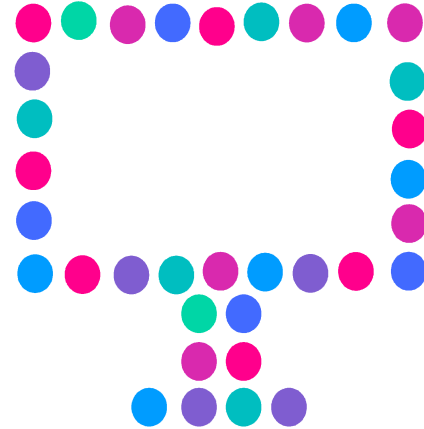


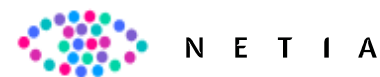
GIGA WOLNOŚĆ



Q4 and FY 2016 Financial Results

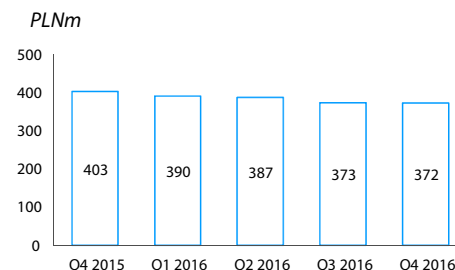
February 16, 2016

N E T I A

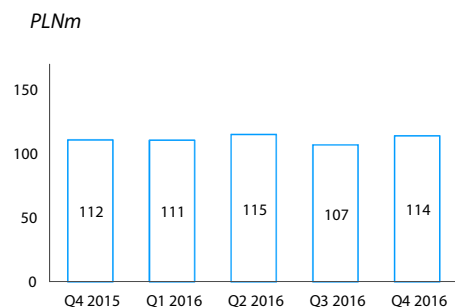


- Revenue was PLN 1,522m for FY 2016 (-3% y-o-y) and PLN 372m for Q4 2016 (0% q-o-q and -8% y-o-y)
 - Profitability stable thanks to cost optimizations despite a continuous revenue pressure
 - Adjusted EBITDA¹ was PLN 447m for FY 2016 (-2% y-o-y) and PLN 114m for Q4 2016 (+7% q-o-q and +2% y-o-y)
 - EBITDA was PLN 426m for FY 2016 (-5% y-o-y) and PLN 102m for Q4 2016 (-1% q-o-q and 0% y-o-y)
- Netia generated PLN 233m Adjusted OpFCF² for FY 2016 (-4% y-o-y) and PLN 36m for Q4 2016 (-34% q-o-q and -36% y-o-y)
- Net debt at PLN 204m on December 31, 2016 (-18% q-o-q and -19% y-o-y), representing below 0.5x of Adjusted EBITDA for full 2016 year at PLN 447m
- On January 31, 2017 Mr. Stefan Radzimiński, Member of Supervisory Board, was delegated to temporarily perform duties of the Management Board Member responsible for Transformation Projects and New Investments (till April 30, 2017)

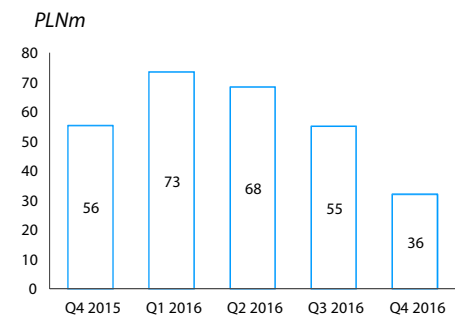
Revenues



Adjusted EBITDA¹



Adjusted OpFCF²

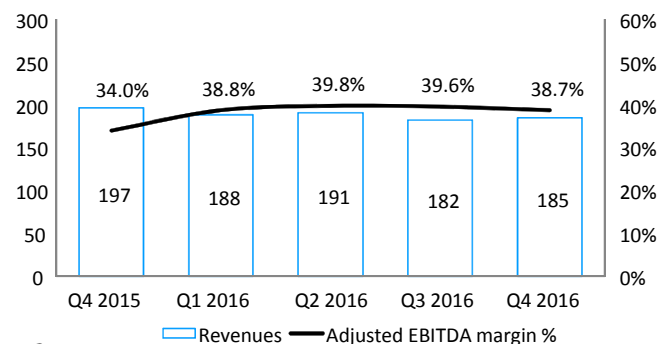


¹ Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment

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

B2B¹

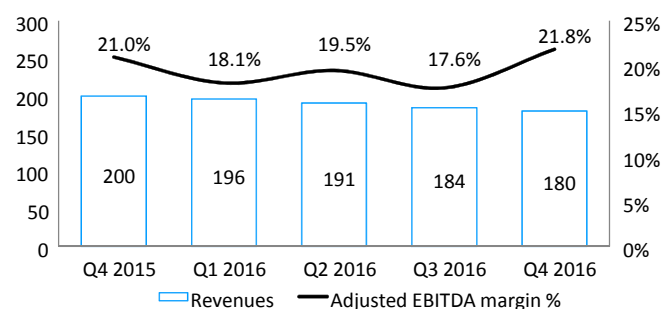
PLNm



- **Revenue** was PLN 185m in Q4 2016 (+1% q-o-q and -6% y-o-y)
- **Adjusted EBITDA** was PLN 72m with a margin of 38.7%
- Includes TK Telekom

B2C²

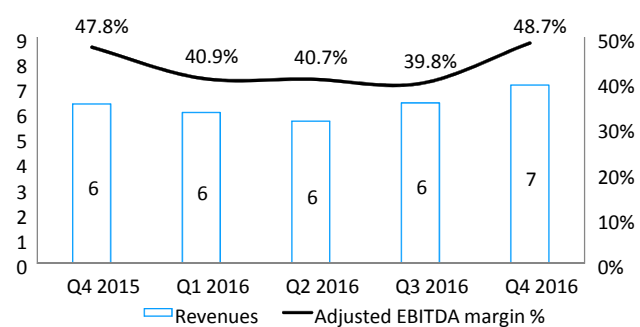
PLNm



- **Revenue** was PLN 180m in Q4 2016, down by 2% compared to Q3 2016 and down by 10% y-o-y
- **RGUs** at 1,607k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 39m with a margin of 21,8%
 - An increase in Adjusted EBITDA refers to settlements with TV content suppliers, affecting also the earlier periods in the amount of approx. PLN 8m

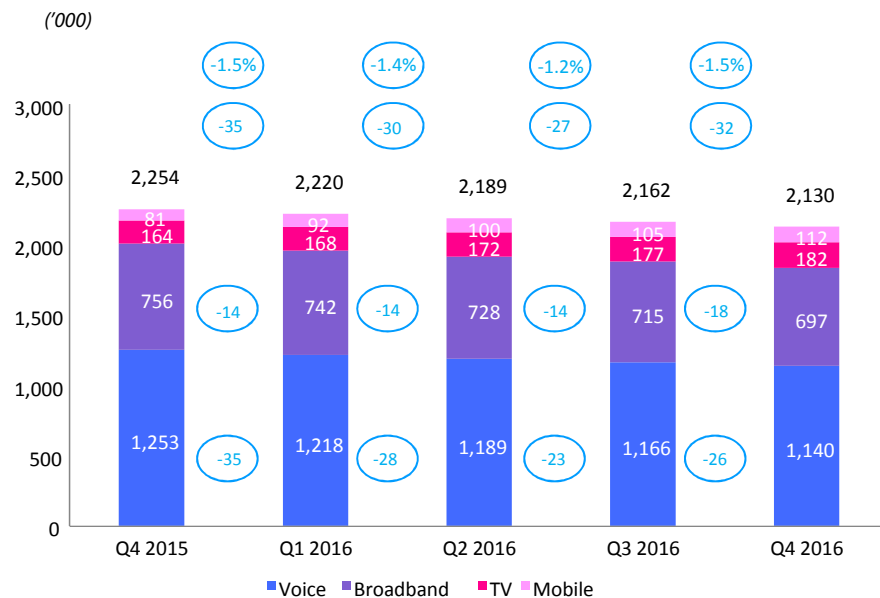
Petrotel

PLNm

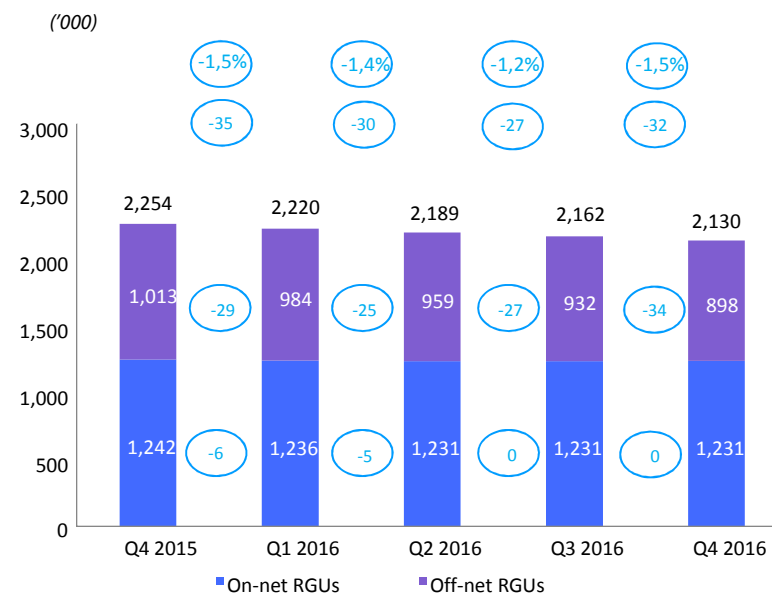


- Revenue and EBITDA margin growth in Q4 2016 are related to the implementation of a single contract for one of the Company's strategic business clients

Total Netia RGUs



On-net and off-net RGUs

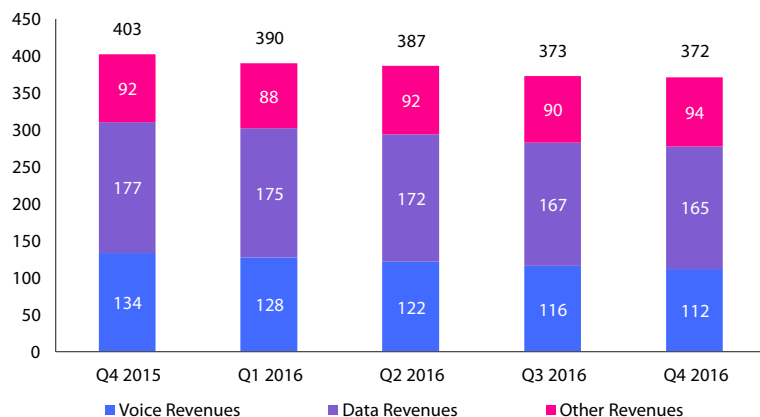


Comments

- Drop in total RGUs in Q4 2016 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q4 2016 the share of on-net RGUs in total Netia services was 58% (+3pp y-o-y)

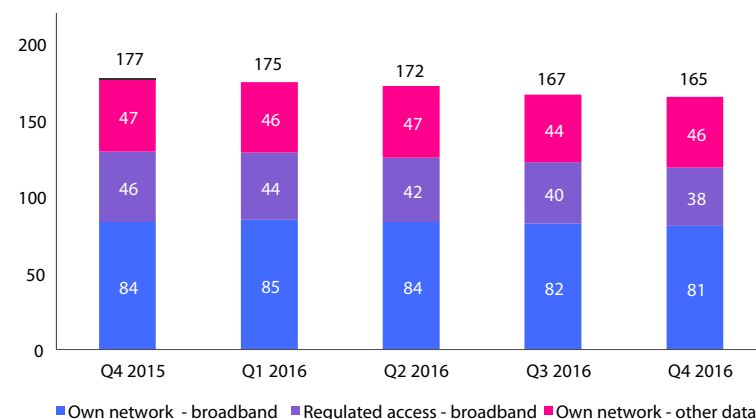
Revenue breakdown by service

PLNm



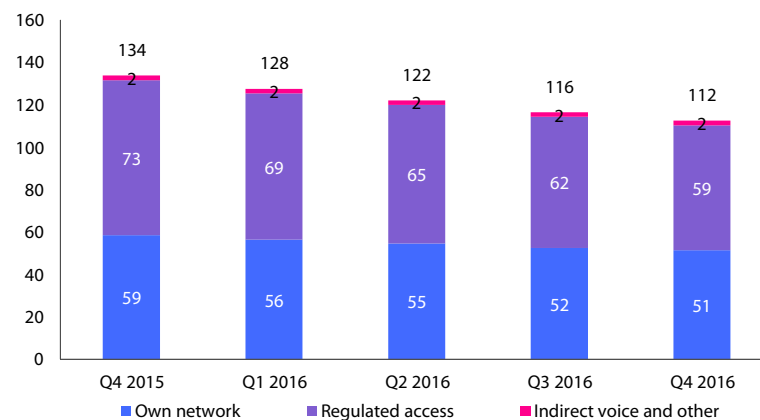
Data revenue¹ breakdown by access

PLNm



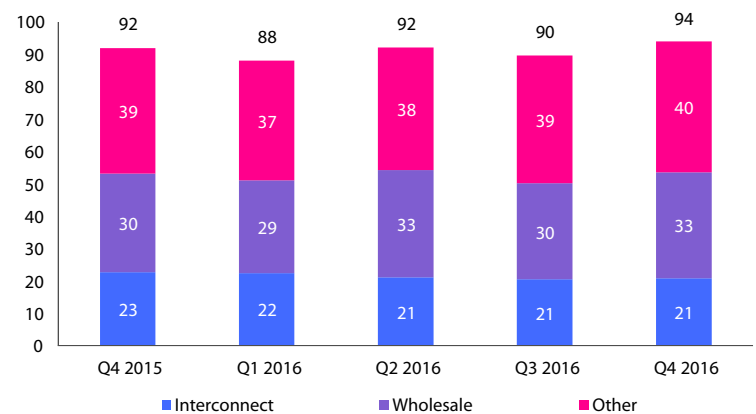
Voice revenue breakdown by access

PLNm



Other revenue²

PLNm



Strategic projects

Project scope

- Combination of trans-regional Netia potential with a possibility to build local relationships by local partners within micro regions
- Transfer of sales, installation, customer service and technical support competences to local partners within agreed model of responsibility
- Creation the new standards and skills and modification of existing operational activities

Project status

- Cooperation model developed in partnership with an experienced consulting company and discussed with potential partners
- Ongoing recruitment process of local partners
- Employees responsible for service delivery and maintenance taken over from major external partner. New contracts with local partners signed in order to switch to Local Netia model
- Operational launch of first local partners expected in H1 2017

Benefits

- More flexibility and presence of Netia on the local market by creation strong local partnership structures
- Increase of penetration on own modernized access network
- Higher satisfaction / customer service quality
- Reduction of churn on existing customer base

Local operations (customer service office Białystok)



Project scope

- Modernization of 1.66m HP to FTTH/FTTB standard till 2020
- Transition from copper to fiber technology
- Budget: PLN 417m
- Prioritization / phasing of modernized areas in accordance with their business potential

Project status

- Tenders for equipment, network design and construction work completed
- Ongoing modernization in line with accepted project schedule and financial plans
- Positive GPON access technology tests results

Benefits

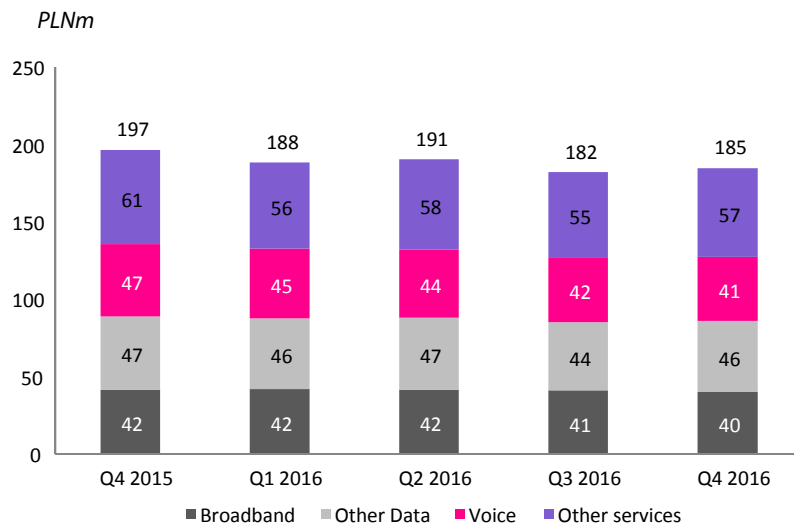
- ~ 100% of own access infrastructure offers bandwidth 100Mps+
- Creation and maintaining a competitive position on the challenging fixed telco market
- Significant increase of the operational potential and the value of the Company

Fiber optic access network

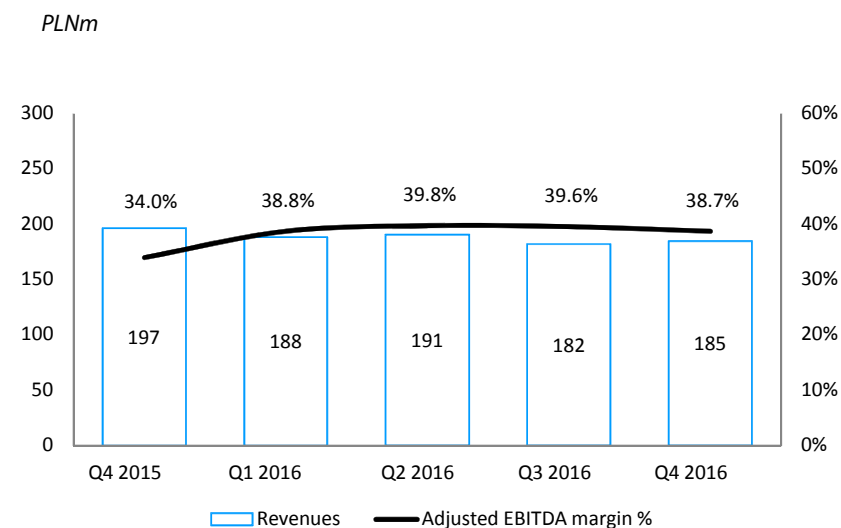


B2B Overview

Revenue by service



Profitability in B2B Segment



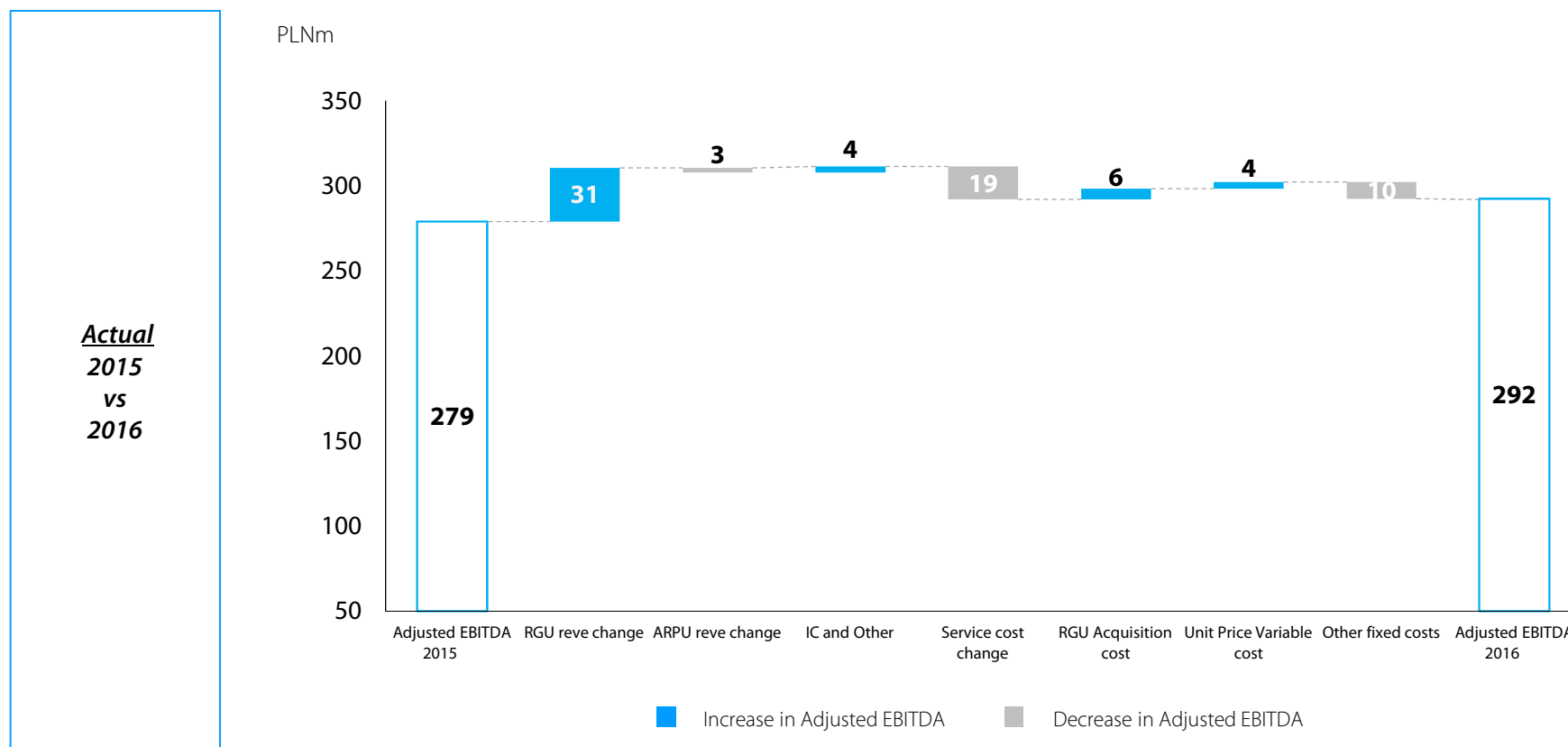
Comments

- Trends in broadband and other data services stable despite a competitive market environment
- Stable profitability 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 an increase of wholesale traffic

B2B financial performance | Adjusted B2B EBITDA bridge for FY 2016



NETIA



Comments

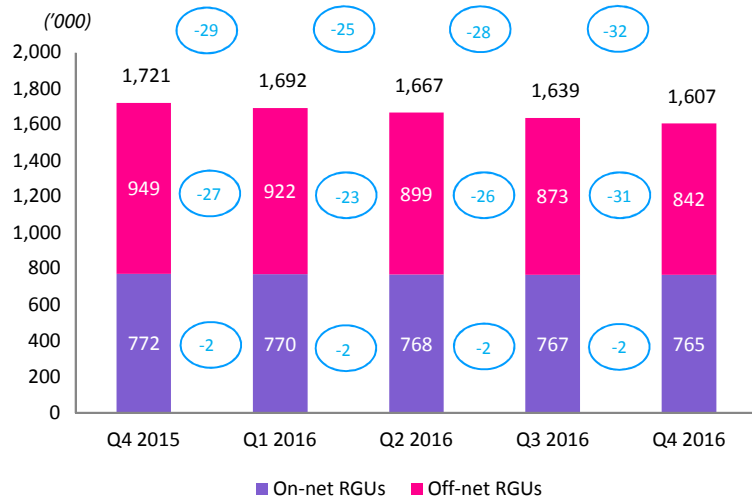
- The effect on both revenue and costs is distorted by integration of the results of TK Telekom, which has been consolidated from July 21, 2015



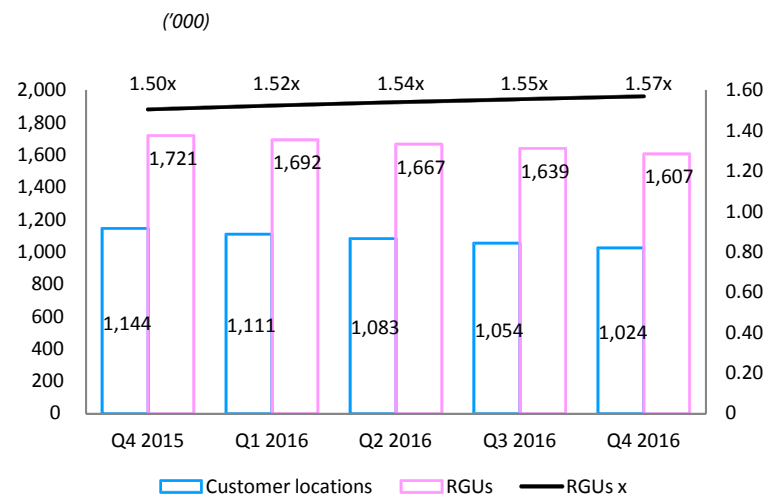
NETIA

B2C Overview

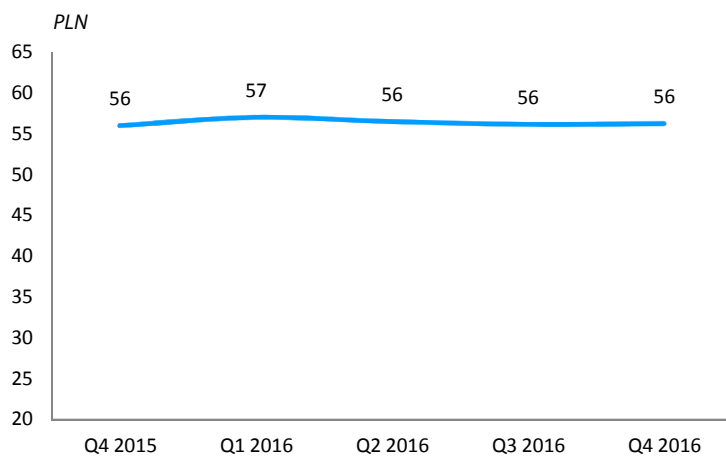
RGUs by access type



Customers and RGUs



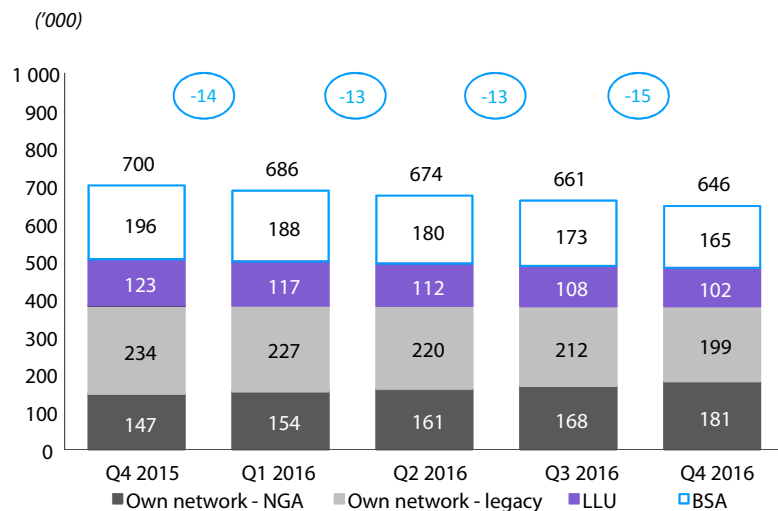
Average ARPU per Customer



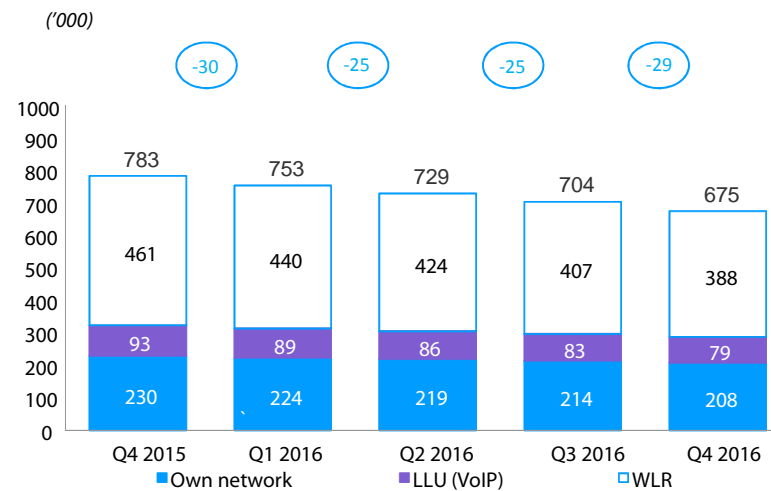
Comments

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

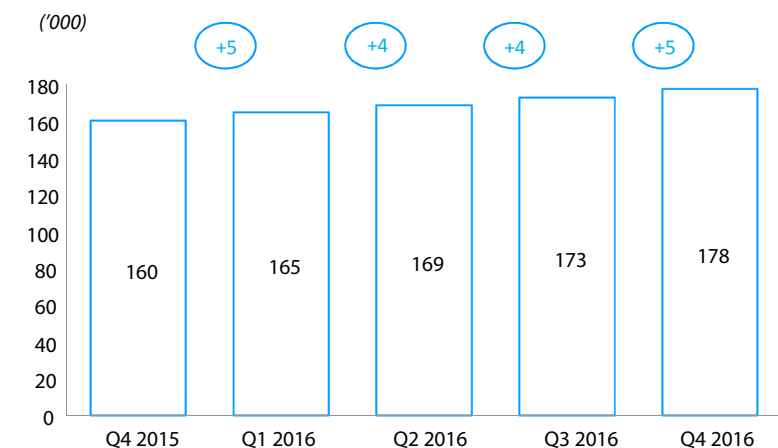
Broadband ports



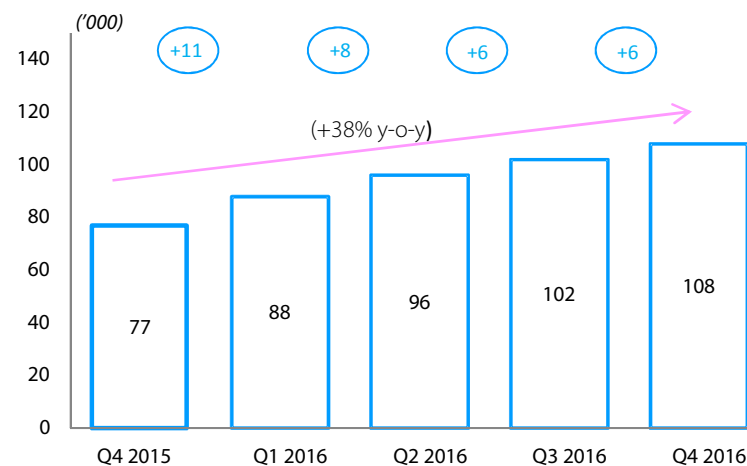
Voice lines



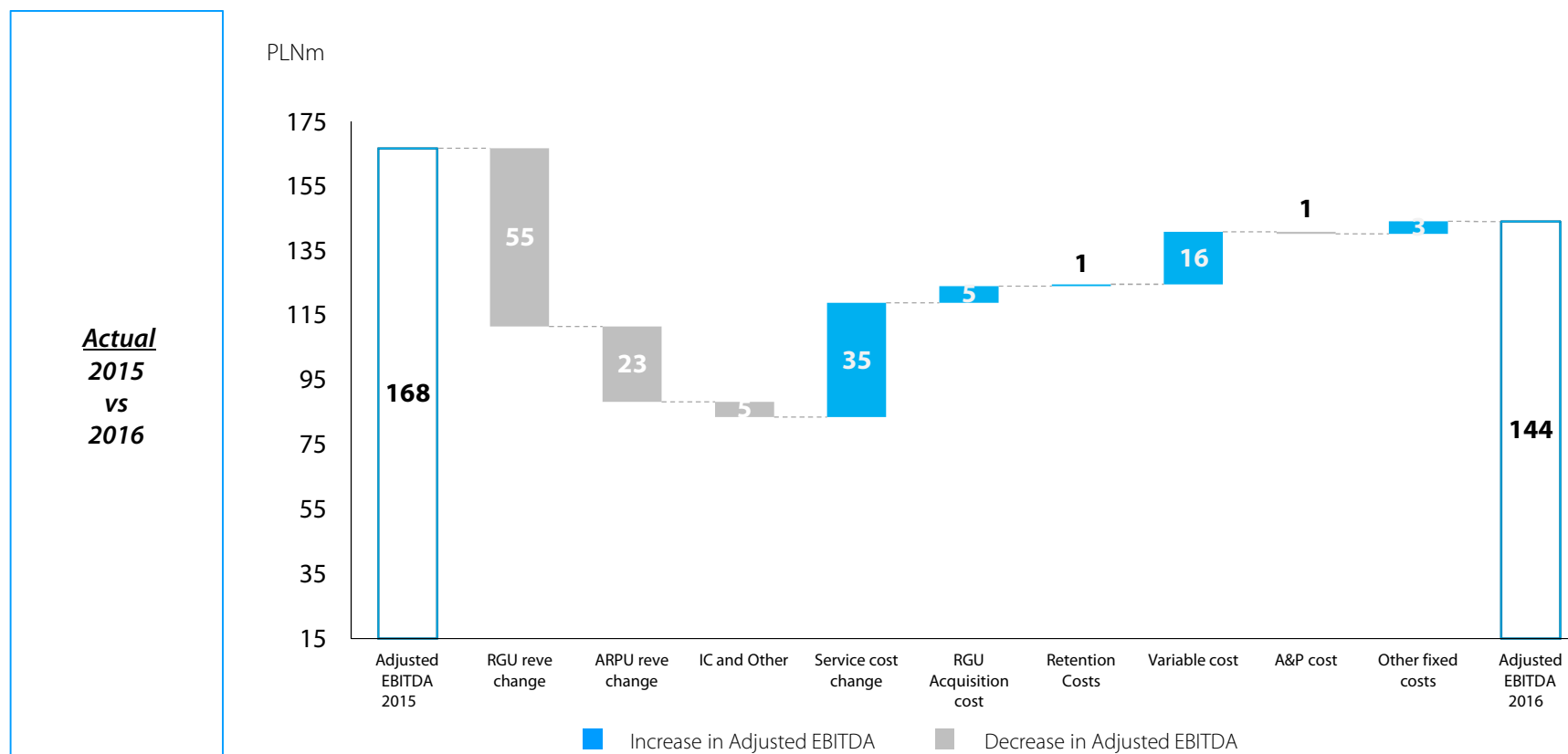
TV services



Mobile services



- 59% of broadband customers served directly via Netia’s own network (+4 pp y-o-y and +1 pp q-o-q)
- 47% of on-net broadband customers now take TV services from Netia
- 38% increase on mobile services y-o-y



Comments

- Revenue decline driven mainly by off-net RGU churn (WLR, BSA, LLU) and bundling of services
- Lower service cost reflects lower off-net rental payments to incumbent, lower interconnection costs and settlements with TV content suppliers, affecting also the earlier periods
- 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	Q2	Q3	Q4	2015	2016	y-o-y
<i>(PLN' 000)</i>											
Revenues	388,718	380,340	400,426	402,697	390,494	386,874	372,920	371,683	1,572,181	1,521,971	(3.2%)
<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>(7.7%)</i>	<i>(6.1%)</i>		
Gross profit	110,065	111,691	124,519	110,303	111,709	111,767	111,559	107,813	456,578	448,848	(1.7%)
Gross margin (%)	28.3%	29.4%	31.1%	27.4%	28.6%	30.4%	29.9%	29.0%	29.0%	29.5%	
Adjusted EBITDA	113,545	110,325	123,347	111,559	110,954	115,196	107,036	114,257	458,775	447,442	(2.5%)
Margin (%)	29.2%	29.0%	30.8%	27.7%	28.4%	29.8%	28.7%	30.7%	29.2%	29.4%	
<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>2.4%</i>	<i>(7.0%)</i>		
EBITDA	111,489	112,622	122,945	101,947	107,128	114,808	102,909	101,594	449,003	426,439	(5.0%)
Margin (%)	28.7%	29.6%	30.7%	25.3%	27.4%	29.7%	27.6%	27.3%	28.6%	28.0%	
<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>(0.3%)</i>	<i>(22.7%)</i>		
Depreciation	105,450	102,378	102,786	110,473	106,976	102,102	97,573	94,553	421,087	401,204	(4.7%)
Adjusted EBIT	8,095	7,947	20,561	1,086	3,978	13,094	9,463	19,704	37,688	46,238	(22.7%)
Margin (%)	2.1%	2.1%	5.1%	0.3%	1.0%	3.4%	2.5%	5.3%	2.4%	3.0%	
EBIT	6,039	10,244	20,159	(8,526)	0,152	12,706	5,336	7,041	27,916	25,235	(9.6%)
Margin (%)	1.6%	2.7%	5.0%	(2.1%)	0.0%	3.3%	1.4%	1.9%	1.8%	1.7%	

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

PLN'000	2015	2016	Change
Adjusted EBITDA	458,775	447,442	-2%
<i>Unusual Items:</i>			
Impairment charge	(6,319)	-	na
M&A related costs	(4,263)	-	na
Integration costs	(764)	(5,374) ①	+603%
Restructuring costs	3,224	(7,344) ②	na
Reorganization costs	(3,786)	219	na
Return of the court deposit	4.000	-	na
Transformation projects	-	(1,593) ③	na
Access network modernization project	-	(160)	na
Liquidation costs	(1,864)	(1,539) ④	-17%
Extraordinary events	-	(5,212) ⑤	na
EBITDA	449,003	426,439	-5%
Depreciation and amortization	(421,087)	(401,204)	-5%
EBIT	27,916	25,235	-10%
Net financial expenses	(7,225)	(7,318)	+1%
Profit /(Loss) before tax	20,691	17,917	-13%
Current tax and deferred income tax	(18,478)	14,749 ⑥	na
Net Profit	2,213	32,666	+1,376%
Average number of outstanding shares (basic)	348,126,331	345,172,289	
EPS (in PLN, basic)	0.01	0.09	

① Mainly costs related to integration of TK Telekom

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

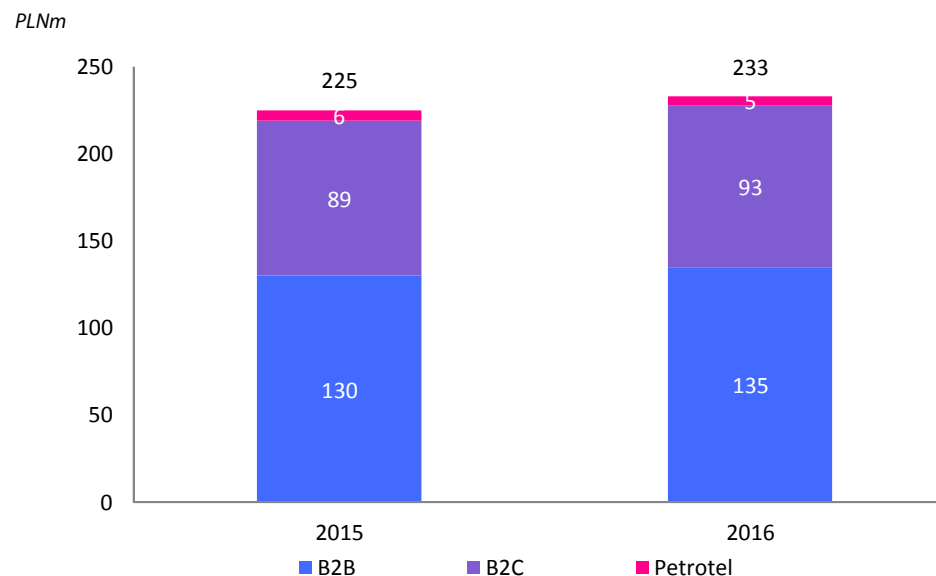
③ „Local Netia” and „Digital Netia” projects costs

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

⑤ Mainly provision related to ongoing court proceeding at ca. PLN 4m

⑥ Increase of deferred tax asset and tax refund related to the new technologies acquisition discount

Capital investments by Operating Segments¹



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 customers, switching B2B customers from radio access to fiber and IT licences
- Capital expenditures for the integration of TK Telekom in the amount of PLN 19 million are presented in the B2B segment



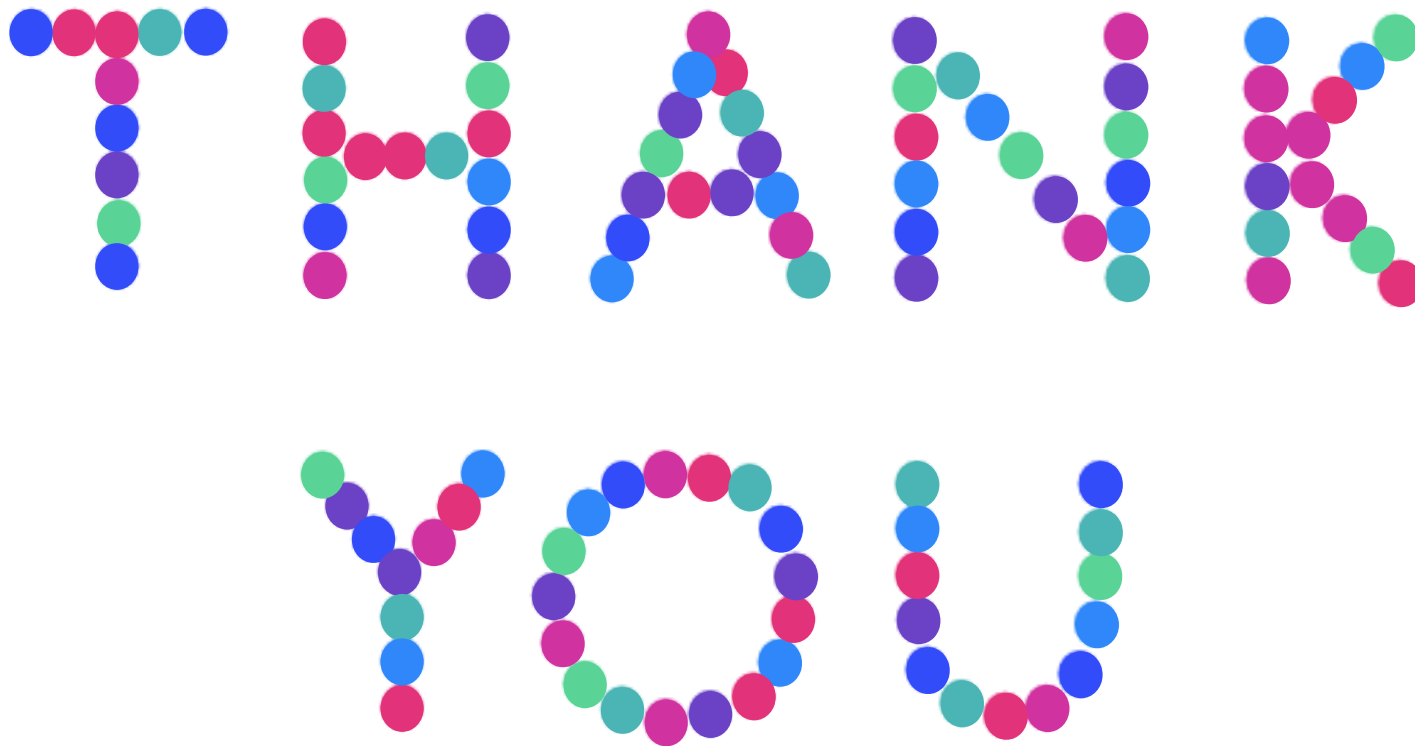
- Netia delivered a set of solid financial results for Q4 and FY 2016, demonstrating relative business resilience against a visible competition and price pressure in a difficult market environment for both commercial divisions
- The Group's financial standing remains strong with a leverage at a convenient level below 0.5x of the 2016 Adjusted EBITDA at PLN 447m
- Transformation projects of Netia Group („Local Netia”, „Network of XXI Century”) are conducted in accordance with the original schedule
- On January 31, 2017 Mr. Stefan Radzimiński, Member of Supervisory Board, was delegated to temporarily perform duties of the Management Board Member responsible for Transformation Projects and New Investments

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