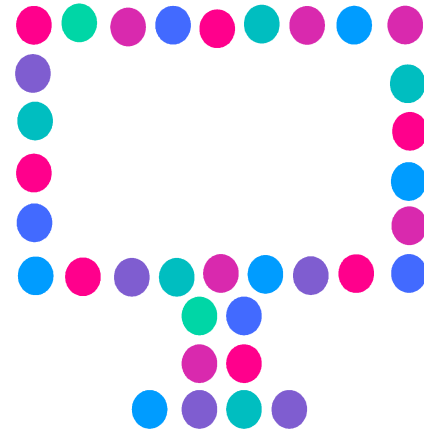


GIGA WOLNOŚĆ

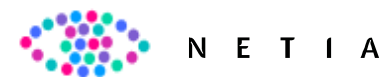


## Q4 and FY 2017 Financial Results

March 01, 2018

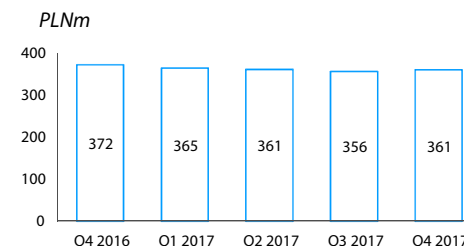
N E T I A

## Total Netia | Key highlights for FY and Q4 2017

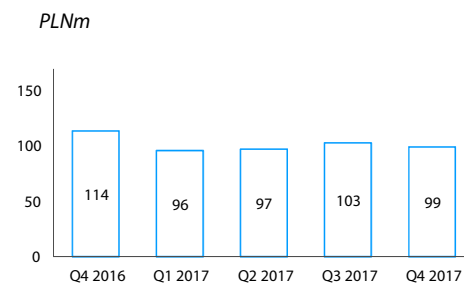


- Revenue was PLN 1,442m for FY 2017 (-5% y-o-y) and PLN 361m for Q4 2017 (+1% q-o-q and -3% y-o-y)
  - Adjusted EBITDA<sup>1</sup> was PLN 396m for FY 2017 (-11% y-o-y) and PLN 99m for Q4 2017 (-4% q-o-q and -13% y-o-y)
  - EBITDA was PLN 383m for FY 2017 (-10% y-o-y) and PLN 92m for Q4 2017 (-7% q-o-q and -10% y-o-y)
- Netia generated PLN 118m Adjusted OpFCF<sup>2</sup> for FY 2017 (-50% y-o-y) and PLN 5m for Q4 2017 (-88% q-o-q and -86% y-o-y). Lower OpFCF q-o-q and y-o-y mainly due to increased capital expenditures related to access network upgrade program.
- Net debt at PLN 283m on December 31, 2017 (-2% q-o-q and +39% y-o-y), representing 0.72x of Adjusted EBITDA for full 2017 year at PLN 396m
- On December 5, 2017, Cyfrowy Polsat S.A. announced the purchase of a block of Netia shares representing 31.76% of the total number of votes at the Company's AGM and a tender offer to 66% of shares
- On December 12, 2017 Netia's Supervisory Board appointed Mr. Krzysztof Adaszewski as the CFO - Management Board Member and Mr. Andrzej Abramczuk as the Director of Strategy and Regulations – Management Board Member

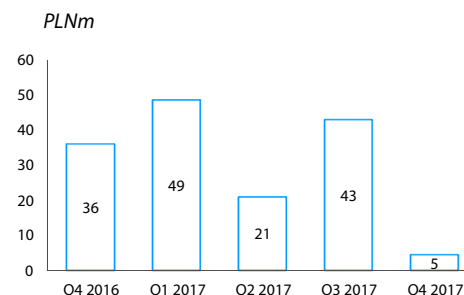
### Revenues



### Adjusted EBITDA<sup>1</sup>



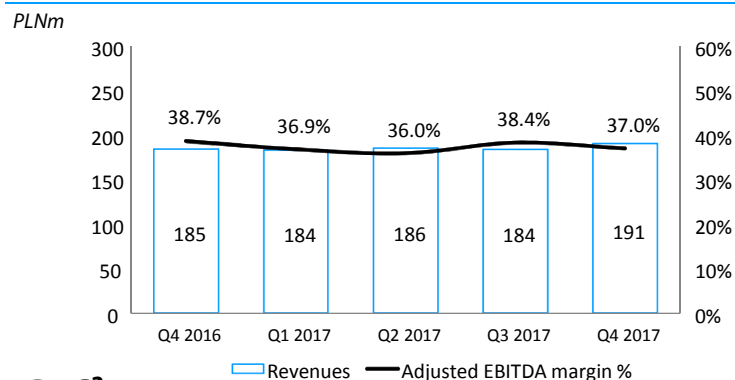
### Adjusted OpFCF<sup>2</sup>



<sup>1</sup> Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment

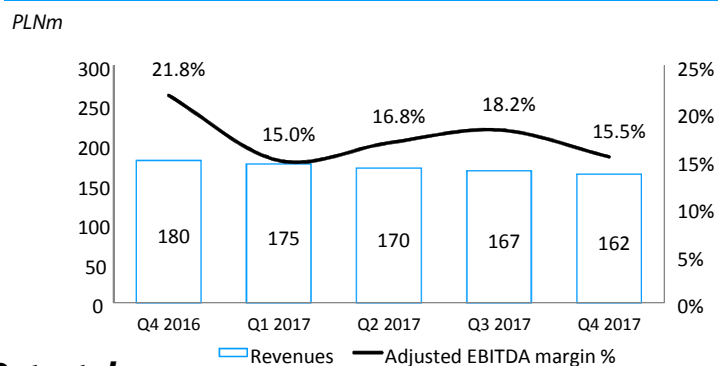
<sup>2</sup> Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan

### B2B<sup>1</sup>



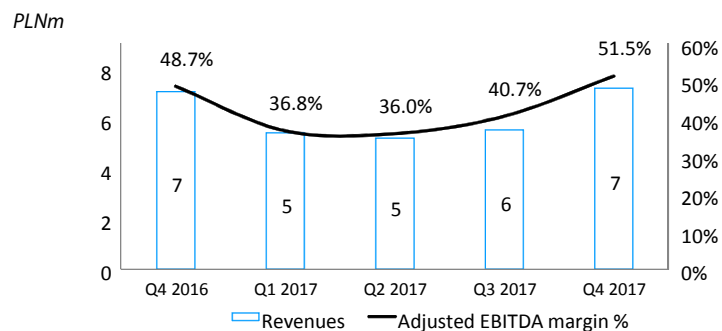
- **Revenue** was PLN 191m in Q4 2017 (+4% q-o-q and +3% y-o-y)
- **Adjusted EBITDA** was PLN 71m with a margin of 37.0%

### B2C<sup>2</sup>



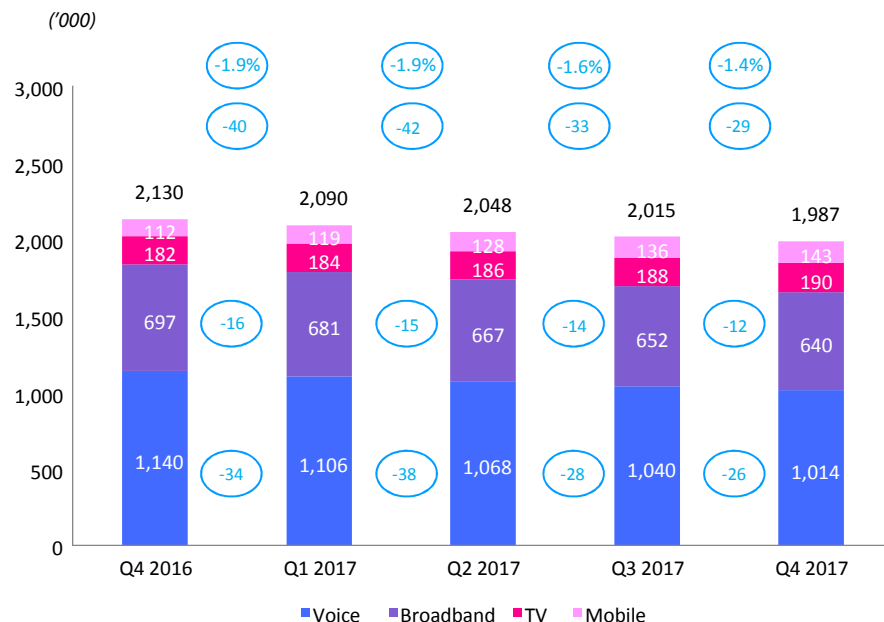
- **Revenue** was PLN 162m in Q4 2017, down by 3% compared to Q3 2017 and down by 10% y-o-y
- **RGUs** at 1,499k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 25m with a margin of 15,5%

### Petrotel

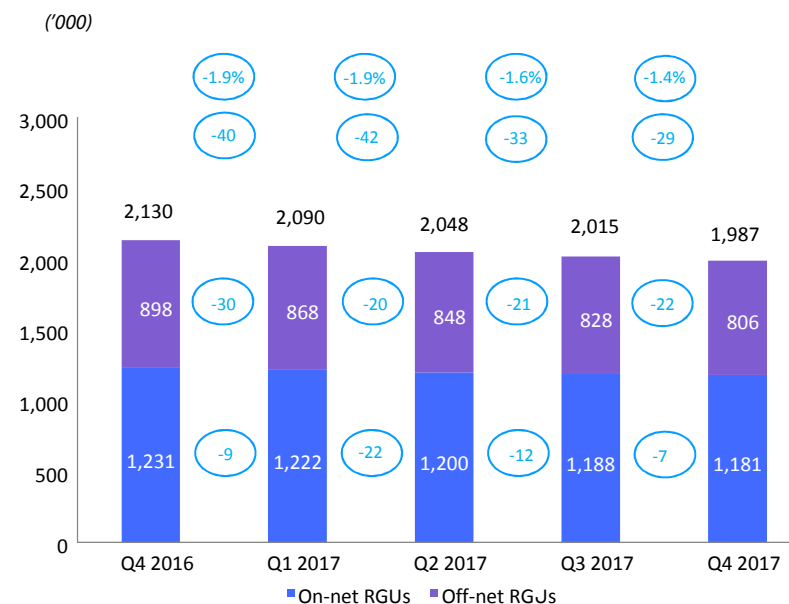


- One-off revenue related to the projects executed by the Company result in q-o-q fluctuations in both top-line and EBITDA margin

**Total Netia RGUs**



**On-net and off-net RGUs**

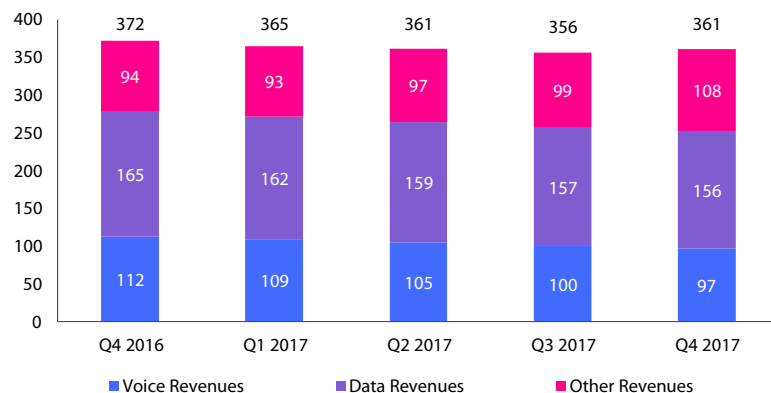


**Comments**

- Drop in total RGUs in Q4 2017 results mainly from a strategic focus on higher margin on-net services including bundling and well-considered retention activities within existing WLR, BSA and LLU customer base
- At the end of Q4 2017 share of on-net RGUs in total Netia services was 59% (+1pp y-o-y)

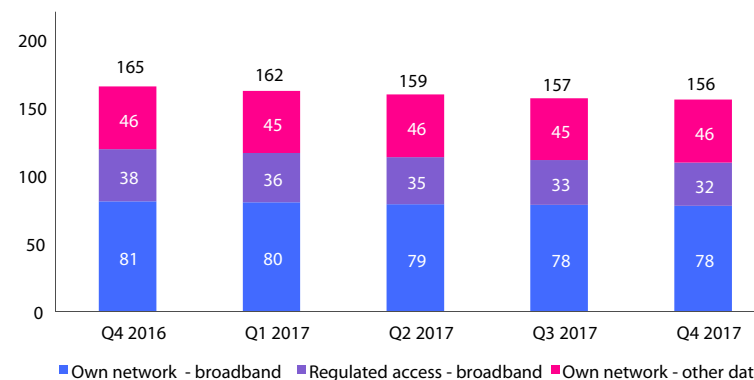
### Revenue breakdown by service

PLNm



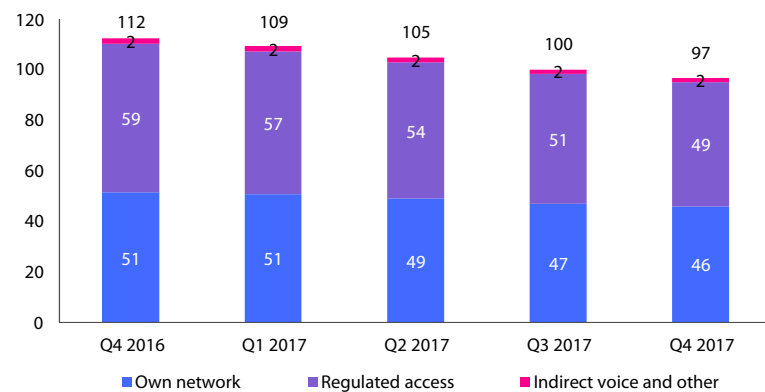
### Data revenue<sup>1</sup> breakdown by access

PLNm



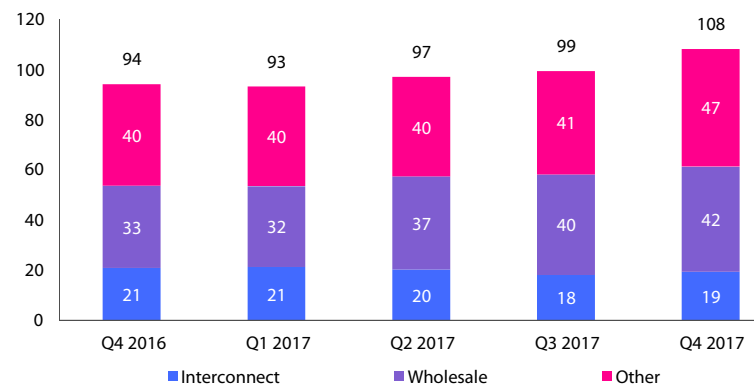
### Voice revenue breakdown by access

PLNm



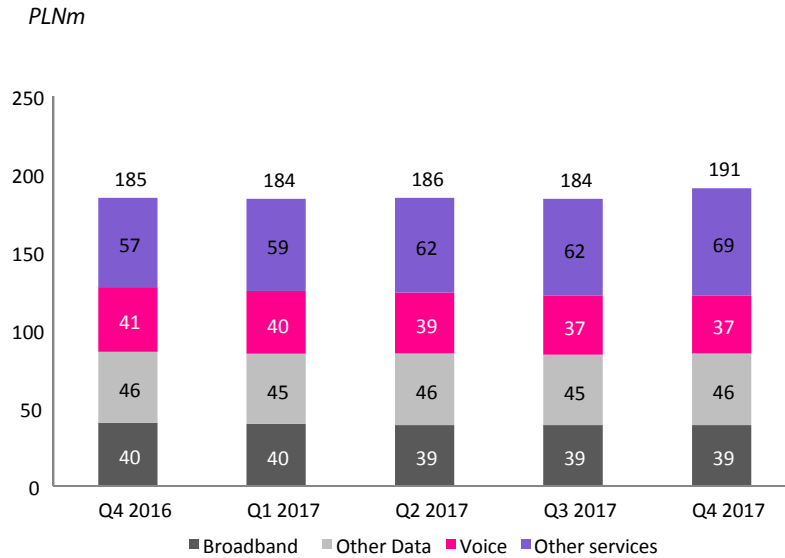
### Other revenue<sup>2</sup>

PLNm

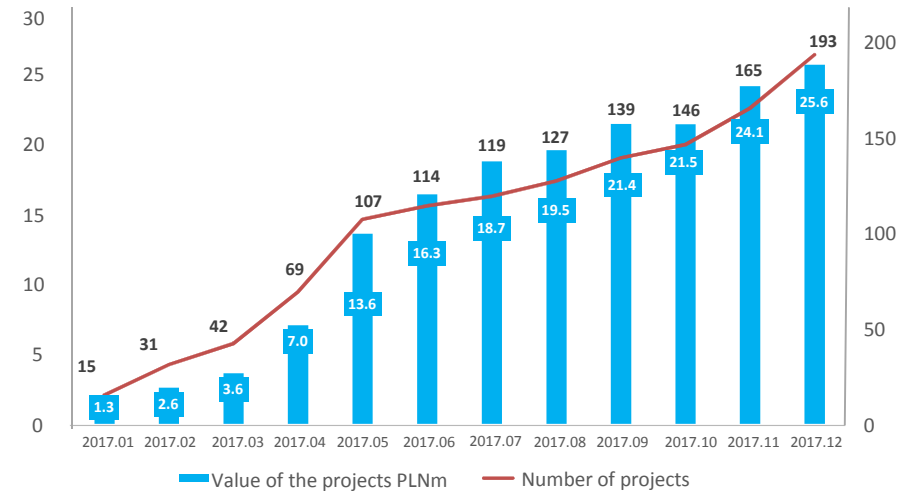


## B2B Overview

**Revenue by service**



**A dynamic increase in the number of new project within Netianext**



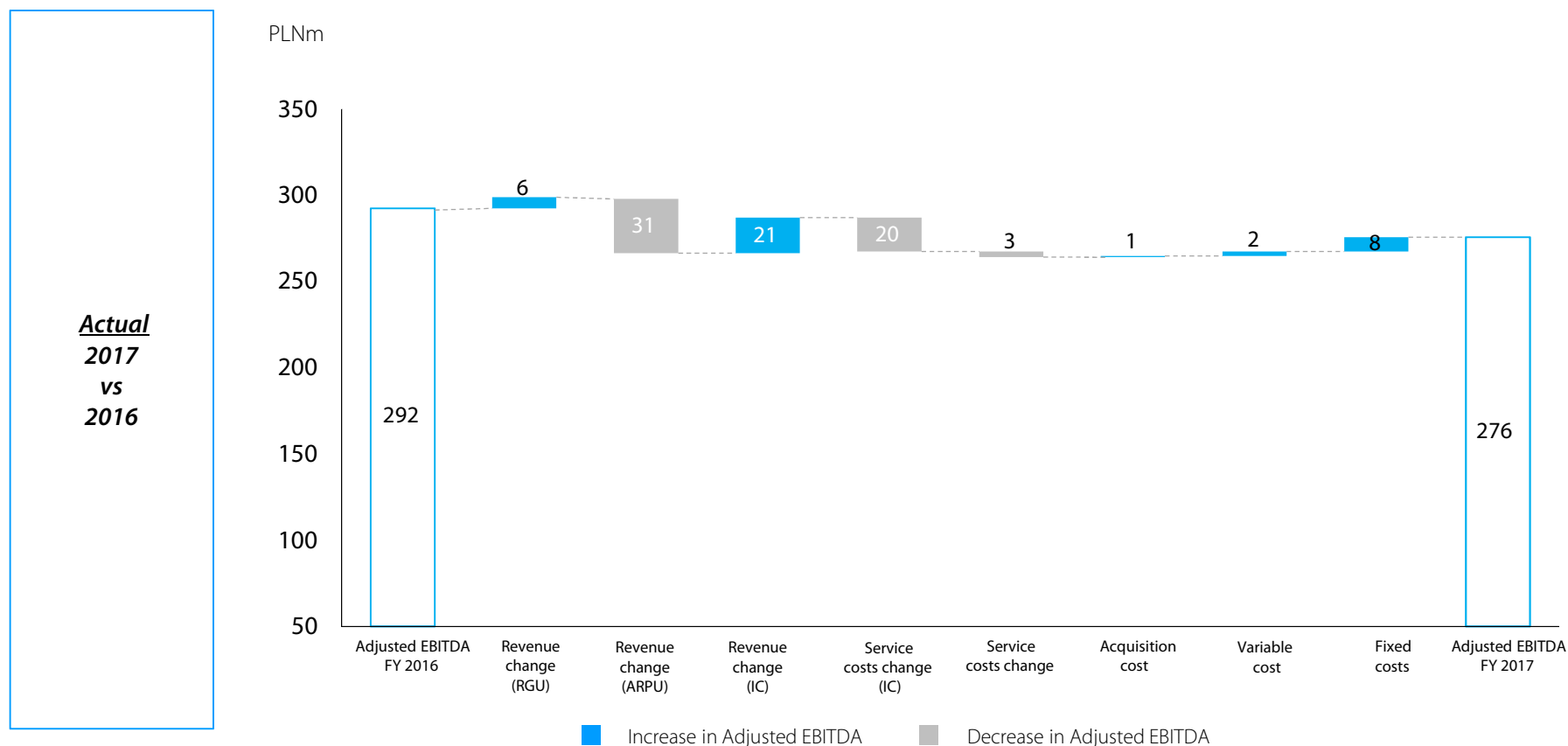
**Comments**

- Trends in broadband and other data services stable despite a competitive market environment
- Higher q-o-q and y-o-y topline with relatively stable profitability despite a strong price pressure in B2B Segment

## B2B financial performance | Adjusted B2B EBITDA bridge for FY 2017



NETIA



### Comments

- ARPU decline related to a visible price pressure in voice and data services
- Lower fixed costs reflect a number of optimization initiatives introduced by the Company
- Interconnect service costs increase in 2017 related to higher wholesale revenue

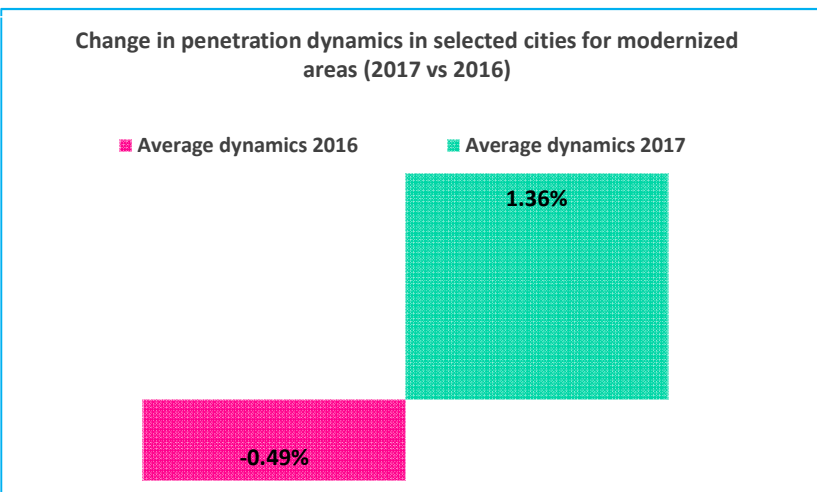
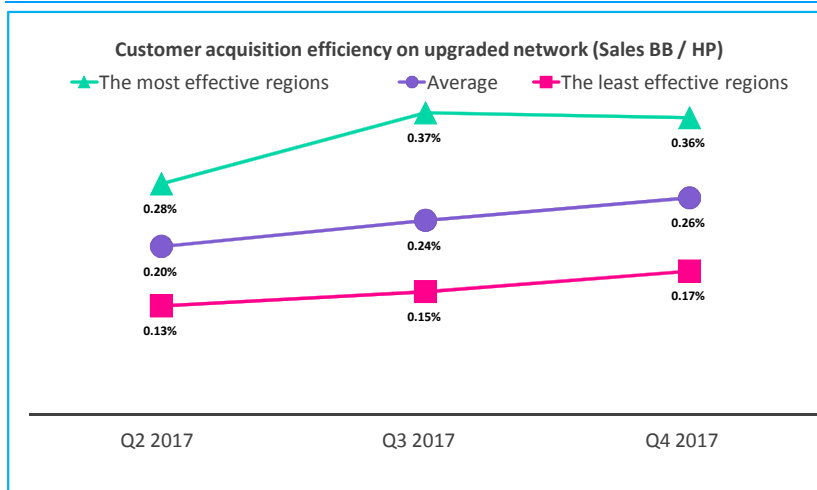




NETIA

## B2C Overview

**B2C access network upgrade**



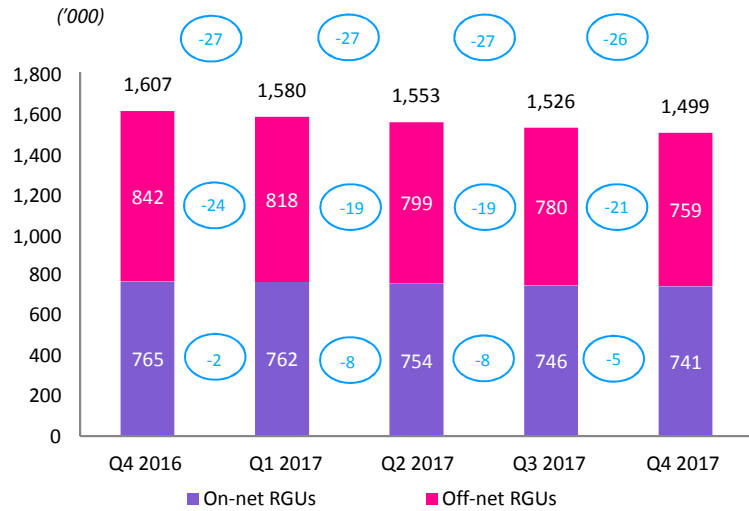
**„2 w 1” Campaign**



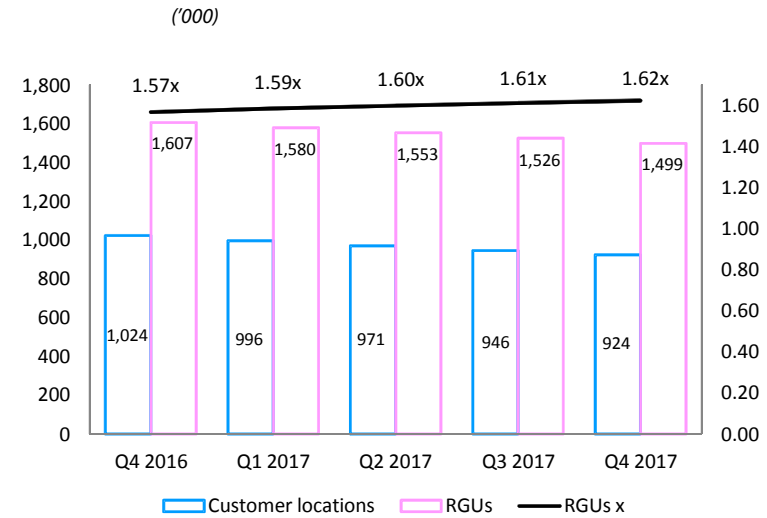
Completion of the "back to school" campaign and launch of the "2 for the price of 1" campaign emphasizing stability of the offer and price unchangeability

Aimed to rebuild the brand awareness through a dedicated media campaign in radio, outdoor, online and BTL

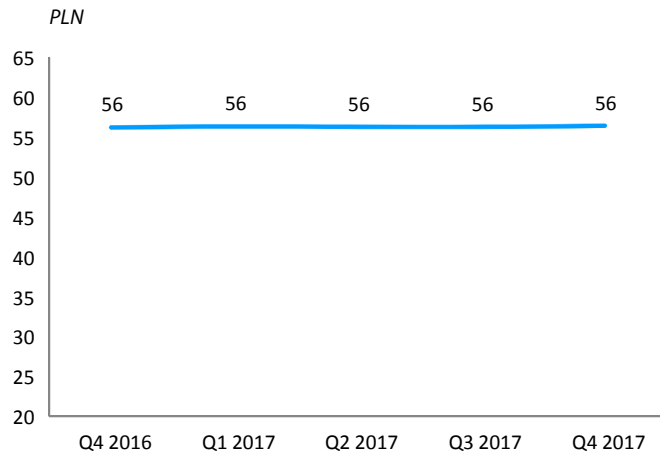
**RGUs by access type**



**Customers and RGUs**



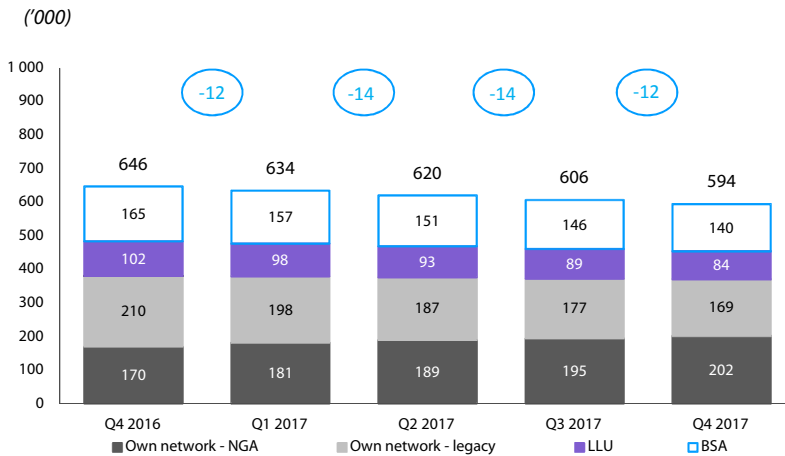
**Average ARPU per Customer**



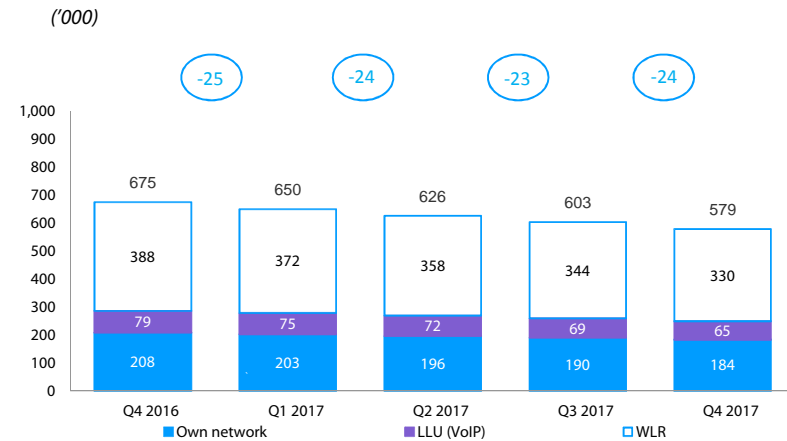
**Comments**

- Share of on-net RGUs up by 1 pp y-o-y to 49%
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

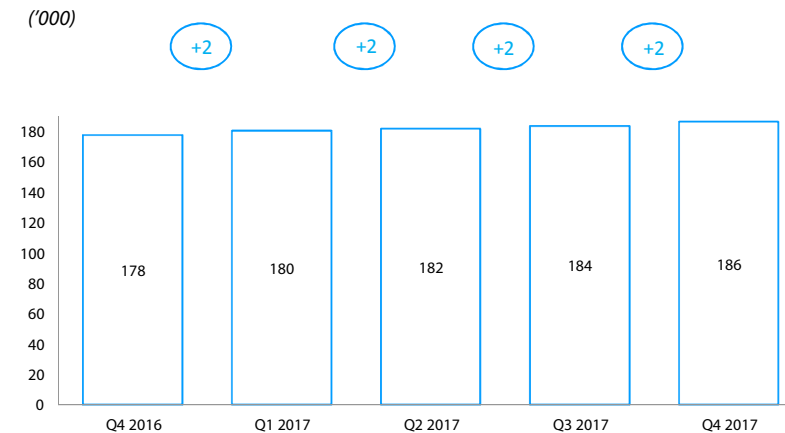
**Broadband ports<sup>1</sup>**



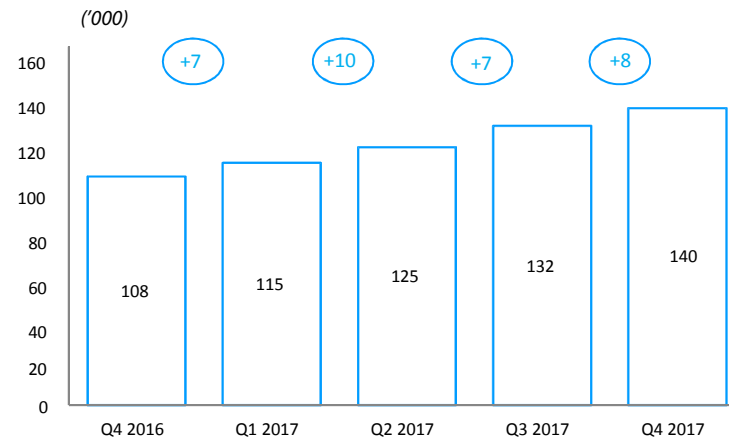
**Voice lines**



**TV services**

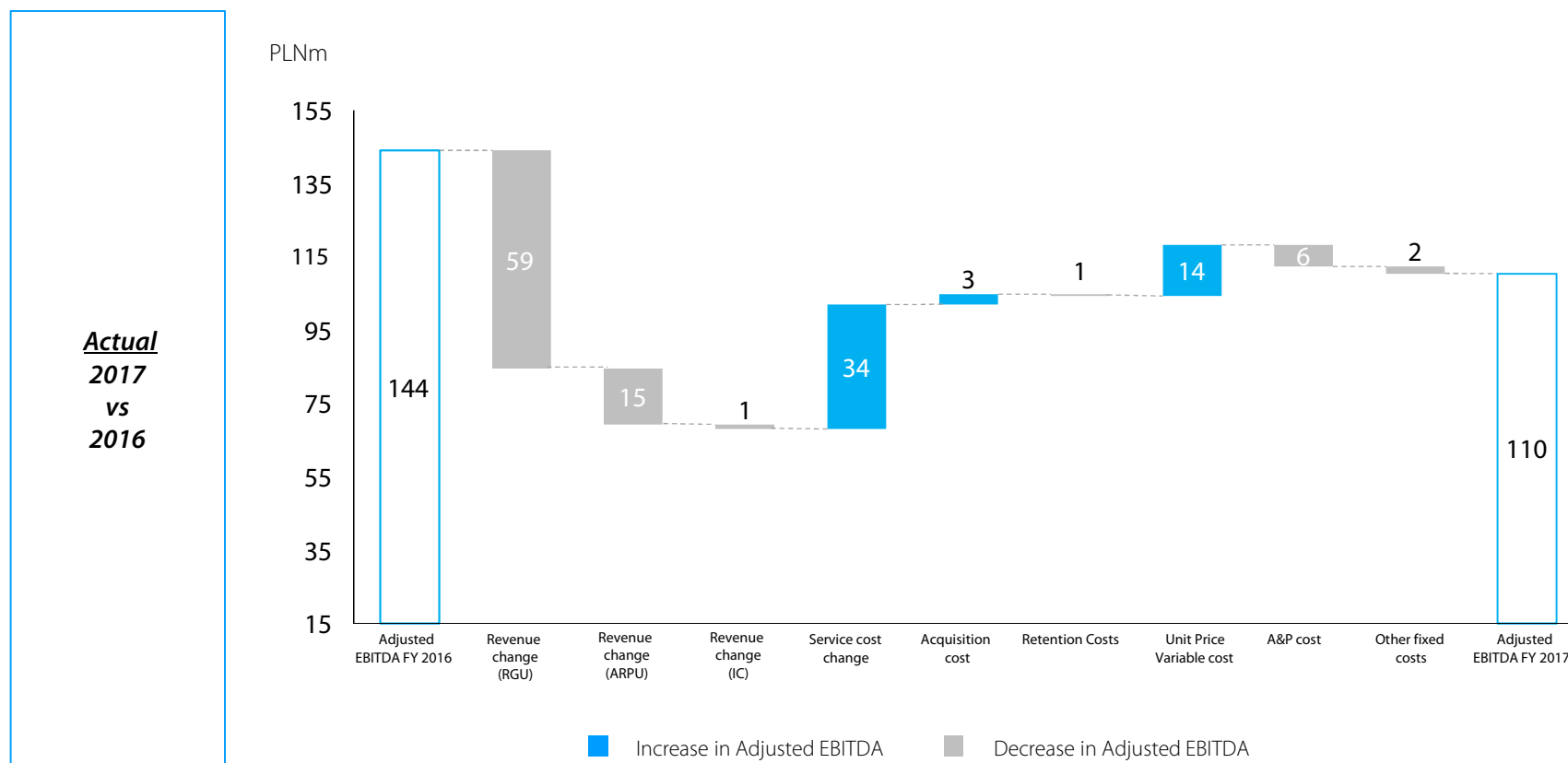


**Mobile services**



- 62% of broadband customers served directly via Netia’s own network (+3 pp y-o-y)
- 50% of on-net broadband customers now take TV services from Netia
- 29% increase on mobile services y-o-y

<sup>1</sup> In Q3 2017, as a result of reclassification 10.9k broadband services have been transferred from Own network – NGA to Own network – legacy. To maintain comparability historical data were adjusted for the same number of services



**Comments**

- ARPU decline related mainly to a decrease in off-net RGUs (WLR, BSA, LLU) and bundling of services
- Lower service cost reflects lower off-net rental payments to incumbent and lower interconnection costs
- Lower variable costs reflect a number of optimization initiatives introduced by the Company



N E T I A

## *Netia Group Financial Overview*



	2016				2017				2016 vs 2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
<i>(PLN' 000)</i>										
<b>Revenues</b>	<b>390,494</b>	<b>386,874</b>	<b>372,920</b>	<b>371,683</b>	<b>364,506</b>	<b>361,201</b>	<b>356,201</b>	<b>360,577</b>	<b>1,521,971</b>	<b>1,442,485</b>
<i>Change (y-o-y%)</i>	0.5%	1.7%	(6.9%)	(7.7%)	(6.7%)	(6.6%)	(4.5%)	(3.0%)	(3.2%)	(5.2%)
<b>Adjusted EBITDA</b>	<b>110,953</b>	<b>115,196</b>	<b>107,036</b>	<b>114,257</b>	<b>96,008</b>	<b>97,388</b>	<b>103,193</b>	<b>99,478</b>	<b>447,442</b>	<b>396,067</b>
<b>Margin (%)</b>	<b>28.4%</b>	<b>29.8%</b>	<b>28.7%</b>	<b>30.7%</b>	<b>26.3%</b>	<b>27.0%</b>	<b>29.0%</b>	<b>27.6%</b>	<b>29.4%</b>	<b>27.5%</b>
<i>Change (y-o-y%)</i>	(2.3%)	4.4%	(13.2%)	2.4%	(13.5%)	(15.5%)	(3.6%)	(12.9%)	(2.5%)	(11.5%)
<b>EBITDA</b>	<b>107,128</b>	<b>114,808</b>	<b>102,909</b>	<b>101,594</b>	<b>94,327</b>	<b>98,913</b>	<b>98,404</b>	<b>91,855</b>	<b>426,439</b>	<b>383,499</b>
<b>Margin (%)</b>	<b>27.4%</b>	<b>29.7%</b>	<b>27.6%</b>	<b>27.3%</b>	<b>25.9%</b>	<b>27.4%</b>	<b>27.6%</b>	<b>25.5%</b>	<b>28.0%</b>	<b>26.6%</b>
<i>Change (y-o-y%)</i>	(3.9%)	1.9%	(16.3%)	(0.3%)	(11.9%)	(13.8%)	(4.4%)	(9.6%)	(5.0%)	(10.1%)
<b>Depreciation</b>	<b>106,976</b>	<b>102,102</b>	<b>97,573</b>	<b>94,553</b>	<b>79,103</b>	<b>78,565</b>	<b>76,976</b>	<b>76,953</b>	<b>401,204</b>	<b>311,597</b>
<b>Adjusted EBIT</b>	<b>3,978</b>	<b>13,094</b>	<b>9,463</b>	<b>19,704</b>	<b>16,905</b>	<b>18,823</b>	<b>26,217</b>	<b>22,525</b>	<b>46,238</b>	<b>84,470</b>
<b>Margin (%)</b>	<b>1.0%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>5.3%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>3.0%</b>	<b>5.9%</b>
<b>EBIT</b>	<b>0,152</b>	<b>12,706</b>	<b>5,336</b>	<b>7,041</b>	<b>15,224</b>	<b>20,348</b>	<b>21,428</b>	<b>14,902</b>	<b>25,235</b>	<b>71,902</b>
<b>Margin (%)</b>	<b>0.0%</b>	<b>3.3%</b>	<b>1.4%</b>	<b>1.9%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>6.0%</b>	<b>4.1%</b>	<b>1.7%</b>	<b>5.0%</b>

### Comments

- Adjusted EBITDA Margin relatively stable despite continuous price pressure in both commercial segments

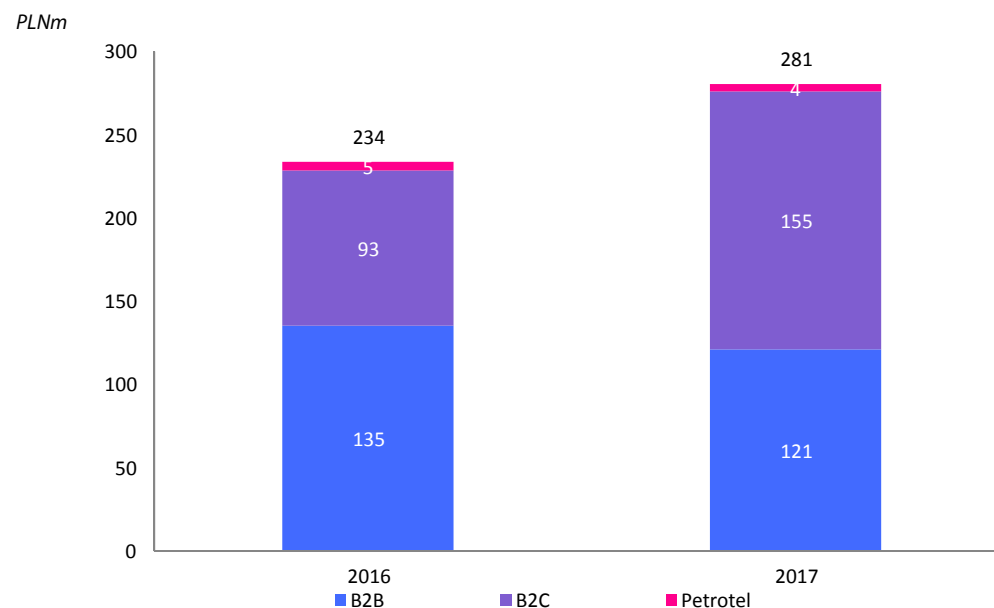


<i>PLN'000</i>	<b>2016</b>	<b>2017</b>	<b>Change</b>
<b>Adjusted EBITDA</b>	<b>447,442</b>	<b>396,067</b>	-11%
<i>Unusual Items:</i>			
Integration costs	(5,374)	(1,008) <b>1</b>	-81%
Restructuring costs	(7,344)	(4,669) <b>2</b>	-36%
Transformation projects	(1,593)	(85)	-95%
Other one-off events	(5,212)	1,649 <b>3</b>	na
Access network upgrade related costs	(160)	-	na
Liquidation costs	(1,539)	-	na
Reorganization costs	219	(733)	na
USO Provision	-	(7,722)	na
<b>EBITDA</b>	<b>426,439</b>	<b>383,499</b>	-10%
Depreciation and amortization	(401,204)	(311,597)	-22%
<b>EBIT</b>	<b>25,235</b>	<b>71,902</b>	+185%
Net financial expenses	(7,318)	(7,499)	-2%
Profit /(Loss) before tax	17,917	64,403	259%
Current tax and deferred income tax	14,749	(28,904)	na
<b>Net Profit</b>	<b>32,666</b>	<b>35,499</b>	9%
Average number of outstanding shares (basic)	<b>344,328,803</b>	<b>336,226,725</b>	
EPS (in PLN, basic)	<b>0.09</b>	<b>0.11</b>	

- 1** Mainly costs related to integration of TK Telekom within Netia Group
- 2** Mainly staff redundancies related to cost of employment restructuring in TK Telekom
- 3** Mainly sale of fixed assets, releasing and recognition of provisions related to disputes and other



**Capital investments by Operating Segments<sup>1</sup>**



**Comments**

- Capital investments in the B2C segment reflect mainly customer equipment necessary to connect new residential customers to Netia’s access network and network upgrades within Network of XXI Century project
- Investments in the B2B segment include mainly connecting new customers, switching B2B customers from radio access to fiber, colocation and extension of transmission network
- Capital expenditures for the network upgrades in the amount of PLN 84m in 2017 are allocated in the B2C segment



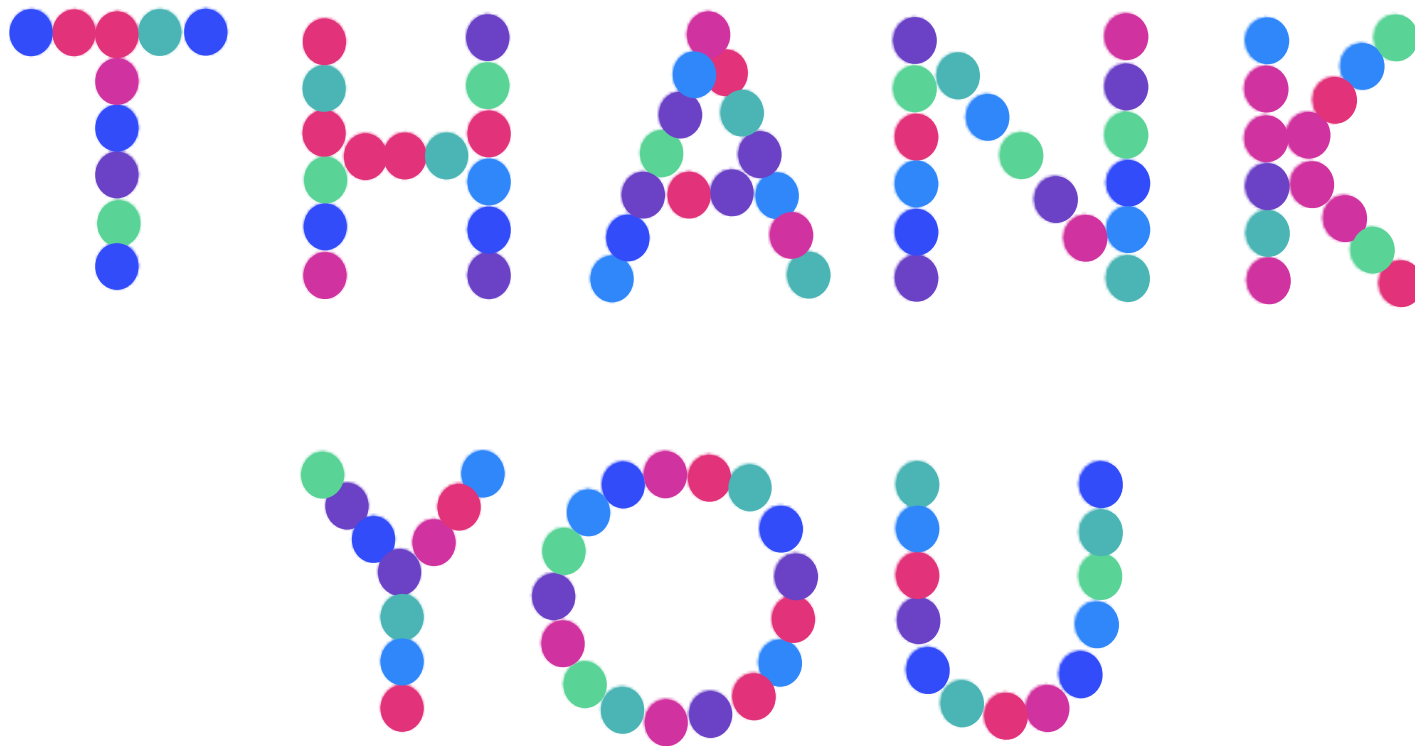
- Netia delivered a set of solid financial results for FY 2017, demonstrating relative business resilience against a visible competition and price pressure in a difficult market environment for both commercial divisions
- The Group's financial standing remains strong with a leverage at a convenient level 0.72x of the 2017 Adjusted EBITDA at PLN 396m
- On December 12, 2017 Netia's Supervisory Board appointed Mr. Krzysztof Adaszewski as the CFO - the Management Board Member and Mr. Andrzej Abramczuk as the Director of Strategy and Regulations – Management Board Member
- On December 5, 2017, Cyfrowy Polsat S.A. announced the purchase of a block of Netia shares representing 31.76% of the total number of votes at the Company's AGM and a tender offer to 66% of shares

# Disclaimer



N E T I A

*Some of the information included in this material contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. For a more detailed description of these risks and factors, please see Netia's most recent financial report and press release. Netia undertakes no obligation to publicly update or revise any forward-looking statements.*



N E T I A