GIGA WOLNOŚĆ

9M 2017 Financial Results

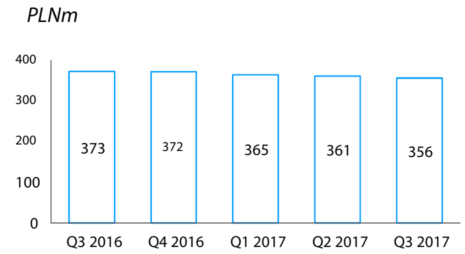
October 26, 2017

NETIA

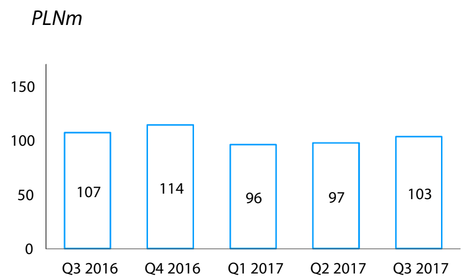
Total Netia | Key highlights for 9M 2017

- Revenue was PLN 1,082m for 9M 2017 (-6% y-o-y) and PLN 356m for Q3 2017 (-1% q-o-q and -4% y-o-y)
  - Adjusted EBITDA[1] was PLN 297m for 9M 2017 (-11% y-o-y) and PLN 103m for Q3 2017 (+6% q-o-q and -4% y-o-y)
  - EBITDA was PLN 292m for 9M 2017 (-10% y-o-y) and PLN 98m for Q3 2017 (-1% q-o-q and -4% y-o-y)
- Netia generated PLN 114m Adjusted OpFCF[2] for 9M 2017 (-40% y-o-y) and PLN 44m for Q3 2017 (+106% q-o-q and -20% y-o-y)
- Net debt at PLN 290m on September 30, 2017 (+56% q-o-q and +16% y-o-y), representing 0.65x of Adjusted EBITDA for full 2016 year at PLN 447m
- Pursuant to the Supervisory Board decision of August 29, 2017 the composition of Netia Management Board is as follows:
  - Ms. Katarzyna Iwuć – President of the Management Board – General Director, Chief Financial Officer
  - Mr. Aster Papazyan – Member of the Management Board – B2B Market General Director
  - Mr. Tomasz Dakowski – Member of the Management Board – B2C Market General Director
  - Mr. Stefan Radzimiński – Member of the Management Board – Chief Technology Officer
- On October 24, 2017 Netia signed the loan agreement with the European Investment Bank for co-financing modernization of Company's B2C access network to NGA standard for the amount up to Euro 50m

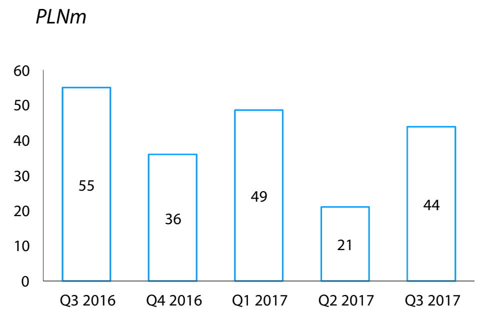
Revenues



Adjusted EBITDA[1]



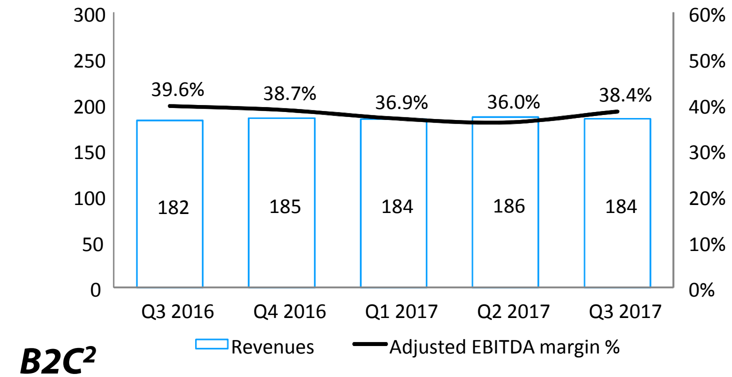
Adjusted OpFCF[2]



1 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment
2 Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan

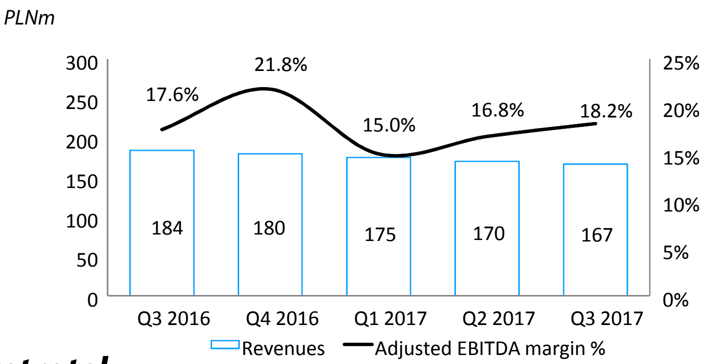
Total Netia | Profitability in operational Segments

B2B[1]



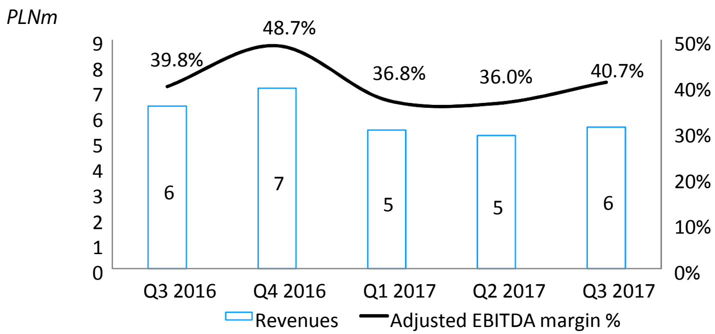
- **Revenue** was PLN 184m in Q3 2017 (-1% q-o-q and +1% y-o-y)
- **Adjusted EBITDA** was PLN 71m with a margin of 38.4%
- Includes TK Telekom

B2C[2]



- **Revenue** was PLN 167m in Q3 2017, down by 2% compared to Q2 2017 and down by 10% y-o-y
- **RGUs** at 1,526k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 29m with a margin of 18,2%
  - Higher profitability in Q3 2017 possible among others thanks to optimisation of advertising and promotion spendings

Petrotel

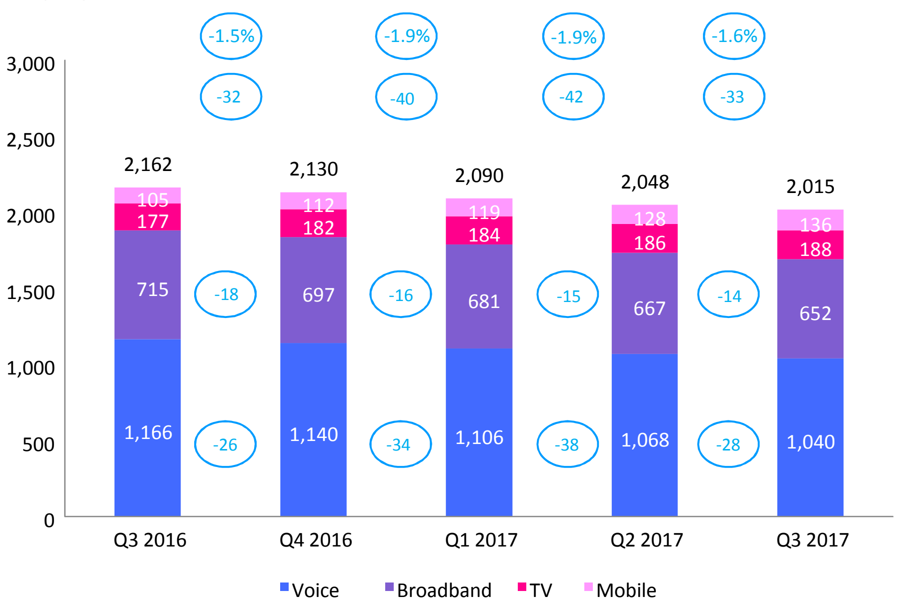


- One-off revenue related to the projects executed by the Company results in q-o-q fluctuations in both top-line and EBITDA margin

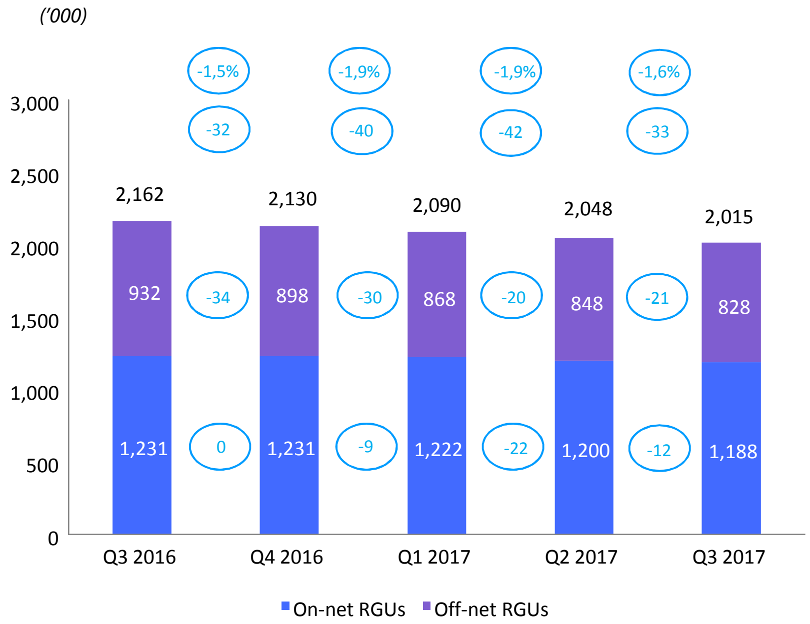
1 B2B comprises Business, Carrier customers sub-segments and TK Telekom. 2 B2C comprises Residential and SOHO customers sub-segments

Total Netia | Total RGUs by product and access type

Total Netia RGUs



On-net and off-net RGUs



Comments

- Drop in total RGUs in Q3 2017 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q3 2017 share of on-net RGUs in total Netia services was 59% (+2pp y-o-y)

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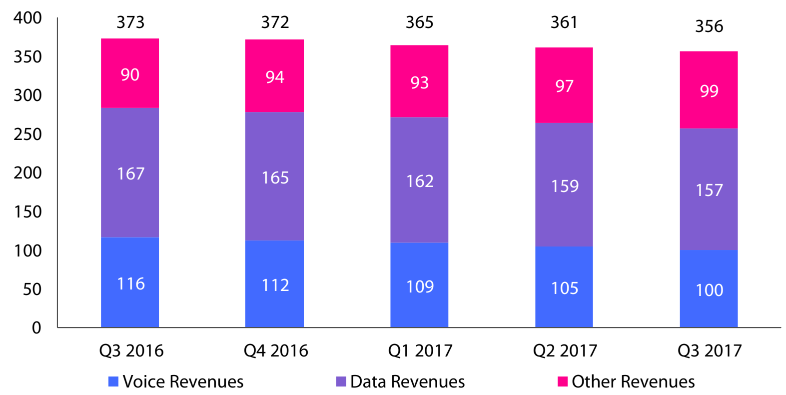
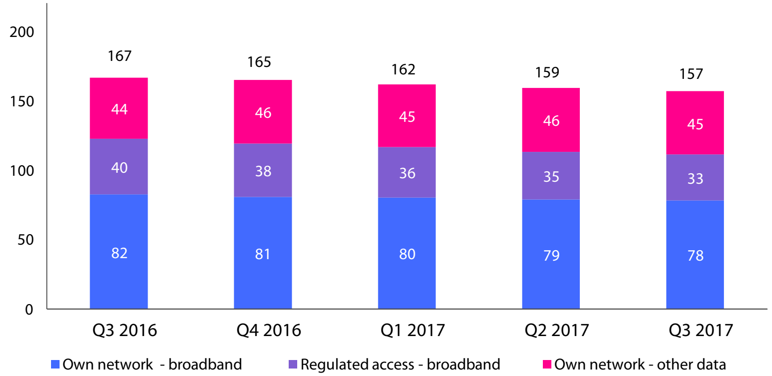
Revenue breakdown by service

PLNm



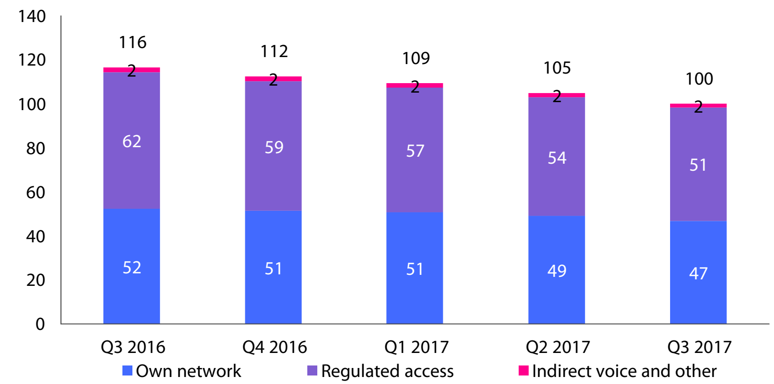
Data revenue[1] breakdown by access

PLNm



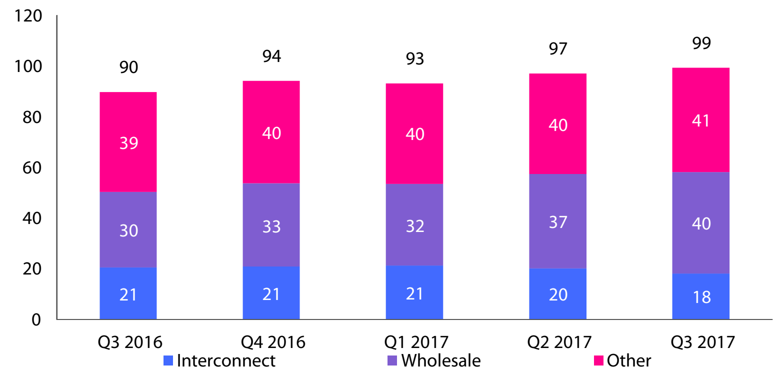
Voice revenue breakdown by access

PLNm



Other revenue[2]

PLNm



1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

B2B Overview

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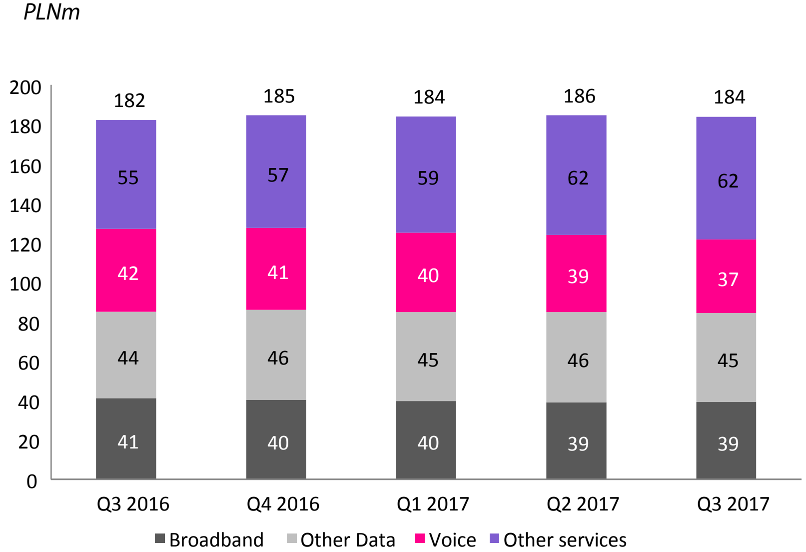
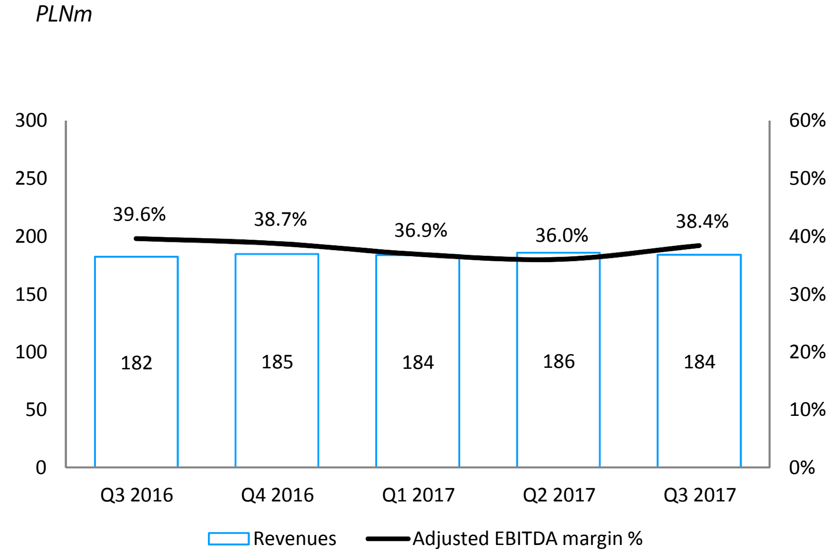
Revenue by service



Profitability in B2B Segment



Comments

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

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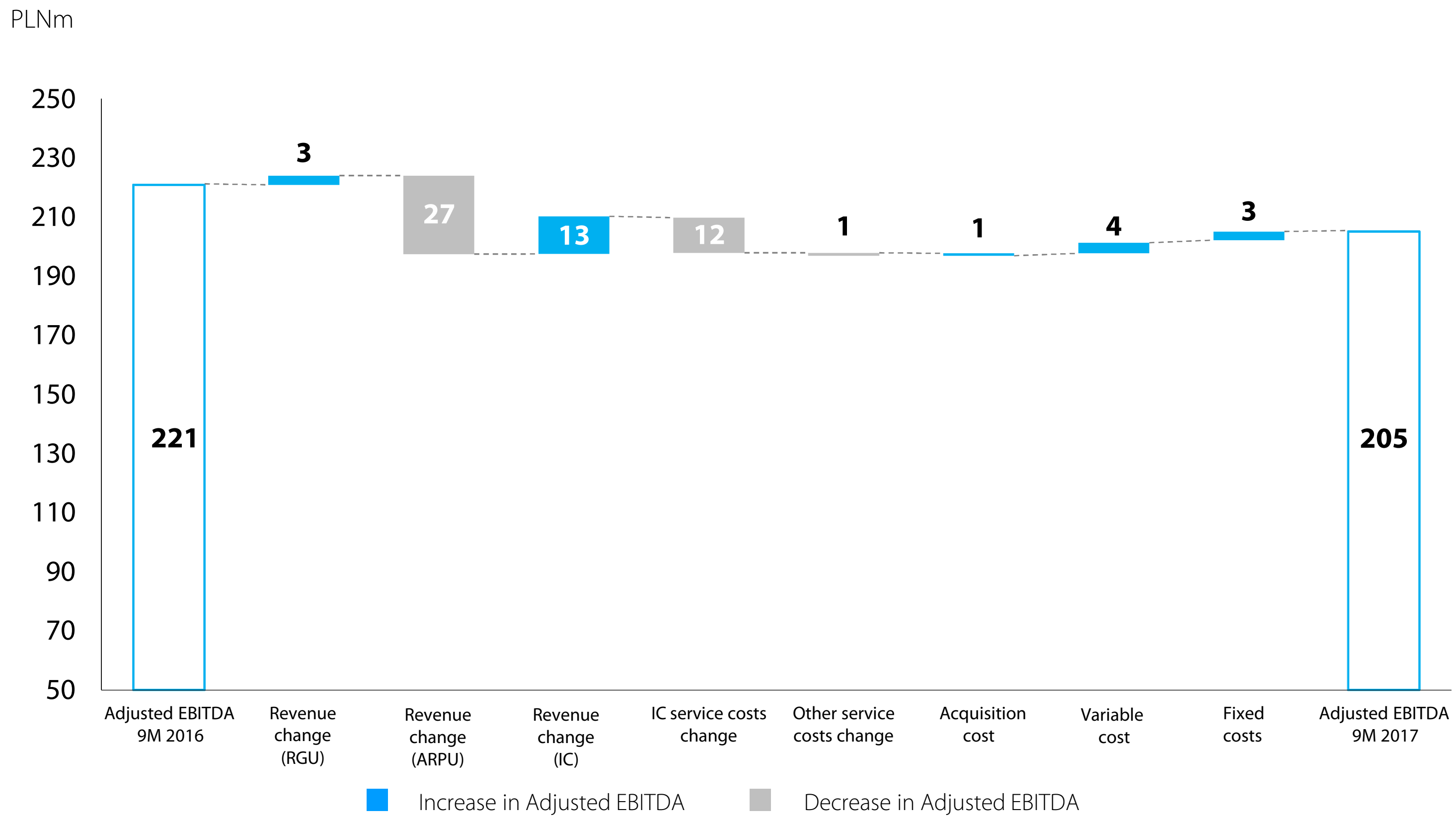
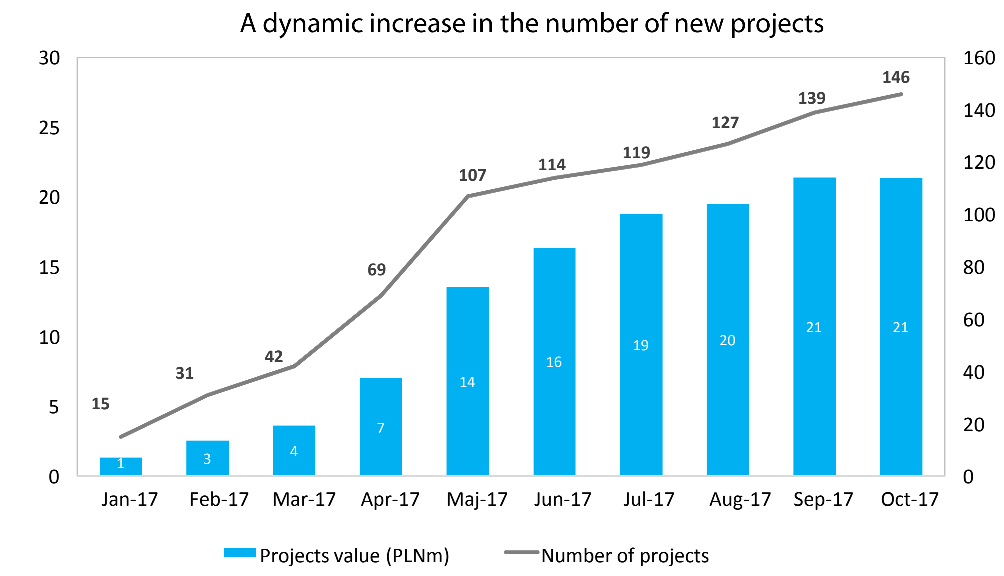
Actual
9M 2017
vs
9M 2016



Comments

- ARPU decline related to a visible price pressure in voice and data services
- Lower fixed and variable costs reflect a number of optimization initiatives introduced by the Company
- Interconnect service costs increase in 9M 2017 related to higher wholesale revenue



Product Portfolio:

- WLAN
- WiFi Marketing
- Data Center
- Cloud Computing
- Security
- Unified Communications as a Service
- IT Integration

The most interesting projects – completed or in progress (expected completion in 2017)

- Implementation of WIFI services with ads distribution in 3k customer locations
- Deployment of WLAN service with customer analysis in 200 locations of large retail network
- Online store based on Netia cloud computing for the pharmacy network
- Migration of IT systems to Netia's cloud computing (car dealership company)

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B2C Overview

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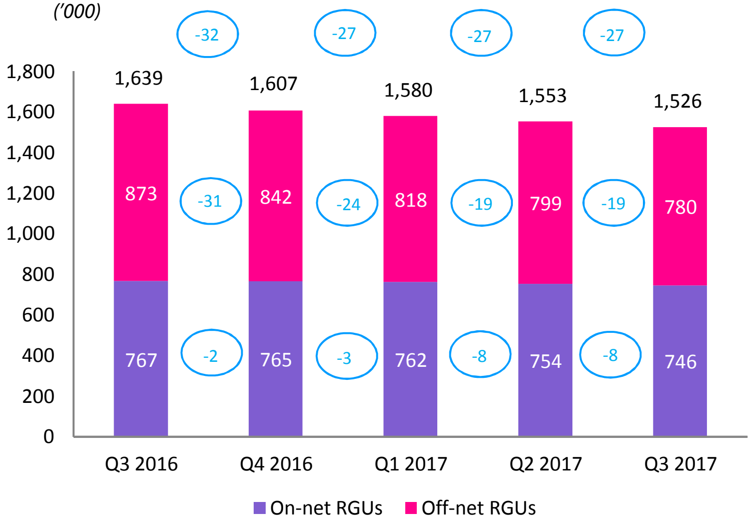
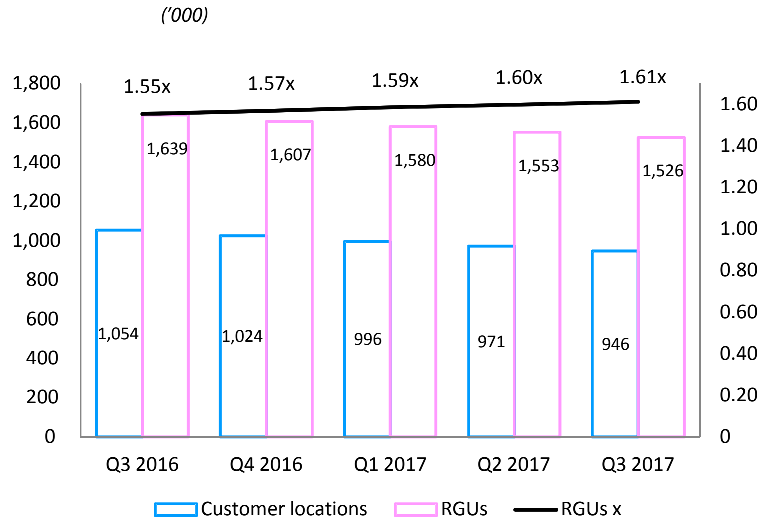
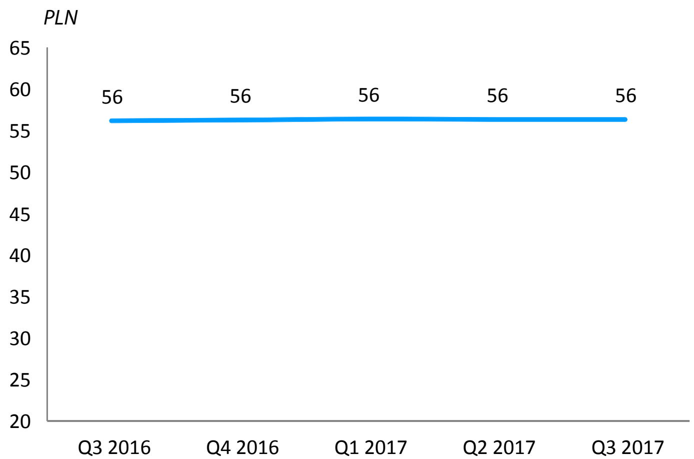
RGUs by access type



Customers and RGUs



Average ARPU per Customer

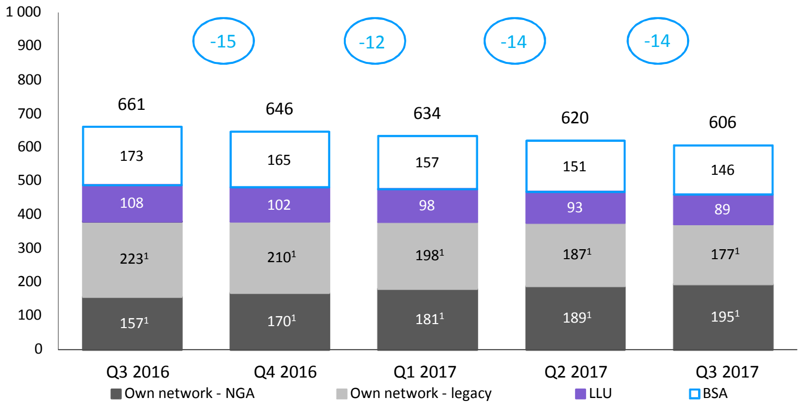


Comments

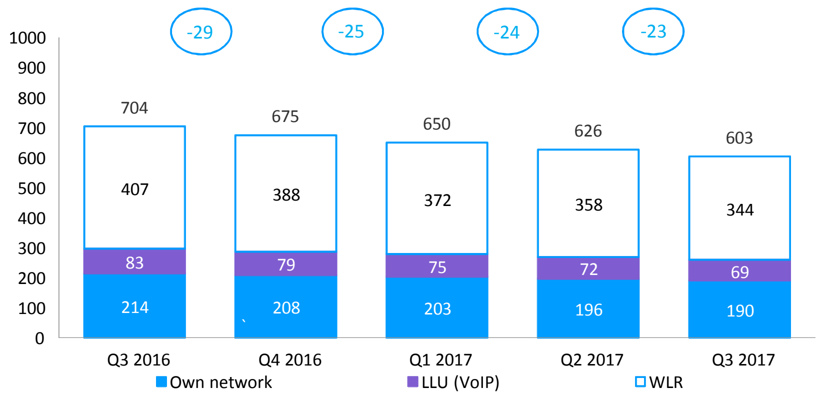
- Share of on-net RGUs up by 2 pp y-o-y to 48%
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

B2C Operations | RGUs by service

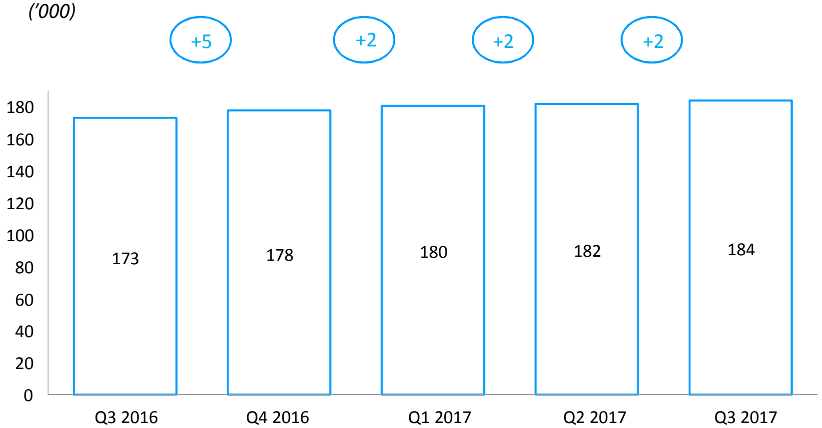
Broadband ports[1]



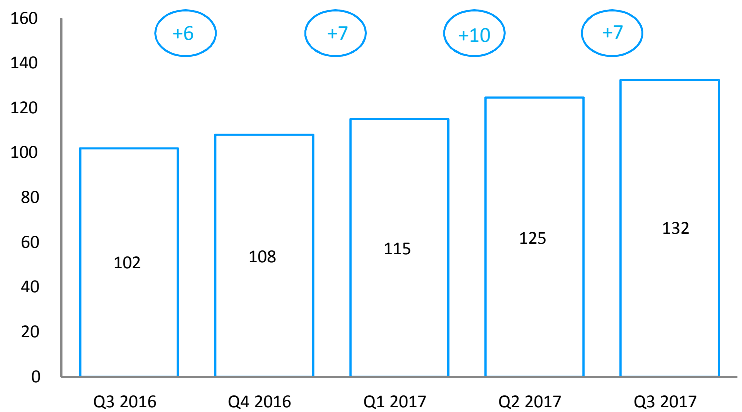
Voice lines



TV services



Mobile services



- 61% of broadband customers served directly via Netia's own network (+4 pp y-o-y)
- 49% of on-net broadband customers now take TV services from Netia
- 30% increase on mobile services y-o-y

1 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

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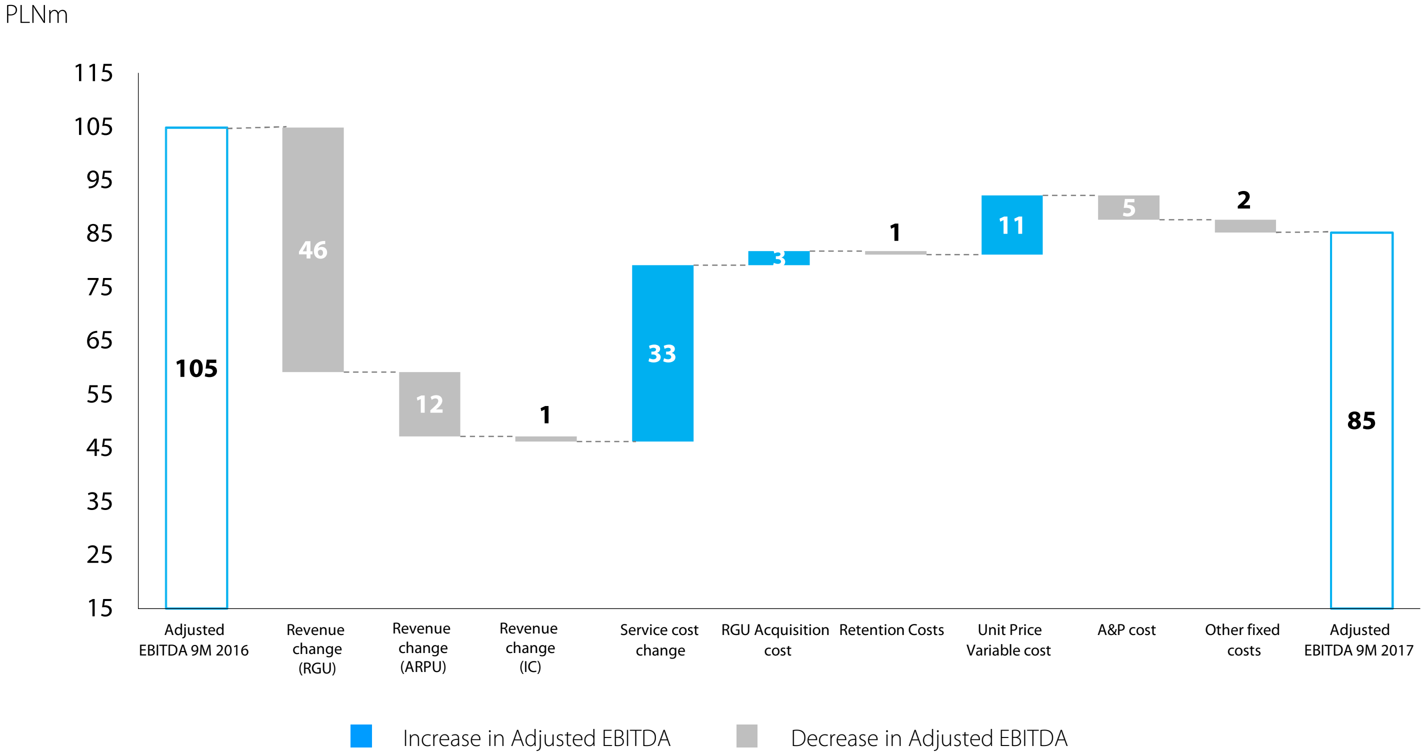
Actual
9M 2017
vs
9M 2016



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

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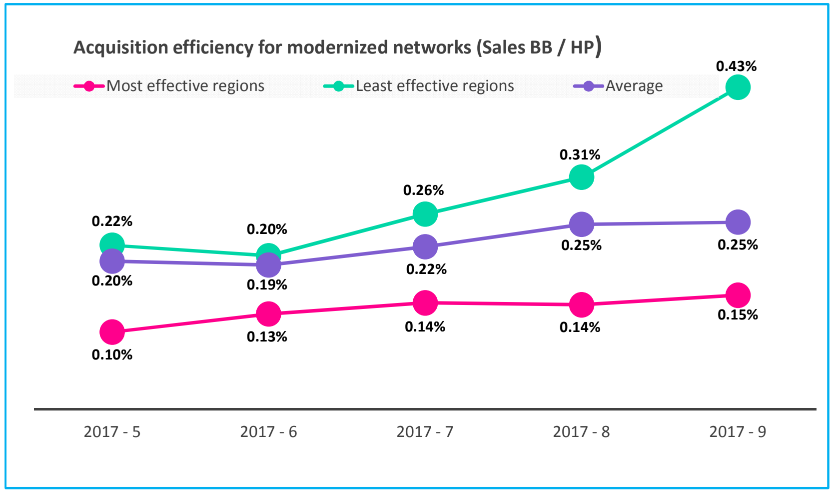
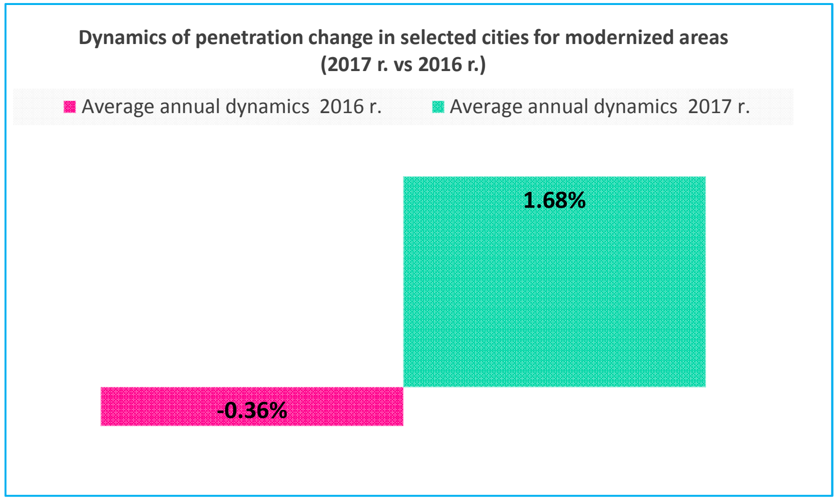
Network modernization – „Project XXI" Initiative





„Back to school"

- Diverse communication – radio, btl, digital, mobile
- Non-standard actions – sampling in academic centers
- Different from competitors – broadband + mobile data

Netia Group Financial Overview

On October 24, 2017 Netia signed the loan agreement with European Investment Bank for co-financing modernization of Company's B2C access network to NGA standard for the amount up to Eur 50m

Terms of agreement:

- total amount up to **Euro 50m**
- first instalment will not be paid earlier than two years after the loan payment date
- payment of the last instalment shall not be made later than at the end of eighth year after the loan payment date

Payment schedule

Years	1	2	3	4	5	6	7	8
Payments	0.00%	0.00%	17.50%	20.00%	20.00%	15.00%	15.00%	12.50%

Financial Performance | Key figures for Q3 2017

N E T I A

(PLN' 000)	2016				2017			2016 vs 2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9M 2016	9M 2017	y-o-y
Revenues	**390,494**	**386,874**	**372,920**	**371,683**	**364,506**	**361,201**	**356,201**	**1,150,288**	**1,081,908**	***(5.9%)***
Change (y-o-y%)	*0.5%*	*1.7%*	*(6.9%)*	*(7.7%)*	*(6.7%)*	*(6.6%)*	*(4.5%)*	*(1.6%)*	*(5.9%)*	
Adjusted EBITDA	**110,953**	**115,196**	**107,036**	**114,257**	**96,008**	**97,388**	**103,193**	**333,185**	**296,589**	***(11.0%)***
Margin (%)	***28.4%***	***29.8%***	***28.7%***	***30.7%***	***26.3%***	***27.0%***	***29.0%***	***29.0%***	***27.4%***	
Change (y-o-y%)	*(2.3%)*	*4.4%*	*(13.2%)*	*2.4%*	*(13.5%)*	*(15.5%)*	*(3.6%)*	*(4.0%)*	*(11.0%)*	
EBITDA	**107,128**	**114,808**	**102,909**	**101,594**	**94,327**	**98,913**	**98,404**	**324,845**	**291,644**	***(10.2%)***
Margin (%)	***27.4%***	***29.7%***	***27.6%***	***27.3%***	***25.9%***	***27.4%***	***27.6%***	***28.2%***	***27.0%***	
Change (y-o-y%)	*(3.9%)*	*1.9%*	*(16.3%)*	*(0.3%)*	*(11.9%)*	*(13.8%)*	*(4.4%)*	*(6.4%)*	*(10.2%)*	
Depreciation	**106,976**	**102,102**	**97,573**	**94,553**	**79,103**	**78,565**	**76,976**	**306,651**	**234,644**	***(23.5%)***
Adjusted EBIT	**3,978**	**13,094**	**9,463**	**19,704**	**16,905**	**18,823**	**26,217**	**26,534**	**61,945**	***133.5%***
Margin (%)	***1.0%***	***3.4%***	***2.5%***	***5.3%***	***4.6%***	***5.2%***	***7.4%***	***2.3%***	***5.7%***	
EBIT	**0,152**	**12,706**	**5,336**	**7,041**	**15,224**	**20,348**	**21,428**	**18,194**	**57,000**	
Margin (%)	***0.0%***	***3.3%***	***1.4%***	***1.9%***	***4.2%***	***5.6%***	***6.0%***	***1.6%***	***5.3%***	

Comments

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

Financial Performance | Adjusted EBITDA reconciliation to Net Results

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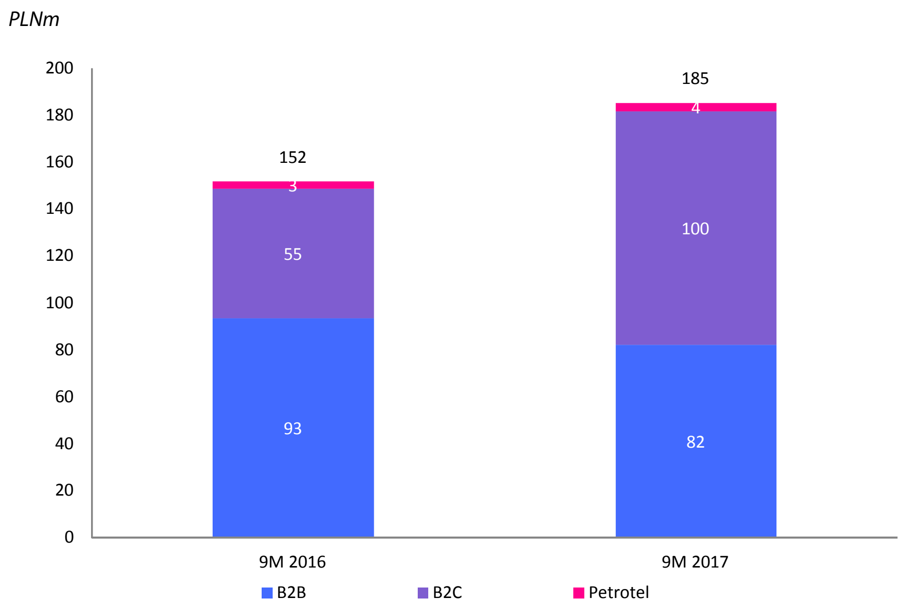
PLN'000	*9M 2016*	*9M 2017*		*Change*
Adjusted EBITDA	**333,185**	**296,589**		*-11%*
Unusual Items:				
Integration costs	(368)	(442)		*+20%*
Restructuring costs	(6,574)	(4,984)	1	*-24%*
Transformation projects	(909)	(85)		*-91%*
Other one-off events	(561)	6,064	2	*na*
M&A related costs	(100)	-		*na*
Liquidation costs	(1,479)	-		*na*
Reorganization costs	1,651	(738)		*na*
USO Provision	-	(4.760)		*na*
EBITDA	**324,845**	**291,644**		*-10%*
Depreciation and amortization	(306,651)	(234,644)		*-23%*
EBIT	**18,194**	**57,000**		*+213%*
Net financial expenses	(6,086)	(4,613)		*-24%*
Profit /(Loss) before tax	12,108	52,387		*333%*
Current tax and deferred income tax	18,175	(10,887)		*na*
Net Profit	**30,283**	**41,500**		*37%*
Average number of outstanding shares (basic)	**345,172,289**	**337,047,972**		
EPS (in PLN, basic)	**0.09**	**0.12**		

1. Mainly staff redundancies related to cost of employment restructuring in TK Telekom
2. Mainly sale of fixed assets in the amount of PLN 2.6m and releasing provisions related to disputes of PLN 3.5m

Capital investments by Operating Segments[1]



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 57m in 9M 2017 are presented in the B2C segment

1 Including TK Telekom in B2B segment

- Netia delivered a set of solid financial results for 9M 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 0.65x of the 2016 Adjusted EBITDA at PLN 447m
- Pursuant to the Supervisory Board decision of August 29, 2017 the composition of Netia Management Board is as follows:
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Disclaimer

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THANK

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