

Cyfrowy Polsat IR Newsletter

20 – 26 October 2014



The press about us

Date

The press about TMT market in Poland

20.11

Rzeczpospolita: TVN Group up for sale again

ITI and Canal+ Group announced that they are considering selling their controlling, 51% stake in TVN. The entire group is worth ca. PLN 5bn on the Warsaw Stock Exchange. TVN Group is the owner of TVN channel - one of the most popular nationwide channels, thematic channels and minority stakes in the satellite platform NC+ and Onet.pl portal.

While the fact that ITI holding wants to sell TVN is not surprising, the fact that Canal+ wants to do the same is. The market expected that Canal+ will execute its option to purchase TVN shares and gain control over the TV station.

– We have not said that we are withdrawing from TVN, but that we are analyzing different possibilities in view of interest expressed by investors. We can also execute the option to buy TVN shares – commented Antoine Banet-Rivet, spokesperson of Canal+ Group. He assured that the company is not withdrawing from Poland.

Experts understand why broadcasting companies might be interested in TVN. The buyer would acquire one third of the TV ad market (in 2013 TVN's share was 34.5%), on which advertisers spend over 50% of their total expenditure.

22.11

Puls Biznesu: Netia looking for cheaper financing

Following the recent implementation of a cost reduction program, Netia is analyzing options of optimizing the costs of current indebtedness. According to Przemysław Sawala-Uryasz from UniCredit CAIB Poland, the refinancing of debt would allow Netia to save ca. PLN 8m annually.

According to analysts, Netia's development should be based on acquisitions. Przemysław Sawala-Uryasz says that Netia should increase indebtedness. He emphasizes that the company has a clean balance sheet and a low level of debt compared to other telecoms, and the market is highly fragmented leaving room for consolidation.

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Parkiet: UKE proposes a settlement in TMT sector

– *The President of the Office of Electronic Communications came forth with an initiative to settle disputes and litigation among entities through agreements and self-regulation. We will create special ‘tables’: a legal and a technical one, and invite 1-2 representatives of operators to each* – says Magdalena Gaj. In her opinion, this initiative will help solve the legal deadlock regarding 1800 MHz frequencies, which belong to CenterNet and Mobyland, subsidiaries of Midas.

In this matter two court verdicts were issued. In May the Supreme Administrative Court declared that the tender, in which these two companies received frequency allocations, should be repeated entirely. However, at the same time a favorable decision was made in a different case: reservation decisions were issued correctly to both companies. Therefore, there is no basis to deprive those operators of the frequency band.

Parkiet: PKP invite to buy TK Telekom

The company Polskie Koleje Państwowe (Polish State Railways) has invited investors to negotiations regarding the purchase of shares in its subsidiary TK Telekom. This is the second attempt to sell the public telecommunications company.

In 2013 TK Telekom’s revenue amounted to PLN 289m, EBITDA was ca. PLN 40m and net profit – PLN 5.8m.

23.11

Rzeczpospolita: Internet price war between Orange and cable operators

Following the decision of the Office of Electronic Communications on partially deregulating Orange, the company lowered prices for fixed-line Internet access in 76 municipalities in Poland, inhabited by ca. 25% of Poles. Orange offers a single subscription fee, independent of transfer speed, of PLN 39.90 under a two-year contract. This price is lower by 18-33% (depending on transfer speed) compared to prices



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before the deregulation. At the same time the telekom did not give up fees for link maintenance (PLN 21 monthly). Consequently, customers who do not own a fixed-line telephone from Orange pay ca. PLN 60 per month for Neostrada Internet.

Cable operators offer more attractive prices, starting from PLN 44. According to Grzegorz Bernatek, analyst at consulting company Audytel, if Orange wants to regain lost market shares, it has to compete with cable operators. Several of them already modified their offers: UPC Polska offers slower but cheaper Internet access, Vectra proposes Internet access as a standalone service for PLN 50 per month, and Netia introduced a new, cheap brand Dropps offering Internet access provided via Orange's infrastructure for PLN 49 monthly.

24.11

Rzeczpospolita: Orange Polska can increase debt to finance investment

In the third quarter Orange Polska reported PLN 3.046bn revenue, PLN 1.04bn EBITDA and PLN 140m net profit. These results are in line with market expectations. Compared to results in the corresponding period of the previous year, revenue fell by 3.6%, EBITDA by 10.3% and net profit by 41%.

Voice services had a negative impact on results. Fixed-line services generated PLN 1.37bn in revenue in the third quarter of 2014, i.e. 8,6% less compared to the prior year. The number of customers of fixed-line telephony fell by 54 thousand and the number of users of fixed-line internet decreased by 12 thousand.

The mobile telephony segment generated PLN 1.553bn in revenue compared to PLN 1.549bn in the previous year. This slight growth is the result of a change in posting sales of consumer devices (hire purchase). Orange's revenue from mobile services fell by 6%, while only voice connections generated revenue lower by 17% compared to the previous year. The management emphasized that the B2B

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market is becoming more demanding. Companies are starting to migrate to SIM-only tariffs, which has a negative impact on the company's revenue.

The number of active SIM cards in Orange's network increased by 130 thousand in the third quarter to 15.591m. The new brand Nju mobile presented weaker results – in the third quarter it gained 43 thousand new additions, only half as many as a quarter earlier.

Orange is preparing to participate in the 800/2600 MHz frequency auction. The company says it will want to use its line of credit for PLN 2.5bn open with its French owner.

Puls Biznesu: Orange falls according to plan

In the third quarter revenue of the telecommunications group fell by 3.6% y-o-y to PLN 3.05bn, and EBITDA fell by 7.8% to PLN 1.07bn. Bruno Duthoit, CEO at Orange Polska, assessed these results as satisfactory. The company upheld its announcement that it will show PLN 1.1bn cash flow at the end of the year. Total capital expenditure is to reach PLN 1.8bn this year. Next year Orange plans to invest in fiber optic networks in the largest cities, where it can compete for the market with cable operators thanks to the deregulation.

The 800 and 2600 MHz frequency auction is to take place in December. Orange is considering partial use of its PLN 2.5bn line of credit.

Jakub Viscardi, analyst at DM BOS: - *Excluding the one-off relating to reserves made in connection with litigation, the results are as expected, but they are not positive. Further erosion of revenue per client is visible, pressure on price reduction in the B2B and broadband Internet markets is increasing. The company signals that in 2015 it may increase capital expenditure following its deregulation in the largest cities, which – together with expenditure related to the LTE auction – will strongly drain next year's cash flow.*

Latest events

Press release
October 20, 2014

Use without consequences – now also in Plush Mix

Plush Mix, available from October 20, is our proposal addressed to those who are looking for a very good offer without limits but also want a smartphone for an attractive price. The new offer gives young people the freedom they expect, because Plush Mix offers:

- Calls and short messages without limits to all mobile networks and a package of 1GB data transfer for a recharge of PLN 60;
- Calls and short messages without limits to all mobile networks for a recharge of PLN 50;
- Only calls for lower recharges of PLN 30 and PLN 40.

Additionally, mobile Facebook and Instagram are always free of charge. All the above options are accompanied by an offer of attractive smartphones starting from PLN 3.

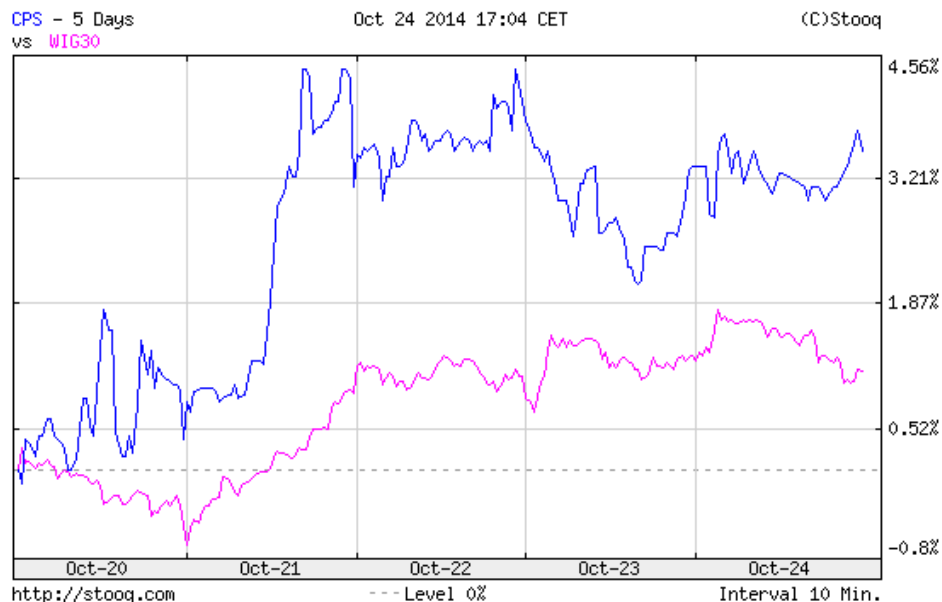
Press release
October 24, 2014

Polsat Boxing Night: Adamek vs Szpilka – sale of PPV in Cyfrowy Polsat and IPLA open

Starting today it is possible to purchase access to Polsat Boxing Night 'Moment of Truth', which will take place on November 8 in Cracov (Kraków Arena). Two stars of Polish boxing will be pitted against each other in the key fight of the evening for the title of IBF International: former world champion in light heavyweight and cruiserweight and medalist of the European Championships Tomasz „Góral” Adamek against a rising star of Polish boxing, the talented Artur „Szpila” Szpilka. The gala will be available live from Cracov in the 'pay-per-view' system for PLN 40 for Cyfrowy Polsat customers and users of the largest online television IPLA, which also offers the possibility of viewing the event from multiple cameras.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
20-10-2014	26.90	26.26	26.39	0.80%	9 686
21-10-2014	27.60	26.42	27.14	2.84%	4 417
22-10-2014	27.60	27.01	27.40	0.96%	10 042
23-10-2014	27.34	26.74	27.20	-0.73%	2 976
24-10-2014	27.35	27.05	27.25	0.18%	4 638



Investor's calendar

October 30 – November 13, 2014	Closed period prior to the publication of Q3 2014 results
November 13, 2014	Publication of Q3 2014 results