

Notification of the intention to merge Multimedia Polska S.A. with Multimedia Polska – Mielec Sp. z o.o. and the Merger Plan

Current report no 21/2006 dated 29.12.2006

The Management Board of Multimedia Polska S.A. announces that today it resolved to merge Multimedia Polska S.A. with Multimedia Polska – Mielec Sp. z o.o. (a company wholly owned by the Issuer).

The business combination is aimed at reducing operating costs, streamlining the management structure and reporting within the Multimedia Group.

In accordance with the merger plan adopted on 29.12.2006, the merger will be effected in accordance with Art. 492 § 1.1 and Art. 516 §6 of the Commercial Companies Code by transferring all assets of Multimedia Polska – Mielec Sp. z o.o. to Multimedia Polska S.A.

The main business activity of both Multimedia Polska S.A. (the acquirer) and Multimedia Polska – Mielec Sp. z o.o. (the acquiree) is the provision of telecommunications services, and in particular television, Internet and telephony.

With this report, the Management Board of Multimedia Polska S.A. publishes the Merger Plan with attachments.

Legal basis:

Regulation of the Minister of Finance on current and periodical information provided by issuers of securities §5.1.13 and §19.2.1.

Gdynia, December 29th 2006

**The District Court for Gdańsk-Północ of Gdańsk,
VIII Commercial Division of the National Court
Register,
ul. Piekarnicza 10
80-169 Gdańsk, Poland**

Filing parties:

1. **The Acquirer:**
Multimedia Polska S.A.
registered office at ul. Tadeusza Wendy 7/9
81-341 Gdynia, Poland
KRS 0000238931
2. **The Acquiree:**
Multimedia Polska-Mielec Sp. z o.o.
registered office at ul. Tadeusza Wendy 7/9
81-341 Gdynia, Poland
KRS 0000057239

Re: KRS 0000238931

**SUBMISSION
of Plan of Merger without a request to appoint an auditor**

Acting pursuant to Art. 500.1 in conjunction with Art. 516.6 of the Commercial Companies Code and Art. 9.2 of the National Court Register Act of August 20th 1997, the Management Boards of:

Multimedia Polska S.A. of Gdynia, as the Acquirer, and Multimedia Polska-Mielec Sp. z o.o. of Gdynia, as the Acquiree:

1. submit the Plan of Merger, as agreed by the Management Boards of the merging companies on December 29th 2006, and request the inclusion of the Plan of Merger in the registration files maintained for Multimedia Polska S.A. (the Acquirer),
2. **do not request** for the appointment of an auditor to examine the Plan of Merger in terms of its accuracy and fairness given that the merger is being carried out pursuant to Art. 516.6 of the Commercial Companies Code, which waives the requirement that a plan of merger be examined by an auditor in terms of its accuracy and fairness.

For the Management Board of Multimedia Polska S.A.:

*[Stamp and signature: Mateusz Trojanowski
LEGAL COUNSEL
Gd. 1486]*

.....
Mateusz Trojanowski, Attorney-in-Fact

For the Management Board of Multimedia Polska-Mielec Sp. z o.o.:

*[Stamp and signature: Mateusz Trojanowski
LEGAL COUNSEL
Gd. 1486]*

.....
Mateusz Trojanowski, Attorney-in-Fact

Schedules:

1. The Plan of Merger with schedules

PLAN OF MERGER

between Multimedia Polska Spółka Akcyjna of Gdynia as the Acquirer
and Multimedia Polska-Mielec Sp. z o.o. of Gdynia as the Acquiree
agreed on December 29th 2006.

Pursuant to Art. 498 et seq. of the Commercial Companies Code of September 15th 2000 (“the Commercial Companies Code”), the Management Boards of the following companies:

1. Multimedia Polska Spółka Akcyjna, registered office at ul. Tadeusza Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs maintained by the District Court for Gdańsk-Północ of Gdańsk, VIII Commercial Division of the National Court Register, under No. KRS 0000238931, the Acquirer

and

2. Multimedia Polska-Mielec Spółka z ograniczoną odpowiedzialnością, registered office at ul. Tadeusza Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs, maintained by the District Court for Gdańsk-Północ of Gdańsk, VIII Commercial Division of the National Court Register, under No. KRS 0000057239, the Acquiree

hereby agree upon the following Plan of Merger:

1. METHOD OF MERGER

The merger shall be carried out in line with Art. 492.1.1 in conjunction with Art. 516.6 of the Commercial Companies Code by way of transfer of the Acquiree’s entire assets to the Acquirer.

Since the Acquirer, Multimedia Polska Spółka Akcyjna of Gdynia, holds 100% of shares in the Acquiree, Multimedia Polska-Mielec Spółka z ograniczoną odpowiedzialnością of Gdynia, the merger of the two companies shall be effected pursuant to Art. 516.6 of the Commercial Companies Code, with appropriate application of the regulations governing the simplified procedure for mergers of companies.

In connection with the foregoing, the merger shall be carried out without increasing the share capital of Multimedia Polska Spółka Akcyjna of Gdynia and, consequently, no shares in the Acquirer shall be delivered to the shareholders of the Acquiree. The Plan of Merger shall not envisage any share exchange ratio for the exchange of the Acquiree shares for the Acquirer shares, rules of allotment of the Acquirer shares and the date as of which new shares would entitle their holders to distributions from the Acquirer’s profit.

In the course of the merger, this Plan of Merger shall not be audited in terms of its accuracy and fairness by an auditor appointed by the Registry Court, and no reports of the merging companies’ Management Boards, specify the reasons for the merger, shall be prepared.

Taking into consideration that the merger shall be carried out without share capital increase, no amendments shall be introduced to the Statutes of the Acquirer.

2. RIGHTS GRANTED BY THE ACQUIRER TO THE SHAREHOLDERS OR HOLDERS OF SPECIAL RIGHTS IN THE ACQUIREE IN CONNECTION WITH THE MERGER

Since there are no shareholders or holders of special rights in the Acquiree, the Acquirer shall not grant any relevant rights.

3. SPECIAL BENEFITS FOR MEMBERS OF THE MERGING COMPANIES' GOVERNING BODIES AND OTHER MERGER PARTICIPANTS

No special rights or benefits shall be granted by the Acquirer to the members of the merging companies' governing bodies and other merger participants.

4. EFFECTIVE DATE

The merger shall become effective on the date of registering the merger by the Registry Court with jurisdiction over the registered office of the Acquirer, Multimedia Polska Spółka Akcyjna of Gdynia.

The Acquiree, Multimedia Polska-Mielec Spółka z ograniczoną odpowiedzialnością, shall be dissolved without liquidation proceedings on the date of deletion of the Acquiree from the relevant court register.

The Acquirer shall assume all rights and obligations of the Acquiree.

5. SCHEDULES TO THE PLAN OF MERGER

1. Draft resolutions concerning the merger:

- a. Draft of the merger resolution of the General Shareholders Meeting of Multimedia Polska Spółka Akcyjna of Gdynia
- b. Draft of the merger resolution of the General Shareholders Meeting of Multimedia Polska-Mielec Spółka z ograniczoną odpowiedzialnością

2. Valuation of the merging companies' assets

3. Representation on the accounting positions of the merging companies

SCHEDULE 1 a

to the PLAN OF MERGER of Multimedia Polska Spółka Akcyjna of Gdynia and Multimedia Polska–Mielec Spółka z ograniczoną odpowiedzialnością of Gdynia

DRAFT

**RESOLUTION NO. ...
of the Extraordinary General Shareholders Meeting of
Multimedia Polska S.A. of Gdynia
dated 2007**

Par. 1

Acting pursuant to Art. 492.1.1 of the Commercial Companies Code, the Extraordinary General Shareholders Meeting of the company under the name Multimedia Polska S.A., registered office of Gdynia, hereby resolves to merge the following companies:

1. Multimedia Polska Spółka Akcyjna, registered office at ul. T. Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs under No. KRS 0000238931 – the Acquirer,
2. Multimedia Polska–Mielec Spółka z ograniczoną odpowiedzialnością, registered office at ul. T. Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs under No. KRS 0000057239 – the Acquiree,

by way of transfer of the Acquiree's entire assets to Multimedia Polska Spółka Akcyjna, as the Acquirer.

The merger shall be effected in accordance with the Plan of Merger agreed by the Management Boards of the merging companies on December 29th 2006 and published in *Monitor Sądowy i Gospodarczy* No. of 2007, defining in detail the terms of the merger.

The General Shareholders Meeting hereby approves the Plan of Merger and the Statutes of Multimedia Polska Spółka Akcyjna, the Acquirer.

For the Management Board of Multimedia Polska S.A.:

.....
Mateusz Trojanowski, Attorney-in-Fact

For Multimedia Polska–Mielec Sp. z o.o.:

.....
Mateusz Trojanowski, Attorney-in-Fact

SCHEDULE 1 b

to the PLAN OF MERGER of Multimedia Polska Spółka Akcyjna of Gdynia and Multimedia Polska–Mielec Spółka z ograniczoną odpowiedzialnością of Gdynia

DRAFT

**RESOLUTION NO. ...
of the Extraordinary Shareholders Meeting of
Multimedia Polska – Mielec Sp. z o.o. of Gdynia
dated 2007**

Par. 1

Acting pursuant to Art. 492.1.1 of the Commercial Companies Code, the Extraordinary Shareholders Meeting of the company under the name Multimedia Polska – Mielec Sp. z o.o., registered office of Gdynia, hereby resolves to merge the following companies:

1. Multimedia Polska Spółka Akcyjna, registered office at ul. T. Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs under No. KRS 0000238931 – the Acquirer,
2. Multimedia Polska–Mielec Spółka z ograniczoną odpowiedzialnością, registered office at ul. T. Wendy 7/9, Gdynia, Poland, entered in the Register of Entrepreneurs under No. KRS 0000057239 – the Acquiree,

by way of transfer of the Acquiree's entire assets to Multimedia Polska Spółka Akcyjna, as the Acquirer.

The merger shall be effected in accordance with the Plan of Merger agreed by the Management Boards of the merging companies on December 29th 2006 and published in *Monitor Sądowy i Gospodarczy* No. of 2007, defining in detail the terms of the merger.

The General Shareholders Meeting hereby approves the Plan of Merger and the Statutes of Multimedia Polska Spółka Akcyjna, the Acquirer.

For the Management Board of Multimedia Polska S.A.:

.....
Mateusz Trojanowski, Attorney-in-Fact

For Multimedia Polska–Mielec Sp. z o.o.:

.....
Mateusz Trojanowski, Attorney-in-Fact

**Valuation of Assets of Multimedia Polska S.A.
of Gdynia as at November 30th 2006**

The document containing the valuation of assets of Multimedia Polska S.A. of Gdynia was drawn up pursuant to Art. 499.2.3, in conjunction with Art. 516.6, of the Commercial Companies Code in connection with the planned merger of Multimedia Polska S.A. of Gdynia and Multimedia Polska-Mielec Sp. z o.o. of Gdynia by way of transfer of the assets of Multimedia Polska-Mielec Sp. z o.o. of Gdynia (the Acquiree) to Multimedia Polska S.A. of Gdynia (the Acquirer).

Description and Method of Merger:

Description and method of the merger are presented in the Plan of Merger, agreed by the Management Boards of the merging companies.

Basis for Valuation of the Company's Assets:

The value of the Company's assets has been established on the basis of the net carrying value of the Company's assets and stands at PLN 237,571,678.54. The principles governing the valuation of assets and liabilities applied by the Company are presented in detail in Schedule 3.

Method of Valuation of the Company's Assets:

The Company's assets were valued by means of accounting valuation.

Multimedia Polska S.A.

Attorney-in-fact for the Management Board

Schedule 3
to the Plan of Merger

**REPRESENTATION ON THE ACCOUNTING POSITION OF
Multimedia Polska S.A. of Gdynia
prepared for the purposes of the merger,
as at November 30th 2006**

The document concerning the accounting position of Multimedia Polska S.A. of Gdynia was drawn up pursuant to Art. 499.2.4, in conjunction with Art. 516.6, of the Commercial Companies Code in connection with the planned merger of Multimedia Polska S.A. of Gdynia and Multimedia Polska-Mielec Sp. z o.o. of Gdynia by way of transfer of the assets of Multimedia Polska-Mielec Sp. z o.o. of Gdynia (the Acquiree) to Multimedia Polska S.A. of Gdynia (the Acquirer).

The Management Board of Multimedia Polska S.A. of Gdynia hereby represents that to the best of its knowledge and belief:

- the balance sheet prepared as at November 30th 2006, attached hereto, was prepared with due care, in compliance with the International Financial Reporting Standards (IFRS).
- the balance sheet prepared as at November 30th 2006 gives a fair view of the Company's accounting position.

Furthermore, the Management Board represents that in accordance with Art. 499.3.1–2 of the Commercial Companies Code no inventory taking was conducted and the data disclosed in the latest balance sheet have been adjusted only to the extent necessary to reflect changes in the accounting records, taking into account temporary amortisation and depreciation charges and inventories as well as material changes in the current value which had not been disclosed in the accounting books.

Assets and liabilities:

Assets, equity and liabilities disclosed by Multimedia Polska S.A. of Gdynia as at November 30th 2006 were as follows:

ASSETS

Non-current assets 610,858,267.20

Current assets 218,933,931.03

TOTAL ASSETS 829,792,198.23

EQUITY AND LIABILITIES

Equity 237,571,678.54

Liabilities and provisions for liabilities 592,220,519.69

TOTAL EQUITY AND LIABILITIES 829,792,198.23

A detailed breakdown of assets and equity and liabilities in the form of a balance sheet prepared as at November 30th 2006 in compliance with the International Financial Reporting Standards (IFRS), which conforms with the format of an annual balance sheet, is attached as a schedule hereto.

Adopted Accounting Policies:

The individual items of assets, equity and liabilities were valued based on the applicable accounting policies set forth in the International Financial Accounting Standards (IFRS).

1.1. Currency Translations

Transactions expressed in foreign currencies are disclosed in the Polish zloty, translated at the exchange rate in effect for a given currency as at the transaction date.

As at the balance-sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the Polish zloty at the mid exchange rate quoted by the National Bank of Poland for a given currency at the end of a reporting period. Currency-translation differences are recognised under financial income or financial expenses, as appropriate. Non-monetary assets and liabilities disclosed at historical cost expressed in a foreign currency are recognised after translation at the historical exchange rate effective on the transaction date. Non-monetary assets and liabilities disclosed at fair value expressed in a foreign currency are translated at the exchange rate effective on the date of measurement to fair value.

1.2. Property, Plant and Equipment

Property, plant and equipment are disclosed at acquisition or production cost less depreciation and impairment losses. Property, plant and equipment is initially disclosed at acquisition cost plus any costs directly related to the purchase of the assets and bringing them to working condition for their intended use. This cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are

fulfilled.

Costs incurred after an asset is placed in service, such as costs of maintenance and repair, are included in profit or loss when incurred.

The Company reviewed its property, plant and equipment acquired at the time when hyperinflationary conditions prevailed in Poland and revalued these assets.

The Company identifies items of property, plant and equipment with a significant value to which separate useful economic lives can be assigned.

Property, plant and equipment are depreciated on the straight-line basis over their estimated useful economic lives, as detailed in the following table:

Property, plant and equipment	Period
Land (perpetual usufruct right)	5 years
Buildings and structures	9-40 years
Plant and equipment	2-25 years
Office equipment	1-10 years
Vehicles	3.5-7 years
Computers	1-10 years
Investments in third-party property, plant and equipment	10 years

If during the preparation of financial statements there occur any circumstances indicating that the carrying value of an asset may not be recoverable, such assets are tested for impairment. If there is evidence of impairment, and the carrying value of an asset exceeds its estimated recoverable amount, then the carrying value of the asset or the cash generating unit to which the asset belongs is reduced to the recoverable amount. The recoverable amount of property, plant and equipment is equal to the higher of the fair value less cost to sell or the value in use. To calculate the value in use, the Company discounts the expected future cash flows to their present value using a pre-tax rate which reflects current market assessments of the time value of money and the risk specific to a given asset. If an asset does not generate sufficient cash flows in a largely independent manner, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are charged to profit or loss as other operating expenses.

An item of property, plant and equipment may be derecognised from the balance sheet if it is sold or if the Company does not expect to realise any economic benefits from its further use. Gains or losses on de-recognition of an asset from the balance sheet (calculated as the difference between net proceeds from the sale, if any, and the carrying value of the asset) are disclosed in the income statement in the period when the asset was derecognised.

Assets under construction comprise property, plant and equipment which are under construction or assembly. They are recognised at acquisition or production cost. Assets under construction are not depreciated until completed and placed in service.

The residual value, useful economic life and depreciation method are reviewed – and adjusted if required – at the end of each financial year.

The costs of each major overhaul are included in the carrying value of property, plant and equipment.

1.3. Costs of External Financing

Costs of external financing comprise interest and foreign exchange gains or losses up to an amount corresponding to the adjustment to interest expense.

The costs of external financing are capitalised as part of the cost of production of property, plant and equipment.

1.4. Goodwill

Goodwill relating to the acquisition of a business is initially recognised at acquisition cost, equal to the excess of the purchase price of the business over the buyer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is carried at acquisition cost less cumulative impairment losses. Goodwill is tested for impairment once a year or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the date of acquisition, the acquired goodwill is allocated to each cash-generating unit which is expected to benefit from the synergies of the combination. Impairment is determined by estimating the recoverable amount of the cash-generating unit to which given goodwill was allocated. If the recoverable amount of a cash-generating unit is lower than its carrying value, the Company recognises an impairment loss. If goodwill comprises part of a cash-generating unit and the Company sells a part of business forming the cash-generating unit, the goodwill connected with the sold business is included in the carrying value of the sold business for the purpose of calculating gains or losses on disposal of that part of business. In such a case, goodwill pertaining to the sold business is measured based on the relative value of the sold business and the value of the retained part of the cash-generating unit.

If a minority interest is acquired, the company recognises goodwill representing the difference between the acquisition cost and the carrying value of the acquired interest in net assets.

1.5. Intangible Assets

Initially, intangible assets acquired by separate purchase are recorded at acquisition or production cost. The acquisition cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of combination. Following initial recognition, intangible assets are

carried at acquisition or production cost less accumulated amortisation and impairment losses. With the exception of capitalised expenditure on research and development, expenditure on intangible assets produced by the Company is not capitalised and is disclosed under expenses for the period in which they were incurred.

The Company determines whether intangible assets have definite or indefinite useful lives. Intangible assets with indefinite useful lives are amortised throughout their useful lives and are tested for impairment each time there is indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in the asset are disclosed by changing the amortisation period or amortisation method, respectively, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in the income statement, in the category relevant for the function of a given intangible asset.

Intangible assets with indefinite useful lives and those which are not used are reviewed annually in terms of impairment at the level of individual assets or cash-generating units. Other intangible assets are reviewed for impairment on an annual basis. Useful lives are also reviewed each year, and, if required, they are adjusted with effect from the beginning of the financial year.

Below is presented a summary of the policies applied in relation to the Company's intangible assets:

	Patents and licences	Computer software	Access to market
Useful lives	Indefinite. In the case of patents and licenses used under an agreement concluded for a definite term, it is assumed that the term together with an additional period for which the agreement may be extended represents the useful life.	2–5 years	In the case of agreements concluded for a definite term, such term is assumed to be the useful life; any period by which the agreement may be extended is not taken into account.
Method applied	Intangible assets with indefinite useful lives are not amortised or revalued. Other intangible assets are amortised throughout the agreement term (1–5 years) using the straight-line method.	straight-line method	Intangible assets with indefinite useful lives are not amortised or revalued. Other intangible assets are amortised throughout the agreement term using the straight-line method.
Review for impairment / measurement	Intangible assets with indefinite useful lives are reviewed for impairment	Annual review for impairment	Intangible assets with indefinite useful lives are reviewed for

of recoverable amount	annually or each time there is an indication of impairment. Other intangible assets are reviewed for impairment on an annual basis.		impairment annually or each time there is an indication of impairment. Other intangible assets are reviewed for impairment on an annual basis.
-----------------------	---	--	--

Access to market is an intangible asset arising upon acquisition of cable television networks in relation to which Multimedia Polska S.A. took over the operation of the cable networks administrated by housing communities and housing cooperatives which were parties to agreements with former operators under which such operators were guaranteed the possibility of providing their services in the area administered by the housing communities and cooperatives. Multimedia Polska S.A. and the housing communities and cooperatives entered into agreements with various duration, which set forth the mutual rights and obligations of the parties in connection with the business conducted by Multimedia Polska S.A.

Gains or losses resulting from removal of intangible assets from the balance-sheet are measured as the difference between the net proceeds from the sale of a given asset and its carrying value, and are disclosed in the income statement upon derecognition of the asset.

1.6. Recoverable Amount of Non-Current Assets

As at each balance sheet date, the Company’s assets are tested for impairment. If there is indication of impairment, the Company formally determines the recoverable amount. If the carrying value of a given asset or cash generating unit exceeds the recoverable amount, impairment is recognised and a valuation allowance is made for the asset or cash generating unit to reflect its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit’s fair value less costs to sell or its value in use.

1.7. Financial Instruments

Financial instruments are divided into the following categories:

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

Financial assets held to maturity are investments with fixed or determinable payments and fixed maturities that the company intends and is able to hold to maturity. Financial assets held to maturity are recognised at amortised cost using the effective interest rate.

Financial assets at fair value through profit or loss are financial instruments acquired for short-term profit taking. Such instruments are measured at fair value taking into account their market value as at the balance-sheet date. Changes in such financial instruments are recognised as financial income or expenses.

Loans and receivables are measured at amortised cost.

All other types of financial assets are assets available for sale. Financial assets available for sale are recognised at fair value (without deducting the transaction costs) being their market value as at the balance-sheet date. If an asset is not traded on an active market and it is impossible to reliably determine the asset's fair value based on alternative methods, such assets are recognised at acquisition cost less impairment losses.

Any negative or positive differences between the fair value and acquisition cost of assets available for sale, less deferred tax (if there is a market price determined on an active regulated market or if the asset's fair value can be determined in another reliable manner), are charged to the revaluation capital reserve. Any decreases in the value of assets available for sale caused by impairment are disclosed as financial expenses in the income statement.

Financial assets held to maturity are classified as non-current assets if they mature after more than 12 months from the balance-sheet date.

Financial assets at fair value through profit or loss are classified as current assets.

Purchase or sale of financial assets are recognised as at the transaction date. Financial assets other than financial assets at fair value through profit or loss are initially disclosed at acquisition cost, i.e. at fair value, without deducting the transaction costs.

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

A financial instrument is derecognised when the company loses control over the contractual rights comprising a given financial instrument; this usually happens if an instrument is sold or if all cash flows from the instrument are transferred to an independent third party.

1.8. Hedging Instruments

Derivative instruments used by the Company to hedge against interest rate risk and foreign currency risk comprise in particular currency forwards and interest rate swaps. Such derivative financial instruments are measured at fair value.

The fair value of foreign currency swap contracts is determined based on current forward rates applicable to contracts with similar maturities. The fair value of interest rate swaps is established based on the market value of similar instruments.

In hedge accounting, hedging instruments are classified either as fair value hedges, securing against the exposure to changes in fair value of a recognised asset or liability, or as cash flow hedges, securing against the exposure to variability in cash flows which is attributable to a particular risk associated with a recognised asset, liability or forecast transaction.

In the case of fair value hedges which qualify for hedge accounting, gains or losses from remeasuring the hedging instrument at fair value are immediately recognised in profit or loss. The gain or loss on the hedged item, attributable to the risk against which an entity intends to secure itself, adjust the carrying value of the hedged item and are recognised in profit or loss. If the carrying value of a hedged interest-bearing financial instrument is adjusted, the adjustment is charged to net profit or loss in a manner which permits its full amortisation prior to the maturity of such an instrument.

In the case of cash flow hedges which qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, while the portion of the gain or loss determined to be an ineffective hedge – in net profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the acquired asset or assumed liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or if a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge is applied, gains or losses, previously recognised directly in equity, are removed and included in the initial cost or other carrying amount of the asset or liability.

Gains or losses resulting from changes in the fair value of those derivatives which do not meet conditions permitting the application of special hedge accounting policies are recognised directly in net profit or loss for the current period.

The company discontinues the hedge accounting if the hedging instrument has expired or has been sold, terminated or exercised or if the hedge no longer meets the criteria permitting the application of special hedge accounting policies. In the latter case, the cumulative gain or loss on the hedging instrument, initially recognised directly in equity, continues to be recognised in equity until the forecast transaction occurs. If the company no longer expects the forecast transaction to occur, the cumulative net gain or loss so far recognised in equity is recognised in the net profit or loss for the current period.

1.9. Inventories

Inventories are recognised at the lower of their acquisition/production cost or net realisable selling price.

Costs incurred in order to bring each inventory item to its present location and condition, relating to both current and previous year, are accounted for as follows:

materials	– at acquisition cost calculated using the FIFO method;
finished goods and work-in-progress	– at cost of direct materials and labour and an appropriate indirect production cost mark-up determined assuming normal production capacity utilisation, net of external financing costs
goods for resale	– at acquisition cost calculated using the FIFO method

The net realisable selling price is the estimated selling price obtained in the ordinary course of business, less the cost of completion and the estimated costs necessary to make the sale.

1.10. Trade and Other Receivables

Receivables are recognised at amounts due, less valuation allowances.

Receivables are revalued taking into account the probability of their payment by creating appropriate valuation allowances. Valuation allowances for receivables are charged to other operating expenses or to financial expenses, as appropriate, depending on the type of the receivable to which the valuation allowance applies.

Valuation allowances are determined as follows: for past-due subscriber receivables (receivables become past-due as of the end of the month in which they are due):

1. receivables from subscribers who have been disconnected because of the delay in payment of their liabilities to the Company	100%
2. receivables from other subscribers	
• past-due receivables, 2–3 months late	25%
• past-due receivables, 3–6 months late	50%
• past-due receivables, more than 6 months late	100%

Valuation allowances for receivables are reduced by the value of receivables which have been cancelled, have become time-barred or are unrecoverable.

Receivables which have been cancelled, have become time-barred or are unrecoverable, and with respect to which no valuation allowances have been made or the valuation allowances that have been made were lower than the full value of the receivables, are charged to other operating expenses.

If the effect of the time value of money is significant, the value of receivables is determined by discounting projected future cash flows to their present value using a per-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables as a result of lapse of time is recognised as financial income.

1.11. Cash and Cash Equivalents

Cash and short-term deposits disclosed in the balance sheet comprise cash at banks and cash in hand as well as short-term deposits with original maturities of up to three months.

Overdraft facilities are disclosed in the balance sheet as short-term loans and borrowings under current liabilities.

The balance of cash and cash equivalents disclosed in the consolidated cash-flow statement comprises the cash and cash equivalents specified above less outstanding overdraft facilities.

1.12. Interest-Bearing Loans, Borrowings and Debt Securities

All bank loans, borrowings, and debt securities are initially recognised at acquisition cost equal to the fair value of funds received, less cost of obtaining the loan or borrowing.

Following initial recognition, interest-bearing loans, borrowings, and debt securities are valued at amortised cost, using the effective interest rate method.

Amortised cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability.

Any gains or losses are charged to profit or loss upon removal of the liability from the balance sheet or when a valuation allowance is recognised.

1.13. Provisions

Provisions are created when the Group has an obligation (legal or following from commercial practice) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of economic benefits, and the amount of the obligation may be reliably estimated. If the Company anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate item of assets, but only when such recovery is practically certain to occur. The cost related to a given provision is disclosed in the income statement, net of any recovered amounts. If the effect of the time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to their present value using pre-tax discount rates reflecting the current market estimates of the time value of money and risks, if any, specific to a given obligation. If the discount method is applied, an increase in provisions as a result of lapse of time is recognised as financial expenses.

1.14. Leases

Lease agreements which transfer to the Company substantially all the risks and benefits incidental to ownership of leased property are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Lease

payments are apportioned between financial expenses and reduction of the outstanding lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are directly charged to the income statement.

Tangible assets used under financed lease agreements are depreciated over the shorter of their estimated useful life or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments under such arrangements are recognised as costs in the income statement, on the straight-line basis, over the lease term.

1.15. Revenue

Revenue is disclosed at the value of the Company's probable economic benefits related to a given transaction and if the revenue amount can be reliably assessed. Revenue is recognised net of VAT and discounts. Other criteria used for revenue recognition are discussed below.

1.15.1 Revenue from sales of goods for resale and products

Revenue is recognised when significant risk of and benefits from the ownership rights to goods for resale and products have been transferred to the purchaser, and the revenue amount can be reliably estimated.

1.15.2 Revenue on services

Revenue on services is recognised when a service is completed. If a subscriber is connected during a month, a partial subscription fee amounting to one-thirtieth of the monthly fee is recognised for each single day during the period when the service was provided.

1.15.3 Interest

Interest income is recognised as it accrues (using the effective interest rate, which is the rate discounting future cash flows over the estimated life of the financial instrument) on the net carrying value of a given financial asset.

1.15.4 Dividend

Dividend is recognised when the shareholder's right to receive payment is established.

1.15.5 Government Subsidies

If there is reasonable certainty that a subsidy will be received and that all the applicable conditions will be fulfilled, government subsidies are recognised at fair value.

If a subsidy concerns a cost item, it is recognised as income in matching with the cost it is to compensate. If it concerns an asset, its fair value is recognised as deferred income and subsequently it is written off annually in equal parts through profit or loss over the estimated useful life of the asset.

Municipal subsidies for the purchase of property, plant and equipment are disclosed as deferred income connected with government subsidies, and they are charged to the income statement, using the straight-line method, over the period of their estimated useful life.

1.16. Income tax

For the purposes of financial reporting, the Company creates a deferred tax liability using the balance-sheet liability method in relation to all temporary differences existing as at the balance-sheet date between the tax value of assets and liabilities and their carrying value as disclosed in the financial statements.

Deferred tax liability is recognised for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting pre-tax profit nor taxable profit (tax loss), and
- in the case of taxable temporary differences associated with investments in subsidiary or associated undertakings, and interests in joint ventures, unless the investor is able to control the timing of the reversal of the temporary differences or it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised in relation to all deductible temporary differences, unused tax assets, and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences, assets and losses to be used:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting pre-tax profit nor taxable profit (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiary or associated undertakings and interests in joint ventures, the related deferred tax asset is recognised in the balance sheet in the amount of the taxable income expected to be generated in the foreseeable future (as a result of the reversal of these temporary differences) which would enable the deductible temporary differences to be offset.

The balance-sheet value of a deferred tax asset is reviewed as at each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or release of particular provision, based on tax rates (and tax legislation) effective as at the balance-sheet date or tax rates (and tax legislation) which are certain as at the balance-sheet date to be effective in the future.

The Company does not offset the deferred tax liability against deferred tax asset since there is no legal basis for such offset.

Income tax related to items posted directly to equity is disclosed under equity and not in the income statement.

1.17. Net Earnings per Share

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in this reporting period. The Company does not disclose the diluted earnings/loss per share, since no factors which would dilute earnings per share occur.

Multimedia Polska S.A.

ITEM	Jan 1 - Nov 30 2006
1	2
A. Sales revenue and equivalents, including:	273 433 610,23
- from related undertakings	27 512 578,69
I. Net revenue on sales of products	273 392 790,63
II. Change in products (increase - positive value, decrease - negative value)	0,00
III. Cost of products for own needs	0,00
IV. Net revenue from sales of goods for resale and materials	40 819,60
B. Operating expenses	212 595 932,46
I. Depreciation/amortisation	56 555 567,65
II. Raw materials and energy used	7 543 416,79
III. Contracted services	109 263 333,15
IV. Taxes and charges, including:	9 901 445,14
- excise tax	0,00
V. Salaries and wages	22 468 638,14
VI. Social security and other benefits	4 458 315,22
VII. Other cost by type	2 364 149,33
VIII. Cost of goods for resale and materials sold	41 067,04
C. Profit on sales (A-B)	60 837 677,77
D. Other operating income	13 656 778,28
I. Gain on disposal of non-current non-financial assets	0,00
II. Subsidies	96 429,63
III. Other operating income	13 560 348,65
E. Other operating expenses	15 943 500,73
I. Loss on disposal of non-current non-financial assets	522 470,79
II. Revaluation of non-financial assets	2 050 937,04
III. Other operating expenses	13 370 092,90
F. Operating profit (C+D-E)	58 550 955,32
G. Financial income	8 560 947,18
I. Dividends and other profit distributions, including:	0,00
- from related undertakings	0,00
II. Interest, including:	4 332 618,14
- from related undertakings	4 059 904,54
III. Gain on disposal of investments	1 875 600,00
IV. Investment revaluation	19 000,00
V. Other	2 333 729,04
H. Financial expenses	27 691 753,37
I. Interest, including:	24 614 954,73
- to related undertakings	672 805,22
II. Loss on disposal of investments	0,00
III. Investment revaluation	11 768,20
IV. Other	3 065 030,44
I. Profit before extraordinary items (F+G-H)	39 420 149,13
J. Result on extraordinary items (J.I.-J.II.)	0,00
I. Extraordinary gains	0,00
II. Extraordinary losses	0,00
K. Profit before tax (I±J)	39 420 149,13
L. Corporate income tax	7 193 603,08
- including deferred income tax	2 091 481,08
M. Other mandatory decrease of profit	0,00
N. Net profit (K-L-M)	32 226 546,05

Bilans

sporządzony na dzień 30 listopada 2006 r.
(w złotych)

ASSETS	as at		EQUITY AND LIABILITIES	as at	
	1	2		3	4
	Nov 30 2006			Nov 30 2006	
A. Non-current assets		610 858 267,20	A. Equity		237 571 678,54
I. Intangible assets		37 281 412,62	I. Share capital		136 912 273,00
1. Development expense		0,00	II. Called-up share capital not paid (negative value)		0,00
2. Goodwill		4 796 498,51	III. Treasury shares (negative value)		0,00
3. Other intangible assets		32 484 914,11	IV. Reserve capital		58 877 685,96
4. Prepayments for intangible assets		0,00	V. Revaluation capital reserve		2 645,81
II. Property, plant and equipment		370 734 129,21	VI. Other capital reserves		0,00
1. Fixed assets		320 285 331,66	VII. Retained profit/(deficit)		9 552 527,72
a) land (including perpetual usufruct rights)		72 151,50	VIII. Net profit/(loss)		32 226 546,05
b) buildings and structures		153 174 092,64	IX. Distributions from net profit made during financial year (negative value)		0,00
c) plant and equipment		156 280 859,17	B. Liabilities and provisions for liabilities		592 220 519,69
d) vehicles		8 806 607,53	I. Provisions for liabilities		8 701 662,31
e) other fixed assets		1 951 620,82	1. Deferred tax liability		8 387 153,00
2. Fixed assets under construction		50 338 070,31	2. Provision for retirement and similar benefits		0,00
3. Prepayments for fixed assets under construction		110 727,24	- non-current		0,00
III. Non-current receivables		0,00	- current		0,00
1. From related undertakings		0,00	3. Other provisions		314 509,31
2. From other undertakings		0,00	- non-current		0,00
IV. Non-current investments		196 958 493,29	- current		314 509,31
1. Real estate		0,00	II. Non-current liabilities		500 850 529,98
2. Intangible assets		0,00	1. To related undertakings		
3. Non-current financial assets		196 958 493,29	2. To other undertakings		500 850 529,98
a) in related undertakings		196 956 793,29	a) loans and borrowings		498 149 103,18
- shares		196 956 793,29	b) debt securities in issue		0,00
- other securities		0,00	c) other financial liabilities		2 701 426,80
- loans advanced		0,00	d) other		0,00
- other non-current financial assets		0,00	III. Current liabilities		66 574 397,40
b) in other undertakings		1 700,00	1. To related undertakings		29 472 223,44
- shares		1 700,00	a) trade payables (by maturity):		
- other securities		0,00	- up to 12 months		2 774 247,47
- loans advanced		0,00	- over 12 months		0,00
- other non-current financial assets		0,00	b) other		26 697 975,97
4. Other non-current investments		0,00	2. To other undertakings		36 805 863,11
V. Non-current prepayments and accrued income		5 884 232,08	a) loans and borrowings		9 496 774,51
1. Deferred tax assets		5 191 910,00	b) debt securities in issue		0,00
2. Other prepayments and accrued income		692 322,08	c) other financial liabilities		1 557 320,61
B. Current assets		218 933 931,03	d) trade payables (by maturity):		12 443 910,55
I. Inventories		13 235 493,29	- up to 12 months		12 443 910,55
1. Materials		674 538,21	- over 12 months		0,00
2. Semi-finished products and work in progress		12 198 522,00	e) prepaid deliveries		
3. Finished products		0,00	f) promissory notes payable		
4. Goods for resale		362 433,08	g) tax, duty, social security, health care and other benefits payable		934 971,18
5. Prepaid deliveries			h) salaries and wages payable		0,00
II. Current receivables		42 844 683,39	i) other		12 372 886,26
1. From related undertakings		18 014 428,56	3. Special accounts		296 310,85
a) trade receivables (by maturity):		18 014 428,56	IV. Accruals and deferred income		16 093 930,00
- up to 12 months		18 014 428,56	1. Negative goodwill		0,00
- over 12 months		0,00	2. Other accruals and deferred income		16 093 930,00
b) other			- non-current		1 876 856,33
2. From other undertakings		24 830 254,83	- current		14 217 073,67
a) trade receivables (by maturity):		13 483 311,74			
- up to 12 months		13 483 311,74			
- over 12 months		0,00			
b) tax, duty, social security, health care and other benefits receivable		10 119 943,07			
c) other		1 227 000,02			
d) under court proceedings		0,00			
III. Current investments		142 229 236,01			
1. Current financial assets		142 229 236,01			
a) in related undertakings		37 794 005,71			
- shares		0,00			
- other securities		0,00			
- loans advanced		37 794 005,71			
- other current financial assets		0,00			
b) in other undertakings		13 150,93			
- shares		0,00			
- other securities		0,00			
- loans advanced		13 150,93			
- other current financial assets		0,00			
c) cash and cash equivalents		104 422 079,37			
- cash in hand and cash at banks		104 410 852,42			
- other cash		11 226,95			
- other cash equivalents					
2. Other current investments		0,00			
IV. Current prepayments and accrued income		20 624 518,34			
Total assets		829 792 198,23	Total equity and liabilities		829 792 198,23

REPRESENTATION ON THE ACCOUNTING POSITION OF
Multimedia Polska-Mielec Sp. z o.o. of Gdynia
prepared for the purposes of the merger,
as at November 30th 2006

The document concerning the accounting position of Multimedia Polska-Mielec Sp. z o.o. of Gdynia was drawn up pursuant to Art. 499.2.4, in conjunction with Art. 516.6, of the Commercial Companies Code in connection with the planned merger of Multimedia Polska-Mielec Sp. z o.o. of Gdynia and Multimedia Polska S.A. of Gdynia by way of transfer of the assets of Multimedia Polska-Mielec Sp. z o.o. of Gdynia (the Acquiree) to Multimedia Polska S.A. of Gdynia (the Acquirer).

The Management Board of Multimedia Polska-Mielec Sp. z o.o. of Gdynia hereby represents that to the best of its knowledge and belief:

- the balance sheet prepared as at November 30th 2006, attached hereto, was prepared with due care, based on the accounting policies provided for in the Accountancy Act of September 29th 1994 (consolidated text: Dz. U. of 2002, No. 76, item 694, as amended).
- the balance sheet prepared as at November 30th 2006 gives a fair view of the Company's accounting position.

Furthermore, the Management Board represents that in accordance with Art. 499.3.1–2 of the Commercial Companies Code no inventory taking was conducted and the data disclosed in the latest balance sheet have been adjusted only to the extent necessary to reflect changes in the accounting records, taking into account temporary amortisation and depreciation charges and inventories and other material changes in the current value which had not been disclosed in the accounting books.

Assets and liabilities:

Assets, equity and liabilities disclosed by Multimedia Polska-Mielec Sp. z o.o. of Gdynia as at November 30th 2006 were as follows:

ASSETS	
Non-current assets	12,800,000.26
Current assets	10,948,022.78
TOTAL ASSETS	23,748,023.04

EQUITY AND LIABILITIES

Equity	19,861,044.31
Liabilities and provisions for liabilities	3,886,978.73
TOTAL EQUITY AND LIABILITIES	23,748,023.04

A detailed breakdown of assets and equity and liabilities in the form of a balance sheet prepared as at November 30th 2006 in compliance with the requirements of the Accountancy Act of September 29th 1994 (consolidated text: Dz. U. of 2002, No. 76, item 694, as amended), which conforms with the format of an annual balance sheet, is attached as a schedule hereto.

Adopted Accounting Policies:

The individual items of assets, equity and liabilities were valued based on the applicable accounting policies set forth in the Accountancy Act of September 29th 1994 (consolidated text: Dz. U. of 2002, No. 76, item 694, as amended). The following accounting policies were followed in the preparation of the merger balance sheet:

- **the consistency principle** – the valuation of assets, equity and liabilities (including amortisation and depreciation charges) and determination of the net profit/loss were made in the same manner as in the previous accounting periods,
- **the matching principle** – all revenues attributable to the period ended November 30th 2006 and the corresponding costs, regardless of their payment date, were recognised,
- **the prudence principle** – assets, equity and liabilities were valued at actual costs incurred for their acquisition (production), taking into consideration in particular:
 - impairment of the value-in-use of assets,
 - permanent impairment of value,
 - only those items of other operating income and extraordinary gains which are certain,
 - all operating expenses and extraordinary losses incurred,
 - provisions for risks and potential losses the Company is aware of as well as the effects of other events,
- **the materiality principle** – all business transactions material for the assessment of the Company's assets, financial standing and performance have been taken into account, with keeping the prudence principle.

Applied Valuation Principles:

The valuation of assets, equity and liabilities as well as the determination of the financial result were made in accordance with the Accountancy Act. The principles applied in the valuation of assets, equity and liabilities are presented below:

1. Revenues and expenses

Revenues and expenses are recognised on an accrual basis, regardless of the date on which the payment was received or made.

The Company records expenses by type and prepares a multi-step income statement.

Revenue from sales of goods and services, net of VAT, rebates and discounts, is recognised when:

- the revenue can be reliably established,
- it is likely that the Company will derive economic benefits from the transaction,
- the completion of the transaction can be determined in a reliable manner as at the balance-sheet date,
- the cost incurred in connection with a transaction can be reliably established.

The Company recognises revenues from installation and subscriber activation upon the performance of service.

2. Intangible assets

Intangible assets are disclosed in the accounting books at the acquisition or production cost, net of amortisation charges and impairment losses. The Company applies the straight-line method to amortise its intangible assets over the following period:

Software	2 years
----------	---------

Impairment losses are determined by comparing the book value of an asset as disclosed in the accounting books to the net selling price, and in the absence of the latter – to the fair value determined with the use of the discounted cash-flow method.

3. Tangible assets

Tangible assets are initially recognised at acquisition or production cost or at revalued amounts, net of depreciation charges and impairment losses. Impairment losses are determined by comparing the book value of an asset as disclosed in the accounting books to the net selling price, and in the absence of the latter – to the fair value determined with the use of the discounted cash-flow method.

The initial value of tangible assets and depreciation charges made are subject to revaluation pursuant to separate regulations.

The acquisition and production cost of tangible assets comprises total expenses incurred by a company in the course of construction, assembly, adaptation and improvements made by the balance-sheet date or by the time the assets are placed in service, including:

- non-deductible VAT and excise tax,
- cost of servicing debt contracted to finance the assets and the related net foreign exchange gains/losses.

The initial value, equal to the acquisition or production cost of a tangible asset, is increased by the cost of its improvement, consisting in modification, extension, modernisation or reconstruction, which results in higher value-in-use upon completion of improvement compared to the value-in-use determined when the assets was first placed in service.

Tangible assets are depreciated using the straight-line method. The depreciation period is determined based on the economic useful life of a tangible asset.

The Company applies the following depreciation rates:

Buildings	2.5%
Structures	4.5 %
Plant and equipment	10.0%

Tangible assets with the initial value not exceeding PLN 3.5 thousand are depreciated on a one-off basis.

4. Tangible assets under construction

Tangible assets under construction are recognised in the amount of aggregate costs directly attributable to their acquisition or production, less any impairment losses.

5. Non-Current Investments

Shares are valued at acquisition cost. In the event of permanent impairment, the value of shares is reduced by impairment charges, not later than as at the end of the reporting period.

6. Inventories

Inventories are recognised at acquisition or production cost, not higher than their net selling price as at the balance-sheet date.

The value of inventories (materials, goods for resale) is determined based on the acquisition cost, and any decreases are disclosed on the FIFO basis.

Inventories are disclosed in the balance sheet at net amounts, i.e. less valuation allowances made following their recognition at net selling prices.

A net selling price is the selling price realisable on the balance-sheet date, net of VAT, excise tax, rebates, discounts etc. as well as the cost of preparing the asset for sale.

7. Receivables, Claims and Liabilities

Receivables are disclosed at amounts due, based on the prudence principle.

Valuation allowances for receivables are made based on the probability of collection, and are charged to other operating expenses or other financial expenses, as appropriate, depending on the type of the underlying receivable.

Impairment charges on billing receivables are made on a percentage basis, depending on the period of delay:

receivables past due for 60–90 days: 25%

receivables past due for 90–120 days: 50%

receivables past due for more than 120 days: 100%

Liabilities are disclosed in the accounting books at amounts payable, with the proviso that financial liabilities which, under respective agreements, are to be settled through the delivery of financial assets other than cash or through exchange for financial instruments are disclosed at fair value.

Receivables and liabilities in foreign currencies are recognised at the date of the underlying transaction, following translation at the mid exchange rate published for that day for a given currency by the National Bank of Poland, unless another exchange rate has been specified in a customs declaration or another binding document.

As at the balance-sheet date, receivables and liabilities in foreign currencies are recognised following translation at the mid exchange rate published for that day for a given currency by the National Bank of Poland.

8. Provisions for Liabilities

Provisions are created for certain or highly probable future liabilities whose amounts may be reliably estimated.

A provision is disclosed if an existing (legal or customary) obligation related to past events rests on the Company and it is certain or highly probable that the fulfilment of such obligation will entail outflow of funds, provided that the amount of such a liability may be reliably estimated.

The Company does not recognise any provisions for retirement severance pays due to their immateriality.

9. Current Investments

Short-term loans advanced are valued at amounts receivable, in compliance with the prudence principle.

Cash denominated in the zloty is carried at face value.

Cash denominated in foreign currencies is recognised as at the balance-sheet date following translation at the mid exchange rate published for that day for a given currency by the National Bank of Poland.

10. Corporate Income Tax

Corporate income tax disclosed in the income statement comprises current and deferred income tax.

Current income tax is computed in accordance with applicable tax regulations.

Deferred income tax, disclosed in the income statement, is the difference between the balance of deferred tax asset and deferred tax liability at the end and at the beginning of the reporting period. Deferred tax liabilities and assets relating to transactions settled against equity are charged to equity.

Deferred tax asset is determined as the amount expected to be deducted from corporate income tax in the future in connection with deductible temporary differences, that is differences which will in the future reduce the tax base and deductible tax loss determined in a prudent manner.

Deferred tax liability is created in the amount of corporate income tax payable in the future in connection with taxable temporary differences, that is differences which will increase the tax base in the future.

The value of deferred tax liability and deferred tax asset is determined based on the corporate income tax rates applicable in the year in which the tax obligation arises.

11. Foreign Exchange Gains/Losses

Foreign exchange gains/losses resulting from valuation, as at the balance-sheet date, of assets, equity and liabilities (other than non-current investments) denominated in foreign currencies, arising in connection with payment of receivables or liabilities in foreign currencies or sale of foreign currencies are included in financial income or expenses, as appropriate, or – in justified cases – in cost of products sold or cost of goods, or – as the case may be – in acquisition or production cost of tangible assets, tangible assets under construction or intangible assets.

Multimedia Polska-Mielec Sp. z o.o.

Attorney-in-Fact for the Management Board

ASSETS	Nov 30 2006	Dec 31 2005
A. NON-CURRENT ASSETS	12 800 000,26	15 145 050,62
I. Intangible assets	108 951,73	114 840,39
1. Development expense	0,00	0,00
2. Goodwill	0,00	0,00
3. Other intangible assets	108 951,73	114 840,39
4. Prepayments for intangible assets	0,00	0,00
II. Property, plant and equipment	12 597 216,25	14 800 283,03
1. Fixed assets	12 251 665,84	11 939 865,02
a) land (including perpetual usufruct rights)	0,00	0,00
b) buildings and structures	6 460 151,63	6 424 429,59
c) plant and equipment	5 756 168,48	5 462 611,79
d) vehicles	0,00	0,00
e) other fixed assets	35 345,73	52 823,64
2. Fixed assets under construction	345 550,41	2 860 418,01
3. Prepayments for fixed assets under construction	0,00	0,00
III. Non-current receivables	0,00	0,00
1. From related undertakings	0,00	0,00
2. From other undertakings	0,00	0,00
IV. Non-current investments	4 050,00	4 050,00
1. Real estate	0,00	0,00
2. Intangible assets	0,00	0,00
3. Non-current financial assets	4 050,00	4 050,00
a) in related undertakings	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans advanced	0,00	0,00
- other non-current financial assets	0,00	0,00
b) in other undertakings	4 050,00	4 050,00
- shares	4 050,00	4 050,00
- other securities	0,00	0,00
- loans advanced	0,00	0,00
- other non-current financial assets	0,00	0,00
4. Other non-current investments	0,00	0,00
V. Non-current prepayments and accrued income	89 782,28	225 877,20
1. Deferred tax assets	89 782,28	207 159,74
2. Other prepayments and accrued income	0,00	18 717,46
B. CURRENT ASSETS	10 948 022,78	9 122 354,46
I. Inventories	0,00	0,00
1. Materials	0,00	0,00
2. Semi-finished products and work in progress	0,00	0,00
3. Finished products	0,00	0,00
4. Goods for resale	0,00	0,00
5. Prepaid deliveries	0,00	0,00
II. Current receivables	9 784 847,03	8 051 127,87
1. From related undertakings:	6 372 387,47	4 464 540,99
a) trade receivables (by maturity):	4 338 959,87	3 960 722,67
- up to 12 months	4 338 959,87	3 960 722,67
- over 12 months	0,00	0,00
b) other	2 033 427,60	503 818,32
2. From other undertakings:	3 412 459,56	3 586 586,88
a) trade receivables (by maturity):	2 695 046,89	2 571 019,31
- up to 12 months	2 695 046,89	2 571 019,31
- over 12 months	0,00	0,00
b) tax, duty, social security, health care and other benefits receivable	712 051,70	990 898,95
c) other	5 360,97	24 668,62
d) under court proceedings	0,00	0,00
III. Current investments	1 152 885,53	933 044,52
1. Current financial assets	1 152 885,53	933 044,52
a) in related undertakings	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans advanced	0,00	0,00
- other current financial assets	0,00	0,00
b) in other undertakings	0,00	0,00
- shares	0,00	0,00
- other securities	0,00	0,00
- loans advanced	0,00	0,00
- other current financial assets	0,00	0,00
c) cash and cash equivalents	1 152 885,53	933 044,52
- cash in hand and cash at banks	1 152 885,53	933 044,52
- other cash	0,00	0,00
- other cash equivalents	0,00	0,00
2. Other current investments	0,00	0,00
IV. Current prepayments and accrued income	10 290,22	138 182,07
Total assets	23 748 023,04	24 267 405,08

EQUITY AND LIABILITIES	Nov 30 2006	Dec 31 2005
A. EQUITY	19 861 044,31	11 716 326,59
I. Share capital	2 400 000,00	2 400 000,00
II. Called-up share capital not paid (negative value)	0,00	0,00
III. Treasury shares (negative value)	0,00	0,00
IV. Reserve capital	8 044 791,38	8 044 791,38
V. Revaluation capital reserve	0,00	0,00
VI. Other capital reserves	3 441 254,76	3 441 254,76
VII. Retained profit/(deficit)	-2 169 719,55	0,00
VIII. Net profit/(loss)	8 144 717,72	-2 169 719,55
IX. Distributions from net profit made during financial year (negative value)	0,00	0,00
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	3 886 978,73	12 551 078,49
I. Provisions for liabilities	89 782,28	207 159,74
1. Deferred tax liability	89 782,28	207 159,74
2. Provision for retirement and similar benefits	0,00	0,00
- non-current	0,00	0,00
- current	0,00	0,00
3. Other provisions	0,00	0,00
- non-current	0,00	0,00
- current	0,00	0,00
II. Non-current liabilities	0,00	450 084,44
1. To related undertakings	0,00	0,00
2. To other undertakings	0,00	450 084,44
a) loans and borrowings	0,00	0,00
b) debt securities in issue	0,00	0,00
c) other financial liabilities	0,00	450 084,44
d) other	0,00	0,00
III. Current liabilities	3 347 963,19	11 299 130,65
1. To related undertakings	2 944 090,00	10 111 432,02
a) trade payables (by maturity):	2 929 289,74	8 018 163,23
- up to 12 months	2 929 289,74	8 018 163,23
- over 12 months	0,00	0,00
b) other	14 800,26	2 093 268,79
2. To other undertakings	403 873,19	1 187 698,63
a) loans and borrowings	0,00	0,00
b) debt securities in issue	0,00	0,00
c) other financial liabilities	0,00	476 765,65
d) trade payables (by maturity):	360 284,84	336 439,98
- up to 12 months	360 284,84	336 439,98
- over 12 months	0,00	0,00
e) prepaid deliveries	0,00	0,00
f) promissory notes payable	0,00	0,00
g) tax, duty, social security, health care and other benefits payable	62 841,18	2 794,77
h) salaries and wages payable	0,00	0,00
i) other	-19 252,83	371 698,23
3. Special accounts	0,00	0,00
IV. Accruals and deferred income	449 233,26	594 703,66
1. Negative goodwill	0,00	0,00
2. Other accruals and deferred income	449 233,26	594 703,66
- non-current	0,00	0,00
- current	449 233,26	594 703,66
Total equity and liabilities	23 748 023,04	24 267 405,08

Multiple Step Income Statement	Jan 1-Nov 30 2006	Jan 1-Dec 31 2005
A. SALES REVENUE AND EQUIVALENTS, including:	32 396 800,13	31 216 134,55
- from related undertakings	14 870 860,20	14 120 738,74
I. Net revenue on sales of products	32 396 800,13	31 216 004,23
II. Change in products (increase - positive value, decrease - negative value)	0,00	0,00
III. Cost of products for own needs	0,00	0,00
III. Net revenue from sales of goods for resale and materials	0,00	130,32
B. OPERATING EXPENSES	34 160 155,72	32 082 918,65
I. Depreciation/amortisation	1 670 014,74	1 515 691,07
II. Raw materials and energy used	20 633,03	22 002,17
III. Contracted services	31 852 818,92	30 222 848,31
IV. Taxes and charges, including:	264 141,12	283 431,70
- excise tax	0,00	0,00
V. Salaries and wages	11 000,00	5 000,00
VI. Social security and other benefits	958,55	226,50
VII. Other cost by type	340 589,36	33 608,90
VIII. Cost of goods for resale and materials sold	0,00	110,00
C. PROFIT/(LOSS) ON SALES (A-B)	-1 763 355,59	-866 784,10
D. OTHER OPERATING INCOME	12 170 234,71	86 696,02
I. Gain on disposal of non-current non-financial assets	72 775,72	16 168,80
II. Subsidies	0,00	0,00
III. Other operating income	12 097 458,99	70 527,22
E. OTHER OPERATING EXPENSES	272 918,81	970 536,69
I. Loss on disposal of non-current non-financial assets	0,00	0,00
II. Revaluation of non-financial assets	133 456,19	888 532,47
III. Other operating expenses	139 462,62	82 004,22
F. OPERATING PROFIT/(LOSS) (C+D-E)	10 133 960,31	-1 750 624,77
G. FINANCIAL INCOME	47 876,03	83 744,84
I. Dividends and other profit distributions, including:	0,00	0,00
- from related undertakings	0,00	0,00
II. Interest, including:	47 876,03	74 891,50
- from related undertakings	0,00	44 527,41
III. Gain on disposal of investments	0,00	0,00
IV. Investment revaluation	0,00	0,00
V. Other	0,00	8 853,34
H. FINANCIAL EXPENSES	109 778,62	288 737,62
I. Interest, including:	101 693,85	215 307,01
- to related undertakings	31 712,47	25 654,52
II. Loss on disposal of investments	0,00	0,00
III. Investment revaluation	0,00	0,00
IV. Other	8 084,77	73 430,61
I. PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS (F+G-H)	10 072 057,72	-1 955 617,55
J. PROFIT (LOSS) ON EXTRAORDINARY ITEMS (J.I. - J.II.)	0,00	0,00
I. Extraordinary gains	0,00	0,00
II. Extraordinary losses	0,00	0,00
K. PROFIT (LOSS) BEFORE TAX (I+/-J)	10 072 057,72	-1 955 617,55
L. CORPORATE INCOME TAX	1 927 340,00	214 102,00
M. OTHER MANDATORY DECREASE OF PROFIT (INCREASE OF LOSS)	0,00	0,00
N. NET PROFIT (LOSS) (K-L-M)	8 144 717,72	-2 169 719,55