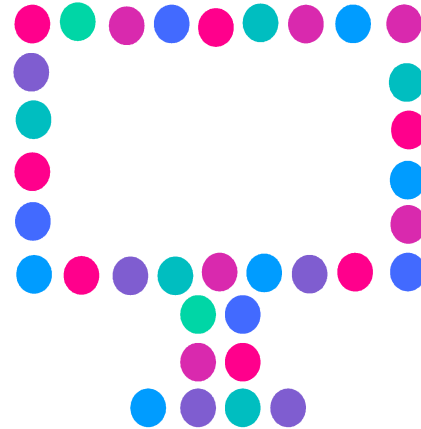


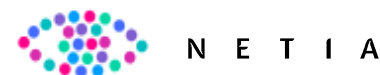
GIGA WOLNOŚĆ



## H1 2016 Financial Results

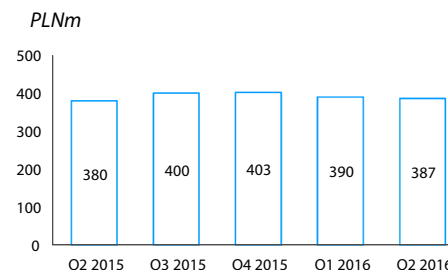
August 4, 2016

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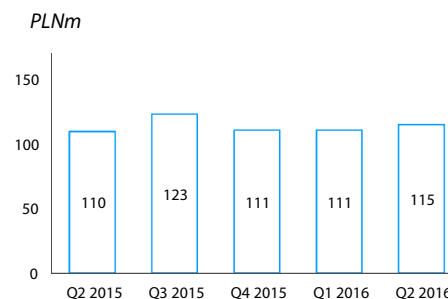


- Revenue was PLN 777m for H1 2016 (+1% y-o-y) and PLN 387m for Q2 2016 (-1% q-o-q and +2% y-o-y)
  - Profitability stable thanks to cost optimizations despite a continuous revenue pressure
  - Adjusted EBITDA<sup>1</sup> was PLN 226m for H1 2016 (+1% r-d-r) and PLN 115m for Q2 2016 (+4% q-o-q and +5% y-o-y)
  - EBITDA was PLN 222m for H1 2016 (-1% y-o-y) and PLN 115m for Q2 2016 (+7% q-o-q and +2% y-o-y)
- Netia generated PLN 142m Adjusted OpFCF<sup>2</sup> for H1 2016 (+16% y-o-y) and PLN 68m for Q2 2016 (-7% q-o-q and +26% y-o-y)
- Net debt at PLN 299m on June 30, 2016 (+41% q-o-q and +59% y-o-y), representing 0.7x of Adjusted EBITDA for full 2015 year at PLN 457m
- On June 30, 2016 Netia paid a dividend of PLN 0.40 per share, in the total amount of PLN 137m

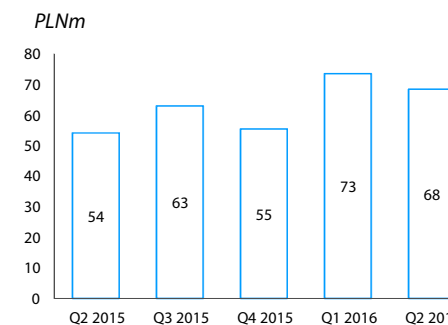
## Revenues



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



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

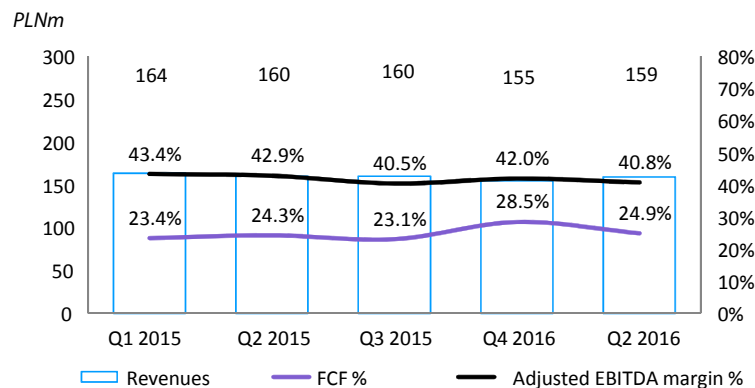


<sup>1</sup> Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment

<sup>2</sup> Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan, investments related to the Netia Lite project; Capex = investments in tangible and intangible fixed assets

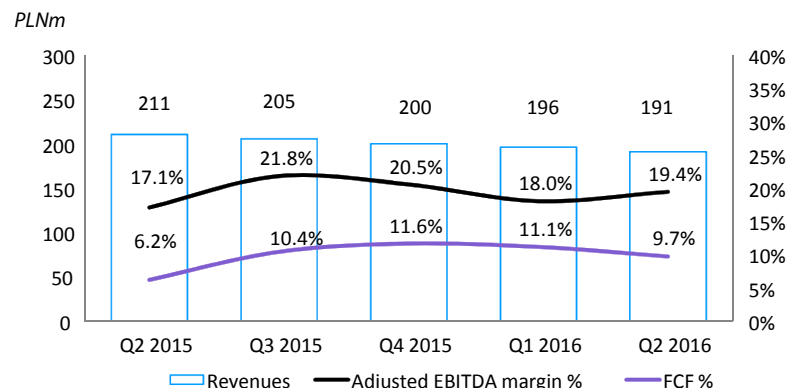


### B2B<sup>1</sup>



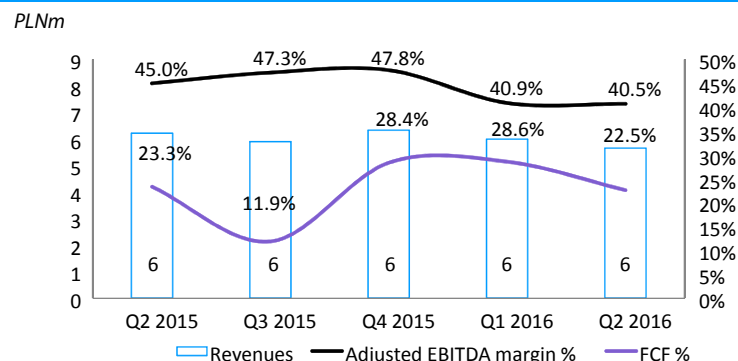
- **Revenue** was PLN 159m in Q2 2016 (+3% q-o-q and -3% y-o-y)
- **Adjusted EBITDA** was PLN 65m with a margin of 40.8%
- **Capital expenditure<sup>5</sup>** at PLN 25m resulted in **Adjusted OpFCF** at the level of PLN 40m in Q2 2016

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



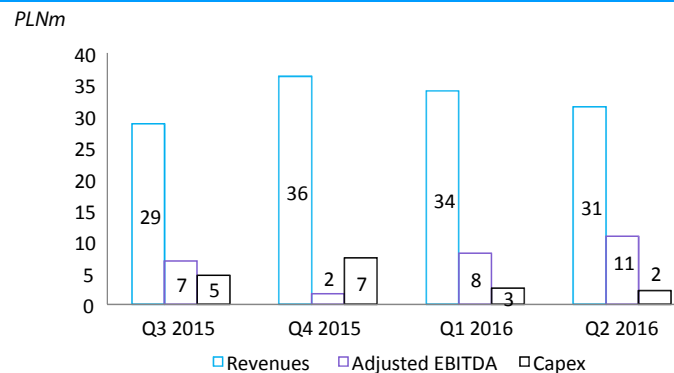
- **Revenue** was PLN 191m in Q2 2016, down by 3% compared to Q1 2016 and down by 9% y-o-y
- **RGUs** at 1,667k (-2% q-o-q, -5% y-o-y)
- **Adjusted EBITDA** was PLN 37m with a margin of 19.4%
- **Capital expenditure<sup>5</sup>** at PLN 19m in Q2 2016 resulted in **Adjusted OpFCF** at the level of PLN 18m

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



- Changes in Adjusted EBITDA between quarters mainly due to costs related to one-off contracts

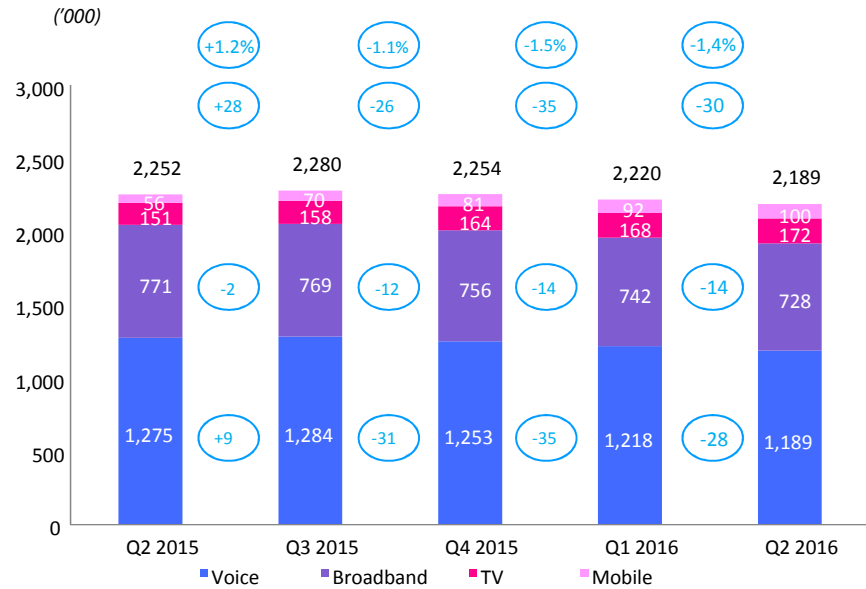
### TK Telekom<sup>4</sup>



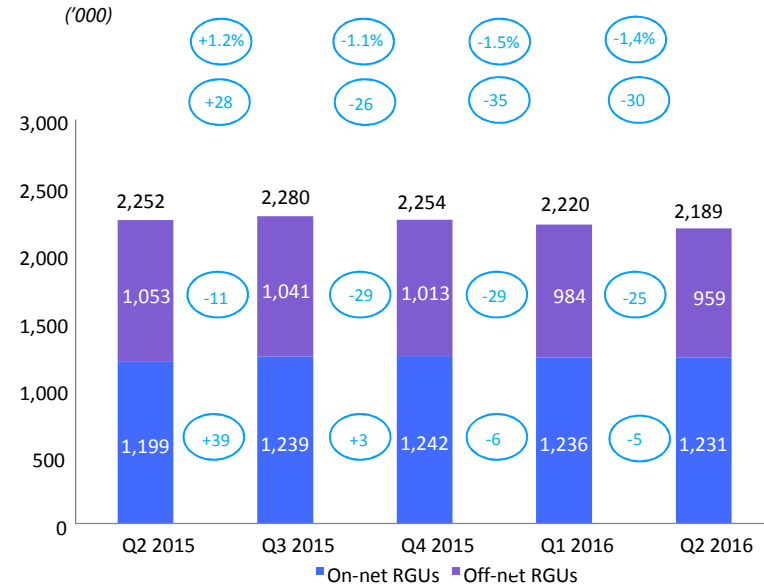
- TK Telekom financial data consolidated from July 21, 2015

<sup>1</sup> B2B comprises Business and Carrier customers sub-segments. TK Telekom results not included. <sup>2</sup> B2C comprises Residential and SOHO customers sub-segments  
<sup>3</sup> Operating costs and capital expenditures for Petrotel fully separated from Q1 2015 <sup>4</sup> TK Telekom data consolidated from July 21, 2015  
<sup>5</sup> Capex excluding integration capex, capitalised interests from the bank loan, investments related to the Netia Lite project

**Total Netia RGUs**



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

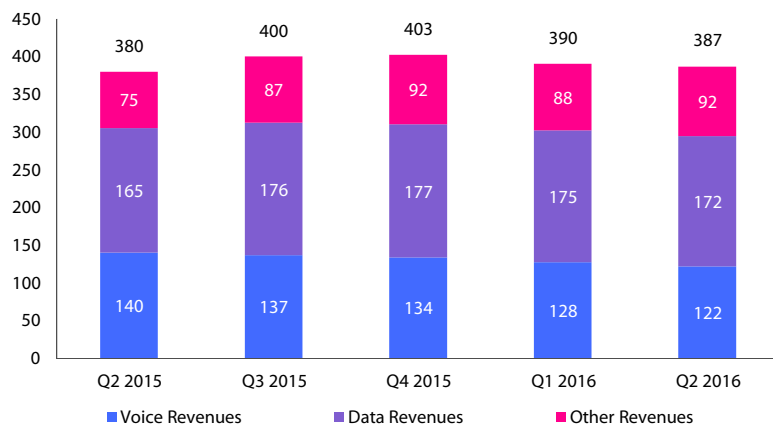


**Comments**

- Drop in total RGUs in Q2 2016 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q2 2016 the share of on-net RGUs in total Netia services was 56% (+3pp y-o-y)

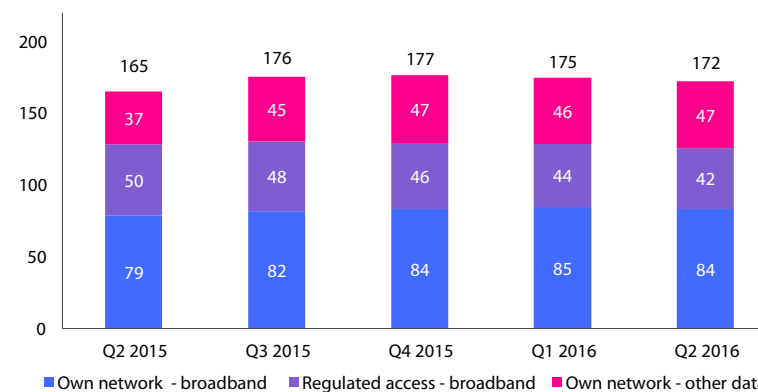
### Revenue breakdown by service

PLNm



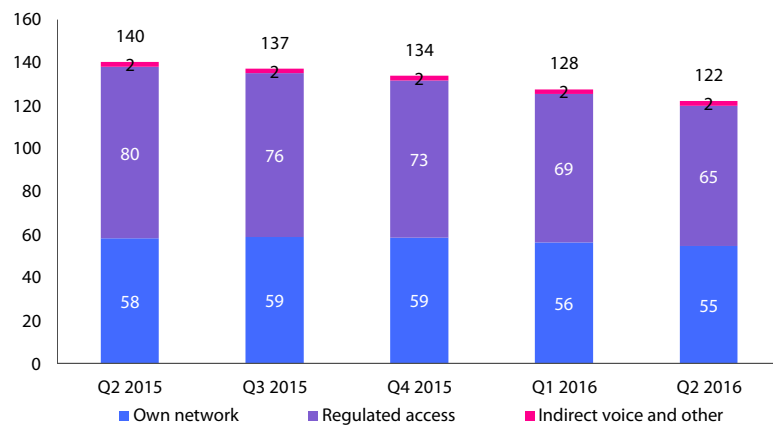
### Data revenue<sup>1</sup> breakdown by access

PLNm



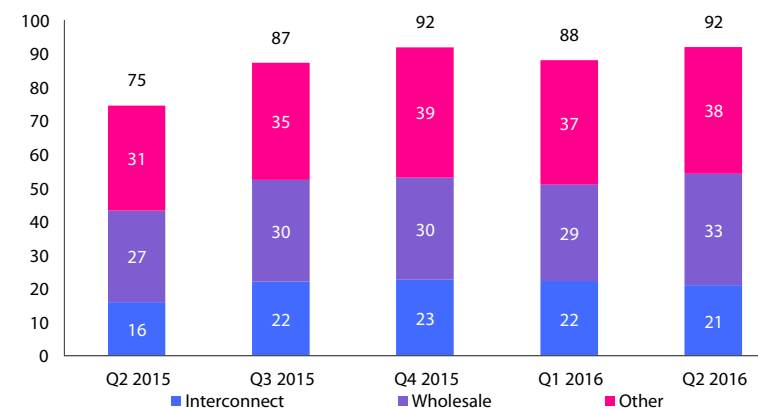
### Voice revenue breakdown by access

PLNm



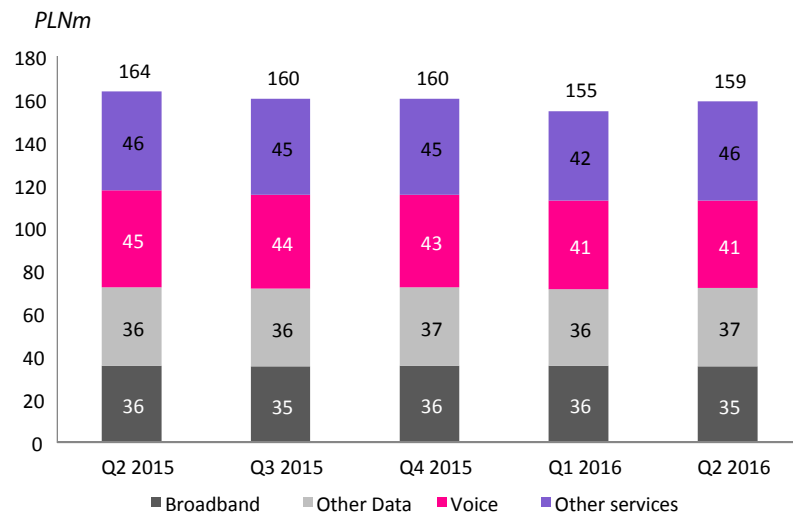
### Other revenue<sup>2</sup>

PLNm

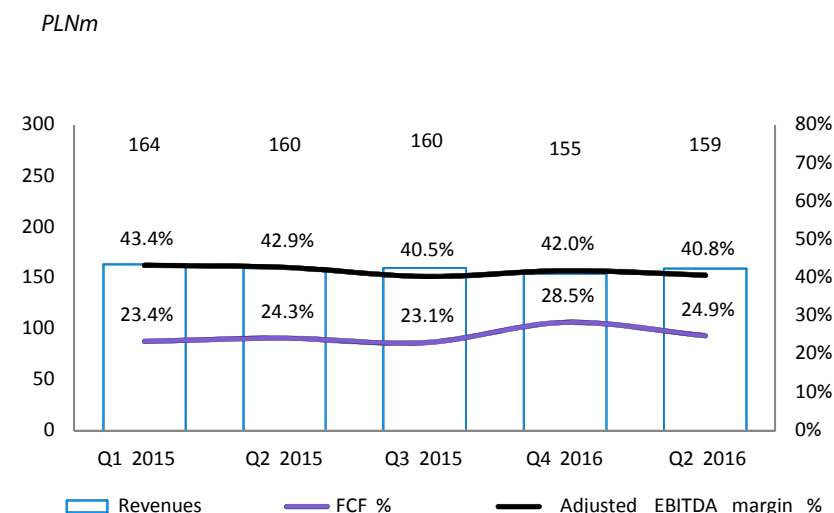


## B2B Overview

**Revenue by service**

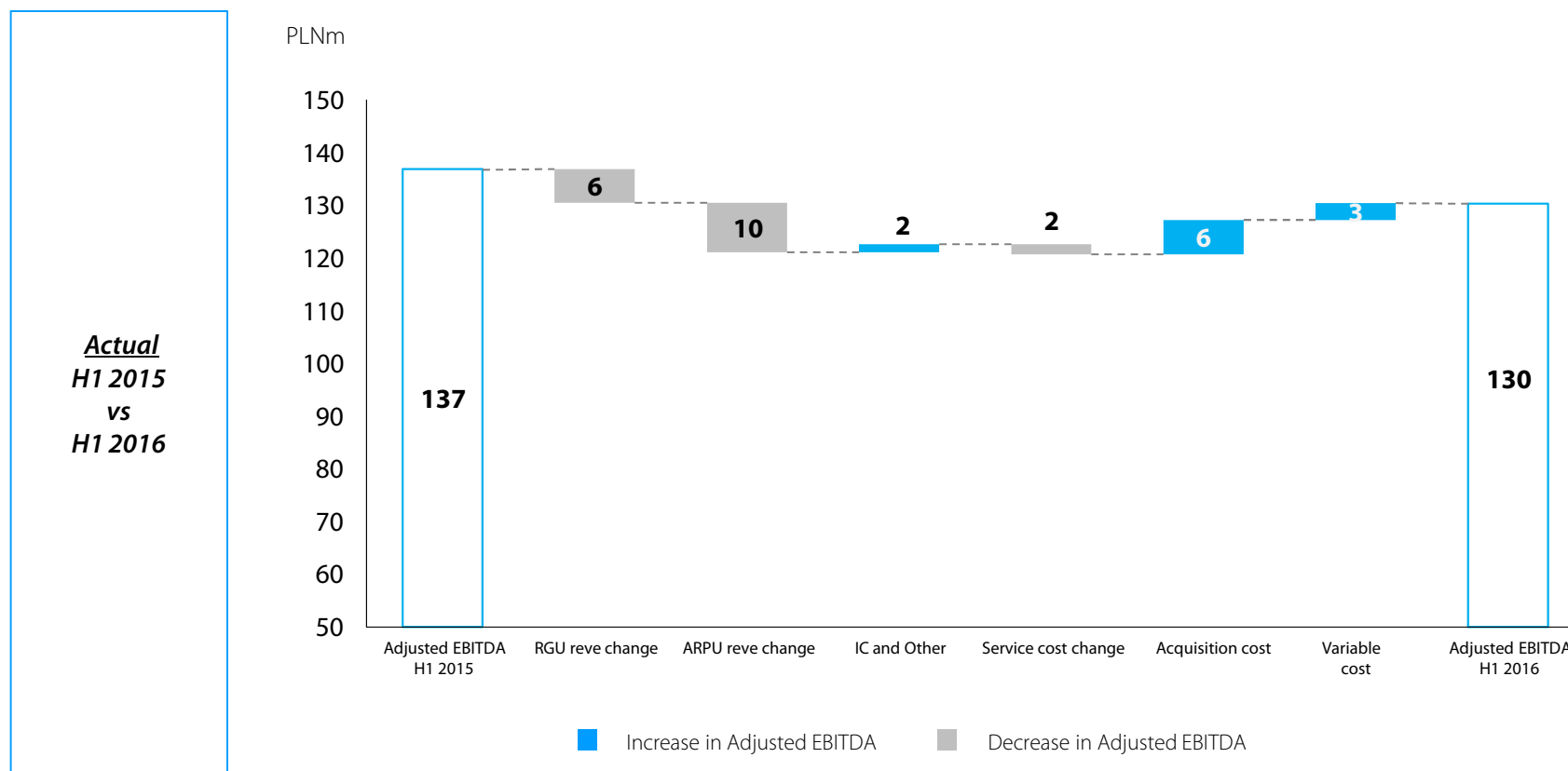


**Adjusted EBITDA margin and Adjusted OpFCF**



**Comments**

- Stable trends in the data and broadband services despite a competitive market environment
- Higher profitability q-o-q despite a strong price pressure thanks to a shift of commercial focus on services with a higher margin
- Higher total B2B revenue q-o-q mainly due to increase of wholesale traffic



**Comments**

- ARPU decline related mainly to a visible price pressure in voice services
- Lower acquisition costs as a result of lower spending on B2B customers equipment
- Lower variable costs reflect a number of optimization initiatives introduced by the Company

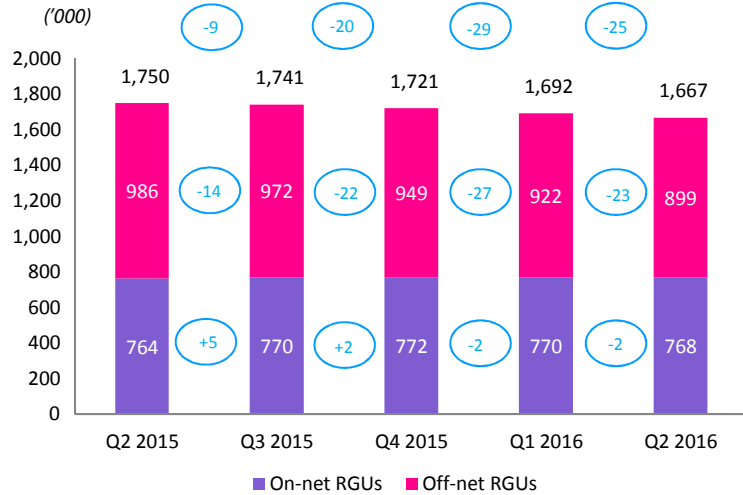




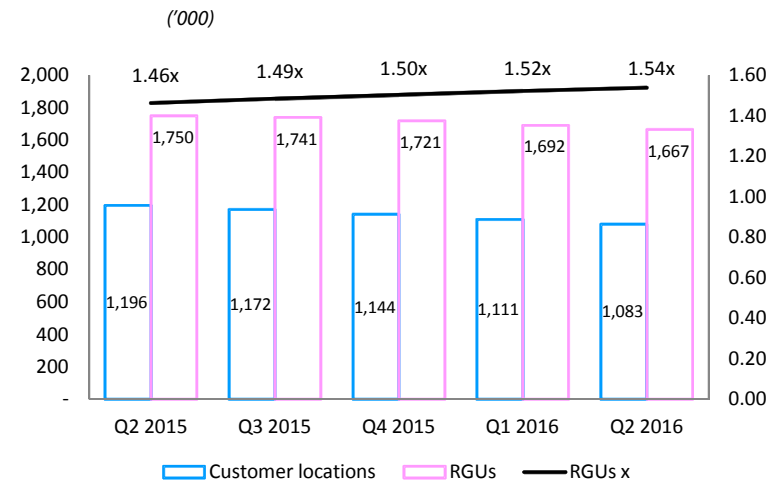
NETIA

## B2C Overview

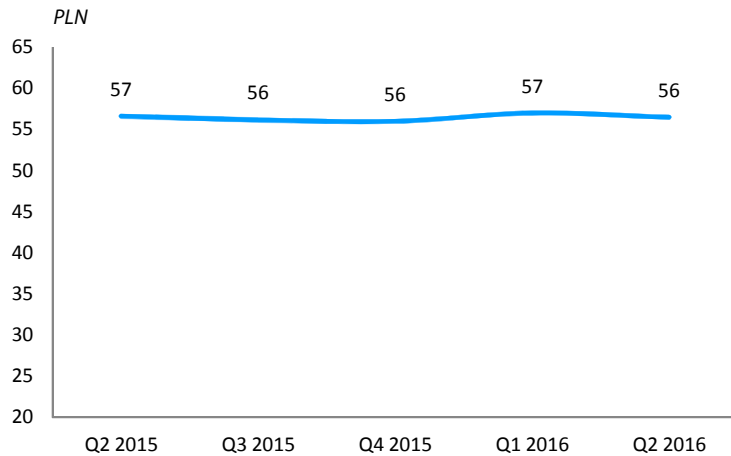
**RGUs by access type**



**Customers and RGUs**



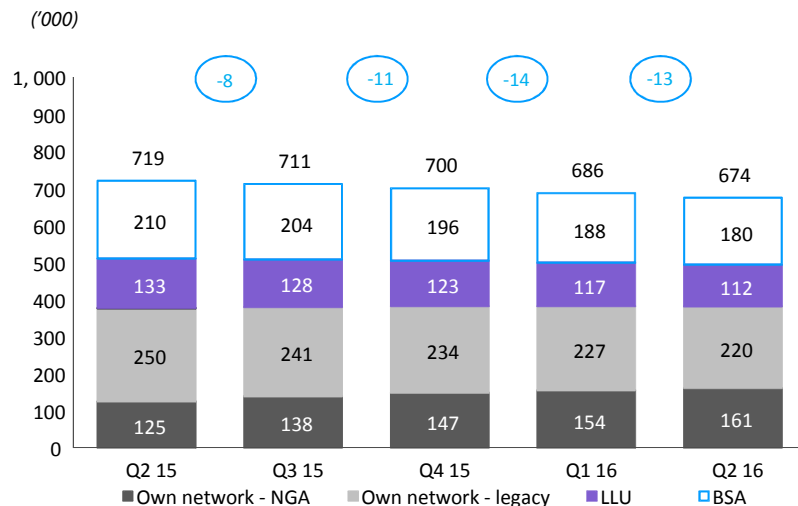
**Average ARPU per Customer**



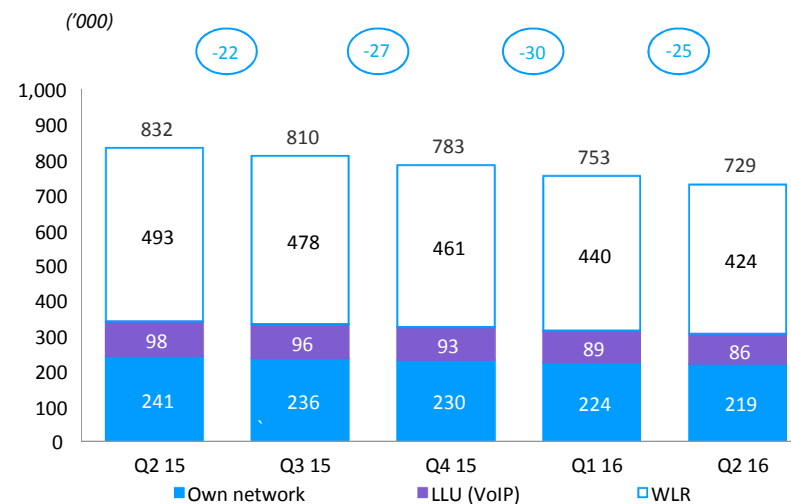
**Comments**

- Share of on-net RGUs up by 2 pp y-o-y to 46%
- 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)

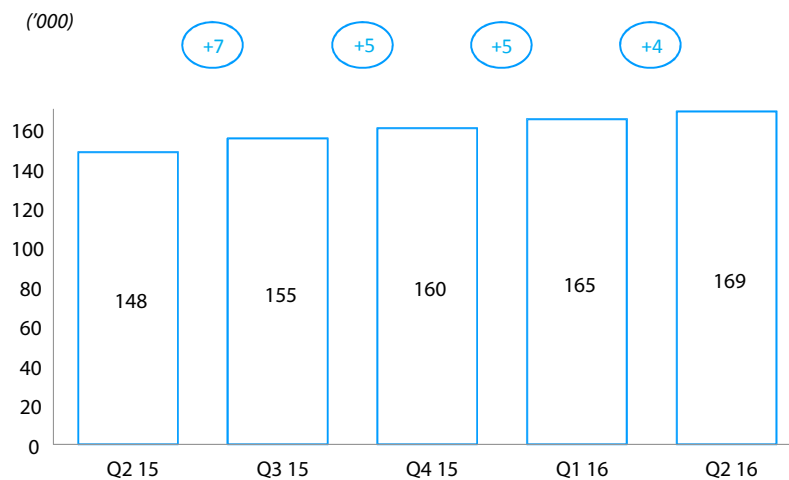
**Broadband ports**



**Voice lines**

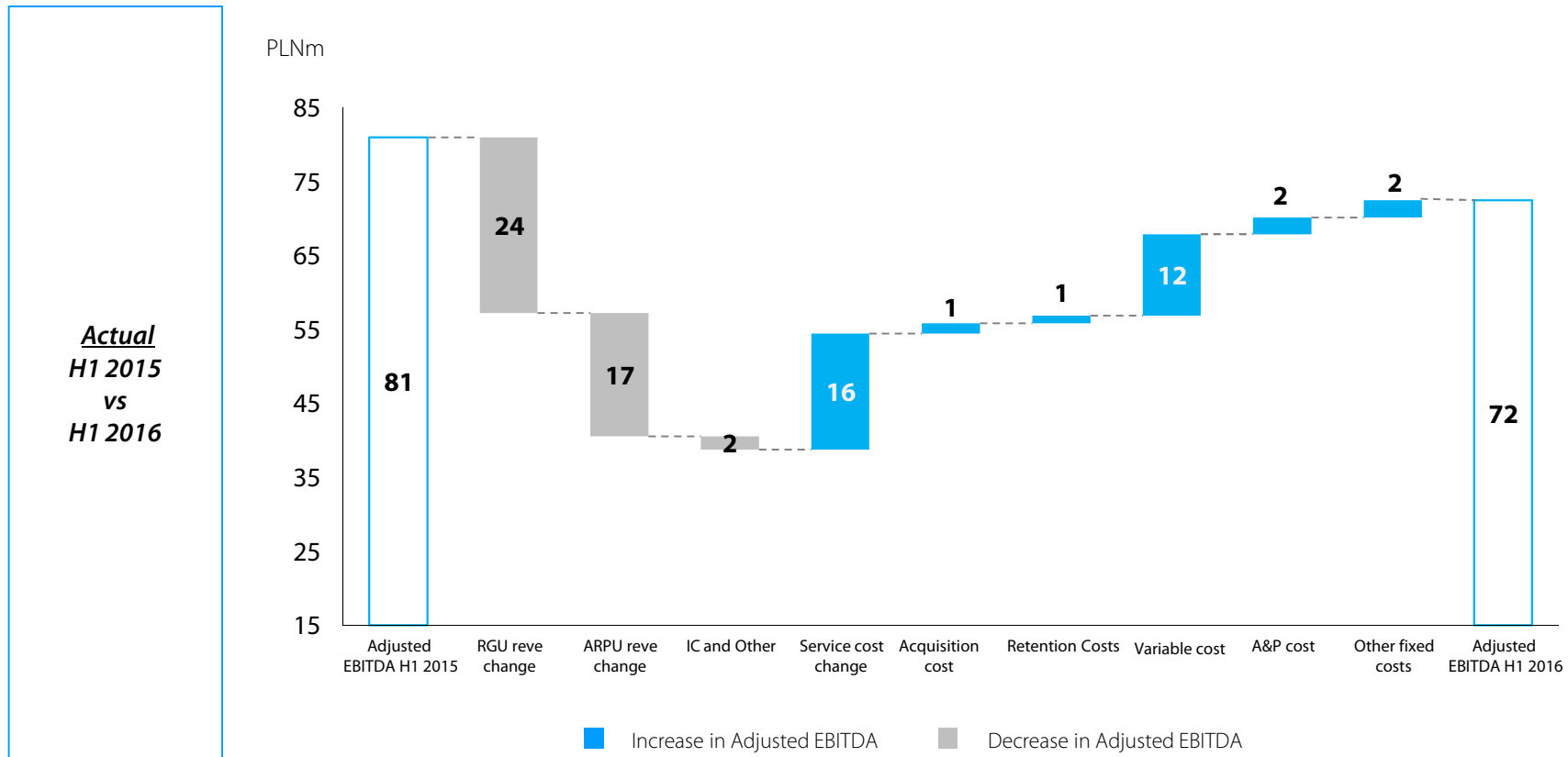


**TV services**



**Comments**

- TV services at 169k in Q2 2016 (+2% q-o-q and +14% y-o-y)
- Focus on retention in regulated access RGUs
- 57% of broadband customers served directly via Netia’s own network (+4 pp y-o-y and +1 pp q-o-q)
- 44% of on-net broadband customers now take TV services from Netia



**Comments**

- Revenue decline driven mainly by off-net RGU churn (WLR, BSA, LLU) and on-net ARPU reductions (bundling)
- 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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## *Netia Group Financial Overview*

## Financial Performance | Key figures for Q2 2016



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	2015				2016		2015 vs 2016		
	Q1	Q2	Q3	Q4	Q1 2016	Q2 2016	H1 2015	H1 2016	y-o-y
<i>(PLN' 000)</i>									
<b>Revenues</b>	<b>388,718</b>	<b>380,340</b>	<b>400,426</b>	<b>402,697</b>	<b>390,494</b>	<b>386,874</b>	<b>769,058</b>	<b>777,368</b>	<b>1.1%</b>
<i>Change (y-o-y%)</i>	<i>(10.5%)</i>	<i>(9.9%)</i>	<i>(3.1%)</i>	<i>(0.3%)</i>	<i>0.5%</i>	<i>1.7%</i>	<i>(10.2%)</i>		
<b>Gross profit</b>	<b>110,065</b>	<b>111,691</b>	<b>124,519</b>	<b>110,303</b>	<b>111,709</b>	<b>111,767</b>	<b>221,756</b>	<b>229,476</b>	<b>3.5%</b>
<b>Gross margin (%)</b>	<b>28.3%</b>	<b>29.4%</b>	<b>31.1%</b>	<b>27.5%</b>	<b>28.6%</b>	<b>30.4%</b>	<b>28.8%</b>	<b>29.5%</b>	
<b>Adjusted EBITDA</b>	<b>113,296</b>	<b>109,817</b>	<b>123,191</b>	<b>110,608</b>	<b>110,830</b>	<b>115,113</b>	<b>223,112</b>	<b>225,942</b>	<b>1.3%</b>
<b>Margin (%)</b>	<b>29.1%</b>	<b>28.9%</b>	<b>30.8%</b>	<b>27.5%</b>	<b>28.4%</b>	<b>29.8%</b>	<b>29.0%</b>	<b>29.1%</b>	
<i>Change (y-o-y%)</i>	<i>(15.7%)</i>	<i>(12.2%)</i>	<i>2.4%</i>	<i>(2.4%)</i>	<i>(2.2%)</i>	<i>4.8%</i>	<i>(14.0%)</i>		
<b>EBITDA</b>	<b>111,489</b>	<b>112,622</b>	<b>122,945</b>	<b>101,947</b>	<b>107,128</b>	<b>114,808</b>	<b>224,111</b>	<b>221,936</b>	<b>(1.0%)</b>
<b>Margin (%)</b>	<b>28.7%</b>	<b>29.6%</b>	<b>30.7%</b>	<b>25.3%</b>	<b>27.4%</b>	<b>29.7%</b>	<b>29.1%</b>	<b>28.5%</b>	
<i>Change (y-o-y%)</i>	<i>(11.5%)</i>	<i>(6.0%)</i>	<i>12.3%</i>	<i>(54.9%)</i>	<i>(3.9%)</i>	<i>1.9%</i>	<i>(8.8%)</i>		
<b>Depreciation</b>	<b>105,450</b>	<b>102,378</b>	<b>102,786</b>	<b>110,473</b>	<b>106,976</b>	<b>102,102</b>	<b>207,828</b>	<b>209,078</b>	<b>0.6%</b>
<b>Adjusted EBIT</b>	<b>7,846</b>	<b>7,439</b>	<b>20,405</b>	<b>0,135</b>	<b>3,854</b>	<b>13,011</b>	<b>15,285</b>	<b>16,864</b>	<b>10.3%</b>
<b>Margin (%)</b>	<b>2.0%</b>	<b>2.0%</b>	<b>5.1%</b>	<b>(0.0%)</b>	<b>1.0%</b>	<b>3.4%</b>	<b>2.0%</b>	<b>2.2%</b>	
<b>EBIT</b>	<b>6,039</b>	<b>10,244</b>	<b>20,159</b>	<b>(8,526)</b>	<b>0,152</b>	<b>12,706</b>	<b>16,283</b>	<b>12,858</b>	<b>(21.0%)</b>
<b>Margin (%)</b>	<b>1.6%</b>	<b>2.7%</b>	<b>5.0%</b>	<b>(2.1%)</b>	<b>0.0%</b>	<b>3.3%</b>	<b>2.1%</b>	<b>1.7%</b>	

### Comments

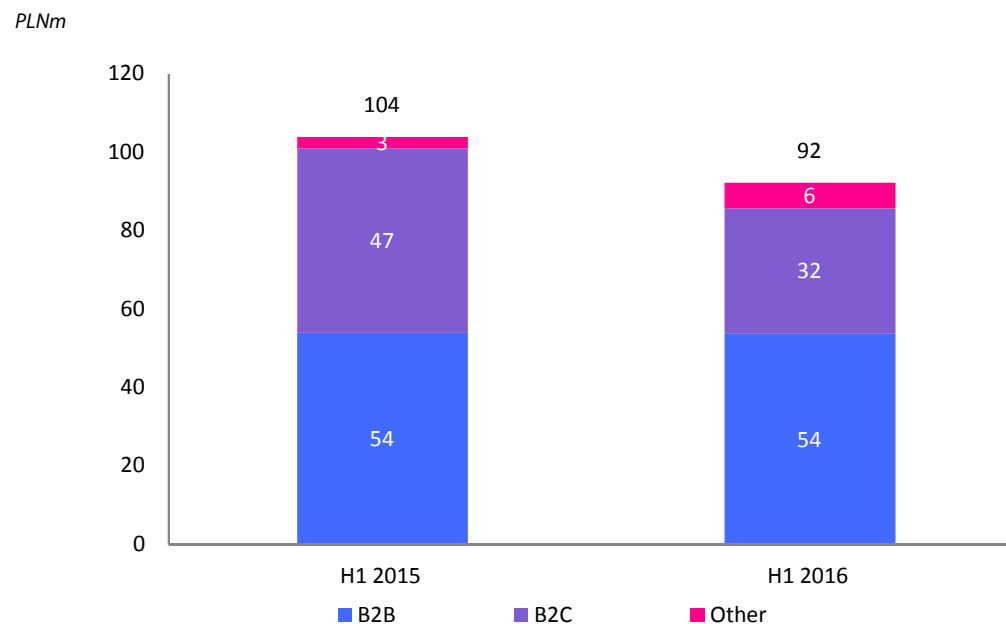
- Revenue growth y-o-y mainly due to consolidation of financial results of TK Telekom
- Profitability y-o-y stable despite a continued price pressure in both segments



<i>PLN'000</i>	<i>H1 2015</i>	<i>H1 2016</i>	<i>Change</i>
<b>Adjusted EBITDA</b>	<b>223,112</b>	<b>225,942</b>	+1%
<i>Unusual Items:</i>			
M&A related costs	(1,072)	(100)	-91%
Integration costs	(201)	(897)	① +346%
Restructuring costs	474	(5,031)	② na
Reorganization costs	(2,202)	2,022	na
Return of the court deposit	4,000	-	na
<b>EBITDA</b>	<b>224,111</b>	<b>221,936</b>	-1%
Depreciation and amortization	(207,828)	(209,078)	+1%
<b>EBIT</b>	<b>16,283</b>	<b>12,858</b>	-21%
Net financial expenses	(852)	(3,600)	+323%
Profit /(Loss) before tax	15,431	9,258	-40%
Current tax and deferred income tax	(7,606)	4197	③ np
<b>Net Profit</b>	<b>7,825</b>	<b>13,455</b>	+72%
Average number of outstanding shares (basic)	<b>348,092,270</b>	<b>346,609,366</b>	
EPS (in PLN, basic)	<b>0.02</b>	<b>0.04</b>	

- ① Mainly costs related to integration of TK Telekom
- ② Mainly staff redundancies related to cost of employment restructuring in TK Telekom
- ③ Increase of deferred tax asset

**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 integration works within the cable networks located in Warsaw and Kraków
- Investments in the B2B segment include mainly extension of transmission network capacity and connecting new business customers
- Capital expenditures for the integration of TK Telekom in the amount of PLN 8 million were presented in the B2B segment





- Netia delivered a set of solid financial results for Q2 2016, 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 very strong with a leverage at a convenient level below 0.7x of the 2015 Adjusted EBITDA at PLN 457m
- On June 30, 2016 Netia paid a dividend of PLN 0.40 per share, in total amount of PLN 137m

# 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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