

**PLAY COMMUNICATIONS S.A. Q1 2018 results**

Press release

May 14, 2018

**CONTINUED EXPANSION OF REVENUES AND SIGNIFICANT INCREASE OF NET INCOME WITH HIGHER GENERATION OF FREE CASH FLOW TO EQUITY<sup>1</sup>**

In the first quarter of 2018, we generated strong net income amounting to PLN 153m, which represents significant increase versus first quarter of 2017. By continuing to deliver high value for the customers and executing of our strategy, we maintained our subscriber base at the level of 15.2m QoQ. We continued the growth of operating revenue for three months ended on March 31, 2018 to PLN 1,637m (+3.6% vs Q1'17) which was mainly driven by the firm increase of service revenue (+6.4% YoY). Despite the negative impact of Roam-Like-At-Home, which translated into the lower Adjusted EBITDA, the Group generated significantly higher net income and EPS versus Q1'17. The satisfactory operational performance in combination with cash interest, cash taxes and solid cash management translated into high free cash flow to equity<sup>1</sup> generation, at the level of PLN 117m (versus negative amount in Q1'17).

**Q1 2018 Highlights:**

**I. Continued commercial success:**

- **Subscribers base** amounted to 15.2 million, while share of contract subscribers increased to **63.2%**, from 60.5% as of end of March 31, 2017
- **Contract net adds amounted to 160k** in Q1'18
- **Blended ARPU slightly decreased, by 1.4%, to PLN 31.8<sup>2</sup>** versus Q4'17 and increased by 2.6% versus Q1'17
- **Contract churn remained stable at the level of 0.8%<sup>3</sup>**
- Further roll-out of 4G LTE network increased coverage of population to **93.8%** (+1.5pp YoY) and 4G LTE Ultra network increased coverage of population to **82.6%** (+3.2pp YoY) as of March 31, 2018.

<sup>1</sup>post lease payments; FCFE amounted to negative PLN 140m in Q1 2017

<sup>2</sup>presented for active subscribers on an average monthly basis; for detail definition please refer to the Report

<sup>3</sup>presented for reported subscribers on an average monthly basis; for detail definition please refer to the Report

## II. Solid Financial Performance:

- **Growth of Operating Revenue to the level of PLN 1,637m** (+3.6% vs Q1'17) resulted from strong increase in contract subscribers base
- **Adjusted EBITDA amounted to PLN 518m** (-8.1% vs Q1'17) due to the negative impact of Roam-Like-At-Home and high cost of national roaming
- **The negative impact of RLAH**, calculated as change of international roaming revenue and international roaming costs amounted to **PLN 34.2m YoY**. The above translated into the decrease of **Adjusted EBITDA margin to 31.7%** (-4.0pp vs Q1'17)
- **Net income amounted to PLN 153m** (significant increase versus Q1'17) and EPS amounted to PLN 0.60 (significant increase versus Q1'17)
- Continuation of nationwide network roll-out - **Cash Capex<sup>4</sup> amounted to PLN 181m** which is in line with the plan
- **Adjusted EBITDA less Cash Capex<sup>3</sup> amounted to PLN 337m** (-4.7% vs Q1'17) and **Cash conversion** amounted to 65.0% (increase 2.3pp vs Q1'17)
- **FCFE (post lease payments)<sup>5</sup> increased significantly versus Q1'17 to PLN 117m (in Q1'17 it amounted negative PLN 140m)**
- **Leverage ratio remained at the level of 3.0x LTM Adjusted EBITDA** – high cash generation was offset by debt repayment.

<sup>4</sup> Excluding cash outflows in relation to frequency reservation acquisition

<sup>5</sup> 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

### Chief Executive Officer of P4 Sp. z o.o. comments on Q1 2018 performance:

*“Operationally Q1’18 was a satisfactory quarter for Play. We noticed stabilization of ARPU from customers which along with the growth of contract subscribers base resulted in the increase of Service Revenue at the level of 6.4% YoY. Despite the negative impact of RLAH, we generated high net income amounting to PLN 153m (>>100% higher versus Q1’17). We successfully increased the share of contract customers in our base to 63.2% which is in line with our strong focus on value of customers base.*

*As we were highlighting before, we expect 2018 to be a transition year for Play, due to the: (1) negative impact of Roam-Like-At-Home (especially in 1H 2018) and (2) national network rollout impact. The increase of operating revenue (+3.6% YoY) was partially offset by costs listed above. Hence Adjusted EBITDA amounted to PLN 518m (drop by 8.1% YoY). Our firm results translated into significantly higher free cash flow to equity (post lease payments) versus Q1’17 (last year it amounted to negative PLN 140m), which amounted to PLN 117m. Net income and EPS significant increase versus Q1’17, respectively amounting to PLN 153m and PLN 0.60.*

*We have filed for sustainability and we received the positive response from UKE on January 15, 2018. In January 2018 we announced some modifications of new offerings which became effective at the beginning of March 2018. Based on the decision of the President of the Office of Electronic Communications PLAY changed the functioning of Roam-Like-At-Home offers for new post-paid, pre-paid and retained customers. We expect to partially offset the negative impact of RLAH in 2018. The negative impact of RLAH, calculated as change of international roaming revenue and international roaming costs amounted to PLN 34.2m in Q1’18.*

*As an execution of our upselling strategy we launched the insurance platform and we observe a very positive uptake of handsets insurance. Additionally in Q1’18, we launched an innovative prepaid offer with registration only via the Play24 app, which supports our digital strategy.”*

*Jørgen Bang-Jensen*

## Results of PLAY for Q1 2018:

	Three-month ended March 31,		Change (%)	Twelve-month ended March 31,		Change (%)
	2017	2018		2017	2018	
<b>Reported subscribers (thousands)</b>	<b>14,342.3</b>	<b>15,175.6</b>	<b>5.8%</b>	<b>14,342.3</b>	<b>15,175.6</b>	<b>5.8%</b>
Contract	8,682.1	9,589.9	10.5%	8,682.1	9,589.9	10.5%
Prepaid	5,660.2	5,585.7	(1.3%)	5,660.2	5,585.7	(1.3%)
Share of contract subscribers (%)	60.5%	63.2%	2.7%	60.5%	63.2%	2.7%
Share of prepaid subscribers (%)	39.5%	36.8%	(2.7%)	39.5%	36.8%	(2.7%)
<b>Net additions (thousands)</b>	<b>(72.2)</b>	<b>(44.2)</b>	<b>38.8%</b>	<b>(77.6)</b>	<b>833.2</b>	<b>&gt;&gt;100%</b>
Contract	315.7	159.5	(49.5%)	1,341.5	907.8	(32.3%)
Prepaid	(387.9)	(203.7)	47.5%	(1,419.1)	(74.5)	94.7%
<b>Churn (%)<sup>1</sup></b>	<b>3.1%</b>	<b>2.1%</b>	<b>(0.9) pp</b>	<b>3.3%</b>	<b>1.9%</b>	<b>(1.4) pp</b>
Contract	0.7%	0.8%	0.1 pp	0.7%	0.8%	0.1 pp
Prepaid	6.7%	4.5%	(2.3) pp	6.6%	3.7%	(2.9) pp
<b>ARPU (PLN)<sup>2</sup></b>	<b>31.0</b>	<b>31.8</b>	<b>2.6%</b>	<b>31.5</b>	<b>32.2</b>	<b>2.1%</b>
Contract	38.2	37.5	(1.8%)	38.9	38.2	(1.8%)
Prepaid	16.3	18.5	13.5%	17.3	18.8	8.2%
<b>Data usage per subscriber (MB)<sup>2</sup></b>	<b>3,602.3</b>	<b>5,059.5</b>	<b>40.5%</b>	<b>3,057.9</b>	<b>4,481.5</b>	<b>46.6%</b>
Contract	4,404.2	6,122.9	39.0%	3,797.3	5,443.3	43.3%
Prepaid	1,958.9	2,560.4	30.7%	1,644.8	2,338.5	42.2%

mPLN	Three-month ended March 31,		Change (%)
	2017	2018	
<b>Operating revenue</b>	<b>1,580.8</b>	<b>1,637.3</b>	<b>3.6%</b>
Contribution margin	756.4	726.6	(3.9%)
<b>EBITDA<sup>3</sup></b>	<b>503.9</b>	<b>510.2</b>	<b>1.3%</b>
EBITDA margin	31.9%	31.2%	(0.7) pp
<b>Adjusted EBITDA<sup>4</sup></b>	<b>564.2</b>	<b>518.4</b>	<b>(8.1%)</b>
Adjusted EBITDA margin	35.7%	31.7%	(4.0) pp
Net income	18.5	152.9	>>100%
Cash capex <sup>5</sup>	210.5	181.3	(13.9%)
<b>Adjusted EBITDA less cash capex</b>	<b>353.7</b>	<b>337.1</b>	<b>(4.7%)</b>
Free cash flow to equity (post lease payments) <sup>6</sup>	(139.8)	117.0	(183.7%)

<sup>1</sup> presented for reported subscribers on an average monthly basis; for detail definition please refer to the Report; <sup>2</sup> presented for active subscribers on average monthly basis over the period Q1 2018; for detail definition please refer to the Report; <sup>3</sup> includes one-off costs related to Initial Public Offering and Refinancing transaction; <sup>4</sup> 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

**About Play Group:**

***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 15.2m subscribers as of March 31, 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](http://www.playcommunications.com) and [www.play.pl](http://www.play.pl).***

**Cautionary Statement:**

***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](http://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.***