

# Cyfrowy Polsat IR Newsletter

**7 – 13 July 2014**

The press about us

Date

The press about TMT market in Poland

07.07

**Rzeczpospolita: Brussels to decide on deregulation of Orange**

The European Commission and Body of European Regulators for Electronic Communications (BEREC) received the proposal from the Office of Electronic Communications (UKE) in Poland to release Orange Polska from the obligation to provide internet access in the BSA model on the territory of 76 municipalities. If the Commission accepts the proposal, UKE will issue the decision in September. Orange can be partially exempted from the regulating responsibilities in those areas, where it has a low relative market share and competition is present. The deregulation is disadvantageous for Netia and T-Mobile Polska: it means potentially higher investments or the loss of several tens of thousands of subscribers of fixed-line Internet. Whereas for Orange the change means the possibility of introducing a flexible pricing policy and price differentiation according to localization.

**Rzeczpospolita: Better perception of media companies**

DM PKO BP marked up the target price of Cyfrowy Polsat shares from PLN 19.9 to PLN 23.6, maintaining the ‘hold’ recommendation (yesterday Cyfrowy Polsat securities traded at PLN 22.35). According to the report, sales of joint telecommunication and media services, together with banking services and electricity under the name smartDOM is one of the key elements of Cyfrowy Polsat’s strategy.

The ‘hold’ recommendation was also upheld for TVN, while the target share price was increased to PLN 17.2 from PLN 15.0.

08.07

**Rzeczpospolita: Small operators alarm to divide UE funds differently**

The government is going to negotiate the operational programme “Digital Poland”, worth PLN 1.1 bn, for the 2014-2020 perspective with Brussels. The National Chamber of Ethernet Communication (KIKE), uniting 220 small and medium operators, persuades that they have an important role in building fibre-optic networks. The Chamber wants EU funds to be allocated to SMEs for the construction of broadband networks in the coming financial perspective. It postulates, inter alia, the reduction of the minimum value of a single project from PLN 50m to PLN 5m, so as to enable everybody, not only the biggest telecoms, to participate in contests. KIKE argues that small and medium operators usually invest on areas, where they conduct their business activities and which are often outside the interest range of big telecoms.

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08.07

**Parkiet: Operator's stock rate exceeded offer price**

Netia's shares traded at PLN 5.37 on the closing of Monday's session thus exceeding the price of PLN 5.31, proposed in the tender offer by Vectra, cable television operator based in Gdynia. Stock price increased even before the disclosure that an entity related to a member of Netia's supervisory board purchased ca. 15m shares, representing ca. 4% of Netia's total number of securities. Netia's management does not want to comment on Vectra's proposal. Analysts expressed doubts on Vectra's proposal. They do not believe that the cable television operator will remain solely a financial investor and assess that, as a potential strategic investor, Vectra's proposed price per share is too low.

09.07

**Rzeczpospolita: Venetian television revolution**

This week, EU officials are going to debate the creation of a single digital market in Europe. Brussels wants to give citizens access to digital products and services, regardless of where they are in the EU. This would mean a revolution on the European television market, among other things, in terms of sale of licences. At present, licensors sell them for particular countries or sub-regions.

According to market analysts, the idea will be profitable for Poland – *It could be a chance for Polish pay-TV providers to increase the number of subscribers* – claims Włodzimierz Giller from DM PKO BP. He expects that several tens of thousands of new clients, out of the 1.5 – 2 million Poles living on emigration, could subscribe to national satellite pay-TV offers as well as online video services such as IPLA or TVN Player.

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10.07

**Parkiet: TVN**

TVN informed that it contributed ITI Neovision's shares to the limited partnership TVN DTH Holding with its registered office in Luxembourg (companies from the GK TVN group are its associated partners). 32% of shares of ITI Neovision, operator of satellite television platform nc+, worth PLN 1.56 bn will constitute an in-kind contribution. The transaction is part of the reorganization process of GK TVN SA, initiated by the sale of shares of ITI Neovision and Onet.pl.

**Rzeczpospolita: Acquisitions season in Europe**

According to the „Financial Times” daily the European Commission's approval of Telefonika Deutschland's takeover of E-Plus, a German mobile network operator, for EUR 8.1- 8.6 bn, will accelerate the consolidation of the industry in the Europe.

According to managers of Polish companies, the consolidation of mobile, cable and (or) traditional fixed-line operators on the Polish market will continue. T-Mobile Polska went in this direction through the purchase of GTS. Vectra, cable TV operator from Gdynia, is interested in buying 33% of Netia's shares. – *Searching for synergy effects as well as the trend to construct convergent offers strongly indicate that consolidation will continue* — says Bruno Duthoit, CEO at Orange Polska. Dominik Libicki, CEO at Cyfrowy Polsat, assessed that big transactions in the telecommunications industry would require complex regulatory approvals.

### The press about us

**Rzeczpospolita: Increased recommendation for Cyfrowy Polsat**  
 Deutsche Bank analysts raised the recommendation for Cyfrowy Polsat's shares to 'buy' from 'hold'. On Thursday, the price at the closing of the market was PLN 21.91 per share.

### Date

11.07

### The press about TMT market in Poland

**Rzeczpospolita: Reduced valuation of Agora with upheld recommendation**

DM BOŚ analysts decreased the target price of the shares of Agora to PLN 10.5 from PLN 11.8. In the recommendation published on July 2 they upheld the 'hold' recommendation. The report was prepared when Agora's shares traded at PLN 9.1, while the price at the closing of the market on Thursday was PLN 8.8. DM BOŚ forecasts that this year Agora will recognize a net loss of PLN 18.7m and a decrease of PLN 1.06 bn in revenue.

**Rzeczpospolita: Deutsche Bank doesn't recommend selling Orange Polska's shares**

Experts at Deutsche Bank raised the recommendation for Orange Polska from 'sell' to 'hold'. On Thursday, at the closing of the market session, the share price increased by 1.39% to PLN 9.45.

**Rzeczpospolita: Media, technology**

According to data obtained by rpkom.pl, during the first six months of the current year about 750 thousand mobile numbers were transferred among telecommunications networks. This level is comparable to the first six months of 2013. As in the previous year P4, Play network operator, was the leader of the MNP market gaining about 386 thousand telephone numbers (translating to a 51% market share compared to 59% the year before). T-Mobile ranked third and Plus fourth with respect to the number of acquired mobile numbers.

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11.07

#### **Rzeczpospolita: Online video threatens TV**

Over 3 thousand services offering video on demand, comprising catch-up TV, open online platforms from TV operators and VoD film services, function in the European Union. There are only 49 of them in Poland. In the opinion of industry representatives, its development is blocked by piracy and YouTube's strong position. Also, the lack of one consistent standard of audience measurement poses a problem to online video services.

According to Jakub Bierzyński, CEO at OMD media house, media houses and advertisers waste money because they do not use the available possibilities of adjusting commercials to a given target audience. A different approach would allow them to gain an advantage over TV. The online commercial market was worth PLN 168m in 2013, that is 33% more than in the previous year.

### Latest events

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**Current report No. 57**  
**July 8, 2014**

#### **Acquisition of assets carrying significant value by a subsidiary of Cyfrowy Polsat S.A.**

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) hereby announces that on July 7, 2014 an indirect subsidiary of the Company, i.e. Plus TM Group Spółka z ograniczoną odpowiedzialnością spółka komandytowo–akcyjna (“**Plus TM**”), acquired 29 interest–bearing bearer bonds of series 1/2014 (the “**Bonds**”), issued in favor of Plus TM by an indirect subsidiary of the Company, i.e. Polkomtel Spółka z ograniczoną odpowiedzialnością (“**Polkomtel**”).

The Bonds were issued in the form of a document. The Bonds are unsecured. The nominal value of one Bond amounts to PLN 10,000,000 (ten million zlotys) and is equivalent to the issue price of one Bond, whereas the total nominal value of the Bonds amounts to PLN 290,000,000 (two hundred ninety million zlotys) and is equivalent to the total issue price of the Bonds. The book value of the Bonds in the accounts of Plus TM amounts to PLN 290,000,000 (two hundred ninety million zlotys).

The interest rate of the Bonds is determined based on the interest rate being the sum of the WIBOR 6M base rate and the margin. The maturity date of the Bonds is December 31, 2020.

The acquisition of Bonds was financed by Plus TM with its own funds.

The Company holds indirectly, through its subsidiary – Metelem Holding Company Limited – 100% shares in Polkomtel and 100% shares in Plus TM. There are the following personal links between the Company and Polkomtel: Mr. Dominik Libicki is the President of the Management Board of the Company and the Management Board member of Polkomtel, while Mr. Heronim Ruta and Mr. Zygmunt Solorz – Żak are members of the Supervisory Boards both of the Company and of Polkomtel.

Polkomtel holds 100% shares in Plus TM and concurrently 100% shares in Plus TM Group Sp. z o.o., a general partner of Plus TM (the management board of the general partner is the same as that of Plus TM). There are no other links between Polkomtel and Plus TM.

The criterion of constituting at least 10% of the value of the revenues of the Company’s capital group for the last four financial quarters was applied to determine that the Bonds shall be deemed assets of significant value.

### Latest events

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#### Current report No. 58 July 11, 2014

##### **Pledge over assets carrying significant value**

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”, “**Cyfrowy Polsat**”) hereby informs of the establishment of securities on assets carrying a significant value by an indirect subsidiary of the Company in connection with the Senior Facilities Agreement concluded on June 13, 2013 by Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ) and Polkomtel Sp. z o.o. („**Polkomtel**”), all indirect subsidiaries of Cyfrowy Polsat.

On July 10, 2014 a Bonds Pledge Agreement was concluded between an indirect subsidiary of the Company – Plus TM Group Spółka z ograniczoną odpowiedzialnością spółka komandytowo–akcyjna (“**Plus TM**”) and Citicorp Trustee Company Limited („**Citicorp**”), based on which a pledge was established in favor of Citicorp, acting as security agent, over 29 interest–bearing bearer, unsecured bonds of series 1/2014, of the nominal value of PLN 10,000,000 each and the total nominal value of PLN 290,000,000, issued in favor of Plus TM by Polkomtel on July 7, 2014 (the “**Bonds**”), which was notified by the Company in current report no. 57/2014 of July 8, 2014. The total book value of the Bonds in Plus TM accounts amounts to PLN 290,000,000.

There are no links between the Company, Polkomtel as well as the persons managing or supervising the Company or Polkomtel and Citicorp and persons managing or supervising Citicorp.

The criterion of constituting at least 10% of the value of the revenues of the Company’s capital group for the last four financial quarters was applied to determine that the Bonds shall be deemed assets of significant value.

#### Current report No. 59 July 11, 2014

##### **Pledge over assets carrying significant value**

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”, “**Cyfrowy Polsat**”) hereby announces that on July 10, 2014 an Agreement For The Financial and Registered Pledges over Shares was concluded between an indirect subsidiary of the Company – Polkomtel Sp. z o.o. (“**Polkomtel**”) and Citicorp Trustee Company Limited („**Citicorp**”), based on which Polkomtel established a pledge over 20,000 shares of its subsidiary Plus TM Group Spółka z ograniczoną odpowiedzialnością spółka komandytowo–akcyjna (“**Plus TM**”), with the nominal value of PLN 50.00 each, constituting 95,24% of the share capital of Plus TM (the “**Shares**”), in favor of Citicorp, acting as security agent.

The establishment of the pledge over the Shares was a subsequent action of establishing security interests in connection with the Senior Facilities Agreement concluded on June 13, 2013 by indirect subsidiaries of Cyfrowy Polsat – Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ) and Polkomtel.



### Latest events

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**Current report No. 59,  
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July 11, 2014**

The Company holds indirectly, through its subsidiaries – Metelem Holding Company Limited and Polkomtel – 100% shares in Plus TM, carrying 100% voting rights at the Shareholders' Meeting of Plus TM. The Shares are held by the Company as a long-term capital investment. The total book value of the Shares in Polkomtel's accounts amounts to PLN 1,340.7 m.

There are no links between the Company, Polkomtel as well as persons managing or supervising the Company or Polkomtel and Citicorp and persons managing or supervising Citicorp.

The Shares are deemed to constitute assets carrying a significant value since their aggregate value exceeds 10% of the revenues of the Company's capital group for the last four financial quarters.

**Press release  
July 10, 2014**

#### **Open FOX window in Cyfrowy Polsat**

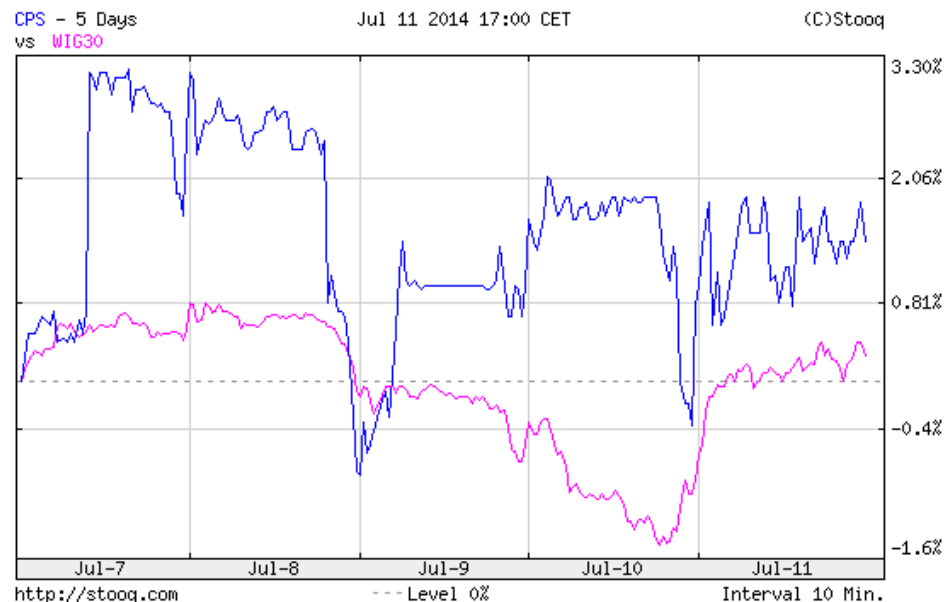
For more than three months, from July 10 to October 20, Cyfrowy Polsat's subscribers will receive, within an open window, free access to FOX and FOX HD channels, where they will have an opportunity to watch the second season of the popular and awarded American criminal drama television series "The Bridge". Subscribers to the biggest satellite platform in Poland and Plus clients can follow the adventures of their favorite characters in the Internet, thanks to IPLA.

The open FOX and FOX HD window in Cyfrowy Polsat and Plus will be supported by a campaign in the internal media of Cyfrowy Polsat, Plus, IPLA and Netshare. It will include actions on Facebook, Instagram as well as IPLA's channel on YouTube.

„The Bridge” is another series emitted by IPLA in cooperation with the broadcaster. Earlier our subscribers had the opportunity to watch, before the official premiere, the series “Vikings” from the HISTORY channel, the first episodes of the HBO series “Game of Thrones” and “Detectives” and two seasons of the popular AXN series “Hannibal”. In July, long before its TV premiere, IPLA began broadcasting the second season of Polish crime series “Na Krawędzi” (“On the Edge”), known from Polsat TV.

## Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
07-07-2014	22.50	21.78	22.35	2.62%	4 389
08-07-2014	22.49	21.54	21.58	-3.45%	2 622
09-07-2014	22.11	21.57	22.00	1.95%	12 427
10-07-2014	22.25	21.63	21.95	-0.23%	2 472
11-07-2014	22.25	21.74	22.10	0.68%	4 053



## 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