

Cyfrowy Polsat IR Newsletter

4 – 10 August 2014

The press about us

Date

The press about TMT market in Poland

4.08

Puls Biznesu: Netia reduces management

Last week two members left Netia’s management board: Tom Ruhan, legislative and acquisitions director of many years and Tomasz Szopa, who will be staying as general director of the individual client market, although without the status of member of the management board. Earlier on, Mirosław Suszek, responsible for the technical department, resigned effective in the beginning of August. The company announced that it is aiming to flatten and simplify its structure, therefore it cannot be excluded that the management board will remain smaller.

5.08

Parkiet: Brussels allowed deregulation

On July 30, 2014 the European Commission decided that the Office of Electronic Communications (UKE) can release Orange Polska from the obligation to provide access to its fixed-line Internet network (in the BSA model) to competitors in 76 municipalities, where the Polish watchdog deemed the level of competition as sufficient.

UKE announced that it will issue the decision in September. According to UKE, the deregulation in 76 municipalities will not only allow Orange Polska to create a more flexible offer addressed to clients on those areas but will also induce potential additional investments.

Rzeczpospolita: New chance for virtual networks

As a result of the introduction of unlimited offers by the largest mobile network operators, one similar fee for basic services is beginning to function on the home market. Offers which include only voice services and short messages are practically unavailable. This is a chance for smaller players from the virtual operator segment (MVNO) to prepare attractive proposals, which will fill the market

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gap. Virgin Mobile and Tele25, among others, plan to seize this opportunity. On the other hand, WhiteMobile claims that their no-limits offers costs about PLN 20 monthly, hence returning to lower only voice tariffs is not justified.

According to data from the Office of Electronic Communications (UKE) there were 19 mobile virtual operators on the Polish market in the end of 2013. During the last year they strengthened their position - at the end of 2013 their share in the number of mobile telephony users amounted to 2.5% compared to 1.3% in the prior year. Virtual operators also increased revenue, their market share grew from 0.3% to 0.4%. The watchdog decided that the MVNO market is competitive, therefore the operators are not burdened by regulatory obligations, and the issue of network access is settled through negotiations and agreements between operators.

6.08
Puls Biznesu: TVP in the black and saving

In the first half of 2014 TVP had gross profit of PLN 116.2 m compared to PLN 8.7 m in the corresponding period of 2013. Profit of the public broadcaster increased as a result of higher advertising and sponsorship revenue, higher other revenue and lower costs. TVP is still going through the process of restructuring connected with outsourcing workers. However, public television representatives cannot promise profit for the entire 2014. Costs will include costs related to the World Championships in Brazil and costs of service of local government elections. Public TV subscription income increased and in the first half of 2014 amounted to PLN 100.4 m, while in the whole year 2014 it should exceed PLN 300 m.



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Dziennik Gazeta Prawna: Singing, dancing and food once more on TV

Broadcasting networks presented their autumn programming schedules. The leading networks, Polsat and TVN. will continue with the most popular shows from the spring schedule, including series, talent, entertainment and culinary shows. TVP will present its schedule in the second half of August.

The programming schedule of the fourth player – TV Puls – is going to be interesting. This autumn the network is going to air series known from HBO and History channels, which until now were not available to viewers of free television. The network spent PLN 40 m on its programming schedule.

Cable and satellite platforms also intend to fight for viewers. Increased competition from the terrestrial television market and an increasing number of viewers who chose not to pay for TV induces pay TV networks to invest more. Broadcasters, some for the first time, opted for local productions.

Dziennik Gazeta Prawna: UPC is growing thanks to the Internet

UPC, Poland’s largest cable operator, reported PLN 368 m revenue in the second quarter of 2014, that is 1.3% more compared to the corresponding period of 2013. In the first half of 2014 revenue reached PLN 735 m, 0.5% more compared to the previous year. The operator informed that it has a total of 1,436,600 clients, including 886 thousand digital TV subscribers and 958 thousand broadband Internet users. The share of clients with triple-play services (TV, Internet, telephone) increased to over 33%. In the second quarter UPC invested in the development of its digital offering – in May it launched the Horizon TV service, which enables to watch up to 100 UPC channels on 3 mobile devices simultaneously. Another new service is UPC Wi-Free, a network comprising 600 thousand free of charge hot spots for UPC Internet users.

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Puls Biznesu: Jakubas wins with Vectra

Cable operator Vectra's tender offer for 33% shares in Netia failed. Vectra offered a maximum of PLN 5.41 per share, while shares traded on the market at PLN 5.61.

- I believe that the management board headed by Adam Sawicki will do a good job and Netia will grow, invest and enter new fields of activity. The company has a huge potential and can engage in very large acquisitions – says Zbigniew Jakubas, chairman of Netia's supervisory board. The telecom plans to present its new strategy in September.

On the other hand, Paweł Puchalski, head of the equity research department at DM BZ WBK, assesses that over the last few months the market situation has deteriorated significantly from the point of view of the fixed-line operator. The company's offering is becoming less and less attractive compared to that of its competitors, and the announced deregulation of the internet access market in 76 municipalities by the Office of Electronic Communications might have a negative impact. In the business segment it can be assumed that GTS, recently acquired by T-Mobile, will start fighting for clients, which will negatively affect Netia's results. Some TMT market analysts emphasize that thus far there have not been any fundamental changes indicating that the telecom will grow.

8.08

Rzeczpospolita: Netflix overtook HBO

In the second half of 2014 revenue from fees for online video of the American service Netflix, who has over 50 m subscribers worldwide, exceeded HBO's revenue: Netflix reported USD 1.156 billion compared to USD 1.141 billion reported by HBO.

Netflix, who offers its services independently of pay TV packages, functions according to a different business model than HBO, who also has an online video service, HBO Go, but only offers it to pay TV clients on most markets.

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Rzeczpospolita: Weak T-Mobile without laptops

In the second quarter of 2014 the telecom's revenue decreased by 11%, to PLN 1.52 bn. The decrease was due to i.a. lower MTR rates and limited sales of devices such as smartphones and laptops. Perhaps this is the reason behind weaker sales of the mobile internet service – Blueconnect for laptops. The total number of T-Mobile users also fell in the second quarter by 73 thousand, to 15.67 m (still the largest customer base on the market). Mainly contractual clients left the telecom (60 thousand). Following the success of the FIFA World Championships on mobile handsets, T-Mobile is considering introducing a television offer, on a long-term basis this time.

T-Mobile CEO expects a reversal of the trend. He says that the level of revenue for the second half of 2014 should be comparable to the level achieved in the corresponding period of the prior year.

Parkiet: Analysts' positive attitude towards WSE listed companies

According to recent reports, analysts willingly recommend media companies and telecoms. Cyfrowy Polsat collected the most positive recommendations from brokers. The recommendation with the highest target price, PLN 27.10, was issued by analysts at Espirito Santo. They assess that the smartDOM service, which allows bundling of telecommunication, media and banking services as well as electric energy sales, is a very attractive offer, difficult to copy by competitors.

– We expect 50 thousand new net additions in 2014 and 100 thousand in the following years. Apart from a significant synergy effect, the recent acquisition of Polkomtel gives the company large potential to combine offers, which should allow to maintain total revenue and increase EBIDTA margin – analysts forecast.

9-10.08



Latest events

Press release
August 8, 2014

Hot August in IPLA

In August movie fans can relax with the latest proposals from the largest online television IPLA. In August IPLA's proposals include: "The Wolf of Wall Street", "Prisoners", "The Hunter", "300: Rise of an Empire", "LEGO Adventure", "Ender's Game" and many other new titles. There will also be plenty of promotions and exciting sport events. Series fans will be able to see the pre-release of season two episodes of the criminal series "Na Krawędzi" (On the Edge) as well as the American political drama "House of Cards".

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
04-08-2014	24.00	23.07	24.00	3.58%	8 727
05-08-2014	24.95	23.81	24.05	0.21%	7 797
06-08-2014	24.12	23.25	23.41	-2.66%	8 406
07-08-2014	23.67	22.71	22.78	-2.69%	4 324
08-08-2014	22.97	22.62	22.71	-0.31%	3 045



Investor's calendar

August 14 - 28, 2014	Closed period prior to the publication of H1 2014 results
August 28, 2014	Publication of the semi-annual report for H1 2014