

Cyfrowy Polsat IR Newsletter

10 - 16 February 2014

The press about us**Date****The press about TMT market in Poland****11.02****Dziennik Gazeta Prawna: Unlimited talk plan now also in Plus**

Plus introduced into its offer an affordable plan for PLN 29.99 monthly, without a phone but with unlimited talks to all mobile networks, and new plans with phones (from PLN 69.99 to PLN 99.99). The new plans are a response to a significant decline in prices of telecommunication services in 2013. According to Justyna Kulka, head of the offer management department at Polkomtel, prices declined by 7-9% in 2013, and this year the trend will strengthen.

Plus offered a novelty on the market – elastic LTE plans with minutes interchangeable with gigabytes. Polkomtel announced that it will also introduce new, more beneficial packages for Internet and calls via roaming before the summer holidays.

Dziennik Gazeta Prawna: Polkomtel demands the cancellation of the auction

Plus network operator demands, that the auction for LTE frequencies be postponed. The company sent a letter to the Office of Electronic Communications (UKE), saying that the disposal of the 800 and 2600 MHz bands, dedicated to the construction of a nationwide, fast, wireless internet LTE, is conducted in a non-transparent way, without due supervision from UKE, and the auction documentation is incorrect. UKE opposes these accusations and does not intend to cancel the auction.

Last Thursday, UKE published clarifications of the auction documentation, the content of which aroused further issues from operators concerning the conditions of the sale of frequencies by UKE. It followed from the documentation published after consultations, that if two operators buy two blocks of 10 MHz from the 25 MHz band for LTE 800 offered for sale, then they will be able to construct a joint network using only 15 MHz.

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Meanwhile, the President of UKE confirmed directly that the construction by two entities of a joint network in the 800 MHz frequency band can concern the entire 20 MHz band, the 15 MHz limitation will only be considered for investment liabilities assessment.

Parkiet: IT and media on the rise, telecommunications fall

Revenues from sales of Polish TMT companies were lower by 1% year to year in the fourth quarter of 2013 – estimate Espirito Santo Investment Bank analysts (BESI). IT companies achieved the best results, with sales up by 11%, while telecoms were at the other pole, with revenue down by 9%. Companies in the media sector noted a 2% increase in turnover. EBIDTA of the entire TMT sector was lower by 9% in the fourth quarter of 2013 compared to 2012. EBIDTA of telecoms decreased by 18%, while EBIDTA of IT and media firms increased by 5% and 3%, respectively.

According to BESI, Cyfrowy Polsat should show strong results for the fourth quarter, as a result of an improving TV advertising market, cost control and a continually growing pay-TV market fueled mainly by ARPU growth. Orange Polska is on the opposite pole, with a decrease in sales in the fourth quarter of 8%, according to BESI, and a fall in EBIDTA of 27%, primarily due an expected restructuring provision connected with group redundancies. Excluding this one-off, the national operator's EBIDTA will decline by only 8%. The management board's commentary on dividend for the previous year will be the key factor influencing Orange Polska stock price.

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Parkiet: Why are Orange Polska share prices increasing?

Since the second half of August 2013 the share prices of Orange Polska have been increasing. During this period the price of the telecom's shares increased from PLN 7.06 to PLN 11.3 at yesterday's session closing. One of the reasons mentioned by analysts is a potential return to higher dividend payments. The level of dividend payments is conditional, among other things, on the expenditure incurred by the company for the purchase of frequencies in the LTE auction. Analysts do not expect the results for the fourth quarter of 2013 to increase interest in the company's stock on the WSE. Experts expect a strong decline in profit from operating activities and EBIDTA as well as a net loss of PLN 85 million.

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Rzeczpospolita: LTE auction to be revised

On Tuesday Magdalena Gaj, President of the Office of Electronic Communications (UKE), cancelled the auction for frequencies in the 800 and 2600 MHz band. The reason behind the decision of the President of UKE is its concern for ensuring stability and legal certainty as well as eliminating any possible doubts of formal and legal nature that may accompany the auction procedure. The official reason is that on the date of publication of clarifications to the auction documentation, some of the potential bidders did not have access to it. This breach of procedure could constitute an argument for the invalidation of the auction. The President of UKE assures that the auction will take place this year, and the anticipated budget income related to the auction remains valid. This decision was approved by a majority of potential bidders, both those who wanted a rapid solution and those who wanted to cancel the auction.

The press about us**Date****The press about TMT market in Poland****13.02****Rzeczpospolita: Orange - another half year of falling revenue**

The announcement that the dividend payment will remain unchanged together with slightly worse than expected results for the fourth quarter of 2013 led to a decrease in share price on the Warsaw Stock Exchange. Contrary to the opinions of some analysts, Orange Polska CEO assured that the result of the auction for frequencies in the 800 and 2600 MHz band will have no effect on dividend payments. The Management Board will reconsider next year, whether a payment of PLN 0.50 will be possible in the future.

The telecom's financial possibilities depend not only on the expenditure on the purchase of frequencies for LTE mobile internet. This year the company will allocated PLN 350 million to the renewal of expiring frequency reservations, it must also pay a fine of PLN 510 million imposed by the European Commission several years ago. Orange wants to fight for a market share in terms of value, it will spend about PLN 1.8 billion on investments this year. During the first half of this year the telecom's revenue will continue to fall (due to differences in mobile termination rates), in the second half of the year this decrease will slow down, growth is even possible.

In 2013 Orange Polska revenue decreased by 8.6% to PLN 12.92 billion. Excluding one-offs EBIDTA and net profit decreased by 15.9% to PLN 4.1 billion and 65.6% to PLN 294 million, respectively.

Parkiet: P4 already has a 19% market share and wants to grow

According to preliminary data from P4, published in the prospectus concerning the issue of bonds, the telecom had 10.73 million active SIM cards as a the end of 2013. It thus increased its user statistics by over 2 million in the 12 months of 2013, and 435.7 thousand in the last quarter of 2013 alone. Based on the data of the Central Statistical Office, Play's estimated quantitative market share was 19% in December 2013.

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In comparison, Orange Polska would have a 27.1% share in the market, with 15.325 million SIM cards. P4's strategy assumes free cash flow growth based on increasing market share in the Polish mobile telephony market, and therefore – higher revenue. The operator further assumes ARPU stabilization, which according to him can be achieved thanks to “no-limit” plans and the popularization of the Internet. Play's ARPU increased from PLN 29.6 to PLN 30.9 in the years 2010-2012.

Dziennik Gazeta Prawna: Wide TV offer. Mainly digital and terrestrial.

The rapid development of free of charge digital terrestrial television is changing the balance of power on the TV market. DVB-T (digital terrestrial television) is starting to take its final shape, within its first three multiplexes. On February 15, the offer of free channels will increase by two new ones – TVP ABC dedicated to children and TV Trwam. Two additional channels will be available since the end of April. It is already clear that technological changes entail changes on the TV market. The leadership of the great four (TVP1, TVP2, Polsat i TVN), whose audience shares are falling, is at an end. This is the result of increased competition from free of charge terrestrial channels. *This is the reason why broadcasters want to launch new thematic channels* - explains Jakub Bierzyński from OMD media house.

As at the end of the second quarter of 2013, over 12.2 million Poles had access to digital terrestrial television.

Rzeczpospolita: Polska expects Netflix

The whole sector has been waiting for months for the internet giant to enter the Polish market, but this year the chances are much better. When publishing financial results for 2013, Netflix announced that it plans to begin a visible expansion on the European market in 2014.

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Parkiet: Another step towards full integration

Cyfrowy Polsat and Polkomtel, who have already been cooperating with respect to sales of services, and will be joining to form a capital group later this year, have taken another step towards full integration. The marketing, sales, customer service and retention, and IT departments have been merged. These departments now work for the benefit of both companies and each has one director. For the companies to formally merge, Cyfrowy Polsat must prepare a prospectus concerning the issue of shares and submit it with the Polish Financial Supervision Authority.

In order to accelerate the effects of cooperation, the companies announced yesterday a joint program – Smart Dom (Smart Home) – supported by an ad campaign. Smart Dom will be available in the offers of both Plus and Cyfrowy Polsat from February 18 and constitutes a set of discounts for subscribers purchasing an additional service from whichever company. For the moment the program covers only mobile telephony, mobile internet and television services, but in time will be extended to include subscriptions for energy and financial services offered by Plus Bank, a company belonging to the capital group. At the same time Plus and Cyfrowy Polsat continue to offer all their services on hitherto conditions.

The assumptions, stating that synergies expected until 2019 from the acquisition of Plus network by Cyfrowy Polsat are equal to PLN 3.5 billion, remain valid.

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It is not sure whether Netflix will enter the Polish market. If it does, however, the sector is interested in the business model chosen – will it be an independent web portal or a partnership with one or more pay-TV operators. In Europe Netflix has decided to choose a partner and has already reached an agreement with Virgin.

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Rzeczpospolita: TVN looking to reduce debt

The company would like to buy back shares worth PLN 0.5 billion. It also plans to buy bonds worth EUR 60 million. This came as a surprise to experts. The buyback of shares worth PLN 500 million would take place this and next year. This year the company would spend PLN 200-250 million on the buyback, but first this plan must be accepted by TVN shareholders. If it is, there will be no dividend payments in the years, when the buyback takes place. The repurchase of Senior Notes at 7.875% for a maximum of EUR 60 million is already underway. This will help reduce net debt, which was almost PLN 2.2 billion as at the end of 2013.

The nc+ platform did not yield satisfactory results. TVN has a 32% share in nc+. Revenue amounted to PLN 2.23 billion in 2013, one-off costs related to the merger of “n” and Cyfra+ amounted to PLN 180 million and EBIDTA amounted to PLN 223 million. ARPU was on the level of PLN 65.7 and the number of subscribers equal to 2.2 million. Analysts doubt that nc+ will be able to achieve the declared EBIDTA of about PLN 500 million in 2015.

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Parkiet: T-Mobile wants to be No. 1

The goal of telecommunications group Deutsche Telekom is to become the market leader in all of its central and eastern European markets by 2018. According to Blommborg agency, this goal is to be attained through the modernization of infrastructure and acquisitions, aimed at the construction of a portfolio of converged services. Becoming the number 1 and maintaining that position will surely mean additional challenges for T-Mobile Polska's competitors. T-Mobile was already the leader with respect to the number of active SIM cards as at the end of the third quarter Of 2013. However, to be first with respect to revenue, T-Mobile must beat Plus.



Latest events

Current Report No. 14
February 10, 2014

Change in the date of publication of the annual report for the financial year ended December 31, 2013

The Management Board of Cyfrowy Polsat S.A. informs that the date of the publication of the annual report for the financial year ended December 31, 2013 has been changed from February 26, 2013 to February 27, 2013.

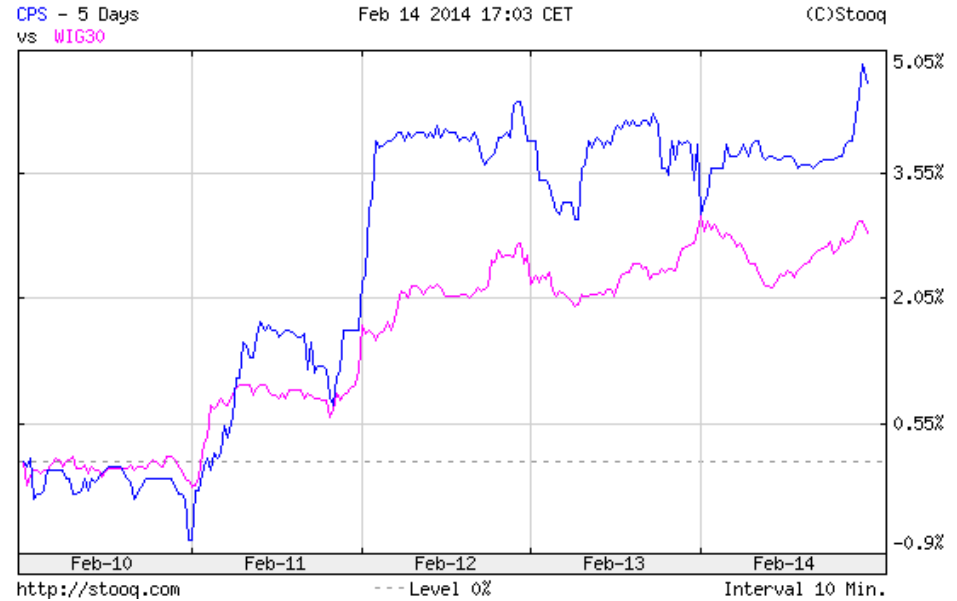
Press release
February 13, 2014

smartDOM – saving through adding

In line with the announced strategy of product and service integration for the modern home, Cyfrowy Polsat and Plus network are launching a joint program – smartDOM. In the first phase it is possible to join products such as television, LTE internet and telephone and save on each service added from the portfolio of both operators. The offer will be available from February 18, 2014, and in coming months it will be expanded to include other products: banking services and electrical energy. A nationwide ad campaign will be launched at the same time as the offer.

Cyfrowy Polsat shares

| Date | Maximum price (PLN) | Minimum price (PLN) | Closing price (PLN) | Change (%) | Trade value (PLN ths.) |
|------------|---------------------|---------------------|---------------------|------------|------------------------|
| 10-02-2014 | 20.00 | 19.80 | 19.80 | -0.90% | 3 252 |
| 11-02-2014 | 20.35 | 19.80 | 20.32 | 2.63% | 50 234 |
| 12-02-2014 | 20.90 | 20.35 | 20.80 | 2.36% | 34 444 |
| 13-02-2014 | 20.89 | 20.60 | 20.79 | -0.05% | 12 269 |
| 14-02-2014 | 21.09 | 20.61 | 20.95 | 0.77% | 7 167 |



Investor's calendar

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|-------------------------------|--|
| <p>February 13 – 27, 2014</p> | <p>Closed period prior to the publication of 2013 results</p> |
| <p>February 27, 2014</p> | <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> |