

CYFROWY POLSAT S.A.

Current report number: 14/2010

Date of report: 17 May 2010

Subject: **Correction of the consolidated/standalone financial statements for the fiscal year ended 31 December 2009 and Management Board's report on the activities of Company/Group in 2009**

Management Board of Cyfrowy Polsat S.A. ("Company") informs, that due fact that our Supervisory Board has taken a resolution granting bonuses to employees of the Group for 2009 we corrected:

- I. consolidated financial statement for the year ended 31 December 2009;
- II. standalone financial statements for the fiscal year ended 31 December 2009;
- III. Management Board's report on the activities of Cyfrowy Polsat S. A. Capital Group in 2009
- IV. Management Board's report on the activities of Cyfrowy Polsat S. A. Company in 2009

ad I

Changes to consolidated financial statements are presented below.

1. Income statement

Position of the income statement	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Revenue from services, products, goods and materials sold	1,266,137	-	1,266,137
Cost of services, products, goods and materials sold	(689,671)	(1,313)*	(690,984)
Cost of sales	(204,326)	(937)*	(205,263)
General and administration costs	(74,961)	(7,150)*	(82,111)
Other operating revenue	12,541	-	12,541
Other operating costs	(24,270)	-	(24,270)
Profit from operating activities	285,450	(9,400)	276,050
Financial income	14,319	-	14,319
Financial expenses	(5,963)	-	(5,963)
Share of loss of an associate	(69)	-	(69)
Profit before tax	293,737	(9,400)	284,337
Income tax	(55,798)	1,780	(54,018)
Net profit	237,939	(7,620)	230,319

*The total amount of PLN 9,400 thousand is presented as salaries and employee-related expenses in costs by kind.

Position of the statement of comprehensive income	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Net profit	237,939	(7,620)	230,319
Other comprehensive income	-	-	-
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	237,939	(7,620)	230,319

2. Balance sheet

Balance sheet position – assets	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Digital satellite reception equipment and modems	122,457	-	122,457
Other property, plant and equipment	146,228	-	146,228
Intangible assets	14,165	-	14,165
Investment property	-	-	-
Shares in associates	24,732	-	24,732
Other long-term assets	31,138	-	31,138
Deferred tax assets	2,190	-	2,190
Total non-current assets	340,910	-	340,910
Inventories	122,091	-	122,091
Trade and other receivables	131,900	-	131,900
Income tax receivable	21,271	(6)	21,265
Other current assets	59,290	-	59,290
Cash and cash equivalents	72,652	-	72,652
Restricted cash	26,738	-	26,738
Total current assets	433,942	(6)	433,936
Total assets	774,852	(6)	774,846
Balance sheet position – equity and liabilities	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Share capital	10,733	-	10,733
Reserve capital	73,997	-	73,997
Statutory reserve funds	10,174	-	10,174
Retained earnings	235,129	(7,620)	227,509
Total equity	330,033	(7,620)	322,413
Long-term loans and borrowings	-	-	-
Long-term finance lease liabilities	1,151	-	1,151
Deferred tax liability	27,846	(1,786)	26,060
Other long-term liabilities and provisions	1,543	-	1,543
Total non-current liabilities	30,540	(1,786)	28,754
Current loans and borrowings	47,370	-	47,370
Current finance lease liabilities	234	-	234
Trade and other payables	212,813	9,400	222,213
Income tax liabilities	-	-	-
Deposits for equipment	18,800	-	18,800
Deferred income	135,062	-	135,062
Total current liabilities	414,279	9,400	423,679
Total liabilities	444,819	7,614	452,433
Total equity and liabilities	774,852	(6)	774,846

3. Cash flow statement

Cash flow statement position	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Net profit	237,939	(7,620)	230,319
Adjustments	(7,806)	7,620	(186)
Net cash flow from operating activities	230,133	-	230,133
Cash flow from operating activities	183,442	-	183,442
Cash flow from investing activities	(61,483)	-	(61,483)
Cash flow from financing activities	(268,826)	-	(268,826)
Net decrease in cash and cash equivalents	(146,867)	-	(146,867)
Cash and cash equivalents at the beginning of the year	246,422	-	246,422
Foreign exchange rate differences	(165)	-	(165)
Cash and cash equivalents at the end of the year*	99,390	-	99,390

*The amount in 2009 includes PLN 26,738 thousand of restricted cash.

4. Equity

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total equity
As at 31 December 2009 prior to the change	10,733	73,997	10,174	235,129	330,033
Change	-	-	-	(7,620)	(7,620)
As at 31 December 2009 after the change	10,733	73,997	10,174	227,509	322,413

5. Notes

- a) We supplemented the paragraph “*New International Financial Reporting Standards adopted by the EU which become effective after the balance sheet date and were not adopted by the Company*” by following information:

(iv) amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions* are effective for annual periods beginning after 31 December 2009

The amendments specify the scope of transactions treated as share-based payments. Changes do not impact our financial statements.

(v) improvements to IFRSs (2009) – changed standards have different effective dates; all changes are effective no later than for annual periods beginning after 31 December 2009

Most important changes include:

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

- amendments to IAS 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 our financial statements.

- b) We amended “*Equity*” note with the information that on 13 April 2010 The Management Board of Cyfrowy Polsat S.A. became aware of sales of 7.918.750 dematerialized registered shares of Cyfrowy Polsat S.A. by Polaris Finance B.V. and that after completing the aforementioned transaction Polaris Finance B.V. holds 175,025,000 shares of Cyfrowy Polsat S.A. which account for 65.23% of the share capital of the Company entitling to 341,967,501 votes in the General Meeting of Shareholders of the Company which accounts for 76.38% of the total number of votes in the General Meeting of Shareholders of the Company.

- c) In the “*Litigation and public administration proceedings*” note an information regarding application by the President of UOKiK on 14 April 2010 to dismiss the Parent’s appeal to the Competition and Consumer Protection Court was added to the description of the proceedings initiated by the UOKiK. The proceedings concern an application of practices breaching collective interests of consumers.

Furthermore, following description was added to the information regarding the action brought by SkyMedia Sp. z o.o. in the “*Litigation and public administration proceedings*” note: On 2 April 2010 the District Court for Warszawa Praga in Warsaw X Entrepreneurs’ Division delivered a judgment which provides that the Parent is obliged to pay SkyMedia Sp. z o.o. a total amount of PLN 545 thousand with statutory interest accrued from 28.08.2007 and PLN 30 thousand as a return of legal costs. We intend to submit an appeal against the judgment.

Due to uncertainty as to the amount and timing of the outflow of cash the Parent classifies the liability in the total amount of PLN 758 thousand described above as a contingent liability and therefore did not create provision for potential costs resulting from the final settlement of the proceedings.

- d) We supplemented the financial statements for the year ended 31 December 2009 by adding a note "*Subsequent events*" – the content of the note is presented below.

On 31 March 2010 annex to the agreement dated 2 November 2004 between Cyfrowy Polsat S.A. and Nagravision S.A. ("Nagravision") on rent, license and installation of the Nagravision conditional access system and the sales of Nagravision smartcards was signed. It is estimated that the value of the annex, for the duration of the contract until 31 December 2020, will be approximately PLN 356 million. The agreement was concluded on an arm's length basis as applied in agreements of this sort.

Completion of shares purchase transaction in mPunkt Holdings Ltd.

On 4 May 2010 we have completed the purchase of 94% shares in mPunkt Holdings Ltd. for the total initial amount of PLN 51,294 thousand. mPunkt Holdings owns mPunkt Polska S.A. and mTel Sp. z o.o. 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.

We 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), we decide that purchasing 45% of shares did not constitute a separate transaction but should rather be settled with the purchase of another 49% shares, which occurred on 4 May 2010.

On 3 March 2010 the President of UOKiK issued decision DKK-12/2010 approving the takeover of mPunkt Holdings by Cyfrowy Polsat S.A. which enabled the completion of the purchase transaction.

Due to the very short period of time between the conclusion of purchase of mPunkt Holdings shares and the date of preparing and publication financial data of Cyfrowy Polsat S.A. Group for 2009, valuation of purchased assets, liabilities and contingent liabilities to fair value in accordance with IFRS 3 was unfeasible. We are currently identifying and valuing the fair value of acquired assets, liabilities and contingent liabilities of mPunkt Holdings Ltd as required by IFRS 3.

Due to the fact that:

- the most recent available financial data of mPunkt Holdings were prepared as at 31 March 2010 and
- our 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
- we will not present estimated values of purchased net assets of mPunkt Holdings and goodwill in this consolidated financial statements.

In accordance with IFRS 3, we 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%

ad II

Changes to standalone financial statements are presented below.

1. Income statement

Position of the income statement	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Revenue from services, goods and materials sold	1,267,458	-	1,267,458
Cost of services, goods and materials sold	(695,309)	(1,313)*	(696,622)
Cost of sales	(203,410)	(937)*	(204,347)
General and administration costs	(71,436)	(7,150)*	(78,586)
Other operating revenue	12,430	-	12,430
Other operating costs	(22,998)	-	(22,998)
Profit from operating activities	286,735	(9,400)	277,335
Financial income	15,237	-	15,237
Financial expenses	(6,265)	-	(6,265)
Profit before tax	295,707	(9,400)	286,307
Income tax	(56,046)	1,780	(54,266)
Net profit	239,661	(7,620)	232,041

*The total amount of PLN 9,400 thousand is presented as salaries and employee-related expenses in costs by kind.

Position of the statement of comprehensive income	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Net profit	239,661	(7,620)	232,041
Other comprehensive income	-	-	-
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	239,661	(7,620)	232,041

2. Balance sheet

Balance sheet position – assets	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Digital satellite reception equipment and modems	133,004	-	133,004
Other property, plant and equipment	132,344	-	132,344
Intangible assets	13,435	-	13,435
Long term receivables from related parties	4,887	-	4,887
Investment property	6,946	-	6,946
Shares in associates	24,801	-	24,801
Other long-term assets	31,188	-	31,188
Total non-current assets	346,605	-	346,605
Inventories	115,833	-	115,833
Short-term loans granted to related parties	1,474	-	1,474
Income tax receivable	21,268	(6)	21,262
Trade and other receivables	132,971	-	132,971
Other current assets	58,589	-	58,589
Cash and cash equivalents	70,388	-	70,388
Restricted cash	26,738	-	26,738
Total current assets	427,261	(6)	427,255
Total assets	773,866	(6)	773,860
Balance sheet position – equity and liabilities	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Share capital	10,733	-	10,733
Reserve capital	73,997	-	73,997
Statutory reserve funds	10,174	-	10,174
Retained earnings	240,531	(7,620)	232,911
Total equity	335,435	(7,620)	327,815
Long-term loans and borrowings	-	-	-
Long-term finance lease liabilities	1,151	-	1,151
Deferred tax liability	30,964	(1,786)	29,178
Other long-term liabilities and provisions	1,110	-	1,110
Total non-current liabilities	33,225	(1,786)	31,439
Current loans and borrowings	47,370	-	47,370
Current finance lease liabilities	234	-	234
Trade and other payables	203,740	9,400	213,140
Deposits for equipment	18,800	-	18,800
Deferred income	135,062	-	135,062
Total current liabilities	405,206	9,400	414,606
Total liabilities	438,431	7,614	446,045

Total equity and liabilities	773,866	(6)	773,860
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3. Cash flow statement

Cash flow statement position	Amount for the year ended 31 December 2009 prior to the change	Change	Amount for the year ended 31 December 2009 after the change
Net profit	239,661	(7,620)	232,041
Adjustments	(11,972)	7,620	(4,352)
Net cash flow from operating activities	227,689	-	227,689
Cash flow from operating activities	184,578	-	184,578
Cash flow from investing activities	(59,443)	-	(59,443)
Cash flow from financing activities	(268,826)	-	(268,826)
Net decrease in cash and cash equivalents	(143,691)	-	(143,691)
Cash and cash equivalents at the beginning of the year	240,979	-	240,979
Foreign exchange rate differences	(162)	-	(162)
Cash and cash equivalents at the end of the year*	97,126	-	97,126

*The amount in 2009 includes PLN 26,738 thousand of restricted cash.

4. Equity

	Share capital	Reserve capital	Statutory reserve funds	Retained earnings	Total equity
As at 31 December 2009 prior to the change	10,733	73,997	10,174	240,531	335,435
Change	-	-	-	(7,620)	(7,620)
As at 31 December 2009 after the change	10,733	73,997	10,174	232,911	327,815

5. Notes

- a) We supplemented the paragraph "New International Financial Reporting Standards adopted by the EU which become effective after the balance sheet date and were not adopted by the Company" by following information:

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- c) In the “*Litigation and public administration proceedings*” note an information regarding application by the President of UOKiK on 14 April 2010 to dismiss our appeal to the Competition and Consumer Protection Court was added to the description of the proceedings initiated by the UOKiK. The proceedings concern an application of practices breaching collective interests of consumers.

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On 3 March 2010 the President of UOKiK issued decision DKK-12/2010 approving the takeover of mPunkt Holdings us 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%

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As a result of changes in Consolidated/standalone financial statements for the fiscal year ended 31 December 2009, the Management Board's report on the activities of Cyfrowy Polsat S. A. Capital Group/Company in 2009 was analogy corrected.

Legal grounds:

§ 103 sec. 1 of the Regulation of the Council of Ministers of 19 February 2009 concerning the submission of current periodical information by the securities' issuers and also 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

Signed:

/s/ Dominik Libicki

Dominik Libicki, President of the Management Board