

# Cyfrowy Polsat IR Newsletter

**13 – 19 October 2014**

The press about us

Date

The press about TMT market in Poland

13.10

**Parkiet: LTE auction launched, bid on Christmas eve**

The Office of Electronic Communications (UKE) launched the auction of 800 and 2600 MHz frequencies. The auction will be based on the documentation consulted until May 5 this year with some modifications. The auction allows for the implementation of any of the three scenarios considered: building a single network, two networks, or two or more networks provided that certain wholesale obligations are imposed.

There are 5 frequency blocks in the 800 MHz band, which will allow to provide LTE Internet in less urbanized areas, and 14 frequency blocks in the 2600 MHz band, which can improve LTE coverage in cities. The minimum price of all these resources in PLN 1.8bn. Maximum budget income can be estimated at ca. PLN 3-4bn. Telecoms have until November 24 to submit preliminary offers.

According to the auction documentation, each interested operator can bid for no more than 2 blocks in the 800 MHz band and 4 blocks in the 2600 MHz band. Sferia is excluded from the auction, as it already holds a block in the 800 MHz band. After the auction operators will be able to join frequency blocks and build one fast network. However, if only some telecoms reach an agreement, they will not be able to jointly use more than 3 blocks (15 MHz) in the 800 MHz band.

**Parkiet: Góral's company works for Solorz-Żak's group**

Asseco Poland will help integrate IT systems responsible for sales and customer service at Plus and Cyfrowy Polsat. The value of the agreement was not disclosed.

This is one of the largest IT projects in the telco industry. The implementation of the first phase will end in March 2015. The schedule of the remaining phases is not yet known.

14.10

**Rzeczpospolita: New multiplex not for TVP**

In light of the objections of commercial broadcasters the National Broadcasting Council (KRRiT) gave up the idea to allocate the entire package of new terrestrial digital channels to TVP. KRRiT will debate on a new concept on how to manage the eighth multiplex, which is to include part of the suggestions made by broadcasters. KRRiT is considering choosing an active technical operator of the new multiplex, who will choose, in compliance with KRRiT guidelines, an offer of new channels himself.

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- *The project conducted together with Asseco Poland constitutes the realization of earlier announced back office synergies between Cyfrowy Polsat and Polkomtel* – reminds Jarosław Chudziak, managing IT director at Polkomtel and Cyfrowy Polsat. He believes that the modernization of the CRM system will not only improve the quality of customer service but also facilitate the combining of products and offers as well as bundled sales. As a consequence, it will have a positive impact on the results of the group.

## Date

**14.10**

## The press about TMT market in Poland

Broadcasters who are already present in DTT emphasize that the barely growing TV ad market will not be able to support more channels, which means that the programming offer of new channels will be poor.

### **Parkiet: Plus will bid more cautiously than Orange?**

Analysts forecast that Orange Polska will allocate from PLN 850m to PLN 1bn to the purchase of 800 and 2600 MHz frequencies in the auction announced on Friday. When considering infrastructure investments to be made, the telecom's expenditure can increase to PLN 1.6bn. At the same time analysts expect that Cyfrowy Polsat, owner of Polkomtel, will bid more cautiously than Orange because it already holds a relatively significant amount of the radio band.

According to Konrad Książopolski, analyst at Espirito Santo, the auction will not be fierce. He emphasizes that Play has a large debt to pay and participation in the auction is not in line with its strategy. Paweł Puchalski, head of analysts at DM BZ WBK, says that the launch of the auction will delay Orange's declaration regarding higher dividend. The majority of analysts think that in 2015 Orange Polska will pay PLN 0.5 per share, i.e. as much as this year.

**15.10**

### **Dziennik Gazeta Prawna: Seniors pay well for phones**

People over 60 years of age are becoming an increasingly important target group for many telephone producers. According to Mateusz Gołda, director at online store Neo24.pl, sales of products dedicated to this customer group grows at an annual rate of 20%. Due to increasing interest of the elderly in modern technologies many producers plan to develop new models dedicated to this age group.

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**Rzeczpospolita: New life for the fixed-line phone**

Over the past 5 years the number of subscribers of fixed-line telephony in Poland fell by a quarter – to 6.8m. Fixed-line operators are losing customers to mobile telecoms, which have special offers for the home. For several years now T-Mobile and Plus have offered a fixed-line mobile phone.

Netia does not agree with the opinion that fixed-line telephony is dead. The operator claims that it takes away customers from its competitors and gains completely new clients. Orange Polska believes that the link is the biggest advantage of fixed-line telephony. It opens the possibility to provide several services: Internet access, television or video on demand.

16.10

**Rzeczpospolita: They want to catch up with competitors in the field of mobile Internet**

T-Mobile summed up the effects of modernization of its mobile network, conducted over the last few years. Costs of modernization reached PLN 2bn. Had it not been for the cooperation with Orange Polska within the framework of the joint venture Networks!, this investment would have been twice as expensive. The joint network is comprised of ca. 11 thousand masts, more or less half of which belong to each partner. Milan Zika, member of the management of T-Mobile Polska responsible for technical issues, said that the company is considering the construction of several thousand additional masts. The telecom also wants to develop its LTE network in the 1800 MHz band. It can re-configure its GSM network to support LTE or turn off the 2G network in the 1800 MHz band all together if demand for data transfer proves to be large. This is a means to speed up mobile LTE Internet to attain transfer speed offered by competitors. T-Mobile’s goal is to provide noticeably higher quality of calls and video transfer compared to its competitors.

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17.10

**Puls Biznesu: Franco-Polish duet sells TVN**

ITI group and Canal+ group, controlling shareholders of TVN, announced that their 51% stake is for sale. According to Puls Biznesu daily, preparations for the sale are at an advanced stage and key media players in the world already know that the valuable asset is on the market. If negotiations proceed smoothly the controlling stake in TVN, worth ca. PLN 3bn, will have a new owner before the summer holidays of 2015.

Currently the stake in question belongs to N-Vision, controlled by ITI (60% stake) and Canal+ (40%). Canal+, part of the French group Vivendi, wants to concentrate only on pay TV, i.e. on the NC+ platform.

According to Puls Biznesu daily, the main interested party is US-based Time Warner, who believes Poland to be one of the most interesting investment markets in Europe. Also 21st Century Fox and Discovery Communications, as well as German investors: Bertelsmann and RTL Group are interested. Apart from the price, time is an important factor. Next year regulations on threshold for mandatory tender offer will change – the threshold is to decrease to 33% stake from the current 66%. Investors in Europe prefer to diversify risk and hold 50-60% stakes in large media companies.

**Parkiet: Trend to switch operators slowly passes**

About 1.1m mobile phone numbers were transferred between networks during the first three quarters of this year - according to data assembled by the portal RPkom.pl on the MNP market (mobile number portability). The number of transfers is stabilizing and in the analyzed period it could be slightly lower compared to the corresponding period of the previous year.

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	17.10	<p>On the one hand, offers of telecoms are becoming increasingly similar, and on the other hand companies are better at predicting clients' decisions. Bundling of services is also effective – it is more difficult for consumers and businesses to give up several services with differing termination dates at the same time.</p> <p>During nine months of 2014 only Play network had a positive number portability balance. It gained 437 thousand users net.</p>
	18-19.10	<p><b>Parkiet: Strategic investor for TVN in the first quarter of 2015?</b></p> <p>ITI and Canal+ Group announced that in view of the interest from potential investors they will consider the sale of their 51% stake in TVN. This stake is worth ca. PLN 2.7bn on the Warsaw Stock Exchange, while the company as a whole is worth ca. PLN 5bn, including PLN 2.3bn in debt. Currently TVN has a portfolio of thematic channels, a 32% stake in the satellite platform NC+ (with a put option to sell to Canal+) and a minority stake in Poland's largest portal Onet.pl.</p> <p>Canal+ Group's idea to sell TVN after barely three years came as a surprise to analysts. They expected that Canal+ would execute its option to purchase TVN shares and gain control over the company. Canal+ Group spokesperson does not exclude this possibility.</p> <p>Analysts say that the purchase of TVN, one of Poland's two largest commercial stations by another broadcaster would be a logical move. He would be buying a one third share in the TV ad market (in 2013 TVN's share was 34.5%), which is dominant in advertisers' expenditures.</p>



## Latest events

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**Press release**  
**October 13, 2014**

### **New satellite set-top box HD 5500s produced by Cyfrowy Polsat**

Cyfrowy Polsat's offer was expanded to include a new set-top box for the reception of satellite digital TV in HD standard – the functional HD 5500s model with a faster processor, intuitive menu, advanced options ensuring energy efficiency and a touch panel. When connected to the Internet the device offers access to the largest online television IPLA and HBO Go service.

The new model was manufactured at Cyfrowy Polsat's manufacturing plant, which produced over 6 million set-top boxes from the moment of its establishment until today. Currently, to meet Cyfrowy Polsat needs, it manufactures HD and PVR with hard drive devices only. It also provides services to other operators interested in state-of-the-art and functional devices at reasonable prices.

During this year's digital TV fairs SAT Krak 2014 and the accompanying SAT Kurier Awards 2014 gala, set-top box HD 6000 manufactured by Cyfrowy Polsat, was awarded in the category 'Best Polish tv-sat product'.

**Press release**  
**October 16, 2014**

### **'Fixed-line Mobile' available in the smartDOM program**

In the second edition of the promotion 'Second product half of, third for PLN 1', which was launched in the end of September, alongside previously available offers: Plus Subscription, Plus Internet Power LTE or Cyfrowy Polsat TV, customers can purchase the service 'Fixed-line Mobile' from Plus. The offer is available with a telephone starting from PLN 3 and allows for unlimited calls to all mobile and fixed-line networks.

'Fixed-line Mobile' is a fixed-line telephony service offered by Plus for over 3 and a half years based in the GSM mobile technology. A telephone number, which functions only within a 0.5km radius from the customer's home, is assigned to the client's SIM card.

### Latest events

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**Press release**  
**October 16, 2014**

#### **Statement of Polkomtel Sp. z o.o. regarding the auction for the reservation of frequency in 800 MHz and 2600 MHz bands**

Polkomtel welcomes the fact of announcing by the President of the Electronic Communication Office (UKE) of the auction for the reservation of frequency in 800 and 2600 MHz bands.

In Polkomtel's opinion the terms of the announced auction are heading in the right direction and ensure the potential for a favourable solution for the telecommunication market in the area of distribution of radio frequency for the needs of LTE high-speed Internet access.

Polkomtel still holds the view that the concept of one network, the execution of which is reasonably possible based on the current documentation, is the best solution for Poland.

Furthermore, Polkomtel believes that taking into account the investment obligations in the announced auction, including the white spots coverage commitment, it is advised that the entities selected as a result of the auction could – on equal and non-discriminatory basis towards other market players and for the needs of investment into network roll-out and provision of broadband Internet access in LTE technology – utilize the European Union funds, in particular reserved for Poland under the Digital Poland Operational Programme. Only a technological mix of LTE in mobile networks and fibre-optic technologies in fixed networks will allow for delivering the services which meet the requirements of the European Digital Agenda to all households on the country's territory, within the deadlines and on the terms which have been accepted by Poland.



### Latest events

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**Press release**  
**October 17, 2014**

#### **Telewizja Polsat buys Muzo.fm**

On October 17, 2014 Telewizja Polsat signed a preliminary agreement to purchase a 100% stake in the radio Muzo.fm for the price of PLN 4.3m. Polsat Group's integrated music project with wide distribution via TV, radio and internet is underway.

Muzo.fm, which will replace radio PiN on October 20, 2014, is a regional radio station available in 11 largest cities in Poland reaching ca. 5m listeners. It constitutes an new music project with a pop-rock profile created together with the Muzo.tv team. The radio will be managed by the director of Muzo.tv - Marcin Bisiorek.

The new radio will closely cooperate with the television channel Muzo.tv as well as the portal muzo.pl. Synergies are expected in the following areas:

- marketing of the 'Muzo' project,
- joint editorial,
- distribution of music content on all fields of exploitation.

*- The purchase of the radio and the multiplatform project 'Muzo' are in line with our strategy to be the leader on the entertainment market in Poland, implemented through the creation and distribution of the most attractive content. Now, our clients will have access to their favorite songs both at home and outside, on any chosen device – says Dominik Libicki, CEO at Cyfrowy Polsat.*

The new owner wants to achieve a 1% audience share within a year from the launch of the new station.

Biuro Reklamy Polsat Media is responsible for ad sales on Muzo.fm.

## Cyfrowy Polsat shares

Date	Maximum price (PLN)	Minimum price (PLN)	Closing price (PLN)	Change (%)	Trade value (PLN ths.)
13-10-2014	26.72	25.51	26.06	-0.38%	2 952
14-10-2014	27.11	25.96	26.73	2.57%	7 079
15-10-2014	27.00	26.35	26.55	-0.67%	5 244
16-10-2014	26.55	25.91	25.97	-2.18%	3 898
17-10-2014	26.55	25.95	26.18	0.81%	4 932



## 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