

Cyfrowy Polsat IR Newsletter

14 – 21 April 2014

The press about us

Date

The press about TMT market in Poland

14.04

Rzeczpospolita: Digital music services conquer the Polish market

In 2013 revenue of services offering access to music in the Internet for subscription fees from users increased by 69%. Revenue from advertising increased YoY by 62%. This is an impressive rate, even compared to the entire digital music market in Poland, which was estimated at PLN 30m last year (45% growth YoY). According to experts it will continue to grow.

Downloads of single files or complete albums generate the second largest revenue stream in the digital industry in Poland. In the previous year revenue from downloads amounted to PLN 6.46m, 28% more than the year earlier. In Poland files are sold i.a. by Muzodajnia and iTunes. Polkomtel, owner of Muzodajnia, reports that its service has ca. 112 thousand subscribers. iTunes does not disclose the number of its clients in Poland. Similarly, streaming services, such as Deezer, WiMP or Spotify, do not report how many people use their services, nor - more importantly - how many choose the pay option.

Dziennik Gazeta Prawna: Electricity from Plus

Polkomtel, Plus network operator, introduces a subscription model of sale of electricity to retail clients "Electricity from Plus".

15.04

Parkiet: Netia skeptical about Orange Polska SPV

Although Netia agrees with Orange Polska on several points concerning the construction of a fiber-optic network on areas of so called „blank spots”, it does not support the idea of creating a special purpose vehicle, which would take over the operators’ passive infrastructure and would invest funds from the operational programme “Digital Poland” in building fiber-optic networks.

According to Paweł Żytecki, head of strategic projects department at Netia, the SPV is a good idea only for Orange, who could bring its vast infrastructure as in-kind contribution to the SPV instead of a capital contribution and have a high share in the company. For Netia, on the other hand, participating in the SPV means the necessity to invest cash or high network costs. Moreover, Netia is concerned about the system of price control by the regulator regarding network access.

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The President of the Office of Electronic Communications wants to wait for results of analyses of the Ministry of Administration and Digitization on the best model for Poland.

Parkiet: Data center worth PLN 98m open

Cyfrowy Polsat and Polkomtel will use 80% of the newly-opened data processing center combined with a mobile switching center with an area of 6.8 thousand sq. m. As regards the remaining area, Polkomtel is analyzing the option to create capacity, which could be offered to clients as a cloud.

According to the investor of the project, SPV Grodzisk (subsidiary of Elektrim), another facility designed to offer cloud services could be constructed in the vicinity of the new data center.

16.04

Rzeczpospolita: Operator hindered reading of contracts

Orange will pay a fine of almost PLN 14m because clients had to read contracts in the presence of a delivery man. If the contract is concluded via Internet for example, the entrepreneur is obliged to provide the consumer with a written template thereof. Meanwhile Polska Telefonia Komórkowa Centertel (currently Orange Polska) violated this law, because contracts were delivered by delivery men to clients, who were forced to read them on the spot. This practice was contested by the Court of Consumer and Competition Protection (SOKiK), which upheld the decision of the Office of Consumer and Competition Protection (UOKiK). UOKiK decided that the operator put pressure on clients by demanding that they sign the contract in the presence of the delivery man. SOKiK reduced the fine imposed on the operator from over PLN 16m to ca. PLN 13.9m.

Dziennik Gazeta Prawna: 2 million cinema fans

Bogusław Kisielewski took the position of CEO at Kino Polska TV. The group listed on the WSE has ambitions to become one of the leading players on the media market in Central and Eastern Europe. It is on a good path – its TV channels Kino Polska, coded programs from Filmbox and new Stopklatka TV are gaining interest of Polish viewers, while the value of the company's shares almost doubled over the past three years.

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– We have already achieved a lot in Poland. Our premium channels have over 2 million subscribers. Now we will focus on foreign markets. We want to improve our results in Romania, Bulgaria, the Czech Republic, Slovakia and Hungary – says new CEO of Kino Polska and Stopklatka TV, Bogusław Kisielewski. In his opinion, in the case of Stopklatka TV, the key task is to gain a loyal viewership. The channel is growing more rapidly than originally anticipated, especially among viewers of digital terrestrial television. Kisielewski also admits that, should an eight multiplex be created, the company aspires to launch another program.

Latest events

Current report No. 27 April 16, 2014

Submission by the shareholder of a draft resolution on the distribution of profit of Cyfrowy Polsat for 2013

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) reports that on 16 April 2014 it received a letter from the Company’s shareholder holding the shares representing more than 5% of the Company’s share capital, Sensor Overseas Limited (the “**Shareholder**”) – by which the Shareholder submitted a draft resolution of the Annual General Meeting concerning the distribution of profit for 2013. The adoption of a resolution on the distribution of profit for 2013 is included in the agenda of the Annual General Meeting of the Company convened by the Management Board of the Company for 29 April 2014 r. Information concerning the Annual General Meeting and the drafts of its resolutions were presented by the Company in current report No. 21/2014 of 2 April 2014.

A [draft of the resolution](#) proposed by the Shareholder is attached to this current report.

According to the substantiation submitted by the Shareholder, the adoption by the Company’s General Meeting of the resolution on the payment of dividends for 2013, in the amount proposed by the Management Board and setting the relevant dividend day and the dividend payment day, constitutes one of the conditions to the closing of the Company’s acquisition of all the shares in Metelem Holding Company Limited (“**Metelem**”), the dominant entity of Polkomtel sp. z o.o.

Pursuant to the provisions of § 2 Section 3 (b) of Resolution No. 12 of the Extraordinary General Meeting, dated 24 January 2014, on the issue of subscription warrants (the “Subscription Warrants Issue Resolution”) adopted for the purposes of the foregoing transaction:

- (a) in order for the Company to offer the subscription warrants issued under the Subscription Warrants Issue Resolution to the shareholders of Metelem, the General Meeting of the Company is required to first adopt a resolution on the distribution of dividends in a total amount of no less than PLN 100 million;
- (b) the payment by the Company of the dividend set in the resolution referred to in point (a) above is conditioned on the delivery to the shareholders of Metelem, prior to the dividend day, of ordinary shares issued by the Company under the conditional share capital increase pursuant to Resolution No. 7 of the Extraordinary General Meeting of the Company, dated 16 January 2014 (the entitlement to acquire such shares being provided under the subscription warrants offered by the Company) and on the Company’s acquisition of 1,675,672 shares in Metelem, hence the dividend day and the dividend payment day must fall after the Company shares are issued to the shareholders of Metelem and after the Company acquires shares in Metelem.

Latest events

Current report No. 27 April 16, 2014

The purpose of the draft resolution of the Annual General Meeting proposed by the Shareholder is:

- (1) to tie the Company's distribution of dividends for 2013 to the earlier satisfaction of the conditions set forth in the Subscription Warrants Issue Resolution, as discussed in detail in point (a) above; and
- (2) to introduce a mechanism for determining the dividend day and the dividend payment day, taking into account the earlier satisfaction of the conditions set forth in the Subscription Warrants Issue Resolution.

In view of the above, the draft resolution of the Annual General Meeting proposed by the Shareholder sets the dividend day and the dividend payment day in relation to the satisfaction of the conditions stipulated in the Subscription Warrants Issue Resolution. If these conditions are met on or before 15 May 2014, the draft resolution provides that the dividend day would be scheduled for 22 May 2014 and the dividend payment day for 6 June 2014. If the above conditions are not satisfied on or before 15 May 2014, the draft resolution sets an alternative time limit for satisfying the conditions stipulated by the Subscription Warrants Issue Resolution, on or before 18 July 2014, which permits the dividend day to be scheduled for 25 July 2014 and the dividend payment day for 11 August 2014 (with the dividend day falling before the expiry of the final time limit stipulated by the provisions of the Commercial Companies Code). Pursuant to the draft resolution proposed by the Shareholder, should the conditions stipulated by the Subscription Warrants Issue Resolution not be satisfied by any of the time limits set in the draft resolution, the portion of the profit that was originally available for distribution and payment to the shareholders of the Company in the form of dividends, shall be transferred to the capital reserves, with an option to be distributed as interim dividends.

As proposed by the Shareholder, the draft resolution of the Annual General Meeting on the distribution of profits for 2013 does not modify the amounts of the profit for distribution proposed by the Management Board and specifically it does not modify the amount which the Management Board proposed to be distributed among the shareholders of the Company.

Latest events

Current report No. 28 April 17, 2014

Forward currency transactions executed by Cyfrowy Polsat

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) reports that, in connection with the indebtedness refinancing under the Senior Secured Notes issued pursuant to the Indenture dated 20 May 2011, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce (the “**Transactions**”), the last of which was effected on 17 April 2014, as a result of which the aggregate value of these Transactions reached EUR 383 million (PLN 1,607.8 million). The date of settlement of these transactions was defined as 6 May 2014, with the median PLN/EUR exchange rate at the level of 4.1979 PLN/EUR. Transactions of this kind are based on current market terms, which do not deviate from the standard terms for this type of transactions.

The Transactions were classified as material due to the fact that their combined value exceeded 10% of the revenue for the last four trading quarters of the year.

Latest events

Press release
April 16, 2014

Qumak S.A. constructed a Mobile Switching Centre and Data Center facility for Polkomtel and Cyfrowy Polsat

Acting on the commission of SPV Grodzisk Sp. z o.o., Qumak constructed a Mobile Switching Centre & Data Center facility in Grodzisk Mazowiecki - the most modern in Poland and one of the most technologically advanced in Europe. It will be used mainly by Polkomtel Sp. z o.o. and Cyfrowy Polsat S.A. The value of the project reached almost PLN 83m.

Main tasks executed in the Mobile Switching Centre & Data Center comprise i.a. coordination of connections between users, process of subscriber authorization and authentication as well as the establishment of tens of thousands of connections to achieve fast data transfer. This will ensure more efficient and rapid customer service. Moreover, personal data of Polkomtel's and Cyfrowy Polsat's clients will be stored and processed in highly specialized technical premises – server rooms, which comply with the most stringent safety standards. New services and commercial products will also be developed in those rooms.

Press release
April 17, 2014

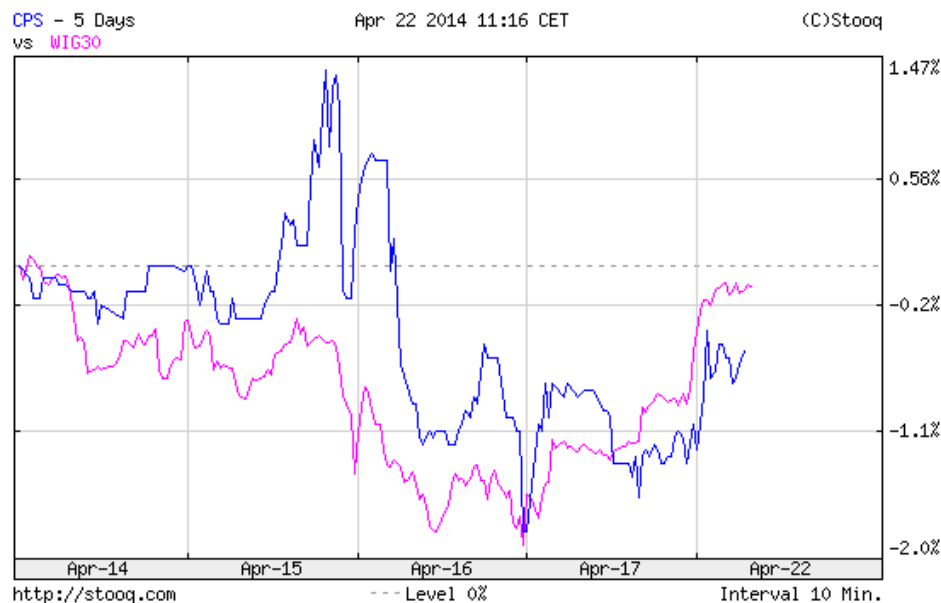
Cyfrowy Polsat offers ID HD

On April 17, 2014 Cyfrowy Polsat expanded its offer by adding ID HD from Discovery Networks – a thematic channel dedicated to engrossing investigations and crimes, as well as emotional stories, dramas and mysteries. The channel is available in the basic package Family Max HD.

The new channel is the 130th position on Cyfrowy Polsat's list of channels. It is also the tenth channel from Discovery in the offer of the largest Polish satellite platform.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
14-04-2014	20.45	20.31	20.39	-1.16%	4 241
15-04-2014	20.78	20.31	20.45	0.29%	4 213
16-04-2014	20.64	20.00	20.00	-2.20%	5 180
17-04-2014	20.22	20.00	20.16	0.80%	2 542



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