



H1 2018 Results Investor Presentation

PLAY Communications, August 2018

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Agenda

Introduction

Jean-Marc Harion
CEO of Play
(P4 Sp. z o.o.)



My personal view about Play

What I like about Play

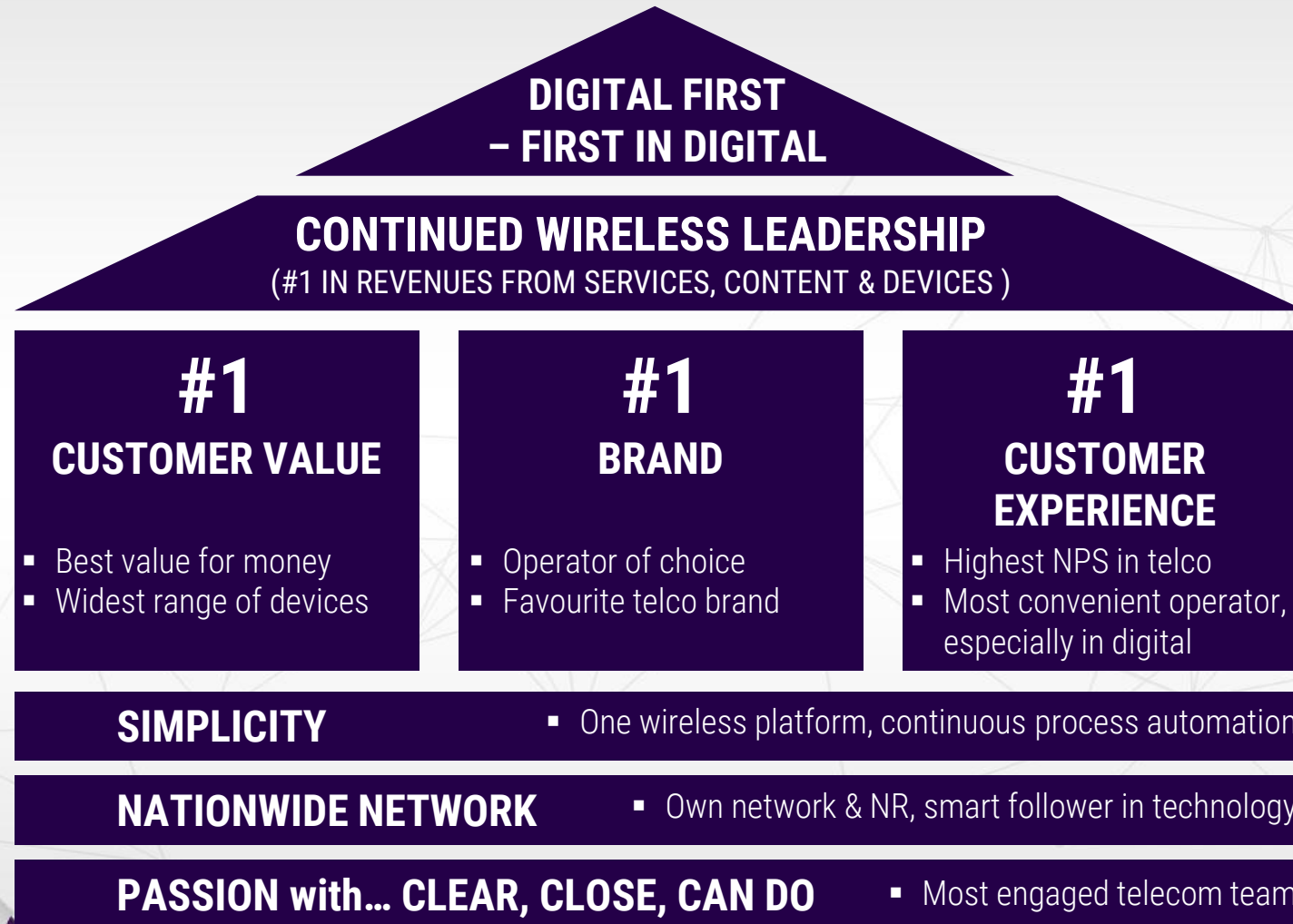
- Market leader with a challenger spirit, and the #1 telco brand in Poland
- Very smart, creative, responsive and successful team, with a strong entrepreneurial spirit
- Unique capacity to revisit our industry's main questions with out-of-the box
- Pioneer model, which has inspired many other success stories around the world

The questions that we in Play want to address differently from the competition

- How can we better serve our customers? Our mobile data network will support the fast mobile data consumption growth in Poland
- How can we better serve families and households? 1/2 of PLAY' SIMs are bundled and we will extend PLAY TV to the big screen in Q4
- Is it a problem not to be "convergent"? Not in Poland: very low Telco prices, fragmented fixed market and mobile Internet everywhere
- How can we maximize the value for our shareholders? We need to use company's cash to secure its future and remunerate shareholders

I will share our 2019-2021 plan for Play at our next quarterly results (Q3 2018)

PLAY continues delivering on its strategy



- #1 in customers base
- #1 in contract customers growth
- #1 in SIMs bundling
- #1 in service revenue
- #1 operator for handsets sales
- #1 in NPS
- #1 brand in telecoms
- 6,000+ own sites
- 2 million active Play24 App users
- #5 ISP¹ in Poland

¹ISP – Internet service provider; NR – National roaming; NPS – Net Promoter Score

Agenda

Business

Jean-Marc Harion
CEO of Play
(P4 Sp. z o.o.)



Key highlights – PLAY outperforms the market despite transition costs

Commercial Highlights

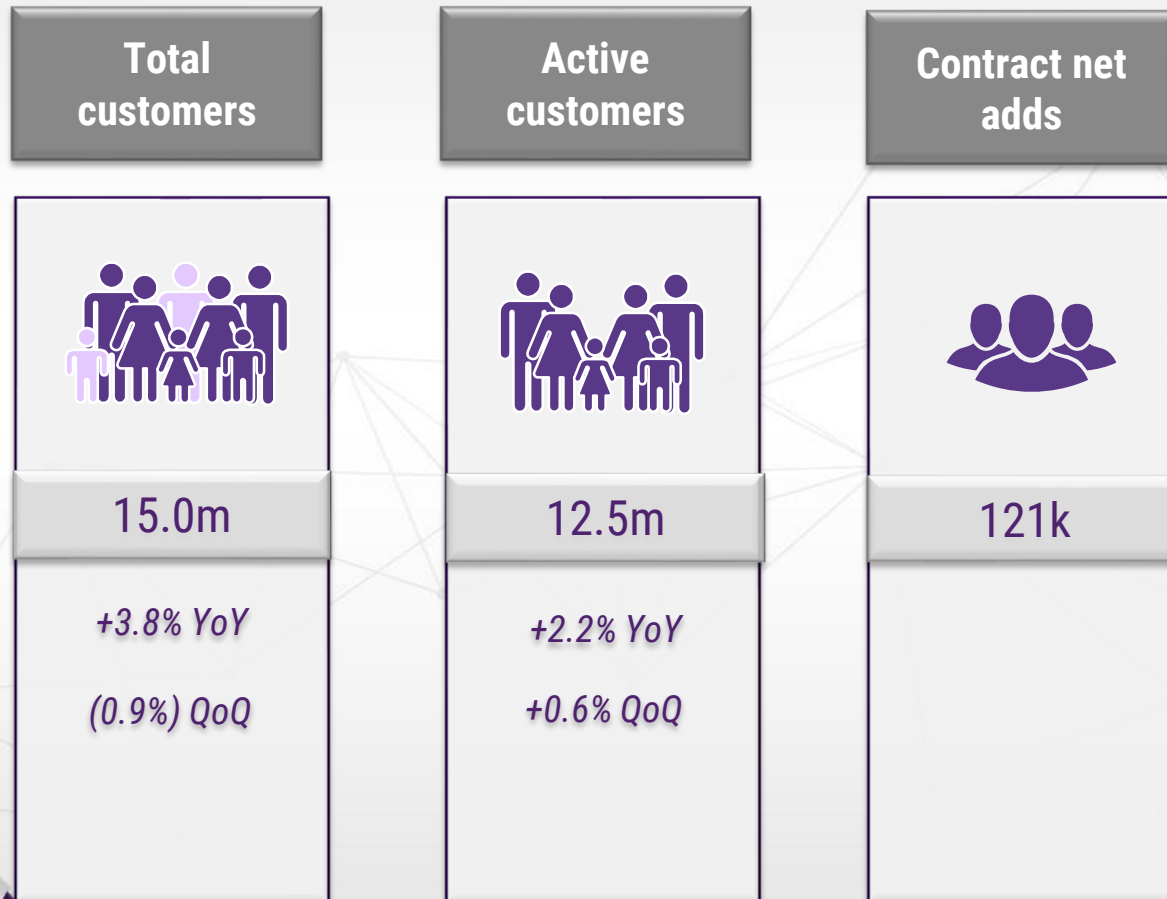
- 15m+ total reported customers, **12.5m** active customers (+80k in Q2'18)
- Successful launch of handset sales without service contract in Play shops (~50% handset sales in Poland are conducted through operator channels, where **PLAY is the leader**)
- 121k contract net adds in Q2'18, so our contract subscribers share is at **64.6% (+2.9 pp YoY)**
- Blended ARPU increased to PLN 32.4 in Q2'18, supported by SIM bundling increase

Financial Highlights

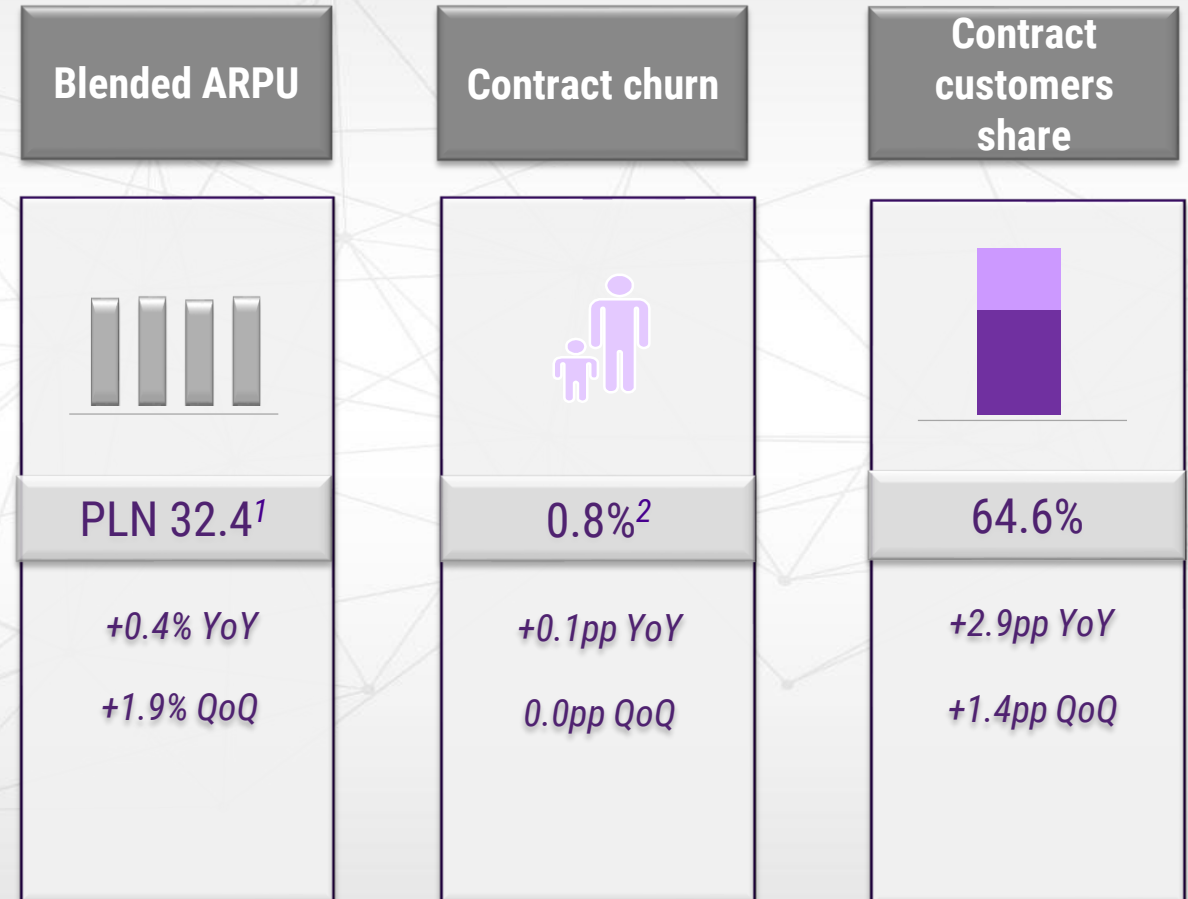
- In Q2'18 we recorded **increase of operating revenue by 3.6%** YoY due to the growth of:
 - (i) **service revenue by 4.2%**; and
 - (ii) **handsets sale by 2.1%**, due to intense marketing activities (BUY ONE GET ONE, 11 smartphones for the World Cup)
- Negative Roam-Like-At-Home impact amounted to PLN 32.8m in Q2 2018. Implemented sustainability charges in March 2018 and renegotiation of international roaming contracts should reduce the negative Roam-Like-At-Home impact partially over next quarters
- **Significant generation of net income in H1'18, amounting to PLN 353m** (6x higher versus H1'17) despite the negative Roam-Like-At-Home impact and higher national roaming costs, resulting in **significantly higher EPS in H1'18** (amounting to PLN 1.39)
- **Cash capex and nationwide network rollout was in line with plan** – 6,076 physical sites as of June 30, 2018
- **Strong FCFE generation for H1 2018 – PLN 422m (+115.7% YoY)**
- **2018 Transition costs** related to peaks in roaming costs and cash capex

Key highlights – continued commercial success

Subscriber base growth as of the end of Q2 2018



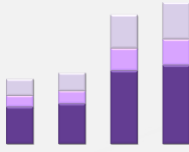



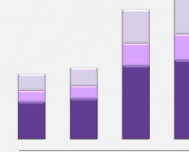



Quality of customers



¹ Presented for active subscribers on average monthly basis over the period of Q2 2018; for detailed definition please refer to the Report;

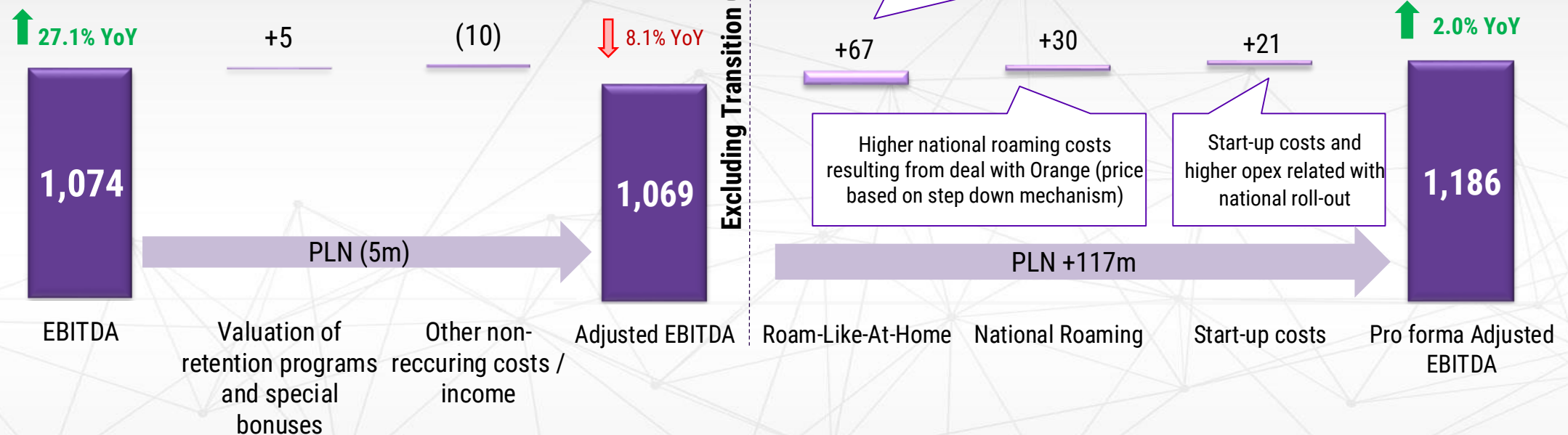
² Presented for reported subscribers on an average monthly basis; for detailed definition please refer to the Report

Key highlights – strong performance of FCFE and net profit

Q2 2018				H1 2018			
Operating Revenue	Adjusted EBITDA	Net profit	FCFE	Operating Revenue	Adjusted EBITDA	Net profit	FCFE
							
PLN 1,688m	PLN 550m	PLN 200m	PLN 305m	PLN 3,325m	PLN 1,069m	PLN 353m	PLN 422m
+3.6% YoY	(8.1%) YoY	+411.5% YoY	(9.0%) YoY	+3.6% YoY	(8.1%) YoY	+512.9% YoY	+115.7% YoY
Service revenue +4.2% YoY	Margin 32.6%			Service revenue +5.3% YoY	Margin 32.1%		

+27% EBITDA YoY and Adj. EBITDA impacted by Transition Costs

H1 2018 EBITDA bridge (PLNm)



1

- 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.)

2

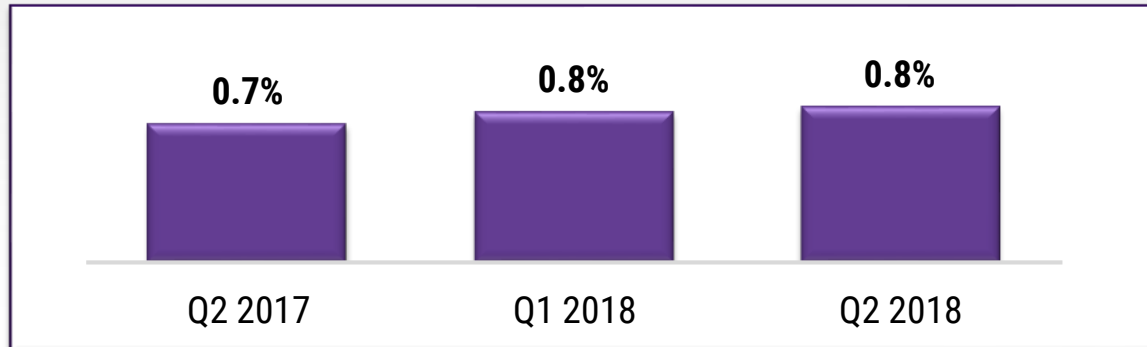
- National roaming costs – peak expected this year (partially resulting from national roaming contract signed with Orange in July 2017) – these costs are expected to **decrease over time** as we are rolling out our own network.

3

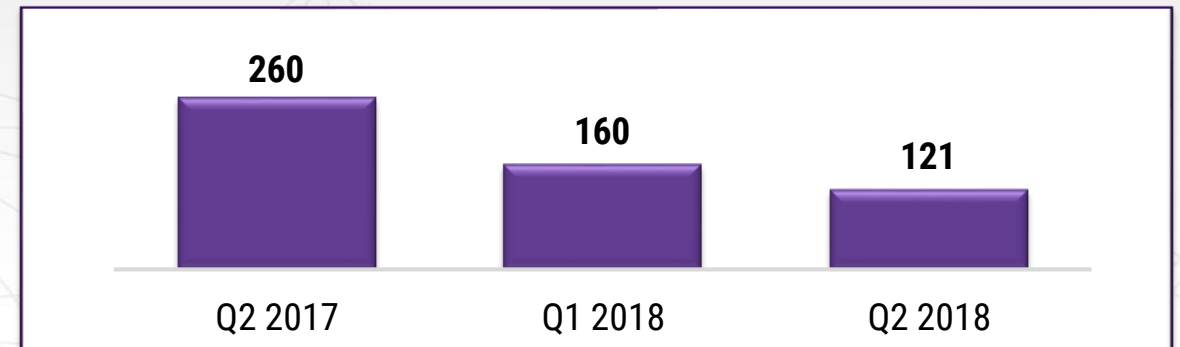
- Start-up costs (e.g. „new” TV) and higher opex resulting from nationwide network rollout (we will build over 1,000 sites)

Play consolidates its #1 position with contract customer growth

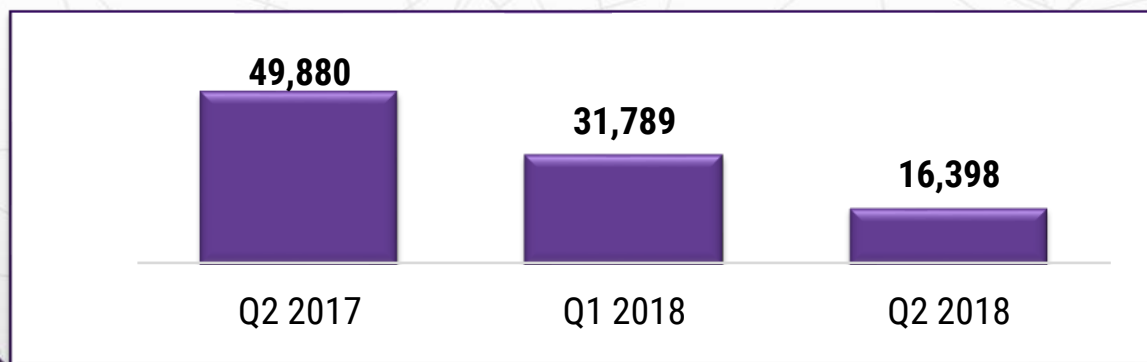
Contract churn¹ stable (%)



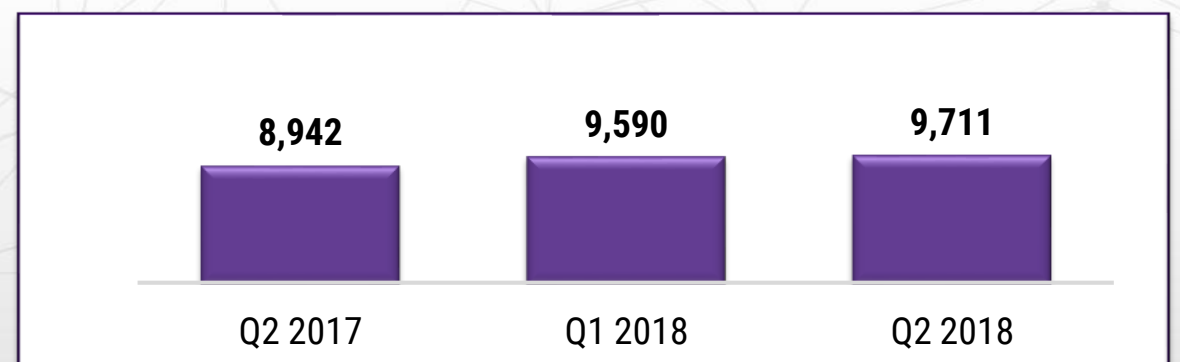
Positive contract net adds (k subs)



Positive contract MNP balance



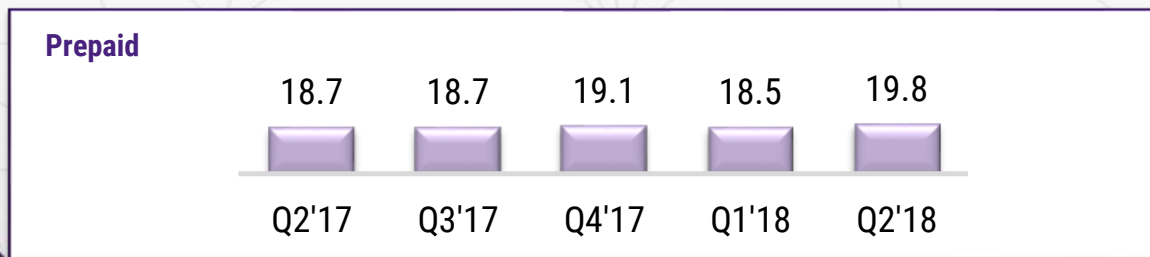
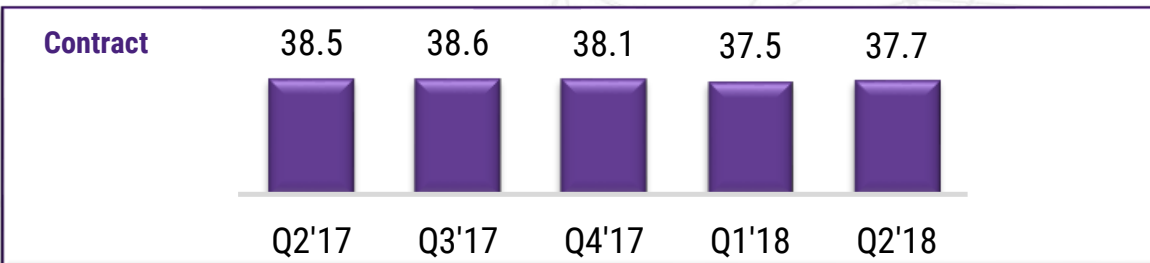
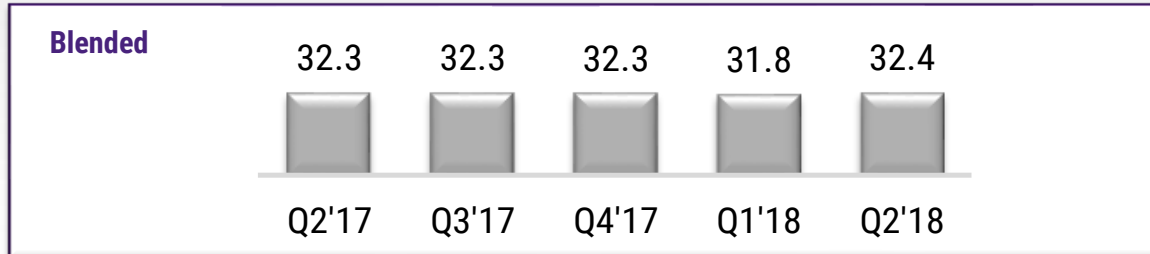
Contract customers base growing (k subs)



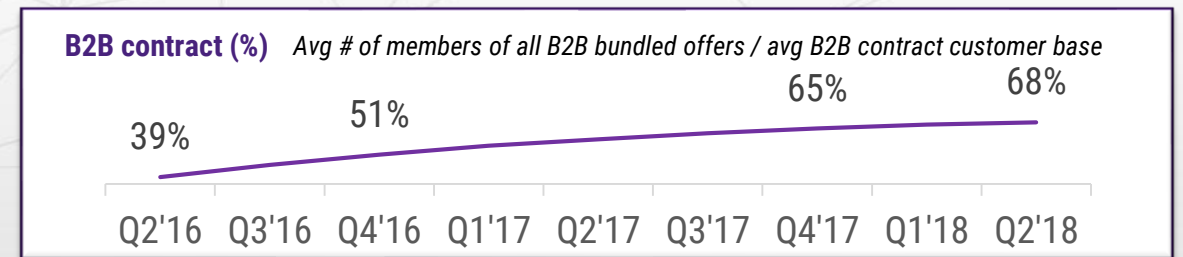
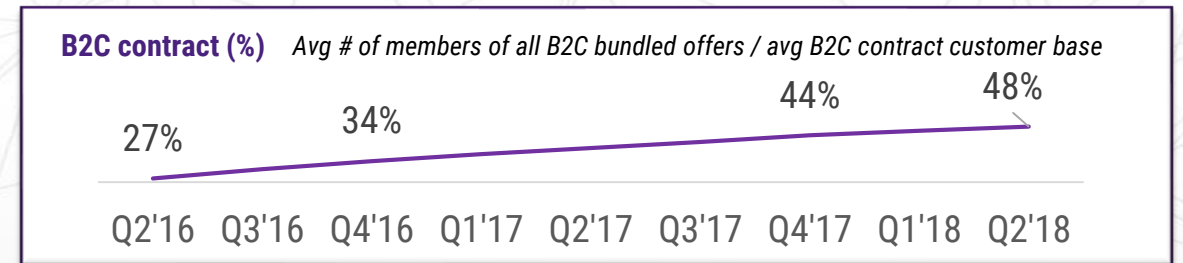
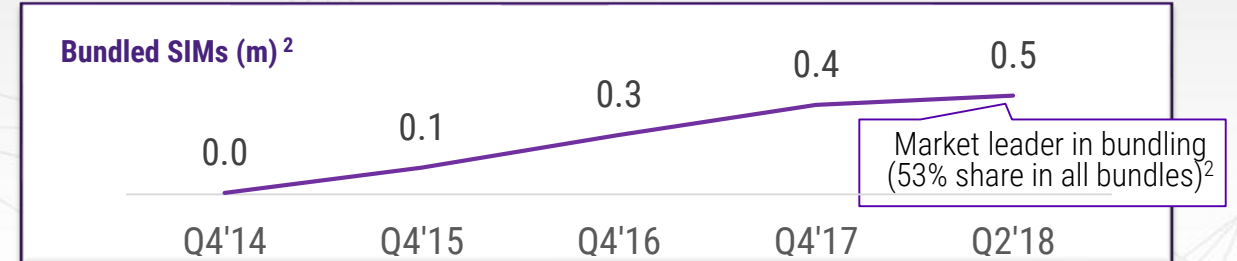
¹ Presented for reported subscribers on an average monthly basis, for detail definitions please refer to the Report

Blended ARPU growth supported by SIMs bundling increases

Blended ARPU¹ (PLN / month) growing YoY and QoQ



Bundled SIMs growing +10% YoY



¹ Presented for active subscribers on average monthly basis, for detail definitions please refer to the Report

² Bundled SIMs = SIMs activated or added to group offers (at least 2 SIMs in a group)

³ According to UKE 2017 Telecommunication Market Report

Source: PLAY, UKE

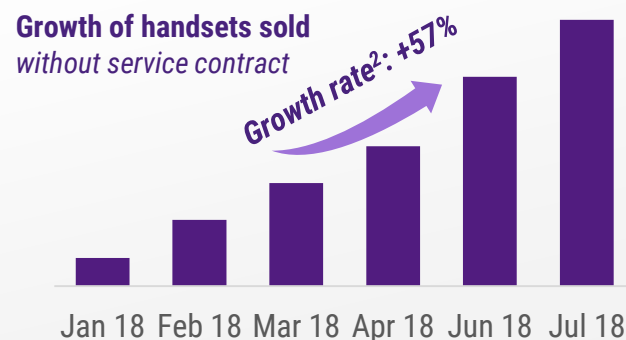
Play is the #1 handset retailer

PLAY is #1 operator in handset sales AND #1 retailer of handsets in Poland

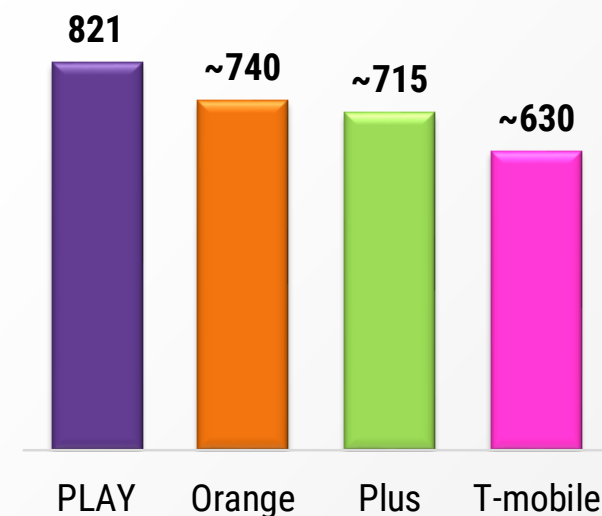
- In H1 2018, Play:
 - Sold close to 1m of handsets
 - Generated sales of goods revenue amounting to PLN 826m, with a 19% margin (+2.1% YoY in Q2)
- ~50% handset sales in Poland are conducted through operators channels (i.e. bundled with the telecommunication service contract), where Play is a leader
- The other ~50% is distributed among various open channels, mainly Consumer Electronic Stores
- Being the #1 retailer of handsets in Poland, we expect to win back sales shares from open channels

Play has started selling handsets without service contract in its shops

- Best value added services
- Exclusive models
- Installment sales of handsets without contract – implemented in Q2
- Cross-channel - the ability order any products online



Q1-2018 direct shops¹ vs. competitors



¹ Shops exclusively owned or controlled by a given operator

² Compound monthly growth rate

Source: PLAY

Play's network EOY target upgraded to ~7,000 sites

Network coverage

6,076 physical sites
(+129 sites vs 31/03/2018)
(+805 sites vs 30/06/2017)

**POPULATION
COVERAGE**
(as of June 30, 2018)

3G

95.7%
(+2.9pp vs Jun'17)

4G LTE

94.4%
(+1.7pp vs Jun'17)

4G LTE Ultra

83.0%
(+2.7pp vs Jun'17)

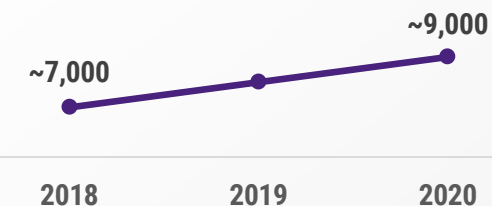
Total

(incl. national roaming)

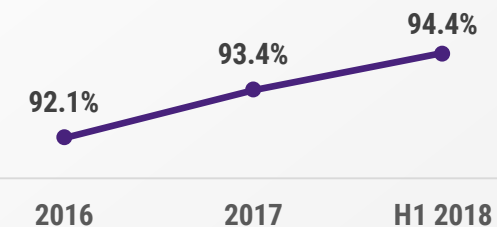
>99%

Network experience

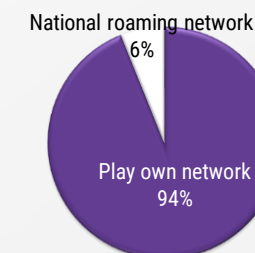
Target number of sites:



4G LTE coverage:



Split of total data traffic:





Play ambitions to be the lowest cost producer of GB in Poland

PLAY network specific roll out...

- Latest generation technology from 2 vendors
- High capacity transmission (E-band & fiber)
- AI-empowered network control & maintenance
- Lowest site ground footprint
- Highest towers, with original in-house design
- More network equipment per site.

Data-centric designed network

... will benefit PLAY's customers and investors

- Better spectrum optimization
- Better coverage and in-door penetration
- Higher network availability
- Low maintenance cost
- Lower capex
- Low rent and energy opex per site.

Lowest cost per GB in Poland



Play network's performance proven by independent speed tests

PLAY network ranked #2 in data speed...

#2

18.4 Mbps @ July 2018
Average download speed

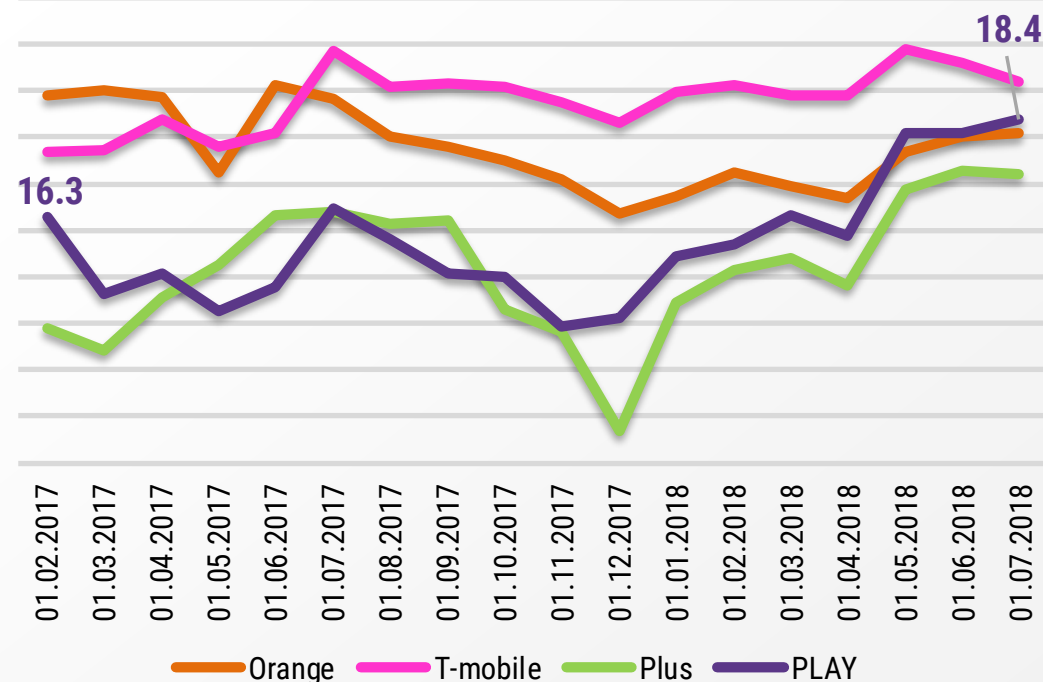
#3

16.3 Mbps @ Mar 2018
Average download speed

#4

15.1 Mbps @ Sep 2017
Average download speed

... and performance improving YoY



Note: measured on Play's own network (national roaming not included); The speed rating of mobile internet providers (ISPs) and locations is based on speed measurements made using speedtest.pl mobile applications
Source: Speedtest.pl

Agenda

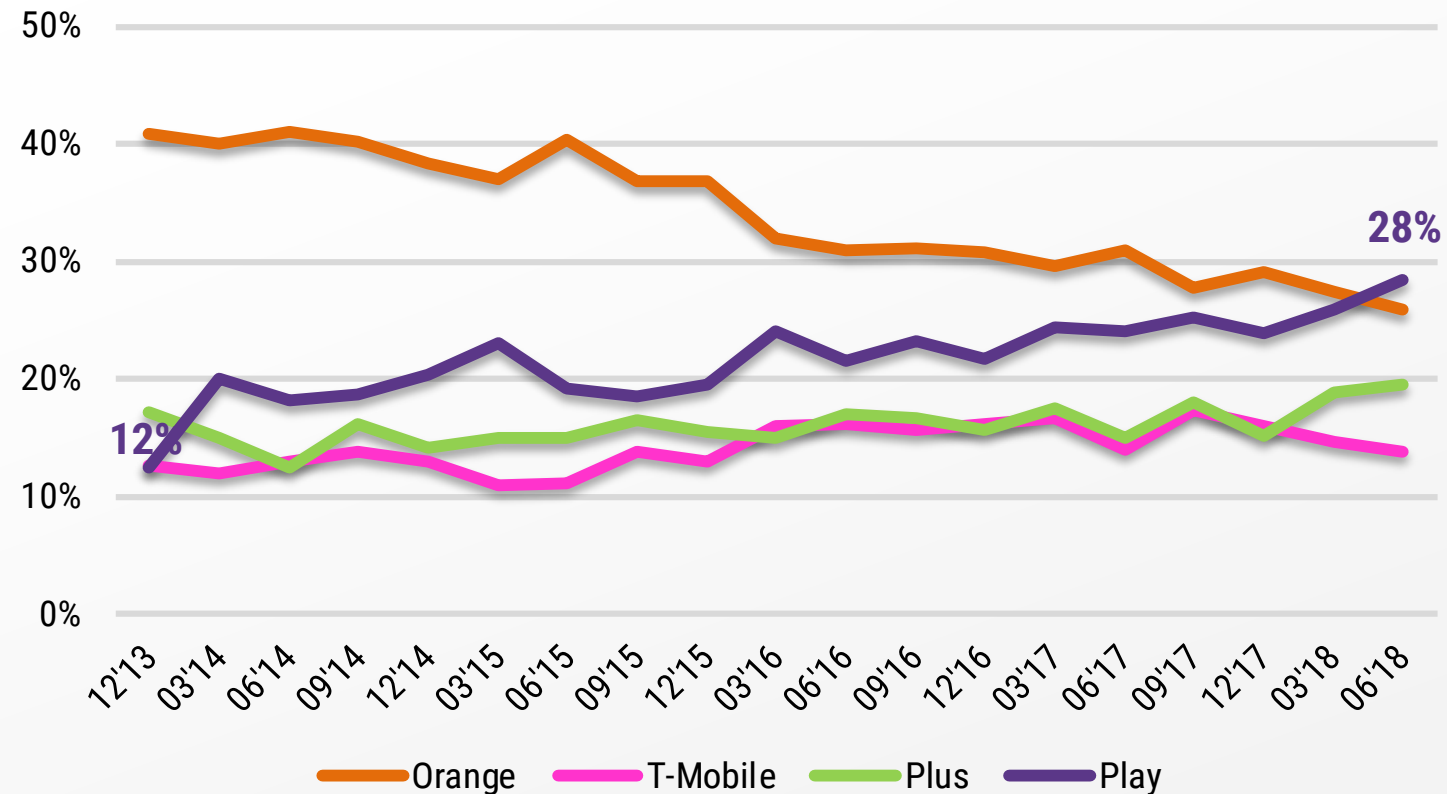
Strategy: progress update

*Jean-Marc Harion
CEO of Play
(P4 Sp. z o.o.)*



Play became the #1 brand in Polish telecoms in June 2018

Top of mind brand awareness – MAIN TELECOM BRANDS

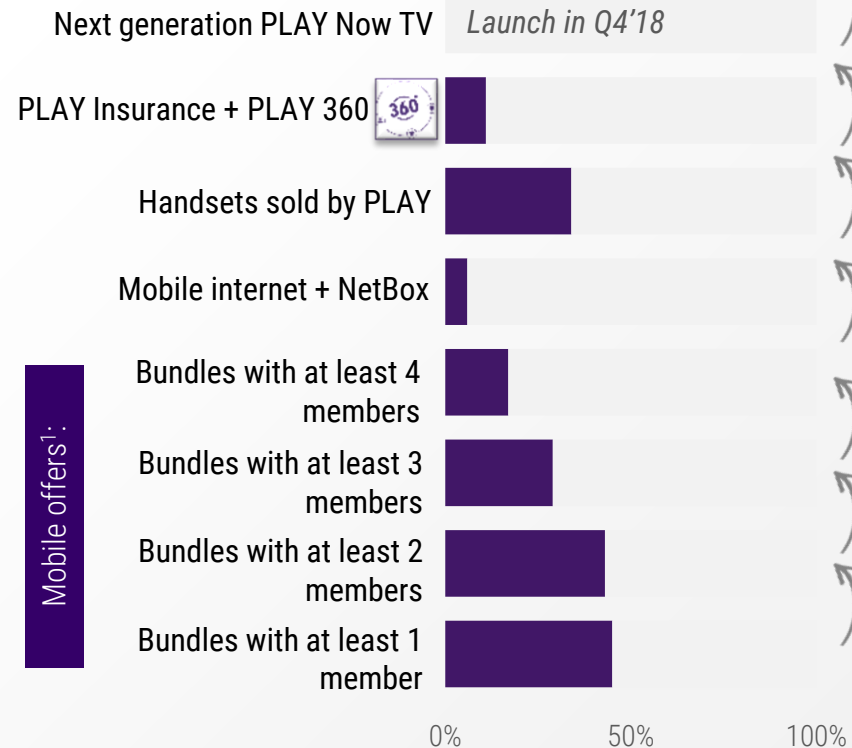


Sources: Smartscope / PLAY / Brand Image Tracking Q2 2018
Question: „Tell me, please, what mobile operators do you know, or just have heard about?”

Play continues developing its growth potential in mobile

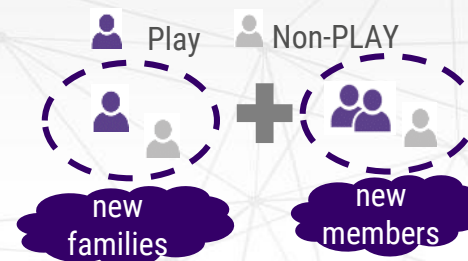
Potential in growing bundles and penetrating base

% of active SIM base (B2C + B2B postpaid)



From individuals to families

- Market leader in mobile bundles



From families to households

- Next generation **Play NOW TV**
- New home internet **PLAY Netbox**



2018 more-for-more offers

- Extension to big screen for **home entertainment services**



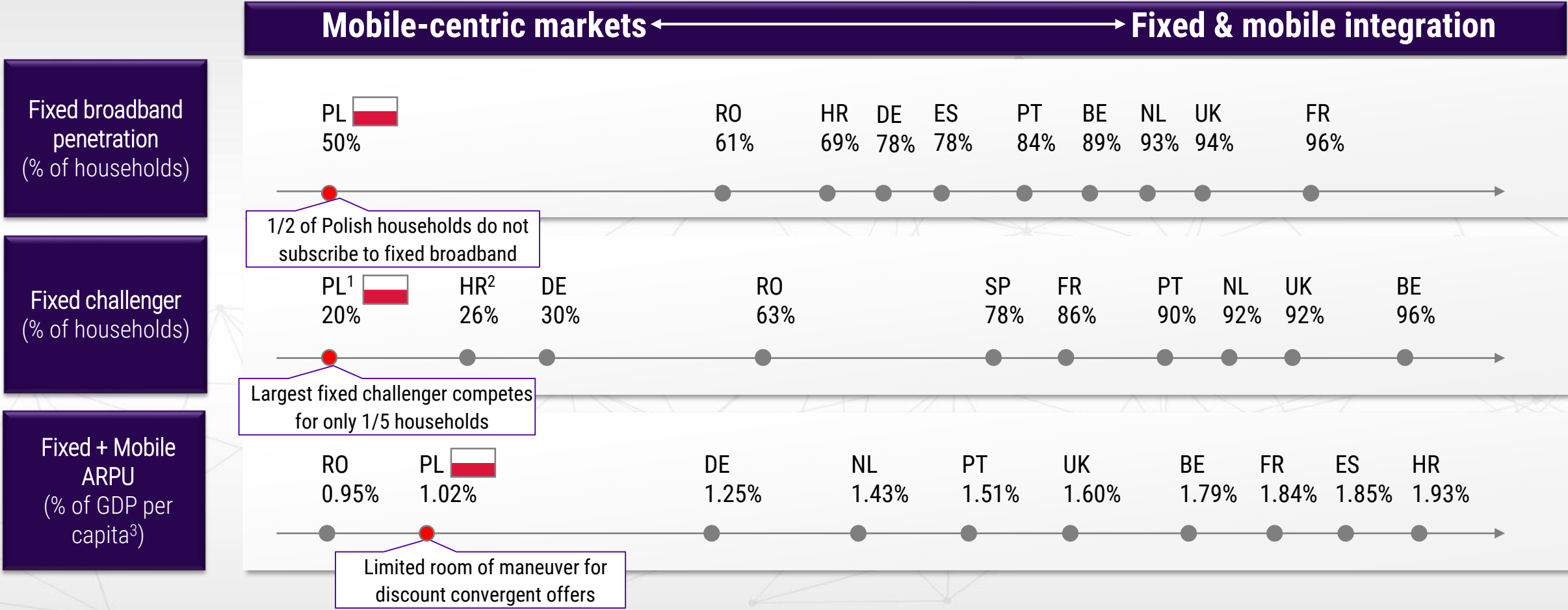
- TV Offer: **enrichment of content** (Eleven4, Zoom, StopklatkaTV)
- Launch of Netbox** with special data offer
- Prepaid Spring Promotion – data packages, Tidal & Showmax for free



- Recommended tariff includes unlimited data, TV channels (PLAY NOW), music (TIDAL) and VOD (Showmax)

¹ Number of SIMs in multi-SIM contracts e.g. Rodzina / Komfort
Source: PLAY

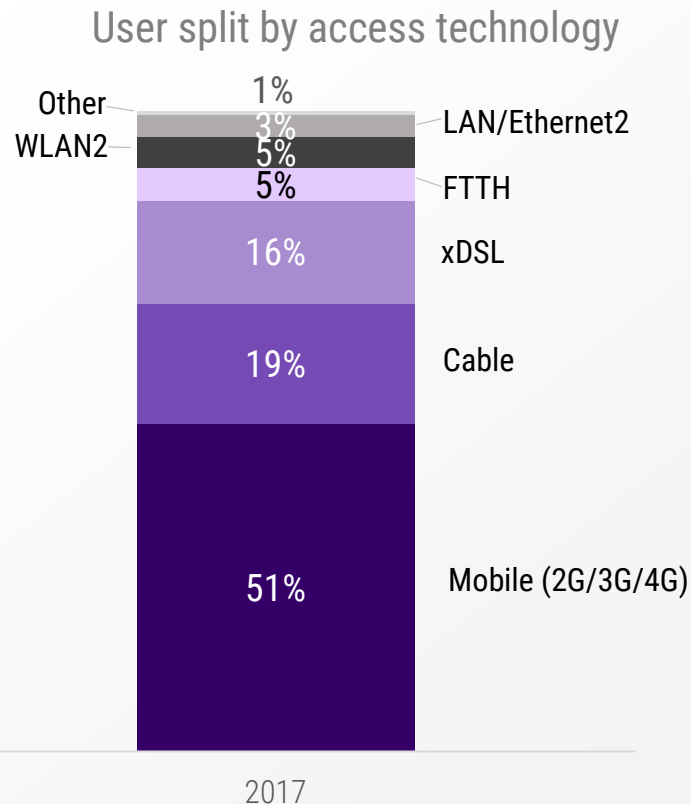
Mobile focus remains the most relevant option for Play in Poland



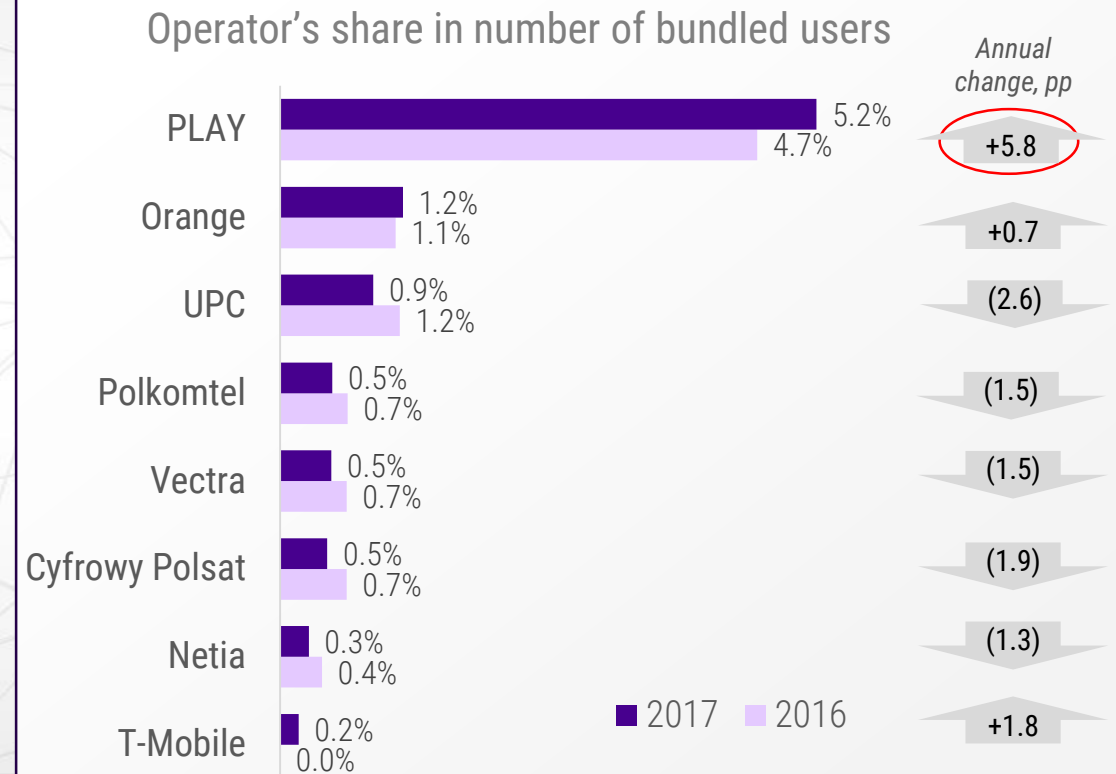
Note: Values for 2016, position presented indicatively on each chart
Source: Analysis Mason, Ovum, Eurostat, OECD, National Regulators, Companies' Information
¹ Netia's own network footprint (presented as integrated challenger due to potential Cyfrowy Polsat control)
² FMC share went down, after two main LLU operators went bankrupt and were acquired by incumbent
³ GDP measured in PPP
www.playcommunications.com

In a mobile-dominated market, Play is the leader for family offers

1 out of 2 Internet access is mobile in Poland



Play is the leader in SIMs bundles for families – and still growing

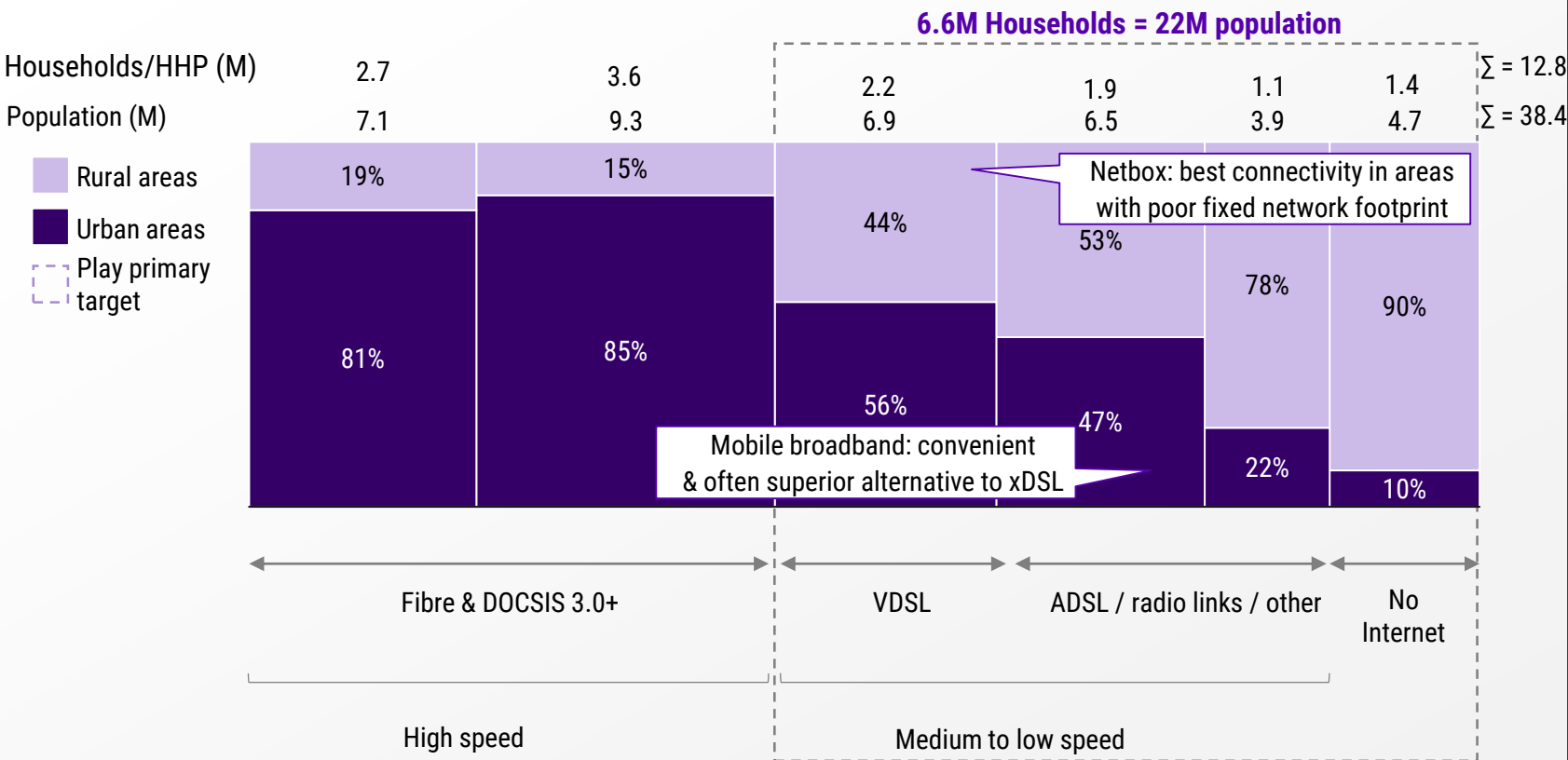


Source: Annual UKE report on Polish Telecommunication market in 2017

Play Internet already the #5 ISP, serving 1.1m customers

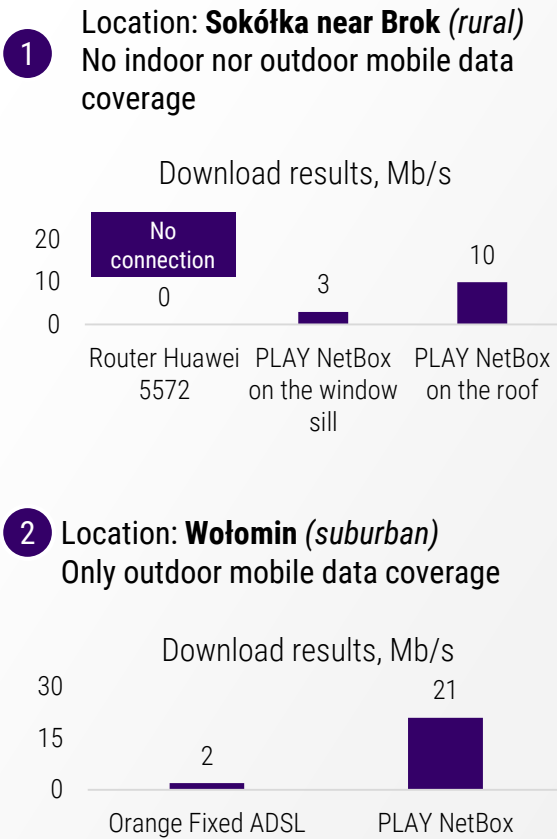
PLAY Internet first targets the ~50% of Polish households in rural, small cities and suburban areas

Fixed infrastructure footprint – by infrastructure / urbanization level



Source: PLAY

Netbox results show significant speed improvment




Play will soon launch a new exciting TV offer for Polish households

TV market is at turning point

CONTENT CONSUMERS

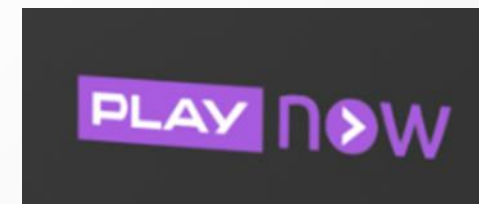
DO YOU USE ANY OF THE FOLLOWING
VIDEO STREAMING SERVICES?

		2016	2017	2018
	STREAMING WEBSITES	42%	49% ▲	61% ▲
	TRADITIONAL TV	96%	96%	94%

We want to propose the right product for current day TV and video consumers

Time for a network-agnostic solution?

Q4 2018



Sources: Nielsen Audience Media 2 + own research

Agenda

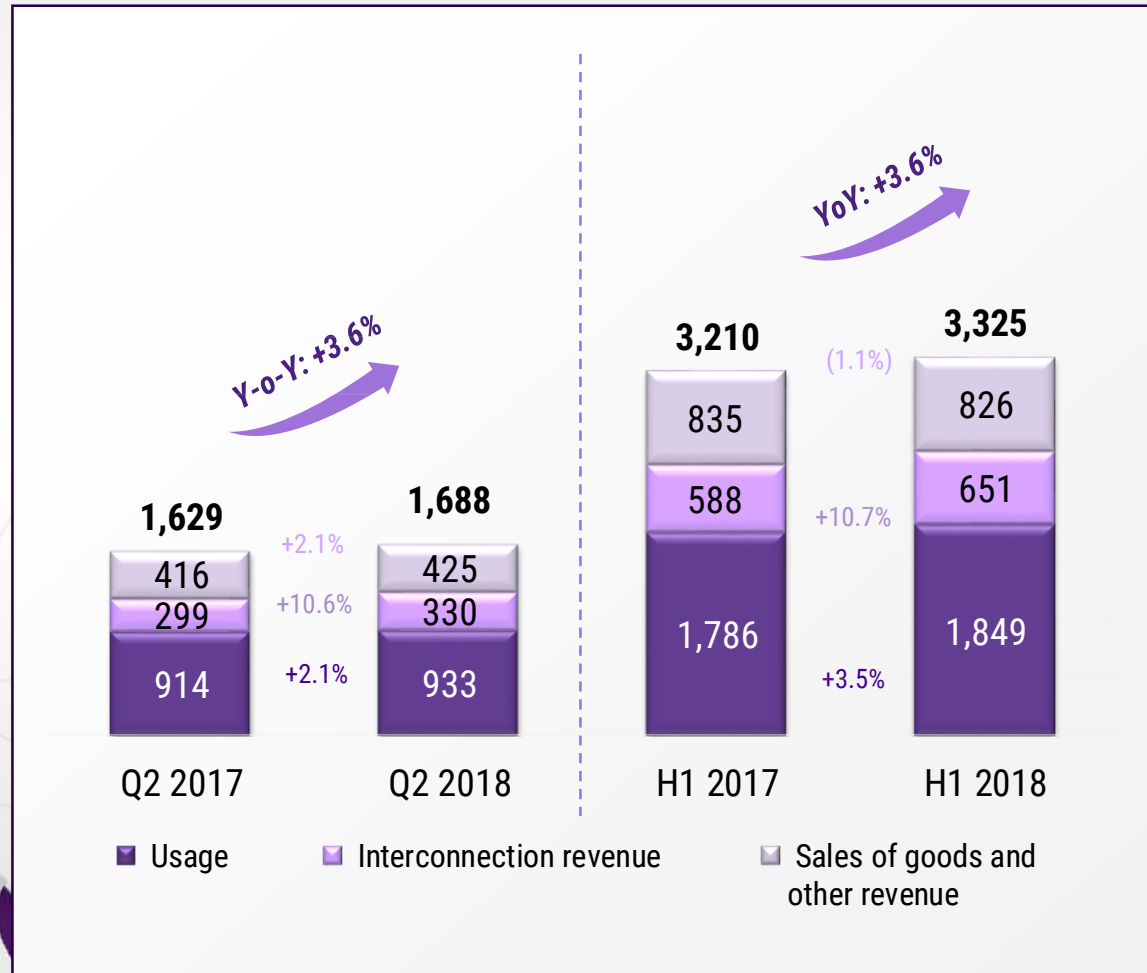
Financial Performance

*Holger Püchert,
CFO of Play
(P4 Sp. z o.o.)*

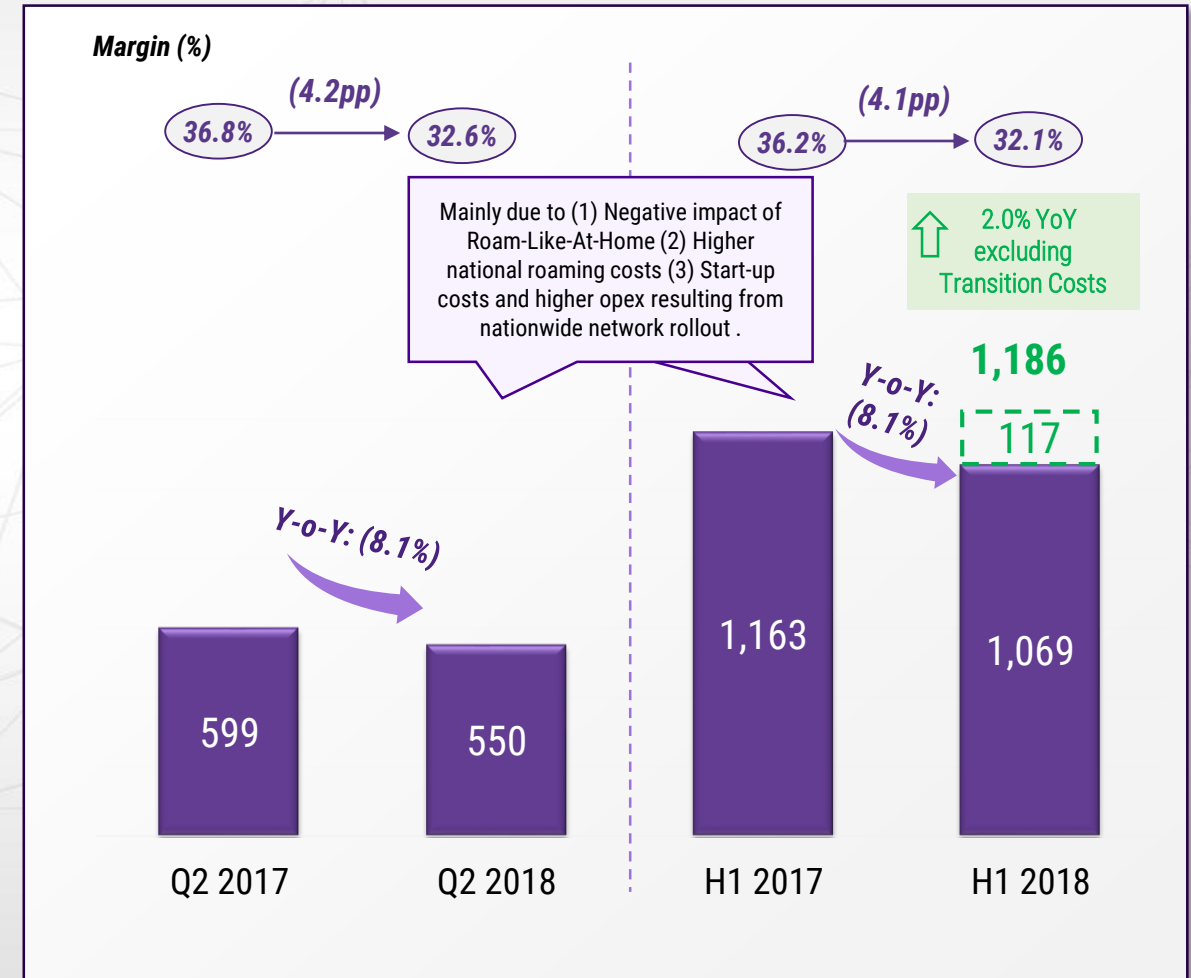


Continued revenue growth, temporary Adj. EBITDA headwinds

Operating revenue (PLNm)

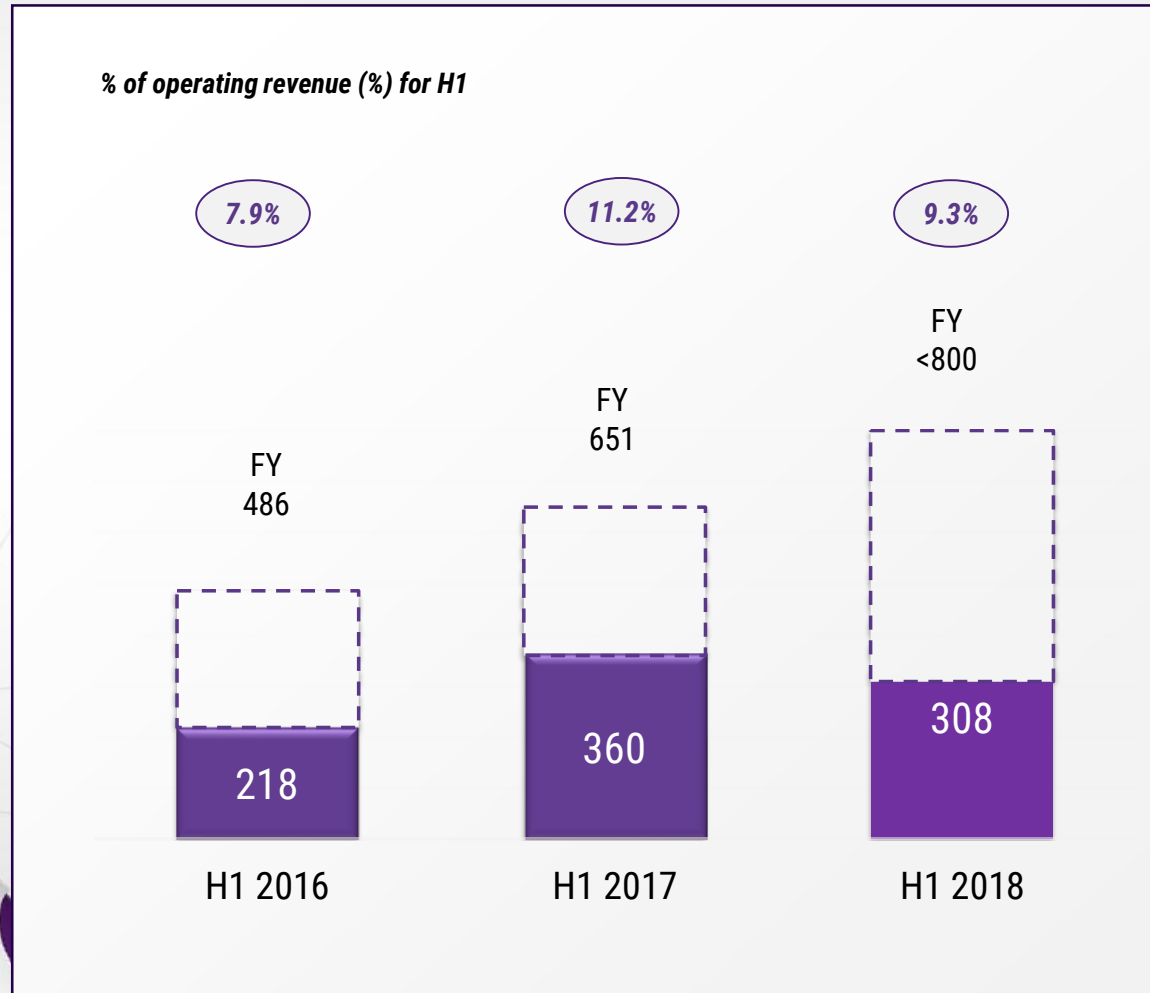


Adjusted EBITDA (PLNm)



Nationwide network roll-out 2017 – 2020

Cash capex¹ (PLNm) intensification due to...

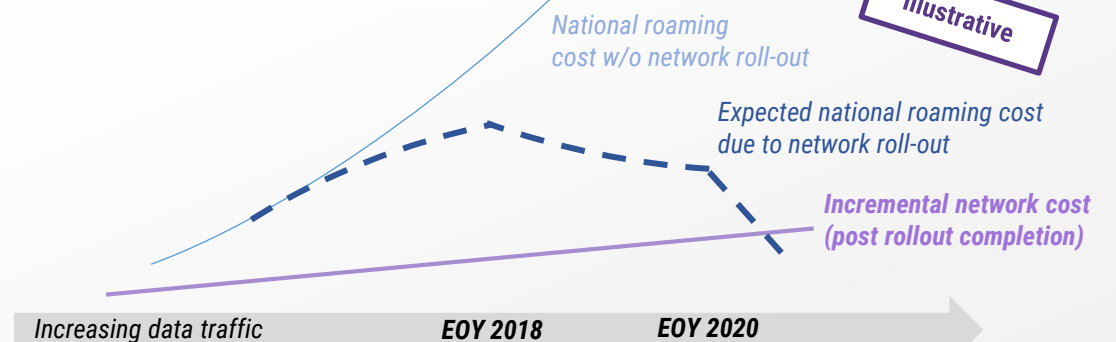


...the execution of a cost-efficient network roll-out

- In 2018 we will build more than 1,000 sites (vs. 609² sites in 2017)
- We are on track with nationwide network roll-out and we expect **decrease of national roaming costs from 2019**
- By 2020 we intend to cover close to ~100% of the population, in terms of data requirement. It will **increase our independence and provide more of commercial flexibility** for additional product offerings while also improving further customer base
- **Significant reduction of national roaming costs expected from EOY 2020** (target is to reduce NR costs by at least 75% in 2021)

BUSINESS CASE FOR NATIONWIDE NETWORK ROLL-OUT

Cost-benefit analysis



¹ Excl. cash outflows in relation to frequency reservation acquisition; ² net (gross 697)

Summary of financials

<i>PLN millions</i>	Q2 2017	Q2 2018	Change (%)	H1 2017	H1 2018	Change
Operating Revenue	1,629	1,688	3.6%	3,210	3,325	3.6%
Service revenue	1,213	1,264	4.2%	2,374	2,499	5.3%
Sales of goods and other revenue (Handsets)	416	425	2.1%	835	826	(1.1%)
Expenses	(828)	(922)	11.4%	(1,652)	(1,833)	11.0%
Interconnect costs	(318)	(341)	7.2%	(625)	(674)	7.9%
National roaming	(47)	(68)	43.5%	(92)	(132)	43.2%
COGS (Handsets)	(312)	(346)	11.0%	(639)	(665)	4.1%
Contract costs, net (Commissions)	(106)	(104)	(1.4%)	(214)	(216)	1.2%
Other services costs	(44)	(62)	41.9%	(81)	(145)	77.9%
Contribution margin	801	766	(4.4%)	1,558	1,492	(4.2%)
G&A and other ¹	(460)	(202)	(56.0%)	(713)	(419)	(41.3%)
EBITDA	341	563	65.4%	845	1,074	27.1%
EBITDA adjustments	258	(13)	n/a	318	(5)	n/a
Adjusted EBITDA	599	550	(8.1%)	1,163	1,069	(8.1%)
Depreciation and amortization	(219)	(198)	(9.6%)	(409)	(386)	(5.6%)
Finance income	35	0	(99.1%)	136	2	(98.8%)
Finance costs	(101)	(99)	(1.8%)	(454)	(196)	(56.9%)
Profit before tax	56	267	377.3%	117	493	321.0%
Income tax charge	(17)	(67)	298.0%	(60)	(141)	135.9%
Net profit	39	200	411.5%	58	353	512.9%
Earnings per share (PLN)	0.16	0.79	405.1%	0.23	1.39	505.2%

¹ Other operating income less other operating costs

FCFE (post lease payments) scheme

(PLNm)	Q2 2017	Q2 2018	Change (%)	H1 2017	H1 2018	Change (%)
Adjusted EBITDA	599	550	(8.1%)	1,163	1,069	(8.1%)
Cash capital expenditures ¹	(150)	(126)	(15.7%)	(360)	(308)	(14.6%)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	23	43	88.0%	(97)	(25)	(74.3%)
Cash interest ²	(75)	(72)	(3.2%)	(240)	(144)	(40.1%)
Cash taxes	(13)	(38)	196.3%	(172)	(68)	(60.8%)
Lease payments	(49)	(52)	5.7%	(98)	(103)	4.4%
Free cash flow to equity (post lease payments)	336	305	(9.0%)	196	422	115.7%

¹ Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisitions

² Comprising cash interest paid on loans, notes, and other debt

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

FCFE (post lease payment) for Q2'18 lower versus Q2'17. The changes were as follows:

- Lower Adjusted EBITDA – resulting from negative Roam-Like-At-Home impact and higher national roaming costs
- Lower cash capex – resulting mainly from the fact of spill-over effect between quarters for the infrastructure equipment
- Change in working capital, contract assets and liabilities and contract costs – mainly driven by continuous decrease of instalment sales receivables as well as decrease of international roaming receivables which is directly linked to efficient money collection of roaming discounts from previous periods
- Similar level of cash interest – impacted by refinancing; in Q1 2017 the Group paid interest on notes (accounted for 6-month period). Since Q2 2017 (after refinancing) interest on bank debt are paid on quarterly basis
- Higher cash taxes – higher tax payment in Q2'18, due higher tax prepayments

Leverage

	As of March 31, 2018		As of June 30, 2018	
	PLNm	xLTM Adj. EBITDA ¹	PLNm	xLTM Adj. EBITDA ²
Senior term loan ³	6,250	2.8x	6,248	2.8x
Leases ⁴	921	0.4x	934	0.4x
Other debt	27	0.0x	45	0.0x
Total debt	7,198	3.20x	7,227	3.28x
Cash and cash equivalents	538	0.2x	180	0.1x
Total net debt	6,660	2.96x	7,047	3.20x

Lower cash and cash equivalents – PLN 653m payment of dividend in May

Note: On May 10, 2018 we paid a gross interim dividend of PLN 2.57 per ordinary share to its shareholders, in total PLN 653m

¹ LTM Adj. EBITDA as of March 31, 2018 of PLN 2,252m ² LTM Adj. EBITDA as of June 30, 2018 of PLN 2,203m

³ principal plus interest; ⁴ IFRS 16 impact, capitalization of leases

Guidance 2018

Revenue growth	2 – 3% growth	Driven by service revenue growth
Adj. EBITDA	PLN 2.1bn – PLN 2.2bn	Impacted by Transition Costs (in H1 2018 amounted to PLN 117m)
Cash capex intensity	Up to PLN 800m	Accelerated network roll-out – upgrade FY 2018 target 6,750 to ~7,000 sites
FCFE (post lease payments)	PLN 750m – PLN 800m	
Distribution to Shareholders and deleveraging	40 – 50% of FCFE ¹ Net debt / adj EBITDA in mid-term 2.5x	Modified distribution policy to support: <ul style="list-style-type: none"> • Financing further <u>accelerated</u> 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.

Play will share mid-term guidance at next quarterly results (Q3 2018)

¹ Post lease payments

Q&A



ask PLAY

Appendix



Quarterly KPIs

(PLNm)	Q1 2017	Q1 2018	Change (%)	Q2 2017	Q2 2018	Change (%)	Q1 2018	Q2 2018	Change (%)
Operating revenue	1,581	1,637	3.6%	1,629	1,688	3.6%	1,637	1,688	3.1%
Service revenue	1,161	1,236	6.4%	1,213	1,264	4.2%	1,236	1,264	2.2%
Usage revenue	872	915	4.9%	914	933	2.1%	915	933	2.0%
Adjusted EBITDA	564	518	(8.1%)	599	550	(8.1%)	518	550	6.1%
Adjusted EBITDA Margin	35.7%	31.7%	(4.0 pp)	36.8%	32.6%	(4.2 pp)	31.7%	32.6%	0.9 pp
Reported Subscribers - Contract (<i>no of subs.</i>)	8,682	9,590	10.5%	8,942	9,711	8.6%	9,590	9,711	1.3%
Active Subscribers - Contract (<i>no of subs.</i>)	8,173	8,735	6.9%	8,335	8,838	6.0%	8,735	8,838	1.2%
Net Additions - Contract (<i>no of subs.</i>)	316	160	(49.5%)	260	121	(53.5%)	160	121	(24.2%)
Churn - Contract (%)	0.7%	0.8%	0.1 pp	0.7%	0.8%	0.1 pp	0.8%	0.8%	0.0 pp
ARPU - Contract (PLN)	38.2	37.5	(1.8%)	38.5	37.7	(2.3%)	37.5	37.7	0.5%
Data usage per subscriber - Contract (MB)	4,404	6,123	39.0%	4,746	6,098	28.5%	6,123	6,098	(0.4%)
Unit SAC - Contract cash (PLN)	313	342	9.5%	338	413	22.3%	342	413	20.7%
% of Terminals in Contract Gross Adds	43%	45%	2.1 pp	46%	47%	1.8 pp	45%	47%	2.0 pp
Unit SRC cash (PLN)	324	308	(5.0%)	324	350	8.0%	308	350	13.7%
% of Terminals in Retention	42%	39%	(2.9 pp)	44%	41%	(3.0 pp)	39%	41%	1.9 pp

More information

Visit our website

<https://www.playcommunications.com/>



Upcoming reporting date in 2018



Q3 2018 Results
November 12, 2018

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