CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated report for the three month period ended 31 March 2010

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.

Warsaw, 17 May 2010

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We have prepared this quarterly report as required by Paragraph 82 section 1 of the Regulation of the Council of Ministers of 19 February 2009 concerning the submission of current and periodical information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union.

Presentation of financial and other information

In this quarterly report all references to the Company apply to Cyfrowy Polsat S.A. and all references to the Group or Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiary. 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", "Mini Package" and "Mini Max 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 obliged, under the terms of agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages after making required payments but without having signed such an agreement; „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 the ratio of the number of terminated 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; „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; "internet access services" relates to broadband internet access services that we launched on 1 February 2010; „MVNO" relates to mobile virtual network operator services, which we launched on 8 September 2008; „Integrated services " relates to 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 subsidiary after the purchase of 94% 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; "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.

Financial and operating data

This quarterly report contains financial statements and financial information relating to the Company and the Group. In particular, this quarterly report contains our interim condensed consolidated financial statements for the three month period ended 31 March 2010 and interim condensed financial statements for the three month period ended 31 March 2010. The financial statements attached to this interim report have been prepared in accordance with International Financial Reporting Standards approved for use in the European Union ("IFRS") and are presented in thousand Zloty.

Certain arithmetical data contained in this quarterly report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this quarterly report may not conform exactly to the total figure given for that column or row.

Currency presentation

Unless otherwise indicated, in this quarterly report all references to "PLN" or "Zloty" are to the lawful currency of the Republic of Poland; all references to "U.S. $", “USD” or "US dollars" are to the lawful currency of the United States; and all references to "€" or the "euro" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98.

All references to Zloty, U.S. dollars and Euro are in thousands, except ARPU, SAC, per share data and prices of our services unless otherwise stated.

Forward–looking statements

This quarterly 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 quarterly 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 quarterly 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 publication of this quarterly report.

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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. We purchase television channels provided to our subscribers from television broadcasters both in Poland, as well as in other countries As at 31 March 2010 our subscriber base of paid packages reached 3,239,755, an increase of 437,699 or 15.6% compared to 31 March 2009.

We provide our DTH subscribers with an access to 83 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, Fox Life 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. Since December 2009 we offer a service in the video on demand category - VoD Home Video Rental. VoD Home Video Rental is based on 15 satellite channels, where there are over 60 films available monthly in cycles. This service is available to all our subscribers, regardless of the type of set-top box.

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. In April 2010 we started producing HD set-top boxes.

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 1,247 retail points of sale. On 4 May 2010 we finalized a purchase transaction of 94% 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 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 March 2010 the number of mobile phone users totaled 29 ths. and the number of internet access services users totaled 5 ths.

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.

2. Significant events

A Change in the composition of the Management Board of Cyfrowy Polsat S.A.

On 6 January 2010 Andrzej Matuszynski a Member of the Management Board, after a five year employment with Cyfrowy Polsat S.A. has resigned from the position on the Management Board effective on 6 January 2010. His responsibilities were taken over by Dominik Libicki, President of the Management Board.

Change of registered shares to ordinary bearer shares and change of laws from some shares

On 8 March 2010 Extraordinary General Meeting of Cyfrowy Polsat S.A. resolved to change our 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 Articles of Association was registered on 22 March 2010 by the District Court in Warsaw, the XIII Commercial Division National Court Register. It was additionally resolved that these shares shall be the subject to application for admission to trading on a regulated market maintained by the Warsaw Stock Exchange and shall be subject to dematerialization.

After changing by the Court of the object registration the structure of to Company shares 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	

Agreement with Telewizja Polsat S.A. for distribution of its programs

On 17 February 2010 we concluded in a written form a license agreement, that prolongs the oral agreement, for distribution of Polsat Film. We also concluded in a written form a license agreement, that prolongs the oral agreement, to distribute Polsat News, Polsat Play and Polsat Cafe and annex to the license agreements dated 1 January 2006 for distribution of Polsat Sport Extra.

Polsat Cafe is available to the subscribers of all packages offered by us, Polsat Film, Polsat News and Polsat Play are distributed to the Mini Max and Family Package subscribers and Polsat Sport Extra is distributed to Family Package subscribers.

For distributing channels all the above mentioned channels, we will pay a monthly license fee, expressed in US dollars for Polsat Sport Extra and Polsat Film and in Polish Zloty for Polsat News, Polsat Play and Polsat Cafe.

Total value of signed annexes depends on the number of Family Packages subscribers and PLN/US dollar exchange rate. We estimated that the total value of these agreements and annex, in the life of the agreements will not be lower than PLN 179,600 based on the PLN/USD exchange rate of PLN 2.9007, exchange rate published by the National Bank of Poland on 17 February 2010.

Annex to the agreement with Nagravision S.A

On 31 March 2010 we signed Annex 4 to the agreement dated 2 November 2004 with Nagravision SA ("Nagravision") on rent, license and installation of the Nagravision conditional access system and the sales of Nagravision smartcards was signed.

For the rent, license, and technical support for the conditional access system, we will pay Nagravision S.A. a monthly, fixed fee, expressed in euro, based on the defined number of subscribers as set forth in the agreement. In addition, we will pay Nagravision a fee, expressed in euro, for the purchase of smartcards, per each purchased smartcard.

The value of the signed annex depends on the number of subscribers based on whom the monthly fee is paid for the rent, license and technical support of the conditional access system, the number of smartcards purchased, and the PLN/EUR exchange rate. We estimated that the value of the annex, for the duration of the contract until 31 December 2020, will be approximately PLN 356,000, assuming the PLN/EUR exchange rate at 3.8622, the exchange rate published by the National Bank of Polish on 31 March 2010, the estimated number of subscribers based on whom the fee is calculated, and the estimated number of smartcards that the Company will purchase during the contract duration.

Extending the programming offer

Our programming offer was enriched in the first quarter of 2010 with five new channels, including two in the HD quality and additionally in April we launched another HD channel and sport channel.

In February we launched three channels - Comedy Central, Nat Geo Wild and Nat Geo Wild HD, and in March 2010 we attached FilmBox and FilmBox HD channels to our offer. Additionally, in April we launched FOX Life HD and Orage sport info.

Starting Internet access services

On 1 February 2010 we launched our Internet access services. We offer to our customers “Package for Start” providing with 200MB of data for PLN 1 monthly for the entire time of the contract. On 8 March 2010 in place of current additional data packages: 1 GB and 3 GB, we launched new packages with unique structure. Every package consist of two parts. One for use between 8:00 a.m. and 12:00 p.m. and second one available for use between midnight and 8 a.m. Prices of packages consisting 1GB + 1GB and 3GB + 9 GB are the same as our initial prices of 1GB and 3 GB packages. Package consisting 5GB + 25GB is new in our offer and the price of this package is PLN 69.

New MVNO offer

On 1 February 2010 we implemented our new, MVNO offer in which the client does not buy a handset. In monthly subscription the customer has 30 minutes exchangeable for 90 sms to all mobile and fixed national networks only for PLN 1. The minute of connection to every national network costs PLN 0.29 and sms price is PLN 0.15. It is possible to reduce these rates to even PLN 0.20 and PLN 0.07 by activating additional packages. The package of 120 additional minutes costs PLN 29 and 240 minutes packages costs PLN 49.

Promotional offers

On 8 March 2010 we implemented new promotional offer in which customer receives 3 month of our full offer for free and the second set-top box with Mini Max Packages with additional kids channels. Promotional offers are valid only for the agreements for Family Package and Super Film Package. The second set-top box was leased to the customers for the entire period of main agreement without any charge. For three first months it was with Mini Max Packages with 5 additionally children channels from higher packages without any payments.

3. Summary historical financial data

The following tables set out our summary historical interim consolidated financial information for the three month periods ended 31 March 2010 and 31 March 2009. You should read the information in conjunction with the interim condensed consolidated financial statements for the three month period ended 31 March 2010 and Management's Discussion and Analysis of Financial Situation and Results of Operations included in point 12 of this quarterly report.

Certain financial data:

- from consolidated profit and loss statement and cash flow statement for the three month periods ended 31 March 2010 and 31 March 2009 have been converted into euro at a rate of PLN 3.9931 per €1.00 (the arithmetic average of average exchange rates published by the National Bank of Poland, or NBP, on the last date of each of the months in the period i.e. from 1 January to 31 March 2010);

- from consolidated balance sheet as at 31 March 2010 and 31 December 2009 have been converted into euro at a rate of PLN 3.8622 per €1.00 (an exchange rate published by NBP on 31 March 2010).

You should not view such translations 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 March 2010		31 March 2009	
(in thousands)	PLN	EUR	PLN	EUR
Consolidated Income Statement				
Revenues from services, goods, products and materials sold	373,996	93,661	308,286	77,204
Cost of services, goods, products and materials sold	(189,123)	(47,362)	(168,774)	(42,266)
Cost of sales	(48,516)	(12,150)	(39,359)	(9,857)
General and administration costs	(19,475)	(4,877)	(17,950)	(4,495)
Other operating revenue	1,116	279	9,024	2,260
Other operating costs	(11,104)	(2,781)	(5,875)	(1,471)
Profit from operating activities	106,894	26,770	85,352	21,375
Profit before tax	106,432	26,654	89,876	22,508
Income tax	(20,298)	(5,083)	(17,227)	(4,314)
Net profit	86,134	21,571	72,649	18,194
Basic and diluted earnings per share (not in thousands)	0.32	0.08	0.27	0.07
Weighted average number of issued ordinary shares (not in thousands)	268,325,000	-	268,325,000	-
Consolidated Cash Flow Statement				
Cash flow from operating activities	15,635	3,916	(36,077)	(9,035)
Cash flow from investing activities	(11,649)	(2,917)	(60,244)	(15,087)
Cash flow from financing activities	(16,296)	(4,081)	(17,464)	(4,374)
Net decrease in cash and cash equivalents	(12,310)	(3,083)	(113,785)	(28,495)

	As at			
	31 March 2010		31 March 2009	
(in thousands)	PLN	EUR	PLN	EUR
Consolidated balance sheet				
Cash and cash equivalents	60,120	15,566	72,652	18,811
Assets	856,760	221,832	774,846	200,623
Non-current liabilities	48,241	12,491	28,754	7,445
Current liabilities	399,972	103,561	423,679	109,699
Equity	408,547	105,781	322,413	83,479
Share capital	10,733	2,779	10,733	2,779

	For the three month period ended			
	31 March 2010		31 March 2009	
(in thousands)	PLN	EUR	PLN	EUR
Other consolidated financial data				
Depreciation and amortization	15,996	4,006	8,255	2,067
EBITDA[1)]	122,890	30,776	93,607	23,442
EBITDA margin	32.9%	32.9%	30.4%	30.4%
Operating margin	28.6%	28.6%	27.7%	27.7%
Capital expenditures[2)]	11,699	2,930	6,848	1,715

(1) We define EBITDA as operating profit before amortization and depreciation, EBITDA is not a measure of profit from operational activity, the operating effectiveness or the liquidity. However EBITDA is a measure, used at managing activity, because it is indicator often applied by investors which enables them to compare the productivity excluding the amortization and depreciation, which value can be different depending on methods of accounting, as well as other operating and inoperable factors .

(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.

4. Organizational structure of Cyfrowy Polsat Capital Group

The following table presents the companies included in the organizational structure of Cyfrowy Polsat Capital Group as at 31 March 2010 together with the consolidation method and description of method of consolidation:

Company	Company's registered office	Activities	Voting rights as at 31 March 2010 (%)
Cyfrowy Polsat S.A.	ul. Łubinowa 4a Warszawa	radio and television activity, telecommunications	
Subsidiaries			
Cyfrowy Polsat Technology Sp. z o.o.	ul. Łubinowa 4a Warszawa	set-top boxes' production	100%
Karpacka Telewizja Kablowa Sp. z o.o.	ul. Chorzowska 3 Radom	no activity	85%

On 4 May 2010 we finalized a purchase transaction of 94% 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.

5. Changes in the organizational structure of Cyfrowy Polsat Capital Group and their effects

In the three month period ended 31 March 2010 there were no changes in the organizational structure of our Capital Group. However on 1 April 2010 our organizational structure changed. With resolution dated 31 March 2010 was established our branch – „Cyfrowy Polsat Spółka Akcyjna Oddział w Warszawie".

6. Discussion of the difference of the Company's results and published forecasts

We did not publish any financial forecasts.

7. Shareholders possessing no less than 5% of the Company's shares as of the date of publication of the quarterly report

The following table presents shareholders of Cyfrowy Polsat S.A. possessing - according to our best knowledge - no less than 5% of our shares as of the date of publication of this quarterly report. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1 of the Act on changes of Public Offering, dated 4 September 2008, conditions governing the introduction of financial instruments to organized trading and public companies and changes of others acts.

Shareholder	Number of shares	% of share	Number of votes	% of votes
Polaris Finance B.V. [1]	175,025,000	65.23%	341,967,501	76.38%
Other	93,300,000	34.77%	105,775,000	23.62%
Total	268,325,000	100.00%	447,742,501	100.00%

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

On 13 April 2010 we become aware of sale of 7,918,750 dematerialized registered shares of Cyfrowy Polsat S.A. by Polaris Finance B.V. Prior to the aforementioned transaction Polaris Finance B.V. held 182,943,750 shares of the Company which accounted for 68.18% of the share capital of the Company entitling to 349,886,251 votes in the General Meeting of Shareholders of the Company which accounted for 78.14% 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 175,025,000 shares of the Company 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 Cyfrowy Polsat S.A.

8. The number of shares of Cyfrowy Polsat S.A. owned by the Management Board and Supervisory Board members

8.1 Members of the Management Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Management Board members as of 17 May 2010, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (annual report for the twelve month period ended 31 December 2009) on 18 March 2010. The information included in the table is based
on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Management Board Member	Balance as of 18 March 2010	Increases	Decreases	Balance as of 17 May 2010
Dominik Libicki, President of the Management Board	121,497	-	120,000	1,497
Dariusz Działkowski, Member of the Management Board	0	-	-	0
Tomasz Szeląg, Member of the Management Board	0	-	-	0

8.2 Members of the Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Supervisory Board members as of 17 May 2010, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (annual report for the twelve month period ended 31 December 2009) on 18 March 2010. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Supervisory Board Member	Balance as of 18 March 2010	Increases	Decreases	Balance as of 17 May 2010
Zygmunt Solorz-Żak[1] Chairman of the Supervisory Board	166,105,938	-	6,730,938	159,375,000
Leszek Reksa Independent Member of the Supervisory Board	0	-	-	0
Robert Gwiazdowski Independent Member of the Supervisory Board	0	-	-	0
Andrzej Papis Member of the Supervisory Board	0	-	-	0
Heronim Ruta[2] Member of the Supervisory Board	29,312,812	-	1,187,812	28,125,000

[1]Zygmunt Solorz-Żak owns indirectly 148,771,250 shares of Cyfrowy Polsat S.A. (55.44% of the share capital and 64.92% 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 4.74% of votes).

[2]Heronim Ruta owns indirectly 26,253,750 shares of Cyfrowy Polsat S.A. (9.78% of the share capital and 11.46% 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 0.84% of votes).

9. Information on material proceedings at the court, arbitration body or public authorities against the Company or its consolidated subsidiaries

Public administration proceedings

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 ths. (not in 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.

We submitted appeal against the decision to the Competition and Consumer Protection Court. On 14 April 2010 the President of UOKiK applied for a dismissal of the appeal.

Other litigations

Action brought by SkyMedia Sp. z o.o.

A lawsuit filed by SkyMedia Sp. z o.o. z 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 give judgment on base of which the Company is obliged to the payment for SkyMedia Sp. z o.o of the amount of the PLN 545,272 (not in thousands) with statutory interest calculated since 28 August 2007 and the PLN 30,453 (not in thousands) as the return of court costs.

Beside above mentioned cases we are a side in other proceedings at the court unimportant from a point of view of the consolidated financial statement.

10. Information on concluding by the Company or its subsidiaries material transactions with related parties on conditions other than market conditions

In three month period ended 31 March 2010 we did not conclude any material transactions with related parties on conditions other than market conditions.

11. Information on guarantees granted by the Company or its subsidiaries to third parties

In the three month period ended 31 March 2010 neither us, nor any of our affiliates or subsidiary companies had granted any loans and borrowings or guarantees and guarantees for any third party or subsidiary where the total value of existing guarantees was at least 10% of our equity.

12. Other information important for the assessment of the Company's personnel, economic and financial position, as well as its financial results

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

Our revenues from sale of services, products, goods 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. 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, 94% of our revenues from sale of services, goods, products and materials and other operating revenues in the three month period ended 31 March 2010 as compared to 92% in the corresponding period of 2009.

Sale of equipment

Revenues from sale of equipment consist of revenues from sale of set-top boxes, Internet modems and handsets purchased by our subscribers when they enter into programming services, internet access services and mobile 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. 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 Internet modems and handsets depends on the model of the modem, or handset, tariff plan purchased by subscriber and length of the initial period of agreement. Revenues from sale of equipment were 3% of our revenues from sale of services, products, goods and materials and other operating revenues in the three month period ended 31 March 2010 as compared to 4% in the corresponding period of 2009.

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 for less than 1% of our revenues from sale of services, products, goods and materials and other operating revenues in the three month period ended on 31 March 2010 and in the corresponding period of 2009.

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, products, goods and materials and other operating revenues in the three month period ended 31 March 2010 and in the corresponding period of 2009.

Revenue from telecommunication services subscription fees, interconnection revenues and settlements with operators

Revenue from telecommunication services subscription fees, interconnection revenues and settlements with operators include subscription fees and payments for generated traffic paid by users of mobile services and interconnection fees within our mobile services and payments from subscription fees and carried out transfer of data as part of internet access services provided by us. This category of revenues depends on the number of users of our mobile and internet access services, rates for traffic generated, interconnection rates, rates for the transfer of data and generated traffic. Revenues from telecommunication services subscription fees, interconnection revenues and settlements with operators were 1% of our revenues from sale of services, products, goods and materials and other operating revenues in the three month period ended 31 March 2010 as compared to less than 1% in the corresponding period of 2009.

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 and other operating revenues in the three month period ended on 31 March 2010 as compared to 1% in the corresponding period of 2009. In the three month period ended 31 March 2010 other revenues from sale of services, products, goods 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

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

12.2. Sources of other revenues from operating activities

Other operating revenue consisted of:

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

(ii) reversal of fixed assets impairment and stock provision, and

(iii) other operating revenue.

12.3. 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 6% of our costs of operating activities and other operating costs in the three month period ended 31 March 2010 as compared to 4% in the corresponding period of 2009.

Programming costs

Programming costs constitute the sum of:

(i) monthly license fees due to television broadcasters;

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.

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

Programming costs were 35% of our costs of operating activities and other operating costs in the three month period ended 31 March 2010 as compared to 42% respectively in the corresponding period of 2009.

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 (since December 2005 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 8% of our operating costs and other operating costs in the three month period ended 31 March 2010 as compared to 9% respectively in the corresponding period of 2009.

Costs of equipment sold

We currently offer digital satellite reception equipment and modems at prices which are lower than the purchase prices. The purpose of subsidizing set-top boxes and modems 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 and internet access services as well as holding the subscriber base. 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 SD set-top boxes in November 2007 and HD set-top boxes in April 2010. 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 equipment sold are denominated mainly in American dollars and, as a result, this cost category also depends on USD/PLN exchange rate Costs of satellite television receiving equipment sold were 7% of our costs of operating activities and other operating costs adequately in the three month period ended 31 March 2010 as compared to 8% in the corresponding period of 2009.

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, mobile services and internet access 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 25% of our costs of operating activities and other operating costs in the three month period ended 31 March 2010 as compared to 22% respectively in the corresponding period of 2009.

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 7% of our costs of operating activities and other operating costs in the three month period ended 31 March 2010 as in the corresponding period of 2009.

Other operating costs

Key items of other operating costs in three month period ended 31 March 2010 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.

Other operating costs were respectively 9% of our costs of operating activities and other operating costs in the three month period ended 31 March 2010 as compared to 7% in the corresponding period of 2009.

12.4. Sources of other operating costs

Other operating costs include:

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

(ii) other assets impairment provision;

(iii) other operating costs.

12.5. Management discussion and analysis

12.5.1. Operating results

The following tables set out our operating results for the three month periods ended 31 March 2010 and 31 March 2009.

	Three months ended		
	31 March 2010	31 March 2009	Percentage difference
Number of subscribers at end of period, of which:	3,239,755	2,802,056	15.6%
Number of subscribers Family Package at end of period	2,608,101	2,311,321	12.8%
Number of subscribers Mini Package at end of period	631,654	490,735	28.7%
Average number of subscribers[1)], of which:	3,251,518	2,775,477	17.2%
Average number of subscribers[1)] Family Package	2,644,027	2,306,575	14.6%
Average number of subscribers[1)] Mini Package	607,491	468,902	29.6%
Churn rate[2)], of which:	9.1%	6.6%	2.5 p.p.
Churn rate[2)] of Family Package	10.4%	7.7%	2.7 p.p.
Churn rate[2)] of Mini Package	3.7%	0.8%	2.9 p.p.
Average revenue per user (ARPU)[3)] (PLN), of which:	36.1	34.9	3.4%
Average revenue per user (ARPU) [3)] Family Package (PLN),	42.0	40.2	4.5%
Average revenue per user (ARPU) [3)] Mini Package (PLN),	10.6	8.6	23.3%
Subscriber average cost (SAC)[4)] (PLN),	131.2	127.8	2.7%

(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) calculated as the ratio of the number of terminated 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;
(3) 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;
(4) Calculated by dividing commissions paid to distributors and call center by the number of subscription agreements concluded in the given period.

As at 31 March 2010 we had 3,239,755 subscribers, 15.6% more than as at 31 March 2009 when we had 2,802,056 subscribers. Number of our Family Package subscribers increased by 12.8% to 2,608,101 and constituted 80.5% of our entire subscriber base and the number of our Mini and Mini Max Packages subscribers increased by 28.7% to 631,654 subscribers and constituted 19.5% 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.

Churn rate for 12 month period ended 31 March 2010 increased to 9.1% in comparison to 6.6% in 12 month period ended 31 March 2009. The increase results primarily from an increase in Family Package churn rate to 10.4% from 7.7% in the period of 12 months ended 31 March 2009 and from an increase in Mini Package churn rate to 3.7% from 0.8% in the period of 12 months ended 31 March 2009. The increase in both Family Package and Mini Packages churn rate mainly results from a change in terms and conditions (change in terms and conditions allows termination of a contract), an increase in the number of subscribers beyond the initial period of subscription agreement as compared to the corresponding period of 2009 and more aggressive competition on the pay television market, resulting in more attractive promotional offers.

Our monthly ARPU increased by 3.4% to PLN 36.1 in the three month period ended 31 March 2010 from PLN 34.9 in the corresponding period of 2009 mainly as a result of payments for using DTH services as a result of change in the mix of packages towards higher packages as a result of a promotion launched in the fourth quarter of 2009, a material group of customers getting out of initial period of subscription contract, subscribers using our services with the promotional second set-top box for PLN 9.90, an increase in subscription fees for the group of subscribers who did not choose to roll out their subscription agreement after we changed our terms and condition and introduction of VoD Home Video Rental. Family Package ARPU in three month period ended 31 March 2010 increased by 4.5% to PLN 42.0 from PLN 40.2 in corresponding period of 2009. Mini Package ARPU increased by 23.3% to PLN 10.6 from PLN 8.6 in the corresponding period of 2009 mainly as a result of an increase in the number of subscribers beyond the initial period of subscription agreement and an increase in participation of Mini Max Package subscribers in Mini subscriber base.

Our average subscriber acquisition cost increased by 2.7% to PLN 131.2 in the three month period ended 31 March 2010 from PLN 127.8 in the corresponding period of 2009. 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.

12.5.2. Review of the financial situation

The following review of results for the three month period ended 31 March 2010 was prepared based on interim condensed consolidated financial statements for the three month period ended 31 March 2010 prepared in accordance with International Accounting Standards approved for use in the European Union as at 1 January 2010.

All financial data is expressed in thousands of PLN.

Comparison of financial situation as of 31 march 2010 and 31 December 2009

As at 31 march 2010 our balance sheet amount was PLN 856,760. Fixed assets amounted to PLN 378,649 and current assets to PLN 478,111. Our equity was PLN 408,547, our non-current liabilities were PLN 48,241 and current liabilities were PLN 399,972.

The value of digital satellite receiving equipment and modems increased by PLN 31,946 or by 26.1% to PLN 154,403 as at 31 March 2010 from PLN 122,457 as at 31 December 2009. 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 our services in the amount of PLN 2,180.

The value of inventories increased by PLN 11,719, or 9.6% % to PLN 133,810 as at 31 March 2010 from PLN 122,091 as at 31 December 2009. This was mainly a result of an increase in the value of set-top boxes (both purchased and produced) by PLN 7,986 and an increase in the value of internet equipment by PLN 7,525 and an increase in value of other inventories by PLN 4,832, partially offset by a decrease in value of SMART and SIM, a decrease in value of settlements towards supplies and a decrease in value of aerials and convectors.

The value of cash and cash equivalents decreased by PLN 12,532 to PLN 60,120 as at 31 March 2010 from PLN 72,652 as at 31 December 2009, as a result of repayment of loans and borrowings together with accrued interest of PLN 16,237 and payment for purchase of non-financial assets in amount of PLN 11,699 what was partially offset by cash flow from operating activities in the amount of PLN 15,635.

The value of trade and other receivables increased by PLN 41,299 to PLN 173,199 as at 31 March 2010 from PLN 131,900 as at 31 December 2009. The increase resulted mainly from an increase in trade receivables resulting from an increase in receivables as a result of linear accounting of subscription revenues in the time by PLN 27,831 and an increase in income tax receivables by PLN 13,506.

The value of loans and borrowings (short- and long-term) decreased by PLN 15,764, or 33.3% to PLN 31,606 as at 31 March 2010 from PLN 47,370 as at 31 December 2009, mainly as a result of partial repayment of loan under our loan agreement with Bank Pekao S.A.

The value of trade and other payables decreased by PLN 9,796 or by 4.4% to PLN 212,417 at 31 December 2009 from PLN 222,213 as at 31 December 2009 as a result of a decrease in trade and other payables and accruals of PLN 15,346 partially offset by, an increase in short term reserves and other tax liabilities, subsidy, customs, insurance and other.

The value of equity increased by PLN 86,134 or 26.7% to PLN 408,547 as at 31 March 2010 from PLN 322,413 at 31 December 2009, as a result of retained net profit for the three month period ended 31 March 2010 in the amount of PLN 86,134

Comparison of financial results for the three month period ended 31 March 2010 with the results for the corresponding period of 2009

Revenue from sale of services, products, goods and materials

	1Q 2010	1Q 2009	Change%
Revenues from sale of services, products, goods and materials	373,996	308,286	21.3%
DTH subscription fees	352,616	290,364	21.4%
Sale of equipment	10,792	11,980	-9.9%
Rental of digital satellite reception equipment	206	192	7.3%
Transmission services	1,046	654	59.9%
Revenues from telecommunication services subscription fees, interconnection revenues and settlements with mobile network operators	3,354	970	>100%
Other sale operating revenues	5,982	4,125	45.0%

Our revenues from sale of services, products, goods and materials increased by PLN 21.3% to PLN 373,996 in the three month period ended 31 March 2010 from PLN 308,286 in the corresponding period of 2009. The increase mainly resulted from:

(i) a 21.4% increase in revenue from DTH subscription fees to PLN 352,616 from PLN 290,364 mainly due to a 17.2% increase in the average number of subscribers and 3.4% increase in monthly blended ARPU;

(ii) an increase in revenues from telecommunication services subscription fees, interconnection revenues and settlements with mobile network operators to PLN 3,354 from PLN 970 as a result of increase in the number of post paid MVNO users, higher interconnection revenues and launch of the internet access services;

(iii) a 45.0% increase in other sale operating revenues to PLN 5,982 from PLN 4,125 mainly due to growth in penalties for dissolving a contract for MVNO services and an increase in revenues from marketing and advertising services, and;

(iv) a 59.9% increase in revenues from transmission services to PLN 1,046 from PLN 654 mainly as a result of acquisition of new customers of that services.

These increases were partially offset by:

(i) a 9.9% decrease in revenues from sales of equipment to PLN 10,792, from PLN 11,980 mainly as a result of a decrease of average weighted price of set-top box (by 30%) resulting mainly from the set-top box replacements within loyalty programs, as we offer replacement set-top box at promotional price as well as a decrease in the number of aerials sold;

Cost of operating activities

	Q1 2010	Q1 2009	Change %
Cost of operating activities	257,114	226.083	13.7%
Depreciation and amortization	15,996	8,255	93.8%
Programming costs	92,716	97,563	-5.0%
Transmission costs	20,445	19,756	3.5%
Cost of equipment sold	18,233	18,000	1.3%
Distribution, marketing, customer relation and retention costs	67,477	51,228	31.7%
Distribution and logistics costs	27,252	28,152	-3.2%
Marketing costs	15,373	6,275	>100%
Customer relation and retention costs	24,852	16,801	47.9%
Salaries and employee-related expenses	17,958	15,472	16.1%
Other costs:	24,289	15,809	53.6%
Cost of SMART and SIM cards handed over	6,466	3,885	66.4%
IT services	1,940	5,084	-61.8%
Legal, advisory and consulting costs	2,222	1,985	11.9%
Property maintenance costs	2,146	1,187	80.8%
Other	11,515	3,668	>100%

Our costs of operating activities increased by 13.7% to PLN 257,114 in the three month period ended 31 March 2010 from PLN 226,083 in the corresponding period of 2009. The increase primarily resulted from:

(i) a 31.7% increase in distribution, marketing, customer relation and retention costs and retention cost to PLN 67,477 from PLN 51,228 mainly, as a result of an increase in the marketing costs to PLN 15,373 from PLN 6,275 resulting from an increase in expenditures on local marketing activities conducted by our sale network and introduction of internet access services, an increase in the customer relation and retention cost by 47.9% to PLN 24,852 from PLN 16,801 resulting largely from an increase in our subscriber base and introduction of retention programs as well as higher mailing cost resulting from mailing of changes in terms and conditions;

(ii) a 53.6% increase in other costs to PLN 24,289 from PLN 15,809 mainly as a result of an increase in costs of cards provided together with set-top boxes and handsets by PLN 2,581, an increase in property maintenance cost to PLN 2,146 from PLN 1,187 due to the fact that last tenants moved out from this property in 2009 and now we use this property ourselves, recognized costs of Internet access services that we started providing on 1 February 2010 partially offset by a decrease in the cost of IT service;

(iii) a 93.8% increase in depreciation and amortization to PLN 15,966 from PLN 8,255 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 newly-adopted means of transport, computer and other equipment;

(iv) a 16.1% increase in the salaries and employee-related expenses to PLN 17,958 from PLN 15,809 mainly as a result of an increase in average number of our non-production employees in the period to 541 from 447 in corresponding period of 2009, resulting from our organic growth, launch of internet access services.

These increases were partially offset by:

(i) a 5.0% decrease in the programming costs to PLN 92,716 from PLN 97,563, mainly due to appreciation of Zloty towards the euro and a decrease in rates for individual TV channels, partially offset by an increase in subscriber base and enrichment of our programming offer with new channels.

Other operating revenues

Our other operating revenues decreased by PLN 7,908 to PLN 1,116 in the three month period ended 31 March 2010 from PLN 9,024 in the corresponding period of 2009 mainly as a result of unrecognized 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 PLN 5,229 to PLN 11,104 in the three month period ended 31 March 2010 from PLN 5,875 in the corresponding period of 2009 mainly as a result of an increase in bad debt provision and the cost of receivables written off.

Operating profit

Our operating profit increased by 25.2% to PLN 106,894 in the three month period ended 31 March 2010 from PLN 85,352 in the corresponding period of 2009, mainly as a result of an increase in our revenues from sale of services, products, goods and materials.

Financial income

Our financial income was PLN 485 in the three month period ended 31 March 2010 as compared to PLN 12,939 in the corresponding period of 2009.

Financial income comprised interest gain of PLN 485.

Financial expenses

Our financial expenses were PLN 947 in the three month period ended on 31 March 2010 as compared to PLN 8,415 in the corresponding period of 2009.

Financial expenses comprised mainly interest expenses on bank loans of PLN 473 and foreign exchange costs in the amount of PLN 370.

Gross profit

Our gross profit increased by 18.4% to PLN 106,432 in the three month period ended on 31 March 2010 as compared to PLN 89,876 in the corresponding period of 2009, mainly as a result of a increase in operating profit.

Income tax

Income tax was PLN 20,298 in the three month period ended 31 March 2010. The effective tax rate was 19.1%.

Net profit

Our net profit increased by 18.6% to PLN 86,134 in the three month period ended 31 March 2010 compared to PLN 72,649 in the corresponding period of 2009 as a result of a increase in the gross profit.

Other information

EBITDA

EBITDA increased by 31.3% to PLN 122,890 in the three month period ended 31 March 2010 from PLN 93,607 in the corresponding period of 2009 mainly as a result of an increase in revenues from sale of services, products, goods and materials.

The EBITDA margin was 32.9% as compared to 30.4% in corresponding period of 2009.

Capital expenditures

Capital expenditures were PLN 11,699 in the three month period ended 31 March 2010 when compared to PLN 6,848 in corresponding period in 2009, mainly due to expenditures on fixed assets and intangible assets for the provision of DTH services and modernization of our real estate. Additionally we spent PLN 39,589 on set-top boxes which was leased to our subscribers.

Employment

Average number of employees was 673, including factory employees in the three month period ended 31 March 2010, as compared to 527 in corresponding period in 2009. The increase in the average number of employees resulted from our organic growth, increase in the capacity of our set-top boxes factory and launch of internet access services.

Liquidity and capital reserves

The table below presents cash flow for the three month periods ended on 31 March 2010 and 2009.

	Three month period ended	
	31 March 2010	31 March 2009
Cash flow from operating activities	15,635	(36,077)
Cash flow from investing activities	(11,649)	(60,244)
Cash flow from financing activities	(16,296)	(17,464)
Net change in cash and cash equivalents	(12,310)	(113,785)

Cash flow from operating activities

Cash flow from operating activities increased by PLN 51,712 to PLN 15,635 in the three month period ended 31 March 2010 from negative PLN 36,077 in the corresponding period of 2009. The increase results mainly from lower increase in a change of stock of PLN 55,007 and lower decrease in balance of liabilities by PLN 21,021, resulting from higher increase in reserve for tax income partially offset by higher increase in value of receivables and other assets by PLN 34,810, resulting mainly from an increase in not due receivables recognized according to IFRS and an increase in net additions in leased set-top boxes by PLN 25,748.

Cash flow used in investing activities

Cash flow used in investing activities decreased by PLN 48,595 to PLN 11,649 in the three month period ended 31 March 2010 from PLN 60,244 in the corresponding period of 2009, mainly as a result of purchase in the first quarter of 2009 shares in Sferia and an increase in investments on the purchase of fixed assets.

Cash flow used in financial activities

Cash flow used in financial activities in the three month period ended 31 March 2010 was PLN 16,296 when compared to PLN 17,464 in the corresponding period of 2009 and mainly comprised the repayment of bank debt with accrued interest.

Cash and cash equivalents as at 31 March 2010 decreased to PLN 60,120 as compared to PLN 132,794 as at 31 March 2009, excluding restricted cash amounted to PLN 26,738. We keep our cash mainly in a form of bank deposits in Zloty, euro and U.S. dollars in Invest Bank S.A. and Bank Pekao S.A.

Future liquidity and capital resources

We expect that our principal future cash needs will be (i) development of telecommunication services, (ii) purchase of DVRs, High Definition and others technologically advanced set-top boxes from external suppliers as well as components for our own Standard Definition and High Definition set-top boxes and (iii) planned capital expenditures, (iv) our 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 48,241 as at 31 March 2010 as compared to PLN 28,754 as at 31 December 2009.

Our total debt from long- and short-term loans and credit facilities as at 31 March 2010 was PLN 31,606, comprising debt resulting from a loan agreement with Bank Pekao S.A. denominated in PLN only.

On 23 April 2010 we signed an annex to an agreement for an overdraft facility with Pekao S.A. for an increase of the facility amount to PLN 100,000 with a repayment date on 30 April 2011. Interest rate on the overdraft facility is the sum of the reference rate WIBOR o/n and margin of 1.25%. Collateral for the overdraft facilities is an execution statement of up to PLN 150,000. From the day of this agreement until day of publication of this quarterly report we did not use fund that are available under the overdraft facility described above.

As at 31 March 2010 our cash balance was higher than our debt balance arising from loans and borrowings by about PLN 28,5141. In addition, funds restricted cash 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.

Off balance sheet liabilities

We concluded many agreements concerning the modernization of the real estate. Amount of unbilled supplies and services amounted to PLN 1,142 as at 31 March 20109. Moreover we concluded agreements for purchase of licenses and software – as at 31 March 2010 amount of unbilled supplies and services amounted to PLN 912.

Trend information

The principal trends of which we are aware that we believe will affect our revenues and profitability are:

1 Further development of pay television market, including cable and DTH.

2 Fluctuations in the exchange rates of Zloty to both the Euro and the US dollar. We are exposed to fluctuations in the exchange rate of Zloty to both euro and US Dollar. In the last quarter zloty has strengthened against the US Dollar and euro. A large proportion of our operating costs is denominated in these currencies. Weakening of PLN towards these currencies can have an adverse influence on our financial results.

3 Inflation in Poland is currently slowly decreasing and has previously been in growth trend. March 2010 inflation is approximately 2.6% year on year. We do not believe that the current inflationary trends will have a material impact

on our business.

We cannot predict the likelihood that these trends will continue.

Information on market risks

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 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.

We do not hold any assets available for sale denominated in foreign currencies. We hold equity interest a foreign entity whose functional currency is US Dollar. As this asset is not available for sale, we classify the it as other non-current assets.

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.

We analyse 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 develop of our integrated services; (iii) to finance planned capital expenditures; (iv) to maintain financial liquidity in connection with planned client promotions; (v) paid dividend according to our dividend policy.

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 purchase costs of set-top boxes, accessories to set-top boxes and components for in-house manufactured set-top boxes.

The principal risks 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.

13. Factors, that may impact the results of the Issuer and the Cyfrowy Polsat Capital Group in the following quarter or later

Promotions in the fourth quarter of 2009

Historically the biggest sale of our services was observed in the fourth quarter of the year. In the fourth quarter of 2009 we prepared attractive promotional offers, in which our customers were able to purchase our services without the need of paying subscription fee even for four months from the date of the contract for DTH services with possibility of migration to lower package. The construction of the promotions causes that we observed higher percentage of subscribers of premium packages which have positive impact on ARPU from the customers acquired during this promotional period.

Competition

Our market is very dynamic and competitive. There are four main players on the DTH market in Poland: Canal + Cyfrowy Sp. z o.o., the operator of Cyfra+ platform, ITI Neovision Sp. z o.o. the operator of "n" platform, Cyfrowy Polsat S.A., the operator of Cyfrowy Polsat platform and Telekomunikacja Polska S.A. In October 2009 Telekomunikacja Polska S.A. introduced, additionally to free channels package, their pay packages within the DTH services that are provided to their broadband internet subscribers since October 2008. Aggressive competition on market impact on promotional offer which was offered our new acquired subscribers especially in fourth quarter of 2009. Further rough competition may have a negative impact on results of our activity increasing our subscriber acquisition costs and eventually decreasing our ARPU.

Exchange rates fluctuations

Our functional and reporting currency is Zloty. Our revenues are expressed in Zloty, about 50% of our operating expenses and capital expenditure is denominated in currencies other than Zloty, mainly US dollars 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.

In first months of 2010 Zloty strengthen and impact positively on our operating costs in first quarter 2010, however we are unable to predict the future foreign exchange rates fluctuations and, future foreign exchange rate fluctuation will impact, either positively – in case of appreciation of Zloty, or negatively – in case of depreciation of Zloty, our operating costs.

Rising share of leased television receiving equipment

Due to increased share of leased reception equipment in the new contracts signed on our DTH services, our cost of digital satellite reception equipment sold and revenues from sale of equipment are respectively lower. The capital expenditure for purchase of reception equipment meant for lease and the value of reception equipment on our balance sheet grows resulting also in higher amortization charge.

Introduction of new terms and conditions

Starting 1 November 2009 we introduced a new terms and conditions. Polish law allows to cancel by subscriber the contract in any case the terms and conditions are changed. We already informed majority of our subscribers about changes in terms and conditions what caused an increase in churn rate in first quarter of 2010. However we can expect higher churn in second quarter 2010 as a result of dispatch changes of terms and condition until end of March 2010. We estimate that in longer period of time the changes in terms and conditions will impact positively our churn rate and ARPU as customer can chose one of two possibility: to roll an agreement for next 12 month period or to pay PLN 2 higher subscription fee.

Introduction of more attractive retention programs

In order to prevent the growth of our churn rate we introduced retention programs aimed at our subscribers which caused an increase in customer relation management and retention costs and cost of equipment sold because some of our loyalty schemes offers replacement of set-top box which is subsidized by us. We believe that pro-active attitude to subscriber in longer period of time is more cost effective than admit to increase in churn rate.

Production of HD set-top boxes

In April 2010 we started production of HD set-top boxes in our factory. Production of HD set-top boxes should reduce purchase price of HD set-top box, and consequently reduce the subsidy of HD set-top box sold to our customers and reduce the expenditure for the purchase of set-top boxes which are being leased to our subscribers.

Purchase of 49% shares in mPunkt Holdings Ltd. and consolidation of mPunkt Holdings Ltd. results

In the first quarter 2010 we received permission for the purchase of the majority shares package of mPunkt Holdings Ltd. Transaction was concluded on 4 May 2010 which means, that we will start consolidating mPunkt Holdings Ltd. from second quarter which will have influence on our reported financial results.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 Months Ended 31 March 2010

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 14 May 2010, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed 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:

Interim Consolidated Income Statement for the period from 1 January 2010 to 31 March 2010 showing a net profit of:	PLN 86,134 thousand
Interim Consolidated Statement of Other Comprehensive Income for the period from 1 January 2010 to 31 March 2010 showing a total comprehensive income of:	PLN 86,134 thousand
Interim Consolidated Balance Sheet as at 31 March 2010 showing total assets and total liabilities and equity of:	PLN 856,760 thousand
Interim Consolidated Cash Flow Statements for the period from 1 January 2010 to 31 March 2010 showing a decrease in cash amounting to:	PLN 12,310 thousand
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2010 to 31 March 2010 showing an increase in equity of:	PLN 86,134 thousand

Supplementary Information to the Interim Condensed Consolidated Financial Statements

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

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

Warsaw, 14 May 2010

(all amounts in PLN thousand)

Interim Consolidated Income Statement

	Note	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 restated* unaudited
Revenue from services, products, goods and materials sold	6	373,996	308,286
Cost of services, products, goods and materials sold	7	(189,123)	(168,774)
Cost of sales	7	(48,516)	(39,359)
General and administration costs	7	(19,475)	(17,950)
Other operating revenue	8	1,116	9,024
Other operating costs	9	(11,104)	(5,875)
Profit from operating activities		106,894	85,352
Financial income	10	485	12,939
Financial expenses	11	(947)	(8,415)
Profit before tax		106,432	89,876
Income tax		(20,298)	(17,227)
Net profit		86,134	72,649

*In order to reflect presentational changes introduced in the current period amounts were changed.

Basic and diluted earnings per share		0.32	0.27

Interim Consolidated Statement of Other Comprehensive Income

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Net profit	86,134	72,649
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	86,134	72,649

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet – Assets

	31 March 2010 unaudited	31 December 2009
Digital satellite reception equipment and modems	154,403	122,457
Other property, plant and equipment	148,340	146,228
Intangible assets	16,714	14,165
Other long-term assets	56,430	55,870
Deferred tax assets	2,762	2,190
Total non-current assets	378,649	340,910
Inventories	133,810	122,091
Trade and other receivables	173,199	131,900
Income tax receivable	20,810	21,265
Other current assets	63,434	59,290
Cash and cash equivalents	60,120	72,652
Restricted cash	26,738	26,738
Total current assets	478,111	433,936
Total assets	856,760	774,846

(all amounts in PLN thousand)

Interim Consolidated Balance Sheet – Equity and Liabilities

	Note	31 March 2010 unaudited	31 December 2009
Share capital	12	10,733	10,733
Reserve capital		73,997	73,997
Statutory reserve funds		10,174	10,174
Retained earnings		313,643	227,509
Total equity		408,547	322,413
Long-term finance lease liabilities		1,027	1,151
Deferred tax liability		45,612	26,060
Other long-term liabilities and provisions		1,602	1,543
Total non-current liabilities		48,241	28,754
Current loans and borrowings	13	31,606	47,370
Current finance lease liabilities		220	234
Trade and other payables		212,417	222,213
Income tax liabilities		655	-
Deposits for equipment		18,472	18,800
Deferred income		136,602	135,062
Total current liabilities		399,972	423,679
Total liabilities		448,213	452,433
Total equity and liabilities		856,760	774,846

(all amounts in PLN thousand)

Interim Consolidated Cash Flow Statement

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Net profit	86,134	72,649
Adjustments:	(70,683)	(97,185)
Depreciation and amortization	15,996	8,225
Loss on investing activity	123	-
Interest	93	(1,375)
Change in inventories	(11,720)	(66,727)
Change in receivables and other assets	(45,999)	(11,189)
Change in liabilities, provisions, accruals and deferred income	(10,155)	(31,176)
Foreign exchange losses	222	1,535
Income tax	20,298	17,227
Increase in set-top boxes under operating lease	(39,545)	(13,797)
Other adjustments	4	62
Net cash flow from operating activities	15,451	(24,536)
Income tax paid	(301)	(14,358)
Interest received from operating activity	485	2,817
Cash flow from operating activities	15,635	(36,077)
Purchases of intangible assets	(2,663)	(945)
Purchases of tangible assets	(9,036)	(5,903)
Purchase of shares in associates	-	(53,396)
Proceeds from sale of non-financial tangible assets	50	-
Cash flow from investing activities	(11,649)	(60,244)
Repayment of loans	(15,759)	(15,759)
Interest on loans	(478)	(1,646)
Finance lease – principal repayments	(59)	(59)
Cash flow from financing activities	(16,296)	(17,464)
Net decrease in cash and cash equivalents	(12,310)	(113,785)
Cash and cash equivalents at the beginning of the year*	99,390	246,422
Foreign exchange rate differences	(222)	157
Cash and cash equivalents at the end of the year*	86,858	132,794

*The amounts in 2010 include PLN 26,738 thousand of restricted cash

(all amounts in PLN thousand)

Interim Consolidated Statement of Changes in Equity for the 3 Months Ended 31 March 2010

	Share capital	Reserve capital	Statutory reserve capital	Retained earnings	Total Equity
Balance as of 1 January 2010	10,733	73,997	10,174	227,509	322,413
Total comprehensive income	-	-	-	86,134	86,134
Balance as of 31 March 2010	10,733	73,997	10,174	313,643	408,547

Interim Consolidated Statement of Changes in Equity for the 3 Months Ended 31 March 2009

	Share capital	Reserve capital	Statutory reserve capital	Retained earnings	Total Equity
Balance as of 1 January 2009	10,733	3,964	10,174	268,467	293,338
Total comprehensive income	-	-	-	72,649	72,649
Balance as of 31 March 2009	10,733	3,964	10,174	341,116	365,987

(all amounts in PLN thousand)

Supplementary Information to the Interim Condensed Consolidated Financial Statements for 3 months ended 31 March 2010

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,
- Andrzej Matuszyński	Member of the Management Board (until 6 January 2010),
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the 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 months ended 31 March 2010 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 months ended 31 March 2010 and the consolidated financial statements for the years 2009 and 2008, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2010.

During the 3 months ended 31 March 2010 the following changes entered into force:

(i) amendments to IFRS 2 *Share-based Payments*
The amendments specify the scope of transactions treated as share-based payments. They do not impact the Group's financial statements.

(ii) 2009 Improvements to International Financial Reporting Standards, including:
- amendments to IFRS 8 *Operating Segments* - the amendments limit segment reporting requirements concerning assets. An entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.
- amendments to IAS 7 *Statement of Cash Flows*

On the basis of the amendments, only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.

All amendments do not impact significantly the Group's financial statements.

(iii) IFRIC 17 *Distributions of Non-cash Assets to Owners*, amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* and amendment to IAS 10 *Events After The Reporting Period*

IFRIC 17 describes the accounting treatment of distribution of non-cash assets to owners whereas IFRS 5 introduces the definition of assets held for distribution to owners. Amendment to IAS 10 specifies how to present dividend declared after the balance sheet date but before publication of financial statements. Changes do not impact the consolidated financial statements.

(iv) revised IFRS 3 *Business Combinations*

Revised IFRS 3 describes accounting treatment of business combinations. Changes do not impact the consolidated financial statements.

(v) revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 describes how to present subsidiaries in consolidated financial statements and investments in subsidiaries, jointly controlled entities and associates. Changes do not impact the consolidated financial statements.

Published International Financial Reporting Standards and IFRIC 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 except for those Standards and Interpretations, presented below, which are still to be endorsed by the European Union and the Standards and Interpretations which have been endorsed by the European Union but has not come into force yet.

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

- IFRS 9 *Financial Instruments*;
- amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement;*
- IFRIC 19 *Extinguishing Financial Liabiliites with Equity Instruments;*
- amendments to IFRS 1 Additional Exemptions for First-time Adopters;
- revised IAS 24 *Related Party Disclosures;*
- amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.*

Addendum to the accounting policies published in the most recent annual consolidated financial statements

Following points have been added to the Parent's accounting policies:

Derivatives

Trading instruments

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

Hedging instruments

For accounting purposes, hedging consists in designating one or more instruments so that the change in their fair value offsets the effects of the change in fair value of hedged items or cash flows arising from hedged items.

The following hedging instruments are distinguished:

- instruments offsetting the change in the fair value of hedged item – such instruments limit the risk of change in the fair value of assets and liabilities,
- instruments offsetting the change in the cash flows generated by hedged items – such instruments limit the risks concerning cash flows.

Hedging transactions are concluded based on the hedging strategy. When entering into hedging transaction, the Group documents the relationship between hedged items and hedging instruments as well as the objective and strategy of each particular transaction. The documentation includes a hedging instrument, a hedged item, risk hedged and the assessment procedures of effectiveness of hedging instruments regarding offsetting fair value or cash flows arising from the hedged items. The Group expects that hedging instruments are highly effective. Effectiveness is assumed on an on-going basis.

Hedging instruments are recognized when the Group concludes an agreement. Purchased instruments are initially recognized at purchase price or, in case of financial liabilities at sale price.

The Group ceases to account derivatives for hedging instruments as the instruments expire, are sold, terminated or settled or as the Group changes the instrument's designation.

As at the balance sheet date the hedging instruments are valued at fair value. Instruments of positive fair value are financial assets and the ones of negative fair value are accounted for financial liabilities. Estimated fair value reflects the amount recoverable or payable in order to close out outstanding position. Valuation is conducted at least once a quarter.

Recognition of the changes in fair value of hedging instruments results from the hedged item:

- instruments offsetting the change in the fair value of hedged item – the ineffective portion of gain or loss on the hedging instrument is recognized as financial income or loss in the period when incurred; the effective portion of gain or loss on the hedging instrument adjusts the value of hedged item, this portion is recognized in income statement proportionally to recognition of changes in the fair value of hedged item in income statement;

- instruments offsetting the change in the cash flows generated by hedged items – the effective portion of gain or loss on the hedging instrument is recognized directly in equity; the ineffective portion is recognized as financial income or financial cost; if hedged future payable or transaction results in recognition asset or liability in the balance sheet, changes in their value formerly recognized in equity adjust the initial value of the asset or liability; changes in the value of hedging instrument are recognized in income statement when related assets or liabilities impact profit and loss; if hedge expires, changes formerly recognized in equity are directly recognized in income statement.

Intangible assets – internally generated IT software

The Group capitalizes costs of IT software internally generated, including employee-related expenses, directly resulting from generation and preparing asset to be capable of operating, if the Group can reliably measure the expenditure attributable to the particular stage of generation, estimate production costs and estimate date of commencement and termination of generation process.

Revenue – Internet access services

Internet access services revenues are recognized in profit and loss account accordingly to periods of rendering services or periods when the unutilized credit is forfeited.

Changes to the accounting policies published in the most recent annual consolidated financial statements

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. The reports are regularly analyzed by the Management Board of Cyfrowy Polsat S.A. which was identified as the chief operating decision maker.

The activities of the Group are grouped using branch criterion, i.e. distinguishable range of operations where services are rendered and merchandise delivered in a specific economic environment.

Due to the launch of Internet access services and planned introduction of the integrated offer in the second quarter of 2010 the Management Board of Cyfrowy Polsat S.A. verified its approach to the analysis of operating segments. All services rendered to individual clients are analyzed by the Management Board as one cohesive branch operating segment.

(all amounts in PLN thousand)

The segment's revenue comprises particularly:
- subscription fees related to rendered services,
- activation fees,
- interconnection revenues and settlements with mobile network operators,
- revenue from sale of equipment.

In the opinion of the Management Board of Cyfrowy Polsat S.A. one operating segment fully reflects the character and results of the economic activities of the Group and the economic environments where the Group is operating.

The Group operates exclusively in Poland and substantially all of its assets and clients are located in Poland. As a result, the Group does not analyze geographical segments.

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on 14 May 2010.

5. Information on Seasonality in the Group's Operations

Seasonality of sales of digital satellite reception equipment. The only portion of the Group's revenue which is subject to seasonality is the revenue from sales of digital satellite reception equipment. The seasonality is caused by increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which are not covered in terrestrial channels. Revenue from subscription fees is not directly subject to any seasonal trend.

6. Revenue from services, products, goods and materials sold

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
DTH subscription fees (Mini and MiniMax Package)	19,333	12,105
DTH subscription fees (other packages)	333,283	278,259
Sale of equipment	10,792	11,980
Rental of digital satellite reception equipment	206	192
Transmission services	1,046	654
Subscription fees from telecommunication services, interconnection revenues and settlements with mobile network operators	3,354	970
Other sale operating revenue	5,982	4,126
Total	373,996	308,286

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.

(all amounts in PLN thousand)

7. Operating costs

	Note	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Depreciation and amortization		15,996	8,255
Programming costs		92,716	97,563
Transmission costs	a	20,445	19,756
Cost of equipment sold		18,233	18,000
Distribution, marketing, customer relation management and retention costs	b	67,477	51,228
Salaries and employee-related expenses	c	17,958	15,472
Other operating costs	d	24,289	15,809
Total costs by kind		257,114	226,083

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Cost of services, products, goods and materials sold	189,123	168,774
Cost of sales	48,516	39,359
General and administration costs	19,475	17,950
Total costs by function	257,114	226,083

a) Transmission costs

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Transponders rental	13,493	10,217
Conditional Access System rental	5,721	8,435
Other	1,231	1,104
Total	20,445	19,756

b) Distribution, marketing, customer relation management and retention costs

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Distibution and logistics costs	27,252	28,152
Marketing costs	15,373	6,275
Customer relation and retention costs	24,852	16,801
Total	67,477	51,228

(all amounts in PLN thousand)

c) Salaries and employee-related expenses

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Salaries	15,011	12,607
Social security contributions	2,268	2,175
Other employee-related costs	679	690
Total	17,958	15,472

Salaries and social security contributions of employees directly involved in set-top boxes manufacturing are capitalized in the value of manufactured set-top boxes.

d) Other operating costs

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Cost of SMART and SIM cards handed over	6,466	3,885
IT services	1,940	5,084
Legal, advisory and consulting costs	2,222	1,985
Property maintenance costs	2,146	1,187
Taxes and other charges	433	418
Costs of settlements with mobile network operators and interconnection charges	1,156	814
Other	9,926	2,436
Total	24,289	15,809

8. Other operating revenues

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Contractual remedy covering the costs of encryption card and digital satellite reception equipment replacement (SWAP)	-	7,794
Other compensations	218	553
Reversal of fixed assets impairment and stock provision	242	-
Other	656	677
Total	1,116	9,024

(all amounts in PLN thousand)

9. Other operating costs

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Bad debt provision and the cost of receivables written off	10,798	4,864
Fixed assets impairment and stock provision	-	809
Other	306	202
Total	11,104	5,875

10. Financial income

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Foreign exchange differences from forward exchange contracts	-	10,122
Interest income	485	2,817
Total	485	12,939

11. Financial expenses

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Interest	577	1,442
Foreign exchange rate differences, net	370	6,811
Other	-	162
Total	947	8,415

(all amounts in PLN thousand)

12. Equity

Share capital

The table below presents the share capital of the Parent as at 31 March 2010.

Share series	Type of shares	Number of shares	Nominal value of a share	Number of votes	% of voting rights
A	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
B	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
C	preference shares (2 voting rights per share)	7,500,000	0.04	15,000,000	3.3%
D	preference shares (2 voting rights per share)	166,917,501	0.04	333,835,002	74.6%
D	ordinary bearer shares	8,082,499	0.04	8,082,499	1.8%
E	ordinary bearer shares	75,000,000	0.04	75,000,000	16.8%
F	ordinary bearer shares	5,825,000	0.04	5,825,000	1.3%
Total		268,325,000		447,742,501	100%

Resolution regarding the division of the profit for the year 2009 was not adopted as at the date of approval of these interim condensed consolidated financial statements.

13. Borrowings and loans

As at 31 March 2010 the Group is a party of one bank loan agreement.

The agreement with Bank Pekao S.A. was conducted on 9 October 2007 for a total loan up to PLN 200 million bearing variable interest rate depending on the frequency of interest payment and a 0.55% margin. The Parent decided on monthly payments, therefore the bank loan interest rate is based on WIBOR 1M. Cyfrowy Polsat S.A. took out the bank loan in the amount of PLN 191,830 thousand and till 31 March 2010 repaid the principal amounting to PLN 160,312 thousand. The repayment was made out of own funds of the Group. 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, that is until 9 October 2010.

The bank loan agreement results in following restrictions for the Group:

a. purchasing shares in other corporations or establishing companies or partnerships prohibited without the consent of the Bank,
b. prohibited entering into transactions on terms less advantageous than arm’s length terms,
c. granting loans prohibited without the consent of the Bank,
d. providing guarantees prohibited without the consent of the Bank,
e. acquiring own shares for retirement and retirement of own shares prohibited without the consent of the Bank.

As at 31 March 2010 the amount of the bank loan in Bank Pekao S.A. amounted to PLN 31,606 thousand (including interest). The entire amount represents the short-term part.

(all amounts in PLN thousand)

14. Transactions with related parties

Receivables

	31 March 2010 unaudited	31 December 2009
Dom Sprzedaży Radia PIN Sp. z o.o.	107	61
Media Biznes Sp. z o.o.	59	116
mPunkt Polska S.A.	1	-
Polsat Futbol Ltd.	298	-
Polsat Media Sp. z o.o.	1	1
Polskie Media S.A.	38	37
Sferia S.A.	7	16
Superstacja Sp.z o.o.	339	181
Teleaudio Sp. z o.o.	24	2
Telewizja Polsat S.A.	535	4,944
Total	1,409	5,358

Liabilities

	31 March 2010 unaudited	31 December 2009
Invest Bank S.A.	3	4
PAI Media S.A.	10	-
Polsat Media Sp. z o.o.	24	-
Polskie Media S.A.	-	34
Sferia S.A.	20	-
Superstacja Sp. z o.o.	149	-
Teleaudio Sp. z o.o.	27	877
Telewizja Polsat S.A.	4,959	-
Total	5,192	915

Receivables from related parties and liabilities to related parties do not serve as security.

(all amounts in PLN thousand)

Revenues from operating activities

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Media Biznes Sp. z o.o.	48	48
Dom Sprzedaży Radia PIN Sp. z o.o.	38	-
mPunkt Polska S.A.	6	-
Polsat Futbol Ltd.	298	-
Polskie Media S.A.	36	-
Radio PIN S.A.	-	38
Superstacja Sp. z o.o.	12	39
Teleaudio Sp. z o.o.	110	1
Telewizja Polsat S.A.	124	192
Total	672	318

Cost of operating activities

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Elektrim S.A.	427	399
Invest Bank S.A.	3	-
Media Biznes Sp. z o.o.	48	48
PAI Media S.A.	36	-
Polsat Media Sp. z o.o.	50	-
Radio PIN S.A.	-	-
Sferia S.A.	42	20
Superstacja Sp. z o.o.	5	-
Teleaudio Sp. z o.o.	2,264	4,115
Telewizja Polsat S.A.	18,675	13,573
Total	21,550	18,155

Transactions with related parties are being concluded on terms that are not materially different from market terms.

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.

15. Off-balance sheet commitments

Contingent liabilities

Public administration proceedings

Proceedings before the President of UOKiK regarding an application of practices breaching collective interests of consumers

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 applied for a dismissal of the appeal.

In these interim condensed consolidated financial statements 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. z with registered office in Katowice for compensation and indemnity. On 2 April 2010 the District Court for Warszawa Praga in Warsaw X Enterpreneurs' Division announced the conclusion, according to which, the Parent is obliged to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545 thousand plus legal interest calculated from 28 August 2007 and PLN 30 thousand of legal costs reimbursement. Cyfrowy Polsat S.A. intends to appeal against above-mentioned conclusion.

Due to the uncertainity of the amount and the date of the outflow of funds the Parent classifies aforementioned liability in the total amount of PLN 758 thousand as a contingent liability and, as a result, did not create a provision for potential costs resulting from the final settlement of the above-mentioned lawsuit.

Contractual liabilities related to purchase of non-current assets

The Group entered into several agreements on refurbishment of the property. Amount of unbilled purchases of goods and services regarding refurbishment totaled PLN 1,142 thousand as at 31 March 2010. In addition, the Group entered into agreements for purchase of licences and software – as at 31 March 2010 the value of unbilled deliveries and services under the agreements amounted to PLN 912 thousand.

16. Other important events in the period covered by these interim condensed consolidated financial statements

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. The Parent 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.

17. Subsequent events

The organizational structure of Cyfrowy Polsat S.A. changed on 1 April 2010. A division of the Company – "Cyfrowy Polsat Spółka Akcyjna Oddział w Warszawie" was established on the grounds of the resolution dated 31 March 2010. The establishment of the division does not influence the financial status of the Group and does not affect the presentation and content of the Group's financial statements.

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.

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 decided 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.

(all amounts in PLN thousand)

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%

18. Accounting estimates and assumptions

In the preparation of interim condensed consolidated 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 and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as adopted in preparation of consolidated financial statements for the year ended 31 December 2009.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 Months Ended 31 March 2010

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 INTERIM CONDENSED FINANCIAL STATEMENTS

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

Interim Income Statement for the period from 1 January 2010 to 31 March 2010 showing a net profit of:	PLN 85,142 thousand
Interim Statement of Other Comprehensive Income for the period from 1 January 2010 to 31 March 2010 showing a total comprehensive income of:	PLN 85,142 thousand
Interim Balance Sheet as at 31 March 2010 showing total assets and total liabilities and equity of:	PLN 851,413 thousand
Interim Cash Flow Statement for the period from 1 January 2010 to 31 March 2010 showing a decrease in cash amounting to:	PLN 11,213 thousand
Interim Statement of Changes in Equity for the period from 1 January 2010 to 31 March 2010 showing an increase in equity of:	PLN 85,142 thousand

Supplementary Information to the Interim Condensed Financial Statements
The interim condensed 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

Dorota Wołczyńska
Chief Accountant

Warsaw, 14 May 2010

(all amounts in PLN thousand)

Interim Income Statement

	Note	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 restated* unaudited
Revenue from services, products, goods and materials sold	6	372,840	308,662
Cost of services, products, goods and materials sold	7	(189,771)	(169,396)
Cost of sales	7	(48,254)	(39,168)
General and administration costs	7	(18,723)	(16,898)
Other operating revenue	8	862	8,547
Other operating costs	9	(11,541)	(5,846)
Profit from operating activities		105,413	85,901
Financial income	10	592	13,237
Financial expenses	11	(804)	(7,866)
Profit before tax		105,201	91,270
Income tax		(20,059)	(17,470)
Net profit		85,142	73,800

*In order to reflect presentational changes introduced in the current period amounts were changed.

Basic and diluted earnings per share		0.32	0.28

Interim Statement of Other Comprehensive Income

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Net profit	85,142	73,800
Other comprehensive income	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	85,142	73,800

(all amounts in PLN thousand)

Interim Balance Sheet – Assets

	31 March 2010 unaudited	31 December 2009
Digital satellite reception equipment and modems	167,834	133,004
Other property, plant and equipment	133,962	132,344
Intangible assets	15,793	13,435
Long term receivables granted to related parties	4,617	4,887
Investment property	6,915	6,946
Other long-term assets	56,550	55,989
Total non-current assets	385,671	346,605
Inventories	121,759	115,833
Short-term loans granted to related parties	1,477	1,474
Income tax receivable	20,810	21,262
Trade and other receivables	173,509	132,971
Other current assets	62,507	58,589
Cash and cash equivalents	58,942	70,388
Restricted cash	26,738	26,738
Total current assets	465,742	427,255
Total assets	851,413	773,860

(all amounts in PLN thousand)

Interim Balance Sheet – Equity and Liabilities

	Note	31 March 2010 unaudited	31 December 2009
Share capital	12	10,733	10,733
Reserve capital		73,997	73,997
Statutory reserve funds		10,174	10,174
Retained earnings		318,053	232,911
Total equity		412,957	327,815
Long-term finance lease liabilities		1,027	1,151
Deferred tax liability		48,882	29,178
Other long-term liabilities and provisions		1,109	1,110
Total non-current liabilities		51,018	31,439
Current loans and borrowings	13	31,606	47,370
Current finance lease liabilities		220	234
Trade and other payables		200,538	213,140
Deposits for equipment		18,472	18,800
Deferred income		136,602	135,062
Total current liabilities		387,438	414,606
Total liabilities		438,456	446,045
Total equity and liabilities		851,413	773,860

(all amounts in PLN thousand)

Interim Cash Flow Statement

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Net profit	85,142	73,800
Adjustments:	(69,402)	(95,977)
Depreciation and amortization	16,147	7,874
Loss on investing activity	123	-
Interest	(14)	(1,623)
Change in inventories	(5,926)	(70,669)
Change in receivables and other assets	(44,634)	(11,021)
Change in liabilities, provisions, accruals and deferred income	(12,374)	(24,497)
Foreign exchange losses	233	1,613
Income tax	20,059	17,470
Increase in set-top boxes under operating lease	(43,016)	(15,134)
Other adjustments	-	10
Net cash flow from operating activities	15,740	(22,177)
Income tax paid	-	(13,684)
Interest received from operating activity	477	2,763
Cash flow from operating activities	16,217	(33,098)
Purchases of intangible assets	(2,350)	(840)
Purchases of tangible assets	(8,834)	(5,692)
Purchase of shares in associates	-	(53,396)
Proceeds from sale of non-financial tangible assets	50	-
Payment of interest on finance lease liabilities by a subsidiary	-	88
Cash flow from investing activities	(11,134)	(59,840)
Repayment of loans	(15,759)	(15,759)
Interest on loans	(478)	(1,646)
Finance lease – principal repayments	(59)	(59)
Cash flow from financing activities	(16,296)	(17,464)
Net decrease in cash and cash equivalents	(11,213)	(110,402)
Cash and cash equivalents at the beginning of the year*	97,126	240,979
Foreign exchange rate differences	(233)	152
Cash and cash equivalents at the end of the year*	85,680	130,729

*The amounts in 2010 include PLN 26,738 thousand of restricted cash

(all amounts in PLN thousand)

Interim Statement of Changes in Equity for the 3 Months Ended 31 March 2010

	Share capital	Reserve capital	Statutory reserve capital	Retained earnings	Total Equity
Balance as of 1 January 2010	10,733	73,997	10,174	232,911	327,815
Total comprehensive income	-	-	-	85,142	85,142
Balance as of 31 March 2010	10,733	73,997	10,174	318,053	412,957

Interim Statement of Changes in Equity for the 3 Months Ended 31 March 2009

	Share capital	Reserve capital	Statutory reserve capital	Retained earnings	Total Equity
Balance as of 1 January 2009	10,733	3,964	10,174	272,147	297,018
Total comprehensive income	-	-	-	73,800	73,800
Balance as of 31 March 2009	10,733	3,964	10,174	345,947	370,818

(all amounts in PLN thousand)

Supplementary Information to the Interim Condensed Financial Statements for 3 months ended 31 March 2010

1. Activity of the Company

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

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Andrzej Matuszyński	Member of the Management Board (until 6 January 2010),
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

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

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for 3 months ended 31 March 2010 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The Company applied the same accounting policies in the preparation of the financial data for 3 months ended 31 March 2010 and the financial statements for the years 2009 and 2008, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2010.

During the 3 months ended 31 March 2010 the following changes entered into force:

(i) amendments to IFRS 2 *Share-based Payments*
The amendments specify the scope of transactions treated as share-based payments. They do not impact the Company's financial statements.
(ii) 2009 Improvements to International Financial Reporting Standards, including:

- amendments to IFRS 8 *Operating Segments* - the amendments limit segment reporting requirements concerning assets. An entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.
- amendments to IAS 7 *Statement of Cash Flows*

On the basis of the amendments, only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.

All amendments do not impact significantly the Company's financial statements.

(iii) IFRIC 17 *Distributions of Non-cash Assets to Owners*, amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* and amendment to IAS 10 *Events After The Reporting Period*

IFRIC 17 describes the accounting treatment of distribution of non-cash assets to owners whereas IFRS 5 introduces the definition of assets held for distribution to owners. Amendment to IAS 10 specifies how to present dividend declared after the balance sheet date but before publication of financial statements. Changes do not impact the Company's financial statements.

(iv) revised IFRS 3 *Business Combinations*

Revised IFRS 3 describes accounting treatment of business combinations. Changes do not impact the Company's financial statements.

(v) revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 describes how to present subsidiaries in consolidated financial statements and investments in subsidiaries, jointly controlled entities and associates. Changes do not impact the Company's financial statements.

Published International Financial Reporting Standards and IFRIC 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 except for those Standards and Interpretations, presented below, which are still to be endorsed by the European Union and the Standards and Interpretations which have been endorsed by the European Union but has not come into force yet.

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

- IFRS 9 *Financial Instruments*;
- amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement;*
- IFRIC 19 *Extinguishing Financial Liabiliites with Equity Instruments;*
- amendments to IFRS 1 Additional Exemptions for First-time Adopters;
- revised IAS 24 *Related Party Disclosures;*
- amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.*

Addendum to the accounting policies published in the most recent annual consolidated financial statements

Following points have been added to the Company's accounting policies:

Derivatives

Trading instruments

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

Hedging instruments

For accounting purposes, hedging consists in designating one or more instruments so that the change in their fair value offsets the effects of the change in fair value of hedged items or cash flows arising from hedged items.

The following hedging instruments are distinguished:

- instruments offsetting the change in the fair value of hedged item – such instruments limit the risk of change in the fair value of assets and liabilities,
- instruments offsetting the change in the cash flows generated by hedged items – such instruments limit the risks concerning cash flows.

Hedging transactions are concluded based on the hedging strategy. When entering into hedging transaction, the Company documents the relationship between hedged items and hedging instruments as well as the objective and strategy of each particular transaction. The documentation includes a hedging instrument, a hedged item, risk hedged and the assessment procedures of effectiveness of hedging instruments regarding offsetting fair value or cash flows arising from the hedged items. The Company expects that hedging instruments are highly effective. Effectiveness is assumed on an on-going basis.

Hedging instruments are recognized when the Company concludes an agreement. Purchased instruments are initially recognized at purchase price or, in case of financial liabilities at sale price.

The Company ceases to account derivatives for hedging instruments as the instruments expire, are sold, terminated or settled or as the Company changes the instrument's designation.

As at the balance sheet date the hedging instruments are valued at fair value. Instruments of positive fair value are financial assets and the ones of negative fair value are accounted for financial liabilities. Estimated fair value reflects the amount recoverable or payable in order to close out outstanding position. Valuation is conducted at least once a quarter.

Recognition of the changes in fair value of hedging instruments results from the hedged item:

- instruments offsetting the change in the fair value of hedged item – the ineffective portion of gain or loss on the hedging instrument is recognized as financial income or loss in the period when incurred; the effective portion of gain or loss on the hedging instrument adjusts the value of hedged item, this portion is recognized in income statement proportionally to recognition of changes in the fair value of hedged item in income statement;

- instruments offsetting the change in the cash flows generated by hedged items – the effective portion of gain or loss on the hedging instrument is recognized directly in equity; the ineffective portion is recognized as financial income or financial cost; if hedged future payable or transaction results in recognition asset or liability in the balance sheet, changes in their value formerly recognized in equity adjust the initial value of the asset or liability; changes in the value of hedging instrument are recognized in income statement when related assets or liabilities impact profit and loss; if hedge expires, changes formerly recognized in equity are directly recognized in income statement.

Intangible assets – internally generated IT software

The Company capitalizes costs of IT software internally generated, including employee-related expenses, directly resulting from generation and preparing asset to be capable of operating, if the Company can reliably measure the expenditure attributable to the particular stage of generation, estimate production costs and estimate date of commencement and termination of generation process.

Revenue – Internet access services

Internet access services revenues are recognized in profit and loss account accordingly to periods of rendering services or periods when the unutilized credit is forfeited.

Changes to the accounting policies published in the most recent annual consolidated financial statements

Segment reporting

An operating segment is a component of the Company that is engaged in economic activities that involve achieving revenue and incurring costs, including revenue and costs from transactions with other components of the Company.

The Company presents operating segments according to internal management accounting principles applied in preparation of periodical management reports. The reports are regularly analyzed by the Management Board of Cyfrowy Polsat S.A. which was identified as the chief operating decision maker.

The activities of the Company are grouped using branch criterion, i.e. distinguishable range of operations where services are rendered and merchandise delivered in a specific economic environment.

Due to the launch of Internet access services and planned introduction of the integrated offer in the second quarter of 2010 the Management Board of Cyfrowy Polsat S.A. verified its approach to the analysis of operating segments. All services rendered to individual clients are analyzed by the Management Board as one cohesive branch operating segment.

The segment's revenue comprises particularly:

- subscription fees related to rendered services,
- activation fees,
- interconnection revenues and settlements with mobile network operators,
- revenue from sale of equipment.

(all amounts in PLN thousand)

In the opinion of the Management Board of Cyfrowy Polsat S.A. one operating segment fully reflects the character and results of the economic activities of the Company and the economic environments where the Company is operating.

The Company operates exclusively in Poland and substantially all of its assets and clients are located in Poland. As a result, the Company does not analyze geographical segments.

Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved by the Management Board on 14 May 2010.

5. Information on Seasonality in the Company's Operations

Seasonality of sales of digital satellite reception equipment. The only portion of the Company's revenue which is subject to seasonality is the revenue from sales of digital satellite reception equipment. The seasonality is caused by increased number of new subscribers in the fourth quarter of the year (before Christmas) and important sporting events which are not covered in terrestrial channels. Revenue from subscription fees is not directly subject to any seasonal trend.

6. Revenue from services, goods and materials sold

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
DTH subscription fees (Mini and MiniMax Package)	19,333	12,105
DTH subscription fees (other packages)	333,283	278,259
Sale of equipment	9,148	11,980
Rental of digital satellite reception equipment	206	192
Transmission services	1,046	654
Subscription fees from telecommunication services, interconnection revenues and settlements with mobile network operators	3,355	970
Other sale operating revenue	6,469	4,502
Total	372,840	308,662

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.

(all amounts in PLN thousand)

7. Operating costs

	Note	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Depreciation and amortization		16,147	7,874
Programming costs		92,715	97,563
Transmission costs	a	20,445	19,756
Cost of equipment sold		18,870	18,778
Distribution, marketing, customer relation management and retention costs	b	67,477	51,228
Salaries and employee-related expenses	c	17,289	14,549
Other operating costs	d	23,805	15,714
Total costs by kind		256,748	225,462

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Cost of services, goods and materials sold	189,771	169,396
Cost of sales	48,254	39,168
General and administration costs	18,723	16,898
Total costs by function	256,748	225,462

a) Transmission costs

	for 3 months ended 31 March 2010 unaudited	for 3 months ended 31 March 2009 unaudited
Transponders rental	13,493	10,217
Conditional Access System rental	5,721	8,435
Other	1,231	1,104
Total	20,445	19,756

(all amounts in PLN thousand)

b) Distribution, marketing, customer relation management and retention costs

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Distibution and logistics costs	27,252	28,152
Marketing costs	15,373	6,275
Customer relation management costs	24,852	16,801
Total	67,477	51,228

c) Salaries and employee-related expenses

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Salaries	14,459	11,815
Social security contributions	2,175	2,046
Other employee-related costs	655	688
Total	17,289	14,549

d) Other operating costs

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Cost of SMART and SIM cards handed over	6,466	3,885
IT services	1,931	5,076
Legal, advisory and consulting costs	2,068	1,832
Property maintenance costs	2,111	1,168
Taxes and other charges	401	401
Costs of settlements with mobile network operators and interconnection charges	1,156	814
Other	9,672	2,538
Total	23,805	15,714

(all amounts in PLN thousand)

8. Other operating revenues

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Contractual remedy covering the costs of encryption card and digital satellite reception equipment replacement (SWAP)	-	7.794
Other compensations	218	553
Reversal of fixed assets impairment and stock provision	1	-
Other	643	200
Total	862	8,547

9. Other operating costs

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Bad debt provision and the cost of receivables written off	10,798	4,864
Fixed assets impairment and stock provision	462	809
Other	281	173
Total	11,541	5,846

10. Financial income

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Foreign exchange differences from forward exchange contracts	-	10,122
Interest income	592	3,065
Other	-	50
Total	592	13,237

(all amounts in PLN thousand)

11. Financial expenses

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Interest	577	1,442
Foreign exchange rate differences, net	227	6,264
Other	-	162
Total	804	7,868

12. Equity

Share capital

The table below presents the share capital of the Parent as at 31 March 2010.

Share series	Type of shares	Number of shares	Nominal value of a share	Number of votes	% of voting rights
A	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
B	preference shares (2 voting rights per share)	2,500,000	0.04	5,000,000	1.1%
C	preference shares (2 voting rights per share)	7,500,000	0.04	15,000,000	3.3%
D	preference shares (2 voting rights per share)	166,917,501	0.04	333,835,002	74.6%
D	ordinary bearer shares	8,082,499	0.04	8,082,499	1.8%
E	ordinary bearer shares	75,000,000	0.04	75,000,000	16.8%
F	ordinary bearer shares	5,825,000	0.04	5,825,000	1.3%
Total		268,325,000		447,742,501	100%

Resolution regarding the division of the profit for the year 2009 was not adopted as at the date of approval of these interim condensed financial statements.

13. Borrowings and loans

As at 31 March 2010 the Company is a party of one credit agreement.

The agreement with Bank Pekao S.A. was conducted on 9 October 2007 for a total loan up to PLN 200 million bearing variable interest rate depending on the frequency of interest payment and a 0.55% margin. The Company decided on monthly payments, therefore the bank loan interest rate is based on WIBOR 1M. Cyfrowy Polsat S.A. took out the bank loan in the amount of PLN 191,830 thousand and until 31 March 2010 repaid the principal amounting to PLN 160,312 thousand. The repayment was made out of own funds of the Company. 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, that is until 9 October 2010.

(all amounts in PLN thousand)

The credit agreement results in following restrictions for the Company:

a. purchasing shares in other corporations or establishing companies or partnerships prohibited without the consent of the Bank,
b. prohibited entering into transactions on terms less advantageous than arm's length terms,
c. granting loans prohibited without the consent of the Bank,
d. providing guarantees prohibited without the consent of the Bank,
e. acquiring own shares for retirement and retirement of own shares prohibited without the consent of the Bank.

As at 31 March 2010 the amount of the bank loan in Bank Pekao S.A. amounted to PLN 31,606 thousand (including interest). The entire amount represents the short-term part.

14. Transactions with related parties

Receivables

	31 March 2010 unaudited	31 December 2009
Cyfrowy Polsat Technology Sp. z o.o.	742	283
Cyfrowy Polsat Technology Sp. z o.o. (leasing)	5,667	5,917
Dom Sprzedaży Radia PIN Sp. z o.o.	107	61
Media Biznes Sp. z o.o.	59	116
mPunkt Polska S.A.	1	-
Polsat Futbol Ltd.	298	-
Polsat Media Sp. z o.o.	1	1
Polskie Media S.A.	38	37
Sferia S.A.	7	16
Superstacja Sp. z o.o.	339	181
Teleaudio Sp. z o.o.	24	2
Telewizja Polsat S.A.	535	4,944
Total	7,818	11,558

Long-term receivables

	31 March 2010 unaudited	31 December 2009
Long-term financial lease receivables	4,617	4,887
Total	4,617	4,887

The leased assets comprise set-top boxes' production line and laser used to manufacture electronic equipment. The initial total value of leased assets amounted to PLN 7,807 thousand. The leasing agreements were signed for the term of 7years.

(all amounts in PLN thousand)

As at the balance sheet date lease receivables from Cyfrowy Polsat Technology Sp. z o.o. amount to PLN 5,667 thousand (PLN 4,617 thousand representing the long-term part). Interest in the amount of PLN 113 thousand is presented in financial income.

Liabilities

	31 March 2010 unaudited	31 December 2009
Cyfrowy Polsat Technology Sp. z o.o.*	16,656	7,040
Invest Bank S.A.	3	4
PAI Media S.A.	10	-
Polsat Media Sp. z o.o.	24	-
Polskie Media S.A.	-	34
Sferia S.A.	20	-
Superstacja Sp. z o.o.	149	-
Teleaudio Sp. z o.o.	27	877
Telewizja Polsat S.A.	4,959	-
Total	21,848	7,955

Amounts presented above do not include deposit (PLN 29 thousand) related to leased property, paid by Cyfrowy Polsat Technology Sp. z o.o. to the Company.

Receivables from related parties and liabilities to related parties do not serve as security.

Liabilities to Cyfrowy Polsat Technology Sp. z o.o. comprise liabilities resulting from purchases of set-top boxes and set-top boxes' accessories. During the three-month period ended 31 March 2010 the Company purchased from Cyfrowy Polsat Technology Sp. z o.o. set-top boxes and set-top boxes' accessories for a total value of PLN 32,480 thousand.

Loans granted

Short-term loans granted	Principal value of the loan	31 March 2010 unaudited	31 December 2009
Cyfrowy Polsat Technology Sp. z o.o.	6,500	1,477	1,474
Total	6,500	1,477	1,474

The interest rate for loan granted to Cyfrowy Polsat Technology Sp. z o.o. was agreed as WIBOR 6M calculated on the last day prior to the date on which the interest is due and payable plus the margin of 2%. It was determined that the loan will be repaid until 31 December 2010. A borrower's incomplete blank promissory note with a bill of exchange declaration is the collateral for the loan.

(all amounts in PLN thousand)

Revenues from operating activities

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	488	404
Media Biznes Sp. z o.o.	48	48
Dom Sprzedaży Radia PIN Sp. z o.o.	38	-
mPunkt Polska S.A.	6	-
Polsat Futbol Ltd.	298	-
Polskie Media S.A.	36	-
Radio PIN S.A.	-	38
Superstacja Sp. z o.o.	12	39
Teleaudio Sp. z o.o.	110	1
Telewizja Polsat S.A.	124	192
Total	1,160	722

Cost of operating activities

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Elektrim S.A.	427	399
Invest Bank S.A.	3	-
Media Biznes Sp. z o.o.	48	48
PAI Media S.A.	36	-
Polsat Media Sp. z o.o.	50	-
Radio PIN S.A.	-	-
Sferia S.A.	42	20
Superstacja Sp. z o.o.	5	-
Teleaudio Sp. z o.o.	2,264	4,115
Telewizja Polsat S.A.	18,675	13,573
Total	21,550	18,155

(all amounts in PLN thousand)

Financial income

	for 3 months ended	
	31 March 2010 unaudited	31 March 2009 unaudited
Cyfrowy Polsat Technology Sp. z o.o.	115	302
Total	115	302

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.

15. Off-balance sheet commitments

Contingent liabilities

Public administration proceedings

Proceedings before the President of UOKiK regarding an application of practices breaching collective interests of consumers

The Company 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 Company's revenue in 2008.

The Company submitted appeal against the decision to the Competition and Consumer Protection Court. On 14 April 2010 the President of UOKiK applied for a dismissal of the appeal.

In these interim condensed financial statements the Company 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. z with registered office in Katowice for compensation and indemnity. On 2 April 2010 the District Court for Warszawa Praga in Warsaw X Enterpreneurs' Division announced the conclusion, according to which, the Company is obliged to pay in favour of SkyMedia Sp. z o.o. an amount of PLN 545 thousand plus legal interest calculated from 28 August 2007 and PLN 30 thousand of legal costs reimbursement. Cyfrowy Polsat S.A. intends to appeal against above-mentioned conclusion.

Due to the uncertainity of the amount and the date of the outflow of funds the Company classifies aforementioned liability in the total amount of PLN 758 thousand as a contingent liability and, as a result, did not create a provision for potential costs resulting from the final settlement of the above-mentioned lawsuit.

Contractual liabilities related to purchase of non-current assets

Cyfrowy Polsat S.A. entered into several agreements on refurbishment of the property. Amount of unbilled purchases of goods and services regarding refurbishment totaled PLN 1,142 thousand as at 31 March 2010. In addition, the Company entered into agreements for purchase of licences and software – as at 31 March 2010 the value of unbilled deliveries and services under the agreements amounted to PLN 698 thousand.

16. Other important events in the period covered by these interim condensed financial statements

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.

17. Subsequent events

The organizational structure of Cyfrowy Polsat S.A. changed on 1 April 2010. A division of the Company – "Cyfrowy Polsat Spółka Akcyjna Oddział w Warszawie" was established on the grounds of the resolution dated 31 March 2010. The establishment of the division does not influence the financial status of the Company and does not affect the presentation and content of the Company's financial statements.

Completion of shares purchase transaction in mPunkt Holdings Ltd.

On 4 May 2010 the Company 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.

The Company 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 Company decided 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.

(all amounts in PLN thousand)

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.

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%

18. Accounting estimates and assumptions

In the preparation of interim condensed 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 and assumptions applied in preparation of these interim condensed financial statements were the same as adopted in preparation of financial statements for the year ended 31 December 2009.