CONSOLIDATED ANNUAL REPORT
OF CYFROWY POLSAT S.A. CAPITAL GROUP
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2009

Place and date of publication: Warsaw, 17 May 2010

Content of the annual report:

Dear Sirs,

It is with greatest pleasure and satisfaction that I present this 2009 Annual Report of the Cyfrowy Polsat S.A. Capital Group to you.

2009 was another year of consequent growth and development of our portfolio of services.

Continued interest in television services resulted in an increase in our subscriber base by 475 thousand which was one of the best results in the history of our platform. As a result of our operating results we strengthened our leading position on the paid, satellite DTH television market closing last year with 3.2 million subscribers.

In order to meet expectations of our subscribers while ensuring balanced development of our business, we systematically broadened our television programming offer with channels in both, standard, as well as high definition. Launch Polsat Film, Polsat Futbol, Polsat Jim Jam, Nickelodeon, Comedy Central, Nat Geo Wild, Polsat HD, Eurosport 2 HD, Discovery HD Showcase and Nat Geo Wild HD, noticeably increased the number of Polish-language television channels on our offer. Additionally we launched the VOD service on 15 satellite channels, offering 320 films annually.

Set-top boxes produced by Cyfrowy Polsat Technology Sp. z o.o. received a warm reception from Polish viewers. Over 1 million modern digital receivers have already left our production lines, and this year we are planning to start production of HD set-top boxes which are more and more popular among subscribers. As a pioneer of this solution amongst Polish operators of satellite platforms, we lowered the cost of set-top boxes sold, which improved the profitability of the operating activities

In 2009 we initiated further steps to aim for the development of a multiplay operator competence. In December we launched nationwide tests of broadband Internet access service, and on 1 February 2010 we offered it commercially to a half of the Polish population and to 40% of our subscribers. In the next step, in the second quarter of this year we are planning to launch the target product, an integrated service package for the home - television, the Internet and mobile telephony services - as part of one contract, one subscription and one invoice.

Upon engaging in the broadband Internet, our mobile phone service has also changed. As the first telecommunications operator in Poland we offered an innovative solution on the Polish market – an offer without a handset and a telephone subscription for PLN 1 monthly.

What is also important, in the area of financial results, in spite of lasting economic slowdown and weakening of Zloty against euro and US dollar, we have reasons for satisfaction. The consolidated revenues increased by 14% to PLN 1,279 m. The EBITDA, i.e. the operating profit increased by the depreciation and amortization was PLN 318m and the net profit was 230 m in 2009.

I believe that as a result of a clear vision of future actions and a carefully executed development strategy we will build a competent multiplay provider, while maintaining our leading position on the pay television market. I am confident that such a profile of business will contribute to an increase in the number of users of our services, ARPU, and Customer loyalty, which combined with discipline in the financial management will have a positive effect on providing value for our Shareholders.

Yours truly,

Dominik Libicki

President of the Management Board

Cyfrowy Polsat S.A.

MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP IN THE FISCAL YEAR ENDED 31 DECEMBER 2009

This document is a free translation of the Polish original.
Terminology current in Anglo-Saxon countries has been used where practicable
for the purposes of this translation in order to aid understanding.
The binding Polish original should be referred to in matters of interpretation.

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Item 1. Introduction

We are a leading pay digital satellite platform operator in Poland. Our core business is providing individual customers with access to television and radio channels grouped into different paid programming packages. As at 31 December 2009 our subscriber base of pay packages reached 3,202,319, an increase of 475,326 or 17.4% compared to 31 December 2008.

The launch of mobile services in September 2008 was the first step in the process of building a multi play operator offering DTH services, mobile services and internet access services launched commercially on 1 February 2010. As at 31 December 2009 the number of mobile users totaled 29,325.

We sell our services on the entire territory of Poland.

Our consolidated revenue from services, products, goods and materials sold in 2009 increased by 15.3% to PLN 1,266,137 from PLN 1,098,474 in 2008. Our net profit amounted to PLN 230,319 compared to PLN 269,763 in the previous year.

Our offices are in Warsaw at 4a Łubinowa Street.

In Management Board's report on activities of the Capital Group references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company alone; „DTH" relates to digital satellite platform services which we provide in Poland; "SD" relates to a television signal in the standard definition technology (Standard Definition); „HD" relates to the television signal in the high definition technology (High Definition); „DVR" relates to set-top boxes with hard disk used to record television channels (Digital Video Recorder); „Family Package" and "Mini Package" relate to our starting packages available within our DTH services; "Subscriber" relates to a person who signed an agreement for subscription to television services and who is obligated, under the terms of agreement, to make payments to access a package or packages of television channels or who has access to such packages after making required payments but without having signed such an agreement; „ARPU" relates to average net revenue per one user/agreement calculated as a sum of fees paid by our subscribers for our DTH services divided by the average number of subscribers/agreements in the reporting period; „ARPU Family Package" and „ARPU Mini Package" relate to average revenue per subscriber to the Family Package and Mini Package, respectively; „churn" relates to the churn rate, calculated as a percentage of terminated agreements – the number of terminated agreements during the period divided by average number of subscriber in the period; „churn Family Package" and „churn Mini Package" relates to churn rate calculated for the Family Package and Mini Package, respectively; „SAC" relates to the sum of cost of provision payable to distributors and to the call center per each attracted customer; "VoD" relates to the services from the video on demand category which we launched on 1 December 2009; „MVNO" relates to mobile virtual network operator services, which we launched on 8 September 2008; "internet access services " relates to broadband internet access services that we launched on 1 February 2010; „Integrated services " relates to services of pay DTH services, mobile services and internet access services provided with one agreement and one subscription fee; "mPunkt" relates to mPunkt Holdings Ltd., owner of the distributor of mobile phone services, which is our affiliated company after the purchase of 45% of its shares; „Shares" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013: „the Report" refers to the Report on activities of the Capital Group prepared pursuant to art 92 section 3 of the Decree of the Finance Minister of 19 February 2009 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent information required by provisions of law of a country not being a member state; "PLN" or "zloty" refers to the lawful currency of Poland; "USD" or "dollars" refers to the lawful currency of the United States of America; and "EUR" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Presentation of financial information

Unless otherwise indicated, financial information presented in the report was prepared pursuant to International Financial Reporting Standards ("IFRS") as approved for use in the European Union.

All financial data in this document is expressed in thousands unless otherwise indicated, with exception of prices of our programming packages and television channels. Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures shown as totals in this Report may not be exact arithmetic aggregations of the figures that precede them.

Industry and market data

In this Report we set out information relating to our business and the markets in which we operate and in which our competitors operate. The information regarding the market, its size, the market share, the market position, the growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities and our internal estimates. We have obtained market and industry data relating to our business from industry data providers, including:

- Informa Telecoms and Media, Eastern European TV, 12th Edition;
- Eurostat, for data relating to the Polish economy and GDP growth;
- World Advertising Research Center, for data relating to viewing time figures for particular European countries;
- Office of Electronic Communications;
- Polish Central Statistical Office;
- Operators functioning on the Polish market and
- GFK Polonia, for data on brand name recognition.

We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases we have made statements in this Report regarding our industry and our position in the industry based on our own experience and our examination of market conditions. We cannot guarantee that any of these assumptions properly reflect our market position. Our internal surveys have not been verified by any independent sources.

Forward looking statements

This Report contains forward looking statements relating to future expectations regarding our business, financial condition and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this Report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to place undue reliance on such statements, which speak only as at the date of this Report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Report.

We disclose important risk factors that could cause our actual results to differ materially from our expectations under Item 4 „Key Risk and Threat Factors", Item 6 „Operating and Financial Review", and elsewhere in this Report. These cautionary statements qualify all forward looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial situation and results of operations.

Item 2. Currency presentation and exchange rate information

The following tables set out - for the periods indicated - certain information regarding the average buying/selling rates as published by the National Bank of Poland ("NBP"), for the zloty, the ("effective NBP exchange rate"), expressed in zloty per dollar and zloty per euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this Report. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such dollar or euro amounts or that such amounts could have been converted into dollars or euro at any particular rate.

	Year ended 31 December				
Year (zloty per dollar)	**2005**	**2006**	**2007**	**2008**	**2009**
Exchange rate at end of period	3.2613	2.9105	2.4350	2.9618	2.8503
Average exchange rate during period	3.2347	3.1047	2.7686	2.4061	3.1181
Highest exchange rate during period	3.4491	3.3008	3.0400	3.1303	3.8978
Lowest exchange rate during period	2.9066	2.8628	2.4260	2.0220	2.7093

Month (zloty per 1.00 dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
September 2009	2.9401	2.7969
October 2009	2.9237	2.7750
November 2009	2.9195	2.7364
December 2009	2.9293	2.7093
January 2010	2.9083	2.7930
February 2010	2.9915	2.8321

	Year ended 31 December				
Year (zloty per 1.00 euro)	**2005**	**2006**	**2007**	**2008**	**2009**
Exchange rate at end of period	3.8598	3.8312	3.5820	4.1724	4.1082
Average exchange rate during period	4.0231	3.8960	3.7843	3.5129	4.3282
Highest exchange rate during period	4.2756	4.1065	3.9385	4.1848	4.8999
Lowest exchange rate during period	3.8223	3.7565	3.5699	3.2026	3.9170

Month (zloty per 1.00 euro)	Highest exchange rate during the month	Lowest exchange rate during the month
September 2009	4.2461	4.0969
October 2009	4.2640	4.1518
November 2009	4.2907	4.0909
December 2009	4.2028	4.0660
January 2010	4.1109	4.0143
February 2010	4.0921	3.9630

Item 3. Selected financial data

The following tables set forth our selected historical financial data for the 3 and 12 month periods ended 31 December 2009 and 2008. The historical financial data should be read in conjunction with Item 6. “Operating and Financial Review” and the consolidated financial statements for the fiscal year ended 31 December 2009 (including the notes thereto) and condensed interim consolidated financial statements for 3 and 12 month periods ended 31 December 2009 attached to this Report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements for the fiscal year ended 31 December 2009 and unaudited condensed interim consolidated financial statements for 3 and 12 month periods ended 31 December 2009.

Selected financial data

- from the consolidated profit and loss statement for the periods of three months ended 31 December 2009 and 31 December 2008 have been converted into EURO at the rate of PLN 4.1778 per 1 euro, (being the average of exchange rates announced by the NBP at the end of each month of the reporting period i.e. from 1 October to 31 December 2009),

- from the consolidated profit and loss statement and the consolidated cash flow for the periods of twelve months ended 31 December 2009 and 31 December 2008 have been converted into EURO at the rate of PLN 4.3298 per 1 euro, (being the average of exchange rates announced by the NBP at the end of each month of the reporting period i.e. from 1 January to 31 December 2009),

- from the consolidated balance sheet as at 31 December 2009 and 31 December 2008 have been converted into euro at the rate of PLN 4.1082 per 1 euro (average NBP exchange rate on 31 December 2009).

The reader is advised not to view such conversions as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

	For the three month period ended 31 December				For the twelve month period ended 31 December			
	2009		2008		2009		2008	
(in thousands)	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Consolidated Income Statement								
Revenues from services, goods, products and materials sold	337,285	80,733	311,763	74,624	1,266,137	292,424	1,098,474	253,701
Cost of services, goods, products and materials sold	(181,215)	(43,375)	(167,197)	(40,020)	(690,984)	(159,588)	(531,776)	(122,818)
Cost of sales	(72,048)	(17,245)	(65,716)	(15,730)	(205,263)	(47,407)	(169,216)	(39,082)
General and administration cost	(28,047)	(6,713)	(32,671)	(7,820)	(82,111)	(18,964)	(74,817)	(17,280)
Other operating revenues	1,653	396	1,747	418	12,541	2,896	20,206	4,667
Other operating expenses	(6,543)	(1,566)	(7,216)	(1,727)	(24,270)	(5,605)	(18,577)	(4,290)
Operating profit	51,085	12,227	40,710	9,744	276,050	63,756	324,294	74,898
Pre-tax profit	51,351	12,291	52,348	12,530	284,337	65,670	333,654	77,060
Income tax	(9,907)	(2,371)	(9,754)	(2,335)	(54,018)	(12,476)	(63,891)	(14,756)
Net profit	41,444	9,920	42,594	10,195	230,319	53,194	269,763	62,304
Basic and diluted earnings per share (not in thousands)	0,15	0,04	0,16	0,04	0,86	0,20	1.01	0.23
Weighted average number of issued ordinary shares (not in thousands)	268,325,000		268,325,000		268,325,000		268,325,000	
Consolidated Cash Flow Statement								
Cash flow from operating activities	-	-	-	-	183,442	42,367	316,176	73,023
Cash flow from investing activities	-	-	-	-	(61,483)	(14,200)	(55,495)	(12,817)
Cash flow from financing activities	-	-	-	-	(268,826)	(62,087)	(165,390)	(38,198)
Cash and cash equivalents at the end of the period	-	-	-	-	(146,867)	(33,920)	95,291	22,008
Consolidated balance sheet								
Cash and cash equivalents	-	-	-	-	72,652	17,685	246,422	59,983
Assets	-	-	-	-	774,846	188,610	757,131	184,298
Non-current liabilities	-	-	-	-	28,754	6,999	57,347	13,959
Current liabilities	-	-	-	-	423,679	103,130	406,446	98,935
Equity	-	-	-	-	322,413	78,481	293,338	71,403
Share capital	-	-	-	-	10,733	2,613	10,733	2,613
Other consolidated financial data								
Depreciation and amortization	13,040	3,121	7,117	1,704	41,948	9,688	23,547	5,438
EBITDA*	64,125	15,349	47,827	11,448	317,998	73,444	347,841	80,337
EBITDA margin	18.9%	18.9%	15.3%	15.3%	24.9%	24.9%	31.1%	31.1%
Operating margin	15.1%	15.1%	13.0%	13.0%	21.6%	21.5%	29.0%	29.0%
Capital expenditures	-	-	-	-	37,054	8,558	55,593	12,840

(1) We define EBITDA as profit/(loss) according to MSSF, before amortization, write-off, financial revenues or financial cost, net (including interest revenues and cost and foreign Exchange income and loss) and income tax. Differences between EBITDA and operating profit includes amortization. We are convinced that EBIDTA represents a material financial indicator,

representing company's liquidity. EBITDA is not an indicator according to MSSF and is not meant to be a replacement of net profit/(loss) according to MSSF or net cash flow from operating activities according to MSSF or liquidity indicator. The reader shall remember that EBITDA is not a standardized indicator and as a result each company may have a different calculation of that indicator which may result in being incomparable between different companies .

(2) Capital expenditure represents our investment in fixed assets and intangible assets. It does not include expenditure on purchase of set-top boxes leased to our subscribers which are reflected in the cash flow from operating activities.

Item 4. Key risk and threat factors

System failures could disrupt our operations and thereby have a material adverse effect on our business, financial condition, results of operations and prospects

Our satellite broadcasting center and our information systems, including our subscriber management system, reporting systems, sales service system, and customer relationship management system are vulnerable to results of natural disasters (such as earthquakes, floods, hurricanes, fires, severe storms and other phenomena), power loss, telecommunications failures, network software flaws, satellite or transponder failure, acts of terrorism, sabotage, riots, civil disturbances, strikes and other industrial action and other catastrophic events. We may experience failures or shutdowns relating to individual components of the satellite broadcasting center or even catastrophic failure of our entire satellite broadcasting center. Any failure of our satellite broadcasting center, including the Eutelsat Hotbird 8 satellite or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise, or any breakdown of our subscriber management system, customer relationship management system, sales service system and reporting system, may result in serious disruption or even suspension of our operations for a prolonged period. The occurrence of any of these events may also increase the costs associated with our operations and may subject us to liability, any of which could materially and adversely affect our operations and thereby have a material adverse affect on our business, financial results, results of operations and prospects.

Our growth and satisfaction of our subscribers with our services depend on entering into new and extending current license agreements for access to key programming rights

The results of our operations depend on our ability to obtain attractive television programming. Currently, we provide our clients with attractive television programs distributed on the basis of license agreements concluded for specified periods of time with relevant broadcasters. Attractive television programming is one of the main factors that enable us to attract and retain our customers. We cannot guarantee that the license agreements currently in place, upon their expiration, will be renewed at all or on terms comparable to their current terms. In addition, there can be no guarantee that we will be able to introduce new attractive channels into our programming offer or retain channels currently included in our programming offer. Any inability to renew current license agreements on acceptable terms or negotiate new license agreements could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we cannot successfully deploy new products and services or implementing them will be connected with high costs our business, financial condition, results of operations and prospects may be adversely affected

Our business is characterized by rapid technological change and the introduction of new products and services. If new or improved products, services or technology (such as HDTV, sales of DVR set-top boxes, or the production and sales of our own set-top boxes the mobile phone service or services of the access to the broadband Internet) introduced by us fail to achieve sufficient market acceptance or experience technical difficulties, or possible high costs associated with implementing them, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover the initial investment that we have made or may make to deploy these products and services. In addition, if our competitors offers the same or similar new products and services in the market more quickly or more effectively than we do, we may lose existing and potential customers to our competitors.

In addition, as we introduce new products and services to our customers and as the number of our customers and the number of services that we offer our customers increases, the complexity of our product and service offerings will also increase. A failure to manage the growth and complexity of our new products and services could lead to disruptions in our business which could harm our reputation and result in a loss of subscribers. In addition, we cannot assure you that we will not experience technical or logistical difficulties as we continue to develop these products and services. As a result, the occurrence of any of the above risks in the deployment of new products and services may materially adversely affect our business, financial condition, results of operations and prospects.

Our ability to provide our services is dependent upon the cooperation, facilities and equipment of certain third party providers, the failure of which could cause delays or interruptions in our service, damage our reputation and cause us to lose customers

Our success depends on our ability to provide high quality and reliable services, which is in part dependent upon the proper functioning of facilities and equipment owned and operated by third parties and is, therefore, beyond our control. For example, we currently lease four transponders which allow us to provide our services to our customers. In addition, we use the Nagravision conditional access system to secure our system from unauthorized access through piracy or hacking by third parties.

If our third party service providers fail to maintain their networks properly, fail to respond quickly to problems, or fail to prevent unauthorized access by third parties, our customers may experience service interruptions. If interruptions adversely affect the perceived reliability of our service, we may have difficulty attracting new customers and our brand, reputation and growth will be negatively impacted.

If any of the abovementioned risks materialize, they may have a material adverse effect on our business, financial condition, results of operations or prospects.

We cannot guarantee that in the future the President of the Polish Competition and Consumer Protection Office (UOKiK) will not deem our practices to be limiting competition.

If the President of UOKiK deems our practices to be limiting competition the President of UOKiK may call us to cease their application. Moreover, the President of UOKiK may impose a cash fine on us amounting to up to 10% of our revenue (as set out in the corporate tax law) for the fiscal year prior to the year the fine is imposed. Such a fine, if imposed, may materially adversely affect our business, financial condition, results of operations and prospects.

Our success depends on attracting and retaining key personnel

Running our business requires properly skilled personnel. There is a risk that we might lose our skilled personnel, or fail to attract properly trained staff in the face of intense competition for highly skilled personnel. Loss or failure to attract highly skilled personnel for key positions could have a material adverse effect on our business, financial condition, result of operations and prospects.

Advanced technology we employ in our business may fail or become obsolete

The software and technology that we use, in particular the compression, scrambling and subscriber management systems integral to our satellite broadcasting center, may not function as we expect. In addition, technology in the satellite television industry is in a rapid and continuing state of change, therefore we and our service suppliers may not be able to keep pace with technological developments or any urgent need to replace obsolete technology. In addition, delays in the delivery of components or other unforeseen problems in our broadcasting system that may occur could materially adversely affect our business, financial condition, results of operations and prospects.

Scrambling algorithm and access codes used in our business are vulnerable to security breaches

We currently use the Nagravision conditional access system, based on common scrambling algorithm Digital Video Broadcasting developed by Nagravision, a leading global producer of conditional access systems based on a digital video broadcasting common scrambling algorithm. The conditional access system provided by Nagravision facilitates the management of access codes to a subscriber’s programs and the scrambled transmission of keys for the common scrambling algorithm. Nevertheless, unauthorized access to the keys may occasionally occur, and third parties may obtain unauthorized access to our services.

However, no conditional access system is able to guarantee operations without any security breaches whatsoever. Nagravision has agreed with us to remedy all security breaches within specified time limits or to pay damages, but Nagravision´s liability under this agreement is capped. In addition, there can be no assurance that the DVB scrambling algorithm used by the entire pay television industry will not be compromised, which would allow unauthorized access to our services without using access keys to the common scrambling algorithm and, consequently, require us to replace our set-top boxes to enable our customers to receive the services provided by us. The occurrence of any of these risks could have a material, adverse effect on our business, financial condition, results of operations and prospects.

Currency fluctuations could adversely affect our financial condition and results of operations

Our business is exposed to fluctuations in currency exchange rates. Although almost all of our revenue is denominated in Polish zloty, we have significant costs (including costs of purchasing software and television programming set-top boxes, other hardware equipment and cost of rental of capacity on transponder,) that are denominated in currencies other than the Polish zloty, mainly in US dollars and euro.

The exchange rate fluctuations are caused by events that are beyond our control. Adverse foreign currency fluctuations against zloty could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to grow our DTH satellite television services business depends in part on our ability to maintain the operations of our sales network

We have organized a DTH satellite sales network throughout Poland. If demand for our services distributed through this network declines, our distribution network may become smaller. Increased competition with other pay television services providers may also lead to an increase in our distribution costs. Further, as we enter into agency agreements with our distributors, we may be forced to make payments to these distributors if we or they terminate these agreements even though they no longer work as our distributors.

Any growth in distribution costs, decrease in the size of our sales network, decrease in the effectiveness of our sales network or obligations to make payments to former distributors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our subscriber churn may increase in the future

Our churn rate may increase in the future due to various factors such as increased competition, especially price competition, technical difficulties with the quality of our services or a decrease in the security level of our television signal. From time to time, we change our programming offer by adding individual channels or excluding individual channels and by introducing new pricing for our programming packages. Such changes may adversely affect our churn rate and decrease our revenues or decrease the profitability of our business. In order to counter a potential or actual increase of our churn rate, we may be required to incur additional costs, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

The risk of increasing average subscriber acquisition costs and declining average monthly revenue per subscriber in connection with the expansion of our business into new areas

We forecast that due to the expansion of our business into new areas in the future, in particular the MVNO business that we launched on 8 September 2008, and growing penetration on the pay television services market, our average subscriber acquisition costs, as well as the average subscriber acquisition cost for each single package may increase. Our blended ARPU, as well as the ARPU for each single segment also may decrease. At the same time, ARPU for both segments may decline particularly as a result of growing number of subscribers to the Mini Package, extended promotional periods, and changes to the structure of packages, and the launch of mobile telephony services or for other reasons. Any significant growth in the subscriber acquisition costs and any significant decrease in these revenues could have a material adverse effect on Company's business, financial condition, results of operations and prospects.

Loss or failure to maintain our reputation and brand may adversely affect our business

Our brand name "Cyfrowy Polsat" is an important asset to our Group. Maintaining the reputation of, and value associated with, the Cyfrowy Polsat name is vital to the success of our business. However, there can be no assurance that we will be able to accomplish this objective. Our reputation may be harmed if we encounter difficulties in providing our services particularly such as HDTV, MVNO services, internet access services, video on demand services or in deploying new products such as DVR. The problems may result from technical faults, lack of necessary equipment or other factors. In addition, the quality of the MVNO services and the access to the broadband internet we offer depends on the services and

quality of a third party's mobile network and owners of the infrastructure on which our services of the access to the broadband Internet are based, over which we have no influence or control. Low quality of services provided by the operator may substantially erode our reputation or value associated with the "Cyfrowy Polsat".
A decrease in the "Cyfrowy Polsat" brand's reputation could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may pursue acquisitions which, if consummated, may adversely affect our business

We periodically evaluate potential acquisitions of businesses or business combination transactions that we believe will present opportunities to realize synergies and strengthen our market position, among other perceived benefits. Any acquisition or business combination we may undertake in the future could require us to use significant financial resources (including cash) to make potentially dilutive issuances of our equity securities, to incur debt and contingent liabilities.

If we experience any difficulties in integrating acquired operations into our business, we may incur higher than expected costs and not realize all the benefits of these acquisitions. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions, there could be a material adverse effect on our business, financial condition, results of operations and prospects. In addition, our debt burden may increase if we borrow funds to finance any future acquisition costs, which could have a negative impact on our cash flows and our ability to finance our overall operations.

We may be exposed to risk of claims related to intellectual property right infringement

The success of our business depends to a large extent on the use of intellectual property rights. In particular, rights to advanced technological solutions, licenses for the software we use and the trademarks used by us. In our opinion we do not breach any third party's intellectual property rights. However, we cannot rule out the possibility that we have unintentionally breached or may breach such rights. As a result, we could be exposed to liability claims from third parties. To our knowledge, no such claims are currently pending against us. If it were alleged that we violated certain intellectual property rights apart from possible compensation claims, we might be required to obtain a paid license or acquire new solutions making it possible for us to engage in our business in a manner that does not breach third party rights. Any of these risks could create substantial costs and lead to a decrease in revenue and, consequently, materially adversely affect our business, financial condition, results of operations and prospects.

We are exposed to risk related to increasing competition on the market in which we operate

We operate in the pay DTH satellite television services market in Poland which is characterized by continuously changing technological development and increasing competition from other pay DTH satellite television services providers: Cyfra+, the "n" platform, or Telekomunikacja Polska S.A. ("TPSA"). Viewers may also choose comparable content from other sources available via other transmission technologies, such as cable TV, IPTV and other alternative technologies that are not yet commercially viable. Moreover, joint ventures and strategic alliances between DTH satellite television services businesses, cable TV and telecommunications providers, as well as foreign competitors entering the Polish market, may result in the growth of competition in the market for the type of services we provide. Further, any earlier than expected roll-out of digital terrestrial television ("DTT") service could negatively affect our business as new customers could potentially migrate toward that service. Such new competitors may have access to greater financial and marketing resources and, if successful, capture a large share of the market on which we operate. We also cannot rule out the possibility that the development of terrestrial digital television and the resulting possibility of the appearance of a high-quality programming offer without the need to pay fees will cause a decline in the number of customers who use our pay DTH satellite television services.

The occurrence of any of the above risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to significant legal regulation which could require us to incur unplanned costs, or limit our revenues

We are an MVNO provider in Poland and as a result we are subject to extensive administrational requirements regulating our business, e.g. setting maximum rates for telecommunication services by relevant regulatory authorities.

As providing mobile telephony services is a new business for us, we cannot assure you that we will be able to satisfy all of the different requirements resulting from provisions regulating the business and as a result we cannot rule out that in the case we cannot comply with all of these regulations, we may be forced to pay penalties for breaching these regulations. In particular, these penalties may include: (i) a fine of up to 3% of our revenues generated in the year preceding the year in which the fine is imposed and (ii) a prohibition on providing telecommunications services, which means that we would be deleted from the register of telecommunications businesses. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects

The National Broadcasting Council ("KRRiT") may withdraw or refuse to renew our license

Our business as a supplier of the pay digital satellite television involves wireless distribution of television programs which do not require a frequency reservation. It is currently unclear under Polish law whether our business requires a license. Notwithstanding this uncertainty, we have obtained a license to distribute television programs via satellite.

Article 38 of the Radio and Television Act lists a number of circumstances under which a license may be withdrawn, including, for example, activities that grossly violate the terms of the license, conducting business that violates the Radio and Television Act or the terms of the license and a failure to remedy such a situation despite a request to do so. The Radio and Television Act also specifies situations in which the license may be withdrawn for example, in cases involving a direct or indirect change of control over the licensed business.

Our compliance with the terms of the license granted by KRRiT on 22 October 2003 and amended by further decisions: No. DK - 346/2005 - 1/294, No. DK - 248/2006 - 2/294, No. DK - 295/2006, No. DK - 368/2007 - 3/294, No. DK - 395/2007 - 4/294, and No. DK - 398/2007 has never been questioned by the KRRiT. However, we cannot rule out that the KRRiT may decide that the scope of our license is insufficient or that our business exceeds the scope of the license. This is particularly true with television programs we broadcast that have not been listed in the license. The current market practice is that the license relates to the distribution of the channels itself without specifying particular channels. This practice is consistent with EU regulations, and in particular with the Council Directive of 3 October 1989 on the Coordination of Certain Provisions set forth by Law, Regulation or Administrative Action in Member States Concerning the Pursuit of Television Broadcasting Activities (89/552/EEC) (Official Journal of Law 89.298.23, as amended) and the European Convention on Transfrontier Television adopted in Strasbourg on 5 May 1989 (Journal of Law of 1995, No. 32, item 160, as amended). This practice is further supported by the fact that the distribution of television programs does not influence the content of those programs, and the obligation to hold a license for a program is imposed on the program broadcaster. Should the KRRiT change its position and interpret the regulations differently, penalties may be imposed, up to and including the withdrawal of our license.

Our television license has been granted for a definite period of time in accordance with market practice and is scheduled to expire in 2013. If there will be an obligation to obtain a license for television channel distribution after 2013, KRRiT may decide to extend it, or refuse to extend it.

Pursuant to Article 38, Section 1, Clauses 2 and 3 of the Radio and Television Act, a license will be withdrawn if the broadcaster grossly violates the terms set out in the Radio and Television Act, or in the license or if the activity that is subject to the license violates the Radio and Television Act or the license and if the license holder, despite a demand from the Chairman of the KRRiT, has failed to remedy the irregularity within the terms set out in the license or in the Radio and Television Act within a specified time limit.

If our license is withdrawn or not extended, this may force us to discontinue or suspend our DTH satellite television services for an indefinite time, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

A decline in consumer spending in Poland or change of customers preferential treatment of programming offer could significantly, adversely affect our business

All of our revenues are derived from customers in Poland. The level of our revenues depends on the amount of disposable income that existing and potential subscribers in Poland spend on entertainment, leisure and telecommunication needs. If the Polish economic situation deteriorates, consumers will be likely to spend less on entertainment, leisure and telecommunication needs and in view of the existing numerous entertainment options on the market, consumers could also become less prepared to use their disposable income on our products and services. Any of these developments could adversely affect our subscriber number, or the rate of new client acquisition, which could adversely affect our business, financial condition and prospects.

Zygmunt Solorz-Żak, directly and indirectly through Polaris Finance, holds majority of votes in our general shareholders' meeting

Zygmunt Solorz-Żak has, directly and indirectly, (through Polaris Finance) more than 71% of the total votes at our General Shareholders' Meeting. As a result, Zygmunt Solorz-Żak and Polaris Finance will decide on a final content of resolutions adopted by the General Shareholders' Meeting.

Item 5. Presentation of our Capital Group

Item 5.1. General information about our Capital Group

We are a leading pay digital satellite platform operator in Poland. Our core business is providing individual customers with access to television and radio channels grouped into different paid programming packages. We purchase television channels provided our subscribers from television broadcasters both in Poland, as well as in other countries As at 31 December 2009 our subscriber base of paid packages reached 3,202,319, an increase of 475,326 or 17.4% compared to 31 December 2008.

We provide our DTH subscribers with an access to 81 Polish-language television channels, including sports, music/entertainment, news/information, children, education and film channels. We are the only pay DTH satellite operator to provide its customers with access to all major terrestrial channels in Poland, including Polsat, TVP 1, TVP 2 and TVN. Moreover, we offer high definition channels, such as Polsat HD, Polsat Sport HD, Eurosport HD, Eurosport 2 HD, HBO HD, MTVN HD, Discovery HD Showcase, FilmBox HD and National Geographic Wild HD. In addition, we provide our customers with an access to over 500 free to air ("FTA") television and radio channels available via satellite in Poland.

In November 2007, we launched the production of our own SD set-top boxes, which enables us to decrease the cost of acquisition of that type of set-top boxes. We started selling our own-manufactured set-top boxes in March 2008. In 2009 over 60% of sold or leased set-top boxes were produced in our factory. We plan to start producing HD set-top boxes in 2010.

We sell our services through an effective sales network covering the entire territory of Poland that links our own central warehouse, 29 regional distributors, and a network of 1,148 retail points of sale. In the fourth quarter of 2009 we purchased a 45% stake in mPunkt Holdings Ltd., owner of the company owning the mPunkt distribution network, specializing in the sale of goods and services for mobile telephony. mPunkt has over 200 outlets in over 150 cities, as well as a training center. We believe that the expansion of our sales network will allow us to effectively sell our DTH services as well as the integrated services that we are planning to launch in the second quarter of 2010.

The launch of mobile services in September was the first step in the process of building a multi play operator offering DTH services, mobile services and internet access services launched commercially on 1 February 2010 (see Item 5.4.1.Group strategy). As at 31 December 2009 the number of mobile users totaled 29,325.

We believe, that our integrated offer will contribute to an increase of the general satisfaction of our customers and in consequence, lower the churn, and increase the subscriber base which will be converted into a growth of our revenues.

However, we expect, that until our integrated offer is fully developed, a substantial part of our revenue shall continue to be derived from the pay television digital satellite platform.

Item 5.2. Organizational structure of the Capital Group

The following table presents the companies included in the organizational structure of Cyfrowy Polsat Capital Group as at 31 December 2009 together with the consolidation method and description of method of consolidation:

	Company's registered office	Activities	Voting rights as at 31 December (%) 2009	2008
Company				
Cyfrowy Polsat S.A.	ul. Łubinowa 4a, Warszawa	radio and television activity, telecommunications		
Subsidiaries				
Cyfrowy Polsat Technology Sp. z o.o. [1]	ul. Łubinowa 4a, Warszawa	set-top boxes' production	100%	100%
Karpacka Telewizja Kablowa Sp. z o.o.	ul. Chorzowska 3, Radom	no activity	85%	85%
Associated companies				
mPunkt Holdings Ltd.	3 Themistokli Dervi Street, Nikozja (Cypr)	owns mPunkt Polska S.A. and mTel Sp. z o.o.	45%	-
mPunkt Polska S.A.	ul. Domaniewska 37, Warszawa	network of sales of telecommunication services,	45%[1]	-
mTel Sp. z o.o.	ul. Powstańców Listopadowych 2b, Rzeszów	agency services	45%[1]	-

[1] shares held through the mPunkt Holdings Ltd.

Item 5.3. Changes to the principle rules of management of our Company and the Capital Group

There were no changes to the principle rules of management of our Company and the Capital Group.

Item 5.4. Strategy, market opportunities and comparative advantage of the Capital Group

Item 5.4.1. Group strategy

Our primary goal is to (i) strengthen our leadership on the pay television market, (ii) achieve a significant position on the broadband internet access services market, and (iii) acquire the projected number of subscribers to the mobile services.
We intend to achieve the goal through:

1. **Increasing the saturation of the pay satellite television services,** while maintaining the share of gross additions. With the current saturation level of pay television services in Poland at around 75% and comparing our country to the most developed pay television countries, we believe that over the next few years some 1.5 million households will start using the pay television services, for a vast majority it will be the satellite pay television. Accordingly, it is our strategic goal to obtain the greatest number of subscribers possible, and

thereby increase our subscriber base. In our opinion, an increase in the subscriber base is the most important factor affecting our growth and future position on the pay satellite television market.

2. **Building customer value.** Our Family Package ARPU increased from PLN 39.4 in 2008 to PLN 40.3 in 2009. We believe that ARPU growth in this period was largely due to a growing number of subscribers to premium packages and introduction of HD channels to our offer, as well as a large number of subscribers coming out of the initial period of the contract and launch of video on demand services. To maintain the ARPU growth we are planning further expansion of our programming range focusing primarily on acquiring new, high-quality channels, including HD channels and introducing video on demand services. We believe that ARPU in particular segments (Family and Mini) will show an upward trend, mainly as a result of (i) an increase in the number of subscribers to premium program packages, (ii) widening the choice of HD channels, the introduction of the HD package in October 2009, (iii) the introduction of new services, and (iv) coming out of the basic periods by subscribers, which automatically, in terms of accounting, increase the subscriber ARPU.
3. **Building customer loyalty.** Our churn rate increased from 7.5% in 2008 to 10.7% in 2009. We believe that this was mainly due to the so-called internal churn or a situation in which the customer decides to resign from our services to conclude another contract for the provision of pay television satellite services with us, utilizing the attractive promotional offers and the aging of subscriber base (an increasing proportion of subscribers who are outside the period of the basic agreement, in which the termination of contract is subject to penalties). In order to minimize the churn rate, in 2009, we introduced the retention programs, whose effectiveness is continuously monitored and which are being adapted to the current situation on the DTH market. We also introduced a point to our terms and conditions to encourage subscribers to automatically extend the contract for a fixed period of 12 months. We believe that the introduction of the retention programs, changes in the terms and conditions and the introduction of an integrated offer will allow us to minimize the churn rate.
4. **Introducing integrated services**. In our opinion, the integrated services market in Poland is underdeveloped and therefore will grow rapidly in the future. In addition, none of our competitors in the DTH market offers integrated services, so we are going to be the only DTH operator to offer high quality internet access services in low-urbanized areas. As the only provider of pay satellite television we introduced telecommunications services to our offer (September 2008) and internet access services (February 2010). In the second quarter of 2010 we plan to introduce an offer of integrated services, i.e. all three services provided by a single contract and one invoice. We believe that the introduction of the integrated services will be our competitive advantage, not only in the DTH market, but throughout the pay television market in the future, and an important element of our strategy.
5. **Maximizing penetration of our subscriber base with integrated services.**
6. **Using the "Cyfrowy Polsat" brand awareness and the current subscriber base to sell telecommunications services (telephone / internet) and integrated services.**
7. **Building the "Cyfrowy Polsat" brand awareness as a provider of telecommunications and integrated services.**
8. **Multimedia content sale regardless of broadcast technology.**

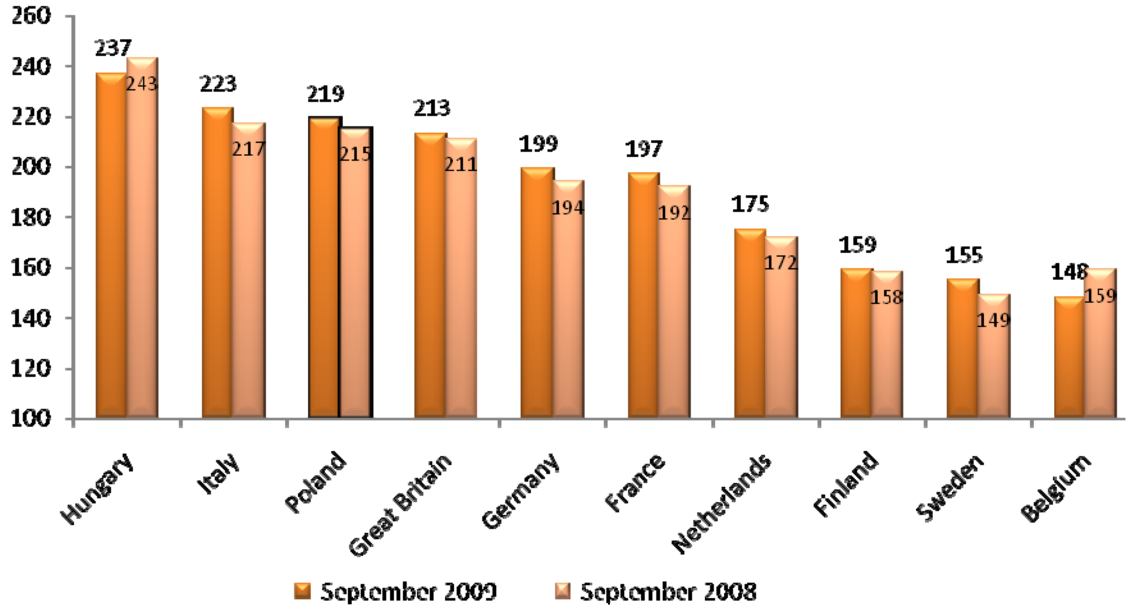
Item 5.4.2. Market opportunities

We believe that Poland is an attractive market for our products and services for a number of reasons. We present the key reasons below.

Strength of the Polish Economy. Dynamic growth in our revenues is linked to the state of the Polish economy. Poland has one of the highest GDP growth rates of any European Union member state. The average annual GDP growth rate, according to Eurostat forecasts, between 1 January 2009 and 31 December 2009 in Poland was 1.2% according to Eurostat, while during the same period for all 27 members of the European Union it was -4.1% . Poland's GDP increased by 5,0% in 2008 and GDP for all 27 members of the European Union increased by 0.8%. The latest world economic crisis did not affect Poland in the significant way, which as the only European country increased GDP in a very difficult year - 2009. The forecast of a GDP growth for Poland for 2010 is at the level of 2.1%. Together with the growth in the Polish GDP, average consumer spending, including spendings on the pay television, internet access services and mobile services, including those on our offer, will also grow dynamically.

Penetration rate of pay television in Poland. According to our best knowledge large percentage of households in Poland have a television set, but do not use subscription television services. In 2009, subscription television services were provided to 10.5 million out of 14 million households in Poland, resulting in an implied penetration rate of approximately 75% of all households. The penetration rate for pay television in Poland is considerably lower as compared to the penetration rate for pay television in the most developed markets of 90% We believe that the further growth of penetration rate of pay television services is possible, including services that we offer.

High Average Television Viewing Time. According to World Advertising Research Center the average daily television viewing time in Poland was approximately 219 minutes in September 2009, which was one of the highest average daily television viewing rates among European countries. We believe that the high average daily television viewing rates contribute to development of our business.



Source: Data published by WARC

Saturation of integrated services for low-urbanized areas. Integrated services in Poland are provided by cable operators. In 2009, TPSA began to provide integrated services, adding the pay television satellite services to its product portfolio, available to customers using an internet access service. Both cable operators, as well as TPSA, offer their services mainly in large and medium-sized cities, which results from the geographical coverage of their infrastructure and the quality of telecommunications infrastructure.

By introducing a range of integrated services we will be the only provider offering integrated services to residents of small towns and rural areas. For many of these households we will be the only, or the second, in addition to the mobile service providers, supplier of internet access. We believe that as a result of the low saturation of integrated services and poor quality of internet access services offered in low-urbanized areas, our offer will be attractive to our existing satellite pay television subscribers and potential customers of integrated services.

Item 5.4.3. Competitive advantage

We offer high-quality programming designed to appeal to the entire family. We provide our customers with a wide selection of television channels, including eleven sports channels, including three HD channels, sixteen film channels, seven children channels, six news/information channels, seven education channels, five music and thirteen entertainment channels. We are also the only pay DTH operator in Poland that offers the three most widely viewed (according to AGB Nielsen) sports channels in Poland: Eurosport, Polsat Sport and Polsat Sport Extra. Polsat Sport and Polsat Sport Extra, which are not offered by other pay DTH satellite operators in Poland, have rights to popular sporting events including Formula 1 Grand Prix, ATP Masters Series tennis, Wimbledon, Volleyball World League, Volleyball World Championships and the Italian Football League (Serie A).

We are constantly developing our offer both, for new television channels, as well as services from the video on demand category. We believe that our position as the largest pay television provider of DTH satellite broadcasting services in Poland

and our strong relationships with licensors provide us with a competitive advantage in obtaining access to high-quality programming on favorable market terms. In addition, we do not depend on any license for any sporting events which, if we were to lose, would have an impact on maintaining or growing our customer base because we have developed our products and services based on a variety of programming content designed to appeal to the entire family.

We offer high-quality programming packages at competitive prices. We place particular emphasis on offering our customers high-quality programming packages at competitive prices. Our Family Package, which includes a wide selection of sports, music, entertainment, news, children and educational channels, is offered at a retail price of PLN 37.90 per month, which constitutes 1.2 % of average personal monthly income in Poland. We believe that the competitive prices of our high-quality programming packages enhance the attractiveness of our products and services.

We have organized an effective DTH services sales network in Poland We have organized an effective DTH satellite sales network to distribute pay DTH satellite television services throughout Poland. We have established our own central warehouse supported by a logistics system capable of releasing 15,000 pre-activated set-top boxes with access cards daily into the market and to storing 300,000 ready-to-use set-top boxes with access cards included. Our network is based on cooperation with 29 distributors who work with a network currently consisting of 1,148 retail points of sale, which covers the territory of Poland. At these retail points of sale, our customers can sign an agreement to purchase our services, purchase a set-top box or telephones and order the installation of a satellite dish. In addition, our retail points of sale provide customers with technical assistance, act as intermediaries in servicing set-top boxes and supply replacement set-top boxes when customers' set-top boxes are being repaired. In the fourth quarter of 2009 we purchased a 45% stake in mPunkt Holdings Ltd., owning the mPunkt distribution network, specializing in the sale of goods and services for mobile telephony. mPunkt has over 200 outlets in over 150 cities, as well as a training center. We believe that the expansion of our sales network will allow us to effectively sell our DTH services as well as the integrated services that we are planning to launch in the second quarter of 2010.

We have strong brand recognition and enjoy good reputation among our customers. We have developed a well-recognized brand in the market for pay DTH satellite broadcasting services in Poland. According to GFK Polonia, we had the highest brand recognition of the three pay DTH satellite operators in Poland in December 2009 (Source: "The Digital Platform Brand Name Recognition", GFK Polonia, Survey Based on a Representative Sample of 1400 people in Poland,). Our brand has been established through a successful, family-oriented marketing campaign based on establishing emotional ties between our brand and our customers. We concentrate on providing high-quality programming at competitive prices designed to appeal to the entire family. We provide channels that appeal to various age groups - including adults, as well as teenagers and children. Our goal is to constantly improve the quality of our customer service through our customer relationship management system ("CRM") and call center. In order to facilitate paying for and ordering our products and services we implemented a web-based customer service center ("ICOK"). In addition, we provide regular training seminars for our in-house staff and training courses for staff at the retail points of sale within our distribution network.

We provide integrated services. In September 2008 we started providing mobile services and, as a result, as the only DTH satellite provider we become a provider of integrated services. In December we launched nationwide tests of the internet access services which we further launched commercially on 1 February 2010. We are planning to launch the integrated services in the second quarter of 2010. We believe that preferences of the Polish population will go into integrated services direction, and we will be able to offer services which at present our competitors are not able to offer.

Item 5.5. Digital pay satellite services

Item 5.5.1 Market overview

We operate on the Polish pay television market.

In 2009, 38.2 million citizens lived in 14.0 million households in Poland. According to AGB Nielsen, 99.0% of all Polish households have a television set and 36.0% of Polish households have at least two television sets.

According to our estimates, in 2009 the pay television penetration rate in Poland was about 75% (based on the adopted assumption that there are 14.0 million households). About 13% of Polish householders have more than one DTH service.

The following table presents subscribers to pay television in Poland between 2005 and 2009 (in thousands at the end of a given year.)

	2005	2006	2007	2008	2009	CAGR[1] 2005-2009
DTH satellite households.........................	1,439	2,265	3,410	4,692	5,696[2,3]	41%
Percentage growth of the number of DTH satellite households ....……………………	29%	57%	51%	38%	21%	-
Cable TV households	4,380	4,500	4,600	4,650	4,700	2%
Percentage growth of the number of cable TV households ....………………..	3%	3%	2%	1%	1%	-
IPTV households .....………………………	-	4	40	113	136	-
Percentage growth of the number of IPTV household...…...	-	-	>100%	>100%	20%	-
Pay TV households combined ….....…	**5,819**	**6,769**	**8,050**	**9,455**	**10,532**	**16%**
Percentage growth of the number of pay TV households	8%	16%	19%	17%	11%	**-**
Number of new pay TV households ….….	447	950	1,281	1,405	1,077	-
Number of new DTH satellite households..	327	826	1,145	1,282	1,004	-
Share of new DTH satellite households to pay TV…	**73%**	**87%**	**89%**	**91%**	**93%**	-
Number of new net DTH satellite subscribers with Cyfrowy Polsat	264	617	794	659	475	-
Share of Cyfrowy Polsat in pay TV growth	**59%**	65%	62%	47%	44%	-
Share of Cyfrowy Polsat in DTH growth	**81%**	**75%**	**69%**	**51%**	**47%**	-
Free of charge TV households …………………..….	-	-	-	331	866[4]	**-**
Percentage growth of the number of free of charge TV households	-	-	-	-	**>100%**	

[1] compound average growth rate

[2] Data do not contain the number of TPSA DTH customers. TPSA does not publish the number of customers attracted to their pay DTH services.

[3] Data contains customers of Cyfra+, n, Cyfrowy Polsat and active customers of TnK

[4] Data contains non active customers of TnK and Cyfrowy Polsat

Source: Informa Telecoms and Media, Eastern European TV, 12 th Edition, own estimates; own calculations on the basis of PIKE, GUS, data concerning cable operators was corrected on the basis of data published by operators

The growth in the number of pay DTH satellite television subscribers from 2005 to 2009 was much faster than the growth in the number of cable television subscribers. From 2005 to 2009, the compound annual growth rate (“CAGR”) of pay DTH satellite television households was 41%, while the CAGR for cable television over the same period was 2%. The slow growth rate of cable television households was due to a high penetration rate of cable television in urban areas as well as a need to make significant investments in cable infrastructure in other areas. Therefore, towns with up to 50,000 inhabitants, suburban and rural areas are the natural target markets for DTH satellite television because there are limited opportunities to develop cable television infrastructure in those locations and the local population has access to a limited number of Polish terrestrial channels only. In addition, the rapid growth in the number of pay DTH satellite television subscribers also reflects the fact that the digital satellite television providers’ offer of television channels is much broader than the programming offer of those cable television providers who use the analog technology, which is limited to approximately 60 channels and unable to offer HD channels and video on demand services.

In 2009 we observed an increase in the number of customers of free of charge satellite television services as a result of the launch of Telewizja na Kartę and TPSA offers.

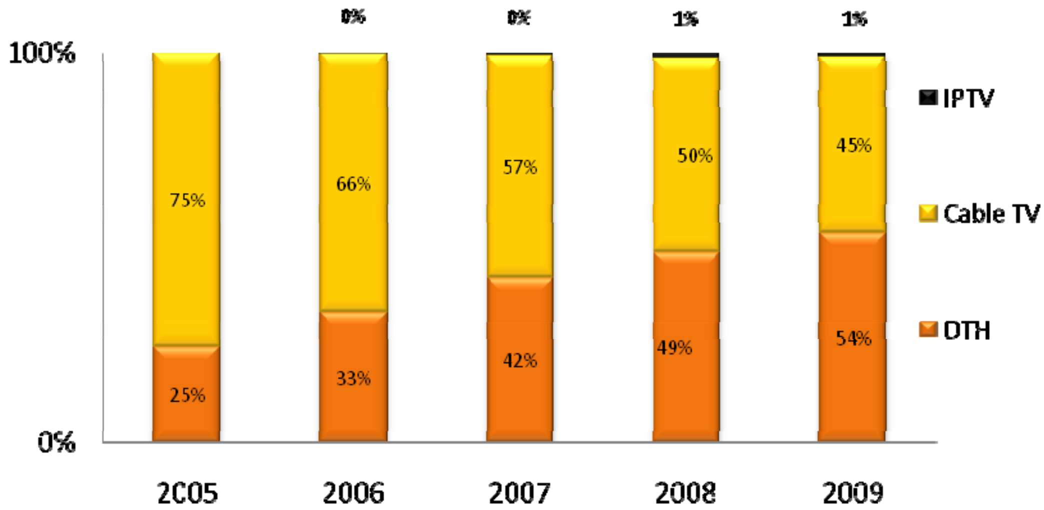
We estimate that at the end of 2009 our market share in the digital pay satellite television segment, based on the number of subscribers, was about 56%. Our share in the pay DTH satellite television segment in 2009 was over 47%.

Item 5.5.2 Our direct competitors

We are the largest, in terms of the number of subscribers, pay digital satellite television platform providing DTH services in Poland and the Central and Eastern Europe region, and the fourth platform in Europe. Our main competitors are other pay digital DTH satellite television providers and, to a lesser extent, the cable television operators. We believe that in the future we will also compete with the digital terrestrial television. In our opinion, competition is based on price, programming offer, possibilities of offering integrated services (television, the phone and the Internet), customer satisfaction with services and the quality of the infrastructure.

Over the past few years, the satellite pay television market developed the fastest. This resulted mainly from lack of investment in infrastructure, and thus further development of cable television in Poland, as well as the lack of infrastructure to enable effective IPTV service offering.

The following chart shows the share of particular services in the pay television market in the years 2005-2009 based on the number of subscribers.



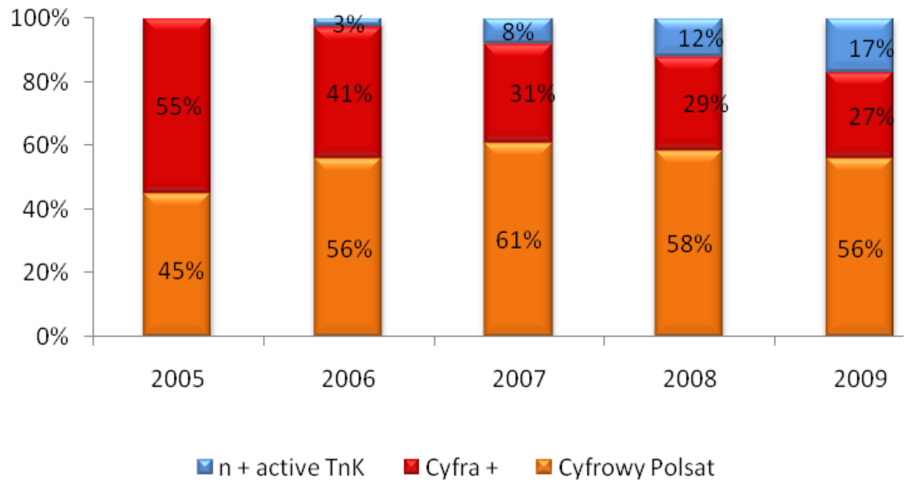
Source: Informa Telecoms and Media, Eastern European TV, 12 th Edition, own estimates; own calculations on the basis of PIKE, GUS, data concerning cable operators was corrected on the basis of data published by operators

We divide our competitors into four groups:

Pay digital satellite television operators

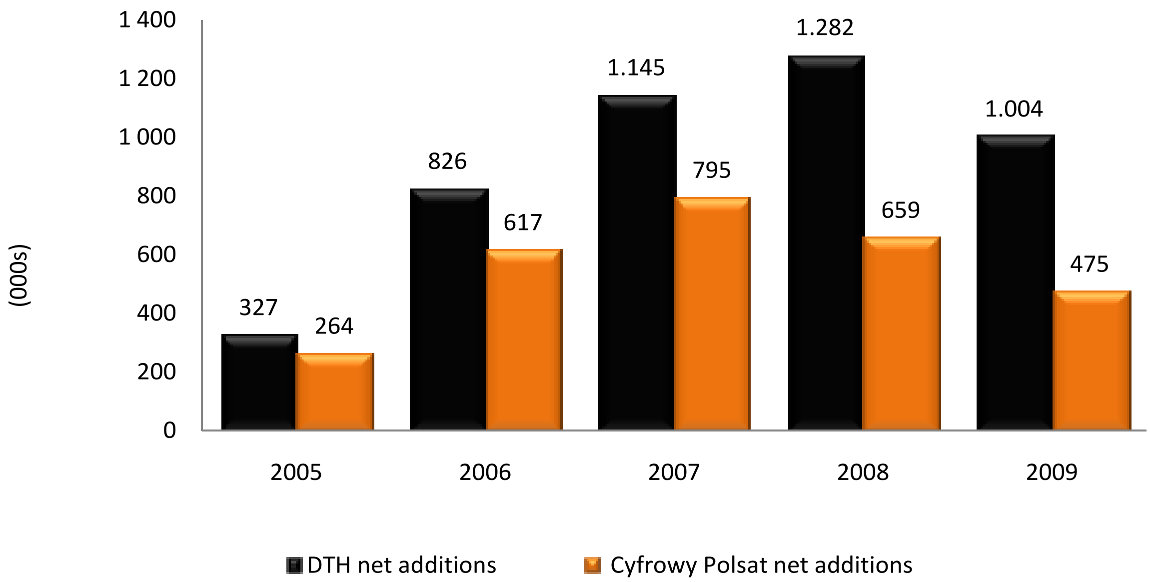
Currently, there are four operators of pay digital satellite television in Poland: Cyfrowy Polsat S.A operator of Cyfrowy Polsat, Canal+ Cyfrowy Sp. z o.o. operator of Cyfra +, ITI Neovision Sp. z o.o. operator of n platform and Telewizja na Kartę and Telekomunikacja Polska S.A., which started providing free DTH television signal in Q4 2008 whereas in October 2009 it implemented pay packages to their offer.

By the end of 2009, our share of pay DTH satellite television market, by number of subscriber, was about 56%. The chart below presents the share of particular operators in the pay DTH television market between 2005 and 2009 based on the number of subscribers:



Source: Calculation based on of data published by individual operators

Our share in net additions on the pay satellite digital television, as measured by the number of subscribers acquired in 2009, was 47%. Our share in net additions in 2005-2009 averaged 65%. In 2009, due to the increasing market saturation, one may notice a decrease in the number of new additions net for both the overall market for satellite television and in our case. The following chart shows the share in net additions on the satellite pay television market in the years 2005-2009, based on the number of subscribers.



Source: Calculation based on of data published by individual operators

In the second quarter of 2010, we plan to introduce integrated services to our offer, consisting of satellite pay television services, Internet access services and mobile services. We believe that the ability to offer integrated services will be our major competitive advantage on the pay television satellite market in Poland.

Cable television operators

We compete with cable television operators to a limited extent, due to the fact that they concentrate on clients residing in densely populated areas with developed infrastructure, or in locations where establishment of such infrastructure involves relatively low cost per subscriber, whereas we focus on clients residing in areas with no, or limited cable television infrastructure. Cable television operators concentrate on the growth of average ARPU through introduction of new services such as broadband internet, or fixed telephony lines, and to lesser extent, on the growth of the subscriber base. We believe we have an edge over cable television operators because we deliver our programming offer in digital quality providing higher quality of sound and vision than cable television operators who, in majority, offer analogue quality of signal. Currently, cable television operators are able to offer about 60 channels only and are not able to offer some 500 FTA channels offered by the pay DTH digital satellite television providers. However, cable providers have an edge over the pay DTH digital satellite television providers in terms of offering integrated services and telecommunications services as they may use the cable television infrastructure to provide those services. Certain pay DTH digital satellite television operators in other European countries started providing broadband internet access services and fixed line telephony through entering into agreements with other companies, or through acquisitions of companies which provide such services. We also plan to offer integrated services, consisting of the paid satellite television services, the access to the internet services and the telephone service already in the second quarter 2010. We believe that the possibility of offering integrated services in the future will let us effectively compete with operators of cable televisions.

There are about 630 operators of cable television which serve over 1,100 cable networks in Poland. At present, the largest operators on the Polish cable television market are: UPC Telewizja Kablowa Sp. z o.o., Telewizja Kablowa Vectra S.A., Multimedia Polska S.A. oraz Aster Sp. z o.o which serve over 60% of the cable television market in Poland.

Digital television through internet protocol (IPTV)

The competitive threat from IPTV providers results from development of digital television signal broadcast through internet protocol, which is currently developing at a relatively slow rate in Poland. TPSA started providing IPTV to its clients with DSL in 2006. TPSA is the dominant provider offering fixed line telephony services and owning a developed infrastructure of subscriber loops, therefore the introduction of IPTV services by TPSA may have negative impact on the business of cable television operator in Poland. It should not, however affect the business of pay DTH digital satellite television providers because TPSA’s plans regard launching IPTV services in the majority of urban areas. At present, it is difficult to assess when TPSA will be able to significantly develop the IPTV offer in rural and suburban areas and also in small and medium towns and the impact of the offer on the business of pay DTH digital satellite television providers. As at 31 December 2009 110 ths. subscribers used IPTV services offered by TPSA. Additionally 20 ths. customers used IPTV services offered by Telefonia Dialog.

Digital Terrestrial Television (DTT)

The main threat coming from the digital terrestrial television technology is the removal of limitations regarding granting licenses for broadcasting frequencies and, as a result, an increased number of terrestrial channels. Currently, there are seven analogue terrestrial channels and only four of them are available to over 90% households. However, digitization has been postponed due to lack of formal regulations; there is also no formal government plan for utilization of available digital frequencies. We expect that the frequencies will be allocated to both: digital terrestrial television and the HD television, radio and DVB-H (the standard enabling broadcast of television channels to mobile telephones). Currently, it is too early to assess the potential influence of the competition from digital terrestrial television on our pay DTH digital satellite television business.

We expect that in the next few years, the business of digital terrestrial television will be limited to current analogue terrestrial channels and its offer will extend after 2012 as a result of availability of new frequencies. The switch-off of analogue broadcast has been scheduled for 31 July 2013.

Item 5.5.3. Programming offer

We enable receipt of a wide programming offer to our customers. The programming offer is one of the factors decisive about acquiring and retaining subscribers. We acquire all our pay television channels from reputable broadcasters including Telewizja Polsat S.A., TVN S.A., TVP S.A., Discovery Communications Europe, Turner Broadcasting System Europe Limited, Disney Channel Scandinavia, HBO Polska Sp. z o.o., Cinemax Polska Sp. z o.o., Eurosport S.A., MTV Networks Polska VOF, Viasat World Limited, BBC and AXN Europe Limited. In order to extend our subscriber base we focus on offering a wide selection of diversified television channels that appeal to the whole family. As a result, our offer's popularity does not depend on particular programming content e.g. single rights to popular sporting events. Our license agreements with television channel providers are mainly settled on the per subscriber basis, or in a few cases on the lump sum or revenue share basis.

We provide our customers with access to 81 Polish language television channels, including sports, music, entertainment, news/information, education and film channels. We are also the only pay DTH satellite operator in Poland that offers main terrestrial channels available in Poland: Polsat, TVP 1, TVP 2 and TVN. We also offer eleven sports channels such as: Eurosport HD, Eurosport 2 HD and Polsat Sport HD, sixteen film channels including HBO, Cinemax, AXN and FilmBox, seven children channels including Disney Channel, Nickelodeon, and Cartoon Network, six news/information channels including channels such as TVN 24, Polsat News and TVP Info, seven education channels including Discovery Channel, BBC Knowledge and Animal Planet and five music channels including MTV Polska, VIVA and VH 1 Polska and thirteen entertainment channels. We are also the only pay DTH satellite operator in Poland that offers three most watched (according to AGB Nielsen) sports channels: Eurosport, Polsat Sport and Polsat Sport Extra. Polsat Sport and Polsat Sport Extra, which are not offered by other pay DTH satellite operators in Poland, have rights to popular sporting events such as: Formula 1 Grand Prix, ATP Masters Series tennis, Wimbledon, Volleyball World League, Volleyball World Championships and the Italian Football League (Serie A), Euro Football Cup 2008. In addition, we offer our subscribers a wide selection of film channels such as HBO, HBO2, HBO Comedy (from January 2008) Cinemax, FilmBox and AXN which feature major Hollywood productions. In addition, we provide our subscribers with access to some 500 FTA television and radio channels available via satellite in Poland including BBC World, NBC, Bloomberg, Super RTL, ZDF, Rai News 24, Rai Due, Fashion TV, France 24. We also have nine leading radio channels in Poland including RMF, Radio Zet and three channels of the Polish Radio. We offer video on demand services since December 2009, based on 15 satellite channels, where 60 movies are available per month on a rotation basis. This service is available to all our subscribers irrespective of set-top box type.

Programming packages on our offer at the day of the publication of this Report

Based Packages	Number of channels	Gross price with a contract for an undefined period of time (PLN)	Gross price with a contract for a defined period of time (PLN)
Family Package	51	39.90	37.90
Mini Package	21	11.90	9.90
Mini Max Package	25	21.90	19.90
Premium Packages available for Family Package subscribers			
Sport Package	5	14.90	13.90
Film Package	7	16.80	15.80
Cartoon Package	2	6.90	5.20
Music Package	3	5.90	4.90
Entertainment Package	2	21.00	20.00
HD Package	6	25.00	15.00/20.00[1]
HBO Package	3	22.00	20.00
Cinemax Package	2	16.00	15.00
Relax Mix Package	*16*	*21.90*	*19.90*
Relax Mix + HBO Package	*19*	*42.00*	*39.90*
Super Film Package	*21*	*52.00*	*49.90*
Channels available a'la carte			
FilmBox HD	1	6.00	5.00
Discovery HD Showcase	1	6.00	5.00
National Geographic Wild HD	1	6.00	5.00
MTVN HD	1	6.00	5.00
Eurosport HD	1	6.00	5.00
Eurosport 2 HD	1	6.00	5.00
Polsat Sport HD	1	6.00	5.00
Polsat HD	1	included in the price of Family Package	included in the price of Family Package
Blue Hustler	1	9.99	9.99
Channels available for HBO Package subscribers			
HBO HD	1	6.00	5.00

[1] Depends on the term of contract

We offer three starting packages: Mini Package, Mini Max Package and Family Package. Family package is the most popular package amongst starting packages we offer.

Family Package

Family Package provides access to 51 Polish language television channels and all the FTA television and radio channels available via satellite in Poland. We designed the Family Package in such a way, that it gives access to all the categories of television channels that appeal to the entire family. Subscribers of Family Package have an opportunity to subscribe to all our thematic packages. Family package was designed is such way that it satisfies essential needs of each of family member – it includes television channels for women, men and children.

The following diagram presents television channels available in Family Package.

As at 31 December 2009 there were 2,609,567 subscribers to Family Package and premium packages.

We offer Family Package at PLN 37.90 gross a month with a contract for 13 and 29 months. After the end of the initial period of the contract it is automatically prolonged for the period of twelve months with a three-month notice period, unless the subscriber would like to chose undefined term contract, also with a three-month notice period which results in an increased price to PLN 39.90. In 2009 we launched attractive promotions for new subscribers, offering even 6 months of full offer or a second set-top box with already paid Mini Package for the time of the initial contract period.

Mini Package

We introduced Mini Package in October 2006. This is an introductory package providing access to 21 Polish television channels and all the FTA television and radio channels available in Poland via satellite. Subscribers to the package may purchase Mini Max Package or Family Package at any time during the term of their agreement which will give them access full program offer.

The following diagram presents television channels available in Mini Package

As at 31 December 2008 we had 593 thousand subscribers to Mini and Mini Max packages.

We offer our Mini Package at PLN 9.90 gross a month. Subscribers to Mini Package enter into a base agreement for a period of 29 months. We offer the Mini Package at such a low price in order to attract the largest number of subscribers. We believe that a client who becomes our subscriber will be willing to purchase more expensive program packages in the future, as a result of our promotional and marketing campaigns.

Mini Max Package

We introduced Mini Max Package in November 2008. This package is an introductory package providing access to 25 Polish channels and all the FTA television and radio channels available via satellite in Poland. Subscribers to this package may purchase the Family Package at any time during the term of their agreement which will give them access full program offer.

The following diagram presents television channels available in Mini Max Package.

We offer Mini Max Package at PLN 19.90 gross a month. Subscribers to Mini Max Package conclude the agreement for the base term of 29 months. We introduced Mini Max Package into our offer in order to facilitate the upgrade to higher packages to subscribers to Mini Package.

Thematic packages

Subscribers of Family Package can buy thematic packages according to their programming preferences. We offer eight different thematic packages. The following table presents television channels that we offer in the thematic packages: Sports Package, Film Package, Cinemax Package, Cartoon Package, Music Package, HBO Package, Entertainment Package and HD Package.

The following diagram presents television channels available in particular packages.

Subscribers to Family Package may purchase single thematic packages at any time without a written agreement by making monthly payments for a particular package and at the same time they may resign from the particular package during the subscription. The exception is the HBO Package which is available upon signing an agreement only.

Individual thematic packages were packed into wider packages and offered our subscribers in special prices in order to pull a large number of subscribers. These packages are available only for subscribers of Family Package.

Relax Mix Package

We introduced the Relax Mix Package in December 2005. Relax Mix Package gives access to 16 additional television channels grouped in four thematic packages including five sports channels (Sports Package), seven film channels (Film Package), two children channels (Cartoon Package) and two music channels (Music Package).

The following diagram presents television channels available in Relax Mix Package.

The total fee for channels available in four packages mentioned above is PLN 39.80 gross a month. Subscribers signing an agreement for Relax Mix Package receive a 50% discount and pay a monthly fee of PLN 19.90 gross (additional fee to Family Package).

Relax Mix Film Package

We introduced Relax Mix Film Package in February 2007. Relax Mix Film Package gives our subscribers access to thematic packages available in the Relax Mix Package and additionally to the channels Cinemax and Cinemax 2. The Relax Mix Film Package is available to subscribers to the Family Package only, who signed an agreement for the package before 11 January 2008.

The following diagram presents television channels available in Relax Mix Film Package:

The total fee for the channels available in the five mentioned above packages is PLN 54.80 gross a month. Subscribers to the package who signed an agreement for the Relax Mix Film Package received a discount of PLN 24.90 gross a month and pay a monthly fee of PLN 29.90 gross for this package (additional fee to the Family Package).

Relax Mix + HBO Package

We introduced the Relax Mix + HBO Package into our offer on 2 January 2008. Relax Mix + HBO Package includes all channels available in the Relax Mix Package and three premium film channels: HBO, HBO2 and HBO Comedy

The following diagram presents television channels available in Relax Mix + HBO Package:

The total fee for the channels available in the six thematic packages available in Relax Mix + HBO Package is PLN 59.80 gross a month. Subscribers who sign an agreement for the Relax Mix + HBO Package receive a discount of PLN 19.90 gross a month and pay a fee of PLN 39.90 gross a month (additional fee to Family Package).

Super Film Package

We introduced the Super Film Package on 2 January 2008. Super Film Package includes all the channels available in Relax Mix + HBO Package and channels Cinemax and Cinemax 2.

The following diagram presents television channels available in Super Film Package:

The total fee for the channels available in seven thematic packages available in Super Film Package is PLN 74.80 gross a month. Subscribers signing an agreement for Super Film Package receive a discount of PLN 24.90 gross and pay a fee of PLN 49.90 gross a month (additional fee to Family Package).

HD Package

We introduced the HD Package on 16 November 2009. The HD Package includes six channels in high definition. HD Package is available exclusively to subscribers of the Family Package. Monthly fee for the HD Package is PLN 15.00 for those customers who signed a fix term contract and PLN 25.00 for an undefined term contract.

The following diagram presents television channels available in HD Package:

Channels available a la carte

Apart from the HD Package, subscribers have access to all channels in the HD technology a la carte. A la carte includes channels available in the HD Package and additionally Discovery HD Showcase, HBO HD and Polsat HD. Channels in the high definition are offered at the price of PLN 5.00 monthly per channel for those subscribers who signed a contract for fix term, PLN 6.00 monthly for those customers who signed an undefined term contract. The HBO HD channel is accessible only for subscribers of the HBO Package and the HD Polsat is included in Family Package.

Free to Air Channels

In addition to our paid programming packages, we offer our customers access to all free to air television and radio channels available via satellite in Poland, including BBC World, NBC, Bloomberg, Super RTL, ZDF, Rai News 24, Rai Due, Fashion TV, France 24 and leading Polish radio channels such as Radio Zet and three channels of Polskie Radio.

We have also entered into agreements with interactive and teleshopping channels (such as Mango 24) where they pay us an agreed fee to incorporate their channels into our programming list and to place information about their channels in our advertising materials.

After the initial subscription term under the agreement expires, we allow our customers to use the set-top box to view all FTA channels without charging any additional subscription fees. A customer who purchased a set-top box and effectively terminated their agreement with us is able to use the set-top box to view all FTA channels. However, customers who defaulted under an agreement with us are not able to use the set-top box to view FTA channels because we block such access.

VoD Home Video Rental

We introduced a service in the video on demand category - VoD Home Video Rental - to our offer on 1 December 2009. Single charges for individual films are as follows: PLN 11 for access to the "New" category, PLN 8 for access to the "Hit" category, and PLN 5 for access to the "Catalogue" category. The selected film is available for 24 hours. In addition, it is possible to purchase monthly access to the films of the "Product" category for a price of PLN 20. This service is available to all our subscribers, regardless of the type of set-top box, which they use to receive our programming offer.

VoD Home Video Rental is based on 15 satellite channels, where there are over 60 films available monthly in cycles. We dedicated the entire satellite transponder to support the new service. The VoD Home Video Rental will feature at least 320 films. Each day, our subscribers can choose from about 15 proposals. Every week we present a new offer, and we will make about 30 new productions available a month.

This service is carried out under a contract with Monolith Films Sp. z o.o. and Kino Polska Sp. z o.o. for the content produced by SPI Sp. z o.o. Currently, we are negotiating further contracts with distributors of both Polish and American studios.

Item 5.5.4. Development of programming offer

Important factors contributing to our growth have been the introduction of new channels, the improvement in the attractiveness of our existing programming packages and the development of new technological solutions. We plan to continue to develop our programming offer (while maintaining effective cost management) by incorporating new television channels and creating new programming packages. We enriched our programming offer with following channels in 2009:

January	Discovery HD		
March	TVP Sport	TVP Info	
May	blue Hustler		
September	Polsat HD	Polsat Futbol	XXX
October	Film Polsat		

November

Additionally in 2010 our programming offer was enriched with:

February

March

On 16 November 2009 we launched the HD Package into our offer. It features 6 channels in the high definition: Polsat HD Sport, HD Eurosport, Eurosport 2 HD, MTVNHD, National Geographic Wild HD and FilmBox HD. The HD Package is available exclusively to subscribers of the Family Package (see Item 5.5.3 Programming offer).

Item 5.5.5. Set-top boxes

To receive our pay television satellite service, customers must install a digital satellite receiver, consisting of an antenna with a converter and a set-top box with a remote control and a subscriber card. Our offer includes both simple SD set-top boxes as well as most technologically advanced HD set-top boxes with a hard disk drive and recording capability. In order to receive HD channels customers have to buy/rent one of our HD set-top boxes: Echostar DSB-7100HD, Echostar DSB-7200HD and Echostar DVR-7400HD. To use the recording functionality customers need to purchase a set-top boxes with a hard disk drive: Echostar DVR-747, or rent a set-top box with a hard disk drive: Echostar DVR-7400HD. Since the beginning of our activity we have worked with selected suppliers of set-top boxes. In 2007 we started the production of SD set-top boxes in our own factory, nevertheless we continue to cooperate with Samsung Electronics Poland Sp. Ltd., Echostar International Corporation, SL and Sagem Communications Warsaw Sp. z o.o. within the purchase of more technologically advanced set-top boxes. Starting from the second quarter of 2010 we plan to begin production of HD set-top boxes in our factory.

In 2009 we offered Mini and Family set-top boxes produced in our factory, which accounted for over 60% of contracts we concluded for the provision of satellite pay television services. Moreover, we offered set-top boxes purchased from third parties: Echostar 717, Echostar DSB-7100HD, Echostar DSB-7200HD, Echostar HDS-400E, Echostar DVR-7400HD, Echostar DVR-747, Samsung S305G, Samsung H370G.

Our subscribers can either buy or rent a set-top box from us. The price of the purchased set-top box depends on the package of pay television programs purchased by the subscriber - the more expensive a package the lower the price and a higher set-top box subsidy we allow. In 2009, customers could buy a set-top box from us at prices ranging from PLN 1 to PLN 299 per an SD set-top box, from PLN 199 to PLN 299 for an HD set-top box, and at PLN 499 for a set-top box with a hard disk drive - Echostar DVR-747. The activation fee with the purchase option was not more than PLN 1, depending on the current promotion and a model of the set-top box.

Our customers could lease a set-top box while paying a lump-sum activation fee ranging from PLN 0.5 to PLN 148 per an SD decoder, from PLN 48 to PLN 148 for an HD set-top box and from PLN 148 to PLN 198 for an HD set-top box with a hard disk drive. A lump-sum fee for the provision amounted to no more than PLN 1, depending on current promotions and a model of the set-top box. In addition, in certain promotions, subscribers pay a monthly fee for providing a set-top box with a hard disk drive.

We do not undertake the installation of digital satellite receivers and only deliver components comprising a set-top box, a card and an antenna with a converter. Our independent sales network of satellite television provides installation services within the scope of its business.

Item 5.5.6. Sales Seasonality

Historically, the acquisition of new customers was highest in the fourth quarter and in years 2005-2009 amounted to approximately 47-67% additions achieved throughout the year. We believe that this seasonality of sales of DTH services is due to the Christmas time (a set-top box with satellite pay television services is a Christmas gift), the winter period and inclement weather. We cannot guarantee that the seasonality of sales of DTH services will continue in the future.

The following table shows our net acquisition of new subscribers on a quarterly basis for the periods indicated:

	2009	2008	2007	2006	2005
January – March	75.063	118.902	195.868	74.437	41.300
Percentage share	16%	18%	25%	12%	16%
April – June	42.050	100.436	92.195	62.643	24.232
Percentage share	9%	15%	11%	10%	9%
July – September	72.644	114.858	133.905	66.855	42.360
Percentage share	15%	17%	17%	11%	16%
October - December	285.569	324.469	372.712	412.985	155.646
Percentage share	60%	50%	47%	67%	59%
Total net subscribers	475.326 100%	658.665 100%	794.680 100%	616.920 100%	263.538 100%

Item 5.5.7. Marketing services

We primarily use television, radio and press advertising to promote our services. We advertise on a promotional channel available to subscribers, as well as magazine sent to our subscribers. In addition, we use our website, www.cyfrowypolsat.pl to advertise our services. The advertising of our services is also available in our showrooms. Since July 2009 we began to use various forms of local marketing, executed in cooperation with our regional distributors.

Item 5.5.8 Sales

In order to support all channels of distribution described below we have created our own central warehouse and logistics system. The central warehouse with a total area of approximately 9500 m2 stores all the products offered to our customers. This area allows the storage of hundreds of thousands of set-top boxes, telephones, modems, and a number of different kinds of materials necessary to ensure smooth operation in the field of logistics and sales. These include, inter alia, advertising materials, packaging, accessories and semi-finished products, which, at the final stage, turn into high-quality product for our customers. Their number largely depends on the characteristics and dimensions of the product, but the current space fully satisfies our needs.

We conduct sales through the following four distribution channels:

DTH digital satellite television product and service sales network

We organized a pay DTH digital satellite television product and service sales network covering the territory of the whole Poland. It consists of 29 distributors cooperating with a network of 1,148 retail points of sale offering the pay satellite television services. The distributors are independent businesses entering into agreements directly with the retail points of sales, who provide both our services on that basis. Clients are able to sign agreements for our services, purchase a set-top box and request professional satellite dish installation service. The points provide technical assistance, mediate in set-top boxes and phones servicing and provide replacement devices for the period of repair.

Our retail points of sale are furnished with branded light boxes and illuminated placards, as well as other signs that serve as advertisements and identify the outlets as selling our DTH satellite television services. We supply our retail points of sale with marketing materials, such as posters, pamphlets and leaflets in order to increase client awareness of our services. We also organize training seminars for employees at these retail points of sale on techniques of attracting new subscribers and promoting information about our programming offer. In addition, we have introduced a commission system to motivate staff at retail points of sale to increase sales of our programming packages. The commission system is based on the payment of certain rates for each newly acquired customer. The rate depends on the programming package a new customer has subscribed to. In addition, if our staff generate substantial sales, we pay them a bonus. Once a certain number of new customers, or the target for the sale of a certain programming package, has been exceeded, we pay a bonus which allows us to remain competitive in light of the changing market conditions.

Distributors and retail points of sale also sell and advertise our products and services through portable sales stands in malls and at public events. As these portable sales stands are strategically located and supplied with promotional materials such as pamphlets and leaflets, they also perform a marketing function. As our sales through this channel have been growing, we intend to continue to use these portable sales stands more in the future.

In the fourth quarter of 2009 we purchased a 45% stake in mPunkt Holdings Ltd., owner of the company owning the mPunkt distribution network, specializing in the sale of goods and services for mobile telephony. mPunkt has over 200 outlets in over 150 cities, as well as a training center. We believe that the expansion of our sales network will allow us to effectively sell our DTH services as well as the integrated services that we are planning to launch in the second quarter of 2010.

Call Center

In the advertisements of our products and services placed in various media, we provide our call center number to enable potential customers to find out information about our services, place orders, or ask for directions to the nearest retail point of sale.

Internet

Thanks to our website, we have access to a growing number of clients who use this medium. Our website at www.cyfrowypolsat.pl enables a detailed look at our offer, ordering a reception set with programming packages of choice, or post-paid tariffs, or finding the nearest point of sales. Our current clients may purchase additional programming packages and top up their mobile phone account via this distribution channel.

Direct Sales

This distribution channel enables us to target a selected group of customers with our programming offer, maintain direct contact with our customers and expand our distribution network. We cooperate with two companies that distribute our programming packages and satellite television receiving equipment via direct sales to our customers. We intend to significantly increase the number of our partner direct sales companies.

We seek to consistently improve customer service quality using the latest technology. Our strengths with respect to our customer service are our experienced management staff and highly flexible approach supported by a quick decision-making process.

We use an advanced customer relationship management IT system developed by our specialists based on an integrated platform handling telephone, fax, e-mail, SMS and TTS communications and standard mail. The customer relationship management system makes it possible to comprehensively document and handle all requests placed by customers.

We furbished our CRM system with new functionalities, among others: electronic archive where we process paper documents in an electronic form which helps to save time and improve security of the data we store and an integrated system of communication with subscribers including our website, internet customer service center, text messages sent to the television screen and TTS communications. In addition, we implemented a modern customer retention program and payment monitoring system.

Call Center

We currently operate our call center with 333 operator stands as well as 70 back office personnel to handle written requests (including faxes and emails). We are planning to add 180 operator stands in mid-2010. Our call center serves our clients 24 hours a day, 7 days a week, providing answers to questions regarding the installation and use of set-top boxes and locations of our retail points of sale as well as our programming packages and allowing subscribers to order our services.

Internet Customer Service Center (ICOK)

Our Customer Service Center is an advanced IT tool which enables our customers to have secure and free access to back office resources and to on-line technical support through the internet. By accessing our website at www.cyfrowypolsat.pl, our customers can check their payment balances, print payment orders, or order bank transfers, review a history of changes to their agreements, check the specifications of their set-top boxes, print the relevant user manual, restore signal transmission, restore the factory PIN settings of their set-top box, move funds between packages, revise personal data to make payment online and to send questions using contact forms.

Our clients of the Family Mobile Telephony and the internet access service, have a possibility to do the following via ICOK: access to data of their current phone, or internet service, check the record of issued bills and preview invoices, as well as online payments. In addition, customers can also top up their telephone number or another number active in the Cyfrowy Polsat's network, activate and deactivate certain services, check available units for use within the active services/packages, see a detailed list of rendered services, get information about addresses of service points for telephones and modems from the offer of Cyfrowy Polsat and send a contact form.

Item 5.5.10. Technology and infrastructure

Conditional access system

Access to television channels offered in our pay programming packages is secured with a conditional access system purchased from Nagravision. This system is used to control access to particular, paid programming packages. Our client, signing a contract for the services we provide, receives a set-top box together with a card (credit card size), which is an integral part of our digital satellite receiver set and allows the client to receive the pay programming offer.

We take all available steps to identify unauthorized access to our service. In the event of unauthorized access to our services, which threatens our business, and thereby, our revenues, according to the contract Nagravision exchanges the conditional access system together with the cards provided to our subscribers and, if necessary, set-top boxes, which are not able to handle the new system. Last exchange of conditional access system ended in January 2009. Nagravision covered the replacement costs.

We settle with Nagravision by paying them a monthly fee for each card that is used by our clients.

Satellite

We have signed a long-term contract with Eutelsat SA to rent capacity on HotBird 8 and 9 satellites in February 2009 and again in October 2009. As a result of these agreements we have satellite capacity on four transponders. According to those agreements, in the event of failure of a satellite, we have a right to acquire replacement capacity.

Broadcasting center

Our broadcasting center is located in Warsaw, and enables us to up link television channels to the transponders we use on the HotBird 8 and 9 satellites. Some of our television channels are up linked by broadcasters of these channels or by third parties.

Services for television and radio broadcasters

We provide signal broadcast services to television and radio broadcasters. These services include the provision of transponder bandwidth, broadcasting and encoding the signal and its distribution to networks of other operators, including cable operators.

Item 5.6. Telecommunication services

Item 5.6.1 Market environment

Data on the telecommunication services market is usually available in the second half of the following year, therefore the latest data available is from 2008.

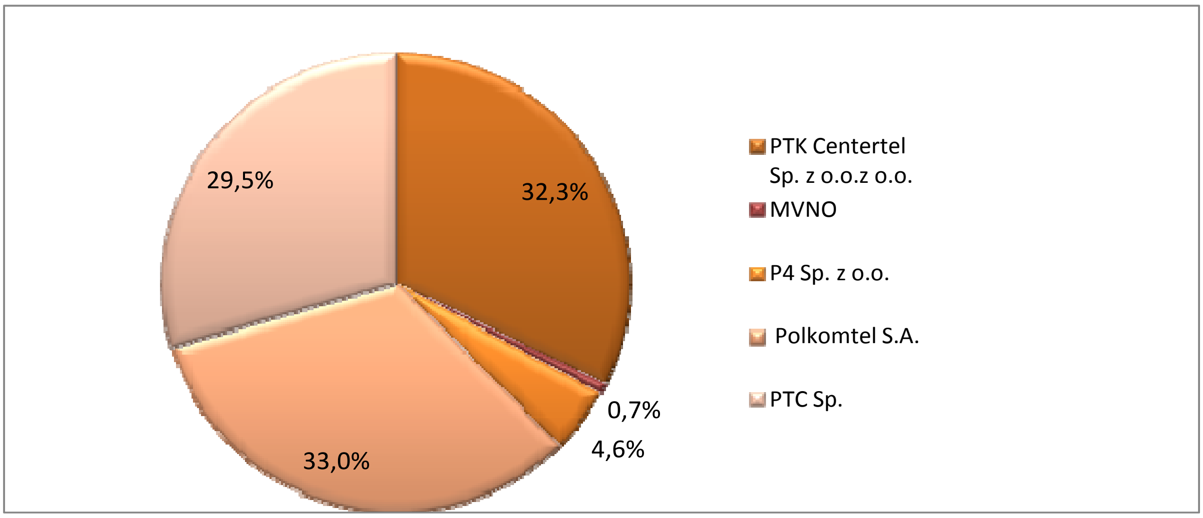
The penetration rate in the Polish mobile telephony market still lags behind most European Union countries. According to a report by the European Commission, in 2008 Poland ranked 22nd out of all the 27 countries of the EU with regard to the market penetration criterion. The estimated penetration rate of 101% for Poland was substantially below the EU average of 119% (October 2008).

According to the "Report on the state of the telecom market in 2008" prepared by the Electronic Communication Office (UKE), the nominal number of mobile telephony users was 43m at the end of 2008 producing a penetration rate of 115%. Taking into account almost 18% of dormant users, however, the true rate was almost 98% at the end of 2008.

In 2008, as compared with the previous years, record number of operators debut on the Polish mobile market, and all of them began commercial services in the mobile virtual operator business model, acting on the basis of the infrastructure of network belonging to mobile operators.

The established providers (PTK Centertel Sp. z o.o., PTC SP. z o.o. and Polkomtel S.A.) are still way ahead with respect to the number of subscribers as well as the revenues from the mobile telephony, maintaining over 30% share in the market in both cases.

The following graph presents the providers' market share in 2007 according to the number of subscribers



Source: "The report on the telecommunications market in 2008"- The Electronic Communication Office

The whole Polish mobile telephony market generated operator revenues of almost PLN 19 billion, more than 99.9% going to the dominant providers: PTK Centertel Sp. z o.o., Polkomtel S.A., Polska Telefonia Cyfrowa Sp. z o.o. and P4 Sp. z o.o.

Item 5.6.2 Competition

The mobile telephony market in Poland is a highly polarized. On one hand, three established traditional operators, controlling over 94% of the market in terms of the number of active SIM cards (according to „Report on telecommunications market in 2008"): Polkomtel S.A., Polska Telefonia Cyfrowa Sp. z o. o. and PTK Centertel Sp z o.o. dominate the market. On the other hand, despite the domination of the large players, a new infrastructural operator (P4) managed to acquire 3.448 million active subscribers as at the end of 2008 (according to P4's statement). What is more, also the alternative operators seek opportunities to acquire a significant number of subscribers in the MVNO business model. As at 18 November 2008, 217 entrepreneurs applied for an entry into a registry held by the President of UKE planning to provide MVNO services and until February 2009, ten entities began providing commercial services as MVNO and there are announcements of further market entries in the current year. The majority of virtual operators provide their services on the pre-paid basis and only a few of them (including us) launched the post-paid offer. We think, that our competitive edge both on the market of the mobile phone service, as well as DTH, will rely on the possibility of offering integrated services which include: pay satellite television services, Internet access services and the mobile phone service in the MVNO model.

Item 5.6.3 Our offer

We provide mobile telephony service in the pre-paid and post-paid offers.

The pre-paid offer consists of two types of starters at PLN 7 and PLN 25 gross. Subscribers may top up their cards with four top up amounts (PLN 10, PLN 25, PLN 50, and PLN 100). We distribute top ups as cards and via electronic terminals available in the top up sales network.

Within our special subscription offer our clients have a choice of signing a contract for 12 months for PLN 1 a month, including 30 minutes of airtime to all fixed line and mobile networks. Within our post-paid offer clients may choose the level of their monthly fee (in the range between PLN 10 and PLN 55), select their handset and its purchase price, as well as the term of their fixed time agreement by themselves. When selecting an appropriate set of parameters the client receives an individual number of minutes available to them within the monthly fee. Also within the monthly fee the client may choose any number of additional promotional services enabling optimization of costs related to the mobile telephony.

Clients using the pre-paid offer may also use special offers and promotions developed for subscribers using the televisions services.

Our strategy is to build a base of post-paid clients and their subsequent migration to integrated services.

Item 5.6.4 Handsets

Currently, our subscribers may choose from nine handsets available on offer, however, the range is continuously refreshed through introduction of novelties of renowned manufacturers of handsets on the market. One handset is available under the Cyfrowy Polsat brand also in the form of „pre-paid set".

Item 5.6.5 Customer service

There are dedicated employees to care about the telephony service clients in our own Customer Service Center. In this unit, we established processes, necessary from the point of view of the telecommunications market, enabling provision of full scope of services to the mobile telephony subscribers. We support our customer care with a number of technical tools, including an advanced CRM system enabling high level of direct service, maintenance and management of customer relations. (see Item 5.5.9. DTH Customer Service).

Item 5.6.6 Sales

Pre-paid telephony services are available in over 10 thousand points of sale in Poland on the basis of distribution agreements we concluded with our business partners. Electronic top ups are available in over 70 thousand retail points of sales.

The post paid offer is available in 924 selected authorized points of sales.

In the fourth quarter of 2009 we purchased a 45% stake in mPunkt Holdings Ltd., owner of the company owning the mPunkt distribution network, specializing in the sale of goods and services for mobile telephony. mPunkt has over 200 outlets in over 150 cities, as well as a training center. We believe that the expansion of our sales network will allow us to effectively sell our DTH services as well as the integrated services that we are planning to launch.

Item 5.6.7 Technology and infrastructure

We built our MVNO services on the full MVNO operator model. It means having our own telecommunication infrastructure (except for the radio network). Such a business model allows us to have control over client offerings as we have our own billing system and, as a result, we can benefit from interconnect relations resulting in additional interconnect revenues.

Item 5.7. Development prospects

Item 5.7.1. DTH service development prospects

Due to the low number of public terrestrial analog television channels and increasing disposable income of Poles we believe that the high growth of this market observed in the last few years, will slow down to some degree, but this market will continue to grow. We believe that due to the relatively low penetration of pay television in Poland (75%) as compared to Western European countries (the average for the five most developed markets for pay television is at the level of above 90%) the market is characterized by significant growth potential. In our opinion, the availability of pay digital satellite television signal throughout Poland and the increasing number of channels in the programming offer compared to cable television providers should contribute to the fact that customers will more often choose digital satellite television when deciding on the form of pay television. We believe that through the high-quality, competitively priced programming offer, as well as the introduction of an integrated offer (see Section 5.4.3 Competitive Advantage) will be able to exploit this trend in the future and will continue to grow our subscriber base, much faster than our competitors in the market of digital pay television (our share in net additions amounted to 47% in 2009).

There are four operators on the Polish satellite digital pay television market. On the more developed Western European markets, where consolidation processes are finished, each country has only one digital satellite platform. We believe that the Polish DTH market will follow the trends observed in other European countries and will consolidate, and as the largest player in this market we will be the consolidator.

Item 5.7.2. Telecommunication and Internet access services development prospects – the integrated services offer

Continuing the strategy of building an integrated range of services, we have taken steps to launch Internet access services.

The Internet access service is created in a model of domestic roaming through the network infrastructure of two partners: Aero 2 and Sferia who are licensed to use radio frequencies, respectively - 900 MHz and 850 MHz. Sferia is building a 3G network in the UMTS standard based on both frequencies.

During consumer testing, from November 2009 to February 2010, this service was available in the range of a network consisting of nearly 230 base stations, covering approximately 40% of the population of our customers of the DTH services. The network coverage will be gradually expanded and an increasingly larger group of our customers will be also able to use the Internet access service we offer. The area covered by the range of a single base station is several times larger in a UMTS network at 900 MHz frequency than in the commonly used for the standard 2100 MHz frequency (e.g. 3G networks of Era, Orange, Plus and Play). As a result, the development of Aero2 and Sferia coverage is quicker, more economical and in addition it is becoming more reasonable to take into account the investment in the less urbanized areas: the suburbs, smaller cities and rural areas where cable infrastructure shortages are particularly acute. Our service will be available not only in big cities but also in suburban areas and rural areas, whose residents could not benefit from the broadband network access yet.

Our Internet service uses a technology called HSPA +, or Evolved HSPA (High Speed Packet Access). It is a combination of 3G HSDPA (High Speed Download Packet Access) and HSUPA (High Speed Upload Packet Access) technologies. Maximum data transfer speed in HSPA + technology is up to 21 Mb/s when downloading data from the Internet and 5.76 Mb/s when sending data from the user. The current standard in mobile networks are respectively: 7.2 Mb/s and 1.9 Mb/s - the parameters offered in our service are three times higher and allow you to take full advantage of Internet resources - listen to the radio, watch videos, easily upload large files, contact others through instant messaging video (Video chatting over the internet).

On 30 November 2009 we launched nationwide tests of the product with a large group of our customers. Approximately 5,000 of our subscribers took part in the test and had the opportunity to check how the Internet access service works for a few weeks free of charge. The key conditions for admission to the test were: network coverage at home and programming package used by the subscriber - not lower than the Family Package.

The project helped to check the quality of the product prepared, readiness of the IT systems for its sales and service, the internal procedures of the operator and customer interest in this type of service. The tests also enabled the acquisition of data on the profile of Internet use by our potential subscribers that will be used when creating the target product.

A commercial offer of our Internet access service is available at authorized points of sale of the operator, located in the area with network coverage from 1 February 2010. We offer our clients a "Starter Package" which provides 200 MB of data for

PLN 1 per month for the duration of the contract. In addition, a monthly subscription for a data packet increased by 1 GB is PLN 30 and by 3 GB - PLN 50. These data packets can also be activated once, for 30 days, paying respectively PLN 29 and 49. At the beginning of the second quarter of 2010 years we plan to begin selling an integrated service consisting of DTH services, Internet access and mobile services. We believe that the low penetration of Internet access services in low-urbanized areas, and lower-quality offer of Internet services access provided by mobile operators combined with the lack of infrastructure enabling access to the Internet offered by cable operators or TPSA will allow us to build an integrated services customer base at a satisfactory pace. Integrated services, not only will enable our further development, but also, as a tool encouraging loyalty among customers, will help to reduce the subscriber churn rate.

Item 5.8. Sales markets and dependence on the supplier and client markets

All our services are offered in Poland. The share of any of our supplier or client does not exceed 10% of our operating revenues.

Item 6. Presentation of operating and financial results

Item 6.1. Sources of revenues from sale of services, goods, products and materials

Our revenues from sale of services, goods, products and materials consist of:

DTH subscription fees

Subscription fees consist of monthly subscription fees paid by our Family Package subscribers as well as Mini Package subscribers for the programming packages, activation fee and fees for extra services such as VoD Home Video Rental company. The total amount of subscription fees we collect depends on the number of subscribers and the amount of monthly subscription fees paid for our packages, which in turn depends on the number and type of packages, the amount of activation fees, paid upfront by our subscribers and the number of subscribers from which the activation fees are accounted and the number of leased films. Subscription fees were, respectively 93% an 94% of our revenues from sale of services, goods, products and materials in the three and twelve month periods ended 31 December 2009 as compared to 87% and 89% respectively in the corresponding periods of 2008.

Sales of satellite television receiving equipment and telephones

Revenues from the sale of satellite television receiving equipment consist of revenues from the sale of such equipment purchased by our subscribers when they enter into programming services agreements with us and from the sale of such equipment to subscribers under lease agreements which provide for the transfer of ownership to such equipment on the last day of the agreement signed by them as well as handsets purchased by our MVNO services users. The sale price of the satellite television receiving equipment for the subscriber depends on whether the customer purchases a set-top box itself or a set-top box and a satellite dish, as well as on what programming packages are purchased by the subscriber. The sale price of the telephones depends on the model of the handset, tariff plan purchased by the mobile subscriber and period of agreement. Revenues from sale of television receiving equipment and telephones were respectively 5% and 4% of our revenues from sale of services, goods, products and materials in the three and twelve month periods ended 31 December 2009 as compared to respectively 11% and 9% in the corresponding periods of 2008.

Lease of satellite television receiving equipment

Revenues from the lease of satellite television receiving equipment (set-top boxes and satellite dishes) consist of amounts paid by our subscribers for the use of such equipment owned by us and leased to such subscribers. The total amount of revenues from the lease of satellite television receiving equipment depends on the number and the type of set-top boxes and satellite dishes leased and the amount of lease fees collected from our subscribers for these set-top boxes and satellite dishes. Revenues from lease of satellite receiving equipment accounted less than 1% of our revenues from sale of services, goods, products and materials in the three and twelve month periods ended on 31 December 2009 as compared to less than 1% in the corresponding periods of 2008.

Sales of signal transmission services

We generate revenues from sale of signal transmission by providing signal transmission services, mainly to television and radio broadcasters. These services include access to part of the transponder band, signal transmission and coding as well as signal distribution to other operators including cable networks. This category does not include revenues from services provided to broadcasters that are our licensors for programming content as services that we provide are strictly related to the purchased programming. Revenues from sale of signal transmission services were less than 1% of our revenues from sale of services, goods, products and materials in the three and twelve month periods ended 31 December 2009 as in the corresponding periods of 2008.

Revenue from subscription fees, interconnection revenues and settlements with mobile telephony operators

Revenue from subscription fees, interconnection revenues and settlements with mobile telephony operators include subscription fees and payments for generated traffic paid by users of mobile services and interconnection fees within our mobile services. This category of revenues depends on the number of users of our mobile services, rates for traffic generated, interconnection rates and generated traffic. Revenues from subscription fees, interconnection revenues and settlements with mobile telephony operators were less than 1% of our revenues from sale of services, goods, products and materials in the three and twelve month periods ended 31 December 2009 as in the corresponding periods of 2008.

Other revenues from sale of services, goods, products and materials

Other revenues from sale of services, goods, products and materials were 2% of our revenues from revenues from services, goods, products and materials in the three and twelve month periods ended on 31 December 2009 as compared to 1% in the corresponding periods of 2008. In the twelve month period ended 31 December 2009 other revenues from sale of services, goods, products and materials consisted of:

(i) revenues from lease of premises and facilities, related to the agreements for call center services;

(ii) marketing and advertising services;

(iii) other MVNO revenues; and

(iii) other revenues from services, goods, products and materials.

Sources of other revenues from operating activities

Other operating revenue consisted of:

(i) compensations connected with replacing of cards to set-top boxes and set-top boxes,

In 2009 we continued the process of replacing cards to set-top boxes and set-top boxes incompatible with the new coding system. Under the terms of the agreement concluded with Nagravision, it is obliged to a payment of compensation for the damages, which we bore as a result of replacing of cards due a breach of the coding system.

(ii) other compensations, mainly due to damage or loss of the equipment leased to our subscribers,

(iii) reversal of fixed assets impairment and stock provision and

(iv) other operating revenue.

Sources of costs of operating activities

Costs of operating activities consist of:

Depreciation and amortization

Depreciation and amortization costs primarily consisted of depreciation and amortization of property, plant and equipment and intangible assets as well as telecommunication infrastructure related to our MVNO services and set-top boxes leased to our subscribers. Depreciation and amortization costs were respectively 5% and 4% of our costs of operating activities and other operating costs in the three and twelve month periods ended 31 December 2009 as compared to 3% in the corresponding periods of 2008.

Programming costs

Programming costs constitute the sum of:

(i) monthly license fees due to television broadcasters; and

(ii) royalties payable to organizations for collective management of copyrights and Polish Film Institute.

The majority of our agreements with licensors provide that license fees are calculated as the product of the monthly agreed rate per subscriber and the number of subscribers reported to a given broadcaster who paid for the package containing the broadcaster's channel. Some license agreements contain a so-called guaranteed minimum provision, where we are required to pay a fixed license fee irrespective of the number of subscribers using the licensor's programming, and once this level is exceeded, the license fee is calculated as the product of the rate per one subscriber and the number of subscribers who paid for a package of programming services containing that licensor's channel. In the majority of cases, the number of our subscribers has exceeded the thresholds specified in those license agreements. In some cases, we are required to pay a flat-rate programming license fee. We have managed to enter into a number of license agreements under which the monthly per-subscriber rate of license fees declines as the number of subscribers increases. In case of selected premium packages and HD channels programming cost are calculated based on revenue share agreements. Programming costs are denominated mainly in euro and US dollars and, as a result, this cost category also depends on EUR/PLN and USD/PLN exchange rates. Programming costs were respectively 28% and 35% of our costs of operating activities and other operating costs in the three and twelve month periods ended 31 December 2009 as compared to 26% and 28% respectively in the corresponding periods of 2008.

Signal transmission services costs

Signal transmission services costs consist of:

(i) payments for the lease of satellite transponder capacity;

(ii) payments for the use of the Nagravision conditional access system (calculated as the product of the monthly unit rate per active access card and the number of active access cards); and

(iii) other signal transmission costs.

Signal transmission services costs are denominated mainly in euro and, as a result, this cost category also depends on EUR/PLN exchange rate.

Signal transmission service costs were respectively 7% and 8% of our costs of operating activities in the three and twelve month periods ended 31 December 2009 as compared to 6% and 7% respectively in the corresponding periods of 2008.

Costs of satellite television receiving equipment and telephones sold

We currently offer digital satellite reception equipment at prices which are lower than the purchase prices. The purpose of subsidizing set-top boxes is to increase the price attractiveness and, in turn, affordability of our programming packages to make them available to a wide group of prospective customers of pay DTH satellite television services. Despite generating some additional costs, we believe that these subsidies continue to be essential to maintain the growth of our subscriber base and the significant growth in subscription fees.

To reduce our costs of purchasing satellite television receiving equipment, we launched the production of our own set-top boxes in November 2007. A decrease in the cost of acquisition of set-top boxes will enable us to offer our subscribers a lower purchase price for set-top boxes, which we expect would positively affect subscriber growth.

Costs of satellite television receiving equipment sold were respectively 10% and 9% of our costs of operating activities and other operating costs adequately in the three and twelve month periods ended 31 December 2009 as compared to 17% in the corresponding periods of 2008.

Distribution, marketing and customer relation management cost

Distribution, marketing and customer relation management cost consist of:

(i) distribution and logistics costs;

Distribution and logistics costs consist of:

(a) Commissions due to distributors consisting of amounts due both to distributors and retail points of sale when they conclude sale or retention agreements with our customers for paid satellite televisions services and mobile services. The costs of commissions for a specific agreement with a subscriber are amortized throughout the initial term of the sale or retention agreement. The cost of commissions due to distributors that do not apply to specific subscription agreements are debited in full on our income statement as they are incurred. Total commissions due to distributors and to the customer call center in a given period constitute our subscriber acquisition cost ("SAC") for such period.

(b) Costs of courier service, distribution of receiving sets and costs associated with services of our regional agents.

(ii) marketing expenses;

Marketing expenses consist of expenses for television and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. These expenses are not directly related to changes in the number of subscribers.

(iii) customer relation management cost and retention cost;

Customer relation management cost and retention cost consist of mailing costs, call center costs, bad debt recovery fees and other customer relation management costs;

(a)Mailing costs (correspondence with customers) comprise of expenses related to mailing invoices and information related, among other things, to changes in programming offers, customer retention offers, prices or regulations sent to subscribers. Such mailings to subscribers are made at least twice a year (usually in the spring and fall). In addition, we regularly mail selected subscriber groups, for example welcome packages sent to new customers to encourage them to subscribe to additional programming offers or monthly invoices sent to subscribers of the mobile services;

(b) Call center costs include, among other things, payments to third parties for call center services related to customer care and customer retention as well as sale of pay DTH satellite television broadcasting services.

Distribution and marketing costs were respectively 30% and 26% of our costs of operating activities and other operating costs in the three and twelve month periods ended 31 December 2009 as compared to 28% and 26% respectively in the corresponding periods of 2008.

Salaries and employee-related expenses

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts or project-specific contracts, remuneration of the Supervisory Board members, social security premiums, pension premium payments and other employee benefits. Most of our personnel have employment contracts. Project-specific contracts are used for certain positions in sales and logistics to enable us to respond to the short-term need for seasonal employees in times of increased sales. Salaries and employee-related expenses were respectively 10% and 7% of our costs of operating activities and other operating costs in the three and twelve month periods ended 31 December 2009 as compared to 10% and 8% respectively in the corresponding periods of 2008.

Other operating costs

Key items of other operating costs in twelve month period ended 31 December 2009 include:

(i) cost of encryption cards provided with digital satellite reception equipment;

(ii) IT services;

(iii) legal, advisory and consulting costs;

(iv) property maintenance costs;

(v) taxes and other charges;

(vi) costs of settlements with mobile network operators and interconnection charges (MVNO) and

(vii) other operating costs.

Other operating costs were respectively 8% and 7% of our costs of operating activities and other operating costs in the three and twelve month periods ended 31 December 2009 as compared to 8% in the corresponding period of 2008.

Item 6.4. *Sources of other operating costs*

Other operating costs include:

(i) bad debt provision and the cost of receivables written off;

(ii) fixed assets impairment and stock provision;

(iii) other operating costs.

Item 6.5. Factors and occurrences that impacted our business and results in 2009

Macroeconomic environment

In 2009 we faced economic slowdown in Poland which resulted mainly in the fact that in nine first months of the year our customers were choosing cheaper packages. Our lower packages net additions were higher than premium packages additions and we also noticed the tendency of changing packages to cheaper (in the period May-July 2009). Simultaneously in this period a balance of bad debt provision increased. This conservative behavior towards DTH service impacted our revenues in 2009. However, we observed material increase in the share of customers choosing premium packages in the number of acquired subscribers in the fourth quarter of 2009. That shall have a positive effect on our revenues in years 2010 – 2011. We also observed an increase in share of premium packages subscribers in our subscriber base.

Promotions launched in the fourth quarter of 2008

Due to the fact that highest sales fall in the fourth quarter of the year in the fourth quarter of 2008 we prepared special promotions for potential subscribers. During the promotional period , the newly acquired subscribers were purchasing our services with six month promotional period without subscription fees from the agreement conclusion date for an initial subscription contract base period. At the same time the initial period of subscription contract was 29 months. The structure of the promotion caused a slight decrease in the ARPU in the initial period of subscription contract concluded with customers in this promotion.

Competition

Our market is very dynamic and competitive. There are four main players on the DTH market in Poland: Canal + Cyfrowy, the operator of Cyfra+ platform, ITI Neovision the operator of "n" platform, TPSA providing DTH services and Cyfrowy Polsat S.A., operator of the Cyfrowy Polsat platform. In the October of 2009 TPSA launched, additionally to the package of free channels (available from October 2008), a paid DTH packages available to customers using their internet services. Increased competition on the market influenced our special offers to newly acquired subscribers, particularly in the fourth quarter of 2009 when, within the promotion we offered new subscribers the use of our services without the need for making subscription fee payments for a period from three to six months from the date of agreement conclusion for a basic period of 13 to 29 month. Additionally, signing an agreement for Family Package and Super Film Package in the Christmas promotions, customer received an additional set-top box in the lease mode for PLN 0 with already paid Mini Max Package for 13 or 29 months (initial contract period of the main contract). Longer promotion periods caused a slight decrease in the ARPU in the initial period of subscription contract concluded with customers in this promotion.

Exchange rates fluctuations

Our functional and reporting currency is Zloty. Majority of our revenues is expressed in Zloty, while approximately 50% of our operating expenses and capital expenditure are denominated in currencies other than Zloty, mainly USD and Euro.

In 2009 the weakening of Zloty towards the Euro by approximately 23% and towards the US dollar by approximately 29% resulted in an increase in our programming costs and signal transmission costs by PLN 70,466 which is 33.8% of total increase in the operating cost.

Rising share of leased television receiving equipment

Due to increased share of leased set-top boxes in the new contracts signed, our cost of digital satellite reception equipment sold is respectively lower, but the capital expenditure for purchase of set-top boxes and the value of set-top boxes on our balance sheet grows resulting also in higher amortization charge. Further lease of set-top boxes will result in a growth of expenditure for purchase of set-top boxes and amortization charge.

Introduction of loyalty programs

In order to prevent the growth of our churn rate we introduced loyalty programs for our subscribers, which results in an increase in customer retention management costs and cost of digital satellite reception equipment and mobile phones sold, because some of our loyalty programs offer an exchange of set-top box which we subsidize. We believe that the proactive approach to subscribers in the longer run is more cost effective than an increase in churn.

Item 6.6. Review of operating and financial situation

Item 6.6.1 Operating results

	3 months ended			12 months ended		
	31 December 2009	31 December 2008 r	Percentage difference	31 December 2009	31 December 2008	Percentage difference
Number of subscribers at end of period, of which:	**3,202,319**	**2,726 ,993**	17.4%	**3,202,319**	**2, 726,993**	17.4%
Number of subscribers to Family Package on end of period	2,609,567	2,286,191	14.1%	2,609,567	2,286,191	14.1%
Number of subscribers to Mini Package on end of period	592,752	440,802	34.5%	592,752	440,802	34.5%
Average number of subscribers[1], of which:	**3,003,571**	**2,517,459**	19.3%	**2,869,676**	**2,307,413**	24.4%
Average number of subscribers to Family Package	2,419,517	2,143,612	12.9%	2,340,351	1,998,180	17.1%
Average number of subscribers to Mini Package	584,054	373,848	56.2%	529,325	309,233	71.2%
Churn rate[2)], of which:	10.7%	7.5%	3.2 pp	10.7%	7.5%	3.2 pp
Churn rate[2)] of Family Package	12.2%	8.6%	3.6 pp	12.2%	8.6%	3.6 pp
Churn rate[2)] of Mini Package	4.0%	0.1%	3.9 pp	4.0%	0.1%	3.9 pp
Net churn rate[3)], of which:	8.0%	6.0%	2.0 pp	8.0%	6.0%	2.0 pp
Net churn[3)] rate of Family Package	9.2%	6.9%	2.3 pp	9.2%	6.9%	2.3 pp
Net churn[3)] rate of Mini Package	2.9%	0.1%	2.8 pp	2.9%	0.1%	2.8 pp
Average revenue per user (ARPU)[4)] (PLN), of which:	**34.7**	**35.9**	**-3.3%**	**34.6**	**35.3**	**-2.0%**
Average revenue per user (ARPU) [4)] of Family Package (PLN),	40.7	40.7	0.0%	40.3	39.4	2.3%
Average revenue per user (ARPU) [4)] of Mini Package (PLN),	9.7	8.6	12.8%	9.2	8.6	7.0%
Subscriber average cost (SAC)[5)] (PLN)	**143.6**	**139.1**	**3.2%**	**132.0**	**116.4**	**13.4%**

(1) Calculated as the sum of the average number of subscribers in each month divided by the number of months in the period. Average number of subscribers per month is calculated according to the following formula: (subscribers at the end of the month + subscribers at the beginning of the month)/2.
(2) The percentage of terminated agreements calculated as the ratio of the number of terminated agreements in a given period to the average number of agreements in the period. The churn rates calculated for periods shorter than one year only relate to those given periods and are not annualized.
(3) calculated as the ratio of the number of canceled contracts in the 12 months preceding the balance sheet date less the number of customers who have entered into a contract for the provision of satellite pay television services with us once again in a period of not more than 12 months, and the average number of contracts in that period;
(4) Revenues from subscription fees for the period divided by the average number of subscribers in such period and the number of months in the period.
(5) Calculated by dividing commissions paid to distributors and call center by the number of subscription agreements concluded in the given period;.

As at 31 December 2009 we had 3,202,319 subscribers, 17.4% more than as at 31 December 2008, when we had 2,726,993 subscribers. Number of our Family Package subscribers increased by 14.1% to 2,609,567 and constituted 81% of our entire subscriber base and the number of our Mini and Mini Max Packages subscribers increased by 34.5% to 592,752 subscribers and constituted 19% of our entire subscriber base. Increase in our subscriber base can be attributable to large number of new contracts signed during the period, partially offset by an increase in churn rate, which results from the strengthen competition followed by attractive promotional offers.

The churn rate for 12 month period ended 31 December 2009 increased to 10.7% in comparison to 7.4% in 12 month period ended 31 December 2008. The increase results primarily from an increase in Family Package churn rate to 12.2% from 8.6%

in the period of 12 months ended 31 December 2008. The increase in Family Package churn rate partially results from an increase in the number of subscribers beyond the initial period of subscription agreement as compared to the corresponding period of 2008 and strengthened competition on the pay television market, resulting in more attractive promotional offers of all operators, including us. As a result of such a situation part of customers, who effectively dissolved a contract for the DTH services with us, again signed an agreement with us for the same services using attractive promotional offers. The churn rate without those subscribers was 8% in 2009. To keep the churn rate under control we introduced retention programs aimed at our subscribers.

Family Package ARPU in three month period ended 31 December 2009 amounted to PLN 40.7 and was stable as compared to the corresponding period of 2008. Mini Package ARPU increased by 12.8% to PLN 9.7 from PLN 8.6 in the corresponding period of 2008 mainly as a result of an increase in the number of subscribers beyond the initial period of subscription agreement and an increase in the number of subscribers choosing Mini Max Package after 12 months promotional period that followed introduction of Mini Max Package.
Our monthly ARPU decreased by 3.3% to PLN 34.7 in the three month period ended 31 December 2009 from PLN 35.9 in the corresponding period of 2008 mainly as a result of an increased share of Mini and Mini Max subscribers in our subscriber base which ARPU is four times lower than Family Package ARPU.

Family Package ARPU increased in 2009 by 2.3% to PLN 40.3 from PLN 39.4 in the corresponding period of 2008. This increase results from an increase in the number of subscribers beyond the initial period of subscription agreement, an increase in the number of premium packages and HD channels subscribers, and higher activation fee paid by those subscribers who lease set-top boxes from us included in the ARPU calculation. Mini Package ARPU increased by 7.0% to PLN 9.2 from PLN 8.6 in the corresponding period of 2008 mainly as a result of an increase in the number of subscribers beyond the initial period of subscription agreement and an increase in the number of subscribers choosing Mini Max Package after 12 months promotional period that followed introduction of Mini Max Package. Our monthly ARPU in 2009 decreased by 2.0% to PLN 34.6 from PLN 35.3 in the corresponding period of 2008.

Our average subscriber acquisition cost increased by 3.2% to PLN 143.6 in the three month period ended 31 December 2009 from PLN 139.1 in the corresponding period of 2008. The average subscriber acquisition cost increased mainly as a result of the change of the sales structure of programming packages i.e. a growth of sale of premium packages, from which we are paying higher commissions, but we are also generating higher revenues (ARPU from subscribers recruited in the fourth quarter of 2009 amounted to PLN 36,5). If the structure of packages sold was the same as in the fourth quarter of 2008 then the average subscriber acquisition cost would be similar to what we observed in the fourth quarter of 2008.

Our average subscriber acquisition cost increased by 13.4% to PLN 132.0 in the twelve month period ended 31 December 2009 from PLN 116.4 in the corresponding period of 2008. Average subscriber acquisition cost increased towards the levels that we observed in 2007, which is more realistic than the level which we observed in 2008.

Item 6.6.2. Presentation of differences between achieved financial results and published forecasts

The company did not present forecasts for 2008.

Item 6.6.3 Review of the financial situation

The following review of results for the three month period ended 31 December 2009 was prepared based on interim condensed consolidated financial statements for the three and twelve month periods ended 31 December 2009 prepared in accordance with International Accounting Standards approved for use in the European Union as at 1 January 2009.

The following review of results for the fiscal year ended on 31 December 2009 was prepared based on consolidated financial statements for the fiscal year ended on 31 December 2009 prepared in accordance with International Accounting Standards approved for use in the European Union as at 1 January 2009

All financial data is expressed in thousands.

Comparison of financial situation as of 31 December 2009 and 2008

As at 31 December 2009 our balance sheet amount was PLN 774,846. Fixed assets amounted PLN 340,910 and current assets PLN 433,936. Our equity was PLN 322,413, our non-current liabilities were PLN 28,754 and current liabilities were PLN 423,679.

The value of digital satellite receiving equipment increased by PLN 101,672 to PLN 122,457 as at 31 December 2009 from PLN 20,785 as at 31 December 2008. This change results from the considerable increase in the number of leased set-top boxes due to a change in our customer preference and shift from purchased set-top boxes to leased set-top boxes as well as recognition of the value of sets allowing for internet access which were leased to customers participating in the tests of the our services (see Item 5.7.2 Prospects of the development of the telephone service, of access to the internet – offer of integrated services) in the amount of PLN 2,185.

The value of other fixed assets increased by PLN 20,258, or by 16.1% to PLN 146,228 as at 31 December 2009 from PLN 125,970 as at 31 December 2008. The change resulted mainly from reclassification between Investment property and Other property, plant and equipment as a result of the fact that the last tenants moved out from this property and the property does not meet the criteria of investment property any more and purchase of means of transport.

The value of investment property decreased from PLN 16,998 on 31 December 2008 to PLN 0 on 31 December 2009 as a result of the fact that the last tenants moved out from this property and the property does not meet the criteria of investment property any more.

The value of other long-term assets increased by PLN 6,874 to PLN 31,138 as at 31 December 2009 from PLN 24,264 as at 31 December 2008. mainly as a result of an increase in distributors' commissions deferred in time.

The value of shares in affiliates increased by PLN 24,732 to PLN 24,732 as at 31 December 2009 from PLN 0 as at 31 December 2008 as a result of a purchase of 45% stake in mPunkt Holdings Ltd.

The value of inventories increased by PLN 27,092, or 28.5 % to PLN 122,091 as at 31 December 2009 from PLN 94,999 as at 31 December 2008. This was mainly a result of an increase in the value of set-top boxes (both purchased and produced) by PLN 23,481 and an increase in the value of encryption cards provided with set-top boxes and SIM cards provided with mobile phones by PLN 3,438. This increase was essential to continue sale promotions in January of 2010.

The value of cash and cash equivalents decreased by PLN 173,770 to PLN 72,652 as at 31 December 2009 from PLN 246,422 as at 31 December 2008, as a result of dividend payment for 2008 in the amount of PLN 201,244 and repayment of loans and borrowings with accrued interest of PLN 67,247 and payment for 45% shares in the mPunkt Holdings Ltd. in the amount of PLN 24,801 and a transfer to the escrow account the amount of PLN 26,738 for the purpose of possible purchase of remaining shares in mPunkt Holdings Ltd. what was partially offset by cash flow from operating activities in 2009.

The value of restricted cash increased by PLN 26,738 to PLN 26,738 as at 31 December 2009 from PLN 0 as at 31 December 2008, as a result of a transfer to escrow account in the amount of PLN 26,738 for the purpose of possible purchase of remaining shares in mPunkt Holdings Ltd.

The value of trade and other receivables increased by PLN 12,385 to PLN 131,900 as at 31 December 2009 from PLN 119,515 as at 31 December 2008. The increase resulted mainly from an increase in deferred tax liabilities by PLN 9,842 and increase in trade receivables by PLN 2,104.

The value of other current assets decreased by PLN 26,379, or 31% to PLN 59,290 as at 31 December 2009 from PLN 85,669 as at 31 December 2008. This was mainly a result of a decrease in distributors commissions deferred in time of PLN 12,192 and a decrease of revaluation forward exchange contracts of PLN 13,950 following the realization of our last forward contracts.

The value of loans and borrowings (short- and long-term) decreased by PLN 63,336, or 57% to PLN 47,370 as at 31 December 2009 from PLN 110,706 as at 31 December 2008, mainly as a result of w partial repayment of credit under our loan agreement with Bank Pekao S.A.

The value of trade and other payables increased by PLN 24,688 or by 12.5% to PLN 222,213 at 31 December 2009 from PLN 197,525 as at 31 December 2008 as a result of an increase in trade and other payables and accruals of PLN 15,749, an increase in short term reserves of PLN 6,203 and an increase in liabilities for purchase of fixed assets of PLN 1,517.

The value of other long term liabilities and provisions increased by PLN 1,274 to PLN 1,543 as at 31 December 2009 from PLN 269 as at 31 December 2008 as a result of an increase in provisions for warranty repairs of set-top boxes of PLN 1,249.

Revenues of future periods increased by PLN 15,797 to PLN 135,062 as at 31 December 2009 from PLN 119,265 as at 31 December 2008 as a result of increase in subscription fees paid in advance by our subscribers.

The equity increased by PLN 29,075 or 9.9% to PLN 322,413 as at 31 December 2009 from PLN 293,338 as at 31 December 2008, as a result of retained net profit for year 2008 in the amount of PLN 230,319 offset by the dividend paid for 2008 in the amount of PLN 201,244.

Comparison of financial results for the three month period ended September 31 December 2009 with the results achieved in the corresponding period of 2008

Revenue from services, goods, products and materials sold

	4Q 2009	4Q 2008	change%
Revenues from services, goods, products and materials sold	**337.285**	**311.763**	**8,2%**
Revenues from subscription fees	312,256	271,245	15.1%
Revenues from lease of digital satellite reception equipment	15,774	35,463	-55.5%
Revenues from sales of digital satellite reception equipment and mobile phones	134	1,595	-91.6%
Revenues from sales of signal transmission services	1,565	630	>100%
Revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators	2,207	884	>100%
Other revenues from services, goods, products and materials sold	5,349	1,949	>100%

Our revenues from services, goods, products and materials sold increased by PLN 8.2% to PLN 337,285 in the three month period ended 31 December 2009 from PLN 311,763 in the corresponding period of 2008. The increase mainly resulted from:

(i) a 15.1% increase in revenue from subscription fees to PLN 312,256 from PLN 271,245 mainly due to a 19.3% increase in the average number of subscribers partially offset by a 3.3% decrease in monthly blended ARPU resulting from increased share of Mini and Mini Max Packages subscribers in our subscriber base to 19% from 15% in corresponding period of 2008.

(ii) an increase in revenues from transmission services to PLN 1,565 from PLN 630 mainly as a result of new contracts that we signed for signal transmission services;

(iii) an increase in revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators to PLN 2,207 from PLN 884 as a result of increase in the number of MVNO users and higher interconnection revenues;

(iv) an increase in other revenues from services, goods, products and materials sold to PLN 5,349 from PLN 1,946 mainly due to recognition of revenues from lease of premises and facilities related to our call center activities.

These increases were partially offset by:

(i) a 55.5% decrease in the sale of digital satellite reception equipment and mobile phones to PLN 15,774 from PLN 35,463 mainly as a result of a decrease in the number of sold set-top boxes (by 39%) due to an increase in the proportion of leased set-top boxes in the new contracts for DTH services as compared to the corresponding period of 2008 and a decrease in the weighted average price of set-top box sold (by 41%) coming mainly from the set-top box replacements concluded within loyalty programs;

(ii) a 91.6% decrease in revenues from lease of digital satellite reception equipment to PLN 134 from PLN 1,595 as result of changes in the offer for lease of set-top boxes in analyzed periods. In 2008 subscribers paid for lease of a set-top boxes from PLN 5 to PLN 15 monthly (not in thousands), whereas starting from the fourth quarter of 2008 every new subscriber is paying PLN 1 (not in thousands), for lease of a set-top box for the entire period of agreement (this payment is amortized over a life of the agreement)). Some of our subscribers who have signed in previous years and have not yet signed the settlement agreement to amend the rules continue paying the full fee also a small group of new subscribers who choose to sign an agreement for an expensive set-top box (HD set-top box or a hard disk drive set-top box) are obliged to pay a monthly fee.

Cost of operating activities	Q4 2009	Q4 2008	Change %
Cost of operating activities	**281,310**	**265,584**	**5.9%**
Depreciation and amortization	13,040	7,117	83.2%
Programming costs	80,216	71,131	12.8%
Signal transmission services costs	20,035	15,680	27.8%
Costs of satellite television receiving equipment and telephones sold	29,470	46,131	-36.1%
Distribution, marketing and customer relation management cost and retention cost	85,929	76,019	13.0%
Distribution and logistics	38,179	37,493	1.8%
Marketing cost	26,027	23,303	11.7%
Customer relation management cost and retention cost	21,723	15,223	42.7%
Salaries and employee-related expenses	28,611	27,294	4.8%
Other costs:	24,009	22,212	8.1%
Cost of SMART and SIM cards provided	10,364	7,514	37.9%
IT services	2,975	5,143	-42.2%
Legal, advisory and consulting costs	2,208	3,432	-35.7%
Property maintenance costs	1,678	863	94.4%
Other	6,784	5,260	29.0%

Our costs of operating activities increased by 5.9% to PLN 281,310 in the three month period ended 31 December 2009 from PLN 265,584 in the corresponding period of 2008. The increase primarily resulted from:

(i) a 12.8% increase in the programming costs to PLN 80,216 from PLN 71,131, mainly due to an increase in the average number of subscribers and an increase in the number of subscribers of premium packages such as HBO, Cinemax and HD channels, but also due to new channels that we added to enrich our programming offer (such as Polsat News, Polsat Sport HD, Polsat Futbol, TVP Sport, Polsat Film, Polsat Jim-Jam, Eurosport 2 HD, Nickelodeon) and an increase in payments for the organization of collective managing the copyright;

(ii) a 13.0% increase in distribution, marketing and customer relation management costs and retention cost to PLN 85,929 from PLN 76,019 mainly, as a result of increase in the customer relation management cost and retention cost by 42.7% to PLN 21,723 from PLN 15,224 resulting largely from an increase in our subscriber base, introduction of retention programs and a change in the settlement method of our call center costs and an increase in the marketing cost by 11.7% to PLN 26,027 from PLN 23,303 resulting from an increase in expenditures on local marketing activities conducted by our sale network;

(iii) a 27,8% increase in the signal transmission costs to PLN 20,035 from PLN 15,680 resulting mainly from the fact that since May 2009 we lease the fourth transponder to offer value added services in DTH sector as well as an increase in the number of subscribers, which the payment for the conditional access system is dependent on;

(iv) a 83.2% increase in depreciation and amortization to PLN 13,040 from PLN 7,116 as a result of an increase in depreciation of set-top boxes leased to our subscribers following increased share of leased set-top boxes in our newly concluded contracts and an increase in depreciation of means of transport, computer and other equipment.

(v) a 8.1% increase in the other operating costs to PLN 24,009 from PLN 22,212 mainly as a result of an increase in costs of cards provided together with set-top boxes and mobile phones by PLN 2,850, an increase in property maintenance cost by PLN 1,678 to PLN 863 due to the fact that the last tenants moved out from this property in 2009 and now we use this property ourselves, partially offset by a decrease in the costs of IT service and legal services, advisory and consulting services.

(iv) a 4,8% increase in the salaries and employee-related expenses to PLN 28,611 from PLN 27,294 mainly as a result of an increase in the average number of employees in the period to 513 from 411 in the corresponding period of 2008, resulting from our organic growth, launch of MVNO services and launch of Internet access services.

These increases were partially offset by:

(i) a 36.1% decrease in the cost of digital satellite reception equipment and mobile phones sold to PLN 29,470 from PLN 46,131 mainly as a result of a decrease in the number of set-top boxes sold, resulting mainly from increased proportion of leased set-top boxes which are amortized rather than expensed partly offset by an increase in the average purchase price of set-top box resulting from weakening Zloty towards the US dollar.

Other operating revenues

Our other operating revenues decreased by 5.4% to PLN 1,653 in the three month period ended 31 December 2009 from PLN 1,747 in the corresponding period of 2008 mainly as a result of a decrease in compensation from Nagravision for exchange of our conditional access system that we exchanged in January 2009. Under the terms of the agreement, Nagravision, the supplier of the conditional access system compensated us in 2008 and in the first quarter of 2009 for exchange of cards for set-top boxes and set-top boxes resulting from exchange of conditional access system.

Other operating cost

Our other operating costs decreased by 9.3% to PLN 6,543 in 2009 from PLN 7,216 in 2008. mainly as a result of decrease in bad debt provision and the cost of receivables written off and an increase in fixed assets impairment and stock provision.

Operating profit

Our operating profit increased by 25.5% to PLN 51,085 in the three month period ended 31 December 2009 from PLN 40,710 in the corresponding period of 2008, mainly as a result of an increase in our revenues from services, goods, products and materials sold

Financial income

Our financial income was PLN 971 in the three month period ended 31 December 2009 from PLN 19,593 in the corresponding period of 2008.

Financial income comprised interest gain of PLN 730 and foreign exchange gain of PLN 226.

Financial expenses

Our financial expenses decreased by 92.0% to PLN 636 in the three month period ended on 31 December 2009 from PLN 7,955 in the corresponding period of 2008.

Financial expenses comprised mainly interest expenses on bank loans of PLN 740.

Gross profit

Our gross profit decreased by 1.9% to PLN 51,351 in the three month period ended on 31 December 2009 compared to PLN 52,348 in the corresponding period of 2008, mainly as a result of a 95.0% decrease in financial revenues.

Income tax

Income tax was PLN 9,907 in the three month period ended 31 December 2009. The effective tax rate was 19.3%.

Net profit

Our net profit decreased by 2.7% to PLN 41,444 in the three month period ended 31 December 2009 compared to PLN 42,594 in the corresponding period of 2008 as a result of a decrease in the gross profit.

Other information

EBITDA

EBITDA increased by 34.1% to PLN 64,125 in the three month period ended 31 December 2009 from PLN 47,827 in the corresponding period of 2008 mainly as a result of in our revenues from services, goods, products and materials sold, a decrease in other operating costs.

The EBITDA margin was 18.9% compared to 15.3% in corresponding period of 2008.

Employment.

Average number of employees was 601, including factory employees, in the period of three months ended on 31 December 2009, when compared to 486 in the corresponding period of 2008. The increase in the average number of employees resulted from our organic growth, launch of set-top boxes factory and launch of MVNO and access to internet services.

Comparison of financial results in 2009 with the result in 2008

Revenues from services, goods, products and materials sold

	2009	2008	change%
Revenues from services, goods, products and materials sold	**1,266,137**	**1,098,474**	**15.3%**
Revenues from subscription fees	1,189,818	977,678	21.7%
Revenues from lease of digital satellite reception equipment	46,584	100,180	-53.5%
Revenues from sales of digital satellite reception equipment and mobile phones	644	6,842	-90.6%
Revenues from sales of signal transmission services	3,593	1,953	84.0%
Revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators	5,550	1,005	>100%
Other revenues from services, goods, products and materials sold	19,948	10,816	84.4%

Our revenues from services, goods, products and materials sold increased by PLN 15.3% to PLN 1,266,137 in 2009 from PLN 1,098,474 in the of 2008. The increase mainly resulted from:

(i) a 21.7% increase in revenue from subscription fees to PLN 1,189,818 from PLN 977,678 mainly due to a 24% increase in the average number of subscribers partially offset by a 2% decrease in monthly blended ARPU resulting from increased share of Mini and Mini Max Packages subscribers in our subscriber of which the income on one subscriber is definitely lower than the income on one subscriber of the Family package, in subscriber base;

(ii) a 76.8% increase in other revenues from services, goods, products and materials sold to PLN 19,948 from PLN 10,816 mainly due to recognition of revenues from lease of premises and facilities related to our call center activities;

(iii) an increase in revenues from MVNO subscription fees, interconnection revenues and settlements with mobile telephony operators to PLN 5,550 from PLN 1,005 mainly as a result of the fact that in 2009 we were offering mobile services for 12 months compared to only 4 months in 2008;

(iv) a 84.4% increase in revenues from signal transmission services to PLN 3,593 from PLN 1,953 mainly from the fact that since May 2009 we lease the fourth transponder to offer value added services in DTH sector as well as an increase in the number of subscribers, which the payment for the conditional access system is dependent on;

These increases were partially offset by:

(i) a 53.5% decrease in the sale of digital satellite reception equipment and mobile phones to PLN 46,584 from PLN 100,180 mainly as a result of a decrease in the number of sold set-top boxes (by 39%) due to an increase in the proportion of leased set-top boxes in the new contracts for DTH services as compared to the corresponding period of 2008 and a decrease in the weighted average price of set-top box sold (by 30%) coming mainly from the set-top box replacements concluded within loyalty programs;

(ii) a 90.6% decrease in revenues from lease of digital satellite reception equipment to PLN 644 from PLN 6,842 as result of changes in the offer for lease of set-top boxes in analyzed periods. In 2008 subscribers paid for lease of a set-top boxes from PLN 5 to PLN 15 monthly (not in thousands), whereas starting from the fourth quarter of 2008 every new subscriber is paying PLN 1 (not in thousands), for lease of a set-top box for the entire period of agreement (this payment is amortized over a life of the agreement) Some of our subscribers who have signed in previous years and have not yet signed the settlement agreement to amend the rules continue paying the full fee also a small group of new subscribers who choose to sign an agreement for an expensive set-top box (HD set-top box or a hard disk drive set-top box) are obliged to pay a monthly fee.

Cost of operating activities

	2009	2008	change %
Cost of operating activities	**978,358**	**775,809**	**26.1%**
Depreciation and amortization	41,948	23,547	78.1%
Programming costs	354,395	226,231	56.7%
Signal transmission services costs	82,570	59,006	39.9%
Costs of satellite television receiving equipment and telephones sold	89,736	137,547	-34.8%
Distribution, marketing and customer relation management cost and retention cost	262,347	205,935	27.4%
Distribution and logistics	123,595	107,509	15.0%
Marketing cost	57,468	46,035	24.8%
Customer relation management cost and retention cost	81,284	52,391	55.1%
Salaries and employee-related expenses	63,387	61,769	2.6%
Other costs:	72,787	61,774	17,8%
Cost of SMART and SIM cards provided	21,657	17,090	26.7%
Legal, advisory and consulting costs	7,875	9,264	-15.0%
Property maintenance costs	6,030	4,579	31.7%
Cost of settlements with mobile Network operators and interconnection charges (MVNO)	2,882	1,012	>100%
IT services	16,468	15,155	8.7%
Other	19,663	14,674	34.0%

Our costs of operating activities increased by 26.1% to PLN 978,358 in 2009 from PLN 775,809 in 2008. The increase primarily resulted from:

(i) a 56.7% increase in the programming license fees to PLN 354,395 from PLN 226,231, mainly due to weakening of Zloty towards the euro and the US dollar (PLN 55.838), an increase in the average number of subscribers and an increase in the number of subscribers of premium packages such as HBO, Cinemax and HD channels, but also due to new channels that we added to enrich our programming offer (such as Polsat News, Polsat Sport HD, Polsat Futbol, TVP Sport, Polsat Film, Polsat Jim-Jam, Nickelodeon) and an increase in payments for the organization of collective managing the copyright;

(ii) a 27.4% increase in distribution, marketing and customer relation management costs and retention cost to PLN 262,347 from PLN 205,935 mainly, as a result of (a increase in the distributors' commissions and logistics costs by 15.0% to PLN 123,595 from PLN 107,509, as a result of an increase in the number of subscribers from which the distributor commissions are accounted for and an increase in cash commissions paid for customer acquisition, (b) an increase in customer relation management costs and retention cost by 55.1% to PLN 81,284 from PLN 52,391, resulting largely from an increase in our subscriber base, introduction of retention programs and a change in the settlement method of our call center costs and (c) an increase in the marketing cost by 24.8% to PLN 57,468 from PLN 46,035 resulting from an increase in expenditures on local marketing activities conducted by our sale network;

(iii) a 39.9% increase in the signal transmission costs to PLN 82,570 from PLN 59,006 resulting mainly from the fact that since May 2009 we lease the fourth transponder to offer value added services in DTH segment as well as from weakening Zloty towards the euro and an increase in the number of subscribers, which the payment for the conditional access system is dependent on;

(iv) a 78.1% increase in depreciation and amortization to PLN 41.948 from PLN 23,547 as a result of an increase in depreciation of set-top boxes leased to our subscribers following increased share of leased set-top boxes in our newly concluded contracts and an increase in depreciation of from the fixed assets associated with the MVNO service which we started in September of 2008;

(v) a 20.7% increase in the other operating costs to PLN 74,575 from PLN 61,774 mainly as a result of an increase in costs of cards provided together with set-top boxes and phones by PLN 4,567, an increase in costs of settlements with mobile network operators and interconnection charges by PLN 1,870 conduct of result of the fact that in 2009 we were offering mobile services for 12 months compared to only 4 months 2008 and an increase in property maintenance costs to PLN 6,030 from PLN 4,579 of the fact that the last tenants moved out from this property in 2009 and now we use this property ourselves, and an increase in costs of the guarantee and post-warranty services.;

(vi) a 17.8% increase in the salaries and employee-related expenses to PLN 72,787 from PLN 61,769 mainly as a result an increase in the average number of employees in the period to 482 from 367 in the corresponding period of 2008, resulting from our organic growth, launch of MVNO services and launch of access to internet services.

These increases were partially offset by a 34.8% decrease in the cost of digital satellite reception equipment and mobile phones sold to PLN 89,736 from PLN 137,547mainly as a result of a decrease in the number of set-top boxes sold, resulting mainly from increased proportion of leased set-top boxes which are amortized rather than expensed partly offset by an increase in the average purchase price of set-top box resulting from weakening Zloty towards the US dollar.

Other operating revenues

Our other operating revenues decreased by 37.9% to PLN 12,541 in 2009 from PLN 20,206 in 2008 mainly as a result of decrease in compensation from Nagravision for exchange of our conditional access system that we exchanged in January 2009. Under the terms of the agreement, Nagravision, the supplier of the conditional access system compensated us in 2008 and in the first quarter of 2009 for exchange of cards for set-top boxes and set-top boxes resulting from exchange of conditional access system.

Other operating costs

Our other operating costs increased by 30.6% to PLN 24,270 in 2009 from PLN 18,577 in 2008 as a result of increase in bad debt provision and the cost of receivables written off what results from creating write-offs of the provision of services receivables and penalties from MVNO services.

Operating profit

Our operating profit decreased by 14.9% to PLN 276,050 in 2009 from PLN 324,294 in 2008, mainly as a result of weakening of Zloty towards the Euro by approximately 23% and towards the US dollar by approximately 29% what resulted in an increase in our programming costs and signal transmission costs by PLN 70,466, partially offset by an increase in our revenues from services, goods, products and materials sold.

Financial income

Our financial income decreased by 57.0% to PLN 14,319 in 2009 from PLN 33,309 in 2008.

Financial income comprised mainly a gain of PLN 7,540 on realization of forward contracts resulting from the realization of contracts for the purchase of US dollars and Euro at a very beneficial exchange rates and interest gain of PLN 6,018 resulting from high cash balance.

Financial expenses

Our financial expenses decreased by 75.1% to PLN 5,963 in 2009 from PLN 23,949 in 2008.

Financial expenses comprised foreign exchange losses of PLN 1,665, and interest expenses on bank loans of PLN 3,911.

Gross profit

Our gross profit decreased by 14.8% to PLN 284,337 in 2009 compared to PLN 333,564 in 2008, mainly as a result of a decrease in operating profit.

Income tax

Income tax was PLN 54,018 in 2009. The effective tax rate was 19.0%.

Net profit

Our net profit decreased by 14.6% to PLN 230,319 in 2009 compared to PLN 269,763 in 2008 as a result of a decrease in the gross profit.

Other information

EBITDA

EBITDA decreased to PLN 317,998 in 2009 from PLN 347,841 in 2008 mainly as a result of weakening of Zloty towards the euro by approximately 23% and towards the US dollar by approximately 29% resulting in an increase in our programming costs and transmission services costs of PLN 70,466.

The EBITDA margin was 24.9% compared to 31.1% in 2008.

EBITDA adjusted for the impact of depreciation of Zloty on our programming costs, signal transmission cost and revenues from sales of signal transmission services was PLN 388,162 and the adjusted EBITDA margin was 30.4%.

Capital expenditure

Capital expenditures were PLN 37,054 in 2009 when compared to PLN 55,593 in 2008, mainly due to expenditure on fixed assets and intangible assets for the provision of DTH services and modernization of our real estate.

Employment

Average number of employees was 569, including factory employees in 2009, when compared to 423 in 2008. The increase in the average number of employees resulted from our organic growth, launch of set-top boxes factory and launch of MVNO and access to internet services.

Business Segments

We are in the DTH television segment, mobile telephony segment and access to internet segment. We conclude transactions between segments on arms-length basis.

Our Management Board identified operating segments in the basis of regularly reviewed management reports.

The Company identified following operating segments:

1) Digital television segment comprises our activities connected with providing digital television transmission signal to individual clients. Segment revenue comprises particularly:
- DTH subscription fees;
- activation fees;
- sale of digital satellite reception equipment and
- transmission services.

2) Telecommunication services segment comprises our activities connected with providing mobile phone and internet access services to the clients. Segment revenue comprises particularly:
- subscription fees related to mobile phone and internet access services;
- interconnection revenues;
- settlements with mobile network operators and

- sale of mobile phones and modems.

3) Other operations comprise most notably managing costs, financial activities (including interest revenue and costs), tax burden and other unallocated costs. Revenue presented comprises mainly revenue from real estate rental.

We aggregated MVNO and internet operating segments presenting them jointly as telecommunication services segment. Aggregation was done due to the similarity of services and comparable economic characteristics. In addition, internet segment did not achieve the quantitative criteria justifying the necessity of separate presentation until 31 December 2009.

The table below presents our revenues and costs according to segments of activity in the year ended 31 December:

	12 month period ended 31 December							
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	Digital television		**Mobile phones**		**Other**		**Consolidated amount**	
Total revenue	1,255,852	1,093,907	9,905	2,767	914	2,132	1,266,137	1,098,474
Operating expenses	(865,075)	(676,158)	(49,563)	(45,101)	(64,254)	(54,882)	(978,358)	(775,809)
Operating profit	384,782	419,348	(44,831)	(42,334)	(63,901)	(52,720)	276,050	324,294
EBITDA*	406,477	429,662	(36,026)	(38,475)	(52,453)	(43,346)	317,998	347,841

An increase in our revenues (14% increase in digital television segment and more than 100% in telecommunications services segment) results mainly from an increase in number of subscribers in both segments.

Digital television segment EBITDA was PLN 406,447 and EBITDA margin was 32.4%. Telecommunication services segment EBITDA loss constituted 8,9% of digital television segment EBITDA

Liquidity and capital reserves

The table below presents cash flow for the period of twelve months ended on 31 December 2009 and 2008.

	Twelve month period ended on	
	31 December 2008	**31 December 2007**
Cash flow from operating activities	183,442	316,176
Cash flow from investing activities	(61,483)	(55,495)
Cash flow from financial activities	(268,826)	(165,390)
Net changes in cash and cash equivalents	(146,867)	95,291

Cash flow from operating activities

Cash flow from operating activities decreased by PLN 132,734 to PLN 183,442 in 2009 from PLN 316,176 in 2008. The decrease results mainly from an increase in net value of set-top boxes leased to our subscribers, as a result of a change in the preferences of our subscribers of PLN 91,289 and an increase in change of stock as a result of production of our own set-top boxes (which we produce evenly through the year for the high season sale in the fourth quarter) of PLN 62,125.

Cash flow from investing activities

Cash flow from investing activities increased by PLN 5,989 to PLN 61,483 in 2009 from PLN 55,495 in 2008, mainly as a result of a purchase of 45% stake in mPunkt Holdings Ltd. for PLN 24,801 partially offset by lower expenditures on purchase of tangible and intangible assets by PLN 21,585 as in 2008 we finished the modernization of our real estate and we purchased equipment.

Cash flow from financial activities

Cash flow from financial activities in 2009 was PLN 268,826 when compared to PLN 165,390 in of 2008 and mainly comprised the dividend paid for 2008 in the amount of PLN 201,244 and repayment of bank debt with accrued interest on bank debt and leasing payments of PLN 67,484

Cash and cash equivalents as at 31 December 2009 was PLN 72,652 when compared to PLN 246,422 as at 31 December 2008. We keep our cash in a form of bank deposits in Zloty, euro and U.S. dollars in Invest Bank S.A. and Bank Pekao S.A.

Item 6.7. Future liquidity and capital resources

We expect that our principal future cash needs will be: (i) development of MVNO services, (ii) purchase of DVRs and HD set-top boxes from external suppliers as well as components for our own Standard Definition and HD set-top boxes and (iii) planned capital expenditures, and (iv) debt service and (v) possible dividend payment pursuant to the adopted dividend policy, and (vi) purchase of remaining shares in mPunkt Holdings Ltd. under the agreement. We believe that our cash balances and cash generated from our current operations as well as cash available under our credit line will be sufficient to fund these needs.

Our non-current liabilities amounted to PLN 28,754 as at 31 December 2009 as compared to PLN 57,347 as at 31 December 2008.

Our total debt from long- and short-term loans and borrowings as at 31 December 2009 was PLN 47,370 comprising debt resulting from a loan agreement with Bank Pekao S.A. Our loans and borrowings debt are denominated in PLN only.

As at 31 December 2009 our cash balance was higher than our debt balance arising from loans and borrowings by about PLN 52,020. In addition, funds with limited access amounted to PLN 26,738. These funds are submitted to the escrow account for use for a possible purchase of the remaining shares in mPunkt Holdings Ltd.

Item 6.8. Information on incurred and noticed credit and loan agreements

On 30 October 2009, we entered into an agreement for an overdraft facility with Pekao S.A. for the amount of PLN 10,000 with a repayment date on 29 October 2010. The overdraft facility amount shall be automatically increased to PLN 50,000 after submission to the bank of all required by law and by our statute corporate approvals and acceptance. The interest rate on the overdraft facility is the sum of the reference rate WIBOR O/N and the margin of 1.25%. Collateral for the overdraft facilities is an execution statement of up to PLN 75,000. From the date of signing the contract until the date of publication of this Report we did not use the above-described overdraft facility.

Item 6.9. Information on loans granted with particular emphasis on related entities

On 31 December 2009 was signed and Annex 2 to the Loan Agreement dated February 5, 2008 with our subsidiary, Cyfrowy Polsat Technology Sp. Ltd., to finance the activities of this company. Under this annex the maturity date of repayment of the remaining PLN 150 was extended to 31 December 2010, the interest rate remains unchanged and is WIBOR 6M calculated on the last day before the date of maturity of interest plus a margin of 2%. Collateral for the loan is a borrower's incomplete blank promissory note with bill of exchange declaration the borrower's promissory note imperfect self-declaration, together with bills of exchange.

Item 6.10. Information on granted and received guarantees with particular emphasis on guarantees granted to related entities

We neither granted nor received any guarantees considering guarantees granted to related entities.

Item 6.11. Off balance liabilities

Contractual liabilities related to contracted services

On 13 November 2009, we entered into an agreement with Smartcon Sp. z o.o. concerning preparation and purchase of software. As at 31 December 2009, the value of deliveries and services yet to be provided under the agreement amounted to PLN 436.

On 31 May 2007, we entered into an agreement with Accenture Sp. z o.o. concerning maintenance of the billing system. The agreement is for a term of three years. The annual cost of the service amounts to EUR 245 thousand. Moreover, the Company entered into a service agreement for the billing system. The annual cost of the service amounts to PLN 592..

On 14 September 2007, we entered into an agreement with Nokia Siemens Networks Sp. z o.o. for maintenance of the MVNO system. The contract is for a term of five years. The annual cost of the service amounts to EUR 98 thousand.

On 28 September 2007, we entered into a maintenance agreement with Alcatel Lucent Polska S.A. The contract is for a term of three years. The annual cost of the service amounts to EUR 59.

Item 6.12. Major investments

In 2009 we did not invest in securities, financial instruments (excluding transactions hedging our open currency position), intangible assets, or real estate.

In 2009 we purchased a 45% stake in mPunkt Holdings Ltd. for PLN 24,801, owner of the mPunkt distribution network, specializing in the sale of goods and services for mobile telephony. We transferred the amount of PLN 26,738 to the escrow account for the purpose of possible purchase of remaining shares in the mPunkt Holdings Ltd.

Item 6.13. Trend information

The principal trends that the Management Board of Cyfrowy Polsat S.A. is aware of and that we believe will affect our revenues and profitability are:

- Further development of pay television market, including cable and DTH;
- Devaluation of zloty against the euro and the USD. We are exposed to fluctuations in the exchange rates of Zloty to both Euro and USD. A large proportion of our cost of operating activities is denominated in these currencies. In the last quarter Zloty appreciated against Euro and USD. Further weakening of PLN against these currencies might have an adverse influence on our financial results.
- The inflationary trend in Poland is currently increasing, but until recently had been stable. December 2009 inflation was 3.5% year on year. We do not believe that the current inflationary trends will have a material impact on our business in the future.

We cannot predict future trends of development of the market, currency exchange rates and inflation.

Item 6.14. Information on market risks

All our business is conducted in Poland. However, due to the nature of our business we are exposed to fluctuations in exchange rates and interest rates, as a result of the fact that the amounts due to third parties are often expressed in dollars or euro, and our revenues are expressed primarily in the Polish Zloty.

Currency risk

One of the main risks to which we exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by us are denominated mainly in Polish zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. Our currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchasing digital satellite reception equipment and accessories from digital satellite reception equipment (USD and EUR).

Currency risk related to license fees and transponder capacity leases is partly hedged against through actions aiming at the natural reduction of the exposure due to denominating receivables from transmission and marketing services in foreign currencies.

In order to hedge against the currency risk related to royalties for TV and radio broadcasters, costs of conditional access system and costs of digital satellite reception equipment purchases the Company entered into a number of forward exchange contracts.

In 2008, we concluded 11 USD purchase agreement in the amount of USD 2,000 thousand each and 6 EUR purchase agreements in the amount of EUR 1,500 thousand each. As at 31 December 2009 all contracts were settled.

We do not hold any assets available for sale denominated in foreign currencies. We hold equity interest a foreign entity whose functional currency is American dollar. As this asset is not available for sale, we classifies the asset as a shares in associates.

We do not apply hedge accounting.

Sensitivity analysis

For the purposes of exchange rate volatility sensitivity analysis as at 31 December 2008 and 31 December 2009 it was assumed that probable volatility will be in the +/- 5% band.

	2009				**2008**			
	As at 31 December 2008				**As at 31 December 2007**			
	in currency (in thousand)	**in PLN (in thousand)**	**Estimated change in exchange rate in %**	**Estimated change in profit in PLN (in thousand)**	**in currency (in thousand)**	**in PLN (in thousand)**	**Estimated change in exchange rate in %**	**Estimated change in profit in PLN (in thousand)**
Trade receivables								
EUR	1,035	4,253	5%	213	1,569	6,545	5%	327
USD	43	122	5%	6	346	1,024	5%	51
Cash and cash equivalents								
EUR	686	2,820	5%	141	551	2,297	5%	115
USD	365	1,041	5%	52	188	557	5%	28
Loans								
EUR	-	-	5%	-	-	-	5%	-
USD	-	-	5%	-	-	-	5%	-
Trade payables								
EUR	(3,806)	(15,636)	5%	(782)	(5,834)	(24,341)	5%	(1,217)
USD	(16,715)	(47,642)	5%	(2,382)	(8,159)	(24,165)	5%	(1,208)
Change in operating profit				(2,752)				(1,904)
Forward exchange contracts								
EUR		-	5%	-	4,500	18,776	5%	939
USD		-	5%	-	16,000	47,389	5%	2,369
Income tax				(523)				267
Change in net profit				(2,229)				1,137

Had the exchange rate of euro and US dollar against the Polish zloty as at 31 December 2009 and 31 December 2008 been higher by 5%, our net profit would have correspondingly decreased by PLN 2,229 and increased by PLN 1,137. Strengthening of the Polish zloty against the above currencies by the given percentage would have the opposite effect on the net profit, assuming that all other variables remain constant.

Interest rate risk management

Fluctuations in market interest rates have no direct effect on our revenues, however, they do have an effect on cash flow from operating activities through interest earned on overnight deposits and current accounts and cash flow from financing activities through the cost of interest paid on bank credits and interest earned on overnight and current deposits.

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

Liquidity risk management

Our objective is to maintain a balance between the continuity and flexibility of financing by using various sources of financing, including bank loans and other borrowings. We maintain a significant amount of cash and cash equivalents to be able, among other things, (i) to ensure payments under the satellite television receiving equipment delivery schedule – the accessories to satellite television receiving equipment and components necessary to produce set-top boxes in-house, (ii) to finance planned expenses related to the launch of our MVNO services and the operation of our HDTV broadcasting, including the purchase of satellite television receiving equipment with high unit purchase prices and (iii) to maintain financial liquidity in connection with planned client promotions.

We hold cash primarily in Polish Zloty but maintain Euro and USD positions, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs and the costs of conditional access system, as well as the purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

The principal risk to our sources of liquidity are operational risks, including especially a risk associated with decreased pricing for the services we offer as a result of increased competition on the Polish market and the risk that our churn rate may increase.

Item 7. Dividend policy

Our Ordinary Annual Shareholders' Meeting, on 4 July 2008, approved a resolution on the dividend policy, stating that it is our intention to pay the dividend of 33% to 66% of the net profit, which will depend on the achieved profits, financial situation, existing liabilities (including restrictions coming from the loan agreements), possibility of disposition of capital reserves, valuation of our development perspective in the described market situation by the Management Board and the Supervisory Board, as well as the need of cash resources in pursuit of our superior target, which is further development, especially through the acquisitions and new projects.

Our Ordinary Annual Shareholders' Meeting approved a resolution on dividend of PLN 0.75 (not in thousands) per share which was 74% of our profits.). The dividend was paid in two tranches on 16 June 2009 for the amount of PLN 134,163 and on 21 October 2009 for the amount of PLN 67,081.

Item 8. Management contracts with members of the management board setting out severance packages payout as a result of their resignation or dismissal from the position without a material cause

Cyfrowy Polsat S.A concluded a management contract with **Dominik Libicki** who is the President of the Management Board setting out that his notice period is six months. In addition the non-competition agreement concluded with **Dominik Libicki** sets out a monthly payment of amount constituting the product of PLN 55,000 and the number of months corresponding to the period of the non-competition covenant. As a result of expiry of the contract or lack of its continuation due to reasons caused by the Company, or noticing the contract by the Company, or its cancellation by Dominik Libicki as a result of default in his remuneration payment for three months Dominik Libicki will be entitled to a severance package equivalent to PLN 330,000.

The management contract with **Andrzej Matuszyński** sets out the notice period at four months. In addition the non-competition agreement concluded with Mr. Andrzej Matuszyński sets out a monthly payment of amount constituting the product of PLN 40,000 and the number of months corresponding to the period of the non-competition covenant The contract also sets out a compensation package for Andrzej Matuszyński totaling PLN 240,000 if the management contract expires, or due to lack of extension of the management contract for reasons caused by the Company, or for a contract noticed by the Company, or its dissolution by Andrzej Matuszyński due to default in his salary payment for three months. As a result of resignation of Andrzej Matuszyński from the position of the member of the Management Board this agreement was terminated as of 31 January of 2010.

The management contract with **Dariusz Działkowski** sets out the notice period at four months. In addition the non-competition agreement concluded with Dariusz Działkowski sets out a monthly payment of amount constituting the product of PLN 40,000 and the number of months corresponding to the period of the non-competition covenant. The contract also sets out a compensation package for Dariusz Działkowski totaling PLN 240,00 if the management contract expires, or due to lack of extension of the management contract for reasons caused by the Company, or for a contract noticed by the Company, or its dissolution by Dariusz Działkowski due to default in his salary payment for three months.

The management contract with **Tomasz Szeląg** sets out the notice period at one month. In addition the non-competition agreement concluded with Tomasz Szeląg sets out a monthly payment of amount constituting the product of PLN 40,000 and the number of months corresponding to the period of the non-competition covenant.

Item 9. Remuneration of the Members of the Management Board and the Members of the Supervisory Board

Information regarding remuneration of members of the Management Board and the Supervisory Board for the fiscal year ended 31 December 2009 is included in Note 42 (Members of the Management Board) and Note 43 (Members of the Supervisory Board).

Item 9.1. Stock option plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted a resolution on the introduction of an incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional issued capital increase within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,

(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,

(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,

(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of our consolidated financial statements, the incentive plan had not been accepted.

According to the resolution described above, should not all shares of a given series be distributed, in line with the goal of the resolution, the Supervisory Board may transfer the remaining undistributed shares to other series, effectively increasing the number of shares in this series. On no account may the overall number of shares issued on the grounds of the resolution be changed.

Item 9.2. Stock option control system

Due to the fact that we have not implemented the stock based incentive program yet we have not introduced the stock control system yet.

Item 10. Shares of Cyfrowy Polsat held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table present information about shares held directly and indirectly by particular members of the Management Board as at day of initial publication of this Report, i.e.18 March 2010:

	No. of shares	Nominal value of shares (not in thousands)
Dominik Libicki	121,497	4,859.88
Dariusz Działkowski	-	-
Andrzej Matuszyński	- (as at 31 January 2010)	- (as at 31 January 2010)
Tomasz Szeląg	-	-
Total	**121,497**	**4,859.88**

Shares held by members of the Supervisory Board

The following table present information about shares held directly and indirectly by particular members of the Supervisory Board as at day of initial publication of this Report, i.e.18 March 2010:

	No. of shares	**Nominal value of shares (not in thousands)**
Zygmunt Solorz-Żak[1].........................	166,105,938	6,644,237.5
Robert Gwiazdowski........................	-	-
Andrzej Papis..................................	-	-
Leszek Reksa..................................	-	-
Heronim Ruta[2]..................................	29,312,812	1,172,512.5
Total...	**195,418,750**	**7,816,750.00**

[1]Zygmunt Solorz-¯Żak owns indirectly 155.502.188 shares of Cyfrowy Polsat S.A. (57.95% of the share capital and 66.75% of votes) through Polaris Finance B.V and directly 10.603.750 shares of Cyfrowy Polsat S.A. (3.95% of the share capital and 4.65% of votes).

[2]Heronim Ruta owns indirectly 27.441.562 shares of Cyfrowy Polsat S.A. (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V. and directly 1,871,250 shares of Cyfrowy Polsat S.A. (0.70% of the share capital and 0.82% of votes).

Item 11. Transactions with related parties

We present information on material transaction we, or our subsidiary, concluded with a related party in the consolidated financial statements for the fiscal year ended 31 December 2009 in Note 44 *Transactions with related parties*.

Item 12. Material agreements

Agreement with TVN S.A.

As at 25 February 2009 we concluded annexes to the license agreements dated 14 February 2003 and 30 May 2006 between the Company and TVN S.A. By force of signed appendices the Company will distribute television channels broadcast by TVN S.A., including TVN, TVN Siedem, TVN 24, TVN Style, TVN Turbo and TVN Meteo.

For distributing channels TVN 24, TVN Style, TVN Turbo and TVN Meteo, the Company will pay a monthly license fee, expressed in Euro, to TVN S.A. for every subscriber of Family Package. The rate will depend on the number of subscribers of Family Package.

Total value of signed annexes depends on the number of Family Packages subscribers and PLN/Euro exchange rate. The Company estimated that the total value of these annexes, in the life of the agreement, will not be lower than PLN 130,000 based on the PLN/Euro exchange rate of PLN 4.659 per 1 euro, exchange rate published by the National Bank of Poland on day 25 February 2009 and recently reported number of subscribers as the base of such an estimation.

All conditions of the agreement do not vary from market standards applied to this type of agreements.

Agreement with Eutelsat S.A.

As at 26 February 2009 we signed a long-term agreement with Eutelsat S.A. on renting satellite capacity on the transponder HotBird 9

Contract value, is expressed in euro and in the life of the agreement, converted into euro at a rate of PLN 4.5678 per 1 euro, published by the National Bank of Poland on 27 February 2009, will equal to PLN 124,000.

All conditions of the agreement do not vary from market standards applied to this type of agreements.

Agreement with Eutelsat S.A.

As at 1 October 2009 we signed three long-term agreements with Eutelsat S.A. The object of the agreements is the continuation of renting transponders on HotBird 8 and 9 satellite. As a result of the signed agreements and an agreement dated 26 February 2009, we continue to have satellite capacity available on four transponders of HotBird 8 and 9.

The value of signed agreements is expressed in Euro and in the life of the agreements, converted into PLN at the rate of PLN 4.2640 per 1 euro, published by the National Bank of Poland on 9 October 2009, will equal to PLN 340,000. All conditions of the agreements do not vary from market standards applied to this type of agreements.

Insurance agreements

In 2009 Cyfrowy Polsat S.A signed following insurances agreements with PZU S.A.: third party liability insurance, insuring assets against all risks, insuring the electronic equipment against all risks, insuring assets in domestic transport (cargo) and insuring assets in international transport (cargo)

In 2009 Cyfrowy Polsat Technology Sp z o.o. signed following insurances agreements with PZU S.A.: third party liability insurance, insuring assets against all risks, insuring the electronic equipment against all risks, insuring assets in domestic transport (cargo) and insuring assets in international transport (cargo), insuring the loss of profit on the basis of possessions against all risks and insuring machines against damage.

Moreover in 2009 Cyfrowy Polsat S.A. and Cyfrowy Polsat Technology Sp z o.o. signed motor insurance agreements with Allianz Polska S.A.

Moreover, in 2009 Cyfrowy Polsat S.A. and Cyfrowy Polsat Technology Sp z o.o. signed agreements of third-party insurance for directors and members of Management Board with AIG Europe S.A. branch in Poland. Apart from there was still in force agreement concluded in 2008 of third-party insurance of public securities offering, for 6 year with AIG Europe S.A. branch in Poland.

Item 13. Agreements with an entity certified to execute an audit of the financial statements

On 30 November 2009 the Company entered into an agreement with KPMG Audyt Sp. z o.o., with registered office in Warsaw at 51 Chlodna Street, for performance of the audit of the standalone financial statements of Cyfrowy Polsat S.A. and the consolidated financial statements of Cyfrowy Polsat Group for the fiscal year ended 31 December 2009. On 30 November 2009 Cyfrowy Polsat Technology Sp. z o.o. entered into an agreement with KPMG Audyt Sp. z o.o. for performance of the audit of the financial statements of the company for the fiscal year ended 31 December 2009.

The following summary presents a list of services provided by KPMG Audyt Sp. z o.o. and remuneration for the services in the period of 12 months ended on 31 December 2009 and 31 December 2008.

	for year ended	
	31 December 2009	31 December 2008
Fee for audit and review of financial statements	567	791
Remuneration for other certifying services, including the review of financial statements	226	312
Remuneration for services related to public offer of shares	-	244
Total	**793**	**1.347**

Item 14. Specification of the principles of corporate governance which the issuer is subject to ant the location of the set of principles where they are publicly available.

In July 2007 the Council of the Warsaw Stock Exchange passed the set of principles of the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trade on the stock exchange. The principles of corporate governance in the form of the Best Practices of WSE Listed Companies, constitute an appendix to the Decree No. 12/1170/2007 of the Council of GPW of 4 July 2007 and entered into force on 1 January 2008.

The content of the document is publicly available on the website of the Warsaw Stock Exchange (GPW) dedicated to those issues at www.corp-gov.gpw.pl.

Item 15. Specification of the principles of corporate governance that the issuer has waived including the reasons for the waiver.

In order to implement a transparent and effective information policy we provide fast and safe access to information to shareholders, analysts and investors employing, both traditional and modern, technologies of publishing information about the Company to the greatest possible extent.

We strive to make every possible effort to employ the corporate governance principles, set out in the above document, trying to execute all the recommendations regarding best practices of WSE Listed Companies and all recommendations directed to the management boards, supervisory boards and shareholders in all areas of our business.

However, we have waived the recommendation of direct broadcast from the general meetings of shareholders due to the ambiguity of provisions in that area.

Moreover, we did not post information about candidates proposed to the Supervisory Board together with their substantiation and professional biographies on the corporate website. In practice we did not receive the required information from the shareholders before general meetings and, as a result, we were not able to post such information on our website. So far, candidates to the Supervisory Board were presented directly in a general meeting.

Item 16. Description of the basic features of the internal control system and the risk management system applied in the Company with respect to the process of preparing financial statements and consolidated financial statements.

The Management Board is responsible for our internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Decree of the Finance Minister of 19 February 2009 on current and interim information provided by issuers of securities and the conditions of accepting, as equivalent, information required by the provisions of a country not being a member state.

We draw on our employees' extensive experience in the identification, documentation, recording and controlling of economic operations, including numerous control procedures supported by modern information technologies used for recording, processing and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, we apply the following principles:

- Accounting Policy for Cyfrowy Polsat SA

- Inventory Instructions

And also for Cyfrowy Polsat SA:

- Market risk management policy

and a series of internal procedures in the area of transaction control systems and processes resulting from the activities of the Company and the capital group.

We keep our accounts in the computer system connected/integrated with the source systems and auxiliary books, while ensuring data security through the use of access rights on the need-to-know basis granted to authorized users. System operation is assured by the IT department specialists with years of experience in this area. In addition, the system security is ensured by applying the appropriate solutions for physical security of the equipment. We have a complete IT system documentation in all its areas. In accordance with Article 10 of the Act of September 29 1994, the accounting information system documentation shall be periodically reviewed and updated upon approval by heads of units.

An important element of the risk management, in relation to the financial reporting creation process, is ongoing internal controls exercised by the Controlling department and the Internal Audit department, created in January 2010.

The Internal audit functions on the basis of the authority of the Management Board and the Supervisory Board. Its primary task is to test and evaluate controls for the reliability and consistency of financial data underlying the preparation of financial statements and management information.

The Controlling functions on the basis of financial controlling system and business controlling, exercising control over both the current processes and the implementation of financial and operational plans, and production of financial statements and reports.

An important element of quality control and data validation is the use of management reporting system at the unit company and consolidated basis, and regular monthly analysis of financial and operational performance, as well as key indicators conducted by the Management Board. The monthly analysis of the results is carried out in relation to both the current financial and operational plan and the results of previous periods.

The budgetary control system is based on monthly and annual financial and operational plans and 3-year business projections. Financial results are monitored regularly in relation to the financial and operational plans. During the year, we make an additional review of the financial and operational plans for the year. The financial and operational plans are always adopted by the Management Board and approved by the Supervisory Board.

One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms, which guarantee a high standard of service and independence. At Cyfrowy Polsat SA, the Supervisory Board chooses the auditor, while in the companies of the Group - the Meeting of Shareholders. The tasks of the independent auditor include, in particular: a review of semi-annual individual and consolidated financial statements and audit of annual separate and consolidated financial statements.

Auditor's independence is fundamental to ensuring the accuracy of the audit of the books. An audit committee, appointed within the Company's Supervisory Board, supervises the financial reporting process in Cyfrowy Polsat SA, in cooperation with the independent auditor. The Audit Committee oversees the financial reporting process, in order to ensure sustainability, transparency and integrity of financial information. The audit committee includes two members of the Supervisory Board, who meet the independence criteria set out in the Best Practices of WSE Listed Companies in Chapter III, Section 6.

Moreover, under Article 4a of the Act of 29 September 1994 on accounting, the duties of the Supervisory Board include ensuring that the financial statements and the report of the Company's operations meet the requirements of the law, and the Supervisory Board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

Item 17. Presentation of shareholders holding, directly or indirectly, material bundles of shares.

The following table presents our shareholders as of 31 December 2009:

Shareholder	Number of shares held	% of share capital	Number of votes	% of votes
Polaris Finance B.V. [1]	182,943,750	68.18%	357,968,750	78.53%
Others	85,381,250	31.82%	97,856,250	21.47%
Total	**268,325,000**	**100.00%**	**455,825,000**	**100.00%**

1Zygmunt Solorz-Żak owns 85% of shares of Polaris Finance B.V and Heronim Ruta owns 15% of shares of Polaris Finance B.V

Item 18. Presentation of owners of securities with special controlling rights

Current shareholders do not have any other rights in the General Meeting of Shareholders than those resulting from holding our shares. As at 31 December 2009 the shares of the A through D series are shares preferential as to the voting rights in the way that:

- Series A shares totalling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series B shares totalling 2,500,000 have preferential voting rights entitling their holder to two voting rights per share;
- Series C shares totalling 7,500,000 have preferential voting rights entitling their holder to two voting rights per share;

– Series D shares totalling 175,000,000 have preferential voting rights entitling their holder to two voting rights per share.

The holders of preferential shares are: Polaris Finance B.V. (175,025,000 shares entitling to 350,050,000 votes in the General Meeting), Zygmunt Solorz-Żak (10,603,750 shares entitling to 21,207,300 votes in the General Meeting), and Heronim Ruta (1,871,250 shares entitling to 3,742,500 votes in the General Meeting).

Series E shares amounting to 75,000,000 units and Series F shares amounting to 5,825,000 units are ordinary bearer shares.

On 8 March 2010 Extraordinary General Meeting of Cyfrowy Polsat S.A. resolved to change the Company's Statute in the following manner: 8,082,499 registered series D shares privileged as to the voting rights (2 votes per share) were transformed into ordinary bearer shares. The above change of the Company's Statute will be effective after its registration by the Court of Registration. It was additionally resolved that these shares shall be the subject of application for admission to trading on a regulated market maintained by the Warsaw Stock Exchange and shall be subject to dematerialization.

Structure of to Company shares will be as follows after the registration of the above mentioned change by the Court of Registration:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	268,325,000	10,733	

Item 19. Specification of limitations of exercising the voting rights from shares

There are no limitations of exercise of the voting rights from our shares.

Item 20. Specification of limitations of the Company's securities ownership rights transfer

Except for the limitations regarding our securities ownership rights transfer resulting from the general provisions of the law and those set out in the Company's Prospectus published on 10 April 2008, there are no other limits in particular contractual limitations regarding our securities ownership rights transfer.

Item 21. Specification of rules regarding appointment and dismissal of the management and their rights, in particular the right to issue or buy back shares.

Pursuant to art. 15 of the Articles of Association of the Company the Management Board consist of one or more members, including the President of the Management Board appointed by the Supervisory Board. The Supervisory Board decides as to the number of Management Board members upon their appointment. The term of office of the Management Board is joint and lasts three years.

The members of the Management Board may be dismissed at any time by the Supervisory Board.

Pursuant to the Articles of Association, the Management Board of the Company, under chairing of the President of the Management Board, is responsible for our day-to-day management and for our representation in dealing with third parties. All issues related to our business are in the scope of activities of the Management Board, unless limited to the competence of the Supervisory Board or the General Shareholders' Meeting by the provisions of law or Articles of Association.

Members of the Management Board participate, in particular, in each General Shareholders' Meeting and provide answers to questions asked during the General Shareholders' Meeting. Moreover, members of the Management Board invited to a Meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the Meeting with a right to voice their opinion on issues on the agenda.

The General Shareholders' Meeting takes decisions regarding an issue or buy back of our shares. The competencies of the Board in the scope are limited to execution of any resolutions adopted by the General Shareholders' Meeting.

Item 22. Specification of rules of amending the Articles of Association.

A change to the Articles of Association requires a resolution of the General Shareholders' Meeting and an entry into the Court register. The general provisions of Law and the Bylaws of the General Shareholders' Meeting and the Articles of Association govern the procedure of adopting resolutions regarding changes to the Articles of Association.

Pursuant to provisions of the Articles of Association, observing the provisions of art. 417 § 4 of the commercial companies code, a change of the Articles of Association may take place without a share buyback.

Item 23. The Bylaws of the General Shareholders' Meeting and its principal rights and description of rights of shareholders and their exercise, in particular the rules resulting from the Bylaws of the General Shareholders' Meeting, unless information on that scope results directly from the provisions of law.

The General Shareholders' Meeting acts pursuant to the provisions of the commercial companies' code. The Articles of Association, and the Bylaws of General Shareholders' Meeting adopted by Resolution 6 of the Extraordinary Shareholders' Meeting of 4 December 2007 and amended by Resolution 29 of the Extraordinary Shareholders' Meeting of 23 December 2009.

The General Shareholders' Meeting adopts resolutions regarding, in particular, the following issues:

a) discussion and approval of reports of the Management Board and the Supervisory Board, and the financial statements for the previous year,

b) decision about allocation of profits, or covering debts.

c) signing off for the performance of duties for the Supervisory Board and the Management Board,

d) appointment and dismissal of members of the Supervisory Board and determination of their compensation,

e) changes to the Articles of Association of the Company,

f) changes to the business of the Company,

g) increase or decrease in the share capital,

h) merger or transformation of the Company,

i) dissolution or liquidation of the Company,

j) issue of bonds,

k) sale or lease of the Company and establishment of a right of use or sale of the Company's plant,

l) all decisions regarding claims for damages upon establishment of the Company, or performance of management or supervision.

The General Meeting shall be attended by persons who are shareholders of the Company sixteen days before the date of the General Meeting (the day of registration for participation in the General Meeting). The record date for participation in the General Meeting is uniform for bearer shares and registered shares holders. Holders of shares and interim certificates and lienors and users who have the right to vote, are entitled to participate in the General Meeting of the Company, provided they are entered in the register of shareholders on record date of participation in the General Meeting.

A shareholder, being a natural person, is entitled to participation in the General Shareholders' Meeting and execution of voting rights in person, or through a proxy. A shareholder, being a legal entity, is entitled to participation in the General Shareholders' Meeting and execution of voting rights through a person authorized to forward statements of will on their behalf, or through a proxy.

The power of attorney to attend the General Meeting and exercise voting rights requires a written or an electronic form. The shareholder must notify the Company about awarding the power of attorney in an electronic version by sending the information specifying the data of the Shareholder and the Shareholder's proxy, i.e. the name and surname or company (the name) and address (seat), and indicating the number of shares and votes, of which the proxy is authorized to exercise voting rights at the address: akcjonariusze@cyfrowypolsat.pl.

The General Meeting should be attended by members of the Management Board and Supervisory Board - in the composition which allows for substantive answers to the questions asked during the General Meeting - and by the auditor of the Company, if the General Meeting is held to discuss financial matters.

The General Meeting is opened by the Chairman of the Supervisory Board or a person they nominate. The person opening the General Meeting shall cause immediate election of its Chairman, refraining from considering any other substantive or formal matters.

Each participant in the General Meeting is entitled to be elected the Chairman of the General Meeting, and also nominate one person as candidate to the position of Chairman of the General Meeting. Until election of the Chairman the General Meeting shall not take any decisions.

The Chairman of the General Meeting directs proceedings in accordance with the agreed agenda, provisions of law, the Articles of Association and the By-laws, and in particular: giving the floor to speakers, ordering voting and announcing the results thereof. The Chairman ensures efficient proceedings and respecting of the rights and interests of all Shareholders. The Chairman may decide on issues of the order of the agenda.

After creation and signing of the attendance list the Chairman approves that the Shareholders' Meeting has been called in a proper manner and is authorized to pass resolutions; presents the agenda and orders selection of the Ballot Committee.

The General Meeting may pass a motion regarding nonfeasance of voting over an item on the agenda, and also on adjourning the order of issues on the agenda. However, removing an item form the agenda, or its adjourning upon a request of shareholders, requires prior consent of all the shareholders present, who have forwarded such a motion, supported by a majority of votes of the General Meeting. Motions regarding the aforementioned issues shall be justified in detail.

The Chairman, after opening an item on the agenda, may give the floor in order of application of speakers. In the event of a significant number of applications the Chairman may set a time limit or limit the number of speakers. The floor may be taken regarding items on the agenda and currently under discussion only. The Chairman may give the floor outside of the order of application to the members of the Management Board or Supervisory Board, and also to the Company experts called by them.

The Meeting may not pass resolutions regarding items that are not on the agenda unless all the share capital is represented in the General Meeting and none of the present in the Meeting raises any objections as to the adoption of a resolution.

Voting shall proceed in a manner adopted by the General Meeting using a computerized system of casting and counting votes, ensuring that votes are cast in the number corresponding to the number of shares held and - in case of a secret ballot - allowing to eliminate a possibility of detecting the manner of voting by individual Shareholders.

With observation of the governing provisions of law resolutions passed by the General Meeting are legally effective regardless of the number of shareholders and the number of shares they represent present in the Meeting and are adopted by a majority of votes.

As at 31 December 2009 the shareholders participating in the General Meeting have the number of votes corresponding to the number of shares held, observing the fact that the registered shares Series A through D are preferential in such a way that each of them entitles to casting two (2) votes in the General Meeting.

The Chairman of the General Meeting closes the General Meeting upon exhausting its agenda.

Item 24. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees.

The Management Board

Currently, our Management Board has three members. The composition of the Board changed during 2009 and early in January 2010. In May 2009 Maciej Gruber, a member of the Management Board and Chief Financial Officer resigned, and in his place Tomasz Szeląg was appointed. In January 2010, Andrzej Matuszyński, member of the Management Board for Marketing and Customer Services, resigned from his position; his duties were taken over by Dominik Libicki, President of the Management Board.

Composition of the Management Board

The following table presents names, surnames, functions, date of appointment and date of expiry of the current term of particular members of the Management Board as at 31 December 2009.

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Dominik Libicki	President of the Management Board	2001	2007	2010
Dariusz Działkowski	Member of the Management Board	2007	2007	2010
Tomasz Szeląg....................	Member of the Management Board	2009	2009	2010
Andrzej Matuszyński.............	Member of the Management Board	2007	2007	Resigned in January 2010

Dominik Libicki has been the president and chief executive officer of Cyfrowy Polsat S.A. since March 2001. Mr. Libicki is also the President of the Management Board of Cyfrowy Polsat Technology Sp. z o.o. He also sits on the Supervisory Board of Polskie Media S.A., the broadcaster of TV4. Mr. Libicki sits on the Supervisory Board of POT Sp. z o.o. which executes the project of implementing the digital terrestrial television in Poland. Since February 2005, Mr. Libicki has also been vice president of the Union of Private Media Employers of the Polish Confederation of Private Employers "Lewiatan" (Zwiazek Mediow przy Polskiej Konfederacji Pracodawcow Prywatnych Lewiatan). His previous professional experience is related mainly to the television production industry. He was the Managing Director of PAI Film. He also ran his own company Studio Meg which produced television advertising spots and television programs. Between 2005 and 2006 he was a member and between 2006 and 2008 the Vice- Chairman of the Supervisory Board of Polska Telefonia Cyfrowa Sp. z o.o., the largest mobile network in Poland (the Era network). Mr. Libicki graduated from the Department of Environmental Studies at the Wroclaw Technical University and completed a training course for supervisory board members organized by the Polish Ministry of Economy.

Dariusz Działkowski has been a member of the Management Board responsible for technology since August 2007. Mr. Działkowski is also a member of the Management Board of Cyfrowy Polsat Technology Sp. z o.o. From November 2001 Dariusz was the Technical Director of Cyfrowy Polsat S.A.. Mr. Działkowski got his previous professional experience with Canal+ and Ericsson where he held the positions of Technical Director and Services Sales Department Manager respectively. He is one of the founders of Centrum Telemarketingowe Sp. z o.o. Mr. Działkowski graduated from the Electronics Department at the Warsaw University of Technology at the radio and television faculty and has an MBA degree from the University of Maryland.

Andrzej Matuszyński was a member of the Management Board responsible for marketing from August 2007 to January 2010. From 2005 he was the Marketing and Customer Care Director of Cyfrowy Polsat S.A. His previous professional experience is closely related to the marketing and advertising areas. Between 1997 and 2004 he worked for the Eurozet holding (Radio Zet, Radiostacja, RRM, Studio Zet), recently as the Research and Marketing Director and the member of Management Board of Radiostacja. He was responsible for managing the marketing department, creation of the marketing campaign of Radio Zet and Radiostacja and cooperation with advertising agencies and media houses. Mr. Matuszyński graduated from the Psychology Department at the Catholic University of Lublin. He also completed post-graduate studies in management (executive MBA program) at the Canadian Management Institute in Warsaw.

Tomasz Szeląg is a member of the Management Board and Chief Financial Officer since May 2009. In the years 2000-2003 he was an assistant at the University of Economics in Wroclaw (Department of Foreign Trade). In May 2003 he defended his doctorate on the hedge transaction used by the world's copper producers, and was an assistant professor of Department of International Economic Relations. In the years 2003 - 2004 he also held the position of assistant professor in the School of Banking in Wroclaw - Department of International Economic Relations. In parallel, since 2003, he served as Chief Specialist in the Foreign Exchange Risk Division at KGHM Polska Miedź SA, and then at the Department of Analysis and Market Risk. In September 2004 he was made director of the department. In December 2004 he was made Director of the Hedging Department at KGHM and he performed his function until March 2007. From April 2007 to May 2008 he worked as Director of the Branch of Société Générale Bank in Wroclaw. In July 2008 he became Vice-President for Finance at Telefonia Dialog SA, which position he held until March 2009. He graduated from Wroclaw University of Economics in the Faculty of National Economy, the branch of International Economic and Political Relations, specialization in Foreign Trade.

Bylaws of the Management Board

Our Management Board acts pursuant to the provisions of the commercial companies code, and the Bylaws of Management Board approved by the Supervisory Board on 29 November 2007.

The Management Board runs our matters in a transparent and efficient way pursuant to the provisions of the law, our internal provisions and "the Best Practices of WSE Listed Companies". Upon taking decisions related to our matters, the members of the Management Board act within justified limits of business risk.

The following are entitled to submit statements on our behalf (i) in the case of one person Management Board – the President of the Management Board acting independently, and (ii) in the case of a more numerous Management Board – the President of the Management Board acting independently, two members of Management Board acting jointly, or a member of the Management Board acting jointly with a proxy.

All issues related to our management, not restricted by the provisions of the law or the Articles of Association to the competence of the Supervisory Board or the General Meeting, are within the scope of competence of the Management Board.

Members of the Management Board participate in sessions of the General Meeting and provide substantive answers to questions asked during the General Meeting. Members of the Management Board invited to a meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the meeting with the right to take the floor regarding issues on the agenda. Members of the Management Board shall, within their scope of competence and the scope necessary to settle issues discussed by the Supervisory Board, submit explanation and information regarding our matters to the participants in the meeting of the Supervisory Board.

The Board adopts resolutions provided that at least a half of the members of the Board are present in the meeting and all members of the Board have been notified of the meeting. Resolutions are adopted by an absolute majority of votes of the members of the Board present in the meeting or participating in the voting. The establishment of a proxy requires consent of all the members of the Management Board. Each member of the Management Board may revoke the power of proxy. In the case of equality of votes upon adoption of resolutions by the Management Board the vote of the President of the Management Board shall prevail.

Resolutions are adopted in a meeting or in a manner set out below. The President of the Management Board, or a person they authorized, calls meetings of the Management Board. The meetings of the Management Board are held in our offices or another place indicated by the person calling the meeting.

The voting is open. A secret voting shall be administered upon a request of just one member of the Board present in the meeting.

Moreover, according to the Bylaws of the Management Board, the Management Board may adopt resolutions in writing, or in a manner enabling instantaneous communication of the members of the Management Board by means of audio-video communication (e.g. teleconferencing, videoconferencing).

The Supervisory Board

The Supervisory Board comprises five members. The Supervisory Board has acted in a stable composition throughout 2009.

The Composition of the Supervisory Board

The following persons sat on the Supervisory Board:

Name and Surname	Function	Year of first appointment	Year of appointment to the current term	Year of term expiry
Zygmunt Solorz-Żak.............	Chairman of the Supervisory Board Member of the Remuneration committee	2008	2009	2011
Robert Gwiazdowski..............	Independent[1] member of the Supervisory Board Member of the Audit Committee	2008	2009	2011
Andrzej Papis	Member of the Supervisory Board	2007	2009	2011
Leszek Reksa........................	Independent[1] member of the Supervisory Board Member of the Audit Committee	2008	2009	2011
Heronim Ruta........................	Member of the Supervisory Board Member of the Audit Committee Member of the Remuneration Committee	2001	2009	2011

[1]conforms with the independence criteria listed in the Best Practices of WSE listed Companies in Chapter III point 6

Zygmunt Solorz-Żak is one of the greatest private entrepreneurs in Poland. Having spent a few years abroad he returned to Poland and set up the Foreign Enterprise SOLPOL at the end of the 1980s. At the beginning of the 1990s Mr. Solorz-Żak took interest in the media sector investing in the Kurier Polski. In 1993 Mr. Solorz-Żak started first private satellite television in Poland – Polsat which, by receiving a license, transformed into a nationwide television. Within a few years Telewizja Polsat became the leader of the television market in Poland. Since the foundation of Telewizja Polsat Zygmunt Solorz-Żak has been the Chairman of the Supervisory Board. Mr. Solorz-Żak's investment interest also includes other business sectors through companies such as Elektrim S.A., Invest-Bank S.A., PAK S.A., PTE Polsat, or TU Polisa Zycie. Mr. Solorz-Żak is also the founder of Cyfrowy Polsat S.A. The entrepreneur has great experience of work in statutory bodies of commercial code companies from being the President of Supervisory Boards of companies such as Polskie Media S.A., Invest Bank S.A. and Elektrim S.A.

Robert Gwiazdowski a senior Doctor of Law,. Since 1997 holder of Investment Advisor title. Mr. Gwiazdowski is also an arbiter in arbitrary proceedings at the Stock Exchange Court within the Warsaw Stock Exchange S.A.. He is the President of Adam Smith Centre. Between 1985 and 2006 he was a senior researcher at the University of Warsaw (assistant and then lecturer on the Law and Administration Faculty). In 1992-2002 he was partner in Smoktunowicz & Falandysz Legal Office. In

1994-2004 he was the Head of Tax Commission of Adam Smith Centre. Since 2002 he has run a business within legal and tax, and also finance and economic consultancy, trading as Gwiazdowski Consulting. Mr. Gwiazdowski is an author of commentaries regarding tax and economic topics on Polish television and radio stations, and an author of numerous publications and articles. Mr. Gwiazdowski is the Supervisory Board member of Gemius S.A., MNI S.A. (independent member of the Supervisory Board) and DGA S.A..

Andrzej Papis is a Legal Advisor. Mr. Papis graduated from the Law and Administration Faculty of the Warsaw University and completed his legal apprenticeship in the Local BAR Chamber in Warsaw. Between 1998 and 1999 he was an assistant in the team of professor M. Kulesza for the administrational reform of the country, followed by his post as co-worker of the Government Proxy Office for Implementation of the General Health Insurance. Since 2000 he has been the lawyer of Telewizja Polsat S.A. Since 2003 he has also been a member of the Board of TFP Sp. z o.o. and since 2004 he has been a member of the Supervisory Board of Elektrim S.A.. Since 2007 Mr. Papis has been on the Supervisory Board of Media Biznes Sp. z o.o. – broadcaster of the television channel TV Biznes.

Leszek Reksa is a graduate of the Foreign Trade Faculty of the School of Planning and Statistics (now the Warsaw School of Economics). He has extensive professional experience on managerial positions in various companies. For over 15 years he has been employed on managerial positions in the banking sector (PKO BP S.A.). He also has great experience of work in statutory bodies of legal companies - held a position of President of Board of PHU BIMOT S.A., member of the Supervisory Board of Bankowy Fundusz Leasingowy S.A. and member of the Supervisory Board of Żaklady Azotowe Kedzierzyn S.A.

Heronim Ruta graduated from the Electrical Faculty of the Warsaw University of Technology. He is employed by Ster Sp. z o.o. and seats on the Supervisory Boards of Invest Bank S.A., PAI Media S.A., Gurex S.A., and Telewizja Polsat S.A., and also on the board of Diasen Ltd. Between 1973 and 1978 Mr. Ruta was a trainee and then an electrical technology specialist with Plastics Processing Plant (Żaklady Tworzyw Sztucznych) Pronit Erg, between 1978 and 1979 he was a specialist supervising development of an experimental car for detection of cracks in rail tracks in Centralny Ośrodek Badań Techniki Kolejnictwa. In 1980, Mr. Ruta worked for Cementation International Limited, London, designing the electrical layout for the Marriott Hotel in Warsaw. Between 1980 and 1987 he was the head of Wytworczo-Uslugowa Spoldzielnia Pracy. In 1987 Heronim founded Herom Sp. z o.o., where he was President until 1992. From 1992 to 1994 he was President of Ster Sp. z o.o., and between 1991 and 1998 he ran his own business activities within trade and services in the field of electronics goods and establishment of television broadcast transmitters for Telewizja Polsat S.A.. From 2002 to 2005 Mr. Ruta was member of the Management Board of Polaris Finance B.V. and between 2002 and 2004 he was member of the Supervisory Board of Uzddaroji Akcine Bendrove „Baltijos Televizja".

Description of operations of the Supervisory Board

The Supervisory Board acts pursuant to the commercial companies code and also pursuant to the Articles of Association of the Company and the Bylaws of the Supervisory Board of 3 December 2007.

Pursuant to the Articles of Association of the Company the Supervisory Board performs constant supervision over activities of the enterprise. Within the scope of supervision performance the Supervisory Board may demand any information and documents regarding our business from the Management Board.

Members of the Supervisory Board shall take necessary steps to receive regular and full information from the Management Board regarding material matters concerning our business and risks involved in the business and the strategies of risk management. The Supervisory Board may - not infringing the competencies of other bodies of the Company - express their opinion on all the issues related to our proceedings, including forwarding motions and proposals to the Board.

The competencies of the Supervisory Board also include matters restricted by the commercial companies code, in particular:

(a) audit of the financial statements both as to their compliance with books and documents and also the factual state, audit of the interim and annual reports of the Management Board, or Management Board's motions regarding allocation of profit or covering debts and presenting written reports with results of the audits before the General Shareholders Meeting,

(b) once a year, prepare and present a concise evaluation of the situation of the Company, considering the evaluation of the internal control system and the management system of risks that are important for the Company,

(c) appointment of members of the Management Board,

(d) delegation of members of the Supervisory Board to temporary performance of duties of members of the Management Board who are unable to perform their duties,

(e) suspending particular or all members of the Management Board for material reasons,

(f) approval of the Bylaws of the Management Board,

(g) determination of remuneration of the members of the Management Board,

(h) appointment of a certified auditor to examine financial statements of the Company.

(i) granting consent for disbursement of a down payment toward the anticipated dividend.

Moreover, the competencies of the Supervisory Board include:

(a) creation and presentation of an evaluation of the Management Board's performance before the General Shareholders' Meeting,

(b) analysis and issuing of an opinion on matters that may be the subject of a resolution of the General Meeting,

(c) approval of one-year and long-term programs for the Company developed by the Management Board,

(d) determination of the remuneration level of the Supervisory Board delegated to temporary performance of duties of a member of the Management Board,

(e) granting consent for participation in other companies,

(f) granting consent for entering into a material agreement with a related entity,

(g) granting consent for performance of activities resulting in the Company incurring a liability, with the exception of:

- activities projected or set out in the annual program for the Company approved by the Supervisory Board, or

- activities resulting in incurring a liability of the value up to PLN 10,000,000 (ten million zlotys), including guarantees or issuing or guaranteeing bills of exchange done in the scope of daily business, in particular the business of pay digital television or the business of MVNO.

h) issuing, upon the Management Board's request, opinion on all issues material for the Company.

The Supervisory Board consists of five to nine members including the Chairman of the Supervisory Board, appointed by the General Shareholders' Meeting. The General Shareholders' Meeting, prior to appointment of members of the Supervisory Board for a new term, determines the number of members of the Supervisory Board. The term of office of the Supervisory Board is three years and is a joint one.

The Supervisory Board may consist of two members meeting the criteria of an independent member of the Supervisory Board as set out in the corporate governance regulations included in the Best Practices of WSE listed Companies.

Meetings of the Supervisory Board take place at least once a quarter. The venue for meetings is the seat of the Company or any other place indicated by the person calling the meeting.

The Chairman of the Supervisory Board, or a member of the Supervisory Board appointed by the Chairman calls a meeting of the Supervisory Board. Meetings of the Supervisory Board are chaired by the Chairman, and in the case of their absence by a member of the Supervisory Board indicated by the Chairman in writing, or another member of the Supervisory Board elected by the members present in the meeting.

The Chairman calls a meeting of the Supervisory Board also upon request of a member of the Management Board, or a member of the Supervisory Board, or upon a motion of a shareholder representing at least 1/10 (one tenth) of the share capital. A Meeting of the Supervisory Board shall take place at least within 14 days of the date of filing a written application to the Chairman.

Resolutions of the Supervisory Board are passed by majority of votes cast. In the case of equality the vote the Chairman prevails. A resolution of the Supervisory Board requires inviting all the members of the Supervisory Board and presence of at least half of the members of the Supervisory Board to be valid.

The Supervisory Board may pass resolutions via means of direct, remote communication and also a member of the Supervisory Board may cast their vote in writing via other member of the Supervisory Board.

Members of the Supervisory Board execute their rights and perform their duties in person. Members of the Supervisory Board participate in General Meetings.

Moreover, within the performance of their duties, the Supervisory Board shall:

(a) once a year prepare and present before the General Meeting a concise evaluation of the situation of the Company, considering the evaluation of the internal control system and the management system of risks that are important for the Company.

(b) once a year prepare and present before the Annual General Meeting an evaluation of its own performance,

(c) discuss and issue opinions about matters to be subjects of resolutions of the General Meeting.

Committees of the Supervisory Board

Pursuant to the Bylaws of the Supervisory Board the Supervisory Board may appoint permanent committees, in particular the Audit Committee, or the Remuneration Committee, or ad hoc committees to investigate certain issues remaining in the competence of the Supervisory Board or acting as advisory and opinion bodies of the Supervisory Board.

The Audit Committee, as at 31 December 2009 comprised the following members of the Supervisory Board:

- Heronim Ruta

- Robert Gwiazdowski, an independent member of the Supervisory Board,

- Leszek Reksa, an independent member of the Supervisory Board.

The composition of the Audit Committee meets the requirements of Article 86, Paragraph 4 of the Act of 7 May 2009 on auditors and their self-government, entities authorized to audit the financial statements and the public supervision, according to which, the Audit Committee should include at least three members, including at least one member of the Audit Committee who must satisfy the condition of independence and be qualified in the field of accounting or auditing.

The Remuneration Committee, as at 31 December 2009, comprised the following members of the Supervisory Board:

- Zygmunt Solorz – Żak,

- Heronim Ruta.

The provisions of the Bylaws apply to meetings, resolutions, and minutes of the committees of the Supervisory Board, with observation of the following information.

A committee is appointed by the Supervisory Board from among its members by means of a resolution. The committee appoints, by means of a resolution, the Chairman of the particular committee from among its members. The mandate of a member of a particular committee expires upon expiry of the mandate of the member of the Supervisory Board. The Supervisory Board may, by means of a resolution, resolve to dismiss a member from the composition of a particular committee before the expiry of the mandate of the member of the Supervisory Board. Dismissal from membership in a committee is not tantamount to dismissal from the Supervisory Board.

The first meeting of a committee is convened by the Chairman of the Supervisory Board or other member of the Supervisory Board they indicate. Meetings of the committees are convened as needs arise, ensuring thorough delivery of duties assigned with a particular committee. Minutes of committee's meetings and adopted resolutions are made available to the members of the Supervisory Board not being members of the committee. The Chairman of a given committee chairs its proceedings. The Chairman also performs supervision over preparation of the agenda, distribution of documents, and preparation of minutes of the meetings of the committee.

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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Cyfrowy Polsat S.A.

We have audited the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group, seated in Warsaw, ul. Łubinowa 4a ("the Group"), which comprise the consolidated balance sheet as at 31 December 2009 with total assets and total equity and liabilities of PLN 774,846 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 230,319 thousand, the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 230,319 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 29,075 thousand, the consolidated statement of cash flows for the year then ended with a decrease in cash of PLN 146,867 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act") and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

KPMG Audyt Sp. z o.o., a Polish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Spółka zarejestrowana w Sądzie Rejonowym dla m.st. Warszawy w Warszawie, XII Wydział Gospodarczy Krajowego Rejestru Sądowego.

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Kapitał zakładowy: 125 000 PLN
NIP 526-10-24-841
REGON 010939471

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Cyfrowy Polsat S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2009 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Supplementary explanation to the opinion

We draw your attention to the information presented in note 9 to the consolidated financial statements. Due to the Supervisory Board's Resolution dated 5 May 2010 on granting the bonus for 2009 to the Management Board and Directors of Cyfrowy Polsat S.A. in the amount of PLN 9,400 thousand, Management Board of Cyfrowy Polsat S.A. decided to supersede the consolidated financial statements dated 17 March 2010 by the consolidated financial statements dated 14 May 2010. Due to the above, this opinion withdraws the opinion dated 17 March 2010 on consolidated financial statements dated on that day.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9645
Marek Strugała, Director

14 May 2010
Warsaw, Poland

Management Board's representations

Pursuant to the requirements of the *Regulation of the Council of Ministers of 19 February 2009 on ongoing and periodical information reported by issuers of securities and conditions of recognising as equivalent information required by the law of a country not being a member state* the Management Board of Cyfrowy Polsat S.A. represented by:

Dominik Libicki, President of the Management Board,

Dariusz Działkowski, Member of the Management Board,

Tomasz Szeląg, Member of the Management Board

hereby represents that:

- to the best of its knowledge the annual consolidated financial statements and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result, and the Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

- the entity authorised to audit the financial statements, which has audited the annual consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the consolidated financial statements pursuant to relevant provisions of the national law and industry norms.

Warsaw, 14 May 2010

CYFROWY POLSAT S.A. GROUP

Consolidated financial statements
for the year ended 31 December 2009

Prepared in accordance
with International Accounting Standards
as adopted by the European Union

This document is a free translation of the Polish original.

Terminology current in Anglo-Saxon countries has been used where practicable

for the purposes of this translation in order to aid understanding.

The binding Polish original should be referred to in matters of interpretation.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 14 May 2010, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union which include:

1. Consolidated Income Statement for the period

from 1 January 2009 to 31 December 2009	showing a net profit of:	PLN 230,319 thousand

2. Consolidated Statement of Comprehensive Income for the period

from 1 January 2009 to 31 December 2009	showing a total comprehensive income of:	PLN 230,319 thousand

3. Consolidated Balance Sheet as at

31 December 2009	showing total assets and total equity and liabilities of:	PLN 774,846 thousand

4. Consolidated Cash Flow Statement for the period

from 1 January 2009 to 31 December 2009	showing a decrease in net cash amounting to:	PLN 146,867 thousand

5. Consolidated Statement of Changes in Equity for the period

from 1 January 2009 to 31 December 2009	showing an increase in equity of:	PLN 29,075 thousand

6. Accompanying notes

The consolidated financial statements are prepared in PLN thousand unless otherwise indicated.

Dominik Libicki	Tomasz Szeląg	Dariusz Działkowski
President of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 14 May 2010

(all amounts in PLN thousand)

Consolidated Income Statement

	Note	for the year ended 31 December 2009	31 December 2008 restated*
Revenue from services, products, goods and materials sold	**11**	1,266,137	1,098,474
Cost of services, products, goods and materials sold	**12**	(690,984)	(531,776)
Cost of sales	**12**	(205,263)	(169,216)
General and administration costs	**12**	(82,111)	(74,817)
Other operating revenue	**13**	12,541	20,206
Other operating costs	**14**	(24,270)	(18,577)
Profit from operating activities		**276,050**	**324,294**
Financial income	**15**	14,319	33,309
Financial expenses	**16**	(5,963)	(23,949)
Share of loss of an associate	**23**	(69)	-
Profit before tax		**284,337**	**333,654**
Income tax	**17**	(54,018)	(63,891)
Net profit		**230,319**	**269,763**

*In order to reflect presentational changes introduced in the current period amount in 2008 were changed (see note 10).

Basic and diluted earnings per share	**19**	**0.86**	**1.01**

Statement of Comprehensive Income

	for the year ended 31 December 2009	31 December 2008
Net profit	**230,319**	**269,763**
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**230,319**	**269,763**

(all amounts in PLN thousand)

Consolidated Balance Sheet - Assets

	Note	31 December 2009	31 December 2008
Digital satellite reception equipment and modems	**20**	122,457	20,785
Other property, plant and equipment	**20**	146,228	125,970
Intangible assets	**21**	14,165	11,876
Investment property	**22**	-	16,998
Shares in associates	**23**	24,732	-
Other long-term assets	**24**	31,138	24,264
Deferred tax assets	**17**	2,190	1,223
Total non-current assets		**340,910**	**201,116**
Inventories	**25**	122,091	94,999
Trade and other receivables	**26**	131,900	119,515
Income tax receivable		21,265	9,410
Other current assets	**27**	59,290	85,669
Cash and cash equivalents	**28**	72,652	246,422
Restricted cash	**29**	26,738	-
Total current assets		**433,936**	**556,015**
Total assets		**774,846**	**757,131**

(all amounts in PLN thousand)

Consolidated Balance Sheet – Equity and Liabilities

	Note	31 December 2009	31 December 2008
Share capital	**30**	10,733	10,733
Reserve capital	**30**	73,997	3,964
Statutory reserve funds	**30**	10,174	10,174
Retained earnings		227,509	268,467
Total equity		**322,413**	**293,338**
Long-term loans and borrowings	**31**	-	44,135
Long-term finance lease liabilities	**32**	1,151	1,407
Deferred tax liability	**17**	26,060	11,536
Other long-term liabilities and provisions		1,543	269
Total non-current liabilities		**28,754**	**57,347**
Current loans and borrowings	**31**	47,370	66,571
Current finance lease liabilities	**32**	234	238
Trade and other payables	**33**	222,213	197,525
Income tax liabilities		-	400
Deposits for equipment	**34**	18,800	22,447
Deferred income	**35**	135,062	119,265
Total current liabilities		**423,679**	**406,446**
Total liabilities		**452,433**	**463,793**
Total equity and liabilities		**774,846**	**757,131**

(all amounts in PLN thousand)

Consolidated Cash Flow Statement

	Note	for the year ended 31 December 2009	for the year ended 31 December 2008
Net profit		**230,319**	**269,763**
Adjustments:		**(186)**	**94,040**
Depreciation and amortization		41,948	23,547
Profit on investing activity		(55)	(11)
Interest expense/(income)		(1,908)	3,789
(Increase)/decrease in inventories		(27,092)	35,033
Increase in receivables and other assets		(6,680)	(35,394)
Decrease in liabilities, provisions, accruals and deferred income		37,314	38,540
Foreign exchange losses/(gains)		14,112	(13,944)
Income tax	**17**	54,018	63,891
Increase in set-top boxes under operating lease		(112,637)	(21,348)
Other adjustments		794	(63)
Net cash flow from operating activities		**230,133**	**363,803**
Income tax paid		(52,709)	(56,069)
Interest received from operating activity		6,018	8,442
Cash flow from operating activities		**183,442**	**316,176**
Purchases of intangible assets		(10,530)	(7,484)
Purchases of tangible assets		(26,524)	(48,109)
Purchases of financial assets	**40**	(53,396)	-
Proceeds from sale of financial assets	**40**	53,726	-
Purchase of shares in associates	**23**	(24,801)	-
Proceeds from sale of non-financial tangible assets		42	98
Cash flow from investing activities		**(61,483)**	**(55,495)**
Settlement of IPO related costs		-	7,223
Repayment of loans		(63,035)	(107,928)
Interest on loans and borrowings		(4,212)	(13,533)
Finance lease – principal repayments		(237)	(237)
Dividends paid		(201,244)	(37,565)
Other financial outflows, net		(98)	(13,350)
Cash flow from financing activities		**(268,826)**	**(165,390)**
Net increase/(decrease) in cash and cash equivalents		**(146,867)**	**95,291**
Cash and cash equivalents at the beginning of the year		**246,422**	**150,726**
Foreign exchange rate differences		(165)	405
Cash and cash equivalents at the end of the year*		**99,390**	**246,422**

*The amount in 2009 includes PLN 26,738 thousand of restricted cash (see note 29).

(all amounts in PLN thousand)

Consolidated Statement of Changes in Equity

	Note	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	**Total equity**
Balance as of 1 January 2009		10,733	3,964	10,174	268,467	**293,338**
Dividend declared and paid		-	-	-	(201,244)	**(201,244)**
Appropriation of 2008 profit – transfer to reserve capital	**30**	-	70,033	-	(70,033)	**-**
Total comprehensive income		-	-	-	230,319	**230,319**
Balance as of 31 December 2009		**10,733**	**73,997**	**10,174**	**227,509**	**322,413**

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	**Total equity**
Balance as of 1 January 2008	10,733	3,500	10,174	36,733	**61,140**
Dividend declared and paid	-	-	-	(37,565)	**(37,565)**
Appropriation of 2007 profit – transfer to reserve capital	-	464	-	(464)	**-**
Total comprehensive income	-	-	-	269,763	**269,763**
Balance as of 31 December 2008	**10,733**	**3,964**	**10,174**	**268,467**	**293,338**

Notes to the consolidated financial statements

1. The Parent

Cyfrowy Polsat S.A. ("the Company", "Cyfrowy Polsat", "the Parent") is incorporated in Poland as a joint stock company whose shares are listed on the Warsaw Stock Exchange. The Company is domiciled at 4a Łubinowa Street, Warsaw.

The Parent operates a paid digital satellite platform called "Cyfrowy Polsat" and provides services in Poland. The Parent is also a Mobile Virtual Network Operator and provides Internet access services.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The principal activities of the Parent and its subsidiaries include:

- television and radio operations,
- telecommunication services,
- rental of real estate,
- real estate management,
- set-top boxes' designing and manufacturing.

The consolidated financial statements include the financial statements of the Parent and its subsidiaries (jointly, ''the Group'').

2. Composition of the Management Board of the Parent

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board (until 6 January 2010),
- Tomasz Szeląg	Member of the Management Board (from 15 May 2009).

3. Composition of the Supervisory Board of the Parent

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the consolidated financial statements

Statement of compliance

The consolidated financial statements for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS") and in effect as of 1 January 2009.

In the year 2009 the following changes entered into force:

(i) revised IFRS 1 *First-time Adoption of International Financial Reporting Standards*
The changes concern the possibility of application of transitional regulations of IFRIC 18 by a company which adopts IFRS for the first time. Changes do not impact the consolidated financial statements.

(ii) amendments to IFRS 2 *Share-Based Payment*
The amendments specify conditions of acquiring the rights to share-based payment and impose the same accounting treatment no matter if they are related to the length of employment period or performance. The amendments do not impact the consolidated financial statements.

(iii) amendments to IFRS 4 *Insurance contracts*
The amendments change the requirement of credit, liquidity and market risk presentation by insurers. The amendments do not impact the consolidated financial statements.

(iv) amendments to IFRS 7 *Financial instruments – disclosure*
The amendments require additional disclosures concerning the method of fair value calculation according to three-step hierarchy and disclosures of other assumptions concerning liquidity risk and fair value calculation. The only effect of introduction of the amendments are additional disclosures in the financial instruments note.

(v) revised IAS 1 *Presentation of Financial Statements*
Changes require presentation of Statement of Comprehensive Income and presentation of opening balance of the earliest comparative period - if an entity corrects the comparative data in connection with reclassification, error correction or accounting policy alteration. The only effect of introduction of changes is the Statement of Comprehensive Income.

(vi) revised IAS 23 *Borrowing Costs*
Revised standard introduces requirement of capitalization of borrowing costs connected with certain assets. The only effect of introduction of changes is a change of Group's accounting policy which currently requires that the interest paid on bank credits be activated in line with the provision of revised IAS 23.

(vii) amendments to IAS 32 *Classification of Rights Issues*
The amendments concern rights issues classification. Changes do not impact the consolidated financial statements.

(viii) amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising from Liquidation*

The amendments require classification of puttable financial instruments and instruments or components of instruments as equity, only if on liquidation they impose on the company an obligation to deliver to another party a share of the net assets of the company. Additional disclosures are required concerning these instruments. The amendments do not impact the consolidated financial statements.

(ix) amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*

The amendments specify the accounting treatment of embedded derivatives when reclassifying financial instruments. The amendments do not impact the consolidated financial statements.

(x) amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and *Reclassification of Financial Assets – Effective Date and Transition*

The amendments concern the effective date and transition connected with reclassification of financial instruments. Changes are effective for the annual periods beginning after 1 July 2008; according to Commission Regulation (EC) No 824/2009 companies that already presented their financial statements in accordance with EC No. 1004/2008 are not obliged to present them again. The amendments do not impact the consolidated financial statements.

(xi) IFRIC 12 *Service Concession Arrangements*

The interpretation gives guidance on the accounting treatment by operators for public-to-private service concession arrangements. The interpretation does not impact the consolidated financial statements.

(xii) IFRIC 13 *Customer Loyalty Programmes*

The interpretation concerns revenue recognition by companies granting customers loyalty programs. The interpretation does not impact the consolidated financial statements.

(xiii) IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The interpretation specifies the issue when the refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists. The interpretation does not impact the consolidated financial statements.

(xiv) IFRIC 15 *Agreements for the Construction of Real Estate*

The interpretation concerns accounting treatment of revenue and expenses of companies that undertake the construction of real estate. The interpretation does not impact the consolidated financial statements.

(xv) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The interpretation applies to a company that hedges the foreign currency risk arising from its net investments in foreign operations. The interpretation does not impact the consolidated financial statements.

(xvi) IFRIC 18 *Transfers of Assets from Customers*

The interpretation specifies accounting treatment of assets received from customers. The interpretation does not impact consolidated financial statements.

(xvii) amendments to International Financial Reporting Standards – a set of amendments to International Financial Reporting Standards (2008)

The amendments concern terminology and editorial changes and include changes in presentation, recognition and valuation. The majority of the amendments are effective from annual periods beginning after 31 December 2008. The Group exercised the right of early adoption of the amendments effective from not later than the first accounting period beginning after 30 June 2009. All the amendments have an insignificant effect on the consolidated financial statements.

5. Published International Financial Reporting Standards and Interpretations whose application is not mandatory

The International Financial Reporting Standards as adopted by the European Union ("EU IFRS") include all International Accounting Standards, International Financial Reporting Standards and Interpretations excluding standards and interpretations which have not been yet adopted by the European Union or which have already been adopted by EU but not effective yet.

The Group did not early adopt standards which have already been published and adopted by the European Union and which should be applied for annual periods beginning after 1 January 2009 (presented below).

New International Financial Reporting Standards adopted by the EU which become effective after the balance sheet date and were not adopted by the Group

(i) IFRIC 17 *Distributions of Non-cash Assets to Owners*, amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* and amendment to IAS 10 *Events After The Reporting Period* are effective for annual periods beginning after 31 October 2009
IFRIC 17 describes the accounting treatment of distribution of non-cash assets to owners whereas IFRS 5 introduces the definition of assets held for distribution to owners. Amendment to IAS 10 specifies how to present dividend declared after the balance sheet date but before publication of financial statements. Changes do not impact the consolidated financial statements.

(ii) revised IFRS 3 *Business Combinations* is effective for annual periods beginning after 30 June 2009
Revised IFRS 3 describes accounting treatment of business combinations. Changes do not impact the consolidated financial statements.

(iii) revised IAS 27 *Consolidated and Separate Financial Statements* is effective for annual periods beginning after 30 June 2009
Revised IAS 27 describes how to present subsidiaries in consolidated financial statements and investments in subsidiaries, jointly controlled entities and associates. Changes do not impact the consolidated financial statements.

(iv) amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions* are effective for annual periods beginning after 31 December 2009
The amendments specify the scope of transactions treated as share-based payments. Changes do not impact the Group's financial statements.

(v) improvements to IFRSs (2009) – changed standards have different effective dates; all changes are effective no later than for annual periods beginning after 31 December 2009
Most important changes include:
- amendments to IFRS 8 *Operating Segments* - the amendments limit segment reporting requirements concerning assets. An entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.
- amendments to IAS 27 *Statement of Cash Flows*
On the basis of the amendments, only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.
All amendments do not impact significantly the Group's financial statements.

(all amounts in PLN thousand)

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

- amendments to IFRS 1 *Additional Exemptions for First-time Adopters*;

- IFRS 9 *Financial Instruments*;

- amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*;

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;

- revised IAS 24 *Related Party Disclosures*;

- amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*.

As at the date of the approval of these consolidated financial statements the Group did not assess the impact of above-mentioned changes on future consolidated financial statements.

6. Group of consolidated companies

The consolidated financial statements for 2009 include the following entities:

			Voting rights percentage (%)	
	Company's registered office	**Activity**	**31 December 2009**	**31 December 2008**
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warszawa	radio, TV and telecommunication activities		
Subsidiaries				
Cyfrowy Polsat Technology Sp. z o.o.*	Łubinowa 4a, Warszawa	production of set-top boxes	100%	100%

* consolidation using full method

Additionally, shares in following entities were presented in the consolidated financial statements:

			Voting rights percentage (%)	
	Company's registered office	**Activity**	**31 December 2009**	**31 December 2008**
Karpacka Telewizja Kablowa Sp. z o.o.*	ul. Chorzowska 3, Radom	no activity	85%	85%
mPunkt Holdings Ltd.**	3 Themistokli Dervi Street, Nicosia (Cyprus)	owner of mPunkt Polska S.A. and mTel Sp. z o.o.	45%	-

* Shares valued at cost less any accumulated impairment losses

** Shares valued using equity method

7. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements by all entities within the Group.

a) Basis of valuation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which are valued at fair value.

b) Going concern assumption

The 2009 consolidated financial statements have been prepared assuming that the Group will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2009.

c) Functional currency and presentation currency

The financial data presented in the consolidated financial statements is presented in Polish zloty, rounded to the nearest thousand. The functional currency of the Parent is the Polish zloty.

d) Judgments and estimates

The preparation of consolidated financial statements in accordance with EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted methods and presented value of assets, liabilities, revenues and costs. The estimates and related assumptions are based on historical data and other factors regarded as reliable under the circumstances and their effects provide grounds for an accurate assessment of the carrying amount of assets and liabilities which are not based directly on any other factors. Actual results may differ from the estimated values.

The estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods. Note 46 contains information about the key sources of uncertainty and management judgments.

e) Comparative financial information

Comparative data or data presented in previously published financial statements are corrected if necessary in order to reflect presentational changes introduced in the current period. None of the introduced alterations have influenced previously presented net profit, EBITDA nor equity.

In 2009 the Group changed presentation and classification of data in the income statement. Hitherto the Group presented the income statement using the classification of expenses based on their nature. Since 2009 the Group has been presenting the income statement using the classification of expenses based on their function. Data for the comparative period has been restated in order to reflect the new presentation of data. The change in presentation of data did not have any influence on the presentation of the Group's balance sheet and did not diminish the scope of information presented in the financial statements.

Details regarding the change in data presentation are accessible in note 10.

f) Principles of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible as at the balance sheet date are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Parent under accounting policies that are consistent with the Parent's accounting policies for transactions and economic events of a similar character.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Group's share in associate's profit or loss from the purchase date is taken to the income statement and its share in changes of other equity from the purchase date is presented in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share in associate's loss is equal to or higher than the Group's interest in that associate, taking the share in unsecured receivables into account, the Group does not recognize further losses, unless it is obliged to cover losses or make payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at a future date, including options to increase the Group's shareholding in associates that would result in business combinations, are not recognized by the Group as financial instruments.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

g) Foreign currency

Transactions in foreign currencies are translated to Polish zloty at exchange rates in effect one day before the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as at the balance sheet date into Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP) for that date. Foreign exchange differences arising on translation of transactions denominated in foreign currencies and from the balance–sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the average NBP exchange rate in effect at the date of the valuation. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

h) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Non-derivative financial instruments are recognised initially at fair value increased by - except for investments valued at fair value through profit or loss - directly attributable transaction costs (except as described below).

A financial instrument is recognised if the Group becomes a party to the contractual obligations of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Standardised sale and purchase transactions of financial assets are recognised at the transaction date i.e. on the date the Group is obliged to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire (are discharged or cancelled).

Cash and cash equivalents comprise cash on hand and on-call deposits. The cash and cash equivalents balance presented in the cash flow statement comprises the above mentioned cash and cash equivalents.

Principles for recognition of financial income and financial costs are presented in note 7 (w).

Loans and receivables and other financial liabilities

Loans and receivables which are not derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Other financial liabilities which are not derivative financial instruments are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes in fair value – other than impairment losses and in the case of monetary assets, such as bonds, other than gains or losses on foreign exchange differences – are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. If such investments are interest-bearing, interest, calculated using the effective interest method, is recognised in the income statement.

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value, related transaction costs are recognised in the income statement accounts when incurred. Subsequent to initial recognition, the Group measures derivative financial instruments at fair value and changes in the fair value are recognised directly in the income statement.

i) Equity

Ordinary shares

Costs directly attributable to the issue of ordinary shares reduce equity.

Preferred shares

Preferred shares are classified as equity, if they are not redeemable or only redeemable at the Company's option and the dividend payment is not obligatory. Dividend payments are recognised as distributions within equity.

Costs attributable to the issue of new shares and the public offer of existing shares

Costs relating to a new issue of shares are recognised in equity while costs relating to the public offering of existing shares are recognised directly in finance expenses. Costs relating to both new issue and the sale of existing shares are allocated proportionally and recognised in equity or expensed as financial expense, as appropriate.

Reserve capital

Joint-stock companies, in accordance with the Commercial Code, are obliged to transfer at least 8% of annual net profit to reserve capital until it reaches one third of total share capital. Supplementary capital cannot be distributed but can be transferred to cover accumulated losses.

Statutory reserve funds

Statutory reserve funds include the difference between the fair value of the shares purchased by Members of the Management Board and their issue price.

j) Property, plant and equipment

i) Property, plant and equipment owned by the Group

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and expenditures that are directly attributable to the acquisition and bringing the asset to working condition including initial delivery and handling costs. Discounts, rebates and other similar reductions decrease the cost. The cost of self-constructed assets and construction in progress includes all costs incurred for their construction, installation, adoption, and improvement incurred till the date they are available for use (or until the balance sheet date if an asset has not been made available for use). This cost includes also, if required, initially estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

Subsequent cost of replacing parts of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Group and the amount of the cost can be measured reliably. Other expenditures are expensed in the income statement as incurred.

(iii) Depreciation

Items of property, plant and equipment as well as their major components are depreciated using the straight-line method over their useful life, taking into account their residual value. Land is not depreciated.

The estimated useful life of property, plant and equipment, by significant class of asset, is as follows:

Buildings	60	years
Digital satellite reception equipment and modems	5	years
Other technical equipment and machinery	3-15	years
Vehicles	5	years
Furniture and equipment	3-10	years

The estimated useful life of property, plant and equipment, depreciation methods and residual values (if material) are reviewed by the Group every year.

(iv) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease criteria, are classified as non-current assets and recognised at the lower of fair value of the leased asset and the present value of the minimum lease payments. Set-top boxes that are provided to customers under operational leases are accounted for as property, plant and equipment. Set-top boxes that are provided to customers under financial leases are not recognized as non-current assets.

Depreciation policies for leased assets are consistent with the depreciation policies applied for similar Group-owned assets. Depreciation is calculated in accordance with IAS 16 *Property, plant and equipment*. If it is not certain that the lessee will obtain title to the asset before the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's economic useful life.

Where there is uncertainty that set-top boxes and other property, plant and equipment will create revenue or continue to be used in the operating activity of the Group, the Group creates an impairment allowance.

k) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, jointly controlled entities and associates.

Acquisition before 1 January 2004

For acquisitions made before 1 January 2004, goodwill was measured based on the deemed costs, whose amount represents the value recorded in the books in accordance with the Accounting Act dated 29 September 1994.

Acquisition after 1 January 2004

In relation to acquisitions after January 1, 2004, goodwill is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the acquirer's interest exceeds the net fair value the acquirer's identifiable assets, the acquirer recognises any excess immediately in the profit or loss.

Acquisition of minority interest

Goodwill arising on acquisition of minority interests in subsidiaries is stated as the excess of the purchase price over the value of the subsidiaries' net assets acquired at the date of acquisition.

Valuation after initial recognition

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. In the case of investments in associates or jointly controlled entities, goodwill is included in the carrying value of the investment. Goodwill is allocated to cash-generating units and is not amortized, but is annually tested for impairment.

(ii) Internally generated software

The Group capitalizes costs of internally generated software, only if development costs can be reliably measured and the beginning and the end of the software development process can be reliably determined.

(iii) Other intangible assets

Other intangible assets purchased by the Group are stated at cost less accumulated amortization and impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalized only when it increases future economic benefits to be generated by the asset. Other expenditure is recognised in the profit or loss as incurred.

(v) Amortization

Intangible assets with a definite useful life are amortized over their useful life on a straight-line basis. Goodwill and intangible assets with an indefinite useful life are not amortized but instead are subject to an impairment test at each balance sheet date. Other intangibles are amortized from the date they are available for use. The estimated useful life is 2 years.

l) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment property is measured at historical cost.

If there is a change in the use of real estate from investment property to owner–occupied property, the real estate is transferred to property, plant and equipment and its value on the transfer date becomes its deemed costs for the purpose of future recognition.

Buildings representing investment property are depreciated over a period of 60 years. Land which is considered investment property is not depreciated.

m) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined based on the first-in first-out principle. The cost of inventories includes purchase price, costs relating directly to the purchase and the costs related to preparing the inventory for use or sale. Cost of finished goods and work in progress include an appropriate share of production overheads determined based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, which under the business model applied by the Group are sold below cost, the loss on the sale is recorded when the set-top box is transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

n) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis at balance sheet date. The remaining financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to other operating costs. An allowance for receivables from individuals is estimated based on the historical recoverability of overdue receivables and recovery efficiency.

All impairment losses are recognised in the income statement.

Impairment losses are reversed if a subsequent increase in recoverable value of a financial asset can be related objectively to an event occurring after the impairment losses were recognized.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets which are not yet ready for use is assessed at each balance sheet date.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the income statement. An impairment loss for a cash-generating unit is initially recognized as a decrease of goodwill assigned to this unit (group of units), then it proportionally reduces the carrying amount of other assets from this unit (group of units).

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets that do not generate independent cash flows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss for goodwill cannot be reversed. As for other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss other than that in respect of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o) Non-current assets held for sale

Non-current assets (or groups comprising assets and liabilities held for sale) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, at the date the assets (or a disposal group) are classified as held for sale, they are measured at the lower of their carrying amount or fair value less cost to sell. An impairment loss for a group of assets held for sale is initially recognised as a decrease of goodwill, then it proportionally reduces the carrying amounts of other assets from this group, except for inventories, financial assets, deferred tax assets and investment properties, which are valued in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized through the income statement. Gains on re-measurement are recorded only to the level of previously recognized impairment losses.

p) Restricted cash

Restricted cash comprises cash deposited in Group's bank accounts which according to signed agreements may only be expensed for strictly defined purposes or cash deposited in escrow bank accounts. Restricted cash is presented as current or non-current assets according to the terms of agreements relating to the period for which the restrictions are valid.

q) Employee benefits

(i) Defined contribution program

All Group entities which have employees are obliged, under applicable regulations, to collect and pay the contribution for the state pension. These benefits, according to IAS 19 *Employee Benefits* are state plans and are characterised as defined contribution. Therefore, the Group's liabilities for each period are estimated on the basis of contributions to be paid for a given period.

(ii) Defined benefit program – retirement benefits

The Group companies are obliged to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labour code. The minimum retirement benefit is as per the labour code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and forecasts of future employment levels.

Changes in the value of the retirement benefit provision are recognised in the income statement.

(iii) Redundancy benefits

Redundancy costs are recorded as an expense when the Group has a uncancellable detailed formal plan for the redundancy before the normal retirement date. Employee benefits relating to voluntary redundancy are recognized in profit and loss account, in case an offer is made to encourage voluntary redundancy, it is probable that the offer will be accepted and the number of voluntary redundancies can be reliably estimated.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

The Group creates a provision and charges the income statement for estimated short-term bonuses and profit sharing plans, if the Group has a legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

(v) Share-based payments

If shares are issued to employees unconditionally at an issue price lower than their fair value, the difference between the fair value and issue price is recorded as a salary expense with a corresponding increase in equity on the date the offer to purchase the shares is accepted by the employees.

r) Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the Group discounts the provision, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the component of the liability.

(i) Warranty provision

A warranty provision is recognized when products or goods, for which the warranty was granted, are sold or rented to the clients under operational leases. The amount of the provision is based on historical experience and on a weighted average of all possible outflows connected with warranty claims.

(ii) Onerous contracts

A provision for an onerous contract is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by it. A provision for an onerous contract is created at the lower of the cost of fulfilling the contract or the cost related to any compensation or penalties arising from failure to fulfill it. Before recognition of a provision for an onerous contract, the Group recognises the impairment of the assets connected with such contracts.

s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events but is not recognized in the consolidated financial statements because it is not possible that the outflow of resources embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability.

t) Deposits

Deposits received from subscribers and distributors, regardless of the minimum term of the agreements, are presented as current liabilities due to the possibility of early termination of the agreements by clients.

u) Revenue

(i) Multi-element agreements

The Group enters into multi-element agreements which include the following components: sales of merchandise (satellite reception equipment, set-top boxes, CAM) and services. Revenues are allocated to particular elements of the multi-element agreements in proportion to their fair value.

(ii) Rendering of services

Revenue from the rendering of services is recognized in the income statement as the services are rendered.

(iia) Subscription fees

Revenue from subscription fees is recognised on a straight-line basis over the minimum basic period of the subscription contract.

(iib) Activation fees

Activation fees, concerning both rental and sales of satellite digital reception equipment, are recognized on a straight-line basis over the minimum basic period of the subscription contract. Activation fees are included in profit and loss statement with subscription fees.

(iic) Revenue from VOD services

Revenue from VOD services is recognized once the program was broadcasted and presented in the income statement together with subscription fees.

(iid) Rental of set-top boxes

Revenue from the rental of set-top boxes is recognized on a straight-line basis over the minimum basic period of the subscription contract, except for finance lease agreements, which are recognized as sale with deferred payment date. Special promotional offers are recognized in the income statement together with the related lease costs.

(iie) Transmission services

Revenue from transmission services is recognised as the services are rendered.

(iif) Subscription fees and interconnection revenue

Revenue from subscription fees from post-paid services and interconnection revenues is recognized in the income statement in the reporting periods in which the service is rendered.

(iig) Revenue from prepaid services

Revenues from services under prepaid offer are recognized in the income statement once the credit is utilized or forfeited.

(iih) Revenue from settlements with mobile network operators

Revenue from settlements with mobile network operators in the period in which the service was rendered.

(iii) Sale of digital satellite reception equipment, electronic equipment and other goods

Revenue from sale of digital satellite reception equipment, electronic equipment and other goods is recognised at the fair value of the payment received or due, decreased by discounts, rebates and the value of returned equipment.

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(iv) Revenue from the rental of real estate

Revenue from the rental of investment property is recognized in the income statement on a straight-line basis over the period of the contract. Special promotional offers made as an incentive to conclude a lease contract, are recognized together with the related revenues from the rental of investment property.

v) Distribution fees

Commissions for distributors for registering new subscribers and for retention existing subscribers are recognized during the minimum basic period of the subscription agreement. Turnover commissions for concluding a certain number of subscription contracts are recognized in the income statement as they are incurred.

Commissions for distributors which will be settled within the period of 12 months after the balance sheet date are presented as other current assets, however, the commissions, which will be settled after the 12-month period from the balance sheet date, are presented as other long-term assets.

w) Finance income and finance expenses

Finance income includes interest income resulting from invested cash, dividends receivable, gains on sale of financial instruments available for sale, from changes in the fair value of financial instruments at fair value through the income statement, from completed forward exchange contracts and net foreign exchange rate gains. Interest received is presented in the income statement on an accrual basis using the effective interest method. Dividends received are recognized in the income statement at the moment the Group obtains the right to the dividend.

Finance expenses include interest on debt, reversal of the discount on provisions, dividends from preference shares classified as liabilities, losses from completed forward exchange contracts, net foreign exchange losses, losses resulting from changes in the fair value of financial instruments at fair value through the income statement, and financial assets impairment. Interest payable is calculated using the effective interest rate method.

Due to a revision to IAS 23 *Borrowing* Costs described in point 4 of these consolidated financial statements the Group amended its accounting policies and capitalizes interest on loans and borrowings relating to the purchase of property, plant and equipment from 1 January 2009.

x) Taxation

Income tax in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realized. Deferred tax asset reductions are adjusted to the extent that realization of sufficient taxable profits becomes probable.

Deferred tax assets and liabilities in the Group are offset by the Group companies, provided that they are entitled to compensate current tax assets and liabilities when calculating their tax liabilities. An entity has the entitlement to offset deferred tax assets and liabilities when calculating its tax liability if:

a) the entity has a legally enforceable right to offset current tax assets against current tax liabilities and

b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   - the same taxable entity or
   - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

y) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss on the continued operations attributable to ordinary shareholders and the weighted average number of ordinary shares adjusted for all potentially dilutive ordinary shares.

z) Segment reporting

An operating segment is a component of the Group that is engaged in economic activities that involve achieving revenue and incurring costs, including revenue and costs from transactions with other components of the Group.

The Group presents operating segments according to internal management accounting principles applied in preparation of periodical management reports which are regularly analyzed by the Management Board of Cyfrowy Polsat S.A.

The activities of the Group are grouped using branch criterion, i.e. distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterised by different risk levels and different investment returns. Digital television segment comprises Group's activities connected with providing digital television transmission signal to individual clients and set-top boxes' manufacturing by a subsidiary company Cyfrowy Polsat Technology Sp. z o.o. Telecommunication services segment comprises Group's activities connected with providing mobile phone services and planned Internet access services to the clients.

ź) Cash flow statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the balance sheet.

The purchase of set-top boxes provided to clients under operating lease contracts are classified in the cash flow statement in operating activities. The purchase, disposal and impairment of these set-top boxes are classified in the cash flow statement in operating activities and presented as "Net decrease/(increase) of set-top boxes provided under operating lease".

Purchases of property, plant and equipment or intangible assets are presented in their net amount (net of VAT).

Changes in impairment allowances for property, plant and equipment, excluding allowances for set-top boxes, are presented as "Other adjustments" in cash flows from operating activities.

Costs attributable to the public offering of shares are presented as "Other adjustments" in cash flows from operating activities. Cash outflows related to these expenses are classified as "Other financing outflows" in cash flows from financing activities.

8. Determination of fair values

Accounting principles and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. In justified cases, further information on methods of fair values measurement are described in the appropriate notes specific to that asset or liability.

(i) Property, plant and equipment and investment property

The fair value of property, plant and equipment acquired in business combinations, including investment property, is based on market value. The market value of real estate is the amount for which it could be exchanged between knowledgeable and willing parties in an arm's length transaction, after carrying out appropriate marketing activities, with both parties acting in a conscious and prudent manner. The fair value of other tangible non-current assets is based on prices of comparative market transactions.

(ii) Intangible assets

The fair value of trademarks and patents acquired in business combinations is based on estimated discounted payments of royalties that were not incurred as a result of the acquisition of the trademarks and patents. The fair value of other intangibles is based on discounted cash flows forecasted from their usage and ultimate disposal.

(iii) Inventories

The fair value of inventories acquired in business combinations is based on net realisable market value, net of selling and finishing costs as well as a margin based on a reasonable estimate of expenditures incurred for finishing products and executing sales.

(iv) Investments in equity and debt instruments

The fair value of financial assets valued at fair value through the income statement, investments held to maturity and financial assets available for sale is calculated based on a market quotation as at the balance sheet date. The fair value of investments held to maturity is calculated only for disclosure purposes.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the balance sheet date.

(vi) Non-derivative financial liabilities

The fair value for disclosure purposes is based on the present value of future cash flows from repayment of capital and interest, discounted using a market interest rate as at the balance sheet date. A market interest rate for a finance lease contract is estimated based on interest rates for similar types of lease contracts.

(vii) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current value of the contract calculated using market interest rates and spot exchange rate.

(viii) Shares subscribed for by the Members of the Management Board

The fair value of shares subscribed for by the Management Board was established at the date of their subscription based on an appropriate Group valuation model.

9. Summary of changes to the financial statements

Consolidated financial statements for the year ended 31 December 2009 with independent auditor's opinion were originally published on 18 March 2010. Due to Supervisory Board's resolution dated 5 May 2010 granting bonuses for 2009, the Management Board of the Parent decided to correct the financial statements for the year ended 31 December 2009. The hereby consolidated financial statements replace entirely the previous version of consolidated financial statements published on 18 March 2010.

10. Change in presentation of the income statement

In these consolidated financial statements the Group presents the income statement using the classification of expenses based on their function. In previous periods the Group presented the income statement using the classification of expenses based on their nature. The purpose of this change is to provide users of the financial statements with greater scope of information and to give the possibility to compare the Group's results with other entities' easier. None of the introduced alterations have influenced previously presented net profit, EBITDA nor equity. The scope and details of information presented in the financial statements remained at unchanged level.

Information about revenue and costs classified by nature is available in notes 11, 12, 13,14.

The below presented table reflects the restatement of the income statement for the year 2008 and information where to find particular information presented hitherto directly in the income statement. The range of reclassification of certain elements of the income statement is also presented below.

Elimination of change in the balance of products
The Group chose the method of cost presentation under which period costs are automatically diminished by costs incurred to manufacture products which were not sold during the reporting period. Therefore, the reader of the financial statements will have information about the period costs by nature corresponding with the revenue.

Compensation of operating revenue and operating costs
After the analysis of economic substance of several transactions regarding the Group's operating revenue it has been decided to reclassify this revenue and compensate with appropriate costs in order to give the user of the financial statement information reflecting the actual economic substance of the transaction. Compensation of revenue and costs diminishes at the same time the Group's revenue from operating activity and cost of services, products, goods and materials sold.

Revenue – the analysis of revenue by its nature is presented in note 11 and 13 of the hereby financial statements.

Depreciation and amortization – has been divided and allocated according to appropriate functions. Full depreciation and amortization, as it was presented hitherto – is presented in note 12.

Programming costs – are presented in *Cost of services, products, goods and materials sold* – the amount of these costs is presented in note 12.

Transmission costs - are presented in *Cost of services, products, goods and materials sold* – the amount of these costs is presented in note 12.

Distribution and marketing costs - are presented in *Cost of sales* and in *Cost of services, products, goods and materials sold* – the amount of these costs is presented in note 12.

Salaries and employee-related expenses – after having been diminished by costs allocated to cost of equipment sold, have been divided and allocated according to appropriate functions. The total of salaries and employee-related expenses is presented in note 12.

Cost of digital satellite reception equipment and mobile phones sold - is presented in *Cost of services, products, goods and materials sold*. This position also consists the cost of sold products (previously in the classification of expenses based on their nature this cost was presented in salaries and employee-related expenses and other operating costs. Full cost of equipment sold is presented in note 12.

Other operating costs – have been allocated according to appropriate functions (after the reclassification of change in the balance of products and cost of sold products). The analysis of other operating costs by their nature is presented in note 12 and 14 of hereby financial statements.

Following figures presented in the table below stand for:

1- elimination of change in the balance of products;
2- reclassification of revenue from services, products, goods and materials sold and financial income;
3- compensation of operating revenue and operating costs;
4- reclassification of cost of services, products, goods and materials sold;
5- reclassification of cost of sales;
6- reclassification of general and administration costs;
7- reclassification of other operating revenue;
8- reclassification of other operating costs.

The particular columns of the table represent transferring of described amounts from the income statement by nature (titles presented in column A) to the income statement by function (titles presented in column B). Reclassifications of revenue and costs presented in particular columns do not affect the operating profit.

(all amounts in PLN thousand)

A- Revenue and costs by nature	for the year 2008	1	2	3	4	5	6	7	8	for the year 2008	Note	B - Revenue and costs by function
			1,107,806	(9,332)						1,098,474	**11**	Revenue from services, products, goods and materials sold
Subscription fees	977,678		(977,678)								**11**	
Rental of digital satellite reception equipment	6,842		(6,842)								**11**	
Sale of digital satellite reception equipment and mobile phones	100,180		(100,180)								**11**	
Transmission services	16,440		(16,440)								**11**	
Other operating revenue	35,141	(5,561)	(6,666)	(2,708)				(20,206)			**13**	
Total revenues from operating activities	**1,136,281**	**(5,561)**	**-**	**(12,040)**				**(20,206)**				
				(9,968)	541,744					531,776	**12**	Cost of services, products, goods and materials sold
						169,216				169,216	**12**	Cost of sales
							74,817			74,817	**12**	General and administration costs
Depreciation and amortization	23,547				(10,986)	(2,470)	(10,091)				**12**	
Programming costs	221,443				(221,443)						**12**	
Transmission costs	59,006				(59,006)						**12**	
Distribution and marketing costs	202,465				(49,215)	(153,191)	(59)				**12**	
Salaries and employee-related expenses	64,589	(501)			(16,716)	(9,011)	(38,361)				**12**	
Cost of digital satellite reception equipment and mobile phones sold	132,122				(132,122)						**12**	
Other operating costs	108,815	(5,060)		(2,072)	(52,256)	(4,544)	(26,306)		(18,577)		**14**	
Total costs of operating activities	**811,987**	**(5,561)**		**(12,040)**					**(18,577)**			
								20,206		20,206	**13**	Other operating revenue
									18,577	18,577	**14**	Other operating costs
Profit from operating activities	**324,294**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**324,294**		**Profit from operating activities**
Financial income	19,359		13,950							33,309	**15**	Financial income
Finance income from valuation of forward exchange contracts	13,950		(13,950)									
Financial expenses	23,949									23,949	**16**	Financial expenses
Gross profit for the year	**333,654**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**333,654**		**Profit before tax**
Income tax	63,891									63,891	**17**	Income tax
Net profit for the year	**269,763**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**269,763**		**Net profit**

(all amounts in PLN thousand)

11. Revenue from services, products, goods and materials sold

	for the year ended	
	31 December 2009	31 December 2008
DTH subscription fees (Mini and MiniMax Package)	58,146	31,786
DTH subscription fees (other packages)	1,131,672	945,892
Sale of digital satellite reception equipment and mobile phones	46,584	100,180
Rental of digital satellite reception equipment	644	6,842
Transmission services	3,593	1,953
Subscription fees, interconnection revenues and settlements with mobile network operators	5,550	1,005
Other operating revenue	19,948	10,816
Total	**1,266,137**	**1,098,474**

Other operating revenue consist of revenue from marketing and advertising services, revenue from lease of property (including investment property) and appliances, other MVNO revenue, revenue from servicing and installation and other.

12. Operating costs

	Note	for the year ended	
		31 December 2009	31 December 2008
Depreciation and amortization		41,948	23,547
Programming costs		354,395	226,231
Transmission costs	a	82,570	59,006
Cost of equipment sold		89,736	137,547
Distribution, marketing, customer relation management and retention costs	b	262,347	205,935
Salaries and employee-related expenses	c	72,787	61,769
Other operating costs	d	74,575	61,774
Total costs by kind		**978,358**	**775,809**

	for the year ended	
	31 December 2009	31 December 2008
Cost of services, products goods and materials sold	690,984	531,776
Cost of sales	205,263	169,216
General and administration costs	82,111	74,817
Total costs by function	**978,358**	**775,809**

(all amounts in PLN thousand)

a) Transmission costs

	for the year ended	
	31 December 2009	31 December 2008
Transponders rental	47,986	32,320
Conditional Access System rental	30,051	22,351
Other	4,533	4,335
Total	**82,570**	**59,006**

b) Distribution, marketing, customer relation management and retention costs

	for the year ended	
	31 December 2009	31 December 2008
Distibution and logistics costs	123,595	107,509
Marketing costs	57,468	46,035
Customer relation management costs	81,284	52,391
Total	**262,347**	**205,935**

c) Salaries and employee-related expenses

	for the year ended	
	31 December 2009	31 December 2008
Salaries	63,535	54,441
Social security contributions	6,988	5,078
Other employee-related costs	2,264	2,250
Total	**72,787**	**61,769**

Salaries and social security contributions of employees directly involved in set-top boxes manufacturing are presented in cost of equipment sold.

Average number of employees

	for the year ended	
	31 December 2009	31 December 2008
Number of employees – employment contracts*	569	423
Total	**569**	**423**

*Including employess directly involved in set-top boxes manufacturing whose salaries are part of cost of equipment sold.

(all amounts in PLN thousand)

d) Other operating costs

	for the year ended	
	31 December 2009	31 December 2008
Cost of SMART and SIM cards handed over	21,657	17,090
IT services	16,468	15,155
Legal, advisory and consulting costs	7,875	9,264
Property maintenance costs	6,030	4,579
Taxes and other charges	1,771	1,882
Costs of settlements with mobile network operators and interconnection charges (MVNO)	2,882	1,012
Other	17,892	12,792
Total	**74,575**	**61,774**

13. Other operating revenues

	for the year ended	
	31 December 2009	31 December 2008
Contractual remedy covering the costs of encryption card and digital satellite reception equipment replacement (SWAP)	7,794	17,070
Other compensations	2,983	947
Reversal of fixed assets impairment and stock provision	-	427
Other	1,764	1,762
Total	**12,541**	**20,206**

14. Other operating costs

	for the year ended	
	31 December 2009	31 December 2008
Bad debt provision and the cost of receivables written off	19,512	15,008
Fixed assets impairment and stock provision	1,835	3,026
Other	2,923	543
Total	**24,270**	**18,577**

15. Financial income

	for the year ended	
	31 December 2009	31 December 2008
Foreign exchange differences from forward exchange contracts	7,540	17,643
Interest income	6,018	8,443
Profit from sale of shares	330	-
Settlement of IPO related costs (see note 44)	-	7,223
Other	431	-
Total	**14,319**	**33,309**

(all amounts in PLN thousand)

Interest revenue

Breakdown of interest income by type of financial instruments is presented below:

	for the year ended	
	31 December 2009	31 December 2008
Bank accounts and deposits	6,018	8,335
Other	-	108
Total	**6,018**	**8,443**

16. Financial expenses

	for the year ended	
	31 December 2009	31 December 2008
Interest	4,109	12,231
Costs attributable to public offering of shares	-	6,691
Foreign exchange rate differences, net	1,665	4,703
Realized forward exchange contracts	-	6
Other	189	318
Total	**5,963**	**23,949**

Interest expense

Breakdown of interest costs by type of financial instrument is presented below:

	for the year ended	
	31 December 2009	31 December 2008
Borrowings and loans	3,911	12,002
Other	198	229
Total	**4,109**	**12,231**

(all amounts in PLN thousand)

17. Income tax

(i) Income tax in the income statement

	for the year ended	
	31 December 2009	**31 December 2008**
Corporate income tax	57,298	50,224
Change in deferred income tax	13,597	13,667
Correction of 2007 income tax statement	(16,877)	-
Income tax expense in the income statement	**54,018**	**63,891**

	for the year ended	
Change in deferred income tax	**31 December 2009**	**31 December 2008**
Tax losses carried forward	216	8,105
Receivables and other assets	(4,967)	11,705
Liabilities	(12,704)	(4,996)
Deferred distribution fees	15,330	(1,044)
Tangible and intangible non-current assets	15,717	(103)
Change in deferred income tax – total	**13,597**	**13,667**

(ii) Effective tax rate reconciliation

	for the year ended	
	31 December 2009	**31 December 2008**
Profit before income tax	284,337	333,654
Profit before tax multiplied by statutory tax rate in Poland of 19%	54,024	63,394
Praga Business Park Sp. z o.o. – profit before tax multiplied by statutory tax rate in Poland of 19%	-	322
Deductible temporary differences of Praga Business Park Sp. z o.o. (prior to the merger)	-	(663)
Non-tax deductible, stock-taking differences at 19% tax rate	167	546
Non-tax deductible interest cost at 19% tax rate	248	206
Correction of 2007 income tax statement of Cyfrowy Polsat S.A.	(1,277)	-
Other non-taxable revenue and non-tax deductible costs, net at 19% tax rate	856	86
Tax charge for the year	**54,018**	**63,891**
Effective tax rate	**19.0%**	**19.1%**

(all amounts in PLN thousand)

(iii) Deferred tax assets

	31 December 2009	31 December 2008
Tax losses carried forward	-	216
Liabilities	24,636	12,597
Tangible non-current assets	270	1,375
Receivables and other assets	16,034	13,011
Total deferred tax assets	**40,940**	**27,199**
Offsetting of deferred tax liabilities and deferred tax assets	(38,750)	(25,976)
Deferred tax assets in the balance sheet	**2,190**	**1,223**

(iv) Tax losses

	31 December 2009	31 December 2008
Tax loss 2006 carried forward	-	3
Tax loss 2007 carried forward	-	1,132
Tax losses carried forward – total	**-**	**1,135**

(v) Tax losses recognised

	31 December 2009	31 December 2008
Tax loss 2006 carried forward	-	3
Tax loss 2007 carried forward	-	1,132
Tax losses carried forward – total	**-**	**1,135**

At each balance sheet date, the Group recognises tax losses that are likely to be utilized in the future.

In 2009 the Group utilized tax losses for years 2006-2007 in the total amount of PLN 1,135 thousand.

According to Art. 7 of the Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilized in the following five tax years. However, tax loss utilized in a tax year cannot exceed 50% of the original tax loss for a given year.

(vi) Deferred tax liabilities

	31 December 2009	31 December 2008
Receivables and other assets	32,552	34,491
Liabilities	135	806
Deferred distribution fees	16,288	958
Tangible non-current assets	15,835	1,257
Total deferred tax liabilities	**64,810**	**37,512**
Offsetting of deferred tax liabilities and deferred tax assets	(38,750)	(25,976)
Deferred tax liabilities in the balance sheet	**26,060**	**11,536**

On 21 December 2009 Cyfrowy Polsat S.A. filed a correction of taxable income for the year 2007 under the Corporate Income Tax Act presenting an additional amount due to the total of PLN 16,877 thousand (the surcharge resulting from the statement totalled PLN 20,041 thousand). The correction was filed mainly as a result of receiving two individual tax law interpretations concerning qualifying expenses as tax-deductible costs.

18. EBITDA

The key measure of earnings in the Group is EBITDA. EBITDA measures the Group's ability to generate cash from recurring operations. The Group defines EBITDA as operating profit adjusted by depreciation and amortization. EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

	for the year ended	
	31 December 2009	31 December 2008
Profit from operating activities	276,050	324,294
Depreciation and amortization	41,948	23,547
EBITDA	**317,998**	**347,841**

19. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

As at the balance sheet date, the Group did not have financial instruments that could have a dilutive effect, therefore the Group does not present diluted earnings per share. As a result, basic earnings per share equals diluted earnings per share.

	for the year ended	
	31 December 2009	31 December 2008
Net profit (in PLN thousand)	230,319	269,763
Weighted average number of ordinary shares used to calculate earnings per share	268,325,000	268,325,000
Earnings per share in PLN	**0.86**	**1.01**

(all amounts in PLN thousand)

20. Property, plant and equipment

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepay-ments for assets under construction
Cost									
Cost as at 1 January 2008	**4,038**	**30,704**	**54,659**	**126,672**	**3,370**	**5,450**	**224,893**	**22,632**	**476**
Additions	-	7,184	35,786	21,626	1,226	6,379	**72,201**	32,861	-
Transfers from investment property	310	1,396	-	-	-	-	**1,706**	-	-
Disposals	-	(171)	(473)	(3,854)	(226)	(56)	**(4,780)**	(39,845)	(446)
Cost as at 31 December 2008	**4,348**	**39,113**	**89,972**	**144,444**	**4,370**	**11,773**	**294,020**	**15,648**	**30**
Impairment provision as at 1 January 2008	**-**	**-**	**(994)**	**(22,856)**	**-**	**-**	**(23,850)**	**-**	**-**
Additions	-	-	-	(275)	-	-	**(275)**	-	-
Diminutions	-	-	36	-	-	-	**36**	-	-
Impairment provision as at 31 December 2008	**-**	**-**	**(958)**	**(23,131)**	**-**	**-**	**(24,089)**	**-**	**-**
Accumulated depreciation									
Accumulated depreciation as at 1 January 2008	**-**	**1,789**	**18,851**	**103,267**	**729**	**1,640**	**126,276**	**-**	**-**
Additions	-	1,870	10,958	1,096	792	2,349	**17,065**	-	-
Transfers from investment property	-	27	-	-	-	-	**27**	-	-
Disposals	-	(56)	(437)	(3,835)	(139)	(47)	**(4,514)**	-	-
Accumulated depreciation as at 31 December 2008	**-**	**3,630**	**29,372**	**100,528**	**1,382**	**3,942**	**138,854**	**-**	**-**
Carrying amounts									
As at 1 January 2008	**4,038**	**28,915**	**34,814**	**549**	**2,641**	**3,810**	**74,767**	**22,632**	**476**
As at 31 December 2008	**4,348**	**35,483**	**59,642**	**20,785**	**2,988**	**7,831**	**131,077**	**15,648**	**30**

The Group recognized an impairment provision for property, plant and equipment whose carrying amount exceeded recoverable amount.

(all amounts in PLN thousand)

	Land	Buildings, premises and civil engineering structures	Technical equipment and machinery	Digital satellite reception equipment	Vehicles	Other tangible non-current assets	Total	Non-current tangible assets under construction	Prepay-ments for assets under construction
Cost									
Cost as at 1 January 2009	**4,348**	**39,113**	**89,972**	**144,444**	**4,370**	**11,773**	**294,020**	**15,648**	**30**
Additions	-	16,422	14,740	113,703	2,542	3,938	**151,345**	4,324	1,332
Transfers from investment property	2,518	15,058	-	-	-	-	**17,576**	-	-
Disposals	-	(477)	(3,811)	(36,587)	(308)	(117)	**(41,300)**	(15,319)	(1,285)
Cost as at 31 December 2009	**6,866**	**70,116**	**100,901**	**221,560**	**6,604**	**15,594**	**421,641**	**4,653**	**77**
Impairment provision as at 1 January 2009	**-**	**-**	**(958)**	**(23,131)**	**-**	**-**	**(24,089)**	**-**	**-**
Additions	-	(8)	(152)	(854)	-	(56)	**(1,070)**	-	-
Diminutions	-	-	35	-	-	-	**35**	-	-
Utilization	-	-	-	22,935	-	-	**22,935**	-	-
Impairment provision as at 31 December 2009	**-**	**(8)**	**(1,075)**	**(1,050)**	**-**	**(56)**	**(2,189)**	**-**	**-**
Accumulated depreciation									
Accumulated depreciation as at 1 January 2009	**-**	**3,630**	**29,372**	**100,528**	**1,382**	**3,942**	**138,854**	**-**	**-**
Additions	-	3,180	14,760	10,965	1,076	3,174	**33,155**	-	-
Transfers from investment property	-	621	-	-	-	-	**621**	-	-
Disposals	-	(141)	(3,195)	(13,440)	(250)	(107)	**(17,133)**	-	-
Accumulated depreciation as at 31 December 2009	**-**	**7,290**	**40,937**	**98,053**	**2,208**	**7,009**	**155,497**	**-**	**-**
Carrying amount									
As at 1 January 2009	**4,348**	**35,483**	**59,642**	**20,785**	**2,988**	**7,831**	**131,077**	**15,648**	**30**
As at 31 December 2009	**6,866**	**62,818**	**58,889**	**122,457**	**4,396**	**8,529**	**263,955**	**4,653**	**77**

The Group recognized an impairment provision for property, plant and equipment whose carrying amount exceeded recoverable amount.

(all amounts in PLN thousand)

21. Intangible assets

	Software and licences	Other	In progress	Total
Cost				
Cost as at 1 January 2008	**17,259**	**254**	**5,933**	**23,446**
Additions	10,683	1,496	6,726	18,905
Disposals	(341)	(932)	(11,791)	(13,064)
Cost as at 31 December 2008	**27,601**	**818**	**868**	**29,287**
Impairment provision as at 1 January 2008	**-**	**-**	**-**	**-**
Additions	-	(476)	(278)	(754)
Dimunitions	-	476	278	754
Impairment provision as at 31 December 2008	**-**	**-**	**-**	**-**
Accumulated amortization				
Accumulated amortization as at 1 January 2008	**11,773**	**208**	**-**	**11,981**
Additions	5,834	393	-	6,227
Disposals	(341)	(456)	-	(797)
Accumulated amortization as at 31 December 2008	**17,266**	**145**	**-**	**17,411**
Carrying amount				
As at 1 January 2008	**5,486**	**46**	**5,933**	**11,465**
As at 31 December 2008	**10,335**	**673**	**868**	**11,876**

(all amounts in PLN thousand)

	Software and licences	Other	In progress	Total
Cost				
Cost as at 1 January 2009	**27,601**	**818**	**868**	**29,287**
Additions	6,555	262	4,460	11,277
Disposals	(84)	-	(220)	(304)
Cost as at 31 December 2009	**34,072**	**1,080**	**5,108**	**40,260**
Impairment provision as at 1 January 2009	**-**	**-**	**-**	**-**
Additions	-	(18)	-	(18)
Diminutions	-	-	-	-
Impairment provision as at 31 December 2009	**-**	**(18)**	**-**	**(18)**
Accumulated amortization				
Accumulated amortization as at 1 January 2009	**17,266**	**145**	**-**	**17,411**
Additions	8,264	486	-	8,750
Disposals	(84)	-	-	(84)
Accumulated amortization as at 31 December 2009	**25,446**	**631**	**-**	**26,077**
Carrying amounts				
As at 1 January 2009	**10,335**	**673**	**868**	**11,876**
As at 31 December 2009	**8,626**	**431**	**5,108**	**14,165**

(all amounts in PLN thousand)

22. Investment property

Cost	
Cost as at 1 January 2008	**19,282**
Transfers to property, plant and equipment	(1,706)
- Buildings	(1,396)
- Land	(310)
Cost as at 31 December 2008	**17,576**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2008	**350**
Additions	255
Transfers to property, plant and equipment	(27)
Accumulated depreciation as at 31 December 2008	**578**
Carrying amounts	
As at 1 January 2008	**18,932**
As at 31 December 2008	**16,998**

Cost	
Cost as at 1 January 2009	**17,576**
Transfers to property, plant and equipment	(17,576)
- Buildings	(15,058)
- Land	(2,518)
Cost as at 31 December 2009	**-**
Accumulated depreciation	
Accumulated depreciation as at 1 January 2009	**578**
Additions	43
Transfers to property, plant and equipment	(621)
Accumulated depreciation as at 31 December 2009	**-**
Carrying amounts	
As at 1 January 2009	**16,998**
As at 31 December 2009	**-**

Revenues from the rental of investment property amounted to PLN 331 thousand in the 12 months of 2009. The related costs amounted to PLN 117 thousand. In 2008 revenues and costs amounted to PLN 1,587 thousand and PLN 1,030 thousand, respectively.

(all amounts in PLN thousand)

23. Shares in associates

Investment in mPunkt Holdings Ltd.

On 31 October 2009 the Group purchased 45% shares in mPunkt Holdings Ltd. („mPunkt Holdings") for PLN 24,8 million. mPunkt Holdings owns mPunkt Polska S.A. („mPunkt Polska") and mTel Sp. z o.o. („mTel"). mPunkt Polska operates as a country-wide sales network of telecommunication services, mobile phones, accessories and maintenance services which are offered to individual customers. mTel renders agency services under the agreement with mPunkt Polska.

The Group intends to purchase a controlling stake in mPunkt Holdings. According to the agreement the eventuality to purchase a controlling stake was dependent, inter alia, on the approval of the President of the Polish Competition and Consumer Protection Office ("UOKiK"). On 3 March 2010 the President of UOKiK issued decision DKK-12/2010 approving the takeover of mPunkt Holdings by Cyfrowy Polsat S.A. Other conditions determining the possibility of the purchase were not met as at the release date of these consolidated financial statements.

The Group transferred PLN 51,294 thousand to escrow bank account. From that amount PLN 24,556 thousand is presented at the balance sheet date as shares, while PLN 26,738 thousand is presented as restricted cash as at 31 December 2009 the Company did not purchase all of the planned shares.

On a balance sheet date the Group has a substantial influence on the activities of mPunkt Holdings, but does not exercise control. In consequence, the investment is classified as investment in associates and accounted for using the equity method.

The book value of the investment in associate is presented in the table below:

	for the year ended	
	31 December 2009	**31 December 2008**
Balance as at 1 January	**-**	**-**
Purchase of shares	24,556	-
Other capitalized costs related to the transaction	245	-
Share of loss of mPunkt Holdings for a period from 1 November to 31 December 2009	(69)	-
Balance as at 31 December	**24,732**	**-**

The revenue and net loss of mPunkt Holdings for a period from 1 November to 31 December 2009 and aggregated assets and equity and liabilities on 31 December 2009 are presented below:

Assets*	Equity and liabilities*	Revenue**	Net loss**	% of share capital held
81,754	71,892	27,616	153	45%

* amounts from audited consolidated financial statements of mPunkt Holdings for the year 2009

** amounts from unaudited consolidated financial statements of mPunkt Holdings for a period from 1 November to 31 December 2009

(all amounts in PLN thousand)

The value of aggregated assets and equity and liabilities, established as a result of purchase transaction, based on unaudited consolidated financial statements of mPunkt Holdings on 31 October 2009 is presented below:

	Value
Assets	63,145
Equity and liabilities	52,789
Estimated value of purchased net assets	**10,356**
% of share capital held by the Group	**45%**
Estimated value of purchased net assets owned by the Group	**4,660**

The carrying amount of the purchased shares on 31 December 2009 is equal to the purchase price diminished by the share of loss of mPunkt Holdings attributable to the Group for the period from 1 November to 31 December 2009.

24. Other long-term assets

	31 December 2009	31 December 2008
Shares	1,454	1,335
Deferred distribution fees	29,684	22,924
Other long-term receivables	-	5
Total	**31,138**	**24,264**

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are amortized by the Group over the minimum basic period of the subscription contracts.

25. Inventories

Types of inventories	31 December 2009	31 December 2008
Set-top boxes – goods	56,849	42,762
Set-top boxes – products	19,539	10,145
Antennas and converters	8,281	12,434
SMART and SIM cards	11,021	7,583
Other inventories	20,663	18,071
Prepayments for inventory	10,521	7,771
Total gross value	**126,874**	**98,766**
Provision	(4,783)	(3,767)
Total net value	**122,091**	**94,999**

Prepayments as at both presented balance sheet dates comprised mainly prepayments advanced to unrelated parties for set-top boxes and smart cards.

(all amounts in PLN thousand)

Provision for inventories	31 December 2009	31 December 2008
Opening balance	**3,767**	**1,836**
Increase	2,928	1,931
Decrease	(1,912)	-
Closing balance	**4,783**	**3,767**

There are no restrictions on the Group's rights to dispose its inventories.

26. Trade and other receivables

	31 December 2009	31 December 2008
Trade receivables from related entities	5,358	391
Trade receivables from non-related entities	81,791	84,654
Tax and social security receivables	43,429	33,587
Other receivables	1,322	883
Total	**131,900**	**119,515**

Trade receivables from non-related entities include mainly receivables from individual clients, distributors and others.

Trade receivables in currency

Currency	31 December 2009	31 December 2008
PLN	82,774	77,476
EUR	4,253	6,545
USD	122	1,024
Total	**87,149**	**85,045**

Movements in bad debt allowance

	31 December 2009	31 December 2008
Opening balance	**60,811**	**46,484**
Increase	19,199	15,802
Reversal	(314)	(1,141)
Utilization	(2,919)	(334)
Closing balance	**76,777**	**60,811**

(all amounts in PLN thousand)

27. Other current assets

	31 December 2009	31 December 2008
Deferred distribution fees	56,042	68,234
Current assets from valuation of exchange forward contracts	-	13,950
Other deferred costs	2,343	2,444
Other deferred income	905	1,041
Total	**59,290**	**85,669**

Deferred distribution fees comprise commissions for distributors for contracts effectively concluded with subscribers. These costs are amortized over the minimum basic period of the subscription contracts.

28. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash in hand	58	36
Current accounts	1,708	8,341
Deposits	70,886	238,045
Total	**72,652**	**246,422**

Currency	31 December 2009	31 December 2008
PLN	68,791	243,568
EUR	2,820	2,297
USD	1,041	557
Total	**72,652**	**246,422**

On 30 October 2009 Cyfrowy Polsat S.A. conducted an overdraft facility agreement with Pekao S.A. for the total amount of PLN 10,000 thousand with the repayment date set at 29 October 2010. The total amount of credit available under the agreement is automatically increased to PLN 50,000 thousand after submitting all corporate approvals required by our statute to the bank. The interest paid on the overdraft is the sum of reference rate of WIBOR O/N and a margin of 1.25%. An execution statement of up to PLN 75,000 thousand is the collateral for the overdraft facilities.

As at the date of approval of these consolidated financial statemtnts the Parent did not utilize the overdraft facilities.

As the Group cooperates with well-established Polish and international banks, the risk relating to deposited cash is considerably limited.

29. Restricted cash

Restricted cash amounted to PLN 26,738 thousand as at 31 December 2009 and concerned cash deposited on the escrow bank account for which the Group plans to purchase a majority stake in mPunkt Holdings S.A., as described in note 23.

(all amounts in PLN thousand)

30. Shareholders' equity

(i) Share capital

In accordance with the National Court Register, share capital of Cyfrowy Polsat S.A. as at 31 December 2009 amounted to PLN 10,733 thousand. Share capital is divided into 268,325,000 shares with a nominal value of PLN 0.04 each.

All shares were fully paid. Share capital was not covered by contributions in kind in the period covered by these consolidated financial statements.

The table below presents the shareholders' equity structrure as at 31 December 2009:

Share series	Number od shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	175,000,000	7,000	preference shares (2 voting rights)
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

In Poland, each issue of shares is given a consecutive serial number. As at 31 December 2009, Series A, B, C and D are preference shares (2 voting rights per share). Series E and F are not preference shares.

During the year 2009 there were no changes in the share capital structure and number of issued shares.

On 8 March 2010 Extraordinary General Meeting of Cyfrowy Polsat S.A. resolved to change the Company's statute in the following manner: 8,082,499 registered series D shares privileged as to the voting rights (2 votes per share) belonging to Polaris Finance B.V. were transformed into ordinary bearer shares. It was additionally resolved that these shares shall be the subject of application for admission to trading on a regulated market maintained by the Warsaw Stock Exchange and shall be subject to dematerialization.

After the above mentioned change, the share structure is as follows:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Total	**268,325,000**	**10,733**	

(all amounts in PLN thousand)

On 13 April 2010 The Management Board of Cyfrowy Polsat S.A. became aware of sales of 7.918.750 dematerialized registered shares of Cyfrowy Polsat S.A. by Polaris Finance B.V.

After completing the aforementioned transaction Polaris Finance B.V. holds 175,025,000 shares of Cyfrowy Polsat S.A. which account for 65.23% of the share capital of the Company entitling to 341,967,501 votes in the General Meeting of Shareholders of the Company which accounts for 76.38% of the total number of votes in the General Meeting of Shareholders of the Company.

The shareholders' structure as at 31 December 2009 was as follows:

	31 December 2009				
	Number of shares	**Nominal value of shares**	**% of share capital held**	**Number of votes**	**% of voting rights**
Polaris Finance B.V.[1]	182,943,750	7,318	68.18%	357,968,750	78.53%
Zygmunt Solorz-Żak	10,603,750	424	3.96%	21,207,500	4.66%
Other[2]	74,777,500	2,991	27.86%	76,648,750	16.81%
Total	**268,325,000**	**10,733**	**100%**	**455,825,000**	**100%**

[1]Zygmunt Solorz-Żak indirectly holds 155,502,188 of the Company shares (57.95% of the share capital and 66.75% of votes) and Heronim Ruta indirectly holds 27,441,562 of the Company shares (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V.

[2]Heronim Ruta directly holds 1,871,250 of the Company shares (0.70% share in capital and 0.82% of voting rights).

On 16 April 2009, Polaris Finance B.V. withdrew from a share sale agreement with Zygmunt Solorz-Żak dated 18 December 2008. On 16 April 2009 a return transfer of 20,000,000 dematerialised registered shares of Cyfrowy Polsat S.A., privileged as to the number of votes in the ratio of 2 to 1 took place.

Prior to the aforementioned transaction Polaris Finance B.V. held 162,943,750 shares of the Company which accounted for 60.73% of the share capital of the Company entitling to 317,968,750 votes in the General Meeting of Shareholders of the Company which accounted for 69.76% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. After completing the aforementioned transaction Polaris Finance B.V. holds 182,943,750 shares of the Company which account for 68.18% of the share capital of the Company entitling to 357,968,750 votes in the General Meeting of Shareholders of the Company which accounts for 78.53% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A.

Prior to the aforementioned transaction Zygmunt Solorz-Żak directly held 30,603,750 shares of the Company which accounted for 11.41% of the share capital of the Company entitling to 61,207,500 votes in the General Meeting of Shareholders of the Company which accounted for 13.43% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. After completing the aforementioned transaction Mr. Zygmunt Solorz-Żak directly holds 10,603,750 shares of the Company which account for 3.96% of the share capital of the Company entitling to 21,207,500 votes in the General Meeting of Shareholders of the Company which accounts for 4.66% of the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A.

Moreover, Polaris Finance B.V. informed the Company about lack of intention of further increasing the share in the total number of votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. within 12 months from 17 April 2009.

(all amounts in PLN thousand)

The shareholders' structure as at 31 December 2008 was as follows:

	31 December 2008				
	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Polaris Finance B.V.[1]	162,943,750	6,518	60.73%	317,968,750	69.76%
Zygmunt Solorz-Żak	30,603,750	1,224	11.41%	61,207,500	13.43%
Other[2]	74,777,500	2,991	27.86%	76,648,750	16.81%
Total	**268,325,000**	**10,733**	**100%**	**455,825,000**	**100%**

[1]Zygmunt Solorz-Żak indirectly holds 138,502,188 of the Company shares (51.62% of the share capital and 59.30% of votes) and Heronim Ruta indirectly holds 24,441,562 of the Company shares (9.11% of the share capital and 10.46% of votes) through Polaris Finance B.V.

[2]Heronim Ruta directly holds 1,871,250 of the Company shares (0.70% share in capital and 0.82% of voting rights).

Initial public offering

On 30 April 2008 the public offering of the E series shares was completed – 67,081,250 shares owned as at 31 December 2007 by Polaris Finance BV were sold and all of them are listed as at 31 December 2009.

(ii) Reserve capital

In accordance with art. 396 of the Commercial Companies Code, joint-stock companies are obliged to transfer 8% of annual net profit to reserve capital until it reaches at least one third of total share capital. Reserve capital cannot be distributed.

General Shareholders Meeting adopted following resolutions regarding transfer from net profit to reserve capital: on 5 September 2007 a resolution transferring part of the 2006 profit in the amount of PLN 3,500 thousand to reserve capital, on 4 July 2008 a resolution transferring part of the 2007 profit in the amount of PLN 464 thousand to reserve capital, on 14 May 2009 a resolution transferring part of the 2008 profit in the amount of PLN 70,033 thousand to reserve capital.

(iii) Statutory reserve funds

Statutory reserve funds of PLN 10,174 thousand include the difference between the fair value of shares purchased by the Members of the Management Board and their issue price.

(iv) Retained earnings

The net profit for the year is presented under retained earnings.

(v) Dividends paid

On 14 May 2009 a resolution regarding the distribution of 2008 profit was adopted. The General Shareholders Meeting of Cyfrowy Polsat S.A. resolved to pay dividend in the amount of PLN 201,244 thousand. The dividend was paid in two tranches – PLN 134,163 thousand on 16 June 2009 and PLN 67,081 thousand on 21 October 2009.

(all amounts in PLN thousand)

31. Borrowings and loans

	31 December 2009		
	Long-term	Short-term	Total
Borrowings and loans	-	47,370	47,370
Total	**-**	**47,370**	**47,370**

	31 December 2008		
	Long-term	Short-term	Total
Borrowings and loans	44,135	66,571	110,706
Total	**44,135**	**66,571**	**110,706**

Borrowings and loans by currency

Currency	31 December 2009	31 December 2008
PLN	47,370	110,706
Total	**47,370**	**110,706**

Borrowings and loans

As at 31 December 2009

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest
Bank Pekao S.A.	PLN	191,830	47,277	47,370	9 October 2010*	1M WIBOR+ 0,55%
Total				**47.370**		

As at 31 December 2008

Lender	Currency	Amount in currency	Principal outstanding	Carrying amount	Repayment term	Interest
Bank Pekao S.A.	PLN	191,830	110,312	110,706	9 October 2010*	1M WIBOR+ 0,55%
Total				**110,706**		

*During the 2008-2009 period the Company, according to the payment schedule, repaid part of the principal, in the amount of PLN 144,553 thousand (PLN 63,035 thousand in 2009 and PLN 81,518 thousand in 2008). The remaining amount will be paid in equal installments at the end of each quarter. The final loan repayment should be made not later than 3 years after signing of the loan agreement.

Collateral
Financial covenants: the ratio of Net Financial Debt to EBITDA calculated for an Accounting Period (calendar year) must be lower than or equal to 2.2:1. At all times during the loan agreement term, the ratio of EBITDA to Debt Service must be higher than or equal to 1.2:1.

If any of the above ratios is not maintained at the required level and Polsat Cyfrowy S.A., within 10 business days from the receipt of a relevant notice from the agent, prepays the loan in an amount sufficient to restore the ratios to the required levels, then such a breach will not represent an Event of Default.

Moreover, the Company is prohibited from:
- creating security over its assets for amounts in excess of PLN 100 thousand,
- disposing of its assets in order to incur financial debt or finance purchase of assets,
- selling, transferring or leasing its assets if the market value of the subject of the transaction exceeds PLN 30,000 thousand and the transaction has not been executed in the ordinary course of business,
- merging with another legal entity without the consent of the agent (i.e. Bank Pekao S.A. acting on behalf and for the creditors as the pledge administrator or on behalf and for itself),
- purchasing shares in other corporations or establishing companies or partnerships without the consent of the agent,
- entering into transactions on terms less advantageous than arm's length terms,
- granting loans without the consent of the agent, with the exception of loans for Cyfrowy Polsat Technology Sp. z o.o., in a total amount exceeding PLN 40,000 thousand,
- providing guarantees without the consent of the agent,
- distributing dividends before the public offering,
- incurring financial debt otherwise than as part of day-to-day business activities, for a total amount exceeding PLN 10,000 thousand,
- acquiring its shares for retirement without the consent of the agent,
- materially changing its business scope,
- transferring its receivables,
- opening any bank accounts without providing security for the agent

and obliged to:
- provide the agent with any material documents and information concerning the financial standing of the Group,
- make monthly payments to Bank Pekao S.A. accounts in the amount of at least PLN 30,000 thousand (but no more than 50% of the funds held in the Company's accounts),
- make any transfers of funds abroad through the agent if the transfers exceed PLN 50 thousand,
- use, for the purpose of financial statements' audit, only the services of the auditors specified in the agreement or the services of other auditors if approved by the agent.

(all amounts in PLN thousand)

32. Group as a lessor and as a lessee

a) Group as a lessor

Operating lease

The Group entered into a significant number of contracts with third parties, which are classified as operating leases due to their economic substance. The contracts relate to rental of digital satellite reception equipment. Assets connected with such contracts are presented as property, plant and equipment.

Lease contracts for set-top boxes are concluded for a basic contractual period ranging from 12 to 36 months. After the basic period, the contracts are converted into contracts with indefinite or definite terms, unless terminated by subscribers.

Future minimimum lease payments concerning set-top boxes under operating lease are as follows:

	31 December 2009	31 December 2008
within 1 year	702	268
between 1 and 5 years	624	159
Total	**1,326**	**427**

Finance lease

The Group entered into a significant number of contracts with third parties, which are classified as finance leases due to their economic substance. The contracts relate to the rental of digital satellite reception equipment.

The Group does not record assets related to these contracts in the financial statements.

Future minimum lease payments under finance leases are as follows:

	31 December 2009	31 December 2008
within 1 year	161	2,199
Total	**161**	**2,199**

The present value of minimum lease payments amounted to PLN 160 thousand as at 31 December 2009 and PLN 2,154 thousand as at 31 December 2008.

b) Group as a lessee

Operating leases

The Group entered into a significant number of agreements, which are classified as operating lease contracts due to their economic substance. Assets leased under these contracts are not recorded in the financial statements. The assets comprise rental of transponder capacity, rental of office and warehouse space, and rental of equipment.

(all amounts in PLN thousand)

Future minimum lease payments under operating leases are as follows:

	31 December 2009	31 December 2008
within 1 year	97,001	74,407
between 1 and 5 years	383,655	149,131
in more than 5 years	274,576	30,760
Total	**755,232**	**254,298**

In 2009 the Group incurred costs related to operating lease agreements amounting to PLN 83,535 thousand.

Finance leases

The carrying value of devices used on the basis of finance lease contracts amounted to PLN 1,670 thousand as at 31 December 2009 and PLN 1,956 thousand as at 31 December 2008. The lease period is 10 years.

Future minimum lease payments under finance leases are as follows:

	31 December 2009	31 December 2008
within 1 year	234	238
between 1 and 5 years	937	951
in more than 5 years	214	456
Total	**1,385**	**1,645**

The present value of minimum lease payments amounted to PLN 1,243 thousand as at 31 December 2009 and PLN 1,367 thousand as at 31 December 2008.

33. Trade and other payables

	31 December 2009	31 December 2008
Trade payables to related parties	915	2,352
Trade payables to non-related parties	86,550	127,956
Taxation and social security payables	7,769	8,088
Payables relating to purchases of fixed assets	6,361	4,844
Accruals	107,534	48,942
Short term provisions	10,235	4,032
Other	2,849	1,311
Total	**222,213**	**197,525**

(all amounts in PLN thousand)

Accruals

	31 December 2009	31 December 2008
Salaries	16,402	17,324
Royalties for copyright management organisations	2,463	1,977
Licence fees	36,045	18,567
Cost attributable to public offering of shares	-	338
Distribution costs	37,491	1,345
Other	15,133	9,391
Total	**107,534**	**48,942**

Trade payables and payables relating to purchases of fixed assets by currency

Currency	31 December 2009	31 December 2008
PLN	30,549	86,646
EUR	15,636	24,341
USD	47,642	24,165
Total	**93,827**	**135,152**

Accruals by currency

Currency	31 December 2009	31 December 2008
PLN	75,780	31,941
EUR	18,988	10,225
USD	12,766	6,776
Total	**107,534**	**48,942**

34. Deposits for equipment

	31 December 2009	31 December 2008
Subscribers	10,568	14,206
Distributors	8,215	8,224
Other	17	17
Total	**18,800**	**22,447**

Deposits received comprise amounts paid by subscribers under agreements for rental of set-top boxes and deposits paid by distributors for digital satellite reception equipment and mobile phones.

Deposits are returned to customers or offset against receivables from subscribers upon contract termination. All deposits are presented as short-term liabilities as the notice period is less than 12 months.

(all amounts in PLN thousand)

35. Deferred income

	31 December 2009	31 December 2008
Deferred income	135,062	119,265

Deferred income comprises mainly subscription fees paid in advance and rental fees for set-top boxes. These fees mainly relate to services to be rendered within 12 months from the balance sheet date.

36. Operating segments

The Management Board of Cyfrowy Polsat S.A. identified operating segments in the basis of regularly reviewed management reports.

The Group identified following operating segments:

1) Digital television segment comprises activities connected with providing digital television transmission signal to individual clients by Cyfrowy Polsat S.A. and set-top boxes' manufacturing by its subsidiary company Cyfrowy Polsat Technology Sp. z o.o. Segment revenue comprises particularly:
- DTH subscription fees;
- activation fees;
- sale of digital satellite reception equipment and
- transmission services.

2) Telecommunication services segment comprises Group's activities connected with providing mobile phone and Internet access services to the clients. Segment revenue comprises particularly:
- subscription fees related to mobile phone and Internet access services;
- interconnection revenues;
- settlements with mobile network operators and
- sale of mobile phones and modems.

3) Other operations comprise most notably managing costs, financial activities (including interest revenue and costs), tax burden and other unallocated costs. Revenue presented comprises mainly revenue from real estate rental.

The Group aggregated MVNO and Internet operating segments presenting them jointly as telecommunication services segment. Aggregation was done due to the similarity of services and comparable economic characteristics. In addition, Internet segment did not achieve the quantitative criteria justifying the necessity of separate presentation until 31 December 2009.

(all amounts in PLN thousand)

The table below presents Company's segment revenue and costs for the year ended 31 December 2009:

	Digital television	Telecommunication services	Other	Eliminations	Consolidated amount
External revenue	1,255,852	9,905	380	**-**	**1,266,137**
Inter-segment revenue	-	-	534	(534)	**-**
Revenue from services, products, goods and materials sold	**1,255,852**	**9,905**	**914**	**(534)**	**1,266,137**
Operating expenses, including:	**(865,075)**	**(49,563)**	**(64,254)**	**534**	**(978,358)**
Depreciation and amortization	(21,965)	(8,805)	(11,448)	-	**(41,948)**
Other operating revenue and costs, net including:	**(5,995)**	**(5,173)**	**(561)**	-	**(11,729)**
Fixed assets impairment	(819)	-	-	-	**(819)**
Stock provision	(483)	(533)	-	-	**(1.016)**
Bad debt provision	(14,952)	(4,516)	(44)	-	**(19,512)**
Profit/(loss) from operating activities	**384,782**	**(44,831)**	**(63,901)**	**-**	**276,050**
EBITDA*	**406,477**	**(36,026)**	**(52,453)**	**-**	**317,998**

*The key measure of earnings in the Company is EBITDA.

EBITDA measures the Company's ability to generate cash from recurring operations.

The Company defines EBITDA as operating profit adjusted by depreciation and amortization.

EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

(all amounts in PLN thousand)

The table below presents Company's segment revenue and costs for the year ended 31 December 2008:

	Digital television	Telecommunication services	Other	Eliminations	Consolidated amount
External revenue	1,093,907	2,767	1,800	-	**1,098,474**
Inter-segment revenue	-	-	332	(332)	**-**
Revenue from services, products, goods and materials sold	**1,093,907**	**2,767**	**2,132**	**(332)**	**1,098,474**
Operating expenses, including:	**(676,158)**	**(45,101)**	**(54,882)**	**332**	**(775,809)**
Depreciation and amortization	(10,134)	(3,859)	(9,374)	-	**(23,547)**
Other operating revenue and costs, net including:	**1,599**	**-**	**30**	**-**	**1,629**
Fixed assets impairment	(1,029)	-	(7)	-	**(1,036)**
Stock provision	(1,990)	-	-	-	**(1,990)**
Bad debt provision	(14,684)	-	(324)	-	**(15,008)**
Profit/(loss) from operating activities	**419,348**	**(42,334)**	**(52,720)**	**-**	**324,294**
EBITDA*	**429,662**	**(38,475)**	**(43,346)**	**-**	**347,841**

*The key measure of earnings in the Company is EBITDA.

EBITDA measures the Company's ability to generate cash from recurring operations.

The Company defines EBITDA as operating profit adjusted by depreciation and amortization.

EBITDA is not defined by the EU IFRS and can be calculated differently by other entities.

(all amounts in PLN thousand)

The table below presents Company's investment expenditures by segments for the year ended 31 December 2009.

Investment expenditures:	Digital television	Telecommunication services	Other	Total
- intangible assets	6,137	1,457	2,936	**10,530**
- tangible assets and investment property	8,459	1,920	16,145	**26,524**
Total investment expenditures	**14,596**	**3,377**	**19,081**	**37,054**

The table below presents Company's investment expenditures by segments for the year ended 31 December 2008.

Investment expenditures:	Digital television	Telecommunication services	Other	Total
- intangible assets	4,111	2,426	947	**7,484**
- tangible assets and investment property	5,696	16,110	26,303	**48,109**
Total investment expenditures	**9,807**	**18,536**	**27,250**	**55,593**

The table below presents Company's assets by segments as at 31 December 2009.

	Digital television	Telecommunication services	Other	Total
Non-current assets	187,454	24,395	129,061	**340,910**
Current assets	262,292	5,562	166,082	**433,936**
Total assets	**449,746**	**29,957**	**295,143**	**774,846**

Non-current assets classified as other comprise mainly property at Łubinowa street, shares in subsidiaries and associates, set-top boxes' production line and Company's car fleet. Current assets classified as other comprise mainly cash and cash equivalents, restricted cash and public receivables.

The table below presents Groups' assets by segments as at 31 December 2008.

	Digital television	Telecommunication services	Other	Total
Non-current assets	76,125	29,598	95,393	**201,116**
Current assets	240,683	9,075	306,257	**556,015**
Total assets	**316,808**	**38,673**	**401,650**	**757,131**

Non-current assets classified as other comprise mainly property at Łubinowa street, Group's car fleet and set-top boxes' production line. Current assets classified as other comprise mainly cash and cash equivalents, public receivables and forward exchange contracts.

Group's liabilities by segments are not analyzed by the Management Board in monthly management reports.

(all amounts in PLN thousand)

37. Financial instruments

Overview

Cyfrowy Polsat S.A. Group is exposed to the following financial risks:
- credit risk,
- liquidity risk,
- market risk:
    (i) currency risk,
    (ii) interest rate risk,
- capital risk.

The Group's risk management policies are designed to reduce the impact of adverse conditions on the Group's results.

The Management Board is responsible for oversight and management of each of the risks faced by the Group. Therefore, the Management Board has established an overall risk management framework as well as risk management policies on credit risks and capital risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included also in other notes to these consolidated financial statements.

Loans and borrowings, cash, forward exchange contracts and short-term bank deposits are the main financial instruments used by the Group. They are intended to secure the financing for the Group's activities. The Group uses also other financial instruments such as trade receivables and trade payables which arise in the course of business activities.

Financial assets	Carrying amount	
	31 December 2009	**31 December 2008**
Financial assets at fair value through profit or loss, including:	**-**	**13,950**
Forward exchange contracts*	-	13,950
Loans and receivables, including:	**88,471**	**85,933**
Trade and other receivables from related parties	5,358	391
Trade and other receivables from non-related parties	83,113	85,542
Financial assets held to maturity	**-**	**-**
Financial assets available for sale	**-**	**-**
Hedging derivative instruments *	**-**	**-**
Cash and cash equivalents	**72,652**	**246,422**
Restricted cash	**26,738**	**-**

*The Group does not adopt hedge accounting, therefore forward exchange contracts are being presented at fair value through profit or loss.

(all amounts in PLN thousand)

Financial liabilities	Carrying amount	
	31 December 2009	**31 December 2008**
Financial liabilities at fair value through profit or loss	**-**	**-**
Other financial liabilities valued at amortised cost, including:	**164,230**	**271,261**
Financial lease liabilities	1,385	1,645
Borrowings and loans	47,370	110,706
Trade payables and other payables to third parties	114,560	156,558
Trade and other payables to related parties	915	2,352
Hedging derivative instruments	**-**	**-**

Credit risk

Credit risk arises mainly on trade receivables. In the financial year ended 31 December 2009, the Group was not materially exposed to credit risk arising from sales on credit. The Parent's customer base includes a large number of individual subscribers dispersed geographically over the country who prepay subscription fees. Receivables from subscribers are constantly monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to a MVNO client.

The Group analyses the creditworthiness of distributors as well as TV and radio broadcasters on an ongoing basis.

Credit risk related to other financial assets of the Group, such as receivables and cash and cash equivalents arises when a counterparty fails to make due payments. The maximum exposure to credit risk related to the financial assets equals the carrying amount of the assets. The maximum exposure to credit risk as at the balance sheet dates was as follows:

Maximum exposure to credit risk

	Carrying amount	
	31 December 2009	**31 December 2008**
Trade and other receivables from non-related parties	83,113	85,542
Trade and other receivables from related parties	5,358	391
Cash and cash equivalents	72,652	246,422
Restricted cash	26,738	-
Total	**187,861**	**332,355**

(all amounts in PLN thousand)

The table below presents receivables' credit risk concentration:

	Carrying amount	
	31 December 2009	31 December 2008
Receivables from subscribers	61,664	59,550
Receivables from distributors	11,333	12,841
Receivables from media companies	5,205	4,582
Receivables from related parties	5,358	391
Receivables from other non-related parties	4,911	8,569
Total	**88,471**	**85,933**

The table below presents the ageing of receivables:

	31 December 2009			31 December 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	72,073	1,446	70,627	68,968	1,453	67,515
Past due 0-30 days	5,394	1,195	4,199	5,560	1,317	4,243
Past due 31-60 days	3,713	1,486	2,227	4,128	2,480	1,648
More than 60 days	84,068	72,650	11,418	68,088	55,561	12,527
Total	**165,248**	**76,777**	**88,471**	**146,744**	**60,811**	**85,933**

Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Surplus cash is invested in bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of cash requirements based on budgeted cash flows.

(all amounts in PLN thousand)

The table below presents the contractual maturities of the Group's financial liabilities.

	31 December 2009						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	47,370	48,257	32,337	15,920	-	-	-
Finance lease liabilities	1,385	1,385	117	117	234	703	214
Trade and other payables to non-related parties	114,560	114,560	114,560	-	-	-	-
Trade and other payables to related parties	915	915	915	-	-	-	-
	164,230	**165,117**	**147,929**	**16,037**	**234**	**703**	**214**

	31 December 2008						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	more than 5 years
Loans	110,706	118,188	35,165	34,074	48,949	-	-
Finance lease liabilities	1,645	1,645	119	119	238	713	456
Trade and other payables to non-related parties	156,558	156,558	156,558	-	-	-	-
Trade and other payables to related parties	2,352	2,352	2,352	-	-	-	-
	271,261	**278,743**	**194,194**	**34,193**	**49,187**	**713**	**456**

Market risk

Currency risk

One of the main risks to which the Group is exposed is currency risk related to fluctuations in the exchange rate between the Polish zloty and other currencies. The revenues generated by the Group are denominated mainly in Polish zloty, however, a significant portion of operating costs and capital expenditures are incurred in foreign currencies. The Group's currency risk is related to royalties for TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchasing digital satellite reception equipment and accessories for digital satellite reception equipment (USD and EUR).

Currency risk related to licence fees and transponder capacity leases is partly hedged against through actions aiming at the natural reduction of the exposure due to denominating receivables from transmission and marketing services in foreign currencies.

In order to hedge against the currency risk related to royalties for TV and radio broadcasters, costs of conditional access system and costs of digital satellite reception equipment purchases the Group entered into a number of forward exchange contracts.

In 2008, the Parent concluded 11 USD purchase agreement in the amount of USD 2,000 thousand each and 6 EUR purchase agreements in the amount of EUR 1,500 thousand each. As at 31 December 2009 all contracts were settled.

The Group does not hold any assets available for sale denominated in foreign currencies. The Group holds equity interest a foreign entity whose functional currency is American dollar. As this asset is not available for sale, the Group classifies the asset as shares in associates.

The Group does not apply hedge accounting.

The table below presents the Group's foreign currency risk exposure in foreign currencies:

	31 December 2009		31 December 2008	
(in thousands)	**EUR**	**USD**	**EUR**	**USD**
Trade receivables	1,035	43	1,569	346
Cash and cash equivalents	686	365	551	188
Loans and borrowings	-	-	-	-
Trade payables	(3,806)	(16,715)	(5,834)	(8,159)
Gross balance sheet exposure	**(2,085)**	**(16,307)**	**(3,714)**	**(7,625)**
Estimated sales revenue*	545	-	5,543	240
Estimated purchases*	(58,946)	(54,902)	(56,873)	(129,060)
Gross exposure	**(60,486)**	**(71,209)**	**(55,044)**	**(136,445)**
Forward exchange contracts	-	-	4,500	16,000
Net exposure	**(60,486)**	**(71,209)**	**(50,544)**	**(120,445)**

*During the 12-month period from the balance sheet date.

Following foreign exchange rates were applied in the presented periods:

	Average rate		Rates at the balance sheet date	
(in PLN)	**2009**	**2008**	**31 December 2009**	**31 December 2008**
1 EUR	4.3273	3.5166	4.1082	4.1724
1 USD	3.1162	2.4092	2.8503	2.9618

A 5% weakening of the Polish zloty against the euro and US dollar would have decreased the gross profit by the amount presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis below is performed on the same basis for 2008.

For the purposes of exchange rate volatility sensitivity analysis as at 31 December 2009 and 31 December 2008 it was assumed that probable volatility will be in the +/- 5% band.

	2009				2008			
	As at 31 December 2009		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)	As at 31 December 2008		Estimated change in exchange rate in %	Estimated change in profit in PLN (in thousand)
	in currency (in thousand)	in PLN (in thousand)			in currency (in thousand)	in PLN (in thousand)		
Trade receivables								
EUR	1,035	4,253	5%	213	1,569	6,545	5%	327
USD	43	122	5%	6	346	1,024	5%	51
Cash and cash equivalents								
EUR	686	2,820	5%	141	551	2,297	5%	115
USD	365	1,041	5%	52	188	557	5%	28
Loans								
EUR	-	-	5%	-	-	-	5%	-
USD	-	-	5%	-	-	-	5%	-
Trade payables								
EUR	(3,806)	(15,636)	5%	(782)	(5,834)	(24,341)	5%	(1,217)
USD	(16,715)	(47,642)	5%	(2,382)	(8,159)	(24,165)	5%	(1,208)
Change in operating profit				(2,752)				(1,904)
Forward exchange contracts								
EUR	-	-	5%	-	4,500	18,776	5%	939
USD	-	-	5%	-	16,000	47,389	5%	2,369
Income tax				(523)				267
Change in net profit				(2,229)				1,137

Had the exchange rate of euro and American dollar against the Polish zloty as at 31 December 2009 and 31 December 2008 been higher by 5%, the Group's net profit would have correspondingly decreased by PLN 2,229 thousand and increased by PLN 1,137 thousand. Strengthening of the Polish zloty against the above currencies by the given percentage would have the opposite effect on the net profit, assuming that all other variables remain constant. Estimated future revenue and cost denominated in foreign currency is not taken into consideration.

(all amounts in PLN thousand)

Interest rate risk

Fluctuations in market interest rates have no direct effect on the Group's revenues, however, they do have an effect on cash flow from operating activities through interest earned on overnight deposits and current accounts and cash flow from financing activities through the cost of interest paid on bank credits and interest earned on overnight and current deposits.

The Group analyses the level of interest rate risk, including refinancing scenarios as well as hedging policies against interest rate risk on a regular basis. Based on the analyses, the Group estimates the effect of given changes in interest rates on its results.

The table below presents the interest rate risk profile for interest-bearing financial instruments as at the balance sheet date:

	Carrying amount	
	31 December 2009	**31 December 2008**
Fixed rate instruments		
Financial assets	46,009	158,161
Financial liabilities	-	-
Total	**46,009**	**158,161**

	Carrying amount	
	31 December 2008	**31 December 2007**
Variable rate instruments		
Financial assets	26,585	88,111
Financial liabilities	(47,277)	(110,312)
Total	**(20,692)**	**(22,201)**

Cash flow sensitivity analysis for variable rate instruments:

	Income statement	
	Increase by 100 bp	**Decrease by 100 bp**
31 December 2009		
Variable rate instruments	(207)	207
Cash flow sensitivity (net)	(207)	207
31 December 2008		
Variable rate instruments	(222)	222
Cash flow sensitivity (net)	(222)	222

The Group does not adopt hedge accounting, therefore change in the level of interest rates has no effect on Group's equity.

(all amounts in PLN thousand)

Fair value versus carrying amount

The fair value of forward currency contracts is estimated by discounting the difference between the amount resulting from the contractual exchange rate and the amount resulting from the theoretical exchange rate calculated on the basis of market interest rates and the official exchange rate as per National Bank of Poland at the balance sheet date.

The fair value of other financial instruments is based on estimated discounted cash flows. It is assumed that the carrying amount of trade receivables (less impairment losses) and of trade payables due within 12 months approximates their fair value.

The table below presents the fair values and carrying amounts of financial assets and liabilities.

	31 December 2009		31 December 2008	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Trade and other receivables	88,471	88,471	85,933	85,933
Forward exchange contracts	-	-	13,950	13,950
Cash and cash equivalents	72,652	72,652	246,422	246,422
Restricted cash	26,738	26,738	-	-
Loans and borrowings	(47,275)	(47,370)	(109,308)	(110,706)
Finance lease liabilities	(1,385)	(1,385)	(1,645)	(1,645)
Trade and other payables	(115,475)	(115,475)	(158,910)	(158,910)
Total	**23,726**	**23,631**	**76,442**	**75,044**
Unrecognised gain		95		1,398

It is assumed that the fair value of cash and cash equivalents and restricted cash is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value. Due to immateriality of the amount in question the fair value of finance lease liabilities was determined as equal to their nominal value. Trade and other receivables and trade and other payables comprise mainly receivables and payables which will be settled no later than at the end of the first month after the balance sheet date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value. Evaluation methods used to calculate fair values of loans and borrowings were based on observable market data – WIBOR interest rates. When determinining the fair value of loans and borrowings, forecasted cash flows from the balance sheet date to September 2010 (assumed date of repayment of the bank loan) were analyzed. The discount rate for each month was calculated as a sum of implied WIBOR 1M interest rate (calculated on the basis of WIBOR interest rates structure as at 31 December 2009) and a margin of 1.20% (the Parent estimates that this is a margin which would be applicable if the the Parent decided to take a comparable bank loan at present time).

The fair value of forward exchange contracts was calculated using methods basing exclusively on observable market data, therefore these contracts were classified as priced according to the second category of fair value appraisal methods. The Group did not have any financial instruments valued at fair value as at 31 December 2009.

(all amounts in PLN thousand)

Capital management

The goal of capital management is to maintain the Group's ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

38. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis.

	for the year ended	
	31 December 2009	**31 December 2008**
Revenues from barter transactions	2,803	2,215
Cost of barter transactions	2,721	3,062

	31 December 2009	**31 December 2008**
Barter receivables	1,463	427
Barter payables	449	200

39. Litigation and public administration proceedings

As at the date of preparation of these consolidated financial statements for the period ended 31 December 2009 following material public administration proceedings and claims before the court against the consolidated entities were pending.

Public administration proceedings

The proceeding before Competition and Consumer Protection Office ("UOKiK") due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro 2008 event

On 14 April 2009 Cyfrowy Polsat S.A. received a notification about ex-officio initiation of antimonopoly proceedings against the Parent due to abuse of the dominant position on the domestic market of sale of rights for public broadcasting of Euro 2008 event involving imposing onerous agreement conditions, resulting in unjustified benefits through dependence of sale of rights to public broadcast of Euro 2008 event on the purchase of a set-top box and technical support, which, according to the UOKiK may constitute a breach of article 9 section 2 point 6 of the Law of 16 February 2007 on competition and customer protection.

Cyfrowy Polsat S.A. received decision No. DOK 1/2010 dated 12 February 2010 stating that the President of UOKiK obliged the Parent to buy back set-top boxes (which were previously sold to entrepreneurs together with the rights to the public broadcast of Euro 2008 event and technical support) from those entrepreneurs who decided to resell this equipment. The Parent is obliged to pay for these set-top boxes an amount equal to the sum of the price paid by the entrepreneurs for set-top boxes and the value of the technical support. The Parent is also obliged to cover all costs related to transport of these set-top boxes.

The Group did not create provisions for costs related to set-top boxes buyback from entrepreneurs due to the fact that current experience and analyses indicate that the potential amount would be immaterial.

Proceedings before the President of UOKiK regarding an application of practices breaching collective interests of consumers.

Cyfrowy Polsat S.A. received on 13 August 2009 a notification of initiation of proceedings with regard to application of practices breaching collective interest of consumers as set out by the provisions of article 24 clause 2 point 1 of the Law of 16 February 2007 on competition and consumer protection by the Parent, relating to statements in the service provision rules, whose content, in the view of the President of the Office of Competition and Consumer Protection, may be tantamount to the content of provisions entered into the registry of templates that have been deemed forbidden. The Parent had been in the course of works, in cooperation with UOKiK and the Office of Electronic Communications, to change the rules. The amended rules entered into force on 1 November 2009.

The Parent received decision No. 11/2009 dated 31 December 2009 stating that the President of UOKiK recognizes the statements in the service provision rules (which were in force until 1 November 2009) as practice breaching the collective interests of consumers. Simultaneously the President of UOKiK stated that these provisions were ceased in the amended rules.

The President of UOKiK ordered, once the decision becomes legally binding, its publication on the www.cyfrowypolsat.pl website and in a daily nationwide newspaper. Moreover, pursuant to article 106 clause 1 point 4 of the Law of 16 February 2007 on competition and consumer protection the President imposed a cash fine of PLN 994 thousand, payable to the state budget, due to the breach of the interdiction set out in article 24 clause 1 and 2 point 1 of the Law of 16 February 2007 on competition and consumer protection within the scope described in the decision, which constitutes 0.09% of the Parent's revenue in 2008.

The Parent submitted appeal against the decision to the Competition and Consumer Protection Court. On 14 April 2010 the President of UOKiK called for dismissing the appeal.

The Group created a provision for potential costs resulting from the final settlement of the above-mentioned proceedings.

Other litigations

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by SkyMedia Sp. z o.o. with registered office in Katowice for compensation and indemnity claims. On 2 April 2010 the District Court for Warszawa Praga in Warsaw X Entrepreneurs' Division delivered a judgment which provides that the Parent is obliged to pay SkyMedia Sp. z o.o. a total amount of PLN 545 thousand with statutory interest accrued from 28.08.2007 and PLN 30 thousand as a return of legal costs. Cyfrowy Polsat S.A. intends to submit an appeal against the judgment.

Due to uncertainty as to the amount and timing of the outflow of cash the Parent classifies the liability in the total amount of PLN 758 thousand described above as a contingent liability and therefore did not create provision for potential costs resulting from the final settlement of the proceedings.

As at the date of preparation of these financial statements the consolidated entities are parties to other litigations which are not material.

40. Important agreements and events

On 26 February 2009 a long-term agreement between Cyfrowy Polsat S.A. and Eutelsat S.A. on renting of the satellite capacity on the transponder HotBird 9 was signed. Conditions of the agreement are not different from market standards applied to agreements of this type. The total value of this agreement amounts to EUR 26.6 million.

In the period covered by these financial statements, the Parent continued replacement process of the encryption cards and digital satellite reception equipment incompatible with the conditional access system. Pursuant to the agreement concluded between Cyfrowy Polsat S.A. and Nagravision S.A. on 2 November 2004, Nagravision S.A. is obliged to pay a contractual penalty covering the costs of card replacement resulting from a breach of the encryption system. In the period covered by these financial statements Cyfrowy Polsat S.A. issued debit notes in the amount of PLN 7,794 thousand, the entire amount is recognized as revenue in the current period. By 31 December 2009 Nagravision S.A. paid the entire amount of compensation for the costs incurred by the Parent.

On 11 March 2009 Cyfrowy Polsat S.A. accepted an offer to purchase 350,000 privileged shares of a new issue of Sferia S.A. ("Sferia") of nominal value of PLN 100 each. The shares were acquired at the issue price of PLN 152.56 per share. Before the acquisition of shares, Cyfrowy Polsat S.A. concluded an option agreement with Zygmunt Solorz-Żak, which was exercised on 13 March 2009. On 21 April 2009 Cyfrowy Polsat S.A. sold shares in Sferia S.A. to Polaris Finance B.V., an entity appointed by Zygmunt Solorz-Żak as an executer of the option agreement. Shares were sold for the price of PLN 53,726 thousand (the price of acquisition of PLN 53,396 thousand increased by an interest of 5.5% calculated from 11 March 2009 to 21 April 2009).

On 1 October 2009 three long-term agreements were signed between the Parent and Eutelsat S.A.. The object of the agreements is the continuation of renting transponders on HotBird 8 satellite. As a result of the signed agreements and an agreement dated 26 February 2009 Cyfrowy Polsat S.A. continues to have on its hand satellite capacity on four transponder HotBird 8 and 9. The value of the signed agreements during the period it shall be in force is EUR 79.7 million.

(all amounts in PLN thousand)

41. Non-balance sheet liabilities

Security relating to borrowings and loans

Security relating to borrowings and loans is described in note 31.

Liabilities relating to operating leases

Liabilities relating to operating leases are described in note 32.

Contractual liabilities related to purchase of non-currents assets

The Group entered into several agreements on refurbishment of the property. Amount of unbilled purchases of goods and services regarding refurbishment totaled PLN 2,788 thousand as at 31 December 2009. In addition, the Group entered into agreements for purchase of licences and software – as at 31 December 2009 the value of deliveries and services yet to be provided under the agreements amounted to PLN 700 thousand.

Contractual liabilities related to contracted services

The Group entered into several agreements concerning maintenance of the MVNO billing system and other services. The annual cost of services (the amounts expressed in euro were translated to Polish złoty using the exchange rate as per National Bank of Poland as at 31 December 2009) amounts to PLN 2,243 thousand.

42. Remuneration of the Management Board

The table below presents the Management Board's remuneration (excluding value of share-based payments and bonuses) from both the Parent and the subsidiaries.

Name	Function	2009	2008
Dominik Libicki	President of the Management Board	1,080	720
Maciej Gruber	Member of the Management Board	288	552
Dariusz Działkowski	Member of the Management Board	672	516
Andrzej Matuszyński	Member of the Management Board	659	480
Tomasz Szeląg	Member of the Management Board	417	n/a
Total		**3,116**	**2,268**

(all amounts in PLN thousand)

The bonuses payable to each member of the Management Board for years 2009 and 2008 are presented below:

Name	Function	2009	2008
Dominik Libicki	President of the Management Board	3,200	4,000
Maciej Gruber	Member of the Management Board	400	1,500
Dariusz Działkowski	Member of the Management Board	800	1,000
Andrzej Matuszyński	Member of the Management Board	-	1,000
Tomasz Szeląg	Member of the Management Board	500	n/a
Total		**4,900**	**7,500**

The remuneration of Management Board members of subsidiaries, who are not Members of the Management Board of the Parent is presented below:

Name	Function	2009	2008
Piotr Jarosz	President of the Management Board	n/a	640
Total		**-**	**640**

The remuneration of Piotr Jarosz for the year 2008 included remuneration under management contract, contract of employment and bonus paid for the year 2008. The bonus amounts to PLN 300 thousand.

Management Stock Option Plan

On 4 December 2007, the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. adopted a resolution on the introduction of a incentive plan for the management staff. Under the plan, managers will be granted options for the Company shares. The persons entitled to acquire the shares will be holders of subscription warrants who acquired the warrants in line with the incentive plan rules and on the basis of resolution of the Extraordinary General Shareholders Meeting on issue of subscription warrants. Holders of the subscription warrants should exercise their right to receive shares issued pursuant to the resolution on the conditional share capital increase within six months following the day on which the General Shareholders' Meeting approves the financial statements of the Company for the year 2011. Notwithstanding the foregoing, for individual series of shares, the following dates are the first day of the period for filing statements on subscription of relevant shares:

(i) Series G1 shares – the date on which the 2008 financial statements are approved by the General Shareholders' Meeting,
(ii) Series G2 shares – the date on which the 2009 financial statements are approved by the General Shareholders' Meeting,
(iii) Series G3 shares – the date on which the 2010 financial statements are approved by the General Shareholders' Meeting,
(iv) Series G4 shares – the date on which the 2011 financial statements are approved by the General Shareholders' Meeting.

By the date of approval of these financial statements, the incentive plan had not been accepted.

(all amounts in PLN thousand)

According to the resolution described above, should not all shares of a given series be distributed, in line with the goal of the resolution, the Supervisory Board may transfer the remaining undistributed shares to other series, effectively increasing the number of shares in this series. On no account may the overall number of shares issued on the grounds of the resolution be changed.

43. The Supervisory Board remuneration

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007.

The table below presents the total remuneration payable to the Supervisory Board members in 2009 and 2008:

Name	Function	2009	2008
Zygmunt Solorz-Żak	President of the Supervisory Board (from 4 August 2008), Member of the Supervisory Board (from 4 July 2008)	180	88
Heronim Ruta	Member of the Supervisory Board (from 4 August 2008), President of the Supervisory Board (until 4 August 2008)	120	153
Mariola Gaca	Member of the Supervisory Board (until 4 July 2008)	n/a	61
Zdzisław Gaca	Member of the Supervisory Board (until 4 July 2008)	n/a	61
Anna Kwaśnik	Member of the Supervisory Board (until 4 July 2008)	n/a	61
Andrzej Papis	Member of the Supervisory Board	120	120
Robert Gwiazdowski	Independent Member of the Supervisory Board (from 4 July 2008)	120	59
Leszek Reksa	Independent Member of the Supervisory Board (from 4 July 2008)	120	59
Total		**660**	**662**

(all amounts in PLN thousand)

44. Transactions with related parties

Receivables

	31 December 2009	31 December 2008
Dom Sprzedaży Radia PIN Sp. z o.o.	61	-
Media Biznes Sp. z o.o.	116	11
Polsat Media Sp. z o.o.	1	1
Polskie Media S.A.	37	-
Sferia S.A.	16	14
Superstacja Sp. z o.o.	181	21
Teleaudio Sp. z o.o.	2	2
Telewizja Polsat S.A.	4,944	342
Total	**5,358**	**391**

Liabilities

	31 December 2009	31 December 2008
Alpatran	-	31
Elektrim S.A.	-	2
Invest Bank S.A.	4	-
Media Biznes Sp. z o.o.	-	31
Polskie Media S.A.	34	-
Radio PIN S.A.	-	28
Teleaudio Sp. z o.o.	877	175
Telewizja Polsat S.A.	-	2,085
Total	**915**	**2,352**

Receivables from related parties and liabilities to related parties do not serve as security.

(all amounts in PLN thousand)

Significant transactions with related parties are presented below:

Revenues from operating activities

	for the year ended	
	31 December 2009	31 December 2008
Dom Sprzedaży Radia PIN Sp. z o.o.	150	-
Media Biznes Sp. z o.o.	192	192
Polsat Media Sp. z o.o.	-	1
Polska Telefonia Cyfrowa Sp. z o.o.*	n/a	5
Polskie Media S.A.	172	24
Radio PIN S.A.	-	75
Sferia S.A.	-	11
Superstacja Sp. z o.o.	74	20
Teleaudio Sp. z o.o.	15	2
Telewizja Polsat S.A.	643	1,613
Total	**1,246**	**1,943**

*Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

Cost of operating activities

	for the year ended	
	31 December 2009	31 December 2008
Alpatran	-	355
Elektrim S.A.	1,633	1,356
EMarket Sp. z o.o.*	n/a	167
Invest Bank S.A.	1	1
Media Biznes Sp. z o.o.	192	192
PAI Media S.A.	48	-
Polsat Media Sp. z o.o.	124	-
Polska Telefonia Cyfrowa Sp. z o.o.**	n/a	198
Polskie Media S.A.	150	-
Radio PIN S.A.	77	98
Sferia S.A.	64	-
Teleaudio Sp. z o.o.	11,874	6,981
Telewizja Polsat S.A.	50,119	17,554
Total	**64,282**	**26,902**

*EMarket Sp. z o.o. was a related party until 17 June 2008.

**Polska Telefonia Cyfrowa Sp. z o.o. was a related party until 30 June 2008.

The most significant transactions include license fees to Telewizja Polsat S.A. for broadcasting programs Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat Futbol, Polsat News, Polsat Play, Polsat Cafe and Polsat SportHD.

(all amounts in PLN thousand)

Teleaudio Sp. z o.o. provides mainly telecommunication services related to the customer relation management. The Company leases office space at Chałubińskiego Street in Warsaw from Elektrim S.A.

Transactions with related parties are being concluded on terms that are not materially different from market terms.

Financial income

	for the year ended	
	31 December 2009	**31 December 2008**
Polaris Finance B.V.	-	7,223
Total	**-**	**7,223**

The table above does not include purchasing shares of Sferia S.A. by Cyfrowy Polsat S.A. from Zygmunt Solorz-Żak and their further sale to Polaris Finance B.V. described in note 40. The cost of acquiring shares by Cyfrowy Polsat S.A. amounted to PLN 53,396 thousand and the amount paid by Polaris Finance B.V. amounted to PLN 53,726 thousand. The resulting finance income totaled PLN 330 thousand.

Financial income from Polaris Finance B.V. for the year 2008 in the amount of PLN 7,223 thousand concerns the reimbursement of part of the costs incurred by the Parent related with introducing Cyfrowy Polsat S.A. shares to the regulated market.

Invest Bank is the main banking partner of the Group and therefore the Group pays banking fees and bears the costs of mass payment reconciliation. At the same time, the Group earns interest income from term deposits.

In 2009 the Company paid the dividend for 2008 in amount of PLN 201,244 thousand (PLN 0.75 per share).

45. Subsequent events

On 31 March 2010 annex to the agreement dated 2 November 2004 between Cyfrowy Polsat S.A. and Nagravision S.A. ("Nagravision") on rent, license and installation of the Nagravision conditional access system and the sales of Nagravision smartcards was signed. It is estimated that the value of the annex, for the duration of the contract until 31 December 2020, will be approximately PLN 356 million. The agreement was concluded on an arm's length basis as applied in agreements of this sort.

Completion of shares purchase transaction in mPunkt Holdings Ltd.

On 4 May 2010 the Group has completed the purchase of 94% shares in mPunkt Holdings Ltd. "mPunkt Holdings" for the total initial amount of PLN 51,294 thousand. mPunkt Holdings owns mPunkt Polska S.A "mPunkt Polska" and mTel Sp. z o.o. "mTel". mPunkt Polska operates as a country-wide sales network of telecommunication services, mobile phones, accessories and maintenance services which are offered to individual customers. mTel renders agency services under the agreement with mPunkt Polska.

(all amounts in PLN thousand)

The Group became the legal owner of 45% shares in mPunkt Holdings in October 2009, however, due to the character of the transaction and agreement terms regarding conclusion of the transaction (inter alia, the option to resale the purchased shares if the President of the Polish Competition and Consumer Protection Office ("UOKiK") does not approve the takeover of mPunkt Holdings), the Group decide that purchasing 45% of shares did not constitute a separate transaction but should rather be settled with the purchase of another 49% shares, which occurred on 4 May 2010.

On 3 March 2010 the President of UOKiK issued decision DKK-12/2010 approving the takeover of mPunkt Holdings by Cyfrowy Polsat S.A. which enabled the completion of the purchase transaction.

Due to the very short period of time between the conclusion of purchase of mPunkt Holdings shares and the date of preparing and publication financial data of Cyfrowy Polsat S.A. Group for 2009, valuation of purchased assets, liabilities and contingent liabilities to fair value in accordance with IFRS 3 was unfeasible. The Company is currently identifying and valuing the fair value of acquired assets, liabilities and contingent liabilities of mPunkt Holdings Ltd as required by IFRS 3.

Due to the fact that:

- the most recent available financial data of mPunkt Holdings were prepared as at 31 March 2010 and
- the Group's process of identification and assets' and liabilities' valuation to fair value may result in significant adjustments compared with carrying value presented by mPunkt Holdings as at 31 March 2010

the Group will not present estimated values of purchased net assets of mPunkt Holdings and goodwill in this consolidated financial statements.

In accordance with IFRS 3, the Group should settle the purchase transaction of shares in mPunkt Holdings Ltd. and ultimately calculate the difference between the purchase price and fair value of identified assets, liabilities and contingent liabilities within 12 months from the transaction date.

The transaction results in the purchase of the following related entities:

	Country	% of voting rights
mPunkt Polska S.A.	Poland	94%
mTel Polska Sp. z o.o.	Poland	94%

46. Accounting estimates and assumptions

In the preparation of financial statements in accordance with EU IFRS the Management Board is required to make judgments, assumptions and estimates which influence the adopted policies and the presented values of assets, liabilities, revenues and expenses. Estimates and related assumptions are based on historical experience and other factors, which are deemed reasonable under given circumstances. The result of these estimates should be a basis for measuring the carrying values of assets and liabilities which cannot be established based on other sources. The actual values may differ from the estimated values.

Accounting estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are accounted for in the period when the change is made or in the current or future period, should the change concerns both periods.

The key accounting estimates made by the Management Board of the Parent concern provision for impairment of set-top boxes, the bad debt allowance relating to receivables from individual customers, the depreciation period of set-top boxes rented to subscribers under operating leases, as well as valuation of exchange forward contracts.

TRANSLATION

Cyfrowy Polsat S.A. Group

Report supplementing the auditor's opinion on the consolidated financial statements Financial Year ended 31 December 2009

The report supplementing the auditor's opinion
contains 13 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2009

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

Contents

1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Cyfrowy Polsat S.A. Group

1.1.2 Registered office of the Parent Company of the Group

ul. Łubinowa 4a
03-878 Warsaw

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	21 June 2001
Registration number:	KRS 0000010078

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	796-18-10-732
REGON:	670925160

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2009, the following Group companies were included in the consolidated financial statements:

Parent Company:

- Cyfrowy Polsat S.A.

Subsidiary consolidated on the full consolidation basis:

- Cyfrowy Polsat Technology Sp. z o.o.,

1.2.2 Entities excluded from consolidation

As at 31 December 2009, Karpacka Telewizja Kablowa Sp. z o.o. was not consolidated due to insignificant size of that company for the Group and fact that this entity does not carry out any operations.

1.3 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its articles of association dated 30 October 1996.

The share capital of the Parent Company amounted, in accordance with KRS, to PLN 10,733 as at 31 December 2009 divided into 268,325,000 shares with a nominal value of PLN 0.04 each.

As at 31 December 2009, the shareholders' structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
Polaris Finance B.V.	182,943,750	78.53%	7,318	68.18%
Zygmunt Solorz- Żak	10,603,750	4.66%	424	3.96%
Others	74,777,500	16.81%	2,991	27.86%
	268,325,000	100.00%	10,733	100.00%

Mr Zygmunt Solorz-Żak indirectly held 155,502,188 of the Company's shares (57.95% of the share capital and 66.75% of votes) and Mr Heronim Ruta indirectly held 27,441,562 of the Company's shares (10.23% of the share capital and 11.78% of votes) through Polaris Finance B.V.

Mr Heronim Ruta directly held 1,871,250 of the Company's shares (0.70% share in capital and 0.82% of voting rights).

On 8 March 2010 the Extraordinary General Meeting of Cyfrowy Polsat S.A. resolved that 8,082,499 registered series D shares privileged as to the voting rights (2 votes per share) belonging to Polaris Finance B.V. were transformed into ordinary bearer shares. It was additionally resolved that these shares shall be the subject of application for admission to trading on a regulated market maintained by the Warsaw Stock Exchange and shall be subject to dematerialization.

In April 2010, Polaris Finance B.V sold 7.918.750 dematerialized registered shares of Cyfrowy Polsat S.A.

After completing the aforementioned transaction Polaris Finance B.V. holded 175,025,000 shares of Cyfrowy Polsat S.A. which account for 65.23% of the share capital of Cyfrowy Polsat S.A. entitling to 341,967,501 votes in the General Meeting of Shareholders of Cyfrowy Polsat S.A. which accounts for 76.38% of the total number of votes.

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2009, the Management Board of the Parent Company was comprised of the following members:

- Dominik Libicki - President of the Management Board,
- Dariusz Działkowski - Member of the Management Board,
- Andrzej Matuszyński - Member of the Management Board,
- Tomasz Szeląg - Member of the Management Board.

Mr Maciej Gruber resigned from the position of the Member of the Management Board on 14 May 2009.

According to the resolution of Supervisory Board dated 14 May 2009, Mr Tomasz Szeląg was appointed to the position of the Member of the Management Board.

Mr Andrzej Matuszyński resigned from the position of the Member of the Management Board on 6 January 2010.

1.4.3 Scope of activities

The business activities listed in the Parent Company's articles of association include the following:

- radio and television services,
- telecommunication
- advertising,
- services relating to the installation, repair and maintenance of electrical equipment, not classified elsewhere
- renting of other machinery and equipment,
- other financial intermediation,
- renting of office space.

The business activities of the subsidiary included in the consolidated financial statements, according to its articles of association, include the following:

- designing and production of radio, TV and telecommunications devices and its accessorises,
- installation, repairs and maintenance of TV and radio transmitters.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Company on 23 April 2009.

The closing balances as at 31 December 2008 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 4 May 2009 and were published in Monitor Polski B No. 1169 on 21 July 2009.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of Cyfrowy Polsat S.A. seated in Warsaw, ul. Łubinowa 4a and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2009 with total assets and total equity and liabilities of PLN 774,846 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 230,319 thousand, the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 230,319 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 29,075 thousand, the consolidated statement of cash flows for the year then ended with a decrease in cash of PLN 146,867 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of a decision of the General Meeting dated 4 December 2007.

The consolidated financial statements have been audited in accordance with the contract dated 30 November 2009, concluded on the basis of the resolution of the Supervisory Board dated 22 June 2009 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act and the International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 14 December 2009 to 18 December 2009 from 8 February 2010 to 17 March 2010 and from 10 May 2010 to 14 May 2010.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

Management of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2009 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Cyfrowy Polsat Technology Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 grudnia 2009 r.	Unqualified opinion

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

ASSETS	31.12.2009 PLN '000	% of total	31.12.2008 PLN '000	% of total
Non-current assets				
Digital satellite reception equipment and modems	122,457	15.8	20,785	2.8
Other tangible assets	146,228	18.9	125,970	16.6
Intangible assets	14,165	1.8	11,876	1.6
Investment property	-	-	16,998	2.2
Shares in associated entities	24,732	3.2	-	-
Other long-term assets	31,138	4.0	24,264	3.2
Deferred tax assets	2,190	0.3	1,223	0.2
Total non-current assets	340,910	44.0	201,116	26.6
Current assets				
Inventories	122,091	15.8	94,999	12.6
Trade and other receivables	131,900	17.0	119,515	15.8
Income tax receivable	21,265	2.7	9,410	1.2
Other current assets	59,290	7.7	85,669	11.3
Cash and cash equivalents	72,652	9.4	246,422	32.5
Restricted cash	26,738	3.4	-	-
Total current assets	433,936	56.0	556,015	73.4
TOTAL ASSETS	774,846	100.0	757,131	100.0

EQUITY AND LIABILITIES	31.12.2009 PLN '000	% of total	31.12.2008 PLN '000	% of total
Equity				
Issued capital	10,733	1.4	10,733	1.4
Supplementary capital	73,997	9.5	3,964	0.5
Other reserves	10,174	1.3	10,174	1.3
Retained earnings	227,509	29.4	268,467	35.5
Total equity	322,413	41.6	293,338	38.7
Liabilities				
Long-term loans	-	-	44,135	5.8
Long-term finance lease liabilities	1,151	0.1	1,407	0.2
Deferred tax liabilities	26,060	3.4	11,536	1.5
Other long-term liabilities and provisions	1,543	0.2	269	-
Total non-current liabilities	28,754	3.7	57,347	7.5
Current loans	47,370	6.1	66,571	8.8
Current finance lease liabilities	234	-	238	-
Trade and other payables	222,213	28.7	197,525	26.1
Income tax payable	-	-	400	0.1
Deposits for digital satellite reception equipment	18,800	2.4	22,447	3.0
Deferred income	135,062	17.5	119,265	15.8
Total current liabilities	423,679	54.7	406,446	53.8
Total liabilities	452,433	58.4	463,793	61.3
TOTAL EQUITY AND LIABILITIES	774,846	100.0	757,131	100.0

2.1.2 Consolidated profit and loss account

	1.01.2009 - 31.12.2009 PLN '000	% of total sales	1.01.2008 - 31.12.2008 PLN '000 Restated*	% of total sales
Revenue from services, products, merchandise and materials sold	1,266,137	100.0	1,098,474	100.0
Cost of services, products, merchandise and materials sold	(690,984)	54.6	(531,776)	48.4
Cost of sales	(205,263)	16.2	(169,216)	15.4
General and administration costs	(82,111)	6.5	(74,817)	6.8
Other operating revenue	12,541	1.0	20,206	1.8
Other operating cost	(24,270)	1.9	(18,577)	1.7
Profit from operating activities	276,050	21.8	324,294	29.5
Financial income	14,319	1.1	33,309	3.0
Financial expenses	(5,963)	0.5	(23,949)	2.1
Share in loss of associate	(69)	-	-	-
Profit before tax	284,337	22.5	333,654	30.4
Income tax	(54,018)	4.3	(63,891)	5.8
Net profit	230,319	18.2	269,763	24.6

* For the purpose of comparability, the Group has changed the comparative income statement to functional income statement (see Consolidated Financial Statements of Cyfrowy Polsat S.A. Group note 10).

2.2 Selected financial ratios

	2009	2008	2007
		Restated *	
1. Return on sales			
net profit x 100% / net revenues	18.2%	24.6%	14.2%
2. Return on equity			
net profit x 100% / equity - net profit	250.1%	1144.3%	negative value
3. Debtors turnover			
average trade receivables (gross) x 365 days / net revenues	45 days	39 days	34 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	58.4%	61.3%	89.7%
5. Current ratio			
current assets / current liabilities	1.0	1.4	1.1

* The above ratios has been recalculated due to the fact, that the Group has changed the comparative income statement to functional income statement (see Consolidated Financial Statements of Cyfrowy Polsat S.A. note 10).

- Net revenues are comprised of the sale of services, products, merchandise and materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales decreased by 6.4 percentage points as compared to the prior year and amounted to 18.2%. Lower level of this ratio in 2009 results among others from an increase in operating costs denominated in foreign currencies as an effect of weakening Polish zloty as compared to euro and American dollar (average exchange rates).

Return on equity decreased as compared to the prior year. High return on equity ratio in 2008 was attributable to low equity due to losses generated by the Group in the prior years.

The value of **debtors' days** has insignificant influence on the assessment of the Group's business as a vast majority of services sold is prepaid by customers

Debt ratio decreased mainly due to a partial repayment of the bank loan.

The decrease in **current ratio** results primarily from the decrease in cash and cash equivalents due to payment of dividend and purchase of shares in the associate.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Cyfrowy Polsat S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 8 August 2008 on principles for the preparation of consolidated financial statements of a capital group by companies other that banks and insurance companies (Official Journal from 2008 r., No 162, item 1004).

3.3 Method of consolidation

The method of consolidation is described in note 7f of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 7k of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiary included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiary's equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiary arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

There are no minority interests.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Cyfrowy Polsat S.A. and agreed with information received from the subsidiary.

3.7 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. The notes to the consolidated financial statements should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2009, we have issued an unqualified opinion with the following supplementary explanation to the opinion:

"We draw your attention to the information presented in note 9 to the consolidated financial statements. Due to the Supervisory Board's Resolution dated 5 May 2010 on granting the bonus for 2009 to the Management Board and Directors of Cyfrowy Polsat S.A. in the amount of PLN 9,400 thousand, Management Board of Cyfrowy Polsat S.A. decided to supersede the consolidated financial statements dated 17 March 2010 by the consolidated financial statements dated 14 May 2010. Due to the above, this opinion withdraws the opinion dated 17 March 2010 on consolidated financial statements dated on that day."

Signed on the Polish original

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On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9645
Marek Strugała, Director

14 May 2010
Warsaw

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements for the 3 and 12 Months Ended 31 December 2009

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding.
The binding Polish original should be referred to in matters of interpretation.

(all amounts in PLN thousand)

Interim Consolidated Income Statement

		for 3 months ended		for 12 months ended	
	Note	31 December 2009 unaudited	31 December 2008 restated* unaudited	31 December 2009	31 December 2008 restated*
Revenue from services, products, goods and materials sold	5	337,285	311,763	1,266,137	1,098,474
Cost of services, products, goods and materials sold	6	(181,215)	(167,197)	(690,984)	(531,776)
Cost of sales	6	(72,048)	(65,716)	(205,263)	(169,216)
General and administration costs	6	(28,047)	(32,671)	(82,111)	(74,817)
Other operating revenue		1,653	1,747	12,541	20,206
Other operating costs		(6,543)	(7,216)	(24,270)	(18,577)
Profit from operating activities		51,085	40,710	276,050	324,294
Financial income		971	19,593	14,319	33,309
Financial expenses		(636)	(7,955)	(5,963)	(23,949)
Share of loss of an associate		(69)	-	(69)	-
Profit before tax		51,351	52,348	284,337	333,654
Income tax		(9,907)	(9,754)	(54,018)	(63,891)
Net profit		41,444	42,594	230,319	269,763

*In order to reflect presentational changes introduced in the current period amounts in 2008 were changed (see note 10 of the annual consolidated financial statements).

Basic and diluted earnings per share	0.15	0.16	0.86	1.01

Interim Consolidated Statement of Comprehensive Income

	for 3 months ended		for 12 months ended	
	31 December 2009 unaudited	31 December 2008 unaudited	31 December 2009	31 December 2008
Net profit	41,444	42,594	230,319	269,763
Other comprehensive income	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	41,444	42,594	230,319	269,763

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet – Assets

	31 December 2009	31 December 2008
Digital satellite reception equipment and modems	122,457	20,785
Other property, plant and equipment	146,228	125,970
Intangible assets	14,165	11,876
Investment property	-	16,998
Shares in associates	24,732	-
Other long-term assets	31,138	24,264
Deferred tax assets	2,190	1,223
Total non-current assets	340,910	201,116
Inventories	122,091	94,999
Trade and other receivables	131,900	119,515
Income tax receivable	21,265	9,410
Other current assets	59,290	85,669
Cash and cash equivalents	72,652	246,422
Restricted cash	26,738	-
Total current assets	433,936	556,015
Total assets	774,846	757,131

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet – Equity and Liabilities

	31 December 2009	31 December 2008
Share capital	10,733	10,733
Reserve capital	73,997	3,964
Statutory reserve funds	10,174	10,174
Retained earnings	227,509	268,467
Total equity	322,413	293,338
Long-term loans and borrowings	-	44,135
Long-term finance lease liabilities	1,151	1,407
Deferred tax liability	26,060	11,536
Other long-term liabilities and provisions	1,543	269
Total non-current liabilities	28,754	57,347
Current loans and borrowings	47,370	66,571
Current finance lease liabilities	234	238
Trade and other payables	222,213	197,525
Income tax liabilities	-	400
Deposits for equipment	18,800	22,447
Deferred income	135,062	119,265
Total current liabilities	423,679	406,446
Total liabilities	452,433	463,793
Total equity and liabilities	774,846	757,131

(all amounts in PLN thousand)

Interim Consolidated Cash Flow Statement

	for 12 months ended	
	31 December 2009	31 December 2008
Net profit	230,319	269,763
Adjustments:	(186)	94,040
Depreciation and amortization	41,948	23,547
Profit on investing activity	(55)	(11)
Interest expense/(income)	(1,908)	3,789
(Increase)/decrease in inventories	(27,092)	35,033
Increase in receivables and other assets	(6,680)	(35,394)
Decrease in liabilities, provisions, accruals and deferred income	37,314	38,540
Foreign exchange losses/(gains)	14,112	(13,944)
Income tax	54,018	63,891
Increase in set-top boxes under operating lease	(112,637)	(21,348)
Other adjustments	794	(63)
Net cash flow from operating activities	230,133	363,803
Income tax paid	(52,709)	(56,069)
Interest received from operating activity	6,018	8,442
Cash flow from operating activities	183,442	316,176
Purchases of intangible assets	(10,530)	(7,484)
Purchases of tangible assets	(26,524)	(48,109)
Purchases of financial assets	(53,396)	-
Proceeds from sale of financial assets	53,726	-
Purchase of shares in associates	(24,801)	-
Proceeds from sale of non-financial tangible assets	42	98
Cash flow from investing activities	(61,483)	(55,495)
Settlement of IPO related costs	-	7,223
Repayment of loans	(63,035)	(107,928)
Interest on loans and borrowings	(4,212)	(13,533)
Finance lease – principal repayments	(237)	(237)
Dividends paid	(201,244)	(37,565)
Other financial outflows, net	(98)	(13,350)
Cash flow from financing activities	(268,826)	(165,390)
Net increase/(decrease) in cash and cash equivalents	(146,867)	95,291
Cash and cash equivalents at the beginning of the year	246,422	150,726
Foreign exchange rate differences	(165)	405
Cash and cash equivalents at the end of the year*	99,390	246,422

*The amount in 2009 includes PLN 26,738 thousand of restricted cash.

(all amounts in PLN thousand)

Interim Consolidated Statement of Changes in Equity

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total equity
Balance as of 1 January 2009	10,733	3,964	10,174	268,467	293,338
Dividend declared and paid	-	-	-	(201,244)	(201,244)
Appropriation of 2008 profit – transfer to reserve capital	-	70,033	-	(70,033)	-
Total comprehensive income	-	-	-	230,319	230,319
Balance as of 31 December 2009	10,733	73,997	10,174	227,509	322,413

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total equity
Balance as of 1 January 2008	10,733	3,500	10,174	36,733	61,140
Dividend declared and paid	-	-	-	(37,565)	(37,565)
Appropriation of 2007 profit – transfer to reserve capital	-	464	-	(464)	-
Total comprehensive income	-	-	-	269,763	269,763
Balance as of 31 December 2008	10,733	3,964	10,174	268,467	293,338

(all amounts in PLN thousand)

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 and 12 months ended 31 December 2009

1. Activity of the Parent

Cyfrowy Polsat S.A. operates a paid digital satellite platform called “Cyfrowy Polsat” and provides services in Poland. The Parent is also a Mobile Virtual Network Operator and provides Internet access services.

2. Composition of the Management Board of the Parent

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Maciej Gruber	Member of the Management Board (until 14 May 2009),
- Andrzej Matuszyński	Member of the Management Board (until 6 January 2010),
- Tomasz Szeląg	Member of the Management Board (from 15 May 2009).

3. Composition of the Supervisory Board of the Parent

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed consolidated financial statements

Statement of compliance

These interim condensed consolidated financial statements for 3 and 12 months ended 31 December 2009 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The Group applied the same accounting policies in the preparation of the financial data for 3 and 12 months ended 31 December 2009 and the consolidated financial statements for the years 2009 and 2008, presented in the consolidated annual report for 2009.

IAS 34 requires minimum information disclosure assuming that readers of the interim consolidated financial statements have access to most recent published annual consolidated financial statements, information disclosed are material and were not disclosed elsewhere in the interim financial statements.

The most recent published annual consolidated financial statements were prepared and audited for the year ended 31 December 2009. Annual consolidated financial statements fully disclose accounting policies approved by the Group.

(all amounts in PLN thousand)

5. Summary of changes to the financial statements

Interim condensed consolidated financial statements for 3 and 12 months ended 31 December 2009 were originally published on 18 March 2010. Due to Supervisory Board's resolution granting bonuses for 2009, the Management Board of the Parent decided to correct the consolidated financial statements for the year ended 31 December 2009 and therefore the interim condensed consolidated financial statements for 3 and 12 months ended 31 December 2009. The hereby interim condensed consolidated financial statements replace entirely the previous version of the financial statements published on 18 March 2010.

6. Revenue from services, products, goods and materials sold

	for 3 months ended		for 12 months ended	
	31 December 2009 unaudited	31 December 2008 unaudited	31 December 2009	31 December 2008
DTH subscription fees (Mini and MiniMax Package)	17,018	9,686	58,146	31,786
DTH subscription fees (other packages)	295,238	261,559	1,131,672	945,892
Sale of digital satellite reception equipment and mobile phones	15,774	35,463	46,584	100,180
Rental of digital satellite reception equipment	134	1,595	644	6,842
Transmission services	1,565	630	3,593	1,953
Subscription fees interconnection revenues and settlements with mobile network operators	2,207	884	5,550	1,005
Other operating revenue	5,349	1,946	19,948	10,816
Total	337,285	311,763	1,266,137	1,098,474

7. Operating costs

	for 3 months ended		for 12 months ended	
	31 December 2009 unaudited	31 December 2008 unaudited	31 December 2009	31 December 2008
Depreciation and amortization	13,040	7,117	41,948	23,547
Programming costs	80,216	71,131	354,395	226,231
Transmission costs	20,035	15,680	82,570	59,006
Cost of equipment sold	29,470	46,131	89,736	137,547
Distribution, marketing, customer relation management and retention costs	85,929	76,019	262,347	205,935
Salaries and employee-related expenses	28,611	27,294	72,787	61,769
Other operating costs	24,009	22,212	74,575	61,774
Total costs by kinf	281,310	265,584	978,358	775,809

(all amounts in PLN thousand)

	for 3 months ended		for 12 months ended	
	31 December 2009 unaudited	31 December 2008 unaudited	31 December 2009	31 December 2008
Revenue from services, products, goods and materials sold	181,215	167,197	690,984	531,776
Cost of sales	72,048	65,716	205,263	169,216
General and administration costs	28,047	32,671	82,111	74,817
Total costs by function	281,310	265,584	978,358	775,809