

CYFROWY POLSAT S.A.

Current report No. **40/2014**

Report Date: **May 8, 2014**

Subject: **Satisfaction of conditions of a material agreement; issuance of subscription warrants; issuance of new shares; Cyfrowy Polsat acquires shares in Metelem Holding Company Limited**

The Management Board of Cyfrowy Polsat S.A. (the "**Company**") announces the following occurrences related to the completion of a Company's acquisition of shares in Metelem Holding Company Limited ("**Metelem**"), an indirect parent company to Polkomtel sp. z o.o., operator of the "Plus" mobile network (the "**Transaction**"):

1. Satisfaction of conditions of a material agreement concluded by the Company

On 7 May 2014 the last conditions were satisfied referred to in an investment agreement concluded between the Company and the European Bank for Reconstruction and Development (the "**EBRD**") on 19 December 2013 and disclosed by the Company in its current report No. 27/2013 of 19 December 2013 (the "**EBRD Investment Agreement**"), triggering the parties' obligations to perform the transaction.

Pursuant to the EBRD Investment Agreement, on 7 May 2014 the Company executed with the EBRD the Framework Agreement (the "**Framework Agreement**"), in which the Company undertook to act in compliance with EBRD's Designated Performance Requirements and Anti-Corruption Guidelines. The Framework Agreement sets out certain obligations of the Company, in particular with respect to the environment's protection, related to an EBRD's acquisition of Company' shares in consideration for non-cash contribution in the form of Metelem shares. The Framework Agreement will remain in force as long as the EBRD holds no less than 67.6% of the block of the Company shares acquired by the EBRD in the Transaction (see also Section 2 below). The Framework Agreement has been concluded under the English law and any disputes related to it are to be resolved by arbitration before the London Court of International Arbitration or before English courts. Additionally, on 7 May 2014 the EBRD received a legal opinion concerning certain matters of the Polish law, which constituted another condition precedent for the performance of the EBRD Investment Agreement.

With all conditions precedent set out in the EBRD Investment Agreement and in an investment agreement concluded with other Metelem shareholders (disclosed by the Company in its current report No. 22/2013 of 14 November 2013) (jointly the "**Investment Agreements**") having been satisfied, on 7 May 2014 the parties to the Investment Agreement proceeded to closing the Transaction.

2. Issuance of subscription warrants, Series I and Series J shares; the Company acquires shares of Metelem

As part of the Transaction closing process, on 7 May 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with all of Metelem's shareholders, that is the EBRD, Karswell Limited ("**Karswell**"), Sensor Overseas Limited ("**Sensor**") and Argumenol Investment Company Limited ("**Argumenol**"). In these agreements the Company offered registered subscription warrants to the Metelem Shareholders in such way that:

- (a) the EBRD acquired 47,260,690 Series I registered subscription warrants;
- (b) Karswell acquired 157,988,268 Series J registered subscription warrants;
- (c) Sensor acquired 27,880,274 Series J registered subscription warrants; and
- (d) Argumenol acquired 58,063,948 Series J registered subscription warrants.

The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on 16 January 2014.

In executing the rights attached to the subscription warrants referred to above, on 7 May 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders (the issue price per share so paid up was PLN 21.12). In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.

Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0,04 each, including:

- (i) 47,260,690 Series I shares acquired by the EBRD and
- (ii) in aggregate 243,932,490 Series J shares acquired by Karswell (157,988,268 Series J shares), Sensor (27,880,274 Series J shares) and Argumenol (58,063,948 Series J shares), respectively.

The total issue price for the shares acquired by the Metelem shareholders was PLN 6,149.9 million (the Company's book value of those shares is PLN 5,957,812,462.80). The Series I and Series J shares will be deemed released to the respective shareholders of Metelem upon the registration of the shares acquired by those shareholder on their securities accounts. The Company will report this fact in a separate current report as soon as it obtains information in this respect.

Karswell and Argumenol are indirect subsidiaries of Zygmunt Solorz-Żak – Chairman of the Supervisory Board of the Company. Sensor is a subsidiary of Heronim Ruta – Member of the Supervisory Board of the Company.

The acquired shares of Metelem are deemed to constitute assets of significant value because their aggregate value exceeds 10% of the revenues for the last four financial quarters. The acquired Metelem shares are held by the Company as a long-term capital investment.

The acquisition of all shares of Metelem by the Company satisfies a condition for the distribution of dividend set out in § 1 Section 3(ii) and § 2 Section 2(ii) of Resolution No. 20 of the Company's Extraordinary General Meeting of 29 April 2014 on the appropriation of 2013 profits.

Legal basis: Article 56 Section 1 Clause 2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies in conjunction with § 5 Section 1 Clauses 1 and 4 of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent.

Signed by:

/s/ Dominik Libicki

Dominik Libicki
President of the Management Board