

Cyfrowy Polsat Newsletter

26 September – 2 October 2011

The press about Cyfrowy Polsat	Date	The press about TMT market in Poland
	26.09	<p>Dziennik Gazeta Prawna: Landline phone calls still too expensive in Poland</p> <p>Poland ranked 51st in a report compiled by the International Telecommunication Union which compares the prices of ICT services in 165 countries worldwide. With an index of 1.8, Poland was above the average of 12.4 points of all the surveyed countries. In addition, we have improved our index of 2.4 achieved in 2008. In Poland, the price index of Internet access services declined most sharply, by an average of 30% over the last two years, putting our country at 44th place in this category. Meanwhile, landline telephony prices fell by the same ratio, but in this category Poland was listed only at 85th position. The price index of mobile telephony services fell by 25% (also 44th place). In the past two years, the prices for broadband Internet were reduced by 52% on average across all the surveyed countries.</p>
<p>Puls Biznesu: Negral wasn't much help for TVP</p> <p>Polsat is chasing TVN, while public TVP suffers a defeat – this is how one could initially evaluate the effects of their autumn programming schedules. The public broadcaster's autumn scheduling resulted in a strong decline in audience. <i>"The programming offers of TVP1 and TVP2 are blurry as the stations seem to have lost their guiding concepts and directions for development,"</i> assessed Krzysztof Szumski of the ZenithOptimedia Group. Meanwhile, Polsat gained more viewers primarily by expanding its technical coverage as well as by launching its channels into several satellite platforms and cable networks, which compete with Cyfrowy Polsat. <i>"I expect that in the next few months Polsat TV will move up in the audience rankings, while both TVN and public TVP shall lose some momentum. (...) Polsat has also improved its customer quality, which should increase their advertising revenues even more than their growing audience (...),"</i> says Piotr Janik, analyst at KBC Securities.</p>	27.09	<p>Dziennik Gazeta Prawna: Children's channels attract advertisers</p> <p>The game is played for PLN 70 million corresponding to this year's budget for advertising in kids stations. Spots aimed at the youngest viewers are already allocated one-tenth of all budgets in thematic channels. Hence, major broadcasters started to fight for this market segment – TVP prepares a programming offer in cooperation with a global player Viacom, while Polsat entered the market somewhat earlier in a partnership with JimJam. The plans to create a kids channel have been also unveiled by TVN. Children spend nearly 3 hours a day in front of television, and in addition they form a huge audience (4 million aged 4-14 years which represents 14% of the total population). Children's channels gain an increasing audience share in the age group 4-12 years. The analysis of trends justifies a prediction that in 2012 the segment of children's channels will have a larger audience share in this age group than all terrestrial TV stations in total.</p>

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27.09

Gazeta Wyborcza: The Government to choose a mobile provider in a huge tender

The government announced a tender for the provision of mobile telephony services. This will cover 107 offices across the country (including ministries, agencies, Central Statistical Office, Antimonopoly Office, and Office of Electronic Communications). The public administration is going to order 40+ thousand phones and 9+ thousand mobile internet modems. The tender value has not been disclosed, but the bid bond amounts to PLN 700 thousand. According to the Public Procurement Law, it could suggest that the minimum contract value of PLN 23.3 million.

Rzeczpospolita: Internet plus TV – the most popular couple according to UKE

In 2010, fixed-line telecom operators generated PLN 3.8 billion in revenues from offering multi-service packages. As reported by the Office of Electronic Communications (UKE), such offers were chosen by 2.1 million users. UKE emphasizes that services sold in packages are gaining in popularity due to their attractive pricing. Furthermore, UKE indicates that the customers' most preferred option combines the Internet access and television. In 2010, such a service package was chosen by nearly 54% of total subscribers. Among users of various packages, this percentage was even higher and reached 81.3%. According to UKE, 2-service packages will continue in unwavering popularity, while the packages containing a landline phone may attract fewer buyers reflecting the trend towards mobility as observed in the recent years. UKE also notes the increasing role of mobile Internet, which could translate into an increase in demand for this service in packages.

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	28.09	<p>Gazeta Wyborcza: 61% of Polish families have an Internet connection The Social Diagnosis 2011 "<i>Conditions and quality of life of Poles</i>" shows a growing share of our population makes use of cable and satellite TV (surging from 46% in 2000 to 70% at present). The largest consumption increase was observed in the area of new technologies as Polish society finds Internet access to be a valuable option – nowadays 61% of the nation's households are connected to the Web, which is four times more as compared with 15% in 2000.</p> <p>Parkiet: P4 manages to finish the last year in the black P4's consolidated net earnings for 2010 amounted to PLN 21.6 million being the first positive financial result posted by the group, which incurred a net loss of PLN 464 million in 2009. Although the financial statements published by P4 for 2010 show an operating loss of PLN 151 million, the group managed to achieve a positive net result partially owing to the utilization of the so-called tax shield. The company recognized an accounting gain of PLN 179 million in the wake of future fiscal benefits anticipated by its management board. This was possible because, according to its management, the company is going to achieve taxable income in the near future. Out of the total PLN 2 billion in last year's revenues, 40% came from inter-operator settlements which increased by PLN 200 million y/y despite a drop in wholesale MTR rates.</p>

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Rzeczpospolita: LTE to boost demand for mobile Internet

Cyfrowy Polsat and NFI Midas, both incorporated within the Solorz-Żak's group, have a strong competitive advantage in this new segment of the market. *"LTE is a really cool service delivering Web access of higher quality than other networks. Even if a user actually achieves only a few Mbps transfer, this will still be pretty much as for a mobile network and, secondly, much more than offered by any standard 3G network,"* says a representative of one of the competing operators. Other operators have been only testing the LTE technology because they have no radio frequencies to build a competitive network. The group of Cyfrowy Polsat entered the telecommunications market three years ago, they managed to obtain a whole new frequency spectrum and immediately decided to invest in cutting-edge technologies. Other operators will have to wait for the Office of Electronic Communications to announce a tender for the frequencies they need at least till the next year (if not till 2013).

29.09

Rzeczpospolita: Champagne corks are popping as Netia takes over Dialog and Crowley

Netia has completed two acquisitions worth over a billion zlotys, including the take-over of landline telephony operator Dialog for PLN 944 million as well as business-dedicated radio operator Crowley Data Poland for PLN 100 million. Both the acquisitions shall be finalized after satisfying the contractual condition precedent which requires obtaining the Antimonopoly Office's approval. The combined companies have about 900 thousand Internet access subscribers and about 2 million subscribers of voice services. Mirosław Godlewski, the company's CEO, also announced efforts to take over Exatel and TK Telekom.

Puls Biznesu: Fixed-line Internet sells poorly

The free service offered by Aero2 will be a tough hindrance for fixed-line Internet providers. The obligation to make a part of the allocated frequency band available free-of-charge was imposed by the regulator in the terms and conditions of the tender. In a short run, such service may cause customers to refrain from purchasing paid Internet access. However, the increasing interest in free Internet (Aero2 has already received over 10 thousand orders and continues to collect about 1 thousand new orders a day) will worsen the quality of this wireless service. Telecom operators offering fixed-line Internet say there is a lack of demand and they are coming under intensified attack from competitors. The research shows a large number of customers expect to buy a complete set of services from one operator. Therefore, telecom operators need to consolidate and modernize their offers in order to meet such competition.

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	30.09	<p>Gazeta Wyborcza: The telecommunications market is growing. But for how long?</p> <p><i>"In the coming years we expect the threefold Euro effect: the impact of Euro 2012 on increasing demand for telecommunications services, the growth of broadband Internet coverage as a result of projects financed from EU funds, and the growth of Polish position as a regional center for outsourcing of ICT services,"</i> notes Emil Konarzewski, managing partner at Audytel company. In his view, these factors create good prospects for acceleration of the ICT market development. Audytel analysts predict that in 2011 the total value of the Polish telecommunications market will increase by 2.3% year-on-year to reach PLN 47 billion. The pay-TV market will grow most dynamically, while its share in the total telecommunications services is poised to increase from less than 7% in 2006 to around 18% in 2016.</p>
	01.10	<p>Rzeczpospolita: Cable networks may be interested in PTC</p> <p><i>"The Management Board of Polska Telefonia Cyfrowa has developed two variants of the business strategy for the years 2012-2015 and now awaits the owner's approval to implement any of them,"</i> said Miroslav Rakowski, President of the company which operates the T-Mobile network in Poland. The first variant assumes maintenance of the status quo, whereas the second one provides for gaining an additional 0.5-0.7 percentage point in the market share annually. <i>"The main variants of our strategy include no television or acquisitions,"</i> he added, but on the other hand he did not preclude taking such initiatives sooner or later. PTC's President anticipates the mobile telephony market to suffer the first noticeable decrease in value in 2012. <i>"I expect the market is going to shrink by about 2% as compared with this year,"</i> said Rakowski. In his opinion, the first signs of a decline in the industry will be visible already this year although the market will contract no more than 0.5% having been supported by the growing Play network. Nonetheless, PTC's President expects the operators to improve their profitability in 2012.</p>

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade volume (PLN ths.)
2011-09-26	13.89	13.20	13.45	-0.37%	3 742
2011-09-27	14.70	13.83	14.07	4.61%	1 584
2011-09-28	14.48	13.90	14.48	2.91%	2 560
2011-09-29	15.00	14.30	15.00	3.59%	7 905
2011-09-30	15.03	14.57	14.94	-0.40%	13 563

