information. These pro forma adjustments are based upon available information and certain assumptions and preliminary estimates that we believe are reasonable.

The following have been adjusted in the pro forma consolidated income statement information: (i) the hypothetical amount of interest expense, related foreign exchange differences, advisory and other related costs of drawing of the Senior Secured Credit Facilities, the Senior Secured Bridge Facility and the issuance of the Notes for an assumed 12-month period ending December 31, 2010; (ii) the elimination of intergroup transactions that occurred during such period; (iii) advisory costs associated with the Acquisition; and (iv) the income tax effects of the adjustments described above.

The following have been adjusted in the pro forma consolidated balance sheet information: (i) drawings under the Senior Secured Credit Facilities and the Senior Secured Bridge Facility, the issuance of the Notes, and the application of proceeds thereof, as if they had occurred on December 31, 2010; (ii) the elimination of intergroup transaction balances that were outstanding as of December 31, 2010, (iii) the business combination accounting for the Acquisition as if it had occurred on December 31, 2010, and (iv) the income tax effects of the adjustments above.

The Pro Forma Financial Information does not include potential acquisition and integration related synergies.

A more detailed description of the pro forma adjustments is presented in the accompanying notes. These adjustments are based on our estimates and may vary significantly from the actual amounts that would or will be incurred.

Please note that both Cyfrowy Polsat Group and TV Polsat Group were ultimately controlled by the same party as of the Acquisition date, and thus met the definition of entities under common control. The acquisition method of accounting for business combinations among entities under common control was used for the purpose of preparation of this Pro Forma Financial Information to present the effects of the Acquisition. This assumption is in line with the accounting policy election made by the Group to be applied consistently to business combinations of entities under common control. The pro forma adjustments illustrating the acquisition method of accounting for the Acquisition are presented on a provisional basis only. They do not reflect any purchase price allocation adjustments as the fair value measurement of the acquired assets and liabilities has not been completed yet. Accordingly, we have presented the total excess of the Acquisition consideration paid over the book value of the net assets acquired as goodwill. The fair value measurement and the resulting purchase price allocation will be completed and finalized in the financial statements of the Group within 12 months of the Acquisition date, that is by April 19, 2012. We expect that this will result in adjustments to intangible assets and property, plant and equipment, as well as related adjustments to the amortization and depreciation expense, which would have decreased our profit from operating activities for that and future periods.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Cyfrowy Polsat Group Actual*	TV Polsat Group Actual*	Pro Forma Adjustments	Notes	Pro Forma Total
		(in thousands of PLN)			
Revenue	1,482,463	1,025,560	(81,809)	1	2,426,214
Cost of services, products, goods and materials sold	(788,496)	(669,913)	80,979	1	(1,377,430)
Selling expenses	(232,973)	(35,241)	830	1	(267,384)
General and administrative expenses	(100,783)	(53,346)	(4,300)	2	(158,429)
Other operating income	13,970	3,288	—		17,258
Other operating costs	(48,427)	(3,727)	—		(52,154)
Profit from operating activities	**325,754**	**266,621**	**(4,300)**		**588,075**
Finance income	1,288	16,773	51,765	3	69,826
Finance costs	(5,760)	(2,847)	(282,241)	4	(290,848)
Share in net income of associates	—	888	—		888
Income tax	(62,812)	(61,739)	44,607	5	(79,944)
Net profit for the year	**258,470**	**219,696**	**(190,169)**		**287,997**
EBITDA	**406,944**	**314,177**	**(4,300)**		**716,821**

* Historical data derived from the audited consolidated financial statements of Cyfrowy Polsat Group as of and for the year ended December 31, 2010 and of TV Polsat Group as of and for the year ended December 31, 2010, respectively.

Notes:

(1) Reflects eliminations of revenue and expenses from transactions between Cyfrowy Polsat Group and TV Polsat Group, that occurred in the year ended December 31, 2010.

(2) Represents advisory costs directly attributable to the Acquisition. For the purposes of this pro forma income statement information, we assumed these costs to have been incurred and expensed on January 1, 2010.

(3) Represents estimated unrealized foreign exchange translation differences on the assumed amount of euro-denominated borrowings outstanding as of December 31, 2010 (translated at the NBP exchange rate published for December 31, 2010).

(4) Represents additional interest expense for the year ended December 31, 2010 that we believe would have been incurred by Cyfrowy Polsat Group and TV Polsat Group had the Senior Secured Credit Facilities and the Notes been outstanding for such period, calculated using the estimated effective interest rates applicable to each respective new borrowing, (based, in the case of the Senior Secured Credit Facilities, on the applicable contractual provisions). For the purposes of the Pro Forma Financial Information, we assumed that the transaction costs associated with the Senior Secured Bridge Facility would have been expensed in the income statement when incurred as they are financed with the proceeds of this Offering. We also assumed that transaction costs incurred in respect of the Senior Secured Credit Facilities and the issuance of the Notes would have been capitalized as of January 1, 2010 and amortized in the income statement based on the effective interest method during the period covered by the pro forma consolidated income statement.

(5) Represents the income tax effect of the above pro forma adjustments calculated at the currently enacted statutory tax rate in Poland of 19%.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2010

	Cyfrowy Polsat Group Actual*	TV Polsat Group Actual*	Pro Forma Adjustments	Notes	Pro Forma Total
		(in thousands of PLN)			
Total assets	**1,015,195**	**870,915**	**3,158,856**		**5,044,966**
Reception equipment	275,399	—	—		275,399
Other property, plant and equipment	152,857	131,197	—		284,054
Goodwill	52,022	—	3,133,294	1	3,185,316
Intangible assets	23,244	21,347	—		44,591
Non-current programming assets	—	72,065	—		72,065
Investment property	—	3,696	—		3,696
Investments in jointly-controlled entities accounted for using the equity method	—	879	—		879
Other non-current investments	—	89	—		89
Other non-current assets	37,544	2,719	—		40,263
Deferred tax assets	4,158	11,682	—		15,840
Total non-current assets	**545,224**	**243,674**	**3,133,294**		**3,922,192**
Current programming assets	—	226,105	—		226,105
Inventories	173,154	1,364	—		174,518
Trade and other receivables	184,298	157,430	(17,845)	2	323,883
Income tax receivable	7,542	11,338	6,102	3	24,982
Other current investments	—	639	—		639
Other current assets	77,362	2,616	—		79,978
Cash and cash equivalents	27,615	227,618	37,305	4	292,538
Restricted cash	—	131	—		131
Total current assets	**469,971**	**627,241**	**25,562**		**1,122,774**
Total equity and liabilities	**1,015,195**	**870,915**	**3,158,856**		**5,044,966**
Total equity	**427,938**	**616,706**	**507,282**	**5**	**1,551,926**
Loans and borrowings	—	—	2,561,397	4	2,561,397
Finance lease liabilities	1,095	—	—		1,095
Employee benefits	—	435	—		435
Deferred tax liabilities	65,338	541	—		65,879
Trade and other non-current payables	—	1,584	—		1,584
Provisions	—	1,488	—		1,488
Other non-current liabilities and provisions	2,384	—	—		2,384
Total non-current liabilities	**68,817**	**4,048**	**2,561,397**		**2,634,262**
Loans and borrowings	18,041	39,985	108,022	4	166,048
Finance lease liabilities	491	—	—		491
Trade and other current payables	317,953	177,267	(17,845)	2	477,375
Income tax liability	—	4,458	—		4,458
Deposits for equipment	15,523	—	—		15,523
Deferred income	166,432	524	—		166,956
Employee benefits	—	11,391	—		11,391
Provisions	—	16,536	—		16,536
Total current liabilities	**518,440**	**250,161**	**90,177**		**858,778**

* Historical data derived from the audited consolidated financial statements of Cyfrowy Polsat Group as of and for the year ended December 31, 2010 and of TV Polsat Group as of and for the year ended December 31, 2010, respectively.

Notes:

(1) Goodwill is calculated as the difference between the amount of the Acquisition consideration of PLN 3,750 million and the book value of TV Polsat Group's net assets as of December 31, 2010 of PLN 617 million. As described in the introduction to the Pro Forma Financial Information, this calculation does not reflect any purchase price allocation adjustments as the acquisition accounting relating to the Acquisition has not yet been completed. During the subsequent measurement period (i.e. no later than April 19, 2011), if applicable, we will retrospectively adjust the provisional amounts recognized at the Acquisition date to reflect new information obtained about facts and circumstances that existed at the Acquisition date. We may also recognize additional intangible assets and liabilities and adjust the amounts of identifiable net assets to reflect their acquisition date fair values. These potential changes may affect goodwill and post-Acquisition net profit as a result of changes in the depreciation and amortization expense.

(2) Reflects eliminations of receivables and payables between Cyfrowy Polsat Group and TV Polsat Group as of December 31, 2010. These eliminations relate primarily to license fees for broadcasting programs and fees for signal broadcast services.

(3) Represents the income tax effect of the pro forma adjustments described herein, calculated at the currently enacted statutory tax rate in Poland of 19%.

(4) Represents the net increase in the Group's borrowings as a result of the Transactions, which consisted of PLN 1,400 million under the Senior Secured Term Loan Facility, PLN 58 million under the Senior Secured Revolving Credit Facility and the issuance of the zloty equivalent of €350 million principal amount of Notes (PLN 1,386 million), net of related estimated transaction costs. For the purposes of this Pro Forma Financial Information, we assumed that transaction costs associated with the Senior Secured Bridge Facility would be expensed as incurred as they would be refinanced with the proceeds of this Offering. The adjustment also assumes a PLN 37 million increase in the Group's cash as a result of expected proceeds of new borrowings (PLN 2,786 million) pursuant to the Transactions, net of the cash portion of the Acquisition consideration (PLN 2,600 million) and net of estimated transaction costs and the refinancing of the existing Cyfrowy Polsat Group's and TV Polsat Group's credit facilities in the combined amount of PLN 58 million through drawings under the Senior Secured Revolving Credit Facility. All the above described drawings are assumed to take place on December 31, 2010 for the purpose of this pro forma consolidated balance sheet and, as a result, they do not reflect any interest expense accrual presented in the pro forma consolidated income statement.

(5) The pro forma adjustment of PLN 507 million consists of the PLN 1,150 million fixed non-cash consideration for the Acquisition, as provided in the Investment Agreement, offset by the acquisition accounting-related reversal of PLN 617 million corresponding to the book value of TV Polsat Group's net assets (as if the Acquisition had occurred on December 31, 2010), as well as the effect on earnings of other adjustments described herein. The number of shares issued in consideration for the Acquisition (80,027,836 shares) was calculated based on the agreed amount of the non-cash consideration divided by the average price of Cyfrowy Polsat's common shares in the 90-day period immediately preceding the Investment Agreement's date (PLN 14.37 per share). Please see "The Transactions" for more detail on the non-cash consideration pursuant to the Investment Agreement.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

On April 20, 2011, Cyfrowy Polsat S.A. completed the acquisition of TV Polsat. As a result of the Acquisition, the results of operations of Cyfrowy Polsat Group and TV Polsat Group will be consolidated from April 20, 2011 going forward. The business will be divided into two operating segments with the historical Cyfrowy Polsat Group business comprising the Retail Customers business segment and the historical TV Polsat Group business comprising the TV Broadcasting business segment.

The following discussion contains forward-looking statements. Actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly under "Forward-Looking Statements" and "Risk Factors".

Operating and Financial Review and Prospects of Cyfrowy Polsat Group

In this Operating and Financial Review and Prospects of Cyfrowy Polsat Group, all references to "we", "us", "our" and "Group" refer only to Cyfrowy Polsat and its consolidated subsidiaries and such references exclude TV Polsat and its consolidated subsidiaries, in each case as of the relevant review periods. The following discussion is based on the consolidated financial statements of Cyfrowy Polsat Group prepared in accordance with EU IFRS, included elsewhere in this offering memorandum and should be read in conjunction therewith.

Overview

We are the largest pay TV and DTH provider in Poland and the fourth largest DTH platform in Europe by number of subscribers. As of and for the year ended December 31, 2010, we had a domestic market share of approximately 55%, over 3.4 million subscribers and approximately 48% of net subscriber additions in the growing Polish DTH market. Our monthly Family Package ARPU and Mini Package ARPU were PLN 42.1 and PLN 11.1, respectively, in 2010. We offer our subscribers access to approximately 80 Polish-language TV channels, including sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1, TVP2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sports Extra, the first, second and fourth most widely viewed sports channels in Poland in 2010. In addition, we offer our subscribers 19 HD channels and provide nVoD services. As part of our multi-play offer, we provide our DTH subscribers broadband Internet and mobile telephony services.

We currently generate most of our revenue from retail subscription fees, which represented 95.6% and 94.6% of our consolidated revenue for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2010, our consolidated revenue was PLN 1,482.5 million and our EBITDA was PLN 406.9 million. For the year ended December 31, 2009, our consolidated revenue was PLN 1,266.1 million and our EBITDA was PLN 318.0 million.

Key Factors Affecting Our Results of Operations

We believe that the following factors significantly affected our results of operations for the periods under review, and we expect that they will continue to have a significant impact on the results of our operations in the future. The key factors affecting the ordinary course of our business and our results of operations include, in particular, (i) the state of the Polish economy, (ii) the growth in our subscription revenue, (iii) foreign exchange rate movements, (iv) programming, set-top box, multi-play offer and distribution, marketing, customer relations management and retention costs and (v) acquisitions and dispositions.

The Polish economy

Growth in our revenue is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. In 2010, Poland's GDP increased by 3.8% while GDP of the European Union increased by only 1.8%. In 2009, Poland's GDP increased by approximately 1.7% while GDP of the European Union decreased by approximately 4.2%. For 2011 and 2012, Poland's GDP is forecast to increase by 3.9% and 4.2%, respectively. We believe that average consumer spending, including spending on pay TV, Internet access and mobile telephony services generally will vary in line with the overall GDP growth in Poland, and will support our future revenue growth.

Factors affecting growth in subscription revenue

Our revenue from subscription fees is dependant upon the number of our subscribers, pricing of our DTH services, subscriber loyalty and the penetration rate of pay TV in Poland. Our subscriber base has grown from approximately 2.7 million as of December 31, 2008 to approximately 3.2 million as of December 31, 2009 and over 3.4 million as of December 31, 2010. This increase in the number of our subscribers has contributed to an increase in our revenue from PLN 1,098.5 million in 2008 to PLN 1,266.1 million in 2009 and PLN 1,482.5 million in 2010. In 2010, DTH subscription fees represented 94.0% of the total revenue generated in our Retail Customers business segment. As a result, we spend more on marketing and offer our existing and potential customers more attractive contractual terms during this period.

Revenue from subscription fees has also increased due to an increasing number of premium package subscribers. In 2010, our monthly ARPU increased by 3.8%, from PLN 34.6 in 2009 to PLN 35.9 primarily as a result of our Flexible Offer, which has resulted in more new subscribers choosing premium packages, and the migration of existing subscribers toward premium packages.

Our revenue from subscription fees is also dependant on the penetration of pay TV. The estimated pay TV penetration rate in Poland for 2010 was approximately 72%, which is lower than in highly-developed markets such as Belgium, the Netherlands, Norway and Denmark, where according to Informa, the penetration rate is above 90%. We believe we are well-positioned to continue to capitalize on the growing demand for pay TV in Poland.

Impact of foreign exchange rate movements

Our functional and reporting currency is the zloty. While our revenue is expressed in zloty, approximately 38% of our operating expenses are denominated in currencies other than the zloty, primarily the U.S. dollar and the euro. In 2009, the zloty depreciated by approximately 23.1% against the euro and approximately 29.3% against the U.S. dollar. The depreciation of the zloty resulted in an increase of approximately PLN 70 million in our programming costs and signal transmission costs, which represented 33.8% of the total increase in our operating costs. In 2010, the zloty strengthened against the U.S. dollar by 3.2% and against the euro by 7.7%, which had a positive effect on our programming costs and signal transmission costs of approximately PLN 18 million. Our programming costs and signal transmission costs and, to the extent that we have indebtedness, trade liabilities or other liabilities denominated in currencies other than the zloty in the future, our finance income and finance costs will continue to be impacted by these foreign exchange rate movements. In order to minimize the influence of foreign exchange rate fluctuations on our financial results, on August 10, 2010 we purchased call options for EUR 12.0 million and USD 18.0 million. These options provide for monthly purchases of EUR 1.0 million and USD 1.5 million until August 1, 2011, and are exercisable at rates of 4.0310 EUR/PLN and 3.0790 USD/PLN, respectively. On November 4, 2010 we purchased call options for USD 18.0 million. These options provide for monthly purchases of USD 1.5 million until November 1, 2011, and are exercisable at a rate of 2.8000 USD/PLN. All instruments described above were acquired in order to limit the impact of foreign exchange rate fluctuations on our net profit. We did not apply hedge accounting with regard to these options.

Costs

Programming costs

Our programming costs consist primarily of license fees paid to broadcasters and distributors of TV channels and TV content. The majority of the license agreements for access to our channels provide that license fees are calculated as the product of the agreed rate per subscriber and the number of subscribers who paid for the package containing the relevant channel. Increases in programming costs are therefore linked to increases in the number of our subscribers. Our programming contracts are denominated mainly in U.S. dollars and euros and, as a result, our programming costs vary in accordance with fluctuations of the zloty against the U.S. dollar and the euro. Our programming costs increased from approximately PLN 226.2 million in 2008 to approximately PLN 392.0 million in 2010 primarily as a result of the 41.5% growth in our average number of subscribers in this period, the higher penetration of premium packages among our subscribers and a weakening of the zloty against the U.S. dollar and the euro. Programming costs also increased as a percentage of our revenue from operating activities from 20.6% in 2008 to 26.4% in 2010.

Set-top box costs

Of the three major DTH operators in Poland, we are the only DTH operator to manufacture our own set-top boxes. In November 2007, we began manufacturing SD set-top boxes and in April 2010 we began manufacturing HD set-top boxes. This has allowed us to offer our subscribers attractive purchase prices for set-top boxes and positively influenced our amortization charge for set-top boxes leased to our clients. In addition, we currently sell or lease set-top boxes and modems to our subscribers at prices below cost. We subsidize this equipment in order to make our programming packages more affordable for prospective customers and to maintain our existing subscriber base. Costs of equipment sold are denominated mainly in U.S. dollars and, as a result, this cost category is subject to fluctuation of the zloty against the U.S. dollar. The ratio of leased compared to sold set-top boxes has been increasing since late 2009. We expect this trend to continue in the future because we believe that our subscribers increasingly prefer to avoid the burdens of set-top box ownership such as repair and maintenance costs and to spread set-top box costs over the term of their contracts with us.

Multi-play

We began offering multi-play services in June 2010. We believe that the cost of providing multi-play services is generally lower than the cost of providing the same services on a stand-alone basis because we incur the expenses to reach multi-play subscribers only once. Offering bundled services allows media and telecommunications service providers to meet subscribers' needs and, we believe, increase customer loyalty, favorably impacting churn rates.

Customer relations management and retention costs

We began our customer loyalty programs in mid-2009. Although these programs resulted in an increase in customer management and retention management costs, we believe that this proactive approach to subscriber retention is more cost effective in the long run and favorably impacts the churn rate.

Acquisitions and dispositions

In June 2010, we finalized the acquisition of the mPunkt distribution network, which specializes in mobile telephony. As of December 31, 2010, the mPunkt distribution network was comprised of 140 outlets and a training center. We believe that this expansion of our sales network will allow us to continue to effectively sell our DTH and multi-play services. The consolidation of the M.Punkt Group contributed PLN 12.9 million to our total revenue and PLN 25.1 million to our total operating costs in 2010.

In 2010, as a result of our sale of 32 mPunkt's outlets, we recognized a PLN 7.9 million non-recurring gain.

Key Performance Indicators

We consider the number of subscribers, churn rate, ARPU and SAC when analyzing and evaluating our business. The table below sets forth these key performance indicators for the relevant periods and is followed by a detailed explanation of each key performance indicator.

	Year Ended December 31,			Change	
	2008	2009	2010	2008-2009	2009-2010
				(%)	
Number of DTH subscribers at end of period	**2,726,993**	**3,202,319**	**3,436,231**	**17.4**	**7.3**
Family Package	2,286,191	2,609,567	2,720,154	14.1	4.2
Mini Package	440,802	592,752	716,077	34.5	20.8
Average number of DTH subscribers[(1)]	**2,307,413**	**2,869,676**	**3,263,905**	**24.4**	**13.7**
Family Package	1,998,180	2,340,351	2,606,082	17.1	11.4
Mini Package	309,233	529,325	657,823	71.2	24.3
Churn rate	**6.0%**	**8.2%**	**10.3%**		
Family Package	6.9%	9.4%	11.8%		
Mini Package	0.1%	2.9%	4.6%		
Average revenue per user (ARPU) (PLN)	**35.3**	**34.6**	**35.9**	**(2.0)**	**3.8**
Family Package (PLN)	39.4	40.3	42.1	2.3	4.5
Mini Package (PLN)	8.6	9.2	11.1	7.0	20.7
Subscriber acquisition cost (SAC) (PLN)	**116.4**	**132.0**	**128.1**	**13.4**	**(3.0)**

(1) Calculated as the sum of the average number of subscribers in each month of the year divided by 12. Average number of subscribers per month is calculated as the average of the number of subscribers on the first and the last business day of the month.

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to DTH services and who is obligated, under the terms of the agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages after making required payments but without having signed such an agreement. Our number of subscribers increased by 7.3%, from approximately 3.2 million subscribers as of December 31, 2009 to over 3.4 million subscribers as of December 31, 2010. Our number of subscribers increased 17.4%, from approximately 2.7 million subscribers as of December 31, 2008 to approximately 3.2 million subscribers as of December 31, 2009. We attribute these increases in our subscriber base to a growing demand for DTH services in the Polish pay TV market and the value-for-money of our products. Family Package subscribers constituted 81.5% and 79.2% of our entire subscriber base as of December 31, 2009 and 2010, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period. Our churn rate has increased from 6.0% to 8.2% and to 10.3% for 2008, 2009 and 2010, respectively, with the churn rates of both the Family Package and the Mini Package increasing over this period. The increase in our churn rate in 2009 resulted primarily from an increase in the number of subscribers who had passed the initial period of their subscription agreement and from increased competition in the Polish pay TV market. Our churn rate increased by two percentage points in the first half of 2010 primarily as a result of a change in the terms of our subscriber agreements which, by law, required us to allow all subscribers a one-time option to terminate their contracts without penalty in 2010 and as well as increasing competition in the Polish pay TV market in the fourth quarter of 2009. In the second half of 2010, our churn rate stabilized at 10.3%.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period. Monthly ARPU increased by 3.8%, from PLN 34.6 in 2009 to PLN 35.9 in 2010 primarily as a result of a significant number of subscribers leaving the initial free of charge period of our Flexible Offer to become paying subscribers to the Family Package or the Mini Package and an increase in the proportion of premium packages in our package mix. Other factors that contributed to the increase in monthly ARPU were:

- additional payments from DTH subscribers using our promotional second set-top box for PLN 9.90;
- an increase in subscription fees for subscribers who did not choose to keep their subscription agreement after a change in the terms and condition, and instead chose to pay a higher fee and have an agreement for an undefined period, allowing them to resign with a three-month notice; and
- the introduction of VoD Home Video Rental, our nVoD service.

Subscriber Acquisition Cost

We define subscriber acquisition cost ("SAC") as commission payable to distributors per customer acquired. Our average SAC decreased by 3.0% from PLN 132.0 in 2009 to PLN 128.1 in 2010 primarily due to the introduction of Flexible Offers, in which we pay lower commissions to distributors at the outset of the initial free of charge promotional period and only pay additional commissions once subscribers become paying subscribers to one of our premium packages after the promotional period.

Results of Operations

Key income statement items

Revenue

Revenue is derived from (i) retail subscription fees, (ii) sale of equipment and (iii) other revenue sources.

Retail subscription revenue

Retail subscription revenue consists primarily of (i) monthly subscription fees paid by our DTH subscribers for programming packages, (ii) fees for the leasing of set-top boxes, (iii) activation fees,

(iv) monthly subscription fees and other revenue from users of our mobile telephony and Internet services and (v) fees for extra services such as nVoD. The total amount of DTH subscription fees depends on the number of subscribers and the amount of monthly subscription fees paid for our packages. Activation fees are collected up-front and amortized over the life of the contract.

Sale of equipment

Sale of equipment consists of revenue from the sale of set-top boxes, Internet modems, routers and mobile handsets to our subscribers when they enter into DTH, broadband Internet and mobile telephony services agreements and from the sale of such equipment to subscribers under lease agreements. The sale price of set-top boxes, Internet modems and handsets depends on the model, the tariff plan purchased by the subscriber and the duration of the agreement.

Other revenue sources

Other revenue sources consist of revenue from (i) the lease of premises and facilities related to our agreements for call center services, (ii) transmission services, (iii) marketing and advertising services and (iv) other services.

Total operating costs

Operating costs consist of (i) depreciation and amortization, (ii) programming costs, (iii) signal transmission services costs, (iv) distribution, marketing, customer relation management and retention costs, (v) salaries and employee-related expenses, (vi) costs of equipment sold and (vii) other costs.

Depreciation and amortization

Depreciation and amortization costs primarily consist of depreciation and amortization of set-top boxes leased to our subscribers, plant and equipment and intangible assets as well as telecommunications equipment related to our mobile telephony services.

Programming costs

Programming costs consist of (i) monthly license fees due to television broadcasters and distributors and (ii) royalties payable to collective copyright management organizations and the Polish Film Institute.

Broadcasting and signal transmission services costs

Signal transmission services costs consist of (i) payments for the lease of satellite transponder capacity, (ii) payments for the use of the Nagravision conditional access system based on the number of access cards and (iii) other signal transmission costs.

Distribution, marketing, customer relation management and retention costs

These costs consist of (i) commissions due to distributors consisting of amounts due both to distributors and retail points of sale when they complete sale or retention agreements with our subscribers for DTH, broadband Internet and mobile telephony services and (ii) costs of courier services, distribution of set-top boxes and modems and costs associated with services of our regional agents. Marketing expenses consist of expenses for TV and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. Customer relation management and retention costs consist of mailing costs, call center costs, bad debt recovery fees and other customer relation management costs.

Salaries and employee-related expenses

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries of factory employees, which are included in the costs of manufacturing set-top boxes) or project-specific contracts, managerial contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Cost of equipment sold

Cost of equipment sold consists of digital satellite reception equipment, handsets and modems we sell to our customers.

Other costs

Key items of other costs include (i) infrastructure rental and network maintenance, (ii) the cost of SMART and SIM cards provided to customers, (iii) IT services, (iv) property maintenance costs, (v) guarantee services costs, (vi) legal, advisory and consulting costs, (vii) charges from mobile network operators and (viii) taxes and other charges.

Other operating income

Other operating income consists of (i) liquidated damages from customers and distributors for failing to return equipment or returning damaged equipment and (ii) other operating revenue, not derived in the ordinary course of business, such as payments we received from Nagravision, our conditional access supplier, for a contribution to the logistic costs incurred in connection with the provision of new cards to subscribers and gain from the sale of M.Punkt points of sale.

Other operating costs

Other operating costs consist of (i) bad debt provisions and the cost of receivables written off, (ii) fixed assets and stock provision impairment and (iii) other costs not related to ordinary operations and the ordinary course of business.

Finance income

Finance income for the periods under review consists primarily of interest on money deposited in bank accounts as well as realized and unrealized gains on financial instruments and gains on the sale of shares and other financial assets.

Finance costs

For the periods under review, finance costs primarily comprised interest payable on our loans and borrowings and net foreign exchange losses. Other items of finance costs include realized and unrealized losses on financial instruments.

EBITDA and EBITDA margin

For the definition of EBITDA and EBITDA margin and the reconciliation of EBITDA to net profit/(loss), please see "Summary—Summary Historical and Pro Forma Financial Information—Cyfrowy Polsat Group Historical".

Year ended December 31, 2010 compared to year ended December 31, 2009

The following table presents selected consolidated income statement data for the years ended December 31, 2009 and 2010.

	Year Ended December 31,		
	2009	2010	Change
	(in thousands of PLN)		*(%)*
Retail subscription	1,198,192	1,416,920	18.3
Sale of equipment	46,584	35,707	(23.3)
Other revenue	21,361	29,836	39.7
Total revenue	**1,266,137**	**1,482,463**	**17.1**
Total operating costs	**(978,358)**	**(1,122,252)**	**14.7**
Other operating income	12,541	13,970	11.4
Other operating costs	(24,270)	(48,427)	99.5
Profit from operating activities	**276,050**	**325,754**	**18.0**
Finance income	14,319	1,288	(91.0)
Finance costs	(6,032)	(5,760)	(4.5)
Income tax	(54,018)	(62,812)	16.3
Net profit for the year	**230,319**	**258,470**	**12.2**
EBITDA	**317,998**	**406,944**	**28.0**
EBITDA margin	**25.1%**	**27.5%**	

Total revenue

Our total revenue increased by PLN 216.3 million, or 17.1%, from PLN 1,266.1 million for the year ended December 31, 2009 to PLN 1,482.5 million for the year ended December 31, 2010. Revenue grew for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 218.7 million, or 18.3%, to PLN 1,416.9 million for the year ended December 31, 2010 from PLN 1,198.2 million for the year ended December 31, 2009. This increase primarily resulted from DTH subscription fee revenue attributable to a higher average number of subscribers in 2010 compared to 2009 and a larger percentage of subscribers subscribing to higher-priced packages and nVoD services.

Sale of equipment

Revenue from the sale of equipment decreased by PLN 10.9 million, or 23.3%, to PLN 35.7 million for the year ended December 31, 2010 from PLN 46.6 million for the year ended December 31, 2009. This decrease resulted from the fact that in 2010 the majority of our new subscribers chose to lease set-top-boxes, whereas in previous periods the majority of new subscribers chose to purchase set-top boxes.

Other revenue

Other revenue increased by PLN 8.5 million, or 39.7%, to PLN 29.8 million for the year ended December 31, 2010 from PLN 21.4 million for the year ended December 31, 2009. This increase resulted primarily from an increase in revenue from marketing and advertising services.

Total operating costs

	Year Ended December 31,		
	2009	2010	Change
	(in thousands of PLN)		*(%)*
Programming costs	354,395	392,035	10.6
Distribution, marketing, customer relation management and retention costs	262,347	297,319	13.3
Salaries and employee-related costs	72,787	88,348	21.4
Depreciation and amortization	41,948	81,190	93.5
Broadcasting and signal transmission costs	82,570	79,855	(3.3)
Cost of equipment sold	89,736	59,546	(33.6)
Other costs	74,575	123,959	66.2
Total operating costs	**978,358**	**1,122,252**	**14.7**

Total operating costs increased by PLN 143.9 million, or 14.7%, to PLN 1,122.3 million for the year ended December 31, 2010 from PLN 978.4 million for the year ended December 31, 2009.

Programming costs

Programming costs increased by PLN 37.6 million, or 10.6%, to PLN 392.0 million for the year ended December 31, 2010 from PLN 354.4 million for the year ended December 31, 2009. This increase is primarily attributable to the 13.7% increase in the average number of our DTH subscribers and the growing number of subscribers using our nVoD services. Additionally, the increase results from PLN 11.8 million in costs attributable to the weakening of the zloty against the euro and the U.S. dollar, and an increase in royalty payments to collective copyright management organizations and the Polish Film Institute.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 35.0 million, or 13.3%, to PLN 297.3 million for the year ended December 31, 2010 from PLN 262.3 million for the year ended December 31, 2009. This increase resulted primarily from (i) an increase in our subscriber base and our introduction of customer retention programs, (ii) an increase in marketing costs resulting mainly from our advertising campaign for the multi-play offer and broadband Internet service and (iii) start-up costs of our new TV guide "TV2Tygodnik". The increases were partially offset by a decrease in distribution and logistics costs mainly due to lower commissions paid to distributors.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 15.6 million, or 21.4%, to PLN 88.3 million for the year ended December 31, 2010 from PLN 72.8 million for the year ended December 31, 2009, mainly due to a higher number of employees resulting from the growth of our business and our acquisition of M.Punkt Holdings Ltd.

Depreciation and amortization

Depreciation and amortization increased by PLN 39.2 million, or 93.5%, to PLN 81.2 million for the year ended December 31, 2010 from PLN 41.9 million for the year ended December 31, 2009. The increase in depreciation and amortization was caused by an increase in depreciation of set-top boxes leased to our subscribers (which we account for as fixed assets) resulting from the higher number of leased set-top boxes and an increase in depreciation of other newly acquired equipment.

Broadcasting and signal transmission costs

Signal transmission costs decreased by PLN 2.7 million, or 3.3%, to PLN 79.9 million for the year ended December 31, 2010 from PLN 82.6 million for the year ended December 31, 2009, mainly due to a decrease in the fees we pay per subscriber. This decrease was partially offset by higher transponder lease costs.

Cost of equipment sold

Cost of equipment sold decreased by PLN 30.2 million, or 33.6%, to PLN 59.5 million for the year ended December 31, 2010 from PLN 89.7 million for the year ended December 31, 2009, primarily due to lower set-top box sales in 2010, as a growing number of new customers chose to lease, rather than purchase, set-top boxes from us. This decrease was partially offset by the recognition of costs of sale of set-top box hard disk drives, modems, Internet sets, routers and external Internet antennas.

Other costs

Other costs increased by PLN 49.4 million, or 66.2%, to PLN 124.0 million for the year ended December 31, 2010 from PLN 74.6 million for the year ended December 31, 2009, mainly as a result of an increase in the costs of infrastructure rental and network maintenance related to the launch of our broadband Internet service in 2010.

Other operating income

Other operating revenue increased by PLN 1.4 million, or 11.4%, to PLN 14.0 million for the year ended December 31, 2010 from PLN 12.5 million for the year ended December 31, 2009. This increase resulted primarily from a gain recognized by the M.Punkt Group from the sale of retail outlets. The increase was largely offset by a decrease in contributions received in 2010 from our conditional access system supplier in connection with the replacement of set-top box cards for our set-top boxes.

Other operating costs

Other operating costs increased by PLN 24.2 million, or 99.5%, to PLN 48.4 million for the year ended December 31, 2010 from PLN 24.3 million for the year ended December 31, 2009 mainly due to higher bad debt cost, resulting from the growth of our subscriber base and the deployment of telecommunications services in 2010. Additionally, the increase in other operating costs resulted from higher accounts receivable, property plant and equipment and impairment losses.

Finance income

Finance income decreased by PLN 13.0 million, or 91.0%, to PLN 1.3 million for the year ended December 31, 2010 from PLN 14.3 million for the year ended December 31, 2009 mainly due to lower interest on deposits and bank accounts and to the fact that in 2009 we recognized PLN 7.5 million of gains on foreign exchange forward contracts.

Finance costs

Finance costs decreased by PLN 0.3 million, or 4.5%, to PLN 5.8 million for the year ended December 31, 2010 from PLN 6.0 million for the year ended December 31, 2009.

Income tax

Income tax expense increased by PLN 8.8 million to PLN 62.8 million for the year ended December 31, 2010 from PLN 54.0 million for the year ended December 31, 2009. This increase resulted mainly from higher profits generated in the year ended December 31, 2010.

Net profit for the year

Net profit for the year increased by PLN 28.2 million, or 12.2%, to a net profit of PLN 258.5 million for the year ended December 31, 2010 from a net profit of PLN 230.3 million for the year ended December 31, 2009.

EBITDA and EBITDA margin

EBITDA increased by PLN 88.9 million, or 28.0%, to PLN 406.9 million for the year ended December 31, 2010 from PLN 318.0 million for the year ended December 31, 2009. EBITDA margin increased to 27.5% for 2010 from 25.1% for 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

The following table presents selected consolidated income statement data for the years ended December 31, 2008 and 2009.

	Year Ended December 31,		
	2008	**2009**	**Change**
	(in thousands of PLN)		*(%)*
Retail subscription	985,502	1,198,192	21.6
Sale of equipment	100,180	46,584	(53.5)
Other revenue	12,792	21,361	67.0
Total revenue	**1,098,474**	**1,266,137**	**15.3**
Total operating costs	**(775,809)**	**(978,358)**	**26.1**
Other operating income	20,206	12,541	(37.9)
Other operating costs	(18,577)	(24,270)	30.6
Profit from operating activities	**324,294**	**276,050**	**(14.9)**
Finance income	33,309	14,319	(57.0)
Finance costs	(23,949)	(6,032)	(74.8)
Income tax	(63,891)	(54,018)	(15.5)
Net profit for the year	**269,763**	**230,319**	**(14.6)**
EBITDA	**347,841**	**317,998**	**(8.6)**
EBITDA margin	**31.7%**	**25.1%**	

Total revenue

Our total revenue increased by PLN 167.7 million, or 15.3%, to PLN 1,266.1 million for the year ended December 31, 2009 from PLN 1,098.5 million for the year ended December 31, 2008. Revenue grew for the reasons set forth below.

Retail subscription revenue

Revenue from retail subscription fees increased by PLN 212.7 million, or 21.6%, to PLN 1,198.2 million for the year ended December 31, 2009 from PLN 985.5 million for the year ended December 31, 2008. The increase in retail subscription revenue primarily resulted from an increase in DTH subscription fees, attributable to a higher average number of subscribers in 2009 compared to 2008.

Sale of equipment

Sale of equipment decreased by PLN 53.6 million, or 53.5%, to PLN 46.6 million for the year ended December 31, 2009 from PLN 100.2 million for the year ended December 31, 2008. This decrease was due to an increase in the proportion of leased set-top boxes compared to set-top boxes sold within new contracts for DTH services as compared to 2008.

Other revenue

Other revenue increased by PLN 8.6 million, or 67.0%, to PLN 21.4 million for the year ended December 31, 2009 from PLN 12.8 million for the year ended December 31, 2008. This increase resulted primarily from revenue generated from the lease of office space to third parties.

Total operating costs

	Year Ended December 31,		
	2008	2009	Change
	(in thousands of PLN)		*(%)*
Programming costs	226,231	354,395	56.7
Distribution, marketing, customer relation management and retention costs	205,935	262,347	27.4
Cost of equipment sold	137,547	89,736	(34.8)
Broadcasting and signal transmission costs	59,006	82,570	39.9
Salaries and employee-related expenses	61,769	72,787	17.8
Depreciation and amortization	23,547	41,948	78.1
Other costs	61,774	74,575	20.7
Total operating costs	**775,809**	**978,358**	**26.1**

Total operating costs increased by PLN 202.5 million, or 26.1%, to PLN 978.4 million for the year ended December 31, 2009 from PLN 775.8 million for the year ended December 31, 2008.

Programming costs

Programming costs increased by PLN 128.2 million, or 56.7%, to PLN 354.4 million for the year ended December 31, 2009 from PLN 226.2 million for the year ended December 31, 2008. This increase was attributable to (i) approximately PLN 55.8 million of costs related to the weakening of the zloty against the euro and the U.S. dollar, (ii) an increase in our average number of subscribers and an increase in the number of subscribers of our premium packages such as HBO, Cinemax and HD channels, (iii) new channels that we added to enrich our programming offer (such as Polsat News, Polsat Sport HD, Polsat Futbol, TVP Sport, Polsat Film, Polsat Jim-Jam and Nickelodeon) and (iv) an increase in royalty payments to collective copyright management organizations and the Polish Film Institute.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by 56.4 million, or 27.4%, to PLN 262.3 million for the year ended December 31, 2009 from PLN 205.9 million for the year ended December 31, 2008. The increase mainly resulted from (i) an increase in our subscriber base and the introduction of retention programs, (ii) an increase in distributors' commissions resulting from an increase in the number of acquired subscribers and (iii) an increase in marketing costs resulting from an increase in expenditures on local marketing activities conducted by our sales network.

Cost of equipment sold

Cost of equipment sold decreased by PLN 47.8 million, or 34.8%, to PLN 89.7 million for the year ended December 31, 2009 from PLN 137.5 million for the year ended December 31, 2008. This decrease was primarily caused by a lower number of set-top boxes sold, resulting mainly from the increased proportion of leased set-top boxes, which were amortized.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 23.6 million, or 39.9%, to PLN 82.6 million for the year ended December 31, 2009 from PLN 59.0 million for the year ended December 31, 2008, mainly due to (i) weakening of the zloty against the euro and the U.S. dollar, (ii) an increase in the number of subscribers, on which the payment for the conditional access system is dependant and (iii) incurred costs in connection with our lease of an additional transponder beginning in May 2009 in order to offer nVoD services to our subscribers.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 11.0 million, or 17.8%, to PLN 72.8 million for the year ended December 31, 2009 from PLN 61.8 million for the year ended December 31, 2008. The increase was mainly due to an increase in the number of employees in the period, resulting from our organic growth, launch of mobile telephony services and launch of broadband Internet services.

Depreciation and amortization

Depreciation and amortization increased by PLN 18.4 million, or 78.1%, to PLN 41.9 million for the year ended December 31, 2009 from PLN 23.5 million for the year ended December 31, 2008. The increase was partially due to an increase in depreciation of set-top boxes leased to our subscribers and partially due to an increase in depreciation of fixed assets associated with the mobile telephony service which we began offering in September 2008.

Other costs

Other costs increased by PLN 12.8 million, or 20.7%, to PLN 74.6 million for the year ended December 31, 2009 from PLN 61.8 million for the year ended December 31, 2008. The increase was mainly a result of an increase in costs of SMART cards provided together with set-top boxes and phones and an increase in fees we paid to mobile network operators. The increase in mobile network operator fees was due to the fact that in 2009 we offered mobile telephony services for 12 months compared to only four months in 2008.

Other operating income

Other operating income decreased by PLN 7.7 million, or 37.9%, to PLN 12.5 million for the year ended December 31, 2009 from PLN 20.2 million for the year ended December 31, 2008. This decrease resulted primarily from reimbursements received from a supplier in 2009 corresponding to costs incurred in 2008 to replace set-top box cards.

Other operating costs

Other operating costs increased by PLN 5.7 million, or 30.6%, to PLN 24.3 million for the year ended December 31, 2009 from PLN 18.6 million for the year ended December 31, 2008. The increase was primarily due to a PLN 4.5 million increase in bad debt written off and provided for.

Finance income

Finance income decreased by PLN 19.0 million, or 57.0%, to PLN 14.3 million for the year ended December 31, 2009 from PLN 33.3 million for the year ended December 31, 2008. The change resulted mainly from higher gains on foreign exchange forward contracts in 2009 and interest gains resulting from a high cash balance.

Finance costs

Finance costs decreased by PLN 17.9 million, or 74.8%, to PLN 6.0 million for the year ended December 31, 2009 from PLN 23.9 million for the year ended December 31, 2008. The decrease resulted mainly from lower interest costs in 2009.

Income tax

Income tax expense decreased by PLN 9.9 million to PLN 54.0 million for the year ended December 31, 2009 from PLN 63.9 million for the year ended December 31, 2008. This decrease was attributable mainly to lower profit generated in the year ended December 31, 2009.

Net profit for the year

Net profit for the year decreased by PLN 39.4 million, or 14.6%, to a net profit of PLN 230.3 million for the year ended December 31, 2009 from a net profit of PLN 269.8 million for the year ended December 31, 2008.

EBITDA and EBITDA margin

EBITDA decreased by PLN 29.8 million, or 8.6%, to PLN 318.0 million for the year ended December 31, 2009 from PLN 347.8 million for the year ended December 31, 2008. EBITDA margin decreased to 25.1% in 2009 from 31.7% in 2008.

Liquidity and Capital Resources

Liquidity

Overview

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in zloty. Historically, we have relied primarily upon cash flows from operations and bank borrowings to provide the funds required for acquisitions and operations. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in zloty, we maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for broadcaster and TV content distributor license fees, signal transmission costs, the costs of using the conditional access system, the purchase of set-top boxes and the purchase of components for in-house manufactured set-top boxes.

External sources of funding, financing and indebtedness—borrowings

As of December 31, 2010, we had PLN 166.0 million available for borrowing, of which PLN 18.0 million was drawn. This amount was refinanced in 2011.

Capital resources

Cash flows

The following table presents selected consolidated cash flow data for the years ended December 31, 2010, 2009 and 2008.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Net cash from operating activities	316,176	183,442	197,534
Net cash used in investing activities	(55,495)	(61,483)	(77,419)
Net cash used in financing activities	(165,390)	(268,826)	(191,769)
Net increase/(decrease) in cash and cash equivalents	95,291	(146,867)	(71,654)

Net cash from operating activities

Net cash from operating activities was PLN 197.5 million in 2010 resulting mainly from the net profit of PLN 258.5 million partially offset by various elements of which the main one is a net increase in set-top boxes provided under operating lease. Net cash from operating activities in 2009 was PLN 183.4 million and similarly to 2010 it resulted from the net profit amounting to PLN 230.3 million partially offset by a net increase in set-top boxes provided under operating lease. Net cash from operating activities in 2008 was PLN 316.2 million and resulted mainly from the net profit for the year of PLN 269.8 million and the positive impact of change in trade and other liabilities and inventories.

Net cash used in investing activities

Net cash used in investing activities was PLN 77.4 million in 2010 and consisted primarily of the acquisition of M.Punkt Holdings Ltd. (net of cash acquired), the acquisition of property, plant and equipment and the acquisition of intangible assets. Net cash used in investing activities was PLN 61.5 million in 2009 and consisted primarily of the acquisition of property, plant and equipment and the acquisition of M.Punkt Holdings Ltd. Net cash used in investing activities was PLN 55.5 million in 2008 and consisted primarily of the acquisition of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities was PLN 191.8 million in 2010 and consisted primarily of dividends paid and the repayment of loans and borrowings which were partially offset by net cash from bank overdrafts. Net cash used in financing activities was PLN 268.8 million in 2009 and consisted primarily of dividends paid and the repayment of loans and borrowings. Net cash used in financing activities was PLN 165.4 million in 2008 and consisted primarily of the repayment of loans and borrowings and dividends paid.

Capital Expenditures

We incurred capital expenditures of PLN 55.6 million, PLN 37.1 million and PLN 45.6 million for the years ended December 31, 2008, 2009 and 2010, respectively. Capital expenditures amounted to PLN 45.6 million in 2010 compared to PLN 37.1 million in 2009 mainly due to additional expenditures on fixed assets and intangible assets relating to the investment in a call center, a new central logistic and warehousing system and improvements in other systems, as well as purchases of new vehicles, machines, computers and other equipment. Capital expenditures amounted to PLN 37.1 million in 2009 compared to PLN 55.6 million in 2008 mainly due to expenditure on fixed assets and intangible assets for the provision of DTH services and modernization of our real estate. All our property, plant and equipment is located in Poland, therefore all our capital expenditures are concentrated in Poland.

We expect our capital expenditures in 2011 and 2012 to be at levels comparable to 2009 and 2010 and to consist primarily of maintenance capital expenditures.

Contractual Obligations

Our aggregate contractual obligations as of December 31, 2010 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
		(in thousands of PLN)		
Contractual obligations				
Loans and borrowings	**18,041**	18,041	—	—
Finance lease liabilities	**1,586**	491	1,095	—
Operating lease commitments	**617,360**	93,637	365,433	158,290
Total contractual liabilities	**636,987**	**112,169**	**366,528**	**158,290**

As of December 31, 2010, most of our contractual liabilities were long-term liabilities due in more than one year. This table does not reflect the financing incurred in relation to the Transactions or the Notes offered hereby.

We have entered into a significant number of agreements that are classified as operating lease contracts based on their economic substance. These contracts comprise rental of transponder capacity, rental of office space and rental of equipment. In addition we are party to general agreements for commercial space which is subleased to franchisees.

For a discussion of the combined contractual obligations of Cyfrowy Polsat following the completion of the Transactions, please see "—Post-Acquisition Contractual Obligations".

Off-Balance Sheet Arrangements

In addition to the operating lease liabilities described above under "—Contractual Obligations", we have described below our off-balance sheet arrangements as of December 31, 2010.

Contractual liabilities related to purchase of non-current assets

We have entered into agreements for the manufacturing and purchase of technical equipment. The unbilled amount of goods and services purchased under these agreements totaled approximately PLN 12.6 million as of December 31, 2010. We have also entered into several agreements for the refurbishment of property. The unbilled amount of goods and services purchased under these refurbishment agreements totaled approximately PLN 75,000 as of December 31, 2010. In addition, we have entered into agreements for the purchase of licenses and software, and as of December 31, 2010, the unbilled value of software and services purchased under these agreements amounted to approximately PLN 344,000.

Contingent liabilities relating to promissory notes

As of December 31, 2010, we had total contingent liabilities relating to promissory notes in the amount of approximately PLN 38.0 million (excluding blank promissory notes). The value of the promissory notes issued for the benefit of Polkomtel S.A., in the form of performance bonds, was approximately PLN 38.0 million as of December 31, 2010. Furthermore, we have issued ten blank promissory notes in the form of good performance bonds for the benefit of mobile network operators, as collateral for rental, credit and lease agreements.

Qualitative and Quantitative Information on Market Risks

The nature of our business exposes our operations, financial results and cash flows to a number of risks, including those discussed below. Any of these risks could adversely affect our business, financial condition and results of operations.

Currency risk

One of the main risks to which we are exposed is currency risk related to fluctuations in the exchange rate between the zloty and other currencies. The revenue generated by us is denominated mainly in zloty, however, a significant portion of our operating costs and capital expenditures are incurred in foreign currencies. Our currency risk is related to royalties for TV and radio broadcasters (U.S. dollar and euro), transponder capacity leases (euro), fees for conditional access system (euro) and purchasing set-top boxes and accessories for set-top boxes (U.S. dollar and euro).

In respect of the license fees and transponder capacity leases, the Group uses a natural hedge strategy by means of changing the currency of the existing license fee agreements into zloty as well as denominating receivables from signal broadcasting and marketing services in the same foreign currencies that license fees payable by the Group are denominated in.

In order to keep our currency risk related to royalties to TV and radio broadcasters, costs of our conditional access system and costs of reception equipment purchases to an acceptable level, we purchased a number of foreign exchange call options in 2010 and entered into a number of forward currency exchange contracts in 2008 that were settled in 2008 and 2009. We also purchased currencies in spot transactions at the most favorable rates available.

On August 10, 2010 we purchased EUR 12.0 million and the USD 18.0 million of call options. These options provide for monthly purchases of EUR 1.0 million and USD 1.5 million until August 1, 2011, and are exercisable at rates of 4.0310 EUR/PLN and 3.0790 USD/PLN, respectively.

On November 4, 2010 we purchased call options of USD 18.0 million. These options provide for monthly purchases of USD 1.5 million until November 1, 2011, and are exercisable at a rate of 2.8000 USD/PLN.

The options described above were purchased in order to limit the impact of foreign exchange rate fluctuations on our net profit. We did not apply hedge accounting in respect to these options.

Had there been a 5% weakening of the zloty against the exchange rate of the euro and the U.S. dollar as of December 31, 2010, the Group's net profit would have increased by approximately PLN 1.6 million. Had the exchange rate of the zloty against the euro and the U.S. dollar been higher by 5%, our net profit would have correspondingly decreased by PLN 678,000, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

Interest rate risk

Although fluctuations in market interest rates have no direct effect on our revenue, they have an effect on net cash from operating activities through interest earned on overnight deposits and current accounts and on net cash from financing activities through the cost of interest paid on bank loans.

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

Liquidity risk

Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings. We maintain a significant amount of cash and cash equivalents to be able, among other things, (i) to ensure payments under the set-top boxes delivery schedule, (ii) to finance planned expenses related to the development of our multi-play services; (iii) to finance planned capital expenditures; (iv) to maintain financial liquidity in connection with planned client promotions; and (v) to pay dividends in accordance with our dividend policy. For a discussion of certain future liquidity needs, please see "—Contractual Obligations".

We hold cash primarily in zloty but maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs and the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with EU IFRS requires Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical data and other factors considered reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities, which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following presents management's most critical accounting estimates. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements in the future. The key accounting estimates accounted for by management are the impairment losses on set-top boxes, the allowance for accounts receivable from individual customers and the useful life of set-top boxes rented to subscribers under operating leases, as well as valuation of foreign exchange call options and forward contracts (detailed description included in the accounting policies described in note 7 to our audited consolidated financial statements included elsewhere in this offering memorandum).

Operating and Financial Review and Prospects of TV Polsat Group

In this Operating and Financial Review and Prospects of TV Polsat Group, all references to "we", "us", "our" and "Group" refer only to TV Polsat and its consolidated subsidiaries and such references exclude Cyfrowy Polsat and its consolidated subsidiaries, in each case as of the relevant review periods. The following discussion is based on the consolidated financial statements of TV Polsat Group prepared in accordance with EU IFRS included elsewhere in this offering memorandum and should be read in conjunction therewith.

Overview

We are one of the two leading private TV groups in Poland in terms of audience share, advertising market share and revenue and the third largest broadcaster in Poland in terms of audience share for 2010. Our main channel is POLSAT, the first private nationwide FTA TV channel in Poland. POLSAT is currently the number two private channel in terms of audience share with a 16.0% audience share in 2010. We also currently broadcast 12 thematic channels via DTH and cable TV, consisting of sports, news, business, lifestyle, movie and children's channels, which had a combined 3.2% audience share in 2010.

Based on data from Starlink, we estimate that we captured a 22% share of the approximately PLN 3.84 billion Polish TV advertising market and had the second highest power ratio in 2010.

We commission and produce our own Polish content to supplement programming acquired from major movie and TV studios such as Sony Pictures TV International, 20th Century Fox TV and CBS. In addition, we enter into agreements to broadcast sports programming, such as Formula One, UEFA Champions League, UEFA Europa League, FIVB Volleyball (World League, World Grand Prix and World Cup), ATP Tennis Masters, Wimbledon Grand Slam tennis tournament and Athletics Diamond League.

We currently generate most of our revenues from the sale of TV advertising and sponsorship, which represented 83.4% and 84.1% of our consolidated revenue for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2010, our consolidated revenue was PLN 1,025.6 million and our EBITDA was PLN 314.2 million. For the year ended December 31, 2009, our consolidated revenue was PLN 981.5 million and our EBITDA was PLN 259.4 million.

Key Factors Affecting Our Results of Operations

We believe that the following factors significantly affected our results of operations for the periods under review, and we expect that they will have a significant impact on our results of operations in the future. The key factors affecting the ordinary course of our business and our results of operations include, in particular, (i) the state of the Polish TV advertising market, (ii) our audience share, (iii) programming costs, (iv) foreign exchange rate movements, (v) seasonality and (vi) growth in our revenue from cable TV and satellite operators.

The Polish TV advertising market

Changes in the economic environment in Poland have historically had a significant impact on advertising spending, and, as a result, on our results of operations. In particular, a decrease in Poland's GDP growth typically correlates with significant decreases in advertising spending in Poland. Starlink estimates that, as a result of the recent global economic downturn, total net advertising expenditures in Poland declined by 8.7%, to PLN 7.0 billion in 2009 from PLN 7.7 billion in 2008. This decrease in advertising spending in Poland contributed to an 18.5% decrease in our revenue from the sale of advertising and sponsorship, to PLN 825.4 million in 2009 from PLN 1,013.2 million in 2008, and a decrease in net profit of 33.3%, to PLN 180.4 million in 2009 from PLN 270.6 million in 2008. Polish GDP increased by 3.8% in 2010 and, according to Starlink, TV advertising expenditure in Poland increased by 7.2%, from PLN 3.58 billion in 2009 to PLN 3.84 billion in 2010, while our revenue from the sale of advertising and sponsorship increased by 3.6%, from PLN 825.4 million in 2009 to PLN 855.5 million in 2010, and our net profit increased over the same period by 21.8% to PLN 219.7 million in 2010 from PLN 180.4 million. We are in the process of increasing the distribution to our existing DTH providers and other DTH providers of the seven thematic channels we launched in the last three years and therefore expect audience share of these channels to increase. For example, in September 2010, we began distributing certain channels on the Cyfra+ platform. As a result, we expect that future growth of our advertising revenue will correspond more closely with growth in the Polish advertising market.

In addition, because many of our customers are global companies, changes in the global economic environment, even if Poland is not directly or as significantly affected as other countries, may affect our results of operations.

In the Polish advertising market, we compete with various other advertising media, such as Internet, newspapers, magazines, radio and outdoor advertising. According to Zenith, since 2008, net expenditures on TV advertising in Poland accounted for at least 52% of total net advertising spending. Our share of the TV advertising market depends on our audience share, the number of advertising minutes permitted by regulations and our pricing strategy. Polish regulations limit advertising and teleshopping spots to 12 minutes in any given clock hour. For more information on the regulations that we must comply with, please see “Regulatory Overview—Restrictions on programming and advertising”. For more information about our pricing strategy, please see “Business—Our Business—TV Broadcasting Business Segment—TV advertising and other revenue”.

Audience share

Audience share represents the proportion of TV viewers watching a TV channel’s program at a specific time. Our TV channels held an aggregate audience share of 19.3% in 2010 and 19.9% in 2009. TVN and TVP, our closest competitors, held audience shares of 22.3% and 33.0%, respectively, in 2010 and 22.3% and 35.3%, respectively, in 2009.

With the growing penetration of DTH across Poland, which provides viewers with a greater selection of thematic DTH channels, FTA channels, including POLSAT, have experienced a decline in audience share. The introduction of DTT is expected to further increase audience fragmentation. From 2008 to 2010, the audience share of POLSAT dropped from 18.5% to 16.0%, the combined audience share of TVP1 and TVP2 dropped from 34.8% to 29.4% and that of TVN dropped from 17.5% to 16.4%. We believe that this trend will continue as DTH services continue to penetrate the Polish TV broadcasting market.

Conversely, the audience share of thematic channels in Poland has been growing. We and other TV broadcasters have focused on launching thematic channels in order to maintain total audience share and advertising market share. We have launched 12 thematic channels, including seven in the past three years. Our thematic channels increased their combined audience share from 1.9% in 2008 to 3.2% in 2010, primarily due to the launch of six new channels. Our introduction of these thematic channels has allowed us to compensate for the erosion in FTA channel audience share, bringing our overall audience share to 19.3% in 2010.

Programming costs

Our programming costs, which accounted for 60.9% of operating expenses in the year ended December 31, 2010, comprise amortization of purchased film licenses, the cost of internal and external production and the amortization of sports broadcasting rights. Our programming costs primarily depend on the number of channels we broadcast, and the decisions we make as to the type and quality of program to broadcast in a particular time slot on a particular channel. Our programming costs decreased from PLN 512.8 million in 2008 to PLN 461.9 million in 2010 primarily as a result of changes to our POLSAT programming schedule, which we made mainly to reduce programming costs and achieve cost savings.

Impact of foreign exchange rate movements

We conduct our operations primarily in zloty. Our payment obligations toward international movie studios and sports federations for programming and to satellite capacity providers, however, are generally denominated in U.S. dollars or euro. These expenses accounted for approximately 30.7% of our operating expenses in 2010. Our results of operations are therefore affected by fluctuations in the exchange rate of the U.S. dollar and the euro against the zloty.

In 2009, the weakening of the zloty against the euro by approximately 23% and against the U.S. dollar by approximately 30% resulted in an increase of approximately PLN 48.9 million in our operating costs. In 2010, the zloty strengthened against the U.S. dollar by 3.0% and against the euro by 8.0%, which had a positive effect on our operating costs of approximately PLN 13.1 million. Our programming costs, broadcasting and signal transmission costs and obligations under debt instruments denominated in currencies other than the zloty will continue to be impacted by foreign exchange rate movements.

Seasonality

Our advertising revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to increased consumer spending during the holiday season. During the year ended December 31, 2010, we generated approximately 23% of our advertising revenue during the first quarter, 27% in the second quarter, 21% in the third quarter and 30% in the fourth quarter.

Revenue from cable TV and satellite operator fees

Our revenue from cable TV and satellite operator fees is dependant upon the number of our paying subscribers and the rates negotiated with cable TV and satellite operators. The average number of paying subscribers to our basic channels, Polsat Sport, Polsat Sports Extra, Polsat News, Polsat Play, Polsat Café and Polsat Film, increased from approximately 2.2 million in 2008 to approximately 3.6 million in 2010.

Key Performance Indicators

We consider audience share by channel and advertising market share when analyzing and evaluating our business.

Audience share

The table below sets forth audience share for our channels for the relevant periods.

	Audience share (%)		
Channel	**2008**	**2009**	**2010**
POLSAT	18.45	17.38	16.03
Polsat 2	0.90	0.90	0.97
Polsat Café	0.04	0.14	0.22
Polsat Film	—	0.08	0.29
Polsat Futbol	—	—	0.02
Polsat JimJam	—	0.02	0.21
Polsat News	0.07	0.25	0.52
Polsat Play	0.05	0.20	0.23
Polsat Sport	0.60	0.72	0.56
Polsat Sport Extra	0.19	0.18	0.18
TV Biznes	0.04	0.06	0.04
Aggregate non-FTA channel audience share	1.89	2.55	3.24
Total audience share	**20.34**	**19.93**	**19.27**

Our aggregate audience share decreased from 20.3% in 2008 to 19.3% in 2010. Over this period POLSAT's audience share has declined as it has faced increasing competition from thematic and other channels, including our own thematic channels distributed by cable TV and satellite operators, who over the same period, in the aggregate, increased their audience share from 23.5% in 2008 to 31.7% in 2010. From 2008 to 2010, we launched five new thematic channels, Polsat News, Polsat Play, Polsat Futbol, Polsat Sport HD and Polsat Film, relaunched Polsat Café and, through our joint venture with Jim Jam, began offering Polsat Jim Jam. This contributed to an increase in the aggregate audience share of our non-FTA channels from 1.9% in 2008 to 3.2% in 2010. We expect this trend to continue, with non-FTA channels improving audience share in line with their growing distribution on other DTH and cable TV platforms as well as the Cyfrowy Polsat platform. As of December 31, 2010, we had approximately 3.4 million subscribers to our basic channels.

Advertising market share

Based on Starlink data, we estimate that our TV advertising market share decreased from 26.3% in 2008 to 22.1% in 2010, mainly due to a decrease in audience share on POLSAT and increased competition from thematic channels. We estimate that in 2010, TVN group and TVP had an advertising market share of 35.9% and 33.5%, respectively. Our power ratio decreased from 1.5 in 2008 to 1.3 in 2010, according to Starlink. We believe that this decrease resulted from several factors, including:

(i) further market fragmentation, with non-FTA channels increasing their audience share by 8.2 percentage points between 2008 and 2010, from 23.5% to 31.7%, and a corresponding increase of 88.9% of their 30-second GRP during the same period; this factor negatively impacted us more than our competitors as their non-FTA channels had a more established market presence during that period, having been launched earlier than ours;

(ii) our market positioning, with some of our target groups being more impacted by the economic downturn than the target groups of some of our competitors, which resulted in a reduction in our advertisement and sponsorship pricing; and

(iii) aggressive non-FTA channel advertisement and sponsorship pricing policies over this period.

Our advertising market position has stabilized over the last year, partly as a result of the successful launch of our thematic channels and the improving economic environment.

Results of operations

Key income statement items

Revenue from services, products, merchandise and materials sold

Revenue from services, products, merchandise and materials sold is derived primarily from: (i) sales of TV advertising and sponsorship of our TV programming and (ii) fees from cable TV and satellite operators for rebroadcasting our programming. In addition, we generate revenue from broadcasting and transmission services to third parties, text messaging services, sale of licenses, sublicenses, broadcasting rights and revenue from leasing TV equipment and satellite capacity.

Sales of television advertising and sponsorship of our television programming

We sell advertising on our channels either on a rate-card basis, which reflects the timing and duration of an advertisement, or on a cost per gross rating point, or GRP, basis. A GRP is defined as the number of people watching a particular TV program at a specific time. Unlike audience share, which is defined as the number of people watching a particular program at a particular time and is expressed as a percentage of the total number of people watching TV, GRP is expressed as a percentage of the entire population. We set and publish rate-card prices each month. Rate-card pricing is, on average, higher than GRP pricing, as advertisers select the specific commercial breaks, which they believe best meet their marketing objectives. We determine the placement of commercial breaks sold on a GRP basis based on the availability of airtime after the booking of rate-card sales, and advertisers only pay for the actual number of rating points delivered in the relevant commercial breaks. In 2010, rate-card sales accounted for approximately 49.7% of our advertising sales on our main channel, POLSAT.

Fees from cable TV and satellite operators for rebroadcasting our channels

We generate revenue from fees paid by cable TV and satellite operators for the rights to rebroadcast our programming. These non-exclusive licenses may cover packages of channels or single channels. Under these licenses, operators agree to pay us a monthly license fee, the amount of which generally depends on the number of subscribers paying for particular channels or packages.

Operating expenses

Programming costs

Our operating expenses consist primarily of TV programming costs. These costs include amortization of production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses and amortization of rights to TV programming content produced by third parties and licensed to us. In 2010, we commissioned and produced in-house or locally through third parties approximately 63% of our programming content on POLSAT and we acquired approximately 37% of our programming content from third parties. Amortization is based on the estimated number of showings and type of programming content.

Other costs

Our other costs consist principally of (i) salaries and employee benefits, (ii) royalties payable to unions of authors, artists, and professionals in the entertainment industry and payments to the Polish Film Institute, (iii) depreciation of TV and broadcasting equipment, (iv) broadcasting costs, which mainly consist of rental costs for satellite and terrestrial transmission capacity, (v) distribution and marketing expenses, (vi) rent and maintenance costs for our premises and (vii) consulting fees for technical, financial and legal services.

Finance income

Finance income consists of interest income on funds invested and foreign exchange gains, which reflect the revaluation of foreign-currency denominated liabilities incurred, primarily as a result of the acquisition of foreign programming, against the zloty.

Finance costs

Finance costs consist of interest expense on borrowings and foreign exchange losses.

EBITDA and EBITDA margin

For the definition of EBITDA and EBITDA margin and the reconciliation of EBITDA to net profit, please see "Summary—Summary Historical and Pro Forma Financial Information—TV Polsat Group Historical".

Year ended December 31, 2010 compared to year ended December 31, 2009

The following table presents selected consolidated income statement data for the years ended December 31, 2009 and 2010.

	Year Ended December 31,		
	2009	2010	Change
	(in thousands of PLN)		%
Advertising and sponsorship revenue	825,442	855,471	3.6
Revenue from cable TV and satellite operator fees	91,040	117,742	29.3
Other revenue	64,972	52,347	(19.4)
Revenue from services, products, merchandise and materials sold	**981,454**	**1,025,560**	**4.5**
Total operating expenses	(767,274)	(758,500)	(1.1)
Other operating income	2,999	3,288	9.6
Other operating expenses	(2,967)	(3,727)	25.6
Profit from operating activities	**214,212**	**266,621**	**24.5**
Finance income	18,324	16,773	(8.5)
Finance costs	(13,002)	(2,847)	(78.1)
Goodwill impairment	(9)	—	—
Share in net income of associates	—	888	—
Profit before income tax	**219,525**	**281,435**	**28.2**
Income tax expense	(39,153)	(61,739)	57.7
Profit for the period	**180,372**	**219,696**	**21.8**
EBITDA	**259,369**	**314,177**	**21.1**
EBITDA margin	**26.4%**	**30.6%**	

Revenue from services, products, merchandise and materials sold

Revenue from services, products, merchandise and materials sold increased by PLN 44.1 million, or 4.5%, to PLN 1,025.6 million for the year ended December 31, 2010 from PLN 981.5 million for the year ended December 31, 2009. Revenue grew for the reasons set forth below.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 30.0 million, or 3.6%, to PLN 855.5 million for the year ended December 31, 2010 from PLN 825.4 million for the year ended December 31, 2009. This increase primarily resulted from a PLN 20.9 million increase in revenue generated by thematic channels, which recorded a significant increase in aggregate audience share in 2010. POLSAT's advertising and sponsorship revenue increased by PLN 7.3 million, or 0.9%, supported by growth of 7.2% in the Polish TV advertising market in 2010.

Revenue from cable TV and satellite operator fees

Revenue from cable TV and satellite operator fees increased by PLN 26.7 million, or 29.3%, to PLN 117.7 million for the year ended December 31, 2010 from PLN 91.0 million for the year ended December 31, 2009. This increase is mainly because in 2010 we recorded a full year's revenue for Polsat Futbol, Polsat Film and Polsat News as compared to only a partial year's revenue in 2009. In addition, following the expiration of a free-of-charge promotional period, we began collecting fees for our Polsat Play and Polsat Café channels from Cyfrowy Polsat in 2010.

Other revenue

Other revenue decreased by PLN 12.6 million, or 19.4%, to PLN 52.3 million for the year ended December 31, 2010 from PLN 65.0 million for the year ended December 31, 2009. This decrease resulted primarily from a decrease of PLN 11.0 million in revenue from audio text and SMS services, due to a reduction of the number of call TV slots in our schedule. We replaced call TV slots with higher-quality entertainment programs in order to increase our audience share. Call TV is a game show format where viewers call in to the show or send an SMS to participate and win prizes. We generate telecommunications revenue on this activity through revenue sharing agreements with telecommunications operators.

Total operating expenses

	Year Ended December 31,		
	2009	2010	Change
	(in thousands of PLN)		%
Cost of internal and external production and amortization of sports broadcasting rights	355,351	349,935	(1.5)
Amortization of purchased film licenses	123,308	111,989	(9.2)
Salaries and employee benefits	72,205	73,874	2.3
Royalties	44,953	49,293	9.7
Depreciation and amortization	45,157	47,556	5.3
Broadcasting and signal transmission	38,998	40,205	3.1
Distribution and marketing expenses	26,672	27,493	3.1
Cost of licenses and other current assets sold	9,671	8,518	(11.9)
Other expenses	50,959	49,637	(2.6)
Total operating expenses	**767,274**	**758,500**	**(1.1)**

Total operating expenses decreased by PLN 8.8 million, or 1.1%, to PLN 758.5 million for the year ended December 31, 2010 from PLN 767.3 million for the year ended December 31, 2009. Operating expenses decreased for the reasons set forth below.

Cost of internal and external production and amortization of sports broadcasting rights

The cost of internal and external production and amortization of sports broadcasting rights decreased by PLN 5.4 million, or 1.5%, to PLN 349.9 million for the year ended December 31, 2010 from PLN 355.4 million for the year ended December 31, 2009. This decrease resulted primarily from a decrease in internal and external production costs of PLN 6.4 million, partially offset by an increase of PLN 1.0 million in amortization of sports broadcasting rights. Internal and external production costs decreased because (i) we replaced certain more costly internally-produced programs on our POLSAT channel with lower-priced externally-produced programs, (ii) we reduced costs at Polsat News, (iii) we reduced the number of episodes of certain programs on POLSAT and (iv) we reduced expenditures on certain events programming on POLSAT.

Amortization of purchased film licenses

Costs of amortization of purchased film licenses decreased by PLN 11.3 million, or 9.2%, to PLN 112.0 million for the year ended December 31, 2010 from PLN 123.3 million for the year ended December 31, 2009. This decrease was primarily due to a lower proportion of film licenses in the programming schedules of POLSAT and thematic channels in 2010. In addition, the strengthening of the zloty against the euro and the U.S. dollar resulted in a lower average cost.

Salaries and employee benefits

Salaries and employee benefits increased by PLN 1.7 million, or 2.3%, to PLN 73.9 million for the year ended December 31, 2010 from PLN 72.2 million for the year ended December 31, 2009. This increase was primarily due to the hiring of additional regional sales representatives in order to better cover our customers at the local level.

Royalties

Royalty expenses increased by PLN 4.3 million, or 9.7%, to PLN 49.3 million for the year ended December 31, 2010 from PLN 45.0 million for the year ended December 31, 2009. This increase resulted partly from an increase in our revenue to which our royalty payments are linked and partly from higher rates being paid to certain royalty collection agencies.

Depreciation and amortization

Depreciation and amortization costs increased by PLN 2.4 million, or 5.3%, to PLN 47.6 million for the year ended December 31, 2010 from PLN 45.2 million for the year ended December 31, 2009. This increase was primarily due to our investment in TV and broadcasting equipment in 2008 and 2009 and PLN 13.9 million of TV and broadcasting equipment that was either acquired or completed for use in 2010.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 1.2 million, or 3.1%, to PLN 40.2 million for the year ended December 31, 2010 from PLN 39.0 million for the year ended December 31, 2009. This increase was primarily because 2010 was the first full year in which we broadcast the Polsat Futbol and Polsat Film channels.

Distribution and marketing expenses

Distribution and marketing expenses increased by PLN 0.8 million, or 3.1%, to PLN 27.5 million for the year ended December 31, 2010 from PLN 26.7 million for the year ended December 31, 2009. This increase resulted primarily from an increase in the amount spent to promote the spring and autumn programming schedules in 2010 following a reduction in 2009.

Costs of licenses and other current assets sold

Costs of licenses and other current assets sold decreased by PLN 1.2 million, or 11.9%, to PLN 8.5 million for the year ended December 31, 2010 from PLN 9.7 million for the year ended December 31, 2009. This decrease resulted primarily from a decrease in the sale of licenses, sublicenses and broadcasting rights.

Other expenses

Other expenses decreased by PLN 1.3 million, or 2.6%, to PLN 49.6 million for the year ended December 31, 2010 from PLN 51.0 million for the year ended December 31, 2009. This decrease resulted primarily from the execution of a cost savings program.

Finance income

Finance income decreased by PLN 1.6 million, or 8.5%, to PLN 16.8 million for the year ended December 31, 2010 from PLN 18.3 million for the year ended December 31, 2009. This decrease resulted primarily from lower interest income, partially offset by higher foreign exchange gains. In 2009, we recorded interest income in respect of a bond issued by Polsat Media BV. This bond was fully redeemed in 2009. In 2010, we recorded foreign exchange gains on non-zloty denominated loans granted to a subsidiary whose functional currency is not the zloty. In 2009, we recorded a foreign exchange loss on non-zloty denominated loans granted to such subsidiary.

Finance costs

Finance costs decreased by PLN 10.2 million, or 78.1%, to PLN 2.8 million for the year ended December 31, 2010 from PLN 13.0 million for the year ended December 31, 2009. This decrease principally resulted from a decrease in foreign exchange losses of PLN 6.5 million. In 2009, we recorded a foreign exchange loss on non-zloty denominated loans granted to a subsidiary whose functional currency is not the zloty. In 2010, we recorded foreign exchange gains on non-zloty denominated loans granted to this subsidiary.

Income tax expense

Income tax expense increased by PLN 22.6 million to PLN 61.7 million for the year ended December 31, 2010 from PLN 39.2 million for the year ended December 31, 2009. This increase was due an increase in our profit from operating activities.

Profit for the period

For the reasons presented above, profit for the period increased by PLN 39.3 million, or 21.8%, to PLN 219.7 million for the year ended December 31, 2010 from PLN 180.4 million for the year ended December 31, 2009.

EBITDA and EBITDA margin

EBITDA increased by PLN 54.8 million, or 21.1%, to PLN 314.2 million for the year ended December 31, 2010 from PLN 259.4 million for the year ended December 31, 2009. EBITDA margin increased to 30.6% in 2010 from 26.4% in 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

The following table presents selected consolidated income statement data for the years ended December 31, 2008 and 2009.

	Year Ended December 31,		
	2008	**2009**	**Change**
	(in thousands of PLN)		*%*
Advertising and sponsorship revenue	1,013,173	825,442	(18.5)
Revenue from cable TV and satellite operator fee	41,267	91,040	120.6
Other revenue	70,931	64,972	(8.4)
Revenue from services, products, merchandise and materials sold	**1,125,371**	**981,454**	**(12.8)**
Total operating expenses	(806,756)	(767,274)	(4.9)
Other operating income	5,107	2,999	(41.3)
Other operating expenses	(3,426)	(2,967)	(13.4)
Profit from operating activities	**320,296**	**214,212**	**(33.1)**
Finance income	58,660	18,324	(68.8)
Finance costs	(39,675)	(13,002)	(67.2)
Goodwill impairment	—	(9)	—(1)
Profit before income tax	**339,281**	**219,525**	**(35.3)**
Income tax expense	(68,717)	(39,153)	(43.0)
Profit for the period	**270,564**	**180,372**	**(33.3)**
EBITDA	**353,895**	**259,369**	**(26.7)**
EBITDA margin	**31.4%**	**26.4%**	

(1) Not significant

Revenue from services, products, merchandise and materials sold

Revenue from services, products, merchandise and materials sold decreased by PLN 143.9 million, or 12.8%, to PLN 981.5 million for the year ended December 31, 2009 from PLN 1,125.4 million for the year ended in December 31, 2008. Revenue decreased for the reasons set forth below.

Advertising and sponsorship revenue

Advertising and sponsorship revenue decreased by PLN 187.7 million, or 18.5%, to PLN 825.4 million for the year ended December 31, 2009 from PLN 1,013.2 million for the year ended December 31, 2008. This decrease primarily resulted from a decline in the advertising market due to the global economic downturn and its effects on the Polish economy.

Revenue from cable TV and satellite operator fees

Revenue from cable TV and satellite operator fees increased by PLN 49.8 million, or 120.6%, to PLN 91.0 million for the year ended December 31, 2009 from PLN 41.3 million for the year ended December 31, 2008. This increase primarily resulted from the launch of five new pay channels, Polsat News, Polsat Play, Polsat Sport HD, Polsat Film and Polsat Futbol, in 2008 and 2009. In addition, Polsat Sport and Polsat Sport Extra revenue increased by PLN 22.8 million, as a result of increases in the number of subscribers and the price we charge per subscriber as well as the strengthening of the U.S. dollar against the zloty.

Other revenue

Other revenue decreased by PLN 6.0 million, or 8.4%, to PLN 65.0 million for the year ended December 31, 2009 from PLN 70.9 million for the year ended December 31, 2008. This decrease resulted primarily from a PLN 5.5 million decrease in revenue from the sale of licenses, sublicenses and broadcasting rights and a PLN 3.9 million decrease in revenue from audio text and SMS services, partially offset by a PLN 3.8 million increase in revenue from production services.

Total operating expenses

	Year Ended December 31,		
	2008	**2009**	**Change**
	(in thousands of PLN)		*%*
Cost of internal and external production and amortization of sports broadcasting rights	424,182	355,351	(16.2)
Amortization of purchased film licenses	88,577	123,308	39.2
Salaries and employee benefits	66,154	72,205	9.1
Royalties	51,942	44,953	(13.5)
Depreciation and amortization	33,599	45,157	34.4
Broadcasting and signal transmission costs	32,069	38,998	21.6
Distribution and marketing expenses	41,887	26,672	(36.3)
Cost of licenses and other current assets sold	12,129	9,671	(20.3)
Other expenses	56,217	50,959	(9.4)
Total operating expenses	**806,756**	**767,274**	**(4.9)**

Total operating expenses decreased by PLN 39.5 million, or 4.9%, to PLN 767.3 million for the year ended December 31, 2009 from PLN 806.8 million for the year ended December 31, 2008. This decrease resulted primarily from a cost savings program executed in 2009, and in particular, decreased investment in programming in response to the economic downturn. The change in programming strategy resulted in a decrease in the cost of internal and external production and amortization of sports broadcasting rights by PLN 68.8 million, of which PLN 41.2 million related to the UEFA Euro 2008, a non-recurring expense in 2008. This was partially offset by an increase in amortization of purchased licenses of PLN 34.7 million.

Cost of internal and external production and amortization of sports broadcasting rights

The cost of internal and external production and amortization of sports broadcasting rights decreased by PLN 68.8 million, or 16.2%, to PLN 355.4 million for the year ended December 31, 2009 from PLN 424.2 million for the year ended December 31, 2008. This decrease resulted primarily from a change in our programming strategy implemented in order to achieve cost savings and the non-recurring impact of purchasing the UEFA Euro 2008 rights in 2008. We broadcast a smaller number of internally- and externally-produced programs, reduced the amount invested in sports broadcasting rights and increased the amount of purchased films broadcast. Generally, purchased films broadcast had a lower average cost per hour than sports broadcasting rights and internally- and externally-produced programs.

Amortization of purchased film licenses

Costs of amortization of purchased film licenses increased by PLN 34.7 million, or 39.2%, to PLN 123.3 million for the year ended December 31, 2009 from PLN 88.6 million for the year ended December 31, 2008. This increase resulted primarily from a change in programming strategy implemented in order to achieve cost savings. We broadcast a greater number of purchased films, reduced the amount of internally- and externally-produced programs and reduced the amount invested in sports broadcasting rights. Generally, purchased films broadcast had a lower average cost per hour than sports broadcasting rights and internally- and externally-produced programs. Also, the zloty weakened against the U.S. dollar, which led to an increase in the costs of amortization of purchased film licenses. In addition, these costs increased due to the launch of two thematic channels in 2009.

Salaries and employee benefits

Costs of salaries and employee benefits increased by PLN 6.1 million, or 9.1%, to PLN 72.2 million for the year ended December 31, 2009 from PLN 66.2 million for the year ended December 31, 2008. This increase resulted partly from the restructuring of contractual arrangements with our Management Board, which resulted in a PLN 2.2 million increase in salaries and employee benefits, and partly from a PLN 2.0 million increase in the amount paid to Supervisory Board members in 2009. In addition, our launch of five new channels during 2008 and 2009 resulted in an increase in staffing.

Royalties

Royalty expenses decreased by PLN 7.0 million, or 13.5%, to PLN 45.0 million for the year ended December 31, 2009 from PLN 51.9 million for the year ended December 31, 2008. This decrease resulted primarily from the decrease in advertising and sponsorship revenue. Royalty payments are determined as a percentage of revenue.

Depreciation and amortization

Depreciation and amortization costs increased by PLN 11.6 million, or 34.4%, to PLN 45.2 million for the year ended December 31, 2009 from PLN 33.6 million for the year ended December 31, 2008. This increase resulted partly from the acquisition of a significant amount of TV and broadcasting equipment during the last four months of 2008 and the first quarter of 2009, and partly because a significant amount of TV and broadcasting equipment which had been under construction in 2008 was completed for use in 2009.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 6.9 million, or 21.6%, to PLN 39.0 million for the year ended December 31, 2009 from PLN 32.1 million for the year ended December 31, 2008. This increase resulted partly from additional satellite, transmission and uplink costs of PLN 3.5 million related to the launch of two new channels, Polsat Sport HD and Polsat Film, both transmitted by Cyfrowy Polsat. In addition, Polsat Play, Polsat Café and Polsat News, all of which were launched in 2008, incurred a full year of broadcasting costs in 2009. In September 2009, we launched Polsat Futbol, which also increased broadcasting costs. The majority of our broadcasting costs are denominated in U.S. dollars and euro and, as a result, the weakening of the zloty against the U.S. dollar and the euro contributed PLN 3.1 million of the overall increase in 2009.

Distribution and marketing expenses

Distribution and marketing expenses decreased by PLN 15.2 million, or 36.3%, to PLN 26.7 million for the year ended December 31, 2009 from PLN 41.9 million for the year ended December 31, 2008. This decrease resulted primarily from cost savings initiatives in 2009, which included scaling back marketing campaigns in support of the spring and autumn programming schedules. In addition, we reduced marketing of certain of our programs.

Costs of licenses and other current assets sold

Costs of licenses and other current assets sold decreased by PLN 2.5 million, or 20.3%, to PLN 9.7 million for the year ended December 31, 2009 from PLN 12.1 million for the year ended December 31,

2008. This decrease resulted primarily from a decrease in the sale of licenses, sublicenses and broadcasting rights.

Other expenses

Other expenses decreased by PLN 5.3 million, or 9.4%, to PLN 51.0 million for the year ended December 31, 2009 from PLN 56.2 million for the year ended December 31, 2008. This decrease resulted primarily from the restructuring of Media Biznes, a company acquired in 2007, which resulted in cost savings of PLN 2.9 million, and other general cost savings initiatives executed.

Finance income

Finance income decreased by PLN 40.3 million, or 68.8%, to PLN 18.3 million for the year ended December 31, 2009 from PLN 58.7 million for the year ended December 31, 2008. The decrease was caused mainly by a PLN 32.9 million decrease in foreign exchange gains. In the year ended December 31, 2008, we recorded PLN 25.9 million in foreign exchange gains on non-zloty denominated loans granted to a subsidiary whose functional currency is not the zloty, and PLN 5.7 million in foreign exchange gains on a euro-denominated bank loan. In 2009, we recorded a foreign exchange loss on euro-denominated loans granted to a subsidiary.

Finance costs

Finance costs decreased by PLN 26.7 million, or 67.2%, to PLN 13.0 million for the year ended December 31, 2009 from PLN 39.7 million for the year ended December 31, 2008. This decrease principally resulted from a PLN 20.1 million decrease in foreign exchange losses. In 2008, we recorded foreign exchange losses of PLN 26.6 million on a euro-denominated bank loan, compared with losses of PLN 0.4 million in 2009.

Income tax expense

Income tax expense decreased by PLN 29.6 million, or 43.0%, to PLN 39.2 million for the year ended December 31, 2009 from PLN 68.7 million for the year ended December 31, 2008. This decrease primarily resulted from a decrease of PLN 119.8 million in profit before income tax, to PLN 219.5 million for the year ended December 31, 2009 from PLN 339.3 million for the year ended December 31, 2008.

Profit for the period

For the reasons presented above, profit for the period decreased by PLN 90.2 million, or 33.3%, to PLN 180.4 million for the year ended December 31, 2009 from PLN 270.6 million for the year ended December 31, 2008.

EBITDA and EBITDA margin

EBITDA decreased by PLN 94.5 million, or 26.7%, to PLN 259.4 million for the year ended December 31, 2009 from PLN 353.9 million for the year ended December 31, 2008. EBITDA margin decreased to 26.4% in 2009 from 31.4% in 2008.

Liquidity and Capital Resources

Liquidity

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in zloty. Historically, we have relied primarily upon cash flow from operations and bank borrowings to provide funds required for general corporate purposes and investing activities.

While we hold cash primarily in zloty, we maintain euro and U.S. dollar positions, the value of which depends on the amount of payments to be made pursuant to agreements with international movie studios and sports federations for programming.

Capital Resources

Cash flows

The following table presents selected consolidated cash flow data for the years ended December 31, 2008, 2009 and 2010.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands of PLN)		
Net cash from operating activities	325,818	182,673	216,666
Net cash (used in)/from investing activities	(81,119)	30,050	(12,189)
Net cash used in financing activities	(191,282)	(205,939)	(232,755)
Net increase/(decrease) in cash and cash equivalents	58,273	5,276	(28,179)

Net cash from operating activities

Net cash from operating activities was PLN 216.7 million in 2010, compared to PLN 182.7 million in 2009. This increase of PLN 34.0 million was mainly due to an increase in net profit of PLN 39.3 million, partially offset by a PLN 34.0 million increase in payments made to purchase programming rights. Net cash from operating activities in 2009 decreased by PLN 143.1 million from PLN 325.8 million in 2008. This decrease was primarily due to a decrease in net profit of PLN 90.2 million, and to a lesser extent higher payments to suppliers and a slower collection of receivables.

Net cash (used in)/from investing activities

Net cash used in investing activities was PLN 12.2 million in 2010 and consisted primarily of amounts paid in respect of property, plant and equipment acquired. Net cash from investing activities was PLN 30.1 million in 2009 and consisted primarily of the proceeds received from Polsat Media in respect of commercial bonds redeemed, partially offset by the acquisition of intangible assets and property, plant and equipment. Net cash used in investing activities was PLN 81.1 million in 2008 and was used primarily for the acquisition of assets related to switching to HD technology and the launch of thematic channels.

Net cash used in financing activities

Net cash used in financing activities was PLN 232.8 million in 2010 and consisted primarily of dividends paid of PLN 189.0 million and loans repaid of PLN 42.1 million. Net cash used in financing activities was PLN 205.9 million in 2009 and consisted primarily of dividends paid of PLN 226.2 million loans and the repayment of loans and borrowings of PLN 43.4 million, offset by the net proceeds from share issuances of PLN 70.0 million. Net cash used in financing activities was PLN 191.3 million in 2008 and consisted primarily of the dividends paid of PLN 246.5 million and repayment of loans and borrowings of PLN 128.6 million, offset by the proceeds of share issuances of PLN 95.2 million and proceeds of PLN 99.1 million from loans and borrowings.

Capital expenditures

We incurred capital expenditures of PLN 84.9 million, PLN 21.6 million and PLN 13.6 million for the years ended December 31, 2008, 2009 and 2010, respectively. Capital expenditures in 2010 primarily related to the purchase of TV and broadcasting equipment. The above amount for the year 2010 does not include the amount payable to obtain a DTT broadcasting license for the Polsat Sport News channel recorded as an asset in 2010. Capital expenditures in 2009 primarily related to television and broadcasting equipment. All of our property, plant and equipment are located in Poland and all our capital expenditures are concentrated in Poland.

We incurred capital expenditures to acquire programming rights of PLN 373.9 million, PLN 367.0 million and PLN 401.1 million for the years ended December 31, 2008, 2009 and 2010, respectively.

We expect our capital expenditures in 2011 and 2012 to be at levels comparable to 2009 and 2010 and to consist primarily of expenditures on TV and broadcasting equipment and programming rights.

Contractual obligations

Our aggregate contractual obligations as of December 31, 2010 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
		(in thousands of PLN)		
Contractual obligations				
Bank loan	**40,178**	40,178	—	—
Programming assets purchases	**316,225**	145,061	171,164	—
News services purchases	**2,702**	1,815	887	—
Operating lease commitments	**223,099**	47,231	129,237	46,631
Other commitments	**22,277**	13,893	8,017	367
Total contractual liabilities	**604,481**	248,178	309,305	46,998

As of December 31, 2010, most of our contractual liabilities were long-term liabilities due in more than one year. This table does not reflect the financing incurred in relation to the Transactions or the Notes offered hereby. Our bank loan was repaid in 2011.

Off-balance sheet arrangements

As of December 31, 2010, as described above under "—Contractual obligations", we had off-balance sheet obligations related to: (i) programming assets; (ii) news services purchases; and (iii) operating leases.

Qualitative and Quantitative Information on Market Risks

The nature of our business exposes our operations, financial results and cash flows to a number of risks, including those discussed below. Any of these risks could harm our business, financial condition and results of operations.

Foreign Currency Risk

We are exposed to foreign currency risk resulting from trade receivables and trade liabilities denominated in foreign currencies, mostly in euro and U.S. dollars and a foreign currency loan denominated in euro. Additionally, the Group is exposed to foreign currency risk due to intercompany loans granted by TV Polsat to Nord License AS in foreign currency. Foreign exchange differences on intercompany loans impact our consolidated income statement. A 5% increase in the exchange rates of the euro against the zloty and of the U.S. dollar against the zloty as of December 31, 2010 would have decreased profit before tax by PLN 9.1 million.

Interest rate risk

We are exposed to interest rate risk resulting mostly from our floating rate loan. All changes in interest rates impact profit or loss. An increase of 100 basis points in interest rates as of December 31, 2010 would have decreased the consolidated profit or loss by PLN 0.4 million.

Critical Accounting Estimates and Judgments

The preparation of our historical consolidated financial statements requires our Management Board to make estimates and judgments that affect the reported amounts of assets, liabilities, sales revenues and expenses, and related disclosures. The Management Board bases its estimates and judgments on historical experience, knowledge of our current situation and conditions and beliefs of what could occur in the future taking into account available information.

The following presents our most critical accounting estimates. If actual results differ significantly from our estimates and projections, there could be a material effect on our financial statements in the future. Please refer to note 7 to our audited consolidated financial statements included elsewhere in this offering memorandum for a more detailed description of all of the accounting policies applied by us.

Estimated useful life of assets

Estimates regarding the economic useful lives of property, plant and equipment and their residual values, the economic useful lives of programming assets and other intangible assets are made by the Group's internal experts at least at initial recognition of an asset and at the date of preparation of the financial statements.

Valuation of programming assets as of the reporting date

The estimates of future revenue applied as the basis for assessing the valuation of programming assets are made by the Group's internal experts at least at the date of preparation of the financial statements.

Impairment of receivables

Impairment allowances are recognized in relation to receivables taking into account the probability of their collection.

Provisions for probable future obligations relating to pending litigation

Provisions are raised based on court documentation and on opinions of lawyers participating in the proceedings who estimate the Group's probable future obligations based on the progress of litigation proceedings.

Accruals for unused holidays, financial statement audit, and accrued expenses which were incurred but not yet billed by vendors

Estimates are based on contractual terms and applicable regulations. The provision for unused holidays is raised at least as of the reporting date based on the actual status (number of days) of unused holidays of individual employees and the average daily wage paid to a given employee over the last quarter before the reporting date.

Post-Transactions Contractual Obligations

Following the completion of the Transactions, the combined contractual obligations of Cyfrowy Polsat and its consolidated subsidiaries will be as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
		(in thousands of PLN)		
Contractual obligations				
Loans and borrowings[(1)]	**4,036,830**	335,805	2,076,718	1,624,307
Finance lease liabilities[(2)]	**1,586**	491	1,095	—
Programming assets purchases	**316,225**	145,061	171,164	—
News services purchases	**2,702**	1,815	887	—
Operating lease commitments[(3)]	**840,459**	140,868	494,670	204,921
Other commitments	**22,277**	13,893	8,017	367
Total contractual liabilities	**5,220,079**	637,933	2,752,555	1,829,595

(1) Loans and borrowings consist of the Senior Secured Credit Facilities and the Notes and estimated future interest thereon.

(2) Consists of finance lease liabilities with respect to conditional access equipment, vehicles and other equipment.

(3) Consists of operating lease commitments with respect to transponder capacity, terrestrial transmitters, office space and equipment.

Recent Accounting Pronouncements

New International Financial Reporting Standards adopted by the EU, which became or will become effective after the reporting date and were not adopted by the Group

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendments clarify how to account for prepayments of a minimum funding requirement. These rules are effective for the annual periods beginning after December 31, 2010.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation explains how to account for extinguishing financial liabilities with equity instruments. These rules are effective for the annual periods beginning after June 30, 2010.

Improvements to 2010 International Financial Reporting Standards

The revisions relate to the scope, presentation, recognition and measurement as well as changes in terminology and editorial changes. The majority of the changes will be effective for annual periods beginning on January 1, 2011; however, some of the changes are effective for annual periods beginning on or after July 1, 2010.

Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The proposed amendment would provide relief to first-time adopters from the requirement to provide comparative period disclosures for the information required to be presented by the Amendments to IFRS 7 if the first IFRS reporting period starts earlier than January 1, 2010. The changes are effective for periods beginning as of or after July 1, 2010.

Revised IAS 24 Related Party Disclosures

The amendment exempts a government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (i) a government that has control, joint control or significant influence over the reporting entity; and (ii) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. The changes will be effective for annual periods beginning on January 1, 2011.

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

IFRS 9 Financial Instruments

This Standard replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income. The election is available on an individual share-by-share basis. No amount recognized in other comprehensive income is ever reclassified to profit or loss at a later date. The Standard is effective for periods beginning as at or after January 1, 2013.

Amendments to IFRS 7 Financial Instruments: Disclosures- Disclosures—Transfer of financial assets

The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements. The Amendments are effective for periods beginning as of or after July 1, 2011.

Amendments to IAS 12 Income tax—Recovery of underlying assets

The Amendments introduce an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that the manner of recovery will be entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the rebuttable presumption can be rebutted. The Amendments are effective for periods beginning as of or after January 1, 2012.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards—Hyperinflation and removal of fixed dates for first-time adopters

The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRS after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The Amendments are effective for periods beginning as of or after July 1, 2011.

INDUSTRY AND MARKET OVERVIEW

Republic of Poland

Poland has become one of the leading economies in Central Europe since it began the liberalization of its economy in the beginning of the 1990s. Poland joined NATO in 1999 and the European Union in 2004. According to GUS, Poland's GDP was estimated to be approximately PLN 1,413 billion in 2010, with a GDP per capita of approximately PLN 37,000. Poland's long-term foreign currency credit ratings are A2 from Moody's and A− from Standard & Poor's.

Poland is the only country in the European Union whose economy continued to grow during the recent economic downturn. In 2009, GDP in Poland increased by approximately 1.7% in comparison to a 4.2% decrease for the European Union. In 2010, Poland's GDP grew by 3.84% while the average annual GDP growth rate for the European Union was only 1.8%. In 2011 and 2012, Poland's GDP is forecast by Eurostat to increase by 3.9% and 4.2%, respectively, compared to a growth forecast of 1.7% and 2.0%, respectively, for the European Union.

According to data published by GUS, as of June 30, 2010, the population of Poland was approximately 38.2 million, with approximately 23.2 million citizens living in urban areas and approximately 14.9 million citizens living in non-urban areas. In 2010, there were approximately 14.5 million households in Poland, based on GUS' 2008 forecasts, the most current forecasts available.

Given the forecasts of GDP growth for the Polish economy, Poland remains an attractive market with significant growth opportunities.

Pay TV Market

Overview

Pay TV services in Poland are offered by DTH operators, cable TV operators and IPTV providers.

In 2010, pay TV services were provided to approximately 11 million Polish subscribers and, according to Informa, approximately 0.5 million of these subscribers paid for more than one DTH subscription. Based on the approximately 14.5 million households in Poland in 2010, as forecast by GUS, we estimate that the pay TV penetration rate in Poland is approximately 72%, which is lower than in the most developed countries such as Belgium, Netherlands, Norway or Denmark, where according to Informa, the pay TV penetration rate is above 90%, indicating the potential for further growth in the Polish pay TV market.

Historically, cable TV has been the principal pay TV platform in Poland. Although DTH has been growing more rapidly over the past few years, DTH providers compete with cable TV operators only to a limited extent. In particular, cable TV operators concentrate on inhabitants of densely populated areas where they are able to optimize the number of households connected to their network infrastructure, or in locations where the establishment of such infrastructure involves a relatively low cost per subscriber, whereas DTH providers are able to provide their services to customers residing in less densely populated areas with no, or limited cable TV infrastructure at no extra cost, as well as in urban areas.

While the number of DTH households grew at a CAGR of 29% from 2006 to 2010, the number of cable TV households only grew at a CAGR of 5% in the same time period, according to our estimates. The comparatively slow growth rate of cable TV households in recent years has been due to an already high penetration rate of cable TV in urban areas as well as to the reluctance of cable TV operators to make significant investments in cable TV infrastructure in the less-densely populated and rural areas of Poland. As a result, these populations currently have access only to a limited number of Polish terrestrial channels and alternative providers of broadband Internet and mobile telephony services. Polish towns with up to 50,000 inhabitants, suburban and rural areas are therefore natural target markets for DTH because these areas have little cable TV infrastructure and are less attractive for cable TV companies to develop cable

TV infrastructure. The growth in the number of DTH subscribers in Poland also reflects the fact that DTH providers are able to offer much broader programming options, including approximately 100 Polish language thematic channels as well as around 500 FTA channels, using both SD and HD technology. By comparison, the programming offer of the majority of cable TV operators who mostly rely on analog technology is typically limited to approximately 60 channels and does not usually include HD channels and VoD services, which are commonly provided by DTH providers.

The IPTV market is developing at a relatively slow rate in Poland, mainly due to technological constraints resulting from a lack of modern infrastructure with sufficient capacity to enable an effective IPTV service offering at an attractive return on capital. We believe that the introduction of IPTV services by fixed line telecommunications service providers such as TP and Telefonia Dialog initially may have a negative impact on the business of cable TV operators in Poland as a result of their plans to launch IPTV services primarily in urban areas, and a less a significant effect on DTH providers, who are less dependant on customers living in densely populated areas. It is difficult to assess when fixed line telecommunications service providers will significantly develop their IPTV offer in rural, suburban areas and small and medium-sized towns and the impact of such a development on the operations of DTH providers.

The following table presents the composition of the pay TV market in Poland for the periods indicated.

	2006	2007	2008	2009	2010	CAGR 2006-2010
			(in thousands, except share data)			
DTH households[1]	2,265[2]	3,410[2]	4,692[2]	5,747	6,238	29%
Growth in number of DTH households	—	51%	38%	22%	9%	—
Cable TV households	3,816[3]	3,890[3]	4,127[3]	4,457[3]	4,600[4]	5%
Growth in number of cable TV households[5]	—	2%	6%	8%	3%	—
IPTV households[6]	5	44	80	130	150	—
Growth in number of IPTV households[5,6]	—	>100%	82%	63%	15%	—
Pay TV households combined[5]	**6,086**	**7,344**	**8,899**	**10,334**	**10,988**	**16%**
Growth in number of pay TV households[5]	—	21%	21%	16%	6%	—
Number of new pay TV households[5]	—	1,258	1,555	1,435	654	—
Number of new DTH households[5]	—	1,145	1,282	1,055	491	—
Share of new DTH households to new pay TV[5]	**—**	**91%**	**82%**	**74%**	**75%**	**—**
Number of new net DTH subscribers with Cyfrowy Polsat[5]	—	794	659	475	234	—
Share of Cyfrowy Polsat in pay TV growth[5]	**—**	**63%**	**42%**	**33%**	**36%**	**—**
Share of Cyfrowy Polsat in DTH growth[5]	**—**	**69%**	**51%**	**45%**	**48%**	**—**

(1) For years 2006-2008, data contains only Cyfra+, Cyfrowy Polsat, "n" subscribers and active TNK subscribers sourced from Cyfra+ and "n" websites; for 2009-2010, data also includes TP's subscribers to the pay TV packages sourced from TP website.

(2) Cyfrowy Polsat estimates. These estimates are based on market data or internal information currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "Risk Factors" and "Industry, Market and Subscriber Data" in this offering memorandum.

(3) Source: GUS "Communication—Activity Results in 2009", 2010.

(4) Source: PIKE.

(5) Cyfrowy Polsat calculations based on industry data.

(6) For years 2006-2008, data sourced from the Informa. For 2009-2010, data contains the number of users of IPTV services provided by TP (sourced from its website) and users of IPTV services provided by Telefonia Dialog (sourced from consolidated annual reports of KGHM for 2009 and 2010).

In general, the Polish pay TV market is supervised by certain administrative bodies, such as the National Broadcasting Council, the UKE and the Polish Minister of Infrastructure. Please see "Regulatory Overview".

DTH

Currently, there are four DTH platforms in Poland: Cyfrowy Polsat, Cyfra +, "n" platform and TNK, as well as TP, which started providing a free DTH signal in the fourth quarter of 2008 and in October 2009 introduced pay TV packages. Since 2006, Cyfrowy Polsat has been the leader in terms of number of subscribers and market share in the Polish DTH market with over 3.4 million subscribers and approximately 55% of the domestic market share, as of December 31, 2010.

Cable TV

According to PIKE, the Polish cable TV market was dominated by four major operators with a combined market share of over 63%, and, we estimate, had more than 500 small operators operating the remaining cable TV networks in Poland. In 2010, the four major Polish cable TV operators were: UPC Telewizja Kablowa, Telewizja Kablowa Vectra, Multimedia Polska and Aster (acquired by UPC Telewizja Kablowa in December 2010 subject to receipt of approval from the Antimonopoly Office which is currently pending).

IPTV

The leading IPTV provider in Poland offering fixed line telephony services is TP, which started providing IPTV to its clients with DSL in 2006. As of December 31, 2010, 115,000 Polish subscribers used IPTV services offered by TP and approximately 35,000 customers used IPTV services offered by Telefonia Dialog, according to data published by these operators.

Polish TV Broadcasting Market

Overview

The Polish TV broadcasting market consists of state-owned and private commercial broadcasters airing both at the regional and national levels.

TV broadcasting in Poland was started in the 1950s by the state-owned TV broadcaster TVP, which was the sole Polish TV broadcaster until 1992. Since the opening of the Polish TV market to private commercial broadcasters in 1992, the number of TV channels has increased substantially. Today, the Polish TV broadcasting market has five national or pan-regional terrestrial broadcasters (TVP, TVN, TV Polsat, Polskie Media and Telewizja Puls), a number of smaller regional broadcasters, broadcasters of satellite and cable TV channels and foreign broadcasters that distribute foreign language (predominantly German and English) channels. Currently, there are seven analog terrestrial channels in Poland, five of which are available to over 90% of Polish households.

As of March 31, 2011, there were no new analog frequencies available in Poland. However, Poland is currently in the process of converting from analog terrestrial broadcasting TV to DTT based on Digital Video Broadcasting—Terrestrial standards (see "Digital Terrestrial TV" below). Potential entrants to the broadcasting market must overcome regulatory barriers related to the licensing of broadcasting activities and restrictions on foreign ownership of TV broadcasters. In addition, potential entrants to the TV broadcasting industry would incur high technical, operational, and licensing costs in order to create a programming library, to acquire access to content providers, to establish and expand a distribution network and to establish advertising partner relationships. Due to the market's maturity, high level of competition among the major broadcasters and significant barriers to entry, we believe that successful entry into the Polish broadcasting market by new participants is very difficult in the short term.

The Polish TV broadcasting market is supervised by the KRRiT which grants broadcasting licenses and supervises the operations of Polish TV broadcasters. For more detail, please see "Regulatory Overview—Regulatory Framework for Broadcasting Operations".

Polish TV advertising market

According to Zenith estimates, in 2010 Poland was the second largest advertising market in Central Europe with a total net advertising expenditure of PLN 7.3 billion based on net prices for advertising airtime quoted by broadcasters and advertising agencies, after discounts or rebates and with a 4.5% growth rate in 2010. According to Starlink, in 2010 total net advertising expenditure in Poland for TV advertising amounted to approximately PLN 3.84 billion, with a year-on-year growth of 7.2%. Zenith forecasts increases of 4.7% in 2011 and 8.7% in 2012. While TV advertising's share of overall media advertising has remained stable over the past few years, advertising expenditure in 2009, as well as TV broadcaster revenue, declined as a result of reduced GDP growth during the global economic downturn.

In 2010, TV advertising was the dominant advertising medium in Poland. According to Zenith, historically, TV's share of total advertising expenditure has been stable, ranging from 51% in 2006 to 53% in 2010, and is expected to continue to have an approximately 52% share of all advertising expenditure in Poland in 2011 and 2012. The recent growth of the Internet as an advertising medium has not resulted in a substantial change in TV's share of advertising spending but it has had a significant adverse impact on print advertising (Source: Zenith).

The chart below shows advertising expenditure in Poland by medium from 2006 to 2010 on a historical basis and forecasts for the market for the period 2011 through 2013.

	2006	2007	2008	2009	2010	2011E	2012E	2013E
TV	51%	50%	52%	52%	53%	52%	52%	52%
Print	27%	24%	22%	20%	18%	17%	16%	15%
Outdoor	9%	10%	9%	9%	8%	8%	7%	7%
Radio	8%	7%	7%	7%	7%	6%	6%	6%
Internet	4%	8%	10%	12%	14%	16%	17%	20%
Cinema	1%	1%	1%	1%	1%	2%	1%	1%

Source: Zenith

The Polish TV market is characterized by high average daily TV viewing time, which was approximately 245 minutes in 2010, an increase of five minutes in average daily TV viewing time compared to 2009. The high average TV viewing time and the stability of the TV advertising market in Poland support the potential for increases in net TV advertising expenditures in Poland and are likely to translate into higher revenue in the Polish TV broadcasting market.

Based on data from Starlink, we estimate that in 2010, TV Polsat had a 22% share of the PLN 3.84 billion Polish TV advertising market and an advertising power ratio, which is a ratio of advertising market share to total individual audience share measuring the relationship between advertising revenue and audience share, of 1.3, the second highest power ratio in the market. At the same time TVN Group had a 36% share and an advertising power ratio of 1.7 and TVP Group had a 33% share and an advertising power ratio of 0.8.

Zenith forecasts that in 2011, total net advertising expenditure in Poland will grow by 5.1%. Based on Zenith's data, we estimate that TV advertising in Poland will have a 6.6% CAGR between 2010 and 2012, driven by the expected sustained GDP growth in Poland. We believe TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets that there is substantial growth potential for TV advertising in Poland. According to Zenith, in 2010 the Polish advertising market was forecast to constitute 0.5% of GDP, representing a substantially lower value as a percentage of GDP than in certain other European markets such as the United Kingdom (0.8%), Germany (0.7%), Slovakia (1.6%) and the Czech Republic (1.6%) in the same period. Similarly, we estimate that advertising expenditures per capita in 2010 reached approximately $59 in Poland, in comparison to approximately $284 in the United Kingdom, approximately $300 in Germany, approximately $294 in Slovakia and approximately $302 in the Czech Republic in the same period.

Key TV channels

The Polish TV market is dominated by the four largest FTA channels, TVP1, TVP2, TVN and POLSAT, which collectively had approximately 62% of the aggregate audience share in 2010. However, the increasing success in Poland of satellite, cable TV and DTT providers will likely result in the increasing fragmentation of Polish TV viewing audiences

In 2010, TVN was the number one Polish TV channel in terms of audience share. The TVN channel, launched in 1997, is transmitted by TVN, which is controlled by ITI Group. The TVN channel achieved a 16.4% audience share in 2010 and had approximately 90% technical coverage. TVN Group key thematic channels achieved a 5.9% combined audience share in 2010. TVN Group broadcasts key channels via satellite and two via Internet only. According to NAM, no other TV channel in Poland held an audience share higher than 3% in 2010. The remaining audience share is split among approximately 130 other Polish language cable TV and satellite channels.

In 2010, our main channel, POLSAT, was the second major TV channel in Poland with a 16.0% all day audience share and approximately 95% technical coverage. Our thematic channels had a 3.2% combined audience share in 2010. We also broadcast 12 thematic channels with comprehensive offers targeted to each important audience segment. POLSAT competes for audiences and advertising primarily with the nationwide channels of TVP and TVN. Our other channels compete primarily with a few small regional channels operating in Poland and with channels distributed via satellite and cable TV networks in Poland.

TVP broadcasts nine channels, including TVP1 and TVP2, and is one of our major competitors in the Polish TV broadcasting market. In 2010, TVP1 was the third major TV channel in Poland with approximately 15.9% audience share, while TVP2 achieved 13.5% audience share. In 2010 TVP1 and TVP2 reached almost 100% of households in Poland. TVP's regional cable TV and satellite channels had 3.6% audience share in 2010. As the national state-owned broadcaster, TVP receives the majority of license fees mandatorily charged to Polish citizens owning TV or radio sets under the License Fees Act of 2005 (Dz.U. of 2005 No. 85 Item 728, as amended). Despite regulation preventing TVP from interrupting programs to broadcast advertising, which lessens its advertising inventory, in 2009, TVP generated only approximately 17% of its income from license fees, with the balance comprising advertising revenue according to the KRRiT Report.

Digital Terrestrial TV

Poland is currently in the process of converting from analog terrestrial broadcasting TV to DTT based on Digital Video Broadcasting—Terrestrial ("DVB-T") standards. The switch to digital broadcasting is an opportunity to improve picture and sound quality and eliminate the interference that currently accompanies analog broadcasting. Digital TV systems use an Electronic Program Guide, which is an electronic listing of programs that enables viewers to, among other things, compile their own sets of favorite programs and exercise parental control. Digital TV systems also allow broadcasters to introduce additional multimedia services such as VoD, additional soundtracks or narratives for individual channels, the ability to view programs with subtitles in various languages and an enlarged and graphically improved system of text-cum-image information (an enhanced teletext service).

Digital transmission systems differ from analog systems in their bandwidth requirements. DTT can provide for the transmission of a larger number of programs to be received by a newer, specially equipped set-top boxes or iDTV sets. By using the DVB-T broadcasting standard and with MPEG-4 compression and encryption, it is estimated that viewers will be able to view up to seven to eight channels in one multiplex.

The switch to digital broadcasting will be carried out in stages and will take place in different areas of Poland over a period of time. It is expected that the process of digitalization in Poland may involve six multiplexes and two additional digital transmission systems. A multiplex ("MUX") is a term used to describe the integrated stream of digital data made up of two or more streams containing radio and TV program data, conditional access and additional services, occupying a specific TV channel.

MUX-1 has been launched, and is shared between the public TV broadcasters' core channels: TVP1, TVP2, TVP Info and four commercial channels. MUX-2 is reserved for the four commercial broadcasters including TV Polsat. Regular digital transmissions of POLSAT in certain areas started on September 30, 2010 and is expected to gradually expand to cover additional areas of Poland. MUX-3 is reserved solely for the public TV broadcaster which is expected to move all its channels from MUX-1. MUX-4 and MUX-5 are still in the design phase without specific plans as to which broadcasters will be participating and MUX-6 is currently reserved for INFO TV FM to provide mobile TV.

DTT in Poland is expected to increase the fragmentation of the TV market. However, in light of the approximately 72% penetration rate of pay TV in Poland, the impact of DTT on audience share of FTA channels is unclear. It is also too early to estimate the potential impact of competition from DTT on the DTH market in Poland.

Internet Market

Broadband Internet access in Poland is provided through fixed-line and mobile networks. The broadband Internet access market's relatively low penetration rate and strong growth potential makes it an attractive market for development.

According to the UKE Report, the total value of the Polish Internet market was estimated to be PLN 4.07 billion as of December 31, 2009 compared to PLN 3.77 billion as of December 31, 2008. Poland exhibited strong growth in the number of Internet connections in 2009, with year-on-year growth in excess of 32% and almost 7.3 million subscribers. According to data published by GUS, in 2009, the broadband Internet penetration rate was 13.5% (defined as the number of lines with a capacity equal or higher than 144 kbits/s expressed as a percentage of the population), which is still a relatively low level compared to the average for the European Union where the broadband Internet penetration rate was 24.8%. Given the relatively low broadband Internet penetration rates in Poland as compared to other European Union countries Poland remains an attractive market with significant growth potential.

According to the UKE Report, in 2009, Poland had 5.2 million fixed broadband lines, an increase of 16.3% compared to 2008. However, both the market for mobile, as a viable alternative to fixed broadband services, and the number of mobile broadband Internet users have been increasing significantly. According to the UKE Report and other UKE data, as of June 30, 2010, Poland had approximately 2.5 million mobile Internet users, compared to approximately 2.1 million in 2009 and 1.0 million mobile Internet users in 2008. In 2009, according to UKE data, 66.4% of all broadband connections offered download speed of up to 2 Mb/s, approximately 30% offered speeds up to 10 Mb/s and approximately 4% offered speeds of more than 10 Mb/s. The increase in mobile market is due to (i) the technological weakness of the fixed line broadband infrastructure, (ii) the relatively lower infrastructure construction and maintenance costs of mobile broadband, which is of particular importance in less-densely populated areas, (iii) commercial availability of fast mobile connections, (iv) lack of cable broadband infrastructure outside large cities, (v) flexibility provided by mobile solutions, as well as (vi) the extending UMTS coverage.

The Polish Internet market is serviced by several large telecommunications operators as well as smaller Internet service providers.

The table below presents the market share as a percentage of subscribers of fixed broadband Internet providers in Poland for the first half of 2010.

Provider	Six Months Ended June 30, 2010
Telekomunikacja Polska Group (TP & Orange)	37.0%
Netia	10.2%
UPC Telewizja Kablowa	8.0%
Multimedia Polska	5.5%
Telefonia Dialog	2.6%
Others	36.9%
Total	**100.0%**

Source: PMR Report

The table below presents the market share as a percentage of subscribers of mobile Internet providers in Poland for the year ended December 31, 2009.

Provider	Year Ended December 31, 2009
Orange—Orange Free	33.4%
Plus—iPlus	33.1%
Era—Blueconnect	21.3%
Play	12.1%
Others	<0.1%
Total	**100.0%**

Source: Operators' public filings and Cyfrowy Polsat's calculation based on the UKE Report

There is no governmental agency exclusively devoted to the supervision of the Polish Internet market.

Mobile Telephony Market

According to the UKE Report, the Polish mobile telephony market is mature. As of December 31, 2009, the estimated value of the mobile telephony market in Poland, based on revenue generated by operators for retail services, was approximately PLN 18.7 billion. According to management estimates, mobile telephone services comprised 44% of overall revenue in the telecommunications market in Poland in 2009.

According to GUS, as of December 31, 2010, there were approximately 47.2 million active SIM cards in Poland, which represented a penetration rate of 123.4% compared to approximately 45 million users and a penetration rate of 117.4% as of December 31, 2009 (Source: UKE Report). These penetration levels are close to the European Union average, which was 122% in 2009, and below the highest penetration rates observed in certain European Union countries, such as Lithuania, which had a penetration rate of 147%, and Portugal and Italy, both of which had penetration rates of 146%.

The table below sets forth the forecasts number of SIM cards in Poland and growth rate from 2011 to 2014.

	2011	2012	2013	2014
SIM cards in Poland (in millions)	48.0	50.0	50.8	51.9
Growth rate (in %)	2.9	4.3	1.5	2.1

Source: PMR Report

According to PMR, the average aggregated ARPU of Polish mobile operators decreased from PLN 103.3 in 2001 to PLN 45.0 in 2009, representing a negative CAGR of 9.9%. The factors that had the most influence on the ARPU decline were decreases in prices and statutory Mobile Termination Rate (“MTR”) cuts. Please see “Regulatory Overview—Regulatory Framework for Internet Operations and Mobile Telephony”.

The Polish mobile telephony market is relatively concentrated and highly competitive. The Polish mobile market is serviced by Mobile Network Operators (“MNOs”) and Mobile Virtual Network Operators (“MVNOs”). Under the MVNO business model, existing MNOs provide a licensed frequency allocation along the necessary infrastructure to an MVNO.

There are three leading MNOs in Poland (Plus, Orange and Era) as well as three smaller providers (Play, CenterNet and Mobyland) (Source: UKE Report).

There are 12 MVNOs in Poland. Our market share in the MVNO market was 16% as of December 31, 2009, measured by number of subscribers, making us the third largest MVNO provider in Poland (Source: UKE Report).

According to the UKE Report, the three leading MNOs had an aggregate market share of approximately 91% as of December 31, 2009, measured by number of subscribers (Plus and Orange and their affiliate brands each had a 31% market share and Era and their affiliate brands had a 29% market share). Based on our calculations, the 12 MVNOs and three minor MNOs in Poland in aggregate held approximately 9% market share as of December 31, 2009, measured by number of subscribers. However, MVNO market share in Poland, measured by number of subscribers, is still marginal at 0.4% in 2009.

The mobile services market is supervised and regulated by the President of the UKE, who supervises and regulates the entire Polish telecommunications market. For details please see “Regulatory Overview—Regulatory Framework for Internet Operations and Mobile Telephony”.

Market Trends

DTH market trends

Penetration of pay TV market

DTH holds a competitive advantage over fixed infrastructure operators including cable TV and telecommunications operators offering IPTV. The limited investment in infrastructure by cable TV operators, particularly in less densely populated areas, as well as limited availability of infrastructure to enable effective IPTV service significantly impacts the service offering capability of non-DTH market players and has historically helped drive the significant growth of the DTH market. We believe that as the Polish economy continues to grow, consumer spending in Poland, including consumer spending on pay

TV will continue to grow. We believe that the estimated pay TV penetration rate in Poland indicates potential for further growth in the Polish pay TV market over the next few years. Less-developed and rural areas of Poland are currently underserved and underrepresented in the pay TV market and the increasing attractiveness of DTH to Polish consumers will allow DTH providers to capitalize on the significant room for growth in the Polish pay TV market.

Multi-play services

The Polish media and telecommunications sector has been converging as subscribers are increasingly seeking to receive their media and communications services from one provider at affordable prices. In response, service providers are providing TV, broadband Internet access and telephony services bundled into multi-play offerings enabling subscribers to purchase all these services under one contract, one subscription and one invoice. Offering bundled services allows media and telecommunications service providers to meet subscribers' needs and, we believe, increase customer loyalty, favorably impacting churn rates.

Multi-play services in Poland are typically provided by cable TV operators and telecommunications service providers over their fixed line networks. Both cable TV operators and telecommunications service providers offer their services mainly in large and medium-sized cities, due in part to the geographical limitations of their infrastructure and the quality of the overall telecommunications infrastructure in Poland. The multi-play services market in Poland is underdeveloped in less densely populated areas and therefore has the potential to grow rapidly in suburbs, small towns and rural areas where these services are currently practically non-existent. In addition to the low penetration rate of multi-play services in less densely populated areas, Internet services provided by fixed-line operators typically suffer in quality of service due to the severe limitations of the established infrastructure throughout Poland. This creates an opportunity for DTH providers, such as Cyfrowy Polsat, who do not have the same geographic and fixed network infrastructure limitations as cable TV operators and telecommunications service providers, to become the principal providers of high quality multi-play services to consumers in suburbs, small towns and rural areas in Poland.

Consolidation

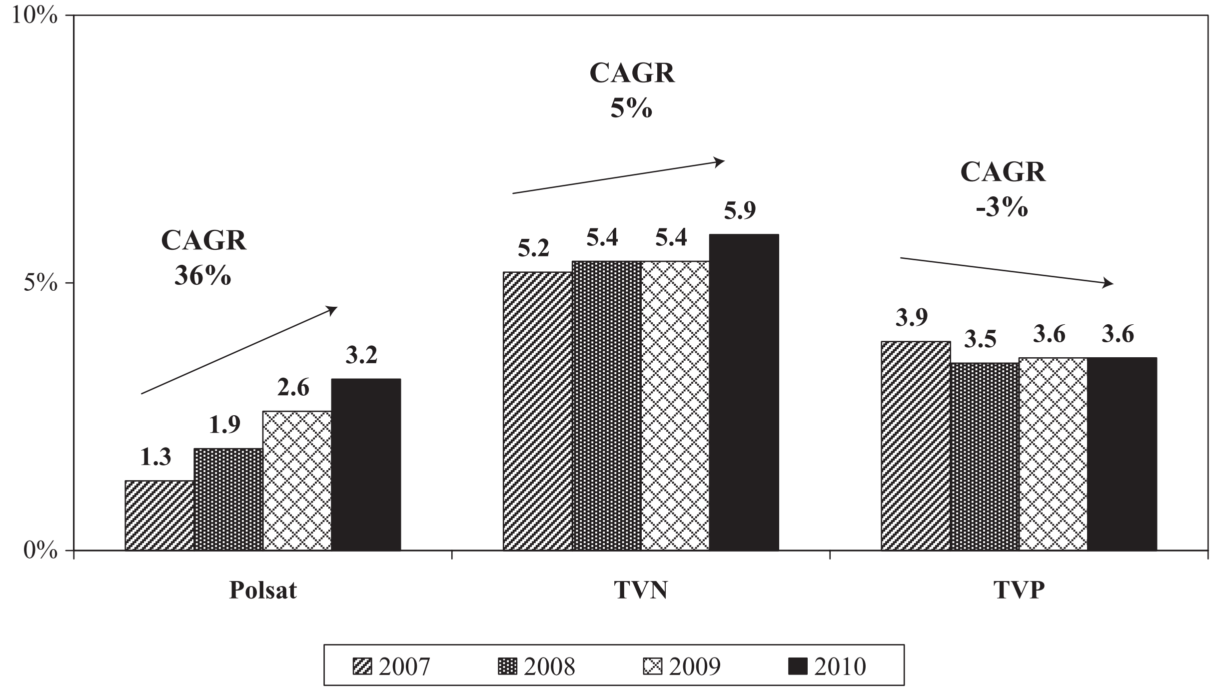
The Polish pay TV market is very competitive, with four DTH platforms, four large cable TV operators and more than 500 other cable TV operators. The more developed Western European markets are characterized by a much lower number of DTH platforms and cable TV operators and we expect there to be a consolidation of the Polish pay TV market in the future. For example, the cable TV operator UPC Polska has entered into an agreement to acquire Aster, another cable TV operator. These larger, consolidated competitors may have access to greater financial and marketing resources, may benefit from their economies of scale, operating and financial synergies and, if successful, capture a larger share of the markets in which they operate.

TV market trends

Thematic channels

A key trend to emerge in Poland over the past several years is the increasing importance of thematic TV channels. Thematic channels are TV channels specializing in a particular genre of programming, such as children's programming, films, sports, weather, news or documentaries. Non-FTA TV channels in Poland represented 32% of the viewing share in 2010 compared to 28% of the viewing share in 2009. This trend is expected to continue with some industry experts forecasting that thematic TV channels may eventually have a higher audience share than non-thematic TV channels. Those with access to thematic channels and integrated media platforms can potentially leverage the niche programming content with targeted and optimized advertising.

The chart below highlights the audience share of the top three Polish TV groups in thematic channels from 2007 to 2010.



Source: NAM All Day 16-49

The Gross Rating Point, or GRP, is a standard measure used in advertising to help measure advertising impact. One GRP, as applied to Poland, is equal to 0.2 million inhabitants in the basic commercial target group (16-49 years old). To compare the impact of advertisements with different durations, the 30 second GRP is utilized. The 30 second GRP is calculated by adjusting the standard GRP with a specific time length index, which is set according to an estimated memorization factor. For example, it is estimated that 15 second spots are remembered by viewers to an approximately 30% lesser degree than 30 second spots, so 100 GRPs of 15 second spots are equal to 70 GRPs of 30 second spots.

The 30 second GRP is a standardized measure of advertising viewership, independent of advertisement length. In 2007, thematic channels generated 10% of 30 second GRPs while in 2010, thematic channels accounted for 22% of 30 second GRPs. Over the same period, the four main FTA channels (TVP1, TVP2, POLSAT, TVN) decreased from 85% to 71% of 30 second GRPs, respectively.

The table below highlights the significant change in the non-FTA share of sold 30 second GRPs in the "All Day 16-49" audience segment. Loss of GRPs results in the decreasing supply of airtime, which directly affects our ability to generate advertising revenue. This effect is not strictly linear, since selling lower amounts of GRPs can also lead to increased prices. A decrease of GRPs may result in a decreased ability to generate revenue. However, in the case of our thematic channels, an increase in its share of 30 second

GRPs sold may result in more opportunities to diversify our revenues, and enable us to offer to advertisers better access to their target audience.

30 sec. GRP share sold	2007	2008	2009	2010
FTA	90%	86%	83%	78%
non-FTA	10%	14%	17%	22%
TOTAL	**100%**	**100%**	**100%**	**100%**

Source: NAM

BUSINESS

Overview

We are a leading integrated multimedia group in Poland with the number one position in subscriber-based pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat, the only private TV group in Poland with a nationwide broadcasting license. We provide a comprehensive multimedia offer designed to appeal to the entire family. As part of our multi-play offer, we provide to our subscribers DTH, broadband Internet and mobile telephony services.

In pay TV, we are the largest pay TV and DTH provider in Poland and the fourth largest DTH platform in Europe by number of subscribers. As of and for the year ended December 31, 2010, we had a domestic market share of approximately 55%, over 3.4 million subscribers and approximately 48% of net subscriber additions in the growing Polish DTH market. Our monthly Family Package ARPU and Mini Package ARPU were PLN 42.1 and PLN 11.1, respectively, in 2010. We offer our subscribers access to approximately 80 Polish-language TV channels, including sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1, TVP2, TVN and TV4, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport and Polsat Sport Extra, the first, second and fourth most widely viewed sports channels in Poland in 2010. In addition, we offer our subscribers 19 HD channels and provide nVoD services.

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland, the second largest TV advertising market in Central Europe. Our main channel, POLSAT, is number two in terms of audience share with a 16.0% share in 2010. We also broadcast thematic channels, which have a 3.2% combined audience share, and sell advertising space on our channels and certain third-party channels. We are a licensed broadcaster of 13 TV channels consisting of general entertainment, sports, news, business, lifestyle, movie and children's channels. Based on data from Starlink, we estimate that we captured a 22% share of the approximately PLN 3.84 billion Polish TV advertising market and had the second highest power ratio in 2010 among our key competitors.

We operate through two business segments: our Retail Customers business segment, comprising DTH, broadband Internet and mobile telephony services and our recently acquired TV Broadcasting business segment. Our two business segments produce revenue streams with distinct characteristics: retail subscription and related revenue (through our Retail Customers business segment), which accounted for 58% of our consolidated revenue on a pro forma basis in 2010, and TV broadcasting advertising revenue (through our TV Broadcasting business segment), which accounted for 35% of our consolidated revenue on a pro forma basis in 2010. Our DTH revenue has grown at a CAGR of 19% over the last three years and continued to grow during the financial downturn, demonstrating both growth potential and resilience to the economic cycle. In contrast, TV advertising revenue is generally cyclical, growing at above average rates during periods of economic growth and suffering declines during economic downturns. We believe we are well-positioned to benefit from the attractive and growing macroeconomic environment in Poland. In 2011, according to Eurostat, Polish GDP is forecast to increase by 3.9% compared to a growth forecast of 1.7% for the European Union. Furthermore, we believe that the TV advertising market will benefit from structural growth resulting from the forecasted increasing disposable income of the Polish consumer over the longer term. Zenith forecasts that TV advertising revenue in Poland will grow at a 6.6% CAGR between 2010 and 2012. We believe that we are well-positioned to continue to grow our DTH subscriber base as household pay TV penetration increases in Poland and that our strategy to grow our multi-play subscriber base will provide us with a competitive advantage in the DTH market, bolstering our ability to increase revenue per subscriber and improving customer loyalty.

For the year ended December 31, 2010, the consolidated revenue and EBITDA of our Retail Customers business segment was PLN 1,482.5 million and PLN 406.9 million, respectively, and consolidated revenue and EBITDA of our TV Broadcasting business segment was PLN 1,025.6 million and PLN 314.2 million, respectively. For the year ended December 31, 2010, our consolidated revenue and EBITDA on a pro forma basis was PLN 2,426.2 million and PLN 716.8 million, respectively, in each case after intergroup eliminations.

Our Competitive Strengths

We are a leading integrated multimedia group in Poland

We are a leading integrated multimedia group in Poland in terms of revenue and EBITDA. We operate a diversified business comprising DTH, TV broadcasting, broadband Internet and mobile telephony services. We are the largest provider of DTH services in Poland in terms of number of subscribers. With over 3.4 million subscribers as of December 31, 2010, we had more than twice the number of subscribers as our nearest DTH competitor and more subscribers than all of our DTH competitors combined. We had a domestic market share of approximately 55% and approximately 48% of net subscriber additions in the growing DTH market in 2010. In 2010, we were one of the two leading private TV broadcasters in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland in terms of audience share. Polish customers recognize the Cyfrowy Polsat and TV Polsat brand names and, we believe, associate both brand names with high quality and value-for-money services aimed at the entire family. According to GFK Polonia, among the brands of the three main DTH operators in Poland, the Cyfrowy Polsat brand name was found to have the highest (91%) spontaneous brand awareness. Advertisers recognize TV Polsat as a leader in the TV advertising market, as evidenced by Polsat Media, our subsidiary responsible for advertising sales, being ranked number one by media buying agencies and clients among broadcasters in Poland in 2009 and 2010 in terms of service quality (Source: Media & Marketing). We believe that our leading market positions and our subscriber base are attractive to content and channel providers and position us well to secure attractive programming. In addition, we believe that through our integrated platform, we are able to provide our subscribers access to a multi-play offer that may not be available to the subscribers of our competitors who do not have such an integrated platform. We believe we will also be able to use cross-promotion of our services through our various media platforms, including pay TV, nVoD, broadband Internet and mobile telephony, to drive future audience share and advertising revenue, to further expand our library of content and to optimize our cost base, including reducing content acquisition costs and other costs common to both our business segments.

We operate in one of Europe's most favorable markets and are well-positioned to capitalize on growth opportunities

As a leading TV broadcaster, we believe we are in a strong position to capitalize on the expected growth in the Polish TV advertising market as the economic recovery continues and on the structural increase in the size of the advertising market we believe should result from growing disposable income of Polish consumers over the medium to long term. According to Eurostat, Polish GDP increased by 3.8% in 2010 compared to a growth rate of 1.8% for the European Union and is forecast to increase by 3.9% in 2011 compared to 1.7% for the European Union. Average consumer spending in Poland, which includes spending on pay TV, Internet and mobile telephony services, is expected to grow by 6% in 2011, according to GFK Polonia. According to Starlink, TV advertising expenditure in Poland increased by 7.2% in 2010. Between 2010 and 2012 Zenith forcast a CAGR of TV advertising expenditure in Poland of 6.6%.

We believe there is still growth potential in the Polish pay TV market, which in 2010 had an estimated pay TV penetration rate of approximately 72%, lower than in the most developed markets such as Belgium, The Netherlands, Norway and Denmark where, according to Informa, the penetration rate is above 90%. Through our satellite TV transmission, wireless broadband Internet services and delivery of mobile telephony services as an MVNO, we are able to access less-densely populated and rural areas of Poland at a significantly lower cost than cable TV and other fixed line providers. Of the three leading DTH providers in Poland, we are the only DTH operator that provides broadband Internet and mobile telephony services under a multi-play offer. We believe that we will be able to leverage the strength of the Cyfrowy Polsat brand name and our large existing DTH subscriber base to expand the sales of our broadband Internet and mobile telephony services through our multi-play offer.

New entrants must overcome significant regulatory and operational barriers to compete effectively in the markets in which we operate

We believe that we benefit from significant barriers to entry that will aid us in maintaining our leadership positions in the competitive Polish pay TV and TV broadcasting markets. Unlike potential entrants to the Polish pay TV market, we benefit from economies of scale and a loyal subscriber base, and we can spread the relatively high cost of the necessary technology over our large subscriber base and leverage the stronger bargaining power that comes with a leading market position. The efficiency of our subscriber retention programs, penalties related to early termination of our fixed-term contracts and the burdens related to changing set-top boxes upon a change of pay TV provider all serve as barriers to potential new competitors in the Polish DTH market. Our experience in pay TV translates into an ability to extend attractive programming offers through our existing sales network covering all of Poland. As of December 31, 2010, we had 25 distributors, including the recently acquired mPunkt distribution network, with access to more than 1,100 authorized retail points of sale across Poland. In addition, we have organized our own central warehouse and logistics system which together enable us to prepare 15,000 pre-activated set-top boxes per day for delivery and the capacity to store up to 300,000 set-top boxes and access cards, which allows us to meet peak or sudden surges in demand.

In the Polish TV broadcasting market, there are currently no new analog frequencies available for new entrants or for existing competitors to expand. In addition, we believe that the planned conversion from analog to DTT, which would make new frequencies available to potential entrants, may be delayed beyond its current implementation target of July 31, 2013. Also, we believe that our established position as a leading TV broadcaster will allow us to obtain additional frequencies if and when they become available. Potential entrants to the Polish TV broadcasting market would also incur high technical and licensing costs and would have to compete in a market that is currently dominated by only a few broadcasting groups. In 2010, the FTA channels of the top three broadcasters accounted for an aggregate audience share of approximately 62%. No other TV channel in Poland had an audience share greater than 3% in 2010. In addition, a new entrant to the Polish TV broadcasting market would have to create a programming library, acquire access to content providers, establish and develop a distribution network and long-term advertising partner relationships.

We believe that these barriers to entry present significant challenges in terms of time and cost to any potential entrants to the Polish pay TV and TV broadcasting markets.

We have an attractive operating platform with low churn rates and strong customer loyalty

Our churn rate was 10.3% in 2010, which we believe was the lowest churn rate in the Polish DTH market and among the lowest in the European Union based on reported churn rates of 11.6% by Canal+ in France, 16.2% by Sky Deutschland in Germany and 10.3% by British Sky Broadcasting in the U.K. for the same period. According to GFK Polonia, among the three main DTH operators in Poland, Cyfrowy Polsat had the highest score on the Loyalty Index (69%) in 2010. Our position as the largest DTH operator in Poland, our well-developed subscriber retention programs and our strong relationships with licensors enable us to maintain strong customer loyalty by providing our DTH subscribers with high-quality programming on favorable market terms. We offer our Family HD Package at a retail price of PLN 39.90 per month and our Mini HD Package at a retail price of PLN 14.90 per month, which constitutes approximately 1.2% and 0.5%, respectively, of the average monthly remuneration in Poland. We believe our programming packages offer the best value-for-money in the Polish DTH market. We further believe that the development of our subscriber retention programs and our multi-play services, especially in less-densely populated areas of Poland where quality pay TV and Internet service options are limited, will increase subscriber loyalty and consequently further lower our churn rate.

We have strong, stable and diversified cash flows and significant operating leverage

We generate revenue through two distinct revenue streams: (i) retail subscription and related revenue and (ii) TV broadcasting advertising revenue. In our Retail Customers business segment, our large subscriber base, monthly subscription revenue and relatively low churn rates provide us with significant predictability of future revenue and strong recurring cash flows, which have historically proven to be resilient, even during periods of challenging economic conditions. Our Retail Customers business segment generated EBITDA margins of 31.7%, 25.1% and 27.5% in 2008, 2009 and 2010, respectively, and retail subscription revenue grew at a CAGR of 20% over the last three years. In our TV Broadcasting business segment, where TV advertising revenue generally fluctuates depending on the strength of the Polish economy, we have observed recent growth in the Polish advertising market and expect this growth to continue in the near future. Zenith forecasts that TV advertising revenue in Poland will grow at a 6.6% CAGR between 2010 and 2012.

We focus on our cost base and initiatives to develop in-house services and systems in order to improve quality and efficiency. In our Retail Customers business segment, we have deployed in-house information systems, including customer relations management, sales support, and customer service systems, which we believe provide better customer service and enable us to move quickly in deploying changes to our product offerings and systems upgrades. We manufacture and service our subscriber set-top boxes and in 2010, we manufactured almost 80% of the set-top boxes that we sold or leased to our subscribers. In our manufacturing process, we utilize tried and tested technology and are able to optimize the cost of set-top box provision and to tailor set-top box specifications to better meet the requirements of our subscribers. We believe that we are able to provide our set-top boxes at an approximately 20% lower cost than if we were to purchase them from third parties.

In addition, we believe that the relatively low future capital expenditure requirements of both of our business segments will allow us to grow our revenue and profitability while maintaining a high cash conversion rate. Our consolidated pro forma EBITDA margin was 29.5% and our cash conversion rate on a pro forma basis was 53% for the year ended December 31, 2010, which we believe is attractive compared to the average across the media and telecommunications landscape. We define cash conversion rate as net cash from operating activities, per our financial statements, divided by EBITDA.

We have a strong management team

Our management team consists of executives that have been members of the management boards or served in other managerial positions within the media, TV and telecommunications industries and have extensive experience in these industries. In addition, our operations in both business segments are managed by teams of experienced senior managers who provide expertise and a deep understanding of the markets in which we operate, especially with respect to marketing and sales, customer relations management and retention, technology and finance. Our senior managers have a significant track record of growing our subscriber base and market share and introducing new products in competitive environments while managing costs and increasing free cash flow. For example, Dominik Libicki, who has been our Chief Executive Officer for the last ten years, served on the supervisory board of Polskie Media, has held the position of Managing Director of PAI Film and served as vice president of the supervisory board of Polska Telefonia Cyfrowa, the largest mobile telephony provider in Poland.

Our Strategy

The key components of our strategy are to:

- drive continued revenue and profit growth by leveraging our DTH platform and our TV broadcasting business and capitalizing on the growth of the Polish economy;
- capitalize on our integrated media platform;
- further enhance subscriber satisfaction and maintain low churn rates through operational excellence; and
- focus on cash flow growth and reduce our financial leverage.

Drive continued revenue and profit growth by leveraging our DTH platform and our TV broadcasting business and capitalizing on the growth of the Polish economy

Since 2008, we have achieved significant revenue growth in our Retail Customers business segment and we plan to further increase our market share and revenue through targeted marketing to our existing and future subscribers. We intend to take advantage of the expected increase in consumer spending resulting from the growth of the Polish economy by attracting new subscribers to our DTH offerings and migrating our existing subscribers to higher-ARPU packages. We plan to focus on the acquisition of new subscribers by maintaining our value-for-money Family HD Package and Mini HD Package at, we believe, the most competitive prices in the Polish market. We have launched several initiatives to increase our ARPU from our existing subscribers by providing new attractive program packages, including HD channels, continuing to expand our nVoD services and promoting our multi-play bundles. We believe that we will be able to migrate our new subscribers to higher-priced program packages in the medium term, thereby further increasing our revenue and ARPU. We also intend to capitalize on our leadership position in the Polish TV broadcasting market, including in the "All Day 16-49" key audience segment, to capture the expected growth in the Polish TV advertising market resulting from the growth of the Polish economy.

Capitalize on our integrated media platform

We believe that the acquisition of TV Polsat was mutually beneficial to our two business segments and have identified the following post-acquisition synergies: (i) cross promotion and marketing opportunities, allowing us to promote our programming offer, multi-play services and TV Polsat channels across our various media platforms, including pay TV, nVoD, broadband Internet and mobile telephony, (ii) technology synergies, allowing us to more effectively use our satellite equipment, to optimize software and hardware solutions and to benefit from synergies on back-up solutions with regard to our transmission center, (iii) content acquisition opportunities, allowing us to secure attractive programming due to the size of our integrated platform and the further enhanced bargaining power of our combined businesses and (iv) procurement and back office synergies, allowing us to benefit from the scale of our combined operations and sharing of our already successful solutions.

Further enhance subscriber satisfaction and maintain relatively low churn rates through operational excellence

We offer high-quality TV programming to our DTH subscribers at more favorable pricing points than our main competitors. In addition, we have well-developed and tailored subscriber retention programs through which we offer upgrades of set-top boxes, extra programming or or automatic contract renewal packages, all aimed at extending the subscriber's contract or reacquiring subscribers who have already submitted termination notices. As a result, we believe we experience the lowest churn rates in the Polish DTH market and one of the lowest among large DTH platforms in the European Union. We plan to remain focused on providing best value-for-money pay TV packages and further enhancing subscriber satisfaction levels.

Focus on cash flow growth and reduce our financial leverage

We are committed to developing growth opportunities available to us, such as the upgrade of our subscribers from our basic to our premium packages and the targeted marketing of our multi-play bundles, in a manner that generates high incremental return on our investments. The large scale of our operations provides us with a platform to roll out new products and services to our large existing subscriber base and translate revenue growth into profitability and cash flow generation. We expect to reduce our financial leverage over time on a multiple basis, in terms of debt to EBITDA, by increasing our EBITDA, as well as on an absolute basis, by using our cash flow to repay debt.

Our History

Cyfrowy Polsat was incorporated in 1996 under the name Market S.A., and began offering DTH services in 1999. In 2003, Cyfrowy Polsat was granted a license by the KRRiT to broadcast satellite radio and TV channels through its own digital platform, and in December of the same year, started to operate its own digital satellite platform. In 2006, Cyfrowy Polsat became the largest pay TV and DTH operator in Poland by number of subscribers. In May 2008, Cyfrowy Polsat completed its initial public offering on the Warsaw Stock Exchange.

TV Polsat began broadcasting POLSAT via satellite on December 5, 1992. In 1994, TV Polsat was granted a license by the KRRiT to broadcast terrestrially. In 1994, POLSAT became the first private FTA channel to be broadcast in Poland.

Our Business

We have two separate business segments: Retail Customers and TV Broadcasting business segments, which accounted for approximately 61% and 39%, of our pro forma consolidated revenue in 2010, respectively.

Retail Customers Business Segment

Through Cyfrowy Polsat, we provide subscriber-based pay TV via DTH technology, broadband Internet services and mobile telephony. We are the largest pay TV and DTH operator in Poland and the fourth largest DTH platform in Europe in terms of number of subscribers with a domestic market share of approximately 55% and approximately 48% of net subscriber additions in the growing DTH market in 2010. In 2010, DTH subscription fees represented 94.0% of the total revenue generated in our Retail Customers business segment. We also currently provide our customers with a multi-play offer, which combines pay TV, broadband Internet and mobile telephony services in one offer, contract, subscription fee and invoice.

DTH services

Programming offer

We currently offer our subscribers two introductory packages: the Family HD Package and the Mini HD Package. The Family HD Package is our most popular introductory package. The Mini HD Package also includes one month of free access to the Family HD Package with the option to migrate to the Family HD Package. Subscribers to the Family HD Package may purchase additional premium packages as well as other services. We also offer the Premium Package, which provides access to the widest selection of movies and nVoD services.

Our programming strategy is to offer a range of channels that appeal to the whole family in an effort to increase the subscribers' loyalty to our offerings while pricing our packages competitively. We provide our subscribers with access to approximately 80 Polish-language TV channels, including five general channels, 12 sports channels, three of which are in HD, 30 movie channels, seven children's channels, five news/information channels, 12 education channels, three music channels, and ten lifestyle channels. We are the only DTH operator in Poland to offer the combination of Polsat Sport and Eurosport, the two most widely viewed sports channels in Poland, as well as Polsat Sport Extra, the fourth most widely viewed sports channel in Poland (Source: NAM, 2010). We also have rights to popular sport events including Formula One Grand Prix, UEFA Europa League, UEFA Champions League, UEFA Super Cup, ATP Masters Series, Wimbledon, Volleyball World League, Volleyball World Championships and Euro 2012 football qualifiers. Currently, 19 of our channels are available in HD.

In December 2009, we started offering our subscribers nVoD services consisting of 15 channels, with approximately 60 films available per month. We also provide our subscribers with access to over 500 FTA channels, including CNBC, Bloomberg, Super RTL, ZDF, Rai News 24 and nine leading radio channels. We focus on offering a wide selection of diverse TV channels designed to appeal to the entire family. As a result, we believe the attractiveness of our programming offer does not depend on any particular programming content, and therefore that the loss of any content, including the rights to popular sport events, would not materially affect the overall desirability of our programming offer.

Our package pricing strategy is based on a two-step approach: securing a significant DTH subscriber base through attractive pricing of the Family HD Package (with a monthly price of PLN 39.90 for a fixed-term contract) and upgrading these new subscribers to our higher margin premium packages with monthly prices varying from PLN 59.90 to PLN 99.90 for a fixed-term contract. At the same time, we use the Mini HD Package as a natural hedge against competitors and DTT roll-out. We offer our Mini HD Package at a monthly price of PLN 14.90 for a fixed-term contract. The majority of the subscribers to our Mini HD Package purchase their set-top boxes without subsidies from us.

Family HD Package

Our Family HD Package is an introductory package that provides subscribers with access to 44 channels. Subscribers to the Family HD Package also have access to thematic packages, including additional packages and services.

We offer the Family HD Package for a monthly fee that depends on the type of subscription. For a fixed-term contract the monthly fee is PLN 39.90, whereas the monthly fee for an indefinite term contract, terminable upon three-months' notice, is PLN 49.90. Subscribers to the Family HD Package sign an agreement for an initial subscription term of either 18, 29 or 36 months, depending on the subscriber's preference. Typically, we provide more incentives to subscribers choosing longer contract terms in order to secure our revenue for longer periods of time. Once the initial subscription term expires, the agreement is automatically renewed for the next 12 months with a three-month termination notice.

Subscribers to our Family HD Package have the ability to purchase the following additional premium packages and services:

Additional premium packages	No. of channels	Offered channels
Extra HD Package	18	AXN SCI FI, AXN Crime, Film Box, Film Box HD, Kino Polska, FOX Life, FOX Life HD, Zone Romantica, Zone Europa, Discovery HD Showcase, Animal Planet HD, Boomerang, Nickelodeon, MTV, MTVN HD, VH1, Family, National Geographic Channel HD
Sport HD Package	9	Polsat Sport HD, ESPN, Eurosport HD, TVP Sport, Eurosport 2, Polsat Futbol, Orange Sport Info, Eurosport 2 HD, Extreme Sports
Additional services		
Cinemax HD Package . .	3	Cinemax, Cinemax 2, Cinemax HD
HBO HD Package	4	HBO, HBO HD, HBO 2, HBO Comedy
HBO Cinemax HD	7	HBO, HBO HD, HBO 2, HBO Comedy, Cinemax, Cinemax 2, Cinemax HD
Entertainment Package .	2	Hustler, Daring! TV

Premium Package

We also offer our subscribers the Premium Package. This package provides subscribers with the widest selection of channels, including all channels available in the Family HD Package. It also provides subscribers access to five theme packages: Extra HD, Sport HD, HBO HD, Cinemax HD and HBO Cinemax HD, as well as to our nVoD services. The Premium Package is currently offered for PLN 99.99 for a fixed-term contract or PLN 142.90 for an indefinite term contract, terminable upon a three-month notice.

Mini HD Package

The Mini HD Package is an introductory package that provides subscribers with access to 15 Polish TV channels and all FTA TV and radio channels available via satellite in Poland. Subscribers to this package may upgrade to the Family HD Package at any time during the term of their agreement, which provides access, upon payment of additional subscription fees, to additional premium packages and services.

We offer the Mini HD Package to new subscribers for a monthly fee of PLN 14.90 for a fixed term or PLN 19.90 for an indefinite term. Subscribers to the Mini HD Package sign an agreement for an initial subscription term of 18, 29 or 36 months. Upon entering into an agreement to purchase the Mini HD Package, subscribers also receive one month of free access to the Family HD Package to evaluate our offer should they decide to migrate to this package. This evaluation period is a part of our efforts to upsell our Mini HD Package subscribers to our other packages and services. Once the initial subscription term expires, the agreement is automatically renewed for the next 12 months with a three-month termination notice.

VoD Home Video Rental

In December 2009, we successfully introduced VoD Home Video Rental, a service in the video on demand category, dedicating an entire satellite transponder to this service. This nVoD service is available to all our subscribers regardless of the type of set-top box they use, as it does not require a storage disc in the set-top box or a recording functionality. Further, because our nVoD offer is available for each set-top box, the service was profitable from the day of its launch.

VoD Home Video Rental consists of 15 satellite channels with approximately 60 movies available per month. Our subscribers are able to choose between 15 movies daily. We update our nVoD offer on a weekly basis. Subscribers are charged for each individual movie they select as follows: PLN 11 for access to a movie in the "New" category, PLN 8 for access to a movie in the "Hit" category and PLN 5 for access to a movie in the "Catalog" category. A selected movie is available to the subscriber for 24 hours from the time of purchase. In addition, it is possible to purchase monthly unlimited access to the films in the "Catalog" category for a price of PLN 20.

Free-to-air channels

In addition to paid programming packages, we offer our subscribers access to over 500 FTA TV channels and to leading Polish radio channels available via satellite in Poland. After a subscriber's subscription agreement expires, we allow subscribers that purchased our set-top boxes to view all FTA channels without an additional subscription fee. However, we block such access if a subscriber defaults under its agreement. We believe that if allowed to view FTA channels following the termination of their agreements, subscribers will be more willing to re-subscribe for our programming packages if they decide to use pay TV services again. We believe that this customer-friendly strategy is also a significant factor in creating a positive image and strengthening the Cyfrowy Polsat brand.

DTH subscribers

We had over 3.4 million subscribers as of December 31, 2010. We increased our subscriber base more than five-fold in the last five years with a 39% CAGR since 2005 and we have been the leading pay TV operator in Poland since 2006. Over the last five years, we have been able to take advantage of rising pay TV penetration rates in Poland to grow our business through the strategic positioning of our channel offerings and competitive pricing of our programming offer.

The increase in the number of our subscribers has led to an increase in revenue from PLN 1,098.5 million for the year ended December 31, 2008 to PLN 1,482.5 million for the year ended December 31, 2010 at a CAGR of 16%. We have significantly improved our programming offer to retain existing subscribers and attract potential new subscribers. Between January 1, 2010 and March 31, 2011, we enriched our programming offer with 19 channels including ten HD channels. By introducing such services as nVoD, a wide range of HD channels and attractive programming packages, we were able to increase our Family Package ARPU from PLN 39.4 in 2008 to PLN 40.3 in 2009 and PLN 42.1 at the end of 2010.

We experience a low churn rate by focusing on improving subscriber satisfaction with our services. Based on our calculations, we believe that we have the lowest churn rate among DTH operators in Poland.

Our total churn rate decreased from 12.2% at the end of 2005 to 8.2% at the end of 2009 but increased to 10.0% in the first half of 2010 and stabilized in the second half of 2010, ending the year at 10.3%. The increase in our churn rate in 2010 mainly resulted from a change in our terms and conditions which allowed subscribers a one-time opportunity by law to terminate their fixed-term contracts. In addition, the increase in our churn rate in 2010 resulted from more aggressive competition in the pay TV market in the fourth quarter of 2009.

Sources and costs of programming

DTH license agreements

To provide TV content, we rely on license agreements with various content providers, pursuant to which we are granted exclusive or non-exclusive rights to distribute content through our digital platform. In addition to TV Polsat Group, as of March 31, 2011, we were a party to license agreements with 24 content providers distributing channels such as: Discovery, Discovery World, Discovery Science, Animal Planet, National Geographic, Eurosport, Fox Life, Zone Reality, Comedy Central, MTV, VH1, Cartoon Network, Disney Channel, HBO, AXN and Cinemax.

Pursuant to these license agreements, we pay monthly programming fees to all content providers whose pay TV channels we carry. Typically, our contracts with content providers have a term of three to five years with the option to renew for successive periods. We aim to negotiate favorable license terms with content providers, including reduced fees during promotion periods or reductions of per-subscriber fees with increasing subscriber numbers.

Our license agreements with content providers generally provide for payments to the content providers on a per subscriber basis or, in some cases, a flat fee basis. If we are required to pay on a per subscriber basis, programming fees are calculated by multiplying the fee per subscriber specified in the agreement by the number of subscribers to whom we rendered the services delivering the particular programming package that includes the licensed channel. License agreements frequently provide that after a specified number of subscribers is exceeded, the fee per subscriber is reduced. The governing law of the license agreements is generally English or Polish law.

nVoD license agreements

We also enter into license agreements with various content providers under which we are granted non-exclusive rights to show programs/materials in Polish within Poland through our nVoD services. These agreements are generally for terms of no less than three months and can be extended under certain conditions. As of March 31, 2011, we were party to license agreements with five movie distribution companies including the Walt Disney Company and other major Polish movie distributors. Under these license agreements, we are not entitled to distribute or show movies except through nVoD and are not permitted to sublicense, assign or transfer our licensed rights without the prior written consent of the respective content provider. We also generally agree to pay monthly fees to the licensors throughout the term of the given agreement. The fees are generally equal to the respective licensor's share, usually 50%, of all nVoD net revenue received by us during a month. The license agreements have fixed terms and automatically renew for successive periods unless either party provides a prior notice of termination. The license agreements are governed either by Polish or English law.

Other programming costs

Our DTH operations require us to pay royalties to copyright management organizations. In addition, under the Act on Cinematography, we are required to pay the Polish Film Institute a quarterly fee representing a percentage of our revenue. Please see "Other Aspects of Our Business—Polish Film Institute and Collective Copyright Management Organizations ("CCMO")" and "Regulatory Overview—Other Regulations—Act on Cinematography".

Broadband Internet services

Broadband Internet offer

We offer our broadband Internet services through the use of the latest HSPA+ MIMO technology and we rely on wholesale data transfer service providers such as Mobyland. For more information on our agreement with Mobyland, please see "Major Shareholders and Related Party Transactions—Related Party Transactions—Agreement with Mobyland Sp. z o.o.".

We offer wireless broadband Internet at a speed of 28.8 Mb/s (download) and 5.8 Mb/s (upload). As of March 31, 2011, these speeds are approximately three times faster than advertised wireless broadband Internet access services currently available in the Polish market, allowing our subscribers to make full use of the Internet's most advanced multimedia services (such as movies, online games, radio and video messaging).

By using the latest HSPA+ MIMO technology, we are in a position to offer broadband Internet speeds of 28.8 Mb/s in urban and in less densely-populated areas. This provides us with a competitive advantage in smaller towns, suburbs and rural areas against fixed-line providers, who are restricted by network infrastructure limitations.

Customers may subscribe for our broadband Internet service at retail points of sale located in areas where we offer our Internet services. Our broadband Internet offer includes subscription packages, with varying monthly data transfer capacity options available for use per month. The basic option available within our multi-play offer gives access to 200 MB for a PLN 1 monthly subscription fee. Other options include packages for 2 GB, 12 GB and 30 GB for monthly fees ranging from PLN 29.90 to PLN 69.90. The activation fee for all options is PLN 49. The subscriber may enter into agreements for 15 or 29 months.

Recently we began testing commercial broadband Internet access based on the LTE technology, which we believe will be an important technology for the future of mobile broadband Internet and the successor to the commonly used UMTS standard. An LTE mobile connection can offer a maximum speed of up to 150 Mb/s. Subject to our test results, we plan to introduce LTE services in 2011, which would make us the first Internet provider to offer this technology in Poland and, we believe, would provide us with a significant competitive advantage over our competitors. For more details, please see "—Technology and infrastructure—Broadband internet equipment and infrastructure—Network" below.

Broadband Internet subscribers

We introduced our broadband wireless Internet access service on February 1, 2010. These broadband Internet services also form a part of our multi-play offer which also includes DTH and mobile telephony services. Our broadband Internet service is currently available to approximately 55% of the Polish population. As of December 31, 2010, approximately 50% of our broadband Internet subscribers also subscribed to our DTH and/or mobile telephony services. As of March 31, 2011, we had approximately 35,000 broadband Internet subscribers including subscribers to our multi-play offer.

Mobile telephony services

We have been operating in the mobile telephony services market as an MVNO since 2008. We view our mobile telephony services as complementary to our DTH and broadband Internet services and have no intention to compete with domestic mobile operators on a stand-alone basis. We intend to leverage our brand name using our existing DTH subscriber base to become a multi-play operator offering DTH, broadband Internet access and mobile telephony services. We believe that expected synergies between our DTH service, broadband Internet and mobile telephony businesses will help us to attract new subscribers, increase operating revenue and overall subscriber satisfaction and, as a result, help to maintain our low churn rate.

Mobile telephony offer

We offer two mobile telephony packages which are priced as follows:

- PLN 29 per month for 120 minutes of talking-time; and
- PLN 49 per month for 240 minutes of talking-time.

For both packages, monthly usage in excess of usage covered by the monthly fee is charged at PLN 0.10 per minute for connections within our network and PLN 0.29 per minute for all other domestic connections. Subscribers are also offered services such as SMS and MMS messaging for an additional fee. We consider our offer of "post-paid" mobile telephony provided by us as an MVNO to be a key advantage in a market that is characterized by pre-paid services. Post-paid mobile telephony service has the advantage of more predictable revenue and generally lower churn.

Mobile telephony subscribers

We have experienced increasing growth in the number of the mobile telephony subscribers over the past year. We believe this growth is the result of our introduction of the multi-play offer in June 2010. As of December 31, 2010, approximately 68% of our mobile subscribers also subscribed to our DTH and/or broadband Internet services. As of March 31, 2011, we had approximately 116,000 mobile subscribers including subscribers to our multi-play offer.

Multi-play offer

We started offering our DTH, broadband Internet and mobile telephony services in one multi-play offer in June 2010. The multi-play offer enables subscribers to obtain all three services under one contract, one subscription fee and one invoice. The multi-play offer is designed for our existing subscribers as well as new subscribers. Our existing subscribers may purchase the broadband Internet and/or mobile telephony offer during the term of their agreement.

We provide various promotional packages in our multi-play offer. For example, as part of the subscription agreement for pay TV services, subscribers receive 4 GB of free data transfers in the broadband Internet service throughout the term of their agreements or, if the subscriber signs an agreement for 29 months of TV service he or she may be entitled to 116 GB of free data transfers. In addition, as part of the mobile telephony package, subscribers receive 30 minutes of free service. Mobile telephony subscribers may also benefit from the same incentives available within the TV offer. If the amount of data and/or minutes in the multi-play offer is insufficient, the subscriber is able to purchase, in any configuration, additional optional packages available in the broadband Internet and mobile telephony offers. The selected package may be upgraded with a higher level package at any time during the term of the agreement.

We currently view the multi-play offer as a tool to expand our subscriber base and grow our revenue, as well as to increase subscriber satisfaction and loyalty. In the long-term, we believe the multi-play offer will enable us to increase ARPU and to further reduce our churn rate. We believe that once LTE Internet technology is more developed and successfully implemented, we could use our multi-play service to compete more effectively with cable TV operators in urban areas. We believe that when commercially implemented, the LTE Internet technology will enable users in cities to have faster data transfer than currently offered via fixed line Internet connection.

Sales, marketing, customer relations and retention management

Sales

DTH products and services sales network

We sell our products and services through two distribution channels: the traditional retail sales channel and a direct sales channel. Our sales network covers all of Poland. As of December 2010, our traditional retail sales channel comprised 25 distributors cooperating with a network of approximately 1,000 retail points of sale, offering pay TV services, and the mPunkt distribution network managing 140 points of sale. The direct sales channel (door-to-door) includes our in-house divisions which employ 240 sales agents and external distributors employing an aggregate of 43 sales agents. The distributors are independent businesses entering agreements directly with the points of sale.

We supply our points of sale with marketing materials, such as posters and leaflets in order to increase client awareness of our services. At these points of sale, customers can sign an agreement to purchase our services, obtain set-top boxes or order the installation of a satellite dish. In addition, these points of sale provide subscribers with technical assistance for set-top boxes, phone servicing and replacement devices for the period of repair. We also organize training seminars for employees at our points of sale on techniques for attracting new subscribers and promoting information about our programming offer. We periodically organize incentive programs for the sales representatives which award bonuses based on the number of subscribers each sales representative acquires and type of programming packages each new subscriber subscribes for.

We also sell and promote our products and services through portable sales stands usually located in shopping malls and at public events. Because these portable sales stands are strategically located, branded and supplied with marketing materials they also perform a marketing function.

Our direct sales channel enables us to precisely target selected groups of customers, to establish direct communication with customers and to expand our sales network.

Sales of broadband Internet services

Our broadband Internet service is currently available to approximately 55% of the population. Subscribers may sign up for our broadband Internet service in approximately 550 authorized points of sale which are located in the areas where we are technically able to provide our broadband Internet services and through 57 door-to-door sales agents.

Sales of mobile telephony services

Customers may subscribe for mobile telephony services in almost all of our authorized points of sales.

Call center

We provide our sales' call center number in advertisements of our products and services placed in various media and our promotional materials to enable potential subscribers to obtain information about our services, place orders or ask for directions to the nearest point of sale.

We currently operate our call center with approximately 500 operator stands as well as approximately 100 back-office personnel handling written requests (including faxes and e-mails). In 2011, we intend to increase the number of operator stands by 100. Our call center service is available to our present and potential clients 24 hours a day, seven days a week, and is responsible for providing comprehensive and professional customer service. The call service operators provide information on our services, enter into service agreements with subscribers, accept subscriber complaints and provide information on payments and other support for subscribers.

Online

Our website acts as an interface to a growing number of subscribers as well as prospective subscribers. It provides users with an opportunity to familiarize themselves with our programming multimedia offers, order selected satellite TV receiving equipment together with programming packages of their choice or to locate our nearest point of sale. Our existing subscribers may also use our website to buy additional programming packages, find information about current nVoD offers or purchase programming. Recently, we launched a new service available through our portal—Video area (Catch up TV) with a set of channels distributing their programming to our subscribers through their Internet connection in conjunction with their DTH subscription offer.

In addition, our Internet Customer Service Center is an advanced tool which enables our subscribers to have secure and free access to our back-office resources and on-line technical support. By accessing our website, subscribers can check their payment balances, print payment orders, review a history of their agreements, check the specifications of their set-top boxes, print the relevant user manual, restore signal transmission, restore the factory PIN settings of their set-top box, revise personal data to make payments online and send us questions. In addition, subscribers can activate and deactivate certain services, check available units for use within their active services/packages and see a detailed list of rendered services.

Broadband Internet and mobile telephony subscribers can also access account and billing data on the Internet or on their mobile phone.

Central warehouse

To support our distribution channels, we have organized our own central warehouse and logistics system. The central warehouse has a total area of approximately 9,500 m^2 and stores set-top boxes, modems, accessories, parts and materials necessary to ensure efficient logistics and sales operations including promotional materials and packaging. Together with our logistics system, our warehouse enables us to prepare 15,000 pre-activated set-top boxes per day for delivery and allows us to store up to 300,000 set-top boxes and access cards. We believe our central warehouse is large enough to satisfy all our anticipated storage needs.

Marketing

Our main advertising channel is TV. We also advertise through other channels such as radio, press, outdoor and online advertising for dedicated products or promotions. Additionally, our website is an important communication channel with new and prospective subscribers. Additionally we communicate regularly with our subscribers using mail, e-mail and telemarketing activities.

Customer Relations Management

We seek to consistently improve the quality of our customer service using the latest technology. Our customer service department is managed by experienced and committed staff with a highly flexible approach supported by a quick decision-making process. We use an advanced customer relationship management IT system developed by our specialists based on an integrated platform handling telephone, fax, e-mail, SMS and text to speech communications and mail. Our customer relationship management system makes it possible to comprehensively document and handle all requests placed by subscribers in a timely and effective manner.

Our Customer Service Center also has employees dedicated solely to addressing subscribers' queries related to the broadband Internet and mobile telephony services. These employees are supported by a number of technical tools in order to ensure the highest level of subscriber satisfaction.

Retention Management

We place a high importance on subscriber retention. In 2009, we implemented a new subscriber retention program, aimed at reducing our churn rate, keeping our existing subscribers and growing our revenue. We are constantly developing and adapting our retention programs to tailor our services to our subscribers. We have dedicated one department in our organization specifically to retention management and have dedicated significant resources to this department. We conduct reactive and proactive subscriber retention programs.

Our reactive retention programs are aimed mainly at subscribers who already delivered their termination notices. These programs are being handled by our anti-churn department, which contacts such clients and provides them with offers aimed at encouraging them to continue their subscription.

In our proactive retention programs, we begin the retention efforts well before the end of the initial period of the subscription agreement. Using a variety of communication channels, we communicate to our subscribers our offers for extending contracts such as a set-top box upgrade or a more attractive programming package. Moreover, we introduced a contract auto-renewal policy that extends contracts automatically by 12 months after the initial period. Our multi-play offer supports our subscriber retention efforts. Subscribers can extend the package of services by adding broadband Internet or mobile telephony services to their already-purchased TV package at any time during the term of their agreement. All subscribers can also upgrade their TV package or buy additional telecommunications packages.

The introduction of our retention programs and the offering of multi-play services will help us to manage our churn rate as an increasing part of our subscriber base is maintained on fixed-term (loyalty) agreements.

Technology and infrastructure

Conditional access system

Access to TV channels offered in our pay programming packages is secured with a conditional access system that we purchased from Nagravision. We use this system to control access to particular pay programming packages.

Upon signing a contract for our services, the subscribers receive a set-top box together with an access card, which allows them to receive the pay programming offer. Each card is electronically matched with a particular decoder.

We routinely identify unauthorized access to our service because of the significant risks unauthorized access poses to our business and revenue. According to our agreement with Nagravision, in the event of a breach of our systems, which cannot be cured, Nagravision is obligated, under certain conditions, to replace the conditional access system together with the cards provided to our subscribers and, if necessary, to adapt the set-top boxes to the new system.

Nagravision is paid a monthly fee on a per-subscriber basis. For further information on the contract with Nagravision, please see "Material Agreements—Agreement Regarding Conditional Access System".

Satellite

In 2009, we entered into satellite capacity contracts with Eutelsat. The contracts involve two transponders dedicated to SD, one transponder dedicated to HD as well as one transponder dedicated to support our nVoD service and to serve as a backup transponder if needed. The contracts expire in 2016 and we have the right to extend the agreements for additional successive seven-year periods. For further information on the contracts with Eutelsat, please see "Material Agreements—Agreements Related to Capacity on Satellite Transponders".

Broadcasting center

Our broadcasting center is located in Warsaw, Poland and enables us to transmit TV channels to the transponders we use on the Hot Bird satellites. Some TV channels are transmitted by the broadcasters of these channels or by third parties. We believe our broadcasting center, which was built in 2006 and expanded in 2009, is one of the largest broadcasting centers in Poland. It is equipped with up-to-date integrated video, audio and information systems and is used to broadcast TV channels, including HD channels.

To mitigate risks of failure or shutdown of our broadcasting center or any of its parts, our broadcasting, transmission and multiplexing equipment has redundancy solutions on critical nodes of our broadcasting network. In addition, Eutelsat will provide us with a backup transponder if necessary. In addition, we can transfer signal broadcasting to the transponder we currently use for nVoD services, after we first disengage that transponder from the nVoD services. In addition, we are planning to establish an uplink backup broadcasting center, initially scheduled to be completed by the end of 2012.

MVNO infrastructure

We operate as a full capacity Mobile Virtual Network Operator, which means that we have our own telecommunications infrastructure except for the radio network. This business model assures we have full control of our client offerings through our own billing system and enables direct interconnections to other operators, and the opportunity to generate additional interconnection revenue. The radio network infrastructure is provided by leading mobile networks operators through domestic roaming agreements.

Our MVNO mobile telephony service is provided in the GSM system which is based on UMTS technology provided on the radio interface of the MNO operator. The service includes voice data transmission, SMS, MMS as well as GPRS/Edge/UMTS/HSPA data transmission. Our subscribers may also use international connections through our roaming service.

Broadband Internet equipment and infrastructure

Modems

We offer technologically advanced modems. The price of the modem depends on the terms of the agreement and data package purchased by the subscriber. Typically, the longer the term of the agreement and the higher-priced the data package purchased, the lower the price of the modem and the greater the choice of available types of modems. The price of the modem in the multi-play offer depends on the term of each subscriber's agreement (15 or 29 months) and the additional data package chosen from those available in the broadband Internet offer.

Network

Our broadband Internet access services are based on a radio infrastructure provided by Mobyland. Please see "Major Shareholders and Related Party Transactions—Related Party Transactions—Agreement with Mobyland Sp. z o.o."

The original networks provided by Mobyland have a maximum transfer speed of 21 Mb/s for data received from the Internet and 5.76 Mb/s for data sent by a user. The current standard for mobile networks is 7.2 Mb/s and 1.9 Mb/s, respectively. By using HSPA+ MIMO, we increased the transmission speed to 28.8 Mb/s. The HSPA+ MIMO technology, based on multiple transmitting and receiving antennas at a base station and a terminal, enables a simultaneous transfer of several data streams and, therefore, offers a higher transfer capacity, better transmission quality and optimized frequency use. It enables the use of all Internet functions including web browsing, file uploading and downloading, movie playing, HD and 3D transmissions.

In the first quarter of 2011, we became the first commercial broadband Internet provider in Poland to start user tests of the LTE technology, which offers a maximum speed of up to 150 Mb/s. Compared to HSPA+ or UMTS, LTE is characterized by much lower delays and has the capacity to support a greater number of users. The potential of the LTE technology is based on greater capacity and speed with lower latency, which enables LTE Internet service subscribers to use interactive and multimedia applications requiring high bandwidth and transmission in real time, such as online games, video communication and HD TV through Internet.

Subject to the user test results, we plan to provide a service through the LTE network on 1800 MHz frequencies, launched in September 2010 by Mobyland in cooperation with CenterNet. We intend to offer Speed 1000 modem—a USB modem produced for us by IP Wireless operating on the 1800 MHz frequency. The modem is intended to provide speeds of up to 100 Mb/s for downloading and 50 Mb/s when sending data. However, we intend to run the modem initially at speeds of 73 Mb/s (download) and 25 Mb/s (upload), respectively, and plan to provide the software update to support the higher speeds via Internet at no extra cost. If successfully implemented, we believe the LTE technology could provide us with a significant advantage over competitors as there are currently no frequencies available in the market on which other Internet providers could potentially develop the LTE technology.

Set-top boxes

To reduce our costs, we began manufacturing our own SD set-top boxes in November 2007 and HD set-top boxes in April 2010. The in-house manufacturing of set-top boxes has proved to be more cost-efficient than purchasing set-top boxes manufactured by third-parties and has allowed us to offer more competitively-priced packages and achieve higher operational efficiency in our business. In-house manufacturing of set-top boxes has allowed us to save approximately 20% of the cost of a single device in comparison to equipment purchased from third parties. Additionally, it has allowed us to unify the software and interface of the set-top box, which is convenient to our customers if they switch between set-top box models. In addition, we have control over set-top box software and we have the flexibility to adapt the software to meet subscriber requirements.

We believe we can increase or decrease production levels through our partnerships with third parties and believe we can adapt to future equipment needs and production demands. In manufacturing our set-top boxes, we rely on mature solutions and do not experiment with untested technologies. Thus far, we have not experienced any major post-manufacturing problems that would have led to the recall and replacement of set-top boxes manufactured by us.

Set-top boxes manufactured in-house represented almost 80% of overall set-top boxes that we sold or leased to our subscribers in 2010. We still cooperate with external providers of set-top boxes, mainly Samsung, Echostar and Sagem, but in 2011, we intend to purchase only newly-developed technology, such as DVR set-top boxes, from external providers.

Our subscribers can either buy or lease set-top boxes from us. The price of a purchased set-top box depends on the package of pay TV programs purchased by the subscriber. Typically, the higher-priced the package purchased, the lower the price and the higher set-top box subsidy we allow. We view the subsidizing of set-top boxes as a necessary component of acquiring new subscribers. Changes in set-top box prices and the size of the subsidy available for subscribers are linked to market conditions. We have a warranty service designed to help ensure customer satisfaction with the performance and operation of set-top boxes. Leased set-top boxes remain our property, and we continue to maintain and update leased set-top boxes beyond the two-year standard warranty period.

IT systems

Our IT systems have been developed for the most part by our information technology department. We develop in-house solutions because we believe in the importance of maintaining a high level of flexibility and the ability to adjust to changing market conditions. Our key IT systems are: (i) the sales services system, which mainly enables us to register and control the commercial operation of the sales network; (ii) the customer relationship management system, which enables us to provide a comprehensive customer service with regard to complaints, subscriber profiling and the handling of special offers and collection processes; (iii) the reporting system, which enables the rapid preparation of reports on key indicators of the business, the automatic distribution of the reports to designated recipients and the preparation of reports and analyses by business divisions; and (iv) the subscriber management system, which facilitates new client authorizations, handles monthly subscription payments, tracks late payments, notifies delinquent accounts through on-screen "pop-up" messages, SMS messaging, automated telephone messages and e-mail, provides for changes of packages, enables us to deregister clients upon expiration of their agreements and automatically enables us to disconnect our services.

TV Broadcasting Business Segment

Through TV Polsat, we broadcast POLSAT, our main and FTA channel, transmitted via terrestrial broadcasting, satellite and cable TV as well as 12 thematic TV channels including sports, news, business, lifestyle, movie and children's channels, mainly transmitted via satellite and cable TV. We believe that we are the only broadcaster in Poland to offer subscribers such a comprehensive range of channels designed to appeal to the entire family. In 2010, we were one of the two leading private TV broadcasters in Poland in terms of revenue and advertising market share and the third largest broadcaster in Poland in terms of audience share.

Channels

We believe we have a portfolio of channels that appeals to the important audience segments and that we hold a leadership position in sports programming and a strong position in news programming. Our portfolio of channels addresses the entire family.

The table below shows the channels that we currently operate. We are in the process of developing Polsat Sport News and have received a license to broadcast Polsat Sport News via satellite and DTT until August 2020. The launch date of the channel has been initially targeted for June 1, 2011.

Channel	Start date	Thematic group	Signal distribution	Availability	Household coverage(1)
POLSAT	December 5, 1992	General interest	Terrestrial/DTT/cable/satellite	FTA	95.3%
Polsat Sport	August 11, 2000	Sport	Cable/satellite	non-FTA	35.9%
Polsat Sport Extra	October 15, 2005	Sport	Cable/satellite	non-FTA	27.2%
Polsat Futbol	September 17, 2009	Sport	Cable/satellite	non-FTA	11.2%
Polsat Sport HD	October 12, 2007	Sport	Cable/satellite	non-FTA	n/a
Polsat Film	October 2, 2009	Movie	Cable/satellite	non-FTA	22.2%
Polsat Café	October 6, 2008	Lifestyle	Cable/satellite	non-FTA	33.3%
Polsat Play	October 6, 2008	Lifestyle	Cable/satellite	non-FTA	23.0%
Polsat 2	March 1, 1997	General interest	Cable/satellite	non-FTA	41.7%
Polsat News	June 7, 2008	News	Cable/satellite	non-FTA	29.9%
TV Biznes	February 8, 2007	Business	Cable/satellite	non-FTA	44.2%
Polsat Jim Jam	August 2, 2010	Children	Cable/satellite	non-FTA	23.2%
Polsat Sport News	June 1, 2011(2)	Sport	DTT/Satellite	FTA	n/a

Source: TV Polsat

(1) Average household coverage in 2010 by NAM survey.

(2) The launch date is initially planned for June 1, 2011.

Our portfolio of channels is described in greater detail below.

POLSAT

POLSAT, our main channel, is the only commercial channel with a nationwide analog license broadcasting 24 hours a day, seven days a week. It is the number two private FTA channel in Poland in terms of audience share. The channel is broadcast via the analog terrestrial signal using the broadcasting infrastructure owned and leased by us or from a third party, TP EmiTel. We believe that terrestrial broadcasting provides good quality reception of POLSAT for approximately 70-80% of viewers in approximately 65-70% of the territory of Poland. Apart from terrestrial broadcasting, POLSAT is also provided in SD and HD by all the major Polish cable TV operators as well as our DTH platform and the Cyfra+ DTH platform. Approximately 33% of POLSAT viewers receive the channel via terrestrial analog signal, 32% via cable TV and 35% via DTH. POLSAT airs a broad variety of movies (some from major US studios), lifestyle programs, news and feature programs, Polish and foreign series as well as popular sport events. We believe that POLSAT offers attractive TV programming which contributed to a 16% audience share in 2010 in the "All Day 16-49" audience segment, the audience segment that POLSAT targets.

The most successful programs aired in prime time by POLSAT in September to November 2010, the key period for advertisers, were programs from the drama series category and, in the movie slot, blockbusters mainly from Sony Pictures Television International and 20th Century Fox, with an audience share of 26% and 24% respectively. The most successful programs aired by POLSAT during the same period in off-prime time were programs from the serials, sport and drama series categories with a 24% audience share.

The following table presents our non-FTA channels.

Channel	Target audience segment	Average audience share in the target audience segment for 2010	Core programming	Additional information
Polsat Sport	Men Age 16-59	0.9%	Polish sports and major sports events produced and broadcast live: (i) volleyball (World Championships, FIVB (*Fédération Internationale de Volleyball*) World League, World Grand Prix, Polish League), (ii) athletics (e.g. Diamond League), (iii) football, (iv) handball, (v) world class boxing and (vi) MMA (*Mixed Martial Arts*) contests.	The number one sports channel in Poland in the "Men Age 16-59" audience segment in 2010.
Polsat Sport Extra	Men Age 16-44	0.3%	Premium sport events, primarily Formula One (full coverage together with training and TV commentary) and the largest international tennis tournaments such as Wimbledon and handball Champions League.	The number four sports channel in Poland in the "Men Age 16-44" audience segment in 2010.
Polsat Futbol . . .	Men Age 16-59	0.04%	Prestige football games of the UEFA Europa League, qualifying matches for the FIFA World Cup and the UEFA European Football Championship, foreign football leagues with Polish players and football club channels.	Channel addressed to up-market football fans.
Polsat Sport HD .	Men Age 16-59	n/a	A selection of sport events available in HD technology, including live broadcasts of some of the major sports events, such as the UEFA Europa League, volleyball, boxing and MMA (*Mixed Martial Arts*).	
Polsat Film	All Age 16-49 cable TV/satellite viewer	0.4%	Hit movies, top box-office productions and non mainstream movies from a library of major US movie studios, including Sony Pictures Television International and 20th Century Fox TV.	
Polsat Café	Women Age 16-44	0.3%	Lifestyle, fashion and gossip programs as well as talk shows.	
Polsat Play	Men Age 16-44	0.3%	Consumer gadgets, the automotive industry, angling and cult series.	

Channel	Target audience segment	Average audience share in the target audience segment for 2010	Core programming	Additional information
Polsat 2	All Age 16-49	1.0%	Reruns of programs that premiered on our other channels.	Ranked seventh in terms of audience share among over 130 Polish non-FTA channels in 2010), also broadcast to Polish populations around the world (mainly in the United States of America).
Polsat News	All Age 16-49	0.5%	24-hour news channel broadcasting live and covering primarily news from Poland and key international events.	
TV Biznes	n/a	n/a	The latest news on the economy and financial markets.	Channel acquired by TV Polsat in February 2007.
Polsat Jim Jam . .	Children Age 4-6	2.5%	Based exclusively on programs by Hit Entertainment.	Polsat Jim Jam is a joint venture launched by TV Polsat and ChelloZone.

The following table presents audience share for our channels standardized to the “All Day 16-49” audience segment for 2008, 2009 and 2010.

	Audience share (%)		
Channel	2008	2009	2010
POLSAT	18.45	17.38	16.03
Polsat 2	0.90	0.90	0.97
Polsat Café	0.04	0.14	0.22
Polsat Film	—	0.08	0.29
Polsat Futbol	—	—	0.02
Polsat JimJam	—	0.02	0.21
Polsat News	0.07	0.25	0.52
Polsat Play	0.05	0.20	0.23
Polsat Sport	0.60	0.72	0.56
Polsat Sport Extra	0.19	0.18	0.18
TV Biznes	0.04	0.06	0.04

Source: NAM, target All Day 16-49

Audience

Our TV channels in aggregate had 19.3% audience share in 2010 and an audience share of 19.9% in 2009. TVN and TVP, our closest competitors, held audience shares of 22.3% and 33.0%, respectively, in the same audience segment in 2010 and audience shares of 22.3% and 35.3%, respectively, in 2009.

In line with the market trend, the TV audience market share of POLSAT, our principal and FTA channel, has been slowly declining in recent years as the share of cable TV and satellite TV in the market has increased. The audience share of POLSAT dropped from 18.5% in 2008 to 16.0% in 2010. We believe that this trend will continue as DTH penetration continues to grow. We further believe that this trend will in turn translate into an increase of thematic channels’ audience share and a corresponding decrease in the audience share of FTA terrestrial channels.

As the audience share of thematic channels has been continually growing in Poland, we and other TV broadcasters have focused on launching thematic channels in order to maintain total audience share and ensure continued sufficient growth in advertising revenue. We have launched 12 thematic channels (seven in the past three years), which have been growing rapidly in audience share from 1.3% in 2007 to 3.2% in 2010. The introduction of these thematic channels allowed us to compensate for the erosion in our FTA channel audience share with a significant rise in audience share of thematic channels, bringing our overall audience share to 19.3% in 2010.

We believe that our thematic channels still have significant growth potential as the average subscription portfolio of our thematic channels is available in only approximately 50% of pay TV subscriber households in Poland. We believe the low penetration rate is due to the relatively recent launch of the vast majority of our thematic channels and their limited distribution mainly on our DTH platform in previous periods. Additionally, based on audience ratings for our thematic channels distributed on our DTH platform, our market share has reached almost 9% and we ranked as the most popular broadcaster in 2010. We believe that cooperation with cable TV operators as well as other DTH providers will increase the availability of our channels. We further believe that audience satisfaction with our thematic channel offerings is high and will continue to increase.

Going forward, we expect the Polish TV market to become increasingly fragmented. We believe we are in a position to capitalize on this fragmentation by strengthening our comprehensive channel offer for the whole family, building strong cable and satellite distribution of our channels through our Retail Customers business segment, which operates the largest DTH platform in Poland, and through Canal+Cyfrowy, the second largest DTH platform in Poland with which we recently entered into a distribution agreement. We believe that our presence on all significant satellite platforms and our distribution by cable TV operators will increase technical coverage of our thematic channels, and, consequently, give us the opportunity to grow at least in line with the TV advertising market, and increase subscription fee revenue.

TV advertising and other revenues

The key source of revenue for our TV Broadcasting business segment is advertising revenue. Advertising revenue has comprised at least 80% of total revenue in this business segment since 2006. Almost all of our advertising revenue is collected through our wholly owned subsidiary, Polsat Media, which acts as an advertising agent (sales house) for us under the terms of a Framework Agreement, dated December 27, 2003. Polsat Media is responsible for the sale of advertisements, sponsoring services and contracts connected therewith. Polsat Media is responsible for the sale of advertising services (advertising time) for all our channels as well as entities cooperating with us and is the party that directly enters into almost all related agreements.

In 2010, Polsat Media carried out the sale of advertising time for eleven of our TV channels and two other broadcasters outside our Group.

Polsat Media often works with international media buying agencies that operate as intermediaries, negotiating purchase conditions and conducting campaigns for their customers. The sale of advertising time is carried out both through annual contracts entered into with media buying agencies, as well as individual direct customers. In 2010, our ten largest individual advertisers collectively accounted for approximately 27% of our net advertising and sponsorship revenue with no single advertiser accounting for more than 4% of our net advertising and sponsorship revenue. Like the other nationwide broadcasters, we have a relatively stable group of advertisers that we work with.

Based on data from Starlink, we estimate that we held a 22% share in the TV advertising market in Poland in 2010. According to the Media & Marketing Polska report, Polsat Media was the highest-rated nation-wide TV commercials sales office in Poland in 2009 and 2010.

The second largest source of our revenue in our TV Broadcasting business segment after commercials and sponsoring, are agreements with cable TV networks and satellite TV operators, which provide us with the means to broaden our distribution of TV channels and comprised 11.5% of total revenue in this business segment in 2010. Our agreements with cable TV networks and satellite TV operators are generally non-exclusive licenses for the broadcasting of our channels. The licenses cover packages of channels or single channels. Under typical licenses, operators agree to pay us a monthly license fee, the amount of which generally depends on the number of subscribers to individual packages and set rates for the package or channel subscribers.

Advertising sales

Advertising options

There are two main forms of advertising in the TV market: (a) advertisements broadcast in advertising breaks and (b) sponsoring broadcast before and after selected programs and trailers.

- *Advertising.* Broadcasters use two forms of sale of advertising time in advertising breaks: (i) GRP sales and (ii) rate-card sales.

  GRP sales are based on audience ratings and a specified price per rating point delivered.

  Rate-card sales are based on a broadcaster's official rate-card for individual advertising breaks. Customers purchase specific advertising breaks at a price determined by the given rate-card.

  GRP prices for specific months and rate-card discounts applied as well as annual minimum purchase commitments are set out in annual contracts negotiated with media agencies and customers. Pricing and discounts depend on the level of the annual minimum purchase commitment.

- *Sponsoring.* Sponsor projects are sold throughout the year (usually sold on the basis of a project). Prices and discount conditions for sponsor campaigns are negotiated based on the purchase conditions of individual customers.

Pricing of commercials

We set the prices for commercials with the objective of maximizing revenue from the commercial time available and based on demand forecasts for TV commercials. Demand forecasts are prepared for each month in a calendar year based on the overall TV audience, the channel's share in the overall audience and seasonality (prices of commercials are highest from October to November, before Christmas season, and lowest from January to February and from July to August).

In order to provide flexibility to advertising customers, we offer advertising priced on (i) a rate card basis and (ii) cost per GRP.

Rate-card prices of commercials are set and published each month by Polsat Media's advertising sales team. Advertisers select commercial breaks based on their assessment of which programs target the audience demographic they wish to reach (the channel is not accountable for the audience actually generated by the program).

GRP prices are established for the channel or group of channels each month during a calendar year by Polsat Media's advertising sales team and GRP delivery is guaranteed. Advertising sold on a cost per GRP basis is scheduled by Polsat Media on the basis of available resources after the booking of sales based on rate-cards. We believe this sales model to be the most profitable way to sell our advertising breaks. In 2010, rate-card sales accounted for more than 50% of all advertising sales on our main channel, POLSAT.

Pricing of sponsoring

We set the prices of sponsoring with the objective of maximizing our revenue from the sponsoring time available. Our pricing is based on the relevance of the subject matter of the program to the sponsor's needs and the target group, the quality of our programs, recognition of brands and actors and the attractiveness of the broadcast slot. In order to provide flexibility to advertising customers, we negotiate sponsoring contracts on a case-by-case basis, taking into account all the factors mentioned above.

Sponsoring revenue is primarily dependent on programming quality and marketing attractiveness for the product and its target audience. As a result, sponsoring is not as dependent on the strength of the economy as advertising.

Advertising sales team

Polsat Media's TV advertising sales team consists of approximately 90 employees responsible for sales of our advertising time, sponsorship, campaign planning, after-sales analysis, market research and analysis, development of new products and, most importantly, enhancing relationships with existing and potential advertisers. In addition to providing advice on the scheduling of advertisements on our channels, Polsat Media's sales force cooperates closely with advertisers to design special campaigns, including the sponsorship of particular programs and related cross-promotional opportunities. Together with the programming department, Polsat Media's advertising sales department obtains TV audience ratings data from NAM on a daily basis. They analyze this data and compare it with audience ratings of our competitors to determine the most effective strategy for scheduling advertising slots to reach advertising clients' preferred audience in the most efficient manner. The department is also responsible for ensuring that advertising slots are allocated in accordance with client specifications regarding context and timing.

In 2009, Polsat Media implemented PROVYS Sales, a new sales and optimization software compatible with our fully-integrated ERP system, PROVYS TV Office. PROVYS Sales enables Polsat Media to simultaneously sell airtime and execute campaigns on all 13 channels with fully automated broadcasts of commercial airtime as well as campaign results verification based on daily uploaded NAM data.

In addition, Polsat Media's advertising sales department conducts a wide range of market analyses, focusing on various sectors of the Polish economy and our key target audience. We subscribe to the study on Polish advertising market trends conducted by Zenith, the study on worldwide advertising trends conducted by Starlink, and forecasts and analyses provided by Informa. Polsat Media also uses data from TGI (Target Group Index, a continuous single source data survey, which tracks preferences, awareness and loyalty of over 4,000 brands from over 320 categories, both FMCG and Durables). We are also a member of EGTA (trade association of TV and radio sales houses), which we believe gives us a unique opportunity to interact and cooperate with sales houses from most European countries.

Programming

Sources of programming

Polish programming sources and contracts

We have diversified sources of Polish content, enabling us to efficiently manage the costs and creative aspects of the production process. We are able to choose from a wide offering to select attractive and cost-effective programs to fit scheduling. In addition, for formats owned by us, we organize pitches in order to select the most cost-effective producers. Polish programs are primarily commissioned to independent external producers. However, we also create programs in-house. Approximately 63% of our programming hours consists of Polish content, 44% of which are commissioned to external Polish producers, and 19% of which is created in-house.

Commissioned programs are sub-contracted to third-party production companies that provide us with additional production capacity when needed, thereby reducing overhead costs related to production facilities and equipment. Our external producers include approximately 20 Polish and foreign producers such as: ATM Grupa, Bogota Film, Rochstar, Akson Studio, PAISA FILM, Tako Media and Constantin Entertainment Polska. To provide content for Polsat Play and Polsat Café, we use the services of smaller local production companies. Polsat News relies mainly on its own production resources. Polsat Sport relies mainly on acquired transmissions licenses supported by strong in-house production focused on Polish sports.

In most cases, we use a standard template for all production contracts we enter into. When the production of TV programs is commissioned to external producers, the contracts generally provide that the producer transfers to us all the copyrights and related intellectual property rights of the covered programs with the exclusive right to exercise the derivative copyright. The producer's fees include production fees as well as fees for the transfer of copyrights, related intellectual property rights to the program (or, alternatively, for granting the license) and for granted authorizations, consents and options. All production agreements have definite terms, typically covering the time of production with the possibility for extensions.

Programs produced in-house include sports and information programs, journalism and special events.

Foreign programming sources and contracts

We purchase programming licenses from foreign providers primarily for films, series and sports.

Our key partners for movie and series licenses are major US movie studios such as Sony Pictures TV International, 20th Century Fox TV and CBS. Usually, these contracts have terms of two to three years and are denominated in U.S. dollars. We generally acquire broadcasting rights under one of three types of contractual arrangements: (i) output contracts, which involve the acquisition of the right to broadcast all current and future releases of a particular movie studio, (ii) volume contracts, which involve the acquisition of a specified volume of TV programming content or (iii) spot contracts, which involve the acquisition of the right to broadcast individual series or films.

Sports strategic programming licenses are required for Formula One, UEFA Champions League, UEFA Europa League and FIVB Volleyball (World League, World Grand Prix, World Cup). These contracts usually relate to playing seasons and have terms of three to five years. TV Polsat enters into contracts with the European sports federations as well as with brokers selling the rights to broadcast various sports events. These contracts are generally denominated in euro. Once we have obtained the required programming licenses for certain sports events, we provide our viewers with locally-customized programming either in the form of complete productions or studio commentary.

Royalties

In connection with our broadcasting operations, we are required to pay royalties to collective copyright management organizations who act on behalf of the artists whose works are being broadcast. In addition, under the Act on Cinematography, we are required to pay the Polish Film Institute a quarterly fee representing a percentage of our revenue. Please see "—Other Aspects of Our Business—Polish Film Institute and Collective Copyright Management Organizations ("CCMO")" and "Regulatory Overview—Other Regulations—Act on Cinematography".

Scheduling

We tailor our programs and programming schedules to the interests of the demographic groups that we believe are most attractive to advertisers. We analyze data relating to our audience share in detail, and, by identifying audience interests, behavior and general market trends we attempt to ensure that our programming remains responsive to the viewing habits of the target audience.

Our scheduling is based on two key commercial schedules introduced during the year: the spring and autumn schedules. Two different schedules are necessary due to the seasonality of the Polish TV advertising market, which is strongest during the spring and autumn months. We schedule re-runs and other inexpensive programming content in the summer and winter, when generally advertising revenue is lower.

Our programming schedule is designed to maintain viewer loyalty and promote audience flow from program-to-program, from day-to-day and from "access prime time" to "prime time". For example, "access prime time" and "early prime time", from 4 p.m. to 8 p.m., are "strip programmed", meaning that a particular program is shown at the same time on each weekday, with a view to securing day-to-day loyalty and increasing audience flow from "access prime time" to "prime time", the most commercially attractive programming period for advertisers. Then, in "prime-time", each day there are stable slots dedicated for particular kinds of programs. For example, we air blockbuster films on Monday and Tuesday, live shows on Saturdays and crime series on Sundays. We believe that this approach of ensuring transparency and predictability in programming schedules increases audience flows and potentially builds audience loyalty.

Broadcasting of TV channels

We broadcast TV channels by terrestrial transmitters, non-digital and digital cable TV and digital satellite platforms.

Terrestrial transmission

POLSAT, our main channel, is broadcast via a nation-wide network of terrestrial transmitters operated by RS TV, our wholly owned subsidiary and by a third-party entity, TP EmiTel. We have an agreement with TP EmiTel for: (i) the operation of broadcasting stations and the satellite receiving stations operating with them, used for the terrestrial analog transmission of POLSAT's signal; (ii) the provision of communication services consisting of the terrestrial transmission of POLSAT's signal; and (iii) the lease of TV equipment and for the provision of comprehensive technical services for the equipment operating in TP EmiTel's broadcasting facilities. Additionally, in September 2010, we entered into a 10-year agreement with TP EmiTel for DTT signal transmission for the terrestrial broadcasting of POLSAT and Polsat Sport News. Please see "Material Agreements—Agreements Regarding Terrestrial Broadcasting of POLSAT".

Our remaining channels are broadcast exclusively via cable TV networks and satellite TV.

Satellite transmission

We have entered into several agreements for the use of satellite transponders to distribute our TV channels. We have executed: (i) two 3-year agreements, entered into in 2009, with Eutelsat to provide for the extension of the right to use two slots on the Atlantic Bird 1 satellite, (ii) a 5-year agreement, entered into in 2007, with Space-Communication for access to satellite transmission capacity and (iii) one seven-year agreement, entered into in 2010, with Eutelsat to provide us with the right to use another of Eutelsat's transponders until the end of 2017 with the right to extend the agreement for additional successive seven-year periods. The contracts involve three transponders all together. In addition, through our Retail Customers business segment, we have access to four other Eutelsat transponders. Please see "Material Agreements—Agreements Related to Capacity on Satellite Transponders".

Technology and infrastructure

Our core technical infrastructure is comprised of: (i) four digital TV studios, including one used by the Polsat News channel and the main information program, "Wydarzenia" and other studios designated for short-form TV shows, with modern, or recently modernized, equipment; the studios are either fully HD-compliant or HD-ready; (ii) five digital outside broadcast vans, including three modern HD vans, one HD-ready van with core upgraded systems and a small SD van for the rapid production of short programs and current affairs programs; (iii) 13 digital satellite news gathering trucks ensuring on-site signal feed; five of which are HD-capable, the rest operate in SD; (iv) a multiplexer system ensuring the effective transmission of ten of our channels (given the progress of encoding techniques, we are planning to replace the multiplexer system in 2011); (v) a fixed satellite transmitter for the stream of our digital channels that will be run by our Retail Customers business segment beginning in 2011; (vi) a multi-channel automatic TV broadcasting system; (vii) a digital audio visual routing system; (viii) an IT network capable of handling technical tasks; (ix) network production systems; (x) more than 80 camera units; (xi) program archive (presently being digitalized); and (xii) telecommunications systems, including optical systems.

In 2011, we plan to begin to develop a tapeless production and broadcasting system based on a central digital archive. A central digital archive has a number of advantages, including the ability to create a searchable index and to provide quick access to archived data. The goal is to create a rapid data exchange system between the production units and implement long-term audio visual content storage in the form of digital files, which we expect will lead to shorter production time and greater production flexibility.

Other Aspects of Our Business

Research, development and IT systems

Our research and development activities are focused on intensive development work with respect to information technology systems. In our Retail Customers business segment, we have developed several technology systems which enable us to effectively and efficiently manage our subscriber base. Those systems include, among others, a customer relationship management system, a sales services system, an Internet customer service center and a transactions system using n-layer technology. We own all of these systems and the related intellectual property rights. We also use systems licensed from third parties such as our conditional access system. In addition, we conduct development work with regard to the set-top boxes we manufacture in our factory. Additionally, we have contracted for the development of modems to enable us to provide wireless data transmission services using the LTE technology.

In our TV Broadcasting business segment, we rely on a number of IT systems to assist us with the management of news production, file storage, generation transmission graphics, our program library and licenses. We rely on licenses with third-party suppliers for all the systems we use.

Trademarks

In our Retail Customers business segment, we hold a number of trademarks which are registered with, or have applications pending for registration with, the appropriate authorities in order to secure our rights to these trademarks. We believe that the most significant trademarks to our business operations are the word and device marks of Cyfrowy Polsat, to which we also hold the economic copyrights.

In our TV Broadcasting business segment, we hold protection rights to 19 trademarks (including the word and device "POLSAT" trademark). Currently, registration proceedings are underway with respect to several additional trademarks.

Polish Film Institute and Collective Copyright Management Organizations ("CCMO")

Operators of digital platforms as well as TV broadcasters are required to make quarterly payments to the Polish Film Institute in an amount representing 1.5% of their revenue derived from their respective business activities. For details please see "Regulatory Overview—Other Regulations—Act on Cinematography".

Pursuant to the Polish Copyright Law we are required to enter into agreements with CCMOs, who are authorized to collect royalties for the use of copyrights. Currently there are 15 such organizations in Poland and we have entered into agreements with several of them.

License for wireless distribution of TV and radio channels

In our Retail Customers business segment, we hold a broadcasting license for wireless distribution by way of satellite transmission (through Eutelsat Hot Bird 8 satellite) of TV and radio channels. On October 22, 2003, Cyfrowy Polsat obtained a KRRiT broadcasting license for wireless distribution by way of satellite transmission (through the satellite Eutelsat Hot Bird 8) of the following TV and radio channels: (i) POLSAT—distributed by TV Polsat; (ii) TV4—distributed by Polskie Media; (iii) Telewizja Niepokalanow PLUS—distributed by the Order of the Franciscans; (iv) Tele 5—distributed by "ANTEL"; and (v) RMF FM—distributed by "Radio Muzyka Fakty". The broadcasting license is valid until October 21, 2013. We are also required to have a valid consent of the broadcaster for wireless distribution of every channel enumerated above, on the day of launching the operations and throughout the validity of the broadcasting license.

It was unclear under Polish law whether a DTH provider is actually required to obtain a license to distribute TV programs. Notwithstanding this uncertainty, we have obtained a license to distribute TV programs via satellite. Pursuant to the recent amendments to the Broadcasting Act, the distribution of TV programs by DTH providers requires only registration with the President of the KRRiT and does not require a distribution license. For more details, please see "Regulatory Overview".

Broadcasting licenses

In our TV Broadcasting business segment we currently hold 20 broadcasting licenses, including three universal broadcasting licenses and 17 broadcasting licenses for thematic TV channels. Two broadcasting licenses are for terrestrial broadcasting (i.e., POLSAT and Polsat Sport News), while the remaining 18 broadcasting licenses are for satellite broadcast. Our current broadcasting licenses were granted by the KRRiT and Ofcom.

We are currently in the process of converting our FTA channels, POLSAT and Polsat Sport News, from analog terrestrial and satellite broadcasting to digital terrestrial broadcasting in connection with the process of digitizing terrestrial TV in Poland. Pursuant to the 2010 decisions of the President of the KRRiT, our broadcasting licenses for POLSAT and Polsat Sport News channels were expanded by adding the right to distribute the channels through terrestrial digital broadcasting within the MUX-2.

The schedule of launching transmitting stations and subsequently broadcasting the channels in Poland, is determined in the agreement with the operator of MUX-2, TP EmiTel. Although the entire digitalization process must be finalized by December 2013, regulatory decisions contemplate an earlier, October 2012 deadline for the launch of broadcasting of the channels. There is the possibility that all users of MUX-2 could therefore breach such regulatory decisions if the digitalization process is not complete by October 2012, which could theoretically result in the revocation of broadcasting licenses. TP EmiTel has presented a new launch schedule to the President of the UKE, which sets December 31, 2013 as the deadline for completion.

The table below sets out the broadcasting licenses currently held by the Group:

Channel	License holder	Type of license	Licensing body	Date of expiration(1)
POLSAT	TV Polsat	Terrestrial broadcast license (analog/digital)	KRRiT	March 2, 2014
Polsat Sport News	TV Polsat	Satellite broadcast license /Terrestrial broadcast license (digital)	KRRiT	August 29, 2020
Polsat 2	TV Polsat	Satellite broadcast license	KRRiT	January 18, 2014
Polsat Sport	TV Polsat	Satellite broadcast license	KRRiT	January 18, 2014
Polsat Café	TV Polsat	Satellite broadcast license	KRRiT	July 28, 2014
Polsat Sport Extra	TV Polsat	Satellite broadcast license	KRRiT	October 26, 2015
Polsat Play	TV Polsat	Satellite broadcast license	KRRiT	November 15, 2015
Polsat HD	TV Polsat	Satellite broadcast license	KRRiT	May 18, 2018
Polsat Sport HD	TV Polsat	Satellite broadcast license	KRRiT	May 18, 2018
Polsat News	TV Polsat	Satellite broadcast license	KRRiT	May 18, 2018
Polsat Film	TV Polsat	Satellite broadcast license	KRRiT	June 4, 2019
Polsat dla Dzieci	TV Polsat	Satellite broadcast license	KRRiT	June 4, 2019
Polsat dla Młodzieży	TV Polsat	Satellite broadcast license	KRRiT	June 23, 2019
TV Biznes	Media Biznes	Satellite broadcast license	KRRiT	October 5, 2014
Polsat Futbol	Polsat Futbol	Satellite broadcast license	Ofcom	Not specified
Polsat Futbol 2	Polsat Futbol	Satellite broadcast license	Ofcom	Not specified
Polsat Futbol 3	Polsat Futbol	Satellite broadcast license	Ofcom	Not specified
Polsat Futbol 4	Polsat Futbol	Satellite broadcast license	Ofcom	Not specified
Polsat Futbol 5	Polsat Futbol	Satellite broadcast license	Ofcom	Not specified
Polsat Jim Jam	Polsat Jim Jam	Satellite broadcast license	Ofcom	Not specified

Source: TV Polsat and Cyfrowy Polsat

(1) Under the Broadcasting Act, we are entitled to renew our broadcasting licenses issued by the KRRiT provided we file a renewal application with the KRRiT no later than 12 months before their respective expiry dates. The KRRiT may reject our renewal application for limited reasons, including: (i) we have grossly breached the terms of our existing licenses; (ii) if broadcasting threatens the interests of national culture or state security; and (iii) a change of control (other than the Acquisition) occurs.

Telecommunications operations

We have obtained from the President of the UKE all necessary decisions required under applicable regulations to provide services as an MVNO operator and to conduct broadcasting and distribution operations including frequencies reservations and radio permits for use of the radio equipment in terrestrial satellite stations and to broadcast the signal of TV channels.

Properties

In our Retail Customers business segment, we own the vast majority of the real property on which our DTH satellite TV infrastructure, office and warehousing facilities are located. All of our real property is located in Poland. We believe that all of our real property is well maintained and in good condition. As of December 31, 2010, no mortgages were registered on the real property owned by Cyfrowy Polsat. However, some insignificant parts of our real property are encumbered with typical easement rights for electricity cable conservation. We lease a number of pieces of real property from third parties that are not material to our business.

In our TV Broadcasting business segment, our basic production and TV broadcasting operations are carried out in leased premises in the office-industrial building located at ul. Ostrobramska 77 in Warsaw, owned by Inwestycje Polskie. For details concerning this agreement, please see "Major Shareholders and Related Party Transactions—Related Party Transactions—Agreements with Inwestycje Polskie sp. z o.o."

Environmental matters

We believe that our operations do not violate environmental protection laws and regulations in force in Poland. We monitor our compliance with the applicable environmental laws and regulations and any other environmental requirements that may apply to us. When necessary, we contact the relevant authorities and cooperate with them in monitoring compliance with the applicable laws and regulations. We are not aware of any material proceedings, pending or threatened, that might be initiated against us in relation to our environmental compliance.

Insurance

We believe that we have insurance plans that adequately cover our business and our assets. These insurance plans are customary in the Polish pay TV and TV broadcasting industries. We have third-party liability insurance, damage and personal auto insurance agreements, insurance policies concerning property and electronic equipment, insurance against all risks, as well as third-party liability insurance on business operations and professional liability insurance on broadcasting activity. We also have directors' and officers' liability insurance.

Legal proceedings

In the ordinary course of our business we may occasionally be involved in court, administrative or regulatory proceedings, but we believe that these proceedings will not have a material adverse effect on our business, financial condition or results.

UKE proceedings

On March 11, 2009 the President of the UKE issued a decision designating Cyfrowy Polsat (along with four other operators: Polkomtel, PTK Centertel, PTC, P4) as a telecommunications operator holding an SMP on Market 7 (former Market 16), i.e., voice call termination in the public mobile telephony network. On April 19, 2011, the President of the UKE issued a decision amending the decision of March 11, 2009 to modify Cyfrowy Polsat's obligations relating to telecommunications access and the application of fees for voice call termination.

On December 14, 2010 Cyfrowy Polsat was also designated by the President of the UKE as a telecommunications service provider with a significant market position in the market of SMS termination services in Cyfrowy Polsat's public mobile telephony network.

As a result of SMP decisions, the President of the UKE imposed on us certain regulatory obligations including a duty of telecommunications access, a duty of equal treatment, transparency obligations, a duty not to apply overstated fees for voice call termination (decision of March 11, 2009) and a duty to set fees for telecommunications access based on costs factually incurred (decision of December 14, 2010). Please see "Regulatory Overview—Other Regulations—Regulatory Framework for Internet Operations and Mobile Telephony—Telecommunications providers with a significant market position ("SMP")".

KRRiT proceedings

On November 18 and December 14, 2010, respectively, the KRRiT initiated two proceedings for the revocation of broadcasting licenses due to not commencing the broadcasting within the term indicated in the broadcasting license for two of our channels, namely Polsat dla Dzieci and Polsat dla Młodzieży. These proceedings are currently pending.

Tax proceedings

In August 2010, Polish tax authorities initiated a tax audit of TV Polsat's VAT settlements for July 2009. Based on the results of the audit, on December 8, 2010, the Head of the Second Tax Office for Mazowsze initiated tax proceedings against TV Polsat with respect to VAT settlements for July 2009. In the course of the tax proceedings the tax authorities expressed the view that TV Polsat was not authorized to apply a 7% VAT rate (currently at 8%) to services that consist of granting consents and licenses to cable television operators to retransmit television programming produced by the TV Polsat, and that a 22% VAT rate (currently at 23%) should have been applied to such services.

TV Polsat used to apply such a reduced 7% VAT rate on the basis of the statistical classification issued by the Statistical Office on October 28, 2005. In addition, after the closure of the audit, on February 1, 2011, TV Polsat received an individual tax ruling, confirming that TV Polsat correctly determined that under the VAT Act, as in force from September 1, 2010 to October 31, 2010, the services in respect of which the tax obligation arose in September and October 2010, involving the granting of cable television operator consents and licenses to retransmit television programming produced by TV Polsat, were taxable at the VAT rate of 7%.

However, if an adverse decision is issued upon closure of the tax proceedings, the additional VAT amount for July 2009 will have to be paid by TV Polsat with interest on tax arrears and the tax authorities could challenge the VAT rates applied to the supply of the same services by TV Polsat in the other settlement periods that have not yet expired. As of the date of this offering memorandum, the tax proceedings are still pending and no decision concerning its substance has been issued.

Employees

We are not a party to any labor union or collective bargaining agreements in either of our business segments.

As of December 31, 2010, in our Retail Customers business segment, we had 920 permanent employees. The number of employees increased in 2010 as compared to previous years. This increase resulted from acquisitions consummated by Cyfrowy Polsat, including the acquisition of M.Punkt Holding Ltd., which contributed 127 employees, organic growth, an increase in capacity of our set-top boxes factory and the launch of broadband Internet services which required additional staffing in the company.

As of December 31, 2010, in our TV Broadcast business segment, we had 1,005 employees. Typically, in this business segment, we execute employment contracts for a specified long term (typically the term of licenses granted) as well as for an unlimited time period, all usually preceded by contracts for a trial period. The number of employees in this segment has increased in recent years (from 521 in 2006 to 1,005 in 2010). This increase resulted from our business expansion, especially new TV channels development.

REGULATORY OVERVIEW

Key Legislation

Our operations in Poland are regulated primarily by the Act of December 29, 1992 on radio and TV (Dz. U. 2004.253.2531 as amended) (the "Broadcasting Act"), recently amended by the act of March 25, 2011 which shall come into force on May 23, 2011 (the "Amendment") and the Act of July 16, 2004—Telecommunications Law (Dz. U. 2004.171.1800 as amended) (the "Telecommunications Law"). Our operations in the UK are regulated primarily by the UK Communications Act 2003 (the "Communications Act").

Telecommunications

The Telecommunications Law implements the following European Union directives on the regulatory framework for electronic communications networks and services into Polish law: (i) Directive 2002/21/EC of the European Parliament and of the Council of March 7, 2002, on a common regulatory framework for electronic communications networks and services; (ii) Directive 2002/20/EC of the European Parliament and of the Council of March 7, 2002, on the authorization of electronic communications networks and services; (iii) Directive 2002/19/EC of the European Parliament and of the Council of March 7, 2002, on access to, and interconnection of, electronic communications networks and associated facilities; (iv) Directive 2002/22/EC of the European Parliament and of the Council of March 7, 2002, on universal service and users' rights relating to electronic communications networks and services; and (v) Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector.

Broadcasting

The Broadcasting Act implements the following European Union directives on the regulatory framework for audiovisual media content into Polish law: (i) Directive 89/552/EEC of the European Parliament and of the Council of October 3, 1989, on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of TV broadcasting activities (Audiovisual Media Service Directive—"AVMS"), (ii) Directive 97/36/EC of the European Parliament and of the Council of June 30, 1997, amending AVMS, (iii) Directive 2007/65/EC of the European Parliament and of the Council of December 11, 2007, amending AVMS and (iv) Directive 2010/13/EU of the of the European Parliament and of the Council of March 10, 2010, amending AVMS (the last two directives have been recently transposed to the Polish legal system). Additionally, Poland is a signatory to the so-called European Convention on Transfrontier Television concluded on May 5, 1989, in Strasbourg.

Main Regulatory Bodies

The following regulatory bodies and individuals supervise our operations:

- *The National Broadcasting Council* (the "KRRiT"). The KRRiT is the constitutional body responsible for the regulation of radio and TV broadcasting in Poland as well as for the enforcement of the Broadcasting Act. The KRRiT grants broadcasting licenses and supervises the operations of Polish TV broadcasters.
- *The President of the Polish Office of Electronic Communication* ("President of the UKE"). The President of the UKE supervises and regulates the entire Polish telecommunications market. The President of the UKE is responsible for supporting effective and fair competition in the Polish telecommunications market and has certain regulatory and supervisory powers with respect to the provision of all electronic communications services including satellite TV as well as radio and mobile telephony services. Under the Telecommunications Law, the President of the UKE has broad authority to regulate and inspect the markets of telecommunications services, radio

frequency spectrum management, orbital resources and numbering. In addition, the President of the UKE has the right to monitor compliance with electromagnetic compatibility requirements, to develop draft legislation specified by the minister competent for telecommunications (currently the Minister of Infrastructure), to analyze and evaluate the functioning of the telecommunications services markets and to intervene in matters related to the functioning of these markets. There is no governmental agency exclusively devoted to supervision of Polish Internet operations.

- *The Polish Minister of Infrastructure.* The minister responsible for telecommunications (currently the Polish Minister of Infrastructure) exercises broad regulatory authority. The powers of the Minister of Infrastructure under the Telecommunications Law include, most notably, the power to issue regulations concerning, among other things, tenders and contests for the reservation of frequencies, specific requirements for the provision of telecommunications access, the scope of a framework for and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the related complaint process.
- *The Office of Communications* ("Ofcom"). Ofcom is the UK communications regulator in charge of regulating the TV and radio sectors, fixed line telephony services and mobile telephony services as well as the airwaves over which wireless devices operate. Ofcom was established by the U.K. Office of Communications Act of 2002 and operates under the Communication Act. Ofcom's main legal duties are to *inter alia* ensure that the U.K. has a wide range of electronic communications services and high-quality TV and radio services provided by a range of different organizations. In carrying out its duties, Ofcom is required to follow "best regulatory practice", specifically: transparency, accountability, proportionality, consistency and targeting only those cases where action is needed.

In addition, within the scope of our operations, we are subject to the supervision of other administrative bodies, including the President of the Office of Competition and Consumer Protection ("UOKiK") and the General Inspector for the Protection of Personal Data (the "GIODO").

Regulatory Framework for Broadcasting Operations

Broadcasting licenses in Poland

Broadcasting licenses are necessary to broadcast TV in Poland. The Amendment additionally clarifies that the distribution of TV programs by DTH providers does not require a license to distribute, but registration with the President of the KRRiT.

The KRRiT grants TV broadcasting licenses, as a rule, for periods of ten years. Broadcasting licenses are not transferable. In accordance with the Broadcasting Act, the KRRiT revokes a license whenever: (i) a final decision prohibiting the broadcaster from conducting business activities covered by the license has been issued against him; (ii) the broadcaster materially violates its obligations under the Broadcasting Act or under the terms of its broadcasting license; (iii) the broadcaster's activity under its broadcasting license is carried out in a manner that is deemed to conflict with the Broadcasting Act or the terms and conditions of its broadcasting license and the broadcaster fails to remedy such infringement within the applicable grace period; or (iv) the broadcaster fails to commence the transmission of a program within the time limit set forth in the broadcasting license or has permanently (that is for more than 3 consecutive months) ceased the transmission of such program without a legitimate reason.

Additionally, a broadcasting license may be revoked by the KRRiT whenever (i) the broadcaster's transmission of a program threatens the interest of the national culture, security and defense or exceeds public decency standards; (ii) the broadcaster is declared bankrupt; (iii) the broadcaster gains dominant position in mass media in a relevant market by transmitting a program; or (iv) another person takes over direct or indirect control of the activity of the broadcaster. Given that our majority shareholder, Mr. Zygmunt Solorz-Żak will continue to control TV Polsat after the contemplated acquisition, we do not believe this particular rule will be applied by the KRRiT.

The renewals of existing terrestrial and satellite broadcasting licenses are subject to the Broadcasting Act.

Pursuant to the Broadcasting Act, in the event of the transformation of a broadcaster, including a transformation of a broadcaster organized in the form of a joint stock company into a limited liability company, the rights arising under the broadcasting license held by the broadcaster may be transferred to the entity that came into existence as a consequence of the said transformation, upon receiving the consent of the KRRiT. As of the date of this offering memorandum, the KRRiT agreed to the transfer all of our broadcasting licenses to TV Polsat after its transformation to a limited liability company. Proceedings with respect to our other broadcasting licenses are pending. We expect the KRRiT to issue consents by August 2011.

Broadcasting licenses in U.K.

TV channels (including electronic program guides) which fall within the category of TV licensable content services under the Communications Act are subject to the licensing regime.

A license remains in force from the commencement date until it is surrendered by the licensee or revoked by Ofcom. Ofcom can revoke the license for a number of reasons, including breaches of the license conditions, failure to comply with a direction and as a result of a sanction. Failure to pay license fees will normally result in revocation of the license, as well as appropriate action for the recovery of the debt.

Ofcom may also consider revocation of the license if: (i) the licensee has ceased to provide the licensed service and it is appropriate to revoke the license; (ii) the licensee has provided false information (or withheld information) with the intention of causing Ofcom to be misled, either in purporting to comply with any condition of the license, or in connection with the application for the license; (iii) the licensee becomes a disqualified person; (iv) any change takes place affecting the nature, characteristics or control of the licensee which would have precluded the original grant of the license; (v) Ofcom ceases to be satisfied that the licensee is fit and proper to hold a license; (vi) the licensee provides the licensed service while failing to comply with any requirement to hold (or have held on his behalf) a license under the Wireless Telegraphy Act 1949 (as amended), or if the licensee ceases to comply with requirements applicable to the licensed service under Chapter 1 of Part 2 of the Communications Act (relating to electronic communications networks and services); or (vii) the service provided by the licensee no longer constitutes a service licensable by Ofcom.

Restrictions on foreign ownership

Foreign ownership of TV broadcasters is restricted by the Broadcasting Act. At present, the Broadcasting Act permits broadcasting licenses to be granted to:

- natural persons of Polish nationality who permanently reside in Poland as well as legal persons or partnerships having their registered seat in the territory of Poland;
- foreign persons and foreign entities as well as subsidiaries of such foreign entities having their permanent residence or registered seat located within the EEA; or
- entities located in Poland with non-EEA resident ownership provided that: (i) such ownership does not exceed 49% of the entity's share capital, (ii) voting rights owned or controlled by non-EEA residents or subsidiaries of such residents do not exceed 49% of the total voting rights of any such company, and (iii) the entity's articles of association or statutes provide that the majority of the members of its management or persons authorized to represent or manage the

entity's affairs and supervisory board must have Polish citizenship and reside permanently in Poland.

Moreover, a purchase or an acquisition of shares or interest in a Polish broadcaster holding a broadcasting license to transmit a given program by non-EEA residents or subsidiaries of such residents shall be contingent on the prior consent of the Chairman of the KRRiT.

Restrictions on programming and advertising

In addition to regulating broadcasting time and the content of programming aired by Polish TV broadcasters, the Broadcasting Act also imposes certain restrictions on advertising. All of these restrictions are usually described in detail in the broadcasting licenses granted by the KRRiT. Each of our broadcasting licenses is subject to restrictions related to:

- minimum daily TV program broadcasting time;
- minimum percentage share of individual categories of programs in the monthly and daily broadcasting time;
- minimum requirements for the broadcast of programming originally produced in the Polish language and programming of European origin and the requirement to ensure that at least 10% of the broadcaster's programming is obtained from independent producers;
- the maximum percentage share of the daily and weekly broadcasting time of shows and other transmissions produced exclusively by the broadcaster or ordered from independent producers; and
- the obligations to ensure that minor viewers do not have access to transmissions containing acts of violence and to encrypt programs broadcast at specified times or to ensure that previews of transmissions containing erotic content will not be broadcast during certain hours.

Additionally, the Amendment imposes on us strict advertising requirements including the following:

- TV advertising and teleshopping spots must be readily recognizable and distinguishable from editorial content;
- advertising and teleshopping spots shall not exceed 12 minutes in any given clock hour, however, this limitation does not apply to announcements made by the broadcaster in connection with its own programs and ancillary products directly derived from those programs (these announcement not to exceed two minutes in any given clock hour) as well as to announcements required by the provisions of law (in particular, the sponsorship announcements);
- broadcasts of advertising and teleshopping spots shall be inserted between programs, however, transmission of movies made for TV (excluding series, serials and documentaries) as well as cinematographic works may be interrupted by advertising and/or teleshopping spots only once for each period of full 45 minutes of the program and provided that at least 20 minutes in a TV program service, has elapsed between each successive break in the program; with respect to transmission of sport events, which by their nature, are interrupted by breaks, advertising and teleshopping spots can only be transmitted during such natural breaks; news and current affairs programs, programs with religious content, commentaries and documentaries, the duration of which is less than 30 minutes, and programs intended for children, cannot be interrupted with advertising spots at any time;
- teleshopping spots must contain explicit visual and audio disclaimers and must be broadcasted continuously for at least 15 minutes; and

- product-specific advertising restrictions including restrictions related to:
  - alcohol, which as a general rule is prohibited with the exception of beer, the advertising of which is allowed between 8 p.m. and 6 a.m.;
  - tobacco and gambling, the advertising of which is strictly prohibited at all times;
  - pharmaceutical products, the advertising of which must meet certain strict requirements (in particular it must not be misleading and it must inform the recipients of the reasonable use of the medication);
  - medical services, the advertising of which cannot solicit recipients, and which should only take the form of information;
  - psychotropic substances and/or intoxicating substances as well as foodstuff and other products, within the scope regulated by Act of July 29, 2005 on prevention of drug abuse (Dz.U.Nr 179, poz. 1485, as amended) (the "Anti-drug Abuse Act").

Moreover, the Amendment, imposes on broadcasters the duty to ensure that their media services are accessible to people with visual or hearing disabilities, in particular, by introducing appropriate amenities (such as audio description, subtitles for the hearing-impaired and sign language translation), so that at least 10% of the quarterly broadcasting time (excluding advertising and teleshopping spots) contained such amenities.

Restrictions on sponsoring

Sponsoring activities are regulated by the Broadcasting Act and the KRRiT's Ordinance of July 6, 2000 on Sponsoring Program Items and Other Broadcasts (Dz. U. 2000.65.785 as amended) (the "Sponsoring Program Items Ordinance"). The Sponsoring Program Items Ordinance permits sponsoring activities under a number of specified conditions. The Sponsoring Program Items Ordinance was amended on December 7, 2010, the amendments to become effective on April 28, 2011. The December 2010 amendments aim at more clearly distinguishing between a sponsorship spot (which is allowed under the Sponsoring Program Items Ordinance), and an actual TV advertising spot. The amendments are less favorable in comparison to the Sponsoring Program Items Ordinance in its initial wording. In particular, the amendments reduce the permitted time limits of the sponsoring spots and impose additional obligations regarding the sponsorship indication, which now must be clear and explicit—that is contain the word "sponsor" followed by the name of the sponsored program. Additionally, pursuant to the Amendment, viewers should be clearly informed of the existence of a sponsorship agreement. Sponsored programs and other transmissions must be clearly identified as such by the name, logo and/or any other symbol of the sponsor such as a reference to its product(s) or service(s) or a distinctive sign thereof in an appropriate way for programs at the beginning, during and/or at the end of the program. As such they may lead to a decrease in broadcasters' revenue from sponsoring. Please see "Risk Factors—Risks Related to Regulatory Matters—We are subject to laws and regulations relating to satellite TV distribution, broadcasting, advertising and sponsoring which are generally subject to periodic governmental review and a violation of these laws and regulations could harm our business, reputation and financial results."

Limitations on product placement and the limits for advertising spots

As a general rule, surreptitious audiovisual commercial communications have been a prohibited practice under the Broadcasting Act. Product placement as one of the forms of such communication was subject to such restrictions. Following recent liberalization of the product placement rules introduced by the Amendment, product placement must now be allowed in cinematographic works, movies and series for audiovisual media services, entertainment and sports programs, or in the form of a gratuitous delivery of commodities or services, to be used in the movie/show, especially as a requisite or an award. Under no circumstances can this exception apply to children's programs.

Additionally, the Amendment imposes obligations on those who place products, including a duty to assure that the programs containing product placements are appropriately marked with a special graphic sign informing the viewers of the existence of product placement. Such identification must be displayed at the beginning and end of the transmission as well as right after the program resumes after an advertising break. Moreover, shows in which products are placed should not excessively exhibit the given product, and the program itself should not encourage the audience to buy or rent commodities or services placed, especially by promotional reference. Moreover, product placement of tobacco, alcohol, medical services, medicinal products and psychotropic substances and/or intoxicating substances as well as foodstuff and other products mentioned in the Anti-drug Abuse Act is strictly prohibited. Broadcasters are also required to keep records of all shows in which products were placed.

Regulatory Framework for Internet Operations and Mobile Telephony

Telecommunications activities are subject to registration in the Register of Telecommunications Service Providers. Cyfrowy Polsat is currently registered in the Register of Telecommunications Service Providers under number 85. Currently no licenses or permits are required for the telecommunications service providers to render telecommunications services as an MVNO or Internet provider.

Compliance

The President of the UKE ensures compliance with the regulations, decisions and rulings concerning telecommunications, frequency management and the meeting of requirements concerning electromagnetic compatibility. If a provider does not fulfill the obligations imposed on it by the Telecommunications Law or a decision issued by a regulatory authority, the President of the UKE may, after conducting an investigation, issue recommendations in which the provider is instructed to remedy any irregularities or to explain within a specified period of time why it failed to remedy such irregularities. If the provider fails to remedy a particular irregularity or if the explanation it provides is insufficient, the President of the UKE may order the provider to remedy the irregularity and may indicate how the irregularity should be remedied, specify the time limit within which the irregularity must be remedied, impose a financial penalty (up to 3% of the revenue that the provider being penalized earned in the previous calendar year) and in certain circumstances, impose a fine on the principal manager of the provider (up to 300% of that manager's monthly salary calculated in the same manner as the pay equivalent for unused paid holiday entitlement). If the particular irregularities had occurred previously and are of a serious nature, and if the provider does not comply with the decision of the President of the UKE, the President may ban the provider from performing telecommunications activities.

The Telecommunications Law imposes an obligation on telecommunications service providers to provide the President of the UKE, upon his request, with certain information necessary for the President of the UKE to exercise his statutory powers. Furthermore, telecommunications service providers with annual revenue from telecommunications services exceeding PLN 4.0 million are required, without prior request, to provide the President of the UKE with information concerning the scope and type of services rendered and sales volume by March 31 of each year and with annual financial statements by June 30 of each year.

Telecommunications providers with a significant market position ("SMP")

The President of the UKE, at least once every two years, analyzes certain telecommunications products and service markets to ascertain whether there is effective competition. If the President of the UKE determines that a relevant market is not sufficiently competitive, he may designate one or more telecommunications providers as a provider with a SMP in such market and impose on such provider(s) certain regulatory obligations, such as: (i) an obligation to accept justified requests from other telecommunications providers for the provision of telecommunications access, including use of network elements and associated facilities; (ii) a duty not to discriminate between telecommunications service providers with respect to providing them with access to the telecommunications network; (iii) a duty to keep regulatory accounting; (iv) a duty to charge fees for access to the telecommunications network securing coverage of justified costs, and to determine fees based on the costs incurred; (v) a duty to interconnect networks; and (vi) an obligation to prepare and submit a draft framework offer for telecommunications access to serve as a basis for cooperation between a provider with a SMP and its competitors. Such telecommunications access framework offer should specify the terms and conditions for cooperation with the other providers and the fees for telecommunications access services. The level of detail of the terms and conditions included in the framework offer is defined by the President of the UKE in the decision requiring the preparation and submission of a framework offer, except for framework offers for interconnection of networks, leased lines and access to the local loop, which have a scope defined by the secondary legislation.

If the President of the UKE determines that a given retail market is not effectively competitive, he may also preclude a telecommunications provider with a SMP from, among other things, setting inflated prices for services, limiting competition by setting prices below the actual costs of providing services or applying preferential treatment to certain end-users.

Regulatory obligations are imposed exclusively on telecommunications providers with a SMP by the President of the UKE.

MVNO

Current regulations enable telecommunications service providers to provide mobile telephony services by using the network infrastructure of a third-party operator, in exchange for payment of Mobile Termination Rates (“MTRs”). MTRs are fees that one telecommunications operator charges to another for terminating calls that end on its network. Since 2007, the President of the UKE has determined the maximum MTRs that may be charged in interconnection settlements between MVNOs and mobile network operators (“MNOs”). Since July 2009, the MTRs charged on Cyfrowy Polsat (acting as MVNO) were a flat rate of PLN 0.1677 per minute. Further decline of MTR fees is expected in accordance with the glide path introduced by UKE. Maximum MTRs are crucial for the functioning of MVNOs, which do not have their own infrastructure and provide services based on the network of other operators.

Regulation No. 544/2009 on Prices of Roaming Services

On July 1, 2009, Regulation No. 544/2009 became effective. This regulation stipulates that the cost of a cross-border SMS message within the European Community may not exceed €0.11 (excluding VAT). The price of a cross-border call made within the European Community was capped at €0.43 per minute and a call received at €0.19. As of July 1, 2010, these price ceilings will be reduced to €0.39 and €0.15, respectively, and as of July 1, 2011, they will be further reduced to €0.35 and €0.11, respectively (all prices are per minute, exclusive of VAT). Furthermore, the cost is charged on a per-second basis (and not a per-minute basis) after the initial 30 seconds for calls made and after the first second for calls received.

Wholesale charges for roaming services are as follows: a roaming call made is €0.26 per minute (effective as of July 1, 2009), €0.22 per minute (effective as of July 1, 2010) and €0.18 per minute (effective as of July 1, 2011); and a roaming SMS message is €0.04.

Moreover, the cost of data transmission was reduced as of July 1, 2009, by imposing a wholesale price ceiling of €1.00 per megabyte, which will be further reduced to €0.80 effective as of July 1, 2010, and €0.50 effective as of July 1, 2011.

Regulation No. 544/2009 was issued following a review carried out by the European Commission in accordance with Article 11 of Regulation No. 717/2007, which was the first regulation to introduce exceptional and temporary caps on charges levied by mobile operators (on the wholesale and retail level) for the provision of international roaming services for calls originating and terminating within the European Community.

Compensation for providing universal services

The President of the UKE designates one or more network operators to guarantee the provision of universal services in a tender procedure or, if no tender applies, by issuing a decision. Since this obligation might represent an unfair burden on the designated network operator, a compensation mechanism was introduced. The designated operator calculates the justified net costs of rendering universal service, pursuant to the provisions of the regulations issued by the minister competent for communications, and may apply to the President of the UKE for reimbursement of such costs. The reimbursement is financed by other telecommunications service providers with more than PLN 4 million revenue per annum, pro rata to their revenue from rendering telecommunications services (such payment is capped at 1% of such revenue for each provider). On May 5, 2006, the President of the UKE designated TP as the universal service provider for all of Poland. TP filed for the reimbursement of approximately PLN 800 million for the years 2006-2009. Although as of the date of this offering memorandum the President of the UKE has not issued any decision requiring other telecommunications service providers to cover the reimbursement such UKE's decision is expected to be issued in the near future.

Restrictions on changing terms of standard telecommunications services agreements

Pursuant to provisions of the Polish Telecommunications Law, when an operator amends the terms and conditions of a standard agreement covering the provision of telecommunications services, the service provider is required to inform existing subscribers about the introduced amendments and provide any subscriber who disagrees with the proposed amendments a one-time option to terminate its agreement.

Other Regulations

The Antimonopoly Act

Our activities are subject to the supervision of the President of the Office of the Competition and Consumer Protection (AMO). The AMO President is empowered under the Competition Act to conduct proceedings regarding anticompetitive practices, infringement of collective interests of consumers, intended concentration (including proceedings regarding failure to notify an intention to concentrate) as well as fines for infringement of the Competition Act provisions.

The proceedings may be conducted by the AMO President as (i) explanatory proceedings (ii) antimonopoly proceedings (cases regarding prohibited agreements, abuse of a dominant position and concentrations), (iii) proceedings regarding the infringement of the collective consumers interests, and (iv) proceedings regarding the imposition of fines. The explanatory proceedings precede the antimonopoly proceedings, proceedings regarding the infringement of the collective consumers' interests and proceedings on fines and aim to initially determine whether an infringement of the provisions of the Competition Act or Article 101 and 102 of the Treaty on Functioning of the European Union regarding competition restricting practices has occurred.

The Competition Act generally prohibits agreements which have as their objective or effect elimination, restriction or any other distortion of competition in the relevant market. An agreement infringing the above prohibition is considered null and void. If the AMO President finds during the antimonopoly proceedings or the proceedings regarding the infringement of the collective consumers' interests that an entrepreneur engaged into prohibited practices, then the AMO President can declare in a decision that the given entrepreneur has engaged into specified practices infringing the Competition Act and may impose on the entrepreneur a fine up to 10% of the entrepreneur's turnover in the financial year preceding the year when the decision imposing the fine is issued. The AMO President may also issue commitment decisions, in cases where (i) it has been rendered plausible that the entrepreneur infringed on provisions prohibiting competition-restricting practices or provisions prohibiting practices infringing collective interests of consumers and (ii) the entrepreneur has undertaken to take or discontinue certain actions aimed at preventing those practices. In decisions regarding infringement of collective interest of consumers, the AMO President may also identify measures for removing lasting effects of the violation of collective consumer interests with a view to ensuring compliance with the order to discontinue the relevant practice.

The Packaging Waste Act and the Electronic Equipment Act

Pursuant to the Act on the Obligations of Companies in Respect of the Management of Certain Waste, the Product Fee and the Deposit Fee of May 11, 2001 (Dz. U. 2001.63.639 as amended) (the "Packaging Waste Act"), companies who introduce packaged products in Poland are required to achieve a target minimum of 60% packaging waste recovery rate for all packaging types used for the products they introduce to the market by December 31, 2014. The failure to achieve the minimum recovery rate for packaging waste in a given year triggers the obligation to pay a monetary fine, the so-called "product fee".

Additionally, pursuant to the provisions of the Act on Electronic Equipment Waste of July 29, 2005 (Dz. U. 2005.180.1495 as amended) (the "Electronic Equipment Act") that became effective as of January 1, 2008, companies marketing electronic equipment are obligated to ensure the collection of end-of-life equipment from households, and achieve an 80% recovery and 75% recycling rate for audio-video equipment. The failure to attain those rates triggers an obligation to pay a product fee. Since Cyfrowy engages in selling DTH set-top boxes, it is subject to the provisions of both the Packaging Waste Act as well as the Electronic Equipment Act.

Protection of Personal Data and Telecommunications Secrets

Regulations relating to the protection of personal data are particularly important to the business of operators such as Cyfrowy Polsat due to its MVNO status. Personal data may be processed only in the manner specified by the applicable laws, such as the Act on Personal Data Protection of August 29, 1997 (Dz. U. 2002.101.926 as amended), and with the use of technical and organizational means to ensure protection of the processed data. The operator is authorized, by the operation of law, to process basic personal data of natural persons.

In September 2010, the bureau of the General Inspector for the Protection of Personal Data (the "GIODO"), assumed control over ensuring Cyfrowy Polsat's compliance with data processing requirements. GIODO conducted an investigation on the premises of Cyfrowy Polsat into Cyfrowy Polsat's data processing and found no discrepancies or violations and proclaimed Cyfrowy Polsat to be in conformity with any and all requirements of the personal data protection laws. TV Polsat does not process personal data to the extent that would require it to register with GIODO.

The Telecommunications Law provides for a protection regime for what is referred to as "communications confidentiality", comprising user data, the contents of individual messages, transmission data, location data and data on attempts to make connections. According to the Telecommunications Law, the knowledge, recording, storage, transfer or other uses of contents or data subject to telecommunications confidentiality by individuals other than the message sender and receiver is forbidden.

Any entity participating in the performance of telecommunications activities within public networks is obligated to maintain telecommunications confidentiality, as are entities cooperating with it. They shall also maintain due diligence, within the scope justified by technical or economic reasons, while securing telecommunications equipment, telecommunications networks and data collection from disclosing telecommunications confidentiality. As a telecommunications service provider, Cyfrowy Polsat is bound by these obligations.

The requirement to retain connection data, introduced at the European level by the Directive 2006/24/EC of the European Parliament and of the Council of March 15, 2006, on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks and amending directive 2002/58/EC (the so-called "Data Retention Directive") and implemented in the Polish legal system in 2009, is particularly important to

Cyfrowy Polsat as an operator. The requirement applies to several data categories, which are necessary to establish the source, recipient, date, time and duration of a connection, the communications tool used and its location. The period of the data retention requirement in European Union Member States ranges from six months to two years; in Poland, the data must be retained for two years.

CCMOs

Under Polish Copyright Law, collective copyright management organizations ("CCMOs") are associate authors, performers, producers or radio and TV organizations whose statutory objective is to collectively manage and protect copyrights or neighboring rights entrusted to them as well as exercising the rights under the Polish Copyright Law. For example, CCMOs can enter into agreements to grant a license to use the works or objects of neighboring rights and to collect fees in respect of the same upon terms and conditions specified in such agreements. Under the Decisions of the Minister of Culture and National Heritage issued pursuant to Article 104 § 1 of the Code of Administrative Procedure and Article 104 Section 3 of the Polish Copyright Law, there are currently 15 CCMOs in Poland.

Under the wording of the Polish Copyright Law that was in place until October 21, 2010, CCMOs charged the copyright users fees that were calculated based on minimal rates provided for in fee tables. These fees were shaped without the active participation of the users of the copyrights and as such were found to be unconstitutional by the Polish Constitutional Tribunal (the "Tribunal"). The Tribunal held that the correct proposal of the tables of CCMOs' fees shall be prepared with equal participation of the representatives of both the CCMOs and the users of copyrights. As a consequence the Polish Copyright Law was amended, as of October 21, 2010.

Pursuant to the amended law, the existing tables of fees shall become invalid on October 21, 2011. Until such time, negotiations may be carried out regarding the new rates, should the value of the existing rates be questioned by the parties to the existing agreements.

Under the currently binding law, the tables of fees shall be approved at the initial stage by the so-called Copyright Commission, at the request of a given CCMO, while the Commission shall have the right of subject-matter interference in the contents of the tables submitted for approval. The amendment shall guarantee the copyright users equal participation in the process of shaping the tables of fees that shall be binding upon them. Should a participant in the proceedings be dissatisfied with the decisions of the Copyright Commission, it has the right to file a request for referring the case of the table approval to common court, where proceedings shall be held according to civil law procedure.

Additionally, after the amendment the approved tables of fees will determine fixed rates (with regard to amount or percentage) as opposed to the minimal ones (as was the case under the previous law), while the CCMO having their tables approved shall apply the same in the license agreements concluded by them, under pain of invalidity. Nevertheless, the amendment provides for the possibility of applying a rate other than the one resulting from a validly approved table, under an agreement concluded by and between a CCMO and the organization of associated entities using the works or the objects of related rights or an entity using the rights that carries out nation-wide activities.

Act on Cinematography

Under the Act on Cinematography entities managing cinemas, distributing entities, operators of digital platforms, operators of cable TV and TV broadcasters are obliged to make quarterly payments to the Polish Film Institute in the amount representing 1.5% of their revenue derived from their respective business activities (i.e., from broadcasting advertising, telesales, and sponsored programs and the revenue on subscription fees with respect to TV broadcasters and from fees for access to TV programs broadcast or re-aired on the digital platform with respect to digital platform operators). The Act provides also that a parent company may deduct from the amounts due to the Polish Film Institute amounts actually paid thereto by its subsidiary.

MANAGEMENT

The Issuer

The Issuer was incorporated on February 18, 2011, under the name Cyfrowy Polsat Finance AB (publ), as a public limited liability company under the laws of Sweden. The table below sets out the name, age, year of appointment and the year in which the current term expires for each of the members of the Board of Directors of the Issuer:

Name	Age	Year first appointed	Year appointed for the current term	Year term expires	Position
Hugo Nordenfelt	67	2011	2011	2012	Managing Director
Tomasz Szeląg	34	2011	2011	2012	Member
Edgar Vögg	32	2011	2011	2012	Member

The office address of the Board of Directors of the Issuer is Stureplan 4C, 4tr, 114 35 Stockholm, Sweden.

Hugo Nordenfelt

Mr. Nordenfelt has been a member of the Board of Directors of Cyfrowy Polsat Finance AB (publ) since February 2011. He also performs the function of the Managing Director. In the past, Mr. Nordenfelt served as Chairman of the board of Uppsala Auktionskammare AB. He was also the managing director of TVN II and TVN III and a board member of Svenska Bostäder AB and Stadsholmen AB. He was also a vice president of Bukowskiauktioner AB and Stiftelsen Skansen. Mr. Nordenfelt graduated from Stockholm University with a Master of Political Science (Pol M) as well as from the Stockholm School of Economics with a Master of Business Administration (MBA).

Tomasz Szeląg

Mr. Szeląg has been a member of the Board of Directors of Cyfrowy Polsat Finance AB (publ) since February 2011. He has also been a member of the management board of Cyfrowy Polsat since 2009 and sits on the management board of Cyfrowy Polsat Technology sp. z o.o. He is the President of the management board of mPunkt Polska S.A. From 2000 to 2003, he was an assistant at the Foreign Trade Faculty of the Economic Academy of Wrocław. In May 2003, he received a Ph.D. for his thesis on hedging transactions used by world copper producers and went on to become a lecturer at the Faculty of the International Economic Relations of the Economic Academy of Wrocław. Between 2003 and 2004, he was also a lecturer in the Wrocław School of Banking at the Faculty of International Economic Relations.

Mr. Szeląg has significant managerial experience in finance and investment. From 2003 to 2007, he served in various managerial positions at KGHM Polska Miedź S.A, including Chief Specialist in the Currency Risk Department and then in the Market Risk and Analysis Department. He was also the Director of the Market Risk and Analysis Department and Director of the Hedging Department at KGHM Polska Miedź S.A. From April 2007 to June 2008, he was the Director of a branch of Société Générale Bank in Wrocław. From July 2008 to March 2009, he was vice president of Finance at Telefonia Dialog S.A. and was responsible for, among other things, finance, controlling, budgeting management, capital investment and project management. Mr. Szeląg graduated from the National Economy Faculty of the Economic Academy of Wrocław with a major in International Economic and Political Relations, specializing in Foreign Trade.

Edgar Vögg

Mr. Vögg has been a member of the Board of Directors of Cyfrowy Polsat Finance AB (publ) since February 2011. In the past Mr. Vögg served as a member of the board at TVN Finance Corporation II AB, TVN Finance Corporation III AB (publ) as well as a Legal Trust Officer at Citco (Sweden) AB and a Consultant at Re/Max Denmark. Additionally, Mr. Vögg has substantial professional experience in real estate investment and financing; he is a licensed real estate broker and a tax advisor. Mr. Vögg graduated from Copenhagen Business School with a Master of Science in Business Administration and Commercial Law.

Cyfrowy Polsat

In accordance with Polish corporate law, Cyfrowy Polsat conducts its decision-making processes through the General Shareholders' Meeting (*Walne Zgromadzenie*), the management board (*Zarząd*) and the supervisory board (*Rada Nadzorcza*). The powers of and relationship between these governing bodies are governed by the applicable provisions of the Companies Code of September 15, 2000 (Official Journal 2000.94.1037 as amended) (the "Companies Code"), the articles of association (the "Articles of Association") and the internal by-laws.

The management board is responsible for the day-to-day management of the company. The members of the management board are appointed by and may be dismissed at any time by the supervisory board. A majority of the management board members (as well as the supervisory board members) must be Polish citizens, with permanent residency in Poland. This requirement does not apply to foreign persons whose domicile or residency is in one of the Member States of the European Economic Area. Resolutions of the management board are passed by a simple majority of votes of the members participating at a meeting where there is a quorum or by a written resolution in the absence of a meeting, provided that all members of the management board have been notified of the content of any such proposed resolution. The presence of at least half of the members of the management board is required for a quorum.

The primary function of the supervisory board is to supervise all aspects of the businesses. The General Shareholders' Meeting appoints as well as dismisses the members of the Supervisory Board. For the supervisory board's resolutions to be valid all of its respective members must be invited to the meeting and no less than half of the members must attend in order to establish a quorum. The supervisory board's resolutions are passed by a majority of votes cast. The principal functions of the supervisory board include: (i) examination of financial statements to ensure consistency with records and documents and with facts; examination of interim and annual reports of the management board as well as management board proposals regarding the distribution of profits or coverage of losses; and submission of written reports to the General Shareholders' Meeting on the outcomes of such examinations; (ii) approving the rules of procedure of the management board; (iii) approving annual financial statements; (iv) approving annual and multi-year business plans prepared by the management board. The supervisory board meets at least once a quarter.

Management Board of Cyfrowy Polsat

Management board members of Cyfrowy Polsat serve for a term of two years.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the members of the management board of Cyfrowy Polsat:

Name	Age	Year first appointed	Year appointed for the current term	Year term expires	Position
Dominik Libicki	48	2001	2010	2013	President (CEO)
Tomasz Szeląg	34	2009	2010	2013	Member (CFO)
Dariusz Działkowski	44	2007	2010	2013	Member (Technology)
Aneta Jaskólska	36	2010	2010	2013	Member (Legal, Administration, Personal and Safety Departments)

The office address for all members of the Cyfrowy Polsat management board is: Warszawa, ul. Łubinowa 4a, 03-878.

Dominik Libicki

Mr. Libicki has been the President and Chief Executive Officer of Cyfrowy Polsat since March 2001. He is also the President of the management board of Cyfrowy Polsat Technology sp. z o.o. and sits on the supervisory boards of Polskie Media S.A. and POT sp. z o.o. Since February 2005, he has been vice president of the Association of Private Media Employers. Between 2006 and 2008, he was vice president of the supervisory board of Polska Telefonia Cyfrowa sp. z o.o., the largest mobile telephony provider in Poland (the "Era" network). Mr. Libicki has extensive professional experience in the TV production industry. He held the position of Managing Director of PAI Film and ran his own company, Studio Meg, which produced TV advertising spots and TV programs. Mr. Libicki graduated from the Department of Environmental Studies at the Wroclaw Technical University and completed a training course for supervisory board members sponsored by the Polish State Treasury and organized by the Polish Ministry of Economy.

Tomasz Szeląg

Mr. Szeląg has been a member of the management board of Cyfrowy Polsat since 2009. For more details please refer to "The Issuer".

Dariusz Działkowski

Mr. Działkowski has been a member of the management board since August 2007 and is responsible for technology. He serves as a member of the management board of Cyfrowy Polsat Technology sp. z o.o. From 1994 to 1999, he worked in the technology department (later as director of technology) at Polska Korporacja Telewizyjna sp. z o.o. and Korporacja Obsługi Telewizyjnej sp. z o.o. From 2000 to 2001, he worked as director of the service sales department at Sp. z o.o. From 2001 to 2007, he worked as a technical TV director for Cyfrowy Polsat. He has his own consultancy business through which he provides advisory services in the telecommunications and media industries. Mr. Działkowski graduated from the Electronics Department at the Warsaw University of Technology and has an MBA from the University of Maryland.

Aneta Jaskólska

Ms. Jaskólska has been a member of the management board since July 2010 and is responsible for the Legal, Administration, Personal and Safety Departments. She is a solicitor and since 2007 has been Director of the Legal and Regulatory Department of Cyfrowy Polsat S.A. She is also a member of the management board of Cyfrowy Polsat Technology sp. z o.o. and a member of the supervisory board of mPunkt Polska S.A. Between 2004 and 2007, she held the position of Proxy and Director of the Legal Department at UPC Polska sp. z o.o. She has 13 years of experience providing legal advisory services to large businesses. Ms. Jaskólska graduated from the Faculty of Law and Administration of Warsaw University and from the Copyright, Publishing and Press Law Faculty at the Department of Management and Social Communication of Jagiellonian University.

Share-based payments

On December 4, 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat resolved to implement an executive incentive program (the "Incentive Program") for members of the management board of Cyfrowy Polsat. The Incentive Program is funded through conditional share capital increases of up to PLN 219,041 through the issuance of 5,476,020 Series G1 through G4 shares, of which each share comprises up to 1,369,005 ordinary bearer shares and subscription warrants. Persons entitled to G1 through G4 shares will be holders of the subscription warrants as set forth under the Incentive Program's Regulations adopted by the supervisory board of Cyfrowy Polsat. Subscription warrants are issued free of charge. As of March 31, 2011, no warrants were allotted under the Incentive Plan.

Cyfrowy Polsat share ownership of management board members

The following table presents shares owned directly or indirectly by the members of the Cyfrowy Polsat management board as of April 20, 2011:

Name	Number of shares as of April 20, 2011
Dominik Libicki	1,497
Tomasz Szeląg	—
Dariusz Działkowski	—
Aneta Jaskólska	—

Supervisory Board of Cyfrowy Polsat

The supervisory board of Cyfrowy Polsat is comprised of between five and nine members, appointed at the General Shareholders' Meeting for a joint term of three years. In electing supervisory board members, the General Shareholders' Meeting determines the number of board members. Currently, the supervisory board of Cyfrowy Polsat consists of five members, two of whom are independent. In addition to the general competences of the supervisory board described above, the supervisory board of Cyfrowy Polsat is also responsible for: (i) granting consent for participation in other companies or partnerships; (ii) authorizing the conclusion of material agreements with Cyfrowy Polsat's affiliates; (iii) consenting to Cyfrowy Polsat transacting business resulting in the assumption of any liabilities (unless (a) such transaction is provided for in the annual business plan of Cyfrowy Polsat approved by the supervisory board, or (b) the liabilities assumed do not exceed PLN 10.0 million, including granting sureties and guarantees), drawing and guaranteeing bills and promissory notes in the course of the day-to-day business, including in particular in the scope of pay digital TV and of a virtual telephone network operator; (iv) establishing rules of setting remuneration for the management board members; and (v) granting consent to disburse a down-payment toward a future dividend to shareholders.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the members of the supervisory board in Cyfrowy Polsat:

Name	Age	Year first appointed	Year appointed for the current term	Year term expires	Position
Zygmunt Solorz-Żak	55	2008	2009	2012	President
Robert Gwiazdowski	51	2008	2009	2012	Member
Heronim Ruta	61	2001	2009	2012	Member
Leszek Reksa	59	2008	2009	2012	Member
Andrzej Papis	36	2007	2009	2012	Member

The office address for all members of the supervisory board is: Warszawa, ul. Łubinowa 4a, 03-878.

Zygmunt Solorz-Żak

Mr. Solorz-Żak is the President of the supervisory board of Cyfrowy Polsat and has been a member since 2008. Between 1998 and 1999, he was the owner of Foreign Enterprise Solpol. In 2003, he co-created Telewizja Polsat S.A. and has served as the President of the supervisory board of TV Polsat since its inception. Media are not the only investment area of interest to Mr. Solorz-Żak. His portfolio of controlled companies also includes: Elektrim S.A., Invest-Bank S.A., Zespół Elektrowni Pątnów-Adamów-Konin S.A., Powszechne Towarzystwo Emerytalne Polsat S.A. and Towarzystwo Ubezpieczeń na Życie "POLISA-ŻYCIE" S.A. Mr. Solorz-Żak has extensive experience working in statutory bodies of legal companies. He has served as the President of the supervisory board of Polsat Media since 2000, as the President of the supervisory board of Invest-Bank S.A. since 2002 and as the President of the supervisory board of Elektrim S.A. since 2003.

Robert Gwiazdowski

Mr. Gwiazdowski has been a member of the supervisory board of Cyfrowy Polsat since 2008 and is an independent member of the supervisory boards of Gemius S.A., MNI S.A. and DGA S.A. He is a Doctor of Law at the University of Warsaw. He is also an arbiter in arbitration proceedings in the Stock Exchange Court within the Warsaw Stock Exchange S.A and the president of the Adam Smith Center. From 1985 to 2006, he was a senior researcher at the University of Warsaw (assistant and then lecturer on the Law and Administration Faculty). From 1992 to 2002, he was a partner at Smoktunowicz & Falandysz Legal Office. From 1994 to 2004, he was the Head of Tax Commission of the Adam Smith Center. Since 2002 he has run Gwiazdowski Consulting, where he has provided businesses with legal, tax, finance and economic advice. He has been an investment advisor since 1997. Mr. Gwiazdowski is an author of commentaries regarding tax and economic topics relating to Polish TV and radio stations, and an author of numerous publications and articles.

Heronim Ruta

Mr. Ruta has been a member of the supervisory board of Cyfrowy Polsat since 2001. He is employed by Ster sp. z o.o. and is a member of the supervisory boards of Invest-Bank S.A., PAI Media S.A., Gurex S.A., TV Polsat and Diasen Ltd. Between 1973 and 1978, he was a trainee and then an electrical technology specialist with Zakłady Tworzyw Sztucznych "Pronit Erg" (Plastics Processing Plant). Between 1978 and 1979, he was a specialist supervising development of an experimental car for detection of cracks in rail tracks in Centralny Ośrodek Badań Techniki Kolejnictwa (Railway Technology Research Center). In 1980, he worked for Cementation International Limited, London, designing the electrical layout for the Marriott Hotel in Warsaw. Between 1980 and 1987, he was the head of Wytwórczo-Usługowa Spółdzielnia Pracy (Production and Service Cooperative). In 1987, he founded Herom sp. z o.o., where he served as

President until 1992. From 1992 to 1994, he was the President of Ster sp. z o.o. Between 1991 and 1998, he also ran his own business focusing on trade and services in the field of electronics goods and establishment of TV broadcast transmitters for TV Polsat. From 2002 to 2005, he was a member of the Board of Polaris Finance B.V. and between 2002 and 2004 he was member of the supervisory board of Uzddaroji Akcine Bendrove "Baltijos Televizija". Mr. Ruta graduated from the Electrical Faculty of the Warsaw Polytechnic.

Leszek Reksa

Mr. Reksa has been a member of the supervisory board of Cyfrowy Polsat since 2008. He has extensive professional experience in managerial positions for various companies. For over 15 years he has been employed in managerial positions in the banking sector (Powszechna Kasa Oszczędności Bank Polski S.A.). He also has extensive experience working in statutory bodies of legal companies, where he has held the positions of President of the Management Board of PHU BIMOT S.A., member of the supervisory board of Bankowy Fundusz Leasingowy S.A. and member of the supervisory board of Zakłady Azotowe Kędzierzyn S.A. Mr. Reksa is a graduate of the Foreign Trade Faculty of the School of Planning and Statistics (now the Warsaw School of Economics).

Andrzej Papis

Mr. Papis has served as a member of the supervisory board of Cyfrowy Polsat since 2007 and as a member of the supervisory board of TV Polsat from 2007. He has served as a member of the management board of TFP sp. z o.o. since 2003. From 1998 to 1999, he worked in the Chancellery of the Prime Minister. From 2000 to the present, he has worked in the legal department at TV Polsat. He has served as a member of the supervisory boards of Elektrim S.A. and Media Biznes sp. z o.o. since 2004. Mr. Papis graduated from the law school at the University of Warsaw.

Share based payments

Currently, there are no share option plans for the members of the supervisory board of Cyfrowy Polsat.

Cyfrowy Polsat share ownership of supervisory board members

The following table presents shares owned directly or indirectly by the members of the supervisory board of Cyfrowy Polsat as of April 20, 2011:

Name	**Number of shares as of April 20, 2011**
Zygmunt Solorz-Żak	239,516,722(1)
Robert Gwiazdowski	—
Heronim Ruta	9,509,648(2)
Leszek Reksa	—
Andrzej Papis	—

(1) Mr. Zygmunt Solorz-Żak holds: (i) 10,603,750 shares directly (representing 3.04% in the share capital and 4.02% of votes in the Cyfrowy Polsat); (ii) 175,025,000 shares indirectly, through Polaris Finance B.V., (representing 50.24% in the share capital and 64.79% of votes in Cyfrowy Polsat) and (iii) 53,887,972 shares indirectly, through Karswell Limited, (representing 15.47% in the share capital and 10.21% of votes in Cyfrowy Polsat).

(2) Mr. Heronim Ruta indirectly holds, through Sensor Overseas Limited, 9,509,648 shares constituting 2.73% of the share capital and 1.80% of votes in Cyfrowy Polsat.

Special Committees

According to the supervisory board regulations, the supervisory board may appoint standing committees, in particular the Audit Committee or the Remuneration Committee, and *ad hoc* Committees for the purpose of considering certain issues reserved for competencies of the supervisory board, or acting as advisory and opining bodies of the supervisory board. On August 4, 2008, the supervisory board appointed the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee supervises the process of financial reporting at Cyfrowy Polsat and cooperates with the independent auditor. The Audit Committee also supervises the financial filings in order to ensure the balance, clarity and integrity of financial information. The Audit Committee comprises, among others, two members of the supervisory board who satisfy the criteria of independence set out in the Best Practices of WSE Listed Companies. The Committee meets on a quarterly basis.

The following members of the supervisory board act as members of the Audit Committee: Heronim Ruta, Robert Gwiazdowski (independent supervisory board member) and Leszek Reksa (independent supervisory board member).

Remuneration Committee

The Committee meets on *ad hoc* basis. It determines the remuneration of the members of the management board and awards annual bonuses.

The following members of the supervisory board act as members of the Remuneration Committee: Zygmunt Solorz-Żak and Heronim Ruta.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

The Issuer

The issued share capital of the Issuer amounts to SEK 500,000 and is divided into 500,000 ordinary shares with a par value of SEK 1.00 each. Cyfrowy Polsat owns all of the issued share capital of the Issuer.

Major Shareholders of Cyfrowy Polsat

The share capital of Cyfrowy Polsat amounts to PLN 13,934,113.44 and is divided into 348,352,836 shares. The table below sets forth, as of April 20, 2011, the ownership of the shares of Cyfrowy Polsat.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Polaris Finance B.V.(1)	175,025,000	50.24	341,967,501	64.79
Karswell Overseas Limited(2)	53,887,972	15.47	53,887,972	10.21
Others(3)	131,914,864	34.29	131,914,864	24.99
TOTAL	348,352,836	100.00	527,770,337	100.00

(1) Mr. Zygmunt Solorz-Żak holds 85% and Heronim Ruta holds 15% of the shares and voting power in Polaris Finance B.V.

(2) Mr. Zygmunt Solorz-Żak holds 100% of the shares and voting power at the shareholders' meeting of Karswell Limited, that in turn owns 15.47% of the shares of Cyfrowy Polsat, representing 10.21% of the votes at the shareholders' meeting of Cyfrowy Polsat.

(3) Mr. Zygmunt Solorz-Żak directly holds 3.04% of the shares of Cyfrowy Polsat, representing 4.02% of the votes at the shareholders meeting of Cyfrowy Polsat. Heronim Ruta holds 100% of the shares and voting power at the shareholders' meeting of Sensor Overseas Limited, that in turn owns 2.73% of the shares of Cyfrowy Polsat, representing 1.8% of the votes at the shareholders' meeting of Cyfrowy Polsat.

Related Party Transactions

We have set forth below our transactions with related parties since January 1, 2008. In certain of the relationships described below, certain members of our management may also hold management positions with the related party.

Investment Agreement with Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta

On November 15, 2010, Cyfrowy Polsat entered into an Investment Agreement with Mr. Zygmunt Solorz-Żak, Mr. Heronim Ruta, Karswell Limited and Sensor Overseas Limited, or the Selling Shareholders, which set forth the terms and conditions for the acquisition by Cyfrowy Polsat of 100% of the shares of TV Polsat. Mr. Zygmunt Solorz-Żak is a controlling shareholder of TV Polsat and Cyfrowy Polsat, and is also a member of the supervisory boards of Cyfrowy Polsat and TV Polsat. Mr. Heronim Ruta is a shareholder and a member of the supervisory boards of TV Polsat and Cyfrowy Polsat. The sole shareholder of Karswell Limited is Mr. Zygmunt Solorz-Żak, and the sole shareholder of Sensor Overseas Limited is Mr. Heronim Ruta.

Pursuant to the Investment Agreement, Cyfrowy Polsat was obligated to purchase the shares of TV Polsat from the Selling Shareholders at a purchase price of PLN 3,750.0 million. Approximately PLN 2,600.0 million was paid from funds drawn by Cyfrowy Polsat under the Senior Secured Credit Facilities Agreement (please see "Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement") and approximately PLN 1,150.0 million was paid in shares of Cyfrowy Polsat.

On December 28, 2010, Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta entered into donation agreements with each of Mat Fundusz Inwestycyjny Zamknięty ("Mat") and Koma Fundusz Inwestcyjny Zamknięty ("Koma"). Pursuant to the donation agreements, Mat acquired the shares of TV Polsat held by Mr. Zygmunt Solorz-Żak and Koma acquired the shares of TV Polsat held by Mr. Heronim Ruta. In accordance with the Investment Agreement, Mat and Koma agreed to become parties to the Investment Agreement to assume the respective obligations of Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta and to become Selling Shareholders. The obligations of Mat and Karswell Limited under the agreement are guaranteed by Mr. Zygmunt Solorz-Żak, and the obligations of Koma and Sensor Overseas Limited are guaranteed by Mr. Heronim Ruta.

Our acquisition of TV Polsat was completed on April 20, 2011.

Agreements with ATM Grupa S.A.

From May 5, 1999 to February 19, 2010, TV Polsat entered into various agreements with ATM Grupa S.A. ("ATM"), pursuant to which ATM agreed to produce at TV Polsat's request a specified number of episodes of the TV series "*Pasaż*", "*All Star Mr. & Mrs.*", "*The Moment of Truth*", "*Saloon Gier*", "*Power of 10*", "*Ekipa*", "*Who's the Boss*", "*Pierwsza miłość*" and "*Świat według Kiepskich*", and transfer the author's economic rights to each series to TV Polsat. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is a direct and indirect shareholder of ATM. The agreements run for the period of the production of the applicable series, and in some cases, may be extended.

The aggregate value of all transactions between TV Polsat and ATM was PLN 44.8 million, PLN 35.5 million and PLN 35.2 million in 2008, 2009 and 2010, respectively.

Agreements with Baltmedia sp. z o.o.

On August 28, 2009 and June 1, 2010, TV Polsat entered into agreements with Baltmedia sp. z o.o. ("Baltmedia"), pursuant to which Baltmedia agreed to produce at TV Polsat's request a specified number of episodes of the TV series "*Wysportowani*" and "*Przystanek Laska*", respectively, and transfer the author's economic rights to each series to TV Polsat. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is an indirect shareholder of Baltmedia. The agreements run for the period of the production of the series.

The aggregate value of all transactions between TV Polsat and Baltmedia was PLN 350,000 and PLN 500,000 in 2009 and 2010, respectively.

Agreements with Elektrim S.A.

On July 1, 2007, Cyfrowy Polsat entered into a lease agreement with Elektrim S.A. ("Elektrim") for 986.30 m^2 of office space on the 42nd floor and three parking spots located in front of the office building at ul. Chałubińskiego 8 in Warsaw. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is an indirect shareholder controlling Elektrim and a member of the supervisory board of Elektrim. The lease agreement runs for an indefinite term and may be terminated by either party upon a three-month notice.

On March 1, 2007, Cyfrowy Polsat entered into a lease agreement with Elektrim for 985.9 m^2 of office space on the 43rd floor, 211 m^2 of office space on the 45th floor, five underground parking spots, one platform space and six ground parking spots at the office building located at ul. Chałubińskiego 8 in Warsaw. The lease agreement runs for an indefinite term and may be terminated by either party upon a three-month notice.

In 2010, the aggregate value of the above mentioned lease agreements was approximately PLN 1.7 million.

Agreements with Inwestycje Polskie sp. z o.o.

From March 19, 2002 to December 13, 2004, TV Polsat entered into various lease agreements with Inwestycje Polskie sp. z o.o. ("Inwestycje Polskie") for TV studio, TV back office space, storage space and a parking facility at an office-industrial building located at ul. Ostrobramska 77 in Warsaw, Poland.

Mr. Zygmunt Solorz-Żak, our controlling shareholder, is a direct shareholder controlling Inwestycje Polskie. Certain agreements have terms that expire between April 2012 and March 2014, and certain agreements have indefinite terms that may be terminated upon advance notice.

The aggregate value of all transactions between TV Polsat and Inwestycje Polskie was PLN 14.6 million, PLN 16.1 million and PLN 16.4 million in 2008, 2009 and 2010, respectively.

Agreements with Invest Bank S.A.

On March 31, 2008, TV Polsat entered into an agreement with Invest Bank S.A. ("Invest Bank") for the sublease of 270.53 m^2 of office space in the office-industrial building located at ul. Ostrobramska 77 in Warsaw, Poland. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is a direct and indirect shareholder controlling Invest Bank and a member of supervisory board of Invest Bank. Additionally, Mr. Heronim Ruta, member of supervisory board of TV Polsat and Cyfrowy Polsat, is member of supervisory board of Invest Bank. The agreement expires on April 1, 2012.

On July 1, 2007, TV Polsat entered into an agreement with Invest Bank for the sublease of 537 m^2 of office space in the office-industrial building located at ul. Ostrobramska 77 in Warsaw, Poland. The agreement expires on April 1, 2012.

The aggregate value of the above lease agreements, concluded by TV Polsat with Invest Bank, in 2008 was PLN 1.1 million, in 2009 was PLN 970,000 and in 2010 was PLN 970,000.

On June 14, 2005, Cyfrowy Polsat entered into an agreement with Invest Bank for the provision of Invest Bank's SIPP service, which consists of accepting, processing, settling and reporting mass payments made for the benefit of Cyfrowy Polsat via its SIPP account. The value of the agreement was approximately PLN 1.0 million, PLN 932,525 and PLN 672,234 in 2008, 2009 and 2010, respectively.

Agreements with Mr. Zbigniew Krok

On March 15, 2006, TV Polsat entered into a production agreement with Mr. Zbigniew Krok, conducting business under "Goliat" P.H.U. Zbigniew Krok, pursuant to which Mr. Zbigniew Krok agreed to produce at TV Polsat's request a specified number of episodes of the TV show "*Wstawaj-gramy!*" and transfer the author's economic rights thereto to TV Polsat. Mr. Zbigniew Krok is the brother of Mr. Solorz-Żak, our controlling shareholder. The agreement runs for the period of the production of the series.

On March 18, 1999, TV Polsat entered into an agreement with Mr. Zbigniew Krok, pursuant to which TV Polsat agreed to broadcast Goliat's TV show "*Muzyczny Kramik*". The agreement runs for an indefinite term and may be terminated upon a three-month notice.

The aggregate value of all transactions between TV Polsat and Mr. Zbigniew Krok was PLN 1.6 million, PLN 2.0 million and PLN 2.0 million in 2008, 2009 and 2010, respectively.

Agreement with Polaris Finance B.V.

On April 1, 2008, Cyfrowy Polsat entered into an agreement with Polaris Finance B.V., a major shareholder of Cyfrowy Polsat, controlled by Mr. Zygmunt Solorz-Żak, our controlling shareholder, to settle costs of services in connection with the IPO and introduction of Cyfrowy Polsat's shares onto the Warsaw Stock Exchange. Pursuant to the agreement, Polaris Finance reimbursed PLN 7.8 million of the costs and expenses actually incurred by Cyfrowy Polsat.

Agreements with Polskie Media S.A.

From March 30, 2000 to January 29, 2008, TV Polsat entered into agreements with Polskie Media sp. z o.o. ("Polskie Media") pursuant to which the parties agreed to provide one another with various services, including the use by Polskie Media of TV Polsat's audiovisual materials and programs, rights to use TV Polsat's transponder and the sublease of office, production and storage space. The agreements run for an indefinite term and may be terminated upon advance notice. Polskie Media and TV Polsat also entered into a non-exclusive license to use TV Polsat's news archives for the sole purpose of producing and distributing the TV program. The agreement runs for two year periods, subject to extension.

Polskie Media and TV Polsat also agreed to provide one another with advertising services and to cooperate in the production of the interactive TV show "*Nocne randki*" on TV4 channel. The agreement runs for the duration of the broadcast of the TV show.

A brother of Mr. Eryk Walkiewicz, a member of the management board of TV Polsat, is a member of the management board of Polskie Media.

The total value of goods and services purchased by TV Polsat from Polskie Media was PLN 962,000, PLN 913,000 and PLN 564,000 in 2008, 2009 and 2010, respectively. The total value of TV Polsat's revenue from sales to Polskie Media was PLN 5.8 million, PLN 5.6 million and PLN 4.5 million in 2008, 2009 and 2010, respectively.

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

On July 1, 2007, TV Polsat entered into a framework agreement with Polska Telefonia Cyfrowa sp. z o.o. ("PTC"), pursuant to which TV Polsat agreed to provide multimedia content to PTC's mobile subscribers. Aleksander Myszka, Member of the supervisory board of TV Polsat, was a member of the supervisory board of PTC from June 2008 to April 2010. The framework agreement has an indefinite term and may be terminated by either party upon one-month's notice. In addition to the framework agreement, PTC and TV Polsat entered into separate execution agreements governing the type of multimedia content to be provided, the term of the agreement and the fee to be paid to TV Polsat for the provision of such services (with the reservation that such fee may be determined either as a flat-rate amount or a share in PTC's net profits from the sale of the provided multimedia content). The value of the agreement was PLN 2.4 million, PLN 1.8 million and PLN 1.1 million in 2008, 2009 and 2010, respectively.

Agreements with Polsat Nieruchomości sp. z o.o.

On December 14, 2007, TV Polsat entered into an agreement with Polsat Nieruchomości sp. z o.o. for the lease of TV studio and TV back office space in the building located at ul. Świdnicka 21/23 in Wrocław, Poland. Mr. Zygmunt Solorz-Żak, our controlling shareholder, controls Polsat Nieruchomości sp. z o.o. The lease agreement runs for an indefinite term and may be terminated by either party upon six-months' notice. The value of the agreement was PLN 506,000, PLN 605,000, and PLN 562,000 in 2008, 2009 and 2010, respectively.

Agreements with Profilm Agencja Filmowa sp. z o.o.

On February 20, 2008, TV Polsat entered into an agreement with Profilm Agencja Filmowa sp. z o.o. ("Profilm") pursuant to which Profilm agreed to produce at TV Polsat's request a specified number of episodes of the cyclical TV series *"Przebojowe dzieci"* and transfer the author's economic rights thereto to TV Polsat. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is an indirect shareholder of Profilm. The agreement runs for the period of the production of the series. The aggregate value of all transactions between TV Polsat and Profilm in 2008 amounted to PLN 2.4 million.

Agreements with Redefine sp. z o.o.

On March 1, 2009 and October 1, 2009, TV Polsat entered into cooperation agreements with Redefine sp. z o.o. (previously CDZ 13 sp. z o.o.) ("Redefine"), pursuant to which TV Polsat agreed to provide Redefine with sponsoring and advertising services and Redefine agreed to provide TV Polsat with advertising services through December 31, 2010. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is an indirect shareholder controlling Redefine.

On March 17, 2008, TV Polsat entered into a framework agreement with Redefine, pursuant to which Redefine agreed to create and maintain certain specified Internet websites and Internet services. The agreement runs for an indefinite term and may be terminated by either party upon six-months' notice.

Between 2008 and 2010, the total value of the goods and services purchased from Redefine amounted to PLN 4.5 million while goods and services sold by TV Polsat to Redefine amounted to PLN 4.7 million.

Agreements with Studio A sp. z o.o.

From February 16, 2007 to September 5, 2010, TV Polsat entered into various agreements with Studio A sp. z o.o. ("Studio A") pursuant to which Studio A agreed to produce at TV Polsat's request a specified number of episodes of the cyclical TV series "*Kobieta Cafe*", "*Chudy i jego ludzie*", "*Męski punkt widzenia*" and "*Halo Hans*", and transfer the author's economic rights to each series to TV Polsat. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is an indirect shareholder of Studio A. The agreements run for the period of the production of the applicable series, and may be extended in some cases.

The aggregate value of all transactions between TV Polsat and Studio A was PLN 983,000, PLN 320,000 and PLN 7.1 million in 2008, 2009 and 2010, respectively.

Agreements with Superstacja

On August 10, 2009, Cyfrowy Polsat entered into transmission services agreement with Superstacja sp. z o.o. ("Superstacja") pursuant to which, among other things, Cyfrowy Polsat agreed to transmit the Superstacja channel in the system used by Cyfrowy Polsat and to provide encoding services to Superstacja in exchange for monthly payments of EUR 35,000. Mr. Heronim Ruta, a member of the supervisory board of Cyfrowy Polsat and TV Polsat, is an indirect shareholder controlling Superstacja. The agreement expires on July 31, 2012. The total value of the agreement was approximately PLN 2.1 million.

On August 10, 2009, Cyfrowy Polsat entered into a license agreement with Superstacja granting Cyfrowy Polsat a non-exclusive license to distribute the "*Superstacja*" channel in exchange for monthly payments of EUR 35,000. The agreement expires on July 31, 2012. The total value of the agreement is approximately PLN 2.4 million.

Agreements with Teleaudio sp. z o.o.

On November 25, 2009, Cyfrowy Polsat entered into a cooperation agreement with Teleaudio sp. z o.o. ("Teleaudio"). Mr. Zygmunt Solorz-Żak, our controlling shareholder, controls Teleaudio. Pursuant to the agreement, Teleaudio agreed to enable users of Cyfrowy Polsat set-top boxes or other decoding devices to make payments for VoD materials by sending a premium rate SMS message to a dedicated number. In exchange, Cyfrowy Polsat agreed to pay to Teleaudio a monthly fee equal to 45% of the costs of any such SMS messages sent from the network of Polish MNO operators and 50% of the costs of any such SMS messages sent from the Cyfrowy Polsat MVNO network. The cooperation agreement runs for an indefinite term and may be terminated by either party upon three-month's notice. The total value of the agreement was approximately PLN 320,049.

On February 1, 2009, Cyfrowy Polsat entered into an agreement with Teleaudio pursuant to which Teleaudio agreed to provide services consisting of sending SMS messages and delivering text to speech messages to addressees designated by Cyfrowy Polsat. The agreement runs for an indefinite term and may be terminated by either party with one-month's notice. The total value of the agreement was approximately PLN 994,632.

On July 30, 2008 and on January 1, 2009, Cyfrowy Polsat entered into agreements with Teleaudio pursuant to which Teleaudio agreed to provide call center services to Cyfrowy Polsat's customers. All such agreements have expired (last of the agreements expired on December 31, 2010). The total value of the agreements was approximately PLN 19.9 million.

On October 22, 2007, Cyfrowy Polsat entered into an agreement with Teleaudio pursuant to which Cyfrowy Polsat leased the call center. The agreement was terminated by Cyfrowy Polsat on December 31, 2008. The value of the agreement in 2008 was approximately PLN 4.5 million.

On April 29, 1996, TV Polsat entered into an agreement with Teleaudio pursuant to which Teleaudio agreed to provide TV Polsat with so-called "teleaudio" services, which consist of setting up and delivering telecommunications services of paid audio access via the public telecommunications network, in relation to the TV programs broadcast by TV Polsat. The agreement runs for a period of five years and shall be automatically extended for the next five-year period unless terminated with a prior written notice submitted to the other party within the last six months of a given five-year period.

The aggregate value of all transactions between TV Polsat and Teleaudio was PLN 22.9 million, PLN 19.0 million and PLN 7.9 million in 2008, 2009 and 2010, respectively.

Agreements with TFP sp. z o.o.

From January 31, 2009 to February 17, 2010, TV Polsat entered into agreements with TFP sp. z o.o. ("TFP"), pursuant to which TFP agreed to produce at TV Polsat's request a specified number of episodes of the cyclical TV series *"The best off...", "Zza kamery"*, *"Sztuka życia", "Skazany na..."* and *"Na zdrowie"*, and transfer the author's economic rights to each series to TV Polsat. Mr. Zygmunt Solorz-Żak, our controlling shareholder, is a direct shareholder controlling TFP. The agreements run for the period of the production of each applicable series, and in some cases may be extended.

The aggregate value of all transactions between TV Polsat and TFP amounted to PLN 2.2 million and PLN 3.0 million in 2009 and 2010, respectively.

Agreement between Narodowy Fundusz Inwestycjny Midas S.A. and Daycon Trading Limited

In December 2010, Narodowy Fundusz Inwestycjny Midas S.A. ("Midas") entered into a preliminary securities purchase agreement to acquire Mobyland Sp. z o.o. from Daycon Trading Limited, its sole shareholder. Mr. Zygmunt Solorz-Żak, our controlling shareholder is also the Chairman of the supervisory board of Midas. The execution of the final securities purchase agreement for this acquisition remains subject to certain conditions precedent.

MATERIAL AGREEMENTS

Agreements Related to Capacity on Satellite Transponders

On December 8, 2010, TV Polsat entered into an agreement with Eutelsat S.A. ("Eutelsat") pursuant to which Eutelsat granted to TV Polsat the right to use space segment capacity on transponder 132 located on EUTELSAT Hot Bird 6. Transponder 132 is of key importance to TV Polsat's operations and is used to deliver the majority of TV Polsat's channels (including POLSAT) via satellite to the broadcast facilities of RS TV S.A., TV Polsat's wholly owned subsidiary, and TP EmiTel sp. z o.o. RS TV S.A. and TP EmiTel sp. z o.o. ensure further transmission and delivery of such channels. The agreement expires on December 31, 2017. TV Polsat has the right to extend the term of the agreement for an additional seven year period on the same terms and conditions provided therein. In addition, either party may terminate the agreement upon the occurrence of certain events specified therein, including with 10-day prior notice from Eutelsat following TV Polsat's failure to remedy its material breach within 15 days of receipt of a notice from Eutelsat informing TV Polsat of such breach.

On February 26 and October 1, 2009, respectively, Cyfrowy Polsat entered into allotment agreements with Eutelsat governing the use of space segment capacity on certain transponders (each containing 33 MHz) located on Eutelsat's Hot Bird 9 and Hot Bird 8 satellites. Pursuant to the agreements, Eutelsat assigned to Cyfrowy Polsat the right to use space segment capacity on (i) transponder 112 on Hot Bird 9 until April 30, 2016 and (ii) transponders 74, 78 and 79 on Hot Bird 8 until September 30, 2016. Cyfrowy Polsat has the right to extend each agreement for an additional seven years on the same terms and conditions provided therein upon a six-month notice to Eutelsat and to terminate each agreement beginning on the date that is two years from the date of execution with a 21-month notice to Eutelsat. In addition, Cyfrowy Polsat has the right to resell or allot all or any part of the allotted space segment capacity to a third party.

On July 6, 2009, TV Polsat entered into two agreements with Eutelsat pursuant to which Eutelsat granted to TV Polsat the right to use space segment capacity on transponders F3 and F4, each located on the Atlantic Bird 1 satellite. The agreement concerning use of transponder F3 expires on June 5, 2012 and the agreement concerning use of transponder F4 expires on May 19, 2012.

Each of the above agreements with Eutelsat is governed by the laws of France without regard to conflicts of law provisions. All disputes concerning such agreements must be submitted to the exclusive jurisdiction of the Tribunal de Commerce de Paris (France).

On July 30, 2007, TV Polsat entered into an agreement with Space-Communication Ltd. pursuant to which Space-Communication Ltd. granted to TV Polsat the right to use 12 MHz of band capacity on one of the following satellites: AMOS-1, AMOS-2, AMOS-3 or any other satellite located at the geostationary position specified in the agreement. The agreement expires on June 30, 2012.

Agreements Regarding Terrestrial Broadcasting of POLSAT

On June 13, 1997, TV Polsat entered into an agreement with TP EmiTel sp. z o.o. ("TP EmiTel") pursuant to which TP EmiTel agreed to provide TV Polsat with certain operational and maintenance services for broadcasting stations and with the use of TP EmiTel's uplink satellites to ensure the analog terrestrial transmission of POLSAT signals. The agreement initially expired on March 2, 2004 and will automatically renew for successive one-year terms thereafter unless either party terminates early by providing notice of non-renewal within two months prior to the end of the then-current calendar year. In addition, either party may terminate the agreement at any time with a six-month prior notice and TP EmiTel may terminate the agreement in the event that TV Polsat is at least two months overdue in payment and TP EmiTel has made a request for such payment at least one month prior to termination.

On September 29, 2010, TV Polsat entered into an agreement with TP EmiTel pursuant to which TP EmiTel agreed to provide digital signal transmission services in the DVB-T standard to ensure the digital terrestrial distribution of POLSAT and Polsat Sport News in the MUX-2 in exchange for a monthly flat rate fee for each of the broadcast stations. In addition, TV Polsat agreed to pay a monthly flat fee for DTT multiplexing services. Beginning in the second half of 2011, these fees are subject to revaluation at the end of each calendar half year at half of the then current inflation rate. The agreement becomes effective upon satisfaction of each of the following conditions: (i) TP EmiTel signs corresponding agreements with four MUX-2 broadcasters; (ii) TV Polsat obtains a final and binding (as such terms are defined in the Code of Administrative Procedure) license to distribute POLSAT using new frequencies in over-the-air digital terrestrial transmission; (iii) TV Polsat obtains a final reservation decision; and (iv) TP EmiTel, based on statements of consent from the MUX-2 broadcasters referred to in clause (v) to the use of their TV frequencies, obtains final and binding broadcasting licenses to use transmitters for TV stations operating in a digital format in broadcasting services. Pursuant to the agreement, TP EmiTel is liable up to PLN 7.0 million per calendar year for all losses sustained by TV Polsat resulting from TP EmiTel's non-performance or undue performance of its obligations under the agreement. In addition, TP EmiTel is liable for liquidated damages up to PLN 6.0 million per calendar year for losses sustained by TV Polsat resulting from unavailability of TP EmiTel's services, provided, however, that such liquidated damages do not prevent TV Polsat from seeking additional compensation under applicable law. The agreement has a ten-year term and may be terminated by either party with a one-month notice upon the occurrence of certain circumstances specified therein.

Agreement Regarding Conditional Access System

On November 2, 2004, Cyfrowy Polsat entered into an agreement with Nagravision regarding rent, license and installation of the Nagravision conditional access system (the "CAS"). Cyfrowy Polsat uses the CAS to control viewer access to certain of Cyfrowy Polsat's paid programming packages by distributing access cards to viewers. Pursuant to the agreement, Cyfrowy Polsat pays to Nagravision a one time fee for each new access card and a monthly fee calculated as a product of the number of currently active access cards times a fixed monthly rate.

The agreement specifies that Nagravision will replace access cards subject to the occurrence of a security breach, which remains uncured after a certain period of time. In addition, if the CAS is breached, Cyfrowy Polsat is entitled to receive a set discount on monthly fees. The agreement expires on December 31, 2020 and may be terminated by either party upon the occurrence of certain events specified therein, including receipt of a written termination notice providing a 12-month notice. Upon receipt of such a termination notice and at Cyfrowy Polsat's request, Nagravision is required to support Cyfrowy Polsat's migration to a new conditional access system in exchange for a fee based on market prices.

Agreement Regarding Wireless Transmission Services

On December 15, 2010, Cyfrowy Polsat entered into an agreement with Mobyland pursuant to which Mobyland agreed to provide Cyfrowy Polsat with wireless data transmission services using HSPA+ or LTE technologies. The maximum data transfer speed of HSPA+ technology is 21 Mb/s when downloading data from the Internet ("download speed") and 5.76 Mb/s when uploading data from the user ("upload speed"). LTE technology offers maximum data transfer speeds of up to 100 Mb/s download speed and 50 Mb/s upload speed, respectively. Pursuant to the agreement, Cyfrowy Polsat purchases wireless data transmission services through orders, which are typically placed for a certain number of GB transferred with validity up to 36 months. The agreement provides that Cyfrowy Polsat may increase orders, extend order periods in order to use any unused data transfer during the specified time period or resell the data transfer services acquired from Mobyland. In addition, subject to certain limitations, Mobyland agreed to accommodate Cyfrowy Polsat's demands in planning its geographical coverage expansion for the purposes of network expansion. The agreement has an indefinite term and may be terminated by either party with a 12-month notice at any time or with 60 days' notice upon the occurrence of certain specified events of default.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which Cyfrowy Polsat and certain of its subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, please see "Use of Proceeds", "Capitalization" and "Operating and Financial Review and Prospects". For further information about our refinancing plans which may affect certain of our financing arrangements, please see "Use of Proceeds".

Senior Secured Credit Facilities Agreement

We have entered into a senior facilities agreement, dated as of March 31, 2011 (the "Senior Secured Credit Facilities Agreement"), with Bank Handlowy W Warszawie S.A., Citibank, N.A., London Branch, Crédit Agricole CIB and The Royal Bank of Scotland plc, as mandated lead arrangers, Citibank International PLC, as agent, and Citicorp Trustee Company Limited, as security agent, which provides, among other things, for up to PLN 1,600 million of borrowing availability, consisting of a PLN 1,400 million term loan facility (the "Senior Secured Term Loan Facility") and a PLN 200 million revolving credit facility (the "Senior Secured Revolving Credit Facility", and together with the Senior Secured Term Loan Facility, the "Senior Secured Credit Facilities"). The loans made under the Senior Secured Credit Facilities mature on December 31, 2015. The Senior Secured Credit Facilities Agreement is governed by English law. On April 28, 2011, PLN 1,400 million was drawn under the Senior Secured Term Loan Facility in connection with the consummation of the Acquisition, which amount is currently outstanding. As of the date hereof, approximately PLN 186 million was outstanding under the Senior Secured Revolving Credit Facility and PLN 14 million remained available to us.

Borrowers

Cyfrowy Polsat (also referred to herein as the "Company") is the original borrower under the Senior Secured Term Loan Facility. Cyfrowy Polsat, Cyfrowy Polsat Technology Sp. z o.o. and mPunkt Polska S.A., are the original borrowers under our Senior Secured Revolving Credit Facility.

Guarantees

The Senior Secured Credit Facilities Agreement is guaranteed on a senior basis by the Issuer, Cyfrowy Polsat and the other Initial Guarantors. In addition, the Senior Secured Revolving Credit Facility has the benefit of guarantees by TV Polsat and the other Subsequent Guarantors. After the Transformation has been completed, the Subsequent Guarantees are required to be extended to all of the obligations under the Senior Secured Credit Facilities Agreement. We are required by the terms of the Senior Secured Credit Facilities Agreement to ensure that the Transformation occurs within 120 days of completion of the Acquisition, or August 18, 2011. Cyfrowy Polsat may be required to add additional guarantors under the Senior Secured Credit Facilities Agreement and may be entitled to release guarantors depending on the percentage of EBITDA, aggregate gross assets and aggregate revenues of the guarantors compared to Cyfrowy Polsat and all of its subsidiaries, from time to time, as tested under the Senior Secured Credit Facilities Agreement, or if any company or subsidiary becomes a material company as defined in the Senior Secured Credit Facilities Agreement.

Security

The Senior Secured Credit Facilities are secured by substantially all of the assets of the Issuer, the Company and the other Initial Guarantors, which are the same security interests as will secure the Notes as of the Issue Date, as described under "Description of the Notes—Security". In addition, the Senior Secured Revolving Credit Facility is secured by substantially all of the assets of TV Polsat and the other Subsequent Guarantors.

After the Transformation, the Senior Secured Credit Facilities Agreement requires TV Polsat and the other Subsequent Guarantors to deliver security with respect to the Senior Secured Term Loan Facility. Pursuant to the Indenture, at the time we provide such security interests under the Senior Secured Term Loan Facility, we will also be obligated to secure the Notes and the Guarantees equally and ratably with the Senior Secured Term Loan Facility, as described under "Description of the Notes—Certain Covenants—Limitation on Liens".

All such security is, or will be, subject to the terms of the Intercreditor Agreement described below, under "—Intercreditor Agreement".

Purpose

Cyfrowy Polsat applied the amounts borrowed under the Senior Secured Term Loan Facility towards the purchase price for the Acquisition and payment of related costs. Cyfrowy Polsat is permitted to draw the funds available under the Senior Secured Revolving Credit Facility for general corporate and working capital purposes, including financing and/or refinancing any permitted acquisitions and/or refinancing certain existing indebtedness (but excluding financing and/or refinancing (i) payments related to the Senior Secured Credit Facilities or the Notes, (ii) any repayment or any prepayment of the Senior Secured Credit Facilities or the Notes or (iii) certain "Permitted Distributions", as defined in the Senior Secured Credit Facilities Agreement).

Amount and repayment of borrowings

The PLN 1,400 million outstanding under the Senior Secured Term Loan Facility is repayable in four installments per year of varying amounts through to maturity on December 31, 2015; such payments aggregate 8.5% of the initial principal amount of borrowings in 2011, 12% of such amount in 2012, 19% of such amount in 2013, 27.5% of such amount in 2014 and the remainder of the outstanding principal in 2015. Once amounts under the Senior Secured Term Loan Facility have been repaid, they may not be reborrowed.

The minimum amount of borrowing under the Senior Secured Revolving Credit Facility is PLN 10.0 million. Borrowing under the Senior Secured Revolving Credit Facility is repayable on the last day of its interest period, which can be a period of one, three or six months as selected by the borrower in the utilization request for that loan or any other period agreed by Cyfrowy Polsat and the agent.

All loans outstanding under the Senior Secured Revolving Credit Facility must be repaid in full on December 31, 2015.

Interest rates and fees

The annual interest rate on borrowings is calculated based on WIBOR, plus a margin and certain mandatory costs, if any. The margin varies depending on our consolidated leverage ratio (i.e., the ratio of our consolidated total net debt to our consolidated EBITDA, in each case as defined in the Senior Secured Credit Facilities Agreement) and will vary between 3.00% (if our total leverage ratio is greater than or equal to 3.5:1) and 1.50% (if our total leverage ratio is less than 1.5:1).

Interest on borrowings is payable on the last day of the borrowings' respective interest periods (and, if the interest period is longer than six months, on the dates falling at six monthly intervals after the first day of that interest period or, if sooner, the last day of that interest period).

The borrower is also obliged to pay a commitment fee on available commitments during availability period of the Senior Secured Revolving Credit Facility. Other fees are also payable, including an arrangement fee, an agency fee and security agent fee.

Covenants

We are required to comply with certain financial covenants. Such covenants generally require that in respect of any relevant period:

- the ratio of consolidated cashflow to debt service charges, in each case as defined in the Senior Secured Credit Facilities Agreement, may not be less than a specified ratio, which ranges from 1.40:1 (through June 2012) to 1.50:1 (from October 2012 on);
- the ratio of consolidated EBITDA to net finance charges, in each case as defined in the Senior Secured Credit Facilities Agreement, may not be less than a specified ratio, which ranges from 2.50:1 (through June 2012) increasing to 4.50:1 (at maturity); and
- the ratio of consolidated total net debt on the last day of that relevant period to consolidated EBITDA, in each case as defined in the Senior Secured Credit Facilities Agreement, may not exceed a specified ratio, which ranges from 4.50:1 (through September 2011) declining to 2.00:1 (at maturity).

Change of control

Upon the occurrence of a change of control (as defined in the Senior Secured Credit Facilities Agreement) or the sale of all or substantially all of the assets of the Group, the Senior Secured Credit Facilities will be cancelled and all outstanding utilizations of such lender, together with accrued interest, and all other amounts accrued to it under the finance documents, become immediately due and payable.

Undertakings

Subject in each case to certain exceptions, the Senior Secured Credit Facilities Agreement contains negative covenants and restrictions, restricting our ability to, among other things:

- make acquisitions or investments;
- make loans or otherwise extend credit to others;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- make a substantial change to the general nature of our business;
- pay dividends, redeem share capital, pay intercompany indebtedness or redeem or reduce subordinated indebtedness;
- issue shares;
- enter into joint venture transactions;
- pay certain investors and creditors;
- enter into certain derivative transactions;
- enter into transactions other than at arm's length;
- enter into sale and leaseback transactions; and
- modify certain agreements, including agreements governing the Notes and agreements governing the Acquisition.

The Senior Secured Credit Facilities Agreement also contains affirmative covenants such as for the periodic reporting of financial and other information and for notification upon the occurrence of any default, and requires that we make mandatory prepayments out of the net cash proceeds of certain debt and equity issuances, the proceeds of certain disposals, and recoveries from insurers and other third parties (including recovery claims in respect of the Acquisition), and a specified portion of our excess cashflow (which decreases as our leverage ratio decreases).

In addition, the Senior Secured Credit Facilities Agreement stipulates that we shall not, and shall procure that no member of the Group will make any repayments, prepayment, redemption or purchase of the principal amount of the Notes, unless we also prepay a pro rata amount of the Loans such payments are funded in full from excess cashflow not otherwise required to be applied in prepayment of the facilities. Furthermore, we are prohibited from amending, waiving or supplementing the Indenture or the Notes to bring forward the date of any scheduled repayment in respect of the Notes and to increase the principal amount outstanding under the Notes.

Events of default

The Senior Secured Credit Facilities Agreement contains events of default, such as failure to pay principal or interest, breach of financial covenants and other obligations, misrepresentation, cross default (involving indebtedness exceeding PLN 10.0 million), insolvency, unlawfulness and invalidity, cessation of business, change of ownership; failure to comply with final judgment; audit qualification, expropriation, repudiation and rescission of agreements and material adverse change. The occurrence of an event of default could result in the acceleration of payment obligations under the Senior Secured Credit Facilities Agreement.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our various financing arrangements, Cyfrowy Polsat, and substantially all of the other subsidiaries of Cyfrowy Polsat, and other intragroup creditors and obligors under our indebtedness have entered into the Intercreditor Agreement with, among others, the Security Agent, creditors under the Senior Secured Credit Facilities Agreement, the senior agent under the Senior Secured Credit Facilities Agreement, and certain secured hedging counterparties. Upon consummation of this Offering, the Trustee and the Issuer also will have become parties to the Intercreditor Agreement. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain of our debt, when payments can be made in respect of such debt, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions, as well as loss sharing arrangements and other customary intercreditor provisions governing similar debt instruments.

General

By accepting a Note, the holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, and to have authorized the Trustee to enter into, the Intercreditor Agreement. The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement that relate to the rights and obligations of the holders of the Notes and our other senior creditors. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, you are urged to read the Intercreditor Agreement in its entirety because that agreement, and not the discussion that follows, defines certain rights of the holders of the Notes in relation to our other creditors as well as the Issuer and the Guarantors. In this discussion, capitalized terms have the meanings given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires. The Intercreditor

Agreement also includes certain limitations on our ability to refinance or issue additional notes, refinance our senior debt or amend the documents governing our indebtedness.

Ranking and priority

Each of the parties to the Intercreditor Agreement will agree that the liabilities owed by the Issuer, Cyfrowy Polsat and the debtors party thereto, including all Subsidiary Guarantors (as hereinafter defined) (collectively, the "Debtors") to the lenders under the Senior Secured Credit Facilities Agreement (the "Senior Lender Liabilities"), the holders of the Notes and any additional notes issued under the Indenture (the "Senior Secured Notes Liabilities"), certain secured hedge counterparties (the "Hedging Liabilities", together with the Senior Lender Liabilities, the "Senior Creditor Liabilities"), the Trustee, the Security Agent and the Agent under the Senior Secured Credit Facilities Agreement shall rank in right and priority of payment *pari passu* and without any preference between them.

Collateral

Each of the parties to the Intercreditor Agreement will agree that the Collateral shall rank and secure the liabilities described in the paragraph above, under the caption "—Ranking and Priority", *pari passu* and without any preference between them (to the extent such Collateral is expressed to secure such liabilities).

Intra-group and parent liabilities

Each of the parties to the Intercreditor Agreement will agree that certain intragroup obligations of Cyfrowy Polsat and its subsidiaries (the "Intra-group Liabilities") and certain obligations of Cyfrowy Polsat and its subsidiaries to Restricted Persons (as defined below under "—Snooze/lose & disenfranchisement" (other than the Notes Proceeds Loan, as hereinafter defined) (the "Subordinated Liabilities") are postponed and subordinated to the liabilities owed to the creditors of the Senior Creditor Liabilities and of the Senior Secured Notes Liabilities (together, the "Senior Secured Creditors"). The Company and its subsidiaries may make payments (whether of principal, interest or otherwise) on Intra-Group Liabilities from time to time when due, except in the event of acceleration of the Senior Lender Liabilities or the Senior Secured Notes Liabilities, in which case such payments may not be made unless (i) the consent of Majority Senior Facility Creditors (as hereinafter defined) has been obtained to make such payment or (ii) (prior to acceleration of the Senior Lender Liabilities or the Senior Secured Notes Liabilities, or an insolvency event involving the Company or any of its subsidiaries which are borrowers or guarantors under the Senior Secured Credit Facilities Agreement) such payment is made primarily to facilitate payments on the Notes (including payments made pursuant to the Notes Proceeds Loan) or other Senior Creditor Liabilities. No payments may be in respect of Subordinated Liabilities unless expressly permitted under the Senior Secured Credit Facilities Agreement or in certain circumstances after the occurrence of an insolvency event (unless otherwise directed by the Security Agent).

Payment of Senior Secured Note Liabilities and Senior Creditor Liabilities

Prior to any enforcement action, the Issuer, the Company and its subsidiaries party to the Intercreditor Agreement may make payments on the Notes at any time in accordance with the Indenture and the Notes, provided that such persons may not repay, prepay, purchase, defease, redeem or repurchase or otherwise retire for value any Notes principal, unless such payment is accompanied by a prepayment pro rata of the of term and/or revolving credit facility loans under the Senior Secured Credit Facilities Agreement, and such payments are funded from excess cashflow not otherwise required to be applied to such term or revolving loans under the Senior Secured Credit Facilities Agreement. The Company and its subsidiaries may make payments on Senior Creditor Liabilities in accordance with the terms thereof (prior to acceleration of the Senior Lender Liabilities or Senior Secured Notes Liabilities, or an insolvency event involving the Company or any of its subsidiaries which are borrowers or guarantors of the Senior Secured

Credit Facilities Agreement). On or after the occurrence of any enforcement action, the Issuer, the Company and the other Guarantors will make all payments in relation to the Notes and the Senior Creditor Liabilities to the Security Agent and the Security Agent shall apply such payments as set forth under the caption "—Application of proceeds". Additional payment restrictions apply to Hedging Liabilities.

Security and guarantees—Senior Secured Note Creditors

The Trustee and the holders of the Notes may take, accept or receive the benefit of:

- any security in respect of the Notes in addition to the Collateral if, and to the extent legally possible, at the same time it is also offered either:

  to the Security Agent as agent or trustee for itself and the other Secured Creditors (as defined below) in respect of amounts owed to them; or

  in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the relevant Secured Creditors, as the case may be, to (i) the other Secured Creditors in respect of amounts owed to them or (ii) the Security Agent under a parallel debt structure, joint and several creditor or equivalent structures for the benefit of itself and the other Senior Secured Creditors, and ranks in the same order of priority as that contemplated above under the caption "—Ranking and priority—Collateral" provided that all amounts received or recovered by any Secured Creditor with respect to such security are paid to the Security Agent to the extent required by the Intercreditor Agreement and held and applied in the manner described below under "—Application of proceeds"; and

- any guarantee, indemnity or other assurance against loss in respect of the Notes in addition to those described in this offering memorandum if, and to the extent legally possible, at the same time it is also offered to the other Secured Creditors and ranks in the same order of priority as that contemplated above under the caption "—Ranking and priority" provided that all amounts received or recovered by any Senior Secured Creditor with respect to such guarantee, indemnity or other assurance against loss are paid to the Security Agent to the extent required by the Intercreditor Agreement and held and applied in the manner described below under "—Application of proceeds".

References herein to "Secured Creditors" mean the Security Agent, any receiver or delegate and each of the agents and the Senior Secured Creditors from time to time but, in the case of each such agent, arranger or Senior Secured Creditor, only if it (or, in the case of the holders of the Notes, the Trustee) is a party to the Intercreditor Agreement.

Effect of an Insolvency Event

Payment of distributions

After the occurrence of an Insolvency Event (as defined below) in relation to a borrower or guarantor under the Senior Secured Credit Facilities Agreement or, following acceleration of any senior indebtedness subject to the Intercreditor Agreement, Cyfrowy Polsat or its subsidiaries, any party entitled to receive a distribution out of the assets of that entity in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that entity to pay that distribution to the Security Agent until the liabilities owing to the Secured Creditors have been paid in full. The Security Agent shall apply distributions paid to it under the provisions of this paragraph in the manner described below under "—Application of proceeds".

Subject to certain exceptions provided for certain hedging arrangements, to the extent that any liabilities of Cyfrowy Polsat or its subsidiaries are discharged by way of set off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to such person, any creditor (including any subordinated creditor) that benefited from that set off shall, to the extent legally permissible, pay an amount equal to the amount of the liabilities owed to it that were discharged by that set off to the Security Agent for application in the manner described below under "—Application of proceeds."

If the Security Agent or any other Secured Creditor receives a distribution in a form other than in cash, the liability owed to the Security Agent or such Secured Creditor, as the case may be, will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liability.

For purposes of the Intercreditor Agreement, "Insolvency Event" means in relation to the Company or any of its subsidiaries (i) any resolution passed or order made for the winding up, dissolution, administration or reorganization of such entity, a moratorium is declared in relation to any indebtedness of such entity or an administrator is appointed to such entity; (ii) any composition, compromise, assignment or arrangement is made with a creditor of such entity; (iii) the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of such entity that member of the group or any of its assets; or (iv) any analogous procedure or step is taken in any jurisdiction.

Filing of claims and creditor's actions

After the occurrence of an Insolvency Event in relation to a borrower or guarantor under the Senior Secured Credit Facilities Agreement or, following acceleration of any senior indebtedness subject to the Intercreditor Agreement, Cyfrowy Polsat and its subsidiaries, and each creditor party to the Intercreditor Agreement irrevocably authorizes the Security Agent (acting in accordance with the relevant provisions of the Intercreditor Agreement), on its behalf, to:

- take any enforcement action (in accordance with the terms of the Intercreditor Agreement) against such entity;
- demand, sue, prove and give receipt for any or all of that member of such entity's liabilities;
- to the extent legally permissible, collect and receive all distributions on, or on account of, any or all of such entity's liabilities; and
- file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover such entity's liabilities.

In addition, the Intercreditor Agreement provides that each creditor will (i) do all things that the Security Agent (acting in accordance with the relevant provisions of the Intercreditor Agreement) requests in order to give effect to the provisions described in this "—Effect of an insolvency event" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by the Intercreditor Agreement or if the Security Agent (acting in accordance with the relevant provisions of the Intercreditor Agreement) requests that a creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent (acting in accordance with the relevant provisions of the Intercreditor Agreement) or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require) to enable the Security Agent to take such action (although the Trustee shall not be so required).

For the purposes of the Intercreditor Agreement, the Security Agent shall act (i) on the instructions of the group of Senior Secured Creditors entitled, at that time, to give instructions as set forth below under "—Enforcement" or (ii) in the absence of any such instructions, as the Security Agent sees fit.

Turnover

Subject to certain limited exceptions in the Intercreditor Agreement, if at any time prior to the date on which all Senior Creditor Liabilities and Senior Secured Notes Liabilities are fully paid and discharged, any Creditor (as defined in the Intercreditor Agreement receives or recovers:

- any payment or distribution of, or on account of or in relation to, any of the Liabilities (as defined in the Intercreditor Agreement) which is not either (i) a Permitted Payment (as defined in the Intercreditor Agreement); or (ii) made in the manner described below under "—Application of proceeds";
- other than as set forth above under the second paragraph under the heading "—Effect of an Insolvency Event—Payment of Distributions", any amount by way of set off in respect of any of the liabilities owed to it that does not give effect to a Permitted Payment;
- notwithstanding the preceding bullet points, and other than as set forth above under the second paragraph under the heading "—Effect of an Insolvency Event—Payment of distributions", any amount (i) paid to a Creditor (a) after the occurrence of certain distress events or (b) as a result of any other litigation or proceedings against Cyfrowy Polsat or any of its subsidiaries (other than after the occurrence of an Insolvency Event in respect of that member of the group) or (ii) by way of set off in respect of any of the liabilities owed to it after the occurrence of certain distress events, other than, in the case of (i) and (ii) above, any amount received or recovered in accordance with the provisions described below under "—Application of proceeds";
- the proceeds of any enforcement of the Collateral, except in accordance with the provisions described below under "—Application of proceeds"; or
- other than as set forth above under the second paragraph under the heading "—Effect of an Insolvency Event—Payment of distributions", any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by the Company or any of its subsidiaries which is not in accordance with the provisions described below under "—Application of proceeds" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of such entity,

that Creditor will:

- in relation to receipts and recoveries not received or recovered by way of set-off:

  hold an amount of that receipt or recovery equal to the amount owed to such Creditor (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

  promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the amount owed to such Creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement

Instructions

Subject to the provisions below, the Security Agent may refrain from enforcing the Collateral unless instructed otherwise by an Instructing Group.

For purposes of the Intercreditor Agreement an "Instructing Group" means (i) where the aggregate amount of committed and undrawn and outstanding Senior Secured Debt of the Senior Creditors amounts to 25% or more of the aggregate committed and undrawn and outstanding Senior Secured Debt, the Majority Senior Facility Creditors; and (ii) at any other time, the Majority Senior Creditors.

For purposes of this description of the Intercreditor Agreement,

- "Senior Creditors" means the Senior Lenders and the hedge counterparties subject to the Intercreditor Agreement.
- "Senior Lenders" means the lenders under Senior Secured Credit Facilities Agreement.
- "Senior Secured Creditors" means the Senior Lenders, hedge counterparties subject to the Intercreditor Agreement and the holders of the Notes.
- "Senior Secured Debt" means the indebtedness in respect of the Senior Secured Credit Facilities Agreement, the amounts then payable or that would be payable assuming that the date of determination is an early termination date under hedging obligations subject to the Intercreditor Agreement and the Notes.
- "Majority Senior Facility Creditors" means, at any time, those Senior Creditors whose aggregate amount of committed undrawn and outstanding Senior Secured Debt at that time aggregate more than 66⅔% of the total aggregate amount of committed undrawn and outstanding Senior Secured Debt of the Senior Creditors.
- "Majority Senior Creditors" means, at any time, those Senior Secured Creditors whose aggregate amount of committed undrawn and outstanding Senior Secured Debt at that time aggregate more than 50% of the total aggregate amount of committed undrawn and outstanding Senior Secured Debt.

Subject to the Collateral having become enforceable in accordance with its terms, an Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Collateral as they see fit.

Manner of enforcement

If the Collateral is being enforced pursuant to the provisions set out under the caption "—Enforcement—Instructions", the Security Agent shall enforce the Collateral in such manner (including, without limitation, the selection of any administrator of any debtor to be appointed by the Security Agent) as the Instructing Group shall instruct, or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of voting rights

Each Creditor agrees (to the fullest extent permitted by law) with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to Cyfrowy Polsat or its subsidiaries as instructed by the Security Agent. The Security Agent shall give instructions with regard to the exercise of voting rights as directed by an Instructing Group.

The foregoing does not entitle any party to exercise or require any other Creditor to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for repayment of or reschedule any of the liabilities owed to that Creditor.

Waiver of rights

To the extent permitted under applicable law and subject to the provisions of the Intercreditor Agreement relating to enforcement instructions, manner of enforcement, distressed disposals and application of proceeds, the Intercreditor Agreement provides that each of the Secured Creditors and the debtors shall waive all rights it may otherwise have to require that the Collateral be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Collateral or of any other security interest, which is capable of being applied in or towards discharge of any of the obligations owed to the Secured Creditors under the debt documents.

Proceeds of disposals

Non-distressed disposals

If, in respect of a disposal of an asset by a debtor or an asset which is subject to the Collateral, to a person or persons outside the Company and its subsidiaries (the "Group"), (i) (prior to the date on which the Senior Lender Liabilities have been fully and finally discharged) the Agent under the Senior Secured Credit Facilities Agreement (the "Senior Agent") notifies the Security Agent that that disposal is permitted under the Senior Finance Documents (as defined in the Intercreditor Agreement), and (ii) (prior to the date on which all Senior Secured Note Liabilities have been fully and finally discharged) the Issuer or the Company certifies for the benefit of the Security Agent that that disposal is permitted under the terms of the Indenture; and that disposal is not a Distressed Disposal (such disposal, a "Non-Distressed Disposal"), then the Intercreditor Agreement provides that the Security Agent shall be irrevocably authorized (at the cost of the relevant debtor or the Company and without any consent, sanction, authority or further confirmation from any creditor or debtor) to release the Collateral or any other claim over that asset (and in the case of shares in a company, to release the Collateral or any other claim including guarantees and other liabilities over the assets of that company) and to execute and deliver or enter into any release of the Collateral or any claim and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

If that Non-Distressed Disposal is not made, each release of Collateral or any claim described the preceding paragraph shall have no effect and the Collateral or claim subject to that release shall continue in such force and effect as if that release had not been effected.

Any proceeds from such disposal required to be applied in mandatory prepay of Senior Lender Liabilities and Senior Secured Note Liabilities shall be applied first to the Senior Lender Liabilities and second to the Senior Secured Note Liabilities.

Distressed disposals

For purposes of the following summaries, "Distressed Disposal" means a disposal of an asset of the Company or any of its subsidiaries (the "Group") which is (i) being effected at the request of an Instructing Group in circumstances where the Collateral has become enforceable, (ii) being effected by enforcement of the Collateral, or (iii) being effected, after the occurrence of certain distress events, by a debtor to a person or persons which is not a member of the Group.

If a Distressed Disposal is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant debtor or the Company and without any consent, sanction, authority or further confirmation from any Creditor or debtor):

(i) to release the Collateral or any other claim over that asset and execute and deliver or enter into any release of that Collateral or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a debtor, to release that debtor and any subsidiary of that debtor from all or any part of its liabilities, any Collateral granted by that debtor or any subsidiary of that debtor over any of its assets and any other claim of a subordinated lender, an intragroup lender, or another debtor over that debtor's assets or over the assets of any subsidiary of that debtor, on behalf of the relevant creditors and debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a debtor, to release that holding company and any subsidiary of that holding company from all or any part of its liabilities, any Collateral granted by that holding company or any subsidiary of that holding company over any of its assets, and any other claim of a subordinated creditor, an intragroup lender or another debtor over the assets of any subsidiary of that holding company, on behalf of the relevant Creditors and debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a debtor or the holding company of a debtor and the Security Agent decides to dispose of all or any part of the liabilities or the debtor liabilities owed by that debtor or holding company or any subsidiary of that debtor or holding company:

(A) if the Security Agent does not intend that any transferee of those liabilities or debtor liabilities (the "Transferee") will be treated as a Senior Secured Creditor or a Secured Creditor for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities provided that, notwithstanding any other provision of any financing document, the Transferee shall not be treated as a Senior Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) if the Security Agent does intend that any Transferee will be treated as a Senior Secured Creditor or a Secured Creditor for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Senior Secured Creditors and all or part of any other liabilities and debtor liabilities, on behalf of, in each case, the relevant creditors;

(v) if the asset which is disposed of consists of shares in the capital of a debtor or the holding company of a debtor (the "Disposed Entity") and the Security Agent decides to transfer to another debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of Intra-Group Liabilities, debtor liabilities or Subordinated Liabilities, to execute and deliver or enter into any agreement:

(A) to agree to the transfer of all or part of the obligations in respect of those intra-group liabilities, debtor liabilities or subordinated liabilities on behalf of the relevant intra-group lenders , and debtors or, as the case may be, subordinated lenders, to which those obligations are owed and on behalf of the debtors which owe those obligations; and

(B) (provided that the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Secured Debt), to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, debtor liabilities or Subordinated Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities, debtor liabilities or Subordinated Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions described under "—Application of proceeds" as if those proceeds were the proceeds of an enforcement of the Collateral and, to the extent that any disposal of liabilities or debtor liabilities has occurred as set out above, as if that disposal of liabilities or debtor liabilities had not occurred.

For the purposes of the foregoing provisions, the Security Agent shall act, if the relevant Distressed Disposal is being effected by way of enforcement of the Collateral, in accordance with the provisions set out under the caption "—Manner of enforcement" and, in any other case, on the instructions of an Instructing Group or in the absence of any such instructions, as the Security Agent sees fit.

The releases, disposals or transfers of liabilities and the Collateral pursuant to the provisions set out above, shall occur if and only if (i) all or substantially all of the consideration for the relevant sale or other disposal is cash, and (ii) either (A) the sale or other disposal is made pursuant to a public auction or (B) in connection with the sale or other disposal, an internationally recognized investment bank, accounting firm or other third-party professional firm that is regularly involved in providing valuation of businesses or assets comparable to those subject to the Collateral which is independent of the secured parties (or operating pursuant to customary information barriers), selected by the Security Agent, has delivered an opinion that the amounts received in connection therewith is fair from a financial point of view after taking into account all relevant circumstances.

Application of proceeds

In general, all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral (the "Senior Recoveries") or pursuant to any relevant debt document shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the appropriate provisions of the Intercreditor Agreement), in the following order of priority:

- pro rata and *pari passu*, in payment of sums owing to the Security Agent, and any receiver or delegate;
- sums owing to the Trustee and any adviser, receiver, delegate or agent or other appointee in relation to the Notes;
- sums owing to the Senior Agent;
- costs and expenses incurred by any Senior Secured Creditor in connection with any realization or enforcement of the security or any action taken at the request of the Security Agent;
- in payment on a pro rata basis to (i) the Senior Agent on its own behalf and on behalf of the creditors under the Senior Secured Credit Facilities Agreement, (ii) the Trustee on its own behalf and on behalf of the holders of the Notes, and (iii) the relevant hedge counterparties for application towards the discharge of the Senior Lender Liabilities and liabilities to the agents and arrangers thereunder (in accordance with the terms of the Senior Finance Documents (as defined in the Intercreditor Agreement)), the Senior Secured Note Liabilities (in accordance with the terms of the Indenture and the Notes), and the relevant hedging liabilities (on a pro rata basis between the hedging liabilities of each hedge counterparty);
- if none of the debtors is under any further actual or contingent liability under any Senior Finance Document (as defined in the Intercreditor Agreement), Hedging Document (as defined in the Intercreditor Agreement) or the Notes, Indenture and Collateral in payment to any person to whom the Security Agent is obliged to pay in priority to any debtor; and
- the balance, if any, in payment to the relevant debtor.

Equalization

The Intercreditor Agreement provides that if, for any reason, any Senior Creditor Liabilities and Senior Secured Notes Liabilities remain unpaid after the date a Senior Secured Creditor takes certain enforcement action and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the date of such enforcement action bore to the aggregate exposures of all the Senior Secured Creditors at the date of such enforcement action, the Senior Secured Creditors will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

If (i) the Security Agent, the Trustee or the Senior Agent is not entitled, for reasons of applicable law, to pay amounts received pursuant to the making of a demand under any guarantee, indemnity or other assurance against loss or the enforcement of the Collateral to the Senior Secured Creditors but is entitled to distribute those amounts to creditors (such creditors, the "Receiving Creditors") who, in accordance with the terms of the Intercreditor Agreement, are subordinated in right and priority of payment to the Senior Secured Creditors and (ii) the date on which the Senior Creditor Liabilities and the Senior Secured Notes Liabilities are fully and finally discharged has not yet occurred (nor would occur after taking into account such payments), then the Receiving Creditors shall make such payments to Senior Secured Creditors as the Security Agent shall require to place the Senior Secured Creditors in the position they would have been in had such amounts been available for application against the Senior Creditor liabilities and the Notes liabilities and Senior Secured Notes Liabilities.

Consents

The Intercreditor Agreement will provide, subject to the provisions below, that the Intercreditor Agreement may be amended or waived only with the consent of the Senior Agent, the Trustee, the Majority Senior Facility Creditors and the Security Agent.

An amendment or waiver that has the effect of changing or which relates to (i) the order of priority or subordination set out in the Intercreditor Agreement; (ii) certain provisions regarding redistribution and the application of proceeds; or (iii) certain provisions relating to the giving of instructions to the Security Agent shall not be made without the consent of (i) the Senior Agent and the Trustee; (ii) the Senior Lenders; (iii) the Senior Secured Noteholders (to the extent that the amendment or waiver would adversely affect the Senior Secured Noteholders); (iv) each hedge counterparty (to the extent that the amendment or waiver would adversely affect the hedge counterparty); and (v) the Security Agent.

In addition, the Intercreditor Agreement may be amended by the Senior Agent, the Trustee, each hedge counterparty and the Security Agent without the consent of any other party to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise expressly authorized and/or mandated by the relevant debt documents.

Amendments and waivers in respect of the Security Documents

Subject to the paragraph below and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by the Majority Senior Secured Creditors, and (if such amendment, waiver or consent would otherwise be prohibited by the terms of the Indenture) the Trustee, and if the Company and the Issuer consent, amend the terms of, waive any of the requirements of or grant consents under, any of the Security Documents, which shall be binding on each party to the Intercreditor Agreement.

In general, the prior consent of the Senior Lenders, each hedge counterparty and the Trustee is required to authorize any amendment or waiver of, or consent under, any Security Document that would affect the nature or scope of the Collateral or the manner in which the proceeds of enforcement of the Collateral are distributed.

Snooze/lose & disenfranchisement

If in relation to a request for a consent in relation to any of the terms of the Intercreditor Agreement, any other vote of Senior Creditors or Senior Secured Noteholders under the Intercreditor Agreement, or any a request to approve any other action or to provide any confirmation or notification under the Intercreditor Agreement, any Senior Secured Creditor fails to respond to that request or to instruct its relevant Agent to respond within 30 Business Days of that request being made or fails to provide details of its participations to the Security Agent, the Senior Agent or the Trustee, as the case may be, within the timescale specified by the Security Agent, then that Senior Secured Creditor's participation shall be deemed to be zero when determining any relevant percentage (including, for the avoidance of doubt, unanimity) of participations has been obtained to give that consent, carry that vote or approve that action and shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Senior Secured Creditors has been obtained to give that consent, carry that vote or approve that action; and any required confirmation or notification shall be deemed to have been given by such person.

For so long as a Restricted Person (as defined below) in relation to Senior Lender Liabilities beneficially owns, or is party to a sub-participation or any other arrangement having a substantially similar economic effect in respect of, any commitment, in ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Senior Credit Participations (as defined in the Intercreditor Agreement, and relating to the Senior Secured Credit Facilities Agreement or certain hedging arrangements) or the agreement of the Senior Lenders or certain hedge counterparties (or specified group thereof), has been obtained to approve any request for a consent or to carry any other vote or approve any action under the Intercreditor Agreement, that commitment shall be deemed to be zero and that Restricted Person (or the person with whom it has entered into that sub-participation, other agreement or arrangement) shall be deemed not to be a senior lender.

For so long as a Notes Restricted Person either holds or beneficially owns an interest in any Notes or has entered into any other agreement or arrangement having substantially similar economic effect in respect of Notes, in ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Senior Secured Credit Participations (i.e., Senior Credit Participations and principal amount of Notes) or the agreement of any specified group of Senior Secured Creditors, has been obtained to approve any request for a consent or to carry any other vote or approve any action under the Intercreditor Agreement, the holding of Notes of any Notes Restricted Person shall be deemed to be zero and that Notes Restricted Person (or the person with whom it has entered into the agreement or arrangement having substantially similar economic effect) shall be deemed not to be a Noteholder (except that, for the purposes of determining whether any Agent may rely on any consent, vote or approval, only Notes that the Trustee actually knows are so owned shall be so deemed (taking into account such relevant limitations as are set forth in the Senior Secured Notes Indenture)).

Each Restricted Person that is a Senior Lender and each Notes Restricted Person may not participate in any meeting or conference call to which all the Lenders and certain hedge counterparties, Senior Creditors, or Senior Secured Noteholders or any combination of those groups of Senior Secured Creditors are invited to attend or participate, if so requested by the Security Agent or, unless the Security Agent otherwise agrees, be entitled to receive the agenda or any minutes of the same, and it shall not, unless the Security Agent otherwise agrees, be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Security Agent or one or more of the Senior Creditors.

For these purposes, a Restricted Person means Mr. Solorz-Żak, any holding company of the Company, any other person with an interest (direct or indirect) of at least 0.5% in the shares in the Company and certain other parties related to any of the foregoing, and "Notes Restricted Person" means

Mr. Solorz-Żak, any holding company for the Company, any other person with an interest (direct or indirect) of at least 10 per cent. in the shares in the Company (but only if Mr. Solorz-Żak and certain related parties, are, in aggregate, then unable to exercise more than 50% of the voting rights in the Company) and certain other parties related to any of the foregoing.

Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Indenture to the contrary.

Notwithstanding anything to the contrary in the Intercreditor Agreement, the preceding paragraph (as between any creditor and any debtor or any member of the Group) will not cure, postpone, waive or negate in any manner any breach, default or event of default under any debt document (or any event that would, but for the preceding paragraph, constitute a breach, default or event of default) as provided in the relevant debt documents.

Refinancing

The Intercreditor Agreement contemplates refinancing in whole or in part of, or increasing, the Senior Lender Liabilities or the Senior Secured Note Liabilities, the releasing and relocating of security if so required and the continuance of the Intercreditor Agreement subject to terms and conditions therein.

DESCRIPTION OF THE NOTES

Cyfrowy Polsat Finance AB (publ), a public limited liability company incorporated under the laws of Sweden, (the "Issuer") and a wholly owned subsidiary of Cyfrowy Polsat S.A., a joint stock company organized under Polish law (the "Company"), will issue the Notes offered hereby under an indenture, dated as of or about May 20, 2011 (the "Indenture") among itself, the Company, the Subsidiary Guarantors (as defined below), The Bank of New York Mellon, as trustee (the "Trustee"), principal paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent, transfer agent and Luxembourg listing agent. The security documents referred to below under "Security" define the terms of the pledges that will secure the obligations of the Issuer under the Notes offered hereby and the obligations of the Guarantors under the Guarantees (as defined below). A copy of the form of the Indenture will be available upon request to the Issuer.

The Indenture is unlimited in aggregate principal amount. Subject to compliance with the terms of the Indenture, the Issuer may issue an unlimited principal amount of additional Notes having the same terms as the Notes offered hereby, except as to price and the date interest first accrues (the "Additional Notes"). The Issuer will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture including the covenant restricting the incurrence of Indebtedness (as described below under "—Certain covenants—Limitation on indebtedness") and the requirement that, unless the Additional Notes are issued under a separate CUSIP number, the issuance of any Additional Notes be treated for US federal income tax purposes as a "qualified reopening" of the Notes offered hereby. The Notes offered hereby and, if issued, any other Additional Notes will be treated as a single class for all purposes under the Indenture, including with respect to waivers, amendments and redemptions. Unless the context otherwise requires, for all purposes of the Indenture and the "Description of the Notes", references to the "Notes" include Notes offered hereby and any other Additional Notes that are actually issued. The registered holder of a Note will be treated as the owner and Holder of such Note for all purposes. Only registered holders of Notes will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and will therefore be subject to certain transfer restrictions. The Indenture is not required to be, nor will it be, qualified under the Trust Indenture Act.

You will find definitions of capitalized terms used in this "Description of the Notes" under the heading "—Certain definitions". In this Description of the notes, the "Company" refers to Cyfrowy Polsat S.A. only and not to any of its Subsidiaries; the " Guarantors" are the respective entities referred to below (including any entities that become Guarantors) and not to any of their Subsidiaries.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market (the "Luxembourg Stock Exchange"). We can provide no assurance that this application will be accepted. If and for so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will maintain a paying agent and transfer agent in Luxembourg; such a paying agent is not currently required. The Issuer has designated The Bank of New York Mellon, London Branch, in London as its paying agent and transfer agent and any change to the paying agent and/or transfer agent will be published in a leading newspaper having general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*). See "Listing and General Information".

This "Description of the Notes" is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Security Documents (as defined below). The Indenture, the Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement. See "Description of Certain Financing Arrangements—Intercreditor Agreement". Since the descriptions in this Offering Memorandum are only summaries, you should refer to the Indenture, the Intercreditor Agreement and the Security Documents for a complete description of the Issuer's and the Guarantors' obligations and your rights. The Note holders are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of these documents and agreements.

General

The Notes

The Notes offered hereby:

- will be senior secured obligations of the Issuer;
- will, subject to the Intercreditor Agreement, rank equally in right of payment to any existing and future senior Indebtedness of the Issuer and senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated to the Notes;
- will be entitled to the benefit of the Guarantees (as described below under "—The Guarantees");
- will effectively rank junior to all obligations of the Company's Subsidiaries other than the Issuer that are not Subsidiary Guarantors (as defined below);
- will have the benefit of the same security as provided with respect to the Senior Credit Facility (as and to the extent described under "—Security") and will share in any enforcement proceeds on a *pari passu* basis;
- will be offered initially in an aggregate principal amount of €350 million;
- mature on May 20, 2018;
- may be redeemed prior to maturity at times and prices specified herein;
- will be issued in denominations of €100,000 and any integral multiple of €1,000 in excess thereof; and
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by registered Notes in definitive form. See "Book-entry, Delivery and Form".

The Guarantees

The obligations of the Issuer, including the full and punctual payment of principal of, or interest on or in respect of, the Notes when due, whether at Stated Maturity, by acceleration or otherwise, under the Notes and the Indenture (including the repurchase obligation of the Issuer resulting from a Change of Control Triggering Event) will be fully and unconditionally guaranteed on a senior basis by each Guarantor as primary obligor and not merely as a surety, on a joint and several basis. In this "Description of the notes" we refer to the guarantees of the Guarantors as the "Guarantees". The Notes will be guaranteed by the Initial Guarantors (as defined below) as of the Issue Date and by the Subsequent Guarantors at the same time as such Subsequent Guarantors become obligors in respect of the Senior Secured Term Loan Facility under the Senior Credit Facility.

Each Guarantee:

- will be a senior secured obligation of the relevant Guarantor;
- will, subject to the Intercreditor Agreement, rank equally in right of payment to any existing and future senior Indebtedness of the relevant Guarantor and senior in right of payment to any existing and future indebtedness of the relevant Guarantor that is expressly subordinated to the Guarantee; and
- will have the benefit of the security described below.

As of the Issue Date, the Guarantors will consist of the Company, Cyfrowy Polsat Technology Sp. z o.o, Cyfrowy Polsat Trade Marks Sp. z o.o and mPunkt Polska S.A., each organized under Polish law (collectively, the "Initial Guarantors"). After the transformation of TV Polsat into a limited liability company, the Subsequent Guarantors will also guarantee the Notes.

Any entity that is a Guarantor from time to time other than the Company is referred to as a "Subsidiary Guarantor".

On an aggregate pro forma basis after giving effect to the Transactions, as of, and for the year ended December 31, 2010, the Issuer, the Guarantors and the Company represented 100% of the revenues, 100% of the EBITDA and 100% of the assets of the Company and its Restricted Subsidiaries. On an aggregate pro forma basis after giving effect to the Transactions, as of, and for the year ended December 31, 2010, the Subsequent Guarantors represented 42.3% of the revenues, 43.8% of the EBITDA and 17.3% of the assets of the Company and its Restricted Subsidiaries.

Certain Subsidiaries of the Company will not guarantee the Notes. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those subsidiaries, and claims of preferred and minority stockholders (if any) of those subsidiaries and claims against joint ventures generally will have priority with respect to the assets and earnings of those subsidiaries and joint ventures over the claims under the Notes and the Guarantees. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of such subsidiaries (other than the Guarantors). In addition, TV Polsat and its subsidiaries will not become Guarantors, or provide security over any of their assets, or guarantee or provide security for the benefit of the Lenders in respect of the Senior Secured Term Loan Facility prior to the Transformation. TV Polsat and the other Subsequent Guarantors will guarantee the Senior Secured Revolving Credit Facility and provide security in respect of the obligations thereunder.

As of December 31, 2010, after giving pro forma effect to this Offering and the application of the proceeds thereof, the total liabilities of the non-Guarantor Subsidiaries would have been approximately PLN 0.014 million, including trade payables but excluding intercompany obligations. The total liabilities of TV Polsat and its subsidiaries as of such date, including trade payables but excluding intercompany obligations would have been approximately PLN 252.3 million.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, and as otherwise required to comply with corporate benefit, financial assistance and other laws limiting the effectiveness or validity of such Guarantees. A recent judicial decision has called into question the effectiveness of such clauses. By virtue of the limitations that may apply to the Guarantees, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "Risk factors—Risks Related to the Notes and the Offering—The Guarantees and the security interests securing the Notes may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability" and "—Fraudulent conveyance laws, bankruptcy regulations and other limitations on the Guarantees and the security interests securing the Notes may have a material adverse effect on the Guarantees' validity and enforceability, and may not be as favorable to creditors as laws of other jurisdictions with which you are familiar".

In addition, the obligations of the Guarantors that are organized in Poland, Switzerland, Norway and the United Kingdom, and the enforcement of each such Guarantee are limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction. Accordingly, enforcement of any such Guarantee or security interest against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Guarantees or relevant security document designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. See "Limitations on Validity and Enforceability of the Guarantees and other Security".

The Guarantees provide that, in the event of default in the payment of principal of, premium, if any, interest or Additional Amounts (as defined above), if any, and any other payment obligations in respect of the Notes (including any obligation to repurchase the Notes), legal proceedings may be instituted directly against the Guarantors without first proceeding against the Issuer.

Pursuant to the covenant described under "—Certain covenants—Additional Guarantees," the Company may from time to time be required to procure that additional Restricted Subsidiaries become Guarantors. Any such additional Guarantee shall have such limitations and restrictions as may, in the good faith judgment of the Company, be required or advisable to comply with applicable laws.

Release of the Guarantees

The Indenture provides that the Guarantee of any Guarantor (together with all obligations of, and all rights of contribution, subrogation or other similar rights against, that Guarantor) will be automatically released and unconditionally discharged without further action on the part of any Holder of the Notes or the Trustee:

(1) upon payment in full of principal, interest and all other obligations under the Indenture;

(2) in the case of a Subsidiary Guarantor, in connection with any sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or other business combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Company or a Restricted Subsidiary of the Company, if the sale or other disposition complies with clauses (1) and (2) of the covenant described in the first paragraph under the caption "—Limitation on sale of assets and subsidiary stock" (in which case the Guarantee of each Subsidiary of that Guarantor also shall be released);

(3) in the case of a Subsidiary Guarantor, in connection with any sale or other disposition of all of the Capital Stock of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Company or a Restricted Subsidiary of the Company, following which such Guarantor is no longer a Restricted Subsidiary, if the sale or other disposition complies with clauses (1) and (2) of the covenant described in the first paragraph under the caption "—Limitation on sale of assets and subsidiary stock" (in which case the Guarantee of each Subsidiary of that Guarantor also shall be released);

(4) if the Company designates any Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture (in which case the Guarantee of each Subsidiary of that Guarantor also shall be released);

(5) in accordance with certain enforcement actions taken by creditors under the Intercreditor Agreement and the Security Documents (as in effect on the Issue Date or as amended, supplemented or otherwise modified after the Issue Date, including any intercreditor agreement or security document entered into after the date hereof), in each case upon the occurrence of an enforcement action;

(6) in accordance with the covenant described under "—Merger, Amalgamation and Consolidation";

(7) upon the release of the Guarantee or discharge of the Indebtedness that gave rise to the obligation to Guarantee the Notes pursuant to "—Additional Guarantees";

(8) as may be permitted pursuant to the covenant described under "—Amendments and waivers"; and

(9) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture as provided below under the captions "—Defeasance" and "—Satisfaction and Discharge".

The Trustee is authorized, without the consent of any Holder, to take all necessary actions (including directing the Security Agent) to effectuate any release in accordance with these provisions, subject to the terms of the Intercreditor Agreement. At the request and expense of the Issuer, the Company or any Subsidiary of the Company, the Trustee and the Security Agent will at the Company's or Issuer's cost execute and deliver any document reasonably requested to evidence such release and discharge.

Security

No appraisals of any of the Collateral have been prepared by or on behalf of the Company or the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral, including after sharing such proceeds with the lenders under the Senior Credit Facility, certain secured hedging obligations and potentially other senior secured debt, would be sufficient to satisfy the amounts owed to the Note holders. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

The Notes and the Guarantees will be secured by security interests in collateral (the "Collateral") that will, pursuant to the Security Documents and the Intercreditor Agreement, provide first ranking security interests over substantially all of the assets of the Company and its Restricted Subsidiaries, including:

- on the Issue Date, subject to filing and registration requirements:
  - security over the share capital of the Issuer, its rights under the Proceeds Loans, and its bank accounts; and
  - security over substantially all of the assets of the Company, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., and mPunkt Polska S.A. (including, among other things, (i) all of the share capital of Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., mPunkt Polska S.A. and TV Polsat, (ii) rights and benefits under the agreements relating to the acquisition of TV Polsat, insurance policies and certain licenses, leases, other agreements and intra-group loans and (iii) the real estate of the Company); and
- in addition, after the Transformation, security over substantially all of the assets of TV Polsat, Polsat Futbol Limited, Polsat License Ltd., Media Biznes Sp. z o.o., Polsat Media Sp. z o.o., RS TV S.A. (including, among other things, (i) all of the share capital Polsat Futbol Limited, Polsat License Ltd., Media Biznes Sp. z o.o., Polsat Media Sp. z o.o. and RS TV S.A., (ii) rights and benefits under the agreements relating to the acquisition of TV Polsat, insurance policies and certain licenses, leases, other agreements and intra-group loans and (iii) the real estate of TV Polsat and RS TV S.A., and (iv) the shares of Nord License AS and its intra-group receivables.

The Collateral will be shared on a *pari passu* basis with creditors under the Senior Secured Credit Facilities Agreement and certain counterparties in respect of secured hedging obligations, subject to the terms of the Intercreditor Agreement. See "Description of Certain Financing Arrangements—Intercreditor Agreement". The Collateral to be provided after the Transformation will secure the Notes at or about the same time as it is established in favor of the Senior Secured Term Loan Facility. We have undertaken to the lenders under the Senior Secured Credit Facilities Agreement to complete the Transformation no later than August 18, 2011. See "Risk Factors—Risks Related to the Notes and the Offering—Until the Transformation of TV Polsat into a limited liability company has been completed, none of TV Polsat or any of its subsidiaries will guarantee the Notes or provide security over their assets to secure the Notes" and "—The registry court in Poland may refuse to register a new corporate form of TV Polsat, and, in that even, TV Polsat and its subsidiaries would not be able to provide guarantees or security for the Notes". In connection with the Transformation, certain amendments may be made to the Security Documents governing the Collateral and the share pledge over TV Polsat shares will have to be reestablished, and the Collateral will be subject to filing and registration requirements. This will result in new hardening periods for such security. See "Risk Factors—Risks Related to the Notes and the Offering—A refinancing or replacement of certain indebtedness, and amendments and re-establishment of security in connection with the Transformation, could result in a release of liens on the Collateral or amendments thereto. Although the security may be reinstated on substantially similar terms, the security could be subject to avoidance by an insolvency administrator or third party creditors".

There is some uncertainty under the laws of certain jurisdictions, including the laws of Poland, Norway and Switzerland, as to whether trusts, including the security trust created pursuant to the Intercreditor Agreement, will be recognized and enforceable. To address this, a direct covenant to pay (the "Parallel Debt") has been granted to the security agent by each debtor under the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The Parallel Debt provision allows the Security Agent to act in its own name in its capacity as a creditor. The Parallel Debt provisions constitute a secured obligation for the purposes of each security document securing the notes and the other indebtedness secured subject to the Intercreditor Agreement.

For additional information, see "Risk Factors—Risks Related to the Notes and the Offering—The security over the Collateral is in each jurisdiction granted to the Security Agent. Pursuant to English law, the Security Agent holds all security on trust for each Secured Party which includes the Notes Trustee and each Noteholder. The Security Agent also has the benefit of a direct covenant to pay, or "parallel debt", from each debtor who is party to the Intercreditor Agreement, including each guarantor of the Notes and provider of security therefore. The ability of the Security Agent to enforce the security may be restricted by local law" and "Limitations on Validity and Enforceability of the Guarantees and Other Security".

Enforcement of security

The Security Documents and the Collateral will be held by the Security Agent, for the benefit of all holders of secured obligations, subject to the Intercreditor Agreement. For a description of the Intercreditor Agreement see "Description of Certain Financing Arrangements—Intercreditor Agreement".

The Security Agent's ability to enforce upon the Collateral will be subject to various bankruptcy law limitations in the event of a pledgor's bankruptcy. See "Risk Factors—Risks Related to the Notes and the Offering—The Guarantees and the security interests securing the Notes may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability", "—Fraudulent conveyance laws, bankruptcy regulations and other limitations on the Guarantees and the security interests securing the Notes may have a material adverse effect on the Guarantees' validity and enforceability, and may not be as favorable to creditors as laws of other jurisdictions with which you are familiar", and —"Enforcing your rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may prove difficult" and "Limitations on Validity and Enforceability of the Guarantees and Other Security".

Subject to the terms of the Security Documents, the Company will have the right to remain in possession and retain exclusive control of the Collateral (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

The Security Agent will act as trustee under the Intercreditor Agreement, and is authorized to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent on its behalf.

The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement actions and the Security Agent will act only at the direction of

Cyfrowy Polsat's Senior Secured Creditors, other than holders of the Notes and any Additional Notes, until the aggregate amount of committed and uncancelled Senior Secured Debt (including under the Senior Credit Facility and certain secured Hedging Obligations), other than debt under the Notes and any other senior secured notes that may accede to the Intercreditor Agreement in the future, is less than 25% of the aggregate principal amount of all committed and undrawn and outstanding Senior Secured Debt (including the Notes and any other senior secured notes that may accede to the Intercreditor Agreement). At any other time, creditors holding a majority in aggregate principal amount of committed and undrawn and outstanding debt under the Senior Credit Facility, certain secured Hedging Obligations, the Notes and any other Senior Secured Debt permitted to be incurred in the future under the Intercreditor Agreement will be able to instruct the Security Agent to enforce the Collateral. Please see "Description of Certain Financing Arrangements—Intercreditor Agreement" and "Risk Factors—Risks Related to the Notes and the Offering—Holders of the Notes will not control certain decisions regarding the Collateral".

Release of security

The Collateral shall be automatically and unconditionally released and the Security Agent and the Trustee will take any action required to effectuate any release of Collateral securing the Notes and the Guarantees, as the case may be, required by a Security Document:

(1) upon payment in full of principal, interest and all other obligations under the Indenture;

(2) upon release of a Guarantee (with respect to the Liens on assets granted by such Guarantor);

(3) in connection with any disposition of Collateral to any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "—Certain covenants—Merger, amalgamation and consolidation") if such disposition does not violate clauses (1) and (2) of the covenant described under "—Certain covenants—Limitation on sales of assets and subsidiary stock";

(4) in accordance with the Intercreditor Agreement and the Security Documents (as in effect on the Issue Date or as amended, supplemented or otherwise modified after the Issue Date, including any intercreditor agreement or security document entered into after the date hereof) upon the occurrence of an enforcement action;

(5) as may be permitted pursuant to the covenant described under "—Certain covenants—Impairment of security interest";

(6) in accordance with the covenant described under "—Certain covenants—Merger, amalgamation and consolidation";

(7) as may be permitted pursuant to the covenant described under "—Amendments and waivers";

(8) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture as provided below under the captions "—Defeasance" and "—Satisfaction and Discharge".

At the request of the Company or any Guarantor, the Security Agent is authorized, subject to the Intercreditor Agreement, to execute any document reasonably requested to evidence such release. Each of these releases shall be effected by the Security Agent without the consent of the Note holders, the Trustee or any action on the part of the Issuer, except as otherwise specified in the covenants referred to above.

Priority among Senior Credit Facility and the Notes

The relative priority between (a) the lenders under the Senior Credit Facility, (b) the Trustee and the Note holders and (c) other indebtedness the representatives of which have become party to the

Intercreditor Agreement with respect to the Collateral is established by the terms of the Intercreditor Agreement, which provides that, in general:

- certain expenses of the Security Agent shall be discharged from the proceeds of enforcement of security prior to the application of proceeds to the discharge of the expenses of other representatives and the indebtedness secured by the Collateral;
- certain expenses of the Trustee and the Senior Agent shall be discharged from the proceeds of enforcement of security prior to the application of proceeds to the discharge of the indebtedness secured by the Collateral; and
- thereafter, amounts shall be applied to the secured obligations, including the Credit Facility, the Notes or the Guarantees, together with any other indebtedness entitled to be secured on a *pari passu* basis with the Notes or the Guarantees pursuant to the terms of the Indenture and the Intercreditor Agreement.

See "Description of Certain Financing Arrangements—Intercreditor Agreement".

The Proceeds Loans

The Issuer will loan the proceeds of the offering of Notes issued on the Issue Date to the Company pursuant to an intercompany loan by the Issuer to the Company or one or more intercompany bonds issued by the Company to the Issuer (each a "Proceeds Loan" and together, the "Proceeds Loans") to be dated the Issue Date.

Each Proceeds Loan will be denominated in euro and will bear interest at a rate at least equal to the interest rate of the Notes. Interest on the Proceeds Loans will be payable semi-annually in arrears on each May 20 and November 20, commencing November 20, 2011. Each of the Proceeds Loans will provide that the Company will pay to the Issuer interest and principal that becomes payable on the Notes and any additional amounts due thereunder.

Each Proceeds Loan provides that all payments made pursuant thereto will be made by the Company on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture.

The Issuer is a finance subsidiary without operations, and, therefore, the Issuer depends on the cash flow of the Company and its subsidiaries to meet its obligations, including its obligation under the Notes. The Notes will be effectively subordinated to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's Subsidiaries that do not provide Guarantees.

Restricted Subsidiaries and Unrestricted Subsidiaries

All of the Subsidiaries of the Company are currently Restricted Subsidiaries. The Company may designate a Subsidiary as an Unrestricted Subsidiary in accordance with the definition thereof.

Interest

Each Note offered hereby will bear interest at a rate of 7.125% per annum and interest on the Notes will be payable semi-annually in arrears on May 20 and November 20, commencing on November 20, 2011. Interest on the Notes offered hereby will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be payable to the holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding November 5 or May 5, as the case may be. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

Form of Notes

The Notes offered hereby will be represented initially by global Notes in fully registered form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes offered hereby initially offered and sold in reliance on Rule 144A under the U.S. Securities Act ("Rule 144A") will be represented by one global note (the "U.S. Global Note"), without interest coupons, and Notes initially offered and sold in reliance on Regulation S under the U.S. Securities Act ("Regulation S") will be represented by a second global note (the "International Global Note"), without interest coupons. The combined principal amounts of the U.S. Global Note and the International Global Note (together, the "Global Notes") will at all times equal the outstanding principal amount of the Notes represented thereby.

The Global Notes will be deposited with and registered in the name of a common depositary (the "Common Depositary") for Euroclear and for Clearstream or its nominee. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream. Such beneficial interests in the Notes are referred to as "Book-Entry Interests".

Holders of Book-Entry Interests will be entitled to receive definitive Notes in registered form ("Definitive Notes") in exchange for their holdings of Book-Entry Interests only in the limited circumstances set forth in "Book-entry, Delivery and Form—Definitive Registered Notes". Title to the Definitive Notes will pass upon registration of transfer in accordance with the provisions of the Indenture. In no event will Definitive Notes in bearer form be issued.

Payments on the Notes

Principal of, premium, if any, and interest on the Global Notes will be payable, and the Notes will be accepted for exchange and transfer, at the specified office or agency of one or more paying agents, except that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the holders of the Notes as such address appears in the note register. Payment of principal of, premium, if any, and interest on the Global Notes will be made in immediately available funds to the Common Depositary or its nominee, as the case may be, as the registered holder of the Global Notes. Initially that agent will be the corporate trust office of the Trustee. We will make payments on the Global Notes to the common depositary as the registered holder of the Global Notes.

Global Clearance and Settlement under Book-Entry System

Initial settlement for the Notes offered hereby will be made in euro.

Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value on the settlement date.

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds.

Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Paying Agent and Registrar

The Bank of New York Mellon, London Branch, in London, will initially act as transfer agent and paying agent for the Notes. The Issuer has undertaken, to the extent possible, to maintain a paying agent in a European Union member state that is not obligated to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers ("ECOFIN") meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, provided that under no circumstances will we be obligated to maintain a paying agent in such a Member State unless at least one Member State of the European Union does not require a paying agent in that Member State to withhold or deduct tax pursuant to the Savings Directive.

The Issuer will also maintain one or more registrars (each, a "Registrar") and a transfer agent (the "Transfer Agent") in a member state of the European Union. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg. The initial Transfer Agent will be The Bank of New York Mellon, London Branch in London. The Registrar in Luxembourg will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change the paying agent or registrar for the Notes without prior notice to the holders of the Notes, and the Issuer, or any of its subsidiaries, may act as paying agent or registrar for the Notes. In the event that a paying agent or the registrar is replaced, the Issuer will provide notice thereof in accordance with the procedures described below under "—Notices".

Any paying agent, transfer agent and registrar for the Notes shall act solely for and as agents of the Issuer and the Guarantors and shall not have any obligations towards or relationship of agency or trust for any Note holder and shall be responsible only for the performance of the duties and obligations expressly imposed upon them in the Indenture and this "Description of the Notes" and any duties necessarily incidental to them.

Transfer and Exchange

A holder of Notes may transfer or exchange Notes in accordance with the Indenture, which will provide for, among other things, the transfer of the Notes by the Luxembourg transfer agent so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require. All transfers of book-entry interests between participants in Euroclear or Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants. See "Book-Entry, Delivery and Form".

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "Notice to Investors".

Optional Redemption

Except as described below or under "—Optional tax redemption," the Notes are not redeemable until May 20, 2014. On and after May 20, 2014, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest, if any, due on the relevant interest payment date), if redeemed during the periods indicated below:

Year	Percentage
May 20, 2014 to May 19, 2015	105.344%
May 20, 2015 to May 19, 2016	103.563%
May 20, 2016 to May 19, 2017	101.781%
May 20, 2017 and thereafter	100.000%

Prior to May 20, 2014, the Issuer may on any one or more occasions redeem up to 35% of the original principal amount of the Notes with the Net Cash Proceeds of one or more Equity Offerings subsequent to the Issue Date at a redemption price of 107.125% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 65% of the original principal amount of the Notes remains outstanding after each such redemption; and

(2) the redemption occurs within 90 days after the closing of such Equity Offering and is made in accordance with certain procedures set forth in the Indenture.

Any redemption notice given in respect of such redemption may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

In addition, prior to May 20, 2014, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Fixed Rate Premium and accrued and unpaid interest to, but not including, the applicable redemption date. Any such redemption and notice may, at the discretion of the Issuer, be subject to the satisfaction of one or more conditions precedent.

"Applicable Fixed Rate Premium" means with respect to any Note on any redemption date prior to May 20, 2014 the greater of (A) 1% of the principal amount of such Note; and

(B) the excess of:

(1) the present value at such redemption date of (i) the redemption price of such Note at May 20, 2014 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section) (excluding accrued but unpaid interest), plus (ii) all required interest payments that would otherwise be due on such Note to and including May 20, 2014 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

"Bund Rate" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 20, 2014 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to May 20, 2014; *provided*, however, that, if the period from such redemption date to May 20, 2014 is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund

Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in consultation with the Trustee; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

Notice of early redemption will be published in accordance with the procedures under "—Notices".

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Notes are registered at the close of business on such record date, and no additional interest will be payable to beneficial holders whose Notes will be subject to redemption by the Issuer.

In the case of any partial redemption, the Trustee will select the Notes for redemption in compliance with the requirements of the principal securities exchange (currently expected to be the Luxembourg Stock Exchange), if any, on which the Notes are listed or, if the Notes are not listed, then on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Note of €100,000 in original principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to that Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued and delivered to the Common Depositary, or in the case of Definitive Notes, issued in the name of the holder thereof upon cancellation of the original Note.

Payment of Additional Amounts

All payments under or with respect to the Notes or a Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (hereinafter "Taxes") imposed or levied by or on behalf of the government of the countries in which each of the Issuer, the relevant Guarantor and, in each case, any successor thereof (each, a "Payor") is organized, or any other jurisdiction in which the relevant Payor is organized or is otherwise resident for tax purposes, or any jurisdiction from or through which payment is made, in each case, including any political subdivision or any authority or agency therein or thereof having power to tax (each, a "Relevant Taxing Jurisdiction"), unless the relevant Payor is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.

If a Payor is so required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or a Guarantee, as applicable, such Payor will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by any holder after such withholding or deduction (including any such withholding or deduction in respect of such Additional Amounts) will be equal to the amount the holder would have received if such Taxes had not been withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts shall not apply to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder of a Note (or between a fiduciary, settlor, member, partner or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership or corporation) and the Relevant Taxing Jurisdiction

including, without limitation, such holder being or having been a domiciliary, national or resident thereof, or being or having been present or engaged in a trade or business therein or having had a permanent establishment or fixed based therein (other than a connection resulting from the mere receipt of such payment, the ownership or holding of such Note or the enforcement of rights thereunder or under the Guarantee);

(2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar tax, assessment or other governmental charge;

(3) any Taxes which are payable otherwise than by withholding from payments of (or in respect of) principal of (or premium, if any, on), or any interest on, the Notes;

(4) any Taxes that are imposed, deducted or withheld by reason of the failure by the holder of a Note to comply with a written request from the Issuer, after reasonable notice (provided that such notice must be given at least 30 days prior to the first payment date with respect to which this item applies), (A) to provide information concerning the nationality, residence, identity or connection to the Relevant Taxing Jurisdiction of the holder or (B) to make any declaration or other similar claim or satisfy any information or reporting requirement, which, in the case of (A) or (B), is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from or refund of all or part of such Tax;

(5) any Taxes that are required to be withheld or deducted on a payment to an individual pursuant to any European Union Council Directive regarding the taxation of savings income (including European Council Directive 2003/48/EC) or pursuant to any law implementing, or introduced in order to conform to, any such Directive;

(6) if the payment could have been made without deduction or withholding if the holder had presented (where presentation is required) the Note for payment within 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of the 30-day period);

(7) any Taxes payable in respect of a Note presented for payment (where presentation is required) by or on behalf of a holder who would have reasonably been able to avoid a withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union; or

(8) any combination of items (1) through (7) above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to each holder. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per € 1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and copies of the same will be made available at the offices of the Paying Agent.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes or a Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the paying agent to pay Additional Amounts to holders of Notes on the relevant payment date unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate, without further inquiry, as conclusive proof that such payments are necessary. We will promptly publish a notice in accordance with the provisions set forth in "—Notices" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Whenever in the indenture there is mentioned, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Notes, as applicable;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or the Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or original registration of the Notes, the Guarantees, the indenture or any other related document or instrument (excluding such taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, unless they result from, or are required to be paid in connection with, the enforcement of the Notes, the Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes) and the Issuer and each Guarantor will indemnify the holders of Notes for any such taxes paid by such holders.

The obligations described under this heading will survive any termination, defeasance or discharge of the indenture or any Guarantee and will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer or a Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

Optional Tax Redemption

The Issuer is entitled to redeem the Notes, at its option, at any time in whole but not in part, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest (if any) to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in the event the Issuer any Guarantor has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes (in the case of the Issuer or its Guarantee (in the case of a Guarantor)), any Additional Amounts, (but, in the case of a Guarantor only if such amount cannot be paid by the Issuer, the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts) in each case as a result of:

(1) a change in or an amendment to the laws (including any regulations, protocols or rulings promulgated thereunder) of the Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in or amendment to the official application, administration or interpretation of such laws (including the decision of any court, governmental agency or tribunal) (each of the foregoing clauses (1) and (2), a "Change in Tax Law"),

which change or amendment is announced or becomes effective on or after the date of the offering memorandum and the Issuer, the Company or the relevant Guarantors, as applicable cannot avoid such obligation by taking commercially reasonable measures available to it. The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such Person becomes a party to the Indenture.

No such notice of redemption may be given (a) earlier than 90 days prior to the earliest date on which a Payor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due and payable and (b) unless at the time such notice is given such obligation to pay such Additional Amounts remains in effect.

Before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that the Issuer, the Company or the relevant Guarantors, as applicable cannot avoid its obligation to pay Additional Amounts by taking commercially reasonable measures available to it. The Issuer will also deliver to the Trustee an opinion of an independent tax advisor of nationally recognized standing reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept and will be entitled to rely on such certification and such opinion as sufficient evidence of the existence and satisfaction of the conditions precedent described above in which event it will be conclusive and binding on the holders of Notes.

Mandatory Redemption

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under "—Certain covenants—Change of control and rating decline" and "—Certain covenants—Limitation on sales of assets and subsidiary stock" below.

Change of Control and Rating Decline

If a Change of Control Triggering Event occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000, and any integral multiple of €1,000 in excess thereof) of such holder's Notes at a purchase price per Note in cash equal to 101% of the principal amount of such Note plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), although no Note of €100,000 in original principal amount or less will be redeemed in part.

Within 30 days following any Change of Control Triggering Event, the Issuer will provide notice (the "Change of Control Offer") in accordance with the procedures described under "—Notices" stating:

(1) that a Change of Control Triggering Event has occurred and that holders of Notes have the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, and premium, if any, to the date of purchase (the "Change of Control Payment");

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(3) a brief summary of the circumstances and relevant facts regarding the Change of Control; and

(4) the procedures determined by the Issuer that a holder must follow in order to have its Notes repurchased.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes (in denominations of €100,000 and any integral multiple of €1,000 in excess thereof) properly tendered under the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The paying agent will promptly either (x) pay to the holder against presentation and surrender (or, in the case of partial payment, endorsement) of the Notes in global form or (y) in the event that the Notes are in the form of Definitive Notes, mail to each holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and deliver (or cause to be transferred by book entry) to the holder of Notes in global form a new Note or Notes in global form or, in the case of Definitive Notes, mail to each holder a new Note in definitive form equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of €100,000 and any integral multiple of €1,000 in excess thereof.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender pursuant to the Change of Control Offer.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if another party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or notice of redemption has been given as described under "Optional Redemption," unless and until there is a default in payment of the redemption price. A Change of Control Offer may be made in advance of a Change of Control (and will satisfy the Issuer's obligation to make such an offer upon such Change of Control) if a definitive agreement is in place at the time of the making of the Change of Control Offer that would, upon consummation, result in a Change of Control, and such Change of Control Offer is otherwise made by the Issuer or such third party in compliance with the provisions of this covenant.

To the extent that the provisions of any securities or other applicable laws or regulations conflict with provisions of the Indenture, compliance with the applicable laws and regulations and will not be deemed to be in breach of the obligations described in the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. Certain existing and future Indebtedness of the Company, the Issuer or their respective Subsidiaries, including the Senior Facilities Agreement, contain or may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the holders of Notes of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Even if sufficient funds were otherwise available, the terms of other Indebtedness of the Company or its Subsidiaries may prohibit the Issuer's prepayment of the Notes or any payment by the Issuer or restrict the ability of the Company or its Subsidiaries to fund any such payments before the scheduled maturity of the Notes. Consequently, if the Company is not or its Subsidiaries are not able to prepay or cause to be prepaid the Indebtedness outstanding under any such Indebtedness (to the extent containing such restrictions) or obtain requisite waivers or consents, the Issuer may be unable to fulfill its repurchase obligations if holders of Notes exercise their repurchase rights following a Change of Control, resulting in a default under the Indenture.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole or of the Issuer and its Restricted Subsidiaries taken as a whole to another Person unless certain conditions are satisfied. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly there may be uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. In addition, it should be noted that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a change of control under a clause similar to clause (3) of the definition of "Change of Control", if the outgoing directors were to approve the new directors for the purpose of such change of control clause. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; *provided, however*, that the Company, the Issuer and any Subsidiary Guarantor may Incur Indebtedness if on the date thereof, giving pro forma effect to such incurrence (including the application of proceeds therefrom), the Consolidated Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness of the Company and of its Restricted Subsidiaries Incurred under one or more Credit Facilities in an aggregate principal amount at any time outstanding not to exceed PLN 1,850 million, *less* the aggregate amount of all Net Cash Proceeds of Asset Dispositions applied since the Issue Date to repay any Indebtedness incurred under any Credit Facilities and effect a corresponding commitment reduction pursuant to the covenant described under the caption "—Limitation on sale of assets and subsidiary stock"; *provided* that the total Indebtedness incurred under this clause (1) by Restricted Subsidiaries (other than TV Polsat or any of its Subsidiaries) that on the date of such incurrence are not Guarantors shall not exceed €25 million at any time;

(2) Indebtedness of the Company owing to any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to the Company or any Restricted Subsidiary; *provided, however*, that

   (a) if the Issuer is the obligor on such Indebtedness, then, except for all obligations owing to a Guarantor, such Indebtedness is unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes;

(b) if a Guarantor is the obligor on such Indebtedness, then, except for all obligations owing to the Issuer or another Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes and the relevant Note Guarantee of the Subsidiary; and;

(c)

(i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary; and

(ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(3) Indebtedness represented by the Notes (excluding any Additional Notes);

(4) any Indebtedness (other than the Indebtedness described in clauses (1), (3), and (7) outstanding on the Issue Date ("Existing Indebtedness") and (b) any Refinancing Indebtedness Incurred in respect of any Existing Indebtedness described in this clause (4) or clauses (3) or (5) or Incurred pursuant to the first paragraph of this covenant;

(5) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Company or a Restricted Subsidiary, or was merged, consolidated, amalgamated or otherwise combined with or substantially all of its assets were transferred to, (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Restricted Subsidiary is acquired by the Company or a Restricted Subsidiary, either (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to such acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Consolidated Coverage Ratio would be no worse than immediately prior thereto;

(6) Indebtedness in respect of Hedging Obligations entered into in the ordinary course of business and not for speculative purposes;

(7) Indebtedness of the Company or any of its Restricted Subsidiaries represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction, design, installation, lease, repair or improvements of property used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed €40 million at any time outstanding;

(8) Indebtedness Incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business;

(9) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertedly drawn against insufficient funds in the ordinary course of business, *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(11) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(12) Indebtedness of the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to surety, performance or appeal bonds, letters of credit or completion guarantees and VAT guarantees issued in the ordinary course of business; *provided, however,* that, upon valid demand being made under such reimbursement obligations, such demands are satisfied within 30 days of the date of such demand;

(13) Indebtedness of the Company or any of its Restricted Subsidiaries owed on a short-term basis to banks or other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries maintained with such banks or financial institutions and which arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries;

(14) the Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Parent Guarantor or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or pari passu with the Notes or a Note Guarantee, then the Guarantee must be subordinated or pari passu, as applicable, to the same extent as the Indebtedness guaranteed;

(15) Subordinated Shareholder Debt Incurred by the Company; and

(16) in addition to the items referred to in clauses (1) through (15) above, Indebtedness of the Company and its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed €100 million at any time outstanding.

In each case above, debt permitted to be incurred also is permitted to include any "parallel debt" or similar obligations created in respect thereof.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence, and may from time to time reclassify such item of Indebtedness, and only be required to include the amount and type of such Indebtedness in one of such clauses;

(2) all Indebtedness outstanding on the Issue Date under any Credit Facility (including the Senior Credit Facility) shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause 4(b) of the second paragraph of the description of this covenant; and

(3) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value of the Indebtedness in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this "Limitation on indebtedness" covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any euro denominated restriction on the Incurrence of Indebtedness, the euro equivalent principal amount of Indebtedness denominated in a currency other than the euro shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than the euro, and such refinancing would cause the applicable euro dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; *provided, further,* that if such Indebtedness is denominated in a currency other than the euro and is subject to an Interest Rate or Currency Agreement with respect to euros, the amount of such Indebtedness expressed in euros shall be adjusted to take into account the effect of such an agreement. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution (including any payment in connection with any merger, amalgamation or consolidation involving the Company or any Subsidiary of the Company) on or in respect of its Equity Interests except:

  (a) dividends or distributions payable solely in Equity Interests of the Company (other than Disqualified Stock); and

  (b) dividends or distributions payable to the Company or a Restricted Subsidiary of the Company and, if such Restricted Subsidiary has shareholders other than the Company or other Restricted Subsidiaries, to its other shareholders on a pro rata basis (or, in the case of any partnership, limited liability company or similar person, any similar payment made on no more than a pro rata basis);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) purchase, repurchase, prepay, repay, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase, prepayment or repayment redemption, defeasance or other acquisition or retirement of Subordinated Obligations

purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition); or

(4) make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) shall be referred to in this Description of Notes as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result therefrom); or

(b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "—Limitation on indebtedness" covenant after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date would exceed the sum of:

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are in existence (or, in the event Consolidated Net Income for such period is a deficit then, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds received by the Company from the issue or sale of its Equity Interests (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Equity Interests, Disqualified Stock or debt securities to a Subsidiary of the Company or an employee stock ownership plan, option plan or similar trust established by the Company or any of its Subsidiaries to the extent such sale to an employee stock ownership plan, option plan or similar trust is financed by loans from or guaranteed by the Company or any of its Subsidiaries unless such loans have been repaid with cash on or prior to the date of determination) or any issuance of Subordinated Shareholder Debt made by the Company;

(iii) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any Indebtedness of the Company convertible or exchangeable for Equity Interests (other than Disqualified Stock) of the Company (less the amount of any cash, or other property, distributed by the Company upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made after the Issue Date by the Company or any of its Restricted Subsidiaries in any Person resulting from:

(A) repurchases or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment to an unaffiliated purchaser, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary of the Company not to exceed, in the case of any Person, the amount of Restricted Investments previously made by the Company or any Restricted Subsidiary in such Person; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

The provisions of the preceding paragraph will not prohibit:

(1) any Restricted Payment of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Equity Interests of, or contribution of common equity capital to, or issuance of Subordinate Shareholder Debt by, the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *provided, however*, that (a) such payment will be excluded in subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale or contributions that are used for such payment will be excluded from clause (c) (ii) of the preceding paragraph;

(2) any purchase or redemption of Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations that is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" and that qualifies as Refinancing Indebtedness; *provided, however*, that such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments;

(3) [Reserved];

(4) dividends paid (or redemptions consummated) within 60 days after the date of declaration if at such date of declaration (or giving of notice) such dividend (or redemption) would have been permitted under this covenant; *provided, however*, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;

(5) purchases of Equity Interests of the Company or any Parent of the Company to cover grants of options under any equity plan, equity subscription agreement, stock option agreement, employment agreement, shareholders' agreement or similar agreement of the Company and/or its Restricted Subsidiaries; provided that the aggregate cash price paid for all such Equity Interests purchased pursuant to this clause (5) (and not yet issued pursuant to option grants) may not exceed in any calendar year €3.0 million; provided, however, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;

(6) so long as no Default or Event of Default has occurred and is continuing, the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Company or any Restricted Subsidiary of the Company or any parent of the Company held by any existing or former employees, directors or management of the Company or any Subsidiary of the Company or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate any such persons; *provided* that such redemptions or repurchases pursuant to this clause will not exceed €3 million in the aggregate during any calendar year and €6 million in the aggregate for all such redemptions and repurchases; *provided, however*, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;

(7) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise price thereof or withholding tax thereon; *provided, however*, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;

(8) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom) the declaration and payment by the Company of dividends or distributions on the common stock of the Company in an amount not to exceed in any fiscal year 6% of Net Cash Proceeds received by the Company from any Equity Offering; *provided, however*, that such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments;

(9) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Indebtedness of the Company or any Guarantor which is contractually subordinated to the Notes or Guarantees; (i) to the extent that the purchase price is not greater than 101% of the principal amount of such Indebtedness in the event of a Change of Control (plus accrued and unpaid interest thereon); or (ii) to the extent that the purchase price is not greater than 100% of the principal amount thereof in accordance with provisions similar to those provided in the "—Limitation on sale of assets and subsidiary stock" covenant, in each case to the extent required by any agreement or instrument pursuant to which such contractually subordinated Indebtedness was issued; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, a Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes has been made and the repurchase or redemption of all Notes validly tendered for payment and not withdrawn in connection with such Change of Control Offer or Asset Disposition Offer, as the case may be, has been completed; *provided, further however*, that such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments;

(10) payments pursuant to any tax sharing agreement or arrangement among the Company and its Restricted Subsidiaries and other Persons with which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided*, *however*, that (i) such payments will not exceed the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (ii) such amounts are applied to satisfy the related tax liabilities of the Parent Guarantor and its Restricted Subsidiaries; and

(11) other Restricted Payments in an aggregate amount not to exceed €25 million since the Issue Date, with such Restricted Payments to be excluded in subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined conclusively by the Company's Chief Executive Officer, Chief Financial Officer or Management Board acting in good faith, such determination to be based upon a written opinion of an independent and reputable accounting, appraisal or investment banking firm of internationally recognized standing if the fair market value of such Restricted Payment is estimated to exceed €15 million.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Collateral Liens, in the case of Liens on assets constituting Collateral, or Permitted Liens, in the case of Liens on assets not constituting Collateral) upon any of its property or assets (including Equity Interests of Restricted Subsidiaries of the Company), whether owned on the Issue Date or acquired after that date, which Lien is securing any Indebtedness of the Company or any Restricted Subsidiary; *provided* that, in the case of Liens granted over assets that are not Collateral, such Liens may be granted if contemporaneously with the Incurrence of the Liens effective provision is made to secure the Indebtedness due under the Indenture and the Notes or, in respect of Liens on the Company's or any Restricted Subsidiary's property or assets, the Guarantee of the Company or such Restricted Subsidiary, equally and ratably with (or prior to in the case of Liens with respect to Subordinated Obligations) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;

(2) make any loans or advances to the Company or any Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any Restricted Subsidiary.

The preceding provisions will not prohibit:

(i) any encumbrance or restriction pursuant to the Indenture, the Senior Credit Facility, the Intercreditor Agreement, any Security Document or any agreement in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of these agreements with, as applicable, the same or different counterparties; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary or its property or assets in existence on or before the date on which such Restricted Subsidiary or its property or assets was acquired (directly or indirectly) by the Company or a Restricted Subsidiary (other than encumbrances or restrictions relating to Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company or a Restricted Subsidiary or in contemplation of the transaction) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or instruments referred to in clause (ii) of this paragraph, or this clause (iii) with, as applicable, the same or different counterparties; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive or materially less favorable to the holders of the Notes, in each case, taken as a whole, with respect to such encumbrances and restrictions than those contained in such agreements or instruments;

(iv) any encumbrance or restriction that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract or the transfer of copyrighted or patented materials or other intellectual property and customer provisions in agreements that restrict the assignment or transfer of such agreements and any rights thereunder;

(v) any encumbrance or restriction pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(vi) liens permitted to be incurred under the provisions of the covenant described under the caption "—Limitation on Liens" that limit the right of the debtor subject to the Lien

(vii) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(viii)(a) purchase money obligations or mortgage financings and (b) Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property acquired or leased;

(ix) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of the Company's Management Board, which limitations are applicable only to the assets that are the subject of such agreements

(x) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, including applicable corporate law restrictions on the payment of dividends;

(xi) net worth provisions in leases and other agreements entered into by the Company or any Restricted Subsidiary in the ordinary course of business; and

(xii) any encumbrance or restriction in any agreement or instrument relating to Indebtedness of the Company or a Restricted Subsidiary (other than Indebtedness described in clause (i) immediately above) permitted to be incurred under the provisions of the covenant described under "—Limitations on Indebtedness" if the encumbrances or restrictions relating to such Indebtedness, taken as a whole, are not materially more disadvantageous to the Note holders than is customary in comparable financings or agreements (for which a determination in good faith by the Company's Management Board shall be conclusive).

Limitation on sales of assets and subsidiary stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition *unless*:

(1) the Company or a Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value, as determined in good faith by the Company's Management Board at the time of entering into an agreement to effect such Asset Disposition (including as to the value of all non-cash consideration), of the Equity Interests and assets subject to such Asset Disposition;

(2) at least 75% of the consideration from such Asset Disposition received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents or Additional Assets or a combination thereof; and

(3) the Net Available Cash from such Asset Disposition is applied by the Company or a Restricted Subsidiary:

(a) *first*, to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, redeem, repay or purchase Indebtedness (other than Disqualified Stock or Subordinated Obligations) of the Company, the Issuer or of any Restricted Subsidiary (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, redemption, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; and *provided further*, that if the assets disposed of constitute Collateral, the Net Available Cash in respect thereof may only be used to prepay, repay or repurchase the Notes or Pari Passu Indebtedness that is secured by a Lien on any of the Collateral that ranks equal to or in priority to any Lien on such assets securing the Notes or the Indenture; and

(b) *second*, to the extent the Company or such Restricted Subsidiary elects, to invest in Additional Assets or any capitalized expense related thereto or to make capital expenditures within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash (*provided, however*, that such period shall be extended up to 180 days to the extent a binding contractual commitment to reinvest in or purchase Additional Assets or any capitalized expense related thereto shall have been entered into by such 365^{th} day to the extent such commitment remains in effect and the planned reinvestment or purchase has not been abandoned or cancelled);

provided pending the final application of any such Net Available Cash, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds €20 million, within 10 business days thereof, the Issuer will be required to make an offer ("Asset Disposition Offer") to all holders of Notes and, to the extent required by the terms of other Pari Passu Indebtedness, the Issuer or any Guarantor may make an offer to all holders of other Pari Passu Indebtedness outstanding with similar provisions requiring the Issuer or any Guarantor to make an offer to purchase or repay such Pari Passu Indebtedness with the proceeds from any Asset Disposition, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies, respectively, that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and other Pari Passu Indebtedness plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in denominations of €100,000 and any integral multiple of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and other Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, such remaining Excess Proceeds shall no longer constitute Excess Proceeds and may be used for any purpose not prohibited in the Indenture. If the aggregate principal amount of Notes surrendered by holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari

Passu Indebtedness. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

Notice of the Asset Disposition Offer will be given in accordance with the Indenture. The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and Pari Passu Indebtedness, required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer or Guarantor, as the case may be, will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness, respectively, or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn, in case of the Notes in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer, in accordance with the terms of this covenant and, in addition, the Issuer or Guarantor, as the case may be, will deliver all certificates and Notes required, if any, by the agreements governing the Pari Passu Indebtedness. The Issuer or Guarantor, as the case may be, or the paying agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee, upon delivery of an Officers' Certificate from the Issuer will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount of €100,000 and any integral multiple of €1,000 in excess thereof. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

For the purposes of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations or Disqualified Stock) of the Company or Indebtedness (other than Disqualified Stock) of any Guarantor and the release of the Company or such Guarantor from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Company will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (a) above); *provided that* to the extent that the assets that are the subject of an Asset Disposition are Collateral, only the assumption and release of Indebtedness that is Pari Passu Indebtedness shall be qualify as "cash" under this clauses (a); and

(2) securities, Notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted within 90 days by the Company or such Restricted Subsidiary into cash or Cash Equivalents.

To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, compliance with the applicable securities laws and regulations will not be deemed to be in breach of the Company's and the Issuer's obligations under the Indenture and the terms of any Pari Passu Indebtedness, as applicable by virtue of any conflict.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") unless:

(1) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction in arm's length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate amount in excess of €5 million, the terms of such transaction have been approved by a majority of the members of the Company's Management Board who are disinterested with respect to such transaction, if any (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (1) above); and

(3) in the event such Affiliate Transaction involves an aggregate amount in excess of €15 million, the Company has received a written opinion from an independent investment banking firm of internationally recognized standing as to the fairness to the Company and its subsidiaries from a financial point of view or that such Affiliate Transaction is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arms-length basis from a Person that is not an Affiliate.

The preceding paragraphs will not apply to:

(1) any Investment (other than a Permitted Investment) or other Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments" and any Permitted Investment described in clauses (4), (8), (13), (14) and (19) of the definition thereof;

(2) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans and other fees, compensation, benefits, expenses and indemnities paid or entered into by the Company or its Restricted Subsidiaries in the ordinary course of business to or with members of the Company's Management Board or Supervisory Board, officers or employees of the Company and its Restricted Subsidiaries;

(3) loans or advances (or cancellations thereof) to employees in the ordinary course of business of the Company or any of its Restricted Subsidiaries; *provided* that such loans or advances do not exceed €2 million in the aggregate outstanding at any one time, and loans, advances, payments, or cancellations that are made from a social fund established in accordance with Polish law to the extent such fund is funded by the Company and its Restricted Subsidiaries only to the extent required by law;

(4) any transaction between or among, the Company and/or its Restricted Subsidiaries;

(5) the payment of reasonable fees and expense reimbursement paid to, and indemnity provided on behalf of, members of the Management Board or Supervisory Board of the Company or any Restricted Subsidiary of the Company;

(6) the performance of obligations under the terms of any agreement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided, however*, that any amendment, modification supplement, extension or renewal entered into after the Issue

Date will be permitted to the extent that the agreement, as so amended, modified, supplemented, extended or renewed, is not, taken as a whole, materially more disadvantageous to the holders of the Notes than the terms of the arrangements in place on the Issue Date;

(7) the payment of customary annual management, consulting, monitoring, advisory and guarantee fees and related expenses to, or for the benefit of, the Company or one of its subsidiaries not in excess of €5.0 million;

(8) transactions with or for the benefit of a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company or a Restricted Subsidiary of the Company either controls (including pursuant to a joint venture or shareholders agreement), can designate one or more Persons to the Board of Directors of or owns, directly or indirectly, an Equity Interest in such Person;

(9) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company or the incurrence of Subordinated Shareholder Debt by the Company;

(10) any tax sharing agreement or arrangement, or payments pursuant thereto, among the Company and its Restricted Subsidiaries and other Persons with which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group);

(11) transactions with customers, clients, suppliers, lessors and lessees, and distributors and other purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, that are fair to the Company and its Restricted Subsidiaries in the good faith determination of the Company's Management Board or senior management, or are on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis with a Person who is not an Affiliate; and

(12) any transaction between the Company and an officer or director of the Company in the ordinary course of business of the Company but in any event not to exceed €100,000 with respect to any transaction or series of related transactions.

Limitation on Issuer activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale, or issuance of the Notes and any Additional Notes and the servicing, purchase, redemption, refinancing or retirement of the Notes and any Additional Notes, the incurrence of Indebtedness represented by the Notes and the Additional Notes or similar activities relating to other Indebtedness (including providing guarantees and/or security in respect thereof) of the Issuer permitted under the Indenture (including the refinancing thereof), lending or otherwise advancing the proceeds thereof to the Company or any of its Restricted Subsidiaries (in the case of Indebtedness incurred by the Issuer) and any other activities in connection therewith, (b) undertaken with the purpose of fulfilling any other obligation under the Notes, the Additional Notes and the Indenture or such other Indebtedness (or guarantees or security), (including for the avoidance of doubt, any purchase, repurchase, repayment, redemption or prepayment of any such Indebtedness) (c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence or otherwise complying with applicable law or (d) other activities not specifically enumerated above that are *de minimis* in nature, including for the avoidance of doubt, investments in cash and cash equivalents.

The Issuer shall not take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act 1940, as amended.

The Issuer shall not issue any Capital Stock other than ordinary shares to the Company or any Restricted Subsidiary that is directly or indirectly wholly-owned by the Company.

The Issuer shall, at all times remain a direct or indirect wholly-owned Restricted Subsidiary of the Company.

Impairment of Security Interest

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; provided that (a) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents and the Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens (including amendments, extensions, renewals, restatements, supplements, modifications or replacements thereof); and provided further, however, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the assets), the Company delivers to the Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Restricted Subsidiaries, taken as a whole, after giving effect to the transactions related to such amendment, extension, renewal, supplement, modification, replacement or release and retaking, (2) a certificate from the Management Board (or equivalent body) or chief financial officer of the relevant Person (acting in good faith) that confirms the solvency of the Person granting such Lien after giving effect to the transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release (provided, however, that in connection with any such amendment, extension, renewal, restatement, supplement, modification, replacement or release made in connection with the Transformation, such certificate shall confirm the solvency of the Company and its Restricted Subsidiaries taken as a whole), or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release and retaking, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released and retaken are valid and perfected Liens not otherwise subject to any limitation imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, replacement, supplement, modification replacement or release and retaking.

At the direction of the Company and without the consent of the holder of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (subject to compliance with the preceding paragraph) provide for Permitted Collateral Liens, (iii) add to the Collateral, (iv) to comply with the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement, (v) to conform the Security

Documents to this Description of Notes, (vi) to evidence and provide for a successor Trustee, Security Agent, or Successor Company, (vii) to provide for the release of property and assets constituting Collateral from the security interests provided by the Security Documents and/or the release of the Guarantee of a Guarantor, in each case, in accordance with (and if permitted by) the terms of the Indenture, or (viii) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect.

In the event that the Company complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement, or release with no need for instructions from holders of the Notes.

Additional Guarantees

The Company will cause each Restricted Subsidiary that after the Issue Date, guarantees Indebtedness under the Credit Facility or any other Indebtedness of the Issuer or a Guarantor to simultaneously or prior thereto provide a Guarantee on substantially the same terms and conditions as those set forth in the Indenture provided, however, that the Additional Guarantors shall not be required to guarantee the Notes until such time as they have guaranteed the Senior Secured Term Loan Facility under the Senior Credit Facility after the Transformation. The Company shall cause any Restricted Subsidiary that is a Material Subsidiary (and not already a Guarantor or required to become a Guarantor pursuant to the preceding sentence) to provide a Guarantee within 60 Business Days of delivery of the Company's audited annual reports to the Trustee pursuant to the Indenture. Each such additional guarantee of the Notes is an "Additional Guarantee".

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Notes to the extent that the grant of such Guarantee would not be consistent with applicable laws, would be reasonably likely to result in any liability for officers, directors or shareholders of such Restricted Subsidiary or would result in any material current or future cost, tax or expense that cannot be avoided by reasonable measures available to the Company.

Any Additional Guarantee by a Restricted Subsidiary of the Company of the Notes shall provide by its terms, and the Indenture shall provide, that it shall be automatically and unconditionally released and discharged in the circumstances described under "—Guarantees". Any Additional Guarantee shall be considered a "Guarantee" as described in "—Guarantees".

Payments for consent

The Company will not, and will not permit any of its Subsidiaries or Affiliates to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of the Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus, tender offer statement or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its members states), which the Issuer in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Reports

The Company will provide to the Trustee and the holders of the Notes:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ended December 31, 2011, annual reports containing the following information with a level of detail that is substantially comparable to this offering memorandum: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause 2 or 3 below (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials to the extent reasonably available)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments; and (e) material risk factors and material recent developments;

(2) within 65 days following the end of each of the first three fiscal quarters in each fiscal year of the Company (90 days in the case of the fiscal quarter ending March 31, 2011), quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Company, together with condensed footnote disclosure; (b) pro forma income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials to the extent reasonably available); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer, Chief Financial Officer or other Managing Director at the Company or change

in auditors of the Company or any other material event that the Company announces publicly, a report containing a description of such event,

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles; (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Parent Guarantor; or (iii) contain disclosure relating to interim periods for the year ended December 31, 2010.

All financial statements and pro forma financial information shall be prepared in accordance with IFRS.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Company, then the annual and quarterly information required by the first two clauses of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of the Company.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The requirement to provide any such report or information to the Trustee or holders of Notes shall be deemed satisfied if such report has been posted to the website of the Company, as it exists from time to time; any such report shall be so accessible for 365 days and be available upon request, without charge, thereafter.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the above information will also be made available in Luxembourg through the offices of the paying agent in Luxembourg.

Merger, amalgamation and consolidation

The Company

The Company will not consolidate with, amalgamate or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, *unless*:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union that was a member of the European Union as of the Issue Date or of the United States of America, any State thereof or the District of Columbia, and not a natural Person, and the Successor Company (if not the Company) will expressly assume all the obligations of the Company under the Notes, the Indenture, the Security Documents and the Intercreditor Agreement;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the "—Limitation on Indebtedness" covenant; and

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, the Security Documents and the Intercreditor Agreement and any other agreement relating to the Notes to which the predecessor was a party and the predecessor shall be released from those obligations, but, in the case of a lease of all or substantially all its assets, the Company will not be released from the obligation to pay the principal or premium, if any, and interest on the Notes.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Notwithstanding the foregoing, any Restricted Subsidiary of the Company may consolidate with, amalgamate, merge into or transfer all or part of its properties and assets to the Company. In addition, the foregoing clauses (2) and (3) will not apply to any merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction.

The Issuer

The Issuer will not, and the Company will procure that the Issuer will not, consolidate with, amalgamate or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, *unless*:

(1) the Successor Company will be a Person organized and existing under the laws of any member state of the European Union that was a member of the European Union as of the Issue Date, or of the United States of America, any State thereof or the District of Columbia, and not a natural Person, and not a natural Person, and the Successor Company (if not the Issuer) will expressly assume by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, the Security Documents and the Intercreditor Agreement, and any other document related to the Notes to which the predecessor was a party, and the predecessor company shall be released from those obligations but, in the case of a lease of all or substantially all its assets, the Issuer will not be released from the obligation to pay the principal or premium, if any, and interest on the Notes.

Subsidiary Guarantors

In addition, the Company will not permit any Subsidiary Guarantor to consolidate with, amalgamate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or a series of related transactions to, another Person *unless*:

(1) (a) the Successor Company will be a Person organized and existing under the laws of any member state of the European Union that was a member of the European Union as of the Issue Date or of the United States of America, any State thereof or the District of Columbia (or any other jurisdiction in which the non-surviving Subsidiary Guarantor was organized immediately prior to the transaction requiring application of this clause), and not a natural Person, and such Person (if not a Guarantor) will expressly assume all the obligations of such Subsidiary Guarantor under its Guarantee and the Indenture, including the Guarantee of such Guarantor pursuant to a supplemental indenture executed and delivered to the Trustee in form reasonably satisfactory to the Trustee, as well as the Security Documents and (if applicable) the Intercreditor Agreement; and (b) the Company will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation merger or transfer and such supplemental indenture (if any) comply with the Indenture; or

(2) the transaction constitutes a disposition to a Person other than the Company or a Restricted Subsidiary made in compliance with clauses (1) and (2) of the covenant described in the first paragraph under "—Limitation on sales of assets and subsidiary stock".

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, such predecessor Subsidiary Guarantor under the Indenture, its Guarantee, the Security Documents and each other document to which the predecessor was a party, and such predecessor Subsidiary Guarantor shall be released from those obligations but in the case of a lease of all or substantially all of its assets, such predecessor Subsidiary Guarantor will not be released from its obligation under its Subsidiary Guarantee to pay the principal of, premium, if any, and interest on the Notes in the event of a default as described above. Notwithstanding the foregoing, in the case of a transaction described in clause (2) of the preceding paragraph, the Guarantee of the Subsidiary Guarantor shall be automatically and unconditionally discharged and released.

The following additional conditions will apply to each transaction described in the above paragraphs:

(1) to the extent required, the Company, the Guarantors or the relevant Successor Company, as applicable, will forthwith cause such amendments or other instruments to be filed and recorded in such jurisdictions as may be required by applicable law to preserve and protect the Liens under the Security Documents on the Collateral owned by or transferred to such Person, together with such financing statements or similar documents as may be required to perfect any security interests in such Collateral which may be perfected by the filing of a financing statement under any applicable law;

(2) the Collateral owned by or transferred to the Company, a Guarantor, or the Successor Company, as applicable, unless released, will (A) continue to constitute Collateral under the Security Documents; and (B) not be subject to any Lien other than Liens permitted by the Indenture; and

(3) the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the relevant obligor under the Indenture, but, in the case of a lease of all or substantially all of the Company's or a Guarantor's assets, the Company or, as applicable, such

Guarantor will not be released from the obligation to pay the principal of, premium, if any, and interest, and Additional Amounts, if any, on the Notes.

Additional intercreditor agreements and amendments

The Indenture will provide that at the request of the Issuer, at the time of, or prior to, the Incurrence by the Issuer or any Guarantor of any Indebtedness permitted pursuant to the definition of Permitted Collateral Liens, the Issuer, the relevant Guarantors and the Trustee shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "Additional Intercreditor Agreement" and, together with the Intercreditor Agreement, the "Intercreditor Agreements") on substantially the same terms as the Intercreditor Agreement (or terms more favorable to the Issuer); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

At the request of the Issuer, without the consent of holders of the Notes, the Issuer and any relevant Guarantor and the Trustee and the Security Agent shall enter into one or more amendments, extensions, renewals, restatements, supplements or other modifications or replacements to any Intercreditor Agreement or Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency in any of the Intercreditor Agreements, (ii) increase the amount of Indebtedness of the types covered by any of the Intercreditor Agreements that may be incurred by the Issuer or any Guarantor that is subject to any of the Intercreditor Agreements in a manner not prohibited by the Indenture, (iii) add Guarantors to any of the Intercreditor Agreements, (iv) further secure the Notes, (v) make provision for the security securing Additional Notes to rank *pari passu* with the Collateral, (vi) to evidence and provide for a successor Trustee, Security Agent or Successor Company or (vii) make any other such change to any of the Intercreditor Agreements that does not adversely affect the rights of holders of the Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any intercreditor agreement without the consent of holders of the Notes except as otherwise permitted by the Intercreditor Agreement and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee and the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee and the Security Agent under the Indenture or any Intercreditor Agreements.

Each Note holder shall be deemed to have agreed to and accepted the terms and conditions of each of the Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). A copy of any of the Intercreditor Agreements shall be available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer.

Suspension of covenants when Notes rated Investment Grade

If on any date following the Issue Date: (1) the Notes have achieved Investment Grade Status; and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "Suspension Period"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer, and the Company and its Restricted Subsidiaries:

(1) "—Limitation on Indebtedness";

(2) "—Limited on Restricted Payments";

(3) "—Limitation on Restrictions on Distributions from Restricted Subsidiaries";

(4) "—Limitation on Sales of Assets and Subsidiary Stock";

(5) "—Limitation on Affiliate Transactions"; and

(6) clause (5) of the first paragraph of the covenant described under "—Merger, Amalgamation and Consolidation".

Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "—Restricted Payments" had been in effect prior to, but not during, the Suspension Period, (2) all Indebtedness incurred during the Suspension Period will be classified to have been incurred or issued pursuant to clause (4) of the second paragraph of the caption "—Limitation on Indebtedness" and (3) any encumbrance or restriction subject to the covenant described under the caption "—Limitations on Restrictions on Distributions from Restricted Subsidiaries" shall be deemed to have been outstanding on the Issue Date for purposes of such covenant. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Events of Default

Each of the following is an "Event of Default":

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "—Certain Covenants—Merger, amalgamation and consolidation"; or failure to make or consummate a Change of Control Offer required by the covenant described under the caption "—Change of control and rating decline," or to make or consummate an Asset Sale Offer required by the covenant described under the caption "Certain covenants—Limitation on sales of assets and subsidiary stock";

(4) failure by the Issuer or relevant Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture, the Intercreditor Agreement or the Security Documents (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any charge, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Significant Subsidiaries (or the payment of which is guaranteed by the Company or any of its Significant Subsidiaries), other than Indebtedness owed to the Company or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("payment default"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) failure by the Company or any Significant Subsidiary to pay final judgments aggregating in excess of €25 million (net of any amounts that a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default provision");

(7) except as permitted by the Indenture, a Guarantee of the Company or a Significant Subsidiary is held in one or more judicial proceedings to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of the Company or a Guarantor that is a Significant Subsidiary, shall deny or disaffirm its obligations under the Indenture or such Guarantee;

(8) (a) any security interest created by the Security Documents ceases to be in full force and effect (except as permitted by the terms of the Indenture or the Security Documents) with respect to Collateral having a Fair Market Value in excess of €5.0 million, or an assertion by the Company or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value in excess of €5.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture or the Security Documents); or (b) the repudiation by the Company or any of its Restricted Subsidiaries of any of its material obligations under the Security Documents; or

(9) certain events of bankruptcy or insolvency described in the Indenture (the "bankruptcy provisions") with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If an Event of Default (other than an Event of Default described in clause (9) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured by the Company or a Restricted Subsidiary of the Company or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (a) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (9) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders.

The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal of, premium, if any, interest or Additional Amounts, if any) and rescind any such acceleration with respect to the Notes and its consequences if (x) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (y) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity and security against any loss, liability or expense satisfactory to the Trustee. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes *unless*:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity against any loss, liability or expense satisfactory to the Trustee;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each holder a notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year or at any time at the request of the Trustee, an Officers' Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain Defaults, their status and what action the Company (or any of its Subsidiaries) is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Security Documents and any intercreditor agreement (in so far as relating to the Notes) and the Notes may be amended, modified or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of holders of at least 90% of the aggregate principal amount of the then outstanding Notes, no amendment, modification or supplement may:

(1) reduce the amount of Notes whose holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest, including default interest and Additional Amounts, on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed or repurchased as described above under "—Optional redemption," or, if an obligation to purchase has arisen thereunder, "—Certain covenants—Change of control and rating decline" or "—Certain covenants—Limitation on sales of assets and subsidiary stock";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of premium, if any, Additional Amounts, if any, principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(7) release any Guarantor from its obligations under the Guarantee or the Indenture, except in accordance with the Indenture;

(8) directly or indirectly release the Collateral except as permitted by the terms of the Indenture, the Security Documents or the Intercreditor Agreements; or

(9) make any change in the amendment provisions which require each holder's consent or in the waiver provisions.

Without the consent of any holder, the Issuer, the Guarantors, the Trustee and the Security Agent may amend, modify or supplement the Indenture, the Security Documents and any Intercreditor Agreement (in so far as it relates to the Notes), and the Notes to:

(1) cure any ambiguity, omission, mistake, defect or inconsistency;

(2) provide for the assumption by a Successor Company of the Issuer's obligations under the Indenture;

(3) provide for the assumption by a Successor Company of the obligations of any Guarantor under the Indenture;

(4) provide for uncertificated Notes in addition to or in place of certificated Notes;

(5) add Guarantees with respect to the Notes;

(6) secure or further secure the Notes, the Guarantees or any other Guarantee of the Notes;

(7) add to the covenants of the Issuer, the Company or its Restricted Subsidiaries for the benefit of the holders of the Notes or surrender any right or power conferred upon the Issuer, the Company or its Restricted Subsidiaries;

(8) make any change that does not adversely affect the legal rights under the Indenture of any holder of the Notes in any material respect;

(9) to conform the text of the Indenture or the Notes or any Intercreditor Agreement or any Security Document to any provision of this "Description of the notes" to the extent that such provision was intended to be a verbatim or substantially verbatim recitation of a provision of any of the foregoing;

(10) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture and to make such changes as may be required to the Notes to accommodate and implement such issuance of Additional Notes;

(11) to enter into, amend or supplement any intercreditor agreement in accordance with the provisions of the Indenture with the holder, and/or any agent in respect thereof, of any other Indebtedness permitted to be incurred under the Indenture;

(12) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirement thereof; or

(13) to the extent provided for under the covenant described under "—Certain covenants—Impairment of security interest;" *provided* that, in each case, such amendment, supplement, modification, extension, renewal, restatement or replacement does not violate such covenant.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders of the Notes a notice briefly describing such amendment and will provide a copy of such amendment to the Luxembourg Stock Exchange. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture and all obligations of the Company and the Guarantors with respect to the Guarantees ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

In addition, the Issuer at any time may terminate its obligations and those of the Guarantors under covenants described under "Certain covenants" (other than "—Merger, amalgamation and consolidation"), the operation of the cross default upon a payment default, any cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, and the judgment default provision ("covenant defeasance").

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default, except those relating to payments on the Notes and, solely with respect to the Company, those specified in clause (3) and (9) under "—Events of default" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust"), in such amounts as shall be sufficient, in the opinion of an internationally recognized firm of independent public accountants, investment bank or appraisal firm, with the Trustee euro or euro-denominated Government Obligations for the payment of principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable U.S. federal income tax law.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder when either (i) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuer) have been delivered to the Trustee for cancellation or (ii) (A) all such Notes not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount of money sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, to the date of maturity or redemption, (B) the Issuer has paid, or caused to be paid, all sums payable, under the Indenture, and (C) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to give the notice of redemption and apply the deposited money toward the payment of such Notes at maturity or the redemption date, as the case may be. In addition, the Issuer must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Indenture. Any amount received or recovered in a currency other than euro in respect of the Notes or any Guarantee (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Guarantor or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor will constitute a discharge of the Issuer only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, or any Guarantee, the Issuer or the Guarantors will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee or any other judgment or order.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange to trading on the Euro MTF Market.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder, as such, shall have any liability for any obligations of the Issuer, the Company or any Subsidiary Guarantor under the Notes and the Guarantees, respectively, or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

Consent to Jurisdiction and Service of Process

The Issuer, the Company and the Subsidiary Guarantors have each irrevocably appointed CT Corporation as its respective agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Subsidiary Guarantees, as the case may be, brought in any federal or state court located in the Borough of Manhattan in the City of New York and that each of the parties submit to the non-exclusive jurisdiction of the federal and state courts located in the Borough of Manhattan in the City of New York. If for any reason CT Corporation is unable to serve in such capacity, the Issuer, the Company and the Subsidiary Guarantors shall appoint another agent reasonably satisfactory to the Trustee.

Concerning the Trustee

The Bank of New York Mellon is the trustee under the Indenture, and will be appointed by the Issuer as transfer agent and paying agent with regard to the Notes. The Bank of New York Mellon will be appointed by the Issuer as Registrar.

The Trustee may resign at any time. The Issuer or the holders of a majority in principal amount of the Notes may remove the Trustee on not less than 30 days' written notice. The Issuer may remove the Trustee if it is adjudged bankrupt or insolvent and in certain other limited cases. Such resignation or removal shall become effective only upon a successor trustee's acceptance of appointment.

Any certificate or report of, or information provided by the Issuer, the Company or a Subsidiary Guarantor, its auditors, accountants or advisers or any other expert, whether or not addressed to the Trustee, in accordance with or for the purposes of this "Description of the notes" or the Indenture may be relied upon by the Trustee as sufficient and conclusive evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limitation on or an exclusion of the liability of such persons in respect thereof.

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holders, unless such Holders have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee under the Indenture in the event the Trustee becomes our creditor. The Trustee will be permitted to engage in other transactions.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement is governed by, and will be construed in accordance with, the laws of England. The Security Documents are governed by the laws of the Republic of Poland, England, Norway, Switzerland and Sweden.

Notices

Notices regarding the Notes will be (a) sent to a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) (and, if and so long as Notes are listed on the Luxembourg Stock Exchange and the rules of such Stock Exchange shall so require, published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu) and, in addition, (b) in the event the Notes are in the form of Definitive Notes, sent, by first class mail, with a copy to the Trustee, to each holder of the Notes at such holder's address as it appears on the registration books of the registrar. If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. If and so long as any Notes are represented by one or more Global Notes and ownership of Book-Entry Interests therein are shown on the records of Euroclear, Clearstream or any successor clearing agency appointed by the Common Depositary at the request of the Issuer, notices will be delivered to such clearing agency for communication to the owners of such Book-Entry Interests. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first class mail, postage prepaid, will be deemed given five calendar days after mailing.

Certain Definitions

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Permitted Business; or

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, amalgamation, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) the sale or other disposition of cash or Cash Equivalents;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;

(5) transactions permitted under "—Merger, amalgamation and consolidation";

(6) an issuance of Capital Stock by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary;

(7) the making of a Permitted Investment or a disposition subject to (or excluded from the definition of Restricted Payment by the definition thereof) "—Certain covenants—Limitation on Restricted Payments";

(8) in addition to dispositions covered by the other clauses of this paragraph, dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of not more than €5.0 million;

(9) dispositions in connection with Permitted Liens;

(10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, leases or subleases of other property in the ordinary course of business which do not materially interfere with the business of the Company and its Restricted Subsidiaries;

(11) [reserved];

(12) foreclosure, condemnation or similar actions on assets.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the Sale/Leaseback Transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in the State of New York or Warsaw or a place of payment are authorized or required by law to close.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government, or the government of any member state of the European Union, Norway, Switzerland or Japan, or any agency or instrumentality thereof (each a "Qualified Country") (*provided* that the full faith

and credit of the Qualified Country is pledged in support thereof), having maturities of not more than one year;

(2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition thereof (*provided* that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A" or better from either Standard & Poor's Ratings Services or Moody's Investors Service, Inc.;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any bank the long-term debt of which is rated at the time of acquisition thereof at least "A+" or the equivalent thereof by Standard & Poor's Ratings Services, or "A-1" or the equivalent thereof by Moody's Investors Service, Inc., and having combined capital and surplus in excess of US$ 500 million;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(6) interests in any investment company or money market fund which invests at least 95% of their assets in instruments of the type specified in clauses (1) through (5) above.

"Change of Control" means the occurrence of any of the following events:

(1) any "person" or "group" of related persons, other than one or more Permitted Holders, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or consolidation), in one or a series of related transactions, of all or substantially all of the assets of (i) the Company and its Restricted Subsidiaries or (ii) the Issuer, in each case, taken as a whole, to any "person" other than one or more Permitted Holders;

(3) the first day on which a majority of the members of the Supervisory Board are not Approved Directors;

(4) the adoption by the shareholders of the Company of a plan relating to the liquidation or dissolution of the Company;

(5) the adoption by the shareholders of the Issuer of a plan relating to the liquidation or dissolution of the Issuer; or

(6) the Company ceases to beneficially own, directly or indirectly, 100% of the Capital Stock of the Issuer.

For the purposes of this definition: (a) "person" and "group" have the meanings they have in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date; (b)"*beneficial owner*" is used as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date, except that a person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (c) an

"Approved Director" means any member of the Supervisory Board whose election was approved by either (i) Permitted Holders beneficially owning 50% of the total voting power of the Voting Stock of the Company or (ii) two-thirds of the members of the Supervisory Board who are Approved Directors.

"Change of Control Triggering Event" means the occurrence of a Change of Control; *provided*, however, that if the Change of Control is an event described in clauses (1) through (4) (other than sub-clause (ii) of clause (2)) of the definition thereof, it shall not constitute a Change of Control Triggering Event unless and until a Ratings Decline also shall have occurred.

"Clearstream" means Clearstream Banking, société anonyme.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning given to it under "—Security" and, in addition, includes any additional collateral to secure the obligations under the Indenture, the Notes or the Guarantees.

"Commission" means the United States Securities and Exchange Commission, as from time to time constituted, created under the U.S. Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the U.S. Securities Act and the U.S. Exchange Act, then the body performing such duties at such time.

"Commodity Agreement" means any commodity or raw material futures contract, commodity of raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw material prices.

"Common Stock" means with respect to any Person, any and all shares, interest or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"Consolidated Coverage Ratio" means as of any date of determination, with respect to any Person, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are in existence to (y) Consolidated Interest Expense for such four fiscal quarters, *provided*, *however*, that:

(1) if the Company or any Restricted Subsidiary:

(a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation) and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period; or

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Company or any Restricted Subsidiary will have made any Asset Disposition or disposed of any company, division, operating unit, segment, business, group of related assets or line of business or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is such an Asset Disposition or if during such period any business of the Company and its Restricted Subsidiaries has been classified as a discontinued operation under IFRS:

(a) the Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such disposition or discontinued operations for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; and

(b) Consolidated Interest Expense for such period will be reduced by an amount equal to the Consolidated Interest Expense attributable to any Indebtedness of the Company or any Restricted Subsidiary which will be or has been repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such disposition or discontinued operation for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Company) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto as if such Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to any calculation under this definition, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the

Company. In addition, any such pro forma calculation may include adjustments appropriate, in the reasonable determination of the Company as set forth in an officers' certificate, to reflect anticipated expense and cost reduction synergies reasonably expected to result from any acquisition or merger. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness that is being given pro forma effect bears an interest rate at the option of the Company, the interest rate shall be calculated by applying such optional rate chosen by the Company.

"Consolidated EBITDA" for any period with respect to any specified Person means, without duplication, the Consolidated Net Income for such period of such Person, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization of intangibles (other than the amortization of programming assets);

(5) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period not included in the calculation); and

(6) minority interest in (income)/loss of consolidated subsidiaries,

in each case on a consolidated basis and in accordance with IFRS.

"Consolidated Income Taxes" means, with respect to any Person for any period, taxes imposed upon such Person or other payments required to be made by such Person by any governmental authority which taxes or other payments are calculated by reference to the income or profits of such Person or such Person and its Restricted Subsidiaries (to the extent such income or profits were included in computing Consolidated Net Income for such period), regardless of whether such taxes or payments are required to be remitted to any governmental authority.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, whether paid or accrued, plus, to the extent not included in such interest expense:

(1) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with IFRS and the interest component of any deferred payment obligations;

(2) amortization of debt discount and debt issuance cost;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(5) interest actually paid by the Company or any such Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other Person;

(6) net costs associated with Hedging Obligations (including amortization of fees);

(7) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period;

(8) all dividends paid or payable in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Company or a Restricted Subsidiary; and

(9) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust; *provided, however*, that there will be excluded therefrom any such interest expense of any Unrestricted Subsidiary to the extent the related Indebtedness is not guaranteed or paid by the Company or any Restricted Subsidiary.

Notwithstanding the foregoing, any capitalized or other costs incurred by the Company and its Restricted Subsidiaries relating to the early extinguishment of Indebtedness shall not be included in the calculation of Consolidated Interest Expense.

For purposes of the foregoing, total interest expense will be determined after giving effect to any net payments made or received by the Company and its Subsidiaries with respect to Interest Rate Agreements.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its consolidated Restricted Subsidiaries determined in accordance with IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in clauses (3), (4) and (5) below, the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (2) below); and

(b) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary;

(2) any net income (but not loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that:

(a) subject to the limitations contained in clauses (3), (4) and (5) below, the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or distribution paid or permitted to be paid, directly or indirectly, by loans, advances, intercompany transfers or otherwise (for so long as permitted) to the Company or a Restricted Subsidiary (subject, in the case of such a dividend or distribution to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) the Company's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(3) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or its consolidated Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of

business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(4) any extraordinary gain or loss;

(5) any foreign exchange gains or losses; and

(6) the cumulative effect of a change in accounting principles.

"Consolidated Senior Secured Indebtedness" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis.

"Consolidated Senior Secured Leverage Ratio" means, as of any date of determination, the ratio of (a) the Consolidated Senior Secured Indebtedness of the Company on such date to (b) the Consolidated EBITDA of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness, is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (the "Calculation Date"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

    (a) for the purchase or payment of any such primary obligation; or

    (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" means one or more debt facilities of any form (including the existing credit facilities), note purchase agreements, commercial paper facilities or indentures, in each case with banks, institutional or other lenders or a trustee providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or debt securities, in each case, as amended (including, without limitation, as to principal amount, committed amount, or maturity, terms, conditions, covenants or other provisions thereof or parties thereto), restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (whether or not with the original agents or lenders or parties, whether upon or after termination, and whether or not contemplated under the original agreement relating thereto) and, in each case, including all agreements, instruments and documents relating thereto.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party or a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock thereof, in whole or in part,

in each case on or prior to the date that is 91 days after the date (a) on which the Notes mature or (b) on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Company may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Company with the provisions of the Indenture described under the captions "—Certain covenants—Change of control and rating decline," "—Certain covenants—Limitation on sales of assets and subsidiary stock" and "—Certain covenants—Limitation on sale of Capital Stock of Restricted Subsidiaries" and such repurchase or redemption complies with "—Certain covenants—Limitation on Restricted Payments".

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any private or public sale by the Company of Equity Interests (other than Disqualified Stock) of the Company.

"Euroclear" means Euroclear Bank SA/NV.

"Government Obligations" means direct non-callable and non-redeemable obligations (in each case, with respect to the issuer thereof) of any member state of the European Union that is a member of the European Union as of the Issue Date or of the United States of America (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is secured by the full faith and credit of the applicable member state or of the United States of America, as the case may be.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"IFRS" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time; provided, however, that "operating lease" and Capitalized Lease Obligations (and variations of such terms) shall be defined for purposes hereof (other than with respect to the covenant described under "—Reports") with reference to IFRS as in effect on the Issue Date.

"Incur" means issue, create, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(6) representing any Hedging Obligations;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The term "Indebtedness" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under IFRS (as in effect on the Issue Date) and any Guarantee given by the Parent or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Parent or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations in the ordinary course of business;

(4) in connection with the purchase by the Parent Guarantor or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the

extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; or

(5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"Intercreditor Agreement" means the Intercreditor Agreement dated 31 March 2011 between Citibank International PLC, as Senior Agent, the Senior Lenders named therein, the Hedge Counterparties named therein, the Bridge Lenders named therein, the Company and the other Initial Guarantors as Original Debtors, Citicorp Trustee Company Limited acting as Security Agent and others.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances to customers in the ordinary course of business) or other extension of credit (including by way of guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided* that none of the following will be deemed to be an Investment:

(1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;

(2) endorsements of negotiable instruments and documents in the ordinary course of business; and

(3) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of common equity securities of the Company.

For purposes of "—Certain covenants—Limitation on Restricted Payments":

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Voting Stock of any Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value (as conclusively determined by the Board of Directors in good faith) of the Capital Stock of such Subsidiary not sold or disposed of.

"Investment Grade Status" shall occur when the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency).

"Issue Date" means the date on which the Notes are originally issued.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Management Board" means the Management Board of the Company or any committee thereof duly authorized to act on behalf of such board and with respect to any other Person, the board, committee or Persons serving a similar function.

"Material Subsidiary" means any Restricted Subsidiary of the Issuer whose gross assets or earnings before interest, taxes, depreciation and amortization calculated on the same basis as Consolidated EBITDA (in each case excluding intra-group items) are equal to or exceed 7.5% of the consolidated gross assets or Consolidated EBITDA of the Issuer and its Restricted Subsidiaries, in each case excluding intragroup items, and as determined by reference to the most recently delivered audited accounts delivered to the Trustee pursuant to the Indenture.

"Moody's" means Moody's Investor Service, Inc. or its successor.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a Note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all national, provincial, and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid as a consequence of such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds" with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred and paid in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"Non-Recourse Debt" means Indebtedness:

(1) as to which neither the Company nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or

instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise); and

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"Officer" means any member of the Management Board, the Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer, the Deputy Chief Financial Officer, any Vice President, any Executive Director, Treasurer or Secretary of the Company, Subsidiary Guarantor or the Issuer, as applicable.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company or Subsidiary Guarantor, (as applicable), or in the case of an Officers' Certificate of the Issuer, by two Officers of the Issuer.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Pari Passu Indebtedness" means (1) any Indebtedness of the Issuer that is pari passu in right of payment to the Notes and (2) with respect to any Guarantee, Indebtedness which ranks pari passu in right of payment to such Guarantee.

"Permitted Business" means (a) any business conducted by the Company or any of its Restricted Subsidiaries on the Issue Date, (b) any business of owning or operating a television broadcasting system or service, producing and distributing television programs, conducting a multimedia, merchandising and media related services business (including a transaction television business) and trading in or assembling packages of television programming rights, (c) any business of owning or operating, or creating or assembling packages of content for, internet websites, portals or vortals, (d) any business of providing transmissions of programming via electronic or other means, (e) any business activity relating to the providing of telecommunications services, and (f) any reasonable extension of any of the foregoing businesses and any business reasonably related, ancillary or complementary to any of such businesses".

"Permitted Collateral Liens" means Liens on the Collateral:

(a) arising by operation of law that are described in one or more of clauses (3), (4), (5), (7), (10), (12), (13), (14), (21), (22) and (24) of the definition of "Permitted Liens" and any extension, renewal or replacement, in whole or in part, of any such Lien; *provided* that any such extension, renewal or replacement will not interfere with the Trustee's ability to enforce the Notes, the Guarantees or the security over the Collateral;

(b) to secure Indebtedness permitted to be Incurred under clauses (1), (3), (7) (other than with respect to Capital Lease Obligations) or (16) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Indebtedness" and any Refinancing Indebtedness in respect of such Indebtedness; *provided that* the lenders of such Indebtedness or their duly authorized representatives accede to the Intercreditor Agreement;

(c) to secure Indebtedness incurred under the first paragraph of "—Certain covenants—Limitation on Indebtedness;" *provided that* after giving pro forma effect to such incurrence on that date and the application of the proceeds thereof, the Consolidated Senior Secured Leverage Ratio of the Company (which for the purposes hereof shall be calculated assuming that the maximum amount of Indebtedness permitted to be secured with a Lien on the Collateral pursuant to the preceding clause (b) has been incurred and so secured with a Lien on the Collateral) is less than 3.5:1 and any Refinancing Indebtedness in respect of such Indebtedness; and *provided further that* the lenders of such Indebtedness or their duly authorized representatives accede to the Intercreditor Agreement; and

(d) Liens on the Collateral securing Hedging Obligations that relate solely to Indebtedness referred to in clauses (1), (3) and (16) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" and in clause (c) above or otherwise as permitted under the Intercreditor Agreement; *provided* that each of the parties thereto will have entered into the Intercreditor Agreement as "Hedge Counterparties" (or the corresponding term in any additional intercreditor agreement);

provided, that, in each case, pursuant to the Intercreditor Agreement such Lien ranks equal or junior to the Liens on such Collateral securing the Notes.

"Permitted Holders" means (a) Mr. Zygmunt Solorz-Żak, (b) Mr. Heronim Ruta, (c) any spouse, civil partner or relative (or the spouse or civil partner of such relative) of either Mr. Zygmunt Solorz-Żak or Mr. Heronim Ruta, (d) the estate, executors, administrators or similar Persons for any Person specified in clauses (a), (b) or (c) of this definition; or (e) any Person directly or indirectly controlled by, or any trust for the benefit of, any Person specified in clauses (a), (b), (c) or (d) of this definition. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made will thereafter, together with its Affiliates, constitute a Permitted Holder.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in:

(1) the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary;

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) cash and Cash Equivalents;

(4) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees (other than executive directors) made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(7) Capital stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with "—Certain covenants—Limitation on sales of assets and subsidiary stock";

(9) Investments in existence on the Issue Date (and Investments pursuant to a contractual commitment in existence on the Issue Date) and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Investments represented by Hedging Obligations, which transactions or obligations are Incurred in compliance with "—Certain covenants—Limitation on indebtedness";

(11) Investments by the Company or a Restricted Subsidiary in joint ventures with another Person for the purpose of engaging in a Permitted Business; *provided* that the Company is able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "—Certain covenants—Limitation on Indebtedness" covenant after giving effect, on a pro forma basis, to such Investment; provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "—Certain Covenants—Restricted Payments", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause.

(12) Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (12), in an aggregate amount at the time of such Investment not to exceed the greater of (a) €40 million and (b) 3% of Total Assets outstanding at any one time; provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "—Certain Covenants—Restricted Payments", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause.

(13) any Investment to the extent made in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Company or any parent of the Company;

(14) any Investment to the extent such Investment consists of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Parent or any Restricted Subsidiary;

(15) any Investment held by a Person that becomes a Restricted Subsidiary, provided that such Investment was not acquired in contemplation of the acquisition of such Person (or in respect of which a binding commitment to make such Investment exists on the date such Person becomes a Restricted Subsidiary and was in existence on the date of such acquisition and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date such Person became a Restricted Subsidiary or (b) as otherwise permitted under the Indenture;

(16) loans made by the Company or any Subsidiary of the Company to an employee or director of the Company or any Subsidiary of the Company from, and any investment to the extent required by law in, a social fund established by such member of the Group in accordance with the Act dated 4 March 1994 on Social Benefits Fund (Ustawa o zakladowym funduszu świadczenzeń socjalnych);

(17) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(18) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Limitation on Indebtedness";

(19) guarantees of Indebtedness of the Company or a Restricted Subsidiary issued in accordance with "—Certain covenants—Limitations on Indebtedness".

"Permitted Liens" means, with respect to any Person:

(1) Liens provided by any Subsequent Guarantor securing indebtedness under the Senior Secured Revolving Credit Facility, prior to the Transformation if at such time such Subsequent Guarantor has not provided security in respect of the Senior Secured Term Loan Facility under the Senior Credit Facility;

(2) Liens securing Indebtedness and other obligations Incurred under clause (16) under the "—Certain covenants—Limitation on Indebtedness" covenant, provided that such Indebtedness is not also secured on the Collateral;

(3) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or Cash Equivalents to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(4) Liens imposed by law, including carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by IFRS, shall have been made in respect thereof;

(5) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings, provided appropriate reserves required pursuant to IFRS have been made in respect thereof;

(6) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided, however*, that such letters of credit do not constitute Indebtedness;

(7) encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(8) Liens securing Hedging Obligations permitted to be incurred by clause (6) of the covenant entitled "—Limitation on Indebtedness";

(9) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;

(10) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(11) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (7) of the second paragraph of the covenant entitled "—Limitation on Indebtedness" covering only the assets acquired with or financed by such Indebtedness;

(12) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; *provided* that such deposit account is not intended by the Company or any Restricted Subsidiary to provide collateral to the depository institution;

(13) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(14) Liens existing on the Issue Date, and any modifications, replacements, refinancings, renewals or extensions thereof; provided that to the extent such Lien is modified, replaced, renewed, extended or refinanced in connection with any refinancing of the obligations secured by such Liens (if such obligations constitute Indebtedness), the Indebtedness being refinanced is permitted under "—Limitation on Indebtedness" and the Liens so modified, replaced, renewed, extended or refinanced shall not extend in any material respect to any additional property or assets;

(15) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided, however*, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further, however*, that any such Lien may not extend to any other property owned by the Company or any Restricted Subsidiary, and any modifications, replacements, refinancings, renewals or extensions thereof; *provided* that to the extent such Lien is modified, replaced, renewed, extended or refinanced in connection with any refinancing of the obligations secured by such Liens (if such obligations constitute Indebtedness) the Indebtedness being refinanced is permitted under "—Limitations on Indebtedness" and the Liens so modified, replaced, renewed, extended or refinanced shall not extend in any material respect to any additional property or assets;

(16) Liens on property at the time the Company or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger, amalgamation or consolidation with or into the Company or any Restricted Subsidiary; *provided, however*, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further, however*, that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary acquisition, and any modifications, replacements, refinancings, renewals or extensions thereof; *provided* that to the extent such Lien is modified, replaced, renewed, extended or refinanced in connection any refinancing of the obligations secured by such Liens (if such obligations constitute Indebtedness), the Indebtedness being refinanced is permitted under "—Limitation on Indebtedness" and the Liens so modified, replaced, renewed, extended or refinanced shall not extend in any material respect to any additional property or assets;

(17) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary;

(18) Liens securing the Notes or any Guarantees;

(19) Liens securing Refinancing Indebtedness incurred to refinance Indebtedness that was previously so secured, *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, replacement accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;

(20) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(21) Liens securing Indebtedness Incurred in respect of any customary cash management, cash pooling or netting or setting off arrangements (notional or otherwise) entered into in the ordinary course of business;

(22) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(23) Permitted Collateral Liens;

(24) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;

"Person" means any individual, corporation, partnership, joint venture, association, company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Rating Agencies" means Moody's or S&P and if Moody's or S&P shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency or agencies, as the case may be, which shall be substituted for Moody's or S&P or each of them as the case may be.

"Rating Date" means the date which is the day prior to the initial public announcement by the Company and/or the Issuer or the proposed acquirer that (i) the acquirer has entered into one or more binding agreements with the Company, the Issuer and/or shareholders of the Company and/or the Issuer that would give rise to a Change of Control or (ii) the proposed acquirer has commenced an offer to acquire outstanding Voting Stock of the Company and/or the Issuer.

"Rating Decline" shall be deemed to occur if on the 60th day following the occurrence of a Change of Control (i) the rating of the Notes by either Rating Agency shall have been (x) withdrawn or (y) downgraded, by one or more degradations, from the ratings in effect on the Rating Date or (ii) any Rating Agency shall have placed the Notes on review for possible future downgrade.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance," "refinances," and "refinanced" shall have a correlative meaning) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary or of the Company) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

(1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity at least 91 days later than the Stated Maturity of the Notes;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of Indebtedness being refinanced (plus, without duplication, any

additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and fees incurred in connection therewith);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(5) "Refinancing Indebtedness" shall not include Indebtedness of a Restricted Subsidiary that is not a Guarantor incurred to refinance Indebtedness of a Guarantor.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Senior Credit Facility" means the means the Senior Facilities Agreement dated March 31, 2011 for the Company arranged by Bank Handlowy Warszawi S.A., Citibank, N.A. London Branc, Credit Agricole CIB, The Royal Bank of Scotland as Arrangers, Citibank International PLC acting as agent, and Citicorp Trustee Company Limited acting as Security Agent as such facility may be amended, restated, modified, renewed, refunded, replaced, restructured or refinanced in whole or in part from time to time.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary leases it from such Person.

"Security Agent" means Citicorp Trustee Company Limited, acting as security agent under the Intercreditor Agreement.

"Security Documents" means the documents pursuant to which the Collateral has been or will be granted.

"Senior Secured Indebtedness" means, with respect of any Person, the sum of the aggregate outstanding Indebtedness (other than Indebtedness of the type specified in clauses (2), (6), (7), (8), (9), (10), (11), (12), (13) and (14)) of that Person and its Restricted Subsidiaries that is secured by Lien and Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"S&P" means Standard and Poor's Ratings Group and its successors.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Shareholder Debt" means, collectively, any subordinated shareholder debt provided to the Company by any direct or indirect parent holding company of the Company or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require (including upon the happening of any event) any amortization or other payment of principal (including pursuant to a sinking fund or otherwise) prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the

Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require or provide for the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default, accelerate, place on demand or exercise any remedies or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Company;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes and Guarantees, at least to the same extent as the Subordinated Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Notes under the Intercreditor Agreement, in any event, such that:

    (a) the Company shall make no payment in respect of such Subordinated Shareholder Debt (whether in cash, securities or otherwise, except as permitted by clause (1) above) and may not acquire such Subordinated Shareholder Debt except as permitted by the Indenture until the prior payment in full in cash of all obligations in respect of the Notes, any Guarantee and the Indenture;

    (b) upon any total or partial liquidation, dissolution or winding up of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, the holders of the Notes shall be entitled to receive payment in full in cash of the Obligations under the Notes or any Guarantee before the holders of such Subordinated Shareholder Debt shall be entitled to receive any payment in respect of such Subordinated Shareholder Debt;

    (c) such Subordinated Shareholder Debt may not be amended such that it would cease to qualify as Subordinated Shareholder Debt until a date that is after the prior payment in full in cash of all Obligations in respect of the Notes, any Guarantee and the Indenture;

    (d) the holders of such Subordinated Shareholder Debt shall assign any rights to vote, including by way of power of attorney, in a bankruptcy, insolvency or similar proceeding to the trustee under the Indenture to the extent necessary to give effect to the priority and subordination provisions described in this definition; and

    (e) the holders of such Subordinated Shareholder Debt shall agree that, in the event any payment on such Subordinated Shareholder Debt is received by such holder in contravention of the terms of this Indenture and the Intercreditor Agreement and any applicable Additional Intercreditor Agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee, on behalf of the holders of the Notes;

(6) has been granted as security for the Notes by the obligee thereunder;

(7) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes, a Guarantee or compliance by the Company, the Issuer or any Guarantor with its obligations under the Notes, the Indenture, the Guarantees, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Security Documents or any Credit Facility or the Company and its Restricted Subsidiaries;

(8) does not (including upon the happening of an event) constitute Voting Stock; and

(9) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the first

anniversary of the maturity of the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company,

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"Subordinated Obligations" means any Subordinated Shareholder Debt and any other Indebtedness of the Company or any Subsidiary Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to obligations under the Indenture pursuant to a written agreement.

"Subsequent Guarantors" means TV Polsat, RS TV S.A., Polsat Media, Media Biznes Sp. z o.o, Nord License AS, Polsat Futbol Ltd., and Polsat License Ltd.

"Subsidiary" of any Person means any corporation, association, partnership, joint venture, limited liability company or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership and joint venture interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Company.

"Subsidiary Guarantee" means, individually, any guarantee of payment of the Notes by a Subsidiary Guarantor pursuant to the terms of the Indenture and any supplemental indenture thereto, and collectively, all such Subsidiary Guarantees. Each such Subsidiary Guarantee will be in a form prescribed by the Indenture.

"Supervisory Board" means the Supervisory Board of the Company or any committee thereof duly authorized to act on behalf of such board.

"Total Assets" means the consolidated total assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet (excluding the footnotes thereto) of the Company.

"Transformation" means the transformation of the legal form of Telewizja Polsat S.A. from a joint stock company to a limited liability company as required by the Senior Credit Facility.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Company's Management Board in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Company's Management Board may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, amalgamation or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;

(3) such designation and the Investment of the Company in such Subsidiary complies with "—Certain covenants—Limitation on Restricted Payments";

(4) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Company and its Subsidiaries;

(5) such Subsidiary is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation:

    (a) to subscribe for additional Capital Stock of such Person; or

    (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(6) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary with terms substantially less favorable to the Company than those that might have been obtained from Persons who are not Affiliates of the Company.

Any such designation by the Company's Management Board shall be evidenced to the Trustee by filing with the Trustee a resolution of the Company's Management Board giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Company's Management Board may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Company could incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "—Certain covenants—Limitation on Indebtedness" on a pro forma basis taking into account such designation.

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of members of the board of directors or the management board, directors or persons acting in a similar capacity on similar corporate bodies.

TAXATION

Certain Material U.S. Federal Income Tax Considerations

THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS OFFERING MEMORANDUM AND IS NOT INTENDED TO BE AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES. YOU SHOULD CONSULT AN INDEPENDENT TAX ADVISOR REGARDING THE CONSEQUENCES TO YOU OF AN INVESTMENT IN THE NOTES IN LIGHT OF YOUR PERSONAL CIRCUMSTANCES.

The following are certain material United States federal income tax consequences of the acquisition, ownership and disposition of the Notes as of the date hereof. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), existing Treasury regulations thereunder and current administrative rulings and court decisions. All of the foregoing is subject to change, possibly on a retroactive basis, and any such change could affect the continuing validity of this discussion. The Issuer has not sought any ruling from the Internal Revenue Service ("IRS") with respect to the statements made and conclusions reached in the following summary, and there can be no assurance that the IRS will agree with the Issuer's statements and conclusions. This discussion deals only with beneficial owners who purchase the Notes in this offering at the offering price shown on the cover of this offering memorandum. This discussion also does not address any state, local or foreign tax laws that may apply to an investment in the Notes, any U.S. federal tax consequences of owning the Notes other than income tax consequences (such as estate or gift taxes), the U.S. federal income tax consequences of owning Notes not held as capital assets within the meaning of Section 1221 of the Code, or the U.S. federal income tax consequences to investors subject to special treatment under the U.S. federal income tax laws, such as dealers in securities or foreign currency, tax-exempt entities, individual retirement accounts or other tax-deferred accounts, banks, financial institutions, regulated investment companies, real estate investment trusts, insurance companies, persons who are not "U.S. Holders", as defined below, U.S. Holders who are residents of Poland or Sweden or have a taxable presence therein, persons who hold the Notes as part of a "straddle", a "hedge" or a "conversion transaction", persons who have a "functional currency" other than the U.S. dollar, persons liable for alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, investors in pass-through entities, "controlled foreign corporations", "passive foreign investment companies" or United States expatriates. As used herein, the term "foreign" means non-U.S.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, or any corporation or other entity treated as such;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust was in existence on August 20, 1996 and has a valid election in effect under applicable U.S. Treasury regulations to continue to be treated as a U.S. person.

In the case of an entity treated as a partnership for U.S. federal income tax purposes that is a beneficial owner of a Note, the treatment of its *partners* generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner that is a partnership or a partner in such partnership should consult its tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of Notes.

Payments of Stated Interest

It is anticipated that the Notes will be issued at par or at a discount that is "de minimis" for U.S. federal income tax purposes. Assuming that is the case, subject to the discussions below under "—Additional Payments", payments of stated interest on the Notes generally will be taxable to a U.S. Holder as ordinary income at the time such payments are received or accrued, in accordance with the U.S. Holder's method of tax accounting.

Interest payments on the Notes will be made in euros. If you are a U.S. Holder who uses the cash method of accounting for tax purposes, you must include as ordinary income the U.S. dollar value of the euro payment (determined on the date the payment is received) when you receive an interest payment, regardless of whether the payment is in fact converted to U.S. dollars at such time (and you therefore will not recognize foreign currency exchange gain or loss on your receipt of the euro payment). This U.S. dollar amount establishes your income tax basis in the euros you receive to determine foreign currency gain or loss upon disposition of the euros.

If you are a U.S. Holder who uses the accrual method of accounting for tax purposes, you must include as ordinary income the U.S. dollar value of the interest payments that accrue on your Note during an accrual period. The U.S. dollar value of such accrued income is determined by translating such income at the average applicable exchange rate for the accrual period, or, with respect to an accrual period that spans two taxable years, at the average applicable exchange rate for the partial period within the taxable year. You will recognize additional ordinary income or an ordinary loss if and to the extent that the U.S. dollar value of the accrued interest income, as so determined, is less than or exceeds, respectively, the U.S. dollar value of the euro payment of interest when made (or when you dispose of the Note, if earlier). Alternatively, you may elect to translate interest income into U.S. dollars at the spot rate on the last day of the interest accrual period (or in the case of an accrual period spanning two taxable years, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of an interest accrual period, the spot rate on the date of receipt. You should consult your tax advisor as to the benefit of this election, inasmuch as the election applies to all debt obligations you hold from year to year and is irrevocable without the consent of the IRS.

In addition to interest on the Notes (which includes any foreign tax withheld from the interest payments you receive), you will be required to include in income any Additional Amounts (as defined in "Description of the notes—Payment of additional amounts") paid in respect of such foreign tax withheld. Interest income (including any Additional Amounts) earned by you with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating your foreign tax credit limitation if you elect to utilize the foreign tax credit rules. Foreign currency gain or loss, however, will be treated as U.S. source income or loss. The limitation on foreign taxes eligible for credit against your U.S. income tax liability is calculated separately with respect to specific classes of income. For this purpose, interest (including any Additional Amounts) paid on the Notes will generally constitute "passive category income". As an alternative to the tax credit, a U.S. Holder may deduct such taxes provided that the U.S. Holder does not elect to utilize the foreign tax credit rules for any foreign taxes paid or accrued in the relevant taxable year. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Additional Payments

Certain debt instruments that provide for contingent payments are subject to special rules under U.S. Treasury regulations relating to "contingent payment debt instruments" (the "CPDI regulations"). In certain circumstances (please see, for example, "Description of the Notes—Optional redemption" and "Description of the Notes—Change of control and rating decline"), the Issuer may be obligated to make payments on the Notes in excess of stated principal and interest. Under the CPDI regulations, the possibility of an additional payment on a note may be disregarded for purposes of determining the timing and amount of interest or original issue discount income to be recognized by a U.S. Holder in respect of such note if the likelihood of the payment, as of the date the notes are issued, is remote or the amount of potential payments is incidental or certain other exceptions apply. The Issuer does not intend to treat potential additional payments on the Notes as contingent payments under the CPDI regulations. This position is based in part on assumptions regarding the likelihood, as of the date the Notes are issued, that such additional payments on the Notes will have to be paid. It is possible, however, that the IRS may take a different position regarding the possibility of such additional payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognized with respect to a Note may be different than described herein and a U.S. Holder may be required to recognize income in excess of stated interest on the Note and may be required to treat as interest income all or a portion of any gain recognized on the disposition of a Note. This summary assumes that the IRS will not take a different position, or, if it takes a different position, that such position will not be sustained. Prospective purchasers should consult their own tax advisors as to the tax considerations that relate to the possibility of additional payments.

Sale, Retirement or Other Taxable Disposition of the Notes

Upon the sale or retirement or other taxable disposition of a Note, you will recognize taxable gain or loss equal to the difference between the amount of cash and the fair market value of any property you receive upon such disposition, other than amounts attributable to accrued and unpaid stated interest (which will be taxed as ordinary interest income under the rules discussed above), and your adjusted tax basis in the Note. Your adjusted tax basis in your Note is generally the U.S. dollar value of the euro purchase price paid by you for the Note. If you purchase your Note with previously owned euros, you will recognize ordinary income or loss equal to the difference between your tax basis in the euros and the U.S. dollar value thereof on the date of purchase. Except for any resulting foreign currency gain or loss, which will be ordinary, the gain or loss you recognize on the sale, retirement or other taxable disposition of the Notes generally will be capital gain or loss. The gain or loss will be long-term capital gain or loss if you held the Notes for more than 12 months. Long-term gain is subject to reduced federal income tax rates for U.S. Holders other than corporations. Capital losses generally cannot be applied to offset ordinary income. Your capital gain or loss will usually (but not always) be treated as U.S. source gain or loss for foreign tax credit purposes. Consequently, you may not be able to claim a credit for any foreign tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the amount of exchange gain or loss is equal to the difference between (i) the U.S. dollar value of the amount realized determined on (a) the trade date of a sale, exchange, retirement or other disposition of the Note or (b) the settlement date of a sale, exchange, retirement or other disposition of the Note if the Note is traded on an established securities market and you are a cash-basis taxpayer (or you are an accrual-basis taxpayer that makes a special election), and (ii) the U.S. dollar value of the cost of the Note determined on (a) the date of your purchase or (b) the settlement date of your purchase if the Note is traded on an established securities market and you are a cash-basis taxpayer (or you are an accrual-basis taxpayer that makes a special election). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note.

The special election available to you if you are an accrual-basis taxpayer in respect of the purchase and sale of foreign currency notes traded on an established securities market must be applied consistently from year to year and may not be revoked without the consent of the IRS.

Note that foreign currency issues are complicated, and you should consult your tax advisor concerning the foreign currency implications of purchasing, owning, and selling the Note.

Medicare Tax

For taxable years beginning after December 31, 2012, certain U.S. Holders, including individuals, estates, and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual U.S. Holders, the additional Medicare tax applies to the lesser of (i) "net investment income," or (ii) the excess of "modified adjusted gross income" over US$200,000 (US$250,000 if married and filing jointly or US$125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income and allowable by the Code. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax resulting from an investment in the Notes.

Backup Withholding and Information Reporting

Unless you are an "exempt recipient" or unless any payments are otherwise not subject to information reporting, you generally will be subject to information reporting with respect to payments of principal and interest on the Notes, and proceeds of the sale, exchange or other disposition of the Notes. You may also be subject to backup withholding on such payments at the applicable statutory rate if you fail to supply an accurate taxpayer identification number or otherwise fail to comply with applicable certification requirements unless an exemption applies. Backup withholding tax is not an additional tax and may be credited against your regular U.S. federal income tax liability or refunded by the IRS. You should consult your tax advisor regarding the application of these rules.

Reportable Transactions

Treasury regulations issued under the Code intended to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a specified threshold amount. If you are considering the purchase of the Notes, you should consult with your own tax advisors to determine your tax reporting obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Recently enacted legislation affecting disclosure obligations for U.S. individuals

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals owning over $50,000 in "specified foreign financial assets" (which does not include certain assets held in an account maintained by certain financial institutions) to report information relating to such assets on their tax returns. U.S. Holders that are individuals are advised to consult their tax advisors regarding the application of these new provisions to their ownership and holding of the Notes.

THE ABOVE DISCUSSION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE NOTES. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

European Union Directive On the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income, a member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within the jurisdiction of the first member state to an individual, or certain other persons, resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-European Union countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

Swedish Taxation

THE FOLLOWING SUMMARY OUTLINES CERTAIN SWEDISH TAX CONSEQUENCES RELATING TO HOLDERS OF NOTES THAT ARE NOT CONSIDERED TO BE SWEDISH RESIDENTS FOR SWEDISH TAX PURPOSES (IF NOT OTHERWISE STATED) AND TO PAYMENTS BY THE GUARANTORS UNDER THE GUARANTEES. THE SUMMARY IS BASED ON THE LAWS OF SWEDEN AS CURRENTLY IN EFFECT AND IS INTENDED TO PROVIDE GENERAL INFORMATION ONLY. THE SUMMARY DOES NOT ADDRESS THE RULES REGARDING REPORTING OBLIGATIONS FOR, AMONG OTHERS, PAYERS OF INTEREST. FURTHER, THE SUMMARY DOES NOT ADDRESS CREDIT OF FOREIGN TAXES. INVESTORS SHOULD CONSULT THEIR PROFESSIONAL TAX ADVISORS REGARDING THE SWEDISH TAX AND OTHER TAX CONSEQUENCES (INCLUDING THE APPLICABILITY AND EFFECT OF TAX TREATIES FOR THE AVOIDANCE OF DOUBLE TAXATION) OF ACQUIRING, OWNING AND DISPOSING OF NOTES IN THEIR PARTICULAR CIRCUMSTANCES.

Holders not resident in Sweden

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Note should not be subject to Swedish income tax, provided that such a holder is not resident in Sweden for Swedish tax purposes and provided that such a holder does not have a permanent establishment in Sweden to which the Notes are effectively connected.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a holder, except for certain payments of interest to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes.

Holders resident in Sweden

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, e.g. life insurance companies. Further, specific tax consequences may be applicable if, and to the extent, a holder of Notes realizes a capital loss on the Notes and to any currency exchange gains or losses.

If amounts that are considered to be interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments.

Payments under the Guarantees

As for payments by the Guarantors under the Guarantees considered to be interest for Swedish tax purposes to holders of Notes resident in Sweden for Swedish tax purposes, please refer to the section "Holders resident in Sweden" above regarding the tax treatment of holders of Notes.

Polish Taxation

THE FOLLOWING IS A SUMMARY OF THE PRINCIPAL POLISH TAX CONSEQUENCES FOR INVESTORS IN THE NOTES. THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF THE TAX CONSEQUENCES UNDER POLISH LAW OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE NOTES OR THE RECEIPT OF INTEREST AND ACCRUAL OF DISCOUNT (INCLUDING FOR THESE PURPOSES ANY PREMIUM PAYABLE ON REDEMPTION) ON THE NOTES OR PAYMENTS BY THE COMPANY UNDER THE GUARANTEE. POTENTIAL INVESTORS SHOULD, THEREFORE, CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNDER POLISH LAW INCLUDING THE APPLICATION OF ANY TAX TREATY BETWEEN POLAND AND THEIR COUNTRY OF RESIDENCE. ALL REFERENCES TO A REPURCHASE OR REDEMPTION OF THE NOTES ARE TO A REPURCHASE OR REDEMPTION OF THE NOTES BY THE ISSUER OF THE NOTES AND SHALL MEAN A "REPURCHASE" OF THE NOTES FOR POLISH TAX LAW PURPOSES.

Residence

Individuals are subject to tax liability in Poland affecting all their income (revenues) regardless of the location of the source of such revenues (unlimited tax liability) if they have their place of residence within the territory of Poland (Article 3 Section 1 and 1a of the PIT Act).

A person whose place of residence is in Poland is an individual who:

(1) has his/her center of personal or economic interests (center of life interests) within the territory of Poland; or

(2) stays within the territory of Poland longer than 183 days in a tax year (Article 3 Section 1a of the PIT Act).

These rules apply without prejudice to double taxation conventions signed by Poland (Article 3 Section 1a of the PIT Act). In particular, these conventions may define the "place of residence" in a different manner or further clarify the notion of the "center of life interests".

Individuals whose place of residence is not located in Poland are subject to tax liability only with respect to the income (revenues) generated within the territory of Poland (limited tax liability) (Article 3 Section 2a of the PIT Act).

The taxpayers subject to the corporate income tax in Poland are legal persons, companies under organization and organizations with no legal personality (other than the companies and partnerships which are not afforded legal personality) (Article 1 Section 1 and 2 of the CIT Act).

The taxpayers that have their registered office or place of management in Poland are subject to tax liability with respect to all their income, wherever generated (Article 3 Section 1 of the CIT Act).

Corporate taxpayers who have neither their seat nor their place of management in Poland are subject to tax liability only with respect to the income (revenues) earned within the territory of Poland (limited tax liability) (Article 3 Section 2 of the CIT Act).

All references to residence for the purposes of this summary are to residence for the purposes of Polish tax law and applicable double taxation conventions.

References to a "Polish individual" or "Polish legal person" are to an individual or legal persons, companies under organization and organizations with no legal personality (other than the companies and partnerships which are not afforded legal personality) resident in Poland for tax purposes (subject to unlimited tax liability) and references to a "foreign individual" or to a "foreign legal person" to an individual or legal person or other legal entity not resident in Poland for tax purposes (subject to limited tax liability).

Taxation of individuals and legal persons resident in Poland (subject to unlimited tax liability in Poland)

Interest and discount on the Notes

Interest and discount on the Notes paid by the Issuer will, for Polish taxation purposes, be treated as income earned in Sweden. Pursuant to the convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income entered into between Sweden and Poland (the "Convention"), interest or discount on the Notes earned in Sweden by individuals and legal persons resident in Poland may be taxed only in the state of residence, i.e., Poland (Sweden does not have the right of taxation). The above rules do not apply if the noteholder carries on a trade or business in Sweden through a permanent establishment situated therein with which the Notes are effectively connected.

Interest and discount on the Notes earned by Polish tax residents (whether individuals or legal persons) are subject to income tax in Poland at the rate of 19%.

Individuals

Pursuant to Art. 30a of the PIT Act, a flat 19% tax rate is applied to income earned from interest and/or discounts on securities, regardless of the territory in which it has been generated. The income is not reduced by the cost of generating such income. Income taxed pursuant to Art. 30a of the PIT Act is not amalgamated with other income taxable pursuant to general rules, which is subject to the progressive tax rates referred to in Art. 27 of the PIT Act.

Legal persons and organizations with no legal personality

Interest and discount on the Notes obtained by legal (corporate) persons and organizations with no legal personality resident in Poland, shall be taxed under the CIT Act together with all other income earned by the taxpayer in a given tax year, and shall be subject to the basic tax rate of 19%. The CIT Act contains some specific rules for taxation of interest, e.g., interest is not recognized as income as long as it is not received, even if due (Art. 12 Section 4 item 2 of the CIT Act).

Sale, repurchase and redemption of the Notes

Pursuant to the Convention, income from the sale of the Notes or repurchase or redemption of the Notes by the Issuer arising to Polish tax residents (whether individuals or legal persons) is subject to taxation only in Poland unless the noteholder carries on business in Sweden through a permanent establishment situated therein with which the Notes are effectively connected. In such cases, tax is payable on the difference between the proceeds of sale, repurchase or redemption and the acquisition cost of the relevant Notes (capital gains).

Individuals

With respect to individuals, capital gains generated on disposal of the Notes are subject to the flat 19% tax rate (Art. 30b of the PIT Act).

Income on disposal of the Notes for consideration is the difference between total revenues earned on such activity in the calendar year and the costs of generating these revenues, calculated pursuant to the PIT Act (Article 30b item 2 Section 1 in conjunction with Section 6 of the PIT Act).

The revenue on the disposal of the Notes for consideration is the value expressed as the price in the relevant agreement. However, if for no good reason the price set out in the agreement significantly deviates from the market value of the transferred Notes, the revenue on the disposal of the Notes for consideration will be assessed by the relevant tax authority or tax inspection authority at the level of the market value of these Notes (Article 19 Section 1 in conjunction with Article 17 Section 2 of the PIT Act).

The revenue on the disposal of the Notes for consideration is the revenue due, even if not yet received (Article 17 Section 1 item 6 of the PIT Act).

The tax-deductible costs of generating revenue on the disposal of the Notes for a consideration are the expenses incurred on acquiring the Notes. These costs can only be deducted when revenue is generated on the disposal of the relevant Notes for consideration (Article 23 Section 1 item 38 of the PIT Act).

No tax advances are payable upon realization of the capital gain during a calendar year. After the end of the fiscal year the taxpayer is obligated to report the income generated during the fiscal year on the disposal of the Notes for consideration and—where taxable income was generated—calculate the relevant income tax charge in a tax return reporting his/her income earned (loss incurred) during the fiscal year (Article 30b Section 6 of the PIT Act).

The return referred to in the preceding paragraph should be filed by April 30 of the year following the fiscal year in which the revenue on the disposal of the Notes for consideration was earned. By the same date the taxpayer should pay the tax due, as disclosed in the tax return.

Where income is generated on the disposal of the Notes for consideration, such income is not amalgamated with income generated from other sources of revenues (Article 30b Section 5 of the PIT Act).

Losses incurred on disposing of the Notes for consideration in one fiscal year can be deducted from income generated from the same sources in the following five consecutive fiscal years, provided that the deduction in any of these years cannot exceed 50% of the amount of the loss. Losses incurred on this activity cannot be amalgamated with losses incurred by the taxpayer on other sources of revenues (Article 9 Section 6 of the PIT Act).

The above principles do not apply if the Notes are transferred for consideration in the course of professional business activity conducted by the taxpayer (Article 30b Section 4 of the PIT Act). In such case these revenues will qualify as regular revenues from business activity and should be accounted for pursuant to the principles applicable to that source of revenues.

Legal persons and organizations with no legal personality

With respect to legal persons, capital gains generated on disposal of the Notes are subject to the flat 19% tax rate (Article 19 Section 1 of the CIT Act). Income is the surplus of total revenues earned on such activity in the fiscal year over the costs of generating these revenues (Article 7 Section 1 of the CIT Act).

The revenue on the disposal of the Notes for consideration is the value expressed as the price in the relevant agreement. However, if for no good reason the price set out in the agreement significantly deviates from the market value of the transferred Notes, the revenue on the disposal of the Notes for a consideration will be assessed by the relevant tax authority or tax inspection authority at the level of the market value of these Notes (Article 14 Section 1 of the CIT Act).

The tax-deductible costs of generating revenue on the disposal of the Notes for consideration are the expenses incurred on acquiring or otherwise taking up the Notes. These costs can only be deducted when revenue is generated on the disposal of the relevant Notes for consideration (Article 16 Section 1 item 8 of the CIT Act).

Income on the disposal of the Notes for consideration is amalgamated with income generated from other sources. Legal persons are obliged to pay the tax upon the realization of the capital gain (relevant tax advance is payable by 20th of the following month, except if the gain is generated during the last month of the tax year, in which case no tax advance is required and tax is settled in an annual corporate tax return).

Payments under the guarantee

Payments made by the Guarantors under the guarantee constitute a fulfillment of the liabilities of the Issuer to the investors under the Notes. As such, they should be classified under the same type of income as the Notes, i.e., as repurchase/redemption of the Notes or a payment of interest under the Notes. However, the possibility cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting, for Polish tax purposes, an independent type of income e.g., "income from other sources".

In the case of such reclassification of payments made by the Guarantors under the guarantee paid to Polish legal persons, the income would be subject to aggregation with other types of income generated by such legal persons and then subject to the flat 19% corporate income tax rate. No withholding tax would apply.

Should the Polish tax authorities reclassify the interest payments under guarantee into "income from other sources" in the case of Polish individuals, these individuals would be subject to progressive taxation (18% and 32% rate) and the Guarantors would not be obliged to withhold tax on behalf of the Polish individuals.

Taxation of foreign individuals and legal persons (subject to limited tax liability in Poland)

Taxation of interest and discount on the Notes and sale and repurchase of the Notes

Individuals and legal persons having neither their place of residence nor seat nor place of management in Poland will not be liable to taxation in Poland on interest or discount paid or accruing on the Notes nor on income arising from the sale or repurchase of the Notes (save as described below in relation to payments by the Company under the guarantee).

Payments under the guarantee

Payments made by the Guarantors under the guarantee constitute a fulfillment of the liabilities of the Issuer to the investors under the Notes. As such, they should be classified as the same type of income as the Notes, i.e., repurchase/redemption of the Notes or a payment of interest under the Notes. However, the possibility cannot be entirely excluded that the Polish tax authorities may attempt to reclassify the payments under the guarantee as constituting, for Polish tax purposes, an independent type of income, e.g., "income from other sources".

Any entity resident in Poland (including the Guarantors) which pays interest on the Notes to non-residents (whether individuals or legal persons) is obliged to withhold Polish income tax at the rate of 20% from such payments on the date of payment thereof. However, the rate of withholding tax may be reduced pursuant to an applicable double tax treaty, provided that the foreign resident obtains a certificate confirming its place of residence for tax purposes issued by the appropriate tax administration (a certificate of tax residence).

Should the Polish tax authorities reclassify the streams of payments under guarantee into "income from other sources", then non-residents would not be taxable in Poland provided that they are resident in a Treaty country, i.e., a country with which Poland has concluded a Double Tax Treaty.

Tax on civil law transactions on transfer of the Notes

The tax on civil law transactions is payable on agreements concerning the sale or exchange of property rights (including the Notes) if the items subject to such agreements are:

- property rights enforceable in the territory of Poland; or
- property rights enforceable abroad, if the purchaser of the Notes has its residence or seat in Poland and the transfer is executed in Poland (Article 1 Section 1 letter a) in conjunction with Article 1 Section 4 of the Act on Tax on Civil Law Transactions).

The tax base is the market value of the property or the property rights (Article 6 Section 1 letter c) of the Act on Tax on Civil Law Transactions). The tax liability resulting from a sale agreement is borne by the buyer and arises upon the finalization of the civil law transaction (Article 3 Section 1 item 1 of the Act on Tax on Civil Law Transactions). The taxpayers are required to file, without any additional request from the tax office, a transfer tax return and calculate and remit the due tax within 14 days following the day on which the tax liability arose. This obligation does not apply if the transaction is executed in the form of a notarial deed where the Tax on Civil Law Transactions is collected by the notary who, in this case, acts as the tax remitter (Article 10 Section 1 and 2 of the Act on Tax on Civil Law Transactions). The rate of this tax is 1% of the market value of the property rights.

The in-kind contribution of the Notes to a company or partnership may be subject to tax on civil law transactions if the company/partnership has its seat in Poland (Art. 1 Section 3 of the Act on Tax on Civil Law Transactions in conjunction with Article 1 Section 5 of the Act on Tax on Civil Law Transactions). The applicable tax rate would be 0.5% payable on the value of the nominal share capital issued (in the case of companies) or value of the contributed Notes (in the case of partnerships) (Art. 7 Section 1 item 9 of the Act on Tax Civil Law Transactions).

Inheritance and donations tax

Liabilities to inheritance and donations tax apply only to individuals and may arise on a gift of the Notes or on an inheritance of the Notes, where:

- the heir or the donee is a Polish citizen or has a permanent stay in Poland; or
- the rights attributable to the Notes are treated as property rights enforceable in the territory of Poland (Art. 1 Section 1 of the Inheritance and Donations Tax Act).

The amount of such tax (and applicable tax exemptions) depends on the relationship of the donor to the donee or of the deceased to the heir.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND OTHER SECURITY

Set out below is a summary of certain limitations on the validity, effectiveness and enforceability of the Guarantees and other security in each of the jurisdictions in which the Initial Guarantors and Subsequent Guarantors are organized. In particular, the following includes a brief description of certain aspects of bankruptcy, insolvency and certain other applicable regulations in England and Wales, Sweden, Poland, Switzerland and Norway. It is a summary only and does not include a full description of all regulations which may limit the validity, effectiveness and enforceability of the Guarantees and other security.

It should be noted that bankruptcy, insolvency or a similar proceedings, schemes and/or events, could be conducted or could occur in any of these jurisdictions, as well as in other jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and/or other security. In particular, under the EU regulations and regulations of EU Member States, the insolvency (bankruptcy) proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other EU Member States where the bankrupt entity conducts its business activity. Irrespective of the attempts to harmonize the bankruptcy regulations in EU Members States, the regulations in various states differ and the insolvency (bankruptcy) proceedings conducted in more than one state may create additional legal risks and costs for you.

In the event that any one or more of the Issuer or any one or more of the Initial Guarantors or Subsequent Guarantors experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions bankruptcy, insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

England and Wales

One of the Subsequent Guarantors is a company incorporated under English law; this company has also provided security over its assets by way of fixed and floating charges.

Pursuant to Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings (the "Insolvency Regulation"), the main proceedings for the insolvency of such company will take place in the jurisdiction in which such company has its center of a debtor's main interests ("COMI"). Such company's COMI is presumed to be in England, and such presumption will be rebutted where there is objective evidence that third parties would ascertain the "head office functions" of such company to be in a state other than its registered office. In an insolvency of the relevant Subsequent Guarantor under English law (i.e. an administration or a liquidation) there is likely to be a delay in enforcing rights under the relevant guarantee and, it is possible that the Subsequent Guarantor will not have sufficient assets to meet the claim in full. The security provided under the Notes will mean that in an insolvency, recourse is available against the specific assets in respect of which the charge has been granted, provided that this charge has been properly registered. However, this security also secures other indebtedness (such as the Senior Secured Credit Facilities and, before refinancing, Senior Secured Bridge Facility) and this may limit the extent to which the assets of the Subsequent Guarantor are available to meet a claim under the guarantee.

In any reorganization of the Subsequent Guarantor under English law (such as a scheme of arrangement or creditors' voluntary arrangement) rights under the guarantee might be varied.

There may be circumstances whereby the granting by a company of a guarantee could be challenged under English law if the company is placed into an insolvency process within two years of the guarantee having been granted. This could apply if the company had not received sufficient consideration for the provision of the guarantee or the guarantee was granted with a desire to prefer a creditor of the company.

English insolvency law might also be relevant if any other company within the Group shifted its COMI to England to seek to take advantage of the provisions of English insolvency law.

Sweden

Applicable insolvency law

The Issuer is incorporated under the laws of Sweden and as such any insolvency proceedings applicable to the Issuer including any and all of its assets (in Sweden and abroad) will, as a matter of Swedish law, be governed by Swedish insolvency law (*lex fori concursus*).

In addition, a Swedish party will in principle be subject to insolvency proceedings covered by the Council Regulation (EC) No. 1346/2000 of 29 May 2000 on insolvency proceedings (the "Insolvency Regulation") (which includes all collective insolvency proceedings available under Swedish law in respect of bodies corporate) if it has its center of main interest ("COMI") in Sweden. The COMI is presumed, in the case of a company or body corporate, to be the place of its registration as a legal person. Accordingly, if the Swedish party is registered in Sweden, Swedish courts will be entitled to open main insolvency proceedings against it and apply the laws of the relevant insolvency proceedings. If the COMI of a debtor is in a Member State (other than Denmark), under Article 3(2) of the Insolvency Regulation, the Courts of another Member State (other than Denmark) may open "territorial insolvency proceedings" or, after the commencement of main proceedings, "secondary insolvency proceedings", in the event that such debtor possesses an "establishment" in the territory of such other Member State.

Priority of certain creditors

As a general principle, under the Swedish Rights of Priority Act (SFS 1970:979) (Sw: *Förmånsrättslagen*) ("RPA") each creditor shall have equal right to payment in proportion to his claim. However, according to the RPA some creditors' claims have a right of priority to payment. A right of priority to payment may be specific or general. Specific priority applies in the event of execution of a debt and bankruptcy or insolvent liquidation and relates to specific property. General priority applies to the payment of certain costs in the event of bankruptcy or insolvent liquidation only (mainly consequential costs relating to the relevant bankruptcy or insolvency proceedings) but relates to all of the property in the debtor's estate over which no specific priority exist. The right of priority remains, regardless of whether the debt has been assigned or subjected to levy of execution or garnishment or otherwise transferred to another person.

Claims where the above mentioned right of priority does not apply or that exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are of equal standing as against each other.

Limitations on the validity of certain transactions

In bankruptcy and company reorganization proceedings, transactions can (under certain circumstances and during a so-called hardening period) be subject to claw-back and the goods or monies may then be returned to the bankruptcy estate or the company if it is subject to company reorganization. In general, these transactions include, amongst others, situations where the debtor has:

(a) conveyed property fraudulently or preferentially to one creditor to the detriment of the other creditors before the commencement of the relevant insolvency proceedings, should the granting of security not be deemed to be ordinary;

(b) created a new security interest, granted a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without undue delay;

(c) paid a debt that was not due or which amount was considerable compared to the value of the debtor's assets, should the payment of such debt not be deemed to be ordinary; or

(d) made a payment by using unusual means of payment.

In the majority of situations, claw-back proceedings may only be initiated towards claims which have arisen during the three month period preceding the commencement of the relevant insolvency proceedings. In certain situations, longer time limits apply, e.g. (i) when the debtor was insolvent prior to, or became insolvent in connection with the claim arising or (ii) the creditor is closely related to the debtor, (e.g. a subsidiary or parent company to the debtor).

Limitations on enforceability due to the Swedish Reorganization Act

The Swedish Reorganization Act (Sw: *Lag om Företagsrekonstruktion*) ("RA") provides companies facing financial difficulties with an opportunity, following an order by a court, to commence specific proceedings in order to reorganize its business and avoid bankruptcy.

An administrator will be appointed by the court to supervise the day-to-day activities and safeguard the interests of the creditors. The debtor will, however, remain in full possession of the business and the assets even though the administrator's consent is required for important decisions such as (i) paying a debt that has become due prior to the order of the reorganization, (ii) granting security for a debt which has arisen prior to the order, (iii) undertaking new obligations or, (iv) transferring, pledging or granting rights in respect of assets of a substantial value for the business. Such consent may only be granted should there be exceptional reasons for doing so and any petition for bankruptcy in respect of the debtor will be stayed.

Further, a moratorium applies to execution in respect of a claim or enforcement of security during the corporate reorganization proceedings unless the security assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor. In addition, an order of attachment (*Sw: Kvarstad*) may not be issued during the reorganization proceedings.

Consequently, the issuing of an order under the RA does not have the effect of terminating contracts and to the extent possible, with certain limitations, the debtor's business activities shall continue in its ordinary way.

The debtor may apply to the court requesting "public composition" proceedings (Sw. offentligt ackord) which means that the amount of a creditor's claim may be reduced on a percentage basis. The proposal for a "public composition" must meet certain requirements such as that a sufficient proportion of the creditors which are allowed to vote, in respect of a sufficient proportion of the outstanding claims vote in favor of such public composition.

Creditors whose claim may be settled through set-off or whose claim is subject to rights of priority may not participate in the proceedings unless they wholly or partly waive their right to set-off or priority. Should the security not cover a secured creditor's full claim, the remaining claim will still be part of the composition. A creditors' meeting will be convened to vote on the proposed composition. The judicial composition is binding for all known and unknown creditors which had a right to participate in composition proceedings.

Corporate reorganization proceedings shall, as a main rule, terminate where:

(a) such measures have been taken that the purpose of the company reorganization can be deemed to have been achieved;

(b) a debtor so requests and an order regarding composition proceedings has not been issued;

(c) the debtor, without legal cause, fails to appear at the creditors' meeting as specified in Chapter 2, section 10, second paragraph of the RA;

(d) the administrator or a creditor so requests and the purpose of the company reorganization can be deemed to have been achieved;

(e) where special grounds otherwise exists for the termination of the company reorganization; or

(f) if the debtor is placed into insolvent liquidation.

In circumstances other than those specified above the court shall, three months after the date of the reorganization order, terminate the company reorganization. The reorganization may, however, under certain conditions be extended for up to one year.

Enforcement process

In the event of bankruptcy the relevant court will appoint a receiver. The receiver is obliged to act in the interests of all the creditors and his primary task is to sell the debtor's assets and distribute the proceeds among the creditors.

The purpose of insolvency proceedings is to wind up the company in such a way that the company's creditors receive as high proportion of their claims as possible. The receiver in an insolvency proceeding is required to safeguard the assets and may in its own discretion decide whether to continue running the business of the debtor or whether the business shall be closed down depending on which solution would benefit the entire group of creditors the most.

In the interim, the receiver will take over the management and control of the debtor's business and, consequently, the directors and/or managing director will no longer be entitled to represent the company or dispose of the company's assets.

When distributing the proceeds, the receiver is obliged to follow the mandatory provisions of the RPA, which states each creditor's right of priority to payment (for further details please see the Priority of Certain Creditors-section above).

In case of enforcement outside bankruptcy, an enforcement process is initiated by the creditor himself by obtaining an enforcement order from the Swedish Enforcement Authority (Sw: *Kronofogdemyndigheten*) or the relevant court. Upon obtaining an enforcement order against a debtor, a creditor may apply to the enforcement authority for an order to pay or an eviction.

Should the creditor's claim be secured by way of a pledge he may (based on his rights under the pledge agreement and depending upon the kind of collateral) choose to enforce the pledge by liquidating the security assets in addition to or instead of initiating an enforcement procedure at the enforcement authority or the court. Such secured party is always considered a creditor with specific right of priority to payment.

Poland

The Issuer's obligations under the Notes are or will be guaranteed by Cyfrowy Polsat and the other Guarantors. All of the Guarantors, other than Polsat Futbol Ltd., Polsat License Ltd. and Nord Licenses AS, are incorporated and registered in Poland.

Insolvency (bankruptcy) proceedings

As a general rule, insolvency proceedings with respect to an Initial Guarantor or Subsequent Guarantor with its registered office in Poland should be subject to the jurisdiction of Polish courts, which will apply Polish Bankruptcy and Rehabilitation Law of February 28, 2003 (consolidated text in Journal of Laws (Dziennik Ustaw) of 2009, No. 175, Item 1361, as amended, the "Bankruptcy Law"). However, pursuant to the Insolvency Regulation, the insolvency proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other EU Member States where the bankrupt entity conducts or has conducted its business activity or where the assets of the bankrupt entity are located.

It is arguable whether Polish courts would have jurisdiction over a debtor's property located outside Poland. Such jurisdiction would not exist in respect of real estate or other property rights located abroad. Furthermore, the courts outside Poland might not recognize the jurisdiction of Polish bankruptcy courts.

Pursuant to the Bankruptcy Law, a declaration of bankruptcy shall be issued by a court in respect of a debtor who has become insolvent, i.e., the debtor fails to fulfill its enforceable pecuniary obligations and/or, (in respect of a legal entity with legal personality (*osobowość prawna*), or legal entity which has no legal personality, but according to the law, it has legal capacity, i.e., ability to enter into transactions and to be the subject of rights and obligations (*zdolność prawna*)) where its obligations are in excess of the value of its assets, even if it is able to discharge these obligations in time.

A bankruptcy petition may be filed by the debtor or any of his creditors. In case of the legal person, it may be filed also by anyone who is entitled to represent the same, individually or jointly with other persons. The debtor is obliged, no later than within two weeks from the day on which grounds for the declaration of bankruptcy arose, file a bankruptcy petition with the court.

The insolvency proceedings may be carried out in two ways: (i) proceedings with the possibility of arrangement (an arrangement may also provide for the satisfaction of creditors through liquidation of the bankrupt's assets) ("Arrangement Proceedings"); or (ii) proceedings involving the liquidation of debtor's assets ("Liquidation Proceedings"). The Arrangement Proceedings are conducted with respect to the debtor, where it has been credibly established that the creditors' claims will be satisfied to the larger extent than they would be in Liquidation Proceedings. In the Arrangement Proceedings, certain claims are not subject to a potential arrangement, in particular, without limitation, claims secured on the bankrupt entity's assets by mortgage, pledge, registered pledge or transfer of title to movables, receivables or other rights are not subject to arrangement, however only to the extent covered by the value of assets on which security was established. Notwithstanding that, a creditor whose claims are so secured may consent to being subject to arrangement. The court may change the manner of conducting the insolvency proceedings from the Arrangement Proceedings into the Liquidation Proceedings and *vice versa*, if the grounds for conducting a given type of the proceedings have became known after the declaration of bankruptcy.

Provisions of any agreement which stipulate that such an agreement will be terminated and/or amended upon bankruptcy of one of the parties are invalid. Also, provisions of an agreement to which the bankrupt entity is a party which hinder or prevent the objectives of the insolvency proceedings, will be deemed ineffective in relation to the bankruptcy estate.

Any debt (claim) payable in a currency other than zloty, regardless of whether the claim has fallen due or not, if put on the list of claims, must be converted into zloty at the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy. Accordingly, in the event of bankruptcy, creditors (e.g. holders of the Notes) may be subject to exchange rate risk between such date when the bankruptcy court issues a decision on the debtor's bankruptcy and the date of receipt of any amounts in the course of insolvency proceedings.

Any debt of the Initial Guarantor and/or Subsequent Guarantor in respect of the Notes may be paid only after certain debts of an Initial Guarantor and/or Subsequent Guarantor that are entitled to priority have been satisfied. Such preferential debts include, among other things, money owed to the State Treasury of Poland in respect of taxes or social security contributions or unpaid, remuneration owed to employees.

It is not clear whether Polish courts and/or a bankruptcy estate administrator (*zarządca*) and/or court receiver (*nadzorca sądowy*) and/or a bankruptcy trustee (*syndyk*) (unless otherwise specifically stated, hereinafter the term "bankruptcy estate administrator" shall include each one of *zarządca, nadzorca sądowy* and/or *syndyk*) will give effect to intercreditor agreements and/or subordination agreements. There is a risk that in the course of insolvency proceedings claims of all unsecured creditors will be discharged on a *pari passu* basis, irrespectively of any intercreditor agreements and/or subordination agreements, and the creditors who are the parties to such agreements may have to enforce their rights thereunder only outside of the insolvency proceedings (e.g. by claiming the return of particular amounts from other creditors who are the parties to intercreditor agreements and/or subordination agreements).

After an Initial Guarantor or Subsequent Guarantor is declared bankrupt, the following are recognized as ineffective against the bankruptcy estate, by operation of law:

- any transaction of the Initial Guarantor or Subsequent Guarantor, including the Guarantee(s), if such transaction was executed within one year prior to filing of the motion to declare the Initial Guarantor or Subsequent Guarantor bankrupt and to the extent that such transaction was a transaction at undervalue, i.e., the Initial Guarantor or Subsequent Guarantor disposed of or encumbered its assets for no consideration or for a consideration where the value of Guarantor's performance was glaringly higher than the consideration received by the Initial Guarantor or Subsequent Guarantor or reserved for a third party; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*) or repo contracts in securities (*sprzedaż papierów wartościowych ze zobowiązaniem do ich odkupu*), provided such financial term contracts or repo contracts satisfy certain conditions set out in the Bankruptcy Law;
- security interests established by the Initial Guarantor or Subsequent Guarantor or the payment by the Initial Guarantor or Subsequent Guarantor of a debt not yet due if the security was established or the payment was made within two months prior to the filing of the motion to declare the Initial Guarantor or Subsequent Guarantor bankrupt; however, the holder of the respective security or a recipient of payment may file a lawsuit or plea seeking the assertion of effectiveness of the respective security or the payment, if at the time of execution of the transaction that holder or recipient was not aware of the existing grounds for declaring the Initial Guarantor's or Subsequent Guarantor's bankruptcy; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*) or repo contracts in securities (*sprzedaż papierów wartościowych ze zobowiązaniem do ich odkupu*), provided such financial term contracts or repo contracts satisfy certain conditions set out in the Bankruptcy Law; and
- any transactions if entered into within six months prior to the filing of the motion to declare the Initial Guarantor or Subsequent Guarantor bankrupt and to the extent they were entered into with entities related to the Initial Guarantor and/or Subsequent Guarantor: (i) the Initial Guarantor's or Subsequent Guarantor's shareholders, their representatives and/or relatives, or (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders, and/or (iii) the Initial Guarantor's or Subsequent Guarantor's subsidiary or holding companies.

Further, the judge commissioner may, under a motion from the bankruptcy estate administrator declare any encumbrances (security interest) established over the assets of the Initial Guarantor or Subsequent Guarantor (such as mortgages, pledges, registered pledges, etc.) ineffective towards the bankruptcy estate, to the extent that the Initial Guarantor or Subsequent Guarantor was not the personal (direct) obligor with respect to the underlying debt and if the encumbrance was established within one year prior to the filing of the motion to declare the Initial Guarantor or Subsequent Guarantor bankrupt and the Initial Guarantor or Subsequent Guarantor received no consideration or the consideration received was glaringly low compared to the value of the encumbrance. However, irrespective of the value of the consideration received, the judge commissioner will decide that the security interests established over the assets of the bankrupt entity are ineffective for the bankruptcy estate if they secure obligations of an entity related to the bankrupt entity: (i) the Initial Guarantor's or Subsequent Guarantor's shareholders, their representatives and/or relatives, or (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders, and/or (iii) the Initial Guarantor's or Subsequent Guarantor's subsidiary or holding companies.

The Issuer, the Initial Guarantors and the Subsequent Guarantors are related entities within the meaning of the Bankruptcy Law: Cyfrowy Polsat controls the Issuer, Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., mPunkt Polska S.A., as well as TV Polsat and all its subsidiaries.

Polish Civil Code

Under the Polish Civil Code, any creditor may request from the court to declare a given transaction (e.g. the granting of a guarantee or security or any disposal of assets) ineffective towards such creditor. The court will do so if it finds that a party to such a transaction (e.g. the Initial Guarantor or Subsequent Guarantor) entered into it when it was insolvent or it became insolvent as a result of entering into such a transaction, to the extent that the beneficiary of such a transaction (e.g. a creditor secured by the Guarantee or other security) knew of the above or to the extent that such transactions (e.g. the Guarantee or other security) were entered for no consideration.

In addition, if the Initial Guarantor or Subsequent Guarantor's entering into a given agreement made it wholly or partially impossible to satisfy a third party's claim, such third party may request that the court declare such an agreement ineffective towards that party, provided the Initial Guarantor or Subsequent Guarantor and the other party to the agreement knew of the third party's claim or if the agreement was for no consideration.

Guarantees

The effectiveness of the up-stream and cross-stream guarantees may be limited under Polish law. The Polish Companies Code (Article 189 and/or by Art. 344) prohibits the return of capital to shareholders of limited liability companies and joint stock companies other than in the forms set out in the Companies Code. In the Polish legal doctrine opinions are expressed that in certain situations, e.g. when the financial standing of a company entering into a transaction is poor and the shareholder of such a company benefits from such a transaction, such a transaction may constitute in fact the return of capital to the shareholder. The provision of the Guarantee by the Initial Guarantor and/or Subsequent Guarantor securing the obligations of its shareholder to a third party (e.g. under the Notes) can constitute, depending on the circumstances, such return of capital. An example of such return of capital, which then would be a prohibited transaction, may occur when the Guarantee is provided by the Initial Guarantor and/or Subsequent Guarantor in a situation where it is known that its shareholder is or will be unable to repay the debt as a principal obligor. This issue is not clearly regulated in Polish legal regulations, case law or legal doctrine and thus, must be analyzed on a case-by-case basis, subject to such limitations and risks. Although formally the Guarantees will secure the obligations of the Issuer, which is not a shareholder of the Initial Guarantors or the Subsequent Guarantors, it may be argued that the real commercial aim of the Guarantees is to secure the indebtedness of Cyfrowy Polsat, i.e. which is the shareholder of Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., mPunkt Polska S.A., TV Polsat and, via TV Polsat, fully controls all TV Polsat's subsidiaries. Therefore, there is a risk that the rules and restrictions indicated above would apply to the Guarantees issued by the Initial Guarantors, as well as the Subsequent Guarantors. The respective clauses relating to the Guarantees include limitation language providing that the obligations of the Initial Guarantors and the Subsequent Guarantors shall be limited to the extent required so that such obligations do not and cannot result in (i) a reduction of the assets required for the coverage of the total nominal capital as defined in, or a repayment of capital as prohibited under, Article 189 and/or by Art. 344 of the Companies Code, and (ii) insolvency as defined by Article 11 paragraphs 1 and 2 of the Bankruptcy Law.

See also "—Parallel debt" and "—Financial assistance" below.

Mortgages and pledges

Under Polish law, in general, all security interests, including, without limitation, mortgages and pledges, are considered accessory to the underlying secured claims, i.e. security interest, including in particular, without limitation, the mortgages and pledges automatically terminate if the secured claims are repaid, become void or terminate.

The establishment of certain security interests in Poland requires the execution of appropriate documents and entry into registers or filings with relevant courts. The establishment of the mortgages on real estate in Poland will require the execution of a deed before a Polish notary public and submission to and entry (registration) of each mortgage in the land and mortgage register held by the Polish court. The establishment of the pledges will require execution of the pledge agreements and, with respect to registered pledges, the entry (registration) of each registered pledge in the pledge register held by the Polish court.

The process of registration of mortgages and/or registered pledges may take up to several months and, until they are completed, the mortgages and/or registered pledges will not legally exist. Once they are registered, the statutory priority of the mortgages and/or registered pledges will be determined by the priority of the filing motions for the registration thereof. In respect of certain rights, such as shares, on which the registered pledges are to be established, the payment obligations under the Notes will be secured additionally by financial pledges, which however may not give the same scope of rights to the secured creditors as the registered pledges.

As a general rule, the establishment of the pledges (registered and financial) or mortgages over the assets of the Initial Guarantor or the Subsequent Guarantor will not prevent third-party creditors from initiating enforcement proceedings under the Polish Code of Civil Procedure (the "PCCP") to satisfy their claims from the assets encumbered by the pledges or mortgages. In such event, the Security Agent will be able to participate in the distribution of funds resulting from such enforcement and its claims will have priority over unsecured claims of third parties (except for certain court-enforcement expenses, alimony claims and employee and pension claims) and claims secured with the lower-ranking pledges or mortgages according to the order of priorities set forth in accordance with the PCCP.

In the event that an Initial Guarantor or the Subsequent Guarantor is declared bankrupt, the receivable debts which are secured by the pledges or mortgages established over the assets of the Initial Guarantor or Subsequent Guarantor are placed (either upon a motion of a creditor or ex officio) on the list of receivables. The consequences for such securities differ depending on the way the insolvency proceedings are carried out.

In the case of the Arrangement Proceedings claims secured on the bankrupt entity's assets by mortgage, pledge, registered pledge or transfer of title to movables, receivables or other rights, are not subject to arrangement to the extent covered by the value of assets on which security was established. Notwithstanding that, a creditor whose claims are so secured may consent to being subject to arrangement. If the creditor consents to its claims being subject to the arrangement, the above rights remain in force; however, such rights secure the claims in the amount and on the terms as may be changed (affected) by the arrangement. The arrangement does not infringe the rights resulting from the mortgage or pledges, if they were established on the assets of a third party.

In the case of the Liquidations Proceedings, all assets of the debtor, including these on which the mortgages and pledges were established, are included in the bankruptcy estate and are, in general (see the next paragraph), subject to the sale in the course of the insolvency proceedings. Sums obtained from the liquidation (sale) of assets encumbered with mortgages and/or pledges, less the costs of liquidation (sale) of the said assets and other costs of insolvency proceedings are allocated to satisfy the creditors whose claims were secured on these assets. Amounts remaining after satisfaction of these claims are included in the funds of the bankruptcy estate.

In respect of the registered or financial pledges, the Security Agent will have the right to satisfy claims secured with such pledges by assuming title to the pledged assets on the terms set out in the respective pledge agreements or by the sale of such assets via an auction made by a notary public or a court enforcement officer. In respect of the registered pledges on the so-called collection of assets, the Security Agent will have the right to satisfy claims secured with such pledges also by leasing the pledgor's enterprise to a third party or handing-over such enterprise to a receiver (a manager). However, if any third-party creditor initiates enforcement proceedings to satisfy their claims from the assets encumbered by such pledges, the Security Agent will not be able to exercise any such specific method of enforcement of the registered pledges (by taking the title to the encumbered assets, by sale of such assets via an auction made by a notary public or a court enforcement officer, and in the event of pledges established on the collection of assets and rights, also by leasing the pledgor's enterprise to a third party or handing-over such enterprise to a receiver (a manager)), but only be entitled to enforcement of such pledges via a standard court enforcement process which is usually considered as more time-consuming and more expensive for the secured creditor. Additionally, in insolvency proceedings, the bankruptcy trustee retains the discretion to prevent the Security Agent from acquiring title to the pledged assets or from sale of such assets via an auction made by a notary public or a court enforcement officer or may even refrain from liquidating (selling) such encumbered assets separately, and may sell the entire business of the bankrupt entity (entire bankruptcy estate) as a going concern, if he/she considers that such sale would be more commercially beneficial.

Polish law does not recognize the enterprise pledge/mortgage (i.e. one security interest over the whole business of an entity). In particular, without limitation, mortgages on real estate and pledges on movable assets or transferrable rights or the assignments of such rights are separate security interests from which the secured creditors have to satisfy separately. The result of this is that in the enforcement process the sale of the whole business of an entity that provided security interests over its assets as a going concern may be impossible in practice (this limitation does not apply to the bankruptcy trustee to sell the entire business of the bankrupt entity (entire bankruptcy estate) as a going concern if such a sale would be more commercially beneficial—see above).

In the event of enforcement of a pledge on shares in a Polish company, not only do the Polish regulations relating to the pledge apply, but also the provisions of Polish company law with respect to transfer of shares have to be adhered to. Further, the proceeds of enforcement of a pledge on shares will be of limited economic value when the company whose shares are pledged becomes insolvent.

The security established for the benefit of the Security Agent in Poland includes the establishment of both financial pledges and registered pledges over the same assets. The co-existence of registered and financial pledges established as encumbrances over a single asset, securing the same claim, is not expressly provided for under the Polish law and we cannot assure you that the validity of the coexisting registered and financial pledges established in favor of the bank creditors and the Security Agent would not be subject to challenge, for example, under concepts of over-collateralization and/or violation of principles of social co-existence.

It is prohibited under Polish law to make a covenant under which the owner of the real property undertakes to a creditor secured by mortgage on such real property that it shall not dispose of or encumber such property before the expiration of the mortgage.

The mortgages secure claims up to a given amount stated in the respective notarial deeds. If any such mortgage is considered as excessive (over-collateralization), the owner of the property so encumbered may request that the mortgage amount be reduced.

The Polish mortgage law (*ustawa o księgach wieczystych i hipotece*) was subject to a major amendment which entered into force on 20 February 2011. In particular, one of the changes was the introduction of the concept of over-collateralization to the Polish mortgage law. There is no case law or practice in respect of these new rules. It is uncertain how these new rules of the Polish mortgage law will be interpreted by Polish courts or how these new rules law and their interpretation will affect the other provisions of Polish law (for example, with respect to a registered pledge).

Assignment for security purposes

The assets, receivables and other rights transferred by the debtor to the Security Agent for security purposes under the assignment agreements will not be excluded from the bankruptcy estate upon the debtor's bankruptcy. Instead, assets transferred under such assignment agreements, and claims secured by such assignment agreements, will be treated in a similar way as assets being subject to, and claims secured by, the pledge.

The Antimonopoly Act and Broadcasting Act (change of control)

Pursuant to the Antimonopoly Act (*Ustawa o ochronie konkurencji i konsumentów*), taking control over an entrepreneur by way of, *inter alia*, an acquisition of shares and/or any part of its assets and/or an acquisition of a right to exercise voting rights of shares in such entrepreneur, may require prior approval of the President of the Polish Antimonopoly Office and/or antimonopoly authorities of other countries and/or the European Commission. Therefore, if the Security Agent enforces the registered pledges by way of an acquisition of title to the encumbered shares or other assets or by exercising the voting rights in respect of shares encumbered by pledges (registered or financial pledges), it may require prior approval(s) of the respective antimonopoly authority(ies). Violation of the Antimonopoly Act or other respective antimonopoly laws or regulations may result in fines, a duty to dispose of the acquired assets or other penalties.

Moreover, under the Broadcasting Act, broadcasting licenses are generally non-transferable. The KRRiT may revoke a broadcasting license as a result of a direct or indirect change of control of the broadcaster. Pursuant to the official announcement of the KRRiT dated June 12, 2007 (the "Announcement"), a broadcaster is required to submit a formal notification to the KRRiT providing information on any changes in information provided by the broadcaster in its initial license application, including any changes in the ownership structure of the broadcaster. The Announcement further states that the term "*direct or indirect change of control*" is not defined under the Broadcasting Act and any potential change of control of a broadcaster will be analyzed on an individual basis (please see "Regulatory overview—Regulatory Framework for Broadcasting Operations—Broadcasting licenses in Poland"). Therefore if the Security Agent enforces the registered pledges by way of an acquisition of title to the encumbered shares or other assets or by exercising the voting rights in respect of shares encumbered by pledges (registered or financial pledges), it may result in revocation of licenses by KRRiT. .

Polish Law on the Acquisition of Real Estate by Foreigners

Under the Polish Law on the Acquisition of Real Estate by Foreigners (*Ustawa o nabywaniu nieruchomości przez cudzoziemców*), the acquisition of real estate in Poland or the acquisition of shares in a Polish company which owns real estate in Poland or any other action through which such Polish company becomes controlled by a foreign entity, in certain situations requires a permit from the Polish Ministry of Internal Affairs and Administration (an "MOI Permit"). The Polish Law on the Acquisition of Real Estate by Foreigners provides for a number of exemptions from the duty to obtain the MOI Permit. In particular, such duty is waived with respect to persons domiciled in countries which are members of the European Economic Area. However, these exemptions are not absolute and they do not apply to certain types of real estates. Pursuant to the provisions of the Law on the Acquisition of Real Estate by Foreigners, if an Initial Guarantor or Subsequent Guarantor hold, or acquire, land which may be purchased by persons domiciled in EU Member States only subject to prior receipt of an MOI Permit, an acquisition, by the Security Agent or by other entities, of shares in such Initial Guarantor or Subsequent Guarantor in the course of enforcement of the pledges established on such shares, or an acquisition, by the Security Agent or by other entities, of real estate in the course of enforcement of the mortgages, may also require such an MOI Permit.

Parallel debt

Security interests, such as for example mortgages, registered pledges, financial pledges and assignments, established under Polish law do not secure the direct (principal) obligations under the Notes, but the parallel debt created under the Intercreditor Agreement governed by English law, and such security interests are established not for the benefit of holders of the Notes directly but for the benefit of the Security Agent only. Although there is some practice in Poland in respect of establishing the security interests to secure such parallel debt, the concept of parallel debt is not specifically regulated in Polish law, it is still new and not commonly known or recognized. There is almost no case law of Polish courts in respect of such parallel debt. In particular, without limitation, the situation where the direct (principal) obligations in connection with which the parallel debt was established are expressed in more than one currency is not clear under Polish law. Therefore, we cannot assure you that such parallel debt, and thus the validity of the security interests securing such parallel debt, will not be subject to challenge.

Financial assistance

Until TV Polsat is transformed from a joint stock company (*spółka akcyjna*) into a limited liability company (*spółka z ograniczoną odpowiedzialnością*) and relevant documents are executed and, where applicable, new mortgages or registered pledges (if any) are registered by relevant courts, the Guarantees and other security interests granted by TV Polsat and its subsidiaries (Subsequent Guarantors) will not secure the Notes or the parallel debt insofar as it relates to the Notes.

Application of foreign law

If any obligation is to be performed in a jurisdiction outside the Republic of Poland, it might not be enforceable in the Republic of Poland to the extent that such performance would be illegal or contrary to public policy under the laws of the other jurisdiction and a Polish court may take into account the law of the place of performance when evaluating the manner of performance and the steps to be taken in the event of defective performance.

No law of any other jurisdiction will apply in the Republic of Poland if its application would have an effect that is contrary to the basic principles of public order in the Republic of Poland (principles of social co-existence).

Switzerland

Security under Swiss law—limitations on validity of a guarantee and security interests

Polsat License Ltd., a Subsequent Guarantor, is a limited liability stock corporation (*Aktiengesellschaft*) incorporated in and under the laws of Switzerland. Accordingly, after the Transformation, Polsat License Ltd. will provide a Guarantee and its bank accounts, receivables, intercompany receivables and insurance claim receivables will be included in the Collateral.

General limitations—financial assistance

Any guarantees, undertakings, indemnities, security interests and obligations granted by Polsat License Ltd. for the benefit of a direct or indirect shareholder (i.e. a parent company) or a subsidiary of such parent company (a sister company), such as the Guarantee of Polsat License Ltd. with respect to the

Notes, (an "Affiliate Undertaking"), is subject to the Swiss financial assistance regime imposing limitations on Affiliated Undertakings and further subject to taxes. In particular:

(i) these are general limitations on a Swiss company with respect to the assumption of liability for other parties under the *ultra vires* doctrine and the *bona mores* doctrine pursuant to Swiss corporate law;

(ii) relevant provisions under Swiss corporate law generally protect the equity capital, general legal reserves (*gesetzliche Reserven/réserves légales*) and the statutory legal reserves (*statutarische Reserven/réserves statutaires*) of a Swiss company;

(iii) various form requirements apply to an Affiliate Undertaking (if qualified as a deemed dividend payment) for it to be valid and enforceable (including a shareholder's resolution passed on the basis of fully audited financial statements which certify sufficient balance sheet profits available for such distribution) at the time such undertaking is entered into and/or enforced; and

(iv) payments under such an Affiliate Undertaking may qualify as a deemed dividend distribution subject to Swiss federal withholding taxes of 35%.

As a result, under Swiss substantive law, your recovery from Polsat License Ltd. in relation to Affiliated Undertakings might be limited, in case of its financial distress, to zero.

General limitations—avoidance

In case the Swiss Entity is being adjudicated bankrupt or being liquidated (except on voluntary basis), the insolvency official or, under certain conditions, creditors of the Swiss Entity may challenge certain pre insolvency transactions (such as the granting of guarantees or security interest) and the performance of any obligation thereunder subject to the conditions of articles 285 et seq. of the Swiss Debt Collection and Bankruptcy Act of April 11, 1989 ("DCBA") being satisfied. Articles 285 et seq. DCBA provide that a transaction may be subject to challenge:

(i) if no or no equivalent consideration is given ("transaction at an undervalue" as described in article 286 DCBA);

(ii) if the party granting security or discharging a debt was over-indebted ("voidability for over-indebtedness" as described in article 287 DCBA); or

(iii) if a party had the intention to disfavor or favor certain of its creditors or should reasonably have foreseen such result and this intention was or must have been known to the receiving party ("preference" as described in article 288 DCBA);

and any arbitration or jurisdiction clause could be ignored and be found to be not binding by Swiss courts, in case of such a challenge (as the challenge would be regarded as taking place in the framework of the insolvency proceedings).

Security assignment of the account balances, the receivables, the intercompany receivables and the insurance receivables (thereinafter "assigned claims")

Polsat License Ltd.'s account balances (i.e. all the present and future claims against the account bank), intercompany receivables, insurance receivables as well as any other receivables (whether present or future), are, under the Senior Secured Revolving Credit Facility, and will be, under the Notes, Guarantee and Senior Secured Term Loan Facility, subject to an assignment for security purposes (*Sicherungszession*) which is effected by a written deed of assignment.

Under Swiss substantive law, an assignee (such as the Security Agent) only acquires such rights as the Swiss Entity as assignor possesses. In particular, all encumbrances of the assigned claims and all defenses to the assigned claims available to a third-party debtor may be used by that third-party debtor also against the assignee if they were already in existence at the time when the third party debtor obtained knowledge of the assignment. If a counterclaim of the relevant debtor was not yet due at this time, the debtor may set off the counterclaim if it does not become due later than the assigned claim. Under Swiss substantive law, the third-party debtor of a claim may validly settle its obligations by making payments or performing any other acts of fulfillment to the assignor as long as the third-party debtor has no knowledge of the assignment of the rights and claims to the assignee or any subsequent assignee. Hence, under Swiss substantive law, the enforcement of security assignment is subject to the fact that the Security Agent as assignee must keep the possibility (legally and factually) to notify the assignment to the third party debtor at any time.

Additionally, future claims which have been assigned but have come into existence only after opening of insolvency proceedings against the Swiss Entity, would not pass over to the assignee, but would become part of the bankrupt estate.

With respect to claims under insurance policies, security interests can be obtained either by assignment of all claims of the beneficiary (and delivery of the insurance policy with regard to such insurance policy) or the secured creditor being named as an insured party.

Pledge over the shares of Polsat License Ltd.

Shares in a Swiss limited liability stock company (*Aktiengesellschaft*) (such as Polsat License Ltd.) may be pledged by share pledge agreement. In order to perfect the pledge, the respective shares have to be handed over to the holders of the secured claims. In the case of registered shares (*Namenaktien*) such shares either have to be endorsed in blank or the pledge has to be tracked in the endorsement by means of pledge endorsement (*Pfandindossament*).

Under Swiss law, a pledge is accessory in nature (*akzessorische Sicherheit*). Thus, the validity and existence of the pledge depends on the validity of the secured obligation. The pledge over shares extinguishes by law if the secured obligations are or have become unenforceable, illegal or invalid or if such secured obligations are terminated, replaced, restated or novated. As a consequence of that principle, the pledge under the pledge agreement has to be identical to the creditor under the secured obligation.

Accordingly, should the Parallel Debt not be enforceable or otherwise be invalid, the pledge would not be validly existing.

Guarantee

A guarantee, if considered to be accessory to the secured obligation (rather than an abstract guarantee undertaking), might be requalified as surety (*Bürgschaft/cautionnement*) in which case (i) it would be accessory to and dependant on the existence of the secured obligations and (ii) formal requirements under Swiss law must be respected (in particular, a maximum amount has to be stated in a surety for it to be valid). While Swiss counsel advised that such requalification is rather unlikely, it must be noted that such requalification would be void if a maximum (secured) amount has not been stated therein.

Enforcement of security (guarantee and security interests) in Switzerland and insolvency of Polsat License Ltd.

Background

As a general rule, insolvency proceedings with respect to a Swiss company should be subject to the jurisdiction of the Swiss authorities and courts which would apply Swiss insolvency law. The vast majority of the bankruptcy and insolvency provisions in Swiss law are encompassed in DCBA and its regulatory statutes. The DCBA provides for different procedures for collecting pecuniary debts and enforcing security interests against collateral. Distinctions among the procedures are based on, among other factors, whether the obligation is secured or unsecured or whether the debtor is registered in the Commercial Register (*Handelsregister*) in a specified form and is thus subject to the bankruptcy provisions of the DCBA.

However, all procedural tracks are initiated in basically the same way: either by one or by several creditors. If a secured creditor enforce the security granted to him, this will not automatically result in the debtor falling into bankruptcy. However, in case the debtor becomes bankrupt, the procedure is as described below under "Enforcement of Swiss Security upon Administration, Insolvency or Bankruptcy". If the debtor is a foreign legal entity not registered in any Swiss Commercial Register (*Handelsregister*), it can only be subject to enforcement proceedings in Switzerland for unsecured obligations if it has contractually elected and agreed upon a special domicile (*Spezialdomizil*) in Switzerland for the performance of such obligation in accordance with article 50 of the DCBA.

Enforcement of Swiss Security prior to Administration, Insolvency or Bankruptcy of Polsat License Ltd. or the pledgor under the Swiss share pledge (over the shares in Polsat License Ltd.)

(a) Pledged Shares

Provided the insolvency regime applying to the pledgor of the shares in Polsat License Ltd. still allows for the enforcement in the pledge over the shares in such entity, such proceeding would follow the steps as outlined below.

Pledge shares enable the pledgee to recuperate the financial claim from the realized value of the pledged shares. Not only is the capital amount of the financial claim covered by the proceeds from the realization of the pledged shares, but also are the costs of the enforced execution and the interest charges on overdue payments as well as certain unpaid interest charges.

If the obligation is secured by (pledged) shares, the creditor first has to file an application for commencement of enforcement proceedings against the debtor with the enforcement office (*Betreibungsamt*) either according to art. 46-50 DCBA or at the place where the collateral or the most valuable part thereof is situated.

According to Swiss law, a creditor's claims for repayment of a loan are barred by statute of limitation (*verjährt*) after ten years and the claims for interest after five years. By means of filing the application for commencement of enforcement proceedings the running of the statute of limitations stays and will start again for the same periods. The enforcement office will then serve the debtor with the payment order (*Zahlungsbefehl*, hereinafter "Payment Order"). If the pledgor is not identical with the debtor, the owner must also be served with a Payment Order. The Payment Order provides for a payment period of one month for pledges over movables. This means that the creditor may, in any case, request the realization of the pledged shares only upon the lapse of such a one month period. There is virtually no material assessment of the claim at this stage.

Regardless of the one month period mentioned above, the debtor may within ten days upon having been served with the Payment Order file an objection (*Rechtsvorschlag*) to bring the procedure to a halt and obtain an individual stay of proceedings. No reasons need to be given for the objection. The enforcement office notifies the creditor of the objection. It should be noted that the objection is made in most debt enforcement matters.

(i) If the claim is based on an enforceable judgment of a Swiss or foreign court, the creditor can thereafter without any further delay file an application to lift this stay of proceedings with the court (*Rechtsöffnungsbegehren*).

(ii) In case the claim is not based on an enforceable judgment but on a certified and/or signed document such as a duly effectuated loan or bond evidencing the claim, the lifting of such stay can only be obtained provisionally in summary proceedings (*provisorische Rechtsöffnung*). The duration of such proceedings depends on the workload of the respective court, but in general takes between two to four months. In the event the objection is set aside in summary proceedings, the debtor may within 20 days bring an action in ordinary court proceedings for a declaration that the creditor's claim does not exist (*Aberkennungsklage*). In certain circumstances, such proceeding would be with the courts competent in relation to the relevant underlying agreement. The duration of such a proceeding (if in Switzerland) considerably depends on the workload of the Swiss judge leading the proceedings (approximately six to twelve months for a first instance judgment subject to a right of appeal is granted).

Once the objection is set aside by the court, the creditor may file the request for realization of the pledged asset (*Verwertungsbegehren*) with the enforcement office. Such request may be filed at the earliest one month and at the latest one year following the service of the payment order to the debtor. If an objection was made, such terms do not run during the time of the court proceedings necessary to set aside the objection.

Upon receipt of the request for the realization of the pledged movable asset, the enforcement office has the value of the assets assessed.

If the debtor furnishes prima facie evidence showing that he can pay off the debt in installments, and if he undertakes to pay regular and appropriate amounts to the enforcement office, the enforcement officer can upon receipt of the first installment postpone realization of the assets at the most for six months. The postponement elapses without further ado if an installment is not paid on time.

The enforcement office publicly announces the details regarding the public auction and conducts the public auction.

The bid made at the auction must exceed the sum of all secured claims having priority over the claim of the applicant creditor. If this requirement is fulfilled, the bid shall be awarded if, after three calls, no higher bid is offered. If there is no such bid which exceeds the sum of all secured claims having priority over the claim of the applicant creditor, enforcement proceedings cease with regard to the item (e.g., shares) in question.

The enforcement office's fees are approximately USD 1,500 (fixed fee) plus 0.2 per cent. of the sale proceeds.

Instead of a public auction, the pledged movable asset (such as the shares in the Swiss Entity) may be privately sold (*Freihandverkauf*) by the enforcement office provided all parties concerned so agree or if securities or other goods that have a regular market quotation are to be realized.

If the proceeds resulting from the auction or the sale of the pledged shares do not cover the entire claims of the creditor, the enforcement office issues a certificate of shortfall (*Pfandausfallschein*) to the creditor. With such a certificate, the creditor can continue enforcement proceedings against the debtor personally in Switzerland, provided a foreign debtor has elected special domicile (*Spezialdomizil*) in Switzerland.

The total duration mainly depends on the debtor's and the pledgor's behavior. If no action is filed which needs to be heard in an ordinary proceeding, a movable asset (such as the shares) could be realized within a period of two to six months. Typically, a longer period should be anticipated. In the event of ordinary court proceedings coming into play, the enforcement process can, of course, take longer.

The costs of administration, realization and distribution are deducted directly from the proceeds of the realization of the shares.

(b) Security Assignment

Enforcement of security assignment (such as the assignments of bank account claims, insurance claims, etc. for security purposes) under Swiss law essentially involves self help on the part of the assignee. The secured creditor is, after the security assignment has become enforceable, entitled to collect the assigned receivables from the underlying debtor and apply the receivables as so collected in discharge of the secured debt. Even in case of the opening of a bankruptcy proceeding over the Swiss Entity would the assigned claims not fall into the bankrupt estate and the remedies and enforcement steps as described in this paragraph would still be available.

Enforcement of Swiss Security upon Administration, Insolvency or Bankruptcy of the Swiss Entity

While the security created by the assignment of claims (as described above) may still be enforced outside an official insolvency proceeding, even post opening of the bankruptcy proceeding, the claims under the guarantee entered into by the Swiss Entity would have to be enforced in the framework of the bankruptcy proceeding.

The DCBA distinguishes between two different proceedings that may lead to the adjudication of bankruptcy: the ordinary proceeding with prior debt collection and proceedings without prior enforcement.

An ordinary bankruptcy proceeding is preceded by a debt collection proceeding (see above). The creditor who wants to initiate a debt collection proceeding has to file an application for commencement of enforcement proceedings against the debtor with the enforcement office (*Betreibungsamt*) at the place of the debtor's registered office. The office will then serve the debtor with the Payment Order. The Payment Order provides that the debtor either has to pay the indicated debt within twenty days or deny the claim within ten days. If the debtor denies the claim, he has to state an objection to the Payment Order (*Rechtsvorschlag*). This objection brings the procedure to a halt and the proceeding is stayed. If the debtor does not state an objection within the ten days, the creditor can file for the adjudication of the debtor's bankruptcy. If the debtor states an objection and the creditor still wishes to collect the debt, the creditor has to commence an ordinary or, in some specific cases, summary court proceeding for the lifting of the stay. After the lift of stay, or if no objection to the Payment Order has been filed, the creditor can apply for continuation of the enforcement procedures (*Fortsetzungsbegehren*) (Article 159 DCBA).

The procedure will be continued by serving the debtor upon the creditor's request with the so-called Threat of Bankruptcy (*Konkursandrohung*). No less than twenty days after the debtor is served with the Threat of Bankruptcy, the creditor can file the Petition for Bankruptcy (*Konkursbegehren*) with the Bankruptcy Court, leading to a summary court trial in which bankruptcy is adjudicated or the case is dismissed.

(i) Voluntary proceedings initiated by the debtor: The DCBA also provides for voluntary bankruptcies. For a corporation, there are two different forms of voluntary bankruptcies: A corporation can voluntarily declare itself insolvent at any time (Article 191 of the DCBA). The declaration of bankruptcy invokes the automatic suspension of current court and debt collection proceedings. Another cause for a bankruptcy case of a corporation is the filing of a petition due to "over-indebtedness". The respective provision is to be found in the Code of Obligations (*Obligationenrecht*, hereafter "CO"). The idea set forth in the CO is that a company should not be allowed to continue in business once its assets no longer cover its debts. The Board of Directors is consequently obliged to file for bankruptcy once this stage has been reached. Such a petition can be filed only if there has been a previous decision of the board of directors (petition due to "over-indebtedness") or of the shareholders of the corporation (declaration of insolvency) to file for bankruptcy.

(ii) Proceedings initiated by the creditor: As shown above, a bankruptcy case generally is initiated by a creditor who went through the debt collection procedure (involuntary bankruptcy) or by the debtor itself (voluntary bankruptcy cases, see (a) above). The DCBA provides for some very limited exceptions to these principles and permits a creditor to file a petition for bankruptcy directly, i.e., without previous debt collection actions. A bankruptcy without prior enforcement proceeding at a creditor's request is only declared if one of the following limited and very restrictive conditions is met: If the debtor has acted fraudulently, or is attempting to act fraudulently, to the detriment of his creditors or if the debtor has obviously and permanently stopped all payments to his creditors. Practically, such cases of bankruptcy are extremely rare (less than 1 per cent. of all bankruptcies), as the creditors usually are not able to prove the required qualified circumstances.

Once bankruptcy has been declared, all of the debtor's seizeable assets at the time of the adjudication of the bankruptcy form the bankrupt estate. The debtor is no longer entitled and capable to dispose of these assets and payments to the debtor do not discharge creditors. Claims of third parties for separation of tangible property (or securities) in (exclusive) possession of bankrupt, e.g., because of ownership, from the estate are to be dealt with in a specific procedure. For creditors, the bankruptcy results in all the obligations of the debtor becoming due (except for obligations secured by mortgages). Creditors have to file their claims with the bankrupt estate. Claims which are not for a sum of money are converted into monetary claims.

Until the so-called "first meeting of creditors", the bankruptcy office acts as administrator of the bankrupt estate. The office draws up an inventory of the assets belonging to the estate immediately upon the adjudication of bankruptcy and takes all measures that are required to reserve the assets of the estate. Furthermore, the bankruptcy office publicly announces the adjudication of bankruptcy and calls the creditors to file their claims, including means of evidence, with the bankruptcy office. With the same public announcement, the bankruptcy office invites for the first meeting of creditors. This meeting of creditors will, amongst others, decide whether the bankruptcy office shall continue with the administration of the bankrupt estate or whether an out of court liquidator shall be appointed. The bankruptcy office or the appointed liquidator is responsible for the administration of the bankrupt estate and for the realization of assets and collection of claims of the bankrupt debtor. Generally spoken, their task consists of the verification of claims, and of the realization and distribution of assets. An administrator has wide powers for the administration of the estate, and only some more important decisions are subject to the approval of the creditors. Furthermore, the bankruptcy office as well as an appointed liquidator are subject to supervision by a special official body. If there are no sufficient assets in the estate for an ordinary bankruptcy proceeding, a Summary procedure may take place. The bankruptcy office then proceeds to liquidations without participation of the creditors. Any creditor can demand ordinary proceedings by advancing costs. If there are no assets at all, the proceeding is closed for lack of assets.

As a general rule, bankruptcy does not result per se in the termination or terminability of (ongoing) agreements to which the debtor is a party unless set forth differently by specific rules of the law (in particular the rules of the CO governing the special contract types).

The ranking of creditors and the distribution of proceeds of the liquidation of the debtor's estate are governed by the following principles. Secured claims are satisfied directly out of the proceeds of the collateral's realization. Unsecured claims (including secured claims to the extent not covered by collateral) are ranked into three classes. Creditors ranked in the first class are paid in full before creditors in the second class receive any dividend. Creditors in the second class have to be paid in full before ordinary creditors ranked in the third class receive any distribution. Employees' claims which have arisen during the six months prior to the adjudication of bankruptcy and claims that arise from termination of employment relationships due to the opening of bankruptcy proceedings, as well as claims concerning accident insurance, pension claims and claims of pension funds against employers, rank in first class. Premium claims of social security systems (old age, disability, accident, unemployment, health insurance, etc.) rank in the second class, while all other claims fall into the third class. Within the third class, subordination agreements are enforceable.

Creditors with subordinated claims formally rank in the same class as other unsecured and non-privileged creditors. In practice, however, their claims are treated as if they ranked in another, i.e., fourth class, of unsecured claims.

Above this, claims deriving from obligations incurred by the trustee on behalf of the estate and the costs for the administration of the estate and the conduct of the bankruptcy proceeding (post adjudication liabilities incurred by the trustee) have priority over unsecured claims and will be satisfied at first. In case of a secured claim, the costs for the administration (including realization) of this specific collateral will be deducted from the proceeds generated. Secured and unsecured claims are dealt with in the so-called "schedule of claims procedure" (*Kollokationsverfahren*). The trustee decides on the admission or non-admission of claims by entering or refusing to enter claims in the "schedule of claims". The trustee's decisions are subject to appeal both by the affected creditor and by other creditors.

Composition proceedings

The DCBA provides as well for moratorium and composition proceedings. A moratorium and the composition proceedings related to it are designed for a debtor who wants to avoid bankruptcy proceedings.

The purpose underlying a moratorium is to enable a debt restructuring of a debtor or, if a debt restructuring seems to be unfeasible, to preserve the assets of a debtor for a limited period of time until the further course of the composition proceedings can be determined.

Composition proceedings under the DCBA are divided into three different stages:

(i) Approval of the composition procedure (approval procedure). In this first stage, the court will only deal with an application for a moratorium (*Stundungsgesuch*) and evaluate the chances of concluding a composition agreement.

(ii) The creditors' examination and acceptance of the proposed composition agreement (acceptance procedure).

(iii) Confirmation of the composition agreement by the court (confirmation procedure). Once a composition agreement is confirmed, it will be executed.

There are three different types of compositions commonly distinguished:

(i) Moratorium composition agreement (S*tundungsvergleich*): creditors' claims are paid in full but at a time later than the original payment dates;

(ii) Percentage composition agreement (*Prozent- oder Dividendenvergleich*): the creditors agree that only a certain percentage of the amounts of all claims must be paid within an approved time-frame. For the rest of the claims which remain unpaid, the creditors pronounce an acquittal; and

(iii) Composition agreement with assignment of assets (*Liquidationsvergleich*): the debtor agrees to transfer all or part of its assets to the creditors, who then satisfy their claims out of the proceeds realized by the liquidation of these assets.

If the composition agreement is rejected or the moratorium revoked, any creditor may proceed with enforcement proceedings. The decision of the court not to confirm the composition agreement also has the effect that any creditor may, within 20 days after the decision has been notified, demand that bankruptcy proceedings are immediately opened against the debtor.

Norway

General limitations—financial assistance

Pursuant to the Norwegian limited liability companies act section 8-10, a company may not put funds at the disposal, grant loans or provide security in connection with the acquisition of the shares of the company itself or in connection with the acquisition of its parent company. This means that Nord License AS cannot guarantee or provide security for any loans which have been used to finance the acquisition of TV Polsat. The rule applies also to subsequent refinancing of the original acquisition loan. Furthermore, pursuant to the Norwegian limited liability companies act section 8-7, a company may grant loans to or provide security on behalf of its shareholder or a shareholder's affiliate (for example a sister company) only within the limits of its free equity and if satisfactory security is provided for the company's claim for repayment. Section 8-7 contains a general exemption for loans and security provided to or on behalf of a company within the same company group. The definition of a "company group", however, is worded in a way that the exemption applies to company groups with a parent company located outside Norway only if the parent company has its seat within the European Economic Area and is subject to financial assistance rules which are similar or stricter than those applicable in Norway. There are no court decisions which would clarify whether the financial assistance rules of, for example, Poland or Sweden, qualify as "similar or stricter" than those of Norway. In discussions among Norwegian jurists, it has been argued that the financial assistance rules of Norway indeed are the strictest within the European Economic Area, and that therefore the company group exemption will not apply to loans granted to or security issued in favor of a parent company located outside Norway or to such parent company's subsidiaries.

As a consequence of the financial assistance rules, the value of the Guarantee and any security provided by Nord License AS may be limited to zero.

General limitations—Insolvency

Nord License AS, a Subsequent Guarantor, is a limited liability company organized under the laws of Norway. Insolvency proceedings against Nord License AS will be subject to the jurisdiction of Norwegian courts and be governed by Norwegian insolvency law.

Enforcement of guarantee claims in the Guarantor's liquidation

The assets of a Guarantor in liquidation will be distributed amongst its creditors in accordance with the provisions of the Creditors' Recovery Act and the Debt Reorganization and Bankruptcy Act, once a settlement of secured claims in the security assets has been completed. In liquidation, such security can, in certain circumstances, be deemed illegal and be reversed by the Norwegian courts. Security granted within the three months preceding the relevant bankruptcy proceedings will generally be reversed, as will security taken in bad faith in the last two years.

Certain claims are considered preferential by law and thus will rank before other claims (in addition to claims that enjoy statutory lien, and secured creditors). The costs and expenses related to the bankruptcy proceedings themselves will be settled first, thereafter certain wage related claims and unsettled income tax and VAT. Unsecured creditors will receive dividends on a strictly mathematical pro rata basis, and the guarantee claims will (unless the guarantee is pro rata) compete with their full amount *pari passu* with other unsecured claims. The estate of the Guarantor will have a full recourse claim against the primary debtor. In cases where there are more than one guarantor and/or other security, the estate will have a recourse claim against the co-guarantors and/or the owner of such other security for their pro rata share of the loss, to the extent that the estate has paid more than its pro rata share. The division between the respective co-guarantors/owners of other security will depend on the contractual basis for the respective guarantees and securities. Without any other basis for the division, the presumption will be in favor of an even distribution of the burden.

Solvent enforcement

Enforcement of a guarantee claim against a solvent guarantor will in principal require a final judgment by a court (unless the guarantee is written on a promissory note). Thereafter the creditor may apply to the enforcement authorities for enforcement of his claim.

Enforcement of security normally requires that the pledgee/chargee files an application to enforcement authorities for the enforcement of the security. Certain types of security may, however, be enforced without the involvement of the enforcement authority or a court. A provision granting the secured party such right of enforcement is typically included in any pledge agreement between the pledgor and the secured party.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Note"). The Notes sold to persons outside the United States in reliance on Regulation S under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "Rule 144A Book-Entry Interests") and in the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in the book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of the Global Notes for all purposes under the indenture governing the Notes. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither we nor the Trustee, the Registrar or any other agent will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of €100,000 principal amount or less may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Payment of Additional Amounts". If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes—Payment of Additional Amounts", we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for (i) any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, (ii) Euroclear, Clearstream or any participant or indirect participant or (iii) the records of the common depositary.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered notes in certificated form ("Definitive Registered Notes") and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set out under "Notices to Investors". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notices to Investors".

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notices to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or
- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through either Euroclear or Clearstream following an event of default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar or Transfer Agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable, provided that no Definitive Registered Note in a denomination less than €100,000 will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer (as defined in the Indenture). In the event of the transfer of any Definitive Registered Note, the

Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. Please see "Notices to Investors".

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Issuer's Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require.

For so long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, if Definitive Registered Notes are issued, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a daily leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and send a copy of such notice to the Luxembourg Stock Exchange, or, to the extent and in the manner permitted by such rules, post a notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been registered under the U.S. Securities Act or the securities laws of any other applicable jurisdiction and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any other applicable jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions (as defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that neither the Notes nor the Guarantees have been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities law, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any Guarantor or acting on the Issuer or any Guarantor's behalf and it is either:

   (i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or for the account of another QIB; or

   (ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in the offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Issuer, the Guarantors, the Indenture, the Notes, the Guarantees and the Security Documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Guarantors and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or

otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, (v) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000, or (vi) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv), (v) or (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 144A OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) AND IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE DATE WHEN THE SECURITIES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS IN RELIANCE ON REGULATION S AND THE DATE OF THE COMPLETION OF THE DISTRIBUTION ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A

"QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(7) It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "Plan of Distribution".

PLAN OF DISTRIBUTION

Subject to the terms and conditions set out in the purchase agreement (the "Purchase Agreement") entered into as of May 6, 2011, by and among the Issuer, the Initial Guarantors and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Notes in an aggregate principal amount of €350,000,000.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. Sales in the United States will be made through affiliates of the Initial Purchasers.

The Purchase Agreement provides that the Issuer and the Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Initial Guarantors have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, and to cause any of their subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt or convertible securities issued or guaranteed by the Issuer or the Initial Guarantors or any of their subsidiaries.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) in the United States following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 10"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next six succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers have advised the Issuer that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obliged, however, to make a market in the Notes and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. Please see "Risk Factors—Risks Related to the Notes and the Offering—An active trading market may not develop for the Notes, in which case your ability to transfer the Notes will be more limited".

In connection with the Offering, Citigroup Global Markets Limited (the "Stabilizing Manager"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

Each Initial Purchaser has represented that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. In addition, until 40 days following the later of (i) the commencement of this Offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notices to Investors".

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this offering memorandum and resale of the Notes. Please see "Notices to Investors".

The Issuer and the Initial Guarantors have agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes will initially be offered at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

The Issuer has applied, through its listing agent, to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and to listing on the Official List of the Luxembourg Stock Exchange. Neither we nor the Issuer can assume that Notes will be approved for admission to trading and listing, and will remain admitted to trading on the Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial lending, consulting and financial advisory services to us or the Issuer and our affiliates in the ordinary course of business for which they have received or may receive customary advisory and transaction fees and expense reimbursement. In addition, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank and The Royal Bank of Scotland plc, directly or through one or more affiliates are acting as arrangers, underwriters and lenders under the Senior Secured Credit Facilities and the Senior Secured Bridge Facility and as hedge counterparties under certain hedging arrangements and will receive customary fees for their services in such capacities. It is expected that the amounts owed by the Group under the Senior Secured Bridge Facility, will be reimbursed with the proceeds of the Offering, and that the commitments of the lenders under such facility will be cancelled as a result.

LEGAL MATTERS

Various legal matters will be passed upon for the Issuer, Cyfrowy Polsat and the other Guarantors by Dewey & LeBoeuf LLP, New York, United States, as to matters of United States federal and New York state law, by Dewey & LeBoeuf LLP, London, United Kingdom, as to matters of English law, by Dewey & LeBoeuf Grzesiak Sp.k., as to matters of Polish law, by Advokatfirman Vinge KB as to certain matters of Swedish law, by Advokatfirmaet Selmer DA, as to matters of Norwegian law and by Walder Wyss Ltd. as to matters of Swiss law. Certain legal matters will be passed upon for the Initial Purchasers by Kirkland & Ellis International LLP, London, United Kingdom, as to matters of United States federal and New York state law, by Linklaters C. Wísniewski i Wspólnicy s.k. as to matters of Polish law and Roschier Advokatbyrå AB as to matters of Swedish Law.

INDEPENDENT AUDITOR

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., with its registered office in Warsaw (00-867 Warsaw, ul. Chłodna 51), audited the consolidated financial statements of Cyfrowy Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 included elsewhere in this offering memorandum and issued unqualified auditor's opinion on the aforementioned financial statements.

KPMG Audyt Sp. z o.o. with its registered office in Warsaw (00-867 Warsaw, ul. Chłodna 51) audited the consolidated financial statements of TV Polsat Group as of and for the years ended December 31, 2008, 2009 and 2010 included elsewhere in this offering memorandum and issued unqualified auditor's opinion on the aforementioned financial statements.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is registered in the register of auditors held by the National Chamber of Statutory Auditors under No. 3546.

KPMG Audyt Sp. z o.o. is registered in the register of auditors held by the National Chamber of Statutory Auditors under No. 458.

ENFORCEMENT OF JUDGMENTS

The Issuer is incorporated in Sweden. None of the members of its management and its Executive Directors are residents of the United States as of the date of this offering memorandum, and all of the members of the Issuer's management and its Executive Directors and all of the Issuer's assets are located outside the United States. The Guarantors are incorporated in Poland, Sweden, Norway, United Kingdom and Switzerland. The members of their boards of directors and management are not residents of the United States as of the date of this offering memorandum, and all of the assets of the Guarantors are located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to effect service of process within the United States upon the Issuer's or the Guarantors' management or directors or to enforce judgments obtained in U.S. courts predicated upon the federal securities laws of the United States or the securities or blue sky laws of any state within the United States, against the Issuer's or the Guarantor's management or directors.

Enforcement of Judgments in Poland

Enforcement of judgments of foreign courts is subject to the 1988 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, the Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters, and other relevant treaties or conventions, including relevant bilateral treaties and the rules of the Polish Code of Civil Procedure.

There is no treaty between the United States of America and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, to judgments of U.S. courts, the rules of the Polish Code of Civil Procedure shall apply. Those rules provide for enforcement of foreign judgments concerning matters which may be settled by Polish civil courts if the judgment is enforceable in the country where it has been rendered. In addition the following requirements must be satisfied:

- the judgment is final in the jurisdiction in which it was issued;
- the case does not belong to the exclusive jurisdiction of the Polish courts;
- no summons has been served on the defendant, who was not engaged in the dispute on the matter, in due time for his defense;
- the party has not been deprived of the possibility of defending itself in judicial proceedings;
- a case regarding the same claim between the same parties was not pending in Poland earlier than before a court of the foreign country;
- the judgment is not contrary to an earlier final judgment of a Polish court or an earlier final judgment of a foreign court satisfying the conditions for its recognition in Poland, which was rendered in a case regarding the same claim between the same parties; and
- the judgment is not contrary to the fundamental principles of the legal order of Poland.

Enforcement of Judgments in Sweden

Pursuant to the provisions of the Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters (the "Brussels Regulation"), a judgment entered against a company in the courts of a Member State (as defined therein, i.e., all member states of the European Union) and which is enforceable in such a Member State, will be directly enforceable in the Kingdom of Sweden only upon the satisfaction of the following requirements: (a) that a motion for enforcement has been filed with and granted by Svea Court of Appeal at Stockholm and (b) that the formal requirements in the Brussels Regulation have been fulfilled. However, upon an appeal against the declaration of enforceability pursuant to the Brussels Regulation the court with which the appeal is lodged may stay the proceedings.

With regards to the provisions of the 1988 and 2007 Lugano Conventions on the Recognition of Judgments in Civil and Commercial Matters (the "Lugano Convention"), a judgment entered against a company in the courts of a Contracting State (as defined in the Lugano Convention) and which is enforceable in such a state, will be directly enforceable in the Kingdom of Sweden only upon the satisfaction of the following requirements: (a) that a motion for enforcement has been filed with the Svea Court of Appeal at Stockholm as provided by law and has been granted; (b) that no appeals lie against the judgment entered in the courts of such Contracting State; (c) that the courts of such Contracting State had jurisdiction; (d) that a summons has been duly served on the respondent in the proceedings before the courts of such State; (e) that the judgment is not inconsistent with a prior judgment given between the same parties in the same matter; and (f) that the judgment does not contravene fundamental principles of the legal order or the public policy of the Kingdom of Sweden;

Judgments entered against any Swedish party in the courts of a state which is not a member state under the terms of the Brussels Regulation or a contracting state under the terms of the 1988 and 2007 Lugano Conventions (the "Conventions") (e.g., the United States of America), would not be recognized or enforceable in Sweden as a matter of right without retrial on its merits. If the party in whose favor the final judgment is rendered brings a new suit in a competent court in Sweden, the party may however submit to the Swedish court the final judgment that has been rendered in the United States. A judgment by a court in the United States will be regarded by a court, administrative tribunal or executive or other public authority of the Kingdom of Sweden only as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

However, there is Swedish case law to indicate that such judgments:

- that are based on a contract which expressly exclude the jurisdiction of the courts of the Kingdom of Sweden;
- that were rendered under observance of due process of law;
- against which there lies no further right to appeal; and
- the recognition of which would not manifestly contravene fundamental principles of the legal order or the public policy of the Kingdom of Sweden,

should be acknowledged without retrial on their merits.

Enforcement of Judgments in Switzerland

Enforcement in Switzerland of judgments rendered outside Switzerland is subject to the limitations set forth in (i) the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, as amended from time to time (the "Lugano Convention"), (ii) such other international treaties under which Switzerland is bound (e.g., the New York Convention of June 10, 1958 on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention")), and (iii) the Swiss Private International Law Act of 18 December 1987, as amended from time to time (the "PILA").

In particular, our Swiss counsel has advised us that a United States judgment (other than an arbitral award, enforcement of which is subject to the New York Convention) (which is not a member stated of the Lugano Convention) rendered against a Swiss company may be recognized and enforced upon request by the courts of Switzerland (without retrial or examination on the merits of the case) if certain requirements of the PILA are met. Such requirements are, amongst others, that:

- the foreign court had jurisdiction;
- the judgment of such foreign court has become final and non-appealable;

- the recognition of the foreign judgment is not contrary to the Swiss public policy;
- the counterparty has been properly served with process according to the law of the state of his/her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities) or the counterparty has unconditionally joined the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the counterparty has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided first in Swiss court and no judgment between the same parties and on the same subject matter has been first rendered by a foreign court, which judgment may be recognized in Switzerland.

Furthermore, a judgment rendered against a Swiss company by a court of a country which is a member state of the revised Lugano Convention may be recognized and enforced upon request by the courts of Switzerland (without retrial or examination on the merits of the case) provided that certain requirements of the Lugano Convention are met. Such requirements are, amongst others, that:

- such judgment is not the result of revenue, penal or insolvency proceedings;
- the recognition of such foreign judgment is not contrary to Swiss public policy;
- such judgment is not a default judgment, in circumstances where the defendant was not duly summoned or not given due time to arrange his defense; and
- that the court did have jurisdiction under the Lugano Convention if the proceedings fall within Article 22 of the revised Lugano Convention.

Subject to the foregoing (concerning the enforcement of foreign judgments), we cannot assure that those judgments will be enforceable.

Subject to the foregoing, purchasers of the Notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from United States federal or state courts (or courts of any other country); however, we cannot assure you that those judgments will be enforceable. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings were commenced in Switzerland predicated solely upon United States federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Awards of punitive damages awarded in original actions outside Switzerland may also not be enforceable in Switzerland.

Enforcement of Judgments in England and Wales

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in England. However, any such judgment would create a debt obligation, and, subject to the qualifications set out below, the judgment creditor would be able to bring a fresh action at common law in England for the recovery of that judgment debt without reopening the merits of the original case. Provided that certain conditions were satisfied, the English court would order summary judgment on the basis that there was no defense to such action. Those conditions include:

- the English proceedings are instituted within 6 years of the date of the original judgment;

- the original judgment was given by a U.S. court of competent jurisdiction according to English conflict of law rules;
- the proceedings were not contrary to English law principles of natural justice;
- the original judgment is final and conclusive on the merits;
- the original judgment is for a fixed sum of money;
- the original judgment does not contravene English public policy;
- the original judgment is not for a tax or similar charge, fine or other penalty, and is not an award of multiple damages (though in respect of multiple damages, an element of the award may be enforceable);
- the original judgment was not obtained by fraud; and
- the original judgment is not irreconcilable with a judgment of the English courts between the same parties in connection with the same dispute.

Enforcement of Judgments in Norway

Norwegian courts will, as a general rule, not recognize or enforce judgments rendered by a foreign court unless Norway has entered into a bilateral or multilateral treaty with the relevant country(ies) regarding the recognition and enforcement of judgments. Due to the Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters of 1988, Norwegian courts will recognize as valid judgment, and enforce, any final civil judgment obtained in a foreign court in a state which is a party to the Lugano Convention, without a further re-examination of the merits of the case. The exceptions stated in the Lugano Convention itself will apply.

In case there is no treaty between Norway and the relevant jurisdiction regarding the recognition and enforcement of judgments, a judgment rendered by a foreign court (for example the courts of United States of America) may nevertheless be recognized and enforced in Norway without further re-examination of the merits of the case, provided that the foreign proceedings and the judgment itself fulfill the conditions stated in the Norwegian Enforcement Act of 1992 No. 86, and the Norwegian Dispute Act of 2005 No. 90:

(i) it is a civil law matter;

(ii) the respective parties have agreed to refer the matter to the relevant court;

(iii) the judgment is final and enforceable in and pursuant to the laws of the country where it has been passed;

(iv) the judgment does not relate to an interest in land in Norway; and

(v) the recognition and enforcement of the judgment is not in conflict with Norwegian mandatory law or public policy.

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the Notes to admit the notes for listing on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange in accordance with the rules of that exchange.

All notices to holders of Notes, including any notice of any additional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation which is expected to be the *Luxemburger Wort* or on the website of the Luxembourg Stock Exchange at www.bourse.lu. Changes in the rate of interest on the Notes will also be communicated to the Luxembourg Stock Exchange no later than the date on which such change is effective.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer and the Guarantors;
- our most recent audited consolidated financial statements, and any unaudited interim financial statements published by us; and
- the Indenture relating to the Notes (which includes the guarantees and the form of the Notes).

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as the registrar, Luxembourg paying agent and transfer agent for the Notes. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu). The present and future audited accounts of Cyfrowy Polsat are or will be available free of charge at the office of our Luxembourg paying agent.

According to Chapter 3, Section 2, Article 19(1) of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes will be freely transferable on the Luxembourg Stock Exchange in accordance with applicable law.

Clearing Information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream under common code 062606401 and 062606436, respectively. The international securities identification number for the Notes sold pursuant to Regulation S under the U.S. Securities Act is XS0626064017 and the international securities identification number for the Notes sold pursuant to Rule 144A under the U.S. Securities Act is XS0626064363.

Legal Information

Information on the Issuer

The Issuer is a public limited liability company, which was incorporated under the laws of Sweden on February 18, 2011. The issued share capital of the Issuer currently amounts to SEK 500,000 divided into 500,000 ordinary shares with a par value of SEK 1.00 each. The registered office of the Issuer is at Stureplan 4C, 4tr, 114 35 Stockholm, Sweden. The Issuer is registered with the Swedish Companies Registration Office (Sw.: *Bolagsverket*) under number 556842-4435. The Issuer's directors are Hugo Nordenfelt, Tomasz Szeląg, Edgar Vögg. The Issuer's auditors are KPMG AB with the responsible auditor being Magnus Jacobsson. The Issuer is a wholly owned subsidiary of Cyfrowy Polsat and is a finance company that has not engaged in any activities prior to the date of this offering memorandum.

Information on the Guarantors

The Notes offered hereby will initially be fully and unconditionally guaranteed on a senior secured basis by the Cyfrowy Polsat Group. After the Transformation, the Notes will be fully and unconditionally guaranteed on a senior secured basis by the TV Polsat Group.

General

Except as disclosed in this offering memorandum:

- there has been no material adverse change in our financial position since December 31, 2010; and
- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer and Cyfrowy Polsat accept responsibility for the information contained in this offering memorandum.

ANNEX A

GLOSSARY OF TECHNICAL TERMS

Unless otherwise required by the context, the following definitions shall apply throughout the document:

access prime time	The period from 4:00 p.m. to 6:30 p.m.
Act on Cinematography	The Polish Act of June 30, 2005 on Cinematography (Dz. U. No. 132, Item 1111, as amended).
Act on Tax on Civil Law Transactions	The Polish Act on Tax on Civil Law Transactions of September 9, 2000 (consolidated text in Dz. U. of 2010, No. 101, Item 649, as amended).
analog	A transmission mode in which the initial signal (e.g., voice) is converted into and transmitted as an electric signal. Signals are conveyed by continuously varying, for example, the frequency, amplitude or phase of the transmission. Analog signals typically require higher amounts of capacity to transfer data than is possible using digital transmissions and are more susceptible to interference, distortion, and attenuation.
ARPU	Average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period.
Broadcasting Act	The Polish Act on Radio and TV of December 29, 1992 (consolidated text in Dz. U. of 2004, No. 253, Item 2531, as amended).
CAGR	Compound annual growth rate.
Central Europe	The group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania.
churn rate	We define "churn rate" as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period.
CIT Act	The Polish Corporate Income Tax Act of February 15, 1992 (consolidated text in Dz. U. of 2000, No. 54, Item 654, as amended).
Companies Code	The Polish Companies Code of September 15, 2000 (Official Journal 2000.94.1037 as amended).
conditional access system	A system that provides control over access to the signal transmitted by a DTH operator. Consequently, the DTH service is available only to authorized users.

DTH	Direct to Home. A service consisting of the distribution of satellite radio and TV channels directly to the home as part of paid channel packages. For the purposes of this offering memorandum, the term only applies to paid digital satellite services.
DTT	Digital Terrestrial TV (DTT or DTTV) is an implementation of digital technology to provide a greater number of channels and/or better quality of picture and sound using aerial broadcasts to a conventional antenna (or aerial) instead of a satellite dish or cable connection.
DVB	Digital Video Broadcasting is a set of internationally accepted open standards for digital TV. DVB systems distribute data using a variety of means, including via satellite, cable TV, terrestrial TV, terrestrial TV for handheld devices and via microwave, using different DVB standards. These standards define the physical layer and data link layer of the distribution system. Devices interact with the physical layer via a synchronous parallel interface ("SPI"), synchronous serial interface ("SSI"), or asynchronous serial interface ("ASI"). All data is transmitted in MPEG-2 (i.e., in a standard for encoding and compressing digital video and audio signals) transport streams with some additional constraints (DVB-MPEG).
DVB-T	DVB-T is the acronym for digital video broadcasting—terrestrial standard, first published in 1997. Digital video, sound and additional data are transmitted using MPEG transport stream.
DVR	Digital Video Recorder or DVR recorder. A device connected to a TV set and signal source capable of recording and playing back broadcast transmissions by use of an internal storage device, such as a hard disk drive.
Edge	Enhanced Data rates for GSM Evolution. EDGE is the technology used in GSM networks for data transmission. It is an enhancement to GPRS technology, with improved radio interface, which made it possible to approximately triple the bandwidth (in most existing systems typically up to 236.8 kbit/s in 4 time slots), and to implement the possibility of dynamic change of transmission of data packets, depending on the transmission conditions encountered.
Family Package ARPU	Average revenue per subscriber (ARPU) to the Family Package.
Flexible Offer	A promotional DTH subscription package consisting of an initial, six-month free of charge period after which a subscriber has the option to elect to pay for the remaining 23 months of the subscription for the Family Package or the Mini Package.
FTA	Free-to-Air. A term denoting TV and radio channels which are un-encoded and freely available. With respect to TV Polsat the term denotes TV and radio channels which are available via terrestrial broadcast.

GB	A gigabyte. A unit of information equal to 10^9 bytes. One byte is equal to eight bits. A bit is the smallest unit of binary data in a computer network.
GPRS	General Packet Radio Service. GPRS is a packet oriented mobile data service on 2G and 3G cellular communication systems global system for mobile communications (GSM).
GRP	A "gross rating point" which, as applied to Poland, is equal to 0.2 million inhabitants in the basic commercial target group (16-49 years old).
HD	High Definition. HD is a system of higher resolution than standard-definition (SD), and most commonly involves display resolutions of 1,280 × 720 pixels (720p) or 1,920 × 1,080 pixels (1080i/1080p).
HSPA	High Speed Packet Access. HSPA is an enhanced 3G mobile telephony communication protocol, which supports increased peak data rates of up to 14 Mb/s in the downlink and 5.8 Mb/s in the uplink. It also reduces latency and provides up to five times more system capacity in the downlink and up to twice as much system capacity in the uplink.
HSPA+	High Speed Packet Access Plus or Evolved HSPA. HSPA+ relates to radio data transfer technology of increased speed. HSPA+ provides HSPA data rates up to 84 Mb/s on the downlink and 22 Mb/s on the uplink through the use of higher order modulation, and also, a multiple-antenna technique known as MIMO.
HSPA+ MIMO	High Speed Packet Access Plus MIMO. A data transfer technology of increased speed provided through the use of a multiple-antenna technique known as MIMO.
Inheritance and Donations Tax Act	The Polish Inheritance and Donations Tax Act of July 28, 1983 (consolidated text in Dz. U. of 2009, No. 93, Item 768).
interconnection	The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.
IPTV	Internet Protocol TV. A method of distributing TV content over IP (Internet protocol, i.e., protocol used in the Internet for communication among multiple networks in which data is sent in packets and routed according to traffic density). Unlike transmitting over the air or via cable to a TV set, IPTV uses Internet protocol for delivery and requires a broadband connection and an IPTV set-top box to decode the images in real time. IPTV uses a two-way broadcast signal sent through the provider's backbone network and servers, allowing viewers to select content on demand, use digital video recorder, or take advantage of other interactive TV options.

KRRiT	The Polish Broadcasting Council (*Krajowa Rada Radiofonii i Telewizji*).
LTE	Long Term Evolution. Data transmission technology in mobile networks technology, the follower of commonly used UMTS standard, characterized by much higher data transfer speed, greater capacity and lower network latency. The LTE mobile connection allows download speeds of up to 150 Mb/s. Compared to HSPA+ or UMTS, it is characterized by much lower delays and allows for the handling of many more users.
MB	Megabyte. A measure of data volume representing approximately one million bytes. Each byte is equal to eight bits.
Mb	Megabit. A measure of data transfer rates representing one million bits or 125,000 bytes.
MIMO	Multiple Input, Multiple Output. MIMO technology enables simultaneous transfer of several different data streams through simultaneous transmission using multiple antennas and thus higher speed, better transfer quality, and optimal use of frequency spectrum. It allows for further profit from all the options of the Internet (browsing, downloading and sending files, watching movies, broadcasting on-line HD videos and 3D graphics).
Mini Package ARPU	Average revenue per subscriber (ARPU) to the Mini Package.
MMS	Multimedia Messaging Service is a standard for telephony messaging systems that enables sending messages including multimedia objects such as images, audio, video and rich text (as opposed to SMS, which only sends basic text).
multi-play service	A service offering more than one product as part of a single offering, usually at more advantageous prices.
Multiplexer	A device for combining multiple digital streams, including video, audio and data.
MVNO	Mobile Virtual Network Operator. An operator that provides mobile telephony and data services but does not own a licensed spectrum allocation nor necessarily have all the required technical infrastructure required for providing the services.
nVoD	Near Video on Demand, a technique used in digital television by a cable or satellite service to offer the same feature film on different channels at different staggered start times.
Ofcom	Office of Communication. An independent regulator and competition authority for the United Kingdom communications industries.
PIT Act	The Polish Personal Income Tax Act of July 26, 1991 (consolidated text in Dz. U. of 2010, No. 51, item 307, as amended).

Polish Code of Civil Procedure	The Polish Act of November 17, 1964, the Civil Procedure Code (Dz. U. of 1964, No. 43, Item 296, as amended).
power ratio	The power ratio is a ratio of advertising market share to audience share, measuring the relationship between advertising revenues and audience.
prime time	The period from 6:30 p.m. until 11:00 p.m.
remote headend	A conditional access system installed outside the broadcasting center, interacting with the main system via telecommunications links.
SAC	Subscriber Acquisition Cost. The commission payable to distributors per customer acquired.
satellite broadcasting center	The Group's satellite transmission and reception center located on the premises of the Praga Business Park at ul. Łubinowa 4a, Warsaw.
Senior Credit Facilities Agreement	The agreement setting forth the terms of the Senior Secured Credit Facilities.
SMS	Short Message Service, commonly referred to as "text messaging" is a service for sending short messages of up to 160 characters (224 characters if using a 5-bit mode) to mobile devices. SMS is similar to paging. However, SMS messages do not require the mobile phone to be active and within range and will be held for a number of days until the phone is active and within range.
subscriber	A person who signed an agreement for subscription to TV services and who is obligated, under the terms of agreement, to make payments to access a package or packages of TV channels or who has access to such packages after making required payments but without having signed such an agreement.
technical coverage	A percentage of households which have the technical ability to receive a channel broadcast.
Telecommunications Law	The Polish Act of July 16, 2004—Telecommunications Law (consolidated text in Dz. U. of 2004, No. 171, Item 1800, as amended).
thematic TV channels	TV channels specializing in a particular kind of programming, such as children's programming, films, sports, weather, news or documentaries.
TNK	Telewizja na kartę, one of the existing Polish DTH platforms.
TP	Telekomunikacja Polska S.A. with its registered office in Warsaw, Poland, a Polish telecom operator.
transponder	The receiver and transmitter in a communications or broadcasting satellite, relaying received signals back to earth.

TTS . . . . Text-to-speech, converting text into voice output using speech synthesis techniques. Although initially used by the blind to listen to written material, it is now used extensively to convey financial data, e-mail messages and other information via telephone for everyone. Early TTS systems had a very robotic sound; however, with the advent of high-speed chips and advanced software techniques, TTS has become more natural.

TVN . . . . TVN S.A.

TVP . . . . Telewizja Polska S.A., a state-owned broadcaster, which is publicly funded and fulfils a public service broadcasting mandate.

UMTS . . . . Universal Mobile Telecommunications System. UMTS is one of the third-generation (3G) mobile telecommunications technologies. Being a complete network system, UMTS covers the radio access network and the core network, as well as authentication of users via SIM cards.

VoD . . . . A service enabling customers to watch a particular program at any time of their choice. TV VoD systems either stream content through a set-top box, a computer or other device, allowing viewing in real time, or content can be downloaded to a device such as a computer, digital video recorder (DVR) or portable media player for viewing at any time (the so-called push VoD system).

INDEX TO FINANCIAL STATEMENTS

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of Cyfrowy Polsat S.A.

We have audited the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group, seated in Warsaw, Łubinowa 4a ("the Group"), which comprise the consolidated balance sheets as at 31 December 2010, 31 December 2009 and 31 December 2008, the consolidated income statements and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flows statements for each of the three years then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2010, 31 December 2009 and 31 December 2008 and its financial performance and its cash flows for each of the three years then ended, in accordance with International Financial Reporting

Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Certified Auditor No. 9645
Limited Liability Partner with power of attorney
Marek Strugała

18 April 2011
Warsaw

CYFROWY POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

(all amounts in PLN thousand, except where otherwise stated)

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 18 April 2011, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

1. Consolidated Income Statements for the period:

from 1 January 2010 to 31 December 2010	showing a net profit of:	PLN 258,470 thousand
from 1 January 2009 to 31 December 2009	showing a net profit of:	PLN 230,319 thousand
from 1 January 2008 to 31 December 2008	showing a net profit of:	PLN 269,763 thousand

2. Consolidated Statements of Comprehensive Income for the period:

from 1 January 2010 to 31 December 2010	showing a total comprehensive income of:	PLN 258,470 thousand
from 1 January 2009 to 31 December 2009	showing a total comprehensive income of:	PLN 230,319 thousand
from 1 January 2008 to 31 December 2008	showing a total comprehensive income of:	PLN 269,763 thousand

3. Consolidated Balance Sheets as at:

31 December 2010	showing total assets and total equity and liabilities of:	PLN 1,015,195 thousand
31 December 2009	showing total assets and total equity and liabilities of:	PLN 774,846 thousand
31 December 2008	showing total assets and total equity and liabilities of:	PLN 757,131 thousand

4. Consolidated Cash Flows Statements for the period:

from 1 January 2010 to 31 December 2010	showing a net decrease in cash and cash equivalents of:	PLN 71,654 thousand
from 1 January 2009 to 31 December 2009	showing a net decrease in cash and cash equivalents of:	PLN 146,867 thousand
from 1 January 2008 to 31 December 2008	showing a net increase in cash and cash equivalents of:	PLN 95,291 thousand

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Consolidated Statements of Changes in Equity for the period:

from 1 January 2010 to 31 December 2010	showing an increase in equity of:	PLN 105,525 thousand
from 1 January 2009 to 31 December 2009	showing an increase in equity of:	PLN 29,075 thousand
from 1 January 2008 to 31 December 2008	showing an increase in equity of:	PLN 232,198 thousand

6. Accompanying notes

These consolidated financial statements have been prepared in PLN thousand unless otherwise indicated.

Dominik Libicki	Tomasz Szeląg	Dariusz Działkowski	Aneta Jaskólska
President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

Warsaw, 18 April 2011

CYFROWY POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

(all amounts in PLN thousand, except where otherwise stated)

CONSOLIDATED INCOME STATEMENTS

	Note	For the year ended 31 December 2010	31 December 2009	31 December 2008
Revenue	10	1,482,463	1,266,137	1,098,474
Operating costs	11	(1,122,252)	(978,358)	(775,809)
Cost of services, products, goods and materials sold	11	(788,496)	(690,984)	(531,776)
Selling expenses	11	(232,973)	(205,263)	(169,216)
General and administrative expenses	11	(100,783)	(82,111)	(74,817)
Other operating income	12	13,970	12,541	20,206
Other operating costs	13	(48,427)	(24,270)	(18,577)
Profit from operating activities		**325,754**	**276,050**	**324,294**
Finance income	14	1,288	14,319	33,309
Finance costs	15	(5,760)	(6,032)	(23,949)
Gross profit for the year		**321,282**	**284,337**	**333,654**
Income tax	16	(62,812)	(54,018)	(63,891)
Net profit for the year		**258,470**	**230,319**	**269,763**
Net profit attributable to:				
Equity holders of the Parent		258,447	230,319	269,763
Non-controlling interests		23	—	—
Net profit for the year		**258,470**	**230,319**	**269,763**
Basic and diluted earnings per share (in PLN)	18	**0.96**	**0.86**	**1.01**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December 2010	31 December 2009	31 December 2008
Net profit for the year	**258,470**	**230,319**	**269,763**
Other comprehensive income	—	—	—
Income tax relating to components of other comprehensive income	—	—	—
Other comprehensive income, net of tax	**—**	**—**	**—**
Total comprehensive income for the year	**258,470**	**230,319**	**269,763**
Comprehensive income attributable to:			
Equity holders of the Parent	258,447	230,319	269,763
Non-controlling interests	23	—	—

The accompanying notes are an integral part of these consolidated financial statements.

(all amounts in PLN thousand, except where otherwise stated)

CONSOLIDATED BALANCE SHEETS

	Note	31 December 2010	31 December 2009	31 December 2008
ASSETS				
Reception equipment	19	275,399	122,457	20,785
Other property, plant and equipment	19	152,857	146,228	125,970
Goodwill	20	52,022	—	—
Intangible assets	21	23,244	14,165	11,876
Investment property	22	—	—	16,998
Other non-current assets	23	37,544	55,870	24,264
Deferred tax assets	16	4,158	2,190	1,223
Total non-current assets		**545,224**	**340,910**	**201,116**
Inventories	24	173,154	122,091	94,999
Trade and other receivables	25	184,298	131,900	119,515
Income tax receivable		7,542	21,265	9,410
Other current assets	26	77,362	59,290	85,669
Cash and cash equivalents	27	27,615	72,652	246,422
Restricted cash	28	—	26,738	—
Total current assets		**469,971**	**433,936**	**556,015**
Total assets		**1,015,195**	**774,846**	**757,131**
EQUITY AND LIABILITIES				
Share capital	29	10,733	10,733	10,733
Reserve capital	29	156,534	73,997	3,964
Other reserves	29	10,174	10,174	10,174
Retained earnings		250,497	227,509	268,467
Total equity		**427,938**	**322,413**	**293,338**
Loans and borrowings	30	—	—	44,135
Finance lease liabilities	31	1,095	1,151	1,407
Deferred tax liabilities	16	65,338	26,060	11,536
Other non-current liabilities and provisions		2,384	1,543	269
Total non-current liabilities		**68,817**	**28,754**	**57,347**
Loans and borrowings	30	18,041	47,370	66,571
Finance lease liabilities	31	491	234	238
Trade and other payables	32	317,953	222,213	197,525
Income tax liability		—	—	400
Deposits for equipment	33	15,523	18,800	22,447
Deferred income	34	166,432	135,062	119,265
Total current liabilities		**518,440**	**423,679**	**406,446**
Total liabilities		**587,257**	**452,433**	**463,793**
Total equity and liabilities		**1,015,195**	**774,846**	**757,131**

The accompanying notes are an integral part of these consolidated financial statements.

(all amounts in PLN thousand, except where otherwise stated)

CONSOLIDATED CASH FLOW STATEMENTS

	Note	For the year ended 31 December 2010	31 December 2009	31 December 2008
Net profit for the year		**258,470**	**230,319**	**269,763**
Adjustments for:		**(50,158)**	**(186)**	**94,040**
Change in liabilities, provisions, accruals and deferred income		97,990	37,314	38,540
Depreciation and amortisation		81,190	41,948	23,547
Income tax	16	62,812	54,018	63,891
Loss/(profit) on investing activity		2,040	(55)	(11)
Interest expense/(income)		1,278	(1,908)	3,789
Foreign exchange losses/(gains)		121	14,112	(13,944)
Change in inventories		(47,977)	(27,092)	35,033
Change in receivables and other assets		(54,577)	(6,680)	(35,394)
Net increase in set-top boxes provided under operating lease		(195,403)	(112,637)	(21,348)
Other adjustments		2,368	794	(63)
Cash flows from operations before income taxes and interest		**208,312**	**230,133**	**363,803**
Income tax paid		(11,974)	(52,709)	(56,069)
Interest received from operating activities		1,196	6,018	8,442
Net cash from operating activities		**197,534**	**183,442**	**316,176**
Acquisition of subsidiary, net of cash acquired	35	(33,271)	(24,801)	—
Acquisition of property, plant and equipment		(28,713)	(26,524)	(48,109)
Acquisition of intangible assets		(16,880)	(10,530)	(7,484)
Loans granted		(3,536)	—	—
Acquisition of financial assets		—	(53,396)	—
Proceeds from sale of financial assets		—	53,726	—
Interest on loans repaid		58	—	—
Proceeds from sale of property, plant and equipment		1,387	42	98
Loans repaid—principal		3,536	—	—
Net cash used in investing activities		**(77,419)**	**(61,483)**	**(55,495)**
Dividends paid		(152,945)	(201,244)	(37,565)
Repayment of loans and borrowings		(47,277)	(63,035)	(107,928)
Payment of interest on loans, borrowings and finance lease		(2,198)	(4,212)	(13,533)
Net cash from bank overdraft		18,041	—	—
Proceeds from realization of foreign exchange call options		794	—	—
Settlement of IPO related costs		—	—	7,223
Finance lease—principal repayments		(864)	(237)	(237)
Purchases of foreign exchange call options		(7,320)	—	—
Other net financing outflows		—	(98)	(13,350)
Net cash used in financing activities		**(191,769)**	**(268,826)**	**(165,390)**
Net (decrease)/increase in cash and cash equivalents		**(71,654)**	**(146,867)**	**95,291**
Cash and cash equivalents at the beginning of the year		**99,390**	**246,422**	**150,726**
Effect of exchange rate fluctuations on cash and cash equivalents		(121)	(165)	405
Cash and cash equivalents at the end of the year*		**27,615**	**99,390**	**246,422**

* The amount as at 31 December 2009 includes PLN 26,738 thousand of restricted cash (see note 28).

The accompanying notes are an integral part of these consolidated financial statements.

(all amounts in PLN thousand, except where otherwise stated)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Reserve capital	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2010		10,733	73,997	10,174	227,509	—	**322,413**
Dividend declared and paid		—	—	—	(152,945)	—	**(152,945)**
Appropriation of 2009 profit—transfer to reserve capital	**29**	—	82,537	—	(82,537)	—	**—**
Purchase of 94% shares in subsidiary	35	—	—	—	—	4,509	**4,509**
Purchase of 6% shares in subsidiary	35	—	—	—	23	(4,532)	**(4,509)**
Total comprehensive income		—	—	—	258,447	23	**258,470**
Balance as at 31 December 2010		**10,733**	**156,534**	**10,174**	**250,497**	**—**	**427,938**

	Note	Share capital	Reserve capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2009		10,733	3,964	10,174	268,467	**293,338**
Dividend declared and paid		—	—	—	(201,244)	**(201,244)**
Appropriation of 2008 profit—transfer to reserve capital	**29**	—	70,033	—	(70,033)	**—**
Total comprehensive income		—	—	—	230,319	**230,319**
Balance as at 31 December 2009		**10,733**	**73,997**	**10,174**	**227,509**	**322,413**

	Note	Share capital	Reserve capital	Other reserves	Retained earnings	Total equity
Balance as of 1 January 2008		10,733	3,500	10,174	36,733	**61,140**
Dividend declared and paid		—	—	—	(37,565)	**(37,565)**
Appropriation of 2007 profit—transfer to reserve capital	**29**	—	464	—	(464)	**—**
Total comprehensive income		—	—	—	269,763	**269,763**
Balance as of 31 December 2008		**10,733**	**3,964**	**10,174**	**268,467**	**293,338**

The accompanying notes are an integral part of these consolidated financial statements.

1. The Parent Company

Cyfrowy Polsat S.A. ("the Company", "Cyfrowy Polsat", "the Parent Company", "the Parent") was incorporated in Poland as a joint stock company. The Parent Company's registered office is located at 4a, Łubinowa Street in Warsaw. The Company's shares are traded on the Warsaw Stock Exchange.

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of "Cyfrowy Polsat", and also as a Mobile Virtual Network Operator and the Internet access services provider.

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

The principal activities of the Company and its subsidiaries include:

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

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group").

2. Composition of the Management Board of the Company

—Dominik Libicki	President of the Management Board,
—Dariusz Działkowski	Member of the Management Board,
—Aneta Jaskólska	Member of the Management Board (from 13 July 2010),
—Andrzej Matuszyński	Member of the Management Board (until 6 January 2010),
—Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

—Zygmunt Solorz-Żak	President of the Supervisory Board,
—Robert Gwiazdowski	Member of the Supervisory Board,
—Andrzej Papis	Member of the Supervisory Board,
—Leszek Reksa	Member of the Supervisory Board,
—Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), which were in effect as at 1 January 2010.

During 2010, the following amendments to Standards became effective:

(i) amendments to revised IFRS 1 *Additional Exemptions for First-time Adopters*

Amendments to IFRS 1 introduce additional exemptions for entities adopting International Financial Reporting Standards for the first time. The changes have no impact on these consolidated financial statements of the Group.

(ii) amendments to IFRS 2 *Share-based Payment* become effective for annual periods beginning subsequent to 31 December 2009

The amendments specify the scope of transactions treated as share-based payments. They have no impact on these consolidated financial statements.

(iii) revised IFRS 3 *Business Combinations*

Revised IFRS 3 gives a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Moreover, all acquisition-related costs are expensed.

Revised IFRS 3 was applied to the acquisition of 94% shares in M.Punkt Holdings Ltd. by the Group on 4 May 2010. The related non-controlling interest was measured at fair value; acquisition-related costs were recognised in the income statement (see note 35).

(iv) Improvements to International Financial Reporting Standards, including:

- amendments to IFRS 8 *Operating Segments*—the amendments limit segment reporting requirements concerning assets to those entities where the information on total assets by segment is regularly provided to the chief operating decision maker.
- amendments to IAS 7 *Statement of Cash Flows*

Pursuant to the amendments, only those expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

None of the amendments have a significant impact on these consolidated financial statements.

(v) revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 addresses the presentation of subsidiaries in consolidated financial statements, as well as investments in subsidiaries, jointly controlled entities and associates. The changes require that the effects of all transactions with non-controlling interests be recorded in equity if there is

4. Basis of preparation of the consolidated financial statements (Continued)

no change in control and these transactions will not result in goodwill or gains and losses. The revised standard was applied by the Group in its accounting for the acquisition of the 6% shareholding in M.Punkt Holdings Ltd.

(vi) amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: *Eligible Hedged Items*

The amendments specify the scope of instruments which can be treated as eligible items. They have no impact on these consolidated financial statements.

(vii) IFRIC 17 *Distributions of Non-cash Assets to Owners, amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations* and amendment to IAS 10 *Events After The Reporting Period*

IFRIC 17 addresses non-cash distributions to owners whereas IFRS 5 introduces the concept of assets held for distribution to owners. Amendment to IAS 10 specifies how to present dividends declared after the reporting period but before the financial statements authorised for issue. The above changes have no impact on these consolidated financial statements.

5. Issued 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 related Interpretations, save for the standards and interpretations which have not yet been endorsed by the European Union or which have already been endorsed by EU but are not yet effective.

In preparing these consolidated financial statements, the Group did not early adopt the new Standards which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2010 (presented below).

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

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures* are effective for the annual periods beginning after 30 June 2010.

The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these consolidated financial statements.

5. Issued International Financial Reporting Standards and Interpretations whose application is not mandatory (Continued)

(ii) revised IAS 24 *Related Party Disclosures* and amendment to IFRS 8 *Operating Segments* are effective for the annual periods beginning after 31 December 2010.

Amendment to IFRS 8 specifies when an entity shall consider a government, its agencies and similar bodies and entities under control of the government as a single customer. Revised IAS 24 explains how to report transactions with related entities. The changes have no impact on these consolidated financial statements.

(iii) amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* are effective for the annual periods beginning after 31 December 2010.

The amendments clarify how to account for prepayments of a minimum funding requirement. The changes have no impact on these consolidated financial statements.

(iv) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* is effective for the annual periods beginning after 30 June 2010.

Interpretation explains how to account for extinguishing financial liabilities with equity instruments. The changes have no impact on these consolidated financial statements.

(v) Improvements to 2010 International Financial Reporting Standards revise six standards and one interpretation. The revisions relate to scope, presentation, recognition and measurement as well as changes of terminology and editorial changes. Majority of the changes will be effective for annual periods beginning on 1 January 2011; however some of the changes are effective for the annual periods beginning on or after 1 July 2010. The changes have no impact on these consolidated financial statements.

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

- IFRS 9 *Financial Instruments*;
- amendments to IFRS 7 *Financial Instruments: Disclosures*—Disclosures—Transfer of financial assets;
- amendments to IAS 12 *Income tax*—Recovery of underlying assets;
- amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards*—Hyperinflation and removal of fixed dates for first-time adopters.

(all amounts in PLN thousand, except where otherwise stated)

6. Group of consolidated companies

These consolidated financial statements for 2010, 2009 and 2008 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%)		
			31 December 2010	31 December 2009	31 December 2008
Parent Company					
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a	n/a
Subsidiaries					
Cyfrowy Polsat Technology Sp. z o.o.(*)	Łubinowa 4a, Warsaw	production of set-top boxes	100%	100%	100%
M.Punkt Holdings Ltd.(*)	3 Themistokli Dervi Street, Nikosia (Cyprus)	owner of mPunkt Polska S.A. and mTel Sp. z o.o.- see note 35	100%	45%	—
Cyfrowy Polsat Trade Marks Sp. z o.o.(*)	ul. Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	—	—
Praga Business Park Sp. z o.o.(**)	ul. Łubinowa 4a, Warsaw	real estate management and rental	—	—	—(**)

(*) consolidated.

(**) Praga Business Park Sp. z o.o. merged with Cyfrowy Polsat on 31 December 2008.

Additionally, the following entities were included in these consolidated financial statements:

	Entity's registered office	Activity	Share in voting rights (%)		
			31 December 2010	31 December 2009	31 December 2008
Karpacka Telewizja Kablowa Sp. z o.o.(*)	ul. Chorzowska 3, Radom	no activity	85%	85%	85%

(*) Investment accounted for at cost less any accumulated impairment losses

7. Accounting and consolidation policies

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

7. Accounting and consolidation policies (Continued)

(a) Basis of measurement

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

(b) Going concern

The consolidated financial statements have been prepared assuming that the Group's entities will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2010.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical data and other factors considered reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies is included in note 45.

(e) Comparative financial information

Comparative financial information or financial information included in previously published financial statements have been restated if necessary so that they reflect the presentation changes introduced in the current period. None of the introduced changes affected the previously reported amounts of net profit, EBITDA, or equity.

(f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Company has the power to govern, either directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights that are currently exercisable are considered in assessing control.

7. Accounting and consolidation policies (Continued)

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

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Parent and using the accounting policies that are consistent with those of the Parent for like transactions and events.

(ii) Associates

An associate is any entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of an associate's profit or loss after the acquisition date is recognised in its profit or loss with a corresponding increase or decrease to the carrying amount of the investment. Adjustments to the carrying amount of an investment in associate are also made for changes in the Group's proportionate interest in an associate arising from changes in the investee's other comprehensive income. The Group's share of those changes is recognised in its other comprehensive income.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, including any unsecured loans, the Group discontinues recognising its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Forward exchange contracts among an acquirer and a seller that would result in business combinations, are not recognised by the Group as financial instruments.

(iii) Transactions eliminated on consolidation

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

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

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the Polish zloty at exchange rates in effect one day prior to the recording of a transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign currency exchange differences arising on translation of transactions denominated in foreign currencies and from the reporting date retranslation of monetary

7. Accounting and consolidation policies (Continued)

assets and liabilities denominated in foreign currencies are recognised in profit and loss. Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the average NBP exchange rate in effect at the date of the valuation. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

(h) 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 and borrowings, and trade and other liabilities.

Non-derivative financial instruments, other than investments recognised at fair value through profit or loss, are recognised initially at fair value plus any directly attributable transaction costs (with certain exceptions as described below).

A financial instrument is recognised when the Group becomes a party to the contractual obligations of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the financial asset to another party in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Standardised transactions for sale or purchase of financial assets are recognised at the transaction date i.e. on the date the Group assumes an obligation to acquire or sell the asset. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Principles for recognition of finance income and costs are presented in note 7 (w).

Loans and receivables and other financial liabilities

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

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, such as e.g. bonds, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. For interest-bearing investments, interest thereon, calculated using the effective interest method, is recognised in the profit or loss.

7. Accounting and consolidation policies (Continued)

(ii) Derivative financial instruments

Instruments held for trading

Derivative financial instruments held for trading are recognised initially at fair value, attributable transaction costs are recognised in the profit or loss as incurred. Subsequent to initial recognition, the Group measures derivative financial instruments at fair value, and changes therein are recognised in profit or loss.

Hedging instruments

For accounting purposes, hedging consists in designating one or more instruments so that the change in their fair value offsets the effects of the change in fair value of hedged items or cash flows arising from hedged items.

The following hedging instruments are distinguished:

- instruments offsetting the change in the fair value of hedged item—such instruments limit the risk of change in the fair value of assets and liabilities and are attributable to a particular risk associated with the hedged item,
- instruments offsetting the change in the cash flows generated by hedged items—such instruments limit the risks concerning cash flows and are attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction.

Hedging transactions are concluded based on an underlying hedging strategy. When entering into a hedging transaction, the Group formally documents the relationship between the hedged items and hedging instruments as well as the objective and strategy for each particular transaction. The documentation includes a determination of the hedging instrument, hedged item, risks hedged and the procedures for assessing the effectiveness of the hedging instruments in offsetting the changes in the fair value or cash flows of the respective hedged items. Based on its effectiveness testing performed on a regular basis the Group expects its hedging instruments to be highly effective (i.e. the actual results of each hedge fall within a range of 80-125%) in each accounting period for which they were established.

Hedging instruments are recognised at fair value when the Group becomes a party to a hedging agreement. Hedge accounting is discontinued prospectively by the Group when the related instruments expire, are sold, terminated or exercised or as the Group revokes the instrument's designation.

As at each reporting date the hedging instruments are measured at fair value. Instruments with positive fair values are reported as financial assets and those with negative fair values are accounted for as financial liabilities. The estimated fair values reflect the amounts recoverable or payable upon closing of the outstanding positions. Valuations are conducted at least once a quarter.

The following recognition principles are applied to the changes in fair values of hedging instruments depending on the type of hedged items:

- for instruments designated as fair value hedges—the ineffective portion of gain or loss on the hedging instrument is recognised as financial income or loss in the period when incurred; the

7. Accounting and consolidation policies (Continued)

effective portion of gain or loss on the hedging instrument adjusts the carrying amount of the hedged item, this portion is recognised in income statement proportionally to recognition of changes in the fair value of hedged item in income statement;

- for instruments designated as hedges of the exposure to variability in cash flows associated with the hedged items—the effective portion of changes in the fair value of the hedging instrument is recognised directly in equity; any ineffective portion of changes in the fair value is recognised as finance income or finance cost; if hedged future liability or a forecast transaction results in the recognition of an asset or a liability in the balance sheet, the cumulative amount previously recognised in equity adjusts the initial carrying amount of that asset or liability; changes in fair value of the hedging instrument are recognised in profit or loss in the same period(s) during which the asset or liability affects profit or loss; if hedge expires, changes previously recognised in equity are directly recognised in profit or loss.

(i) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Preference share capital

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Costs attributable to issue and public offering of shares

Costs attributable to a new issue of shares are recognised in equity while costs attributable to a public offering of existing shares are recognised directly in finance costs. Those costs relating to both new issue and sale of existing shares are recognised on a pro-rata basis in equity and finance costs.

Reserve capital

In accordance with the provisions of the Commercial Companies Code, joint stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. Reserve capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

Other reserves

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

7. Accounting and consolidation policies (Continued)

(j) Property, plant and equipment

(i) Property, plant and equipment owned by the Group

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received. The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

Subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the amount of the cost can be measured reliably. Other property, plant and equipment related costs are recognised in profit and loss as incurred.

(iii) Depreciation

Items of property, plant and equipment as well as their major components are depreciated on a straight-line basis over their estimated useful lives. Depreciation is based on the cost of an asset less its residual value. Land is not depreciated.

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

Buildings	60 years
Reception equipment	5 years
Other technical equipment and machinery	3-15 years
Vehicles	5 years
Furniture and equipment	3-10 years

Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end and adjusted if appropriate.

7. Accounting and consolidation policies (Continued)

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease criteria, are classified as non-current assets and measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Set-top boxes that are provided to customers under operating lease agreements are recognised within property, plant and equipment. Set-top boxes that are provided to customers under finance lease agreements are not recognised on the Group's statement of financial position.

Assets subject to the lease are depreciated in a manner that is consistent with the policies applied to similar Group-owned assets. Depreciation is based on the principles of IAS 16 *Property, plant and equipment*. Where it is not reasonably certain that the lessee will obtain ownership of the asset before the lease term ends, the asset is depreciated over its useful life or the lease term, if shorter.

Carrying amounts of set-top boxes and other items of property, plant and equipment may be reduced by impairment losses whenever there is uncertainty as to those assets' revenue generating potential or their future use in the Group's operations.

(k) Intangible assets

(i) Goodwill

Initial recognition

Goodwill represents the excess of the consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Subsequent measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if any indication of impairment exists. Goodwill is allocated to acquirer's cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Internally developed software

The Group capitalises costs incurred to internally develop software, including employee-related expenses directly related to development and making the asset ready for its intended use, if the Group is able to measure reliably the expenditure attributable to such development and when it can reliably establish the commencement as well as the completion date of the software development activities.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses.

7. Accounting and consolidation policies (Continued)

(iv) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

(v) Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over their respective estimated useful lives. Goodwill and intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually. Amortisation of other intangible assets begins when the asset is available for use with the estimated useful life of 2 years.

(l) Investment property

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

Whenever there has been change in the use of a property, such that it becomes owner occupied, it is transferred to property, plant and equipment and its carrying amount on the transfer date becomes its deemed costs for the purpose of future recognition.

Buildings classified as investment property are depreciated over a period of 60 years. Land classified as investment property is not depreciated.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in making them available for use or sale. In the case of manufactured inventories and work in progress, cost 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 Group are sold below cost, the loss on the sale is recorded when the set-top box is transferred to the customer.

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

(n) Impairment of assets

(i) Financial assets

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

7. Accounting and consolidation policies (Continued)

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. Any impairment losses in respect of available-for-sale financial assets are calculated by reference to their current fair values.

Individually significant financial assets are tested for impairment on an individual basis at each reporting 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 pattern for overdue receivables collection.

All impairment losses are recognised in profit or loss.

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

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Group. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised when the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit represents the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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 inflows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

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

7. Accounting and consolidation policies (Continued)

(o) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, at the date the assets (or a disposal group) are first classified as held for sale, they are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis except that no loss is allocated to inventories, financial assets, deferred tax assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised through in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(p) Restricted cash

Restricted cash comprises cash deposited on the Group's bank accounts which according to signed agreements may only be disbursed for strictly defined purposes, or cash deposited in escrow bank accounts. Restricted cash is presented either within current or non-current assets, depending on the terms of agreements with respect to the length of the restriction periods.

(q) Employee benefits

(i) Defined contribution plan

All Group entities that act as employers have an obligation, under applicable legislation, to collect and remit contributions to the state pension fund. Under IAS 19 *Employee Benefits* such benefits represent state plans that are classified as defined contribution plans. Therefore, the Group's obligations for a given period are estimated as the amount of contributions to be remitted for that period.

(ii) Defined benefit plan—retirement benefits

The Group entities have an obligation, under applicable legislation, to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

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

Changes in the amount of the retirement benefits provision are recognised in profit or loss.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised as an expense if

7. Accounting and consolidation policies (Continued)

the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of voluntary redundancies can be reliably estimated.

(iv) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term bonus or profit sharing plans, if the Group has a present 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

Whenever shares are issued to employees unconditionally and at an issue price lower than their fair value, the excess of the fair value over the issue price is recorded as personnel expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by employees.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present obligation, 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, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or goods are sold. The amount of the provision is based on historical warranty data and a weighting of all possible outflows against their associated probabilities.

(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 derived from it. The provision is measured at the lower of the expected net cost of continuing with the contract and the expected cost of terminating the contract. Before a provision is established, the Group recognises any impairment loss of the assets associated with that contract.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events, but its amount cannot be

7. Accounting and consolidation policies (Continued)

estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

The Group does not recognise contingent liabilities, save for those assumed in a business combination.

Contingent liabilities are disclosed in the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

At each reporting date, unless the possibility of any outflow of resources is remote, the Group discloses for each class of contingent liability a brief description of the nature of the contingent liability and, where practicable:

— an estimate of its financial effects;

— an indication of the uncertainties relating to the amount or timing of any outflow of resources; and

— the possibility of any reimbursement.

(t) Deposits

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

(u) Revenue

Revenue, which excludes value added tax and transactions between Group companies, represents the gross inflow of economic benefit from Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable.The Group's main sources of revenue are recognised as follows:

(a) Retail sales, including subscription fees for DTH, Near Video on Demand (nVoD), MVNO and Internet, interconnection revenue, settlements with mobile network operators, are recognised as the services are provided, net of discount given. Revenue from the rental of set-top boxes is recognised on a straight-line basis over the minimum base period of the subscription contract, other than for finance lease agreements, that are recognised as a sale with deferred payment date.

(b) Sale of reception equipment, electronic equipment and other goods is measured at the fair value of the consideration received or receivable, net of discounts, rebates and returns. Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(c) Other revenue is recognised, net of any discount given, when the relevant goods or service are provided. Revenues from prepaid mobile telephone services are recognised in profit or loss once the prepaid credit is utilised or forfeited.

7. Accounting and consolidation policies (Continued)

When the Group sells goods (reception equipment, set-top boxes, CAM) and services in one bundled transaction, the total consideration from the arrangement is allocated to each element of such multiple-element arrangements based on their relative fair values.

(v) Distribution fees

Commissions payable to distributors for registering new subscribers and for retention of existing subscribers are recognised over the minimum base period of the subscription agreement. Turnover commissions for concluding a certain number of subscription contracts are recognised in profit or loss as due.

Commissions for distributors which will be settled within 12 months of the reporting date are classified as other current assets, while the commissions, which will be settled more than 12 months after the reporting date, are classified as other non-current assets.

(w) Finance income and costs

Finance income includes interest income on funds invested, dividends income, gains on the disposal of available-for-sale financial instruments, fair value gains on financial instruments at fair value through profit or loss, net foreign currency gains, and gains on completed forward exchange contracts and call options. Interest income is recognised as it accrues in profit or loss using the effective interest method. Dividends income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends from preference shares classified as liabilities, net foreign exchange losses, fair value losses on financial instruments at fair value through profit or loss, impairment losses recognised on financial assets, and losses on completed forward exchange contracts and call options. Borrowing costs are recognised in profit or loss using the effective interest method.

(x) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(y) Income tax

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

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

7. Accounting and consolidation policies (Continued)

Deferred tax is recognised using the balance sheet approach, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities, respectively, using tax rates that are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. An amount of deferred tax assets is 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 it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:

— the same taxable entity, or

— different taxable entities, but these entities intend either to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

(z) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares.

(aa) Segment reporting

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group presents operating segments according to its internal management accounting principles applied in the preparation of periodical management reports which are regularly analysed by the Management Board of Cyfrowy Polsat S.A. The activities of the Group are grouped using an industry branch criterion, i.e. based on distinguishable components of the business engaged in providing products or services in a specific economic environment.

7. Accounting and consolidation policies (Continued)

Due to the launch of the Internet access services line and introduction of the integrated offer in the second quarter of 2010 the Management Board of Cyfrowy Polsat S.A. reassessed its approach to the analysis of operating segments. All services provided to individual (retail) clients are analysed by the Management Board as one cohesive branch operating segment.

The segment's revenue comprises specifically:

— subscription fees related to rendered services,

— activation fees,

— interconnection revenues and settlements with mobile network operators,

— revenue from sale of equipment.

The Management Board of Cyfrowy Polsat S.A. believes that one operating segment fully reflects the nature of the Group's economic activities and the results thereof, as well as the economic environments in which the Group conducts its activities.

The Group operates exclusively in Poland and substantially all of its assets and customers are located in Poland. As a result, the Group does not analyse its activities by geographical segments.

(ab) Cash flows statement

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

Purchases of set-top boxes to be provided to customers under operating lease contracts are classified in the cash flows statement within operating activities. The purchases, disposals and impairment write-downs of these set-top boxes are classified in the cash flows statement within operating activities and presented as "Net increase in set-top boxes provided under operating lease".

Acquisitions of items of property, plant and equipment or intangible assets are presented net of related value added tax.

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

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

8. Determination of fair values

A number of 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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

8. Determination of fair values (Continued)

(i) Property, plant and equipment and investment property

The fair value of property (including investment property), plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which it could be exchanged on the date of valuation between knowledgeable and willing parties in an arm's length transaction, after proper marketing, wherein the parties each acted in a conscious and prudent manner. The fair value of other tangible assets is based on market approach using quoted market prices for similar items.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the acquisition of the patents and trademarks being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the usage and eventual sale of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is based on their estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Equity and debt securities

The fair value of financial assets valued at fair value through profit or loss, held-to-maturity investments, and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(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 the market rate of interest rate as at the reporting date.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is based on the present value of future principal and interest cash flows, discounted using the market rate of interest rate at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the amount based on contractual forward exchange rate and the amount based on the current forward exchange rate calculated using the market rates of interest and current spot exchange rate. The fair value

(all amounts in PLN thousand, except where otherwise stated)

8. Determination of fair values (Continued)

of currency options and forwards is determined based on valuations performed by the counter parties (banks) to the instruments.

9. Summary of changes in presentation

The consolidated financial statements presented herein for the periods ended 31 December 2010, 31 December 2009 and 31 December 2008 were originally audited and published as at the dates specified in the periodical reports for the respective periods.

We have introduced the following changes in presentation of the financial statements presented herein:

—amended analysis of revenues from services, products, goods and materials sold in note 10

—amended sequence of profit and loss items and balance sheet items in the underlying notes.

None of the introduced changes have influenced the previously presented net profit, EBITDA or equity. Except for these changes all significant information presented in the financial statements remains as previously published.

10. Revenue

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Retail subscription	1,416,920	1,198,192	985,502
Sale of equipment	35,707	46,584	100,180
Other revenue	29,836	21,361	12,792
Total	**1,482,463**	**1,266,137**	**1,098,474**

Retail subscription revenue consists of DTH subscription fees, MVNO and Internet subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and other retail revenue.

(all amounts in PLN thousand, except where otherwise stated)

11. Operating costs

	Note	For the year ended 31 December 2010	31 December 2009	31 December 2008
Programming costs		392,035	354,395	226,231
Distribution, marketing, customer relation management and retention costs		297,319	262,347	205,935
Salaries and employee-related costs	a)	88,348	72,787	61,769
Depreciation and amortisation		81,190	41,948	23,547
Broadcasting and signal transmission costs		79,855	82,570	59,006
Cost of equipment sold		59,546	89,736	137,547
Other costs		123,959	74,575	61,774
Total costs by kind		**1,122,252**	**978,358**	**775,809**

	For the year ended 31 December 2010	31 December 2009	31 December 2008
Cost of services, products goods and materials sold	788,496	690,984	531,776
Selling expenses	232,973	205,263	169,216
General and administrative expenses	100,783	82,111	74,817
Total costs by function	**1,122,252**	**978,358**	**775,809**

(a) Salaries and employee-related costs

	For the year ended 31 December 2010	31 December 2009	31 December 2008
Salaries	76,508	63,535	54,441
Social security contributions	8,828	6,988	5,078
Other employee-related costs	3,012	2,264	2,250
Total	**88,348**	**72,787**	**61,769**

Salaries and social security contributions relating to employees directly involved in set-top boxes manufacture are presented as part of cost of equipment sold.

(all amounts in PLN thousand, except where otherwise stated)

11. Operating costs (Continued)

Average headcount

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Number of employees—employment contracts(*)	864	569	423
Total	**864**	**569**	**423**

(*) Including employees directly involved in set-top boxes manufacturing whose salaries are presented in cost of equipment sold.

12. Other operating income

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Revenue from disposal of Points of Sale	7,858	—	—
Other compensation	2,144	2,983	947
Contractual refunds for replacement of encryption cards and set-top boxes (SWAP)	—	7,794	17,070
Reversal of fixed assets and inventory impairment	—	—	427
Other	3,968	1,764	1,762
Total	**13,970**	**12,541**	**20,206**

13. Other operating costs

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Bad debt provision and cost of receivables written off	36,541	19,512	15,008
Fixed assets and inventory impairment write-downs	5,145	1,835	3,026
Other	6,741	2,923	543
Total	**48,427**	**24,270**	**18,577**

(all amounts in PLN thousand, except where otherwise stated)

14. Finance income

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Interest on bank accounts and deposits	1,256	6,018	8,443
Foreign currency exchange differences on forward exchange contracts	—	7,540	17,643
Settlement of IPO related costs	—	—	7,223
Profit from sale of financial assets	—	330	—
Other	32	431	—
Total	**1,288**	**14,319**	**33,309**

15. Finance costs

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Interest on loans and borrowings	2,044	3,911	12,002
Foreign exchange rate differences, net	1,927	1,665	4,703
Valuation of foreign exchange call options	580	—	—
Other interest	490	198	229
Realisation of foreign exchange call options	342	—	—
Costs attributable to public offering of shares	—	—	6,691
Realised forward exchange contracts	—	—	6
Other	377	258	318
Total	**5,760**	**6,032**	**23,949**

16. Income tax

(i) Income tax expense

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Current tax expense	25,728	57,298	50,224
Deferred tax expense	37,286	13,597	13,667
Correction of income tax returns of previous years	(202)	(16,877)	—
Income tax expense—total	**62,812**	**54,018**	**63,891**

(all amounts in PLN thousand, except where otherwise stated)

16. Income tax (Continued)

Deferred tax expense	For the year ended 31 December 2010	31 December 2009	31 December 2008
Tangible and intangible assets	34,941	15,717	(103)
Receivables and other assets	3,198	(4,962)	11,705
Deferred distribution fees	2,830	15,330	(1,044)
Acquisition of a subsidiary	(24)	—	—
Tax losses carried forward	(359)	216	8,105
Liabilities	(3,300)	(12,704)	(4,996)
Change in deferred income tax—total	**37,286**	**13,597**	**13,667**

(ii) Effective tax rate reconciliation

	For the year ended 31 December 2010	31 December 2009	31 December 2008
Gross profit for the year	321,282	284,337	333,654
Income tax at applicable statutory tax rate in Poland of 19%	61,044	54,024	63,394
Tax loss of mPunkt Polska S.A.	359	—	—
Non-tax deductible, stock-taking differences at 19% tax rate	229	167	546
Praga Business Park Sp. z o.o.—profit before tax multiplied by statutory tax rate in Poland of 19%	—	—	322
Deductible temporary differences of Praga Business Park Sp. z o.o. (prior to the merger)	—	—	(663)
Non-tax deductible interest cost at 19% tax rate	—	248	206
Correction of income tax returns of previous years	(202)	(1,277)	—
Other non-taxable revenue and non-tax deductible costs, net, at 19% tax rate	1,382	856	86
Tax expense for the year	**62,812**	**54,018**	**63,891**
Effective tax rate	**19.6%**	**19.0%**	**19.1%**

(all amounts in PLN thousand, except where otherwise stated)

16. Income tax (Continued)

(iii) Deferred tax assets

	31 December 2010	31 December 2009	31 December 2008
Liabilities	27,825	24,636	12,597
Receivables and other assets	23,313	16,034	13,011
Tangible assets	1,071	270	1,375
Tax losses carried forward	359	—	216
Total deferred tax assets	**52,568**	**40,940**	**27,199**
Set off of deferred tax assets and liabilities	(48,410)	(38,750)	(25,976)
Deferred tax assets in the balance sheet	**4,158**	**2,190**	**1,223**

(iv) Tax losses recognised

	31 December 2010	31 December 2009	31 December 2008
2006 tax loss carried forward	—	—	3
2007 tax loss carried forward	—	—	1,132
2010 tax loss carried forward	1,889	—	—
Tax losses carried forward—total	**1,889**	**—**	**1,135**

As at 31 December 2010 the Group recognised tax losses of mPunkt Polska S.A. to the extent that it was probable that they would be utilised in the future. Cumulative tax losses of mPunkt Polska S.A. for 2010 amount to PLN 3,778 thousand.

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilised in the subsequent five fiscal years. However, no more than 50% of a tax loss for any given year can be utilised in a single subsequent fiscal year.

(v) Deferred tax liabilities

	31 December 2010	31 December 2009	31 December 2008
Tangible assets	51,577	15,835	1,257
Receivables and other assets	43,029	32,552	34,491
Deferred distribution fees	19,118	16,288	958
Liabilities	24	135	806
Total deferred tax liabilities	**113,748**	**64,810**	**37,512**
Set off of deferred tax assets and liabilities	(48,410)	(38,750)	(25,976)
Deferred tax liabilities in the balance sheet	**65,338**	**26,060**	**11,536**

17. EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortisation) represents the Group's key measure of earnings performance. The level of EBITDA measures the Group's ability to generate cash from recurring operations. The Group defines EBITDA as operating profit adjusted by depreciation and amortisation. EBITDA is not an EU IFRS measure and as such can be calculated differently by other entities.

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Profit from operating activities	325,754	276,050	324,294
Depreciation and amortisation	81,190	41,948	23,547
EBITDA	**406,944**	**317,998**	**347,841**

18. Basic and diluted earnings per share

Basic earnings per share ratio is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

At the reporting dates, the Company did not have any financial instruments that could have a dilutive effect, therefore the Group does not present diluted earnings per share. As a result, basic earnings per share equal diluted earnings per share.

	For the year ended		
	31 December 2010	31 December 2009	31 December 2008
Net profit for the year (in PLN thousand)	258,470	230,319	269,763
Weighted average number of ordinary shares used to calculate earnings per share	268,325,000	268,325,000	268,325,000
Earnings per share in PLN	**0.96**	**0.86**	**1.01**

(all amounts in PLN thousand, except where otherwise stated)

19. Property, plant and equipment

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Reception equipment	Vehicles	Other tangible assets	Total	Tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2010	**6,866**	**70,116**	**100,901**	**221,560**	**6,604**	**15,594**	**421,641**	**4,653**	**77**
Additions	—	4,794	12,436	198,512	1,778	3,143	**220,663**	6,264	21
Acquisition of a subsidiary	—	3,405	2,436	—	1,216	3,054	**10,111**	121	—
Transfers from tangible assets under construction	—	2,807	941	—	—	202	**3,950**	(3,950)	—
Disposals	—	(1,453)	(4,855)	(81,849)	(1,067)	(1,749)	**(90,973)**	—	(77)
Cost as at 31 December 2010	**6,866**	**79,669**	**111,859**	**338,223**	**8,531**	**20,244**	**565,392**	**7,088**	**21**
Impairment losses as at 1 January 2010	**—**	**(8)**	**(1,075)**	**(1,050)**	**—**	**(56)**	**(2,189)**	**—**	**—**
Additions	—	(563)	(151)	(2,657)	(9)	(736)	**(4,116)**	—	—
Disposals	—	—	75	—	—	27	**102**	—	—
Utilisation	—	507	10	—	9	385	**911**	—	—
Impairment losses as at 31 December 2010	**—**	**(64)**	**(1,141)**	**(3,707)**	**—**	**(380)**	**(5,292)**	**—**	**—**
Accumulated depreciation									
Accumulated depreciation as at 1 January 2010	**—**	**7,290**	**40,937**	**98,053**	**2,208**	**7,009**	**155,497**	**—**	**—**
Additions	—	4,428	17,249	42,300	1,604	4,255	**69,836**	—	—
Disposals	—	(78)	(4,358)	(81,236)	(276)	(432)	**(86,380)**	—	—
Accumulated depreciation as at 31 December 2010	**—**	**11,640**	**53,828**	**59,117**	**3,536**	**10,832**	**138,953**	**—**	**—**
Carrying amount									
As at 1 January 2010	**6,866**	**62,818**	**58,889**	**122,457**	**4,396**	**8,529**	**263,955**	**4,653**	**77**
As at 31 December 2010	**6,866**	**67,965**	**56,890**	**275,399**	**4,995**	**9,032**	**421,147**	**7,088**	**21**

The Group recognised an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment loss is recognised in other operating costs.

(all amounts in PLN thousand, except where otherwise stated)

19. Property, plant and equipment (Continued)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Reception equipment	Vehicles	Other tangible assets	Total	Tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2009	**4,348**	**39,113**	**89,972**	**144,444**	**4,370**	**11,773**	**294,020**	**15,648**	**30**
Additions	—	16,422	14,740	113,703	2,542	3,938	**151,345**	4,324	1,332
Transfers from investment property	2,518	15,058	—	—	—	—	**17,576**	—	—
Disposals	—	(477)	(3,811)	(36,587)	(308)	(117)	**(41,300)**	(15,319)	(1,285)
Cost as at 31 December 2009	**6,866**	**70,116**	**100,901**	**221,560**	**6,604**	**15,594**	**421,641**	**4,653**	**77**
Impairment losses as at 1 January 2009	—	—	(958)	(23,131)	—	—	**(24,089)**	—	—
Additions	—	(8)	(152)	(854)	—	(56)	**(1,070)**	—	—
Disposals	—	—	35	—	—	—	**35**	—	—
Utilisation	—	—	—	22,935	—	—	**22,935**	—	—
Impairment losses as at 31 December 2009	—	(8)	(1,075)	(1,050)	—	(56)	**(2,189)**	—	—
Accumulated depreciation									
Accumulated depreciation as at 1 January 2009	**—**	**3,630**	**29,372**	**100,528**	**1,382**	**3,942**	**138,854**	**—**	**—**
Additions	—	3,180	14,760	10,965	1,076	3,174	**33,155**	—	—
Transfers from investment property	—	621	—	—	—	—	**621**	—	—
Disposals	—	(141)	(3,195)	(13,440)	(250)	(107)	**(17,133)**	—	—
Accumulated depreciation as at 31 December 2009	**—**	**7,290**	**40,937**	**98,053**	**2,208**	**7,009**	**155,497**	**—**	**—**
Carrying amount									
As at 1 January 2009	**4,348**	**35,483**	**59,642**	**20,785**	**2,988**	**7,831**	**131,077**	**15,648**	**30**
As at 31 December 2009	**6,866**	**62,818**	**58,889**	**122,457**	**4,396**	**8,529**	**263,955**	**4,653**	**77**

The Group recognised an impairment loss on items of property, plant and equipment whose carrying amounts exceeded recoverable amounts. The impairment loss is recognised in other operating costs.

(all amounts in PLN thousand, except where otherwise stated)

19. Property, plant and equipment (Continued)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Reception equipment	Vehicles	Other tangible assets	Total	Tangible assets under construction	Prepayments for assets under construction
Cost									
Cost as at 1 January 2008	**4,038**	**30,704**	**54,659**	**126,672**	**3,370**	**5,450**	**224,893**	**22,632**	**476**
Additions	—	7,184	35,786	21,626	1,226	6,379	**72,201**	32,861	—
Transfers from investment property	310	1,396	—	—	—	—	**1,706**	—	—
Disposals	—	(171)	(473)	(3,854)	(226)	(56)	**(4,780)**	(39,845)	(446)
Cost as at 31 December 2008	**4,348**	**39,113**	**89,972**	**144,444**	**4,370**	**11,773**	**294,020**	**15,648**	**30**
Impairment provision as at 1 January 2008	**—**	**—**	**(994)**	**(22,856)**	**—**	**—**	**(23,850)**	**—**	**—**
Additions	—	—	—	(275)	—	—	**(275)**	—	—
Diminutions	—	—	36	—	—	—	**36**	—	—
Impairment provision as at 31 December 2008	**—**	**—**	**(958)**	**(23,131)**	**—**	**—**	**(24,089)**	**—**	**—**
Accumulated depreciation									
Accumulated depreciation as at 1 January 2008	**—**	**1,789**	**18,851**	**103,267**	**729**	**1,640**	**126,276**	**—**	**—**
Additions	—	1,870	10,958	1,096	792	2,349	**17,065**	—	—
Transfers from investment property	—	27	—	—	—	—	**27**	—	—
Disposals	—	(56)	(437)	(3,835)	(139)	(47)	**(4,514)**	—	—
Accumulated depreciation as at 31 December 2008	**—**	**3,630**	**29,372**	**100,528**	**1,382**	**3,942**	**138,854**	**—**	**—**
Carrying amounts									
As at 1 January 2008	**4,038**	**28,915**	**34,814**	**549**	**2,641**	**3,810**	**74,767**	**22,632**	**476**
As at 31 December 2008	**4,348**	**35,483**	**59,642**	**20,785**	**2,988**	**7,831**	**131,077**	**15,648**	**30**

The Group recognised an impairment loss on items of property, plant and equipment whose carrying amounts exceeded recoverable amounts. The impairment loss is recognised in other operating costs.

(all amounts in PLN thousand, except where otherwise stated)

20. Goodwill

	2010
Balance as at 1 January	**—**
Acquisition of at M.Punkt Holdings Ltd. (see note 35)	52,227
Change in the amount of goodwill on disposal of POS	(205)(*)
Balance as at 31 December	**52,022**

(*) mPunkt Polska S.A. disposed of a number of its points of sale (POS). The amount of goodwill written off represents its portion allocated to the POS sold (see note 35d).

Goodwill was allocated to the Company's "services rendered for individual clients—retail services" cash-generating unit (see note 35c).

The recoverable amount of the investment was established based on its fair value less costs to sell. Impairment losses recognised in respect of the cash-generating unit are allocated first to reduce the carrying amount of goodwill and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. As at 31 December 2010, the fair value of the investment in M.Punkt Holdings Ltd. Group less associated costs to sell exceeded its carrying amount.

(all amounts in PLN thousand, except where otherwise stated)

21. Intangible assets

	Software and licences	Other	Trade mark	Under development	Total
Cost					
Cost as at 1 January 2010	**34,072**	**1,080**	**—**	**5,108**	**40,260**
Additions	9,845	1,416	—	7,332	18,593
Acquisition of subsidiary	1,209	143	500	—	1,852
Transfer from intangible assets under development	3,441	399	—	(3,840)	—
Disposals	(2,531)	(36)	—	—	(2,567)
Cost as at 31 December 2010	**46,036**	**3,002**	**500**	**8,600**	**58,138**
Impairment losses as at 1 January 2010	**—**	**(18)**	**—**	**—**	**(18)**
Additions	(4)	—	—	—	(4)
Disposals	4	—	—	—	4
Impairment losses as at 31 December 2010	**—**	**(18)**	**—**	**—**	**(18)**
Accumulated amortisation as at 1 January 2010	**25,446**	**631**	**—**	**—**	**26,077**
Additions	10,246	908	200	—	11,354
Disposals	(2,526)	(29)	—	—	(2,555)
Accumulated amortisation as at 31 December 2010	**33,166**	**1,510**	**200**	**—**	**34,876**
Carrying amounts					
As at 1 January 2010	**8,626**	**431**	**—**	**5,108**	**14,165**
As at 31 December 2010	**12,870**	**1,474**	**300**	**8,600**	**23,244**

(all amounts in PLN thousand, except where otherwise stated)

21. Intangible assets (Continued)

	Software and licences	Other	Under development	Total
Cost				
Cost as at 1 January 2009	**27,601**	**818**	**868**	**29,287**
Additions	6,555	262	4,460	11,277
Disposals	(84)	—	(220)	(304)
Cost as at 31 December 2009	**34,072**	**1,080**	**5,108**	**40,260**
Impairment losses as at 1 January 2009	**—**	**—**	**—**	**—**
Additions	—	(18)	—	(18)
Impairment losses as at 31 December 2009	**—**	**(18)**	**—**	**(18)**
Accumulated amortisation				
Accumulated amortisation as at 1 January 2009	**17,266**	**145**	**—**	**17,411**
Additions	8,264	486	—	8,750
Disposals	(84)	—	—	(84)
Accumulated amortisation as at 31 December 2009	**25,446**	**631**	**—**	**26,077**
Carrying amounts				
As at 1 January 2009	**10,335**	**673**	**868**	**11,876**
As at 31 December 2009	**8,626**	**431**	**5,108**	**14,165**

(all amounts in PLN thousand, except where otherwise stated)

21. Intangible assets (Continued)

	Software and licences	Other	Under development	Total
Cost				
Cost as at 1 January 2008	**17,259**	**254**	**5,933**	**23,446**
Additions	10,683	1,496	6,726	18,905
Disposals	(341)	(932)	(11,791)	(13,064)
Cost as at 31 December 2008	**27,601**	**818**	**868**	**29,287**
Impairment provision as at 1 January 2008	**—**	**—**	**—**	**—**
Additions	—	(476)	(278)	(754)
Diminutions	—	476	278	754
Impairment provision as at 31 December 2008	**—**	**—**	**—**	**—**
Accumulated amortization				
Accumulated amortization as at 1 January 2008	**11,773**	**208**	**—**	**11,981**
Additions	5,834	393	—	6,227
Disposals	(341)	(456)	—	(797)
Accumulated amortization as at 31 December 2008	**17,266**	**145**	**—**	**17,411**
Carrying amount				
As at 1 January 2008	**5,486**	**46**	**5,933**	**11,465**
As at 31 December 2008	**10,335**	**673**	**868**	**11,876**

(all amounts in PLN thousand, except where otherwise stated)

22. Investment property

Cost	
Cost as at 1 January 2009	**17,576**
Transfers to property, plant and equipment	(17,576)
—Buildings	(15,058)
—Land	(2,518)
Cost as at 31 December 2009	**—**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2009	**578**
Additions	43
Transfers to property, plant and equipment	(621)
Accumulated depreciation as at 31 December 2009	**—**
Carrying amounts	
As at 1 January 2009	**16,998**
As at 31 December 2009	**—**

Cost	
Cost as at 1 January 2008	**19,282**
Transfers to property, plant and equipment	(1,706)
—Buildings	(1,396)
—Land	(310)
Cost as at 31 December 2008	**17,576**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2008	350
Additions	255
Transfers to property, plant and equipment	(27)
Accumulated depreciation as at 31 December 2008	**578**
Carrying amounts	
As at 1 January 2008	**18,932**
As at 31 December 2008	**16,998**

In 2010 the Group did not have investment property and accordingly, it did not recognise any related rental revenue, nor did it incur any costs of investment property rental. Revenues from the rental of investment property amounted to PLN 331 thousand in the year ended 31 December 2009. The related costs amounted to PLN 117 thousand. In the year ended 31 December 2008 revenues and costs amounted to PLN 1,587 thousand and PLN 1,030 thousand, respectively.

(all amounts in PLN thousand, except where otherwise stated)

23. Other non-current assets

	31 December 2010	31 December 2009	31 December 2008
Deferred distribution fees	35,258	29,684	22,924
Shares	1,454	26,186	1,335
Other non-current receivables	832	—	5
Total	**37,544**	**55,870**	**24,264**

As at 31 December 2009 the "Shares" line item comprised 85% shareholding in Karpacka Telewizja Kablowa Sp. z o.o. ("KTK") and 45% shareholding in M.Punkt Holdings Ltd. ("M.Punkt Holdings"). In the first half of 2010 the Group acquired the remaining 55% of shares in M.Punkt Holdings (see note 35). Accordingly, as at 31 December 2010 and as at 31 December 2008 the only item included within "Shares" is the 85% shareholding in KTK .

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are charged by the Group to profit or loss over the minimum base period of the subscription contracts.

24. Inventories

Types of inventories	31 December 2010	31 December 2009	31 December 2008
Set-top boxes—merchandise	54,695	56,849	42,762
Set-top boxes—finished goods	41,182	19,539	10,145
Removable STB hard disk drives	13,797	—	—
SMART and SIM cards	10,239	11,021	7,583
Telephones and modems	9,661	2,846	5,914
Antennas and converters	3,287	8,281	12,434
Other inventories	45,642	17,817	12,157
Prepayments for inventories	—	10,521	7,771
Total gross book value	**178,503**	**126,874**	**98,766**
Write-down of inventories	(5,349)	(4,783)	(3,767)
Total net book value	**173,154**	**122,091**	**94,999**

Prepayments for inventories at 31 December 2009 and as at 31 December 2008 were made to third parties for future deliveries of set-top boxes and related SMART cards.

(all amounts in PLN thousand, except where otherwise stated)

24. Inventories (Continued)

Other inventories comprise primarily raw materials used in the production of set-top boxes.

Write-downs of inventories	31 December 2010	31 December 2009	31 December 2008
Opening balance	**4,783**	**3,767**	**1,836**
Increase	884	2,928	1,931
Decrease	(318)	(1,912)	—
Closing balance	**5,349**	**4,783**	**3,767**

There are no restrictions on the Group's rights for the use and disposal of its inventories, save for the registered pledge on merchandise inventory in the amount of at least PLN 4,500 thousand established as a collateral for the overdraft agreement entered into by one of the Company's subsidiaries and BRE Bank S.A. As at 31 December 2010 the overdraft was not used.

25. Trade and other receivables

	31 December 2010	31 December 2009	31 December 2008
Trade receivables from third parties	145,154	81,791	84,654
Trade receivables from related parties	2,991	5,358	391
Tax and social security receivables	33,740	43,429	33,587
Other receivables	2,413	1,322	883
Total	**184,298**	**131,900**	**119,515**

Trade receivables from third parties include primarily receivables from individual customers, receivables from distributors and others.

Trade receivables, by currency

Currency	31 December 2010	31 December 2009	31 December 2008
PLN	139,655	82,774	77,476
EUR	8,407	4,253	6,545
USD	83	122	1,024
Total	**148,145**	**87,149**	**85,045**

(all amounts in PLN thousand, except where otherwise stated)

25. Trade and other receivables (Continued)

Movements in the allowance for impairment of accounts receivable

	31 December 2010	31 December 2009	31 December 2008
Opening balance	**76,777**	**60,811**	**46,484**
Increase	35,561	19,199	15,802
Reversal	(100)	(314)	(1,141)
Utilisation	(146)	(2,919)	(334)
Closing balance	**112,092**	**76,777**	**60,811**

26. Other current assets

	31 December 2010	31 December 2009	31 December 2008
Deferred distribution fees	63,914	56,042	68,234
Foreign exchange call options	5,604	—	—
Other deferred income	4,185	905	1,041
Other deferred costs	3.659	2,343	2,444
Current assets from valuation of exchange forward contracts	—	—	13,950
Total	**77,362**	**59,290**	**85,669**

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

27. Cash and cash equivalents

	31 December 2010	31 December 2009	31 December 2008
Cash in hand	109	58	36
Current accounts	4,458	1,708	8,341
Deposits	23,048	70,886	238,045
Total	**27,615**	**72,652**	**246,422**

Currency	31 December 2010	31 December 2009	31 December 2008
PLN	19,036	68,791	243,568
EUR	5,816	2,820	2,297
USD	2,763	1,041	557
Total	**27,615**	**72,652**	**246,422**

(all amounts in PLN thousand, except where otherwise stated)

27. Cash and cash equivalents (Continued)

As the Group cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

28. Restricted cash

Restricted cash in the amount of PLN 26,738 thousand as at 31 December 2009 related to funds deposited on an escrow bank account. The funds were used to acquire a majority stake in M.Punkt Holdings Ltd., as described in note 35. As at 31 December 2010 and as at 31 December 2008 the Group did not hold any restricted cash balances.

29. Equity

(i) Share capital

The share capital of Cyfrowy Polsat S.A. at 31 December 2010, 31 December 2009 and 31 December 2008 amounted to PLN 10,733 thousand divided into 268,325,000 shares with a nominal value of PLN 0.04 each.

All shares were fully paid. There were no changes to the amount of the Company's share capital in the periods covered by these consolidated financial statements.

On 8 March 2010 the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to change the Company's statute in the following manner: 8,082,499 registered series D shares privileged as to the voting rights (2 votes per share) belonging to Polaris Finance B.V. were transformed into ordinary bearer shares. It was additionally resolved that these shares shall be the subject of application for admission to trading on a regulated market maintained by the Warsaw Stock Exchange and shall be subject to dematerialisation. On 31 May 2010 the shares were admitted to trading.

Presented below is the structure of the Company's share capital as at 31 December 2010:

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	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

(all amounts in PLN thousand, except where otherwise stated)

29. Equity (Continued)

The table below presents the shareholders' equity structure as at 31 December 2009 and as at 31 December 2008:

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 shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

In Poland, each new issue of shares is given a consecutive serial number. As at 31 December 2010, Series A, B, C and also 166,917,501 of D Series shares were preference shares (2 voting rights per share), while Series E, F and 8,082,499 of D Series shares were not preference shares.

On 13 April 2010, The Management Board of Cyfrowy Polsat S.A. was advised of the sale of 7,918,750 dematerialised registered shares of Cyfrowy Polsat S.A. by Polaris Finance B.V.

The shareholders' structure as at 31 December 2010 was as follows:

	31 December 2010				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.(1)	175,025,000	7,001	65.23%	341,967,501	76.38%
Zygmunt Solorz-Żak	10,603,750	424	3.95%	21,207,500	4.74%
Other	82,696,250	3,308	30.82%	84,567,500	18.88%
Total	**268,325,000**	**10,733**	**100%**	**447,742,501**	**100%**

(1) Zygmunt Solorz-Żak indirectly holds 148,771,250 shares in the Company (respectively, 55.45% ownership interest and 64.92% of votes), while Heronim Ruta indirectly holds 26,253,750 shares in the Company (respectively, 9.78% ownership interest and 11.46% of votes) through Polaris Finance B.V. Heronim Ruta does not hold directly any shares of Cyfrowy Polsat S.A.

Initial public offering

On 30 April 2008 the public offering of the E series shares was completed—67,081,250 shares owned as at 31 December 2007 by Polaris Finance BV were sold.

Issue of subscription warrants

In connection with the acquisition of Telewizja Polsat S.A. (see note 39), on 1 April 2011 the Company entered into four subscription agreements with: (i) MAT Fundusz Inwestycyjny Zamknięty ("Seller I"),

29. Equity (Continued)

(ii) KOMA Fundusz Inwestycyjny Zamknięty ("Seller II"), (iii) Karswell Limited ("Seller III"), and (iv) Sensor Overseas Limited ("Seller IV") (jointly: "Sellers"), relating to the issuance of 80,027,836 registered Series H subscription warrants. Series H subscription warrants authorise their holders to acquire Series H ordinary bearer shares with a nominal value of four groszy (PLN 0.04) per share ("Subscription Warrants") issued by the Company in terms of the Company's General Shareholders Meeting's resolution dated 17 December 2010 regarding the issue of Series H subscription warrants.

Pursuant to the subscription agreements, the Company made an offer of free of charge acquisition, and each of the Sellers accepted the offer to acquire the Subscription Warrants offered to it, as a result of which:

(i) Seller I took up 14,135,690 Subscription Warrants, authorising it to take up a total of 14,135,690,

(ii) Seller II took up 2,494,526 Subscription Warrants, authorising it to take up a total of 2,494,526,

(iii) Seller III took up 53,887,972 Subscription Warrants, authorising it to take up a total of 53.887.972,

(iv) Seller IV took up 9,509,648 Subscription Warrants, authorising it to take up a total of 9,509,648

ordinary Series H bearer shares in the share capital of the Company respectively, on or before 30 September 2011, in exchange for a cash contribution of PLN 14.37 per each share.

(ii) Reserve capital

In accordance with the provisions of Art. 396 of the Commercial Companies Code, joint stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital. Reserve capital is excluded from distribution.

During the periods presented in these consolidated financial statements, the General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted the following resolutions regarding transfers from net profit to reserve capital: on 4 July 2008 a resolution transferring a portion of the Company's 2007 net profit in the amount of PLN 464 thousand to reserve capital, on 14 May 2009 a resolution transferring a portion of the Company's 2008 net profit in the amount of PLN 70,033 thousand to reserve capital, on 24 June 2010 a resolution transferring a portion of the Company's 2009 net profit in the amount of PLN 79,096 thousand to reserve capital. Furthermore, on 17 June 2010 the General Shareholders' Meeting of Cyfrowy Polsat Technology Sp z o.o. transferred a portion of that entity's 2009 profit in the amount of PLN 3,441 thousand to reserve capital.

(iii) Other reserves

Other reserves in the amount of PLN 10,174 thousand include the difference between the fair value of shares assumed by the members of the Management Board and their issue price.

(iv) Retained earnings

The net profit for the year is presented within retained earnings.

(all amounts in PLN thousand, except where otherwise stated)

29. Equity (Continued)

(v) Dividends paid

On 24 June 2010 the General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to pay dividend for 2009 in the amount of PLN 152,945 thousand (PLN 0.57 per share).

The dividend was paid in two tranches: PLN 101,963 thousand on 11 August 2010 and PLN 50,982 thousand on 17 November 2010.

On 14 May 2009 the General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to pay dividend for 2008 in the amount of PLN 201,244 thousand. The dividend was paid in two tranches: PLN 134,163 thousand on 16 June 2009 and PLN 67,081 thousand on 21 October 2009.

On 4 July 2008 the General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to pay dividend for 2007 in the amount of PLN 37,565 thousand. The dividend was paid on 5 August 2008.

30. Loans and borrowings

Loans and borrowings	31 December 2010	31 December 2009	31 December 2008
Short-term loans and borrowings	18,041	47,370	66,571
Long-term loans and borrowings	—	—	44,135
Total	**18,041**	**47,370**	**110,706**

The Group is a party to an overdraft facility agreement with Bank Pekao S.A. available to the amount of PLN 139,000 thousand. The interest rate for the facility is WIBOR O/N plus a margin of 1.25%. The credit line is secured by the Group's declaration on submission to enforcement of up to PLN 208,500 thousand. The agreement's term expires on 30 April 2011. As at 31 December 2010 the overdraft was not used.

One of the Group entities has an overdraft facility with Bank Pekao S.A. available up to the amount of PLN 15,000 thousand. The facility may also be used to secure letters of credit and guarantees. The interest rate applicable to the facility is WIBOR 1M plus a margin of 1%. The facility is secured by the bank's proxy to the borrower's bank accounts, the Company's declaration on submission to enforcement of up to PLN 22,500 thousand and an additional declaration on submission to enforcement each time a guarantee or letter of credit is provided. The agreement's term expires on 21 July 2011. As at 31 December 2010 the overdraft was used to the amount of to PLN 8,460 thousand.

One of the Group entities has an overdraft facility with BRE Bank S.A. available up to the amount of PLN 12,000 thousand. The applicable interest rate was agreed as WIBOR O/N plus a margin of 2.5%. The facility is secured by the borrower's blank promissory note along with a promissory note declaration and a declaration on submission to enforcement of up to PLN 7,500 thousand, as well as a guarantee by the Company of up to PLN 13,000 thousand. The agreement expires on 26 May 2011. As at 31 December 2010 the overdraft was used to the amount of PLN 9,582 thousand and was classified as current.

BRE Bank may also provide good performance guarantees in the amounts of up to PLN 9,000 thousand in respect of agreements concluded by the above Group entity.

(all amounts in PLN thousand, except where otherwise stated)

30. Loans and borrowings (Continued)

The following served as security for the benefit of BRE Bank S.A. for the revolving line of credit:

- registered pledge on merchandise inventory in the minimum amount of PLN 4,500 thousand
- blank promissory note issued by the borrower
- assignment of receivables due to the borrower in respect of sales transactions concluded with customers indicated by the Bank
- commitment to insure the underlying movable assets over the full loan period.

The line of credit as stipulated in the above agreement was not utilised as at 31 December 2010.

The following tables present details of the Group's bank indebtedness as at 31 December 2009 and 2008:

As at 31 December 2009

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest
Bank Pekao S.A. . .	PLN	191,830	47,277	47,370	9 October 2010*	1M WIBOR+ 0,55%
Total				**47,370**		

As at 31 December 2008

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest
Bank Pekao S.A. . .	PLN	191,830	110,312	110,706	9 October 2010*	1M WIBOR+ 0,55%
Total				**110,706**		

* During the 2008-2009 period the Company, according to the payment schedule, repaid a part of the principal, in the amount of PLN 144,553 thousand (PLN 63,035 thousand in 2009 and PLN 81,518 thousand in 2008). The loan was fully repaid on 9 October 2010.

31. Group as a lessor and as a lessee

(a) Group as a lessor

Operating lease

The Group entered into a significant number of contracts with third parties, which are classified as operating leases based on their economic substance. The contracts relate to the rental of reception equipment. Assets connected with such contracts are presented as part of property, plant and equipment.

(all amounts in PLN thousand, except where otherwise stated)

31. Group as a lessor and as a lessee (Continued)

Lease contracts for set-top boxes are concluded for a base contractual period ranging from 12 to 36 months. After each base period, the contracts are converted into contracts with either indefinite or definite terms, unless terminated by the subscribers.

The Group rents equipment to third parties and concludes rental agreements with franchisees. The agreements with franchisees are in their majority for indefinite terms.

Future minimum lease payments with respect to operating leases are as follows:

	31 December 2010	31 December 2009	31 December 2008
less than 1 year	19,589	12,083	11,667
between 1 and 5 years	60,961	46,148	45,757
more than 5 years	1,701	—	—
Total	**82,251**	**58,231**	**57,424**

Finance lease

Future minimum lease payments under finance leases are as follows:

	31 December 2010	31 December 2009	31 December 2008
less than 1 year	—	161	2,199
Total	**—**	**161**	**2,199**

The present value of minimum lease payments amounted to PLN 160 thousand as at 31 December 2009 and PLN 2,154 thousand as at 31 December 2008.

(b) Group as a lessee

Operating leases

The Group entered into a number of agreements, which are classified as operating lease contracts based on their economic substance. Assets leased under these contracts are not recorded in the financial statements. The contracts comprise rental of transponder capacity, rental of office space and rental of equipment.

In addition, the Group is a party to rental agreements for commercial space which is subleased to franchisees. Majority of these agreements are for indefinite period.

(all amounts in PLN thousand, except where otherwise stated)

31. Group as a lessor and as a lessee (Continued)

Future minimum lease payments under operating leases are as follows:

	31 December 2010	31 December 2009	31 December 2008
less than 1 year	93,637	97,001	74,407
between 1 and 5 years	365,433	383,655	149,131
more than 5 years	158,290	274,576	30,760
Total	**617,360**	**755,232**	**254,298**

In 2010, 2009 and 2008 the Group incurred costs related to operating lease agreements amounting to PLN 95,298 thousand, PLN 83,535 thousand and PLN 56,998 thousand, respectively.

Finance leases

The total carrying amount of equipment used under finance lease contracts amounted to PLN 1,984 thousand, PLN 1,670 thousand and PLN 1,956 thousand as at 31 December 2010, 31 December 2009 and 31 December 2008, respectively. The lease term is 10 years with respect to conditional access equipment and 5 years with respect to vehicles and other equipment.

Future minimum lease payments under finance leases are as follows:

	31 December 2010	31 December 2009	31 December 2008
less than 1 year	491	234	238
between 1 and 5 years	1,095	937	951
more than 5 years	—	214	456
Total	**1,586**	**1,385**	**1,645**

The present value of minimum lease payments amounted to PLN 1,446 thousand as at 31 December 2010, PLN 1,243 thousand as at 31 December 2009 and PLN 1,367 thousand as at 31 December 2008.

32. Trade and other payables

	31 December 2010	31 December 2009	31 December 2008
Trade payables to third parties	146,986	86,550	127,956
Trade payables to related parties	7,137	915	2,352
Payables relating to purchases of fixed assets	5,873	6,361	4,844
Taxation and social security payables	11,399	7,769	8,088
Accruals	114,157	107,534	48,942
Short term provisions	21,142	10,235	4,032
Other	11,259	2,849	1,311
Total	**317,953**	**222,213**	**197,525**

(all amounts in PLN thousand, except where otherwise stated)

32. Trade and other payables (Continued)

Accruals

	31 December 2010	31 December 2009	31 December 2008
Licence fees	50,041	36,045	18,567
Distribution costs	22,812	37,491	1,345
Salaries	16,113	16,402	17,324
Royalties to copyright management organisations	2,844	2,463	1,977
Cost attributable to public offering of shares	—	—	338
Other	22,347	15,133	9,391
Total	**114,157**	**107,534**	**48,942**

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

Currency	31 December 2010	31 December 2009	31 December 2008
PLN	104,370	30,549	86,646
EUR	29,200	15,636	24,341
USD	26,426	47,642	24,165
Total	**159,996**	**93,827**	**135,152**

Accruals, by currency

Currency	31 December 2010	31 December 2009	31 December 2008
PLN	74,155	75,780	31,941
EUR	15,779	18,988	10,225
USD	24,223	12,766	6,776
Total	**114,157**	**107,534**	**48,942**

33. Deposits for equipment

	31 December 2010	31 December 2009	31 December 2008
Subscribers	7,969	10,568	14,206
Distributors	7,538	8,215	8,224
Other	16	17	17
Total	**15,523**	**18,800**	**22,447**

Deposits received comprise amounts paid by subscribers under agreements for rental of reception equipment and deposits paid by distributors for reception equipment and mobile phones.

(all amounts in PLN thousand, except where otherwise stated)

33. Deposits for equipment (Continued)

Deposits are returned to customers or offset against receivables from subscribers upon contract termination. All deposits are presented as current liabilities as the notice period is less than 12 months.

34. Deferred income

	31 December 2010	31 December 2009	31 December 2008
Deferred income	166,432	135,062	119,265

Deferred income comprises mainly retail subscription fees paid in advance and rental fees for set-top boxes. These fees relate primarily to services to be rendered within 12 months from the reporting date.

35. Investment in M.Punkt Holdings Ltd.

On 4 May 2010 the Group completed its acquisition of a 94% shareholding in M.Punkt Holdings Ltd. ("M.Punkt Holdings") with its seats in Nicosia, Cyprus. The transaction also resulted in the assumption of control over the subsidiaries of M.Punkt Holdings: mPunkt Polska S.A. ("mPunkt") and mTel Sp. z o.o. ("mTel").

The transaction was realised in two stages—ownership of 45% of shares of M.Punkt Holdings was transferred on 31 October 2009 and the remaining 49% of shares were transferred on 4 May 2010 resulting in the acquisition of the 94% shareholding in M.Punkt Holdings for a total consideration of PLN 54,013 thousand.

On 9 June 2010 the Group acquired the remaining 6% of shares of M.Punkt Holdings for PLN 4,509 thousand and accordingly increased its shareholding to 100%.

mPunkt operates as a country-wide sales network for telecommunication services, mobile phones, accessories and maintenance services offered to individual customers. mTel provides agency services under the agreement with mPunkt.

(a) Purchase price of shares

	31 December 2010
Acquisition of 94% shares	54,013
Acquisition of 6% shares—purchase of non-controlling interest	4,509
Shares in M.Punkt Holdings	**58,522**

As at 31 December 2010 the entire transaction price was paid by the Group.

(all amounts in PLN thousand, except where otherwise stated)

35. Investment in M.Punkt Holdings Ltd. (Continued)

(b) Reconciliation of cash flows resulting from the transaction

Purchase price of shares	58,522
Amount paid in 2009	(24,556)
Cash and cash equivalents acquired	(695)
Net cash outflow in the cash flows statement for 12 months ended 31 December 2010	**33,271**

(c) Goodwill calculation

	As of 5 May 2010
Purchase price of 94% shares	54,013
Non-controlling interest (6%)	4,509
Fair value of net assets acquired	(6,295)
Goodwill	**52,227**

The goodwill of PLN 52,227 thousand arising from the acquisition consists represents primarily the potential synergies and economies of scale expected from combining the operations of M.Punkt Holdings Ltd. with those of the Group.

Non-controlling interest was fair valued as at 4 May 2010 (date of acquisition of shares). The fair value was assumed to be the price paid by the Group when acquiring these shares on 9 June 2010.

(d) Fair value of net assets acquired as at the acquisition date

	As of 4 May 2010	
	Fair value	Book value
Property, plant and equipment	10,233	6,184
Goodwill	—	6,517
Trademark (see note 21)	500	—
Other intangible assets	1,352	1,343
Other non-current assets	1,060	1,060
Deferred tax assets	—	807
Inventories	3,086	3,086
Trade and other receivables	14,975	14,975
Other current assets	498	498
Cash and cash equivalents	695	695
Deferred tax liability	(11)	—
Other liabilities	(26,053)	(25,800)
Deferred income	(40)	(114)
Identifiable net assets	**6,295**	**9,251**

35. Investment in M.Punkt Holdings Ltd. (Continued)

During the purchase price allocation process the Group identified and valued a trademark—the "mPunkt" brand. The fair value of the trademark was estimated based on the relief from royalty method (see note 21).

Between 4 May 2010 and 31 December 2010 32 points of sale (POS) were sold. Goodwill allocated to the POS sold amounted to PLN 205 thousand.

Had the share purchase transaction been concluded on 1 January 2010, the Group would have recognised consolidated revenue of PLN 1,527,618 thousand and consolidated net profit in the amount of PLN 257,487 thousand for 12 months ended 31 December 2010.

In the eight months ended 31 December 2010 the Group recorded additional consolidated revenue amounting to PLN 12,869 thousand and consolidated net loss of PLN 11,428 thousand resulting from M.Punkt Holdings Ltd being included in consolidation.

(e) Merger with M.Punkt Holdings Ltd.

On 30 July 2010 the Management Board of Cyfrowy Polsat S.A. resolved on a merger with M.Punkt Holdings Ltd. ("Acquiree") and approved the cross-border merger plan. On 15 September 2010 the Company's Extraordinary General Shareholders' Meeting resolved to execute the cross-border merger and authorised the Management Board to exercise all necessary activities in respect of the merger.

The cross-border merger will allow optimising costs and simplifying the organisational structure of the Group, which is required in order to realize its medium and long term strategy.

The cross-border merger took place on 14 March 2011 in accordance with article 491 and furthermore, in particular in accordance with articles 516^{1}–516^{18} of the Commercial Companies Code of 15 September 2000 (Cross-border mergers of companies) and in accordance with Sections 201 I to 201 X of the Cyprus Companies Law, Cap 113, as amended by Section II Law N.186(I)/2007. Following the cross-border merger:

(i) M.Punkt Holdings Ltd. was dissolved without liquidation procedures, and

(ii) Cyfrowy Polsat S.A. took over, by the way of a universal succession, the Acquiree's assets and liabilities, including, in particular, the ownership of the share capital of mPunkt.

36. Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

—credit risk,

—liquidity risk,

—market risk:

(i) currency risk,

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

(ii) interest rate risk,

—capital management.

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

The Management Board has overall responsibility for the oversight and management of the risks that the Group is subjected to in its activities. Accordingly, the Management Board has established risk management framework as well as specific risk management policies with respect to credit risks and capital management.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are also included throughout these consolidated financial statements.

Bank loans, cash, forward exchange contracts, foreign exchange call options and short-term bank deposits are the main financial instruments used by the Group, with the intention of securing the financing for the Group's activities. The Group also holds other financial instruments such as trade receivables and payables which arise in the course of its business activities.

Financial assets

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Financial assets at fair value through profit or loss, including:	**5,604**	**—**	**13,950**
Foreign exchange call options*	5,604	—	—
Forward exchange contracts*	—	—	13,950
Loans and receivables, including:	**150,558**	**88,471**	**85,933**
Trade and other receivables from third parties	147,566	83,113	85,542
Trade and other receivables from related parties	2,991	5,358	391
Loans granted to third parties	1	—	—
Held-to-maturity financial assets	**—**	**—**	**—**
Available-for-sale financial assets	**—**	**—**	**—**
Hedging derivative instruments(*)	**—**	**—**	**—**
Cash and cash equivalents	**27,615**	**72,652**	**246,422**
Restricted cash	**—**	**26,738**	**—**

(*) The Group does not apply hedge accounting, therefore foreign exchange call options and forward exchange contracts are being presented at fair value through profit or loss.

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

Financial liabilities

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Financial liabilities at fair value through profit or loss	—	—	—
Other financial liabilities measured at amortised cost, including:	**206,405**	**164,230**	**271,261**
Finance lease liabilities	1,586	1,385	1,645
Loans and borrowings	18,041	47,370	110,706
Trade and other payables to third parties	179,641	114,560	156,558
Trade and other payables to related parties	7,137	915	2,352
Hedging derivative instruments	—	—	—

Credit risk

The Group's exposure to credit risk is associated primarily with trade receivables. In the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008, the Group was not materially exposed to credit risk arising from credit sales. The Parent's customer base includes a large number of individual subscribers who are dispersed geographically over the entire country, and who are required to prepay their subscription fees. Receivables from subscribers are continuously monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to MVNO and Internet service customers.

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

Credit risk associated with the Group's other financial assets, such as receivables, and cash and cash equivalents, arises when a counterparty fails to make payments when due. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

Maximum exposure to credit risk

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Trade and other receivables from third parties	147,566	83,113	85,542
Trade and other receivables from related parties	2,991	5,358	391
Loans granted to third parties	1	—	—
Cash and cash equivalents	27,615	72,652	246,422
Restricted cash	—	26,738	—
Total	**178,173**	**187,861**	**332,355**

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

The maximum exposure to credit risk for trade and other receivables, by type of customer, was:

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Receivables from subscribers	122,682	61,664	59,550
Receivables from distributors	9,080	11,333	12,841
Receivables from media companies	7,937	5,205	4,582
Receivables and loans granted to third parties	7,868	4,911	8,569
Receivables from related parties	2,991	5,358	391
Total	**150,558**	**88,471**	**85,933**

The aging of trade and other receivables at the reporting date was:

	31 December 2010			31 December 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	116,116	(3,657)	112,459	72,073	(1,446)	70,627	68,968	(1,453)	67,515
Past due 0-30 days	17,673	(3,098)	14,575	5,394	(1,195)	4,199	5,560	(1,317)	4,243
Past due 31-60 days	5,976	(2,463)	3,513	3,713	(1,486)	2,227	4,128	(2,480)	1,648
Past due more than 60 days	122,885	(102,874)	20,011	84,068	(72,650)	11,418	68,088	(55,561)	12,527
Total	**262,650**	**(112,092)**	**150,558**	**165,248**	**(76,777)**	**88,471**	**146,744**	**(60,811)**	**85,933**

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Any surplus cash is invested into bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of its cash requirements based on projected cash flows.

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

The following are the contractual maturities of the Group's financial liabilities.

	31 December 2010						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	18,041	18,041	9,582	8,459	—	—	—
Finance lease liabilities	1,586	1,586	285	205	334	762	—
Trade and other payables to third parties	179,641	179,641	179,641	—	—	—	—
Trade and other payables to related parties	7,137	7,137	7,137	—	—	—	—
	206,405	**206,405**	**196,645**	**8,664**	**334**	**762**	**—**

	31 December 2009						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	47,370	48,257	32,337	15,920	—	—	—
Finance lease liabilities	1,385	1,385	117	117	234	703	214
Trade and other payables to third parties	114,560	114,560	114,560	—	—	—	—
Trade and other payables to related parties	915	915	915	—	—	—	—
	164,230	**165,117**	**147,929**	**16,037**	**234**	**703**	**214**

	31 December 2008						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	110,706	118,188	35,165	34,074	48,949	—	—
Finance lease liabilities	1,645	1,645	119	119	238	713	456
Trade and other payables to third parties	156,558	156,558	156,558	—	—	—	—
Trade and other payables to related parties	2,352	2,352	2,352	—	—	—	—
	271,261	**278,743**	**194,194**	**34,193**	**49,187**	**713**	**456**

Market risk

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a significant portion of operating costs and capital

36. Financial instruments (Continued)

expenditures are incurred in foreign currencies. The Group's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR).

In respect of the license fees and transponder capacity leases, the Group uses natural hedge strategy by means of changing currency of the existing license fee agreements into zloty as well as denominating receivables from signal broadcast and marketing services in the same foreign currencies that license fees are denominated in.

In order to keep to an acceptable level its currency risk related to royalties to TV and radio broadcasters, costs of conditional access system and costs of reception equipment purchases, the Company purchased a number of foreign exchange call options in 2010 and entered into a number of forward currency exchange contracts in 2008 that were settled in 2009. The Company also purchased currencies in spot transactions at most favourable rates available.

On 10 August 2010 the Company purchased foreign exchange call options for total amount of EUR 12,000 thousand and USD 18,000 thousand. The options allow the Company to purchase EUR 1,000 thousand and USD 1,500 thousand per month during the period of 12 months ending 1 August 2011, inclusively, at the strike prices of, respectively, 4.0310 PLN per 1 euro and 3.0790 PLN per 1 dollar. The total premium for the purchased options amounted to PLN 4,540 thousand. On 4 November 2010 the Company purchased foreign exchange call options for a total amount of USD 18,000 thousand. The options allow the Company to purchase USD 1,500 thousand per month during the period of 12 months ending 1 November 2011, inclusively, at the strike price of 2.8000 PLN per 1 dollar. The total premium for the purchased options amounted to PLN 2,780 thousand. The foreign exchange call options were purchased in order to limit the impact of foreign exchange rates fluctuations on the Company's net profit. The Company did not apply hedge accounting in respect of these options. As at 31 December 2010 the fair value of unrealised foreign exchange call options amounted to PLN 5,604 thousand and was presented in 'Other current assets'. Between 10 August 2010 and 31 December 2010 the Company recognised finance costs resulting from the valuation and realisation of the options totalling PLN 922 thousand (see note 15).

The Group does not hold any assets held for trading denominated in foreign currenciesand the Group does not apply hedge accounting in the periods presented in these consolidated financial statements.

36. Financial instruments (Continued)

The Group's exposure to foreign currency risk was as follows based on notional currency amounts:

	31 December 2010		31 December 2009		31 December 2008	
(in thousands)	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**
Trade receivables	2,123	28	1,035	43	1,569	346
Cash and cash equivalents	1,469	932	686	365	551	188
Trade payables	(7,373)	(8.915)	(3,806)	(16,715)	(5,834)	(8,159)
Gross balance sheet exposure	**(3,781)**	**(7,955)**	**(2,085)**	**(16,307)**	**(3,714)**	**(7,625)**
Foreign exchange call options	7,000	27,000	—	—	—	—
Forward exchange contracts	—	—	—	—	4,500	16,000
Net exposure	**3,219**	**19,045**	**(2,085)**	**(16,307)**	**786**	**8,375**

The following foreign exchange rates were applied in the presented periods:

	Average rate			Rates at the reporting date		
(in PLN)	**2010**	**2009**	**2008**	**31 December 2010**	**31 December 2009**	**31 December 2008**
1 EUR	3.9946	4.3273	3.5166	3.9603	4.1082	4.1724
1 USD	3.0157	3.1162	2.4092	2.9641	2.8503	2.9618

36. Financial instruments

For the purposes of the exchange rate sensitivity analysis as at 31 December 2010, 31 December 2009 and 31 December 2008, exchange rate volatility in the +/− 5% range was assumed as probable. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2010			
	As at 31 December 2010		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
	in currency (in thousand)	in PLN (in thousand)		
Trade receivables				
EUR	2,123	8,407	5%	420
USD	28	83	5%	4
Cash and cash equivalents				
EUR	1,469	5,816	5%	291
USD	932	2,763	5%	138
Trade payables				
EUR	(7,373)	(29,200)	5%	(1,460)
USD	(8,915)	(26,426)	5%	(1,321)
Change in operating profit				(1,928)
Foreign exchange call options				
EUR	7,000	27,722	5%	923
USD	27,000	80,031	5%	3,040
Forward exchange contracts				
EUR	—	—	5%	—
USD	—	—	5%	—
Income tax				387
Change in net profit				1,648

	2009			
	As at 31 December 2009		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
	in currency (in thousand)	in PLN (in thousand)		
Trade receivables				
EUR	1,035	4,253	5%	213
USD	43	122	5%	6
Cash and cash equivalents				
EUR	686	2,820	5%	141
USD	365	1,041	5%	52
Trade payables				
EUR	(3,806)	(15,636)	5%	(782)
USD	(16,715)	(47,642)	5%	(2,382)
Change in operating profit				(2,752)
Foreign exchange call options				
EUR	—	—	5%	—
USD	—	—	5%	—
Forward exchange contracts				
EUR	—	—	5%	—
USD	—	—	5%	—
Income tax				(523)
Change in net profit				(2,229)

	2008			
	As at 31 December 2008		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
	in currency (in thousand)	in PLN (in thousand)		
Trade receivables				
EUR	1,569	6,545	5%	327
USD	346	1,024	5%	51
Cash and cash equivalents				
EUR	551	2,297	5%	115
USD	188	557	5%	28
Trade payables				
EUR	(5,834)	(24,341)	5%	(1,217)
USD	(8,159)	(24,165)	5%	(1,208)
Change in operating profit				(1,904)
Foreign exchange call options				
EUR	—	—	5%	—
USD	—	—	5%	—
Forward exchange contracts				
EUR	4,500	18,776	5%	939
USD	16,000	47,389	5%	2,369
Income tax				267
Change in net profit				1,137

36. Financial instruments (Continued)

	2010				2009				2008			
	As at 31 December 2010		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)	As at 31 December 2009		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)	As at 31 December 2008		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
	in currency (in thousand)	in PLN (in thousand)			in currency (in thousand)	in PLN (in thousand)			in currency (in thousand)	in PLN (in thousand)		
Trade receivables												
EUR	2,123	8,407	−5%	(420)	1,035	4,253	−5%	(213)	1,569	6,545	−5%	(327)
USD	28	83	−5%	(4)	43	122	−5%	(6)	346	1,024	−5%	(51)
Cash and cash equivalents												
EUR	1,469	5,816	−5%	(291)	686	2,820	−5%	(141)	551	2,297	−5%	(115)
USD	932	2,763	−5%	(138)	365	1,041	−5%	(52)	188	557	−5%	(28)
Trade payables												
EUR	(7,373)	(29,200)	−5%	1,460	(3,806)	(15,636)	−5%	782	(5,834)	(24,341)	−5%	1,217
USD	(8,915)	(26,426)	−5%	1,321	(16,715)	(47,642)	−5%	2,382	(8,159)	(24,165)	−5%	1,208
Change in operating profit				1,928				2,752				1,904
Foreign exchange call options												
EUR	7,000	27,722	−5%	(421)	—	—	−5%	—	—	—	−5%	—
USD	27,000	80,031	−5%	(2,344)	—	—	−5%	—	—	—	−5%	—
Forward exchange contracts												
EUR	—	—	−5%	—	—	—	−5%	—	4,500	18,776	−5%	(939)
USD	—	—	−5%	—	—	—	−5%	—	16,000	47,389	−5%	(2,369)
Income tax				(159)				523				(267)
Change in net profit				(678)				2,229				(1,137)

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

Had there been a 5% weakening of the Polish zloty against the Euro and the US Dollar as at 31 December 2010, 31 December 2009 and 31 December 2008, the Group's net profit would have increased by PLN 1,648 thousand, decreased by PLN 2,229 thousand and increased by PLN 1,137 thousand, respectively. A 5% strengthening of the Polish zloty against the above currencies, the Company's net profit would have, respectively, decreased by PLN 678 thousand, increased by PLN 2,229 thousand and decreased by PLN 1,137 thousand, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

Interest rate risk

Changes in market interest rates have no direct effect on the Group's revenues, however, they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans.

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimising scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit or loss.

At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Fixed rate instruments			
Financial assets	—	46,009	158,161
Financial liabilities	(477)	—	—
Total	**(477)**	**46,009**	**158,161**

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Variable rate instruments			
Financial assets	32,289	26,585	88,111
Financial liabilities	(18,041)	(47,277)	(110,312)
Total	**14,248**	**(20,692)**	**(22,201)**

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	Decrease by 100 bp
31 December 2010		
Variable rate instruments	325	(318)
Cash flow sensitivity (net)	325	(318)
31 December 2009		
Variable rate instruments	(207)	207
Cash flow sensitivity (net)	(207)	207
31 December 2008		
Variable rate instruments	(222)	222
Cash flow sensitivity (net)	(222)	222

The Group does not apply hedge accounting.

Fair value versus carrying amount

Presented below are fair values and carrying amounts of financial assets and liabilities.

	31 December 2010		31 December 2009		31 December 2008	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Trade and other receivables	150,557	150,557	88,471	88,471	85,933	85,933
Loans granted to third parties	1	1	—	—	—	—
Foreign exchange call options	5,604	5,604	—	—	—	—
Forward exchange contracts	—	—	—	—	13,950	13,950
Cash and cash equivalents	27,615	27,615	72,652	72,652	246,422	246,422
Restricted cash	—	—	26,738	26,738	—	—
Loans and borrowings	(18,041)	(18,041)	(47,275)	(47,370)	(109,308)	(110,706)
Finance lease liabilities	(1,446)	(1,586)	(1,243)	(1,385)	(1,367)	(1,645)
Trade and other payables	(186,778)	(186,778)	(115,475)	(115,475)	(158,910)	(158,910)
Total	**(22,488)**	**(22,628)**	**23,868**	**23,631**	**76,720**	**75,044**
Unrecognised gain		140		237		1,676

The fair values of cash and cash equivalents and restricted cash are assumed to be equal to their carrying amounts, therefore no fair value measurement was applied thereto. When determining the fair value of finance lease liabilities, forecasted cash flows from the reporting date to November 2015 (expected date of the lease agreements' termination) were taken and discounted with the rate calculated as a WIBOR 1M plus a margin applicable to the Group's credit risk profile. Trade and other receivables, and trade and other payables, comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that their fair value, taking into account the time value of money, would approximate their carrying amounts. The valuation methods

(all amounts in PLN thousand, except where otherwise stated)

36. Financial instruments (Continued)

used to establish fair values of loans granted to related and third parties were based on observable market input—WIBOR interest rates. The fair values of loans and borrowings were based on their nominal values as at the reporting date, as these liabilities result from agreements for overdraft facilities, therefore, no payment schedule was prepared and these liabilities may be repaid at any date.

The fair value of foreign exchange call options was established in accordance with the valuation of the counter party (Bank) to the options, while the fair value of forward exchange contracts was estimated by discounting the difference between the amount based on the contractual forward exchange rate and the amount based on the current forward exchange rate calculated using the market rates of interest and the official spot rate published by the National Bank of Poland at the reporting date.

Capital management

The Group's capital management's goal is to maintain its ability to operate as a going concern, in order to ensure proper return on the shareholders' investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

The Group monitors its capital levels on the leverage ratio, calculated as the ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings less cash and cash equivalents (including restricted cash).

	Carrying amount		
	31 December 2010	31 December 2009	31 December 2008
Loans and borrowings	18,041	47,370	110,706
Cash and cash equivalents	(27,615)	(99,390)	(246,422)
Net debt	**(9,574)**	**(52,020)**	**(135,716)**
Equity	427,938	322,413	293,338
Equity and net debt	418,364	270,393	157,622
Leverage ratio	**<0***	**<0***	**<0***

* Ratio is negative in all periods presented due to negative net debt.

37. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenues comprise revenues from services, products, goods and materials sold, while costs comprise selling expenses.

	For the year ended		
	31 December 2010	31 December 2009	31 December 2009
Revenues from barter transactions	2,226	2,803	2,215
Cost of barter transactions	2,356	2,721	3,062

(all amounts in PLN thousand, except where otherwise stated)

37. Barter transactions (Continued)

	31 December 2010	31 December 2009	31 December 2009
Barter receivables	660	1.463	427
Barter payables	190	449	200

38. Litigations and proceedings before public administration bodies

As at the date of approval of these consolidated financial statements, there were a number of significant proceedings before public administration bodies, as well as court cases involving the entities included in these consolidated financial statements, as follows:

Proceedings before the President of the Polish Competition and Consumer Protection Office ("UOKIK") regarding the application of practices breaching collective interests of consumers

The Group received UOKiK's decision No. 11/2009 dated 31 December 2009 whereby the President of UOKiK confirmed that certain statements included in the Company's service delivery regulations in force prior to 1 November 2009, were breaching the collective interests of consumers. At the same time, the President of UOKiK acknowledged that these unlawful provisions were eliminated from the amended regulations.

The President of UOKiK also ordered that once the above decision becomes legally binding, it is published on the Company's website (www.cyfrowypolsat.pl), and also in a daily nationwide newspaper. Moreover, pursuant to Article 106, Clause 1, Point 4 of the Protection of Competition and Consumers Act dated 16 February 2007, UOKiK imposed a cash fine of PLN 994 thousand, representing 0.09% of the Company's 2008 revenue, payable to the state budget, due to the breach of the interdiction set out in Article 24, Clause 1 and 2, Point 1 of the Protection of Competition and Consumers Act dated 16 February 2007, within the scope of the above decision.

The Company filed an appeal against the decision to the Polish Competition and Consumer Protection Court. On 14 April 2010, the President of UOKiK called for the appeal to be dismissed in full.

In these consolidated financial statements the Group created a provision for potential costs resulting from the final settlement of the above-mentioned proceedings.

Other legal proceedings

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by Skymedia Sp. z o.o. z with its registered office in Katowice, for compensation and indemnity. On 2 April 2010, the Praga District Court, X Commercial Department, in Warsaw announced the verdict, according to which, the Company is ordered to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545 thousand plus legal interest accrued from 28 August 2007, and also PLN 30 thousand of legal costs reimbursement. On 22 September 2010 the Court of Appeals in Warsaw upheld the verdict.

In these consolidated financial statements the Group created a provision for the above liabilities.

39. Important agreements and events

Decisions of the President of Office of Electronic Communications

On 16 April 2008, the President of Office of Electronic Communications (“UKE”) issued the decisions replacing the agreements for connection of telecommunication networks, concluded between Cyfrowy Polsat S.A. and PTK Centertel Sp. z o.o. (“PTK Centertel”) and between Cyfrowy Polsat S.A. and Polkomtel S.A. (“Polkomtel”). After examining Cyfrowy Polsat’s applications of 16 January 2008 to issue decisions concerning the telecommunication access, the President of UKE focused on justification for future application of clause on automatic change of Mobile Termination Rates (MTR), which was requested by Polkomtel and PTK Centertel. When resolving the dispute, the legal and factual state of affairs as at the date of issuing the decision was of decisive importance. At the moment of issuing both decisions, the Mobile Termination Rate in Polkomtel and PTK Centertel should be PLN 0.40/minute. The President of UKE determined the same MTR for terminations in Cyfrowy Polsat’s network. With respect to determining the MTRs, the parties, to which the decisions apply, are not subject to the same obligations. Polkomtel and PTK Centertel are obligated to determine fees on that account on the basis of incurred costs, and Cyfrowy Polsat may determine the rates on the basis of freedom of agreement principle. Therefore, it was not possible to automatically change, in the decisions issued by the UKE President, the MTRs charged by Cyfrowy Polsat in its own network because the MTRs charged by Polkomtel and PTK Centertel were about to change.

Initial public offering

On 24 April 2008, Cyfrowy Polsat S.A. and Polaris Finance B.V. concluded a stand-by underwriting agreement with UBS Limited, Bank Austria Creditanstalt AG, Dom Maklerski Penetrator SA and UniCredit CAIB Poland SA. As part of the concluded agreement, the underwriters undertook to make every effort to acquire the buyers for the shares which would be offered in the tranche for institutional investors as part of the public offering of 67,081,250 series E shares of Cyfrowy Polsat S.A.

On 30 April 2008 the public offering of the Company’s E series shares on the Warsaw Stock Exchange (“WSE”) was completed. 6,500,000 shares were offered to individual investors and 60,581,250 shares were offered to institutional investors, of which 30,424,481 in an international offer.

The WSE’s Board in its Resolution no. 322/2008 of 30 April 2008 admitted to trading on the exchange’s main market 75,000,000 of the Company’s E series ordinary shares with face value 0.04 PLN each and 5,825,000 of the Company’s F series ordinary shares with face value of PLN 0.04 each.

The WSE’s Board in its Resolution No. 326/2008 of 30 April 2008 resolved to introduce, as at 6 May 2008, to trading on the exchange’s main market ordinary shares E and F series in the amount of 75,000,000 and 5,825,000, respectively and of face value of PLN 0.04 each and quote the shares of the Company in a continuous listing system under the short name of “CYFRPLSAT” and the ticker “CPS”. In 2007 the Company issued F series ordinary shares, which were addressed to the following persons:

—Dominik Libicki

—Maciej Gruber

—Andrzej Matuszyński

—Dariusz Działkowski

39. Important agreements and events (Continued)

—Piotr Nurowski

—Józef Birka

—Aleksander Myszka.

Merger with Praga Business Park Sp. z o.o.

The Management Board of Cyfrowy Polsat S.A. resolved on 28 August 28 2008 to merge the Company with its wholly owned subsidiary, Praga Business Park Sp. z o.o., seated in Warsaw, and approved a merger plan. On 4 November 2008 the Company's Extraordinary Shareholders' Meeting approved the merger.

The merger was conducted as an acquisition, as a result of which the assets of Praga Business Park Sp. z o.o. (acquiree) were transferred to Cyfrowy Polsat S.A. (acquirer) in accordance with article 492 § 1. 1 of the Commercial Companies Code. The merger of Cyfrowy Polsat S.A. with Praga Business Park Sp. z o.o. was registered by the Warsaw District Court, XIII Commercial Department.

Acquisition and disposal of shares in Sferia S.A.

On 11 March 2009 Cyfrowy Polsat S.A. accepted an offer to purchase 350,000 preference shares of a new issue of Sferia S.A. ("Sferia") with a nominal value of PLN 100 each. The shares were acquired at the issue price of PLN 152.56 per share. Prior to the acquisition of shares, Cyfrowy Polsat S.A. concluded a put option agreement with Zygmunt Solorz-Żak, which was exercised on 13 March 2009. On 21 April 2009 Cyfrowy Polsat S.A. sold shares in Sferia S.A. to Polaris Finance B.V., an entity appointed by Zygmunt Solorz-Żak to execute the option agreement on his behalf. The shares were sold for the total amount of PLN 53,726 thousand, being the original price of acquisition by the Company of PLN 53,396 thousand, increased by an interest of 5.5% p.a. calculated from 11 March 2009 to 21 April 2009.

Acquisition of 100% shares in Telewizja Polsat S.A.

On 15 November 2010 an investment agreement was concluded between the Company and Zygmunt Solorz-Żak, Heronim Ruta, Karswell Limited and Sensor Overseas Limited (jointly "the Sellers").

The agreement pertains to obligating the Sellers to sell to the Company the shares in Telewizja Polsat Spółka Akcyjna seated in Warsaw ("TV Polsat"). Pursuant to the Agreement the Company undertakes to buy and the Sellers jointly undertake to sell 2,369,467 shares of TV Polsat with the par value of PLN 100 each, constituting 100% of the share capital of the company and 100% of the votes at the shareholder meeting of TV Polsat for a total consideration of PLN 3,750,000,003.32.

The agreement stipulates that 69.33% of the consideration for the shares, i.e. PLN 2,600,000,000, will be paid in the form of a transfer to the Sellers' accounts on the date of transfer of the title to the shares and the remainder of the consideration, i.e. PLN 1,150,000,003.32 through set-off of the Company's receivables on account of payment for the shares taken up by the Sellers in pursuance of the rights under subscription warrants to be issued by the Company pursuant to the Company's Shareholder Meeting resolution against the Sellers' receivables on account of payment of the remainder of the consideration for the Shares.

39. Important agreements and events (Continued)

On 17 December 2010 the Extraordinary General Meeting of the Company resolved to conditionally increase the share capital of the Company by no more than PLN 3,201,113.44 through the issuance of no more than 80,027,836 ordinary bearer Series H shares at an issue price of PLN 14.37. The rights to subscribe for the shares shall expire on 30 September 2011. The purpose of the conditional share capital increase in the Company is to vest the right to subscribe for its shares in holders of registered Series H subscription warrants of the Company, thus enabling the Company to pursue its investment plans concerning the acquisition of 2,369,467 shares in TV Polsat representing 100% of the share capital of that company. The persons eligible to take up the Series H shares are the persons who acquired Series H subscription warrants, being TV Polsat shareholders.

The Extraordinary General Meeting of the Company resolved to issue 80,027,836 registered Series H subscription warrants, which entitle their holders to subscribe for ordinary bearer Series H shares. The subscription warrants were offered for subscription free of charge to entities being the shareholders of TV Polsat. The Extraordinary General Meeting of the Company also resolved to exclude preemptive right of the existing shareholders with respect to the new Series H shares and registered the Series H subscription warrants.

The acquisition of Telewizja Polsat S.A. is expected to be finalised in the second quarter of 2011.

40. Off-balance sheet liabilities

Security relating to loans and borrowings

Security relating to loans and borrowings is described in note 30.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 31.

Contractual liabilities related to purchases of non-current assets

The Group entered into a number of agreements on the production and purchasing of the technical equipment. The total amount of uninvoiced deliveries and services resulting from these agreements was PLN 12,595 thousand as at 31 December 2010. The Group entered into a number of agreements on property improvements. The total amount of capital commitments resulting from these agreements was PLN 75 thousand as at 31 December 2010. In addition, the Group entered into a number of agreements for the purchases of licences and software—as at 31 December 2010 the amount of deliveries and services committed to under these agreements was PLN 344 thousand.

Contingent liabilities relating to promissory notes

As at 31 December 2010, the Group had contingent liabilities relating to promissory notes in the total amount of PLN 38,007 thousand (excluding blank promissory notes), including the amounts of promissory notes issued for the benefit of Polkomtel S.A., and representing good performance bonds under the Agency Agreement, in the aggregated amount of PLN 37,985 thousand as at 31 December 2010.

(all amounts in PLN thousand, except where otherwise stated)

40. Off-balance sheet liabilities (Continued)

Furthermore, the Group had ten blank promissory notes (good performance bonds under the agreements with mobile network operators as well as rental, loan and lease agreements).

41. Remuneration of the Management Board

The table below presents the Management Board's remuneration (excluding value of share-based payments and bonuses) from both the Parent and the subsidiaries.

Name	Function	2010	2009	2008
Dominik Libicki	President of the Management Board	1,080	1,080	720
Dariusz Działkowski	Member of the Management Board	660	672	516
Tomasz Szeląg	Member of the Management Board	660	417	—
Aneta Jaskólska	Member of the Management Board	309	—	—
Andrzej Matuszyński	Member of the Management Board	53	659	480
Maciej Gruber	Member of the Management Board	—	288	552
Total		**2,762**	**3,116**	**2,268**

The amounts of bonuses payable to each member of the Management Board for 2010, 2009 and 2008 are presented below:

Name	Function	2010	2009	2008
Dominik Libicki	President of the Management Board	2,200	3,200	4,000
Tomasz Szeląg	Member of the Management Board	1,000	500	—
Dariusz Działkowski	Member of the Management Board	500	800	1,000
Aneta Jaskólska	Member of the Management Board	300	—	—
Maciej Gruber	Member of the Management Board	—	400	1,500
Andrzej Matuszyński	Member of the Management Board	—	—	1,000
Total		**4,000**	**4,900**	**7,500**

The remuneration of Management Board members of subsidiaries, who are not at the same time Members of the Management Board of the Parent is presented below:

Name	Function	2010	2009	2008
Piotr Jarosz	President of the Management Board	—	—	640
Total		—	—	**640**

The remuneration of Piotr Jarosz for 2008 included remuneration under management contract, contract of employment and bonus paid for 2008 in the amount of PLN 300 thousand.

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 management incentive plan. Under the plan, managers

41. Remuneration of the Management Board (Continued)

would be granted options for the Company shares. The persons entitled to acquire the shares would be holders of subscription warrants who acquired the warrants in line with the incentive plan's rules and on the basis of a 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 share capital increase, within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

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

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

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

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

As at the date of approval of these consolidated financial statements, the incentive plan had not yet been approved.

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

42. Remuneration of the Supervisory Board

The Supervisory Board members receive remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007.

(all amounts in PLN thousand, except where otherwise stated)

42. Remuneration of the Supervisory Board (Continued)

Presented below total remuneration payable to the Supervisory Board members in 2010, 2009 and 2008:

Name	Function	2010	2009	2008
Zygmunt Solorz-Żak	President of the Supervisory Board (from 4 August 2008), Member of the Supervisory Board (from 4 July 2008)	180	180	88
Heronim Ruta	Member of the Supervisory Board (from 4 August 2008), President of the Supervisory Board (until 4 August 2008)	120	120	153
Andrzej Papis	Member of the Supervisory Board	120	120	120
Robert Gwiazdowski	Independent Member of the Supervisory Board (from 4 July 2008)	120	120	59
Leszek Reksa	Independent Member of the Supervisory Board (from 4 July 2008)	120	120	59
Mariola Gaca	Member of the Supervisory Board (until 4 July 2008)	n/a	n/a	61
Zdzisław Gaca	Member of the Supervisory Board (until 4 July 2008)	n/a	n/a	61
Anna Kwaśnik	Member of the Supervisory Board (until 4 July 2008)	n/a	n/a	61
Total		**660**	**660**	**662**

(all amounts in PLN thousand, except where otherwise stated)

43. Transactions with related parties

Receivables

	31 December 2010	31 December 2009	31 December 2008
Polsat Futbol Ltd.	1,200	—	—
Telewizja Polsat S.A.	674	4,944	342
Superstacja Sp. z o.o.	347	181	21
Polsat Jim Jam Ltd.	326	—	—
Polskie Media S.A.	152	37	—
Dom Sprzedaży Radia PIN Sp. z o.o.	108	61	—
Teleaudio Sp. z o.o.	108	2	2
Media Biznes Sp. z o. o.	59	116	11
Invest Bank S.A.	9	—	—
Sferia S.A.	7	16	14
Polsat Media Sp. z o.o.	1	1	1
Total	**2,991**	**5,358**	**391**

Liabilities

	31 December 2010	31 December 2009	31 December 2008
Telewizja Polsat S.A.	6,760	—	2,085
Polsat Jim Jam Ltd.	353	—	—
Polsat Media Sp. z o.o.	24	—	—
Teleaudio Sp. z o.o.	—	877	175
Polskie Media S.A.	—	34	—
Invest Bank S.A.	—	4	—
Alpatran	—	—	31
Media Biznes Sp. z o.o.	—	—	31
Radio PIN S.A.	—	—	28
Elektrim S.A.	—	—	2
Total	**7,137**	**915**	**2,352**

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

The amounts presented above under “Liabilities” do not include accruals.

(all amounts in PLN thousand, except where otherwise stated)

43. Transactions with related parties (Continued)

Revenues

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Polsat Futbol Ltd.	1,200	—	—
Telewizja Polsat S.A.	796	643	1,613
Teleaudio Sp. z o.o.	501	15	2
Media Biznes Sp. z o.o.	192	192	192
Polskie Media S.A.	150	172	24
Dom Sprzedaży Radia PIN Sp. z o.o.	138	150	—
Superstacja Sp. z o.o.	59	74	20
Invest Bank S.A.	54	—	—
Polsat Jim Jam Ltd.	3	—	—
Radio PIN S.A.	—	—	75
Sferia S.A.	—	—	11
Polsat Media Sp. z o.o.	—	—	1
Polska Telefonia Cyfrowa Sp. z o.o.*	n/a	n/a	5
Total	**3,093**	**1,246**	**1,943**

* Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

The most significant transactions include revenue from signal broadcast services provided to Polsat Futbol Ltd. and Telewizja Polsat S.A.

(all amounts in PLN thousand, except where otherwise stated)

43. Transactions with related parties (Continued)

Expenses

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Telewizja Polsat S.A.	74,254	50,119	17,554
Teleaudio Sp. z o.o.	9,731	11,874	6,981
Elektrim S.A.	1,764	1,633	1,356
Polsat Jim Jam Ltd.	1,047	—	—
Polsat Media Sp. z o.o.	638	124	—
Media Biznes Sp. z o.o.	192	192	192
Sferia S.A.	161	64	—
Polskie Media S.A.	150	150	—
Dom Sprzedaży Radia PIN Sp. z o.o.	99	—	—
PAI Media S.A.	82	48	—
Superstacja Sp. z o.o.	6	—	—
Invest Bank S.A.	5	1	1
Radio PIN S.A.	—	77	98
Alpatran	—	—	355
Polska Telefonia Cyfrowa Sp. z o.o.*	n/a	n/a	198
EMarket Sp. z o.o.**	n/a	n/a	167
Total	**88,129**	**64,282**	**26,902**

* Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

** EMarket Sp. z o.o. was a related party until 17 June 2008.

The most significant transactions include license fees to Telewizja Polsat S.A. for broadcasting programs Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat Futbol, Polsat News, Polsat Play, Polsat Café and Polsat SportHD.

Teleaudio Sp. z o.o. provides mainly telecommunication services with respect to the Group's customer call center. The Group leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A.

Finance income

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Polaris Finance B.V.	—	—	7,223
Total	**—**	**—**	**7,223**

The table above does not include the effects of purchasing shares of Sferia S.A. by Cyfrowy Polsat S.A. from Zygmunt Solorz-Żak and their further sale to Polaris Finance B.V. The cost of acquiring shares by

43. Transactions with related parties (Continued)

Cyfrowy Polsat S.A. amounted to PLN 53,396 thousand and the amount paid by Polaris Finance B.V. amounted to PLN 53,726 thousand. The resulting finance income totalled PLN 330 thousand.

Finance income from Polaris Finance B.V. for the year 2008 in the amount of PLN 7,223 thousand relates the reimbursement of a portion of the costs incurred by the Parent in respect of Cyfrowy Polsat S.A.'s initial public offering of shares.

Transactions with related parties are being concluded substantially on an arm's length basis.

Other

Invest Bank S.A. is the Group's main banking partner and therefore the Group bears costs of banking fees and bulk payments reconciliations. At the same time, the Group earns interest income from term deposits.

In 2010, the Company paid dividends for 2009 in the amount of PLN 152,945 thousand (PLN 0.57 per share). In 2009, the Company paid dividends for 2008 in the amount of PLN 201,244 thousand (PLN 0.75 per share). In 2008, the Company paid dividends for 2007 in the amount of PLN 37,565 thousand (PLN 0.14 per share).

44. Events subsequent to the reporting date

Acquisition of Goldcup 100051 AB

On 10 March 2011 the Company acquired 100% of shares of Goldcup 100051 AB ("Goldcup"), an entity registered in Sweden, for the total consideration of SEK 500 thousand (PLN 232 thousand). Goldcup has had no activities since its inception.

Merger of Cyfrowy Polsat with mPunkt Polska S.A.

On 21 March 2011 Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. resolved to merge the Company with mPunkt Polska S.A., in which it holds 100% of ownership interest.

Conclusion of a Senior Facilities Agreement and Bridge Facility Agreement

In connection with the acquisition of Telewizja Polsat S.A. (see note 39), on 31 March 2011 the Group, concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners")

The Senior Facilities Agreement provides for a term facility loan of up to PLN 1,400,000 thousand ("Term Facility") and a revolving facility loan of up to PLN 200,000 thousand ("Revolving Facility"). The interest rate applicable for both, the Term Facility and Revolving Facility, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The Term Facility will be repaid in quarterly instalments in varying amounts commencing 30 June 2011. Both facilities expire on 31 December 2015.

44. Events subsequent to the reporting date (Continued)

In addition, on 31 March 2011, the Group concluded a Bridge Facility Agreement with the Bookrunners. This agreement provides for a bridge loan facility in EUR of up to the amount equivalent of PLN 1,400,000 thousand which, as of the day of the execution of this agreement, equals approximately EUR 350,000 thousand ("Bridge Facility"). The interest rate applicable for the Bridge Facility was agreed as EURIBOR, for the relevant interest periods, plus the applicable margin, which increases as the term of the facility increases. The Bridge Facility is to be repaid within 12 months of the day of concluding the agreement.

45. Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical data and other factors considered reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities, which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates accounted for by the Parent's Management Board are the impairment losses on set-top boxes, the allowance for accounts receivable from individual customers and the useful life of set-top boxes rented to subscribers under operating leases , as well as valuation of foreign exchange call options and forward contracts (detailed description included in the accounting policies).

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of Telewizja Polsat S.A.

We have audited the accompanying consolidated financial statements of Telewizja Polsat S.A. Group, seated in Warsaw, Ostrobramska 77 ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2010, 31 December 2009 and 31 December 2008, the consolidated income statements and the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of Telewizja Polsat S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2010, 31 December 2009 and 31 December 2008 and its financial performance and its cash flows for each of the three years then ended, in accordance with International Financial Reporting

Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

On behalf of KPMG Audyt Sp. z o.o.
Registration number 458
ul. Chłodna 51, 00-867 Warsaw

Certified Auditor No. 10291
Michał Bartczak

Certified Auditor No. 9645
Marek Strugała
Director

18 April 2011
Warsaw

TELEWIZJA POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 and 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH EU IFRS

(all amounts in PLN thousand)

TABLE OF CONTENTS

TELEWIZJA POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 and 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH EU IFRS

(all amounts in PLN thousand)

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 18 April 2011, the Management Board of Telewizja Polsat S.A. approved the consolidated financial statements of Telewizja Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), which include:

1. Consolidated income statement for the period:

from 1 January 2010 to 31 December 2010	presenting a net profit of:	PLN 219,696 thousand
from 1 January 2009 to 31 December 2009	presenting a net profit of:	PLN 180,372 thousand
from 1 January 2008 to 31 December 2008	presenting a net profit of:	PLN 270,564 thousand

2. Consolidated statement of other comprehensive income for the period:

from 1 January 2010 to 31 December 2010	presenting total comprehensive income of:	PLN 218,423 thousand
from 1 January 2009 to 31 December 2009	presenting total comprehensive income of:	PLN 178,607 thousand
from 1 January 2008 to 31 December 2008	presenting total comprehensive income of:	PLN 280,041 thousand

3. Consolidated statement of financial position as at:

31 December 2010	presenting total assets and total equity and liabilities of:	PLN 870,915 thousand
31 December 2009	presenting total assets and total equity and liabilities of:	PLN 856,498 thousand
31 December 2008	presenting total assets and total equity and liabilities of:	PLN 886,738 thousand

4. Consolidated statement of cash flows for the period:

from 1 January 2010 to 31 December 2010	presenting a decrease in net cash amounting to:	PLN 28,179 thousand
from 1 January 2009 to 31 December 2009	presenting an increase in net cash amounting to:	PLN 5,276 thousand
from 1 January 2008 to 31 December 2008	presenting an increase in net cash amounting to:	PLN 58,273 thousand

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Consolidated statement of changes in equity for the period:

from 1 January 2010 to 31 December 2010	presenting an increase in equity of:	PLN 29,423 thousand
from 1 January 2009 to 31 December 2009	presenting an increase in equity of:	PLN 22,388 thousand
from 1 January 2008 to 31 December 2008	presenting an increase in equity of:	PLN 128,800 thousand

6. Accompanying notes to the consolidated financial statements

The consolidated financial statements were prepared in PLN thousand unless otherwise explicitly stated.

Management Board of Telewizja POLSAT S.A.

Mirosław Błaszczyk
President of the Management Board

Eryk Walkiewicz
Member of the Management Board

Maciej Stec
Member of the Management Board

Nina Terentiew Kraśko
Member of the Management Board

Person responsible for Financial Accounting

Jolanta Trzepałkowska-Malanowicz
Chief Accountant

Warsaw, 18 April 2011

TELEWIZJA POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 and 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH EU IFRS

CONSOLIDATED INCOME STATEMENT

(all amounts in PLN thousand)

		for the year ended		
	Note	31 December 2010	31 December 2009*	31 December 2008*
Revenue from services, products, merchandise and materials sold	13	1,025,560	981,454	1,125,371
Operating expenses	14	(758,500)	(767,274)	(806,756)
Cost of services, products, merchandise and materials sold	14	(669,913)	(683,332)	(706,977)
Selling expenses	14	(35,241)	(33,848)	(49,067)
General and administrative expenses	14	(53,346)	(50,094)	(50,712)
Other operating income	15	3,288	2,999	5,107
Other operating expenses	16	(3,727)	(2,967)	(3,426)
Profit from operating activities		**266,621**	**214,212**	**320,296**
Finance income	17	16,773	18,324	58,660
Finance costs	18	(2,847)	(13,002)	(39,675)
Goodwill impairment	12	—	(9)	—
Share in net income of associates		888	—	—
Profit before income tax		**281,435**	**219,525**	**339,281**
Income tax expense	19	(61,739)	(39,153)	(68,717)
Profit for the period		**219,696**	**180,372**	**270,564**
Basic and diluted earnings per share (in PLN)	21	**93**	**81**	**218**

(*) Restated, for details refer to note 9

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		for the year ended		
	Note	31 December 2010	31 December 2009	31 December 2008
Profit for the period		**219,696**	**180,372**	**270,564**
Other comprehensive income				
Currency translation adjustment		(1,572)	(2,178)	8,806
Income tax on other comprehensive income	19	299	413	671
Other comprehensive income for the period, net of tax		(1,273)	(1,765)	9,477
Total comprehensive income for the period		**218,423**	**178,607**	**280,041**

Consolidated income statement and consolidated statement of other comprehensive income should be analyzed together with the accompanying notes to the consolidated financial statements which are integral part thereof.

TELEWIZJA POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 and 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH EU IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION—ASSETS

(all amounts in PLN thousand)

	Note	31 December 2010	31 December 2009*	31 December 2008
Property, plant and equipment	**22**	131,197	160,953	170,350
Intangible assets	**23**	21,347	15,276	16,224
Non-current programming assets	**24**	72,065	90,897	77,692
Investment property	**25**	3,696	3,949	4,000
Investments in jointly-controlled entities accounted for using the equity method	**26**	879	—	—
Other non-current investments	**27**	89	86	44,825
Other non-current assets	**28**	2,719	2,738	2,769
Deferred tax assets	**19**	11,682	23,221	22,833
Total non-current assets		**243,674**	**297,120**	**338,693**
Current programming assets	**24**	226,105	145,153	131,928
Inventories	**29**	1,364	1,480	1,493
Other current investments	**27**	639	—	3,738
Current tax receivable	**19**	11,338	2,426	4
Trade and other current receivables	**30**	157,430	149,967	157,336
Other current assets	**31**	2,616	4,424	2,894
Cash and cash equivalents	**32**	227,618	255,886	250,652
Restricted cash	**32**	131	42	—
Total current assets		**627,241**	**559,378**	**548,045**
Total assets		**870,915**	**856,498**	**886,738**

(*) Restated, for details refer to note 9

Consolidated statement of financial position should be analysed together with the accompanying notes to the consolidated financial statements which are integral part thereof.

TELEWIZJA POLSAT S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 and 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH EU IFRS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION—EQUITY AND LIABILITIES

(all amounts in PLN thousand)

	Note	31 December 2010	31 December 2009	31 December 2008
Share capital	**34**	269,237	269,237	199,237
Reserves	**34**	108,110	83,067	63,329
Currency translation adjustment		(5,896)	(4,623)	(2,858)
Retained earnings		245,255	239,602	305,187
Total equity		**616,706**	**587,283**	**564,895**
Loans and borrowings	**35**	—	40,618	—
Employee benefits	**36**	435	423	387
Deferred tax liabilities	**19**	541	613	590
Trade and other non-current payables	**37**	1,584	2,877	29,296
Provisions	**38**	1,488	1,947	1,931
Total non-current liabilities		**4,048**	**46,478**	**32,204**
Loans and borrowings	**35**	39,985	42,494	129,009
Trade and other current payables	**39**	177,267	147,802	108,164
Current tax liabilities	**19**	4,458	3,302	23,336
Deferred income	**40**	524	3,147	1,657
Employee benefits	**36**	11,391	9,521	11,431
Provisions	**38**	16,536	16,471	16,042
Total current liabilities		**250,161**	**222,737**	**289,639**
Total liabilities		**254,209**	**269,215**	**321,843**
Total equity and liabilities		**870,915**	**856,498**	**886,738**

Consolidated statement of financial position should be analysed together with the accompanying notes to the consolidated financial statements which are integral part thereof.

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in PLN thousand)

	for the year ended		
	31 December 2010	**31 December 2009**	**31 December 2008**
Cash flows from operating activities			
Profit for the period	**219,696**	**180,372**	**270,564**
Adjustments for	**53,560**	**64,514**	**131,586**
Depreciation and amortisation	47,556	45,157	33,599
Acquisition of programming assets	(401,066)	(367,047)	(373,912)
Amortisation of programming assets	354,801	355,382	375,570
Recognition/(reversal) of impairment losses on programming assets	(1,570)	7,191	5,963
Foreign exchange losses / (gains)	(4,409)	8,333	(11,759)
(Gains)/losses on investment activities and sales of property, plant and equipment	(112)	(136)	(1,356)
Interest	(353)	663	4,043
Income tax expense	61,739	39,153	68,717
Share in net income of associates accounted for under equity method	(888)	—	—
Change in receivables	(7,655)	6,233	29,201
Change in inventories	116	13	51
Change in other assets	1,827	(1,499)	794
Change in liabilities	8,730	(29,683)	(4,855)
Change in deferred income	(2,623)	1,490	316
Change in provisions	(394)	445	(4,258)
Goodwill impairment	—	9	—
Other	(2,139)	(1,190)	9,472
Cash generated from operating activities	**273,256**	**244,886**	**402,150**
Income tax paid	(56,590)	(62,213)	(76,332)
Net cash from operating activities	**216,666**	**182,673**	**325,818**
Cash flows from investing activities			
Proceeds from sale of intangible assets, property, plant and equipment and investment property	746	683	1,031
Proceeds from sale of financial assets	—	47,549	—
Interest received	1,335	3,341	3,024
Other proceeds	34,000	150	—
Acqusition of intangible assets and property, plant and equipment	(13,634)	(21,598)	(84,897)
Acquisition of financial assets	—	—	(27)
Other	(34,636)	(75)	(250)
Net cash from (used in) investing activities	**(12,189)**	**30,050**	**(81,119)**
Cash flows from financing activities			
Net proceeds from issue of share capital and other equity instruments	—	70,000	95,240
Proceeds from loans and borrowings	—	—	99,102
Dividends paid	(189,000)	(226,219)	(246,481)
Repayment of loans and borrowings	(42,066)	(43,444)	(128,608)
Interest paid	(1,538)	(6,181)	(7,358)
Other financial (outflows)/inflows	(151)	(95)	(3,177)
Net cash used in financing activities	**(232,755)**	**(205,939)**	**(191,282)**
Total net cash flow	**(28,278)**	**6,784**	**53,417**
Net increase/(decrease) in cash and cash equivalents	**(28,179)**	**5,276**	**58,273**
Effect of exchange rate fluctuations on cash held	99	(1,508)	4,856
Cash and cash equivalents at the beginning of the period	**255,928**	**250,652**	**192,379**
Cash and cash equivalents at the end of the period*	**227,749**	**255,928**	**250,652**

* The amount includes restricted cash of PLN 131 thousand as at 31 December 2010 (see Note 32) (PLN 42 thousand as at 31 December 2009; PLN 0 thousand as at 31 December 2008).

Consolidated statement of cash flows should be analysed together with the accompanying notes to the consolidated financial statements which are integral part thereof.

(all amounts in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Reserves	Currency translation adjustment	Retained earnings	Total equity
Balance at 1 January 2010	**269,237**	**83,067**	**(4,623)**	**239,602**	**587,283**
Total comprehensive income for the period	—	—	(1,273)	219,696	**218,423**
Reallocation of the prior period profit	—	25,043	—	(25,043)	**—**
Dividends to owners of the Company	—	—	—	(189,000)	**(189,000)**
Balance at 31 December 2010	**269,237**	**108,110**	**(5,896)**	**245,255**	**616,706**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Reserves	Currency translation adjustment	Retained earnings	Total equity
Balance at 1 January 2009	**199,237**	**63,329**	**(2,858)**	**305,187**	**564,895**
Total comprehensive income for the period	—	—	(1,765)	180,372	**178,607**
Reallocation of the prior period profit	—	19,671	—	(19,671)	**—**
Reallocation of retained earnings	—	67	—	(67)	**—**
Issue of shares	70,000	—	—	—	**70,000**
Dividends to owners of the Company	—	—	—	(226,219)	**(226,219)**
Balance at 31 December 2009	**269,237**	**83,067**	**(4,623)**	**239,602**	**587,283**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Reserves	Currency translation adjustment	Retained earnings	Total equity
Balance at 1 January 2008	**103,997**	**41,896**	**(12,335)**	**302,537**	**436,095**
Total comprehensive income for the period	—	—	9,477	270,564	**280,041**
Reallocation of the prior period profit	—	21,433	—	(21,433)	**—**
Issue of shares	95,240	—	—	—	**95,240**
Dividends to owners of the Company	—	—	—	(246,481)	**(246,481)**
Balance at 31 December 2008	**199,237**	**63,329**	**(2,858)**	**305,187**	**564,895**

Consolidated statement of changes in equity should be analysed together with the accompanying notes to the consolidated financial statements which are integral part thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

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

1 The Parent

Telewizja Polsat S.A. (the "Parent", the "Company") is a joint stock company domiciled in Poland. The address of the Company's registered office is 77 Ostrobramska Street, Warsaw.

The consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 comprise the Parent and its subsidiaries (together with the Parent referred to as "the Group" and individually as "Group entities"), and the Group's interest in associates and jointly controlled entities.

The Company was incorporated under the Notary Deed dated 1 March 1993.

The Company is the parent of a media group operating in the television and advertising industry. The Company broadcasts programming contest through satellite transponders, telecom infrastructure and terrestrial transmitters.

The principal business activities of the Parent and its subsidiaries include:

- advertising,
- television activities,
- telecommunication,
- motion picture and video activities,
- radio communication,
- radio diffusion,
- trade in programming licences.

2 Management Board of the Parent

As at the date the consolidated financial statements were authorised for issue, the Management Board of the Parent consisted of:

—Mirosław Błaszczyk	President of the Management Board,
—Eryk Walkiewicz	Member of the Management Board,
—Maciej Stec	Member of the Management Board,
—Nina Terentiew-Kraśko	Member of the Management Board.

(all amounts in PLN thousand)

3 Supervisory Board of the Parent

As at the date the consolidated financial statements were authorised for issue, the Supervisory Board of the Parent consisted of:

—Zygmunt Solorz-Żak	President of the Supervisory Board,
—Heronim Ruta	Member of the Supervisory Board,
—Józef Birka	Member of the Supervisory Board,
—Aleksander Myszka	Member of the Supervisory Board,
—Dominik Libicki	Member of the Supervisory Board (from 15 November 2010),
—Tomasz Szeląg	Member of the Supervisory Board (from 15 November 2010).

4 Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), which were in effect as at 1 January 2010.

During 2010, the following amendments to the EU IFRS became effective:

(i) amendments to revised IFRS 1 *Additional Exemptions for First-time Adopters*

Amendments to IFRS 1 introduce additional exemptions for entities adopting International Financial Reporting Standards for the first time. The changes have no impact on these consolidated financial statements of the Group.

(ii) amendments to IFRS 2 *Share-based Payments*

The amendments specify the scope of transactions treated as share-based payments. They have no impact on these consolidated financial statements.

(iii) revised IFRS 3 *Business Combinations*

Revised IFRS 3 gives a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Moreover, all acquisition-related costs are expensed. They have no impact on these consolidated financial statements.

4 Basis of preparation of the consolidated financial statements (Continued)

(iv) Improvements to International Financial Reporting Standards, including:

— amendments to IFRS 8 Operating Segments—the amendments limit segment reporting requirements concerning assets. An entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

— amendments to IAS 7 Statement of Cash Flows

On the basis of the amendments, only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.

All amendments have no significant impact on these consolidated financial statements.

(v) revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 describes how to present subsidiaries in consolidated financial statements and investments in subsidiaries, jointly controlled entities and associates. The amendments require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will not result in goodwill or gains and losses. They have no impact on these consolidated financial statements.

(vi) amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: *Eligible Hedged Items*

The amendments specify the scope of instruments which can be treated as eligible items. They have no impact on these consolidated financial statements.

(vii) IFRIC 17 *Distributions of Non-cash Assets to Owners, amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and amendment to IAS 10 Events After The Reporting Period*

IFRIC 17 describes the accounting treatment of distribution of non-cash assets to owners whereas IFRS 5 introduces the definition of assets held for distribution to owners. Amendment to IAS 10 specifies how to present dividend declared after the balance sheet date but before publication of financial statements. The changes have no impact on these consolidated financial statements.

5 Issued 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 related Interpretations, save for the standards and interpretations which have not yet been endorsed by the European Union or which have already been endorsed by EU but are not yet effective.

5 Issued International Financial Reporting Standards and Interpretations whose application is not mandatory (Continued)

In preparing these consolidated financial statements, the Group did not early adopt the new Standards which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2010 (presented below).

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

(i) amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* and IFRS 7 *Financial Instruments: Disclosures* are effective for the annual periods beginning after 30 June 2010.

The amendments specify the starting date from which previous changes to IFRS 1 and IFRS 7 concerning limited exemptions for entities adopting International Financial Reporting Standards for the first time are to be adopted. The changes have no impact on these consolidated financial statements.

(ii) revised IAS 24 *Related Party Disclosures* and amendment to IFRS 8 *Operating Segments* are effective for the annual periods beginning after 31 December 2010.

Amendment to IFRS 8 specifies when an entity shall consider a government, its agencies and similar bodies and entities under control of the government as a single customer. Revised IAS 24 explains how to report transactions with related entities. The changes have no impact on these consolidated financial statements.

(iii) amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* are effective for the annual periods beginning after 31 December 2010.

The amendments clarify how to account for prepayments of a minimum funding requirement. The changes have no impact on these consolidated financial statements.

(iv) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* is effective for the annual periods beginning after 30 June 2010.

Interpretation explains how to account for extinguishing financial liabilities with equity instruments. The changes have no impact on these consolidated financial statements.

(v) Improvements to 2010 International Financial Reporting Standards revise six standards and one interpretation.

The revisions relate to scope, presentation, recognition and measurement as well as changes of terminology and editorial changes. Majority of the changes will be effective for annual periods beginning on 1 January 2011; however some of the changes are effective for the annual periods beginning on or after 1 July 2010. The changes have no impact on these consolidated financial statements.

(all amounts in PLN thousand)

5 Issued International Financial Reporting Standards and Interpretations whose application is not mandatory (Continued)

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

— IFRS 9 *Financial Instruments*;

— amendments to IFRS 7 *Financial Instruments: Disclosures*—Disclosures—Transfer of financial assets;

— amendments to IAS 12 *Income tax*—Recovery of underlying assets;

— amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards*—Hyperinflation and removal of fixed dates for first-time adopters.

6 Group of consolidated companies

The consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 include the following entities:

	Company's registered office	Activity	Percentage of voting rights (%) 31 December 2010	31 December 2009	31 December 2008
Parent Company					
Telewizja Polsat S.A.	ul. Ostrobramska 77, Warszawa	TV activities	—	—	—
Subsidiares					
Polsat Media Sp. z o.o.	ul. Ostrobramska 77, Warszawa	advertising activities	100%	100%	100%
RS TV S.A.	ul. Chorzowska 15, Radom	radio communication, radio diffusion	100%	100%	100%
Nord Licence A.S.	Vollsvseien 13B, Lysaker	trade in programming licenses	100%	100%	100%
Media Biznes Sp. z o.o.	Al. Stanów Zjednoczonych 53, Warszawa	TV activities	100%	100%	100%
Polsat Futbol Ltd. *	Office 1D, 238-246 King Street London W6 0RF	advertising and TV activities	100%	100%	—
Polsat License Ltd. **	Poststrasse 9, 6300 Zug, Switzerland	trade in programming licenses	100%	—	—

(*) From 2009. Refer to note 12 for further details.

(**) From 2010. Refer to note 12 for further details.

(all amounts in PLN thousand)

6 Group of consolidated companies (Continued)

Investments accounted for under the equity method:

	Company's registered office	Activity	Percentage of voting rights (%) 31 December 2010	31 December 2009	31 December 2008
Polski Operator Telewizyjny Sp. z o.o.	ul. Huculska 6, Warszawa	radio communication, radio diffusion	50%	50%	50%
Polsat JimJam Ltd. ***	105-109 Salusbury Road, London NW6 6RG	TV activities	50%	—	—

(***) From 2010. Refer to note 12 for further details.

7 Accounting and consolidation policies

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

a) Basis of valuation

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

b) Going concern assumption

The consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 have been prepared assuming that the Group will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2010.

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the present and future

7 Accounting and consolidation policies (Continued)

periods if they concern both the present and future periods. Note 48 contains information about the key sources of uncertainty and management judgments.

e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Company has the power to govern, either directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights that are currently exercisable are considered in assessing control.

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

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Company and using the accounting policies that are consistent with those of the Company for like transactions and events.

(ii) Associates

An associate is any entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of an associate's profit or loss after the acquisition date is recognized in its profit and loss with a corresponding increase or decrease to the carrying amount of the investment. Adjustments to the carrying amount of an investment in associate are also made for changes in the Group's proportionate interest in an associate arising from changes in the investee's other comprehensive income. The Group's share of those changes is recognized in its other comprehensive income.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, including any unsecured loans, the Group discontinues recognizing its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Forward contracts between an acquirer and a vendor on shares in an associate that would result in business combinations, are not recognised by the Group as financial instruments.

(iii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group

7 Accounting and consolidation policies (Continued)

controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

f) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the following exchange rates at the dates of the transactions:

- transactions to sell or purchase cash denominated in foreign currencies and to settle receivables or payables denominated in foreign currencies are translated using the bid or offer exchange rate of the bank whose services are used by the entity at the date of the transaction,
- other foreign currency transactions concluded by the entities based in the Republic of Poland are translated into Polish zloty using the average National Bank of Poland ("NBP") foreign exchange rate at the date of the transaction,
- foreign currency transactions concluded by entities based outside the Republic of Poland are translated to their functional currencies using the exchange rate announced by the central bank of the country in which the entities are based or an exchange rate announced by OANDA Corporation at www.oanda.com at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date using the average NBP rate as of that date. Foreign exchange gains and losses resulting from translation of foreign currency transactions and valuation of foreign currency monetary assets and liabilities denominated in foreign currency are recognised in the income statement. Non-monetary foreign

(all amounts in PLN thousand)

7 Accounting and consolidation policies (Continued)

currency assets and liabilities valued at historical cost are translated at the average NBP rate as of the transaction date.

Exchange rates applied for valuation at the reporting dates:

Currency	31 December 2010	31 December 2009	31 December 2008
EUR	3.9603	4.1082	4.1724
USD	2.9641	2.8503	2.9618
GBP	4.5938	4.5986	4.2913

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to PLN at the average NBP foreign exchange rate at the reporting date.

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to PLN at the exchange rate being an average of NBP foreign exchange rates at the end of each month of the financial year (3.0402 USD/PLN in 2010, 3.1236 in 2009 and 2.4115 in 2008). The income and expenses of foreign operations in hyperinflationary economies are translated using the average NBP foreign exchange rate at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation adjustment (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(iii) Hedge of a net investment in foreign operation

The Group does not apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Parent's functional currency (PLN).

g) Financial instruments

According to EU IFRS a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

7 Accounting and consolidation policies (Continued)

Recognition and derecognition of financial instruments

The Group recognises a financial instrument (an asset or a liability) on its consolidated statement of financial position when it becomes a party to the contract.

The Group derecognises a financial asset in its consolidated statement of financial position when:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transferred the contractual rights to receive the cash flows of the financial asset and transferred substantially all risks and rewards of ownership of the financial asset and did not retain control of the financial asset.

The Group derecognises a financial liability from its consolidated statement of financial position when the contractual obligation:

- is discharged; or
- is cancelled; or
- expires.

Classification of financial assets and financial liabilities

A financial asset at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset classified as held for trading, including derivatives, or financial asset designated by the Group upon initial recognition as at fair value through profit or loss.

The Group does not apply the fair value option and designates to this category only financial assets held for trading, i.e. assets that are acquired principally for the purpose of selling in the near term, or that are part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or that are derivatives.

Financial instruments classified as financial asset at fair value through profit or loss are measured at fair value with changes therein recognised in profit or loss when incurred.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available for sale; and
- meet the definition of loans and receivables.

7 Accounting and consolidation policies (Continued)

The Group does not classify any financial assets of a more than insignificant amount as held-to-maturity if the Group has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity.

The Group currently has not classified any instrument as held-to-maturity investment.

Financial instruments classified as held-to-maturity are measured at amortised cost using the effective interest rate method. Interest accrued calculated using the effective interest rate method is recognised in interest income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- the Group upon initial recognition designates as available for sale; or
- for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (which shall be classified as available for sale).

Loans and receivables comprise commercial bonds that are not quoted in an active market, trade receivables and short-term bank deposits.

Loans and receivables are measured at amortised cost using the effective interest rate method. Interest accrued calculated using the effective interest rate method is recognised in interest income.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value and changes therein are recognised in equity. Interest on interest-bearing instruments calculated using the effective interest rate method is recognised in interest income.

Available-for-sale financial assets comprise purchased equity instruments and debt securities that are quoted in an active market and that are not classified as held-to-maturity investments.

7 Accounting and consolidation policies (Continued)

Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability classified as held for trading (including derivatives) or financial liability designated by the Group upon initial recognition as at fair value through profit or loss.

The Group does not apply the fair value option and designates to this category only financial liabilities held for trading, i.e. liabilities that are incurred principally for the purpose of repurchasing in the near term, or that are part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or that are derivatives.

Financial instruments classified to this category are measured at fair value with changes therein recognised in profit or loss for the period.

Financial liabilities valued at amortised cost

Other financial liabilities not classified as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Interest accrued calculated using the effective interest rate method is recognised in interest expense.

Compound financial instruments

If the Group has compound financial instruments containing derivatives embedded in the host contract, the embedded derivative is separated from the host contract and accounted for as a derivative when the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

Otherwise, the hybrid (combined) instrument is recognised as a whole according to principles of IAS 39 (Financial Instruments: Recognition and Measurement).

Derivatives and hedge accounting

The Group applies financial derivatives in order to hedge foreign exchange risk and interest rate risk. Financial derivatives are recognised and measured at fair value with the changes therein recognised in finance income or finance expenses.

The Group does not apply hedge accounting.

7 Accounting and consolidation policies (Continued)

h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially measured at cost of its acquisitions or construction less accumulated depreciation and accumulated impairment losses.

The cost of acquisition of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to the purchase and bringing the asset to working condition for its intended use, including transport, loading, unloading, storage costs and direct labour costs. Rebates, discounts and other similar reductions and credits reduce the cost of the asset. The cost of construction of an item of property, plant and equipment and assets under construction comprises all costs incurred by the Group during its construction, assembly, adaptation and improvements up to the date of putting such asset component into use (or the reporting date if the asset has not yet been put into use).

When required the cost of construction also comprises the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured in accordance with policies applied for measurement of investment property (see note 7j) and reclassified as investment property. Items of property, plant and equipment under construction acquired or constructed for future use as investment property are measured in accordance with policies applied for measurement of investment property.

(iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

7 Accounting and consolidation policies (Continued)

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	2–61 years
Civil and water engineering structures	7–58 years
Television and broadcasting equipment	2–26 years
Vehicles	2–16 years
Fixtures and fittings	2–26 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Intangible assets

(i) Goodwill

Initial recognition

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Subsequent measurement

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to the acquirer's cash-generating units for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

7 Accounting and consolidation policies (Continued)

(iii) Subsequent expenditure

Subsequent expenditure on items of existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated trademarks, goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

- Computer software: 2 – 15 years,
- Concessions: period resulting from an administrative decision,
- Other: 2 – 7 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Items recognised as investment property are measured at their cost, being their purchase price or cost of development, less accumulated depreciation and accumulated impairment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of an investment property changes to owner-occupied, it is reclassified as property, plant and equipment, and its gross value, depreciation and carrying value at the date of reclassification become its gross value, depreciation and carrying value for subsequent accounting.

k) Leased items of property, plant and equipment

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Subsequent to the initial recognition the leased asset is measured at an amount

7 Accounting and consolidation policies (Continued)

equal to the lower of its fair value and the present value of the minimum lease payments, less accumulated depreciation and impairment.

The Group recognises perpetual usufruct of land as operating lease. Accordingly, all payments relating to purchase of perpetual usufruct of land are recognised as prepayments for perpetual usufruct of land. Those prepayments are amortised to profit or loss over the period of perpetual usufruct.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

l) Programming assets

Programming assets comprise acquired formats, licences and copyrights for broadcasting feature films, series, news and shows, capitalised commissioned external productions ordered by the Group, capitalised sport rights and advance payments made (including advance payments for sport rights).

(i) Initial recognition

Programming rights other than sport rights are recognised as programming assets at cost when the legally enforceable licence period begins and all of the following conditions have been met:

- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the Group in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

Capitalised cost of productions includes costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalised productions of programs are valued individually at their production or acquisition costs, not higher than their recoverable amount.

Sport rights are recognised at cost at broadcast. Rights to broadcast seasonal sport events are capitalised at cost and recognised as programming assets on the first day of the season.

Advance payments for acquired programming assets, prior to meeting recognition criteria for programming assets, are recognised as prepayments for programming assets.

Signed and binding contracts for purchase of programming, which do not meet recognition criteria for recognition as programming assets are not recognised in the statement of financial position and are instead disclosed as contractual commitments in the amount of the outstanding contract liability at the reporting date.

Programming assets are classified as non-current or current based on the estimate timing of the first available broadcast. A programming asset is recognised as current in full when the first available broadcast falls within 1 year from the reporting date. Sport rights and prepayments for sport rights are classified as current or non-current based on dates of related sport events.

(all amounts in PLN thousand)

7 Accounting and consolidation policies (Continued)

(ii) Amortisation

Programming assets are amortised using the method reflecting the manner of consuming the economic benefits embodied in the licence acquired. The useful life is equal to the term of the licence at the maximum. Amortisation method and rates depend on the category of programming assets and the number of broadcasts permitted:

- Feature films and series—amortisation starts at the first broadcast. Consumption of the economic benefits is measured using a declining balance method according to a standardised matrix and depends on the number of showings permitted or planned, primarily as described below:

Number of depreciable runs	Feature films Rate per run		
	I	II	III
1	100%		
2	80%	20%	
3	60%	20%	20%

Number of depreciable runs	TV series Rate per run		
	I	II	III
1	100%		
2	80%	20%	

- Sport rights—100% of the cost is recognised in profit or loss on the first broadcast or, where seasonal rights or rights for multiple seasons or competitions are acquired, such rights are principally amortised on a straight-line basis over the seasons or competitions.
- Commissioned external productions intended for only one run are fully amortised on their first broadcast.
- Informational programming is fully amortised at its first broadcast.
- General entertainment shows are fully amortised at their first broadcast.

(iii) Impairment

Programming assets are reviewed for impairment annually or if there is any indication that the carrying amount may not be recoverable. Impairment losses are recognised when the carrying amount of the asset exceeds the estimate recoverable amount. The basis for this assumption may include changes in the advertising environment, changing audience tastes, changes in strategic program scheduling, media-law restrictions on the usability of films, withdrawal from broadcasting an item and expected future losses anticipated on disposal of the rights.

7 Accounting and consolidation policies (Continued)

Provisions for future losses in programming assets are recognised as provisions for onerous contracts for programming acquisition contracts (including sport rights) concluded before the reporting date and which current programming analyses indicate will not generate revenues in excess of acquisition cost of these assets.

Impairment write downs and raising of provisions for future losses in programming assets are recognised as part of the cost of sales. Impairment of programming assets is reversed if the reason for the original impairment no longer exists, and a higher recoverable amount is expected. The reversals are netted against the cost of sales.

m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. The cost of inventories includes expenditure incurred in acquiring the inventories and any other costs directly attributable to the purchase and bringing them to a working condition for their intended use or sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

n) Impairment of assets

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an

7 Accounting and consolidation policies (Continued)

allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 their 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

7 Accounting and consolidation policies (Continued)

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

Policies applied for recognition of impairment losses for programming assets are presented in note 7 l) (iii).

o) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

p) Employee benefits

(i) Defined contribution plans

All the Group's entities employing employees are obliged, under Polish law, to collect and remit social security premiums. These benefits, according to IAS 19 *"Employee Benefits"* are recognised as defined contribution state plans. Considering this, the Group's liabilities for each period are estimated on the basis of premiums due for a given year.

(ii) Defined benefit plans—retirement benefits

In accordance with the law and the Group's internal remuneration plan, employees of the Group's companies are entitled to retirement benefits. Retirement liabilities result from the rights acquired by the Company's employees in the current and previous years.

The value of the Group's liabilities related to retirement benefits is calculated by estimating the amount of future retirement benefit which an employee will be entitled to when retires equal to estimate

7 Accounting and consolidation policies (Continued)

future retirement benefits. The retirement benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Security Bonds that have maturity dates approximating the terms of the Group's obligations. The value of liabilities related to retirement benefits is recognised on pro rata basis based on expected service period.

The calculation is performed by a certified actuary using the projected unit credit method. Employee turnover is estimated based on historical experience and estimates of future employment levels.

(iii) Other long-term employee benefits

Not applicable.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(v) Short-term employee benefits

Short-term employee benefit obligations are not discounted and are expensed as the related service is provided.

A liability is recognised for the amount of employee benefits expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Provision for dismantling costs

Under lease/rental agreements for transmitter space and other space leased in connection with the Group's business operations, the Group is obliged to incur costs connected with dismantling of equipment and bringing the subject of the agreement to its original condition upon termination of the lease/rental agreement. Those costs were recognised upon putting equipment into use at the value of discounted estimated dismantling costs and costs of restoring the assets to their original condition. In subsequent years, the value of the provision for dismantling costs is increased by the unwinding of the discount in a given reporting period.

7 Accounting and consolidation policies (Continued)

A provision for dismantling costs is recognised until an asset is dismantled or it is released when assessed to be excessive. If a new lease agreement is concluded to replace an expiring agreement, the provision is not derecognised and is reviewed in line with terms of the new agreement and the Group's obligations resulting therefrom.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

r) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(i) Advertising and sponsorship revenue

Revenue is derived primarily from broadcasting of advertising content and is recognised in the period when the advertising is broadcast. Revenue is recognised in profit or loss in the amount due from customers net of value added tax, taxes on revenue from advertising of alcohol beverages and any rebates granted.

Advertising and sponsorship revenue also comprises revenue on commissions on sales of commercial airtime when the Group acts as an agent on behalf of third parties. The value of commissions is recognised at amounts due from the buyers of advertising airtime or sponsorship services, net of value added tax and rebates and less of any amounts due to television broadcasters net of value added tax and rebates. Revenue on commissions on sales of commercial airtime and on sponsorship is recognised in the consolidated income statement when these services are rendered.

7 Accounting and consolidation policies (Continued)

(ii) Revenue from cable and satellite operators

Revenue from charges from cable and satellite operators includes charges from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognised when the programs are broadcast.

(iii) Other revenue

Other revenue includes: sales of broadcasting services, sales of audiotext and sms services, sales of programming licences, sales of sub-licences and broadcasting rights related to films and programs, rental revenue, production and technical services as well as sales of merchandise and material.

Other revenue is recognised when services are performed, net of value added tax and any rebates granted.

(iv) Barter revenue

Barter revenue (broadcasting of advertising in exchange for products and services) is recognised when advertising is broadcast. Programming licences, products and services received are expensed or capitalised when received or used. The Group recognises barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognised by the Group. Accordingly, when advertising is broadcast before products or services are received, a receivable is recognised by the Group.

s) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Grants related to assets received by the Group are recognised in profit or loss on a systematic basis over the useful life of the asset.

t) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

7 Accounting and consolidation policies (Continued)

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

u) Finance income and finance cost

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis for groups of similar transactions as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

v) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

7 Accounting and consolidation policies (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

w) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

x) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares

7 Accounting and consolidation policies (Continued)

held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

8 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(ii) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. For the purposes of determination of fair value, receivables with due dates of up to 6 months are not discounted as the discount effect is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

(iii) Derivatives

The 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 an interbank interest rate.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market interest rate is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market interest rate is determined by reference to similar lease agreements.

9 Comparative financial information

Comparative financial information or financial information included in previously approved and published financial statements for the years ended 31 December 2009 and 31 December 2008 has been restated, if necessary, to reflect the presentation changes introduced in 2010. None of the introduced

(all amounts in PLN thousand)

9 Comparative financial information (Continued)

changes as listed below affected the previously reported amounts of net profit, EBITDA (as defined in Note 20), or equity:

(i) Presentation changes for the year ended 31 December 2009

Presentation changes related to revenues and net presentation of revenues and expenses related to agent relationship (Note 13)

Revenue from services, products, merchandise and materials sold

	2009 as previously approved	As restated	Difference
Advertising and sponsorship revenue	829,389	825,442	(3,947)
Revenue from cable and satellite operator fees	91,040	91,040	—
Other revenue	64,972	64,972	—
Total	**985,401**	**981,454**	**(3,947)**

Other revenue

	2009 as previously approved	As restated	Difference
Sale of licenses, sublicenses and broadcasting rights	16,360	16,360	—
Broadcasting services	16,311	14,008	(2,303)
Audiotex and sms services	18,989	18,989	—
Rental revenue	3,576	5,879	2,303
Other	9,736	9,736	—
Total	**64,972**	**64,972**	**—**

(all amounts in PLN thousand)

9 Comparative financial information (Continued)

Presentation changes related to operating expenses and net presentation of revenues and expenses related to agent relationship (Note 14)

	2009 as previously approved	As restated	Difference
Cost of internal and external production and amortisation of sport rights	343,935	355,351	11,416
Amortisation of purchased film licenses	123,308	123,308	—
Salaries and employee benefits	73,287	72,205	(1,082)
Royalties	44,953	44,953	—
Depreciation and amortisation	45,157	45,157	—
Broadcasting and signal transmission	43,213	38,998	(4,215)
Distribution and marketing expenses	26,672	26,672	—
Cost of licenses and other current assets sold	9,671	9,671	—
Other expenses	61,025	50,959	(10,066)
Total expenses by kind	**771,221**	**767,274**	**(3,947)**
Cost of services, products, merchandise and materials sold	686,351	683,332	(3,019)
Selling expenses	33,931	33,848	(83)
General and administrative expenses	50,939	50,094	(845)
Total expenses by function	**771,221**	**767,274**	**(3,947)**

Current versus non current presentation of programming assets (Note 24)

	2009 as previously approved	As restated	Difference
Current programming assets	126,730	145,153	18,423
Non current programming assets	109,320	90,897	(18,423)
Total programming assets	**236,050**	**236,050**	**—**

(all amounts in PLN thousand)

9 Comparative financial information (Continued)

(ii) Presentation changes for the year ended 31 December 2008

Presentation changes related to revenues and net presentation of revenues and expenses related to agent relationship (Note 13)

Revenue from services, products, goods and materials sold

	2008 as previously approved	As restated	Difference
Advertising and sponsorship revenue	1,014,888	1,013,173	(1,715)
Revenue from cable and satellite operator fees	41,267	41,267	—
Other revenue	70,931	70,931	—
Total	**1,127,086**	**1,125,371**	**(1,715)**

Other revenue

	2008 as previously approved	As restated	Difference
Sale of licenses, sublicenses and broadcasting rights	21,900	21,900	—
Broadcasting services	16,296	14,445	(1,851)
Audiotex and sms services	22,870	22,870	—
Rental revenue	3,954	5,805	1,851
Other	5,911	5,911	—
Total	**70,931**	**70,931**	**—**

(all amounts in PLN thousand)

9 Comparative financial information (Continued)

Presentation changes related to operating expenses and net presentation of revenues and expenses related to agent relationship (Note 14)

Operating expenses

	2008 as previously approved	As restated	Difference
Cost of internal and external production and amortisation of sport rights	415,292	424,182	8,890
Amortisation of purchased film licenses	88,577	88,577	—
Salaries and employee benefits	67,149	66,154	(995)
Royalties	51,942	51,942	—
Depreciation and amortisation	33,599	33,599	—
Broadcasting and signal transmission	34,805	32,069	(2,736)
Distribution and marketing expenses	41,887	41,887	—
Cost of licenses and other current assets sold	12,129	12,129	—
Other expenses	63,091	56,217	(6,874)
Total expenses by kind	**808,471**	**806,756**	**(1,715)**

	2008 as previously approved	As restated	Difference
Cost of services, products, merchandise and materials sold	708,453	706,977	(1,476)
Selling expenses	48,994	49,067	73
General and administrative expenses	51,024	50,712	(312)
Total expenses by function	**808,471**	**806,756**	**(1,715)**

10 Discontinued operations

No discontinued operations were identified in 2010, 2009 and 2008.

11 Non-current assets held for sale

No non-current assets held for sale were identified in 2010, 2009 and 2008.

12 Acquisitions of subsidiaries, associates and non-controlling interests

In 2009 the Group acquired 100% of the shares in Polsat Futbol Ltd. The value of consideration transferred amounted to PLN 1 thousand and the fair value of identifiable net assets was determined to be PLN 8 thousand negative. Goodwill recognised on acquisition amounted to PLN 9 thousand and was written-off.

(all amounts in PLN thousand)

12 Acquisitions of subsidiaries, associates and non-controlling interests (Continued)

On 2 August 2010 Telewizja Polsat S.A. and Jim Jam CEE Limited established Polsat Jim Jam seated in London in which Telewizja Polsat S.A. holds a 50% interest for a consideration of GBP 50. The scope of activities of Polsat Jim Jam Limited comprises broadcasting the Jim Jam thematic channel on the territory of the Republic of Poland. The value of the investment as of 31 December 2010 amounted to PLN 879 thousand.

On 27 October 2010 Telewizja Polsat S.A. established Polsat License Ltd seated in Zug, Switzerland, with a share capital of Swiss francs 1,000,000. The scope of activities of Polsat License Ltd comprises the purchase and sales of programming licences for and on behalf of the Group's entities and third parties.

13 Revenue from services, products, merchandise and materials sold

	for the year ended		
	31 December 2010	31 December 2009*	31 December 2008*
Advertising and sponsorship revenue	855,471	825,442	1,013,173
Revenue from cable and satellite operator fees	117,742	91,040	41,267
Other revenue	52,347	64,972	70,931
Total	**1,025,560**	**981,454**	**1,125,371**

(*) Restated, for details refer to note 9

Other revenue

	for the year ended		
	31 December 2010	31 December 2009*	31 December 2008*
Sale of licenses, sublicenses and broadcasting rights	19,004	16,360	21,900
Broadcasting services	15,031	14,008	14,445
Audiotex and sms services	7,942	18,989	22,870
Rental revenue	6,578	5,879	5,805
Other	3,792	9,736	5,911
Total	**52,347**	**64,972**	**70,931**

(*) Restated, for details refer to note 9

(all amounts in PLN thousand)

14. Operating expenses

	for the year ended		
	31 December 2010	31 December 2009*	31 December 2008*
Cost of internal and external production and amortisation of sport rights	349,935	355,351	424,182
Amortisation of purchased film licenses	111,989	123,308	88,577
Salaries and employee benefits	73,874	72,205	66,154
Royalties	49,293	44,953	51,942
Depreciation and amortisation	47,556	45,157	33,599
Broadcasting and signal transmission	40,205	38,998	32,069
Distribution and marketing expenses	27,493	26,672	41,887
Cost of licenses and other current assets sold	8,518	9,671	12,129
Other expenses	49,637	50,959	56,217
Total operating expenses by kind	**758,500**	**767,274**	**806,756**

(*) Restated, for details refer to note 9

	for the year ended		
	31 December 2010	31 December 2009*	31 December 2008*
Cost of services, products, merchandise and materials sold	669,913	683,332	706,977
Selling expenses	35,241	33,848	49,067
General and administrative expenses	53,346	50,094	50,712
Total expenses by function	**758,500**	**767,274**	**806,756**

(*) Restated, for details refer to note 9

15. Other operating income

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Donations	934	59	—
Compensations received	753	892	305
Release of impairment allowances	453	1,270	2,338
Net gain on disposal of non-financial non-current assets	112	136	1,629
Release of unused provisions	56	172	—
Other revenue	980	470	835
Total	**3,288**	**2,999**	**5,107**

(all amounts in PLN thousand)

15. Other operating income (Continued)

Unused provisions that were released during 2010 due to the favourable outcome of court proceedings amounted to PLN 56 thousand (PLN 172 thousand in 2009; PLN 0 thousand in 2008).

The reversal of bad debt allowances amounted to PLN 398 thousand (PLN 1,026 thousand in 2009; PLN 2,338 thousand in 2008).

16. Other operating expenses

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Donations granted	1,800	1,375	892
Impairment allowances raised	741	493	1,082
Provisions raised	123	94	152
Loss on disposal of non-financial non-current assets	—	—	170
Other expenses	1,063	1,005	1,130
Total	**3,727**	**2,967**	**3,426**

Provisions raised during 2010 for pending court proceedings amounted to PLN 123 thousand (PLN 94 thousand in 2009; PLN 152 thousand in 2008).

17. Finance income

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Interest income	6,451	9,881	16,270
Foreign exchange differences	9,980	8,410	41,320
Other	342	33	1,070
Total	**16,773**	**18,324**	**58,660**

(all amounts in PLN thousand)

17. Finance income (Continued)

Interest income

Interest by categories of financial instruments

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Bonds—Polsat Media B.V.	—	2,553	3,905
Loans granted	1,381	—	—
Trade and other receivables	1,450	2,423	1,046
Other	86	110	335
Total	**2,916**	**5,086**	**5,286**
Cash and cash equivalents	3,535	4,795	10,984
Total	**6,451**	**9,881**	**16,270**

Foreign exchange differences

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Receivables, liabilities and cash and cash equivalents	5,804	8,410	9,720
Foreign currency loan—BRE	546	—	—
Foreign currency loan—West LB	—	—	5,702
Loans granted to a subsidiary	3,630	—	25,898
Total	**9,980**	**8,410**	**41,320**

18. Finance costs

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Interest expense	2,393	5,619	9,767
Foreign exchange differences	17	6,512	26,607
Other	437	871	3,301
Total	**2,847**	**13,002**	**39,675**

(all amounts in PLN thousand)

18. Finance costs (Continued)

Interest expense

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Foreign currency loan—BRE	989	3,227	7,734
Trade and other payables	7	1,748	2,033
Other	1,397	644	—
Total	**2,393**	**5,619**	**9,767**

Foreign exchange differences

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Receivables, liabilities and cash and cash equivalents	17	442	26,607
Loans granted to a subsidiary	—	6,070	—
Total	**17**	**6,512**	**26,607**

19. Income tax expense

(i) Income tax recognised in the consolidated income statement

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Current corporate income tax	48,767	39,612	71,956
Change in deferred income tax	11,766	49	(5,275)
Adjustment for prior periods	67	127	301
Currency translation adjustment	1,139	(635)	1,735
Income tax expense recognised in the consolidated income statement—total	**61,739**	**39,153**	**68,717**

(all amounts in PLN thousand)

19. Income tax expense (Continued)

Change in deferred income tax	for the year ended 31 December 2010	31 December 2009	31 December 2008
Tax loss carry forwards	852	(852)	1,725
Property, plant and equipment	(1,155)	939	1,671
Intangible assets	(523)	(340)	(495)
Programming assets	3,206	9,873	(20,494)
Receivables and other assets	259	(3,740)	(2,466)
Liabilities and provisions	4,599	(5,831)	14,784
Impairment allowance	4,528	—	—
Change in deferred income tax recognised in the consolidated income statement—total	**11,766**	**49**	**(5,275)**

(ii) Income tax recognised in other comprehensive income

	for the year ended 31 December 2010	31 December 2009	31 December 2008
Change in deferred income tax recognised on currency translation adjustment—foreign operations	(299)	(413)	(671)
Income tax expense recognised in other comprehensive income—total	**(299)**	**(413)**	**(671)**

(all amounts in PLN thousand)

19. Income tax expense (Continued)

(iii) Reconciliation of the effective tax rate

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Profit before income tax	281,435	219,525	339,281
Income tax at the Parent's domestic tax rate—19%	53,473	41,710	64,463
Non-deductible expenses	1,759	370	665
Tax refunds related to prior periods	(1,096)	—	—
Unrecognised deferred tax asset on tax losses for the current period	1,172	1,365	1,014
Unrecognised deferred tax asset on other items	—	—	820
Unrecognised deferred tax in the prior period	(1,262)	(754)	2,054
Effect of application of NOK in the tax calculation of a subsidiary (*)	3,233	(3,573)	—
Effect of tax rates in foreign jurisdictions (**)	457	(137)	(788)
Adjustment for prior periods	67	127	301
Impairment allowance	4,528	—	—
Other tax non-deductible expenses / tax exempt income using tax rate—19%	(592)	45	188
Income tax expense recognised in profit and loss	**61,739**	**39,153**	**68,717**
Effective tax rate	**21.9%**	**17.8%**	**20.3%**

(*) The US dollar (USD) is the functional currency of Nord License AS domiciled in Norway. According to the tax legislation in Norway the tax calculation was prepared in Norwegian currency (NOK). During 2009, effective from 2008, the Norwegian tax authorities changed their interpretation concerning tax treatment of foreign currency translation differences arising on translation of monetary assets and liabilities and tax treatment of non-monetary assets. According to the new interpretation:

- differences on translation of monetary assets and liabilities are treated as taxable income and expenses;
- the value of non-monetary assets and impairment of assets for tax purposes is determined based on historical exchange rates for NOK/USD at the date of acquisition of these assets.

Positive impact of the above described changes on the net result of Nord License AS in the amount of PLN 3,573 thousand (USD 1,144 thousand) was recognised in the consolidated income statement for 2009 in income tax expense.

(**) The Group's entities measure current and deferred income tax applying tax rates enacted in countries in which they are domiciled:

- 19% for entities domiciled in the Republic of Poland,
- 21% for entities domiciled in the Great Britain,
- 28% for entities domiciled in Norway.

(all amounts in PLN thousand)

19. Income tax expense (Continued)

(iv) Deferred tax assets

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Tax loss carry forwards	—	852	—
Property, plant and equipment	400	350	259
Programming assets	61,867	62,868	71,052
Receivables and other assets	12,562	12,349	10,679
Liabilities and provisions	12,237	15,483	18,975
Currency translation adjustment	1,383	1,084	671
Deferred tax assets—total	**88,449**	**92,986**	**101,636**
Impairment allowance (*)	(4,528)	—	—
Net deferred tax assets—total	**83,921**	**92,986**	**101,636**
Offsetting of deferred tax liabilities and deferred tax assets	(72,239)	(69,765)	(78,803)
Deferred tax assets in the consolidated statement of financial position	**11,682**	**23,221**	**22,833**

(*) As of 31 December 2010 the Group raised an impairment allowance in relation to the deferred tax asset due to low probability of realization of the deferred tax assets in the subsidiary—Nord License AS. The allowance was off-set with the value of deferred tax assets other Group entities expect to realize with respect to impairment of their investments in Nord License AS.

(v) Tax loss

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
2010 tax loss carried forward	6,169	—	—
2009 tax loss carried forward	7,183	10,225	—
2008 tax loss carried forward	5,335	5,335	5,335
2007 tax loss carried forward	7,050	7,050	7,050
2006 tax loss carried forward	2,197	4,394	4,394
2005 tax loss carried forward	—	2,324	4,649
2004 tax loss carried forward	—	—	1,118
Tax losses carried forward—total	**27,934**	**29,328**	**22,546**

(all amounts in PLN thousand)

19. Income tax expense (Continued)

(vi) Tax losses carried forward for which deferred tax asset was recognised

	for the year ended		
	31 December 2010	**31 December 2009**	**31 December 2008**
2009 tax loss carried forward	—	3,041	—
Tax losses carried forward—total	**—**	**3,041**	**—**

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred by the Polish Group entities in a given financial year can be carried forward for five years of which 50% may be utilized in one tax year.

Tax losses incurred by the subsidiary domiciled in Norway do not expire.

The Group recognises a deferred tax asset for tax loss carry forwards to the extent that it is probable they will be utilised in the future.

(vii) Deferred tax liabilities

	for the year ended		
	31 December 2010	**31 December 2009**	**31 December 2008**
Property, plant and equipment	4,645	5,750	4,720
Intangible assets	1,635	2,158	2,498
Programming assets	4,866	2,661	972
Receivables and other assets	1,724	1,252	3,323
Liabilities and provisions	59,910	58,557	67,880
Deferred tax liabilities—total	**72,780**	**70,378**	**79,393**
Offsetting of deferred tax liabilities and deferred tax assets	(72,239)	(69,765)	(78,803)
Deferred tax liabilities in the consolidated statement of financial position	**541**	**613**	**590**

(viii)Income tax receivables/liabilities

As at 31 December 2010 current tax receivables amounted to PLN 11,338 thousand (PLN 2,426 thousand as at 31 December 2009; PLN 4 thousand as at 31 December 2008) and resulted from payment of current income tax advances for 2010, 2009 and 2008 in excess of the corporate income tax liability due for each year.

As at 31 December 2010 current tax liabilities amounted to PLN 4,458 thousand (PLN 3,302 thousand as at 31 December 2009; PLN 23,336 thousand as at 31 December 2008).

Tax authorities may examine the accounting records at any time for five years from the end of the year in which the tax return was filed and assess additional tax burdens together with penalty interest and other

(all amounts in PLN thousand)

19. Income tax expense (Continued)

fines. The Group is not aware of any circumstances that could result in any significant liabilities arising in that respect.

20. EBITDA

The Group defines EBITDA as the total of the profit from operating activities, excluding depreciation and amortization other than amortisation of programming assets. EBITDA is not defined by the EU IFRS and may be calculated differently by other entities.

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Profit from operating activities	266,621	214,212	320,296
Depreciation and amortisation	47,556	45,157	33,599
EBITDA	**314,177**	**259,369**	**353,895**

21. Basic and diluted earnings per share

Basic earnings per share

Basic earnings per share amounts were calculated by dividing net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the years covered by these consolidated financial statements. In 2010, 2009 and 2008 all shares of the Parent were ordinary shares in terms of dividend rights.

Net profit attributable to ordinary equity holders in terms of dividend rights amounted to PLN 219,696 thousand in 2010 (PLN 180,372 thousand in 2009; PLN 270,564 thousand in 2008).

Net profit for the year is equal to net profit attributable to shareholders of the Parent.

Weighted average number of ordinary shares

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Number of ordinary shares at the beginning of the period	2,369,467	1,669,467	717,064
Issue of shares	—	700,000	952,403
Number of ordinary shares at the end of the period	**2,369,467**	**2,369,467**	**1,669,467**
Weighted average number of ordinary shares during the period	2,369,467	2,235,220	1,240,987

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares

(all amounts in PLN thousand)

21. Basic and diluted earnings per share (Continued)

bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. In case of purchase of own shares, the time-weighting factor is based on the purchase date, in line with IAS 33.

The time-weighting factor in 2010 amounted to 1.0 for 2,369,467 shares. In 2009 the time-weighting factor amounted to 0.1918 for 1,669,467 shares and 0.8082 for 2,369,467 shares. In 2008 the time-weighting factor amounted to 0.1066 for 717,064 shares, 0.3716 for 789,467 shares and 0.5218 for 1,669,467 shares.

The calculations are presented below:

Computation of the time-weighting factor in 2009

Number of shares	Time (in days)	Time weighting factor
1,669,467	70	0.1918
2,369,467	295	0.8082
	365	**1.000**

Computation of the time-weighting factor in 2008

Number of shares	Time (in days)	Time weighting factor
717,064	39	0.1066
789,467	136	0.3716
1,669,467	191	0.5218
	366	**1.000**

Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share in 2010, 2009 and 2008.

(all amounts in PLN thousand)

22. Property, plant and equipment

Property, plant and equipment in 2010

	Land	Buildings and structures	Television and broadcasting equipment	Vehicles	Fixtures and fittings	Total	Assets under construction	Prepayments for assets under construction	Total
Cost									
Cost as at 1 January 2010	**478**	**14,401**	**231,997**	**70,999**	**9,850**	**327,725**	**2,304**	**2,722**	**332,751**
Additions	—	32	5,016	1,695	323	7,066	4,478	1,208	**12,752**
Transfers between categories	—	48	8,835	18	233	9,134	(5,222)	(3,912)	**—**
Disposals	(3)	(188)	(4,800)	(373)	(50)	(5,414)	(373)		**(5,787)**
Cost as at 31 December 2010	**475**	**14,293**	**241,048**	**72,339**	**10,356**	**338,511**	**1,187**	**18**	**339,716**
Impairment allowances as at 1 January 2010	—	—	—	—	—	—	—	—	**—**
Increase	—	—	—	—	—	—	—	—	**—**
Decrease	—	—	—	—	—	—	—	—	**—**
Impairment allowances as at 31 December 2010	—	—	—	—	—	—	—	—	**—**
Accumulated depreciation as at 1 January 2010	**(40)**	**(8,461)**	**(124,487)**	**(32,738)**	**(6,072)**	**(171,798)**	**—**	**—**	**(171,798)**
Additions	—	(921)	(33,929)	(6,607)	(1,274)	(42,731)			**(42,731)**
Disposals	—	60	5,855	55	40	6,010	—	—	**6,010**
Accumulated depreciation as at 31 December 2010	**(40)**	**(9,322)**	**(152,561)**	**(39,290)**	**(7,306)**	**(208,519)**	**—**	**—**	**(208,519)**
Carrying amounts									
As at 1 January 2010	**438**	**5,940**	**107,510**	**38,261**	**3,778**	**155,927**	**2,304**	**2,722**	**160,953**
As at 31 December 2010	**435**	**4,971**	**88,487**	**33,049**	**3,050**	**129,992**	**1,187**	**18**	**131,197**

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

(all amounts in PLN thousand)

Property, plant and equipment in 2009

	Land	Buildings and structures	Television and broadcasting equipment	Vehicles	Fixtures and fittings	Total	Assets under construction	Prepayments for assets under construction	Total
Cost									
Cost as at 1 January 2009	**478**	**13,674**	**218,033**	**50,767**	**9,768**	**292,720**	**9,584**	**6,221**	**308,525**
Additions	—	362	4,148	625	493	5,628	25,407	2,447	**33,482**
Transfers between categories	—	368	15,073	21,681	272	37,394	(31,448)	(5,946)	**—**
Disposals	—	(3)	(5,257)	(2,074)	(683)	(8,017)	(1,239)	—	**(9,256)**
Cost as at 31 December 2009	**478**	**14,401**	**231,997**	**70,999**	**9,850**	**327,725**	**2,304**	**2,722**	**332,751**
Impairment allowances as at 1 January 2009	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase	—	—	—	—	—	—	—	—	**—**
Decrease	—	—	—	—	—	—	—	—	**—**
Impairment allowances as at 31 December 2009	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Accumulated depreciation as at 1 January 2009	**(40)**	**(7,600)**	**(96,510)**	**(28,594)**	**(5,431)**	**(138,175)**	**—**	**—**	**(138,175)**
Additions	—	(853)	(32,656)	(6,077)	(1,307)	(40,893)	—	—	**(40,893)**
Transfers between categories	—	(11)	11	—	—	—	—	—	**—**
Disposals	—	3	4,668	1,933	666	7,270	—	—	**7,270**
Accumulated depreciation as at 31 December 2009	**(40)**	**(8,461)**	**(124,487)**	**(32,738)**	**(6,072)**	**(171,798)**	**—**	**—**	**(171,798)**
Carrying amounts									
As at 1 January 2009	**438**	**6,074**	**121,523**	**22,173**	**4,337**	**154,545**	**9,584**	**6,221**	**170,350**
As at 31 December 2009	**438**	**5,940**	**107,510**	**38,261**	**3,778**	**155,927**	**2,304**	**2,722**	**160,953**

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

(all amounts in PLN thousand)

Property, plant and equipment in 2008

	Land	Buildings and structures	Television and broadcasting equipment	Vehicles	Fixtures and fittings	Total	Assets under construction	Prepayments for assets under construction	Total
Cost									
Cost as at 1 January 2008	**478**	**12,460**	**155,022**	**42,949**	**7,976**	**218,885**	**17,056**	**22,326**	**258,267**
Additions	—	852	21,984	3,817	1,245	27,898	45,306	6,218	**79,422**
Transfers between categories	—	362	52,048	20,505	1,250	74,165	(51,842)	(22,323)	**—**
Disposals	—	—	(11,021)	(16,504)	(703)	(28,228)	(936)	—	**(29,164)**
Cost as at 31 December 2008	**478**	**13,674**	**218,033**	**50,767**	**9,768**	**292,720**	**9,584**	**6,221**	**308,525**
Impairment allowances as at 1 January 2008	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase	—	—	—	—	—	—	—	—	**—**
Decrease	—	—	—	—	—	—	—	—	**—**
Impairment allowances as at 31 December 2008	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Accumulated depreciation as at 1 January 2008	**(40)**	**(6,890)**	**(82,840)**	**(26,649)**	**(4,898)**	**(121,317)**	**—**	**—**	**(121,317)**
Additions	—	(710)	(22,340)	(4,732)	(1,236)	(29,018)	—	—	**(29,018)**
Transfers between categories	—	—	35	(35)	—	—	—	—	**—**
Disposals	—	—	8,635	2,822	703	12,160	—	—	**12,160**
Accumulated depreciation as at 31 December 2008	(40)	(7,600)	(96,510)	(28,594)	(5,431)	(138,175)	—	—	**(138,175)**
Carrying amounts									
As at 1 January 2008	**438**	**5,570**	**72,182**	**16,300**	**3,078**	**97,568**	**17,056**	**22,326**	**136,950**
As at 31 December 2008	**438**	**6,074**	**121,523**	**22,173**	**4,337**	**154,545**	**9,584**	**6,221**	**170,350**

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

22. Property, plant and equipment (Continued)

The Group has unrestricted title to property, plant and equipment.

There were no capitalised borrowing costs related to property, plant and equipment in 2010, 2009 and 2008.

Items of property, plant and equipment were not revalued.

(a) Impairment

The Group did not recognise any impairment losses regarding property, plant and equipment in 2010, 2009 and 2008.

(b) Assets under construction

As at 31 December 2010 significant purchases of assets under construction are attributable to realisation of the following capital investment projects:

- Technical equipment "Familijna"—PLN 512 thousand.

As at 31 December 2009 significant purchases of assets under construction are attributable to realisation of the following capital investment projects:

- Upgrade of Mercedes 002 vehicle—PLN 570 thousand.

As at 31 December 2008 significant purchases of assets under construction are attributable to realisation of the following capital investment projects:

- Upgrade of Thomson vehicle—PLN 4,555 thousand.
- Purchase of two vehicles DSNG ND—PLN 2,749 thousand.

(all amounts in PLN thousand)

23. Intangible assets

Intangible assets in 2010

	Goodwill	Software and other	Concession for broadcasting television programs	Prepayments for intangible assets	Total
Cost					
Cost as at 1 January 2010	**13,221**	**14,290**	**22,060**	**1,587**	**51,158**
Additions	—	2,024	10,390	24	12,438
Disposals	—	(17)	—	(1,587)	(1,604)
Cost as at 31 December 2010	**13,221**	**16,297**	**32,450**	**24**	**61,992**
Impairment allowances as at 1 January 2010	**(13,221)**	**—**	**—**	**—**	**(13,221)**
Increase	—	—	—	—	—
Decrease	—	—	—	—	—
Impairment allowances as at 31 December 2010	**(13,221)**	**—**	**—**	**—**	**(13,221)**
Accumulated amortisation					
Accumulated amortisation as at 1 January 2010	**—**	**(9,883)**	**(12,778)**	**—**	**(22,661)**
Additions	—	(2,436)	(2,342)	—	(4,778)
Disposals	—	15	—	—	15
Accumulated amortisation as at 31 December 2010	**—**	**(12,304)**	**(15,120)**	**—**	**(27,424)**
Carrying amounts					
As at 1 January 2010	**—**	**4,407**	**9,282**	**1,587**	**15,276**
As at 31 December 2010	**—**	**3,993**	**17,330**	**24**	**21,347**

(all amounts in PLN thousand)

23. Intangible assets (Continued)

Intangible assets in 2009

	Goodwill	Software and other	Concession for broadcasting television programs	Prepayments for intangible assets	Total
Cost					
Cost as at 1 January 2009	**13,212**	**12,074**	**22,060**	**541**	**47,887**
Additions	9	2,219	—	1,046	3,274
Disposals	—	(3)	—	—	(3)
Cost as at 31 December 2009	**13,221**	**14,290**	**22,060**	**1,587**	**51,158**
Impairment allowances as at 1 January 2009	**(13,212)**	**—**	**—**	**—**	**(13,212)**
Increase	(9)	—	—	—	(9)
Decrease	—	—	—	—	—
Impairment allowances as at 31 December 2009	**(13,221)**	**—**	**—**	**—**	**(13,221)**
Accumulated amortisation					
Accumulated amortisation as at 1 January 2009	**—**	**(7,859)**	**(10,592)**	**—**	**(18,451)**
Additions	—	(2,027)	(2,186)	—	(4,213)
Disposals	—	3	—	—	3
Accumulated amortisation as at 31 December 2009	**—**	**(9,883)**	**(12,778)**	**—**	**(22,661)**
Carrying amounts					
As at 1 January 2009	**—**	**4,215**	**11,468**	**541**	**16,224**
As at 31 December 2009	**—**	**4,407**	**9,282**	**1,587**	**15,276**

(all amounts in PLN thousand)

23. Intangible assets (Continued)

Intangible assets in 2008

	Goodwill	Software and other	Concession for broadcasting television programs	Prepayments for intangible assets	Total
Cost					
Cost as at 1 January 2008	**13,212**	**8,808**	**22,060**	**134**	**44,214**
Additions	0	3,319	—	407	3,726
Disposals	—	(53)	—	—	(53)
Cost as at 31 December 2008	**13,212**	**12,074**	**22,060**	**541**	**47,887**
Impairment allowances as at 1 January 2008	**(13,212)**	**—**	**—**	**—**	**(13,212)**
Increase	—	—	—	—	—
Decrease	—	—	—	—	—
Impairment allowances as at 31 December 2008	**(13,212)**	**—**	**—**	**—**	**(13,212)**
Accumulated amortisation					
Accumulated amortisation as at 1 January 2008	**—**	**(5,569)**	**(8,406)**	**—**	**(13,975)**
Additions	—	(2,343)	(2,186)	—	(4,529)
Disposals	—	53	—	—	53
Accumulated amortisation as at 31 December 2008	**—**	**(7,859)**	**(10,592)**	**—**	**(18,451)**
Carrying amounts					
As at 1 January 2008	**—**	**3,239**	**13,654**	**134**	**17,027**
As at 31 December 2008	**—**	**4,215**	**11,468**	**541**	**16,224**

The Group has unrestricted title to intangible assets.

There were no capitalised borrowing costs related to intangible assets in 2010, 2009 and 2008.

As at 31 December 2010 the concession for broadcasting television channel "Polsat Sport News" with a carrying amount of PLN 10,300 thousand and the concession for broadcasting television channel "Polsat" with a carrying amount of PLN 7,097 thousand were the most significant components of "Concessions for broadcasting television programs" (as at 31 December 2009 the concession for broadcasting television channel "Polsat" with a carrying amount of PLN 9,249 thousand; as at 31 December 2008: PLN 11,424 thousand). The concessions expire on 29 August 2020 and 2 March 2014 respectively.

(all amounts in PLN thousand)

23. Intangible assets (Continued)

(a) Amortisation of intangible assets

Amortisation of intangible assets is recognised in the following line items in the income statement:

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Cost of services, products, goods and materials sold	3,903	3,790	3,555
Selling expenses	140	356	920
General and administrative expenses	735	67	54
Total	**4,778**	**4,213**	**4,529**

(b) Impairment

No impairment losses on intangible assets were recognised in 2010, 2009 and 2008, except for impairment of goodwill recognised on acquisition of Polsat Futbol Ltd. in 2009 in the amount of PLN 9 thousand.

(c) Research and development

The Group did not incur any research and development expenditures in 2010, 2009 and 2008.

24. Programming assets

	for the year ended		
Programming assets	31 December 2010	31 December 2009*	31 December 2008
Acquired film licenses	225,048	168,271	170,074
Capitalised costs of external productions and sport rights	27,123	34,951	22,644
Co-productions	1,627	1,716	4,361
Prepayments	44,372	31,112	12,541
Total programming assets	**298,170**	**236,050**	**209,620**
Less: current portion of programming assets	*(226,105)*	*(145,153)*	*(131,928)*
Non-current portion of programming assets	**72,065**	**90,897**	**77,692**

(*) Restated, for details refer to note 9

(all amounts in PLN thousand)

24. Programming assets (Continued)

Movements in programming assets	for the year ended 31 December 2010	31 December 2009	31 December 2008
Net carrying amount at 1 January	236,050	209,620	204,274
Additions	397,817	379,766	379,036
Acquisition of film licenses	167,312	141,947	105,099
Capitalised costs of external productions and sport rights	230,505	237,819	273,937
Change in prepayments	11,778	18,595	(23,994)
Change in impairment losses	1,570	(7,191)	(5,963)
Amortisation of film licenses	(113,386)	(121,236)	(79,140)
Amortisation of capitalised costs of external productions and sport rights	(233,112)	(222,865)	(284,582)
Sales	(8,418)	(9,212)	(11,482)
Currency translation adjustment	5,756	(10,424)	33,271
Other disposals	115	(1,003)	(1,800)
Net carrying amount at 31 December	**298,170**	**236,050**	**209,620**

Amortisation of programming assets is recognised according to the principles described in Note 7l.

There are no programming assets with indefinite useful lives.

In 2010 impairment losses were recognised on programming assets. Impairment losses were recognised to the extent carrying amounts of these assets exceeded their expected discounted recoverable amounts.

As at 31 December 2010, impairment losses amounted to:

1. Film licences: PLN 14,829 thousand (as at 31 December 2009: PLN 14,565 thousand; as at 31 December 2008: PLN 10,158 thousand, including prepayments of PLN 3,899 thousand),
2. Capitalised external production costs and sport rights: PLN 7,875 thousand (as at 31 December 2009: PLN 9,709 thousand; as at 31 December 2008: PLN 6,926 thousand).

Commitments related to acquisition of programming assets by the Group are presented in Note 42.

(all amounts in PLN thousand)

25. Investment property

Investment property 2010

Cost	
Cost as at 1 January 2010	**4,690**
Additions	15
Disposals	(242)
Cost as at 31 December 2010	**4,463**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2010	**(741)**
Depreciation for the period	(47)
Disposals	21
Accumulated depreciation as at 31 December 2010	**(767)**
Carrying amounts	
As at 1 January 2010	**3,949**
As at 31 December 2010	**3,696**

Investment property 2009

Cost	
Cost as at 1 January 2009	**4,690**
Additions	—
Disposals	—
Cost as at 31 December 2009	**4,690**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2009	**(690)**
Depreciation for the period	(51)
Accumulated depreciation as at 31 December 2009	**(741)**
Carrying amounts	
As at 1 January 2009	**4,000**
As at 31 December 2009	**3,949**

(all amounts in PLN thousand)

25. Investment property (Continued)

Investment property 2008

Cost	
Cost as at 1 January 2008	**4,690**
Additions	—
Disposals	—
Cost as at 31 December 2008	**4,690**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2008	**(638)**
Depreciation for the period	(52)
Accumulated depreciation as at 31 December 2008	**(690)**
Carrying amounts	
As at 1 January 2008	**4,052**
As at 31 December 2008	**4,000**

The Group owns the following investment properties:

- residential buildings located in Warsaw,
- buildings and structures and land in Radom.

With respect to investment properties, the Group applies the valuation model based on historical cost less accumulated depreciation and accumulated impairment losses.

Investment properties are depreciated using the straight line method over their useful lives. Land is not depreciated.

The expected useful life of residential buildings is 97 years, resulting in a straight line depreciation rate of 1.03%. The expected useful lives of the remaining buildings are 40 years, and the straight line depreciation rate of 2.5% is applied accordingly. The expected useful lives of the remaining investment properties are 25 years, and the depreciation rate is 4%.

Operating expenses related to investment properties recognize in the consolidated income statement in year 2010 amounted to PLN 515 thousand (in 2009: PLN 386 thousand; in 2008: PLN 403 thousand). Expenses related to properties generating rental revenue amounted to PLN 515 thousand (in 2009: PLN 386 thousand; in 2008: PLN 403 thousand).

(all amounts in PLN thousand)

26. Investment in jointly-controlled entities

The Group has the following investments in jointly-controlled entities accounted for using the equity method:

Entity name	Net carrying amount	Country	Assets	Liabilities	Revenue	Profit/Loss for the period	Percentage of voting rights
2010							
Polski Operator Telewizyjny Sp. z o.o.	—	Poland	28	12	—	(73)	50%
Polsat JimJam Ltd.	879	Great Britain	3,075	1,317	758	374	50%
Total	879		3,103	1,329	758	301	
2009							
Polski Operator Telewizyjny Sp. z o.o.	—	Poland	91	3	366	(178)	50%
Total	—		91	3	366	(178)	
2008							
Polski Operator Telewizyjny Sp. z o.o.	—	Poland	177	60	733	(158)	50%
Total	**—**		**177**	**60**	**733**	**(158)**	

On 29 June 2010, by resolution of the Management Board and by agreement with the Shareholders of Polski Operator Telewizyjny Sp. z o.o. due to fulfillment of the company's mission, the company suspended operations for two years.

27. Other investments

Other non-current investments	31 December 2010	31 December 2009	31 December 2008
Debt securities	**—**	**—**	**44,691**
Commercial bonds	—	—	44,691
Loans granted	—	—	50
Other	89	86	84
Total	**89**	**86**	**44,825**

(all amounts in PLN thousand)

27. Other investments (Continued)

Other non-current investments	31 December 2010	31 December 2009	31 December 2008
Debt securities	**639**	**—**	**3,638**
Commercial bonds	—	—	3,638
Loans granted	639	—	100
Total	**639**	**—**	**3,738**

28. Other non-current assets

	31 December 2010	31 December 2009	31 December 2008
Deposits	2,610	2,572	2,587
Other	109	166	182
Total	**2,719**	**2,738**	**2,769**

29. Inventories

	31 December 2010	31 December 2009	31 December 2008
Materials	1,286	1,281	1,372
Merchandise	192	171	185
Prepayments for inventory	260	402	362
Total gross value	**1,738**	**1,854**	**1,919**
Impairment	(374)	(374)	(426)
Total carrying value	**1,364**	**1,480**	**1,493**

	for the year ended		
Impairment	31 December 2010	31 December 2009	31 December 2008
Opening balance	**374**	**426**	**437**
Increase	—	5	—
Decrease	—	(57)	(11)
Closing balance	**374**	**374**	**426**

The Group has unrestricted title to inventories.

The values of impairment allowances for inventories as at 31 December 2010 amounted to PLN 374 thousand (as at 31 December 2009: PLN 374 thousand; as at 31 December 2008: PLN 426 thousand).

(all amounts in PLN thousand)

30. Trade and other current receivables

	31 December 2010	31 December 2009	31 December 2008
Trade receivables from related entities	26,755	20,781	24,972
Trade receivables from third parties	126,864	127,055	111,526
Other receivables	3,811	2,131	20,838
Total	**157,430**	**149,967**	**157,336**

Trade receivables are presented at net amounts less impairment losses of PLN 2,632 thousand as at 31 December 2010 (PLN 2,205 thousand as at 31 December 2009; PLN 2,626 thousand as at 31 December 2008).

31. Other current assets

	31 December 2010	31 December 2009	31 December 2008
Short term prepayments	2,594	4,356	2,516
Awards inventory	22	68	378
Total	**2,616**	**4,424**	**2,894**

32. Cash and cash equivalents

	31 December 2010	31 December 2009	31 December 2008
Bank accounts (current accounts)	85,275	62,658	48,931
Short-term deposits	142,103	192,985	201,475
Cash in hand	240	243	246
Cash and cash equivalents in the consolidated statement of financial position	**227,618**	**255,886**	**250,652**
Restricted cash	131	42	—
Cash and cash equivalents in the consolidated statement of cash flows	**227,749**	**255,928**	**250,652**

Restricted cash

	31 December 2010	31 December 2009	31 December 2008
Bank guarantee	131	42	—
Total	**131**	**42**	**—**

(all amounts in PLN thousand)

33. Barter transactions

	31 December 2010	31 December 2009	31 December 2008
Barter revenue	23,073	22,088	40,922
Barter expenses	24,647	22,769	21,021
Barter receivables	2,963	11,405	29,533
Barter payables	2,426	8,090	7,309

34. Equity

(i) Share capital

As at 31 December 2010 share capital of the Parent was divided into 2,369,467 preference shares (as at 31 December 2009: 2,369,467 shares; as at 31 December 2008: 1,669,467 shares), with preferences as described below. According to the Parent's Statute, the shares bear no preference with respect to rights to profit distribution.

The details of preferences of each share series are presented in point (ii).

(ii) Shareholders' equity structure

The Parent's share capital structure and shareholders structure as at 31 December 2010, 31 December 2009 and 31 December 2008 are presented in the below tables.

(all amounts in PLN thousand)

34. Equity (Continued)

Share capital structure as at 31 December 2010 and as at 31 December 2009

SHARE CAPITAL			Nominal value of each share—PLN 100.00				
Series	Share type	Type of preference	Number of shares	Nominal value of issue	Type of contribution	Registration date	Dividend right (effective from date)
A	preference share	*	50,000	5,000	cash	10.05.1993	10.05.1993
B	preference share	**	100,000	10,000	contribution in kind	24.09.1993	24.09.1993
C	preference share	**	100,000	10,000	cash	09.03.1994	09.03.1994
D	preference share	**	150,000	15,000	cash	03.10.1994	01.07.1994
F	preference share	**	71,064	7,107	cash	29.06.2000	01.01.1999
G	preference share	**	205,083	20,508	cash	01.08.2002	01.01.2002
H	preference share	**	40,917	4,092	cash	11.07.2007	01.01.2007
I	preference share	**	72,403	7,240	cash	26.03.2008	01.01.2007
J	preference share	**	880,000	88,000	cash	27.06.2008	01.01.2008
K	preference share	**	700,000	70,000	cash	03.04.2009	01.01.2009
Total			**2,369,467**	**236,947**			

(all amounts in PLN thousand)

34. Equity (Continued)

Share capital structure as at 31 December 2008

SHARE CAPITAL			Nominal value of each share—PLN 100.00				
Series	Share type	Type of preference	Number of shares	Nominal value of issue	Type of contribution	Registration date	Dividend right (effective from date)
A	preference share	*	50,000	5,000	cash	10.05.1993	10.05.1993
B	preference share	**	100,000	10,000	contribution in kind	24.09.1993	24.09.1993
C	preference share	**	100,000	10,000	cash	09.03.1994	09.03.1994
D	preference share	**	150,000	15,000	cash	03.10.1994	01.07.1994
F	preference share	**	71,064	7,107	cash	29.06.2000	01.01.1999
G	preference share	**	205,083	20,508	cash	01.08.2002	01.01.2002
H	preference share	**	40,917	4,092	cash	11.07.2007	01.01.2007
I	preference share	**	72,403	7,240	cash	26.03.2008	01.01.2007
J	preference share	**	880,000	88,000	cash	27.06.2008	01.01.2008
Total			**1,669,467**	**166,947**			

(*)

(1) two votes at the General Meeting per one share;

(2) priority to purchase assets in case of liquidation of the Company and distribution of its assets;

(3) priority in distribution of assets;

(4) priority rights to acquire bearer preference stock; and

(5) the right to appoint Members of the Supervisory Board

(**)

(1) two votes at the General Meeting per one share;

(2) priority to purchase assets in case of liquidation of the Company and distribution of its assets; and

(3) priority in distribution of assets.

(all amounts in PLN thousand)

34. Equity (Continued)

The shareholders structure as at 31 December 2010

	31 December 2010			
	Number of shares held	Nominal value of shares	Percentage held in share capital	Percentage of voting rights
MAT FIZ	418,530	41,853	17.66%	17.66%
KOMA FIZ	73,858	7,386	3.12%	3.12%
Karswell Ltd	1,595,517	159,552	67.34%	67.34%
Sensor Overseas Ltd	281,562	28,156	11.88%	11.88%
other (*)	—	32,290	—	—
Total	**2,369,467**	**269,237**	**100%**	**100%**

The shareholders structure as at 31 December 2009

	31 December 2009			
	Number of shares held	Nominal value of shares	Percentage held in share capital	Percentage of voting rights
Zygmunt Solorz-Żak	418,530	41,853	17.66%	17.66%
Heronim Ruta	73,858	7,386	3.12%	3.12%
Karswell Ltd	1,595,517	159,552	67.34%	67.34%
Sensor Overseas Ltd	281,562	28,156	11.88%	11.88%
other (*)	—	32,290	—	—
Total	**2,369,467**	**269,237**	**100%**	**100%**

The shareholders structure as at 31 December 2008

	31 December 2008			
	Number of shares held	Nominal value of shares	Percentage held in share capital	Percentage of voting rights
Zygmunt Solorz-Żak	418,530	41,853	25.08%	25.08%
Polsat Media BV	297,079	29,708	17.79%	17.79%
Heronim Ruta	73,858	7,386	4.42%	4.42%
Karswell Ltd	748,000	74,800	44.80%	44.80%
Sensor Overseas Ltd	132,000	13,200	7.91%	7.91%
other (*)	—	32,290	—	—
Total	**1,669,467**	**199,237**	**100%**	**100%**

(*) Share capital was increased pursuant to the adjustments to the opening balance of 2005 due to implementation of IAS 29 “Financial Reporting in Hyperinflationary Economies”.

34. Equity (Continued)

On 5 February 2008, the Extraordinary Meeting of Shareholders of Telewizja Polsat S.A. adopted a resolution to increase the share capital of Telewizja Polsat S.A. by PLN 7,240,300.00 by issuing 72,403 I series preference shares at a nominal value and issue price of PLN 100 each. The Shareholders' Meeting excluded the pre-emptive rights of current shareholders and priority rights of the founding shareholders and holders of preference shares. On 7 February 2008 the whole subscription was directed to Mr. Heronim Ruta, who on 8 February accepted the offer to take over the new shares. The offer did not relate to delivery of any past, present or future services that would be rendered to Telewizja Polsat S.A. by Heronim Ruta. In addition, Heronim Ruta will not be obliged to render any future services to Telewizja Polsat S.A. regarding the offer. The increase in the share capital was registered in the National Court Register on 26 March 2008. The I series shares were taken over and fully paid in cash till 31 December 2008.

On 8 February 2008 the Management Board of Telewizja Polsat S.A. resolved to approve that Mr. Józef Birka sells all of his 1,455 preference shares, comprising 870 A series shares and 585 C series shares to Mr. Heronim Ruta. On 14 February 2008 Heronim Ruta submitted a statement as to the acquisition of 1,455 Company's preference shares, including 870 A series shares and 585 C series shares.

On 20 June 2008, the Extraordinary Meeting of Shareholders of Telewizja Polsat S.A. adopted a resolution to increase the share capital of Telewizja Polsat S.A. by PLN 88,000,000.00 by issuing 880,000 J series preference shares at a nominal value of PLN 100 each, with preference with respect to voting at the General Meeting, priority to purchase assets in case of liquidation of the Company and distribution of its assets, and priority in distribution of assets. The issue price was set at the level of PLN 100 per share. The Shareholders' Meeting excluded the pre-emptive rights of current shareholders. The new shares were offered to:

- Karswell Ltd located in Cyprus (748,000 shares),
- Sensor Overseas Ltd located in Cyprus (132,000 shares).

The J series shares were fully paid in cash till 31 December 2008.

On 31 July 2008 based on the approval of the Management Board of Telewizja Polsat S.A. made in the resolution dated 29 July 2008, PAI Media S.A. sold 150 registered preference F series shares to Polsat Media B.V. As a result, PAI Media is no longer a shareholder of the Parent.

On 19 February 2009, the Management Board of Telewizja Polsat S.A. resolved to approve the transfer of 297,079 registered shares owned by Polsat Media B.V. to Karswell Ltd. and Sensor Overseas Ltd. The transaction was executed on 16 and 17 April 2009.

On 10 March 2009, at Telewizja Polsat S.A.'s premises, the Extraordinary Meeting of Shareholders adopted a resolution to increase the share capital of Telewizja Polsat S.A. by PLN 70,000,000.00 by issuing 700,000 registered preference K shares with a nominal value of PLN 100.00 each. The preference of the new shares is the same as the preference of the B, C, D, F, G, H, I and J series shares. The K series shares have rights to dividends effective from 1 January 2009. The issue price of the new shares was PLN 100.00 per share. In accordance with the resolution of the Management Board dated 2 March 2009, taking into account the Company's interest the Shareholders Meeting excluded the pre-emptive rights of the current shareholders. On 11 March 2009, the subscription was directed to Karswell Ltd. (595,000 shares) and

34. Equity (Continued)

Sensor Overseas Ltd. (105,000) who accepted the offer to take over the new shares on the same day. The increase in the share capital was registered in the National Court Register on 3 April 2009. The K series shares were fully paid in cash till 31 December 2009.

On 22 September 2010 the Supervisory Board of Telewizja Polsat S.A. resolved to approve that Zygmunt Solorz-Żak transfers 418,530 inscribed preference shares of Telewizja Polsat S.A to MAT Fundusz Inwestycyjny Zamknięty fund seated in Warsaw and Heronim Ruta transfers 73,858 inscribed preference shares of Telewizja Polsat S.A to KOMA Fundusz Inwestycyjny Zamknięty fund seated in Warsaw.

Pursuant to the request of Opera Towarszystwo Funduszy Inwestycyjnych S.A. seated in Warsaw made on 3 January 2011, acting as the representing body of KOMA Fundusz Inwestycyjny Zamknięty and MAT Fundusz Inwestycyjny Zamknięty, pursuant to the statements made by Zygmunt Solorz-Żak and Heronim Ruta confirming the waiver of their objection rights, on 5 January 2011 the Management Board of Telewizja Polsat S.A. resolved to amend the shareholders' book of Telewizja Polsat S.A. regarding the transfer of share ownership by the above mentioned shareholders on 28 December 2010 for the benefit of KOMA Fundusz Inwestycyjny Zamknięty and MAT Fundusz Inwestycyjny Zamknięty. The records in the shareholders book were made on 5 January 2011.

(iii) Currency translation adjustment

Foreign currency translation adjustment is recognised on translation of the foreign financial statements of the subsidiary, Nord License AS.

(iv) Reserves

The Group raises reserve capital.

Reserve capital is increased as a result of the following:

- distribution of profits,
- the excess of issue price at which shares are issued over their par value (share premium) after the deduction of transaction costs,
- additional contributions made by shareholders in exchange for attaching additional preferences to their existing shares if such contributions are not designated to offset any extraordinary allowances or losses,
- distribution of other reserves, if raised,
- result on shares redemption.

Additionally, in order to cover potential future losses, the Group's companies are obliged to create reserve capital at the minimum level of 8% of the net profit until the amount of the reserve capital reaches at least the level of ⅓ of the value of the share capital.

(all amounts in PLN thousand)

34. Equity (Continued)

The General Meeting of Shareholders is entitled to approve a resolution on the use of the reserve capital, however, the reserve capital amounting to up to ⅓ of the Company's share capital may only be used to cover a loss recognised in the financial statements.

In 2010 reserve capital increased by PLN 25,043 thousand mainly due to allocation of net profit to reserve capital.

In 2009 reserve capital increased by PLN 19,738 thousand mainly due to allocation of net profit to reserve capital.

In 2008 reserve capital increased by PLN 21,433 thousand due to allocation of net profit to reserve capital.

(v) Dividends paid

In 2010 dividend payments made by the Group from 2009 net profit amounted to PLN 189,000 thousand.

In 2009 dividend payments made by the Group from 2008 net profit amounted to PLN 226,219 thousand.

In 2008 dividend payments made by the Group from 2007 net profit amounted to PLN 246,481 thousand.

35. Loans and borrowings

	31 December 2010		
	Non-current	Current	Total
Loans and borrowings—BRE	—	39,985	39,985
Total	—	**39,985**	**39,985**

	31 December 2009		
	Non-current	Current	Total
Loans and borrowings—BRE	40,618	42,494	83,112
Total	**40,618**	**42,494**	**83,112**

	31 December 2008		
	Non-current	Current	Total
Loans and borrowings—BRE	—	129,009	129,009
Total	**—**	**129,009**	**129,009**

(all amounts in PLN thousand)

35. Loans and borrowings (Continued)

(i) WestLB bank loan

On 7 October 2005, Telewizja Polsat S.A. entered into a Credit Facility Agreement with WestLB AG, London Branch, in order to utilise the funds to purchase bonds issued by Polsat Media B.V. The loan was repaid in 2008.

(ii) BRE Bank bank loan

On 23 June 2008 Telewizja Polsat S.A. concluded an agreement with BRE Bank S.A. ("Bank") to finance the repayment of the outstanding loan with WestLB AG in London amounting to EUR 22,500,000 and to cover the Company's capital investment expenditures.

Loan currency:	Euro
Principal amount (nominal value):	EUR 30,000,000.00 (thirty million euro)
Drawdown date:	25 June 2008
Final repayment date:	23 June 2011
Interest:	margin (0,85 percentage points) plus EURIBOR 6M
Interest date:	5 January and 5 July each year
Repayment/installments:	repayment in equal installments on dates corresponding with interest dates, starting on 5 January 2009—6 installments of EUR 5,000,000 each
Collateral:	blank promissory note
Nominal interest rate (p.a.):	from 25 June 2008 to 4 January 2009 = 5.9740%
	from 5 January 2009 to 4 July 2009 = 3.8210%
	from 5 July 2009 to 4 January 2010 = 2.1410%
	from 5 January 2010 to 4 July 2010 = 1.8440%
	from 5 July 2010 to 4 January 2011 = 1.9060%
Effective interest rate (p.a.):	6.2084% as at 31 December 2008
	2.2402% as at 31 December 2009
	1.9994% as at 31 December 2010
Measurement method	Amortised cost

(all amounts in PLN thousand)

35. Loans and borrowings (Continued)

Loans and borrowings by due date

	31 December 2010	31 December 2009	31 December 2008
within one year	39,985	42,494	129,009
between 1 to 5 years	—	40,618	—
Total	**39,985**	**83,112**	**129,009**

Breach of the loan agreement covenants

In 2008 the Group breached a covenant attached to the bank loan agreement. Accordingly, the entire loan balance as at 31 December 2008 was presented by the Group as a current liability in accordance with IAS 1. Pursuant to negotiations with the Bank, after 31 December 2008 the Group obtained a waiver in which the Bank waived its right to request an immediate repayment of the loan.

(iii) Collateral and covenants

As at 31 December 2010, as at 31 December 2009 and as at 31 December 2008 the bank loan was collateralised with a blank promissory note. In addition, the following covenants were attached to the loan agreement:

- equity structure ratio (not lower than 35%),
- debt cover ratio (not higher than 2.0),
- interests cover ratio (not lower than 5.0).

36 Employee benefits

The Group provides the following employee benefits:

- wages and salaries and social security contributions,
- paid annual leave,
- paid sick leave,
- bonuses,
- retirement benefits.

The employee benefits listed above are provided to meet legal requirements and the Group's internal regulations and are recognised as expenses or liabilities.

(all amounts in PLN thousand)

36 Employee benefits (Continued)

(i) Employee benefits expenses

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Salaries	128,365	133,245	131,050
Social security	9,519	9,988	9,494
Other benefits	2,882	2,400	2,959
Total	**140,766**	**145,633**	**143,503**
including:			
Employee benefits expenses recognised in cost of internal production	66,892	73,428(*)	77,349(*)
Other employee benefits	73,874	72,205(*)	66,154(*)

(*) Restated, for details refer to note 9

(ii) Employee benefits liabilities

As at 31 December 2010, the Group's liabilities for employee benefits amounted to PLN 11,826 thousand (PLN 9,944 thousand as at 31 December 2009; PLN 11,818 thousand as at 31 December 2008).

Paid annual leave

Employees of the Group are entitled to remuneration for any unused annual leave as for regular working hours. Accumulated unutilised paid annual leave is recognised as a liability as at the reporting date.

As at 31 December 2010, the liability related to unused paid annual leave amounted to PLN 3,577 thousand (PLN 3,651 thousand as at 31 December 2009; PLN 4,705 thousand as at 31 December 2008).

Retirement benefits

In accordance with the law and the Group's internal remuneration plan, the Group's employees are entitled to retirement benefits. Retirement liabilities result from rights acquired by employees in the current and previous years. The value of the Group's liabilities related to retirement benefits is calculated by a certified actuary using the projected unit credit method and is discounted to present value.

As at 31 December 2010, the retirement benefits liability amounted to PLN 615 thousand (PLN 572 thousand as at 31 December 2009; PLN 510 thousand as at 31 December 2008).

(all amounts in PLN thousand)

36 Employee benefits (Continued)

Remuneration and bonuses

As at 31 December 2010, the liability related to the unpaid remuneration and bonuses for employees amounted to PLN 7,634 thousand (PLN 5,721 thousand as at 31 December 2009; PLN 6,603 thousand as at 31 December 2008).

37. Trade and other long-term liabilities

	31 December 2010	31 December 2009	31 December 2008
Trade liabilities (programming assets)	1,389	2,685	717
Royalty payables	—	—	28,433
Other liabilities	195	192	146
Total	**1,584**	**2,877**	**29,296**

38. Provisions

Provisions in 2010

	Litigation	NBC penalties(*)	Onerous contracts	Other	Total
As at 1 January 2010	**10,803**	**550**	**6,241**	**824**	**18,418**
Raised	4,038	—	1,193	—	**5,231**
Utilised	—	(50)	(1,717)	666	**(1,101)**
Released	—	—	(4,521)	(2)	**(4,523)**
As at 31 December 2010	**14,841**	**500**	**1,196**	**1,488**	**18,025**
including:					
Non-current	—	—	*21*	*1,467*	***1,488***
Current	*14,841*	*500*	*1,174*	*21*	***16,536***
Total	***14,841***	***500***	***1,195***	***1,488***	***18,024***

(all amounts in PLN thousand)

38. Provisions (Continued)

Provisions in 2009

	Litigation	NBC penalties(*)	Onerous contracts	Other	Total
As at 1 January 2009	**9,231**	**500**	**7,530**	**712**	**17,973**
Raised	1,572	50	5,020	141	**6,783**
Utilised	—	—	(6,026)	(29)	**(6,055)**
Released	—	—	(283)	—	**(283)**
As at 31 December 2009	10,803	550	6,241	824	**18,418**
including:					
Non-current	—	—	*1,146*	*801*	***1,947***
Current	*10,803*	*550*	*5,095*	*23*	***16,471***
Total	**10,803**	**550**	**6,241**	**824**	**18,418**

Provisions in 2008

	Litigation	NBC penalties(*)	Onerous contracts	Other	Total
As at 1 January 2008	**8,025**	**500**	**12,960**	**746**	**22,231**
Raised	1,228	—	8,696	20	**9,944**
Utilised	(12)	—	(14,126)	(54)	**(14,192)**
Released	(10)	—	—	—	**(10)**
As at 31 December 2008	**9,231**	**500**	**7,530**	**712**	**17,973**
including:					
Non-current	—	—	*1,268*	*663*	***1,931***
Current	*9,231*	*500*	*6,262*	*49*	***16,042***
Total	**9,231**	**500**	**7,530**	**712**	**17,973**

(*) The abbreviation 'NBC' stands for the National Broadcasting Council (Krajowa Rada Radiofonii i Telewizji)

Provisions for litigation

The provisions is based on the aggregate value of claims resulting from lawsuits filed against the Group and on opinions of the Group's lawyers regarding these pending actions. The provisions for litigation as at 31 December 2010 amounted to PLN 14,841 thousand (PLN 10,803 thousand as at 2009; PLN 9,231 thousand as at 31 December 2008) and were mainly related to royalty claims raised by Stowarzyszenia Artystów Wykonawców Utworów Muzycznych i Słowno-Muzycznych SAWP and included both the value of the claim as well as an estimate of royalty charges for the period subsequent to that covered by the claim.

(all amounts in PLN thousand)

38. Provisions (Continued)

Provision for NBC penalties

The provision was raised for penalties imposed by NBC on Telewizja Polsat S.A. for breaching the Broadcasting Act. The Company appealed against all the decisions and raised provisions for penalties subject to appeal proceedings as at 31 December 2010 amounting to PLN 500 thousand (PLN 550 thousand as at 31 December 2009; PLN 500 thousand as at 31 December 2008).

Onerous contracts

The Group identified onerous contracts for which the unavoidable cost of meeting the Group's obligations would be higher than the expected benefits/income to be derived by the Group. The provision was raised with respect to commitments to purchase licences and/or programme content that will not generate revenues sufficient to cover the expected cost of purchase.

39. Trade and other short-term payables

	31 December 2010	31 December 2009	31 December 2008
Trade payables due to related parties	23,508	12,642	15,072
Trade payables due to third parties	122,964	117,045	72,709
Other liabilities	30,795	18,115	20,383
Total	**177,267**	**147,802**	**108,164**

40. Deferred income

	31 December 2010	31 December 2009	31 December 2008
Prepaid advertising broadcasts	302	2,203	1,627
Other	222	944	30
Total	**524**	**3,147**	**1,657**

(all amounts in PLN thousand)

41. Financial instruments

(i) Categories of financial instruments

The below table presents carrying amounts of each of the categories of the Group's financial instruments as specified in IAS 39:

	Carrying amount as at 31.12.2010	Carrying amount as at 31.12.2009	Carrying amount as at 31.12.2008
Loans and receivables	**296,361**	**340,821**	**386,453**
Trade receivables	153,619	147,836	136,499
Debt securities that are not quoted in an active market	—	—	48,329
Loans granted	639	—	150
Short-term deposits	142,103	192,985	201,475
Cash	**85,646**	**62,943**	**49,177**
Financial assets—total	**382,007**	**403,764**	**435,630**
Loans and borrowings	39,985	83,112	129,009
Trade liabilities	147,859	132,373	116,931
Financial liabilities—total	**187,844**	**215,485**	**245,940**

Collateral

The Group has a foreign currency loan granted by BRE Bank S.A. with the floating interest rate calculated as the sum of the EURIBOR 6M base rate and margin equal to 0.85% p.a.. The loan matures on 23 June 2011. The outstanding balance of the loan as at 31 December 2010 amounts to Euro 10,000,000 (as at 31 December 2009: EUR 20,000,000; as at 31 December 2008: EUR 30,000,000).

The loan is collateralised with a blank promissory note.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

(ii) Fair value of financial instruments

The table below presents a comparison of fair value and carrying value for each class of the Group's financial instruments as at 31 December 2010, 31 December 2009 and 31 December 2008.

	Fair value as at 31.12.2010	Carrying amount as at 31.12.2010	Fair value as at 31.12.2009	Carrying amount as at 31.12.2009	Fair value as at 31.12.2008	Carrying amount as at 31.12.2008
Trade receivables	153,619	153,619	147,836	147,836	136,499	136,499
Debt securities that are not quoted in an active market	—	—	—	—	49,088	48,329
Short-term deposits	142,103	142,103	192,985	192,985	201,475	201,475
Loans granted	639	639	—	—	150	150
Cash	85,646	85,646	62,943	62,943	49,177	49,177
Financial assets—total	**382,007**	**382,007**	**403,764**	**403,764**	**436,389**	**435,630**
Loans and borrowings	39,985	39,985	81,521	83,112	128,249	129,009
Trade liabilities	147,859	147,859	132,373	132,373	116,931	116,931
Financial liabilities—total	**187,844**	**187,844**	**213,894**	**215,485**	**245,180**	**245,940**

For short-term deposits, trade receivables, trade liabilities and cash the carrying amount was assumed to be a reasonable approximation of their fair value.

Fair value of debt securities and loans has been measured using valuation technique based on the discounted cash flow method. Future cash flows have been forecasted with the usage of implied WIBOR/EURIBOR forward rates increased by contractual margin for respective instruments. The market interest rate curve obtained from interbank deposit rates (WIBOR/EURIBOR) and IRS rates (PLN IRS/EUR IRS) and mid foreign exchange rates published by National Bank of Poland were applied in the valuation model. For the loan and the bonds, the market interest rate curve used for discounting has been increased by the credit spread of the borrower that was assessed on the basis of the contractual margin for these instruments.

The Group does not have financial instruments for which it could not reasonably estimate their fair value.

The Group did not have any financial instruments measured and recognised at fair value in the statement of financial position as at 31 December 2010, 31 December 2009 and 31 December 2008.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

(iii) Movement in impairment allowances for trade receivables

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Opening balance	**2,505**	**2,626**	**3,443**
Increase	1,030	952	1,551
Decrease—repayment	(608)	(1,026)	(2,338)
Decrease—write-offs	(295)	(47)	(30)
Closing balance	**2,632**	**2,505**	**2,626**

(iv) Finance income and finance costs

(1) Recognised in profit or loss

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Interest income on loans and receivables	6,366	9,779	15,938
Interest expense on financial liabilities measured at amortized cost	(1,174)	(3,340)	(7,947)
Net foreign exchange gain/(loss)	9,963	1,898	14,713
Impairment loss on financial instruments	(1,030)	—	(186)
Other	(182)	(3,015)	(3,533)
Net finance income/costs	**13,943**	**5,322**	**18,985**

(2) Recognised in equity

	31 December 2010	31 December 2009	31 December 2008
Currency translation adjustment—excluding tax effect	(1,572)	(2,178)	8,806
Net finance income/costs in equity	(1,572)	(2,178)	8,806

(v) Financial Risk Management

The Group is exposed to the following risks:

- Credit risk,
- Liquidity risk,
- Market risk: foreign currency and interest rate.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

This note presents information regarding the Group's exposure to the above risks, the Group's objectives, policies and processes for management of particular types of risks.

Credit risk

Credit risk is a risk of incurring a loss by the Group due to the lack of fulfillment by contractors of their obligations resulting from financial instruments.

The Group is exposed to credit risk resulting mostly from trade receivables and cash and cash equivalents. In the course of business the Group provides services with deferred payment which may result in the risk of failure to keep terms of payments by contractors.

Trade receivables

Assessment of contractor's creditworthiness is actively assessed. The Group does not require collateral for financial assets. As at reporting date there was no significant credit risk concentration for trade receivables.

Investments

At the end of year 2008 the Group held commercial bonds issued by Polsat Media B.V., which was a significant investor of the Parent entity at that date. The Board actively monitored Polsat Media B.V.'s ability to redeem the bonds. Credit risk resulting from the investment was regarded by the Board as insignificant due to established collaterals. The bonds were redeemed in their entirety by the issuer in 2009.

Cash and cash equivalents

The Group deposits its cash with financial institutions that are considered reliable by the Group. As a consequence credit risk resulting from cash is regarded by the Board as insignificant.

According to the Board's credit risk policy the exposure to credit risk is actively monitored. The Group does not conduct other activities to mitigate credit risk and/or decrease potential losses resulting from credit risk, besides monitoring.

Maximum exposure to credit risk as at 31 December 2010, 31 December 2009 and 31 December 2008:

	Carrying amount as at 31.12.2010	Carrying amount as at 31.12.2009	Carrying amount as at 31.12.2008
Loans and receivables	296,361	340,821	386,453
Cash	85,646	62,943	49,177
Maximum exposure to credit risk:	**382,007**	**403,764**	**435,630**

(all amounts in PLN thousand)

41. Financial instruments (Continued)

The below table presents trade receivables by type of contractors:

	31 December 2010		31 December 2009		31 December 2008	
	Carrying amount	Percentage	Carrying amount	Percentage	Carrying amount	Percentage
Advertising agencies	108,654	71%	108,620	73%	99,224	73%
Other institutional and individual customers	44,965	29%	39,216	27%	37,275	27%
Trade receivables—total	153,619	100%	147,836	100%	136,499	100%

Concentration of trade receivables from the five largest contractors in terms of percentage of total trade receivables is presented in the below table.

	31 December 2010		31 December 2009		31 December 2008	
	Carrying amount	Percentage	Carrying amount	Percentage	Carrying amount	Percentage
Customer 1	26,316	17%	25,169	17%	19,741	14%
Customer 2	25,351	17%	17,628	12%	8,261	6%
Customer 3	15,505	10%	16,770	11%	13,955	10%
Customer 4	7,759	5%	15,364	10%	7,917	6%
Customer 5	6,863	4%	12,794	9%	7,430	5%
Other customers	71,825	47%	60,111	41%	7,195	59%
Trade receivables—total	**153,619**	**100%**	**147,836**	**100%**	**136,499**	**100%**

Total revenue from the five largest contractors amounted to 47% of the Group's revenue for the period ended 31 December 2010 (in 2009: 50%; in 2008: 44%) and revenue from the largest contractor did not exceed 11% of the Group's revenue for the year ended 31 December 2010 (in 2009: 14% respectively; in 2008: 12%). The Group's contractors are usually limited liability companies with relatively low net assets.

There is no significant credit risk concentration within the Group for other classes of financial instruments.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

Trade receivables—ageing analysis

	Gross carrying amount as at 31.12.2010	Impairment loss	Carrying amount as at 31.12.2010	Gross carrying amount as at 31.12.2009	Impairment loss	Carrying amount as at 31.12.2009	Gross carrying amount as at 31.12.2008	Impairment loss	Carrying amount as at 31.12.2008
Current	72,724	(1)	72,723	91,013	—	91,013	57,984	—	57,984
Past due 0–90 days	75,321	—	75,321	49,570	—	49,570	70,959	(1)	70,958
Past due 90–180 days	3,064	—	3,064	2,958	(19)	2,939	2,225	—	2,225
Past due 180–360 days	1,843	(641)	1,202	1,495	(613)	882	3,456	(329)	3,127
Past due more than 360 days	3,299	(1,990)	1,309	5,305	(1,873)	3,432	4,501	(2,296)	2,205
Total	**156,251**	**(2,632)**	**153,619**	**150,341**	**(2,505)**	**147,836**	**139,125**	**(2,626)**	**136,499**

Liquidity risk

Liquidity risk is a risk that the Group will be unable to settle its financial obligations when they become due. The major objective of Group's liquidity risk management is to ensure to the highest possible degree that the Group's liquidity is sufficient to settle its obligations.

Maturity analysis for particular financial liabilities as at both reporting dates is presented in the below tables. Carrying amounts for financial liabilities are stated at their absolute value, cash inflows and outflows are presented as positive or negative amounts respectively (negative amounts represent cash outflows from the Group).

As at 31 December 2010

	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	> 5 years
Bank loan	39,985	(40,178)	(40,178)	—	—	—	—
Trade liabilities	147,859	(147,859)	(135,237)	(8,122)	(1,788)	(1,123)	(1,589)
Total	**187,844**	**(188,037)**	**(175,415)**	**(8,122)**	**(1,788)**	**(1,123)**	**(1,589)**

As at 31 December 2009

	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	> 5 years
Bank loan	83,112	(84,246)	(21,470)	(21,116)	(41,660)	—	—
Trade liabilities	132,373	(132,373)	(96,656)	(25,758)	(9,959)	—	—
Total	**215,485**	**(216,619)**	**(118,126)**	**(46,874)**	**(51,619)**	**—**	**—**

(all amounts in PLN thousand)

41. Financial instruments (Continued)

As at 31 December 2008

	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	> 5 years
Bank loan	129,009	(135,211)	(24,810)	(22,875)	(44,576)	(42,950)	—
Trade liabilities	116,931	(116,931)	(78,600)	(7,954)	(30,327)	(50)	—
Total	**245,940**	**(252,142)**	**(103,410)**	**(30,829)**	**(74,903)**	**(43,000)**	**—**

For the bank loan contractual cash flows comprise capital installments and interest payments. As the bank loan interest is (margin 0,85 percentage points plus EURIBOR 6M), future interest payments for which actual interest rate is unknown as at reporting date, have been computed based on market 6M EURIBOR interest rate as of the reporting date.

Market risk

Market risk is a risk that a change in market variable, such as foreign exchange rates, interest rates or commodity prices, impact the Group's income or carrying amount of the Group's financial instruments. The Group is exposed to foreign currency risk and interest rate risk.

The Group actively monitors the level of exposure to particular categories of market risk and when the Group becomes aware of increased exposure the Group takes mitigating action to decrease the exposure, by for example, entering into financial instruments that reduce the open position.

Foreign currency risk

The Group is exposed to foreign currency risk resulting from trade receivables and trade liabilities denominated in foreign currencies, mostly in Euro and American dollar and foreign currency loan denominated in Euro. Additionally the Group is exposed to foreign currency risk due to intercompany loans granted by Telewizja Polsat S.A. to Nord License AS in foreign currency. Foreign exchange differences on intercompany loans impact the consolidated income statement.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

The Group's total exposure to foreign currency risk (for the most significant currencies) is presented in the below tables. The below table presents carrying amounts of financial instruments by currency in which they are denominated translated to PLN at the average NBP exchange rate as at the reporting date:

As at 31 December 2010

	PLN	EUR	USD	Others
Trade receivables *	148,800	528	3,257	63
Short-term deposits	142,103	—	—	—
Loans granted	—	—	639	—
Cash *	9,101	21,495	7,655	63
Total assets	**300,004**	**22,023**	**11,551**	**126**
Trade liabilities *	(72,493)	(6,192)	(860)	(173)
Loans and borrowings	—	(39,985)	—	—
Total liabilities	**(72,493)**	**(46,177)**	**(860)**	**(173)**
Nord License AS loans**	**—**	**16,193**	**181,035**	**—**
Total	**227,511**	**(7,961)**	**191,726**	**(47)**

* excluding foreign operations in the amount of PLN 68,141 thousand for which the US dollar is the functional currency and for which foreign currency risk is disclosed in part iv) 2) of this Note and in part v) below.

** Intercompany loans granted by Telewizja Polsat S.A. to Nord License AS, that are not recognised in the consolidated statement of financial position but for which net foreign exchange gains/losses resulting from translation of its carrying amount into PLN impact the consolidated income statement in accordance with IAS 21 (*The Effects of Changes in Foreign Exchange Rates*).

(all amounts in PLN thousand)

41. Financial instruments (Continued)

As at 31 December 2009

	PLN	EUR	USD	Others
Trade receivables	147,232	604	—	—
Short-term deposits	192,985	—	—	—
Cash	27,301	28,951	6,352	339
Total assets	**367,518**	**29,555**	**6,352**	**339**
Trade liabilities *	(70,056)	(18,349)	(418)	(849)
Loans and borrowings	—	(83,112)	—	—
Total liabilities	**(70,056)**	**(101,461)**	**(418)**	**(849)**
Nord License AS loans**	**—**	**17,105**	**156,187**	**—**
Total	**297,462**	**(54,801)**	**162,121**	**(510)**

* excluding foreign operations in the amount of PLN 42,701 thousand for which the US dollar is functional currency and for which foreign currency risk is disclosed in part iv) 2) of the note and in part v) below.

** Intercompany loans granted by Telewizja Polsat S.A. to Nord License AS, that are not recognised in the consolidated statement of financial position but for which net foreign exchange gains/losses resulting from translation of its carrying amount into PLN impact the consolidated income statement in accordance with IAS 21 (*The Effects of Changes in Foreign Exchange Rates)*.

As at 31 December 2008

	PLN	EUR	USD	Others
Trade receivables	131,850	2,141	2,506	2
Debt securities	48,329	—	—	—
Short-term deposits	201,475	—	—	—
Loans granted	150	—	—	—
Cash	14,709	30,848	3,579	41
Total assets	**396,513**	**32,989**	**6,085**	**43**
Trade liabilities *	(100,340)	(2,354)	(577)	(319)
Loans and borrowings	—	(129,009)	—	—
Total liabilities	**(100,340)**	**(131,363)**	**(577)**	**(319)**
Nord License AS loans**	**—**	**17,605**	**152,207**	**—**
Total	**296,173**	**(80,769)**	**157,715**	**(276)**

* excluding foreign operations in the amount of PLN 13,341 thousand for which the US dollar is functional currency and for which foreign currency risk is disclosed in part iv) 2) of the note and in part v) below.

** Intercompany loans granted by Telewizja Polsat S.A. to Nord License AS, that are not recognised in the consolidated statement of financial position but for which net foreign exchange gains/losses resulting from translation of its carrying amount into PLN impact the consolidated income statement in accordance with IAS 21 (*The Effects of Changes in Foreign Exchange Rates)*.

(all amounts in PLN thousand)

41. Financial instruments (Continued)

Foreign exchange rates used as at reporting dates:

	31 December 2010	31 December 2009	31 December 2008
EUR/PLN	3.9603	4.1082	4.1724
USD/PLN	2.9641	2.8503	2.9618

A change by 5% in foreign exchange rate EUR/PLN and USD/PLN at the reporting date would have increased (decreased) profit before tax as presented in the below table:

	31 December 2010		31 December 2009		31 December 2008	
	5% strengthening	5% weakening	5% strengthening	5% weakening	5% strengthening	5% weakening
EUR	(398)	398	(2,740)	2,740	(4,039)	4,039
USD	9,586	(9,586)	8,106	(8,106)	7,886	(7,886)
Total	**9,188**	**(9,188)**	**5,366**	**(5,366)**	**3,847**	**(3,847)**

Foreign currency translation adjustment for foreign operations is recognised in the consolidated statement of other comprehensive income. Excluding tax effect, a change by 5% in foreign exchange rate at the reporting date would have increased (decreased) equity (currency translation adjustment) as presented in the below table:

	31 December 2010		31 December 2009		31 December 2008	
	5% strengthening	5% weakening	5% strengthening	5% weakening	5% strengthening	5% weakening
USD	1,458	(1,458)	2,155	(2,155)	2,983	(2,983)

Interest rate risk

The Group is exposed to interest rate risk resulting mostly from the floating-rate loan. All changes in interest rates impact profit or loss.

Total Group's exposure to interest rate risk for the most important currencies is presented in the below table. Amounts are presented in PLN.

	31 December 2010		31 December 2009		31 December 2008	
	PLN (WIBOR)	EUR (EURIBOR)	PLN (WIBOR)	EUR (EURIBOR)	PLN (WIBOR)	EUR (EURIBOR)
Bond	—	—	—	—	47,549	—
Loan	—	(39,603)	—	(82,164)	—	(125,172)

(all amounts in PLN thousand)

41. Financial instruments (Continued)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the Group's consolidated profit or loss as presented in the below table:

	31 December 2010		31 December 2009		31 December 2008	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
WIBOR	—	—	—	—	476	(476)
EURIBOR	(396)	396	(822)	822	(1,252)	1252

Capital management

The objective of capital management is to maintain the Group's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group may issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

42. Commitments

(i) Commitments to purchase programming assets

As at 31 December 2010, as at 31 December 2009 and as at 31 December 2008 the Group had commitments to purchase programming assets. The table below presents a maturity analysis for such commitments:

	31 December 2010	31 December 2009	31 December 2008
within one year	145,061	148,833	181,214
between 1 to 5 years	171,164	132,466	146,808
more than 5 years	—	—	31,577
Total	**316,225**	**281,299**	**359,599**

(ii) Commitments related to purchase of news services

As at 31 December 2010, as at 31 December 2009 and as at 31 December 2008 the Group had commitments relating to purchase of news services. The table below presents a maturity analysis for such commitments:

	31 December 2010	31 December 2009	31 December 2008
within one year	1,815	1,728	666
between 1 to 5 years	887	170	—
Total	**2,702**	**1,898**	**666**

(all amounts in PLN thousand)

42. Commitments (Continued)

(iii) Commitments related to operating leases

As at 31 December 2010, as at 31 December 2009 and as at 31 December 2008 the Group had commitments relating to leases of studio, office, warehouse and technical (roofs, chimneys) space and the lease of satellite transponders, telecom infrastructure and terrestrial transmitters. The table below presents a maturity analysis for such commitments:

	31 December 2010	31 December 2009	31 December 2008
within one year	47,231	28,107	38,330
between 1 to 5 years	129,237	42,157	52,581
more than 5 years	46,631	1,400	3,832
Total	**223,099**	**71,664**	**94,743**

(iv) Other commitments

As at 31 December 2010, as at 31 December 2009 and as at 31 December 2008 the Group had commitments relating to service agreements involving IT services related to the IT systems used by the Group, telephone and address database maintenance and archiving, supervision of broadcasting infrastructure, property supervision, and cleaning and clearing services. The table below presents a maturity analysis for such commitments:

	31 December 2010	31 December 2009	31 December 2008
within 1 year	13,893	6,825	7,108
between 1 to 5 years	8,017	7,447	7,719
more that 5 years	367	—	—
Total	**22,277**	**14,272**	**14,827**

43. Finance lease

No finance lease contracts were concluded in 2010, 2009 and 2008.

44. Contingent liabilities

Not applicable.

45. Related party transactions

The Group holds shares in Polski Operator Telewizyjny Sp. z o.o. seated in Warsaw. The remaining related parties are listed in the below tables and comprise the following:

- shareholders,

(all amounts in PLN thousand)

45. Related party transactions (Continued)

- close family members of the Group's shareholders,
- entities under control, common control or entities under significantly influenced of the Group's shareholders,
- Management Board Members,
- Supervisory Board Members.

Investments

	31 December 2010	31 December 2009	31 December 2008
POLSAT MEDIA B.V.	—	—	47,621
INVEST BANK S.A.	32,069	68,700	115,424
Total	**32,069**	**68,700**	**163,045**

Receivables

	31 December 2010	31 December 2009	31 December 2008
ATM GRUPA S.A.	80	7	66
CYFROWY POLSAT S.A.	15,911	3,854	4,215
INVEST BANK S.A.	—	180	2,270
INWESTYCJE POLSKIE SP. Z O.O.	2,294	2,014	1,825
POLSKIE MEDIA S.A.	1,831	3,369	5,160
PRN SP. Z O.O.	300	155	110
RADIO PIN SA	39	162	—
REDEFINE SP. Z O.O.	1,830	2,782	208
SFERIA S.A.	88	127	—
TELEAUDIO SP. Z O.O.	4,263	8,048	11,055
Other	119	83	63
Total	**26,755**	**20,781**	**24,972**

(all amounts in PLN thousand)

45. Related party transactions (Continued)

Liabilities

	31 December 2010	31 December 2009	31 December 2008
ATM GRUPA SA	7,613	6,763	10,709
ATM SYSTEM SP. Z O.O	726	692	—
BALTMEDIA SP. Z O.O.	—	99	—
CYFROWY POLSAT SA	1,894	860	199
INVEST BANK S.A.	—	—	72
PHU “GOLIAT”	202	105	181
INWESTYCJE POLSKIE SP. Z O.O.	218	6	6
PAI MEDIA S.A.	170	73	89
POLSAT NIERUCHOMOŚCI SP. Z O.O.	—	—	248
POLSKA TELEFONIA CYFROWA SP. Z O.O. (*)	—	543	280
POLSKIE MEDIA S.A.	9,290	2,146	1,751
PRN SP. Z O.O.	493	219	212
REDEFINE SP. Z O.O.	1,914	514	1,076
STUDIO A SP. Z O.O.	653	214	125
TFP SP. Z O.O.	239	321	—
Other	96	87	124
Total	**23,508**	**12,642**	**15,072**

(*) Related party relationship discontinued during 2010

(all amounts in PLN thousand)

45. Related party transactions (Continued)

Operating revenue

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
ATM GRUPA S.A.	82	5	167
CYFROWY POLSAT S.A.	79,621	53,865	17,697
DOM SPRZEDAŻY RADIA PIN SP. Z O.O.	152	—	—
INVEST BANK S.A.	1,356	223	1,115
INWESTYCJE POLSKIE SP. Z O.O.	130	—	—
POLSKA TELEFONIA CYFROWA SP. Z O.O. (*)	3,094	4,261	6,392
POLSKIE MEDIA S.A.	24,775	27,101	31,146
PRN Polska Sp.z o.o.	905	647	171
POWSZECHNE TOWARZYSTWO EMERYTALNE POLSAT S.A.	139	—	—
RADIO PIN SA	329	260	22
REDEFINE SP. Z O.O.	3,019	2,983	341
SFERIA S.A.	951	189	—
STER SP. Z O.O.	722	642	142
SUPERSTACJA SP. Z O.O.	42	190	98
TELEAUDIO SP. Z O.O.	7,942	18,990	22,874
TFP SP Z O.O.	168	117	—
Other	126	50	140
Total	**123,553**	**109,523**	**80,305**

(*) Related party relationship discontinued during 2010

(all amounts in PLN thousand)

45. Related party transactions (Continued)

Purchases

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
ATM GRUPA S.A.	35,168	35,503	44,810
ATM SYSTEM SP. Z O.O.	1,207	947	113
BALTMEDIA SP. Z O.O.	500	351	—
CYFROWY POLSAT S.A.	6,390	4,610	1,675
DOM SPRZEDAŻY RADIA PIN SP. Z O.O.	152	—	—
EMARKET SP. Z O.O.(*)	—	—	114
FUNDACJA POLSAT(***)	1,600	1,373	842
INVEST BANK S.A.	1,129	1,053	1,185
INWESTYCJE POLSKIE SP. Z O.O.	17,583	17,218	15,085
PAI MEDIA S.A.	1,746	955	1,045
P.H.U. GOLIAT	1,987	2,002	1,608
POLSAT NIERUCHOMOŚCI SP. Z O.O	562	605	506
POLSKA TELEFONIA CYFROWA SP. Z O.O.(**)	1,677	3,685	5,282
POLSKI OPERATOR TELEWIZYJNY SP. Z O.O.	—	119	185
POLSKIE MEDIA S.A.	590	913	962
PRN Polska Sp.z o.o.	60	60	241
PROFILM AGENCJA FILMOWA SP. Z O.O.	—	—	2,379
RADIO PIN S.A.	129	16	22
REDEFINE SP. Z O.O.	2,911	1,044	1,670
STUDIO A SP. Z O.O.	7,147	320	983
SUPERSTACJA Sp. z o.o.	90	74	354
TFP SP Z O.O.	2,963	2,199	—
Other	318	71	283
Total	**83,909**	**73,118**	**79,344**

(*) Related party relationship discontinued during 2008

(**) Related party relationship discontinued during 2010

(***) Donations

Transactions with related parties are concluded on terms that are not significantly different from market terms.

(all amounts in PLN thousand)

45. Related party transactions (Continued)

Finance income

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
POLSAT MEDIA B.V	—	2,552	3,904
INVEST BANK S.A.	1,341	2,147	4,200
Other	75	93	110
Total	**1,416**	**4,792**	**8,214**

46. Remuneration of the Management and Supervisory Board

The below table presents base remuneration of the Management and Supervisory Board Members earned from the Parent and the subsidiaries:

	for the year ended		
	31 December 2010	31 December 2009	31 December 2008
Management Board	3,610	3,698	1,517
Supervisory Board	6,139	6,046	4,082
Total	**9,749**	**9,744**	**5,599**

47. Subsequent events

After 31 December 2010 up until the day the Consolidated Financial Statements were prepared there were no adjusting subsequent events relating to reporting periods covered by these financial statements that would not have been recognised in these consolidated financial statements.

Changes in ownership of the Parent

On 15 November 2010 a conditional investment agreement ("the Agreement") was concluded between Cyfrowy Polsat S.A. and all the Company's shareholders regarding the shareholders' obligation to sell shares in Telewizja Polsat S.A. to Cyfrowy Polsat S.A. and commitment of Cyfrowy Polsat S.A. to buy the shares for a consideration of PLN 3.75 billion. In the first months of the current year certain conditions attached to the investment agreement were fulfilled. It is highly probable that the remaining conditions attached to the investment agreement will be met by the end of April 2011 and Cyfrowy Polsat S.A. will become the only Company's shareholder.

Request filed with the National Broadcasting Council (KRRiT)

On 3 January 2011 Telewizja Polsat S.A. filed a request with KRRiT for a permit to transfer the Company's rights attached to the broadcasting concessions for broadcasting the channels "Polsat" and

47. Subsequent events (Continued)

"Polsat Sport News" to the company that is expected to be established after the legal form of Telewizja Polsat S.A. is changed from a joint stock company to a limited liability company. The permit related to the channel "Polsat" was issued by KRRiT on 31 March 2011 and received by Telewizja Polsat S.A. on 4 April 2011. The response of KRRiT related to the channel "Polsat Sport News" was not received to the date of these financial statements.

Amendments to the shareholders' book

On 5 January 2011 the Management Board of Telewizja Polsat S.A. resolved to amend the shareholders' book regarding the transfer of shares owned by Zygmunt Solorz—Żak and Heronim Ruta to the new owners—KOMA Fundusz Inwestycyjny Zamknięty and MAT Fundusz Inwestycyjny Zamknięty, both seated in Warsaw.

Change of the legal form

On 28 February 2011 the shareholders of Telewizja Polsat S.A. resolved to approve the plan to change the Company's legal form from a joint stock company to a limited liability company. The resolution regarding the change the legal form is expected to be executed in May/June 2011.

Consent of the Management Board, the Supervisory Board and the Shareholders Meeting to join the bank loan agreement made by Cyfrowy Polsat S.A.

In March 2011 the Management Board, the Supervisory Board and the Shareholders Meeting of Telewizja Polsat S.A. agreed that Telewizja Polsat S.A. and its subsidiaries will become liable parties of bank loan agreements which are expected to be drawn by Cyfrowy Polsat S.A. As a result, the Group expects significant liens to be imposed on the Group's assets.

48. Accounting estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements made for years 2010, 2009 and 2008 were primarily related to the following:

- Economic useful lives of property, plant and equipment and their residual values, economic useful lives of programming assets and other intangible assets

  The estimates regarding property, plant and equipment, programming assets and other intangible assets are made by the Group's internal experts at least at initial recognition of an asset and at the date of preparation of the financial statements. For further details refer to note 7h, 7i (ii) and 7l and note 22, 23 and 24.

48. Accounting estimates and assumptions (Continued)

- Valuation of programming assets as at the reporting date

  The estimates future revenues applied as the basis for assessing the valuation of programming assets are made by the Group's internal experts at least at the date of preparation of the financial statements. For further details refer to note 7l and note 24.

- Impairment of receivables

  Impairment allowances are recognised in relation to receivables taking into account the probability of their collection. For further details refer to note 7n (i), 41 (iii) and 41 (v) of these financial statements.

- Provisions for probable future obligations relating to pending litigation

  Provisions are raised based on court documentation and on opinions of lawyers participating in the proceedings who estimate the Group's probable future obligations based on the progress of litigation proceedings. For further details refer to note 7q and 38.

REGISTERED OFFICE OF THE ISSUER
Cyfrowy Polsat Finance AB (publ)
Stureplan 4C, 4tr
114 35 Stockholm
Sweden

LEGAL ADVISORS TO THE ISSUER, CYFROWY POLSAT S.A. AND THE GUARANTORS

As to U.S. and New York law
Dewey & LeBoeuf LLP
1301 Avenue of the Americas
New York, NY 10019
United States

As to Polish law
Dewey & LeBoeuf Grzesiak Sp.k.
Książęca 4
00-498 Warsaw
Poland

As to English law
Dewey & LeBoeuf LLP
1 Minster Court, Mincing Lane
London, EC3R 7YL
United Kingdom

As to Norwegian law
Advokatfirmaet Selmer DA
Tjuvholmen allé 1,
Oslo, N-0112
Norway

As to Swedish law
Advokatfirmaqn Vinge KB
Box 1703
Stockholm, 111 87
Sweden

As to Swiss law
Walder Wyss Ltd.
Seefeldstrasse 123,
Zurich, 8034
Switzerland

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. and New York law
Kirkland & Ellis International LLP
30 St. Mary Axe
London EC3A 8AF
United Kingdom

As to Polish law
Linklaters C. Wiśniewski i Wspólnicy s.k.
ul. Sienna 39
00-121 Warsaw
Poland

As to Swedish law
Roschier Advokatbyrå AB
Blasieholmsgatan 4A
P.O. Box 7358, 103 90 Stockholm
Sweden

INDEPENDENT AUDITORS
TO CYFROWY POLSAT S.A. AND TELEWIZJA POLSAT S.A.
KPMG Audyt Sp. z.o.o.
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.
ul. Chlodna 51
00-867 Warsaw
Poland

TRUSTEE, PRINCIPAL PAYING AGENT AND TRANSFER AGENT
The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

SECURITY AGENT
Citicorp Trustee Company Limited
14th Floor, Citigroup Centre
Canada Square
Canary Wharf
London 524 52B

REGISTRAR, LUXEMBOURG PAYING AGENT, TRANSFER AGENT AND LUXEMBOURG LISTING AGENT
The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building
Polaris, 2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISORS TO THE TRUSTEE
White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

Cyfrowy Polsat Finance AB (publ)

€350,000,000 7⅛% Senior Secured Notes due 2018

Guaranteed on a senior secured basis by Cyfrowy Polsat S.A. and certain of its subsidiaries

---

OFFERING MEMORANDUM

May 6, 2011

Joint Bookrunning Managers

Citi **Crédit Agricole CIB** **The Royal Bank of Scotland** **Deutsche Bank**