



Cyfrowy Polsat IR Newsletter

21 – 27 May 2018



Rzeczpospolita
21 May 2018

Smartphone market in Poland goes against global trends

by Urszula Zielińska

Even though global data shows decline of smartphone sales worldwide in Q1 2018, preliminary data published by GfK analytical firm show that sales of smartphones increased in Poland during the period, both in terms of volume and value of sales.

At the same time, two of the four big mobile operators in Poland (Play and Cyfrowy Polsat) posted lower revenue from sale of handsets in Q1 2018.

In the opinion of a representative of one of handset manufacturers, demand for smartphones will continue in Poland since a big share of Poles (some 30%) do not use smartphones while more and more industries (e.g. banking) rely on smartphones to promote their core products, and at the same time the process of upgrading of old devices continues. Manufacturers in turn, especially the smaller ones, have noted changes in the telecoms' approach to device purchasing and their lower propensity to buy handsets.

Parkiet
22 May 2018

Higher roaming prices for some customers

by Urszula Zielińska

Already all four major mobile networks operating in Poland have obtained the consent of the Office of Electronic Communications for collecting additional charges for roaming services offered on the territory of the European Union.

Play has applied the additional charges to contract customers signing new agreements since January 2018, while in the case of prepaid customers, the new rates have been in force since March. Orange Polska announced that it will introduce the new additional charges for prepaid users, who account for ca. 30% of the roaming traffic, from June 18, 2018. Both operators have decided not to apply the extra charges to their contract customers. Introduction of such a fee could be interpreted as an amendment of contract terms and thus it could offer customers an opportunity to terminate their contract without incurring any extra cost.

Telko.in
22 May 2018

Orange and T-Mobile end spectrum sharing arrangement

by Tomasz Świderek

Orange Polska and T-Mobile Polska have just concluded an agreement which will enable LTE network capacity to be increased by some 40% by 2020.

One of the elements of the agreement is the “divorce” of the operators in 1800 MHz and 900 MHz frequency bands.

In the 1800 MHz band, the existing, shared 2x15 MHz spectrum slots will be replaced by two independent carrier frequencies of 2x10 MHz each. This means that the resources available for 2G services will be reduced, while the capacity of the LTE network will increase in this bandwidth by one-third. In the 900 MHz band each operator will now have a 2x4.2 MHz block instead of a jointly used block of 2x4.2 MHz which was designed for 3G services, which entails reduction of the resources available for 2G network.

Moreover, the operators will allocate 2x10 MHz in 2100 MHz band to LTE services. This means that one carrier frequency (2x5 MHz) will be left for 3G services in this frequency band. Following this operation, each operator will have 2x45 MHz of spectrum for LTE services.

Parkiet
22 May 2018

DM BZ WBK discloses the reduced recommendation for Play

by Urszula Zielińska

In the report published on May 15, 2018 DM BZ WBK brokerage house reduced its recommendation for Play shares from “buy” to “hold” and “overweight”. The new target price for the shares is PLN 31.8.

In the brokerage house’s opinion, the competition in Polish telecommunication sector, especially in the mobile segment, prevents any continued market-wide ARPU growth. Moreover, the operational merger of Cyfrowy Polsat and Netia could result in the “silent price war” moving to a totally new level.

Telko.in
22 May 2018

The battle for deregulation of WLR is starting

by *Łukasz Dec*

The Office of Electronic Communications published the opinions which it received in the course of the consultations related to deregulation of so-called telecommunications markets 1, 2 and 8. In practice the opinions concern releasing Orange Polska of the duty to provide the WLR service. The market in question includes ca. 500 thousand subscriber lines while its estimated value is PLN 20-25 million monthly.

Orange Polska is the party who definitely supports deregulation while pointing to the growing competition to PSTN service from IP and mobile networks, and also while referring to the declining dynamics of orders for WLR.

The biggest recipients of WLR services, such as Netia or Novum S.A., as well as the Polish Chamber of Commerce for Electronics and Telecommunications (KIGEiT) who represents them, are the parties who are objecting against the deregulation.

Parkiet.pl
24 May 2018

Haitong Bank raises the recommendation for Orange Polska

by *Urszula Zielińska*

In its report dated May 23, 2018, Haitong Bank raised the recommendation for Orange Polska from "neutral" to "buy", with the target price increasing from PLN 5.2 to PLN 5.8.

The change is associated with the stronger than expected reduction of the cost of customer acquisition and retention, and of marketing costs. Moreover, roll-out of fiber-optic infrastructure (FTTx) continues as scheduled.

However, in the opinion of the bank's analysts, the long-term success of the telecom is still uncertain, mainly due to market consolidation, both the currently on-going deal involving acquisition of Netia by Cyfrowy Polsat as well as the hypothetical further market consolidation (T-Mobile + UPC Polska or Play + UPC).

Parkiet.pl
24 May 2018

Erste Group slashes the price of Play Communications shares

by Urszula Zielińska

Erste Group reduced the recommendation for Play Communications from "buy" to "accumulate" and the share price from PLN 43 down to PLN 30. The reason is the weaker than expected performance in Q1 2018, including decrease of revenue from sale of smartphone by 4.3% yoy. Erste has also estimated that national roaming costs will increase by 42% (PLN 80 million) this year, while adjusted EBITDA will decrease by 2.5%.

In the years 2018-2022 an Erste analyst expects yearly revenue growth of 4.2% on the average, with adjusted EBITDA growing by 3.8% per year. The estimated capital expenditures, which are expected by 2022, have been increased by PLN 2 bn in connection with the 700 MHz frequency band spectrum.

Rpkom.pl
27 May 2018

Plus introduces additional charges for roaming on the territory of the EU

by Marta Rzeźnicka

On 25 May 2018 Polkomtel introduced additional charges for roaming services offered on the territory of the European Union.

The additional charges will apply to the subscribers signing contracts and annexes and will be applied in a situation when such subscribers spend more time on the territory of the EU or if they use more services in the EU than in Poland during a 30-day period."

The additional charges are as follows:

- PLN 0.07 per-minute for mobile-originated outbound voice calls,
- PLN 0.05 per-minute for mobile terminated inbound voice calls,
- PLN 4.66 per gigabyte of data transmission.

Rpkom.pl
26 May 2018

Nexera to pay over PLN 100 million to Orange Polska for access to infrastructure

by Marta Rzeźnicka

Orange Polska and Nexera, a joint venture of Infracapital fund and Nokia, have signed a wholesale agreement which covers cooperation in the field of lease of telecommunications infrastructure. The expected value of this contract is PLN 100 million.

Nexera is one of the biggest beneficiaries, in the Internet industry, of the contests for EU funding offered as part of Polska Cyfrowa (Digital Poland) program. The company wants to become a wholesale operator of a fiber-optic access network.

Current report no. 18
May 22, 2018

Termination of the tender offer to subscribe for the sale of shares of Netia S.A. and acquisition of shares in Netia S.A.

The Management Board of Cyfrowy Polsat S.A. (“**Cyfrowy Polsat**”) hereby gives notice of the termination, on 14 May 2018, of the subscriptions for the shares of Netia S.A. with its registered office in Warsaw (the “**Company**”) under the tender offer to place subscriptions for the sale of shares in the Company announced by Cyfrowy Polsat on 5 December by 2017, pursuant to Article 73 Section 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 29 July 2005 (the “**Public Offering Act**”, the “**Tender Offer**”). On 17 May 2018, as part of the execution of the response to the Tender Offer, purchase transactions were concluded for the total number of 110,702,444 ordinary bearer Netia shares with ISIN code: PLNETIA00014 (the “**Shares**”), which have been settled today (the “**Tender Offer Settlement**”).

Therefore, we hereby give notice that as a result of the Tender Offer Settlement:

- (i) Cyfrowy Polsat acquired 34,662,045 Shares constituting in total 10.33% of the share capital of the Company and carrying the right to 34,662,045 votes at the general meeting of the Company as well as representing 10.33% of the total number of votes at the Company’s general meeting;
- (ii) Karswell Limited, with its registered office in Nicosia, Cyprus (“**Karswell**”) acquired 76,040,399 Shares constituting in total 22.67% of the share capital of the Company and carrying the right to 76,040,399 votes at the general meeting of the Company as well as representing 22.67% of the total number of votes at the Company’s general meeting;
- (iii) Cyfrowy Polsat and Karswell, which entered into an agreement as referred to in Article 87 Section 1 Item 5 of the Public Offering Act (the “**Parties to the Agreement**”), acquired jointly 110,702,444 shares in the Company constituting in total 33% of the share capital of the Company and carrying the right to 110,702,444 votes at the general meeting of the Company.

Directly prior to the Tender Offer Settlement, Cyfrowy Polsat held directly 110,702,441 shares in the Company constituting in total 33% of the share capital of the Company and carrying the right to 110,702,441 votes at the general meeting of the Company as well as representing 33% of the total number of votes at the Company’s general meeting.

Prior to the Tender Offer Settlement, Karswell held no shares in the Company.

Recent events



After the Tender Offer Settlement and as at the date of this current report:

- (i) Cyfrowy Polsat holds 145,364,486 shares of the Company constituting in total 43.33% of the share capital of the Company and carrying the right to 145,364,486 votes at the general meeting of the Company as well as representing 43.33% of the total number of votes at the Company's general meeting;
- (ii) Karswell holds 76,040,333 shares of the Company constituting in total 22.67% of the share capital of the Company and carrying the right to 76,040,333 votes at the general meeting of the Company as well as representing 22.67% of the total number of votes at the Company's general meeting;
- (iii) The Parties to the Agreement hold jointly 221,404,885 shares of the Company constituting in total 66% of the share capital of the Company and carrying the right to the total of 221,404,885 votes at the general meeting of the Company as well as representing 66% of the total number of votes at the Company's general meeting.

Recent events



Current report no. 19
May 24, 2018

Disclosure of delayed inside information on the commencement of negotiations to acquire the majority stake in Eleven Sports Network spółka z ograniczoną odpowiedzialnością

[Full report>>](#)

Current report no. 20
May 24, 2018

Conclusion of an agreement on the acquisition of a majority stake in Eleven Sports Network sp. z o.o.

[Full report>>](#)

Press release
May 24, 2018

Eleven Sports and Polsat commence strategic partnership in Poland. Polsat becomes a shareholder in ELEVEN SPORTS Poland

ELEVEN SPORTS NETWORK Ltd and leading commercial broadcaster in Poland, Telewizja Polsat Sp. z o. o., have commenced a strategic partnership in Poland.

Polsat and ELEVEN SPORTS have executed an agreement regarding the acquisition of a significant stake in ELEVEN SPORTS Poland which sees Polsat become a strategic partner of ELEVEN SPORTS in the Polish market. The transaction enables ELEVEN SPORTS to consolidate its position as the fastest growing sports platform in Poland and enhance its offering for sports fans across the country.

In 2015 ELEVEN entered what was believed to be an impenetrable market dominated by recognised brands, and today the platform delivers in Poland premium sports action to around two million subscribers, its high-quality programming is carried by more than 100 operators, it runs its own OTT platform and has four channels, including a 4K service.

ELEVEN SPORTS' subscribers in Poland will continue to enjoy the platform's high-quality programming, which features some of the world's biggest and best sports properties including LaLiga Santander, Bundesliga, Serie A TIM and F1™. ELEVEN's offer will continue to go from strength to strength, adhering to the same pioneering strategy that has seen the platform secure several national awards since its inception in 2015.

The agreement also supports ELEVEN's global expansion plans with more new markets and several digital projects set to be revealed in the coming weeks and months.

"We are very proud of what we have achieved in under three years in Poland thanks to our fantastic local management team," said Marc Watson, Executive Chairman and Group CEO, ELEVEN SPORTS. "The agreement of this partnership with Telewizja Polsat is testament to our outstanding financial and operational success to date and our potential for further dynamic growth and development. This is an extremely exciting time for ELEVEN SPORTS and we look forward to working towards the new opportunities that the agreement presents, locally in Poland and internationally on a global scale."

Telewizja Polsat has invested in sports for almost 20 years, providing Polish sports fans with access to some of the best and the most important events from a variety of sports. This is a natural stage of the development and another strategic investment for the broadcaster which aims to create consistent quality programming for millions of viewers who watch Grupa Polsat channels on a daily basis.

“Sport has always been extremely important to our Group, our viewers and subscribers. For almost 20 years it has been one of the programming pillars of Telewizja Polsat and Cyfrowy Polsat. By having Polish fans at heart, we consistently develop our sports offer, launch new channels and bring important events to Poland. We have great experience in both production and execution, we cooperate with top commentators and experts, and we know what it is that viewers expect. Thanks to the strategic agreement with ELEVEN SPORTS we will strengthen our offer, make it even more appealing and continue to provide more real sports emotions,” **said Maciej Stec, Member of the Management Board of Telewizja Polsat and Cyfrowy Polsat.**

World-class sport will remain at the core of ELEVEN SPORTS’ offer in Poland. Fans can enjoy top European football from LaLiga Santander, Bundesliga, Serie A TIM and The Emirates FA Cup. Formula 1™ followers can watch all the races, qualifications and training sessions exclusively on ELEVEN. The platform’s premium rights portfolio also includes ATP 250 tennis tournaments and sports that are extremely popular in Poland including VELUX EHF Champions League handball, MMA, and speedway such as Polish Nice 1. Liga Żużlowa, Swedish Elitserien, British SGB Premiership and selected matches of the Polish Speedway National Team.

A new ELEVEN SPORTS Poland management board will be appointed which features two members from each of Telewizja Polsat and ELEVEN SPORTS. As part of the transaction, Maciej Stec will become President of the Management Board of ELEVEN SPORTS NETWORK Sp. z. o.o. Krzysztof Świergiel, current Managing Director of ELEVEN SPORTS NETWORK Sp. z. o.o., will become CEO of the company. All senior management of ELEVEN SPORTS NETWORK Sp. z. o.o. will maintain their current positions.

ELEVEN SPORTS was founded in 2015 by media entrepreneur Andrea Radrizzani through his company Aser, an investment company which in a short space of time has built a strong portfolio and a far-reaching network across the media and sport sectors.

The transaction valued ELEVEN SPORTS NETWORK Sp. z. o.o. at an Enterprise Value of approximately EUR 80 million.

Greenberg Traurig Grzesiak sp.k. was the legal advisor to Telewizja Polsat Sp. z o.o. and Bird&Bird was the legal advisor to ELEVEN SPORTS. Trigon acted as a financial advisor to Telewizja Polsat Sp. z o.o.

Cyfrowy Polsat shares



Date	Maximum price (PLN)	Minium price (PLN)	Closing price (PLN)	Change (%)	Turnover (mPLN)
2018-05-21	25.82	24.70	25.54	3.74	10.12
2018-05-22	25.86	24.54	24.90	-2.51	13.04
2018-05-23	25.36	24.80	25.14	0.96	12.86
2018-05-24	25.76	24.88	24.90	-0.95	9.91
2018-05-25	26.10	25.14	25.78	3.53	13.54



Investor's calendar



9 – 23 August 2018	Closed period prior to the publication of H1 2018 results
23 August 2018	Consolidated semi-annual report for H1 2018
25 October – 8 November 2018	Closed period prior to the publication of Q3 2018 results
8 November 2018	Quarterly report for Q3 2018

