



PLAY

PLAY COMMUNICATIONS

Q4 and FY 2018 Results Investor Presentation

4 March 2019

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Agenda

BUSINESS PERFORMANCE

FINANCIAL PERFORMANCE

CONCLUSIONS

Q&A SESSION

BUSINESS PERFORMANCE

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



PLAY 2022 strategy

Profitable growth:
EBITDA growth every year



#1
IN DIGITAL

Digital

- #1 Digital operator
- Shops productivity +20% and calls -40%
- 30% remote retentions from 2021
- 70% contract Play24 users from 2021



#1
IN MOBILE-CENTRIC CONVERGENCE

- ARPU/A** ▪ Driving usage revenue growth
- ISP** ▪ #3 ISP
- TV** ▪ Top 3 OTT TV in 2022
- Devices** ▪ #1 smartphones retail chain



#1
LEAN AND 5G-READY NETWORK

Network rollout

- 9,500 sites in 2021
- #1 or 2 fastest mobile network in Poland
- Cash CAPEX / revenue <10% from 2021
- Switch-off National Roaming in 2022

CLEAR - Cost-conscious

- Lower fixed costs each year from 2020
- Lower cost per GB in Poland

CLOSE - Customer obsessed

- #1 NPS
- #1 Brand

CAN DO - Challenger attitude

- Preferred employer

Commercial excellence and key mobile-centric convergent offers

NET PROMOTER SCORE

#1 among Mobile Network Operators in Poland:
NPS of 22 in Q4'18
- vs. 20 in Q4'17 and 18 in Q3'18



BRAND AWARENESS

Superior brand and advertising awareness:
Favorite Brand Index at 33%



MOBILE CONVERGENT CUSTOMERS

42% of Play mobile convergent customers
- SIMs within Family and Business bundles up by +16% YoY, driving value increase of existing customer base



BEST PRICE GUARANTEE

Selected handsets offered contract-free at guaranteed lowest prices
- 45k devices sold in 2018



PLAY INTERNET WITH NET BOX

50-300 GB data offers with selection of mobile or home routers, WiFi amplifiers and external modems at the lowest price in Play PoS



NETFLIX WITH PLAY

Netflix embedded within Play Internet or mobile subscription, Video Non Stop option with data usage on top of GB limit



Source for NPS and brand index: Smartscope S.C.

Successful network roll-out

COVERAGE INCREASE



7k base stations on air at year-end:

- 1.3k new stations launched in 2018, almost half of which in Q4'18 alone,
- 4G LTE coverage at 96.7% of population, vs. 93.4% at the end of 2017, with >70% of sites with 1+ Gbps backhaul connections
 - first local switch-offs of national roaming, e.g. in Poznan.

NETWORK SPEED



The fastest data speed on own network:

- #1 month-after-month since November 2018,
 - based on SpeedTest measurements,
 - reaching close to 21 Mbps in December,
 - >85% of base stations equipped with minimum 6 system / frequency combinations providing high available capacity.

Digitalisation accelerating

PLAY24

4 million of active self-care users (application and web)



PLAY NEXT

1st in Poland (November 2018): digital subscription offer for niche but prospective market, with high NPS and 90% positive user feedback



SHOPS

Majority of own shops „paperless”, e-signature tests in selected shops show 40% of electronic transactions

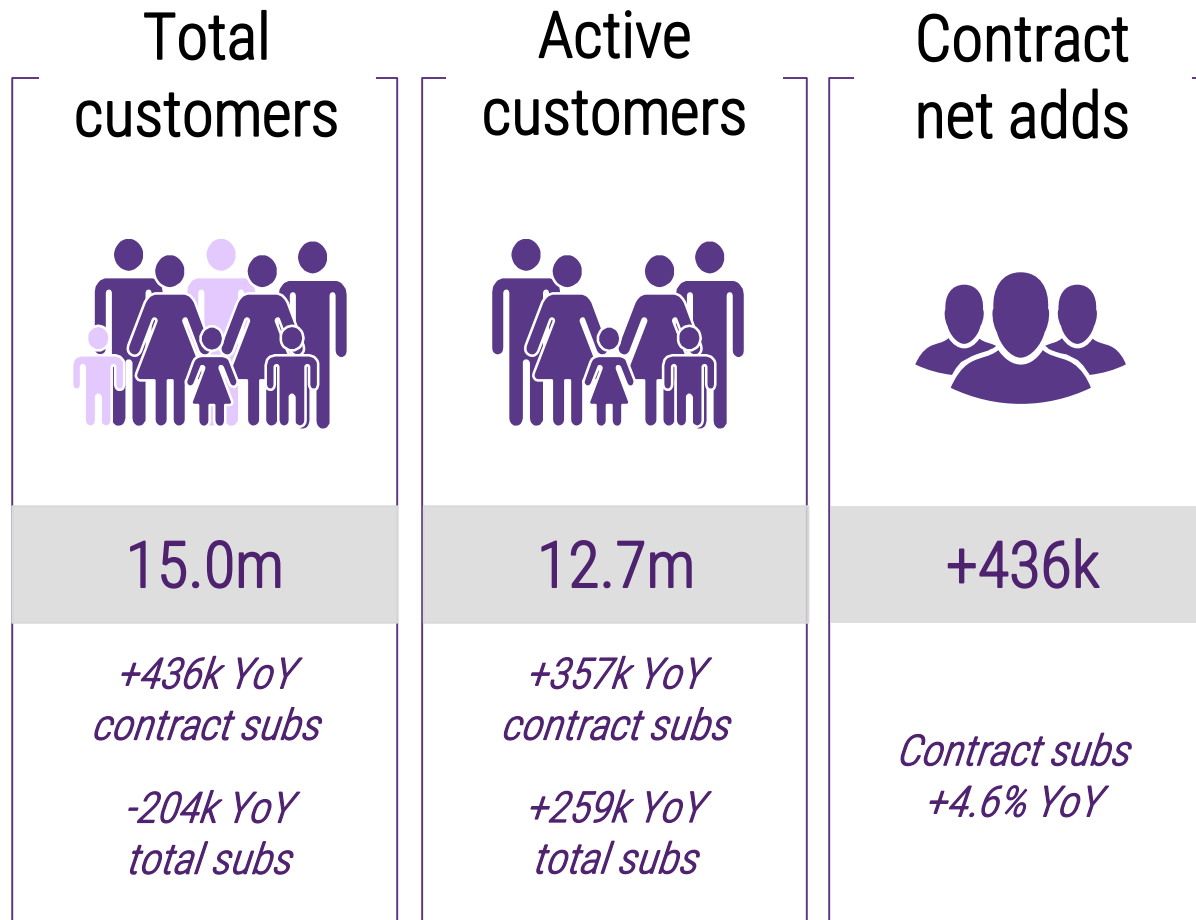


E-INVOICES

93% share of Play customers using e-invoices reached

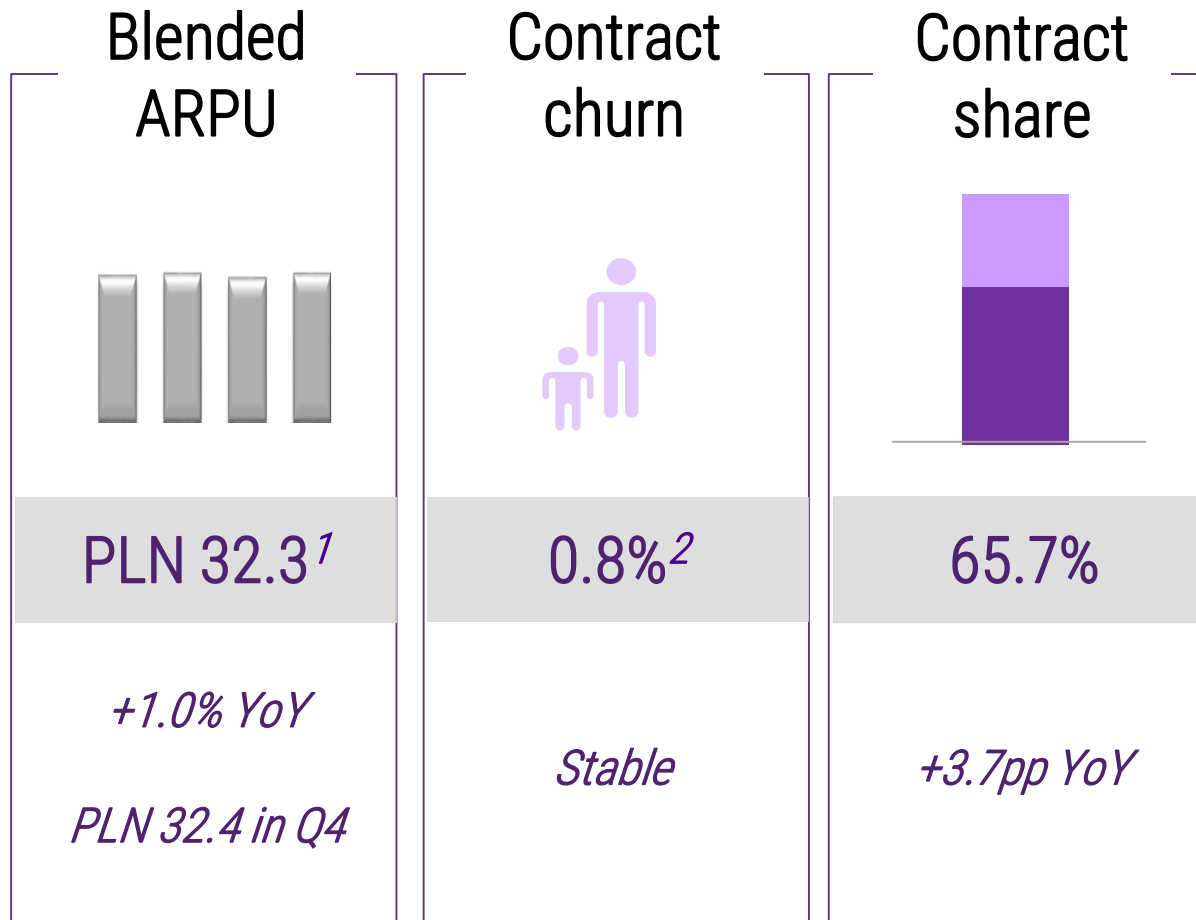


Customer base reflecting focus on contract subscribers



- Contract subscriber base up to 9.9 million (+4.6% YoY), including 9.0 million active contract subs (+4.1% YoY)
- Active pre-paid customer base reduced by ca. 100k (-2.6% YoY), partly due to migration to post-paid
- 15 million total customers, including 12.7 million active

Spotlight on increasing existing customer base value



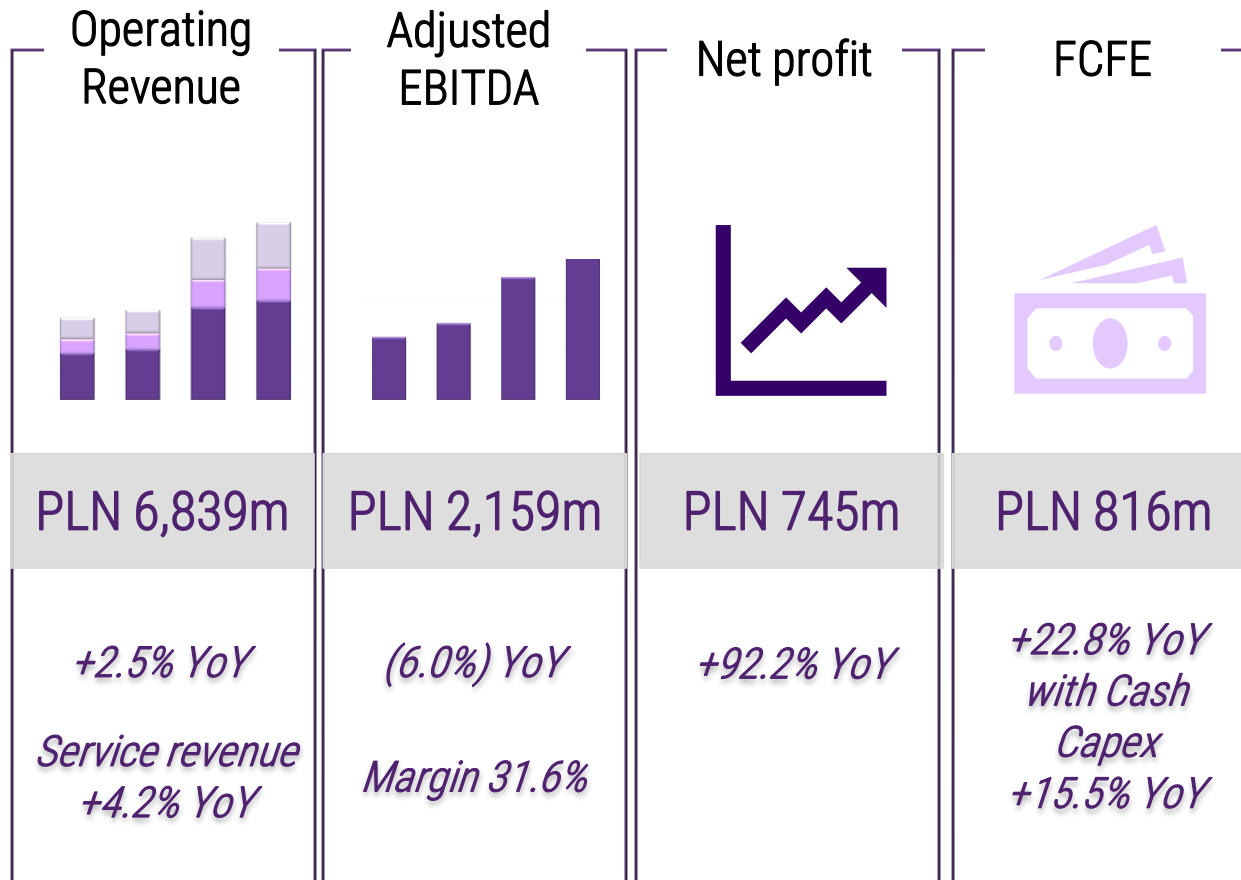
- Blended FY ARPU up 1% YoY to PLN 32.3, improving to PLN 32.4 in Q4
- 41% share of bundled SIM cards, driving increase in ARPA
- Long-term contract churn remains stable at 0.8%
- Contract customer share up to 65.7%, contract active share reached 71.0%

¹ Presented for active subscribers on average monthly basis over the period of 12M 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

Full Year: Financial performance in line with guidance

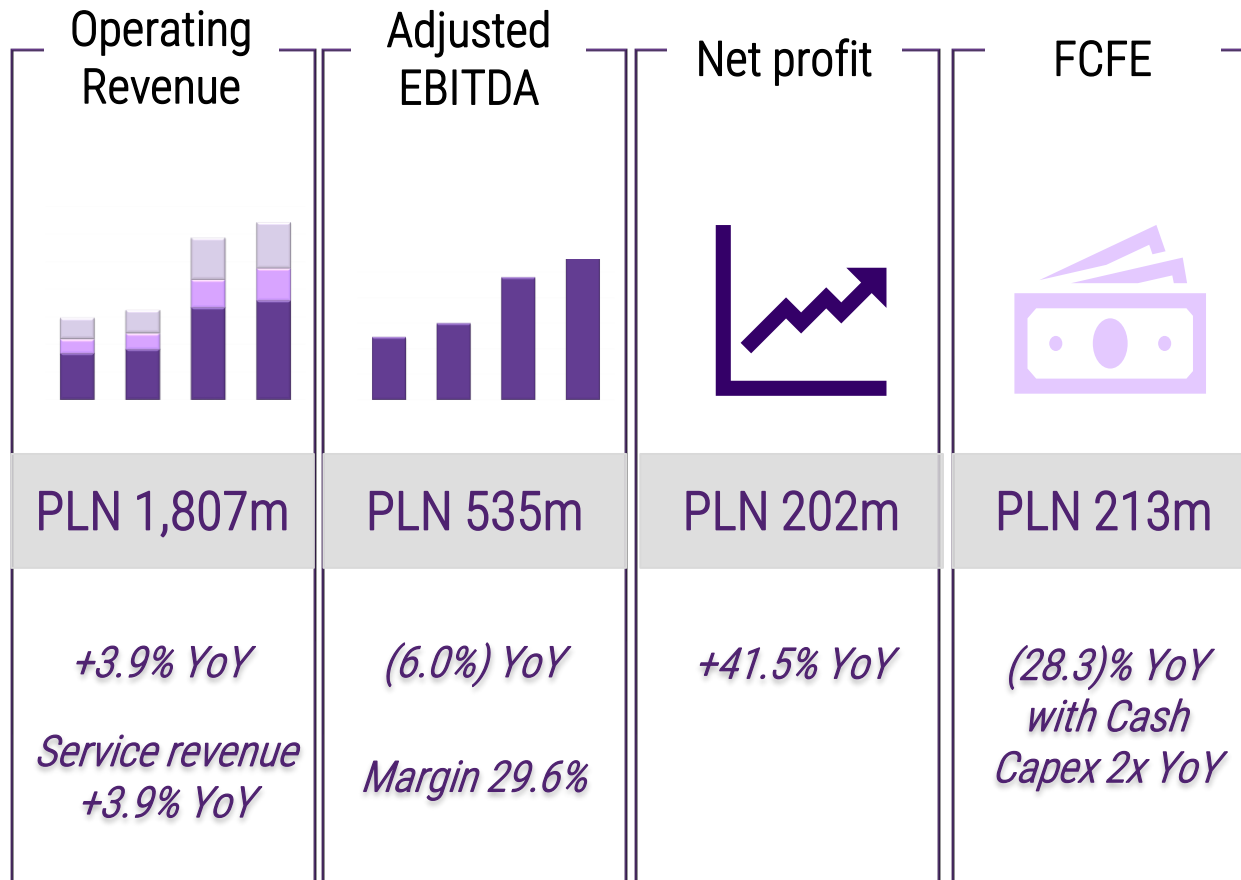
Key financial figures for FY 2018



- Revenue up by 2.5% YoY driven by service revenue growth, partially offset by lower sales of goods in Q1 and Q3
- Adjusted EBITDA impacted by transition costs (higher national roaming, network development related costs, new product expenses, impairment of receivables and contract assets)
- Net profit almost doubled YoY on lower G&A and finance costs
- FCFE improved by 22.8% YoY despite 15% higher Cash Capex

Q4: Solid revenue performance

Key financial figures for Q4 2018



- Revenue up by 3.9% YoY driven equally by service revenue and sales of goods
- Adjusted EBITDA impacted by national roaming, network development related costs, new product expenses, impairment of receivables and contract assets
- Net profit was up by 41.5% YoY mainly thanks to lower income tax charge
- FCFE declined by 28.3% YoY due to higher cash capex, partially offset by positive working capital change

We delivered 2018 Results per the Guidance

	FY 2018 Guidance ¹	FY 2018 Execution	Status
Revenue	2 – 3% growth Driven by service revenue growth	PLN 6.84bn, +2.5% YoY Service revenue growth at +4.2% YoY	✓
Adj. EBITDA	PLN 2.1–2.2bn	PLN 2.16bn	✓
Cash CAPEX ²	Up to PLN 800 m	PLN 751m	✓
FCFE ³	PLN 750–800m	PLN 816m	✓
Distribution to Shareholders	40-50% of FCFE	Intention to distribute 45% of FCFE ⁴	✓

1 As revised in August 2018.

2 Play defines Cash Capex without frequency reservation cash outlays.

3 Post lease payments.

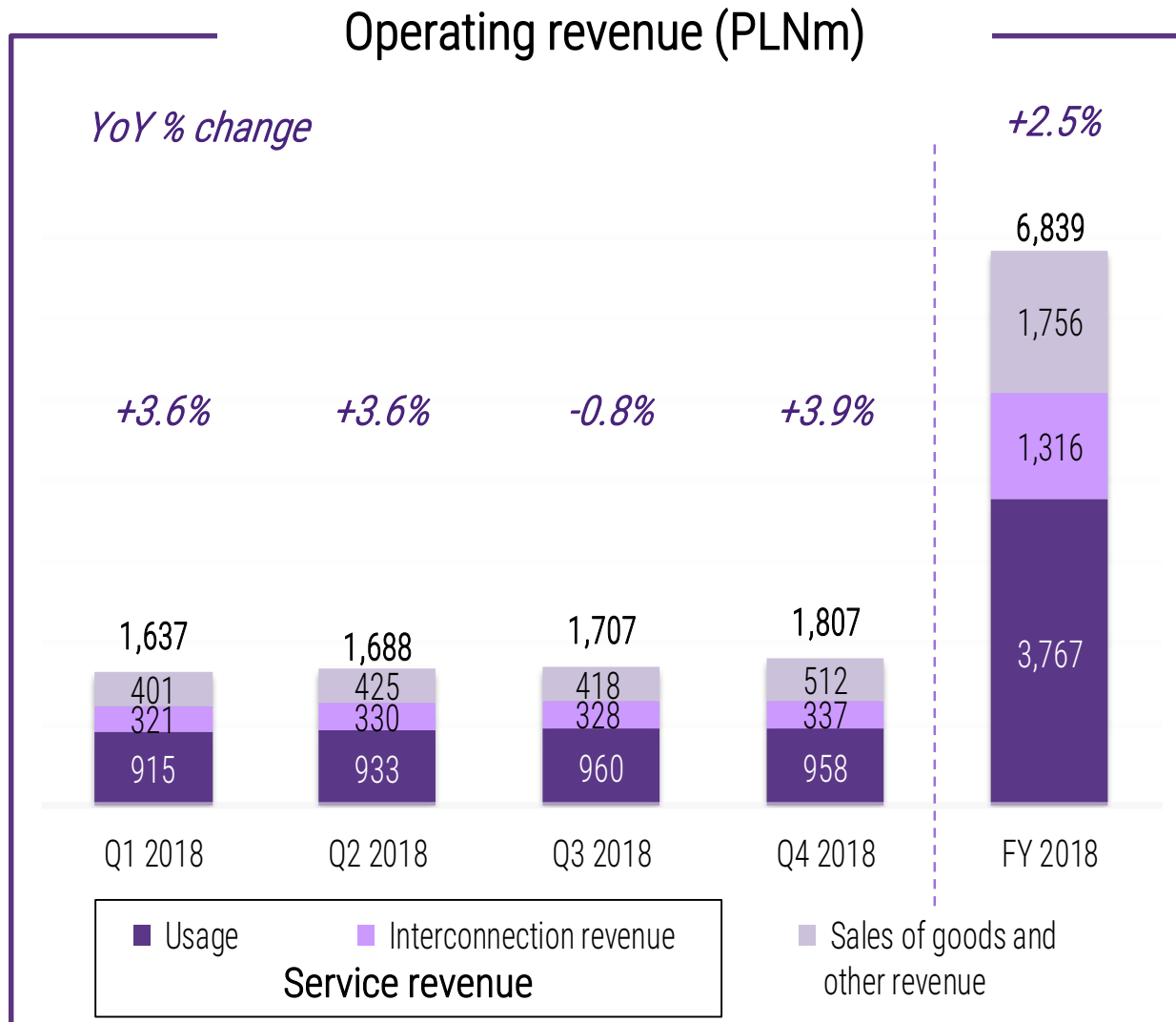
4 Subject to decision of Board of Directors.

FINANCIAL PERFORMANCE

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

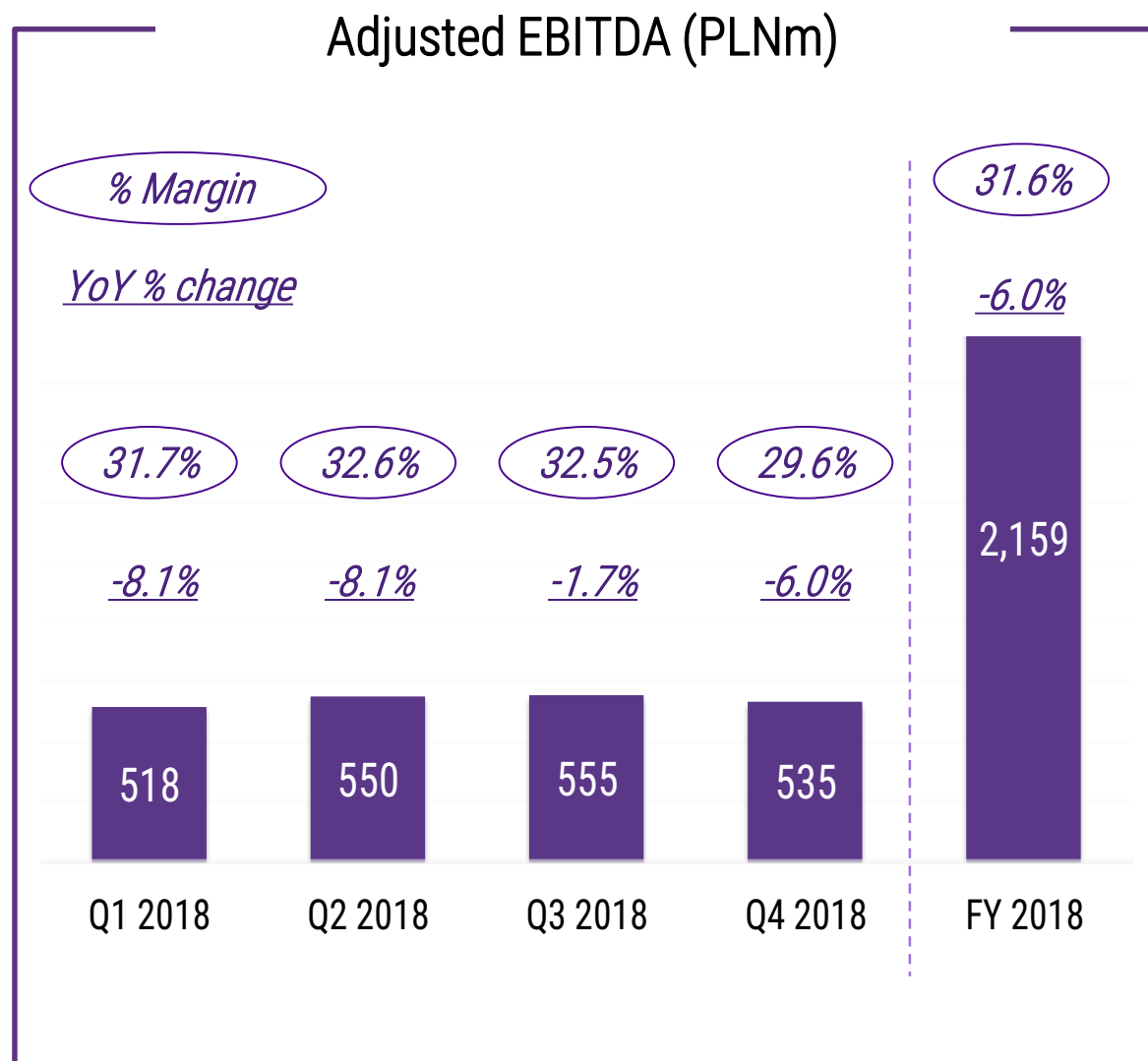


Revenue driven by constant service revenue growth



- Service revenue growth reached 3.9% YoY in Q4'18 and 4.2% YoY for FY'18
 - Driven by both usage and interconnection
- Sales of goods and other revenue up by 3.9% YoY in Q4'18 but lower by 2.0% YoY for FY'18
 - Lower share of terminal offers sold in overall contract sales during 2018

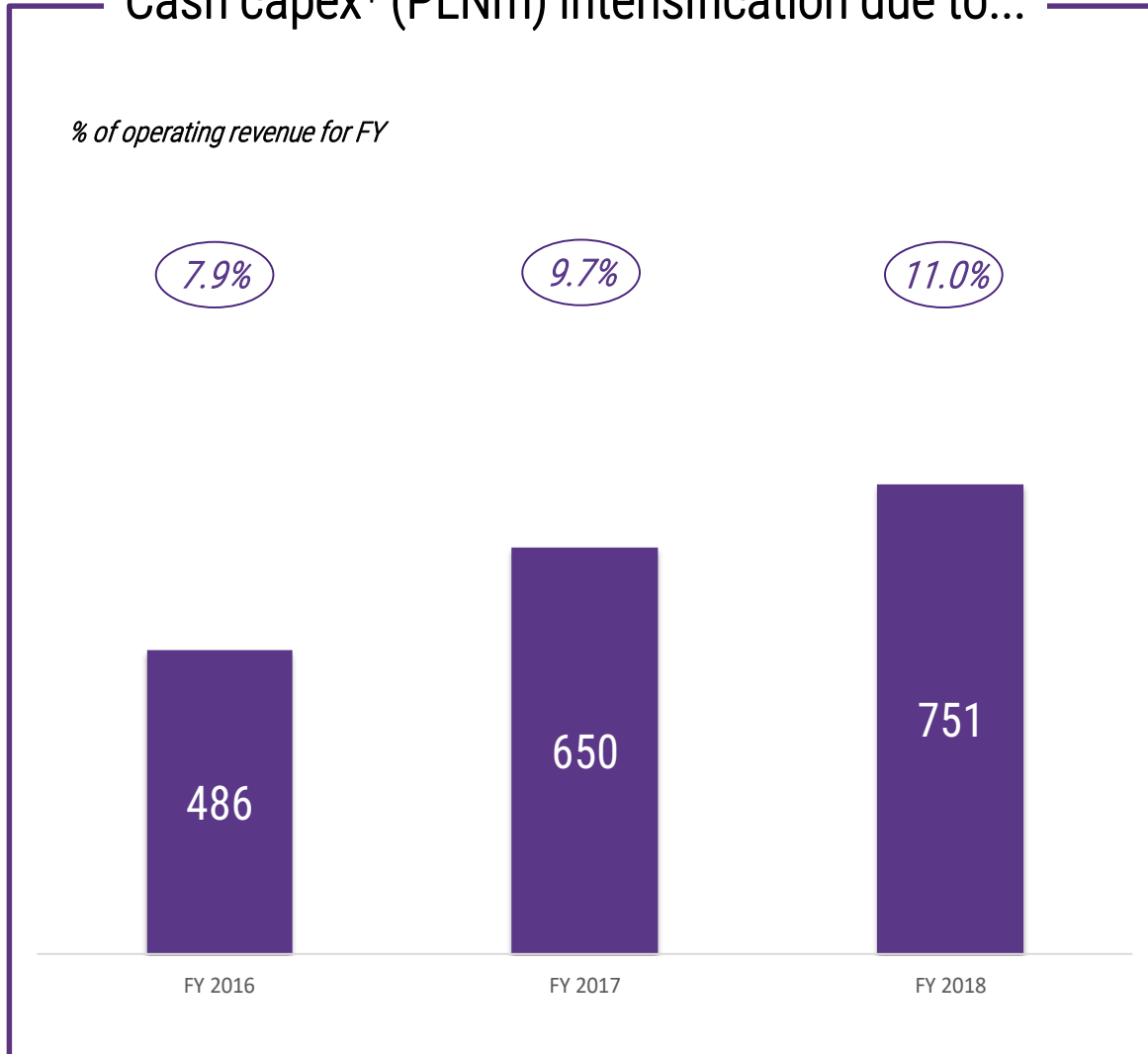
Adjusted EBITDA reflects SoG revenue evolution and transition costs



- Adj. EBITDA in Q4 and FY 2018 was 6.0% lower YoY reflecting mainly:
 - national roaming costs increased for FY by PLN 80m to PLN 272m,
 - PLN 67m higher FY loss on receivables management and impairment of contract assets, of which PLN 44m concerns Q4,
 - start up of new products and network development related costs ramping up by PLN 46m for FY,
 - PLN 15m negative impact of RLAH in 2018.

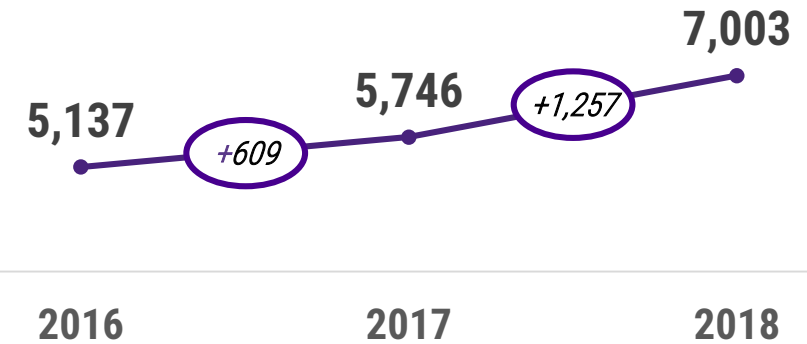
Network roll-out

Cash capex¹ (PLNm) intensification due to...

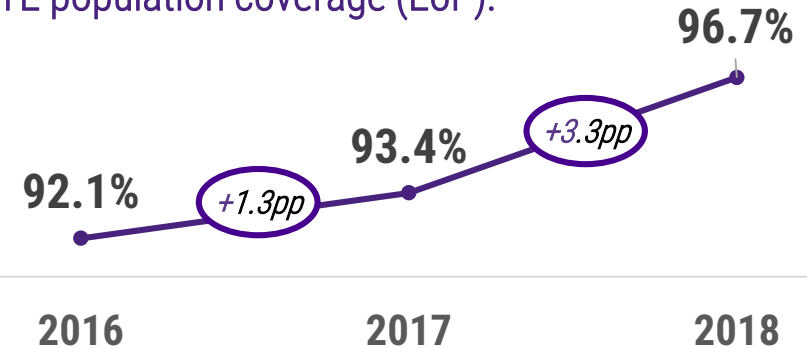


... accelerated own network roll-out

- Number of sites (EoP):



- 4G LTE population coverage (EoP):



¹ Excl. cash outflows in relation to frequency reservation acquisition

Summary of financials

<i>PLN millions</i>	Q4 2017	Q4 2018	Change (%)	FY 2017	FY 2018	Change (%)
Operating Revenue	1,740	1,807	3.9%	6,670	6,839	2.5%
Service revenue	1,246	1,295	3.9%	4,878	5,083	4.2%
Sales of goods and other revenue (Handsets)	493	512	3.9%	1,792	1,756	(2.0%)
Expenses	(974)	(1,006)	3.3%	(3,568)	(3,785)	6.1%
Interconnect costs	(338)	(344)	1.8%	(1,291)	(1,361)	5.4%
National roaming	(50)	(67)	34.4%	(192)	(272)	41.5%
COGS (Handsets)	(399)	(430)	7.7%	(1,410)	(1,442)	2.3%
Contract costs, net (Commissions)	(108)	(102)	(5.0%)	(429)	(421)	(1.9%)
Other services costs, incl. Int' roaming and content	(79)	(63)	(21.0%)	(246)	(289)	17.6%
Contribution margin	766	801	4.7%	3,101	3,054	(1.5%)
G&A and other ¹	(202)	(259)	28.4%	(1,197)	(894)	(25.3%)
EBITDA	564	542	-3.8%	1,904	2,160	13.4%
EBITDA adjustments	6	(7)	(222.5%)	394	(1)	(100.1%)
Adjusted EBITDA	570	535	(6.0%)	2,298	2,159	(6.0%)
Depreciation and amortization	(204)	(205)	0.6%	(797)	(789)	(1.0%)
Finance income	6	0	(98.4%)	179	2	(99.1%)
Finance costs	(101)	(91)	(10.1%)	(656)	(375)	(42.9%)
Profit before tax	265	247	(7.0%)	629	998	58.5%
Income tax charge	(123)	(45)	(63.5%)	(242)	(253)	4.6%
Net profit	143	202	41.5%	387	745	92.2%
Earnings per share (PLN)	0.56	0.80	42.9%	1.54	2.93	90.3%

¹ Other operating income less other operating costs

FCFE (post lease payments)

(PLNm)	Q4 2017	Q4 2018	Change (%)	FY 2017	FY 2018	Change (%)
Adjusted EBITDA	570	535	(6.0%)	2,298	2,159	(6.0%)
Cash capital expenditures ¹	(123)	(241)	95.7%	(650)	(751)	15.5%
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	(7)	79	n/a	(191)	43	n/a
Cash interest ²	(78)	(71)	(8.3%)	(395)	(286)	(27.7%)
Cash taxes	(16)	(48)	195.5%	(201)	(153)	(23.9%)
Lease payments	(49)	(41)	(15.1%)	(196)	(197)	0.6%
Free cash flow to equity (post lease payments)	297	213	(28.3%)	664	816	22.8%

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

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

FCFE (post lease payment) for 2018 higher by 22.8% YoY as a function of:

- Lower Adjusted EBITDA (as described before)
- Higher cash capex – related to accelerated network roll-out
- Lower increase in contract assets, related to lower subscriber and revenue growth
- Lower levels of cash interest (refinancing in 2017) and cash taxes (tax benefit on 2017 IPO costs)

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

Leverage

	As of September 30, 2018		As of December 31, 2018	
	PLNm	xLTM Adj. EBITDA ¹	PLNm	xLTM Adj. EBITDA ²
Senior term loan ³	6,054	2.8x	6,052	2.8x
Leases ⁴	955	0.4x	985	0.5x
Other debt	33	0.0x	30	0.0x
Total debt	7,042	3.21x	7,067	3.27x
Cash and cash equivalents	154	0.1x	354	0.2x
Total net debt	6,888	3.14x	6,713	3.11x

- PLN 391m of senior term loan repaid in 2018
- PLN 652m of dividend paid in May 2018

Lower leverage thanks to solid cash generation and continuous repayment of senior term loan

¹ LTM Adj. EBITDA as of September 30, 2018 of PLN 2,194m; ² LTM Adj. EBITDA as of December 31, 2018 of PLN 2,159m; ³ principal plus interest; ⁴ including IFRS 16 impact, capitalization of leases

CONCLUSIONS

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



5G-ready Network towards full 5G

5G-READY NETWORK ROLL-OUT

Further coverage and capacity increase:

- ca. 800 new sites to be launched in 2019
- capture 96% of handheld device and 100% of internet router data traffic on own network
 - launch of QAM256 & QAM64, 4x4 MIMO (40% of sites EoY 2019) and implementation of full network phase synchronization
 - “5G-ready Network” campaign launched on 1 March 2019

TOWARDS FULL 5G

Cooperation with the authorities:

- refarming of 3.4-3.8 GHz
- to eliminate interference in 700 MHz
 - to increase EMF limits
- to provide transparency and predictability to secure required investments
- six 5G sites to be implemented in 2019

Going further Digital

SALES AND CUSTOMER CARE

- Boost acquisitions and retentions online through e-shop and application
 - Push self-care through Play24 to keep reducing call ratio
 - Evolution of Artificial Intelligence: expansion of chatbot to contract customer base, introduction of voice bot

E-TRANSACTIONS

- Finalize roll-out of paperless shops and drive number of e-signature transactions up
- Further push e-invoices but share of automated payments is the priority
- Data analytics developments to provide contextual services

Mobile-centric convergent offer extension – Internet & TV

LEADING IN MOBILE-CENTRIC CONVERGENCE

- #1 mobile market position enables Play to further enhance up- and cross- sell potential, in particular based on service bundling opportunities driving positive ARPA trend

PLAY INTERNET

- Push of Play Internet offers based on growing own high-speed 5G-ready network coverage
- Capitalize and expand on 42% multiSIM customer base for upsell of Play Internet

PLAY NOW TV

- A la carte SVOD menu incl. Netflix, HBO GO, plus thematic TV Packages on top of the most popular linear and DVB-T channels
- Easy to install platform with monthly rental
- Friendly User Trial with 9,000 participants launched on 19 February

2019 Objectives

Service revenue growth, partly offset by softer handset sales

Operating profitability increase driven by growing Service margin, partly offset by higher network and new services related costs

Network capex stable - rebalanced from radio to core, higher investments in digitalisation and CPE capitalization

Maintained high cash conversion level, however with increased cash capex and significantly higher cash taxes reflecting on FCFE

Shareholder remuneration as per 2019-2022 ambition

2019 Guidance

	FY 2019 Guidance
Revenue	Growth below 2018 result
Adj. EBITDA	PLN 2.2-2.3bn
Cash CAPEX ¹	Up to PLN 800 m
FCFE ²	PLN 670-750m
Distribution to Shareholders ³	40-50% of FCFE

- 1 Play defines Cash Capex without frequency reservation cash outlays
- 2 Post lease payments
- 3 Assuming that no spectrum auction takes place

SOON WE WILL

PLAY

IN

WIG 20



Q&A Session

