

# Cyfrowy Polsat IR Newsletter

**6 – 12 August 2012**

The press about Cyfrowy Polsat	Date	The press about TMT market in Poland
	6.08	<p><b>Parkiet: Cable providers look to expand Internet business</b>                      The Management Board of TP SA, the largest fixed-line Internet provider, want to attract new subscribers for its Neostrada service. But the task will not be an easy one. <i>There are still strong competitive pressures from other cable TV operators whose market share is growing,</i> - said the Board in their commentary to the H1 performance. The share of market players such as UPC Polska, Multimedia Polska or Vectra in the fixed-line Internet market is estimated at 29.5% in terms of the number of subscribers and 28.5% in value terms. This translates into revenues of approximately PLN 0.5bn. Cable companies feel the slump but strive to outpace the 6% rise in subscriptions projected for the whole segment. As shown by the available data, cable providers are successfully expanding their presence on the broadband Internet market.</p> <p><b>Puls Biznesu: Virgin Mobile ready for the start</b>                      Virgin Mobile, an operator linked to Richard Branson's company, plans to launch on the Polish market on Wednesday. Its offering, however, is far from impressive. The market is still waiting for the marketing campaign. <i>- We expected a subscription deal similar to that of the French Free, with prices much below those offered by the other providers. In Poland, this would mean a monthly plan of PLN 40, with plenty of free minutes. The prices offered by Virgin Mobile are closer to those of mBank Mobile,</i> - said Grzegorz Bernatek, head of Audytel's market research department.</p> <p><b>Puls Biznesu: UKE to slash operator rates</b>                      In 2013, inter-operator rates of the three largest mobile phone operators in Poland are to be reduced by an average of 55% on the prior year, leading to a decrease in revenues, which however will be less dramatic than that projected by the previous UKE president. The largest revenue drop will be experienced by Play which is to charge preferential rates until the end of [2013]. The regulator and some analysts hope that lower wholesale rates will encourage the operators to cut retail prices.</p>



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	7.08	<p><b>Gazeta Wyborcza: NIK: Speed up broadband rollout or lose funding</b>  <i>Broadband Internet range expansion in Poland is too slow. In a release, the NIK (Supreme Audit Office) indicates that it is likely that EUR 1m plus of European Union funding secured for the programme may be not used in full. The reasons given are the lack of coordination between projects and government departments, overly complicated tender procedures, as well as local governments' reservations about using EU funds. It is bad news indeed, as EUR 1.4bn in subsidies was to be used in the years 2007–2013, which means the spending should be settled by the end of next year and individual projects completed in the following two years.</i></p>
<p><b>Parkiet: Cyfrowy Polsat stock up on the back of good recommendations</b>                      Most brokerages have shown confidence in management of Cyfrowy Polsat, the largest national satellite platform provider and Poland's leading commercial broadcaster, by giving the media giant's shares a target price of over PLN 15 per share. The consensus is PLN 15.7, but some analysts set the target price at PLN 17 or even PLN 19 per share. Investors have known the figures for a few months now. However, it was only recently that Cyfrowy Polsat share price started to head towards the average set by the brokerage houses. The stock price is driven by market updates forecasting strong results for Q2 2012. In one of such updates, sent to investors on August 3rd by Leszek Iwaszko, a Societe Generale analyst, the predicted price of the company shares was raised to PLN 15.45 per share. On Monday, Raiffeisen Centrobank increased its forecast for the stock by 3.7%, to PLN 16.8 per share.                      - <i>It is a reliable, defensive company</i>, - admits Sobiesław Pająk, chief analyst at DM IDMSA.</p>	8.08	<p><b>Parkiet: Large cuts followed by investments</b>                      The telecommunications group owned by Zygmunt Solorz-Żak shifts back its focus to investment projects suspended for the time of negotiations with suppliers and major restructuring of Polkomtel.                      -<i>The most pressing matters have been addressed, and savings should be achieved soon. I have not seen the next year's budget yet, but I expect more than PLN 120m in savings reported by the end of the year</i>, - said Wojciech Pytel, Vice-President of Polkomtel, the operator of the Plus mobile network.                      Polkomtel's eagerness to keep the money in the wallet follows chiefly from the level of its indebtedness. Wojciech Pytel says that Polkomtel is set to slightly reduce the debt over the next year or two and monitors the debt market on an ongoing basis.</p>

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<p><b>Parkiet: A telecom or a media business?</b>                      With 3.5 million pay TV subscribers and its Telewizja Polsat TV station, Cyfrowy Polsat has few rivals on the WSE. These used to include Multimedia Polska and the TVN Group. The latter, because of poor performance, hardly poses a threat to the platform owned by Zygmunt Solorz-Żak in its fight for investors. Cyfrowy Polsat is both a provider of satellite and Internet pay TV, both fixed-line and mobile, and a TV station. As the former derives the majority of its revenues from subscription fees, it may be compared to a telecoms business. However, because the pay TV market still has capacity to expand, investors are willing to pay relatively more for the shares of a TV operator than for a telecom stock.</p> <p><b>Puls Biznesu: Cyfrowy Polsat as good option for tough times</b>                      Cyfrowy Polsat has seen a good couple of weeks on the WSE. Since the low in early June, the media company's share price has recovered by 15%. Some market participants believe the strong performance will continue.</p> <p>- <i>We still consider the company to be the safest one in the media sector. Cyfrowy Polsat has consistently improved its results. The company closely watches the cost base of its pay TV business, realises synergies following the takeover of Telewizja Polsat and expands its share in the advertising market - said Dominik Niszczyński, a Raiffeisen Centrobank analyst.</i></p>	<p>8.08</p>	
	<p>9.08</p>	<p><b>Dziennik Gazeta Prawna: UKE to allocate LTE bandwidth for 15 years</b>                      Yesterday, after two months of considering objections received from operators, Magdalena Gaj, President of the Office for Electronic Communications (UKE), published her position on the tender for the 1800 MHz bandwidth. The frequency will be used to provide mobile</p>



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	9.08	<p>broadband access. The UKE has upheld the main premise that the allocation is to increase competitiveness. At the same time, the UKE President has resolved to change the bidder rating rules. This will increase the chances of operators who already use frequencies in the 900 MHz frequency range – notably Play, Orange, and T-Mobile – and lower the chances of other applicants. One of them is Emitel, who wanted to challenge the status quo on the market by becoming a wholesale operator. The winning bidders will receive frequency allocation for 15 years instead of ten.</p>
	10.08	<p><b>Puls Biznesu: Orange and T-Mobile race head-to-head</b>                      Polska Telefonia Cyfrowa (PTC), the T-Mobile network operator, reported a 15 million customer base at the end of Q2 2012, which means the company has overtaken PTK Centertel, the Orange network operator, and has the largest number of active SIM cards. However, Orange has promptly responded and released its numbers using PTC's methodology in the early afternoon, claiming 16.9 million customers. According to its own methodology, Orange has 14.7 million customers. The two providers calculate their active SIM cards differently, and longer account validity may artificially inflate the number of network users.</p> <p><b>Rzeczpospolita: TVN tightens the belt</b>                      After lay-offs, TVN has now turned to slashing programme costs. A fresh forecast for the TV advertising market predicts an overall decline of 6–9% in 2012. The company's projections of on-line display advertising revenues have been revised down as well. In May, there was talk of a "strong one-digit rise" of this advertising segment, now the company hopes for a "moderate one-digit" growth.                      In Q2, TVN reported revenue of PLN 451.8m, down 8% year on year, with operating profit having fallen by 27.8%, to PLN 125.6m. The company posted net loss of PLN 230.6m.</p>

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	10.08	<p><b>Puls Biznesu: Video in demand</b></p> <p>Video on Demand is gaining popularity and platforms offering the service are rapidly drawing new users. In fact, it has become so attractive that international players are seriously considering market entry.</p> <p><i>- Poland is among the largest TV markets in Europe and the emergence of new key players on the VoD market is only a matter of time. The competition is already fierce, fuelled by such VoD platforms as Ipla, Onet or those provided by major TV broadcasters: TVN, Polsat, Cyfra Plus or TVP, - said Aleksander Kutela, Head of HBO in Poland.</i></p> <p>Audytel estimates that the VoD market was worth PLN 200m last year and is set to grow six-fold in the next five years.</p>

### Latest events

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Press release,  
August 9, 2012

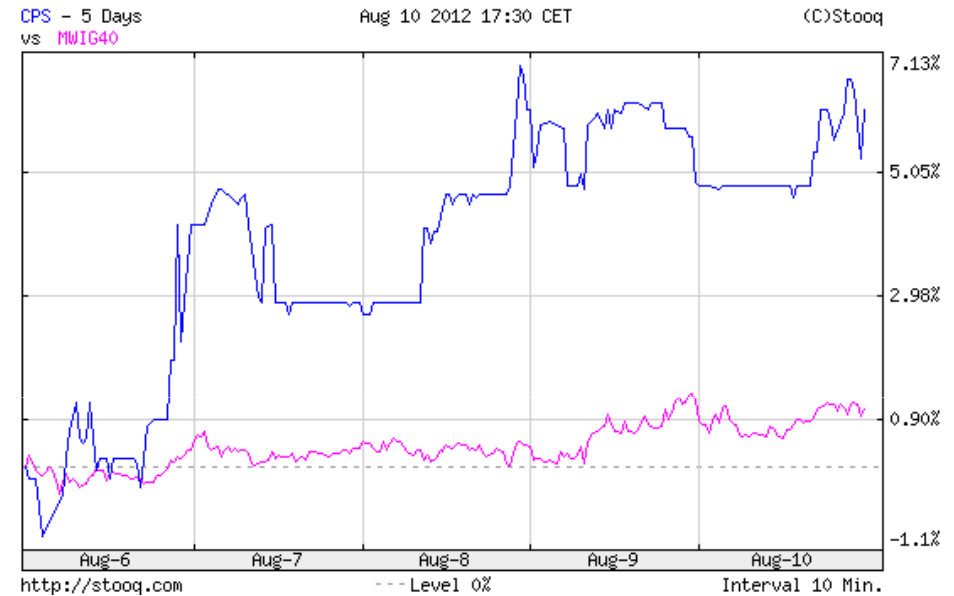
#### **Cyfrowy Polsat's Internet covering the entire country**

Cyfrowy Polsat and Polkomtel signed a letter of intent, under which the former has started to provide Internet access services via the operator's 3G and 2G radio networks at 2100 MHz and 900 MHz, using HSPA and EDGE/GPRS technology. This translates into a considerable increase in Cyfrowy Polsat's broadband coverage, which is now available to both platform's existing and new customers.

*- Thanks to the partnership struck, our customers have gained access to country-wide Internet coverage. For us, it has been another step in the pursuit of strategy to popularise mobile Internet and turn the service into our second business arm. The developing infrastructure enables us to offer new services to our subscribers and reach customers across Poland, - says Dominik Libicki, President of the Cyfrowy Polsat Management Board.*

## Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
06-08-2012	15.25	14.41	15.20	4.83%	4 251
07-08-2012	15.29	14.97	15.00	-1.32%	1 118
08-08-2012	15.68	14.93	15.50	3.33%	4 935
09-08-2012	15.52	15.29	15.31	-1.23%	9 095
10-08-2012	15.58	15.22	15.50	1.24%	5 146



## Investors' calendar

16 – 30 August 2012	Closed period prior to the publication of H1 2012 results
30 August 2012	Publication of report for H1 2012