

KINO POLSKA TV S.A.

Annual report
2011

The background of the cover features a vibrant red color on the right side, transitioning into a white area on the left. This white area contains a faint, light gray grid pattern. Overlaid on this grid are several thick, glossy, red curved lines that sweep across the page from the top left towards the bottom right, creating a sense of dynamic movement and modern design.

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Dear Sirs,

Year 2011 was an extremely important for the activities of Kino Polska TV SA.

The April successful debut of Kino Polska TV SA on the Warsaw Stock Exchange was indeed the most important event for the Company in the past year. With funding obtained from the issuance of shares, we could proceed with our planned investment objectives connected with the setting up of subsequent thematic channels, the purchase of modern technical infrastructure and movie production.

In May, we launched a new television channel – Kino Polska Muzyka, a unique offer which from the beginning was positively welcomed by viewers, operators, the media and music industry. At the end of 2011, this channel reached almost 2,5 million active subscribers. Since January 2012, we have started the sale of its advertising time.

During the last year, we have consistently improved the programming schedule of all the channels which was reflected in the audience results. According to data from Nielsen TV Audience Measurement, Kino Polska TV ended last year at the top three most watched movie channels in Poland. FilmBox has also noted a record increase in market share. In December 2011, the share in the group 16-49 was at 43% compared to the same period in 2010, while in group 4+, this increase was as high as 85% (Nielsen Audience Measurement data courtesy of AtMedia Sp. z o.o.).

We have successively extended the technical range of the produced and distributed channels. The number of active subscribers of the FilmBox Premium package has increased nearly 4 times (from 246 thousand in 2010, to 1,2 million in 2011). In case of FilmBox Basic, the increase constituted of over 70%. The number of subscribers of Kino Polska has increased of nearly 30%. Therefore, the Company's revenues from the broadcasting activity increased by 20% compared to the same period last year.

As in previous years, also this time, we were appreciated both by the audience and by the professionals. At the beginning of 2011, the readers of "Tele Tydzień" once again decided to award Telewizja Kino Polska with Telekamera for the best movie channel. Last year's success of the channel turned out to be its new program - "Jedna scena". Recorded with the participation of Polish cinema masters, such as Andrzej Wajda and Agnieszka Holland, it received a nomination for the prestigious Grand Press Award in December.

An important event in 2011 was the acquisition of a controlling interest package – of 60% of shares in Cyfrowe Repozytorium Filmowe Sp.z o.o. ("CRF"). CRF is known for its impressive achievements in the field of reconstruction, digitalization and distribution of outstanding works of Polish cinema. This investment is another step forward towards setting up of the Company's comprehensive offer in media industry and to enable a low-cost way to obtain prints of Polish movies in HD quality (also in the context of the planned future launch of Kino Polska HD TV channel). Furthermore, it gives us the possibility to use the reconstructed titles in other fields of exploitation, such as theatrical distribution, VoD as well as releases on DVD and Blu-ray.

The Company's financial results were found to be lower than forecast. Net profit was of approximately PLN 9 million, and thus about 0,16% less than in 2010. The main factor influencing the situation was the decline in advertising revenue caused by a general imbalance in the advertising market in Poland, as well as increasing competition from the channels of a similar programming offer. In order to level this phenomenon, the Company

interspersed Kino Polska TV programming schedule by introducing new and interesting thematic channels. These activities generated the expected results in the form of increased viewership

A significant increase, about 70%, was recorded in the sales revenue – which were of nearly PLN 80,4 million. The production of channels – an additional operating segment, which appeared in the structure of the Company's revenue in 2011 - brought revenue of approximately PLN 25,7 million.

In 2012 we will intend to strengthen our position on the pay-TV market in Poland. we will also continue to expand the technical coverage of Kino Polska Muzyka. In addition, we are also planning to move onto an innovative area of channel distribution and VoD content with a new product FilmboxLive: meant for mobile devices and the so-called Smart TVs.

We are confident that the result of our actions will be a further development of the Company, which will increase its value for Investors and Shareholders.

Sincerely,

Piotr Reisch

President of the Kino Polska TV SA

**THE MANAGEMENT BOARD'S REPORT
ON THE ACTIVITIES OF KINO POLSKA TV S.A. IN 2011**

Warsaw, March 16th, 2012

Legal basis: § 91 sec. 1 point 4 of the of the Regulation of Minister of Finance regarding current and periodic information, provided by issuers of securities and the conditions for acknowledging as equivalent information required by provisions of the laws of a country that is not a Member State of the EU.

1. Information specified in the regulations on accounting.

1.1. Information about events materially affecting the business unit, which occurred in the fiscal year and at the end, until to approval of financial statement.

YEAR	EVENTS
2011	
FEBRUARY	<ul style="list-style-type: none"> – Approval of a Prospectus of Kino Polska TV S.A. („the Company”, „the Issuer)
MARCH	<ul style="list-style-type: none"> – Determination of the final price of the shares of B Series at 9,50 per one shares – Allotment of the shares of B Series
APRIL	<ul style="list-style-type: none"> – Changes in the Supervisory Board of Kino Polska TV S.A. – Admission to trading on the Main Market of Warsaw Stock Exchange shares and rights of shares of Kino Polska TV S.A. – Introduction to trading on Warsaw Stock Exchange rights to shares of B series – Kino Polska TV S.A.’s debut on the Main Market of Warsaw Stock Exchange
MAY	<ul style="list-style-type: none"> – The Company’s share capital increased of up PLN 1 387 000 and equity of PLN 38 million – Launching a TV program Kino Polska Muzyka – Resolution of the Management Board of National Depository for Securities regarding to acceptance for deposit 4 000 000 shares of B series – Consent of the Supervisory Board at the conclusion of agreements with SPI International Polska Sp. z o. o. on production of two feature films – Determination of the final day of trading on the Main Market of Warsaw Stock Exchange rights of shares of Series B and introduction to trading on the Main Market of Warsaw Stock Exchange shares of B and A series – Registration of shares of B series in National Depository for Securities
JUNE	<ul style="list-style-type: none"> – Renewal and increase the credit line in the current account – The Ordinary General Meeting of Shareholders granted exoneration of the Management Board and Supervisory Board of duties in 2010, as well as approved the unit financial statement and financial statement of Kino Polska TV S.A. Capital Group for the financial year 2010, also approved Management Board’s reports on the activities of Unit and Capital Group, moreover made a distribution of profit for the year 2010
JULY	<ul style="list-style-type: none"> – Increasing the involvement of the total vote at the General Meeting of Shareholders of the Stopklatka S.A. (“the subsidiary”) – The signing of Annex no. 2 to Advance Loan Agreement

AUGUST	<ul style="list-style-type: none"> – Subscribing to 325 250 ordinary bearer shares of C Series of Stopklatka S.A.
SEPTEMBER	<ul style="list-style-type: none"> – Commencement of the negotiation with Cyfrowe Repozytorium Filmowe Sp. z o. o – Termination of the distribution agreement between SPI TV Ltd. and Kino Polska TV S.A. as of 01.09.2010 and entry into a distribution agreement with Cinephil France S.A.S., which replaces the previous agreement
OCTOBER	<ul style="list-style-type: none"> – The signing of Annex to the material agreement with Canal+ Cyfrowy Sp. z o.o. (“Canal+”), which specified the terms and conditions under which Canal + will make adequate satellite capacity available to the Issuer for transmission of the signal of Kino Polska Muzyka, and will provide it with the service of transmission of the signal of such program – The signing of the Annex to distribution agreement with Cinephil France S.A.S. which expansion of the territory of distribution within the FilmBox programs for such countries as the Czech Republic, Hungary, Slovakia, Romania
NOVEMBER	<ul style="list-style-type: none"> – Obtaining a concession to distribute the TV program Kino Polska Muzyka by satellite – Conclusion of the material agreement with Cinephil France S.A.S. The subject thereof was to the granting by Cinephil to the Issuer of exclusive rights to the films specified therein and also the granting to Kino Polska TV S.A. of the right to enter with third parties into distribution agreements for films supplied by the Licensor – Increasing the involvement of the total vote at the General Meeting of Shareholders of the Stopklatka S.A. as result of increase share capital of Stopklatka S.A. through the issue of shares of C Series – The correction of the financial forecast of Kino Polska TV S.A. Capital Group for 2011 – The Extraordinary General Meeting of Shareholders of Kino Polska TV S.A. adopted the resolutions regarding to consent for buyback own shares and define the rules on which it will be done, as well as adoption of a resolution on the amendment of the Issuer’s Statute on the scope of activities and the adoption of a uniform text of Statute
DECEMBER	<ul style="list-style-type: none"> – The choice of System Rewident Sp. z o.o. to audit the financial statement of the Company and the consolidated financial statement of the Issuer’s Capital Group for the fiscal year 2011 – Acquisition of a controlling interest of 60% of shares in Cyfrowe Repozytorium Filmowe Sp. z o. o. – The conclusion of three agreements on cooperation with AtMedia Sp. z o.o. in the provision of advertising services for television channels: Kino Polska, Kino Polska Muzyka and FilmBox which together meet the criterion of deemed material agreement – Increasing the involvement of the total vote at the General Meeting of Shareholders of the subsidiary – The signing of the Agreement with Noble Securities S.A. regarding to doing of functions of Issuer’s Market Maker

2012	
JANUARY	<ul style="list-style-type: none"> – Increasing the involvement of the total vote at the General Meeting of Shareholders of the subsidiary – Registration of changes in the Statute of Kino Polska TV S.A. on the scope of activities of Kino Polska TV S.A. – Commencement of the buyback own shares – Purchased for its own account 11 000 shares of Kino Polska TV S.A. at an average unit price of PLN 6,05 per share

1.2. The estimated development of the individual.

In 2012, the Company will strengthen its position in the pay-TV market in Poland. In particular, it relates to Filmbox Premium package, which already reaches more than 1,3 million subscribers, and at the end of the year this number is expected to reach nearly 1,7 million. The priority will also broaden the distribution of the new channel Kino Polska Muzyka. In 2012 the Company plans to enter into a new area of distribution channels and VoD content in a new product Filmbox Live: on the mobile devices and the so-called *Smart TVs*.

In 2012 the Company will be continuing started implementations of IT systems dedicated to supportive role of general management, production and archiving processes. The Issuer is decided to focus on optimization of all ingredients of managing process in order to achieve desired effect of synergy between recently implemented IT tools.

In this year, the Company also plans to implement the automation system of quality control and verification of video materials. This will significantly speed up and eliminate errors from the system of visual evaluation of emission materials, especially those intended for Kino Polska channels.

A major challenge for the Company will be operational merge with remaining entities of Kino Polska TV S.A. Capital Group – Stopklatka S.A. and Cyfrowe Repozytorium Filmowe Sp. z o.o. The Issuer has already started a feasibility analyze and the main operations is planned – depending on the status of future development projects – either on 3rd or 4th quarter of 2012.

1.3. Information on major achievements in research and development.

The Company does not conduct activities related to research and development.

1.4. Information about current financial situation.

In 2011, the Issuer had sales revenues of PLN 80 401 949,44. Net income was achieved at the level of PLN 9 002 242,86, operating profit amounted to PLN 10 460 847,40.

1.5. Information on purchase of own shares.

Extraordinary General Shareholders Meeting of Kino Polska TV S.A. on 28th November, 2011 adopted the resolution No. 4 on authorization for the Management Board to buyback Own Shares by the Company for redemption and define the rules of acquisition.

The total amount allocated by the Company to finance the price (remuneration) for the share buyback and acquisition costs, shall not be higher than PLN 5 000 000,00 (five million PLN), for all the acquired Own Shares (this amount was assigned from the supplementary capital).

According to this Resolution, the Management Board shall be entitled to purchase up to 1 387 000 Own Shares from price not greater than PLN 12 per one share.

As a consequence, on January 17, 2012, the Management Board of the Company passed a resolution about commencement of the share buyback accordance with the adopted in this resolution Regulations of Purchasing Own Shares.

Also in January 2012 the Company purchased for its own account 11 000 shares of Kino Polska TV S.A. at an average unit price of PLN 6,05 per share (the Issuer was informed of this fact with the current report No. 5/2012). The nominal value per 1 share is PLN 0,10, total nominal value purchased shares is PLN 1 100. These shares give the rights to 11 000 votes at the General Meeting of Shareholders of Kino Polska TV S.A. and constitute for 0,08% of the Company's share Capital.

The purpose of the share buyback is their remission and reduction of share capital of the Company. The implementation of Own Share Buyback Program is in the interest of both the Company and the Shareholders, because the stock price, on the date of adoption of the resolution No. 4 of the Extraordinary General Shareholders Meeting of 28th November, 2011 was considerably lower than the fair value of the shares. Rules for the implementation of Own Shares buyback will enable all interested Shareholders to participate in the buyback process on equal conditions.

1.6. Information about held of branches or wagers.

In 2011, the Company did not have any branches or wagers.

1.7. Information on financial instruments in respect of:

a) risk: changes in prices, credit, substantial cash-flow disruptions and loss of liquidity, faced by the unit

Kino Polska TV S.A. during this period was not exposed to risks associated with price changes have a significant impact on cash flow disturbance, which could affect the loss of liquidity. When the Company purchasing services, materials and goods it is trying to negotiate their prices. The Issuer has the current and short-term loans that are repaid on a regular basis.

b) information about the objectives and methods of financial risk management, including methods of securing significant types of forecast transaction for which hedge accounting is applied

The Company does not use methods to financial risk management.

1.8. Financial and non-financial indicators, including information on environmental issues and employment, as well as additional explanations of amounts reported in financial statements.

The main financial indicators of the Company were as follows:

	2011
Return on assets	18,32%
Return on equity	20,98%
Net profit margin	11,20%
Gross profit margin	13,10%
Liquidity ratio I	6,88
Liquidity ratio II	6,85
Liquidity ratio III	3,11
Receivables turnover in days	49
Liabilities Turnover in days	19
Debt ratio	0,08
Debt coverage ratio	12,19
Fixed assets coverage ratio	1,73
Financing sustainability ratio	0,93

Employment in the Company as compared to 2010 increased by 62%. This was due to intensive development of the Company. The next year is expected to maintain employment at a similar level.

	01.01.2011 – 31.12.2011	01.01.2010 - 31.12.2010
<i>The Management Board</i>	2	2
<i>Directorate (for sections)</i>	16	16
<i>Administration department</i>	4	4
<i>Department of TV channels</i>	52	28
<i>Other specialists</i>	0	0
Total:	81	50

Environmental issues do not apply to the Company.

2. Selected financial data including the main lines of the annual financial statements.

	Selected financial date	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
		w PLN		w EUR	
I	Sales revenues	80 401 949,44	47 291 459,53	18 203 665,42	11 941 383,11
II	Operating profit	10 460 847,40	11 232 736,04	2 368 422,25	2 836 334,63
III	Gross profit	10 777 497,55	10 957 150,20	2 440 114,46	2 766 747,52
IV	Net profit	9 002 242,86	9 017 085,32	2 038 182,14	2 276 869,26
V	Net profit attributable to shareholders of the parent company	9 002 242,86	9 017 085,32	2 038 182,14	2 276 869,26
VI	Total assets	70 815 630,37	27 444 969,29	16 033 243,61	6 930 022,79
VII	Liabilities and provisions for liabilities	5 367 382,29	7 058 507,83	1 215 219,68	1 782 316,45
VIII	Long-term liabilities	441 063,20	263 655,77	99 860,35	66 574,70
IX	Short-term liabilities	4 926 319,09	6 794 852,06	1 115 359,33	1 715 741,75
X	Equity	65 448 248,08	20 386 461,43	14 818 023,93	5 147 706,34
XI	Share capital	1 387 000,00	987 000,00	314 028,26	249 223,54
XII	Net cash from operating activities	1 826 297,00	7 851 602,94	413 488,73	1 982 577,82
XIII	Net cash from investing activities	(21 228 393,47)	(7 560 291,46)	(4 806 283,61)	(1 909 019,89)
XIV	Net cash from financial activities	33 836 807,74	(252 983,43)	7 660 932,74	(63 879,87)
XV	Cash and cash equivalents at end of period	14 790 159,32	355 448,05	3 348 614,23	89 752,81
XVI	Number of shares (number)	13 870 000,00	9 870 000,00	13 870 000,00	9 870 000,00
XVII	Net profit per one share, attributable to shareholders of the parent company in PLN/EUR	0,71	0,91	0,16	0,23

3. Discussion of the major figures of economic and financial factors and events, including an unusual nature, having a significant impact on the Issuer and achieved its gains or losses in the financial year, and describe the development perspective least in this fiscal year.

3.1. Review of basis economic - financial values

One of the items shown in the financial report is the financial assets to the amount of PLN 8 278,95 thousand.

On the end of 2011, the Company held 1 798 286 A1 series and C series shares of Stopklatka S.A., giving it to 79,04% of votes at the General Meeting of Stopklatka S.A., to an aggregate value of PLN 5 673 943,75.

The Company increased its share in the total number of votes at the General Meeting of Stopklatka S.A. as a result of the following events :

- acquisition of 103 255 shares from Mr. Adam Bortnik, based on contracts under civil law agreements, in two tranches: on June 30, 2011 – 30 000 shares and then, on December 21, 2011 – 73 255 shares;
- taking 325 250 newly-issued C-series shares, based on the subscription of August 29, 2011.
- purchase of 98 781 shares during session transactions on ASO NewConnect market, in the course of the past year.

In the consequence of the above, the number of shares of Stopklatka S.A. held by Kino Polska TV S.A. increased in 2011 from 1 271 000 to 1 798 286, and the percentage share in the total number of votes at the General Meeting increased from 65,21% to 79,04%.

In addition, on December 14, 2011 the Issuer acquired 60% shares in Cyfrowe Repozytorium Filmowe Sp. z o.o. for a total amount of PLN 2 600 010.

Intangible assets, as of the balance sheet date to the amount of PLN 21 107,52 thousand, include assets owned by the Company. The intangible assets include licenses with an unlimited term of use to the amount of PLN 7 187,14 thousand, licenses with a limited term of use to the amount of PLN 10 820,06 thousand, and other licenses, to the amount of PLN 3 100,32 thousand.

The value of short-term amounts receivable to the amount of PLN 16 089,99 thousand included mainly the receivable for goods and services from unaffiliated entities to the amount of PLN 8 077,54 thousand, receivable for goods and services from affiliated entities to the amount of PLN 7 045,13 thousand, receivable from the state budget to the amount of PLN 469,24 thousand and other to the amount of PLN 498,08 thousand.

3.2. Description of factors and events affecting the Issuer's activity

Last year, the most significant event for Kino Polska TV S.A. ("the Company") was the debut at the Stock Exchange in Warsaw, on February 25, 2011. The Commission of Financial Supervision approved the prospectus of the Company, upon which the public offering of 4 million of B-series shares took place. The subscription that took place from March 23 to 30, 2011 ended with the taking of all the offered shares. The issue price for B-series shares was fixed at PLN 9,50. The mean rate of reduction in the Tranche for Small Investors amounted to 90,9%. In the Tranche for Large Investors, B-series shares were subscribed according to calls for subscription and payment for subscriptions. The shares of the Company were offered by NOBLE Securities S.A. In the Tranche for Large Investors, 3 million B-series shares were allocated and in the Tranche for Small Investors – 1 million B-series shares were allocated.

On April 26, 2011, the Regional Court for the Capital City of Warsaw, Thirteenth Commercial Division of the National Court Register, registered an increase in the initial capital of the Company to PLN 1 387 000.

Kino Polska TV S.A. allocated the gross amount of PLN 38 million, obtained as a result of the trade in shares in the market, for the implementation of certain investment projects (a detailed description of utilization of the proceeds from the issue is contained in section 15 hereof).

On May 17, 2011, the Supervisory Board of Kino Polska TV S.A. granted its consent for an entry into production agreements for feature films entitled "Komisarz Blond" and "Od pełni do pełni". In May, a new channel was launched as part of the portfolio of the Company – Kino Polska Muzyka. On October 13, 2011, the National Board of Radio and Television granted a concession for its satellite dissemination.

On June 30, 2011, Annex No. 5 to the Agreement of a credit in the current account was concluded between the Company and Bank Polska Kasa Opieki S.A., whose subject was the renewal and increase of the credit line in the current account (“the Credit”) from PLN 2 000 000 to 3 000 000, to be utilized to June 29, 2012.

On July 4, 2011, the Management Board of Kino Polska TV S.A. also signed Annex No. 2 to Advance Credit Agreement No. 24/2010, dated August 20, 2010, concluded between Kino Polska TV S.A. and Bank Polska Kasa Opieki S.A., with a registered office in Warsaw (hereinafter referred to as “the Bank”). Its subject was the renewal and increase by PLN 1 000 000 (one million) of the Advance Credit (hereinafter referred to as “the Credit”), in the form of a renewable limit up to the maximum amount of PLN 3 000 000 (three million). The purpose of the Credit is to finance the amounts receivable by the Company of account of commercial VAT invoices from its business partners.

Year 2011 witnessed a consistent confirmation of the position of the Company in the media market. Kino Polska Television, Kino Polska Muzyka and the channels of the FilmBox Group steadily improved their program offer, establishing interesting partnership relations and taking patronage over major national events and publications – in the field of music, books and films. Similarly to previous years, Kino Polska Television took part (as a partner and co-organizer) in i.a. the Feature Film Festival in Gdynia and the Cracow Film Festival. Once again, the station awarded authors of films with its own prizes, such as a statuette in the Young Cinema plebiscite during the 36th Festival of Feature Films in Gdynia, the Maciej Szumowski Prize at the 51th Cracow Film Festival, and a special laurel as a part of the Tarnów Film Award.

In the first half of 2011, the joint project of Kino Polska TV S.A. and Polish State Railways PKP Intercity was continued. On selected routes, under the logo of Intercity Kino Polska, travellers could watch, in special cinema carriages, films covered by the current programming of the station.

Last year, an exceptional off-air film offer was prepared by the FilmBox channel. Each Wednesday in July and August, in co-operation with Antyradio, the station invited film fans to open air film shows, organized in Warsaw and Katowice under the name of “100 leżaków i ekran”.

On September 30, 2011, the Distribution Agreement (“the Agreement”) entered into on September 10, 2010, between Kino Polska TV S.A. and SPI TV Ltd. was terminated. In its place, an agreement was concluded with Cinephil France S.A.S. whose object was the granting to the Company of an exclusive license for retransmission in the territory of Poland of such television programs as: FILMBOX, FILMBOX HD, FILMBOX FAMILY, FILMBOX EXTRA, FILMBOX EXTRA 1, FASHIONBOX, FIGHTBOX, DOCUBOX, FILMBOX ACTION AND STARBOX, including a right to sublicense them to cable and satellite operators, as well as operators using other transmission and retransmission techniques. The reason for termination of the Agreement with SPI TV Ltd was a change in the model of distribution of programs owned by SPI TV Ltd through an expansion of the distribution network of such programs to other European countries. Under the distribution agreement between Kino Polska TV S.A. and Cinephil France S.A.S., the Issuer holds an exclusive license for the distribution of the above-said programs (as well as those produced in the future) in the territory of Poland, whilst in the future, at the consent of both parties, it may be extended to other member states of the European Union – in such case the license will be non-exclusive. This provision was stipulated in Annex No. 1 to the Agreement with Cinephil France S.A.S., where the distribution territory was extended to other countries, such as the Czech Republic, Hungary, Slovakia and Romania. The Annex was signed on October 21, 2011.

On October 26, 2011, an Annex to the Agreement, dated September 1, 2010, between Kino Polska TV S.A. and Canal + Cyfrowy Sp. z o.o., with a registered office in Warsaw (described in the Prospectus of Kino Polska TV S.A.) was signed. The Annex specified the terms and conditions under which Canal + Cyfrowy will make

adequate satellite capacity available to the Issuer for transmission of the signal of Kino Polska Muzyka, and will provide it with the service of transmission of the signal of such program. The service also includes the coding of the signal of the Kino Polska Muzyka program in systems other than that used by Canal + Cyfrowy. In exchange for the provision of the service, Canal + Cyfrowy will be entitled to a monthly consideration in Euro. During the term of the annexed Agreement, the value of services resulting therefrom may exceed 10% of Kino Polska TV S.A. equity capital.

A license agreement between Kino Polska TV S.A. and Cinephil France S.A.S. ("Cinephil") was signed on November 2, 2011. The subject thereof was to the granting by Cinephil to the Issuer of exclusive rights to the films specified therein and also the granting to Kino Polska TV S.A. of the right to enter with third parties into distribution agreements for films supplied by the Licensor. As the value of the Agreement may exceed 10% of Issuer's equity capital, it was deemed to be significant. The conclusion thereof is related to the achievement of the of the goals specified in the Prospectus of the Company (investment in production of programs of the Filmbox Family).

On November 28, 2011, an Extraordinary General Meeting of Kino Polska TV S.A. was held, devoted to, among other things, the approval of the acquisition by the Company of its equity shares for the purpose of their subsequent redemption, and also to the establishment of rules for their acquisition. For this purpose, PLN 5 000 000 was allocated from the supplementary capital of the Issuer. According to this resolution, the Management Board is authorized to acquire maximum 1 387 000 Company's shares at a price not higher than PLN 12 per share.

On January 17, 2012, the Management Board of the Company adopted a resolution on the commencement of buy-up of its equity shares in accordance with the adopted Rules Of The Shares Buyback Program of Kino Polska TV S.A.

In January 2012, the Company acquired 11 000 (say: eleven thousand) of its own shares at an average unit price of PLN 6,05 (the Issuer placed information about it in the current report No. 5/2012). The purpose of the buyback is their redemption and reduction of the share capital of the Company.

The implementation of the Shares Buyback Program is in the interest both of the Company and of the shareholders. The stock exchange rate as of the date of adoption of Resolution No. 4 of the Extraordinary General Meeting, dated November 28, 2011, was definitely lower than the fair value of the Company's shares. The buyback by the Company may contribute to an increase in the value of shares allocated for medium and long-term investments. The adopted rules for buyback allow all interested shareholders to participate in this process on equal terms.

In 2011, the Company continued to expand its production activity to foreign markets, commencing undertakings such as the production of FashionBox, DocuBox and FightBox channels for the Bulgarian market.

Last year, an important move of Kino Polska TV S.A. was the continuation of negotiations with Cyfrowe Repozytorium Filmowe Sp. z o.o. ("CRF"), begun in 2011. Information regarding this undertaking was included in current report No. 35/2011, and the subject of the decision was the planned co-operation of the two companies in the field of digital reconstruction, distribution and filling of prominent works of Polish cinematography. The negotiations were successful. On December 14, 2011 Kino Polska TV S.A. acquired a controlling interest of 60% of shares in CRF for a total amount of PLN 2 600 010. This investment is another step on the road to build a comprehensive offer in the film and television industry and will allow cost-effective acquisition of copies of Polish films in HD quality (also in the context of the launch of Kino Polska HD channel planned for the future).

In December 2011, the Company took a decision to embark on the sale of commercial time on the Kino Polska Muzyka channel. In the same month, three agreements were concluded with AtMedia Sp. z o.o. (“the Broker”) regarding provision of advertising services for Kino Polska Television, Kino Polska Muzyka and FilmBox. This was connected with the expiry of the term of the current agreement between the Company and the Broker on December 31, 2011. Details of the concluded agreements are discussed in section 9 hereof.

On January 13, 2012, the Issuer received from the Regional Court for the Capital City of Warsaw - XIII Commercial Division of the National Court Register - a decision on registration of the amendments to Statute of the Company in respect of § 6. The amendments concern the object of activity of Kino Polska TV S.A. and were effected based on Resolution No. 5 of the Extraordinary General Meeting of Kino Polska TV S.A. of November 28, 2011. Thereby, the original wording of § 6 of the Statute of the Company was rescinded. The current uniform text of the Company’s Statute is available on the website of the Company - www.kinopolska.pl.

3.3. Development prospects of the Issuer, at least in this fiscal year

Development prospects of the Issuer were discussed in point 1.2. hereof.

4. Description of significant risks and hazards, identifying the extent to which the Issuer is exposed to

4.1. Risk factors associated with the Company activities

4.1.1. Risk of loss of concession / not granting the concession after duration of validity

The Issuer’s activity in the production of a TV channel *Kino Polska*, is based on its concession No. 296/2003-T to broadcast satellite coded television channel named *Kino Polska*, granted by the National Broadcasting Council for a defined period of time, i.e. till December 17, 2013.

Kino Polska TV S.A. has also concession no. 489/2011-T to broadcast satellite TV channel named *Kino Polska Muzyka*. This license is valid from December 7, 2011 and will expire on December 6, 2021.

It is not possible to exclude the risk that potential failure to fulfill the obligations of the concession, especially in the scope of the program contents or the maximum commercial air time, or permanent failure to broadcast, may effect such sanctions on the part of the National Broadcasting Council as request to lift breach, pecuniary fines of up to 50% of the annual fee for using the allotted frequency, or up to 10% of the Issuer’s income for the previous

There is the risk that National Broadcasting Council will refuse the re-granting of concession after the original concession expires. It is not possible to exclude the risk that the conditions of the new concession (or agreements connected with the concession, e.g. to rent a transponder to render a broadcasting service) will, from the point of view of the Issuer, be less favourable than for the currently-held license. The above-described factors may significantly adversely impact development perspectives, the achieved results and the financial standing of the Issuer.

4.1.2. Risk of failure to extend cooperation agreements with Operators

The base of the Issuer’s revenue is the fees paid by the operators of cable television and digital satellite platforms for rebroadcasting television channels produced / distributed by the Kino Polska TV S.A.

The Company has signed agreements to rebroadcast the channel of *Kino Polska* with all the operators of digital satellite platforms and with most operators of cable television, including all the largest ones (UPC/Aster, Multimedia Polska, Vectra, Toya; range of the largest operators embrace 72,66% of cable television subscribers).

The Issuer has signed agreements to distribute the channel of *FilmBox* with all the operators of satellite platforms and with most operators of cable television, including all the largest ones (UPC/Aster, Multimedia Polska, Vectra, Toya; range of the largest operators embrace 72,66% of cable television subscribers).

The Company has signed agreements to distribute the package channel of *FilmBox Premium* with all the operators of satellite platforms and more than 100 operators of cable television including all the largest ones (UPC/Aster, Multimedia Polska, Vectra, Toya; range of the largest operators embrace 72,66% of cable television subscribers).

Some of the agreements signed with the Operators provide for fixed amount income, some agreements condition the income on the actual number of the subscribers of the Issuer's channel in a given month. The agreements concluded with the main Operators are concluded:

- a) for the period of 1 up to 3 years with the possibility to terminate the agreement at the earliest three months before the expiration of the first contractual period; the agreement being subject to automatic extension for a another fixed period of time unless terminated,
- b) for an unlimited period of time, usually with a clause providing for a three-month notice period.

From the point of view of the Operators film channels make up interesting elements of the offer. Channels: *Kino Polska* and *FilmBox* are offered by Operators in relatively inexpensive package channels, whereas *FilmBox Premium* package (consisting of *Filmbox Extra*, *Filmbox Family* and *Filmbox HD*) are extra charged.

It is not possible to exclude the risk of the Operators terminating their agreements or failing to extend those agreements for another period of time. Termination / failure to extend an agreement, especially by the Operator of a large number of subscribers, would significantly adversely influence the Issuer's income and financial results.

The Issuer tries to mitigate the above risk by building an interesting offer of its television channel (which is being confirmed by the growing viewing and range ratios) and by negotiating appropriate contractual provisions, including the conditions of terminating and extending agreements.

4.1.3. Risk of not obtaining interesting content

The Issuer's channel of *Kino Polska*, pursuant to the license conditions, is a film and documentary channel comprising primarily feature films, documentaries, feature and documentary film series, newsreels, animated films for children and adults – produced in Poland or with the participation of Polish film makers (directors, script writers, cameramen, music composers, set designers, etc) and / or actors. The Issuer acquires rights to broadcast films from external license providers. Part of the channel elements, such as author's programs, elements regarding the Polish film or navigation and self-promotion, are produced by the Issuer himself. According to the license requirements, not less than 70% of the channel broadcasting time must be filled up by Polish films as defined above and programs referring to those films.

Polish films make up 85% to 95% of all films aired in *Kino Polska*. Most of the films are acquired by the Issuer based on short term (from one month up to one year) license agreements concluded on an ongoing basis for one

or several items. The pool of Polish films or those with the participation of Polish film makers / actors is naturally limited and the rights to those films are held by a relatively limited number of license providers. In the process of building an attractive offer of the *Kino Polska* channel, the Issuer has been cooperating with the main as well as independent license providers of Polish films for years now.

Kino Polska Muzyka is music and film channel, which presents viewers the polish music both the old and modern. Pursuant to the license conditions the programs and other forms of music which performing specialized nature of the film occupy not less than 83% of the monthly transmission time.

However, it is not possible to exclude the risk that the Issuer will not be able to purchase attractive content in the future that would agree with the channels profiles and satisfy the viewers' tastes, or that the cost of purchase / coproduction of such films will increase. An additional risk factor for channel *Kino Polska Muzyka* is the difficulty of obtaining content, consisting of dispersed ownership of the materials of music from past eras.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing. The Issuer aspires to conclude long-term license agreements for especially attractive films, acquires films from many license providers, organizes competitions for young film makers and co-finances film production.

4.1.4. Risk of business model

In the years 2003 – 2008 the business activity of the Issuer focused around broadcasting *Kino Polska* – a specialized film television channel, broadcasting exclusively Polish films or with the participation of Polish directors, actors, script writers, etc. The possibility to increase the income and the results of the activity based on such a niche product must relatively soon encounter a barrier of market saturation. In 2009 the Issuer significantly expanded its product portfolio (and its market) launching the distribution of film television channels intended for other market niches (FilmBox and FilmBox Premium package).

It is not possible to exclude the risk that in the future the Issuer's offer will not be in line with the mutating expectations of the viewers or that it will not be able to launch more attractive products as current markets gradually become saturated. The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.1.5. Risk of breaks in transmitting television signal

The Issuer provides to its clients (cable and satellite operators) a signal, transmitted via satellite, relaying the Issuer's television channel. The signal for each of the channels is coded. The Issuer has outsourced to specialized entities the placement of the signal on the appropriate telecommunications satellite, the assurance of appropriate satellite capacity as well as access control service for the operators. Based on the license agreement dated 3 September 2009 Canal+ Cyfrowy Sp. z o.o. is rendering for the Issuer the service of transmitting the signal of the channel of *Kino Polska*. Based on the agreement dated 1 September 2010 Canal+ Cyfrowy Sp. z o.o. is rendering for the Issuer the service of transmitting the signal of the *FilmBox* channel group in the territory of Poland. Based on Annex dated 26 October 2011 to agreement of 1 September 2010, under which the Canal + will make available to the Company adequate satellite capacity available for the purpose of transmission of television signal of *Kino Polska Muzyka* and will provide for it the service of transmission ("Service") of the signal of the said program.

There exists a risk that, despite the signed agreements and the application of technological solutions, there will occur a break in receiving the Issuer's one / many channels by the cable and/or satellite operators or by end

viewers, especially in the event of defective functioning or damage of devices or fiber optics networks or in the event of force majeure (natural catastrophe). The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

The Issuer takes efforts to minimize the risk of breaks in transmitting the television signal. The equipment used to produce and transmit the Issuer's television channel is equipped with a number of control devices to minimize the risk of occurrence and the consequences of potential malfunction including devices to assure continuity of electrical power supply, the appropriate temperature and humidity, the doubling of broadcasting server elements, back-up servers, devices allowing a change of the source of signal (precision at the level of 1 program frame), devices maintaining the transmission of channel for up to 24 hours after the source of the channel contents has been disconnected and a system to connect the operator with transmission centres.

4.1.6. Risk of loss of managers and key personnel

The activity and the development of the Issuer are contingent on the knowledge and experience of the managers and employees.

Conducting this type of activity requires well-qualified senior managers. Loss or lack of the possibility to find qualified staff for key posts may have a significant adverse impact on the operating activity or development prospects of the Issuer. The Issuer's activity in the field of television media and distribution of license rights to films requires acquiring and retention of employees with a specific education background and experience, the supply of whom on the Polish market is quite limited. Additionally, there are media sector enterprises and holdings operating on the Polish market that generate demand for such employees (especially specialists dealing with technical service and preparation of programs) and are in the position to offer more favourable compensation.

Consequently, it is not possible to exclude the risk that the Issuer will find it difficult to find or retain employees necessary to run its operations, which may contribute to increase in the employment costs incurred by the Issuer. Increased employment costs may adversely impact the Issuer's development prospects, the achieved results and its financial standing.

4.1.7. Risk of external services

The specificity of the Issuer's activity causes external services to have a substantial share in the operating costs. External services embrace: license and distribution fees, fees for specialist services regarding the production and distribution of television channels as well as fees for various kinds of typical services rendered for the enterprise.

It is not possible to exclude the risk that the trade conditions for the Issuer's purchase of one or many external services will deteriorate, especially the costs of licenses or increase the cost of broadcasting by satellite.

The above-described factors may have a significant adverse impact on the profitability of the activity, and consequently, on the Issuer's development prospects, the achieved results and its financial standing.

4.1.8. Risk of the main shareholder dominating the Issuer's activity

SPI International Polska Sp. z o.o. with the registered office in Warsaw holds 9 037 800 of the Issuer's shares, which makes up 65,16% of shares and votes at the General Shareholders' Meeting of the Issuer.

It is not possible to exclude the risk that the interests and activity of the majority shareholder will not be in line with those of minority shareholders. Especially, it is not possible to exclude the risk that the majority shareholder

will make a decision to change the sequence of the realization of the Issuer's strategy, change the Issuer's strategy, or change the scope of activity of the Issuer. The discussed risk may take place especially in relation to the fact that Mr. Piotr Reisch is both the President of the Management Board of the Issuer as well as the President of the Management Board and the majority shareholder of SPI International Polska sp. z o.o., as a result of which he controls the Issuer in an indirect way. The above-described factor may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing

It is not possible to exclude the risk that the majority shareholder will be able to exert decisive influence on the Issuer's decisions, including the influence on the contents of the resolutions adopted by the General Shareholders' Meeting.

The above-described factor may have a significant adverse impact on corporate governance from the point of view of minority shareholders.

4.1.9. Risk of cooperation with AtMedia Sp. z o.o.

Approximately 18% of the Issuer's income for the year 2010 and 7% of the Issuer's income for the year 2011 came from the proceeds from the sale of commercial air time in the television channels produced / distributed by the Issuer. In view of the character of the Issuer's channels and their share in viewing rating (so-called thematic channels) commercial air time in the Issuer's channels is offered to advertisement providers via a specialized entity – so-called broker / media house AtMedia Sp. z o.o. with the registered office in Warsaw based on long-term agreement for the sale of commercial air time.

It is not possible to exclude the risk of cessation or deterioration of cooperation with At Media Sp. z o.o. in the future or commencement of sale of commercial air time by the Issuer in its own name and on its own account

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.1.10. Risk related to distribution agreements for FilmBox channels

Since 2009 the Issuer has been offering a new product that has been rapidly increasing its share in the Issuer's total income: production and distribution of the *FilmBox* channel as well as the *FilmBox Premium* package (3 channels: *FilmBox Extra*, *FilmBox Family* and *FilmBox HD*). The revenue from the distribution and production of the *FilmBox* channels reached 47,1% of the Issuer's total revenue for 2010, for 2011 it was 65,8%.

In the years 2009 – 2010 the Issuer offered *FilmBox* channels to the operators of cable and satellite television based on a frame cooperation agreement with SPI International Polska Sp. z o.o. (dated 17 December 2008) which concluded relevant agreements with the owners of individual licenses. SPI International Polska Sp. z o.o. is the majority shareholder of the Issuer since 1 January 2011. The Issuer distributes *FilmBox* group channels based on the agreement dated 1 September 2010 signed direct with the license owner - SPI TV Ltd. This agreement was replaced by a contract concluded between Kino Polska TV S.A. and Cinephil France S.A.S. ("Cinephil") on 30.09.2011.

It is not possible to exclude the risk that this agreement will not be extended for another period of time or that new trade conditions will be negotiated that will be less favourable for the Issuer compared to present day state of the matters. Neither is it possible to exclude the risk that license owner will lose one or more licenses for reasons beyond the Issuer's control.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.2. Risk factors related to the Issuer's environment

4.2.1. Risk of competition on the part of other suppliers of specialized film channels as offered by operators

The Issuer operates on a highly competitive market with many film television channels broadcast in the Polish and foreign languages "fighting" for receivers. Those channels are broadcast either in regular or in *High Definition* and offer varieties of films and television programs produced in Poland, US, Europe or elsewhere. Additionally, the Issuer is set up in competition against a number of broadcasters of universal television channels or those which do not offer films. This is especially noticeable in the offer of cable television operators, where the finite capacity of a cable connection limits the offer to several dozen channels, which entails a regular exchange of the least interesting channels in the offer. The end receiver's interest can also be determined by the conditions created by the operator that can be influenced by the Issuer to only a negligible extent. These are: the offer structure of basic and additional television channels, contents of the packages compared to their prices and to competitors' offers, signal availability, offered decoders, etc.

It is not possible to exclude the risk that, despite the Issuer's standing attractive offer of the television channel, the competitors from the film channel and music segment or from the entire media sector will grow stronger, which could deteriorate the viewing rating of the Issuer's channels.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.2.2. Risk of macroeconomic situation and standing of household

The level of the Issuer's income depends on the well-being of Polish citizens (especially the inhabitants of big cities) that mutates depending on the economic outlook, including: dynamics of economic growth, level of unemployment, individual consumption, consumers' optimism ratios, exchange rate of EUR to PLN and the state fiscal policy. There is a risk that in the case of a protracted impairment or another deterioration of the economic outlook the demand for the services offered by the Issuer will decrease, which will adversely impact its financial results.

The above-described factors may materially adversely impact the Issuer's development prospects, the achieved results and its financial standing.

4.2.3. Risk of claims raised in connection with breach of intellectual property

The activity conducted by the Issuer is based primarily on using intellectual property rights and concluded license agreements. The Issuer is convinced it does not infringe any intellectual property of third parties in its activity. However, the Issuer cannot exclude cases in which it might involuntarily breach such rights. Consequently, the Issuer allows that under such circumstances claims will be raised in relation to breach of intellectual property rights. A consequence of such claims could be the necessity to pay damage. This kind of situation could have significant adverse impact on the Issuer's financial results and its further development of perspective.

The above-described factors may materially adversely impact the Issuer's development prospects, the achieved results and its financial standing.

4.2.4. Risk of changeability of law, especially that regulating the operation of the Issuer as a television broadcaster

In view of the fact that the Polish legal system is subject to frequent changes, such changes may adversely impact the operations of the Issuer and hence entail a serious risk related to its conducting business activity. The Issuer's activity may be especially impacted by the changes of the law regulating the conducted business activity, including the Broadcasting Act and its the by-laws, Copyright Acts, EU regulations pertaining to the functioning of collective management of copyrights as well as amendment to the acts regulating the functioning of the capital market in Poland. The new legal regulations may potentially pose some risk related to interpretation issues, lack of history of relevant court decisions, unfavourable interpretations adopted by courts or public administration bodies, etc.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.2.5. Risk of change of tax law or interpretation of tax law and social security law

The tax system in Poland is characterized by a significant degree of changeability. Potential changes pertaining to tax on business activity with respect to income tax, VAT or other taxes may adversely impact the Company's course of business and the level of its revenue. The Issuer is also exposed to the risk related to possible changes of interpretations of the provisions of the tax law as published by tax bodies and exerting influence on the operating activity and the financial results of the Issuer.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

4.2.6. Risk of exchange rate

The Issuer bears the costs of broadcasting services (the service of transmitting the television signal to a satellite) for each of the television channels in EURO – the customarily adopted currency for this type of agreements. By this fact the value of the Issuer's costs is exposed to exchange rate risk. A potential significant impairment of Polish zloty against EURO could cause a decrease in the profitability of the *Kino Polska* and *Kino Polska Muzyka* channels or the *FilmBox* group channels.

The above-described factors may have a significant adverse impact on the Issuer's development prospects, the achieved results and its financial standing.

5. Information about application of corporate governance by the Issuer and the Issuer's Capital Group

5.1. Specification of the set of corporate rules and regulations governing the Issuer, and of the location where such rules and regulations are available for public viewing

The Management Board of the Issuer endeavors to provide all shareholders with equal access to information about the Company. The efforts of the Company to ensure full transparency found their expression in the implementation of good practices of companies listed on the stock exchange, beginning with the gaining by *Kino Polska TV S.A.* of the status of a listed company. From March 22, 2011, the Issuer has been preparing current and periodic reports which are made publicly available by being published on the corporate website. The Issuer

complies with the regulations governing public companies, as specified in the “Good Practices of Companies Listed on the Stock Exchange”. These regulations are published at www.corp-gov.gpw.pl.

The editors of Kino Polska TV comply with all rules of professional conduct, which are generally accepted by the professional circles. The foundation on which the rules of their work are based is the Media Ethics Charter. In addition, the editors are also familiar with the Journalists’ Code of Conduct, as published by the Association of Journalists of the Republic of Poland and the Journalists’ Code of Ethics of the Association of Polish Journalists, which are documents specifying desirable rules of conduct.

5.2. The degree in which the Issuer departed from the provisions of the set of corporate rules, as referred to above, indication of the provisions and explanation of reasons for such departure, as well as explanation how the Company intends to remedy the consequences, if any, of the Issuer’s failure to apply a particular rule, or what steps it intends to take to reduce the risk of future failure to apply a specific rule

RULE II.1

The Company keeps a corporate website, where it publishes, in addition to the information required by law:

(...)

7) shareholders’ questions regarding the matters covered by the agenda, posed before and during the general meeting, along with the answers thereto.

COMMENT

To some extent, this rule will not be applied by the Company. The Company will comply with this rule to the extent resulting from the provisions of the generally-applicable legal regulations, i.e. the Commercial Companies Code and the Regulation of the Minister of Finance on current and periodical information (...), dated February 19, 2009. The Company will not publish on its website any questions asked during the general meeting or any answers to such questions given during the General Meeting, because a great number of questions are usually asked, many of them irrelevant. Full compliance with this rule would require drawing-up shorthand minutes of the session of the General Meeting.

(...)

11) information acquired by the Management Board, based on a statement of a member of the Supervisory Board, regarding relations of such member of the Supervisory Board with a shareholder holding shares representing at least 5% of the total number of votes at the General Meeting of the Company. This obligation applies to financial, family, or others dependency, that may affect a member of the supervisory board in the resolve the case.

COMMENT

The Management Board will apply this rule only if the members of the Supervisory Board make statements to this effect.

(...)

14) information regarding the rule governing a change of the entity entitled to audit financial statements or information that no such rule applies.

COMMENT

As far as the keeping of its website is concerned, the Company does not publish thereon any information regarding the rule applied by the Company in the event of a change of an entity entitled to audit the financial statement or information that no such rule applies. The selection of an entity entitled to audit financial statements and a change of such entity is at the sole discretion of the Supervisory Board and is not subject to any regulations, except for statutory regulations, i.e. the Law on Chartered Accountants.

RULE II.2

The Company operates its website also in English, at least with regard to the contents indicated in section II point 1 of the Good Practices of Companies Listed on the Stock Exchange.

COMMENT

This rule will be implemented gradually. In the view of the Company, the requirement to operate the corporate service in English and to translate all corporate documents (including the wording of current and periodic reports) into English will incur considerable costs to the Company.

Good practices applied by members of the Supervisory Boards

RULE III.1

In addition to the activities specified by law, the Supervisory Board should:

(...)

3) Investigate and give opinion on matters which are the subject of resolutions of the General Meeting.

COMMENT

The Company will not apply the above rule. In this respect, the Company believes that the authority granted to the Supervisory Board in the Commercial Companies Code and the By-laws are sufficient to exercise proper supervision over the activity of the Company.

RULE III.2

A member of the Supervisory Board should provide the Management Board with information on his/her relations with a shareholder holding shares representing not less than 5 % of the total number of votes at the General Meeting of Shareholders. The above obligation concerns relations of business, family or other nature that may affect the position of the member of the Supervisory Board in a matter to be decided by the Board.

COMMENT

The Management Board will apply this rule only if members of the Supervisory Board submit relevant statements in this regard.

RULE III.8

As regards duties and functions of the committees operating within the Supervisory Board, Enclosure No. 1 to the *Recommendation of the European Commission, dated February 15, 2005, on the role of non-executive directors (...)* will apply.

COMMENT

Committees operating within the Supervisory Board will act in accordance with the legal regulations in force and the adopted internal by-laws.

Good practices applied by shareholders

RULE IV.1

Representatives of the media should be allowed to attend General Meetings of Shareholders.

COMMENT

General Meetings of Shareholders will be attended by entitled persons and persons servicing such General Meetings of Shareholders. The legal regulations in force, including the Regulation of the Minister of Finance, dated February 19, 2009 on current and periodic reports submitted by Issuers of securities, and terms of recognition of information required under legal regulations of a non-member state as equivalent, sufficiently determine the performance of duties imposed on public companies in respect of openness and transparency of matters being the subject considered by the General Meeting of Shareholders. The Company will provide answers, on an on-going basis, to questions asked by the media regarding sessions of the General Meeting of Shareholders.

RULE IV.10

The Company should provide shareholders with a possibility of attending a General Meeting of Shareholders through the use of means of electronic communication, such as:

- 1) transmission of a session of the General Meeting of Shareholders in real time,
- 2) two-way communication in real time, whereby the shareholders can speak during a session of the General Meeting of Shareholders while they are in a location other than that of the General Meeting of Shareholder's venue,
- 3) exercise, in person or by proxy, of the right of vote during a general meeting.

This rule should be applied as of January 1, 2012 at the latest.

COMMENT

In the nearest future, this rule will not be applied due to the absence of appropriate regulations in the Company's By-laws and the Rules and Regulations of the General Meeting of Shareholders, as well as high costs connected with to the implementation of a data transmission system.

5.3. Description of the main features of the Capital Group's internal control and risk management in relation to the process of preparing financial statements and consolidated financial statements

Issuer's Management Board is responsible for internal control system, as well as its effectiveness in the process of preparing financial statements. Financial statements are drawn up by the Issuer's Finance Department and then transferred to the Management Board. Financial statements also are transmitted to the information to the Members of Supervisory Board and Audit Committee.

5.4. Shareholders

Shareholdings in the capital of the Issuer as at 31.12.2011.

The holder of shares	Kind of shares	Number of shares	Part of share capital (%)	Number of votes at the GMS	Part of total votes at the GMS (%)
SPI International Polska sp. z o.o. ¹	ordinary bearer shares	9 037 800	65,16%	9 037 800	65,16%
Ipopema Investment Funds S.A. (Investment Funds managed by Ipopema TFI S.A. – including Total FIZ) ²	ordinary bearer shares	1 205 350	8,69%	1 205 350	8,69%
Pioneer PEKAO Investment Management S.A. (within <i>assets management</i>) ³	ordinary bearer shares	1 184 793	8,54%	1 184 793	8,54%
Piotr Reisch – President of the Management Board ⁴	ordinary bearer shares	739 500	5,33 %	739 500	5,33%

¹ accordance with the notice of 06.05.2011

² accordance with the notice of 27.05.2011

³ accordance with the notice of 13.05.2011

⁴ accordance with the notice of 13.12.2011

5.5. The owners of any securities with special control rights and a description of those rights

There are no special securities giving special control over the Company.

5.6. Indication of any restrictions on voting rights

In the reporting period there were no securities which would be any restrictions on voting rights.

5.7. Indication of all restrictions on the transfer of ownership of securities of the Issuer

In the reporting period there were any restrictions on the transfer of ownership of shares of the Issuer.

5.8. Description of rules for appointment and dismissal of managers and their rights, in particular the right to decide on the issue or repurchase of shares

Accordance with §11 sec.1 of Issuer's Statute, the Management Board consists of not less than two and not more than five people, including the Chairman and other members of the Management Board.

The Management Board manages the Company and represents it outside. The entitled persons to make statements and sign on behalf of the Company are: the Chairman of the Management Board with another member of the Management Board or with a proxy jointly. The Members of the Board, including the Chairman of the Management Board, are appointed and dismissed by the Supervisory Board. The Management Board members are appointed for three years.

Members of the Management Board of the Company have no special rights to issue or repurchase of shares.

5.9. Description of changes in the Issuer's Statute

The changes of the Issuer's Statute are accordance with the principles laid down in the Code of Commercial Companies namely by resolution of the General Meeting of Shareholders.

5.10. Method of operation of the General Shareholders Meeting, its key powers and description of the rights of shareholders and the manner of their execution

According to art. 402 of the Commercial Companies Code, the General Shareholders Meeting of a Public Company is convened by an announcement at the Company's website and in form of current report - in accordance with the provisions of the Law on Public Offering. Art. 402 of the CCC determines the scope of the content of the notice of the General Shareholders Meeting of a Public Company. It should include at least the date, time and place of the General Shareholders Meeting and a detailed agenda, as well as a precise description of the procedures for participation in the General Shareholders Meetings and voting. In particular, the notice should include information regarding the following issues:

1) The right of a shareholder to request inclusion of certain issues on the agenda of the General Shareholders Meeting – according to art. 401 § 1 of the CCC, shareholder or shareholders representing at least one twentieth of the share capital may request including certain issues in the agenda of the next General Shareholders Meeting. The request should be submitted to the Supervisory Board no later than 21 days before the date of the Meeting. The request should include a justification or a draft of the resolution concerning proposed agenda item. The request may be submitted in electronic form. The Management Board shall immediately, but no later than 18 days before the date the General Shareholders Meeting announce changes in the agenda introduced at the request of shareholders. The announcement shall be made, as appropriate to convening a General Shareholders Meeting (art. 401 § 2 of the CCC).

2) The right of a shareholder to submit drafts of resolutions related to issues on the agenda of the General Shareholders Meeting or issues which are to be placed on the agenda before the Meeting – according to art. 401 § 4 of the CCC, shareholder or shareholders of a Public Company representing at least one twentieth of the share capital may, before the General Shareholders Meeting, report to the Company, in writing or by means of electronic communication, drafts of resolutions concerning the agenda of the General Shareholders Meeting or

issues which are to be introduced on the agenda. The Company shall immediately publish the draft resolutions on the website.

Statute, according to the art. 401 § of the CCC, may authorize to request an introduction of specific issues on the agenda of the next General Shareholders Meeting and to submit the company, in writing or by means of electronic communication, projects of resolutions concerning issues introduced on the agenda of the General Shareholders Meeting or issues which are to be introduced on the agenda, shareholders representing less than one-twentieth of the share capital. Statute of the Issuer does not include such provisions.

3) The right of a shareholder to submit drafts of resolutions relating to issues on the agenda during the General Shareholders Meeting – according to art. 401 § 5 of the CCC, each of the shareholders is entitled to submit during the General Shareholders Meeting drafts of resolutions concerning issues introduced on the agenda.

4) The manner of voting by the proxy, in particular the forms used to vote by proxy, and the way to notify the company, by means of electronic communication, of the appointing a proxy.

5) The possibility and method of participation in the General Shareholders Meeting by means of electronic communication.

6) The way of speaking during the General Shareholders Meeting by means of electronic communication.

7) The manner of voting by correspondence or by means of electronic communication.

8) Registration date for participation in the General Shareholders Meeting which, according to art. 406 of the CCC, falls 16 days before the date of the General Shareholders Meeting and shall be uniform for holders of bearer shares and registered shares.

9) Information that right to participate in the General Shareholders Meeting have only the persons who are shareholders of the Company on the day of registration for participation in the General Shareholders Meeting, as well as:

10) An indication of where and how the person entitled to participate in the General Shareholders Meeting can get a full text of documentation which is to be presented on the Meeting and drafts of the resolution or, if the resolutions are not expected to be adopted, comments of the Management Board or the Supervisory Board of the Company, concerning the matters included in agenda of the General Shareholders Meeting or issues which are to be introduced on the agenda before the date of the Meeting.

11) Indication of the address of the website where information concerning the General Shareholders Meeting shall be provided.

Pursuant to Art. 402³ § 1, each public company is obliged to operate its own website and place thereon, since the date of convening the General Meeting of Shareholders, the following information:

1) announcement on convening the General Meeting of Shareholders,

2) information about a total number of shares in the company and number of votes vested by such shares as of the date of announcement, and if the shares are of different types, also about division of the shares into individual types and the number of votes vested by shares of each type,

3) the documentation to be presented to the General Meeting of Shareholders,

4) draft resolutions or, if no resolutions are anticipated for adoption at the General Meeting of Shareholders, comments of the Management Board or the Supervisory Board regarding the matters covered by the agenda of the General Meeting of Shareholders or matters which are to be placed on the agenda before the date of the General Meeting of Shareholders,

5) forms constituting the basis for the exercise of the rights of vote by attorneys or by correspondence, unless sent directly to all shareholders.

If forms constituting the basis for the exercise of the rights of vote by attorneys or by correspondence may not, due to technical reasons, be made available on the website, a public company shall place information on its

website where and how such forms may be obtained. In such case, the public company shall send the forms by post, free of charge, to any shareholder who requests the same.

The forms constituting the basis for the exercise of the rights of vote by attorneys or by correspondence shall incorporate the suggested wording of resolutions of the General Meeting of Shareholders and should provide for:

- 1) identification of the shareholder casting the vote and his attorney, if the shareholder exercises his vote through an attorney,
- 2) the casting of the vote, as defined in Art. 4 § 1 point 9 of the Commercial Companies Code,
- 3) the submission of an objection by shareholders voting against the resolution,
- 4) the placement of an instruction concerning the manner of casting the vote with regard to each resolution on which the attorney is to vote.

Accordance with § 21 Issuer's Statute Resolutions of the General Shareholders Meeting are passed by the absolute majority of votes validly cast, unless the provisions of the Statute or law provide more stringent conditions. Resolutions of the General Shareholders Meeting on the following matters shall require a qualified majority of three quarters of votes cast:

- 1) the redemption of shares in the case referred to in art. 415 § 4 of the Code of Commercial Companies,
- 2) acquisition of own shares in the case referred to in art. 362 § 1 item 2 of the Code of Commercial Companies,
- 3) merging with another company in the case referred to in art. 506 § 2 of the Code of Commercial Companies.

Resolutions on appeal or suspension by the General Shareholders Meeting of some or all members of the Management Board in accordance with art. 368 § 4 of the Code of Commercial Companies requires four fifths of the votes cast. Acquisition and disposal of property, perpetual usufruct right or interest in real property does not require the resolution of the General Shareholders Meeting.

5.11. The composition and the changes that occurred during the last fiscal year, and a description of the management bodies and supervisory or administrative committees of the issuer and its committees

In the period from 1 January 2011 to 31 December 2011 the Management Board had the following members:

Piotr Reisch	President of the Management Board
Bogusław Kisielewski	Member of the Management Board

In the reporting period and the date of signing this report, the Company's board of directors has not changed.

In the period from 1 January 2011 to 6 April 2011 the Supervisory Board had the following members:

Loni Farhi	Chairman of the Supervisory Board
Stacey Sobel	Vice-Chairman of the Supervisory Board
Piotr Skrzyp	Member of the Supervisory Board
Krzysztof Szymański	Member of the Supervisory Board
Witold Adamek	Member of the Supervisory Board

On 6 April 2011, the Extraordinary General Meeting of Shareholders resolved to appeal from the Supervisory Board Mr. Piotr Skrzyp and the appointment to the Supervisory Board Mr. Piotr Orłowski, with the adoption of a resolution.

In the period from April 2011 to 31 December 2011 the Supervisory Board had the following members:

Loni Farhi	Chairman of the Supervisory Board
Stacey Sobel	Vice-Chairman of the Supervisory Board
Piotr Orłowski	Member of the Supervisory Board
Krzysztof Szymański	Member of the Supervisory Board
Witold Adamek	Member of the Supervisory Board

In the reporting period beyond the Management Board and the Supervisory Board of the Issuer since 12 April 2011, works the Audit Committee, the following members:

Piotr Orłowski	Chairman of the Audit Committee
Witold Adamek	Member of the Audit Committee
Krzysztof Szymański.	Member of the Audit Committee

Description of the functioning of the Supervisory Board

The Supervisory Board exercises permanent supervision over the Company in all areas of business. In addition to the matters specified in the Code of Commercial Companies and other provisions of the Statute, the Supervisory Board is to designate an entity to perform the audit or review of the consolidated and separate financial statements of the Company, to grant consent to enter into agreements with such entity or its subsidiaries, subordinate units, or dominant entities or its subsidiaries or sub-units and to conduct any other activities that may adversely affect the independence of such entity in making the audit or review of financial statements of the Company.

For the validity of the resolutions of the Supervisory Board meeting, an invitation to all its members is required and the presence of at least three of its members, including the Chairman of the Supervisory Board or the Vice-Chairman. Resolutions of the Supervisory Board on the suspension of members of the Management Board shall be adopted by a 4/5 majority of the votes. If it will be necessary the Supervisory Board may adopt resolutions in writing or by means of remote communication. Draft resolutions taken in writing shall be submitted to signature of all members of the Supervisory Board and become binding upon signature of at least half of the members of the Board, including by the Chairman of the Supervisory Board.

In order to perform its duties, the Supervisory Board may examine all documents, request from the Management Board and employees of the Company reports and explanations, and review the Company's assets.

Description of the functioning of the Management Board

The Management Board conducted the current activities in accordance with rights set forth in the Code of Commercial Companies and the Company's Statute. The Management Board consists of not less than two and not more than five people, including the Chairman and other members of the Management Board.

The Chairman of the Management Board shall direct the work of the Management Board, shall determine the internal allocation of tasks and responsibilities of the Board Members, convene and preside over meetings of the Management Board, issues internal regulations of the Company. The Chairman of the Board may authorize other persons to convene and chair the meeting of the Management Board and to issue internal regulations.

Resolutions of the Management Board are passed by a simple majority vote. In the event of a tie, the Chairman shall have the casting voice.

The Board is obliged to submit to the Supervisory Board at least an annual report on significant events in the Company. This report shall also include a report on revenues, costs and the financial results of the Company. The entitled persons to make statements and sign on behalf of the Company are: the Chairman of the Management Board with another member of the Management Board or with a proxy jointly.

To perform certain actions or a specific activity the proxies may be appointed to act independently or jointly with other mandate holders, within the limits of their legitimacy.

Description of the functioning of the Audit Committee

The purpose of establishment of the Audit Committee is to provide advisory services to the Supervisory Board in issues concerning individual and consolidated financial reporting, internal control and risk management, as well as co-operation with chartered accountants. The main duties of the Audit Committee include:

1) supervision of monitoring of the financial reporting of the Company, as well as financial audit, through actions covering, in particular:

a) monitoring of the process of preparation of financial statements;
b) submission of recommendations to the Supervisory Board regarding the approval of financial statements audited by an external auditor;

c) monitoring of reliability of financial information presented by the Company;

2) supervision of monitoring of internal control systems, internal audit and risk management, through actions covering, in particular:

a) review, at least once a year, of internal control and risk management procedures in order to ensure compliance with the provisions of law and internal regulations;

b) evaluation of compliance with principles of risk management and presentation of recommendations in this regard;

3) supervision of monitoring of independence of external auditors, through actions covering, in particular:

a) presentation of recommendations to the Supervisory Board concerning appointment, re-appointment and dismissal of an entity conducting the audit of the financial statement (external auditor) as well as terms and conditions of his engagement;

b) monitoring of independence of the auditor with regard to the audit he conducts;

c) discussion with the auditor of the process of audit conducted by him,

d) acceptance from an entity authorized to audit financial statements of written information regarding relevant issues concerning the financial audit procedure, including, in particular, significant irregularities of the internal control system of the entity, with reference to the financial reporting process.

Meetings of the Audit Committee should take place as often as necessary, not with less frequency, however, than twice a year, before publication of a semi-annual and annual financial statement. Meetings of the Audit Committee shall be called and presided by the Chairman. In the event that the Chairman is unable to call the meeting, such meeting shall be called by another member of the Committee, authorized by the Chairman. A notice on a meeting, specifying the agenda and including any materials forming an object of the agenda shall be submitted to the members of the Audit Committee by the Chairman of the Committee. A notice should be sent at least 3 days before the meeting of the Committee, by e-mail or by fax, to the addresses or fax numbers indicated by the members of the Audit Committee. The right to place certain matters on the agenda of the meeting of the Committee shall be vested in the Supervisory Board, individual members of the Committee, as well as members of the Management Board. The members of the Committee may participate in the meetings of the Committee and vote for or against adoption of resolutions in person or through means of remote communication. In order for resolutions of the Audit Committee to be valid, there must be a quorum of at least a half of its members, and all

members of the Committee must be invited. Resolutions of the Audit Committee shall be adopted by means of an absolute majority of votes of Committee members present at the meeting. Minutes shall be drawn-up in meetings of the Audit Committee. The minutes shall be signed by all members of the Committee present at the meeting. The minutes on the meeting of the Audit Committee, including all resolutions adopted during such meeting, shall be submitted by the Chairman of the Audit Committee to the Chairman of the Supervisory Board immediately upon the signature thereof. The Audit Committee may also adopt resolutions in writing. Draft resolutions adopted in writing shall be submitted for signature to all members of the Audit Committee and shall become binding upon their signature by at least two members of the Audit Committee, including the Chairman. For the purpose of fulfillment of its duties, the Audit Committee may seek assistance or information from an expert or experts of its choice. The costs of appointment of such experts, upon their prior approval by the Chairman of the Supervisory Board, shall be covered by the Company.

6. Indicating the proceedings pending before any state court, arbitration court and/or institution, public administration authority, including following information: proceeding concerning issuer's or issuer's subsidiary's debts or liabilities whose value is at least 10% of the equity of the issuer

In the reporting period, there were no proceedings and no proceedings are currently pending in relation to the Issuer and its Subsidiaries before public administration authorities, court or arbitration proceedings which meet the above-mentioned criteria.

7. Information about primary products, goods or services

Kino Polska TV S.A. operates in the media industry, produces and distributes TV channels (Kino Polska, Kino Polska Muzyka, FilmBox, FilmBox Extra, FilmBox HD and FilmBox Family), including three programs in Premium section. The Company has prepared three next programs from the Premium section (FilmBox Action, FightBox and FashionBox). Furthermore the Company is planning to start-up Kino Polska HD channel.

In May 2011 the Issuer started broadcasting of music-film channel Kino Polska Muzyka which in November received a license for satellite broadcasting. Since January 2012 the Company has begun the sale of advertising time.

The primary products of the Company include:

– *Kino Polska* channel

Kino Polska Television referring to the long-term achievements of Polish culture, cinematography for all ages is the basic product of the Issuer. The unique formula places the station in high positions in the audience rankings for thematic channels in Poland. This program, presenting classic films invites viewers to re-explore them. The Company through the media house AtMedia Sp. z o.o. sells advertising time on the air of Kino Polska, at the same time, taking care to present the films as works of art which are not interrupted by commercials. The channel works under concession No. 296/2003-T. The company has signed agreements for the Kino Polska reemission with all providers of digital satellite platforms and the majority of cable operators, including all major companies (UPC/Aster, Multimedia Polska, Vectra, Toya, Inea; the range of the largest operators includes 72,66% of cable television subscribers).

– *Kino Polska Muzyka* channel

Kino Polska Muzyka is the only station in the world, where only Polish music is presented to the audience. Apart from the iconic music videos, unforgettable concerts and great hits of the biggest domestic stars, hits of the stage and interesting archival can be found here as well. This channel is constantly extending its reach. Starting from January 2012 through AtMedia Sp. z o.o., on the air of Kino Polska Muzyka the sale of advertising time has been conducted. The channel works under concession No. 489/2011-T.

– *FilmBox* channel and package of channels *FilmBox Premium*

FilmBox is a film channel, broadcasting and fictional and documentary films from around the world, categorized by type, band and thematic series as well as programs about cinema and publishing news. Package FilmBox Premium consists of three film channels: *FilmBox Extra*, *FilmBox Family* i *FilmBox HD*. The Issuer has signed distributional agreements for the FilmBox with all providers of digital satellite platforms and the majority of cable operators, including all major companies (UPC/Aster, Multimedia Polska, Vectra, Toya, Inea). For distribution package of FilmBox Premium also have been concluded agreements with all satellite platforms operators and more than 100 cable operators including all major.

Kino Polska TV S.A. produces and distributes programs mentions above on the basis of agreements with SPI TV Ltd and Cinephil France S.A.S.

Other activities of the Company:

- sale of advertising time on the air: *Kino Polska*, *Kino Polska Muzyka* and *FilmBox*
- distribution of licenses for video on demand (VoD)
- distribution of licenses for TV broadcast (sale of rights)
- publishing activity (Publishing House of Kino Polska Television)

In 2011, the Company generated revenue from the sale of PLN 80 401,95 million, compared to 2010 it is an increase of 70,01%.

The following table summarizes the various sources of revenue in 2011 compared to 2010, and their percentage of the total sales revenue.

Sources of revenue	Revenue in 2011 [PLN]	Percentage of the total sales revenue [PLN] (2011)	Revenue in 2010 [PLN]	Changes % (y/y)
TV BROADCAST	41 988 912,79	52,22%	35 041 783,50	+19,83%
PRODUCTION OF CHANNELS	25 651 596,31	31,90%	-	-
ADVERTISING	5 631 878,45	7,00%	8 590 179,99	-34,44%
VOD	4 981 284,80	6,20%	1 181 052,65	+321,77%
SALE OF CONTENTS	584 078,08	0,73%	1 262 879,79	-53,75%
PUBLISHING ACTIVITY	75 308,61	0,09%	168 748,72	-55,37%
SALE OF GOODS	131 399,80	0,16%	433,00	-
OTHER	1 357 490,60	1,70%	1 046 381,88	+29,73%
TOTAL	80 401 949,44	100%	47 291 459,53	+70,01%

8. Information about output markets, including the division of domestic and foreign markets, and information on sources of supply of materials for production of goods and services

8.1. The most important recipients

The main recipients of the Issuer are cable TV operators and providers of digital satellite platforms, which provide a signal to its subscribers (households).

The other recipients of the Company's products include:

- AtMedia Sp. z o.o. – advertising broker
- Other broadcasters to acquire the right to broadcast films that are owned by the Kino Polska TV S.A.
- operators of *Video on Demand* services
- Individuals (buyers DVD releases) through the distribution company.

The main output market is the domestic market, which accounts for 66,48% of the revenues of the Company, 33,52% is the foreign market.

2011	Poland	Foreign	Total
Total revenues	53 451 667,43	26 950 282,01	80 401 949,44

In 2011 the Kino Polska TV S.A. had approximately 370 recipients. The average number of subscriptions in 2011 arising out of the TV broadcast was approximately 5 983,27 thousand.

The main recipients of the Company, whose share in the revenues of at least 10% of total revenues:

- SPI TV Ltd. – 30,48% of total sales revenues,
- Canal + Cyfrowy Sp. z o.o. – 15,96 % of total sales revenues,
- ITI NEOVISION Sp. z o.o. – 13,84 % of total sales revenues.

Kino Polska TV S.A. is affiliated with SPI TV Ltd. personally by the Chairman of the Supervisory Board Mr. Loni Farhi.

The Company has a cooperation agreements with the above mentioned entities.

8.2. The most important suppliers

The major supply market of materials, goods and services is the domestic market.

Suppliers of the Issuer, whose share in the revenues of at least 10% of the total revenues:

- Cinephil France S.A.S. – 22,40%
- SPI TV Ltd. – 21,85%
- Canal + Cyfrowy Sp. z o.o. – 12,24%

Kino Polska TV S.A. was concluded cooperation agreements with Canal + Cyfrowy Sp. z o.o. and with Cinephil S.A.S.

The Company is affiliated with SPI TV Ltd. personally by the Chairman of the Supervisory Board Mr. Loni Farhi.

9. Information on concluded agreements which are material to the activity of the Issuer, including agreements concluded between shareholders (partners), insurance, co-operation or subcontract agreements, as known to the Issuer

Annex No. 5 to the Agreement with Bank Polska Kasa Opieki S.A.

On June 30, 2011, Annex No. 5 to agreement No. 3/2008 regarding a credit in the current account (“the Credit”), dated April 10, 2008, including annexes thereto, was signed between Kino Polska TV S.A. and Bank Polska Kasa Opieki S.A., with a registered office in Warsaw. The subject matter of Annex No. 5 is the renewal and increase of the credit line in the current account from PLN 2 000 000 (two million) to PLN 3 000 000 (three million), to be used to June 29, 2012. The interest rate of the Credit is variable, based on WIBOR IM as of each day + bank’s commission. The legal surety for Credit repayment is a blank promissory note, deposited with the Bank by the Company.

Annex No. 2 to the Agreement with Bank Polska Kasa Opieki

On July 4, 2011, Annex No. 2 to Advance Credit Agreement No. 24/2010, dated August 20, 2010, was signed between Kino Polska TV S.A. and Bank Polska Kasa Opieki S.A., with a registered office in Warsaw (hereinafter referred to as “the Bank”). The subject matter of Annex No. 2 is the renewal and increase by PLN 1 000 000 (one million) of the Advance Credit (hereinafter referred to as “the Credit”) in the form of a renewable limit up to a maximum amount of PLN 3.000.000 (three million). The purpose of the Credit is to finance amounts receivable under commercial VAT invoices from business partners by the Company. The interest rate on the Credit is variable, based on WIBOR IM, increased by bank’s commission. The legal surety of the Credit repayment is:

- a blank promissory note, deposited with the Bank by the Company;
- power of attorney given to the Bank to dispose of the monies in the current account of the Company;
- a declaration on voluntary submission to compulsory execution up to the amount of PLN 6 000 000 (six million).

The Credit may be utilized in the period from July 4, 2011 to July 3, 2012.

Agreement with Cinephil France S.A.S.

On September 30, 2011, the Issuer concluded a distribution agreement (“the Distribution Agreement”) with Cinephil France S.A.S., domiciled in France, replacing the current distribution agreement, dated September 1, 2010 between the Company and SPI TV Ltd., domiciled in London. The subject matter of the Distribution Agreement is the granting by Cinephil France S.A.S. to the Company of an exclusive license for retransmission of television channels, such as: FILMBOX, FILMOBOX HD, FILMBOX FAMILY, FILMBOX EXTRA, FILMBOX EXTRA 1, FASHIONBOX, FIGHTBOX, DOCUBOX, FILMBOX ACTION, STARBOX, including a right to sublicense those to cable, satellite operators, as well as operators using other transmission and retransmission techniques. The exclusive license, granted to the Company, is valid in the territory of Poland. With the consent of both parties, the license may be extended to other channels and territories of other E.U. countries, however, such license will not be exclusive. Under this Agreement, Cinephil France S.A.S. will be entitled to a license fee, fixed every month based on the revenue of the Company derived from cable, satellite, Internet retransmission operators, reduced by the agreed costs of distribution of such channels. The terms and

conditions of the Distribution Agreement are consistent with market standards. The terms of the Distribution Agreement do not include any provisions on contractual penalties. The Distribution Agreement was not concluded subject to conditions precedent. The fact that the estimated value of the Distribution Agreement may exceed 10% of the Company's equity capital constituted the criterion for considering the Distribution Agreement to be of significant importance. The Distribution Agreement between Kino Polska S.A. and Cinephil France S.A.S. became effective as of October 1, 2011. The Distribution Agreement was concluded for a defined period of 5 years.

On October 26, 2011, Annex No. 1 ("the Annex") to the Distribution Agreement between the Company and Cinephil France S.A.S., dated September 30, 2011, was signed. Under this Annex, Cinephil France S.A.S. granted to Kino Polska TV S.A. a non-exclusive license for distribution of the above-mentioned television channels in the territories of the Czech Republic, Hungary, Slovakia and Romania. Cinephil France S.A.S. is entitled to a license fee fixed every month based on revenues obtained by the Company from cable, satellite and Internet retransmission operators, reduced by the agreed costs of distribution of such channels. The Annex does not introduce any provisions which would be inconsistent with the terms generally applied in the market. No contractual penalties were introduced to the Distribution Agreement under the Annex. The Annex also does not include any terms and conditions, restricting its entering into force.

Annex to the Agreement with Canal + Cyfrowy Sp. z o.o.

On October 26, 2011 an Annex was signed to the Agreement, dated September 1, 2010 ("the Agreement") between Kino Polska TV S.A. and Canal + Cyfrowy Sp. z o.o., domiciled in Warsaw (hereinafter referred to as "Canal +"). The Agreement, dated September 1, 2010, was described in the Prospectus of the Company, approved by the Commission of Financial Supervision on February 25, 2011. The subject matter of the Annex is the determination of terms and conditions under which Canal + will make adequate satellite capacity available for the purpose of transmission of the television signal of Kino Polska Muzyka and will provide it with the service of transmission ("the Service") of the signal of the said program. The scope of the Service also includes the coding of the Kino Polska Muzyka television signal in coding systems other than that used by Canal + Cyfrowy. The Annex does not introduce any provisions which would be inconsistent with the terms and conditions generally applied in the market. Under the Agreement, dated September 10, 2010, Canal + provided the above-mentioned Services for the needs of FilmBox, FilmBox Extra, FilmBox Family, FilmBox HD, together with, according to the provisions of the Annex, Kino Polska Muzyka. In exchange for the rendering of the Service, Canal + is entitled to monthly remuneration. No contractual penalties were introduced to the Agreement, dated September 10, 2010. The Annex also does not include any terms and conditions restricting its entering into force. The value of services provided under the Annex may exceed 10% of the equity capital of Kino Polska TV S.A. during the term of the annexed Agreement. The Annex became effective as of October 1, 2011 and will remain in force till January 1, 2014.

Agreement with Cinephil France S.A.S.

On November 2, 2011, a license agreement ("the Agreement") was concluded between Kino Polska TV S.A. and Cinephil France S.A.S. ("Licensor"). The subject matter of the Agreement is the granting by the Licensor to the Issuer of an exclusive rights to films to be provided to the Licensee, and also the granting to Kino Polska TV S.A. of a right to conclude distribution agreements with third parties, whose subject will be the films to be supplied by the Licensor. The Licenses were granted for a defined period of time, agreed upon individually for each particular film. The exclusivity of rights granted by the Licensor to the Licensee applies both to all existing television programs from the FilmBox family produced by Kino Polska TV S.A. and the SPI Group, and those to be produced in the future. In the case of purchase of future licenses by the Licensee from the Licensor, details of

transactions will be specified in the form of annexes to this Agreement. The terms and conditions of this Agreement are not inconsistent with market standards. No provisions on contractual penalties were included in the Agreement nor was it concluded subject to any conditions precedent. The criterion of considering this Agreement to be of significant importance is the fact that its value exceeds 10% of the equity capital of Kino Polska TV S.A. The signature of this Agreement constitutes an investment in the production of programs from the FilmBox family, which is related to the implementation of one of the goals of the issue, as described in the Prospectus of Kino Polska TV S.A.

Agreement for acquisition of shares in Cyfrowe Repozytorium Filmowe Sp. z o.o.

On December 14, 2011, as a result of conclusion of sales agreements for shares in Cyfrowe Repozytorium Filmowe Sp. z o.o., the Company acquired a majority share – 60% of shares - for a total amount of PLN 2 600 010.

Agreements with AtMedia Sp. z o.o.

Three agreements on co-operation in the field of providing advertising services were concluded on December 16, 2011, between Kino Polska TV S.A. and AtMedia Sp. z o.o., domiciled in Warsaw (“the Broker”), jointly meeting the criteria of a significant agreement. The Company estimates that a total value of the said agreements will exceed 10% of the equity capital of Kino Polska TV S.A., i.e. the amount of approx. PLN 4 million. The conclusion of the agreements is related with the approaching expiry (on December 31, 2011) of the agreement, dated January 2, 2009, between the Broker and the Company, whose subject matter is providing advertising services both for Kino Polska and FilmBox television channels – the said agreement was described in the Prospectus of the Company, approved by the Commission of Financial Supervision on February 25, 2011. In view of the above, and also as a result of a decision taken by the Management Board on the commencement (as of January 2012) of the sale of advertising time on air on the Kino Polska Muzyka channel, the parties agreed that three agreements would be signed, covering by their scope advertising services separately for each of the channels produced by the Company – Kino Polska, Kino Polska Muzyka and FilmBox. In terms of value, the agreement on sales of advertising time on the Kino Polska channel is the most significant. According to the provisions of the aforementioned agreements, the Company will perform activities facilitating purchase of advertising services by AtMedia Sp. z o.o. (i.e. broadcasting of TV commercials and special campaigns consisting of direct or indirect promotion of goods and services or other values) with a right to resell them on its own account or for third parties – and the Broker agreed to be obliged by these conditions under the said agreements. Kino Polska TV S.A. also undertook not to sell advertising services to other parties, except for:

- providing advertising services to third parties by way of barter,
- providing advertising services under agreements on special campaigns concluded with parties that do not co-operate directly or indirectly with AtMedia Sp. z o.o.,
- agreements on broadcasting telesales films,
- agreements concluded by the Company directly with parties co-operating with the Broker, however such agreements may apply exclusively to a commercial band which has not been previously reserved by AtMedia Sp. z o.o.

The Company is bound to ensure and provide AtMedia Sp. z o.o. with a regular access to a commercial band with an exclusive right of use, subject to the exceptions described above. AtMedia Sp. z o.o. is responsible for the contents of TV commercials, provided that Kino Polska TV S.A. may decline to broadcast a TV commercial that might constitute a violation of binding legal regulations. The agreements also set out the rules for booking transmission time, co-operation during special campaigns and barter co-operation. In exchange for the concluded

agreements, the Company's remuneration was fixed as a percentage of net revenues from broadcasting TV commercials on a particular channel. The agreements were concluded for a defined period of time, from January 1, 2012 to December 31, 2014. In the case of a gross breach of a particular agreement, either party may terminate it by a three-months' notice, effective as of the last day of a month. The agreements provide for their automatic extension for another three-year period. The agreements do not include any provisions inconsistent with the terms and conditions generally binding for agreements of this type, or any contractual penalties.

10. Information about organizational and capital relationships with other entities and determine the issuer's principal domestic and foreign investment

Investments in subsidiaries of the Issuer include shares acquired in these entities.

Kino Polska TV S.A. Capital Group consists of the following entities:

- *Kino Polska TV S.A.*
- *Stopklatka S.A.*

In 2011, Kino Polska TV S.A. increased its share in the total number of votes at the General Meeting of Stopklatka S.A. as a result of the following events :

- acquisition of 103 255 shares from Mr. Adam Bortnik, based on contracts under civil law, in two tranches: on June 30, 2011 – 30 000 shares and then, on December 21, 2011 – 73 255 shares;
- taking 325 250 newly-issued C-series shares, based on the subscription of August 29, 2011.
- purchase of 98 781 shares during session transactions on ASO NewConnect market, in the course of the past year.

In the consequence of the above, the number of shares of Stopklatka S.A. held by Kino Polska TV S.A. increased in 2011 from 1 271 000 to 1 798 286, and the percentage share in the number of votes at the General Meeting increased from 65,21% to 79,04%.

- *Cyfrowe Repozytorium Filmowe Sp. z o.o.*

In December 2011, the Issuer acquired 90 shares which accounted for 60% of votes at the General Meeting of Cyfrowe Repozytorium Filmowe Sp. z o.o., for a total amount of PLN 2 600 010.

11. Information on material transactions entered into by the issuer or its subsidiary with related parties on terms other than market

In the reporting period the Company and its subsidiaries did not enter into any transactions with related parties on terms other than market.

12. Information about entered and spoken in a given year contracts for loans and advances, giving at least the amount, type and amount of the interest rate, currency and maturity

In 2011 Kino Polska TV S.A. had two credit agreements signed with Bank Polska Kasa Opieki S.A.

Lender	Currency	Amount of credit	The value of the loan at the balance sheet day		Interest rate	Maturity	Security
			in currency	in PLN			
Bank Polska Kasa Opieki S.A.	PLN	3 000 000,00	0,00	0,00	WIBOR 1M as of the first day of month day + 3%	2012-06-29	blank bill
Bank Polska Kasa Opieki S.A.	PLN	3 000 000,00	0,00	0,00	WIBOR 1M as of each day + 2,8%	2012-07-03	blank bill
Total credits and loans							

13. Information about the loans, which was provided in the financial year, with particular emphasis on loans to the subsidiaries of the Issuer, giving at least the amount, type and amount of the interest rate, currency and maturity

The following table shows loans granted to entities of the Issuer's Capital Group in 2011.

legal basis of the loan	Lender	Borrower	The amount and currency of the loan	Kind of loan	Interest rate	Maturity
Loan Agreement dated 15.12.2011 r.	Kino Polska TV S.A.	Cyfrowe Repozytorium Filmowe Sp. z o.o.	1 090 000 PLN	Cash loan	WIBOR 1-year + 4%	15.12.2013

Loans which was granted to third parties outside the issuer's group was described in point 9.33. "*Credits and loans*" of Unit Financial Statement of Kino Polska TV S.A.

14. Information about year warranties and guarantees given and received during the fiscal, with particular reference to guarantees given to related entities of the Issuer

In Accordance with the Loan Agreement concluded between the Company and Cyfrowe Repozytorium Filmowe Sp. z o.o. date 15.12.2011, the Issuer has bill of exchange agreement to blank bill, signed as security for active debts of the Kino Polska TV S.A. as collateral for loans granted to the CRF.

15. Description of the use of proceeds from share issue in the reporting period to the time of preparation of this report

In the reporting period the Issuer did not adoption a resolution on the issue of securities. The Extraordinary Meeting of Shareholders of Kino Polska TV S.A. on 25.10.2010 adopted a resolution on an increase the share capital by an amount not less than PLN 0,10 and not more than PLN 400 000, through as the issue no less than 1 share and no more than 4 000 000 shares of B series with nominal value of PLN 0,10 per one share.

This shares was offered on a public offering on basis of the Prospectus which was approved by the Polish Financial Supervision Auditory on February 25, 2011.

As a result of public offerings the Issuer received the amount of PLN 38 000 000.

Amount for capital increase: PLN 400 000.

Issuance costs amounted to PLN 1 940 456,21.

The use of proceeds from the issue presented in the following table.

The purpose of issue	The amount actually used	The amounts allocated to the implementation of the purpose
Commencing Kino Polska Muzyka channel	PLN 2,2 million	PLN 2 - 3,5 million
Investment in the production of FILMBOX group channels	PLN 10,84 million	PLN 6 - 10,84 million
Purchase of technical infrastructure (equipment and programs)	PLN 5 million	PLN 3 - 5 million
Film production	PLN 1,5 million	PLN 2 - 5 million
Commencing Kino Polska HD channel	PLN 2,6 million	PLN 7 - 14 million
Total	PLN 22,14 million	

The remaining funds from the issue, approximately of PLN 13 million were invested in short-term bank deposit.

16. Explanation of differences between the financial results disclosed in the annual report and previously published forecast results for the year

The Company did not publish individual forecasts of financial results for the year 2011.

17. Assessment, including a justification thereof, of financial resource management

The assessment of the Issuer's financial resource management was prepared based on the data covered by the financial statement for 2011.

Balance sheet structure

Balance sheet sums have been steadily increasing from year to year, and in 2011 the increase was 158,03%, as compared with the previous year. In the structure of assets, fixed assets are dominant (53,77 % of total assets), and they include mainly intangible assets, which is a consequence of the operating activity of the Issuer and the investments connected with the strategy of building a media group through purchase of shares of Stopklatka S.A. and a controlling package of 60% of shares in Cyfrowe Repozytorium Filmowe Sp. z o.o. As regards the structure of liabilities, we have observed a steady increase in the share of the equity capital in the financing of

the Company's assets. The increase in the equity capital is mainly due to the profits retained from the past years. The level of liabilities reduced in 2011 by 33,97%, as compared with the previous year, and the main item in this group is the credit in the current account, settled on a monthly basis.

Assessment of the rate of return

Net rate of return is at the level of 11,20 % and results from an increase in revenue in 2011 in comparison with the previous year, and an increase in costs.

Thanks to a steady increase in the number of viewers of the Company's television channels and expansion of the program offer, there was a 20% increase in the revenues from the broadcasting activity. In addition, in 2011, the Issuer recorded, for the first time, revenues from the production activity of FilmBox channels, constituting a significant portion of total revenues from sales. A significant increase of approx. 321% in comparison with last year was noted in VoD.

The rate of return on assets and equity capital is at a high level of 18% and 21%, respectively.

Assessment of liquidity

Indices of current and accelerated liquidity are close to the optimum level at 6,88 %. The Company is capable of timely settlement of its current liabilities. The liquidity of the Company could be threatened only in the case of failure to settle short-term amounts payable by viewers. In order to counteract that threat, the Company entered into agreements with the bank keeping its current account, whereby it is able to raise funds at a short notice, enabling it to settle its short-term amounts payable.

Assessment of indebtedness

The index of total indebtedness is 8% and demonstrates a good financial condition of the Company and its ability to finance the assets and current operating activity on its own. The share of capital in the financing of the Company's assets increases year by year. The Issuer optimizes the financing of assets by the option of using short-term credit in the current account.

The financial situation of the Company is good. The Company is not threatened by a loss of liquidity and settles its amounts payable on time. The Company's assets are mostly financed with the Company's own funds with partial financing with third parties funds, such as the granted short-term credit in the current account.

18. Assessment of feasibility of investment projects

In 2012 the Company intends to consistently continue the implementation of issue purposes.

1. Commencing Kino Polska HD channel

The Company as a broadcaster of Kino Polska, notes a positive approach of viewers and operators on announcements of launching a channel presenting a heritage of polish cinema in High Definition. Due to increasing popularity of reception devices able to process HD signal (TVs, HD-enabled computer) much more subscribers decide to purchase package including HD Channels.

Company is going to launch Kino Polska HD basing on unique and verified programming format of Kino Polska, and present polish feature films, documentaries, animated movies, independent cinema and cult series in a best quality the most truly providing with vision and intention of movie makers. In order to proceed the

Company wants to dedicate a part of financial assets on acquirement of HD quality movies including rental of highly Professional movie tape to HD conversion services compliant to owned library of licenses.

Depending on degree of damage, a celluloid film to HD Digital format conversion of 1 feature movie costs approximately 100 000 – 200 000 PLN. The Company has received from cable and satellite operators a preliminary declaration of including HD channel in their packages. According to expressed by the market will of supporting the product, Company has implemented a certain amount of preparation procedures related to video material's quality check. Additionally, the Company wants to benefit from CRF's experience in movies restoration.

2. Investment in the production of FILMBOX group channels

Until end of 2011, continuing announced strategy related to increasing of Filmbox Channels' programming attractiveness, Company has spent on programming content licenses an aggregated amount of approximately PLN 8 million. The company will be continuing a research and acquisition of attractive programming content in order to even more effective competing with other Premium pay-tv packages.

3. Purchase of technical infrastructure (equipment and programs)

In 2012 the Company in minor level than in previous year plans hardware and software acquisitions. In 2011 the investment were mostly dedicated to vivid increase of produced channel as well as end of maintenance cycle of some amount of broadcast systems. 2012 investments will be related to management support IT systems, postproduction workflow software systems and QC.

As intended by Kino Polska TV S.A., these investments will be financed with the proceeds from the issue of shares of B series. The funds in hand are in the view of the Company Management Board sufficient to achieve the intended purpose.

19. Assessment of factors and unusual events which affected the results of the activities for the year with specifying the degree of their influence on the results

In this period was significant decrease in advertising revenue. This is the result of a general imbalance in the advertising market in Poland, and also decrease in audience of the Issuer's flagship channel - *Kino Polska*. This decrease primarily resulted in the strengthening of the market channels with similar programming offer.

To overcome this situation, the Company interspersed *Kino Polska* programming schedule, with the insertion of new, interesting thematic strands. This activity had the desired effect of increasing the audience.

Additionally, the Issuer as of January 2012, began selling advertising time on the air of *Kino Polska Muzyka*.

20. Characteristics of internal and external factors relevant to the development of the issuer and a description of the issuer's prospects for at least the end of the year

In 2011, the Company has implemented a number of changes both on operational and organizational level, which will be continuing in 2012.

Internally, relevant reorganization have been carried for increasing operational capacity considering growing volume of produced thematic television channels dedicated to the area of Central and Eastern Europe, and the growing requirements of OTT products & services developed by the Company in partnership with SPI

International. In 2012 the Company will be continuing started implementations of IT systems dedicated to supportive role of general management, production and archiving processes.

The Company is decided to focus on optimization of all ingredients of managing process in order to achieve desired effect of synergy between recently implemented IT tools and traditional elements of TV companies workflow. In this year, the Company also plans to implement the automation system of quality control and verification of video materials. This will significantly speed up and eliminate errors from the system of visual evaluation of emission materials, especially those intended for Kino Polska channels.

Externally, development perspectives of the Group shall be shaped by forecasted market burst related to achieving a scale effect by new, OTT-related video content distribution channels. This break may have a perceptible impact on ‘traditional’ distribution channels of pay TV like DTH and CATV. Predicting such a situation, the Company has developed and successfully presented own Over-The-Top project, which is a mini platform branded FilmboxLive, providing on subscription basis with video on demand content on first stage, and with Live channels on second stage. Unquestionably two major transactions carried on polish market last year cannot be disregarded due to its prospective influence on market situation of the Company within DTH and CATV areas – fusion of Canal+ Cyfrowy and ITI as well as acquisition of Aster by Liberty Global. Channels produced and distributed by the Company are present in the offers of both players. The Company with great attention observes a situation after acquisition of Polkomtel by Cyfrowy Polsat, what can make a major influence on expanding local OTT market.

21. Changes in the basic principles of management of an issuer and its capital group

In 2011, there were no significant changes in the basic principles of management of the Company and its Capital Group.

22. Information about any agreements concluded between the issuer and the management board, providing for compensation in case of resignation or dismissal from his position without a valid reason or when their cancellation or dismissal due to a merger by acquisition of the issuer

Pursuant to the resolution of the Supervisory Board, each of the Member of the Management Board of Kino Polska TV S.A. in case of cancellation of their function is entitled to compensation in the amount of PLN 360 000 net.

23. Information about the salaries, bonuses or benefits due or potentially due separately for each of the persons managing and supervising the issuer

Remuneration of the Members of the Management Board received from the Issuer in 2011, was as follows (in PLN):

Remuneration of board members	Under the appointment	Under the contract of employment	Under the bonuses, prizes	Business activity
Piotr Reisch	506 268,00	-	288 743,00	-
Bogusław Kisielewski	504 217,00	16 497,60	288,743,00	-

Remuneration of the Members of the Supervisory Board received from the Issuer in 2011, was as follows (in PLN):

Remuneration of the Supervisory Board Members	Under the appointment	Under the contract of employment	Under the bonuses, prizes	Business activity
Loni Farhi	1 000,00	-	-	-
Stacey Sobel	1 000,00	-	-	-
Krzysztof Seweryn Szymański	1 000,00	-	-	-
Witold Antoni Adamek	1 000,00	-	-	-
Piotr Orłowski	17 545,07	-	-	-
Piotr Robert Skrzyp	1 000,00	-	-	-

Mr. Piotr Reisch did not receive in 2011, any remuneration or benefits in kind from a subsidiary of the Issuer, in respect of services.

Mr. Bogusław Kisielewski did not receive in 2011, any remuneration or benefits in kind from a subsidiary of the Issuer, in respect of services.

Members of the Supervisory Board have not been receiving in 2011, any remuneration or benefits in kind from the Issuer.

Members of the Supervisory Board have not been receiving in 2011, any remuneration or benefits in kind from a subsidiary of the Issuer, in respect of services.

24. Total number and nominal value of all the Issuer's stocks (shares) and of shares in subsidiaries held by the issuer's management and supervisory

24.1. Kino Polska TV S.A.

Holdings of Kino Polska TV S.A.'s shares by supervisors and managers on the date of this report is as follows:

Name and surname	Number of shares /Total nominal value in PLN		Number of votes		Part of total votes at the GMS (%)		Part of share capital (%)	
	19.03.2012	31.12.2011	19.03.2012	31.12.2011	19.03.2012	31.12.2011	19.03.2012	31.12.2011
Piotr Reisch	739 500 / 73 950 PLN	739 500 / 73 950 PLN	739 500	739 500	5,33%	5,33%	5,33%	5,33%
Bogusław Kisielewski	26 428 / 2 642,80 PLN	95 778 / 9 577,80 PLN	26 428	95 778	0,19%	0,69%	0,19%	0,69%

Mr. Piotr Reisch, the President of the Management Board of the Issuer holds 21 shares of SPI International Polska Sp. z o.o. to a total nominal value of PLN 26 250, i.e. 0,43% share in the capital.

Mr. Loni Farhi – the Chairman of the Supervisory Board of the Issuer holds 15% of shares in SPI UK Ltd., i.e. 15% share in the capital.

SPI International B.V.I. is a company holding 100% of the share capital and votes in SPI International N.V., with seat in Curacao. SPI International N.V. is the sole member of Cooperative SPI International U.A., with seat in the Netherlands, and this company owns 99.17% of the share capital and votes in SPI International Polska Sp. z o.o. – the majority shareholder of the Issuer.

24.2. Stopklatka S.A.

To the best knowledge and belief the holding of shares Stopklatka S.A. by supervising and managing the Issuer on the date of this report is as follows:

Name and surname	Position	Number of shares /Total nominal value [in PLN]	Part of total votes at the GMS of Stopklatka S.A. (%)	Part of Stopklatka S.A share capital (%)
Bogusław Kisielewski	Chairman of the Supervisory Board of Stopklatka S.A. /Member of the Management Board of Kino Polska TV S.A.	757/ PLN 757	0,03%	0,03%

24.3. Cyfrowe Repozytorium Filmowe Sp. z o.o

The persons managing and supervising of the Issuer on the date of this report do not have any shares Cyfrowe Repozytorium Filmowe Sp. z o.o.

25. Information about known to the issuer agreement (including those entered into after the balance sheet), which may result in future changes in the proportions of shares held by existing shareholders

The Issuer does not know of such agreements.

26. Information about the control system employee share schemes

The Company has no employee share schemes.

27. Information about the agreement with an entity authorized to audit financial statements

On December 8, 2011 the Company entered into an agreement with System Rewident Sp. z o.o. ranging from audit and evaluation of the financial statements of the individual and consolidated for the period January 1, 2011 - December 31, 2011

	31.12.2011	31.12.2010
Mandatory audit of financial statements	61 000,00	53 000,00
Semi-annual review and audit of financial statements	15 000,00	20 000,00
Other attestation services	-	84 540,00
Tax advisory services	-	-
Other services	-	-
TOTAL	76 000,00	157 540,00

Warsaw, March 16, 2012

Piotr Reisch – President of the Management Board

Bogusław Kisielewski – Member of the Management Board

STATEMENT OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.

**on preparing financial statement in accordance
with applicable accounting principles**

The Management Board of Kino Polska TV S.A. confirms that, in accordance with the best knowledge, the annual financial statement and comparative data have been prepared in accordance with applicable accounting principles, and that they give a true and fair financial position of the Capital Group Kino Polska TV S.A. and its financial performance. The annual report on the activities of the Capital Group Kino Polska TV S.A. presents a true picture of the development, achievements and situation of Kino Polska TV S.A., including a description of the main threats and risks.

Piotr Adam Reisch

President of the Management Board

Bogusław Kisielewski

Member of the Management Board

Warsaw, March 16, 2012

STATEMENT OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.

on the choice of the entity authorized to audit financial statements, auditing the annual financial statement

The Management Board of Kino Polska TV S.A. confirms that the entity authorized to audit financial statements, conducting the audit of annual financial statement was selected in accordance with the law and that the entity and the auditors performing the audit of that financial statement, fulfilled the conditions for issuing an impartial and independent opinion on the audited annual financial statement in accordance with applicable regulations and professional standards.

Piotr Adam Reisch

President of the Management Board

Bogusław Kisielewski

Member of the Management Board

Warsaw, March 16, 2012

**UNIT ACCOUNTS
DRAWN UP IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

KINO POLSKA TV S.A.

**FOR THE PERIOD OF
January, 1st 2011 - December, 31st 2011**

Warsaw March 16th, 2012

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STATEMENT OF THE BOARD

The financial statements of KINO POLSKA TV SA covers the period from January 1st, 2011 until December 31st, 2011 and includes comparative data for year 2010 ending December 31st, 2010.

The Company's financial statements for 2011 have been prepared in accordance with the IFRS as approved by the European Commission. IFRS comprises of standards and interpretations approved by the International Accounting Standards Committee and the International Financial Reporting Standards.

This financial statements have been prepared abiding the above rules, which include:

- Balance sheet as of December 31st, 2011 presenting total assets and liabilities PLN 9 002 thousand,
- Report on total income for the period between January 1st, 2011 - December 31st, 2011, closing with a net profit of PLN 70 816 thousand,
- Statement of Cash Flows for the period January 1st, 2011 - December 31st, 2011,
- Report on changes in equity for the period January 1st, 2011 - December 31st, 2011,
- Explanatory notes.

The financial statements have been prepared in accordance with IFRS, as accepted by the European Union and truthfully and clearly presents the financial situation and financial results of the Company.

Signatures of the Members of the Board

.....
(Piotr Reisch – President of the
Management Board)

.....
(Bogusław Kisielewski – Member of the
Management Board)

.....
(Jolanta Orłowska)

REPORT ON TOTAL INCOME for the year ended December, 31st 2011

		Year Ended December, 31 st 2011	Year Ended December, 31 st 2010
<i>Nota</i>			
Continued activities			
Revenues from the sale of services	3	80 270 549,64	47 291 026,53
Revenue from the Sales of goods and materials	3	131 399,80	433,00
Revenues from sales		80 401 949,44	47 291 459,53
Cost of sales	4	(64 163 446,11)	(27 646 079,00)
Costs of goods for resale and raw materials sold	4	(55 678,91)	(433,00)
Profit / (loss) before tax		16 182 824,42	19 644 947,53
Other operating income	5	58 013,99	403 436,15
Cost of sales	4	(1 013 327,08)	(1 134 867,22)
General administrative costs	4	(4 633 567,38)	(7 578 014,93)
Other operating costs	5.1	(133 096,55)	(102 765,49)
Operating profit (loss)		10 460 847,40	11 232 736,04
Financial revenue	6	712 206,69	9 554,78
Financial costs	6.1	(395 556,54)	(285 140,62)
Gross profit (loss)		10 777 497,55	10 957 150,20
Income tax	7	(1 775 254,69)	(1 940 064,88)
Profit / (loss) from continuing operations		9 002 242,86	9 017 085,32
Discontinued operations		-	-
Profit / (loss) for the financial year from discontinued operations		-	-
Profit / (loss) net for the financial year		9 002 242,86	9 017 085,32
Profit / (loss) per share:			
- basic earnings for the financial year		0,71	0,91
- basic earnings from continuing operations for the financial year		0,71	0,91
- diluted weakened for profit for the financial year		0,71	0,91
- diluted earnings from continuing operations for the financial year		0,71	0,91

BALANCE

as of December, 31st 2011

	Note	Year Ended December, 31 st 2011	Year Ended December, 31 st 2010
ASSETS			
Fixed assets			
Tangible fixed assets	12	7 556 352,81	2 616 408,06
Real estate investments		-	-
Intangible fixed assets	14	21 107 521,98	10 949 490,48
Financial assets available for sale		-	-
Other long-term financial assets	19	8 278 953,75	4 000 000,00
Loans granted	26a	1 090 000,00	-
Deferred tax assets	7	46 878,16	51 551,00
		38 079 706,70	17 617 449,54
Current assets			
Stock	20	146 672,49	47 340,61
From other parties trade receivables	21	16 089 987,70	7 891 079,56
Receivables tax assets	21	-	284 664,98
Accruals	21	1 705 610,19	1 248 986,52
Derivatives		-	-
Other financial assets	19	3 493,97	-
Other non-financial assets		-	-
Cash and cash equivalents	22	14 790 159,32	355 448,05
		32 735 923,67	9 827 519,72
Non-current assets classified as held for sale		-	-
TOTAL ASSETS		70 815 630,37	27 444 969,26
LIABILITIES AND EQUITY			
Equity (attributable to shareholders of the parent company)			
Share capital	23.1	1 387 000,00	987 000,00
The surplus from the sale of shares above their nominal value	23.2	35 659 543,79	-
Treasury shares		-	-
Other reserves	23.3	15 435 182,78	6 418 097,46
Retained earnings /Accumulated losses	23.4	12 966 521,51	12 981 363,97
		65 448 248,08	20 386 461,43
Long-term liabilities			
Interest credits and loans	26	-	-
Provisions	26	-	-
Other financial liabilities	27	372 452,57	261 804,99
Provision for deferred income tax	7	68 610,63	1 850,78
Accruals		-	-
		441 063,20	263 655,77
Short-term liabilities			
Liabilities a trade and other liabilities	27	4 345 628,32	3 929 659,49
Credits and loans	26	-	1 895 138,93
Other financial liabilities	27	236 059,80	132 206,50
Liabilities income tax		176 001,00	-
Accruals	27	-	665 463,27
Provisions	24	168 629,97	172 383,87
		4 926 319,09	6 794 852,06
Liabilities directly associated with non-current assets classified as held for sale		-	-
Total liabilities		5 367 382,29	7 058 507,83
TOTAL LIABILITIES AND EQUITY		70 815 630,37	27 444 969,26

REPORT ON CASH FLOWS FROM OPERATING ACTIVITIES

Year Ended December, 31st 2011

	<i>Note</i>	<i>December, 31 2011</i>	<i>December, 31 2010</i>
Operating cash flow			
Net profit (loss)		9 002 242,86	9 017 085,32
Adjustments in positions			
Depreciation	4	3 280 029,74	2 524 294,26
Interest and dividends, net	6 -6.1	(84 402,63)	(34 576,13)
Profit (loss) on investment activity		-	-
Changes in receivables		(8 198 908,14)	(975 948,52)
Changes in stock		(99 331,88)	(6 652,37)
Changes in liabilities		(1 025 662,27)	(918 789,60)
Changes in prepayments and accruals	21/27	(1 122 086,94)	(1 651 817,24)
Changes in provisions	24	(3 753,90)	(79 366,13)
Income tax paid		-	-
Other		78 170,16	(22 626,65)
Net operating cash flow		1 826 297,00	7 851 602,94
Investment cash flow			
Sale of intangible and tangible fixed assets		91 755,90	-
Purchase of intangible and tangible fixed assets		(16 413 402,31)	(3 560 291,46)
Sale of investments in real estate		-	-
Investments in real estate		-	-
Sale of investments in related parties		-	-
Purchase investments in related parties		-	-
Sale of financial assets		-	-
Purchase of financial assets		(4 278 953,75)	(4 000 000,00)
Dividends income		-	-
Interest income		712 206,69	-
Income credits and loans		550 000,00	-
Credits and loans		(1 890 000,00)	-
Other		-	-
Net investment cash flow		(21 228 393,47)	(7 560 291,46)
Financing cash flow			
Income from the issue of shares		36 059 543,79	-
Finance lease payments		(162 277,59)	(124 477,43)
Income credits and loans		-	1 754 218,92
Payment of credits and loans		(1 895 138,93)	(1 828 318,44)
Dividends and other payments		-	-
Interest		(165 319,53)	(64 406,48)
Other		-	10 000,00
Net financing cash flow		33 836 807,74	(252 983,43)
Net change in cash balances, including		14 434 711,27	38 328,05
Changes in cash balances relating to foreign exchange differences net		-	-
Cash at beginning of period		355 448,05	317 120,00
Cash at end of period		14 790 159,32	355 448,05
Restricted cash		325 000,00	325 000,00

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31st, 2011

	<i>Share capital</i>	<i>Share capital of the issue of shares above par value</i>	<i>Reserve capital</i>	<i>Accumulated profit (loss) from previous years</i>	<i>Accumulated profit (loss) from previous years</i>	<i>Equity at beginning</i>
As of January 1st, 2011	987 000,00	-	6 418 097,46	12 981 363,97	-	20 386 461,43
Changes in accounting policy (principles)/ error correction	-	-	-	-	-	-
As of January 1st, 2011 altered	987 000,00	-	6 418 097,46	12 981 363,97	-	20 386 461,43
Profit/ (loss) for the period	-	-	-	-	9 002 242,86	9 022 242,86
Payment accumulated last year	-	-	9 017 085,32	(9 017 085,32)	-	-
Issue of share	400 000,00	37 600 000,00	-	-	-	38 000 000,00
Cost of share issue	-	(1 940 456,21)	-	-	-	(1 940 456,21)
Payment of share issue	-	-	-	-	-	-
Payment of dividend	-	-	-	-	-	-
As of December 31st, 2011	1 387 000,00	35 659 543,79	15 435 182,78	3 964 278,65	9 002 242,86	65 448 248,08
As of December 31st, 2011	987 000,00	-	6 386 911,27	3 995 464,84	-	11 369 376,11
Changes in accounting policy (principles)/ error correction	-	-	-	-	-	-
As of January 1st, 2010 altered	987 000,00	-	6 386 911,27	3 995 464,84	-	11 369 376,11
Profit/ (loss) for the period	-	-	-	-	9 017 085,32	9 017 085,32
Payment accumulated last year	-	-	31 186,19	(31 186,19)	-	-
Issue of share	-	-	-	-	-	-
Cost of share issue	-	-	-	-	-	-
Payment of share issue	-	-	-	-	-	-
Payment of dividend	-	-	-	-	-	-
As of December 31st, 2010	987 000,00	-	6 418 097,46	3 964 278,65	9 017 085,32	20 386 461,43

INFORMATION NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The financial statement of Kino Polska TV S.A covers the period from January 1st, 2011 until December 31st, 2011 and includes comparative data for year 2010, ended December 31st, 2010.

Kino Polska TV SA was created from the transformation of the Company sp. z o.o. in accordance with the Resolution of the Extraordinary Shareholders Meeting held on July 5th, 2010 signed with a notary deed drawn up on July 5th, 2010, repertory A No. 6155/2010.

The Company headquarters is located in Warsaw (02-595), ul. Puławska 61..

The Company is registered in the register of the National Court Register kept by the District Court, XIII Commercial Division of the National Court Register under number 0000363674.

The Company's National Company Register - REGON 015 514 227.

The Company has a tax identification number 5213248560.

The Company's duration is indefinite.

The core business of the Company is the television business.

The direct parent company of the Company is SPI International Polska Sp. z o.o.

2. Identification of the consolidated financial statement

The Company will first draw up a consolidated financial statement for the year ended December 31st, 2011.

3. Composition of the Management Board and the Supervisory Board

The Management Board of the Company as of December 31st, 2011 consisted of:

- Chairman of the Board – Piotr Reich
- Board Member – Bogusław Kisielewski

During the reporting period and up to the date of approval of thereafter financial statements, the Management Board has not changed.

The Supervisory Board of the Company as of December 31st, 2011 consisted of:

- Loni Farhi - Chairman of the Supervisory Board,
- Stacey Sobel - Vice Chairman of the Supervisory Board,
- Piotr Orłowski - Member of the Supervisory Board,
- Witold Antoni Adamek - Member of the Supervisory Board,
- Krzysztof Seweryn Szymański - Member of the Supervisory Board.

4. The Company's investments

The Company has the following investments in subsidiaries, jointly controlled and associated companies:

<i>Head Unit</i>	<i>Headquarters</i>	<i>The principal activity</i>	<i>The Company's percentage share in the capital</i>	
			<i>December 31st, 2011</i>	<i>December 31st, 2010</i>
Stopklatka S.A	ul. Puławska 61 02-575 Warszawa	Internet website	79,04%	65,21%
Cyfrowe Repozytorium Cyfrowe Sp.z o.o.	ul. Puławska 61 02-575 Warszawa	Reconstruction/Digitali zation	60,00%	0,00%

As of December 31st, 2011 in the total number of votes held by the Company in subsidiaries, jointly controlled and associated companies is equal to the share in equity of these entities.

5. Basis for preparation of the financial statement

5.1. Judgments and estimates made

The preparation of financial statement in accordance with EU IFRS requires from the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and present value of assets, liabilities, revenues and expenses whose actual values may differ from the estimated values. The estimates and associated assumptions are subject to ongoing verification. Changes in accounting estimates are recognized prospectively from the period in which the estimate is revised.

Tangible assets that qualify for recognition as an asset are measured initially at purchase price or at production cost. The Company has adopted a policy regarding the method of evaluation based on cost. After initial recognition of the tangible fixed assets, as a part of the assets, it must be shown at purchase price or at production cost diminished by any accumulated depreciation and any accumulated impairment losses. Depreciation is based on the method of lift.

Intangible assets are identifiable non-monetary assets without physical substance, over which the Company has control and which bring future economic benefits. The component of intangible assets are initially valued at acquisition or production cost. Depreciation of intangible assets is done on a straight-line method over a period of two years or longer in order to accurately reflect the actual degree of depletion of these assets. Property rights with indefinite utilization are not depreciated. The prerequisite of setting the period of such utilization is its nature and the lack of legal and market constraints on the time of its publication.

5.2. Basis for evaluation

The hereinafter financial statement has been prepared under the historical cost convention.

The hereinafter financial statement as presented in Polish zloty ("PLN") and all values, unless otherwise indicated, are given in full PLN.

The hereinafter financial statement has been prepared assuming that the Company shall continue its economic activity in a foreseeable future. At the date of approval of the hereinafter financial statement there is no indication of any existence of evidence of any threat of the Company's discontinuing its activity.

5.3. Statement of compliance

The hereinafter financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS as adopted by the EU. IFRS comprise standards and interpretations as adopted by

the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

5.4. Functional currency and the currency of the financial statement

The Company's functional currency and reporting currency of the hereinafter financial statement is Polish zloty.

5.5. Correction of errors

The Company did not make adjustments to retained earnings of the previous years.

6. Significant Accounting Policies

The accounting principles (policy) described below were used by the Company for all periods presented in the hereinafter financial statement on a continuous basis.

The rules (policies) applied to the hereinafter financial statement are consistent with those applied in preparing financial statement for the year ended on December 31st, 2010, with the exception of application of the following amendments to standards and new interpretations effective for annual periods beginning on January 1st, 2011.

Presented below are the new or amended regulations of IAS and IFRS and the new IFRIC interpretations that the Company has applied this year. Their use had no significant effect on the hereinafter financial statement of the Company.

Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issued* - effective for annual periods beginning on February 1st, 2010 or later. This change did not affect the presented financial situation nor on results of the Company's activities,

Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issued* - effective for annual periods beginning on February 1st, 2010 or later. This change did not affect the presented financial situation nor on results of the Company's activities,

Amendments to IFRIC 14 IAS 19 - *The Asset Limit on a Defined Benefit, Minimum Funding Requirements and their Interaction: prepay the minimum funding requirement* - applicable to annual periods beginning on or after January 1st, 2011 or later. This change did not affect the presented financial situation nor on results of the Company's activities,

IFRIC 19 *Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after July 1st, 2010 or later. This change did not affect the presented financial situation nor on results of the Company's activities,

Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards* for the first time: limited exemption from the requirement to present comparative information required by IFRS 7 for applying IFRS for the first time - effective for annual periods beginning on or after July 1st, 2010 or later. The application of these changes did not affect the presented financial situation or had any results on operations of the Company,

Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards: limited exemption from the requirement to present comparative information required by IFRS 7 for applying IFRS for the first time* - effective for annual periods beginning on or after July 1st, 2010 or later. The application of these changes did not affect the presented financial situation nor on results of the Company's activities,

Changes resulting from the review of the IFRS (published in May 2010) - part of the change is effective for annual periods beginning on or after January 1st, 2011. The application of these changes did not affect the presented financial situation nor on results of the Company's activities

Amendments to IFRS 7 *Financial Instruments: Disclosures: transfer of financial assets* - applicable to annual periods beginning on or after July 1st, 2011 or later. The application of these changes did not affect the presented financial situation nor on results of the Company's activities.

The Company has not opted for early application of any standard, interpretation or amendment, which was published but not yet entered into force.

The Management Board does not expect that the introduction of these standards and interpretations should have a significant impact on applied by the Company accounting principles (policy)

7. New standards of interpretation that have been published and not yet entered into force

The following standards and interpretations have been issued by the International Accounting Standards and Interpretations Board or the Committee of International Financial Reporting, and not yet entered into force:

The first phase of IFRS 9 *Financial Instruments: Classification and measurement* - effective for annual periods beginning on or after January 1st, 2015 or later – at the date of approval of the hereinafter financial statements not approved by the EU. In subsequent phases the International Accounting Standards Board will deal with hedge accounting and impairment.

Amendments to IAS 12 *Income Taxes: Implementation of the tax asset* - applicable to annual periods beginning on or after January 1st, 2012 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

IFRS 10 *Consolidated Financial Statements* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

IFRS 11 *Joint ventures* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

IFRS 12 *Disclosure of interests in other entities* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

IFRS 13 *Evaluation at fair value* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

Amendments to IAS 19 *Employee Benefits* - applicable to annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,
Amendments to IAS 1 *Presentation of Financial Statements: Presentation of the items of other comprehensive income* - applicable to annual periods beginning on or after July 1st, 2012 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards: a significant hyperinflation and the removal of a fixed date for applying to IFRS for the first time* - effective for annual periods beginning on or after July 1st, 2011 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

IFRIC 20 The costs of removing overburden in the production phase in open-cast mine, which is applicable for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

Amendments to IFRS 7 *Financial Instruments: Disclosures: Offsetting financial assets and financial liabilities* - applicable to annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU,

Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting financial assets and financial liabilities* - applicable to annual periods beginning on or after January 1st, 2014 or later - at the date of approval of the hereinafter financial statements not approved by the EU.

Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards: a significant hyperinflation and the removal of a fixed date for applying to IFRS for the first time* - effective for annual periods beginning on or after July 1st, 2011 or later - at the date of approval of the hereinafter financial statements not approved by the EU.

IAS 27 *Separate Financial Statements* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU.

IAS 28 *Investments in associate companies and joint ventures* - effective for annual periods beginning on or after January 1st, 2013 or later - at the date of approval of the hereinafter financial statements not approved by the EU.

The Management Board does not expect that the introduction of these standards and interpretations should have a significant impact on applied by the Company accounting principles (policy), with the exception of accounting changes that will result from the changes introduced by IFRS 9. In terms of IFRS 9 Financial Instruments, the Company is currently analysing the impact of the introduction of such standard on the financial statements.

8. Significant accounting policies

8.1. Conversion of items denominated in foreign currency

Transactions denominated in foreign currencies at the date of the transaction are recognized in the entity's functional currency using the exchange rate announced by the Polish National Bank the day before the date of the transaction. Cash flows denominated in foreign currencies on the cash flow day are recognized in the entity's functional currency using the rate of purchase / sale of the bank through which the cash flow was realized.

At the balance sheet date, all monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into Polish zlotys, respectively, using the current reporting period average exchange rate for a given currency by the Polish National Bank. The resulting exchange differences are recognized respectively in the position of financial income (expenses). Non-monetary assets and liabilities recognized in terms of historical costs given in foreign currency are recorded at historical exchange rate of the transaction.

8.2. Tangible fixed assets

Tangible fixed assets are stated at cost or production cost diminished by accumulated depreciation and impairment losses. The initial value of fixed assets comprises of its purchase price plus all costs directly related to the purchase and adaptation of the asset to a condition for use. The cost also includes the cost of replacing components of machines and equipment when it is incurred, if the recognition criteria are met. Costs incurred after the date of commissioning of the asset for use, such as maintenance and repair costs, charge profit or loss when incurred.

Fixed assets at the time of purchase will be divided into component parts which are items of significant value and which can be assigned a distinct period of economic usefulness. The cost of general repairs constitutes also a part of the above.

The residual value, period of usage and the depreciation method of assets shall be verified annually, and if necessary corrected. The depreciation is calculated on a straight line.

A particular item of tangible assets may be removed from the balance sheet after it has been sold or if there are no expected economic benefits of continued use of the asset. Any gains or losses resulting from the removal of the asset from the balance (calculated as the difference between the possible net proceeds from the sale and the carrying value of the item) is recognized in profit or loss for the period in which such removal was made.

Assets under construction relate to these assets that are under construction or assembly, and are stated at acquisition or production cost diminished by any impairment losses. Tangible fixed assets under construction are not depreciated until construction is completed and there has been transfer of the asset to use.

8.3. Intangible Assets

Intangible assets acquired in a separate transaction or produced (if they meet the diagnosis for the development costs) are measured at initial recognition of cost, respectively, or cost of production. The purchase price of intangible assets acquired in business combination is equal to their fair value at the date of the merger. After initial recognition, intangible assets are carried at their cost diminished by any accumulated depreciation and impairment losses. Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures for development work, are not capitalized and are included in the cost of the period in which they are incurred.

Intangible assets with a limited period of use are depreciated over the life of two years or longer and are tested for impairment whenever there are indications of loss of their value. The period and depreciation method of intangible assets with limited economic use are reviewed at least at the end of each financial year. Changes in the expected limited use or expected pattern of consumption of economic benefits derived from the asset are accounted for by changing the period or the depreciation method and treated as changes in accounting estimates. Depreciation of intangible assets with limited use is recognized in profit or loss in weight of this category that corresponds to the function of the intangible asset.

Intangible assets with indefinite period of use and those that are not used, shall be tested for impairment in respect of individual assets or at the level of cash.

8.4. Leasing

Finance leases, which transfer to the Company substantially all the risks and rewards of ownership of the leased asset, are recognized in the statement of financial position at the inception of the lease at the lower fair value of the following two assets: fair value of the fixed assets being the subject of the lease or value of the minimum lease payments. The lease payments are apportioned between finance charges and the reduction of the balance of lease obligations, so as to obtain a fixed rate of interest on the outstanding liability. The financial expenses are recognized in profit or loss, except when the requirements for capitalization are met.

Fixed assets under finance leases are depreciated over the shorter of two periods: the estimated period of use of the asset or the lease term

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Lease payments under an operating lease and subsequent lease instalments are recognized as operating expenses in the profit or loss on a straight line basis over the lease term. Contingent lease payments are recognized as an expense in the period in which they become due.

As of December 31st, 2010 the Company has three leases. Two for cars and one for computer equipment.

8.5. Impairment of fixed assets

At each balance sheet date, the Company assesses whether there is any indication that one of the components of fixed assets may be impaired. Should this be the case, or, if it were necessary to conduct an annual test to check whether the impairment has occurred, the Company shall estimate the recoverable amount of an asset or cash-generating unit to which the asset belongs.

Recoverable value of an asset is its fair value diminished by costs to sell the asset or, where appropriate, the cash-generating unit, or its value in use, depending on which one is higher. Recoverable amount is determined for individual assets, unless the asset does not generate cash inflows independently, the latter being largely

independent from the generated by other assets or groups of assets. If the asset's carrying amount is greater than its recoverable amount, there occurs the loss of value and the deduction is made to the recovered fixed value

In assessing value in use, the projected cash flows are discounted to their present value using a discount rate before taking into account the effects of taxation that reflects current market assessment of the value of money and the risks specific to the asset. Write-offs for impairment of assets used on continuing operations are recognized in these categories of costs which correspond to the function of the asset for which the impairment was found.

8.6. Shares in subsidiaries, associate companies and joint ventures

Shares in subsidiaries, associate companies and joint ventures are accounted for at historical cost after considering the impairment losses.

8.7. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets at fair value through profit,
- Loans and receivables,
- Financial assets available for sale.

8.8. Stock

Stock are valued at the lower of two values: the purchase price or production cost and realizable net selling price.

Costs incurred in bringing each component of the stock to its present location and condition - both for the current and previous year - are recognized as follows:

The materials	• at cost determined using the "first in, first out"
Finished goods and goods in progress	• the cost of direct materials and labour and an appropriate mark-up fixed production overheads assuming normal utilization of capacity, excluding borrowing costs
The goods	• at cost determined using the "first in, first out"

Net selling price is possible to obtain the estimated selling price in the ordinary course of business diminished by the estimated costs of completion and costs necessary to finalize the sale.

8.9. Trade and services receivables and other receivables

Trade and services receivables are recognized and carried at original invoiced amounts, including the allowance for write-off for doubtful debts. The write-off of the claims estimation occurs when the collection of the full amount is no longer probable.

In case where the time value of money is significant, the value of receivables is determined by discounting expected future cash flows to present value, using the gross discount rate reflecting current market assessments of time value of money. If the method is applied in discounting, increased charges in connection with the passage of time is recognized as financial income.

Other amounts duties include, in particular, provided for future purchases of fixed assets advances, intangible assets and inventories. The advances are presented according to the nature of the assets to which they refer - non-current assets or working capital. As non-monetary assets, the advance are not discounted. The receivables are presented in the budget under other charges except for charges of income tax from legal entities which constitute a separate item on the balance sheet.

8.10. Cash and cash equivalents

Cash and short-term deposits, as presented the balance sheet, comprise cash at bank and in hand and short-term deposits with original maturity not exceeding three months.

The balance of cash and cash equivalents disclosed in the hereinafter financial statement as cash flows, consists of the above cash and cash equivalents, diminished by unpaid loans in the accounts.

8.11. Interest-bearing loans, borrowings and debt securities

Upon initial recognition, all bank loans, loans and debt securities are recognized at fair value, diminished by costs associated with obtaining of such a loan.

After initial recognition, interest bearing loans, borrowings and debt securities are valued at depreciated cost using the effective interest method. While determining the depreciated cost, the costs associated with obtaining a loan or loans and discounts or premiums received in respect of an obligation are to be taken in consideration.

The income and expenses are recognized in profit or loss when the liability is removed from the balance sheet, as well as when applying the effective interest method.

8.12. Trade and service payables and other payables

Liabilities for goods and services are recognized at amounts due.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at depreciated cost using the effective interest method.

The Company excludes from its balance sheet such financial obligation which has extinguished - i.e. when the obligation specified in the contract is discharged, cancelled or expired. Replacement of the existing debt instrument by other instrument of substantially different conditions made between the same parties, the Company recognizes as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, any significant modifications to the existing agreement, the Company recognizes as a financial liability and extinguishment of the original and the inclusion of a new financial liability. The resulting differences arising from the exchange of respective carrying amounts are shown in the profit or loss.

Other non-financial liabilities include in particular the obligations to the tax office on the revenue of tax on goods and services and the obligation to repay advances, which will be settled by delivery of goods, services or assets. Other non-financial liabilities are recognized at the amount due.

8.13. Provisions

Provisions are recognized when the Company is aggravated with present obligation (legal or estimate) arising from past events, and when it is probable that the fulfilment of this obligation will required an outflow of economic benefits and that it can be reliably estimated. If the Company expects that the costs covered by the provision may be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when it is virtually certain that this reimbursement will actually occur. Costs relating to the reserves are presented in the report on total income diminished of any reimbursement.

In case when the impact of time value of money is important, the amount shall be determined by discounting expected future cash flows to present value, using the gross discount rate reflecting current market assessments of time value of money and a possible risk associated with the obligation. If the method is applied to the discounting, the provision increase in connection with the passage of time is recognized as financial costs.

8.14. Accruals

Active accruals presented in the assets, encompass a position to settle in time the cost of future periods. The main items are the expenses incurred on the rights for the period of up to one year and due to their nature and duration of use, do not meet the definition of intangible assets.

Non-active accrued liabilities presented in liabilities encompass direct costs for year 2011 and documents were issued in the next reporting period.

8.15. Retirement and jubilee awards

In line with the company's remuneration policy, the Company's employees are not entitled to the above awards.

8.16. Distribution of profit for the purposes of employment and social funds

Not applicable

8.17. Revenues

Revenues are recognized in the amount, in which it is probable that the Company will receive the economic benefits associated with the transaction and when the amount of revenue can be measured reliably. Revenues are recognized at the fair value of consideration received or receivable, diminished of value added tax (VAT) and excise duties and rebates. At the recognition the revenue, the below criteria shall apply.

Sales of goods and products are diminished when the significant risks and benefits of ownership of the goods and products are transferred to the purchaser and when the amount of revenue can be measured reliably. Revenues from services are recognized for the period to which they relate.

Interest income is covered successively as it accrues (taking into account the effective interest method, constituting the rate discounts of future cash inflows over the estimated duration of the financial instruments) in relation to the net carrying amount of the financial asset.

Dividends are covered when determining the rights of shareholders to receive them.

8.18. Taxes

8.18.1 Current tax

Payables and receivables of current tax for current and prior periods are measured at the amounts expected to be paid to the tax authorities (recoverable from tax authorities) at certain tax rates and tax laws, which legally or *de facto* already existed at the balance sheet date.

8.18.2 Deferred Tax

For financial reporting purposes, deferred taxes are calculated using the liability method for temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying value as disclosed in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences

- except where the deferred tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction not constituting a business combination and at its conclusion affecting neither accounting profit nor taxable profit or loss tax and
- for taxable temporary differences associated with investments in subsidiaries and associate companies and interests in joint ventures - with the exception of situations where timing of the reversal of temporary differences is controlled by the investor and it is probable that in the foreseeable future, the temporary difference will not reverse.

Deferred tax assets are recognized for all deductible temporary differences and unused tax credits and unused tax losses carried forward to subsequent years, in such amount, that it is likely, that it may be of a taxable profit which will allow to use the above mentioned differences, assets and losses

- except where the deferred tax on temporary differences arising from the initial recognition of an asset or liability in a transaction not constituting a business combination and at its conclusion affects neither accounting profit nor taxable profit or loss tax and
- in the case of deductible temporary differences arising from investments in subsidiaries and associate companies and interests in joint ventures, the asset of the deferred tax is recognized on the balance sheet date only in such amount, as it is probable, that in the foreseeable future, the above mentioned differences may be reversed and will profit in a taxable income, which will allow for the deduction of any deductible temporary differences.

The asset's carrying amount of deferred tax is reviewed at each balance sheet date and is reduced appropriately so that the sufficient taxable income to the partial or total asset of deferred tax assets may be realized. Any unrecognized component of deferred tax income shall be reassessed at each balance sheet date and is recognized for the amount that reflects the probability of future taxable income that will allow for the recovery of the asset.

Deferred income tax and deferred tax provisions are measured using tax rates that are expected to apply during a period when the asset is realized or the liability is settled, based on tax rates (and tax laws) in force at the balance sheet date or those whose validity in the future is uncertain at the balance sheet date.

Income tax relating to items recognized outside profit or loss is recognized outside profit or loss: in other comprehensive incomes relating to items recognized in other comprehensive income or directly in equity relating to items recognized directly in equity.

The Company compensates each deferred income tax reserve for deferred income tax if and only if it has enforceable legal right to carry out the compensation due to commitments in respect of current tax and if the deferred tax is related to the same taxpayer and the same tax authority.

8.18.3 Tax on goods and services

Revenues, expenses, assets and liabilities are recognized net of the value of the tax on goods and services, except when:

- the tax on goods and services paid on the purchase of assets or services is not recoverable from tax authorities; then it is recognized respectively as part of the cost of an asset or as a part of the cost item and
- receivables and payables which are recognized including the amount of tax on goods and services.

The net amount of tax on goods and services possible to recover or to be paid to the tax authorities is included in the balance as part of receivables or liabilities.

8.19. Net earnings per share

Net earnings per share for each period is calculated by dividing net profit for the period by the average weighted number of shares during the reporting period.

8.20. Liquidity risk

The Company monitors the risk of lack of funds with periodic liquidity planning tool. This tool takes into account maturities / maturity of both the investment and financial assets (such as receivable accounts, other financial assets) and projected cash flows from operating activities.

The Company aims to maintain a balance between continuity of funding and flexibility through the use of different sources of financing such as overdrafts, bank loans, finance lease.

8.21. Credit Risk

The Company enters into transactions only with reputable companies with creditworthiness. All customers who wish to use trade credit, are subjected to initial verification procedures. Furthermore, due to up to date monitoring of receivables, the Company's exposure to the risk of bad debts is not significant.

In respect to other financial assets of the Company, such as cash and cash equivalents, the Company's credit risk arises from the inability to make payment by the other party, and the maximum exposure to this risk is equal to the carrying amount of these instruments.

In the Company there are no significant concentrations of credit risk.

8.22. Foreign exchange risk

The Company is not exposed to currency risk arising from the transactions. Such risk arises from the performance of operations of a sales or purchase unit in currencies other than the currency valuation.

8.23. Interest rate risk

The Company is not exposed to risks due to changes in interest rates. The Company manages interest rate costs by using both fixed-rate and variables obligations.

8.24. Retained earnings and dividend restrictions

The Company will not pay a dividend for the year 2011.

9. Additional information and explanations including notes

9.1. Information on affiliated companies - note 1

name of the company	headquarters	consolidation method used	date of obtaining control	percentage of capital held	total number of votes at the shareholders meeting
Stopklatka S.A.	Ul. Puławska 61 02-575 Warszawa	The full consolidation method	03-12-2010	79,04%	79,04%
Cyfrowe Repozytorium Filmowe Sp. z o.o.	Ul. Puławska 61 02-575 Warszawa	The full consolidation method	14-12-2011	60,00%	60,00%

Key financial data of subsidiaries as of December 31st, 2011

name of the entity (company) and its legal form	sales profit	Gross profit	Net profit	equity
Stopklatka S.A.	4 248 133,71	(626 827,02)	(619 543,78)	2 356 327,48
Cyfrowe Repozytorium Filmowe Sp. z o.o.	648 951,53	(90 747,45)	(87 854,15)	1 429 388,67

9.2. Courses taken in the valuation balance sheet – note 2

Rate applicable on the last day of the period	31.12.2011	31.12.2010
USD	3,4174	2,9641
EUR	4,4168	3,9603
GBP	5,2691	4,5938
CZK	0,1711	0,1580
Average exchange rate, calculated as an arithmetic average of the last day of each month during the period	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
USD	2,9679	3,0402
EUR	4,1401	4,0044
GBP	4,7537	4,6901
CZK	0,1539	0,1585

At the balance sheet date the amounts in foreign currencies are translated at average exchange rate of the NPB as of December 31st, 2011.

9.3. Operating segments – Note 3

Revenues	2011	2010
Sales to external customers, including:		
- broadcast activity	41 988 912,79	35 041 783,50
- publishing	75 308,61	168 748,72
- the sale of rights	584 078,08	1 262 879,79
- advertisement	5 631 878,45	8 590 179,99
- VOD	4 981 284,80	1 181 052,65
- other services	1 357 490,60	1 046 381,88
- production of channels	25 651 596,31	-

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- the sale of goods	131 399,80	433,00
Total segment revenue	80 401 949,44	47 291 459,53

Costs

	2011	2010
Cost of sales to external customers		
- The costs of broadcasting	(37 659 176,99)	(23 364 864,97)
- The cost of publishing	(315 383,95)	(283 834,09)
- The cost of advertising	(2 099 118,72)	(2 940 523,92)
- The cost of sales	(1 013 327,08)	(1 134 867,22)
- The costs of VOD	(3 549 007,37)	(1 056 856,02)
- Other overhead costs	(4 633 567,38)	(7 578 014,93)
- The costs of production of channels	(20 540 759,08)	-
- The cost of goods and materials sold	(55 678,91)	(433,00)
Total segment expenses	(69 866 019,48)	(36 359 394,15)

Information on geographical areas

01.01.2011-31.12.2011	Poland	Europe	Other	Total
Revenue				
Sales to external customers	53 451 667,43	26 950 282,01	-	80 401 949,44
Total Segment Revenue	53 451 667,43	26 950 282,01	-	80 401 949,44

01.01.2010-31.12.2010	Poland	UE	Other	Total
Revenue				
Sales to external customers	47 245 645,77	45 813,75	-	47 291 459,52
Total Segment Revenue	47 245 645,77	45 813,75	-	47 291 459,52

9.4. Costs by type – note 4

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Depreciation of tangible and intangible assets	(3 280 029,74)	(2 524 294,26)
Employee benefit costs	(10 278 381,23)	(5 828 220,60)
Materials and energy	(958 720,35)	(731 738,43)
External services	(53 516 325,73)	(25 702 346,61)
Taxes and fees	(1 157 184,00)	(1 193 616,84)
Property and casualty insurance	-	-
Costs of research and development	-	-
Other costs, including	(619 699,52)	(378 744,41)
- Write-offs of inventories	-	-
- Other costs	(619 699,52)	(378 744,41)
- Reversal of write-offs of inventories	-	-
- Write-offs of receivables	-	-
- Reversal of impairment losses on receivables	-	-
- Exchange differences on liabilities for goods and services	-	-
- Other operating expenses	-	-

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Value of goods and materials	(55 678,91)	(433,00)
Total costs by type	(69 866 019,48)	(36 359 394,15)

Change in products, production of the year and accruals (+ / -)	-	-
Value of sold goods and materials,	(55 678,91)	(433,00)
- Write-offs of receivables	-	-
- Reversal of impairment losses on receivables	-	-
- Write-offs of inventories	-	-
- Reversal of write-offs of inventories	-	-
- Exchange differences on liabilities for goods and services	-	-
The cost of manufacturing products for own consumption (-)	-	-
Cost of sales (+)	(1 013 327,08)	(1 134 867,22)
General and administrative expenses (+)	(4 633 567,38)	(7 578 014,93)
Cost of products sold (+)	(64 163 446,11)	(27 646 079,00)

The total costs of products, goods and materials, sales and administrative expenses	(69 866 019,48)	(36 359 394,15)
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Employee benefit costs	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Salary costs (+)	8 956 564,14	4 933 262,67
The costs of social insurance and other benefits (+)	1 267 970,99	810 374,06
Revenues from social activities (-)	-	-
Financing company welfare facilities from the Social Fund (-)	-	-
The costs of operation and maintenance of on-site welfare facilities (+)	-	-
The costs of future benefits (provisions) in respect of retirement, awards and other similar employee benefits (+ / -)	53 846,10	84 583,87
Awards from the net profit (+)	-	-
Write-offs to Social Fund net profit (+)	-	-
Total costs of employee benefits	10 278 381,23	5 828 220,60

9.5. Other operating income - note 5

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net profit on disposal of fixed assets	-	-
Solution impairment in intangible assets	-	-
Solution of impairment of fixed assets	-	-
Settlement of the cash inventory and fixed assets	-	-
Profit from the liquidation of fixed assets and intangible assets	-	-
Income from rental of investment property	-	-
Profit from the resale of services, re-invoiced payments	-	-
Release of provisions for liabilities in question	50 000,00	249 500,00
Subsidies received	-	10 000,00
Donations received	-	-
Cancelled commitments	-	-
Penalties and compensations received	-	-
Remuneration of taxpayer and social security contributions	-	-
Refund of taxes	-	-
Other	8 013,99	143 936,15
Total other operating income	58 013,99	403 436,15

9.6. Other operating expenses - note 5.1

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net loss on disposal of fixed assets	(19 659,22)	-

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Impairment of intangible assets	-	-
Impairment of tangible fixed assets	-	-
The write-off of the interest charges	-	-
Reversal of write-off for loans and interest (-)	-	-
Settlement of cash inventory and fixed assets	-	-
Loss from liquidation of fixed assets and intangible assets	-	-
Other operating expenses of investment property not generating rental income, including:	-	-
- Depreciation costs	-	-
Other operating expenses for investment properties generating rental income, including:	-	-
- Depreciation costs	-	-
Loss from the resale of services, re-invoicing of payment	-	-
Donations given	-	-
Returns of grants	(9 237,74)	-
Costs related to non-utilization of assets and production capacity	-	-
The costs of discontinued operations	-	-
Expenditure of written-off fixed assets under construction	-	-
Provisions for liabilities in question	-	(50 000,00)
Penalties	(20 276,64)	-
Other	(83 922,95)	(52 765,49)
Total other operating expenses	(133 096,55)	(102 765,49)

9.7. Financial income - Note 6

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Income from interest	712 206,69	9 554,78
- Bank deposits	694 003,14	9 543,67
- Receivables	17 450,39	-
- Liabilities	753,16	11,11
Dividends received	-	-
Gains from foreign exchange differences on assets and liabilities other than receivables and trade payables	-	-
Changes in long-term receivables (the effect of rolling discount)	-	-
Income from derivative instruments	-	-
Profit on disposal of shares and other securities	-	-
Other financial income	-	-
Total financial income	712 206,69	9 554,78

9.8. Financial costs - note 6.1

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Interest expenses	(165 319,53)	(64 418,36)
- from credits	(84 402,63)	(16 237,17)
- from loans	-	(18 338,96)
- from bond issues	-	-
- for goods and services	(603,34)	(2 153,68)
- net interest income budget	(3 955,38)	(18 194,23)
- finance lease	(43 358,18)	(9 494,32)
- other interest	(33 000,00)	-
Losses from foreign exchange differences on assets and liabilities other than receivables and trade payables	-	-
The effects of the valuation of loans received using the depreciated cost method	-	-
Changes in long-term receivables (the effect of rolling discount)	-	-

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Costs arising from derivatives	-	-
Loss on disposal of shares and other securities	-	-
Other financial costs, foreign exchange differences	(230 237,01)	(220 722,26)
Total financial expenses	(395 556,54)	(285 140,62)

9.9. Income tax - note 7

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Profit and loss account		
Current income tax	(1 703 822,00)	(1 865 646,00)
Current burden of income tax	(1 703 822,00)	(1 865 646,00)
Adjustments for current income tax of previous years	-	-
Deferred income tax	(71 432,69)	(74 418,88)
Relating to origination and reversal of temporary differences	(71 432,69)	(74 418,88)
Income tax expense recognized in the profit and loss	(1 775 254,69)	(1 940 064,88)

Report of Changes in Equity

Current income tax	-	-
Tax effect of share capital increase costs / capital	-	-
Deferred income tax	-	-
Tax on unrealized gains / (losses) on financial assets available for sale	-	-
Tax billed during the year on cash flow hedges	-	-
Tax advantage / (charge to tax) reported in equity m	-	-

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Profit / (loss) before tax from continuing operations	10 777 497,55	10 957 150,20
Profit / (loss) before tax from discontinued operations	-	-
Profit / (loss) before tax	10 777 497,55	10 957 150,20
Expenses not deductible for income	715 576,24	1 114 198,91
- impairment charges	-	-
- other provisions concerning obligations in question	-	50 000,00
- provision for costs	191 429,97	137 583,87
- provision for losses	-	-
- exchange differences	59 815,43	26 860,99
- penalty fees to the budget	3 955,38	18 194,23
- VAT on receivables written into an arrangement	-	-
- interest payable	-	11,88
- PFRON	68 144,00	43 527,00
- debts written off	-	-
- other costs (non tax-deductible costs)	312 631,14	738 098,82
- remuneration of civil contracts	6 550,33	54 996,32
- Social Security	-	-
- Other	73 049,99	44 925,80
Tax expenses not included in the cost accounting	(2 446 845,34)	(1 095 920,66)
- interest paid	-	(29 533,74)
- exchange differences	(21 507,63)	(58 032,02)
- remuneration of civil contracts	(56 864,32)	(23 043,35)
- Social Security	-	-
- tax depreciation	(260 856,27)	-
- other	(1 638 747,65)	-
- provision for costs	(137 583,87)	(64 000,00)

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- adjustments to MSR/ IAS	(331 285,60)	(921 311,55)
Accounting income not included in the tax	(84 328,02)	(413 011,77)
- excess revenues accrued over invoiced	-	-
- release of provisions for claims	-	-
- release of provisions for disputes	(50 000,00)	(249 500,00)
- unrealized exchange differences	(27 588,71)	(9 740,94)
- dividend	-	-
- granted budget interest	-	-
- overdue obligations	-	-
- due to differences in inventory	-	-
- accrued interest	(6 739,31)	-
- other	-	(46 284,81)
- adjustments to IAS	-	(107 486,02)
Tax revenues not included in the accounting	5 582,67	49 006,72
- interests received	-	-
- exchange differences	5 582,67	49 006,72
Deductions from income (e.g. donations)	-	(838 517,65)
- donations	-	-
- loss as of year 2004	-	-
- loss as of year 2005	-	(103 584,75)
- loss as of year 2006	-	(734 932,90)
	(1 810 014,45)	(1 184 244,45)
The tax base	8 967 483,10	9 772 905,75
Deferred income tax	(71 432,69)	(74 418,88)
Income tax as shown in the profit and loss account	(1 775 254,69)	(1 940 064,88)
Income tax attributed to discontinued operations	-	-
Profit / (loss) after tax	9 002 242,86	9 017 085,32

Reconciliation of effective tax rate

Reconciliation of income tax on earnings before tax at the statutory tax rate of income tax calculated according to the Company's effective tax rate for the financial year ended December 31st, 2011 and December 31st, 2010 is as follows:

	31.12. 2011	31.12.2010
Profit before tax from continuing operations	10 777 497,55	10 957 150,20
Profit before tax from discontinued operations	-	-
Profit before tax	10 777 497,55	10 957 150,20
Tax at statutory tax rate 19% as applied in Poland, of 19%	(2 047 725,00)	(2 081 859,00)
Adjustments for current income tax of previous years	-	159 318,00
Unrecognized tax losses	-	-
The capital allowances	-	-
Use of previously unrecognized tax losses	-	-
Expenses not deductible for income	328 941,00	(3 473,00)
Revenues not taxable	14 962,00	69 161,00
Other	-	-
Tax at effective tax rate of 16,07% (2010: 19,85%)	(1 703 822,00)	(1 856 853,00)
Income tax (duty) included in profit or loss	(1 775 254,69)	(1 940 065,00)
Income tax attributed to discontinued operations	-	-
	(1 775 254,69)	(1 940 065,00)

Deferred income tax 31.12.2011

Deferred tax assets and provisions for deferred tax	Deferred tax assets	Reserves for deferred income tax	Net
Tangible fixed assets	-	-	-
Investment Property	-	-	-
Intangible assets	-	62 972,98	(62 972,98)
Investments in subsidiaries, jointly controlled and associated	-	-	-
Other financial assets	-	1 280,28	(1 280,28)
Long-term receivables	-	-	-
Inventories	-	-	-
Trade and service receivables and other receivables	-	-	-
Claims related to income tax	-	-	-
Accruals	-	-	-
Cash and cash equivalents	-	-	-
Other financial assets	-	-	-
Loans and advances	-	-	-
Tax loss	-	-	-
Reserves	26 301,70	-	26 301,70
Trade and service receivables and other receivables	10 070,00	-	10 070,00
Other financial liabilities	10 506,46	4 357,37	6 419,09
Other	-	-	-
Assets / reserves for deferred tax	46 878,16	68 610,63	(21 732,47)
A write-off of an assets' value	-	-	-
Assets / reserves for deferred tax in the balance sheet	46 878,16	68 610,63	(21 732,47)

Deferred income tax 31.12.210

Deferred tax assets and provisions for deferred tax	Deferred tax assets	Reserves for deferred income tax	Net
Tangible fixed assets	-	-	-
Investment Property	-	-	-
Intangible assets	-	-	-
Investments in subsidiaries, jointly controlled and associated	-	-	-
Other financial assets	-	-	-
Long-term receivables	-	-	-
Inventories	-	-	-
Trade and service receivables and other receivables	-	-	-
Claims related to income tax	-	-	-
Accruals	-	-	-
Cash and cash equivalents	-	-	-
Other financial assets	-	-	-
Differences between SCN and the value of obligations	-	-	-
Loans and advances	-	-	-
Tax loss	-	-	-
Reserves	25 570,94	-	25 570,94
Trade and service receivables and other receivables	10 070,00	-	10 070,00
Other financial liabilities	5 105,85	1 850,78	3 255,07
Other	10 804,21	-	10 804,21
Assets / reserves for deferred tax	51 551,00	1 850,78	49 700,22
A write-off of an assets' value	-	-	-
Assets / reserves for deferred tax in the balance sheet	51 551,00	1 850,78	49 700,22

9.10. Discontinued operations - note 8

Results	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Revenues	-	-
Costs	-	-
Profit / (loss) before tax	-	-
Financial income	-	-
Profit / (loss) before tax	-	-
Loss from revaluation of fair value minus sell costs	-	-
Loss before tax from discontinued operations	-	-
Income Tax:	-	-
- Resulting from the profit / (loss) before tax	-	-
- Resulting from revaluation of fair value minus sell costs	-	-
The net loss attributed to discontinued operations	-	-

Main classes of assets and liabilities valued at the lower value among: the carrying and fair value diminished by disposal expenses.

	31.12.2011	31.12.2010
Assets	-	-
Intangible Assets	-	-
Tangible fixed assets	-	-
Receivables for goods and services	-	-
Cash and cash equivalents	-	-
Fixed assets classified as held for sale	-	-
Liabilities	-	-
Liabilities from goods and services	-	-
Loans and advance	-	-
Liabilities directly associated with fixed assets classified as held for sale	-	-
Net liabilities attributed to discontinued operations	-	-

The net cash flows of the company	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Inflows / (outflows) of net cash	-	-

9.11. Social assets as liabilities of the Social Fund- note 9

Fixed assets contributed to the Fund	-	-	-
Description	Book value 31.12.2011	Book value 31.12.2010	Write-off for the financial period
Land	-	-	-
Buildings, premises and civil engineering	-	-	-
Plant and equipment	-	-	-
Means of transport	-	-	-
Other fixed assets	-	-	-
Construction in progress	-	-	-
Total	-	-	-

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	31.12.2011	31.12.2010
Fixed assets contributed to the Fund	-	-
Loans to employees	-	-
Cash and cash equivalents	-	-
Liabilities of the Social Fund	-	-
The balance after compensating	-	-
Write-offs for the Fund during the financial period	-	-

9.12. Earnings per share - note 10

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net income from continuing operations	9 002 242,86	9 017 085,32
Loss from discontinued operations	-	-
Net Income	9 002,242,86	9 017 085,32
Interest on redeemable convertible preference shares into ordinary shares	-	-
Net profit attributable to ordinary shareholders, used to calculate diluted earnings per share	9 002 242,86	9 017 085,32

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Weighted average number of ordinary shares used to calculate basic earnings per share	12 653 562	9 870 000,00
Effect of dilution:	-	-
Not registered capital increase	-	-
Redeemable preference shares	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	12 653 562	9 870 000,00

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net loss from discontinued operations attributable to ordinary shareholders used to calculate basic loss per share	-	-
Net loss from discontinued operations attributable to ordinary shareholders used to calculate diluted loss per share	-	-

Basic earnings per share	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net Income	9 002 242,86	9 017 085,32
Weighted average number of ordinary shares	12 653 562,00	9 870 000,00
Basic earnings per share (PLN / share)	0,71	0,91

Diluted earnings per share	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net profit attributable to shareholders, used to calculate diluted earnings per share	9 002 242,86	9 017 085,32
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	12 653 562,00	9 870 000,00
Diluted earnings per share (PLN / share)	0,71	0,91

Basic earnings per share from continuing operations	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net income from continuing operations	9 002 242,86	9 017 085,32
Weighted average number of ordinary shares	12 653 562,00	9 870 000,00
Basic earnings per share (PLN / share)	0,71	0,91

Diluted earnings per share from continuing operations	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net profit attributable to Shareholders used to calculate	9 002,242,86	9 017 085,32
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share from continuing operations	12 653 562,00	9 870 000,00
Diluted earnings per share (PLN / share)	0,71	0,91

According to the notarial deed of repertory No. A 8950/2010 of October 1st, 2010 and Resolution No. 02/09/2010 of October 1st, 2010 of Extraordinary Shareholders Meeting, a decision was made to 1:10 share split as a result of which the number of shares amounts to 9 870 000.00 nominal value of 0.10 zł each.

9.13. Dividends paid and proposed for payment - note 11

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Declared and paid during the period	-	-
Dividends on ordinary shares:	-	-
Final dividend for 2011	-	-
advance on the dividend for the year 2011 in the amount of	-	-
	-	-

9.14. Tangible fixed assets - Note 12

TABLE OF MOVEMENT OF FIXED ASSETS 2011r.	Land	Buildings and constructions	Plant and equipment	Vehicles	Other assets	Assets under construction	TOTAL
a) Gross value of fixed assets at beginning of period	-	-	2 868 205,54	401 731,91	760 868,23	-	4 030 805,68
b)) increase (due to)	-	-	6 412 240,16	-	147 203,40	188 312,36	6 747 755,92
- Purchase of	-	-	6 412 240,16	-	147 203,40	188 312,36	6 747 755,92
- Adoption of the investment	-	-	-	-	-	-	-
- Modernization	-	-	-	-	-	-	-
- A reference to the costs of decommissioning of the initial value	-	-	-	-	-	-	-
- Investment in fixed assets under construction	-	-	-	-	-	-	-
- Investment in a foreign fixed assets	-	-	-	-	-	-	-
- Taken under financial lease agreement	-	-	-	-	-	-	-
- Borrowing costs	-	-	-	-	-	-	-
- Extending the group capital	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
c) decrease (due to)	-	-	(1 536,51)	(160 250,11)	-	(188 312,36)	(350 098,98)
- sale	-	-	(1 536,51)	(143 856,67)	-	-	(145 393,18)
- Liquidation	-	-	-	-	-	-	-
- Transfer of assets under construction	-	-	-	-	-	-	-
- Donations	-	-	-	-	-	-	-
- Assignment of leases	-	-	-	-	-	-	-
- Transfer of fixed assets	-	-	-	-	-	(188 312,36)	(188 312,36)
- Other	-	-	-	(16 393,44)	-	-	(16 393,44)
d) gross fixed assets at end of period	-	-	9 278 909,19	241 481,80	908 071,63	-	10 428 462,62
e) accumulated amortization (depreciation) at beginning of period	-	-	(1 172 616,76)	(57 794,12)	(183 986,74)	-	(1 414 397,62)
f) depreciation for the period (due to)	-	-	(1 287 933,16)	(44 923,86)	(124 855,07)	-	(1 457 712,19)
- The annual depreciation	-	-	(1289 006,33)	(88 326,58)	(124 855,07)	-	(1 502 187,98)

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- The sale of an asset	-	-	1 073,17	33 566,55	-	-	34 639,72
- Liquidation of the asset	-	-	-	-	-	-	-
- Assignment of leases	-	-	-	-	-	-	-
- Donations	-	-	-	-	-	-	-
- Other (lower)	-	-	-	-	-	-	-
- Transfer to a group of assets held for resale - reducing	-	-	-	-	-	-	-
- Extending the capital group	-	-	-	-	-	-	-
- Other (more)	-	-	-	9 836,07	-	-	9 836,07
g) accumulated depreciation (amortization) at end of period	-	-	(2 460 549,92)	(102 718,08)	(308 841,81)	-	(2 872 109,81)
h) charges for impairment loss at beginning of period	-	-	-	-	-	-	-
increase (due to)	-	-	-	-	-	-	-
- The creation of write-offs of impairment sustained in the burden of financial results	-	-	-	-	-	-	-
decrease (due to)	-	-	-	-	-	-	-
- The sale of an asset	-	-	-	-	-	-	-
- Liquidation of the asset	-	-	-	-	-	-	-
- Reversal of write-off- in profit or loss	-	-	-	-	-	-	-
- Use of write-off	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
i) charges for impairment at the end period	-	-	-	-	-	-	-
j) the net value of fixed assets at beginning of period	-	-	1 695 588,78	343 937,79	576 881,49	-	2 616 408,06
k) the net value of fixed assets at end of period	-	-	6 818 359,27	138 763,72	599 229,82	-	7 556 352,81

TABLE OF MOVEMENT OF FIXED ASSETS 2010r.	Land	Buildings, premises	Equipment and machinery	Transport	Other assets	Assets under construction	TOTAL
a) Gross value of fixed assets at beginning of period	-	-	1 571 649,59	180 699,43	557 516,24	-	2 309 865,26
b) increase (due to)	-	-	1 467 164,55	381 638,47	255 622,96	-	2 104 425,98
- Purchase of	-	-	1 152 965,17	145 342,47	255 622,96	-	1 553 930,60
- Adoption of the investment	-	-	-	-	-	-	-
- Modernization	-	-	-	-	-	-	-
- A reference to the costs of decommissioning of the initial value	-	-	-	-	-	-	-
- Investment in fixed assets under construction	-	-	-	-	-	-	-
- Investment in a foreign fixed assets	-	-	-	-	-	-	-
- Taken under financial lease agreement	-	-	314 199,38	236 296,00	-	-	550 495,38
- Borrowing costs	-	-	-	-	-	-	-
- Extending the group capital	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
c) decrease (due to)	-	-	(170 608,60)	(160 605,99)	(52 270,97)	-	(383 485,56)
- sale	-	-	-	-	-	-	-
- Liquidation	-	-	(170 608,60)	(160 605,99)	(52 270,97)	-	(383 485,56)
- Transfer of assets under construction	-	-	-	-	-	-	-
- Donations	-	-	-	-	-	-	-
- Assignment of leases	-	-	-	-	-	-	-
- Transfer of fixed assets	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
d) gross fixed assets at end of period	-	-	2 868 205,54	401 731,91	760 868,23	-	4 030 805,68
e) accumulated amortization (depreciation) at beginning of period	-	-	(672 615,50)	(121 855,72)	(129 745,98)	-	(924 217,20)
f) depreciation for the period (due to)	-	-	(500 001,26)	64 061,60	(54 240,76)	-	(490 180,42)
- The annual depreciation	-	-	(650 175,82)	(96 544,39)	(100 882,72)	-	(847 602,93)
- The sale of an asset	-	-	-	-	-	-	-
- Liquidation of the asset	-	-	150 174,56	160 605,99	46 641,96	-	357 422,51
- Assignment of leases	-	-	-	-	-	-	-
- Donations	-	-	-	-	-	-	-

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- Other (lower)	-	-	-	-	-	-	-
- Transfer to a group of assets held for resale - reducing	-	-	-	-	-	-	-
- Extending the capital group	-	-	-	-	-	-	-
- Other (more)	-	-	-	-	-	-	-
g) accumulated depreciation (amortization) at end of period	-	-	(1 172 616,76)	(57 794,12)	(183 986,74)	-	(1 414 397,62)
h) charges for impairment loss at beginning of period	-	-	-	-	-	-	-
increase (due to)	-	-	-	-	-	-	-
- The creation of write-offs of impairment sustained in the burden of financial results	-	-	-	-	-	-	-
decrease (due to)	-	-	-	-	-	-	-
- The sale of an asset	-	-	-	-	-	-	-
- Liquidation of the asset	-	-	-	-	-	-	-
- Reversal of write-off- in profit or loss	-	-	-	-	-	-	-
- Use of write-off	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
i) charges for impairment at the end period	-	-	-	-	-	-	-
j) the net value of fixed assets at beginning of period	-	-	899 034,09	58 843,71	427 770,26	-	1 385 648,06
k) the net value of fixed assets at end of period	-	-	1 695 588,78	343 937,79	576 881,49	-	2 616 408,06

9.15. Investment Property - note 13

REAL ESTATE INVESTMENT	31.12.2011	31.12.2010
Gross value at beginning of period	-	-
- The acquisition by purchase	-	-
- Transfer of tangible fixed assets	-	-
- Liquidation	-	-
- Extending the composition of the capital group	-	-
- Sale of real estate	-	-
- Exchange differences	-	-
- Other increases	-	-
Gross value at end of period	-	-
Accumulated depreciation and write-offs for impairment losses at beginning of period	-	-
- Depreciation for the period	-	-
- Impairment losses	-	-
- Transfer of tangible fixed assets	-	-
- Sale of real estate	-	-
- Liquidation	-	-
- Extending the composition of the group	-	-
- Other increase	-	-
Accumulated depreciation and write-offs for impairment losses at end of period	-	-
Net value at beginning of period	-	-
Net value at end of period	-	-

9.16. Intangible and legal assets – nota 14

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CHANGES OF INTANGIBLE AND LEGAL ASSETS (BY TYPE) FOR 2011r.	Cost of finished developing works	Goodwill after consolidation	Acquired concessions, patents	Licenses for a limited period of use	Licenses for an unlimited period of use	Other intangible assets	Intangible assets under construction	TOTAL
a) the gross value of intangible assets at beginning of period	-	-	-	5 210 932,36	7 125 095,41	1 083 331,93	-	13 419 359,70
b) increase (due to)	-	-	53 200,00	8 904 927,94	62 045,00	591 100,32	2 535 301,48	12 146 574,74
- Purchase of	-	-	53 200,00	8 904 927,94	62 045,00	591 100,32	2 535 301,48	12 146 574,74
- Transfer of development	-	-	-	-	-	-	-	-
- Adoption of the investment	-	-	-	-	-	-	-	-
- Reclassification between generic groups	-	-	-	-	-	-	-	-
- Borrowing costs	-	-	-	-	-	-	-	-
- Expenditure on intangible assets in progress	-	-	-	-	-	-	-	-
- Valuation of goodwill on a foreign company	-	-	-	-	-	-	-	-
- Valuation of the put options	-	-	-	-	-	-	-	-
- Acquisition of subsidiaries	-	-	-	-	-	-	-	-
c) decrease (due to)	-	-	-	(413 557,63)	-	(17 921,74)	(210 701,48)	(642 180,85)
- Sale	-	-	-	-	-	-	-	-
- Liquidation	-	-	-	-	-	(17 921,74)	-	(17 921,74)
- Transfer of fixed assets	-	-	-	-	-	-	(210 701,48)	(210 701,48)
- Reclassification between generic groups	-	-	-	(413 557,63)	-	-	-	(413 557,63)
d) the gross value of intangible assets at end of period	-	-	53 200,00	13 702 302,67	7 187 140,41	1 656 510,51	2 324 600,00	24 923 753,59
e) accumulated amortization at beginning of period	-	-	-	(1 998 014,06)	-	(471 855,16)	-	(2 469 869,22)
f) depreciation for the period (due to)	-	-	(3599,99)	(884 228,34)	-	(458 534,06)	-	(1 346 362,39)
- Depreciation (annual write-off)	-	-	(3599,99)	(1 297 785,97)	-	(476 455,80)	-	(1 777 841,76)
- Liquidation	-	-	-	-	-	17 921,74	-	17 921,74
- Reclassification between groups	-	-	-	413 557,63	-	-	-	413 557,63
- Sale	-	-	-	-	-	-	-	-
g) accumulated depreciation (amortization) at end of period	-	-	(3599,99)	(2 882 242,40)	-	(930 389,22)	-	(3 816 231,61)
h) write-offs for impairment loss at beginning of period	-	-	-	-	-	-	-	-
- Increasing	-	-	-	-	-	-	-	-
- Reclassification generic between groups	-	-	-	-	-	-	-	-
- Reduction of	-	-	-	-	-	-	-	-
- Reversal of impairment - in profit or loss	-	-	-	-	-	-	-	-

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- Reclassification between generic groups	-	-	-	-	-	-	-	-
i) charges for impairment at the end of period	-	-	-	-	-	-	-	-
j) net value of intangible assets at beginning of period	-	-	-	3 212 918,30	7 125 095,41	611 476,77	-	10 949 490,48
k) the net value of intangible assets at end of period	-	-	49 600,01	10 820 060,27	7 187 140,41	726 121 ,29	2 324 600,00	21 107 521,98

CHANGES OF INTANGIBLE AND LEGAL ASSETS (BY TYPE) FOR 2010r.	Cost of finished developing works	Goodwill after consolidation	Acquired concessions, patents	Licenses for a limited period of use	Licenses for an unlimited period of use	Other intangible assets	Intangible assets under construction	TOTAL
a) the gross value of intangible assets at beginning of period	-	-	-	5 650 671,02	6 602 650,40	312 211,51	-	12 565 532,93
b) increase (due to)	-	-	-	393 186,72	524 390,01	816 388,83	-	1 733 965,56
- Purchase of	-	-	-	357 772,13	524 390,01	653 235,24	-	1 535 397,38
- Transfer of development	-	-	-	-	-	-	-	-
- Adoption of the investment	-	-	-	-	-	-	-	-
- Reclassification between generic groups	-	-	-	35 414,59	-	-	-	35 414,49
- Borrowing costs	-	-	-	-	-	-	-	-
- Expenditure on intangible assets in progress	-	-	-	-	-	163 153,59	-	163 153,59
- Valuation of goodwill on a foreign company	-	-	-	-	-	-	-	-
- Valuation of the put options	-	-	-	-	-	-	-	-
- Acquisition of subsidiaries	-	-	-	-	-	-	-	-
c) decrease (due to)	-	-	-	(832 925,38)	(1 945,00)	(45 268,41)	-	(880 138,79)
- Sale	-	-	-	-	-	-	-	-
- Liquidation	-	-	-	(803 202,79)	-	(45 268,41)	-	(848 471,20)
- Reclassification between generic groups	-	-	-	(29 722,59)	(1 945,00)	-	-	(31 667,59)
d) the gross value of intangible assets at end of period	-	-	-	5 210 932,36	7 125 095,41	1 083 331,93	-	13 419 359,70
e) accumulated amortization at beginning of period	-	-	-	(1 364 954,82)	-	(272 393,20)	-	(1 637 348,02)
f) depreciation for the period (due to)	-	-	-	(633 059,24)	-	(199 461,96)	-	(832 521,20)
- Depreciation (annual write-off)	-	-	-	(1 432 515,03)	-	(244 176,30)	-	(1 676 691,33)
- Liquidation	-	-	-	803 202,79	-	44 714,34	-	847 917,13
- Sale	-	-	-	(3 747,00)	-	-	-	(3 747,00)
g) accumulated depreciation (amortization) at end of period	-	-	-	(1 998 014,06)	-	(471 855,16)	-	(2 469 869,22)
h) write-offs for impairment loss at beginning of period	-	-	-	-	-	-	-	-
- Increasing	-	-	-	-	-	-	-	-

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- Reclassification generic between groups	-	-	-	-	-	-	-	-
- Reduction of	-	-	-	-	-	-	-	-
- Reversal of impairment - in profit or loss	-	-	-	-	-	-	-	-
- Reclassification between generic groups	-	-	-	-	-	-	-	-
i) charges for impairment at the end of period	-	-	-	-	-	-	-	-
j) net value of intangible assets at beginning of period	-	-	-	4 285 716,20	6 602 650,40	39 818,31	-	10 928 184,91
k) the net value of intangible assets at end of period	-	-	-	3 212 918,30	7 125 095,41	611 476,77	-	10 949 490,48

9.17. The right to perpetual usufruct of land - note 15

The right to perpetual usufruct of land - purchase price	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
attributable to settle within 1 -5 years	-	-
attributable to settle in over 5 years	-	-
The right of perpetual usufruct shown in the long term assets	-	-

The right to perpetual usufruct of land - purchase price	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
attributable to settle within 1 year	-	-
The right of perpetual usufruct as reported in active accruals	-	-

9.18. Fusions of entity - Note 16

Goodwill after consolidation	31.12.2011	31.12.2010
The carrying value of goodwill	-	-
Company A	-	-
Company B	-	-
Total carrying amount	-	-

During 01.01.2011-31.12.2011 i 01.01.2010-31.12.2010 the following changes to goodwill has occurred:

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Goodwill beginning of period	-	-
Additions to goodwill from the acquisition of	-	-
Exchange differences on foreign entities	-	-
Decreases in goodwill in respect of write-offs made	-	-
Reduction of goodwill from the sale of	-	-
Total carrying amount at end of period	-	-

The carrying value of intangible assets with indefinite use	31.12.2011	31.12.2010
The carrying value of goodwill	-	-
Company A	-	-
Company B	-	-
Allowances for impairment	-	-
Company A	-	-
Company B	-	-
The carrying value of other intangible assets with indefinite use	-	-

9.19. The information on associates valued using the equity method - note 17

Not applicable.

9.20. Participation in joint ventures - note 18

Not applicable.

9.21. The consolidated financial statements covered by consolidation - note 19

Not applicable.

9.22. Stock- Note 20

	31.12.2011	31.12.2010
Materials	43 268,80	47 340,61
At cost	43 268,80	47 340,61
According to net realizable		-
Goods	103 403,69	-
At cost	103 403,69	-
According to net realizable	-	-
Work in progress (at cost of manufacture)	-	-
Finished products	-	-
According to the purchase price / cost of	-	-
According to net realizable	-	-
Stocks in general, the lower of two values: the purchase price (production cost) and net realizable	146 672,49	47 340,61
<hr/>		
Impairment of stock as of January 1st, 2011	-	-
Write-off of the cost of goods sold	-	-
Reversed write-off of the cost of goods sold	-	-
Write-off of the value of goods and materials	-	-
Reversed write-off of the value of goods and materials	-	-
Impairment of stock as of December 31st, 2011	-	-
Impairment of stock as of January 1st, 2010	-	-
Write-off of the cost of goods sold	-	-
Reversed write-off of the cost of goods sold	-	-
Write-off of the value of goods and materials	-	-
Reversed write-off of the value of goods and materials	-	-
Impairment of stock as of December 31st, 2010	-	-

9.23. Trade and service receivables and other receivables - Note 21

	31.12.2011	31.12.2010
Other long-term receivables	-	-
Receivables for goods and services	-	-
Other receivables	-	-
Other long-term receivables	-	-
Total long-term receivables	-	-
<hr/>		
	31.12.2011	31.12.2010
Receivables from related parties	7 045 133,36	283 399,73
receivables for goods and services	7 045 133,36	283 399,73
dividend receivable	-	-
loans	-	-
other financial receivables	-	-
other non-financial receivables	-	-
Receivables from other entities	9 044 854,34	7 607 679,83
receivables for goods and services	8 077 538,89	6 396 511,79
loans	253 245,34	-
other financial receivables	-	-
budget due to other reasons than the current income tax	469 240,47	893 773,63
advance for inventories	-	-

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advance for fixed assets	-	-
advance for intangible assets		-
other non-financial receivables	244 829,64	317 394,41
Total liabilities (gross)	16 089 987,70	7 891 079,56

Impairment of receivables	-	-
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Total liabilities (net)	16 089 987,78	7 891 079,56
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Receivables for taxes	31.12.2011	31.12.2010
Income tax	-	284 664,98
Total receivables from taxes		284 664,98

Active accruals	31.12.2011	31.12.2010
- The cost of subscriptions to periodicals and other subscriptions	2 489,88	2 039,45
- Interest on lease	-	-
- Advance for training	-	-
- Insurance	-	-
- Cost of insurance	70 968,38	35 124,22
- The cost of the prospectus, the increase in capital expenditures	-	352 968,00
- recoverable VAT	-	-
- The Social Fund	-	-
- Charges arising out of the remaining lease	-	-
- Costs related to capital increase	-	-
- Services not performed	12 400,94	-
- Income at the end of the period	-	-
- Promotional materials	-	-
- Annual fee for license	1 482 938,50	764 360,39
- Fees for GPW and KDPW	-	-
- Other active accruals	136 812,49	94 494,46
Total cost of active accruals	1 705 610,19	1 248 986,52

9.24. Cash and cash equivalents - Note 22

	31.12.2011	31.12.2010
Cash at bank and in hand	1 464 609,80	30 448,05
Short-term deposits	13 000 549,52	-
Other	325 000,00	325 000,00
Total cash and cash equivalents	14 790 159,32	355 448,05

Structure by currency and translated into PLN	31.12.2011	31.12.2010
PLN	14 782 162,19	355 448,05
EUR	7 997,13	-
USD	-	-
GBP	-	-
funds in other currencies	-	-
Total cash and cash equivalents	14 790 159,32	355 448,05

9.25. Capital - note 23.1

	Capital of the registered share	Revaluated Capital due to hyperinflation of the date of transition to IFRS	Total
As of December 31st, 2011	1 387 000,00	-	1 387 000,00
As of December 31st, 2010	987 000,00	-	987 000,00

SHARE CAPITAL									
Series	Share type	Type of share preference	Type of limitation of rights to shares	Number of shares	Nominal value of one share	Nominal value of series / issue	Method to cover the capital	Registration date	Right to the dividend (from...)
A	ordinary to bearer	not applicable	not applicable	9 870 000	0,10	987 000,00	Cash	2010-08-25	-
B	ordinary to bearer	not applicable	not applicable	4 000 000	0,10	400 000,00	Cash		-
Total				13 870 000		1 387 000,00			

CAPITAL STRUCTURE				
Name of entity (company), registered	Number	Value	Shares in the share capital	Share in votes
SPI International Sp. z o.o.	9 037 800	903 780,00	65,16%	65,16%
Investment fund managed by Ipopema TFI S.A	1 205 350	120 535,00	8,69%	8,69%
Pioneer Pekao Investment Management S.A	1 184 793	118 479,30	8,54%	8,54%
Piotr Reisch	739 500	73 950,00	5,33%	5,33%
Other	1 702 557	170 255,70	12,28%	12,28%
Total	13 870 000	1 387 000,00	100,00%	100,00%

9.26. Capital from issuance of shares above their nominal value - note 23.2

	Capital from issuance of shares above their nominal value	Total
As of January 1st, 2011		
The issue of shares above par value	37 600 000,00	37 600 000,00
The settlement costs associated with raising capital	(1 940 456,21)	(1 940 456,21)
As of December 31st, 2011	35 659 543,79	35 659 543,79
As of January 1st, 2010	-	-
The issue of shares above par value	-	-
The settlement costs associated with raising capital	-	-
As of December 31st, 2010	-	-

9.27. Other reserves - note 23.3

	Capital supplementary	Capital reserve	Total
As of January 1st, 2011	6 418 097,46	-	6 418 097,46
Net profit / loss for the change in fair value of financial assets available for sale	-	-	-
Distribution of financial results	9 017 085,32	-	9 017 085,32
Consolidation adjustments related to the settlement of the connection	-	-	-
Deferred income tax	-	-	-
Exchange differences on translation of subsidiary	-	-	-
Supplementary capital - Employee Options	-	-	-
As of December 31st, 2011	15 435 182,78	-	15 435 182,78
As of January 1st, 2010	6 386 911,27	-	6 386 911,27
Net profit / loss for the change in fair value of financial assets available for sale	-	-	-
Distribution of financial results	31 186,19	-	31 186,19
Consolidation adjustments related to the settlement of the connection	-	-	-
Deferred income tax	-	-	-
Exchange differences on translation of subsidiary	-	-	-
As of December 31st, 2010	6 418 097,46	-	6 418 097,46

9.28. Retained earnings - note 23.4

The result of the current period	31.12.2011	31.12.2010
Results retained from previous years	12 981 363,97	3 995 464,84
Consolidation adjustments	-	-
Correction of errors in profit brought forward	-	-
Payment of dividend	-	-
The results retained from previous years (capital)	(9 017 085,32)	(31 186,19)
Revaluation of fixed assets under IAS	-	-
The hyperinflationary revaluation of the share capital	-	-
The total value of capital adjustments resulting from changes in accounting principles on IAS / IFRS	-	-
Profit or loss generated during the previous reporting period	-	-
Net earnings for the current period	9 002 242,86	9 017 085,32
Total retained earnings	12 966 521,51	12 981 363,97

9.29. Minority interest - note 23.4

Not applicable

9.30. Provisions-Note 24

	Post-employment benefits	Reserve for overdue leaves	Reserve for outstanding litigation, fines, penalties and damages	Other reserves	Total
As of January 1st, 2011	-	84 583,87	50 000,00	37 800,00	172 383,87
Created during the financial year	-	138 429,97	-	30 200,00	168 629,97
Used	-	-	-	-	-
Resolved	-	(84 583,87)	(50 000,00)	(37 800,00)	(172 383,87)
The adjustment of the discount rate	-	-	-	-	-
As of December 31st, 2011	-	138 429,97	-	30 200,00	168 629,97

The time structure of reserves	31.12.2011	31.12.2010
the long-term part	-	-
the short-term part	168 629,97	172 383,87
Total reserves	168 629,97	172 383,87

9.31. Pensions and other post-employment benefits, note 25

The Company does not make provision due to the lack of significance of such and the age structure of employees is between 30-35 years of age.

9.32. Credits and loans-Note 26

Long-term loans	31.12.2011	31.12.2010
Overdrafts	-	-
Bank loans	-	-
Loans received	-	-
Other	-	-
Total loans and long -term loans	-	-

Short-term loans and borrowings	31.12.2011	31.12.2010
Overdrafts	-	1 017 104,75
Bank loans	-	878 034,18
Loans received	-	-
Other	-	-
Total loans and short-term borrowings	-	1 895 138,93

Financing entity	Curren- cy of loan	Size of the loan/ limit value	Value of loan as of the balance sheet date		Conditions of Interest	Maturity	Insurance
			Loan in foreign currency	Loan in PLN			
Bank Polska Kasa Opieki S.A.	PLN	up 3 000 000,00	-	-	WIBOR 1M on the first day month+3,0%	2012-06- 29	weksel in blanco
Bank Polska Kasa Opieki S.A.	PLN	3 000 000,00	-	-	WIBOR 1M from every day +2,8%	2012-07- 03	weksel in blanco
Total loans and advances			-	-			

9.33. Credits and loans – nota 26 a

Long-term credits and loans	31.12.2011	31.12.2010
Loans granted	1 090 000,00	-
Other	-	-
Total credits and long -term loans	1 090 000,00	-

Short-term credits and loans	31.12.2011	31.12.2010
Loans granted	250 000,00	-
Other	-	-
Short-term credits and loans	250 000,00	-

Kino Polska TV S.A.
Financial Statement for the year ended December 31st, 2011

Financing entity	Curren- cy of loan	Size of the loan / limit value	Value of loan as of the balance sheet date		Conditions of Interest	Maturity	Insurance
			in foreign currency	in PLN			
Millionyou Sp. z o.o.	PLN	Up to 150 000,00	-	-	WIBOR 1M as of the last working day of the previous month + 4 %	2011-07-18	blank promissory note
KPD Sp. z o.o.	PLN	Up to 400 000,00	-	-	WIBOR 12M + 4 %	2011-12-14	blank promissory note
Łysakowski Wiesław	PLN	Up to 250 000,00	-	250 000,00	WIBOR 12M from every day +4 %	2012-05-08	blank promissory note / guarantee
Cyfrowe Repezytorium Cyfrowe Sp. Z o.o.	PLN	Up to 1 090 000,00	-	1 090 000,00	WIBOR 12M from every day + 4 %	2013-12-15	blank promissory note
Total credits and loans				1 340 000,00			

9.34. Supplies and service liabilities and other liabilities - Note 27

	31.12.2011	31.12.2010
Other long term liabilities	372 452,57	261 804,99
liabilities arising from finance leases	372 452,57	261 804,99
other non-financial liabilities	-	-
revenue accruals	-	-
Total other long -term liabilities	372 452,57	261 804,99

	31.12.2011	31.12.2010
Other short-term financial liabilities	236 059,80	132 206,50
liabilities arising from finance leases	236 059,80	132 206,50
other non-financial liabilities	-	-
revenue accruals	-	-
Total other short-term financial liabilities	236 059,80	132 206,50

	31.12.2011	31.12.2010
Goods and services liabilities to related parties	347 132,37	231 288,80
liabilities for goods and services	347 132,37	231 288,80
other financial liabilities	-	-
other non-financial liabilities	-	-
Goods and services liabilities to related parties	3 998 495,95	4 363 833,96
liabilities for goods and services	3 577 372,73	3 303 884,94
liability for payment	5 561,57	91 028,44
dividends payable	-	-
budgetary commitments from other than the current income tax	309 894,81	303 037,31
advance payments received	-	-
Special Funds	-	-
other financial liabilities	105 666,85	420,00
revenue accruals	-	-
accrued expenses	-	665 463,27

Kino Polska TV S.A.
Financial Statement for the year ended December 31st, 2011

Total liabilities for goods and services and other short term liabilities	4 345 628,33	4 595 122,76
--	---------------------	---------------------

Total liabilities for goods and services and other liabilities	4 954 140,69	4 989 134,25
---	---------------------	---------------------

	31.12.2011	31.12.2010
Liabilities from income tax		-
Liabilities from income tax	176 001,00	-
Total other financial liabilities	176 001,00	-

Liabilities arising from finance leases

	The present value	Future minimum payments	Interest
to 1 roku	236 059,80	276 821,52	40 761,72
2-5 roku	372 452,57	404 070,02	31 617,45
up 5 roku			
Total	608 512,37	680 891,54	72 379,17

9.35. Other financial liabilities (short term) - note 27.1

	31.12.2011	31.12.2010
Derivatives including:		
- forward EUR/PLN	-	-
- forward USD/PLN	-	-
- Other	-	-
Other	-	-
Total other financial liabilities	-	-

9.36. Government Grants - note 28

Not applicable.

9.37. Contingent liabilities - note 29

Not applicable.

9.38. Information about transactions with related parties - Note 30.1

01.01.2011 - 31.12.2011					01.01.2010 - 31.12.2010			
	product revenue	revenue from sales of goods and services	revenue from sales of fixed assets, intangible assets, investment property, dividends, etc.	Other income	product revenue	revenue from sales of goods and services	revenue from sales of fixed assets, intangible assets, investment property, etc.	Other income
Revenues from sales to related parties								
- from subsidiaries	-	-	-	-	-	-	-	-
- entities associated	-	-	-	-	-	-	-	-
- subsidiaries not subject to consolidation	-	-	-	-	-	-	-	-
- key members of management and supervisory boards	-	-	-	-	-	-	-	-
- Other related parties	-	25 934 655,79	1 200,00	-	-	670 674,20	-	-
Total revenue from sales to related parties	-	25 934 655,79	1 200,00	-	-	670 674,20	-	-

Kino Polska TV S.A.
Financial Statement for the year ended December 31st, 2011

	01.01.2011 - 31.12.2011				01.01.2010 - 31.12.2010			
	purchase of services	purchase of goods and materials	purchase of fixed assets, intangible assets, investment property	other	purchase of services	purchase of goods and materials	purchase of fixed assets, intangible assets, investment property	other
Purchase derived from related parties								
- from subsidiaries	-	-	-	-	-	-	-	-
- entities associated	-	-	-	-	-	-	-	-
- subsidiaries not subject to consolidation	-	-	-	-	-	-	-	-
- key members of management and supervisory boards	-	-	-	-	-	-	-	-
-Other related parties	18 824 022,25	226 506,36	1 773 412,04	-	4 760 076,31	3 769,14	4 845,00	-
Total purchase from related parties	18 824 022,25	226 506,36	1 773 412,04	-	4 760 076,31	3 769,14	4 845,00	-

Receivables from related parties	31.12.2011	31.12.2010
- from subsidiaries	-	-
- entities associated	-	-
- subsidiaries not subject to consolidation	-	-
- key members of management and supervisory boards	-	-
- Other related parties	7 045 133,36	283 399,73
Total receivables from related parties	7 045 133,36	283 399,73

Amounts owed to related parties	31.12.2011	31.12.2010
- from subsidiaries	-	-
- entities associated	-	-
- subsidiaries not subject to consolidation	-	-
- key members of management and supervisory boards	-	-
- Other related parties	347 132,37	231 288,80
Total liabilities to related parties	347 132,37	231 288,80

9.39. The remuneration of senior executives - note 30.2

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Short-term employee benefits (salaries and overheads)	1 626 013,67	602 475,00
Jubilee awards and retirement benefits	-	-
Benefits in respect of termination of employment	-	-
Employee benefits in the form of treasury shares	-	-
The total amount of salary paid to senior executives	1 626 013,67	602 475,00

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Management Board	1 604 468,60	597 475,00
Management Board	21 545,07	5 000,00
Total	1 626 013,67	602 475,00

Kino Polska TV S.A.
Financial Statement for the year ended December 31st, 2011

Management Board	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Piotr Reich	795 011,00	220 804,00
Bogusław Kisielewski	809 457,60	376 671,00
Total	1 604 468,60	597 475,00

The Supervisory Board	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Loni Farhi	1 000,00	1 000,00
Stacey Sobel	1 000,00	1 000,00
Krzysztof Szymański	1 000,00	1 000,00
Witold Adamek	1 000,00	1 000,00
Piotr Orłowski	17 545,07	-
Piotr Robert Skrzyp	-	1 000,00
Total	21 545,07	5 000,00

9.40. Capital management - note 31

	31.12.2011	31.12.2010
Equity	65 448 248,08	20 386 461,43
Minus: Intangible assets	21 107 521,98	10 949 490,48
Net value of fixed assets	38 079 706,70	17 617 449,54
Total assets	70 815 630,37	27 444 969,26

The equity financing of fixed assets	172%	116%
---	------	------

Profit from operations	10 460 847,40	11 232 736,04
Increase: depreciation	3 280 029,74	2 524 294,26
EBIDTA	13 740 877,14	12 757 030,30
Loans, advance and other financing sources	608 512,37	2 289 150,42

Indicator: Loans and other financing sources / EBITDA	4%	17%
--	----	-----

9.41. Classification of financial instruments – nota 32

	01.01.2011 - 31.12.2011	
	Fair value	Books value
Tangible financial assets:		
Financial assets		
Current Financial Assets:	32 585 757,21	32 585 757,21
Expenses due to goods and services receivables and other receivables	17 795 597,89	17 795 597,89
Cash and cash equivalents	14 790 159,32	14 790 159,32
Other financial assets		
Total:	32 585 757,21	32 585 757,21
	01.01.2011 - 31.12.2011	
	Fair value	Books value
Long-term financial liabilities:	372 452,57	372 452,57
Loans and advances		
Other liabilities	372 452,57	372 452,57
Short term liabilities:	4 581 688,12	4 581 688,12
Loans and advances	-	-
Goods and services payables and other payables	4 345 628,32	4 345 628,32
Other financial liabilities	236 059,80	236 059,80
Total:	4 954 140,69	4 954 140,69

Kino Polska TV S.A.
Financial Statement for the year ended December 31st, 2011

Interest income	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Bank deposits	694 003,14	9 543,67
Loans	-	-
Investments	-	-
Total	694 003,14	9 543,67

Interest costs	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Short and long term Loans	(84 402,63)	(16 237,17)
Financial leasing	(43 358,18)	(9 494,32)
Bonds issued	-	-
Loans received	-	(18 338,96)
Total	(127 760,81)	(44 070,45)

Profit or losses by category of instruments	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Total profit or losses by category of financial instruments	-	-

The amount of any losses due to impairment (by categories of financial instruments)	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Assets available for sale	-	-
Loans and receivables	-	-
Investments held to maturity	-	-
Total losses from impairment	-	-

9.42. The employment structure - note 33

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
<i>Management Board</i>	2	2
<i>Managers (for departments)</i>	16	11
<i>Department of Administration</i>	4	4
<i>Department of TV channels</i>	59	41
<i>Other professionals</i>	0	0
Total	81	58

9.43. Information on the remuneration of an auditor or an entity authorized to audit financial statements - Note 34

	31.12.2011	31.12.2010
Mandatory audit of financial statements	76 000,00	73 000,00
Other attestation services	-	84 540,00
Tax advisory services	-	-
Other services	-	-
TOTAL	76 000,00	157 540,00

Audit opinion on the financial statements
for the period
from 1 January 2011 to 31 December 2011

for

„Kino Polska TV S.A.”

WARSAW, 16 March 2012

CERTIFIED AUDITOR'S OPINION

To Shareholders and Supervisory Board of Kino Polska TV S.A.

We have audited the financial statements of Kino Polska TV S.A. with its registered office in 02-595 Warsaw, 61 Puławska Street, which constitute an Appendix to this Opinion and comprise:

1. Introduction to the financial statements	
2. Statement of financial position as at 31 December 2011, which on the assets and liabilities side shows the sum of	70.815.630,37 PLN
3. Statement of comprehensive income for the period from 1 January 2011 to 31 December 2011 that shows net profit in the amount of	9.002.242,86 PLN
4. Cash flow statement for the financial year from 1 January 2011 to 31 December 2011 that shows an increase in the amount of cash of	14.434.711,27 PLN
5. Statement of changes in equity for the period from 1 January 2011 to 31 December 2011 that shows an increase in equity in the amount of	45.061.786,62 PLN
6. Additional information.	

The Company's Management Board is responsible for preparing the financial statements and the Management Board Report in accordance with the applicable regulations.

The Management Board and members of the Supervisory Board are required to ensure that the financial statements and the Management Board Report meets the requirements set out in the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223 with further amendments).

Our responsibility was to audit and express an opinion about the reliability, fairness and clarity of the financial statements and the correctness of the accounting records which were the basis for their preparation.

We planned and conducted our audit of the financial statements in accordance with the following:

- The provisions of Chapter 7 of the Accounting Act,
- National standards on auditing issued by the National Chamber of Certified Auditors in Poland.

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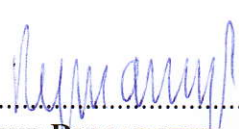
Our audit was planned and performed to obtain reasonable assurance enabling us to express our opinion on the financial statements. The audit specifically included an assessment of the accounting policies applied by the Company and significant estimates and an examination, mostly on a random basis, of accounting documents and entries supporting the amounts and disclosures in the financial statements, as well as the overall presentation thereof.

In our opinion the accompanying financial statements in all material respects:

- Give a fair and clear view of the material and financial position of the audited Company Kino Polska TV S.A. as at 31 December 2011, as well as its financial result for the financial year from 1 January 2011 to 31 December 2011,
- The financial statements were prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations, published in the form of regulations of the European Commission, and in the absence of these standards - and subject to the Accounting Act and issued on its basis implementing regulations - based on properly maintained accounting records.
- Comply with the applicable laws and the Articles of Association of the Company.

The Management Board Report for the financial year 2011 is complete in the sense of Article 2 ust.2 of the Accounting Act and the Decree of the Minister of Finance of 19 February 2009 on the current and periodic information supplied by the issuers of securities and the conditions for equal treatment of the information required by laws of non-member countries, and the information contained therein, derived from the audited financial statements, is consistent with them.


.....
ARTUR RYMARCZYK
KEY CERTIFIED AUDITOR
registration number **11210**
conducting an audit on behalf of


.....
ARTUR RYMARCZYK – VICE PRESIDENT OF
THE BOARD
CERTIFIED AUDITOR
registration number **11210**

SYSTEM REWIDENT SP. Z O.O.

Rakowiecka 30a Str.

02-528 Warsaw

Entity authorized to audit financial statements
entered under number 1253 on the list kept by
the National Council of Certified Auditors

Warsaw, 16 March 2012

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Auditor's report on the financial statements
for the period
from 1 January 2011
to 31 December 2011

for

„Kino Polska TV S.A.”

WARSAW, 16 March 2012

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I. GENERAL INFORMATION

1. Details of the Company

Name and Legal Form

Kino Polska TV Spółka Akcyjna, joint stock company.

Registered Office

61, Puławska Street, 02-595 Warsaw.

Activities of the Company

During the audited period changes took place in the scope of activity of the Company; according to the entry in the Trade Register the Company's current activities are as follows:

- Brokerage of time and space for advertising on radio and television,
- Brokerage of space for advertising in electronic media,
- Brokerage of space for advertising in other media
- Market and public opinion research,
- Other business and management consulting,
- Photography,
- Translations,
- Other professional, scientific and technical activities, not classified elsewhere,
- Other business support activities, not classified elsewhere,
- Information agency,
- Publishing of books, newspapers, periodicals,
- Service activities related to preparation to print,
- Activities related to film production, video recording and television programs,
- Post-production activities related to the production and distribution of films, video and television programs,
- Activities related to the distribution of films, video and television programs,
- Activities related to film screening,
- Sound and music recording,
- Rental and lease of office machinery and equipment, including computers,
- Rental and lease of passenger cars and delivery vans,
- Rental and lease of other motor vehicles, excepting motorcycles,

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- Rental and lease of other machinery, equipment and tangible goods, not classified elsewhere,
- Rental of video cassettes, CDs, DVD, etc.,
- Information technology consulting,
- Information technology equipment administration,
- Software,
- Data processing; Web site management (hosting) and related activities,
- Other information technology and computer services,
- Web portals,
- Other research and technical analyses,
- Other postal and courier activities,
- Television broadcast (public and for subscribers),
- Other telecommunications activities,
- Organization of fairs, exhibitions and conventions,
- Archiving,
- Wired telecommunications,
- Wireless telecommunications, excluding satellite telecommunications; satellite telecommunications and other,
- Radio broadcasting,
- Reproduction of recorded media,
- Activities of advertising agencies,
- Brokerage of advertising space in print media,
- Other information services, professional, scientific and technical activities not classified elsewhere,
- Leasing of intellectual property and similar products, excepting copyrighted works,
- Agents involved in the sale of goods of various kinds,
- Activities of employment agencies,
- Activities of temporary placement employment agencies,
- Other booking services activities, not classified elsewhere,
- Office administration,
- Photocopying, document preparation and other specialist office support services,
- Call center,
- Other entertainment and recreational activities,
- Rental and management of own and leased real estate,
- Real estate management agency,
- Bookkeeping, tax advisory,

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- Legal activity,
- Head office and holdings activities, excepting financial holdings,
- Public relations and communications,
- Specialized design,
- Wholesale electric household appliances,
- Wholesale computers, peripherals and software,
- Wholesale electronic and telecommunications equipment and parts.

The activities conducted during the period did not go beyond the scope defined in the National Court Register and focused mainly on the creation and distribution of television programs.

Legal Basis and District Court registration

Kino Polska TV S.A. operates on the basis of:

- Articles of Association signed on 17 June 2003 in the form of a notarial deed (Rep. A No. 6274/2003) as amended,
- Commercial Companies Code,
- Permit No. 296/2003-T issued by the President of the National Broadcasting and Television Council of 18 December 2003 valid until 17 December 2013.

Kino Polska TV S.A. Company is the result of the transformation of Kino Polska Sp. z o.o. (LLC) into a joint stock company. The decision on transformation of the limited liability company into a joint stock company was taken on 5 July 2010 (Notarial Deed Rep. A No. 6155/2010). The transformation has been registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on August 24, 2010, and the Company was entered in the Trade Register under the number 0000363674 on 25 August 2010.

Kino Polska TV S.A. will continue as a going concern.

Tax and Statistical Register

The Company has identification numbers assigned by:

- Statistical Office in Warsaw REGON: 015514227
- Tax Office in Warsaw NIP: 521-32-48-560

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fax: +48 (22) 380 03 81, e-mail: info@system-rewident.com.pl <http://www.system-rewident.com.pl>
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Share Capital and Its Changes During the Reporting Period

In 2011, there were changes in the ownership structure of the audited entity.

The list of shareholders of TV Cinema Poland SA as at 31 December 2010 was as follows:

Shareholders	Number of shares	Amount in PLN	% share in equity
SPI International Polska Sp. z o.o.	9.037.800	903.780,00	91,57
Piotr Reisch	693.500	69.350,00	7,03
Bogusław Kisielewski	138.700	13.870,00	1,40
TOTAL	9.870.000	987.000,00	100,00

In 2011, the Company's share capital was increased by the amount of PLN 400.000,00 through the issue of 4.000.000 shares of series B with nominal value of PLN 0.10. This change has been registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 22 April 2011.

The list of shareholders of TV Cinema Poland SA as at 31 December 2011 was as follows:

Shareholders	Number of shares	Amount in PLN	% share in equity
SPI International Polska Sp. z o.o.	9.037.800	903.780,00	65,16
Ipopema Towarzystwo Funduszy Inwestycyjnych S.A.	1.205.350	120.535,00	8,69
Pioneer Pekao Investment Management S.A.	1.184.793	118.479,30	8,54
Piotr Reisch	739.500	73.950,00	5,33
Pozostali	1.702.557	170.255,70	12,28
TOTAL	13.870.000	1.387.000,00	100,00

The share capital as disclosed in the financial statements is consistent with the current transcript from the National Trade Register (KRS) and articles of association.

Equity of Kino Polska TV S.A. as at 31 December 2011 was as follows:

Item	Amount in PLN
Share capital	1.387.000,00
Other reserve capital	51.094.726,57
Retained earnings/losses	12.966.521,51
TOTAL	65.448.248,08

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Management Board of the Company

During the reporting period the Members of the Management Board were:

- Piotr Reisch – President of the Board,
- Bogusław Kisielewski – Member of the Board.

Until the conclusion of the audit, no changes took place in this area.

Supervisory Board of the Company

During the period from 1 January 2011 r. to 31 grudnia 2011 r. the Members of the Supervisory Board were:

- Loni Farhi – Chairman of the Supervisory Board,
- Stacey Sobel – Vice Chairman of the Supervisory Board,
- Piotr Orłowski - Member of the Supervisory Board,
- Krzysztof Seweryn Szymański – Member of the Supervisory Board,
- Witold Antoni Adamek – Member of the Supervisory Board.

Until the conclusion of the audit, no changes took place in this area.

Employment

As at 31 December 2011 the Company employed 81 persons.

Related Entities

As at 31 December 2011 the Company had the following related parties:

- SPI International Polska Sp. z o.o. – parent company
- Stopklatka S.A. - subsidiary
- Cyfrowe Repozytorium Filmowe Sp. z o.o. - subsidiary

2. Information Concerning the Financial Statements for Previous Year

The basis for the opening of Company's accounts were the financial statements for the period from 1 January 2010 to 31 December 2010, which were audited by System Rewident Sp. z o.o. with registered office in Warsaw and received an audit opinion without qualifications.

The Company's financial statements for the period from 1 January 2010 to 31 December 2010 were approved by Resolution No. 5 of the General Shareholders' Meeting of 30 June 2011. By resolution No. 8 of 30 June 2011 the General Shareholders' Meeting of the Company decided to allocate the net profit made in 2010 r. (in the amount of PLN 9.017.085,32) to capital reserves.

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The financial statements for the year 2010 were filed with the Tax Office and published in the Polish Monitor B on 12 July 2011. The company filed the financial statements for the year 2010 to the District Court for the Capital City of Warsaw, XIII Commercial Division on 13 July 2011.

3. The Identity of the Authorized Entity and Chartered Accountant Performing the Audit of the Financial Statements

System Rewident Sp. z o.o. with registered office in Warsaw, 30A Rakowiecka Street is an entity authorized to audit the financial statements and is a Registered Audit Company No.1253.

The audit was conducted based on the agreement concluded on 8 December 2011 between Kino Polska TV S.A. as the Mandator and System Rewident Sp. z o.o. as the Mandatory. On behalf of the authorized entity the audit was conducted by Artur Rymarczyk - Certified Auditor No. 11210. System Rewident Company was appointed to perform the audit of financial statements of Kino Polska TV S.A. for the financial year 2011 by the Supervisory Board of Kino Polska TV S.A. by resolution of 2 December 2011.

We hereby declare that System Rewident Sp. z o.o., as the authorized entity, and the Certified auditor conducting the audit on its behalf comply with the requirements to give a fair and clear view of the audited financial statements – in accordance with Art. 56 of the Act of 7 May 2009 on Certified auditors and their council, entities entitled to provide audit of financial statements and public supervision.

During the audit, the Company provided the Certified auditor with the required data, information and clarifications necessary to perform the audit, and also provided a written statement about completeness, truth and fairness of the financial statements and the Company's accounts, which made the basis of its preparation, and informed about important events that occurred after the balance date up to the date of the declaration.

The audit was conducted at the premises of the Company on 20-22 December 2011 r and 27 February 2012 - 12 March 2012.

The auditor was not restricted in the selection of appropriate auditing methods, expression of opinion and audit preparation.

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Key Indicators of the Audited Financial Statements

The audit of the financial statements of Kino Polska TV S.A. for the year 2011 comprises:

1. Introduction to the financial statements
2. Statement of financial position as at 31 December 2011, which on the assets and liabilities side shows the sum of 70.815.630,37 PLN
3. Statement of comprehensive income for the period from 1 January 2011 to 31 December 2011 that shows net profit in the amount of 9.002.242,86 PLN
4. Cash flow statement for the financial year from 1 January 2011 to 31 December 2011 that shows an increase in the amount of cash of 14.434.711,27 PLN
5. Statement of changes in equity for the period from 1 January 2011 to 31 December 2011 that shows an increase in equity in the amount of 45.061.786,62 PLN
6. Additional information.

The auditor was additionally presented with the Management Board Report for 2011.

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II. FINANCIAL ANALYSIS OF THE COMPANY

1. Statement of financial position (in thousand PLN)

	2011-12-31	% of total assets	2010-12-31	% of total assets
ASSETS				
Fixed assets	38 079 706,70	53,77%	17 617 449,54	64,19%
Intangible fixed assets	21 107 521,98	29,81%	10 949 490,48	39,90%
Tangible fixed assets	7 556 352,81	10,67%	2 616 408,06	9,53%
Long – term receivables	-	0,00%	-	0,00%
Long – term investments	9 368 953,75	13,23%	4 000 000,00	14,57%
Long – term prepayments	46 878,16	0,07%	51 551,00	0,19%
Current assets	32 735 923,67	46,23%	9 827 519,72	35,81%
Inventory	146 672,49	0,21%	47 340,61	0,17%
Short – term receivables, including:	16 089 987,70	22,36%	8 175 744,54	29,79%
- due over 12 months	-	0,00%	-	0,00%
Short – term investments	14 790 159,32	21,25%	355 448,05	1,30%
Short – term prepayments	1 705 610,19	2,41%	1 248 986,52	4,55%
TOTAL ASSETS	70 815 630,37	100,00%	27 444 969,26	100,00%

LIABILITIES				
Own equity	65 448 248,08	92,42%	20 386 461,43	74,28%
Share capital	1 387 000,00	1,96%	987 000,00	3,60%
Due payments for the share capital	-	0,00%	-	0,00%
Own shares	-	0,00%	-	0,00%
Reserve capital	51 094 726,57	72,15%	6 418 097,46	23,39%
Revaluation capital	-	0,00%	-	0,00%
Other reserve capital	-	0,00%	-	0,00%
Profit (loss) from previous years	3 964 278,65	5,60%	3 964 278,65	14,44%
Net profit (loss)	9 002 242,86	12,71%	9 017 085,32	32,86%
Write offs on profit during year	-	0,00%	-	0,00%
Liabilities and reserves for liabilities	5 367 382,29	7,58%	7 058 507,83	25,72%
Reserves for liabilities	237 240,60	0,34%	172 383,87	0,63%
Long – term liabilities	372 452,57	0,53%	263 655,77	0,96%
Short – term liabilities, including:	4 757 689,12	6,72%	5 957 004,92	21,71%
- due over 12 months	-	0,00%	-	0,00%
Accruals	-	0,00%	665 463,27	2,42%
TOTAL LIABILITIES	70 815 630,37	100,00%	27 444 969,26	100,00%

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2. Statement of comprehensive income (in thousand PLN)

	01.01.2011 - 31.12.2011	Dynamics 2011/2010	01.01.2010 - 31.12.2010
Net revenues from sales of products, goods and materials, including:	80 401 949,44	70,0%	47 291 459,53
- from related parties	25 933 155,79	9,3%	23 716 089,52
net revenues from sales of products	80 270 549,64	69,7%	47 291 026,53
net revenues from sales of goods and materials	131 399,80	30246,4%	433,00
Cost of products, goods and materials sold, including:	64 219 125,02	132,3%	27 646 512,00
to related parties	-	-	-
Manufacturing cost of products sold	64 163 446,11	132,1%	27 646 079,00
Value of goods and materials sold	55 678,91	12758,9%	433,00
Gross profit (loss) on sales	16 182 824,42	-17,6%	19 644 947,53
Selling costs	1 013 327,08	-10,7%	1 134 867,22
General and administrative costs	4 633 567,38	-38,9%	7 578 014,93
Profit (loss) on sales	10 535 929,96	-3,6%	10 932 065,38
Other operating revenues	58 013,99	-85,6%	403 436,15
Gain on disposal of non-financial fixed assets	-	-	-
Subsidies	-	-100,0%	10 000,00
Other operating revenues	58 013,99	-85,3%	393 436,15
Other operating expenses	133 096,55	29,5%	102 765,49
Loss on disposal of non-financial assets	-	-	-
Revaluation of non-financial fixed assets	-	-	-
Other operating expenses	133 096,55	29,5%	102 765,49
Profit (loss) on operating activities	10 460 847,40	-6,9%	11 232 736,04
Financial revenues	712 206,69	7353,9%	9 554,78
Dividend and profit sharing	-	-	-
Interest	712 206,69	7353,9%	9 554,78
Gain on disposal of investments	-	-	-
Revaluation of investments	-	-	-
Other	-	-	-
Financial expenses	395 556,54	38,7%	285 140,62
Interest	132 337,53	-	-
Loss on disposal of investments	-	-	-
Revaluation of investments	-	-	-
Other	263 100,06	-7,7%	285 140,62
Profit (loss) on business activities	10 777 497,55	-1,6%	10 957 150,20
Result on extraordinary events	-	-	-
Gross profit / loss	10 777 497,55	-1,6%	10 957 150,20
Corporate income tax	1 775 254,69	-8,5%	1 940 064,88
Net profit / loss	9 002 242,86	-0,2%	9 017 085,32

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3. Key economic indicators

	01.01.11 – 31.12.11	01.01.10 – 31.12.10
Return On Assets		
<u>net profit</u> average assets	18,32%	37,42%
Return On Equity		
<u>net profit</u> average equity	20,98%	56,79%
Return On Sales		
<u>net profit</u> net revenue on sales of products	11,2%	19,07%
Current Ratio		
<u>current assets*</u> short-term liabilities*	6,88	1,65
Quick Ratio		
<u>current assets* - inventories</u> short-term liabilities*	6,85	1,64
Cash Ratio		
<u>short-term investments</u> short-term liabilities*	3,11	0,06
Receivables Turnover in Days**		
<u>average trade receivables x 365 days</u> revenue from sales of products, trade goods and materials	49	50
Liabilities Turnover in Days**		
<u>average trade receivables x 365 days</u> cost of products, trade goods and materials sold, + cost of sales + overhead costs	19	42
Debt Ratio		
<u>total liabilities</u> total liabilities+equity	0,08	0,26
Debt Coverage Ratio		
<u>equity</u> liabilities and provisions for liabilities	12,19	2,89
Fixed Assets Coverage Ratio		
<u>equity + long-term liabilities***</u> fixed assets	1,73	1,17

* excluding trade receivables maturing above 12 months

** amounts in the nominator include VAT whereas those in the denominator are net of VAT

*** including trade liabilities maturing over 12 months.

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4. Ratios interpretation and overall financing standing

The structure of the Company's assets:

Fixed assets constitute the major part of the Company's assets. Their value increased in 2011 mainly through the purchase of intangible assets (licenses), IT equipment, Stopklatka SA shares, shares in Cyfrowe Repozytorium Filmowe sp. z o.o. company and by granting a loan to its subsidiary.

Funding sources structure:

In 2011, the funding sources structure has undergone significant changes in comparison to previous year. At 31 December 2011 equity amounted to 92,42% of the total balance, and liabilities amounted to 7,58%. The reason for the above changes is the recording of the share premium on the sale of series B shares in reserve capital, net profit for 2011 generated in the amount of PLN 9.002,24 thousand, decrease in long-term liabilities on credits and loans and decrease in short-term trade liabilities.

Profitability ratios:

In the financial year 2011 the average period after which the Company collected trade receivables was 49 days. Trade payables deferral period is 19 days.

Equity turnover period in 2011 changed unfavorably, as the trade payables deferral period was shorter than the period after which the Company collected cash from trade receivables.

Debt ratios:

As at 31 December 2011, the debt ratio of the Company amounted to 0,8. Debt coverage ratio stands at 12,19. The value of the ratio indicates that the Company finances its activities mainly from equity.

Liquidity ratio:

The liquidity ratio at 31 December 2011 amounted to 6,88, which indicates that the Company has no problems with timely settlement of short-term liabilities.

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XII Wydział Gospodarczy KRS, NIP: PL 526-10-36-755, Regon: 011256722, Bank BRE O/Warszawa
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III. DETAILED SECTION OF THE REPORT

1. Assessment of the Company's Accounting System

The Company maintains documentation describing the adopted accounting policies, in particular: the definition of the financial year, the reporting periods, methods of valuation of assets and liabilities and determination of the financial result, the way of bookkeeping and data protection. The documentation of the accounting policies was prepared in accordance with the Accounting Act, and in the area of assets and liabilities valuation and the presentation of the financial statements in accordance with the requirements of the IFRS and approved by the resolution of the Extraordinary Shareholders Meeting of Kino Polska TV Sp. z o.o. on 12 August 2010.

The accounting books are kept at 7, Cybernetyki Street in Warsaw (02-695) on computers using Sage Forte Finanse i Księgowość software system.

We have randomly examined the correctness of the accounting system performance. We have assessed in particular:

- correctness of business operations documentation,
- correctness of computerized bookkeeping,
- validity of the methods used in data access protection and the access to the computer processing system,
- linkages between data found in the accounting books and the financial statements,
- safeguarding of the accounting documentation, accounting books and the financial statements,
- inventory taking and settlement of its results.

Based on the above evaluations, together with the results of reliability verification of particular items of the financial statements, we have concluded that the accounting system as a whole may be accepted as correct.

2. Inventory

Inventory taking of assets and liabilities was carried out in accordance with the Accounting Act. Inventory differences were reconciled and disclosed in the books of the year 2011.

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3. Information on Selected Items of the Financial Statements

3.1 Intangible Assets

Intangible assets in the amount of PLN 21.107,52 thousand at balance date comprise the Company's assets valued at purchase prices and disclosed in their net value, i.e. after deduction of total depreciation amount. Intangible assets with indefinite lifetime are not subject to depreciation.

Intangible assets comprise FILMBOX licenses in the amount of PLN 8.213,91 thousand, perpetual licenses in the amount of PLN 7.187,14 thousand, time-limited licenses in the amount of PLN 3.212,92 thousand and the remaining in the amount of PLN 775,72 thousand.

The additional notes correctly present the intangible assets changes, together with the disclosure of the liquidation of the above items.

3.2 Tangible Fixed Assets

Tangible fixed assets in the amount of PLN 7.556,35 thousand comprise mainly the IT equipment and other low value items.

3.3 Other Financial Assets (long-term)

Other financial assets comprise the shares of the Stopklatka S.A. company in the amount of PLN 5.673,94 thousand, shares in Cyfrowe Repozytorium Filmowe Sp. z o.o. company in the amount of PLN 2.600,01 thousand and a loan granted to a subsidiary in the amount of PLN 1.090,00 thousand.

3.4 Trade receivables and other receivables

Short-term receivables in the amount of PLN 16.089,98 thousand comprise mainly trade receivables from non-related parties in the amount of PLN 8.081,37 thousand, and trade receivables from related parties in the amount of PLN 7.045,13 thousand and budgetary receivables in the amount of PLN 469,24 thousand.

The natural structure of the receivables has been correctly presented in the additional notes to the financial statements.

3.5 Accruals and Provisions

Accruals and deferred income were correctly recognized in the audited financial period. The provisions for liabilities have been fairly evaluated. The items were classified completely and correctly in all material respects related to the financial statements.

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3.6 Short term liabilities

The natural structure of liabilities has been correctly presented in the additional notes to the financial statements. The largest liability items of the Company are trade receivables from the non-related parties in the amount of PLN 3.924,50 thousand.

4. Introduction to the Financial Statements and Additional Notes and Explanations

Additional notes and explanations in a complete manner describe the reported items and clearly present other information required by IFRS.

5. Changes in Equity

Statement of changes in equity reporting an increase in equity in the reporting period in the amount of PLN 45.061,78 thousand has been correctly prepared and linked to the balance sheet and the profit and loss account.

6. Cash Flow Statement

Cash flow statement reports an increase in cash in the amount of PLN 14.434,71 thousand in the reporting period. It has been prepared in accordance with the Article 48b of the Accounting Act using the indirect method and is correctly linked to the balance sheet and the profit and loss account and with accounting records.

7. Management Board Report

Management Board Report on the Company's activities in 2011 has been prepared in accordance with the Article 49 of the Accounting Act and the Decree of the Minister of Finance of 19 February 2009 on the current and periodic information supplied by the issuers of securities and the conditions for equal treatment of the information required by laws of non-member countries. The presented financial data are compliant with the information found in the audited financial statements of the Company for 2011.

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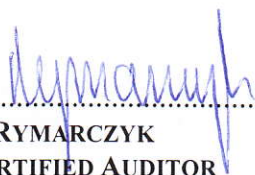


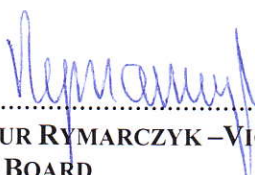
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IV. FINAL REMARKS

In our opinion, the audited financial statements, including the amounts and explanations, give a true and fair view of all the information essential for evaluating the economic and financial standing of the Kino Polska TV S.A. as at 31 December 2011, and its financial result for the financial period from 1 January 2011 to December 2011.

This report contains 16 consecutively numbered pages. Each page was signed by the Certified Auditor.


.....
ARTUR RYMARCZYK
KEY CERTIFIED AUDITOR
registration number **11210**
conducting an audit on behalf of


.....
ARTUR RYMARCZYK – VICE PRESIDENT OF
THE BOARD
CERTIFIED AUDITOR
registration number **11210**

SYSTEM REWIDENT SP. Z O.O.
Rakowiecka 30a Str.
02-528 Warsaw

Entity authorized to audit financial statements
entered under number 1253 on the list kept by
the National Council of Certified Auditors

Warsaw, 16 March 2012

The document is a free translation of the audit opinion and the audit report. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

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