



New Cyfrowy Polsat Group KPI and financial results reporting

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Introduction

What will change?



- In connection with the consolidation of the results of the newly-acquired Metelem Holding Company Limited Group, indirectly controlling Polkomtel Sp. z o.o., started on 7 May 2014, along with the publication of results for the 1st half of 2014 (planned on 28 August), the Company decided to adjust the method of presentation of certain operational and financial data to the new structure and the mode of operations our group
- Main changes include:
 - Layout and scope of the presented operating indicators („KPI”)
 - Method of presentation of revenue and operating costs
 - Possible presentation through two business segments, the first one presenting the specifics of provision of services to individual and business customers and the second one presenting the data in the area television broadcasting and production

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KPIs of the new Group

Reporting based on customers and number of active revenue generating services („RGU” – Revenue Generating Units)

- Customer understood as a natural person or a business entity
- RGU replaces the to-dated reported contracts/subscribers/SIM cards and covers main services and products of the group – mobile telephony, pay TV, Internet
- Presentation of only those RGU which were active and generated revenue in the reporting period

Contract services

- Presentation of the number of RGUs
- Presentation of the number of customers
- ARPU per customer (including interconnect revenue)
- Churn per customer
- RGU saturation per customer

Prepaid services

- Presentation of the number of RGUs
- Consideration to switch to the European standard of prepaid telecommunication services reporting
- ARPU per total prepaid RGU (including interconnect revenue)

Term	Definition
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
Customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model .
Contract ARPU	Average monthly revenue per Customer generated in a given settlement period (including interconnect revenue)
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue)
Churn	<p>Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model.</p> <p>Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.</p>

Term	Definition
Usage definition (90-day for prepaid RGU)	<p data-bbox="577 416 1957 533">Number of reported RGUs of prepaid services under the mobile telephony and Internet Access means the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days.</p> <p data-bbox="577 587 1957 703">In practice this means that within the last 90 days a given card had to be inserted to a phone or another device which was active and was able to make or receive call, message, data transmission session. 90-day usage definition thus eliminates inactive cards.</p> <p data-bbox="577 756 1957 874">Based on the aforementioned definition each year UKE collects data of the mobile operators in Poland in order for the European Commission to prepare a comparison of actual penetration of mobile telecommunication services in the EU countries (the so-called Digital Agenda report).</p>

KPI structure of the new Group



	Company	Additional information
CONTRACT SERVICES		
Total number of RGUs, including:	CP, PLK	
Pay TV, including:	CP	CP: DTH, Mobile TV (DVB-T), paid additional IPLA packages
Multiroom	CP	
Mobile telephony	CP, PLK	CP: MVNO PLK: mobile telephony
Internet	CP, PLK	CP: Mobile Internet Access PLK: Contract Mobile Internet Access
Number of customers	CP, PLK	CP: Individual customers and business entities PLK: Individual customers and business entities
ARPU per customer		
Churn per customer		
RGU saturation per one customer		
PREPAID SERVICES		
Total number of RGUs, including:	CP, PLK	
Pay TV	CP	CP: DTH, Mobile TV (DVB-T) and IPLA services
Mobile telephony	CP, PLK	PLK: based on 90-day usage definition – according to the European Commission standard
Internet	PLK	PLK: based on 90-day usage definition – according to the European Commission standard
ARPU per total prepaid RGU		
TELEVISION		
Audience share	TV Polsat	
Share in advertising market	TV Polsat	

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Changes to financial reporting

Changes in the presentation of the income statement



- Changes in the layout of revenue and operating costs are aimed at grouping of the previously reported categories within the new income statement and they have no impact on the previously reported total amounts of revenue and costs, EBITDA or net profit
- Revenue and operating costs of the new group will include:
 - Retail revenue from individual and business customers
 - Wholesale revenue
 - Revenue from the sale of equipment
 - Other revenue
 - Content costs
 - Depreciation, amortization, disposals and impairment
 - Technical and settlements with mobile network operators costs
 - Cost of equipment sold
 - Cost of debt collection services and bad debt allowance and receivables written off
 - Distribution, marketing, customer relation management and retention costs
 - Salaries and employee-related costs
 - Other costs

Operating revenue of Polsat Group



		New layout			
		Retail revenue from individual and business customers	Wholesale revenue	Sale of equipment	Other revenue
Old layout	Retail revenue	x	x		
	Advertising and sponsorship revenue		x		
	Revenue from cable and satellite operator fees		x		
	Sale of equipment			x	
	Other revenue		x		x

Operating costs of Polsat Group



New layout

Old layout

	Content costs	Distribution, marketing, customer relation management and retention costs	Depreciation, amortization, disposals and impairment	Technical and settlements with mobile operators costs	Salaries and employee-related costs	Cost of equipment sold	Cost of debt collection services and bad debt allowance and receivables written off	Other costs
Programming costs	X							
Distribution, marketing, customer relation management and retention costs		X						
Cost of internal and external TV production and amortization of sport rights	X							
Depreciation, amortization and impairment			X					
Salaries and employee-related costs					X			
Broadcasting and signal transmission costs				X				
Amortization of purchased film licenses	X							
Cost of equipment sold						X		
Cost of settlements with mobile network operators and interconnection charges				X				
Cost of debt collection services and bad debt allowance and receivables written off							X	
Other costs				X				X

Operating revenue of Polkomtel Group



		New layout			
		Retail revenue from individual and business customers	Wholesale revenue	Sale of equipment	Other revenue
Old layout	Retail revenue	X			
	– Contract ARPU revenue	X			
	– Prepaid ARPU revenue	X			
	– Other retail revenue	X		X	X
	Wholesale revenue		X		
	– Interconnect revenue		X		
	– Other wholesale revenue		X		

Operating costs of Polkomtel Group



New layout

	Content costs	Distribution, marketing, customer relation management and retention costs	Depreciation, amortization, disposals and impairment	Technical and settlements with mobile operators costs	Salaries and employee-related costs	Cost of equipment sold	Cost of debt collection services and bad debt allowance and receivables written off	Other costs
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Old layout

Costs of goods sold	X					X		
Amortization and depreciation, disposals and impairment			X					
Materials and energy				X				X
Interconnect and roaming charges				X				
External services		X		X				X
Employee benefits					X			
Taxes and charges		X		X				X
Marketing costs and other overheads		X						X
Other operating expenses							X	X

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Q&A

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Appendix

Change of the presentation of the income statement of the to-date Cyfrowy Polsat Group



- Change of the layout of operating revenue involves mainly:
 - Presentation of the advertising and sponsorship revenue as well as revenue from cable and satellite operators fees jointly under the **wholesale revenue**
 - In the new presentation, the **wholesale revenue** also contains transmission services revenue and sales of licenses, sublicenses and property rights (so far presented under „Other revenue”)
- Change of the layout of operating costs involves mainly:
 - **Content costs** – including programming cost, cost of internal and external TV production and amortization of sport rights and amortization of purchased film licenses
 - **Technical and settlements with mobile network operators costs** – including broadcasting and signal transmission costs, cost of settlements with mobile network operators and interconnection charges, infrastructure rental costs and IT maintenance costs, so far presented under „Other costs”

Change of the presentation of the income statement of the to-date Polkomtel Group



- Change of the layout of operating revenue involves mainly:
 - Separating **sale of equipment revenue**
 - Moving **contract cancellation charges** (so far „Other operating income”) to **operating revenue**
 - Basic division into retail and wholesale operations remains unchanged

- Change of the layout of operating costs involves mainly:
 - Adjusting the layout of the operating costs to the method of presentation of the Cyfrowy Polsat Capital Group
 - Aggregating network and telecommunication traffic maintenance and support costs within the **technical and settlements with mobile network operators costs** category
 - Aggregating **distribution, marketing, customer relation management and retention costs**

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