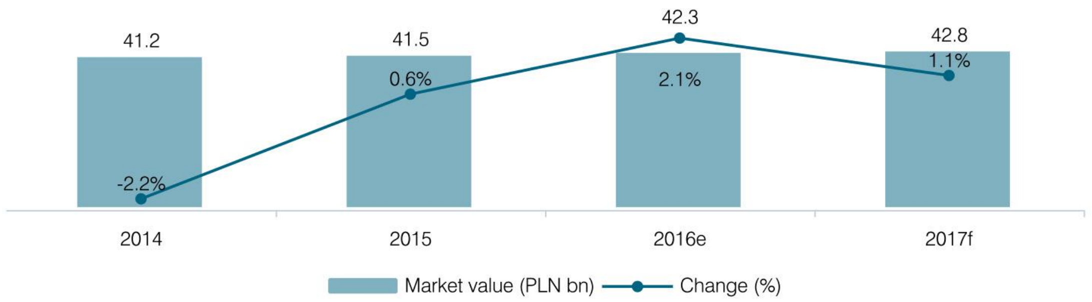
Press release, 28 December 2016

Telecommunications market in Poland - growth in the years 2016-2017

In 2015 the total value of the telecommunications services market in Poland, including the segments of mobile telephony, fixed-line telephony, internet access and pay television, amounted to PLN 41.5bn. According to PMR's preliminary estimates, taking account of the operators' performance in the first quarters of this year, throughout 2016 the market will expand by 2.1% to arrive at PLN 42.3bn. Rapid growth is hardly an appropriate description for the situation on the telecommunications market but its performance should certainly be seen as positive, especially given the high saturation of the market with services and the frequently fierce competition.

Value (PLN bn) and change (%) of the telecommunications market in Poland, 2014-2017



Note: Value of the carrier services market, also covers pay television. Including subsidies and the sales of subscriber devices as part of the sales of telecommunications services.
e - estimate
f - forecast

Source: PMR, 2016

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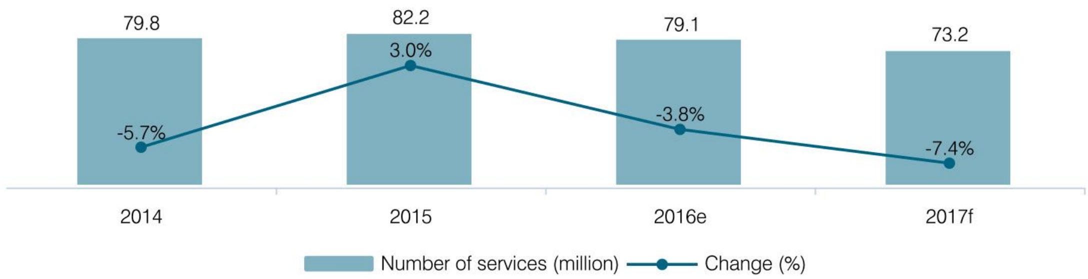
The last 12 months have witnessed a number of important developments on the telecommunications market in Poland. In our opinion the three most important events on the Polish telecommunications market in 2016 were:

· The issuing of reservation decisions for the winners of the auction for the frequencies in the 800 MHz and 2,600 MHz bands

· The introduction of the requirement to register pre-paid cards

· The announcement of the acquisition of Multimedia Polska by UPC Polska.

Total number of services (RGUs, million) and its change (%) on the telecommunications market in Poland, 2014-2017



Note: RGUs - revenue generating units, understood as SIM cards on the mobile telephony market, the number of services on the fixed-line telephony market (PSTN, VoIP and WLL networks), subscribers to fixed-line internet access, subscribers to pay television.
e - estimate
f - forecast

Source: PMR, 2016

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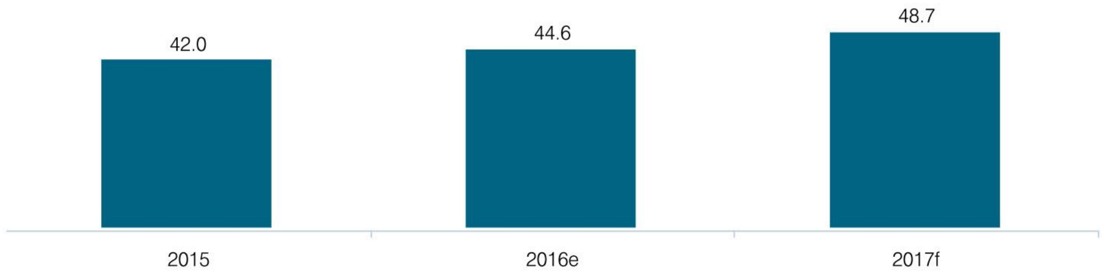
PMR estimates that at the end of 2016 the total number of RGUs on the telecommunications market in Poland will fall to about 79 million, to arrive at 73 million a year later. This is mainly an effect of the requirement to register pre-paid cards and the resulting determination of the real size of the mobile operators' user bases. The historical fluctuations in the number of RGUs in the country have also mostly been a consequence of the change in different MNOs' approach to reporting the number of their SIM cards. One of the results of the elimination of inactive cards from the mobile operators' user bases is also an improved market value per service.

Monthly value of the telecommunications market in Poland per revenue generating unit (RGU, PLN), 2011-2017



Note: Net values, including the B2B and B2B market. RGUs - revenue generating units, understood as SIM cards on the mobile telephony market, the number of services on the fixed-line telephony market (PSTN, VoIP and WLL networks), subscribers to fixed-line internet access, subscribers to pay television.
e - estimate
f - forecast

Source: PMR, 2016

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We expect that in 2017 the market of operator services in Poland will grow by 1.1%. We anticipate that the CAGR for the years 2016-2021 will be lower than the expected market growth in 2017. On the other hand, that figure is 0.3 p.p. higher than our forecasts from last year. Another EU budget perspective, the launch of Axis 2 of the Operational Programme Digital Poland and first of all the key players' further plans for the modernisation of their own infrastructure and for investments in fibre-optic networks make such an adjustment possible. That is hardly a revolution but still the change is noticeable.

In the coming years the DLISP market (data transmission, line rental and internet services provision) may begin growing again following a period of downturn. The key factor will be the stabilisation of prices on the B2B market which has experienced significant price cuts and rivalry among suppliers in the recent years. Also the development of fibre-optic networks beyond the biggest cities is of significance. This will make it possible to generate more demand for access services. No less important, in our opinion, is the improvement in the parameters of internet access services which will translate into a gradual rise in revenue per user. At the same time we do not anticipate rapid moves and price increases but we assume that the surge in connection quality provides the operators with opportunities in this regard.

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