

Cyfrowy Polsat IR Newsletter

12 – 18 May 2014

The press about us

Date

The press about TMT market in Poland

12.05

Dziennik Gazeta Prawna: Cell phones are not going to get any cheaper

Poles use the possibility to transfer their phone number from one network to another (MNP) more frequently. In 2013 1.5 m mobile phone users decided to do so, that is 300 thousand more than in the year before. The majority of new users or clients departing from the great three: Orange, T-Mobile, Plus, until now went to Play, however the dynamics of growth of the number of users of that network is declining. Telecommunications experts believe that Play will continue to lose its advantage – Orange is catching up. Orange has a large potential of sale of additional services, as a single client uses a little over one service. The more services the client has, the more loyal he is. Operators will not continue to compete through cheaper offers, as services are already common and available at a good price. Telecoms are going to compete for clients by proposing additional services and better network quality. In this respect Polkomtel also has huge potential.

Rzeczpospolita: Polsat returns with Passport 2.0

Zygmunt Solorz-Żak’s group expanded by a new entity Benefits Passport, owned by Polkomtel Business Development and PlusBank. The new company is responsible for the financial and formal side of the new loyalty program presented on Tuesday and dedicated the group’s clients. The name of the program refers to the group’s product of the ‘90s – the cult Polsat Passport. Just like before, Polsat will deliver the “passport” to its clients’ mailboxes. This time the booklet contains a set of smartDOM discount offers (combination of the offers of the satellite platform, the mobile network and the bank), a list of special offers of partners and two cards allowing to profit from the program. Cyfrowy Polsat’s partners: TelePizza, PKN Orlen,

14.05

Parkiet: 4Fun Media

In the first quarter revenue of the television group (broadcaster of 4fun.tv, TV.Disco and rcl.tv channels) declined by PLN 7.04 m YoY, but operating profit increased by 4%, to PLN 1.94 m, while net profit – by 1%, to PLN 1.63 m. Since the beginning of the year the value of one share fell by 43%, to a little over PLN 10.

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Eurocash (owner of the chain of franchise stores: Delikatesy Centrum, Euro, Gama, Groszek, Lewiatan) and AXA Assistance, participate in the costs of the promotional campaign. The number of participating partners will increase over time. The group expects that at least 10% of the 6 m households serviced by Cyfrowy Polsat and Polkomtel will join the program.

Rzeczpospolita: Almost the whole truth about mobile networks

Detailed data on the coverage of mobile internet networks of Polish mobile operators is a taboo topic today. Operators do not publish information on the area of Poland covered by their networks, nor information on differences in coverage “indoors” and “outdoors”. This makes the data published by Cyfrowy Polsat, owner of Polkomtel, all the more valuable. The data includes the coverage of Plus network in terms of various technologies as well as the difference in coverage indoors and outdoors. This difference results from the fact, that walls of buildings suppress the power of the transmission signal. In the case of ultrafast internet in LTE technology, nearly 67% of Poles are covered “outdoors” and the service is available on an area equal to 17.4% of the total area of the country. Indoors, LTE covers 42.5% of the populations and 4% of the area of Poland.

These results are the best in Poland. The remaining three operators are only starting to construct LTE transmitters. As at the end of 2013 LTE offered by Orange Polska and T-Mobile Polska covered 16% of the population, today this share is 30-35% “outdoors”. Play’s LTE network covers over 30% of Poles.

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Rzeczpospolita: Internet – the largest advertising medium

According to Boston Consulting Group estimates, the Internet, currently responsible for almost one third of the entire advertising market, will have a 53% market share with revenue from online advertising at the level of PLN 5.2 bn in 2020, assuming a 12% average yearly growth of advertising expenditure. Włodzimierz Schmidt, CEO at IAB Polska comments that these assumptions are realistic. According to IAB’s cyclic report, in 2013 the market grew by 10.2% and companies spent PLN 2.4 bn on online advertising in Poland. ZenithOptimedia Group announced recently that global expenditure on Internet advertising in 2013 increased by 16.2%, and in the years 2014-2016 should increase at an average annual rate of 16%. The development of the Polish online advertising market is indisputable, given that some forms of online advertising, popular in Western countries, have not even started to be used in Poland.

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Parkiet: Advertising market prognostics helped TVN

TVN disclosed that the Polish advertising market grew in the first quarter of 2014 by 4.8% YoY. In the same period TVN's revenue from advertising and sponsorship increased by 2.5%, which the television group justifies with the influence of complete coverage by new channels of digital terrestrial television and good viewership results of the winter Olympic games, broadcast in the first quarter by its competitor.

According to Markus Tellenbach, CEO at TVN, the coming quarters should improve in terms of advertising revenue – in the second half of the year TVN has ambitions to outrun the market. TVN CEO upheld the expectation of an average one-digit growth of the advertising market in 2014.

nc+ platform, 32% of which are held by TVN, had 2.2 m subscribers as at the end of March 2014. Average revenue per subscriber reached PLN 67.6 (compared to PLN 65.7 as at the end of 2013), while nc+ revenue amounted to PLN 532 m, EBIDTA to ca. PLN 106 m with TVN share in nc+ profit at PLN 7.5 m.

TVN also announced a buy-back offer worth not more than PLN 100 m. Management expects that another buy-back of shares worth PLN 120-140 will take place at the end of 2014.

Net debt of TVN amounted to PLN 2.2 bn as at the end of March 2014 and decreased due to the redemption of Senior Notes worth EUR 35 m. The ratio net debt to corrected EBIDTA was 4.3. In the first quarter TVN group's revenue amounted to PLN 351.8 m, that is 2.5% more than in the previous year, operating profit amounted to PLN 78.7 m (increase by 3%) and net profit to PLN 11.1 m (compared to a loss of PLN 43.8 m in the previous year).

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Rzeczpospolita: Good quarter of Cyfrowy Polsat

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In the first quarter of 2014 revenue of Cyfrowy Polsat group (CP) was record high and amounted to PLN 727 m, 4% more than in the previous year. Thanks to cost reduction EBIDTA profit of the group increased by 15% during this period to PLN 281 m. Net profit of CP group increased by 3% to PLN 98 m.

Despite a stronger offer of free-of-charge digital terrestrial television, the number of subscribers of the satellite platform remained stable and amounted to 3.53 m as at the end of the first quarter.

Although the results of the operator of Plus network are not yet consolidated in the group's quarterly results, CP took the opportunity to present them. During the first three months the telecom noted a 4% decline in revenue as well as a fall in the number of active SIM cards, however the number of mobile internet users increased (together with CP it exceeds 1 m users). The telecom maintained high profitability. With revenue of PLN 1.6 bn, EBIDTA profit of Plus network amounted to PLN 729 m and EBIDTA margin increased to 45.5% - an industry record.

At the end of the first quarter Plus had 13.89 m SIM cards, which signifies a decrease by 234 thousand compared to December 2013. The post-paid client base decreased by 40 thousand and the pre-paid – by 194 thousand. CP CEO, Dominik Libicki explained that this decline results from a deliberate clearing of the base of inactive users.

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Puls Biznesu: Polsat's rich quarter

The last quarter, when shareholders of Cyfrowy Polsat did not need to worry about results and perspectives of the mobile telephony industry, was a rich one. The group improved all financial ratios and reduced costs. Revenue amounted to PLN 727 m and net profit to PLN 98 m, which signifies a 3% increase in comparison with the previous year.

- The results exceed expectations, especially with respect to profit. Our revenue from advertising and sponsorship grew dynamically and our spring programming schedule had high viewership results – emphasizes Tomasz Szelaąg, CFO.

Starting from May 7, Cyfrowy Polsat consolidates the results of Polkomtel, Plus network operator. The latter had PLN 1.6 bn in revenue in the first quarter of 2014, that is 4% less than last year. At the same time, the telecom generated PLN 729 m EBIDTA and PLN 15 m net profit. – *The decrease in revenue was caused by regulatory effects, specifically by the reduction of MTR rates last year – says Dominik Libicki, CEO at Cyfrowy Polsat.*

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Latest events

Current report no. 42 May 12, 2014

Admission and introduction of series I shares to stock exchange trading and admission of series J shares to stock exchange trading

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) hereby announces that by its resolution No. 560/2014 of 12 May 2014, the Management Board of the Warsaw Stock Exchange (the “**WSE**”) declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective 14 May 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on 14 May 2014.

Furthermore, by its resolution No. 561/2014 of 12 May 2014, the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company’s Series J shares are not shares of the same type as the Company’s shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, according to information contained in the Company’s prospectus approved by the PFSA on 28 April 2014, it is the Company’s intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company’s shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

Current report no. 43 May 13, 2014

Moody’s changed the rating of Cyfrowy Polsat and assigned a rating to Eileme 2 AB (publ), a subsidiary of Metelem Holding Company Limited

The Management Board of Cyfrowy Polsat S.A. (“**Cyfrowy Polsat**”, the “**Company**”) informs that Moody’s Investors Service (“**Moody’s**”) has changed the rating of Cyfrowy Polsat and assigned a rating to Eileme 2 AB (publ) (“**Eileme 2**”), indirectly controlling 100% shares of Polkomtel Sp. z o.o. („**Polkomtel**”). These rating actions conclude the review process that was initiated by Moody’s on November 19, 2013 following the announcement by Cyfrowy Polsat of a conditional investment agreement to acquire shares in Metelem Holding Company Limited, the ultimate parent of Polkomtel, which was disclosed by the Company in its current report no. 25/2013 of November 19, 2013.

In line with earlier announcements, Moody’s downgraded Cyfrowy Polsat’s corporate family rating (CFR) to Ba3 with a stable outlook.

Latest events

Current report no. 43,
cont.
May 13, 2014

The Ba3 rating reflects the substantial increase in the Company's leverage following the acquisition of Polkomtel and the combined group's exposure to foreign currency fluctuations as part of Polkomtel's debt is denominated in foreign currency. The rating also accounts for the benefits for the Company's business profile resulting from the acquisition, comprising i.a. a material increase in size, as well as potential ARPU growth through bundling and cross-selling to an enlarged customer base. The rating was also positively affected by the Company's strong position on the market and its good liquidity with high free cash flow generation.

Concurrently, Moody's assigned a corporate family rating (CFR) to Eileme 2 at the level of Ba3 with a stable outlook.

The rating assigned to Eileme 2 reflects the expectation that Polkomtel's credit quality will improve following its incorporation into the financing structure of Cyfrowy Polsat, as well as benefits for the operator's business risk profile after the integration, which include ARPU growth and lower churn through bundling and cross-selling to an enlarged customer base. In its justification Moody's emphasized Polkomtel's leading position in the Polish mobile market, as well as its track record of generating solid profitability, its strong liquidity profile and systematic debt reduction.

The securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Current report no. 44
May 13, 2014

Notification of the NDS on the registration of Series I and Series J shares

With reference to the information disclosed in the current report no. 41/2014 of May 8, 2014, the Management Board of Cyfrowy Polsat S.A. (the "**Company**"), hereby announces that on May 13, 2014 it received a notification from the National Depository for Securities (the "**NDS**") to the effect that 47,260,690 shares of the Company marked with ISIN code PLCFRPT00013 and 243,932,490 shares of the Company marked with ISIN code PLCFRPT00021 will be registered on May 14, 2014, pursuant to the resolution of the Management Board of the NDS no. 454/14 of May 7, 2014.

Latest events

Current report no. 45
May 14, 2014

Registration of Series I and Series J shares on their acquirers' securities accounts; materialization of the last condition for the payment of dividend for the financial year 2013 by Cyfrowy Polsat

The Management Board of Cyfrowy Polsat S.A. (the "**Company**") hereby gives notice that the Company has learned about the registration of the Company's new-issue Series I and Series J shares, that issue having been disclosed by the Company in the current report No. 40/2014 dated 8 May 2014, on the securities accounts of their acquirers, i.e., the shareholders of Metelem Holding Company Limited ("**Metelem**"), who on 7 May 2014 submitted representations on the acquisition of these shares, paying for them with a non-cash contribution in the form of the Metelem shares owned by them.

The registration of the Company's Series I and Series J shares on the securities accounts, which is tantamount to the delivery of these shares to their acquirers, signifies the materialization of the last condition for the disbursement by the Company of dividend for fiscal year 2013, included in § 1 Section 3(i) of Resolution No. 20 of the Annual General Meeting of the Company of 29 April 2014 on the allocation of profit for the financial year 2013 (the "**Dividend Resolution**"). The Company reported on the materialization of the condition concerning the acquisition of Metelem shares by the Company in its current report No. 40/2014 of 8 May 2014.

As both conditions defined in § 1 Section 3 of the Dividend Resolutions have been met, the provisions of § 1 Sections 1 and 2 of the Dividend Resolution are coming into force, according to which the net profit earned by the Company in the financial year of 2013 in the amount of PLN 429,012,74.99 is appropriated as follows: (i) PLN 102,859,516.76 shall be appropriated for dividend for the Company's shareholders, (ii) the remaining portion of the net profit, i.e. PLN 326,153,158.23 to the supplementary capital; 22 May 2014 shall be the dividend record date, whereas the payment of dividend will take place on 6 June 2014.

The amount of dividend per one share of the Company was announced by the Company in its current report No. 33/2014 of 29 April 2014.

The registration of the Company's Series I and Series J shares on their acquirers' securities accounts is the last milestone of the process of closing the transaction of acquisition of 100% of shares in Metelem by the Company in exchange for the Company's new-issue Series I and Series J shares.

Latest events

Current report no. 46
May 15, 2014

Information on the change of the share in the total number of votes at the General Meeting of Cyfrowy Polsat S.A.

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) hereby gives notice that on 15 May 2014 the Company received a notification from the European Bank for Reconstruction and Development (“**EBRD**”), made pursuant to the Article 69 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (consolidated text: Dz. U. of 2013 Item 1382; hereinafter referred to as the “**Polish Offering Act**”).

The received notification concerns the change of the EBRD’s share in the total number of votes at the Company’s General Meeting (directly), resulting from the fact that EBRD has exercised its right to subscribe for and acquire 47,260,690 series I shares in the Company with the nominal value of PLN 0.04 each, constituting 7.39% of the Company’s share capital and carrying the right to 47,260,690 votes at the Company’s General Meeting, which constitute 5.77% of the total number of votes at the General Meeting of the Company.

Prior to the aforementioned acquisition, EBRD had not held shares in the Company.

None of the EBRD subsidiaries holds shares in the Company. EBRD is not a party to any agreement on the transfer of right to exercise voting rights attached to the Company’s shares, within the meaning of Article 87 Section 1 Item 3 letter c of the Polish Offering Act.

Press release
May 13, 2014

Program smartDOM with a special offer only for Plus and Cyfrowy Polsat subscribers

On May 13, 2014 Plus and Cyfrowy Polsat introduced a special offer within the smartDOM program, addressed to existing clients – “Second product for half price, third for PLN 1”. Also today the new loyalty program – Benefits Passport – was launched.

*- On May 7 Polkomteltel joined Polsat Group and we became the leader on the Polish media and telecommunications market. However, we have not been waiting for the closure of the transaction with the implementation of our plans and ideas. Our companies have been closely cooperating for the past months. The first large, joint program launched on February 13 was samrtDOM, which offers our clients a large portfolio of services – telephone, Internet, television, banking and electricity – at attractive prices. The rule is simple: the more the client buys from us, the less he pays – says **Dominik Libicki, CEO of Polsat Group**. – Today we go one step further and present a very competitive offer of multi-play services for our current clients as well as a loyalty program, that is unique on the market. We highly value our subscribers and with these actions we want to prove, that it is worthwhile to stay with us for long.*

Latest events

Press release, cont. May 13, 2014

The new promotion - "Second product for half price, third for PLN 1" - is based on a simple and agile mechanism – it is sufficient to have one service for a subscription fee of at least PLN 49.90 and purchase a second and/or third service worth at least PLN 49.90 in order to gain attractive discounts for the entire duration of the subscription agreement: the second service costs PLN 24.95 and the third – PLN 1. It is possible to have a set of services including HD television, LTE Internet and unlimited calls and messages for only PLN 76 monthly.

On May 13 Plus, Cyfrowy Polsat and Plus Bank clients will receive Benefits Passports in their mail. Benefits Passport is a special loyalty program for clients of the organizers, which guarantees access to special services and offers, discounts and entertainment. Owners of the Benefits Passport receive among others: special promotions for Plus, Cyfrowy Polsat and PlusBank products, access to smartDom and the offer "Second product for half price, third for PLN 1", discounts on products from the offers of the program's partners, tickets to the Men's Volleyball World Championships and other important sports events, as well as concerts, festivals and Telewizja Polsat entertainment shows, the opportunity to act in a Telewizja Polsat series and the possibility to participate in contests and raffles.

Currently the partners of the Benefits Passport program comprise: AXA Assistance, the retail network belonging to Eurocash Group, Orlen, superpolisa.pl and Telepizza. Soon new partners from diverse industries will join them.

Press release May 16, 2014

IPLA – more television channel, new packages and free testing!

The largest Polish internet TV IPLA is now available in a new version – with 36 channels, new packages and a modified, transparent content layout, which will facilitate searching and viewing video content.

IPLA users can enjoy 10 new channels, over 1400 films, hit series before their premiere on television, latest programmes: entertainment, educational, guide, natural scientific, music, cartoons and many others from over 30 TV stations as well as live sports events.

In connection with the new offer and functional changes, IPLA introduced new promotional package prices, which start at PLN 2.90 monthly for Cyfrowy Polsat subscribers and PLN 4.90 for other users.

A new feature is that viewers can test thematic packages for 14 days free of charge. Thanks to this they can familiarize themselves with IPLA's broad offer before they make the decision to subscribe.

Latest events

Press release
May 16, 2014

Cyfrowy Polsat and Plus present results for the first quarter

Cyfrowy Polsat Capital Group published excellent operating and financial results for the first quarter of 2014. The satellite platform reports record high revenue, Telewizja Polsat improves both audience and advertising market shares, and Polkomtel (who joined the Group on May 7) regularly increases the number of mobile Internet users and maintains high profitability of business.

- Number of subscribers of pay TV as at the end of the first quarter of 2014 was stable at ca. 3.53 m;
- Already 85% of Cyfrowy Polsat subscribers use HD set-top boxes;
- Ca. 20% of the platform's subscribers (over 700 thousand) use our Multiroom service;
- ARPU of the Family Package in the first quarter of 2014 increased by 2.9% YoY to PLN 49.6, while that of Mini Package – to PLN 13.6;
- Churn was maintained at a stable level of 9.3% in the 12-month period ended on March 31, 2014;
- Number of users of mobile internet increased to 255 thousand;
- Average number of users of IPLA (website and application) increased in the first quarter of 2014 to ca. 4.2 m;
- Number of VOD/PPV transactions in the first quarter of 2014 amounted to 264 thousand, and since the launch of the service – to 4.8 m;
- Audience share of Telewizja Polsat Group increased in the first quarter of 2014 to 22.5%, of which the main channel POLSAT had 13.2%, an thematic channels – 9.3%;
- Share in the advertising market of Telewizja Polsat Group increased in the first quarter of 2014 to 24.9%.

*- The first quarter of 2014 was very successful both in terms of operating and financial results. Apart from every day operations during this period we also prepared intensively for the closing of the transaction of acquisition of Polkomtel, which we successfully finalized on May 7. We face many new possibilities and challenges related to the operations of Polsat Group enlarged by Plus. Our main goal for the second half of this year is the continuation of the process of integration of both companies and the introduction of new joint products and sales initiatives – says **Dominik Libicki**, CEO at Cyfrowy Polsat S.A.*

Latest events

Press release, cont.
May 16, 2014

*- We are very happy with the Group's financial results. The increase in revenue is due to the organic growth of the retail segment and dynamically increasing revenue from advertising and sponsorship of Telewizja Polsat Group. Our effective cost management policy resulted in reduced costs compared to the corresponding period of the previous year. High EBIDTA and EBIDTA margin reflect excellent and sound fundamentals of our business, which allows us to look upon future operations of the new Group including Polkomtel with optimism - comments **Tomasz Szeląg, CFO at Cyfrowy Polsat S.A.***

Plus operating results:

- Total subscriber base of Plus Network at the end of the first quarter of 2014 amounted to 13.9 m, of which post-paid clients constitute 7.4 m (including 774 thousand users of mobile Internet) and pre-paid clients – 6.5 m;
- Number of active users of data transmission services increased to 3.5 m;
- ARPU per post-paid client amounted to PLN 50.7, and per pre-paid client – PLN 11.1, average ARPU was PLN 32;
- Retail ARPU from data transmission services amounted to: PLN 9.3 per post-paid client and PLN 1.1 per pre-paid client;
- Smartphones constituted 77% of the total retail sales of telephones.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
12-05-2014	20.75	20.42	20.67	0.34%	2 186
13-05-2014	20.81	20.57	20.81	0.68%	2 726
14-05-2014	20.91	20.60	20.91	0.48%	4 269
15-05-2014	21.40	20.86	21,35	2.10%	13 737
16-05-2014	21.39	20.99	21,15	-0.94%	3 391

