

Cyfrowy Polsat IR Newsletter

26 May – 1 June 2014

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Parkiet: New CEO at Netia: “I don’t want to divide the telecom”

Netia’s strategic plan will be an outcome of the supervisory and management boards’ analyses. It should be ready in autumn – said Adam Sawicki, who will be taking over as the telecom’s CEO in June, in an interview for Parkiet daily. Sawicki said that gross margin, not revenue, will be his priority. In the first quarter Netia’s gross margin on sales amounted to 33%.

According to Sawicki, dividing the company and selling it piece by piece would have an adverse effect, because benefits of scale are crucial for telecom operators. – My goal is to maintain the company’s scale of operations – says Sawicki. – This could happen either through acquisitions and development of proprietary products, or through strategic partnerships – he adds. He mentions data centers, hosting and cloud services as the most perspective.

Rzeczpospolita: Play slows down the fall

In the first quarter of 2014 four mobile telephony networks recorded PLN 5.53bn in revenue, that is 2.98% less than in the previous year. Play’s revenue increased by almost 13% compared to 2013 and amounted to PLN 986m. – We uphold the forecast that our revenue in 2014 will increase by 8-10% compared to 2013 - said Joergen Bang-Jensen, CEO at P4. In his opinion this is the effect of an increasing customer base and larger usage of data transmission packages. As at the end of March 2014 Play had 10.94m clients.

The structure of the customer base of most telecoms improved. Post-paid clients constituted 45% of the total number of Play users in the first quarter of 2014 (44% in the previous year). This indicator was equal to 48% at Orange, 44.3% at T-Mobile and 52.9% at Plus.

EBIDTA increased in Plus and Play. Play’s profit increased by 140% to PLN 238m, Plus reported EBIDTA of PLN 729m, 1.8% more than in the previous year, while T-Mobile – PLN 560m. Since this year Orange does not report separate financial data for its mobile network.

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Parkiet: More subscribers, but less revenue

Capital Group Kino Polska recently lowered its EBIDTA forecast for 2014 from PLN 55m to PLN 42m, explaining that the loss of subscribers of the new platform nc+ resulted in reduced revenue from that contractor by ca. 35%. The group reported an increased technical range of all its channels. According to the group, although the number of subscribers increased, the revenue generated by them (pay TV operators pay broadcasters per subscriber) is lower compared to what the group received from nc+ and consequently the group's revenue from broadcasting is falling. Moreover, rates paid by pay-TV operators are declining due to the saturation of the pay-TV market and the fact that packages already offer a wide selection of channels and it is harder for broadcasters to negotiate better prices.

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Rzeczpospolita: Google already plays in Poland

Since yesterday Google's new music service is available in Poland. For the first month it will be free of charge. Google Play Music offers access to a library, where it is possible to save up to 20 thousand songs from a personal MP3 collection, and to a music store offering both albums and single MP3s. There is also an All Access option, which offers access to music for a monthly subscription and allows unlimited access on all the user's devices.

Google is expanding its offer not only by music. By the end of this year the company will offer books, also in Polish, to its clients in Poland, as well as the possibility to purchase access to video materials. The company is also planning to sell press titles via Google Play.

The streaming market is growing rapidly. Already 56% of revenue of companies in the phonographic industry is generate by digital music (5 percentage points more than in 2012), while only 36% by traditional formats (decrease by 3 percentage points). It is estimated

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that in Poland paid subscriptions constitute 37% of sales of digital music.

On the Polish market Google will compete with the Swedish Spotify (the number of global users of the service amounts to ca. 28m, 6m of which pay a monthly subscription, data for Poland is unavailable), the French Deezer (14m users in total, 5m paying subscribers) and the Norwegian WiMP (0.5m paying users).

Dziennik Gazeta Prawna: Old movies and disco polo will outlive the internet

Viewers like classic movies and old series. Stopklatka TV, a channel broadcasting cinema classics, was launched on March 15 and after only a month gained a 0.5% audience share, and after three months already had a 0.7% audience share. In digital terrestrial television the channel has a 1.67% audience share. TVP channels which broadcast re-runs: Rozrywka and Seriale, are also going very well. They do not invest in movie novelties, box office hits or popular titles, instead they broadcast old productions.

Unexpectedly, Poland saw the revival of programs offering disco polo music. Today Polo TV and Eska TV are leaders of music channels lists. The potential of this segment is confirmed by debuts of new channels: TV.Disco (4fun Media) and Disco Polo Music (Polsat). Over the past several years other music channels, like MTV and VIVA, lost over half of their viewership. The main driver of changes observed on the market of adolescent and music channels is the internet. Music clips are easily available on the net, there are affordable or free music streaming services. That increases competition on an already difficult market.

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Parkiet: Return to WSE cut off

Multimedia Polska withdrew their public offer worth PLN 948m. Too few investors were willing to pay PLN 16.25 per share, let alone PLN 21 – the maximum price expected by the shareholders selling securities: Tri Media and M2 Investments. When Multimedia left the exchange in 2011, a share traded at ca. PLN 9.

CEO at Multimedia Polska, Andrzej Rogowski, upheld development plans for the cable network, including the intention to further consolidate the mobile telephony market.

The failure of the IPO means that the company's shareholder – Tri Media Holding – will have to find a different source of funding to redeem bonds held by Multimedia. It is not clear what the company's second shareholder – M2 Investments – will do. Thanks to the IPO, M2 was supposed to meet Alior Bank's condition and provide liquid securities to replace 15 million non-liquid shares of Multimedia as credit collateral.

Rzeczpospolita: Poland digitally backwards

The European Commission published the 2014 Digital Scoreboard, showing ICT skills across countries. Poland scored significantly below the UE average. According to data published by the Commission, 58% of Poles handle the internet poorly or not at all. More frequently it is the lack of digital skills, not of equipment or access, that constitutes a barrier to using the internet. This is visible in Poland, where 69% of households have a broadband connection, but a significant part of them does not use the internet.

According to the Scoreboard, Poles cannot shop online or do not trust this form of sales – 32% of Poles use it. The situation in e-administration services deteriorated – in 2012 32% of Poles used such services, while in 2013 – only 23%. The digitization of health care services is also poor – barely 11% of hospitals has access to

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broadband internet, compared to 55% on average in the UE. The situation is better in education, where there are 13 computers per 100 primary school students (the UE average is 15). Digital skills are increasingly necessary at the workplace. Many countries expect a deficit of workers in the ICT sector and others, that require developed digital skills.

Parkiet: Preparing for acquisitions

This week Agora signed an agreement with Bank Pekao for a multipurpose credit limit worth PLN 170m. PLN 100m can be used to finance acquisitions, PLN 34.9m will be used to refinance an existing loan, and up to PLN 35m is allocated to the group's current expenditure. Apart from organic growth, development plans for Agora group in the coming years include investments in interesting projects on attractive markets. – *We would like to use the available funds to strengthen our asset portfolio with projects that expand or complement Agora's current operations* - says Grzegorz Kossakowski from the management board of Agora. – *We are interested in acquisitions, especially in those areas, where it is impossible to develop rapidly in any other way* - says Bartosz Hojka, CEO at Agora. According to Łukasz Koziarski, analyst at DM BZ WBK, the group will want to invest in television – taking the cooperation with Kino Polska TV one step further is a possibility. Dominik Niszczyński from DM Raiffeisen believes that apart from Kino Polska TV, the 4Fun Media group would suit Agora's portfolio well.

Latest events

Current report no. 51
May 27, 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 27 May 2014 an indirect subsidiary of the Company - Eileme 1 AB (publ) (“**Eileme 1**”) issued a promissory note (sw. löpande skuldebrev) in favor of a subsidiary of the Company - Metelem Holding Company Limited (“**Metelem**”), issued under Swedish law (the “**Promissory Note**”) in connection with the transfer of USD 283.436.543 (i.e. approx. PLN 865,388,453.10 at the average exchange rate of the Polish National Bank as at 27 May 2014) from Metelem to Eileme for the purposes of the repayment by Eileme 1 of its total indebtedness and the redemption of PIK Notes due in 2020, bearing interest at 14.25% (“**PIK Notes**”). The total book value of the Promissory Note in Metelem’s accounts amounts to PLN 863.517.771,90.

Under the Promissory Note, Eileme 1 undertakes to pay Metelem USD 283,436,543 (i.e. approx. PLN 865,388,453.10 at the average exchange rate of the Polish National Bank as at 27 May 2014) together with interest on 15 February 2020 or as otherwise agreed between Eileme 1 and Metelem. Eileme 1 may, at any time, make prepayments of the entire or part of the principal amount and/or interest, subject to two business days’ prior notice.

The funds transferred from Metelem to Eileme 1 came from the share capital increase in Metelem, of which the Company gave notice in its current report No. 50/2014 of 23 May 2014.

The Company holds indirectly, through its 100% subsidiary – Metelem, 100% shares in Eileme 1. There are no other links between the Company, the persons managing or supervising the Company and Eileme 1 and persons managing Eileme 1.

The Promissory Note is deemed to constitute an asset carrying a significant value since its aggregate value exceeds 10% of the revenues of the Company’s capital group for the last four financial quarters.

The issuance of the Promissory Note by Eileme 1 in favour of Metelem is one of the actions aimed at changing the structure of the indebtedness of Metelem group by way of the repayment by Eileme 1 of its indebtedness under PIK Notes, of which the Company gave notice in its current report No. 34/2014 of 30 April 2014.

Latest events

Current report no. 52 May 27, 2014

Supplementary information to the notification on change of the share in the total number of votes at the General Meeting of Cyfrowy Polsat S.A. and on the indirect acquisition of shares in Cyfrowy Polsat S.A.

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) gives notice that on 27 May 2014 the Company received from Mr. Zygmunt Solorz-Żak, the President of the Company’s Supervisory Board, a supplementary information to the notification submitted by Mr. Zygmunt Solorz-Żak on 20 May 2014 (the “**Notification**”), the receipt and content of which was communicated by the Company in the Current Report no. 47/2014 dated 21 May 2014.

The supplementary information to the Notification referred to above, was submitted in connection with the fact that on 21 May 2014 Mr. Zygmunt Solorz-Żak acquired information about the contribution effected on 20 May 2014 by Pola Investments Ltd. with its registered office in Nicosia, Cyprus (“**Pola**”), an indirect subsidiary of Mr. Zygmunt Solorz-Żak, the direct parent entity of which is a direct subsidiary of Mr. Zygmunt Solorz-Żak, i.e., TiVi Foundation with its registered office in Vaduz, Liechtenstein (“**TiVi Foundation**”), of all the shares in the Company directly held by Pola, as a non-cash contribution, to Reddev Investments Limited with its registered office in Nicosia, Cyprus (“**Reddev**”), an indirect subsidiary of Mr. Zygmunt Solorz-Żak, the direct parent entity of which is Pola (“**Contribution of Shares**”). In connection with the Contribution of Shares, the information about one of the indirect subsidiaries of Mr. Zygmunt Solorz-Żak directly holding shares in the Company has changed.

In accordance with the supplementary information to the Notification, following the registration of 291,193,180 ordinary series I and series J bearer shares issued by the Company on the securities accounts of their purchasers on 14 May 2014, but before the Contribution of Shares, Pola directly held a total of 154,204,296 shares in the Company, constituting 24.11% of the Company’s share capital, carrying the right to 306,709,172 votes at the General Meeting of the Company, which constituted 37.45% of the total number of votes and the General Meeting of the Company, comprising:

- a) 152,504,876 registered preferred shares, constituting 23.85% of the Company’s share capital, carrying the right to 305,009,752 votes at the General Meeting of the Company, which constituted 37.24% of the total number of votes at the General Meeting of the Company; and
- b) 1,699,420 ordinary bearer shares, constituting 0.27% of the Company’s share capital, carrying the right to 1,699,420 votes at the General Meeting of the Company, which constituted 0.21% of the total number of votes at the General Meeting of the Company.

Latest events

**Current report no. 52
cont'd
May 27, 2014**

In accordance with the supplementary information to the Notification, following the Contribution of Shares, Pola holds indirectly, i.e., via Reddev, an indirect subsidiary Mr. Zygmunt Solorz-Żak (via TiVi Foundation and Pola), the direct parent entity of which is Pola, 154,204,296 shares in the Company, constituting 24.11% of the Company's share capital, carrying the right to exercise 306,709,172 votes at the General Meeting of the Company, which constitutes 37.45% of the total number of votes at the General Meeting of the Company, comprising:

- a) 152,504,876 registered preferred shares held by Reddev, constituting 23.85% of the Company's share capital, carrying the right to 305,009,752 votes at the General Meeting of the Company, which constituted 37.24% of the total number of votes at the General Meeting of the Company; and
- b) 1,699,420 ordinary bearer shares held by Reddev, constituting 0.27% of the Company's share capital, carrying the right to 1,699,420 votes at the General Meeting of the Company, which constituted 0.21% of the total number of votes at the General Meeting of the Company.

In accordance with the supplementary information to the Notification, the information contained in the Notification regarding: (i) the number of shares in the Company held by Mr. Zygmunt Solorz-Żak via Karswell Limited and Argumenol Investment Company Limited and (ii) the total number of shares in the Company held by the subsidiaries of Mr. Zygmunt Solorz-Żak and their share of the total number of votes at the General Meeting of the Company, remains valid.

In accordance with the supplementary information to the Notification, except for the entities listed above, there are no other subsidiaries of Mr. Zygmunt Solorz-Żak holding shares in the Company, nor is Mr. Zygmunt Solorz-Żak a party to any agreement on the transfer of right to exercise voting rights attached to the Company's shares within the meaning of Article 87 Section 1 Item 3 letter c of Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Latest events

Current report no. 53 **Pledge over assets carrying significant value**
May 29, 2014

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) hereby announces that on 29 May 2014 a Deed of Shares Pledge and Charge was concluded with UniCredit Bank AG, London Branch, based on which the Company established a pledge (governed by Cypriot law) over 2,212,235 shares of its subsidiary Metelem Holding Company Limited (“**Metelem**”), with the total nominal value of EUR 2,212,325 (i.e. approx. PLN 9,155,707.01 at the average exchange rate of the Polish National Bank as at 29 May 2014), in favour of UniCredit Bank AG, London Branch, acting as security agent.

The establishment of the pledge over Metelem shares was a subsequent action of establishing security interests related to the Senior Facilities Agreement concluded by the Company on 11 April 2014, which was reported by the Company in the current report No. 26/2014 of 11 April 2014.

The Company holds 100% shares in Metelem, carrying 100% voting rights at the Shareholders’ Meeting of Metelem. The pledged shares constitute 100% of the share capital of Metelem. The shares in Metelem are held by the Company as a long-term capital investment. The total book value of the pledged shares in the Company’s accounts amounts to PLN 6,841,327,900.60.

There are no links between the Company, the persons managing or supervising the Company and UniCredit Bank AG, London Branch as well as persons managing UniCredit Bank AG, London Branch.

The pledged shares in Metelem 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.

Current report no. 54 **Repayment of indebtedness and redemption of notes issued by a subsidiary of Cyfrowy Polsat S.A.**
May 30, 2014

The Management Board of Cyfrowy Polsat S.A. (the “**Company**”) hereby announces that on 30 May 2014 an indirect subsidiary of the Company - Eileme 1 AB (publ) (“**Eileme 1**”) repaid its total indebtedness under the PIK Notes due in 2020, bearing interest at 14.25% (“**PIK Notes**”) and redeemed the PIK Notes. The PIK Notes were redeemed for a price equal to 103% of the nominal value of the PIK Notes increased by accrued and unpaid interest as at 30 May 2014.

The repayment of indebtedness under the PIK Notes was made from the funds obtained by Eileme 1 in connection with the issuance of a promissory note (sw. löpande skuldebrev) under Swedish law, in favour of a subsidiary of the Company - Metelem Holding Company Limited, of which the Company gave notice in its current report No. 51/2014 of 27 May 2014.



Latest events

Press release
May 29, 2014

New IPLA content, packages and channels on iOS powered devices

A new IPLA application for iOS is available on the App Store. Its users have access to 10 packages offering diversified video content for children and adults: IPLA NEWS, IPLA ROZRYWKA, IPLA DZIECI, IPLA WIEDZA, IPLA MINI, IPLA MAX, IPLA FILMY I SERIALE, IPLA PREMIERY, IPLA SPORT, IPLA EXTRA.

The platform's viewers will be able to watch hits from the largest production studios as well as events available in the PPV system on their iPads and iPhones. The application also provides a full offer of 36 TV channels live. IPLA is the only application, which allows subscribers to the IPLA EXTRA package to download movies and watch them off-line.

In the new IPLA application Cyfrowy Polsat subscribers continue to use the dedicated package IPLA MIX, while Plus subscribers – the IPLA PLUS package.

Press release
May 30, 2014

LTE from Plus and Cyfrowy Polsat supports the Sopot TOPtrendy Festiwal 2014

Once again Plus and Cyfrowy Polsat are official technological partners and providers of fast LTE internet for the festival Sopot TOPtrendy Festiwal, which will take place on May 30 – June 1 in Opera Leśna (Forest Opera) in Sopot.

The operator of Plus network and Cyfrowy Polsat will provide technical infrastructure on the area of Opera Leśna and are official providers of LTE internet for the purposes of the Festival Office and Media Office of the Festival.

Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
26-05-2014	21.89	21.55	21.65	0,65%	1 169
27-05-2014	21.87	21.54	21.64	-0.05%	2 815
28-05-2014	21.70	21.39	21.45	-0.88%	1 917
29-05-2014	21.93	21.45	21.93	2.24%	3 158
30-05-2014	22.33	21.78	21.78	-0.68%	9 134

