

Cyfrowy Polsat IR Newsletter

24 February – 2 March 2014

The press about us

Date

The press about TMT market in Poland

24.02

Rzeczpospolita: T-Mobile's dispute with the government and Sferia

Pursuant to the agreement with the government from last year, Sferia obtained a promise that flawed frequencies will be replaced with a valuable frequency block from the 800 MHz band. This agreement was challenged by T-Mobile Polska and P4. Last Thursday the District Court in Warsaw considered in favor the motion submitted by T-Mobile to secure a claim against the State Treasury, Sferia and other signatories of the agreement. T-Mobile announced that it will file an appropriate statement of claim.

Rzeczpospolita: Play mobile network operator still growing

In order to fulfill disclosure requirements towards holders of bonds worth EUR 900m P4, Play network operator, informs the market about its financial standing. In 2013 it had PLN 3.72bn in revenue (increase by 3.9% with respect to 2012) mainly due to a growing user base. In 2014 P4 also expects a growth in revenue. In the previous year Play's profit also increased, although after adjusting to standards commonly applied in Europe, the company turned out to be less profitable than its competitors. Play's EBIDTA was PLN 707m in 2013, ie. 25.8% more than in 2012. Play has a 19% share in the market of mobile phone users, as at the end of 2013 it had 10.73m active SIM cards.

Puls Biznesu: TVN repeats aggressive maneuver

The company is repositioning its VOD offer. Player.pl will be the new product – without the prefix TVN. There will be new suppliers, new content and paid premium content. The main stream of revenue will still be generated by ads transmitted with open content. Moreover, TVN will offer films and series from Warner Bros., AXN of new cartoon suppliers. Productions of TVP and Disney might be included in Player's offer in the future.

The press about us

Date

The press about TMT market in Poland

24.02

Last year TVN Player generated a positive EBIDTA and Gross margin exceeding the average of TVN. TVN representatives emphasize that an open model with advertisements works well in terrestrial television and the web. They do not intend to place Access fees on the entire content.

25.02

Puls Biznesu: NFC 2.0 in T-Mobile

Within the next few weeks T-Mobile will introduce a new application for mobile proximity payments. It will be NFC 2.0 with a significantly expanded functionality, exceeding payments. T-Mobile CEO is convinced that the whole market will follow the path set by NFC. Besides the new application, he announced a new telecom-banking project. It concerns the alliance with Alior signed last year. The project is to be launched in the second half of 2Q 2014.

Rzeczpospolita: Netia changes structure to improve results

Ben Duster, former president of Netia's supervisory board, is putting together a consortium, which would buy the part of the telecom dedicated to individual clients. Jacek Duch, currently member of the supervisory board of Asseco Poland, is to help Duster with this project.

In 2014 Netia announced the creation of two separate divisions - B2B and B2C, which will have separate business and financial goals. The management assured that the aim of this operation is not a quick sale of those divisions, but an improvement in their efficiency. The B2c and B2B segments currently generate respectively about 60 and 40% of the group's revenue, which amounted to PLN 1.88bn in 2013. The B2B segment is much more profitable (B2B EBIDTA was above 50%, while B2C EBIDTA was about. 29%).

The press about us

Date

The press about TMT market in Poland

26.02

Rzeczpospolita: P4 proclaims the death of ordinary cell phones

-Suppliers finally listened to operators, and this year's Mobile World Congress exhibition saw many new smartphone models for USD 50. This means that the death of traditional cell phones can be proclaimed – said Joergen Bang-Jensen, CEO at P4, during the opening of the telecom's conference in Barcelona. According to the CEO of P4, the Polish telecom market will fall by only 0,5% in 2014. P4 expects to achieve a 8-10% growth in revenue in 2014, but not such rapid increase in the number of users. This growth will be driven by an increase in the number of users as well as a larger volume of sold equipment. Bang-Jensen expects EBIDTA growth to over PLN 1 bn. He assured that P4 will participate in the auction of frequencies in the 800 and 2600 MHz bands. He did not say, whether P4 will bid alone, are with the support of a financial investor.

Rzeczpospolita: Fast cash or fast Internet

The opinion of Anna Streżyńska, former president of the Office of Electronic Communications (UKE), on the auction of LTE frequencies.

The solution to the problem of UKE president and Zygmunt Solorz-Żak is not the construction of one LTE network, but the selection of four operators of four separate but shared networks dividing Poland into quarters. The benefit of this solution lies in the speed and uniformity of investments. It is much easier to quickly build a dense, uniformly covering both urban and rural areas infrastructure in only a fourth part of the country, rather on its whole territory.

The present concept of the division of the LTE band will leave losers – most probably some of the operators and consumers. The later – due to weakened competition, as four operators will be reduced to two.

The press about us

Parkiet: Cyfrowy Polsat negotiates debt refinancing

Cyfrowy Polsat intends to refinance its debt under the Senior Facilities Agreement and Senior Secured Notes. The debt amounted to PLN 1.49bn as at the end of September 2013. The operation is one of the conditions precedent of the acquisition by Cyfrowy Polsat of Metelem Holding, who owns Polkomtel, operator of Plus mobile network. Cyfrowy Polsat emphasizes that the composition of the group of financial partners has not yet been determined. According to earlier declarations of the management of the company, the issue of debt refinancing is to be settled in the beginning of the second quarter. The acquisition of Metelem is to be finalized by the end of the second quarter. Cyfrowy Polsat must still pay a dividend to its shareholders – not less than PLN 100 million.

Rzeczpospolita: Cyfrowy Polsat overshadowed by Plus

Despite the fact that the results of Zygmunt Solorz-Żak's television group were the highest in history, the market valuation of Cyfrowy Polsat's shares were affected by the results of the mobile network, which Polsat is about to acquire.

In the last quarter of 2013 Cyfrowy Polsat recognized PLN 804m in revenue (increase by 7%), PLN 275m EBIDTA (up by 11%) and PLN 173m net profit (increase by 42%). The results of both the quarter and the whole year were better than analysts anticipated. Still, the company shares increased by only 0.8% on the WSE on Thursday.

Vaclav Kminek, analyst at Erste Group emphasized that Polkomtel's results (after the acquisition about 70% of revenues of the new group) were exactly as predicted. Revenue of Plus network decreased last year by 6% to PLN 6.68bn, but EBIDTA grew by 3% to PLN 2.86bn, and profit on operating activities

Date

27.02

28.02

The press about TMT market in Poland

Rzeczpospolita: Play will pay more to T-Mobile, less to Plus

Rather than invest in its own masts and transmitters P4, network Play operator, pays for access to existing infrastructure in order to ensure coverage to its clients. It signed the first national roaming agreement with Plus network in 2006. The following agreement was signed in 2010 with Orange Polska, however it was not until November 2012 that the telecommunication traffic generated by P4 clients in Orange network began to increase. In 2013 P4 and T-Mobile Polska became roaming partners.

The press about us

grew by 36% to about PLN 1bn. In net terms the company recognized a loss due to high debt service costs. The telecom had 14.13 million users as at the end of the year, gaining 295 thousand in 12 months. In the fourth quarter of 2013 ARPU amounted to PLN 9.1 monthly, whereas in the corresponding period of 2012 it was PLN 7.5.

Puls Biznesu: Uncertain dividends of Cyfrowy Polsat

If Polkomtel already belonged to Cyfrowy Polsat, then according to pro forma results, the ratio of net debt to EBIDTA would be 2.9 in 2013. In accordance with the new dividend policy, the management board shall propose a dividend representing from 33% to 66% of standalone profit if this ratio is 2.5 or less. In the previous dividend policy this ratio was 2.0. Cyfrowy Polsat last paid dividend in 2009. In 2014 it will pay dividend as a result of an agreement with institutional investors, who are against the acquisition of Polkomtel. According to Michał Potyra from UBS, the acquisition of Polkomtel implies that Cyfrowy Polsat will not be sharing its profits with shareholders for the next 2-3 year, even under the new dividend policy. – *The Group generates enough cash to cover debt service costs, so indebtedness should decrease* – underlines Potyra.

According to Konrad Książopolski at Espirito Santo Investment Bank, the net debt to EBIDTA ration will fall below 2.5 in 2018. – *A dividend payout cannot be expected until 2016. Considering the possible acquisition of Midas in the meantime, dividend can be postponed for a few more years* – he comments.

Date

28.02

The press about TMT market in Poland



Latest events

Current report No. 15 February 26, 2014

Cyfrowy Polsat commences negotiations to obtain refinancing

With reference to the current reports No. 22/2013 of 14 November 2013 and 27/2013 of 19 December 2013, the Management Board of Cyfrowy Polsat S.A. (the “Company”) announces that on 25 February 2014 the Company and a group of financial institutions commenced negotiations that are intended to provide the Company with the refinancing for a full repayment of the Company’s outstanding indebtedness under the Senior Facilities Agreement of 31 March 2011, as amended, and under the Senior Secured Notes issued pursuant to the Indenture of 20 May 2011.

Obtaining the said refinancing is one of conditions precedent for the Company to close an acquisition of shares in Metelem Holding Company Limited, an indirect parent company of Polkomtel sp. z o.o., an operator of the “Plus” mobile network, as announced by the Company in the current reports cited above.

The composition of the group of financial institutions engaged in the efforts to provide the Company with the said refinancing was not finally established on the date of commencement of the negotiations.

Press release February 27, 2014

New series and shows of Telewizja Polsat and TVP available on IPLA before premiere dates!

Together with the start of the new spring programming schedules in television stations, episodes of top, new series and shows of Telewizja Polsat and series of Telewizja Polska will be available on IPLA before their premiere on television. They will be available on computers, mobile devices, set-top boxes and Smart TV sets.

Latest events

Press release
February 27, 2014

Cyfrowy Polsat: highest results of the Group in history

Cyfrowy Polsat Capital Group noted excellent financial results for the fourth quarter and the whole year 2013, in which revenue amounted to almost PLN 3bn, EBIDTA was above PLN 1bn and net profit amounted to PLN 0.5 bn. Operating results of both business segments were in line with expectations and strategy – Cyfrowy Polsat maintains a stable base of over 3.5 million subscribers and consistently achieves ARPU growth, while Telewizja Polsat increased both audience share and advertising market share. Moreover, high cash flow from operating activity allowed Cyfrowy Polsat to make an additional, partial repayment of debt in the second and third quarters of 2013, in the total amount of PLN 200 million, and thus decrease the indebtedness level to 1.5x net debt/EBIDTA.

- Number of subscribers of pay TV AT the end of the fourth quarter of 2013 at a stable level of 3.54 million;
- 83% of subscribers of Cyfrowy Polsat uses HD set-top boxes;
- Almost 19% of the platform's subscribers (over 660 thousand) use Multiroom;
- ARPU of the Familijny Package in the fourth quarter of 2013 increased Y-o-Y by 3.3% to PLN 49.8, and ARPU of Mini Package was PLN 13.5;
- The churn rate remained at a stable level of 9.5% for the twelve-month period ended December 31, 2013;
- The number of users of Internet access increased by 56% Y-o-Y to 235 thousand;
- Average monthly number of users of IPLA (website and applications) in 2013 was about 3.9 million;
- Improvement of the revenue structure of the IPLA service - 25% of revenue is generated by the subscription model, 75% – by the advertising model;
- Number of VOD/PPV transactions in 2013 was 1.1 million, since the launch of the services – 4.6 million;
- The audience share of Telewizja Polsat Group channels was 23.1% in the fourth quarter of 2013, and 21.1% in the whole 2013;
- The share of Telewizja Polsat Group channels in the advertising market increased in the fourth quarter of 2013 to 25.5%, and in the whole 2013 – to 24.1%.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
24-02-2014	20.50	20.18	20.39	-0.24%	5 173
25-02-2014	20.39	20.26	20.39	0.99%	1 882
26-02-2014	20.36	19.79	19.79	-2.94%	8 908
27-02-2014	20.38	19.81	19.95	0.81%	14 580
28-02-2014	20.25	19.98	20.25	1.50%	7 851

