

Cyfrowy Polsat IR Newsletter

8 – 14 September 2014

The press about us

Date

The press about TMT market in Poland

8.09

DGP: Telecoms decide to sell electricity

T-mobile is to second telecom on the market, following Plus, to sell electric energy. The telecom will cooperate with Tauron. The offer will be addressed to 5.3 million of Tauron's clients and over 15 million T-Mobile network users, both retail and business.

Apart from T-Mobile and Plus also cable TV operator Multimedia Polska offers electricity to its clients at a discount. Not all such projects are a success story, however. A similar initiative of PGE and Orange was a fiasco and the companies announced the termination of their cooperation in January.

According to experts, introducing consecutive products is part of a strategy to increase customer loyalty thanks to offering bundled products. The churn rate in the telecommunication sector is very high compared to that in the energy sector. Hence large players on the telco market offer cheap energy combined with attractive telecommunication products to reduce their churn rate.

Puls Biznesu: TV Puls' open season

In last 5 years the total audience share of TV Puls and Puls 2 in the commercial group 16 to 49 years of age increased from 0.3% to over 5%, ranking behind only TVP, TVN and Polsat. Credit for this achievement is due to Dariusz Dąbski, CEO and program director at Puls. In order to increase audience share the station is going to broadcast a few hit TV series and extend its kids and family offer – already the leading offer on the market. Dariusz Dąbski wants to create a show similar to "The O'Reilly Factor" – the most watched current affairs program in the USA. He also wants Puls to create its own animations. He even created the bear Lulu, who will shine not only on TV, but also in computer games and on gadgets for kids. Dąbski claims that this is a market niche and that none of the large players will engage on a local scale.

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Puls Biznesu: Plus wants to get younger

Polkomtel's campaign promoting its new prepaid brand Plush starts today. The offer is targeted at people between 16 and 24 years of age. – *'Plus na Kartę' (pay-as-you-go) will remain in Plus' portfolio, nevertheless we want Plush to be dominant in this segment and therefore we encourage our clients to migrate to Plush* - says Beata Białkowska, Polkomtel's marketing director. Experts positively assess Polkomtel's move, who gave up sub-brands only three years ago to concentrate all its services under the Plus brand. Tomasz Kulisiewicz, analyst at Audytel claims that this was a necessary move because the Plus brand got old while competitors conducted successful, aggressive branding campaigns - T-Mobile with Heyah and Orange with nju.mobile.

Rzeczpospolita: Bear for young hedonists

Polkomtel is introducing a new brand 'Plush' thus reactivating its sub-brand strategy. One of the reasons behind the decision to introduce a new brand was Orange Polska's brand- Nju Mobile, which gained over half a million users in a year. Plush's main features will be elasticity and fast reactions to market novelties. Currently Plush offers prepaid services including packages and Facebook and Instagram with free data transfer.

- *Plush is constructed to cut the distance between competitors like Nju mobile. It also can improve the results of transferring phone numbers* - says Grzegorz Bernatek, analyst at Audytel.

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DGP: Virgin chooses the young

Interview with Mario Cvitkovic, CEO at Virgin Mobile Polska.

So far Virgin Mobile Polska hasn't manage to fulfill its promise given in 2012. When the company was beginning activities, it declared that it will gain 1 million clients in 3 years. Today, it has barely 80 thousand. Cvitkovic claims that thanks to new investors and a well addressed offer and an appropriate target group Virgin Mobile Polska can succeed on the Polish virtual operator market. The plan is to gain at least 1 million customers in two years. The CEO claims, that cooperation with Play can help achieve this goal. Virgin's offer will be addressed to people between 15 and 24 years of age and will include mobile Internet services. Cvitkovic sees potential in the OTT market, i.e. providing content outside of operators' control, such as video services.

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Puls Biznesu: Polkomtel with frequencies for 15 years

This week Polkomtel received the decision of the Office of Electronic Communications prolonging the frequency reservation in the 1800 MHz band until 2029. Polkomtel will pay PLN 365.4m for the reservation, which will be valid for 15 years throughout the whole country. Orange Polska was opposed to the prolongation of Polkomtel’s reservations. Until the settlement of the auction of the 800 MHz frequencies Polkomtel holds the largest block of frequencies used to provide fast LTE internet.

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Rzeczpospolita: Tough forecasts for regional networks

Several WSE listed telecoms, including Hyperion, Hawe and Orange Polska, are engaged in regional broadband network projects, subsidized by the European Union. It is difficult to estimate future revenue from this activity – operators are not willing to disclose business assumptions nor forecasts. Demand for data transmission and the operators’ sale skills are crucial, because they determine the rate at which the regional network will fill with traffic. Anna Streżyńska, CEO of WSS (Broadband Network in Greater Poland) expects that for several years revenues of regional networks are going to be rather stable, also due to the ‘claw back’ clause, which requires the return of funds after exceeding a specified level of revenue.

Rzeczpospolita: Media, Technologies

Vincent Lobry, member of the management board of Orange Polska for the past 5 years, resigned for this position yesterday. The telecom informed that he will take up the position of CEO at Telekom Kenya, which also belongs to Orange group.

Rzeczpospolita: Internet users prefer series in the net

According to research conducted by media house OMD in July, 54% of Polish Internet users saw at least one series on the net while only one third watch series on television. This may stem from the fact that already 2.3m of Polish Internet users do not watch tradition television anymore.

The most popular series watched on the net are foreign productions. According to Kamila Kownacka, managing director at OMD Digital, Internet users watch series mainly for free, because Polish pay video online services do not offer attractive titles, while access to foreign services is limited due to regional blockades.

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Puls Biznesu: EBRD has less Cyfrowy Polsat

The European Bank for Reconstruction and Development, a shareholder in Polkomtel since 2011, acquired 7.39% of Cyfrowy Polsat shares following the acquisition of Polkomtel by the WSE listed company in May this year. EBRD sold one third of this package, i.e. over 15m shares for ca. PLN 380m. According to Puls Biznesu daily estimates the bank made a profit of ca. EUR 30m on this transaction. Shares went to domestic and foreign institutional investors.

Paweł Szpigiel, analyst at DM mBanku, says that the sale of part of the package by the bank may cause anxiety among small investors, that EBRD will want to sell more and high supply will negatively impact the share price. – *On the other hand free float will increase, and fundamentals of Cyfrowy Polsat, which are crucial to its valuation, are very solid after the second quarter, particularly with respect to cash* – says Szpigiel.

Rzeczpospolita: Worse assessment of Cyfrowy Polsat

In their report dated September 1, 2014 analysts at DM BOŚ downgraded their recommendation for Cyfrowy Polsat from 'buy' to 'hold' with a target price of PLN 27.85. On Wednesday the stock was traded on the WSE at PLN 25.60.

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11.09

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Parkiet: Significant growth

In the second quarter of 2014 revenue of media companies increased by over 16%. 5 out of 11 companies increased their net revenue from sales. Cyfrowy Polsat showed the largest increase in revenue – by 34.4%. The profitability of the industry also improved compared to the first quarter of this year. Operating profit increased by 19%, while net profit by almost 40%. 8 out of 11 companies generated net profit, but only two managed to improve their results. Cyfrowy Polsat was the leader of net profit growth (9.7%).



Latest events

Current report no. 63
September 9, 2014

Polkomtel received a frequency assignment decision

The Management Board of Cyfrowy Polsat S.A. (the “Company”) hereby informs that on September 8, 2014, Polkomtel Sp. z o.o. („Polkomtel”), subsidiary of the Company, has received a frequency assignment decision issued by the Office of Electronic Communications (“UKE”).

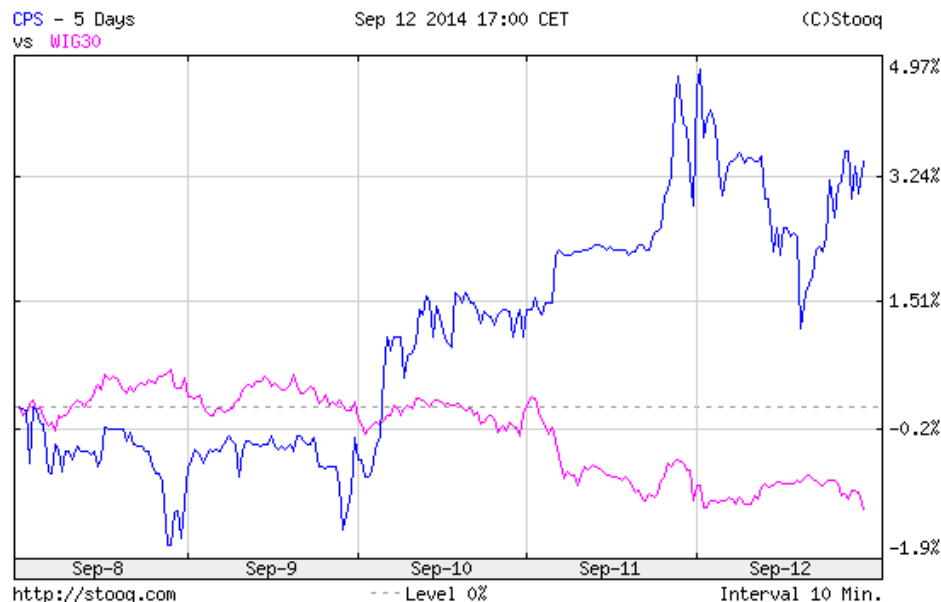
On September 8, 2014, the President of UKE assigned 1757,5-1759,9 MHz and 1852,5-1854,9 MHz as well as 1777,7-1784,9 MHz and 1872,7-1879,9 MHz frequency blocks in the 1800 MHz band to Polkomtel. The assignment is for a further 15 years (to September 14, 2029), is valid in the whole country and is technology-neutral. The requirement is to cover 90% of Poland’s territory with telecommunication services provided using these frequencies, calculated together with the frequencies in 900 MHz band assigned by the President of UKE on January 11, 2011. As of the date of this report Polkomtel meets this requirement.

Polkomtel uses the 1800 MHz band to provide 2G services.

Polkomtel is obliged to make a one-time fee for the frequency assignment of PLN 365.4 million, payable within 14 days from the date of receipt of the decision.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
08-09-2014	25.34	24.73	25.00	-0.40%	3 315
09-09-2014	25.30	24.90	25.23	0.92%	3 511
10-09-2014	25.77	25.00	25.60	1.47%	49 086
11-09-2014	26.64	25.67	26.08	1.88%	44 382
12-09-2014	26.60	25.60	26.25	0.65%	7 659



Investor's calendar

September 23, 2014	Extraordinary General Meeting
October 30 – November 13, 2014	Closed period prior to the publication of Q3 2014 results
November 13, 2014	Publication of Q3 2014 results