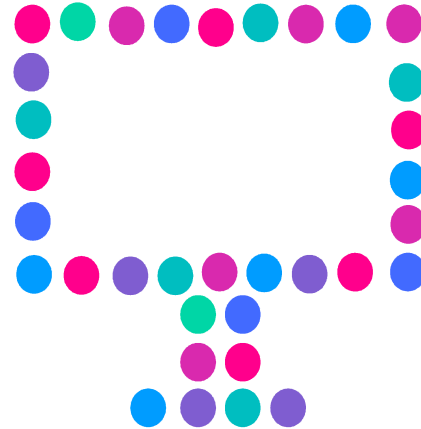


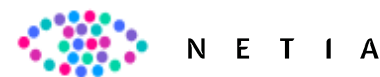
GIGA WOLNOŚĆ



## 9M 2016 Financial Results

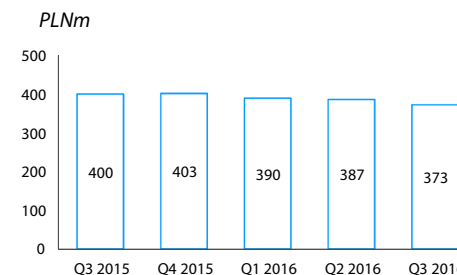
October 27, 2016

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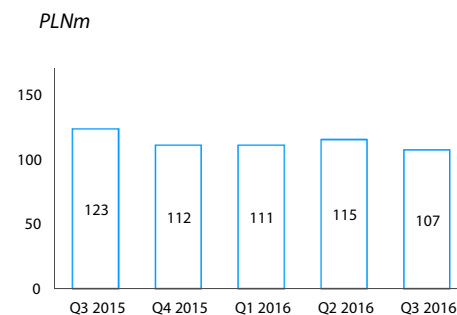


- Revenue was PLN 1,150m for 9M 2016 (-2% y-o-y) and PLN 373m for Q3 2016 (-4% q-o-q and -7% y-o-y)
  - Profitability stable thanks to cost optimizations despite a continuous revenue pressure
  - Adjusted EBITDA<sup>1,3</sup> was PLN 333m for 9M 2016 (-4% r-d-r) and PLN 107m for Q3 2016 (-7% q-o-q and -13% y-o-y)
  - EBITDA was PLN 325m for 9M 2016 (-6% y-o-y) and PLN 103m for Q3 2016 (-10% q-o-q and -16% y-o-y)
- Netia generated PLN 197m Adjusted OpFCF<sup>2</sup> for 9M 2016 (+6% y-o-y) and PLN 55m for Q3 2016 (-19% q-o-q and -13% y-o-y)
- Net debt at PLN 250m on September 30, 2016 (-16% q-o-q and -22% y-o-y), representing 0.5x of Adjusted EBITDA<sup>3</sup> for full 2015 year at PLN 459m
- On September 30, Mr. Cezary Chałupa, B2B General Manager, resigned from his position as the member of the Company's Management Board. The resignation is effective immediately

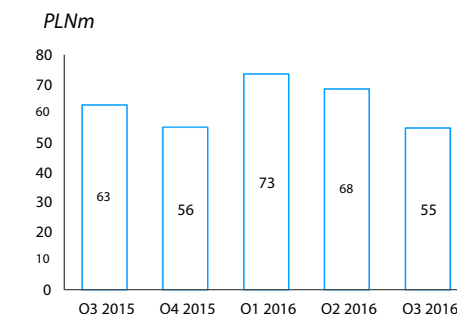
## Revenues



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



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

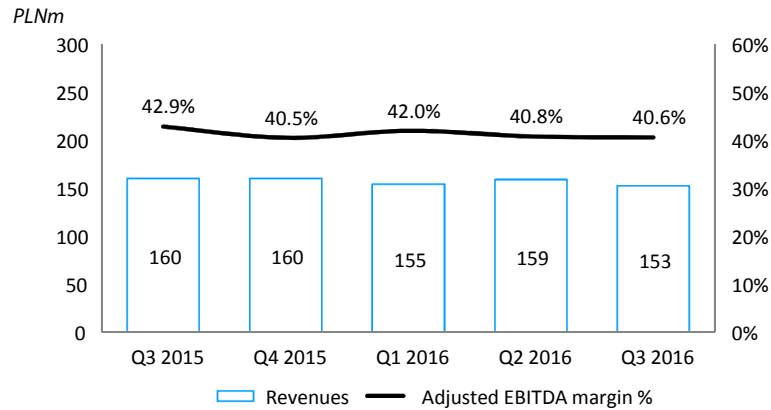


<sup>1</sup> Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment

<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

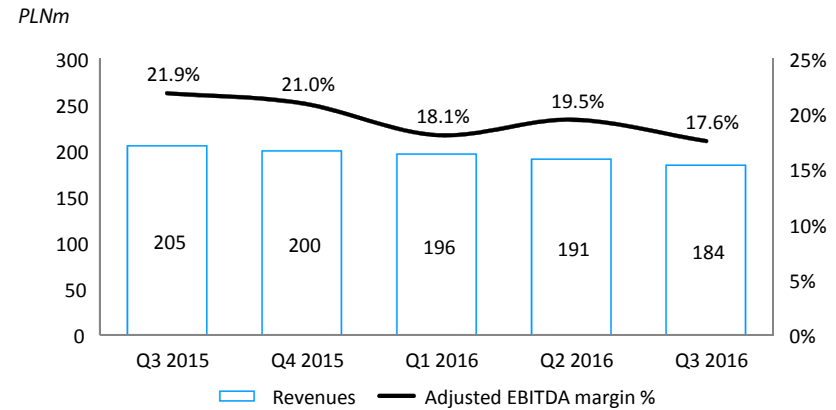
<sup>3</sup> Value of the adjusted EBITDA has been additionally adjusted for the costs of liquidated fixed assets related to the acquisition of subsidiaries (comparatives restated)

**B2B<sup>1,4</sup>**



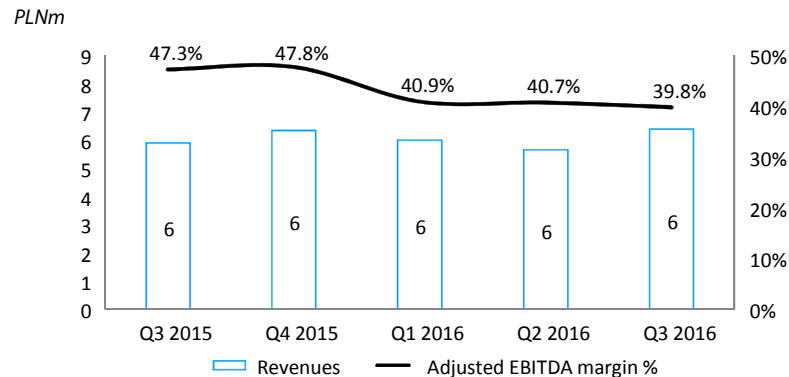
- **Revenue** was PLN 153m in Q3 2016 (-4% q-o-q and -5% y-o-y)
- **Adjusted EBITDA** was PLN 62m with a margin of 40.6%

**B2C<sup>2,4</sup>**



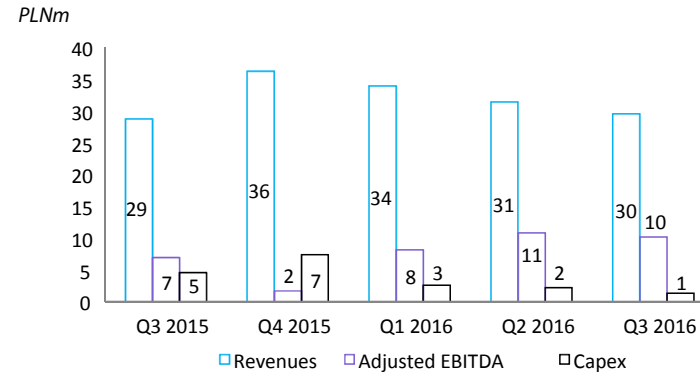
- **Revenue** was PLN 184m in Q3 2016, down by 3% compared to Q2 2016 and down by 10% y-o-y
- **RGUs** at 1,639k (-2% q-o-q, -6% y-o-y)
- **Adjusted EBITDA** was PLN 32m with a margin of 17,6%

**Petrotel<sup>3,4</sup>**



- Stable revenue and margins between quarters

**TK Telekom**



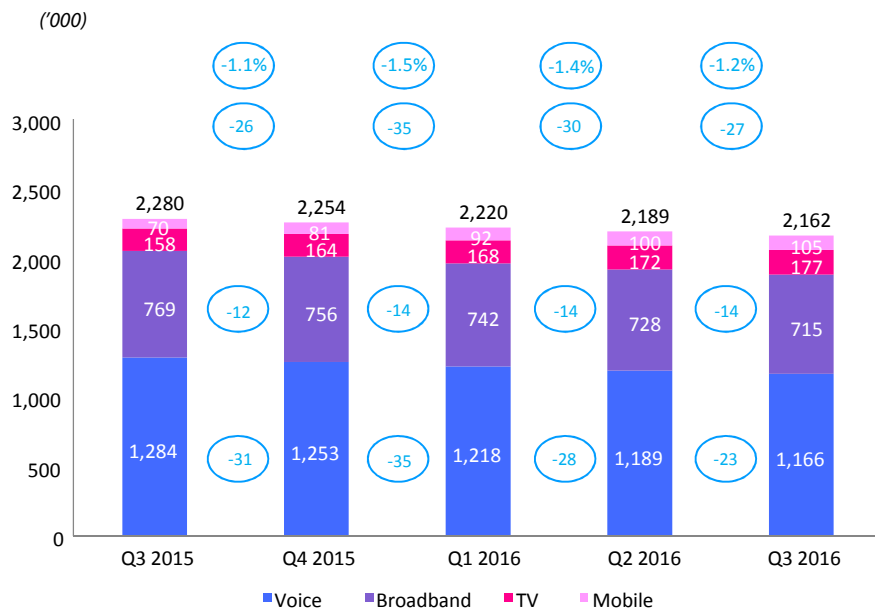
- TK Telekom financial data consolidated from July 21, 2015

<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

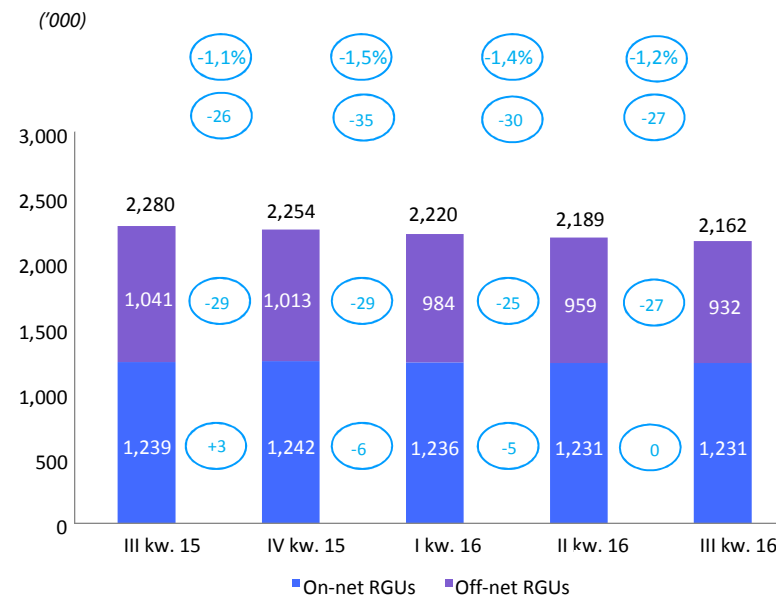
<sup>3</sup> Operating costs and capital expenditures for Petrotel fully separated from Q1 2015

<sup>4</sup> Value of the adjusted EBITDA has been additionally adjusted for the costs of liquidated fixed assets related to the acquisition of subsidiaries (comparatives restated)

**Total Netia RGUs**



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

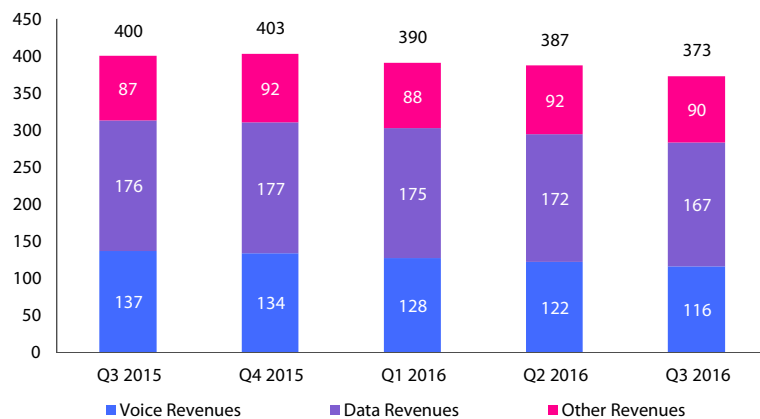


**Comments**

- Drop in total RGUs in Q3 2016 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q3 2016 the share of on-net RGUs in total Netia services was 57% (+3pp y-o-y)

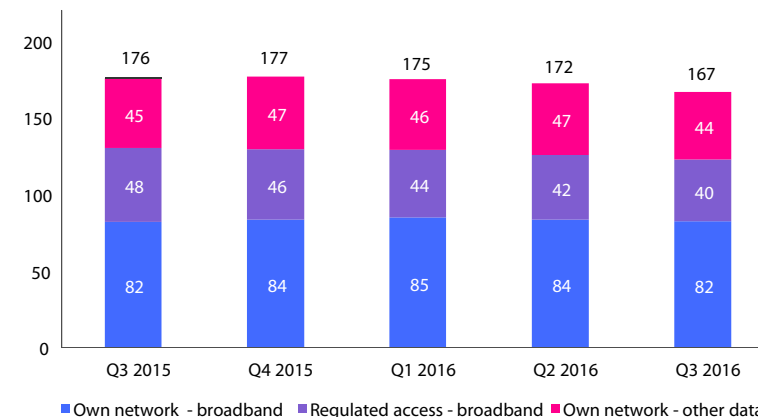
### Revenue breakdown by service

PLNm



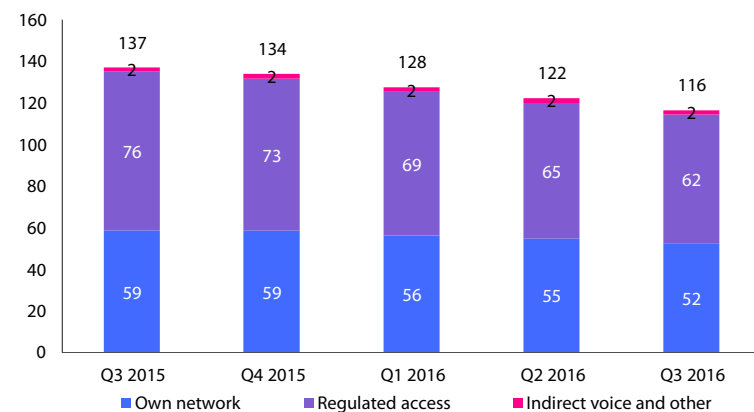
### Data revenue<sup>1</sup> breakdown by access

PLNm



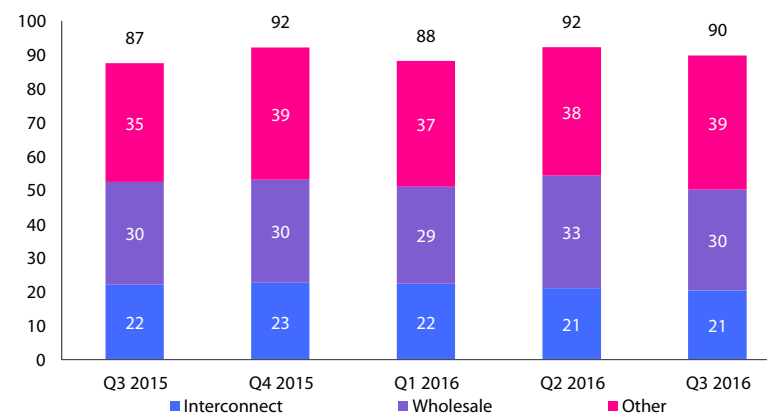
### Voice revenue breakdown by access

PLNm



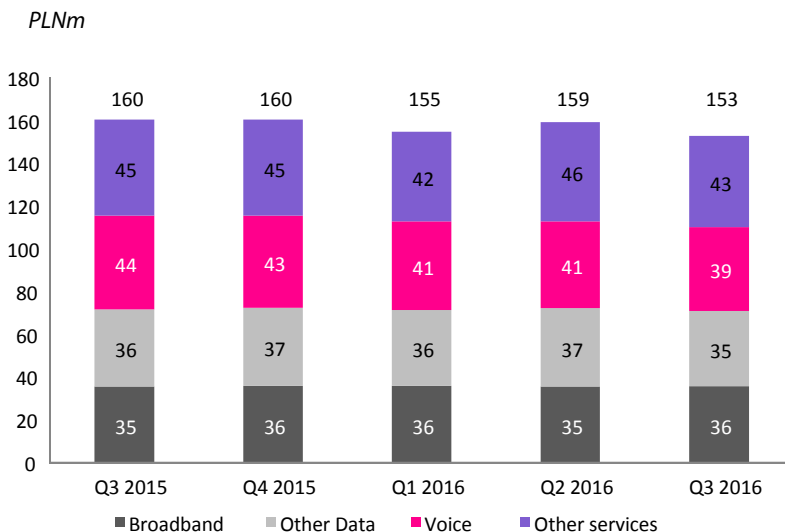
### Other revenue<sup>2</sup>

PLNm

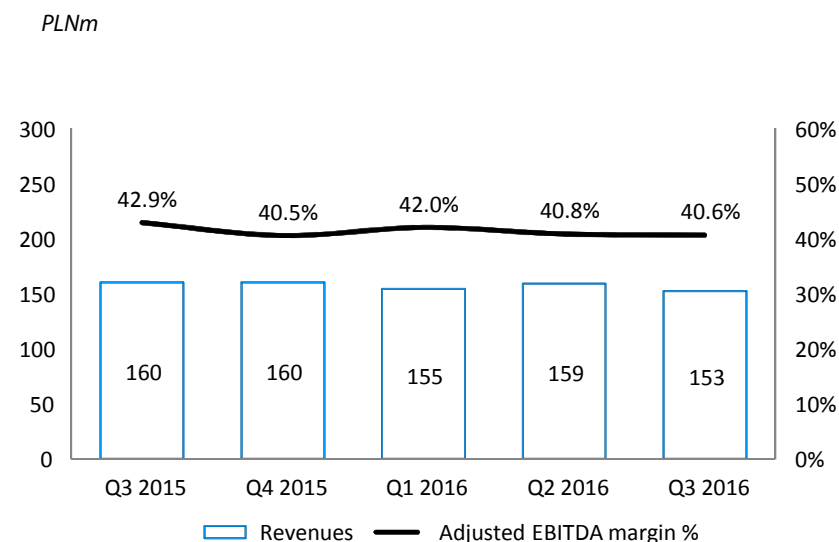


## B2B Overview

**Revenue by service**

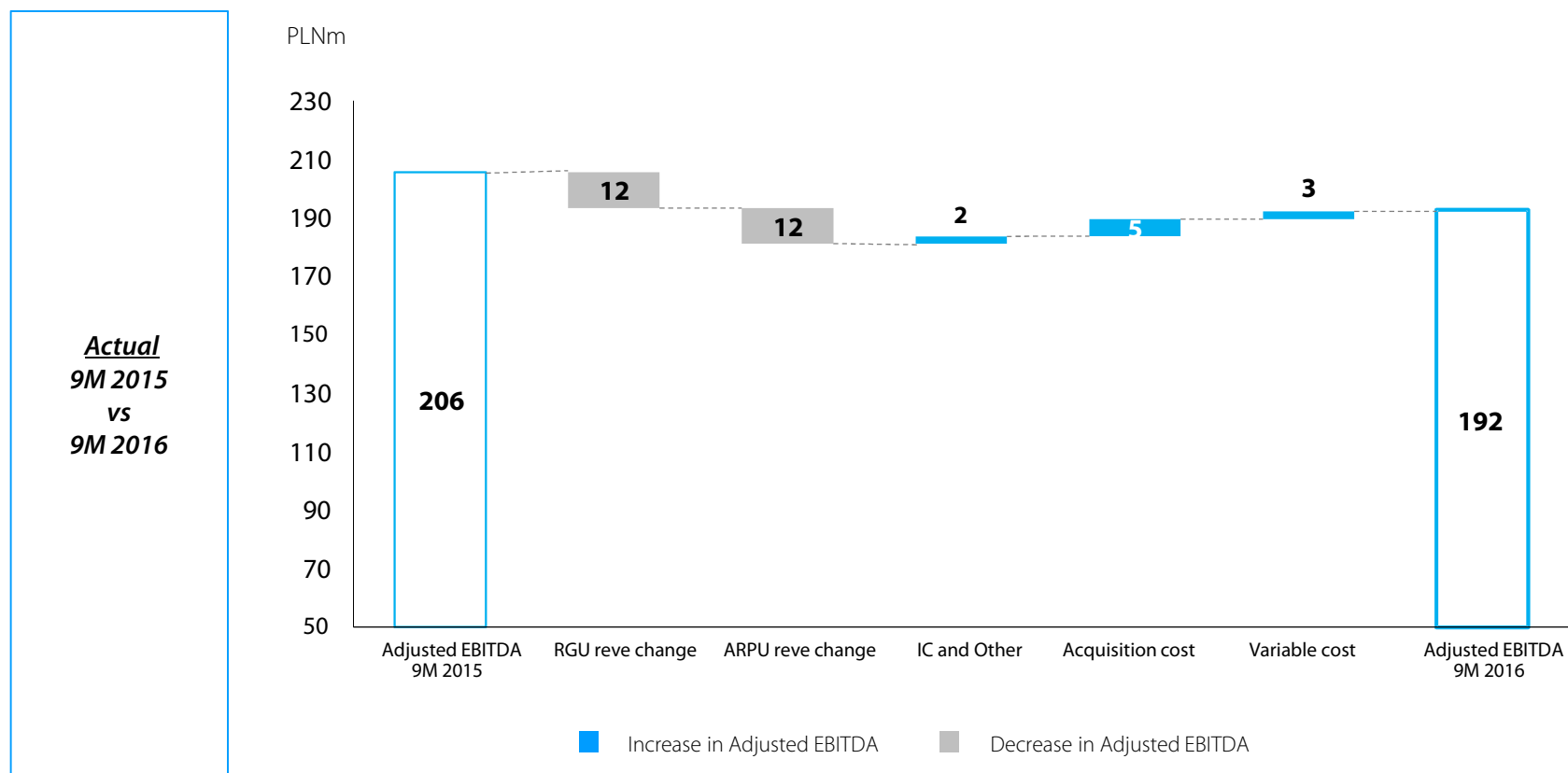


**Adjusted EBITDA margin and Adjusted OpFCF**



**Comments**

- Trends in broadband stable despite a competitive market environment
- Relatively stable profitability despite a strong price pressure thanks to a shift of commercial focus on services with a higher margin
- Lower total B2B revenue q-o-q mainly due to decrease 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

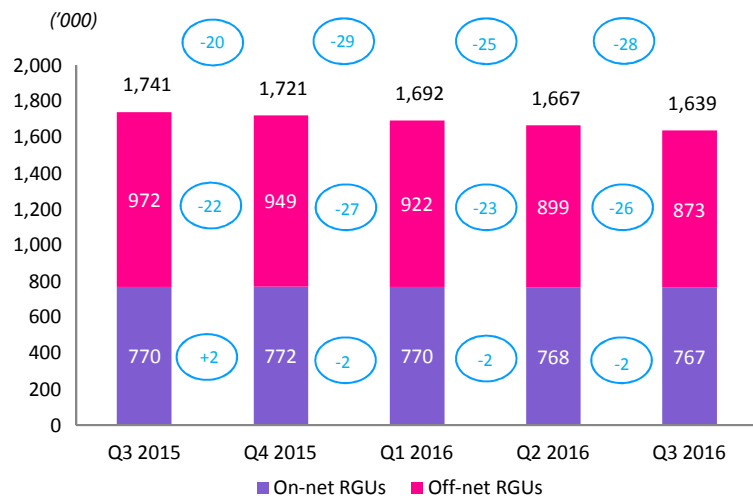




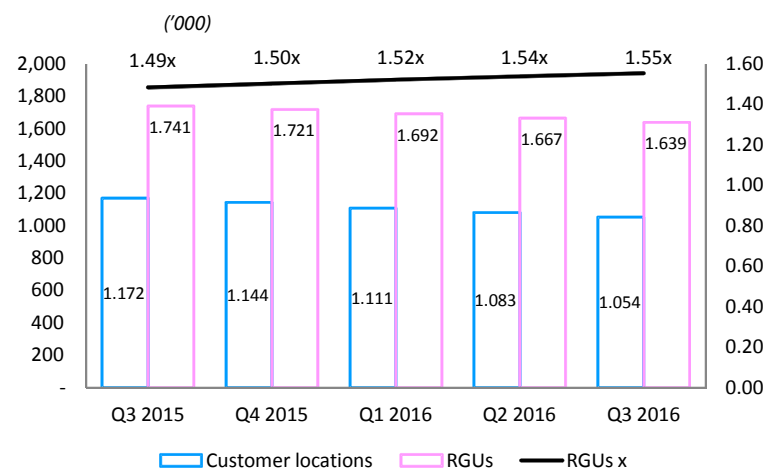
NETIA

## B2C Overview

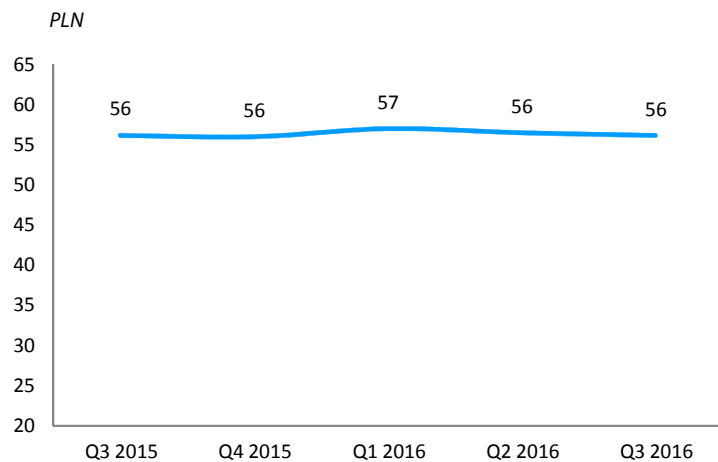
### RGUs by access type



### Customers and RGUs



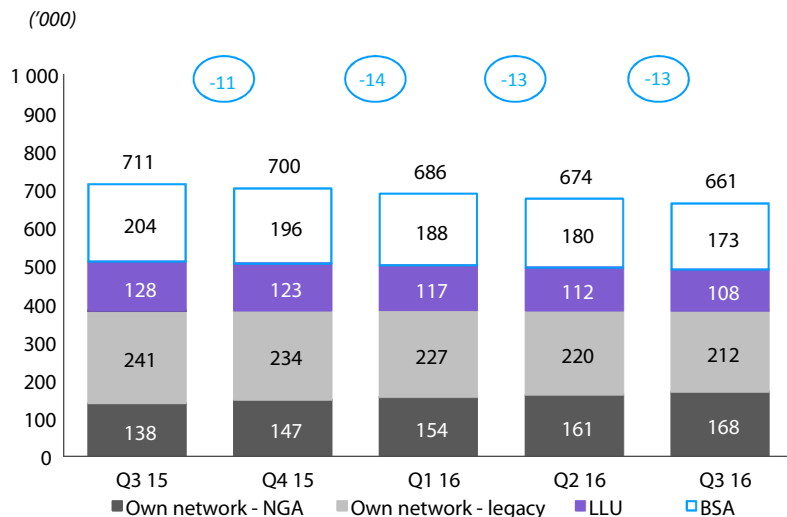
### Average ARPU per Customer



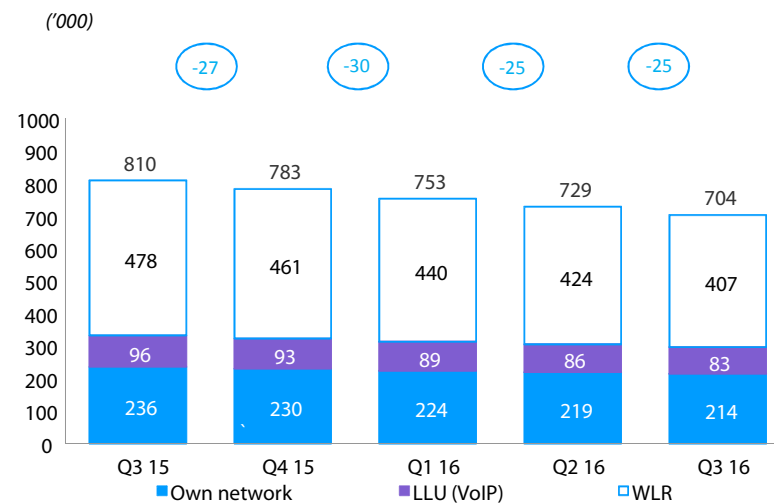
### Comments

- Share of on-net RGUs up by 3 pp y-o-y to 47%
- 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)

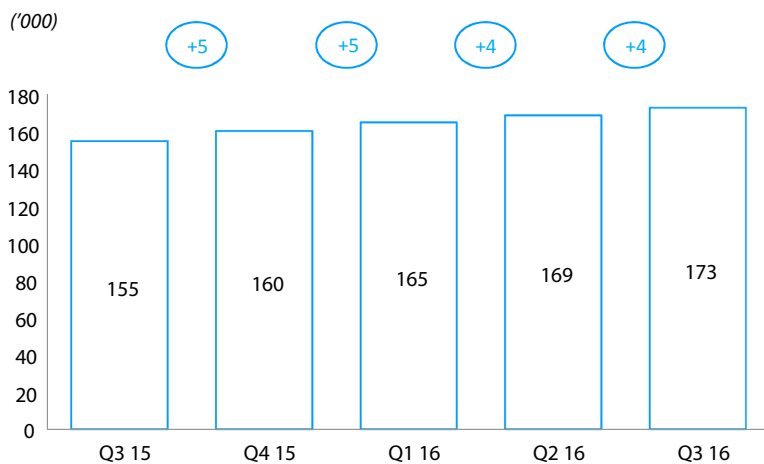
**Broadband ports**



**Voice lines**

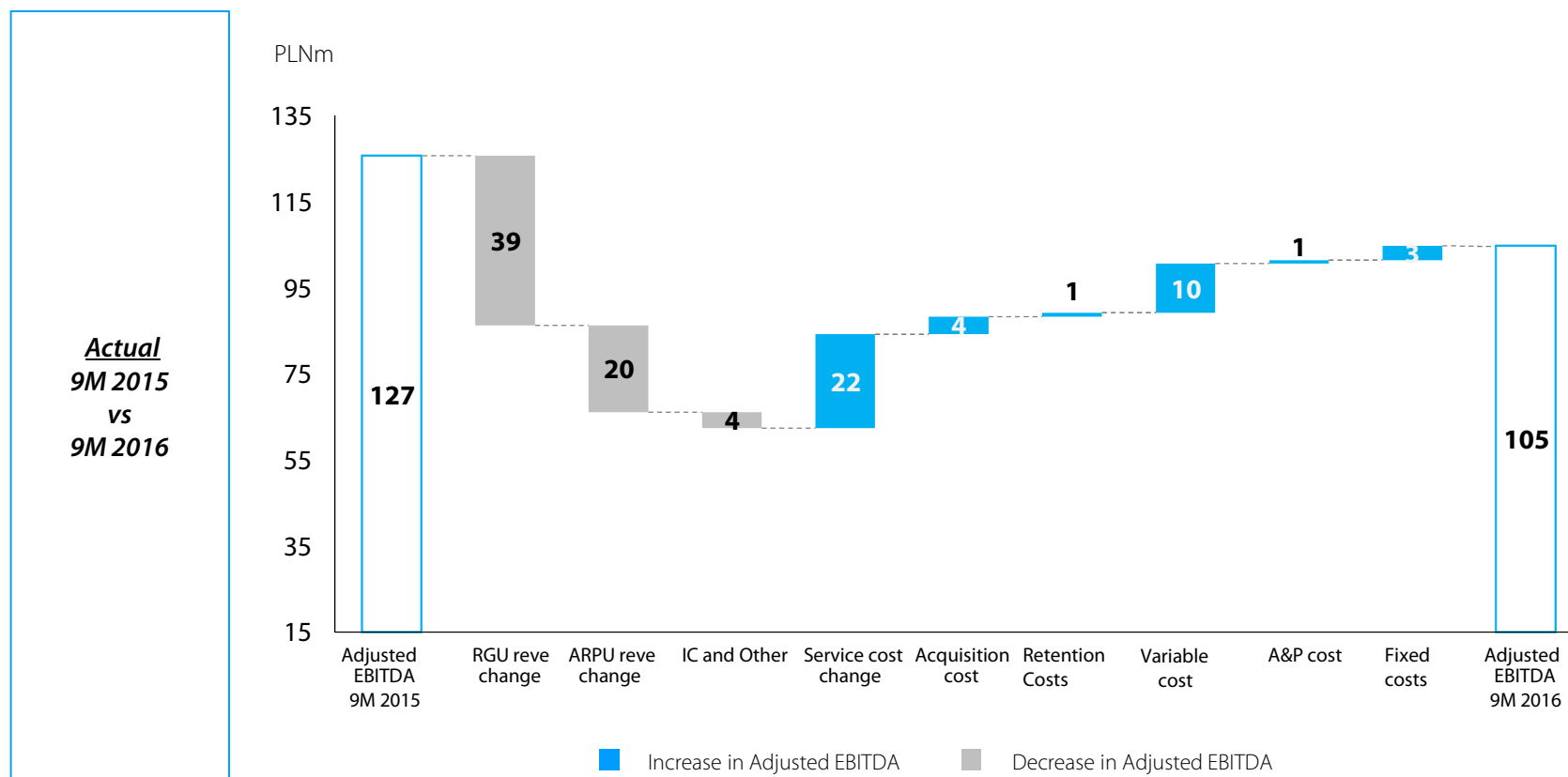


**TV services**



**Comments**

- TV services at 173k in Q3 2016 (+2% q-o-q and +12% 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)
- 46% 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



N E T I A

## *Netia Group Financial Overview*



	2015				2016			2015 vs 2016		
	Q1	Q2	Q3	Q4	Q1 2016	Q2 2016	Q3 2016	9m 2015	9m 2016	y-o-y
(PLN' 000)										
<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>372,920</b>	<b>1,169,484</b>	<b>1,150,288</b>	<b>(1.6%)</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>(6.9%)</i>	<i>(7.9%)</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>111,559</b>	<b>346,275</b>	<b>341,035</b>	<b>(1.5%)</b>
<b>Gross margin (%)</b>	<b>28.3%</b>	<b>29.4%</b>	<b>31.1%</b>	<b>27.4%</b>	<b>28.6%</b>	<b>30.4%</b>	<b>29.9%</b>	<b>29.6%</b>	<b>29.6%</b>	
<b>Adjusted EBITDA<sup>1</sup></b>	<b>113,545</b>	<b>110,325</b>	<b>123,347</b>	<b>111,557</b>	<b>110,954</b>	<b>115,196</b>	<b>107,036</b>	<b>347,216</b>	<b>333,185</b>	<b>(4.0%)</b>
<b>Margin (%)</b>	<b>29.2%</b>	<b>29.0%</b>	<b>30.8%</b>	<b>27.7%</b>	<b>28.4%</b>	<b>29.8%</b>	<b>28.7%</b>	<b>29.7%</b>	<b>29.0%</b>	
<i>Change (y-o-y%)</i>	<i>(15.5%)</i>	<i>(11.8%)</i>	<i>2.6%</i>	<i>(1.6%)</i>	<i>(2.3%)</i>	<i>4.4%</i>	<i>(13.2%)</i>	<i>(8.6%)</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>102,909</b>	<b>347,056</b>	<b>324,845</b>	<b>(6.4%)</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>27.6%</b>	<b>29.7%</b>	<b>28.2%</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>(16.3%)</i>	<i>(2.3%)</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>97,573</b>	<b>310,614</b>	<b>306,651</b>	<b>(1.3%)</b>
<b>Adjusted EBIT</b>	<b>8,095</b>	<b>7,947</b>	<b>20,561</b>	<b>1,084</b>	<b>3,978</b>	<b>13,094</b>	<b>9,463</b>	<b>36,603</b>	<b>26,535</b>	<b>(27.5%)</b>
<b>Margin (%)</b>	<b>2.1%</b>	<b>2.1%</b>	<b>5.1%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>2.3%</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>5,336</b>	<b>36,442</b>	<b>18,194</b>	<b>(50.1%)</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>1.4%</b>	<b>3.1%</b>	<b>1.6%</b>	

**Comments**

- Profitability y-o-y stable despite a continued price pressure in both segments

## Financial Performance | Adjusted EBITDA reconciliation to Net Results



N E T I A

<b>PLN'000</b>	<b>9M 2015</b>	<b>9M 2016</b>	<b>Change</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>347,216</b>	<b>333,185</b>	-4%
<i>Unusual Items:</i>			
M&A related costs	(4,260)	(100)	-98%
Integration costs	(251)	(368) <b>1</b>	+47%
Restructuring costs	1,524	(6,574) <b>2</b>	na
Reorganization costs	(260)	1,651	na
Return of the court deposit	4,000	-	na
Transformation projects	-	(909) <b>3</b>	na
Access network modernization project	-	(139)	na
Liquidation costs	(913)	(1,479) <b>4</b>	+62%
Extraordinary events	-	(422)	na
<b>EBITDA</b>	<b>347,056</b>	<b>324,845</b>	-6%
Depreciation and amortization	(310,614)	(306,651)	-1%
<b>EBIT</b>	<b>36,442</b>	<b>18,194</b>	-50%
Net financial expenses	(4,707)	(6,086)	+29%
Profit /(Loss) before tax	31,735	12,108	-62%
Current tax and deferred income tax	(15,628)	18,175 <b>5</b>	na
<b>Net Profit</b>	<b>16,107</b>	<b>30,283</b>	+88%
Average number of outstanding shares (basic)	<b>348,107,152</b>	<b>345,172,289</b>	
EPS (in PLN, basic)	<b>0.05</b>	<b>0.09</b>	

**1** Mainly costs related to integration of TK Telekom

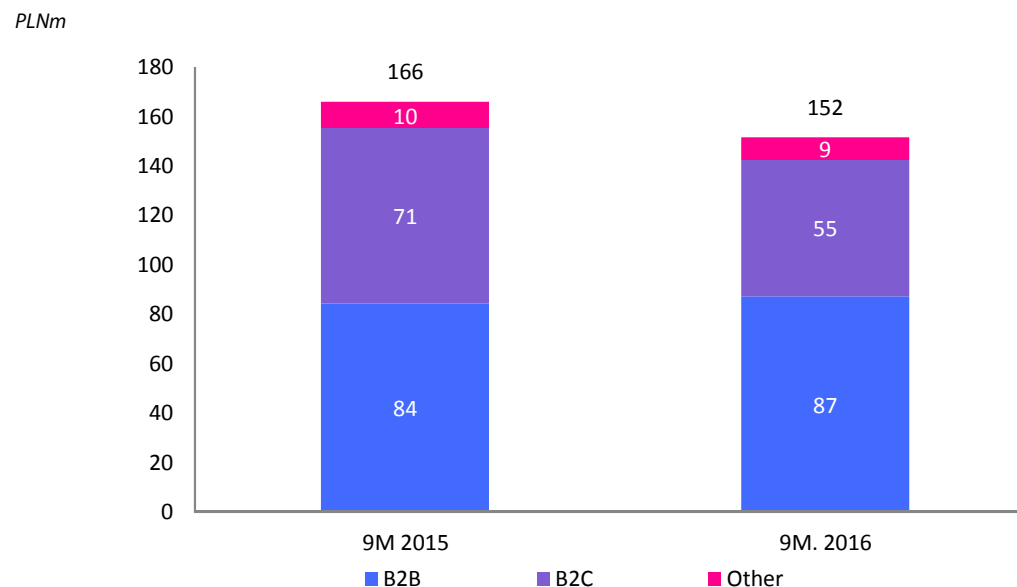
**2** Mainly staff redundancies related to cost of employment restructuring in TK Telekom

**3** „Local Netia” and „Digital Netia” projects costs

**4** Costs of liquidated fixed assets related to the acquisition of subsidiaries

**5** Increase of deferred tax asset and tax refund related to the new technologies acquisition discount

**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, access network upgrades and IT licences
- Investments in the B2B segment include mainly extension of transmission network capacity, connecting new business customers and IT licences
- Capital expenditures for the integration of TK Telekom in the amount of PLN 15 million are presented in the B2B segment



## Conclusions



N E T I A

- Netia delivered a set of solid financial results for Q3 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 0.5x of the 2015 Adjusted EBITDA at PLN 459m
- On September 30, Mr. Cezary Chałupa, B2B General Manager, resigned from his position as the member of the Company's Management Board. The resignation is effective immediately

# 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.*

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