



Cyfrowy Polsat IR Newsletter

May 11 – 17, 2015



Media about us	Date	Media about the TMT market in Poland
	11.05	<p>Puls Biznesu: Netia rolls on to the tracks <i>by Marcel Zatoński</i></p> <p>Netia signed a preliminary agreement with PKP (Polish Railways) for the acquisition of TK Telekom telecommunication operator. The transaction, worth PLN 221.9m, has yet to obtain approvals of the Office for Competition and Consumer Protection and the group’s general meeting.</p> <p>According to Andrzej Kondracki, Netia’s strategy and development director, the agreement will increase the group’s scale of operations by over 11% in total, with growth exceeding 28% in the segment of business clients. TK Telekom has over 30k kilometers of telecommunication lines, mainly along railway tracks, and 7.5k kilometers of fiber-optic backbone network.</p> <p>Analysts view the transaction positively. In the opinion of Konrad Książopolski, head of the analytics department at BESI, thanks to the acquisition Netia will become a very attractive target for bigger players on the telecommunication market.</p>
<p>Rzeczpospolita: “Buy” recommendation for Cyfrowy Polsat shares</p> <p>In their latest report, analysts at Erste have raised their recommendation for Cyfrowy Polsat from “hold” to “buy”. The target price has been increased from PLN 26 to PLN 30. The most recent share price was PLN 25.18.</p>	13.05	<p>Rzeczpospolita: Cable networks’ new plans for TV <i>by Magdalena Lemańska</i></p> <p>PIKE (Polish Chamber of Electronic Communications), an organization gathering the highly fragmented cable TV market, wants to launch its own nationwide TV channel in the eighth multiplex for digital terrestrial TV. Cable operators have already submitted a proposal to the National Broadcasting Council. According to the Chairman of PIKE the channel will be</p>

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	13.05	broadcasting news programs (10%) and nationwide materials produced by cable networks (20%), with the remaining 70% of the time devoted to documentary and current affairs programs.
	14.05	<p>Rzeczpospolita: Acquisitions and new services help operators <i>by Urszula Zielińska</i></p> <p>According to the data published by the Central Statistical Office, the number of active SIM cards of users of mobile voice and Internet access services was 58.05m at the end of March 2015, i.e. 455 thousand more than at the end of December 2014.</p> <p>Orange lost 111k users and closed the quarter with 15.52m SIM cards, while T-Mobile gained 93k SIM cards and reach a total of nearly 15.8m. T-Mobile owes the result to the growth of the number of prepaid users but at the same time it was losing customers in the contract segment (6.78m at the end of the quarter). In Q1 2015 the contract base of Orange increased to 7.7m.</p> <p>Orange Polska recorded a slight decrease of revenue, while in the case of T-Mobile revenue increased to PLN 1.6bn, i.e. by 9.4% as compared to the prior year. At the same time EBITDA decreased by 3%. For the first time T-Mobile included in its results part of the business of GTS CE, the acquired operator providing services to business clients. It is in the B2B segment that the company recorded the highest growth of revenue – by 11.72%, putting the total amount at PLN 570m. T-Mobile’s revenue generated by residential customers also increased in Q1 by 2.5% YOY.</p>

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	14.05	<p>Parkiet: Orange Polska</p> <p>KRUS (Farmer's Social Security Fund) has selected the offer of the consortium composed of Orange Polska (the leader) and Integrated Solutions (a subsidiary of Orange Polska) in the tender for WAN services to be provided to the institution's head office and to its local offices. The value of the 4-year contract has been set at PLN 54.68m (incl. tax).</p>
<p>Rzeczpospolita: Cyfrowy Polsat Group counts on a cheaper debt <i>by Urszula Zielińska</i></p> <p>According to Tomasz Szelaĝ, the CFO of Cyfrowy Polsat, preliminary analyses and talks with banks are underway, based on which decisions regarding the scale and the method of refinancing of the debt will be made.</p> <p>In Q1 2015 Cyfrowy Polsat's revenue reached PLN 2.3bn with EBITDA of PLN 897m and net profit of PLN 171m. Revenue and EBITDA increased mainly thanks to the acquisition of Plus mobile network last year. The mobile telecom recorded PLN 1.63bn of revenue in Q1 2015, or 1.5% more than a year earlier. The revenue from the pay TV platform also increased.</p> <p>Thanks to the success of the spring programming and growing audience shares, TV Polsat's channels generated PLN 283m in revenue, i.e. 7% more than a year ago.</p>	15.05	<p>Parkiet: Next quarters to be better <i>by ziu</i></p> <p>Netia reported PLN 388.7m in revenue, PLN 11.5m of EBITDA and PLN 1.3m of net profit in Q1 2015. Compared to Q1 2014, Netia's revenue decreased by over 10%, EBITDA - by 11.2% and net profit by as much as 88%. EBITDA margin fell below 29%.</p> <p>Churn among Netia's customers was lower in Q1 2015 than in the past quarters. The total number of RGUs decreased to 2.267m at the end of the Q1. Pay TV services recorded growth and the number of mobile services also increased slightly. Fixed-line and broadband Internet access segments remained in a downward trend.</p> <p>Low debt continues to be the telecom's strength. Net debt amounted to PLN 38.5m at the end of March, while the ratio of debt to last year's EBITDA was 0.08. In March the telecom had PLN 262m in cash. The board announced that the transaction of acquisition of TK Telekom for ca. PLN 221m will be finalized at the turn of Q3 2015.</p>

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<p>Puls Biznesu: Voice services decline as Internet access grows <i>by mzat</i></p> <p>On the telecommunication market revenue from voice services is in a downward trend, retention of customers of TV and fixed-line Internet services is difficult but revenue from additional services and mobile Internet is growing. Tomasz Szelaż, CFO at Cyfrowy Polsat, said that even excluding the consolidation of Polkomtel, revenue increased by 6% YoY, mainly due to very good results of sales of mobile Internet access services.</p> <p>In spite of the decrease of the subscriber base, the company provided 0.6% more RGUs compared to the previous year and the number of users of its integrated offer – smartDOM – clearly increased once again, reaching 0.7m with the management board targeting over 1m at the end of the year.</p> <p>Cash flow is expected to be similar as last year, which could allow for another prepayment of the debt, currently exceeding PLN 11bn. Tomasz Szelaż informed that the company is working on refinancing its debt.</p>	15.05	<p>Rzeczpospolita: Viewers have to pay for the best programs <i>Magdalena Lemańska talks to Bertrand Meheut, the CEO of Canal+ Group</i></p> <p>Canal+ Group holds a controlling stake of nc+ and closely cooperates with TVN. Meheut said that there are no plans of changing the shareholding structure of nc+.</p> <p>In the interview Meheut also said that thanks to the new release of Canal+ flagship channels the group hoped to return to a path of stable growth. He added that in Q1 the nc+ platform acquired a record number of new subscribers, bringing the total to over 2.12m. In his opinion the best content can only be available in pay TV. High costs of production of such content make it difficult for free channels to pay the prices asked. That is the reason why Meheut feels that there is still space for further growth of pay TV in Poland, even though it already has quite a high market share here.</p>

Press release
May 14, 2015

A promising start of the year for Cyfrowy Polsat Group

As a result of consistent implementation of its strategy of development in the area of integrated services, Cyfrowy Polsat Capital Group recorded growth of operating profit in Q1 2015 and maintained its leading position on key markets, i.e. pay TV, contract mobile services and TV (both in the mainstream and thematic channels).

Cyfrowy Polsat Group in Q1 2015:

- The total number of active revenue generating units was 16.4m, of which:
 - 75% are contract services, which guarantees higher revenue stability in the future as well as greater customer loyalty.
- Excellent sales results of the smartDOM program:
 - 707K thousand customers,
 - 2.17m active RGUs in the abovementioned group of customers,
 - 319K additional services purchased by the program's customers during Q1 2015.
- 6.1m contract customers:
 - the number of contract RGUs increased to 12.4m YoY ,
 - ARPU per contract customer increased to PLN 85.8 YoY,
 - saturation of the customer base with active RGUs increased to 2.04 per customer YoY,
 - low churn ratio of 9.5%.
- Thanks to the regular expansion of the coverage of our LTE Internet, as well as the success of the smartDOM integrated offer, the number of contract mobile Internet access services increased by 39% YoY, to over 1.4m, while the total number of mobile Internet access services increased to over 1.6m.
- The Polsat channel was the viewership leader in the commercial group with a share of 13.4%, while the total audience share of Polsat TV increased to 24%.
- TV Polsat Group's revenue from advertising and sponsoring grew at a rate significantly exceeding the market average, namely at 6.4% vs. market growth of 3.7%, and reached the value of PLN 221m, while the Group's share in the TV advertising market increased to 25.3%.

Recent events



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- The average monthly number of users of Poland's biggest Internet TV service IPLA was around 4.3m.
- Very good financial performance:
 - Revenue: PLN 2.329bn,
 - EBITDA: PLN 897m,
 - EBITDA margin: 38.5%,
 - LTM FCF after payment of interest on loans and bonds: PLN 1.116bn,
 - Net debt /EBITDA: 3.2x.
- Customers of Plus and Cyfrowy Polsat are the first to use LTE Internet access offered in the 800 MHz bandwidth. Thanks to over 1000 new base stations having been put on-air by Midas Group, as part of the LTE800 network roll-out project, over 90% of Poland's population lives within the coverage of Plus's and Cyfrowy Polsat's LTE network.
- Plus has introduced the HD Voice technology for all of its customers nationwide. Thanks HD Voice, Plus customers can enjoy even better quality and higher comfort of voice calls.
- Polkomtel has decided to discontinue active participation in the 800 MHz spectrum auction and switched to a passive approach.
- The Group made an additional early pre-payment of part of Polkomtel's term loan in the amount of PLN 600m.
- Cyfrowy Polsat Group has begun preliminary analyses of possibilities and potential terms of refinancing of the Group's current debt with a view to simplify the debt structure, further optimize the terms, and reduce the cost of debt servicing.
- As a result of signed acquisition agreements, two new companies have joined Cyfrowy Polsat Capital Group, which is in line with the Group's development strategy in the area of new technologies. The two companies are Teleaudio Dwa, the leader in Premium Rate services, and InterPhone Service – the manufacturer of state-of-the-art telecommunication equipment and electronic appliances.

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“In 2015 we consistently and effectively continue the implementation of our development strategy in the area of integrated services. Our smartDOM program based on the bundling of services, is gaining new users at a fast pace, which has a positive influence on the indicator of saturation with services, the average revenue per user as well as subscriber loyalty and their satisfaction with the services we provide. As a technology leader on the Polish market, we were the first operator to launch LTE Internet access services relying on the 800 MHz band, thus increasing the coverage of our LTE services to over 90% of the population,” sums up **Tomasz Gillner-Gorywoda, CEO of Cyfrowy Polsat S.A. and General Director of Polkomtel Sp. z o.o.**

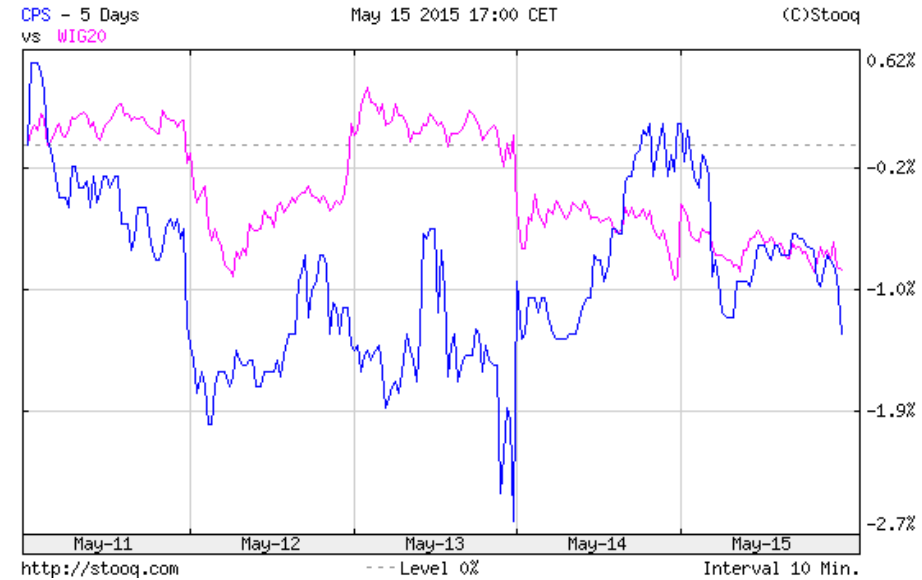
“Financial results of our Group are in line with our expectations and the market consensus. They reflect our consistent implementation of the adopted strategy of growth on the integrated services market. Stable and high free cash flows continue to be a strong item in our financial statement, that is why in April we decided to repay an additional PLN 600m of our loan. Given the favorable situation on financial markets, we are at present analyzing the possibility of refinancing the Group’s current debt. Debt optimization has always been one of our priorities” comments **Tomasz Szelaĝ, Management Board Member responsible for Finance in Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.**

More>><http://www.grupapolsat.pl/en/archive/promising-start-year-cyfrowy-polsat-group>

Cyfrowy Polsat shares



Date	Maximum price (PLN)	Minium price (PLN)	Closing price (PLN)	Change (%)	Trade value (kPLN)
2015-05-11	25.74	25.22	25.22	-1.29%	4 963
2015-05-12	25.43	25.03	25.18	-0.16%	7 700
2015-05-13	25.42	24.85	24.85	-1.31%	10 058
2015-05-14	25.60	25.02	25.60	3.02%	10 382
2015-05-15	25.60	25.20	25.20	-1.56%	6 093



Investor's calendar



May 18, 2015	Extraordinary General Meeting
August 12 – 26, 2015	Closed period prior to the publication of H1 2015 results
August 26, 2015	Publication of the consolidated semi-annual report for the 1st half of 2015

