

Cyfrowy Polsat IR Newsletter

17 - 23 February 2014

The press about us

Date

The press about TMT market in Poland

17.02

Parkiet: Company for special projects

Orange Polska, created as a result of a merger of Telekomunikacja Polska and PTK Centertel, established a new entity in December named Telekomunikacja Polska Sp. z o.o., mainly to protect the brand „Telekomunikacja Polska”. – *The company will also be used for special projects, depending on the needs of Orange Polska* – says Orange Polska spokesperson, but does not disclose what projects those might be.

It is worth mentioning in this context, that in its strategy, presented at the beginning of 2013, Orange Polska informed, that it will analyze various options concerning its fixed line network – perhaps its passive part could be transferred to the newly established entity. The company’s strategic investor, the French Orange, was assessing the possibility of selling the fixed line network of the telecom, which proved difficult to realize. Moreover, there is an idea in government circles to create a fixed line network, accessible to all interested operators. This would revive investments in fast, broadband access to the Internet.

18.02

Rzeczpospolita: Telecoms count on better times

Revenues of telecommunication operators in Poland in 2013 declined by 4.7% according to Orange Polska, and by 5.5% according to consulting company Audytel. These estimates concern income from basic services: telephony and Internet access, excluding pay TV. According to Orange, revenue in the industry may increase already in the second half of this year. Audytel claims that 2015 will be the first full year of growth.

Last year the mobile telephony market declined, due to decisions of the market regulator (reduction of mobile termination rates MTR and cheaper roaming). According to T-Mobile CEO, revenues of mobile telephony industry will continue to decline in 2014, but at a rate lower by half compared to 2013. Internet access, especially mobile,

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will have a positive impact on the results of telecoms. Despite a slower rate of increase of users, fixed-line Internet generated higher revenue for operators compared to 2012, mainly due to higher prices for faster connections and fees for additional services, such as VoIP telephony or internet television. Audytel analyst points out, however, that economic stagnation and price competition will lead to a fall in revenue from data transmission.

According to Audytel's calculations, the pay TV market grew by 4% in 2013. Although the development of this segment may decelerate due to partial substitution by free digital terrestrial television services (DVB-T), Audytel expects a relatively high rate of growth in the coming years – about 3.2% annually over the next 5 years.

Puls Biznesu: Auction procedure begins after reset

The competition for frequencies enabling the development of the LTE network, the sale of which is supposed to bring PLN 1.8 billion to the budget, is starting once again. On Monday, February 17, public consultations on the auction were launched for the second time.

Zygmunt Solorz-Żak appealed for the creation of one, common, nationwide ultrafast, mobile Internet network in the LTE technology, or possibly two networks of 15 MHz each. Magdalena Gaj, President of the Office of Electronic Communications, supports cooperation between operators within the 800 MHz band, but emphasizes, that to do so, the will of market players is necessary. She also says that telecommunications investments require enormous capital expenditure, therefore cooperation is justified in the economic sense.

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Rzeczpospolita: Battle for LTE – round two

Consultations on the auction documentation, published by the Office of Electronic Communications will last until March 19. The boundary conditions remain unchanged. The auction comprises 5 blocks in the 800 MHz band and 14 blocks in the 2600MHz band. The starting prices are the same as before and amount to PLN 250 million and PLN 25 million per block, respectively. Changes in the documentation concern: limiting the possibility of concentrating the 800MHz band, changing the number of rounds, during which the participant may withdraw from bidding, allowing for the submission of bids in emergency mode and for the possibility to transfer a bid to another block in the band, if the participant deems this beneficial. The highest bidder, however, cannot use the last option.

Telecoms did not comment on changes in the documentation. Despite the intentions and appeals of Zygmunt Solorz-Żak, the limitations for entities already holding frequencies in the 900 MHz band have been upheld. The documentation does not provide for a forced cooperation of telecoms, not for the construction of one, common LTE network within the 800 MHz band.

Rzeczpospolita: Play's triple attack

P4, Play network operator introduced a new offer for pre-paid phone users. It is based on unlimited services within the network and relatively inexpensive data transmission. Calls to other networks are charged additionally. Play's offer has three options: SMS Formula (unlimited short messages to all networks for PLN 7 monthly), 3in1 Formula (unlimited short messages to all, unlimited calls to Play and 100 MB Internet for PLN 14 monthly) and 4in1 Formula (unlimited short messages to all, unlimited calls to Play and 1 GB Internet for PLN 21 monthly, with prices for calls to other networks reduced from PLN 0.29 to PLN 0.09 per minute).

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The management board of Play estimates that its new offer is cheaper by 15% to 90% compared to competition. – *The pre-paid segment constitutes a large and growing market - says Bartosz Dobrzyński, management board member. – If the new offer is successful, it will allow P4 to increase ARPU in the discussed segment, which amounted to about PLN 12.5 for active clients in 2013, that is PLN 0.5 less compared to Orange and Plus.*

20.02

Dziennik Gazeta Prawna: TV platforms compete with offers

One year after the marketing mishap of nc+ the situation on the pay TV market is stable. Today the choice of offers is much more diversified. Cyfrowy Polsat offers the cheapest basic TV package, with 50 coded channels, including 7 HD for PLN 19.90. Among cable TV operators Vectra offers the best basic package (62 channels, including 7 HD for PLN 29.90). The alternative is digital terrestrial television, with 21 channels, some in HD, free of charge. The best deals on extended TV packages are available from cable TV operators, however access to cable television is limited to large cities.

Many operators offer the possibility to purchase services in bundles. By joining services, we pay less in total, than if we bought them separately. Orange offers this option through the program Orange Open, while a few days ago Cyfrowy Polsat and Polkomtel introduced similar discounts in their program Smart Dom.

According to Przemysław Sawala-Uryasz, analyst at UniCredit CAIB, the situation of pay TV platforms is stabilized and this year we can expect that they will maintain their current customer bases. Higher revenue will be generated by sales of additional services. He adds that a reduction in subscription fees is unlikely, as that would lead to a price war.

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Rzeczpospolita: CEO lost the battle for the vision of Netia

Along with its results for 2013 Netia presented a three-year plan, according to which a dividend in the amount of PLN 146 million will be paid this year, and later, should a dividend payout be impossible for formal reasons, a buy back scheme backed by addition debt will be established. On this occasion, the long-term CEO at Netia, Mirosław Godlewski, announced that he will be leaving the company by the end of August at the latest. According to Konrad Księżopolski from Espirito Santo Investment Bank, the CEO's resignation is connected with the dispute on Netia's middle-term strategy, which has two potential scenarios. In his opinion Godlewski favored the scenario, in which the company invests in its network and new products and sales, thus leaving less cash available for dividend payout. The dilemma between investments and dividend is not the only disputed issue on the supervisory board. Netia's shareholders seem to have discrepant interests. There is no agreement as to Godlewski's replacement as CEO.

22-
23.02**Parkiet: P4 results for 2013: revenue still growing**

According to data presented by the company, in 2013 P4 recognized revenue in the amount of PLN 3.72 billion, which constitutes an increase of 3.9% compared to 2012. EBIDTA, after adjusting to standards commonly used in Europe, was PLN 707 million, which means a 25.8% increase y-o-y. EBIDTA would have been higher if the company had not lost the privilege of using the so called mobile termination rate asymmetry in January 2013. The number of active SIM cards in Play was equal to 10.73 million in 2013 (increase by 2.05 million in a year), 44.4% of which were contractual client cards.



Latest events

Press release
February 18, 2014

smartDOM, program of Cyfrowy Polsat and Plus launched

Today the first phase of the program announced last week, smart DOM – “Saving by adding” was launched. By combining services of Cyfrowy Polsat and Plus it is possible to save PLN 240 on each subsequent service.

Examples of offers as well as lists of services of Cyfrowy Polsat and Plus are available in promotional materials.

Press release
February 20, 2014

Cyfrowy Polsat lowers the price on the TV package with premium channels

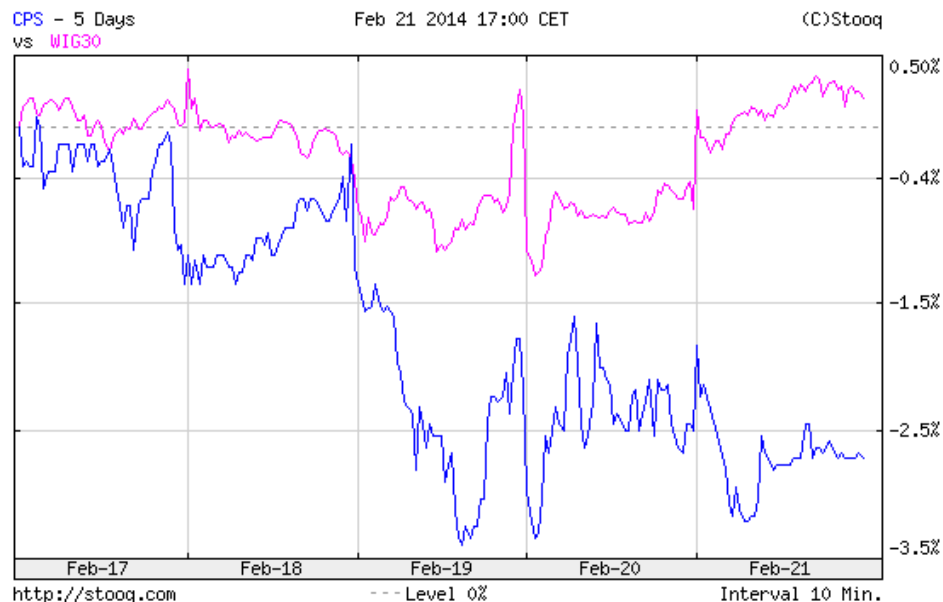
Cyfrowy Polsat offered an appealing TV package, which includes premium channels and the possibility to test the service for 10 days to clients interested in changing their TV provider. For only PLN 59.90 monthly the client will have access to 126 coded channels, including premium packages Sport HD, Film HD and Cinemax HD. What is more, for the first 4 months, during which no subscription fee is charged, the client can use the HBO GO service, the monthly movie catalogue on VOD and the IPLA MIX package within the IPLA service.

Additionally, the price for the package Rodzinny HD, enlarged recently by the channels TVP Seriele, Kino Polska and Nickelodeon was reduced. For PLN 19.90 monthly the client has access to 50 coded channels for the entire family and hundreds of FTA channels. Moreover, for the first 60 days no subscription fee is charged and the client has access to 25 additional channels from the package Familijny HD.

The novelty in the operator’s offer includes the module Wi-Fi TP-Link TL-WR702n (available starting from PLN 1), which enables a wireless connection of HD set-top boxes produced by Cyfrowy Polsat to the web. Thus our clients can watch the content of the largest Polish Internet television IPLA directly on the their TV set.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
17-02-2014	21.15	20.73	20.75	-0.95%	3 605
18-02-2014	21.00	20.75	20.78	0.14%	7 741
19-02-2014	20.77	20.25	20.56	-1.06%	4 750
20-02-2014	20.70	20.22	20.49	-0.34%	13 484
21-02-2014	20.64	20.29	20.44	-0.24%	11 080



Investor's calendar

February 13 – 27, 2014	Closed period prior to the publication of 2013 results
February 27, 2014	<p>Publication of the annual report and consolidated annual report for 2013</p> <p>Schedule of the publication of results for 2013</p> <p>7:00 a.m. Publication of the annual report in ESPI (WSE publishing system)</p> <p>8:00 a.m. Publication of the annual report on our website: www.cyfrowypolsat.pl/investor-relations</p> <p>10:00 a.m. Meeting with investors and analysts</p> <p>12:00 p.m. Meeting with journalists</p> <p>4:00 p.m. (CET) Conference call with investors and analysts</p> <p>Conference call details:</p> <p>Date: February 27, 2014</p> <p>Time: 4:00 p.m. (Warsaw), 3:00 p.m. (London), 10:00 a.m. (New York)</p> <p>Phone numbers: +44 (0) 1452 555 566 (international); 22 307 0118 or 00 800 121 2655 (Poland)</p> <p>Conference ID: 29413412</p>