

CYFROWY POLSAT S.A.

Current Report No. **18/2011**

Date of the Report: **April 21, 2011**

Subject: Performance of the Investment Agreement: statements on the take-up of Series H Shares, materialization of conditions precedent under a material agreement executed by Cyfrowy Polsat, material agreements signed by Cyfrowy Polsat, Cyfrowy Polsat's share capital increase and acquisition of assets of significant value by Cyfrowy Polsat

The Management Board of Cyfrowy Polsat S.A. (the "**Company**") hereby discloses that on April 20, 2011 several events occurred and several legal transactions were executed in connection with the performance of the investment agreements executed by the Company on November 15, 2010 and amended by Annex 1 of December 28, 2010 and Annex 2 of March 24, 2011 (the "**Investment Agreement**") as disclosed by the Company in its current reports No. 31/2010 of November 15, 2010 and No. 39/2010 of December 29, 2010 as well as No. 8/2011 of March 25, 2011.

I. Statements on take-up of Series H Shares in the Company

The holders of registered Series H subscription warrants, the acquisition of which was disclosed by the Company in its current report No. 12/2011 of April 1, 2011 and which entitled their holders to take up ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each as issued by the Company, exercised their rights under the subscription warrants on April 20, 2011, i.e. they made statements on the take-up of ordinary bearer Series H Shares as a result of which:

- (i) MAT Fundusz Inwestycyjny Zamknięty ("**Seller I**") acquired 14,135,690 ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each for the issue price of PLN 14.37 (fourteen 37/100) per share;
- (ii) KOMA Fundusz Inwestycyjny Zamknięty ("**Seller II**") acquired 2,494,526 ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each for the issue price of PLN 14.37 (fourteen 37/100) per share;
- (iii) Karswell Limited ("**Seller III**") acquired 53,887,972 ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each for the issue price of PLN 14.37 (fourteen 37/100) per share;
- (iv) Sensor Overseas Limited ("**Seller IV**") acquired 9,509,648 ordinary bearer Series H Shares with the nominal value of PLN 0.04 (four grosz) each for the issue price of PLN 14.37 (fourteen 37/100) per share;

Sellers I, II, III and IV are jointly referred to as the "**Sellers**".

The payment for ordinary bearer Series H Shares (the "**Shares**") by the Sellers involved a contractual setoff of the Company's claims against the Sellers in respect of the payment for the Shares with the Sellers' claims against the Company in respect of the payment of a portion of the price for the shares in Telewizja Polsat S.A. ("**TV Polsat**") sold to the Company. The Company and the Sellers set off their claims under the setoff agreements discussed herein below.

II. Materialization of conditions precedent under a material agreement executed by Cyfrowy Polsat

The acquisition of the Shares by the Sellers satisfies one of the conditions precedent specified in the Investment Agreement.

In addition, the Management Board hereby discloses that on April 20, 2011. with respect to the remaining conditions precedent specified in the Investment Agreement:

- (i) the parties confirmed the performance of obligations under the Investment Agreement as well as obligations concerning the stabilization period;
- (ii) the Sellers obtained a consent of the Supervisory Board of TV Polsat to sell 100% of shares in its share capital;
- (iii) the non-exercise of the preemptive rights to the sale shares by the shareholders of TV Polsat, i.e. to 2,369,467 shares in TV Polsat with the nominal value of PLN 100.00 each, representing 100% of the share capital of TV Polsat, ceased to be the condition precedent set forth in the Investment Agreement because the District Court for the Capital City of Warsaw, XIII Commercial Division for the National Court Register registered the amendments to the Articles of Association of TV Polsat providing, *inter alia*, for the deletion of the provision granting the holders of shares in TV Polsat the preemptive right to sale shares.

III. Material agreements signed by Cyfrowy Polsat

On April 20, 2011, the Company signed the following agreements concerning the acquisition of shares in TV Polsat by the Company:

- (i) the Share Purchase Agreement between the Company and Seller I;
- (ii) the Share Purchase Agreement between the Company and Seller II;
- (iii) the Share Purchase Agreement between the Company and Seller III;
- (iv) the Share Purchase Agreement between the Company and Seller IV.

Under the foregoing agreements, respectively:

- (i) Seller I transferred to the Company the title to 418,530 (four hundred and eighteen thousand five hundred and thirty) registered shares in TV Polsat as follows: Series A shares numbered from 1 to 49,130, Series B shares numbered from 50,001 to 150,000, Series C shares numbered from 150,001 to 249,400, Series D shares numbered from 250,001 to 400,000, Series F shares numbered from 400,001 to 420,000, with the nominal value of PLN 100.00 (one hundred) each, for the price of PLN 662,379,983.58;
- (ii) Seller II transferred to the Company the title to 73,858 (seventy-three thousand eight hundred and fifty-eight) registered shares in TV Polsat as follows: Series A shares numbered from 49,131 to 50,000, Series C shares numbered from 249,401 to 249,985, Series I shares numbered from 1 to 72,403, with the nominal value of PLN 100.00 (one hundred) each, for the price of PLN 116,890,218.95;
- (iii) Seller III transferred to the Company the title to 1,595,517 (one million five hundred and ninety-five thousand five hundred and seventeen) registered shares in TV Polsat as follows: Series C shares numbered from 249,986 to 250,000, Series F shares numbered from 420,001 to 471,064, Series G shares numbered from 000,001 to 160,521, Series H shares numbered from 1 to 40,917, Series J shares numbered from 1 to 748,000, Series K shares numbered from 1 to 595,000, with the nominal value of PLN 100.00 (one hundred) each, for the price of PLN 2,525,120,094.23;
- (iv) Seller IV transferred to the Company the title to 281,562 (two hundred and eighty-one thousand five hundred and sixty-two) registered shares in TV Polsat as follows: Series G shares numbered from 160,522 to 205,083, Series J shares numbered from 748,001 to 880,000, Series K shares numbered from 595,001 to 700,000, with the nominal value of PLN 100.00 (one hundred) each, for the price of PLN 445,609,706.56.

At the same time, on April 20, 2011, the Company declared, in the form of a notarial deed, to submit voluntarily to execution under such notarial deeds in the manner provided for in Article 777 §1 item 4 of the Code of Civil Procedure with respect to the payment of the purchase price for the acquired shares in the share capital of TV Polsat if the Company fails to perform its liabilities towards Seller I up to the amount of PLN 662,379,983.58 and towards Seller II up to the amount of PLN 116,890,218.95 with a stipulation that Seller I or Seller II is authorized to apply for an enforcement clause for the relevant deed by December 31, 2012.

Part of the price for shares in TV Polsat acquired by the Company from the Sellers, i.e. PLN 2,600,000,000.00 in total, is to be paid by a bank transfer and will be due from the Company in favor of the Sellers within 48 days of signing the Share Purchase Agreements with them, however, not earlier than upon the delivery of the shares in TV Polsat to the Company by the Sellers. The remainder of the price, i.e. PLN 1,150,000,003.32 in total, was paid by the Company on the TV Polsat share sale day by setting off the Sellers' claims with the Company's claims in respect of the payment by the Sellers for the Shares acquired by the Sellers as described hereinabove. The contractual setoffs were made under the following agreements executed on April 20, 2011:

- (i) the setoff agreement executed by the Company and Seller I under which the Company's claims in respect of the payment of PLN 203,129,865.30 by Seller I for the acquisition of 14,135,690 Series H shares in the Company, issued pursuant to Resolution No. 8 of the Extraordinary General Shareholders' Meeting of the Company dated December 17, 2010, was set off with the claims of Seller I in respect of the payment of PLN 203,129,865.30 by the Company for the shares in TV Polsat's share capital sold to the Company;
- (ii) the setoff agreement executed by the Company and Seller II under which the Company's claims in respect of the payment of PLN 35,846,338.62 by Seller II for the acquisition of 2,494,526 Series H shares in the Company, issued pursuant to Resolution No. 8 of the Extraordinary General Shareholders' Meeting of the Company dated December 17, 2010, was set off with the claims of Seller II in respect of the payment of PLN 35,846,338.62 by the Company for the shares in TV Polsat's share capital sold to the Company;
- (iii) the setoff agreement executed by the Company and Seller III under which the Company's claims in respect of the payment of PLN 774,370,157.64 by Seller III for the acquisition of 53,887,972 Series H shares in the Company, issued pursuant to Resolution No. 8 of the Extraordinary General Shareholders' Meeting of the Company dated December 17, 2010, was set off with the claims of Seller III in respect of the payment of PLN 774,370,157.64 by the Company for the shares in TV Polsat's share capital sold to the Company;
- (iv) the setoff agreement executed by the Company and Seller IV under which the Company's claims in respect of the payment of PLN 136,653,641.76 by Seller IV for the acquisition of 9,509,648 Series H shares in the Company, issued pursuant to Resolution No. 8 of the Extraordinary General Shareholders' Meeting of the Company dated December 17, 2010, was set off with the claims of Seller IV in respect of the payment of PLN 136,653,641.76 by the Company for the shares in TV Polsat's share capital sold to the Company.

The Share Purchase Agreements and the setoff agreements are deemed to be material because their overall value exceeds 10% of revenues for the last four financial quarters.

IV. Cyfrowy Polsat's share capital increase

The Management Board of the Company hereby discloses that on April 20, 2011 it issued to the Sellers the certificates of the Shares acquired by the Sellers and, as a result, the Company's share capital was increased by PLN 3,201,113.44. The current share capital of the Company is PLN 13,934,113.44, divided into 348,352,836 shares.

At present, the total number of votes at the General Shareholders' Meeting of the Company is 527,770,337.

The increase was effected as a result of the issuance of the Share Certificates to the Sellers as follows:

- (i) Seller I acquired 14,135,690 Series H Shares,
- (ii) Seller II acquired 2,494,526 Series H Shares,
- (iii) Seller III acquired 53.887.972 Series H Shares,
- (iv) Seller IV acquired 9.509.648 Series H Shares

issued as part of the conditional share capital increase under Resolution No. 6 of the Extraordinary General Shareholders' Meeting of December 17, 2010 on the Company's conditional share capital increase.

The Company's conditional share capital increase was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division for the National Court Register under a decision of December 28, 2010 as disclosed by the Company in its current report No. 2/2011 of January 6, 2011.

V. Acquisition of assets of significant value by Cyfrowy Polsat

As a result of the Share Purchase Agreements with the Sellers, the Company acquired the shares in TV Polsat, i.e. a total of 2,369,467 shares in TV Polsat, representing 100% of the share capital of TV Polsat and 100% of voting rights at the General Shareholders' Meeting, with the nominal value of PLN 100.00 each, for the total price of PLN 3,750,000,003.32. The acquisition of the TV Polsat shares is deemed an acquisition of assets of significant value because their overall value exceeds 10% of revenues for the last four financial quarters.

Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta are members of the Supervisory Board of the Company. The Company (through Polaris Finance B.V.) and TV Polsat (through Seller III) are entities controlled by Mr. Zygmunt Solorz-Żak. Polaris Finance B.V. holds 175,025,000 shares in the Company representing 65.23% of its share capital and 341,967.501 votes at general shareholders' meetings of the Company, which account for 76.38% of the total votes. The sole shareholder of Seller III, who sold the Company approximately 67.34% of the TV Polsat shares, is Mr. Zygmunt Solorz-Żak. The sole shareholder of Seller IV, who sold the Company approximately 11.88% of the TV Polsat shares, is Mr. Heronim Ruta (all figures specified in this paragraph refer to the share capital prior to its increase as part of the conditional share capital).

The acquisition of the TV Polsat shares is to be funded from loans granted under the Senior Facilities Agreement signed by the Company on March 31, 2011 and the Bridge Facility Agreement as disclosed by the Company in its current report No. 11/2011 of March 31, 2011 and, in part, with the contractual setoffs of the Company's claims against the Sellers in respect of the payment for the Shares with the Sellers' claims against the Company in respect of the payment of a portion of the price for TV Polsat shares sold to the Company, which was described in the previous part of this report.

The acquisition of the TV Polsat shares is a strategic and long-term investment for the Company.

Legal basis: Article 56 Section 1 item 1, Article 56 Section 1 item 2 of the Offering Act in conjunction with § 5 Section 1 items 1, 3, 4 and 9 of the Ordinance of the Minister of Finance of February 19, 2009, regarding current and periodic information to be submitted by issuers of securities and terms of acknowledging the equivalence of information required under the laws of non-member states.

Signed by:

/signature/ Dominik Libicki

Dominik Libicki, President of the Management Board