

# **CYFROWY POLSAT S.A.**

Current report No. **6/2013**

Report date: **March 19, 2013**

**Subject: Position of the Management Board of Cyfrowy Polsat SA on the tender offer for shares of Cyfrowy Polsat SA announced by the TiVi Foundation on March 1st 2013**

Pursuant to Art. 80 of the Act of July 29th 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (the "Act"), the Management Board of Polsat Cyfrowy (the "Management Board") hereby presents its position on the public tender offer for shares (the "Offer") of Cyfrowy Polsat SA (the "Company"), announced on March 1st 2013 (amended on March 11th 2013) in accordance with Art. 73.2.1 of the Act, by the TiVi Foundation of Vaduz (Lichtenstein) ("TiVi", the "Bidder").

The purchaser of the shares on behalf of Tivi is Pola Investments Ltd. ("Pola", the "Purchaser"), a subsidiary of Tivi, and the parent of the Company. The Bidder indirectly holds, through the Purchaser, 154,204,296 (one hundred and fifty-four million, two hundred and four thousand, two hundred and ninety-six) shares of the Company, and the Purchaser, under the power of attorney granted to it by Sensor Overseas Ltd. of Nicosia, is entitled to exercise voting rights attached to 20,791,375 (twenty million seven hundred and ninety-one thousand, three hundred and seventy-five) preferred registered shares of the Company. The shares held by the Purchaser and the shares covered by the power of attorney granted to the Purchaser by Sensor Overseas Ltd. of Nicosia, entitle the Purchaser to exercise 348,291.922 votes at the Company's General Meeting, which accounts for 65.99% of the total number of votes at the Company's General Meeting.

## **I. Statement of the basis for the Management Board's position**

In order to prepare its position, the Management Board has read the Offer, analysed the available information and data concerning the Offer, and in particular has thoroughly examined the information provided by the Bidder in the Offer, and reviewed the market prices of the Company's shares in the 6-month period preceding the announcement of the Offer. The Management Board has also examined 17 recommendations available to the Company that provide a valuation of the Company's shares issued in the 6-month period preceding the announcement of the Offer, by analysts from first-rate brokerage houses and investment banks.

## **II. Disclaimer**

In preparing this position, the Management Board did not take any actions to verify the aforementioned recommendations or information external to the Company, nor did it contract any other entities to do so. The Management Board accepts no liability whatsoever for the correctness, reliability, completeness or adequacy of the information used as the basis for this position, except for details about the operations, organisation and development strategy of the Company. This position is not to be construed under any circumstances as a recommendation to purchase or sell the financial instruments referred to in Art. 42 of the Act of July 29th 2005 on trading in financial instruments. The Management Board notes that any investors/shareholders using information made available by the Company in the performance of its disclosure obligations, and the information provided in the Offer, should make their own assessment of the investment risk underlying the decision to respond to the Offer, and seek individual advice from authorised consultants.

### **III. Effect of the Offer on the Company's Interests**

The Management Board notes that, according to the details of the Offer:

The Bidder indirectly holds, through the Purchaser, 154,204,296 (one hundred and fifty-four million, two hundred and four thousand, two hundred and ninety-six) shares of the Company, and the Purchaser, under the power of attorney granted to it by Sensor Overseas Ltd. Of Nicosia, is entitled to exercise voting rights from 20,791,375 (twenty million seven hundred and ninety-one thousand, three hundred and seventy-five) preferred registered shares of the Company. The preferred shares held by the Purchaser and the shares covered by the power of attorney granted to the Purchaser by Sensor Overseas Ltd. of Nicosia, entitle the Purchaser to exercise 348,291.922 votes at the Company's General Meeting, which accounts for 65.99% of the total number of votes at the Company's General Meeting.

As a result of the Offer, the Purchaser intends to directly acquire 36,500 (thirty-six thousand and five hundred) votes at the Company's General Meeting, which accounts for 0.0069% (point zero zero six nine per cent) of the total number of votes at the Company's General Meeting.

As a result of the Offer, the Purchaser expects to hold a total of 348,328,422 (three hundred and forty-eight million, three hundred and twenty-eight thousand, four hundred and twenty-two) votes at the Company's General Meeting, which accounts for 66% (sixty-six per cent) of the total number of votes at the Company's General Meeting.

In the Management Board's opinion, the Offer will not adversely affect the Company's interests from the standpoint of its current operations, strategic decisions on long-term development plans, the shared interests of the Bidder and the Company, or employment at the Company.

### **IV. TiVi's strategic plans for the Company**

The Bidder treats the Company as a long-term investment and has communicated that in the period of 12 months following the notification, the Bidder does not intend to increase the Bidder's share of votes at the Company's General Meeting, except for an increase under Art. 73.2.1 of the Act – this Offer (Current Report No. 04/2013 published by the Company on February 19th 2013).

### **V. Position of the Management Board on TiVi's strategic plans**

In the Management Board's opinion, the strategic plans of Tivi for the Company as stated above will contribute to and facilitate continued pursuit of the Company's strategy for consolidation of Cyfrowy Polsat's position as a leader of the entertainment market in Poland.

### **VI. Position of the Management Board on the future scope of operations and location of the Company's business**

The Company's registered office will continue to be located in Warsaw, and the scope of its business will not change and will be consistent with the Company's strategy.

### **VII. Position of the Management Board on employment at the Company**

In the Management Board's option, the Offer and TiVi's strategic plans on the Company will not have any direct effect on the situation of the Company's staff.

## **VIII. Position of the Management Board on the Offer price for the Company shares**

Regarding the price proposed in the Offer, the Management Board notes that under Art. 79 of the Act, the price at which shares covered by the Offer are purchased may not be lower than:

- The average market price in a period of 3 or 6 months preceding the announcement of the Offer, during which the shares were traded on the main market,
- The highest price which was paid for the shares covered by the Offer during the 12 months preceding the Offer by the entity under obligation to announce the Offer, its subsidiaries or parents, or entities which are parties to the agreement executed with the entity and referred to in Art. 87.1.5 of the Act, or
- From the greatest value of property or title, which the entity under obligation to announce the Offer, its subsidiaries or parents, or entities which are parties to the agreement executed with the entity and referred to in Art. 87.1.5 of the Act, provided in exchange for shares covered by the Offer during the 12 months preceding the Offer.

In accordance with the Offer:

The average market price of the Company's shares in the period of the last 6 (six) months preceding the Offer, during which the Company's shares were traded on the main market of the Warsaw Stock Exchange (WSE), calculated in accordance with Art. 79.7 of the Act, from which the price of shares covered by the Offer may not be lower, is PLN 15.60 (fifteen zloty and sixty grosz).

In the period of 12 (twelve) months preceding the Offer, neither the Bidder nor its subsidiaries or parents, including the Purchaser, purchased the Company's shares at a price which was higher than the price of the Shares as indicated in the Offer, nor, in exchange for the Company's shares, provided property or title whose value was higher than the price of the Shares as indicated in the Offer.

The Bidder, its subsidiaries, including the Purchaser, are not and have not been parties to the agreement referred to in Art. 87.1.5 of the Act.

In the Management Board's opinion, the price indicated in the Offer has been set in compliance with effective regulations and is not lower than required by the Act. In order to compare the Company's fair value with the price proposed in the Offer, in addition to calculating the average market prices of the Company's shares on the WSE, the Management Board has also analysed 17 recommendations issued by analysts from first-rate brokerage houses and investment banks which provide valuations of the Company's shares. For the purpose of the analysis, the Management Board has also considered recommendations issued in the period of six months preceding the date of the Offer.

The average valuation of the Company's shares as at March 1st 2013, calculated on the basis of the recommendations issued in the period of 6 months preceding the date of the Offer, was PLN 17.96 (seventeen zloty ninety six grosz), whereas the minimum valuation was PLN 15.60 (fifteen zloty sixty grosz), and the maximum valuation, PLN 19.60 (nineteen zloty and sixty grosz).

In the Management Board's opinion, the price for the shares proposed in the Offer, notwithstanding its compliance with the relevant provisions of the Act, is lower than the fair value of the Company, as evidenced in particular by the price of the Company's shares as at the date of this position, and by the average of valuations issued by brokerage houses in the six month period preceding the Offer.

*Legal basis: § 80 Act dated July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.*

Signed by:

/s/ Dominik Libicki

Dominik Libicki, President of the Management Board