PLAY COMMUNICATIONS S.A. Q2 and H1 2018 results

Press release

August 13, 2018

Play consolidates its position as #1 mobile operator in Poland with continued growth in revenue and customer base - Net Profit increases by 513% YoY and Free Cash Flow to Equity[1] reaches PLN 422m for H1 2018

In the second quarter of 2018 Play strengthened its #1 position in Polish market. Its contract customer base grew by +8.6% YoY, to 9.7m customers. Play continued enriching its value-added customer services (Play 360º, TV and VOD offer). Play grew its operating revenue for the three months ending on June 30, 2018 to PLN 1,688m (+3.6% YoY) which was largely driven by the firm increase of service revenue (+4.2% YoY). Net profit for H1 2018 increased by 513% to PLN 353m. Play's remarkable operational performance in combination with solid cash management translated into high free cash flow to equity generation, at the level of PLN 422m for H1'18. In Q2 2018 Play continued expanding its network footprint in line with the plan, by adding new sites, since Q2 2017 in total 805 new sites. The company has decided to upgrade its EOY roll-out target to ~7,000 sites, vs 6,750 initially.

Solid Financial Performance in Q2 and H1 2018:

- **Continued growth of operating revenue to the level of PLN 3,325m in H1 2018 (+3.6% YoY)**

  Play achieved a 5.3% YoY growth in Service Revenues amounting to PLN 2,499m in H1 2018 and to PLN 1,264m (+4.2% YoY) in Q2 2018. In Q2 2018 the contract customer base increased by 8.6% YoY, as a result of the company's strong focus on achieving excellent customer service, more-for-more proposition and Play's sales network capabilities in upselling new products.

  During Q2 2018, marketing focused on the World Cup and other special promotions, which translated into growth of sales of goods revenue and other by 2.1% YoY basis. Play is now the leading operator in the Polish market in terms of handsets sale.

  Driven by the increase of service revenue, and handsets, the company's operating revenue grew by 3.6% YoY basis and 3.6% QoQ basis.

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[1] *post lease payments*

- **EBITDA grew by 27.1% YoY to PLN 1,074m in H1 2018**

  EBITDA for H1 2018 increased to PLN 1,074m (+27.1% YoY) as there were significantly lower general and admin costs compared to H1 2017, bearing refinancing and IPO-related costs.

  In H1 2018 adjusted EBITDA amounted to PLN 1,069m (down by 8.1% YoY). Revenue growth was offset by Transition Costs due to:

  (i) Full year of negative impact of Roam-Like-At-Home – to be partially offset in the future due to the mitigating measures which have been already taken (e.g. surcharges, renegotiation of agreements, etc.)
  (ii) National roaming costs – peak expected this year (partially resulting from national roaming contract signed with Orange in July 2017) – these costs are expected to decrease over time as we are rolling out our own network.
  (iii) Start-up costs (e.g. „new" TV) and higher opex resulting from nationwide network rollout (we will build over 1,000 sites)

  Without the impact of the items described above, we estimated our pro forma adj. EBITDA for H1 2018 at the level of PLN 1,186 (+2.0% YoY).

- **Strong FCFE[2] in H1 2018**

  In H1 2018 we generated PLN 422m of free cash flow to equity (post lease payments), +115.7% YoY. The high level of FCFE was driven by working capital management, lower cash interest (positively impacted by refinancing performed in Q1 2017) and lower cash taxes.

- **Remarkable net profit amounting to PLN 353m in H1 2018 (+512.9% YoY) and EPS amounting to PLN 1.39 in H1 2018 (+505.2% YoY)**

  Net income for H1 2018 was significantly higher and amounted to PLN 353m (+512.9% YoY). The reasons are higher EBITDA amounting to PLN 1,074m (H1 2018, +27.1% YoY) supported by lower financial costs and partially offset by higher income tax charge. Hence, the EPS reached high level of PLN 1.39, higher by 505.2% YoY.

- **Accelerated nationwide network roll-out 95.7% coverage of population and 94.4% of data traffic on Play's own network. Cash capex amounted to PLN 308m for H1 2018**

  In Q2 2018 Play continued to expand its network footprint in line with the plan, by adding 805 sites since Q2 2017. The company's focus remains on achieving close to 7,000 sites by FY 2018, thus offering the best customer experience and removing mid-term the national roaming costs. In July 2018, the company signed an agreement with a second vendor, Ericsson, to support its faster network roll-out and to allow the implementation of 4G and 5G system evolution projects in the mid-term.

[2] *The measures presented are not comparable to similarly titled measures used by other companies. Free cash flow to equity (post lease payments) does not reflect all past expenses and cash outflows as well as does not reflect the future cash requirements necessary to pay significant interest expense, income taxes, or the future cash requirements necessary to service interest or principal payments, on our debts. We encourage you to review our financial information in its entirety and not rely on a single financial measure. See in Report "Presentation of Financial Information—Non-IFRS Measures" for an explanation of certain limitations to the use of these measures*

Cash capex is expected to reach up to PLN 800m. We expect a significant reduction of national roaming costs from EOY 2020: target is to reduce national roaming costs by at least 75% in 2021.

Strong Commercial Performance in Q2 2018:

- **The share of contract subscribers increased to 64.6%, by +2.9pp YoY and contract net adds amounted to 121k in Q2 2018**

  Increasing contract base is in line with our more-for-more proposition for contract customers (active contract base increased to 8.8m which states for +6.0% YoY; reported contract base increased to 9.7m which states for +8.6% YoY). Additionally, in Q2 2018 the company continued experiencing positive contract MNP balance.

- **Blended ARPU increased, by 1.9%, to PLN 32.4[3] versus Q1 2018 (+0.4% increase Q2 2017) and contract churn remained stable at the level of 0.8%[4]**

  The additions of new subscribers through Play's attractive offers was highly successful with the lowest level on the market of contract churn. Blended ARPU growth is supported by +10% SIMs bundling increase: with 53% of SIMs in bundles, Play is the clear market leader for Family offers.

- **Marketing activities**

  In June 2018, Play became the #1 brand in Polish telecoms (top of mind brand awareness), according to a Brand Image Tracking survey conducted by Smartscope.

  In Q2 the company launched new products such as Play 360°, a set of value added services for a competitive price and promoted the new TV and VOD offers. TV content was enriched by adding Eleven 4, Zoom and Stopklatka TV and continued promoting the services launched in Q1 2018 such as Netbox.

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[3] *presented for active subscribers on an average monthly basis; for detail definition please refer to the Report*
[4] *presented for reported subscribers on an average monthly basis; for detail definition please refer to the Report*

Guidance 2018:

- Operating revenue: 2 – 3% growth, driven by service revenue growth
- Adjusted EBITDA is expected to be at the level of PLN 2.1 – 2.2bn, impacted by Transition Costs (in H1 2018 amounted to PLN 117m)
- Cash capex is expected to amount up to PLN 800m, including financing for accelerated network roll-out and upgrading FY 2018 target from 6,750 to ~7,000 sites
- FCFE (post lease payments) is expected at the level of PLN 750 – 800m.

Distribution to shareholders and deleveraging: between 40 – 50% of FCFE (post lease payments), net debt/adj. EBITDA in mid-term 2.5x. Modified distribution policy to support:

- Financing further accelerated network roll-out: upgraded target to ~7,000 sites EOY 2018 and ~9,000 sites EOY 2020
- Faster deleveraging down to a Net Debt/Adj. EBITDA ratio of 2.5x; we expect to revert to distribution policy of 65 – 75% of FCFE (post lease payments) thereafter.

Chief Executive Officer of Play (P4 Sp. z o.o.) Jean Marc Harion's comment on Q2 2018 performance:

"*As I joined Play at the beginning of July 2018, I have the pleasure to present results for H1 2018 on behalf of my predecessor, Jorgen Bang-Jensen, whom I want to thank on behalf of our shareholders for having led successfully the company for the last 9 years. During my first month at the company, I have been very impressed by the creativity of the team and the company's entrepreneurial spirit. Play is a market leader with a challenger spirit. I'm excited to lead Play to its next level of growth: we all feel energized by the opportunities that lie ahead. I firmly believe that Play has all the tools to win in the market and drive long-term shareholder value.*

We are very pleased with our H1 and Q2 2018 operational progress, EBITDA and cash performance. Whilst being the #1 mobile operator in the Polish market, we continue outperforming the market in customer contract base growth, enriching our commercial proposition with exciting new services and delivering strong free cash flow growth.

This is an important transition period for Play as we focus our attention and our investments on the roll out of our own network, which will be the most technologically advanced and cost-efficient network in Poland. The accelerated expansion of our network is crucial for Play to keep providing the best value proposition for our customers when supporting their fast-growing mobile data consumption. In this regard we consider as very promising that recent speed tests ranked Play's own network as the second fastest mobile internet network in Poland. Our network roll-out is progressing according to our new plan and should be complete by 2020, enabling us to significantly reduce national roaming costs thereafter.

We are proud to have become the #1 telecom brand in Poland. We keep being very active in the market, enlarging our portfolio of services for individuals, families and businesses. In H1 2018, we launched our new prepaid family tariffs, driving the penetration of our mobile bundles. We launched the successful set of Play 360° services and consolidated our leadership in handset sales. We provide fast wireless internet to households and small businesses via our Netbox proposition, we are constantly enriching our TV services with new content and we will launch an exciting new TV offer for home in Q4 this year.

In this transition year, our H1 2018 results have been strong and continue the successful performance of the previous years. Our contract customer base increased to 64.6% of our total base, which shows the continued loyalty of our customers to the Play brand. Moreover, we generated high net income amounting to PLN 353m which is more than 6 times higher than in H1 2017, despite the negative impact of Roam-Like-At-Home and higher national roaming cost. Finally, in H1 2018, we generated a free cash flow to equity at the impressive level of PLN 422m, 115.7% higher than last year.

We look to the future with confidence and I look forward to sharing more about our progress and my plans for Play at next quarterly results."

Jean-Marc Harion

Results of PLAY for Q2 and H1 2018:

mPLN	Three-month ended June 30, 2017	Three-month ended June 30, 2018	Change (%)	Six-month ended June 30, 2017	Six-month ended June 30, 2018	Change (%)
Operating revenue	**1,628.7**	**1,688.1**	**3.6%**	**3,209.5**	**3,325.4**	**3.6%**
Contribution margin	801.2	765.9	(4.4%)	1,557.7	1,492.5	(4.2%)
EBITDA[3]	**340.8**	**563.5**	**65.4%**	**844.6**	**1,073.7**	**27.1%**
EBITDA margin	*20.9%*	*33.4%*	*12.5pp*	*26.3%*	*32.3%*	*6.0pp*
Adjusted EBITDA[4]	**598.7**	**550.1**	**(8.1%)**	**1,163.0**	**1,068.5**	**(8.1%)**
Adjusted EBITDA margin	*36.8%*	*32.6%*	*(4.2) pp*	*36.2%*	*32.1%*	*(4.1) pp*
Net income	**39.0**	**199.7**	**411.5%**	**57.5**	**352.6**	**512.9%**
Cash capex[5]	150.0	126.5	(15.7%)	360.5	307.8	(14.6%)
Free cash flow to equity (post lease payments)	**335.6**	**305.3**	**(9.0%)**	**195.8**	**422.3**	**115.7%**

	Three-month ended June 30, 2017	Three-month ended June 30, 2018	Change (%)	Six-month ended June 30, 2017	Six-month ended June 30, 2018	Change (%)
Reported subscribers (thousands)	**14,484.4**	**15,034.6**	**3.8%**	**14,484.4**	**15,034.6**	**3.8%**
Contract	8,942.2	9,710.7	8.6%	8,942.2	9,710.7	8.6%
Prepaid	5,542.2	5,323.9	(3.9%)	5,542.2	5,323.9	(3.9%)
Share of contract subscribers (%)	61.7%	64.6%	2.9pp	61.7%	64.6%	2.9%
Share of prepaid subscribers (%)	38.3%	35.4%	(2.9) pp	38.3%	35.4%	(2.9%)
Net additions (thousands)	**142.0**	**(141.0)**	**199.3%**	**69.8**	**(185.1)**	**365.1%**
Contract	260.1	120.8	(53.5%)	575.8	280.3	(51.3%)
Prepaid	(118.0)	(261.8)	121.8%	(505.9)	(465.5)	8.0%
Churn (%)[1]	**2.1%**	**2.4%**	**0.2pp**	**2.6%**	**2.3%**	**(0.3) pp**
Contract	0.7%	0.8%	0.1 pp	0.7%	0.8%	0.1 pp
Prepaid	4.4%	5.2%	0.7pp	5.6%	4.8%	(0.8) pp
ARPU (PLN)[2]	**32.3**	**32.4**	**0.4%**	**31.6**	**32.1**	**1.5%**
Contract	38.5	37.7	(2.3%)	38.4	37.6	(2.1%)
Prepaid	18.7	19.8	5.6%	17.5	19.1	9.4%
Data usage per subscriber (MB)[2]	**3,909.0**	**5,128.9**	**31.2%**	**3,755.8**	**5,094.3**	**35.6%**
Contract	4,746.4	6,097.9	28.5%	4,577.0	6,110.3	33.5%
Prepaid	2,094.9	2,786.4	33.0%	2,025.7	2,672.5	31.9%

[1] presented for reported subscribers on an average monthly basis; for detail definition please refer to the Report; [2] presented for active subscribers on average monthly basis over the period Q2 2018; for detail definition please refer to the Report; [3] includes one-off costs related to Initial Public Offering and Refinancing transaction; [4] The measures presented are not comparable to similarly titled measures used by other companies. Free cash flow to equity (post lease payments) does not reflect all past expenses and cash outflows as well as does not reflect the future cash requirements necessary to pay significant interest expense, income taxes, or the future cash requirements necessary to service interest or principal payments, on our debts. We encourage you to review our financial information in its entirety and not rely on a single financial measure; [5] Excl. cash outflows in relation to frequency reservation acquisition; See in Report "Presentation of Financial Information—Non-IFRS Measures" for an explanation of certain limitations to the use of these measures

<u>About Play Group:</u>

Play Communications S.A. is the holding company for Play Group. Its operating subsidiary is P4 Sp. z o.o. operating the brand Play. Play is a consumer-focused mobile network operator in Poland with over 15.0m subscribers as of June 30, 2018. Play provides mobile voice, messaging, data offerings and video services and services to consumers and businesses (in particular to small office/home office subscribers and small/medium enterprises) on a contract and prepaid basis under our umbrella brand "PLAY". Play provides these services, available to 99% of the population, via an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network complemented by long-term national roaming/network sharing agreements with the other three major Polish mobile network operators. For more information, visit www.playcommunications.com and www.play.pl.

<u>Cautionary Statement:</u>

The figures included in this press release are unaudited.

This press release contains forward-looking statements. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties relating to Play Communications S.A.'s and its subsidiaries (together the "Group") operations and business environment, all of which are difficult to predict and many are beyond the Group's control. Forward-looking statements include information concerning the Group's possible or assumed future results of operations, including descriptions of its business strategy. These statements often include words such as "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible" or similar expressions. The forward-looking statements contained in this press release are based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. You should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although the Group believes that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect its actual financial results or results of operations and could cause actual results to differ materially from those in these forward-looking statements. For additional information on the factors that could affect the Group's forward-looking statements, see the Group's risk factors, as they may be amended from time to time, set forth in the Prospectus published on www.playcommunications.com. The Group disclaims and does not undertake any obligation to update or revise any forward-looking statement in this press release, except as required by applicable law or regulation.

Financial data included in this press release are presented in zloty rounded to the nearest millions. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

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