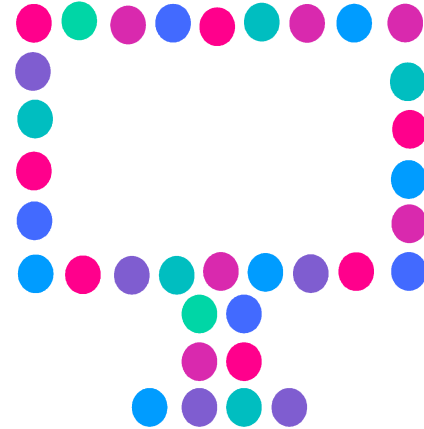


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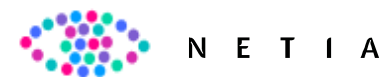


## Q1 2018 Financial Results

April 26, 2018

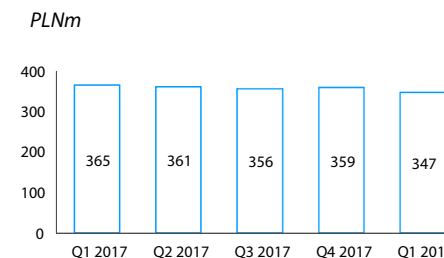
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# Total Netia | Key highlights for Q1 2018<sup>3</sup>

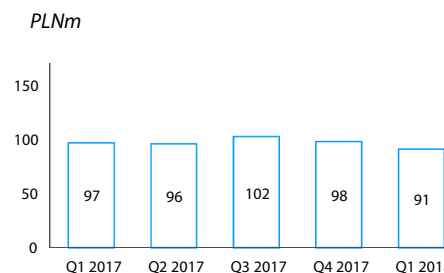


- Revenue was PLN 347m for Q1 2018 (-3% q-o-q and -5% y-o-y)
  - Adjusted EBITDA<sup>1</sup> was PLN 91m for Q1 2018 (-7% q-o-q and -6% y-o-y)
  - EBITDA was PLN 92m for Q1 2018 (+1% q-o-q and -3% y-o-y)
- Netia generated PLN 44m OpFCF<sup>2</sup> for Q1 2018 (+1135% q-o-q and -11% y-o-y). Significantly higher OpFCF q-o-q and y-o-y mainly due to lower capital expenditures related to access network upgrade program (winter period)
- Net debt at PLN 252m on March 31, 2018 (-11% q-o-q and +26% y-o-y), representing 0.64x of Adjusted EBITDA for full 2017 year at PLN 393m

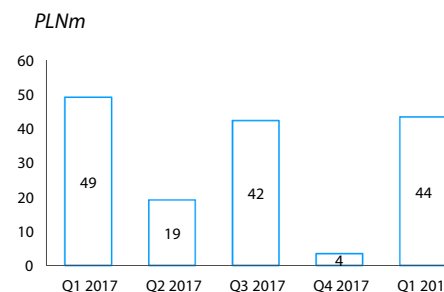
## Revenues<sup>3</sup>



## Adjusted EBITDA<sup>1,3</sup>



## Adjusted OpFCF<sup>2,3</sup>

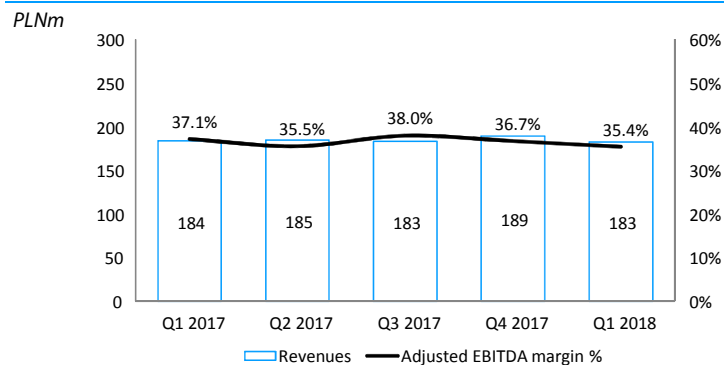


<sup>1</sup> Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity

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

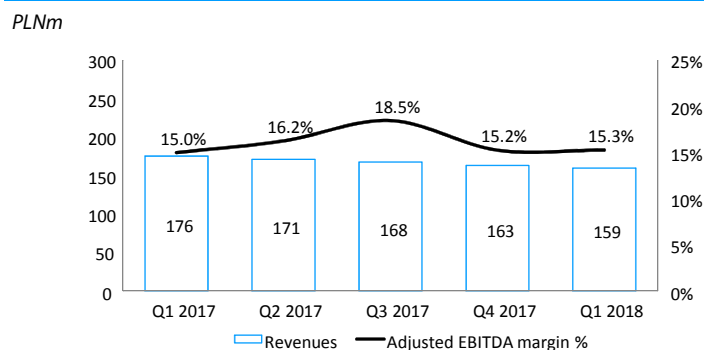
<sup>3</sup> Financial data recalculated in accordance with IFRS 15 standard

### B2B<sup>1,3</sup>



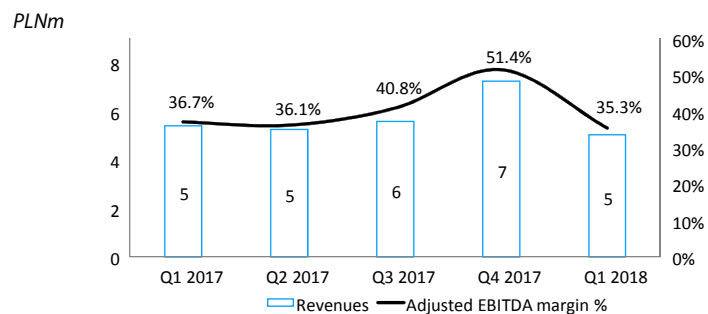
- **Revenue** was PLN 183m in Q1 2018 (-4% q-o-q and -1% y-o-y)
- **Adjusted EBITDA** was PLN 65m with a margin of 35.4%

### B2C<sup>2,3</sup>



- **Revenue** was PLN 159m in Q1 2018, down by 2% compared to Q4 2017 and down by 9% y-o-y
- **RGUs** at 1,475k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 24m with a margin of 15.3%

### Petrotel<sup>3</sup>



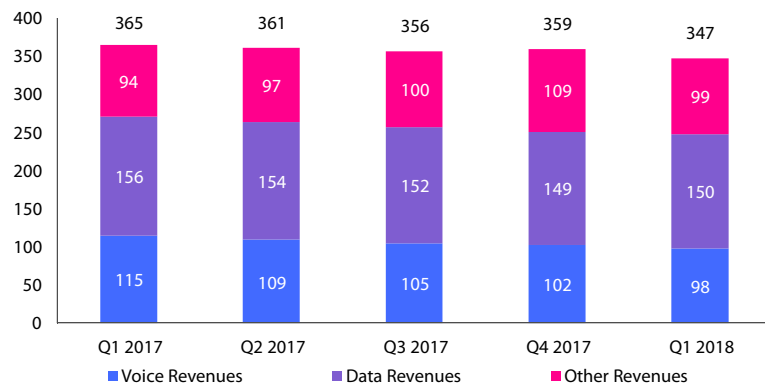
- One-off revenue related to the projects executed by the Company result in q-o-q fluctuations in both top-line and EBITDA margin

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

<sup>3</sup> Financial data recalculated in accordance with IFRS 15 standard

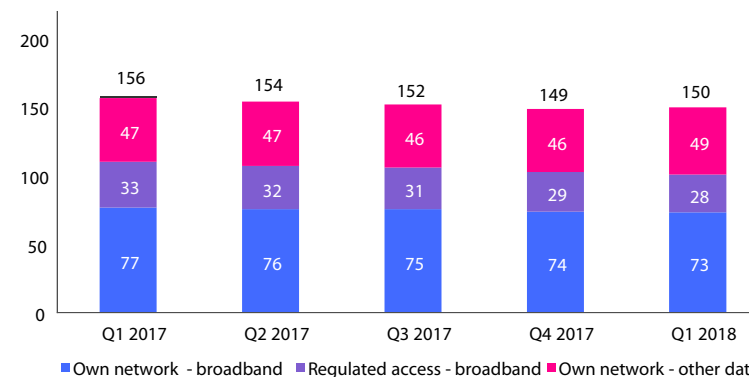
### Revenue breakdown by service

PLNm



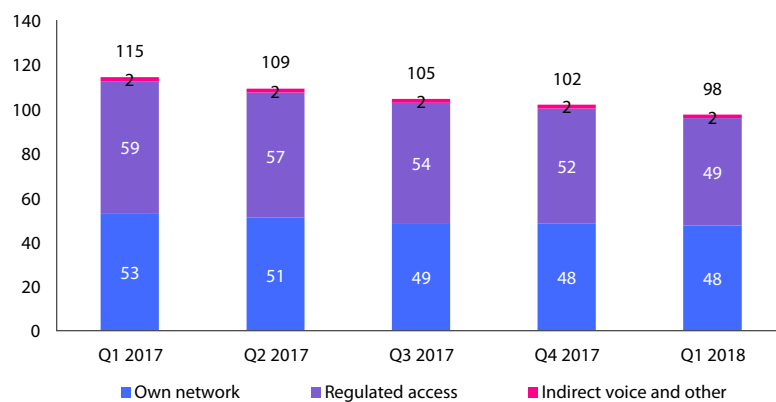
### Data revenue<sup>1</sup> breakdown by access

PLNm



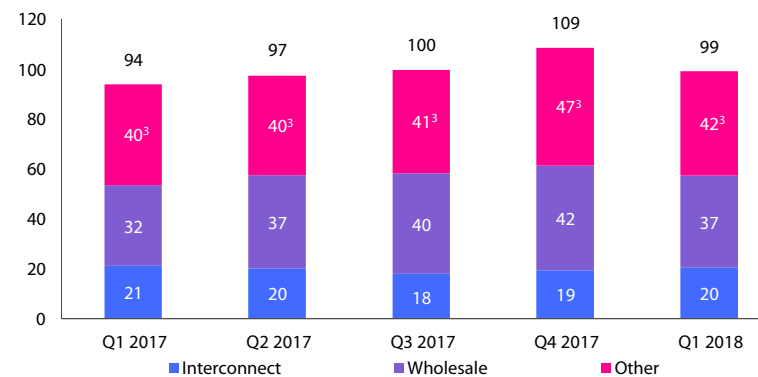
### Voice revenue breakdown by access

PLNm



### Other revenue

PLNm



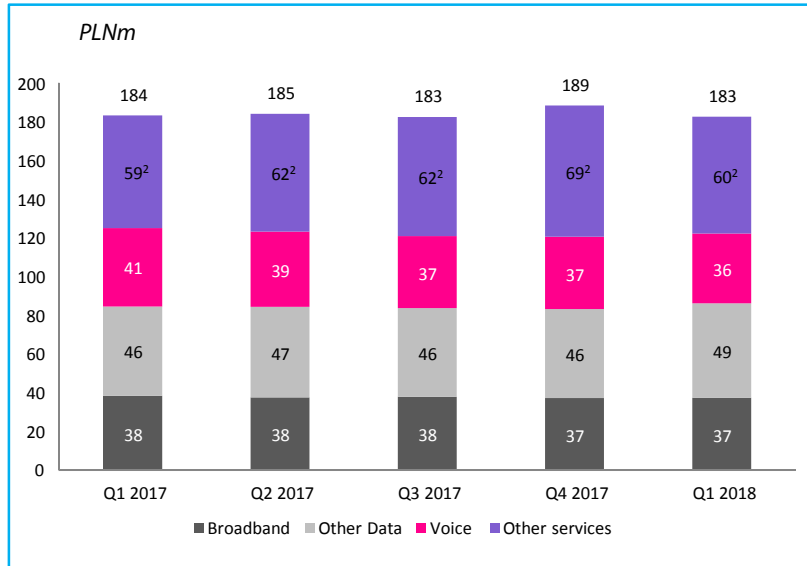
<sup>1</sup> Including revenues from VAS, elsewhere reported as Other Telecommunication revenue

<sup>2</sup> Financial data recalculated in accordance with IFRS 15 standard

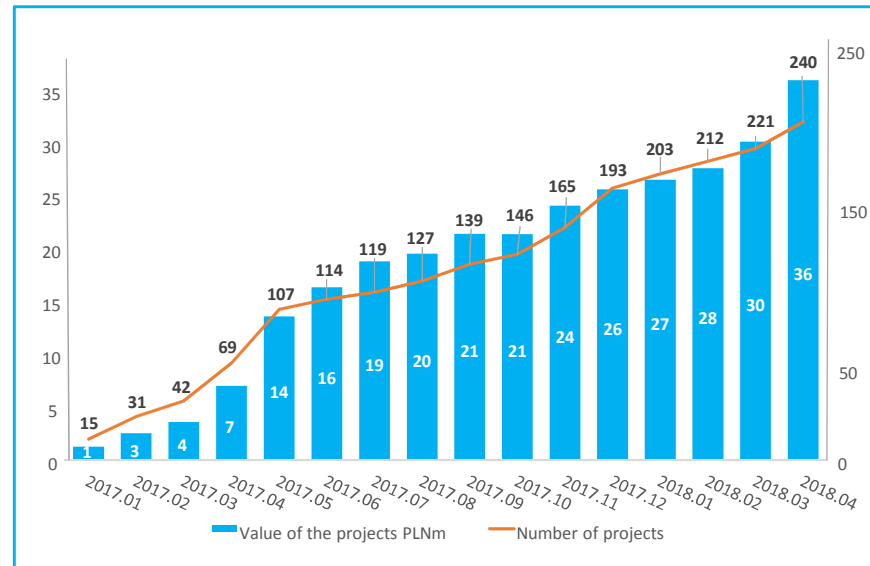
<sup>3</sup> Includes revenue from TV, mobile, ICT services, equipment, one-off contracts. Q-o-q drop mainly due to higher revenue from equipment and one-off contracts in Q4 2017

## B2B Overview

**Revenue by service<sup>1</sup>**



**Dynamic increase in the number of new projects within Netianext**

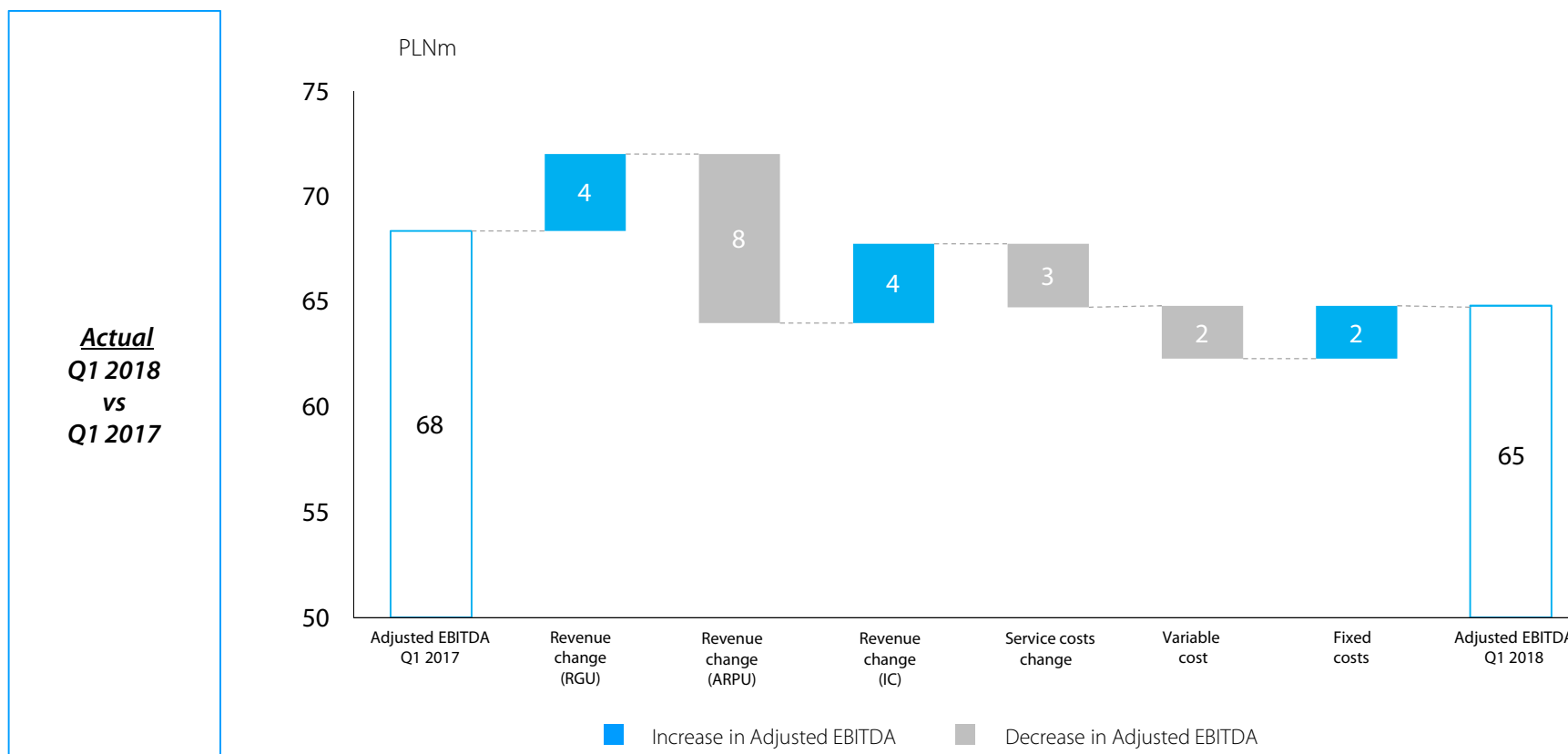


**Comments**

- Trends in broadband and other data services stable despite a competitive market environment
- Stable y-o-y topline, q-o-q drop mainly due to lower wholesale revenue

<sup>1</sup> Financial data recalculated in accordance with IFRS 15 standard

<sup>2</sup> Includes revenue from wholesale, ICT, equipment, one-off contracts. Q-o-q drop mainly due to higher revenue from equipment and one-off contracts in Q4 2017 and lower wholesale revenue in Q1 2018



**Comments**

- ARPU decline related to a visible price pressure in voice and data services
- Service costs increase related mainly to higher wholesale revenue
- Higher variable costs related to the takeover from an external partner employees responsible for network management and service delivery processes. Increase compensated by a reduced service and fixed costs

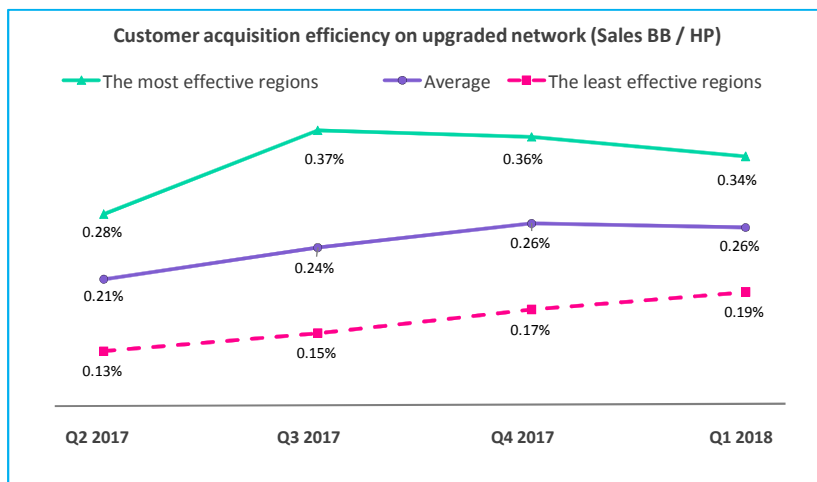


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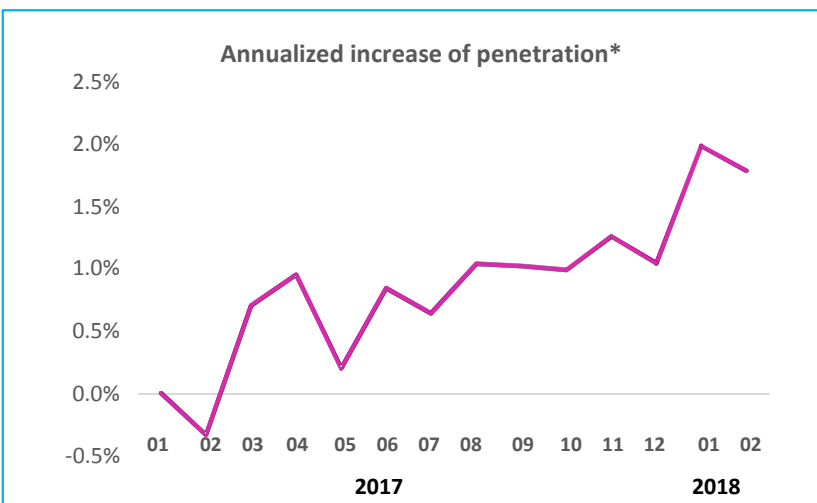
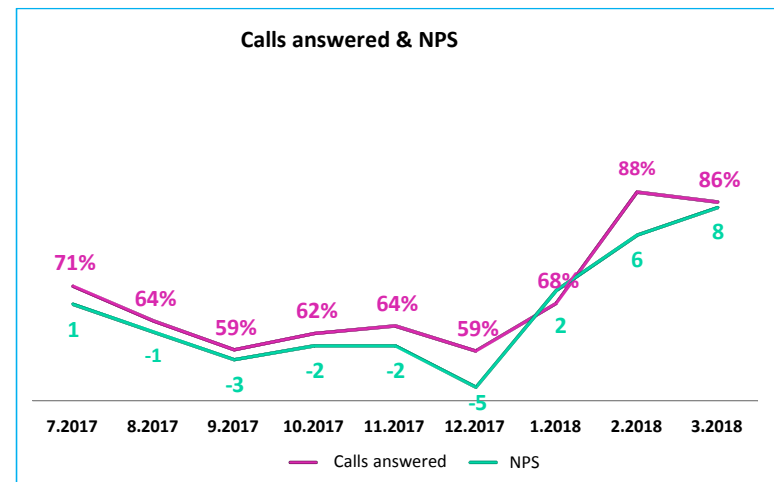
## B2C Overview



### B2C access network upgrade



### B2C Customer service



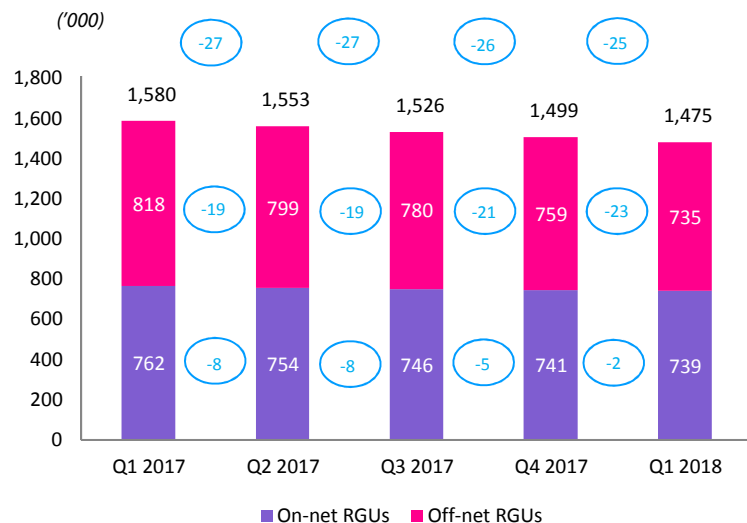
### Market communication

Completion of the "2 for the price of 1" campaign with simultaneous launch of the campaign "Internet with TV at an unchanged price of 49.90" using the creative line "Parliament"

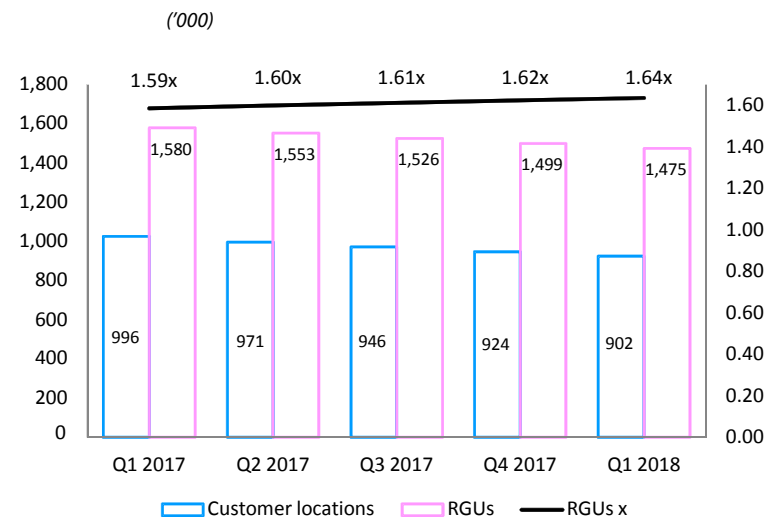
The goal is to rebuild brand awareness and address the client's need for a transparent offer. The campaign was based on media - intensive TV and radio campaign, online campaign and BTL

\*Annualized, based on actuals, increase of penetration for areas modernized in a given month

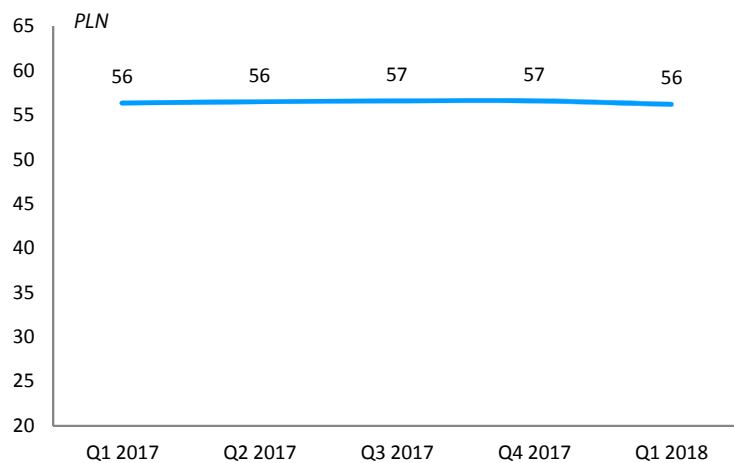
### RGUs by access type



### Customers and RGUs



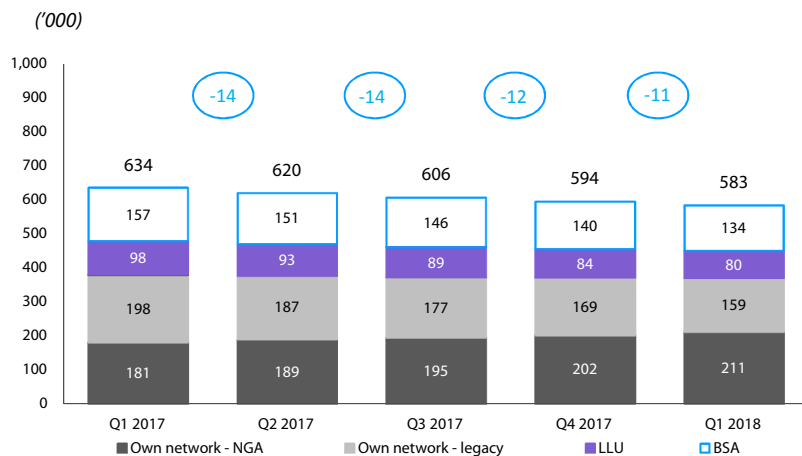
### Average ARPU per Customer<sup>1</sup>



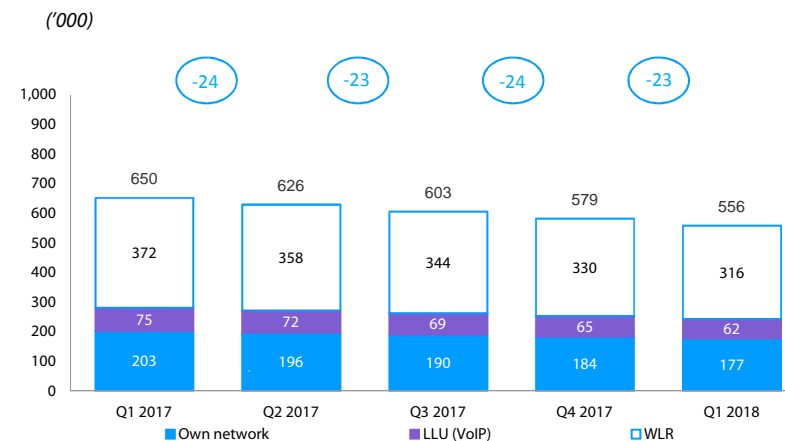
### Comments

- Share of on-net RGUs up by 2 pp y-o-y to 50%
- 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
- Fluctuations of average ARPU recalculated in accordance with IFRS 15 standard result among others from different calculation of revenue for selected products

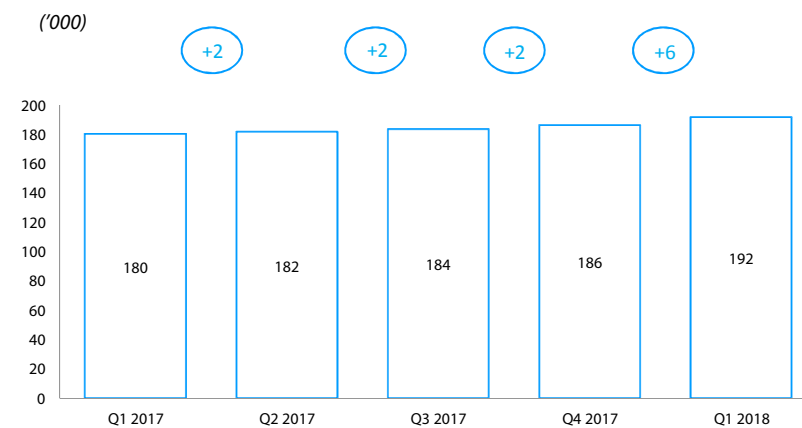
### Broadband ports



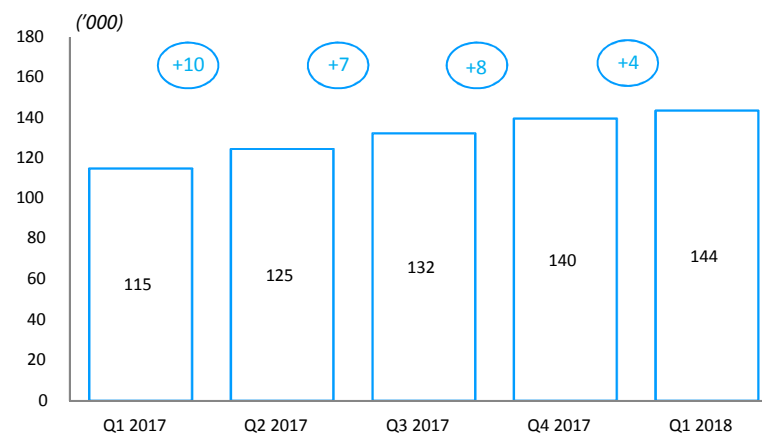
### Voice lines



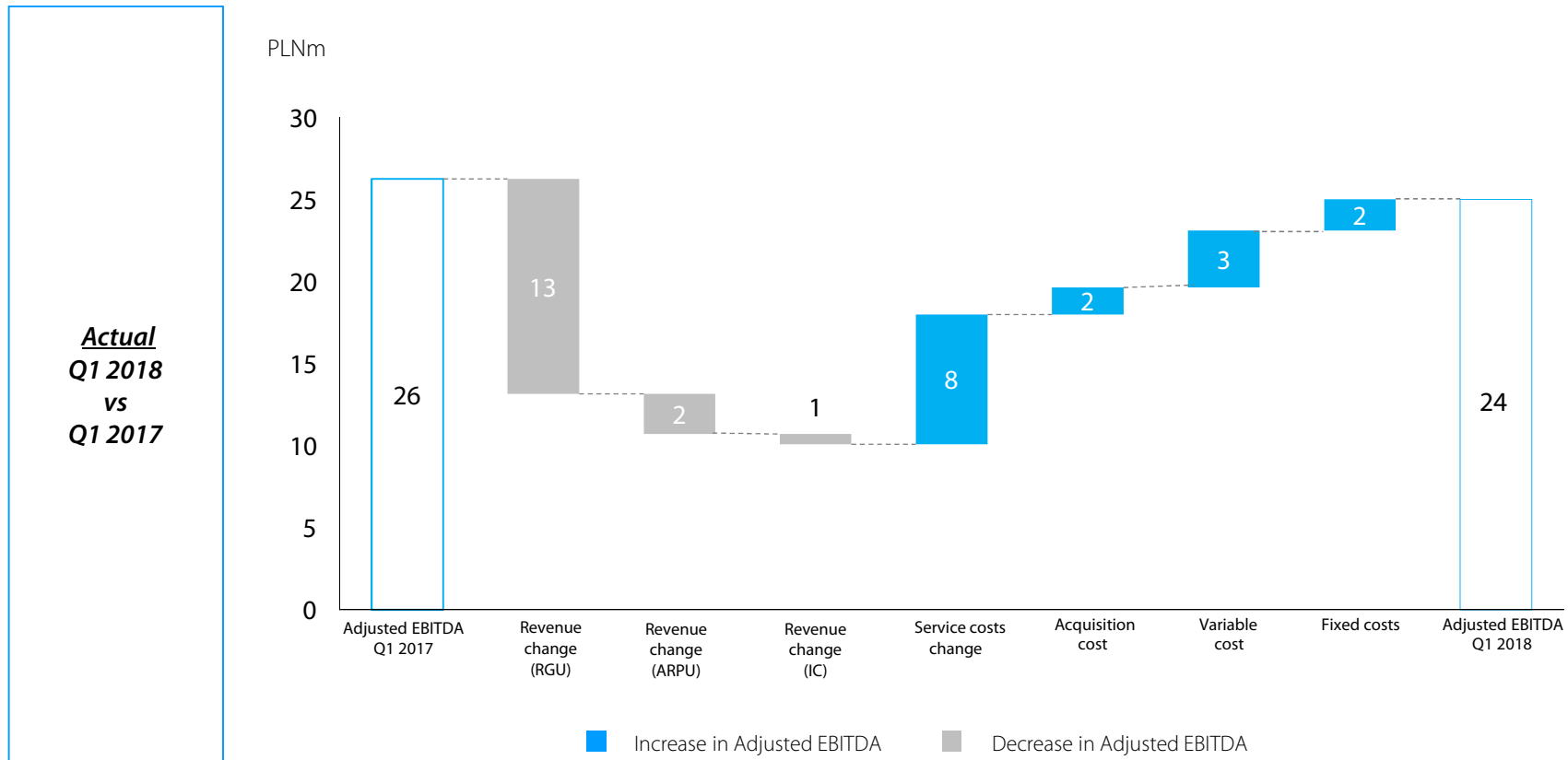
### TV services



### Mobile services



- 63% of broadband customers served directly via Netia’s own network (+3 pp y-o-y)
- 52% of on-net broadband customers now take TV services from Netia
- 25% increase on mobile services y-o-y



**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 and fixed costs reflect a number of initiatives introduced by the Company

<sup>1</sup> Financial data recalculated in accordance with IFRS 15 standard



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## *Netia Group Financial Overview*



	2017				2018	2017 vs 2018	
	Q1	Q2	Q3	Q4	Q1	Q1 2017	Q1 2018
(PLN' 000)							
<b>Revenues</b>	<b>365,010</b>	<b>361,110</b>	<b>356,461</b>	<b>359,426</b>	<b>346,903</b>	<b>365,010</b>	<b>346,903</b>
<i>Change (y-o-y%)</i>	<i>(6.5%)</i>	<i>(6.7%)</i>	<i>(4.4%)</i>	<i>(3.3%)</i>	<i>(5.0%)</i>	<i>(6.5%)</i>	<i>(5.0%)</i>
<b>Adjusted EBITDA</b>	<b>96,622</b>	<b>95,679</b>	<b>102,453</b>	<b>98,008</b>	<b>90,696</b>	<b>96,622</b>	<b>90,696</b>
<b>Margin (%)</b>	<b>26.5%</b>	<b>26.5%</b>	<b>28.7%</b>	<b>27.3%</b>	<b>26.1%</b>	<b>26.5%</b>	<b>26.1%</b>
<i>Change (y-o-y%)</i>	<i>(12.9%)</i>	<i>(16.9%)</i>	<i>(4.3%)</i>	<i>(14.2%)</i>	<i>(6.1%)</i>	<i>(12.9%)</i>	<i>(6.1%)</i>
<b>EBITDA</b>	<b>94,941</b>	<b>97,204</b>	<b>97,664</b>	<b>90,385</b>	<b>91,653</b>	<b>94,941</b>	<b>91,653</b>
<b>Margin (%)</b>	<b>26.0%</b>	<b>26.9%</b>	<b>27.4%</b>	<b>25.1%</b>	<b>26.4%</b>	<b>26.0%</b>	<b>26.4%</b>
<i>Change (y-o-y%)</i>	<i>(11.3%)</i>	<i>(15.3%)</i>	<i>(5.1%)</i>	<i>(11.0%)</i>	<i>(3.5%)</i>	<i>(11.3%)</i>	<i>(3.5%)</i>
<b>Depreciation</b>	<b>79,103</b>	<b>78,565</b>	<b>76,976</b>	<b>79,953</b>	<b>69,717</b>	<b>79,103</b>	<b>69,717</b>
<b>Adjusted EBIT</b>	<b>17,519</b>	<b>17,114</b>	<b>25,477</b>	<b>21,055</b>	<b>20,979</b>	<b>17,519</b>	<b>20,979</b>
<b>Margin (%)</b>	<b>4.8%</b>	<b>4.7%</b>	<b>7.1%</b>	<b>5.9%</b>	<b>6.0%</b>	<b>4.8%</b>	<b>6.0%</b>
<b>EBIT</b>	<b>15,838</b>	<b>18,639</b>	<b>20,688</b>	<b>13,432</b>	<b>21,936</b>	<b>15,838</b>	<b>21,936</b>
<b>Margin (%)</b>	<b>4.3%</b>	<b>5.2%</b>	<b>5.8%</b>	<b>3.7%</b>	<b>6.3%</b>	<b>4.3%</b>	<b>6.3%</b>

### Comments

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

<sup>1</sup> Financial data recalculated in accordance with IFRS 15 standard

## Financial Performance | Adjusted EBITDA reconciliation to Net Results<sup>1</sup>

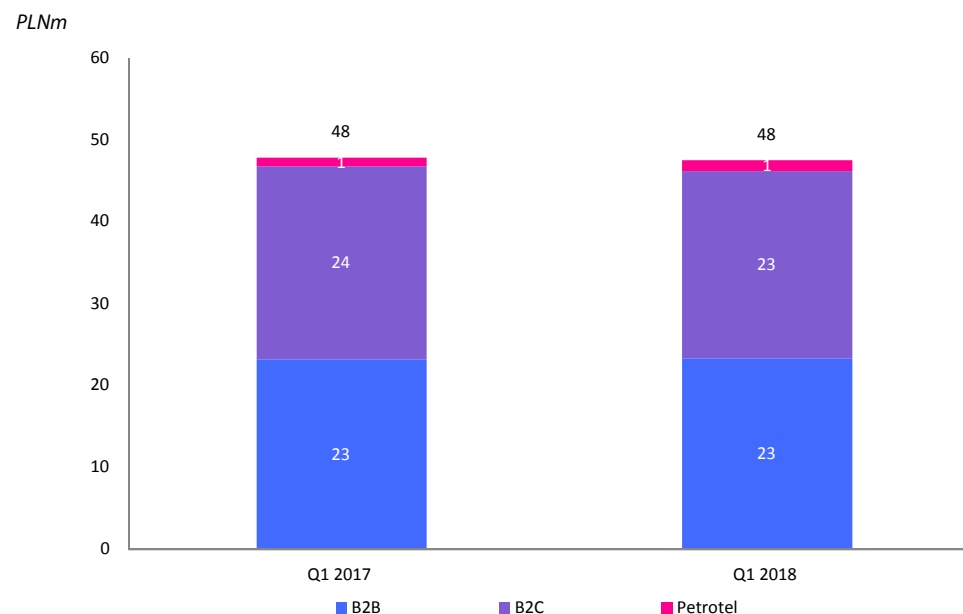


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<i>PLN'000</i>	<i>Q1 2017</i>	<i>Q1 2018</i>	<i>Change</i>
<b>Adjusted EBITDA</b>	<b>96,622</b>	<b>90,696</b>	-6%
<i>Unusual Items:</i>			
Integration costs	(233)	-	na
Restructuring costs	(1,464)	(69)	-95%
Other one-off events	(8)	(758) <sup>1</sup>	+9375%
Liquidation costs	4	-	na
Reorganization costs	20	1,784 <sup>2</sup>	+8820%
<b>EBITDA</b>	<b>94,941</b>	<b>91,653</b>	-3%
Depreciation and amortization	(79,103)	(69,717) <sup>3</sup>	-12%
<b>EBIT</b>	<b>15,838</b>	<b>21,936</b>	+39%
Net financial expenses	(2,109)	(1,087)	-48%
Profit /(Loss) before tax	13,729	20,849	+52%
Current tax and deferred income tax	(1,270)	331	np
<b>Net Profit</b>	<b>12,459</b>	<b>21,180</b>	+70%
Average number of outstanding shares (basic)	<b>338,261,901</b>	<b>336,226,725</b>	
EPS (in PLN, basic)	<b>0.04</b>	<b>0.06</b>	

- <sup>1</sup> Mainly equipment utilization costs and release of provision for claims and litigation
- <sup>2</sup> Mainly release of provision related to onerous contract
- <sup>3</sup> Lower depreciation caused mainly by extended depreciation period for selected fixed and intangible assets and end of depreciation of selected fixed and intangible assets. See Note 2 in the consolidated financial statement

**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 11m in Q1 2018 are allocated in the B2C segment



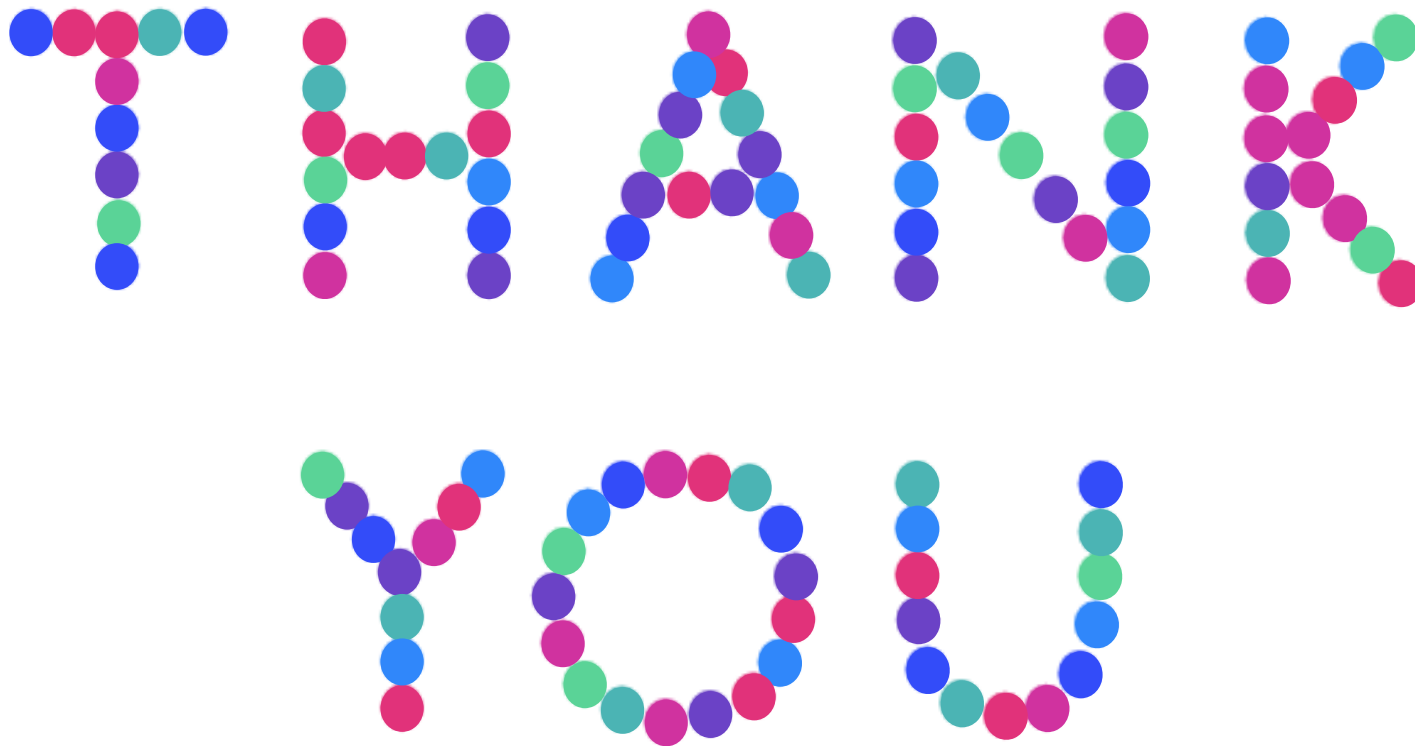
- Netia published Q1 2018 financial results in accordance with the IFRS 15 standards. Comparatives are restated
- The Group's financial standing remains strong with a leverage at a convenient level 0.64x of the 2017 Adjusted EBITDA at PLN 393m
- The Company reached a significant improvement in sales efficiency in B2C Segment on upgraded networks in comparison to non-upgraded networks
- Dynamic increase in number of new projects within Netianext project

# Disclaimer



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*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.*



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