

CYFROWY POLSAT S.A.

Current report no.: **34/2011**

Date of report: **20 May 2011**

Re: Entry into a material agreement, issuance of senior secured notes, provision of a guarantee, creation of security interests and issuance of the bonds

The Management Board of Cyfrowy Polsat S.A. (the "**Company**"), in relation to the current report No. 24/2011 dated May 3, 2011 and current report No. 29/2011 dated May 7, 2011, informs on the entry into a material agreement, the issuance of senior secured notes by the Company's wholly owned subsidiary, the issuance of the intercompany bonds to such subsidiary, the provision of a guarantee and the creation of certain security interests.

Indenture and issuance of senior secured notes

On May 20, 2011, the Company, the Company's wholly owned subsidiary Cyfrowy Polsat Finance AB (publ) (the "**Issuer**"), the Bank of New York Mellon, London Branch (the "**Trustee**"), the Bank of New York Mellon Luxembourg S.A., and the Initial Guarantors, as defined below, entered into an indenture (the "**Indenture**") regarding the issuance by the Issuer of €350 million aggregate principal amount of senior secured notes due 2018 (the "**Notes**"). The closing of the sale of the Notes and the issue of the Notes occurred on May 20, 2011 (the "**Issue Date**"). The Notes were rated Ba3/BB- by Moody's Investor Service Inc. and Standard & Poor's Rating Services, respectively.

Pursuant to the Indenture, interest on the Notes accrues from (and including) May 20, 2011 and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Notes will accrue at the rate of 7.125% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Notes were issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The net proceeds from the offering of the Notes, together with EUR 14,897,339.53 of cash on hand, were used to repay in full, on May 20, 2011, indebtedness outstanding under the Company's senior secured bridge facility (the "**Bridge Facility Loan**"), granted to the Company by a consortium of Polish and foreign banks pursuant to the facility agreement of March 31, 2011, the proceeds of which were used to pay a portion of the consideration for the Company's acquisition of shares of Telewizja Polsat S.A., completed on April 20, 2011, described in the current report No. 18/2011 dated April 21, 2011.

The Notes are senior obligations of the Issuer, ranking *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer and are senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated to the Notes.

The Indenture contains covenants that are typical for high yield notes and impose financial and operating restrictions on the Company. These covenants limit, among other things, the ability of the Company and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) make certain restricted payments; (iii) transfer or sell assets; (iv) enter into transactions with affiliates; (v) create certain liens; (vi) create restrictions on the ability of restricted subsidiaries to pay dividends or other payments; (vii) issue guarantees of indebtedness by restricted subsidiaries; (viii) merge, consolidate, amalgamate or combine with other entities; and (ix) designate restricted subsidiaries as unrestricted subsidiaries. Each of the covenants is subject to a number of important exceptions and qualifications set forth in the Indenture. The Indenture is governed by, and construed in accordance with, the laws of the state of New York. The Issuer is a wholly-owned subsidiary of the Company and a special-purpose vehicle whose purpose is to issue the Notes.

Optional redemption of the Notes

At any time prior to May 20, 2014, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, to the redemption date with the net cash proceeds of one or more equity offerings, *provided* that: (1) at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption; and (2) the redemption occurs within 90 days of the date of the closing of an equity offering.

At any time prior to May 20, 2014, the Issuer may at its option redeem the Notes in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, plus accrued and unpaid interest to, the date of redemption (subject to the rights of the holders of the Notes on the relevant record date to receive the interest due on the relevant interest payment date).

On or after May 20, 2014, the Issuer may redeem all or a part of the Notes at the redemption price (expressed as percentages of principal amount) set out below plus accrued and unpaid interest on the Notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on May 20 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date: (i) in 2014 the redemption price is 105.344%, (ii) in 2015 the redemption price is 103.563%, (iii) in 2016 the redemption price is 101.781%, and (iv) thereafter the redemption price is 100.000%. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes (or portions thereof) called for redemption on the applicable redemption date.

Change of control

If a change of control (as defined in the Indenture) occurs, the Issuer must offer to repurchase all the Notes on the terms set forth in the Indenture. In the change of control offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of purchase (subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date).

Security

The Initial Guarantors consist of the Company and the following of the Company's subsidiaries: Cyfrowy Polsat Technology Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o. and mPunkt Polska S.A. Pursuant to the Indenture, the Notes are guaranteed by each of the Initial Guarantors (each a "**Guarantor**"). Each of the Guarantors fully, unconditionally and irrevocably guaranteed, as primary obligor and not merely as surety, on a senior basis to each holder of a Note and assigned the full and prompt performance of all of the Issuer's obligations under the Indenture and the Notes including the payment of principal amount and premium, if any, and interest on the Notes and all other obligations of the Issuer to the holders of the Notes and the Trustee under the Notes and the Indenture. These guarantees of the Notes (each the "**Guarantee**") are senior obligations of each Guarantor, rank *pari passu* in right of payment to all existing and future senior indebtedness of such Guarantor, and are senior in right of payment to all existing and future indebtedness of such Guarantor that is expressly subordinated, and are secured as described below.

Pursuant to the Indenture, the Notes and the Guarantees have been secured, subject to the completion of the registration proceedings or other legal requirements, by the securities described in the current report No. 16/2011 dated April 15, 2011 and current report No. 17/2011 dated April 19, 2011.

In addition, on May 20, 2011, the following agreements have been concluded and the following securities governed by Polish and Swedish law have been established, subject to the completion of the registration

proceedings or other law requirements, in order to secure the Notes and credit facilities described in the current report No. 11/2011 dated March 31, 2011.

Security interests governed by Polish law:

1) Security assignment agreement dated May 20, 2011 between the Issuer, as the assignor, and Citicorp Trustee Company Limited ("**Citicorp**"), as the assignee (acting as security agent), under which the Issuer assigned conditionally to the Citicorp its rights under the Intercompany Bonds (as defined below).

2) Registered and financial pledges agreement dated May 20, 2011 between the Issuer, as the pledgor, and Citicorp, as the pledgee (acting as the security agent), over rights to the bank accounts of the Issuer maintained by RBS Bank (Polska) S.A.

Security interests governed by Swedish law:

1) Share pledge agreement dated May 20, 2011 between the Company, as pledgor, and the finance parties represented by Citicorp, as the pledgee (acting as the security agent), over all present and future shares in the Issuer (as of the date of this report, the number of Issuer shares is: 500,000) and all rights relating to any of those shares. The object of the pledge constitutes 100% of the shares in the share capital of this subsidiary, vesting an identical proportion of votes at its shareholders' meeting. The Issuer is the wholly owned subsidiary of the Company.

2) Account pledge agreement dated May 20, 2011 between the Issuer, as the pledgor, and the finance parties represented by Citicorp, as the pledgee (acting as the security agent), over rights to the bank account of the Issuer maintained by EFB Bank AB.

There are no ties between the Company and Company's managing and supervisory personnel and Citicorp and their management personnel. Moreover, Citicorp is not a related party to the Company and the Issuer. The objects of pledges are considered to be the Company's and Issuer's long-term investments.

Intercompany Bonds

On May 20, 2011, the Company issued to the Issuer €350 million aggregate principal amount of unsecured interest-bearing registered Series A Bonds due 2018 (€35 million principal amount, each) acquired in whole by the Issuer (the "**Intercompany Bonds**"). The €343 million aggregate issue price for the Intercompany Bonds was equal to the nominal value of the Intercompany Bonds decreased by a 2% commission. Interest on the Intercompany Bonds accrues from (and including) May 20, 2011 and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Intercompany Bonds will accrue at the rate of 8.16% per annum and will be payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Intercompany Bonds shall be redeemed on May 20, 2018 by way of pecuniary payment equal to the nominal value of the Intercompany Bonds. In addition, the Intercompany Bonds are each entitled to receive a single pecuniary consideration of €350,000 and a corresponding amount of any additional amount due under the Notes issued pursuant to the Indenture.

The Issuer, through the Intercompany Bonds issued by the Company to the Issuer, lent to the Company the net proceeds from the issuance of the Notes, to enable the Company to repay in full, together with cash on hand, indebtedness outstanding under the Bridge Facility Loan.

Pursuant to the Company Group's consolidated financial statement as of and for the period ending March 31, 2011, Company Group's liabilities and provisions as of March 31, 2011 amounted to PLN 722,518 thousand, including PLN 645,326 thousand of short-term liabilities. Pursuant to the Company's financial

statement as of and for the period ending March 31, 2011, the Company's liabilities and provisions as of March 31, 2011 amounted to PLN 684,366 thousand, including PLN 602,899 thousand of short-term liabilities. The Company does not envisage a material increase of the value of its liabilities above the level set forth above, which is not accompanied by an increase of the value of its assets resulting from investment and other business activity.

The Indenture, the Guarantees, securities and the Intercompany Bonds are considered significant as their aggregate value exceeds 10% of revenues for the last four accounting quarters.

The Notes and the Intercompany Bonds and Guarantees have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from registration requirements. In relation to the United Kingdom, the Notes and the Intercompany Bonds have not been and may not be offered or sold except in accordance with all applicable requirements of the Financial Services and Markets Act 2000 ("**FSMA**") and regulations passed under FSMA, or pursuant to an applicable exemption. In addition, the Notes and the Intercompany Bonds have not been and may not be offered in the United Kingdom or any other member state of the European Economic Area except in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the EU Prospectus Directive (2003/71/EC).

Legal basis: Article 56 Section 1 items 1 and 2 of the Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies in connection with the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic reports released issuers of securities and on terms of accepting information required by the provisions of the law of a state that is not a member state as equivalent thereto.

Signed by:

/signature/ Dominik Libicki

Dominik Libicki, President of the Management Board