

Cyfrowy Polsat IR Newsletter

7 – 13 April 2014

The press about us

Date

The press about TMT market in Poland

7.04

Rzeczpospolita: LTE auction: three times a charm

On Friday the Office of Electronic Communications (UKE) announced consultations of the 800/2600 MHz auction documentation for the third time in the last 9 months. Head of UKE changed the documentation in accordance with the views of Zygmunt Solorz-Żak, who was advocating for the construction of one joint network in the 800 MHz band. Play supported this idea by suggesting that each of the four operators may win only ¼ of the spectrum and that auction specifications should stimulate the companies to cooperate.

The most important changes include: moving the provision on the possibility of shared use of spectrum limited to 30 MHz as the maximum to the section describing commitments undertaken by the auction participants and deleting the provision concerning the spectrum cap, i.e. the limit for operators who already hold frequency ranges in the 900 MHz band. The latter means that all entities, who participate in the auction, can buy an equal amount of frequencies.

8.04

Parkiet: Good quarter for Orange Polska

Analysts expect that Orange Polska could have generated PLN 3.07 billion in revenue, ca. PLN 930 million EBIDTA and over PLN 100 million net profit in the first quarter of 2014. Taking into account the one-off effect of the sale of web portal Wirtualna Polska, net profit could exceed PLN 200 million.

Results of phone number transfers show that the operator is striving to maintain its client base. In the first quarter Orange had a positive transfer balance of ca. 6 thousand numbers, which constitutes a significant improvement compared to the previous year.

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Rzeczpospolita: Clients transfer not only to Play

Two large mobile networks had a positive balance with respect to phone numbers transferred in the first quarter of 2014. Orange Polska joined Play. In the first quarter 402.7 thousand numbers were transfers in Poland, which constitutes an increase of 8.1% compared to the corresponding period of 2013. Play remains the leader on the MNP market, it received ca. 158 thousand numbers net. Orange Polska came second with a net increase of 5.7 thousand numbers. T-Mobile and Plus both lost numbers in net terms in the first quarter.

Rzeczpospolita: Advertising targets older people

According to MillwardBrown a new consumer trend valuing older people is becoming visible, and in consequence the field of marketing targeting elders is starting to grow. This group comprised 6.4 million people in 2010, and in 2020 will count 2 million more. At the same time the purchasing power of older people is growing. In the last 6 years the share of people with income exceeding PLN 2 thousand in the group aged above 60 years increased from 4.6% to 18%.

Following these changes, in February TVP began the bundled sale of ads targeted at the group of viewers aged 16-59. For years the so called commercial group comprised viewers in the 16-49 age group. Although TVP's move is not likely to make a difference on the TV market unless repeated by competitors, it is a forecast of future market changes.

The press about us

Parkiet: Companies with and without potential for the second quarter

Analysts at Espirito Santo presented their investment suggestions for the coming quarter. Cyfrowy Polsat was on the “most attractive company” list.

According to the broker, Cyfrowy Polsat’s stock price does not fully reflect the benefits stemming from the acquisition of Polkomel. Analysts emphasize that following the closure of the transaction 90% of EBIDTA profit will be generated by the defensive telecommunication company and digital pay-TV segments, while ca. 10% - by cyclic TV advertising. – *The cumulated effect of synergies until 2019 following the conclusion of the transaction, estimated by the management at PLN 2 billion on the revenue side and PLN 1.5 billion on the cost side, should allow the company to increase revenue and EBIDTA profit as well as to raise EBIDTA margin by ca. 3.5% - said Konrad Książopolski, head of analysts at BESI.*

Date

9.04

The press about TMT market in Poland

Rzeczpospolita: Orange promises a new smartphone every year

Orange Polska presented the terms of its new offers, which are to replace the telecom’s current proposals for retail clients and small and medium enterprises. Just like Play, Polkomtel and Cyfrowy Polsat, Orange is also focused on selling the maximum number of services to households, offering discounts to subscribers who purchase an additional service. The distinguishing features of the new offer are minutes interchangeable with roaming conversations in more expensive subscription plans, but most of all a more frequent replacement of the client’s phone. It will be possible every 12 months, that is after a year following the signing of a two-year agreement and will entail another two-year agreement.

Specialists point out that the proposal of Orange Polska is complicated and clients will have a problem with its full comprehension due to its complexity.

10.04

Parkiet: Orange has an idea for fast internet

How to connect all Poles to a fast internet network, as required by the European Commission? Orange Polska suggested the creation of a special purpose vehicle (SPV), which would invest i.a. in places, where the internet map shows blank spots. The SPV would use EU funds from the 2015-2020 perspective (ca. PLN 4.3 billion). The company would be a commercial entity and its stakeholders would comprise operators, equipment suppliers and financial institutions. Its main task would be the achievement of the goals of Operational Programme Digital Poland using public and private funds. The SPV would also act as wholesale operator and offer - on equal terms - access to the net to all telecommunication enterprises interested in the provision of retail services on a given territory.



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10.04

Rzeczpospolita: Digital harvest in TV (author: Anna Streżyńska)

By February 2014 the penetration of digital terrestrial television increased to almost 30%. The activation of three more multiplexes was announced. The consequences of introducing DTT on such a large scale are hard to access at present, but will comprise changes on both pay and free-of-charge TV markets, changes in market shares of main players, changes in shares on the advertising market, changes of prices of services as well as of the content of packages, especially directly competing basic packages of cable and satellite TV operators.

Frequencies liberated by analogue TV and destined for the eighth multiplex will be allocated the DTT broadcasting. There is much interest in the reservation of those frequencies, as everyone wants to build their market position based on terrestrial frequencies and perceive the eighth multiplex as an opportunity to become visible on the market and compete on an equal basis in this mass segment of the market.

12-13.04

Parkiet: TVN – buy-back approved

On Friday shareholders of TVN approved the buy-back plan. TVN wants to buy back up to 34 million own shares (up to 10% of share capital) for a maximum amount of PLN 500 million. The funds are to come from the reserve capital created from profits of previous years. All the company's shares are covered by the program. The buy-back price per share cannot exceed PLN 30. On Friday shares traded on the stock exchange at PLN 16.48.

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12-13.04

Parkiet: Withdrawal of Third Avenue from Netia's shareholder structure can be an opportunity to take control over the company

On Thursday 7.2% of Netia's securities changed owners. Mennica Polska, company controlled by Zbigniew Jakubas, informed that its subsidiary acquired a block of shares representing 3,18% of share capital. It is not known who purchased the remaining part of the block sold on Thursday.

Netia just announced a medium-term plan of cash distribution to shareholders. Its shares constitute a relatively attractive investment. At the price of PLN 5.37, at which shares were traded in blocks, dividend yield was 7.8%.

According to "Parkiet" Netia's long-term financial investor – Third Avenue – is on the supply end and still has 7% shares to sell.

Latest events

Current report no. 25 April 8, 2014

The release by Cyfrowy Polsat Finance AB (publ) of a conditional notice of redemption of EUR 350 million Senior Secured Notes due 2018 issued by that company

Notice is hereby given by the Management Board of Cyfrowy Polsat S.A. (the **“Company”**) that on 8 April 2014 its subsidiary Cyfrowy Polsat Finance AB (publ) (**“Cyfrowy Polsat Finance”**) filed a notice of redemption of all the EUR 350,000,000 7.125% Senior Secured Notes due 2018 issued by Cyfrowy Polsat Finance (the **“Senior Secured Notes”**).

The Company reported the issuance of the Senior Secured Notes by Cyfrowy Polsat Finance and the terms of such issuance in its current report No. 34/2011 of 20 May 2011.

The redemption of the Senior Secured Notes is to take place on 8 May 2014 (the **“Redemption Date”**).

The redemption of the Senior Secured Notes will be possible upon the satisfaction (or waiver by Cyfrowy Polsat Finance, in its sole discretion) of the following conditions:

- (1) the receipt by the Company of net cash proceeds (following currency conversion), costs and expenses, sufficient to make all the redemption payments in connection with the redemption of the Senior Secured Notes, pursuant to a new senior facilities agreement to be entered into by, among others, the Company, prior to the Redemption Date; and
- (2) the receipt by the Company of net cash proceeds (following currency conversion), costs and expenses, sufficient for the repayment of the Company's indebtedness under the Senior Facilities Agreement executed by the Company on 31 March 2011, as amended, pursuant to the new senior facilities agreement, as referred to in point (1).

The Notes will be redeemed for a price equal to 100% of the principal amount of the Senior Secured Notes increased by the Applicable Fixed Rate Premium, calculated in accordance with the terms of the Indenture, together with accrued and unpaid interest at EUR 33.25 per EUR 1,000 in principal amount to (but not including) the Redemption Date.

Latest events

Current report no. 26
April 11, 2014

Conclusion of a material facility agreement by Cyfrowy Polsat S.A.

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) reports that on 11 April 2014 the Company as the borrower, together with Telewizja Polsat sp. z o.o., Cyfrowy Polsat Trade Marks sp. z o.o., Polsat License Ltd. and Polsat Media Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement (“**Senior Facilities Agreement**”) with a syndicate of Polish and foreign banks led by ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking (“**Global Banking Coordinators**”) and comprising Société Générale Bank & Trust S.A., HSBC Bank plc, Bank Millennium S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., BNP Paribas Fortis SA/NV, Credit Agricole Bank Polska S.A., Credit Agricole Corporate & Investment Banking, DNB Bank ASA, DNB Bank Polska S.A., Erste Group Bank AG, mBank S.A., PZU FIZ AN BIS 1, Raiffeisen Bank Polska S.A., RBS Bank (Polska) S.A., Société Générale S.A., Oddział w Polsce, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., as well as UniCredit Bank AG, London Branch, acting as the Agent and the Security Agent.

The Senior Facilities Agreement envisages the granting of a term facility loan (“**Term Facility Loan**”) up to the maximum amount of PLN 2,500,000,000.00 (two billion five hundred million) (“**Term Facility**”) and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500,000,000.00 (five hundred million) (“**Revolving Facility Loan**”).

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR rate (for indebtedness in PLN) or EURIBOR (for indebtedness in EUR) or LIBOR (for indebtedness in another currency permitted under the Senior Facilities Agreement) for the appropriate interest period and the applicable margin. The margin on the Term Facility and the Revolving Facility Loan will depend on the level of the „total leverage” ratio in such way that the lower it is, the lower the margin will also be. The Term Facility will be repaid in quarterly instalment of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019.

The receivables of the Company and the remaining debtors under the aforementioned facilities will be secured by security interests established by the Company and other entities. In particular, such security interests will include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over share in the Company’s subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company’s subsidiaries which are governed by foreign law.

Latest events

Current report no. 26 April 11, 2014

The Term Facility and the Revolving Facility Loan will be used by the Company in particular:

(1) for repaying the whole indebtedness arising from or referred to in the following documents: (i) the Senior Facilities Agreement of 31 March 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and (ii) the Indenture of 20 May 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and

(2) towards the general corporate and working capital purposes of the Group.

In addition, the Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of 17 February 2012 relating to pay-in-kind notes („**PIK Notes**”) issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem Holding Company Limited („**Metelem**”), which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement. Notwithstanding the foregoing, no assurance can be provided as to when or whether the Company will effect such redemption or repayment of the PIK Notes or any other indebtedness of the Metelem group companies.

Furthermore, in accordance with the provisions of the Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the Term Facility Loan and the Revolving Facility Loan.

The Senior Facilities Agreement provides for certain conditions precedent, standard for transactions of that type, to be fulfilled in order to utilize the aforementioned Facilities as well as certain conditions subsequent, to be fulfilled following the utilization of the Facilities, which are also standard for transactions of that type.

The Senior Facilities Agreement was classified as material due to the fact that its value exceeds 10% of the revenue for the last four trading quarters of the year.

The aim of the execution of the Senior Facilities Agreement by the Company is to obtain refinancing which will make it possible to repay the full indebtedness arising from or referred to in the documents indicated above, which is one of the conditions precedent for the Company's obligation to issue shares for the benefit of shareholders of Metelem, and the obligation of Metelem shareholders to transfer Metelem shares to the Company in exchange for new shares, in accordance with the provisions of the Company's investment agreements with Metelem shareholders of 14 November 2013 (described in current report 22/2013 of 14 November 2013) and of 19 December 2013 (described in current report 27/2013 of 19 December 2013). The Company will announce the fulfilment of this condition precedent in a separate current report.

Latest events

Press release
April 7, 2014

Initiation of phase two of Plus and Cyfrowy Polsat's program smartDOM – benefits for PlusBank services

Plus and Cyfrowy Polsat are initiating the second phase of the joint program smartDOM, which until now comprised television, Internet access and telephony services and offered discounts for every additional product purchased. Now subscribers of Plus and Cyfrowy Polsat, who have an account in PlusBank, can additionally reduce the subscription fee for a chosen service or profit from a discount when recharging their phone.

Plus and Cyfrowy Polsat clients can now benefit from modern banking services offered by PlusBank, comprising access to services via internet, telephone and short messages, free cash withdrawal from ATM network "Euronet", mobile application plusbank24 and access to a loan, which is free of charge for the first 30 days, via banking account.

PlusBank services will be offered in almost 1200 points of sale of both operators. It will also be possible to take out a cash loan in Plus and Cyfrowy Polsat points of sale.

Press release
April 10, 2014

Pre-release of the second season of the series „Vikings” on IPLA! HISTORY “open window” in Cyfrowy Polsat

From April 11 until May 5, 2014 all subscribers of Cyfrowy Polsat will receive promotional access to the HISTORY channel within the “open window”, where many novelties as available, including the second season of the series “Vikings”, which was a hit among Polish viewers. The first four episodes of the second season will be available to Cyfrowy Polsat clients on IPLA before their TV release, while the remaining episodes will be broadcast simultaneously on IPLA and the HISTORY channel.

Press release
April 11, 2014

Cyfrowy Polsat signed a facility agreement enabling the refinancing of debt

On April 11, 2014 Cyfrowy Polsat Group concluded a facilities agreement with a syndicate of Polish and foreign banks. The loan, amounting to up to PLN 3 billion, will be used to refinance the Group's debt and thus fulfill one of the conditions precedent of the transaction of acquisition of Metelem (company controlling 100% shares of Polkomtel) announced on November 14, 2013.

The acquired financing will be used by Cyfrowy Polsat to repay the whole indebtedness arising from the Senior Facilities Agreement of 31 March 2011 (PLN 486 million as at the end of 2013) and Senior Secured Notes issued by Cyfrowy Polsat Finance AB (publ) (PLN 1.439 billion as at the end of 2013), as well as to finance current operations of the Group.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
07-04-2014	21.00	20.60	20.90	1.36%	3 299
08-04-2014	21.00	20.85	20.88	-0.10%	1 078
09-04-2014	21.18	20.70	20.73	-0.72%	4 578
10-04-2014	21.09	20.40	20.40	-1.59%	4 667
11-04-2014	20.63	20.22	20.63	1.13%	3 075



Investor's calendar

April 29 , 2014	Annual General Meeting
May 1 – 15, 2014	Closed period prior to the publication of Q1 2014 results
May 15, 2014	Publication of the quarterly report for Q1 2014