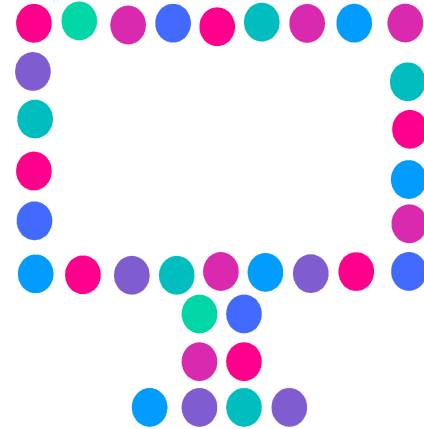


GIGA WOLNOŚĆ

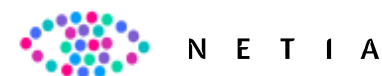


## H1 2017 Financial Results

August 2<sup>nd</sup>, 2017

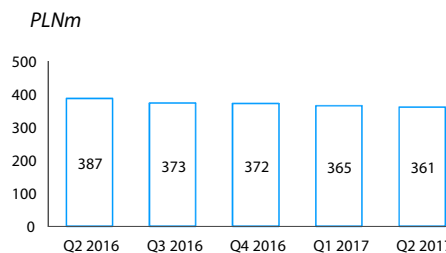
N E T I A

## Total Netia | Key highlights for Q2 2017

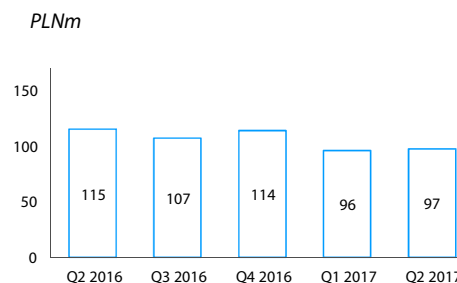


- Revenue was PLN 726m for H1 2017 (-7% y-o-y) and PLN 361m for Q2 2017 (-1% q-o-q and -7% y-o-y)
  - Adjusted EBITDA<sup>1</sup> was PLN 193m for H1 2017 (-14% y-o-y) and PLN 97m for Q2 2017 (+1% q-o-q and -15% y-o-y)
  - EBITDA was PLN 193m for H1 2017 (-13% y-o-y) and PLN 99m for Q2 2017 (+5% q-o-q and -14% y-o-y)
- Netia generated PLN 70m Adjusted OpFCF<sup>2</sup> for H1 2017 (-51% y-o-y) and PLN 21m for Q2 2017 (-57% q-o-q and -69% y-o-y). OpFCF decrease mainly due to access network upgrade program performance
- Net debt at PLN 186m on June 30, 2017 (-7% q-o-q and -38% y-o-y), representing 0.42x of Adjusted EBITDA for full 2016 year at PLN 447m
- On July 6, 2017 Netia paid the dividend in the amount of PLN 0.38 per share
- On June 1, 2017 Mr. Tomasz Szopa resigned from his position as the President and the member of the Company's Management Board, effective immediately
- On June 1, 2017 Netia's Supervisory Board appointed Mrs. Katarzyna Iwuć as Acting President of the Management Board and Chief Financial Officer of the Company
- On June 1, 2017 Mr. Stefan Radzimiński, Member of Supervisory Board, was delegated to temporarily perform duties of the Management Board Member responsible for Transformation Projects and Technical Department (till September 1, 2017)
- On June 27, 2017 Netia signed annex to the loan agreement with mBank S.A. and DNB Bank Polska S.A. postponing the remaining PLN 200m to be paid in subsequent years starting from December 2018 in four instalments of PLN 50m each

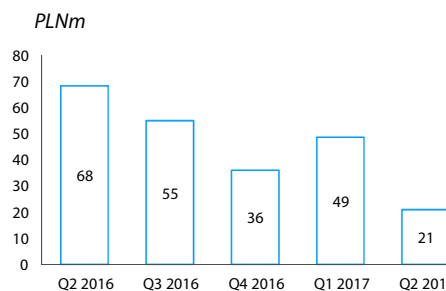
### Revenues



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



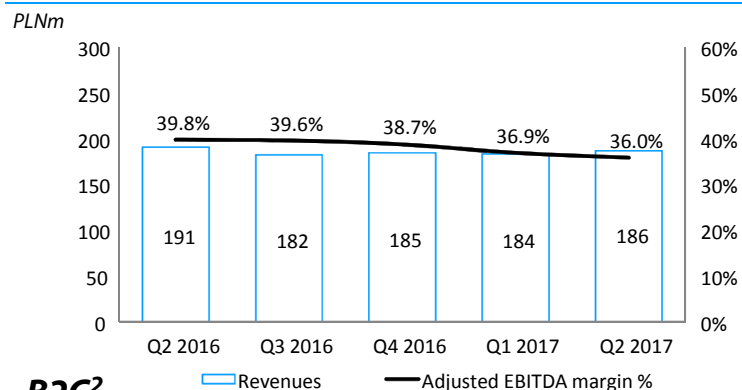
### Adjusted OpFCF<sup>2</sup>



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

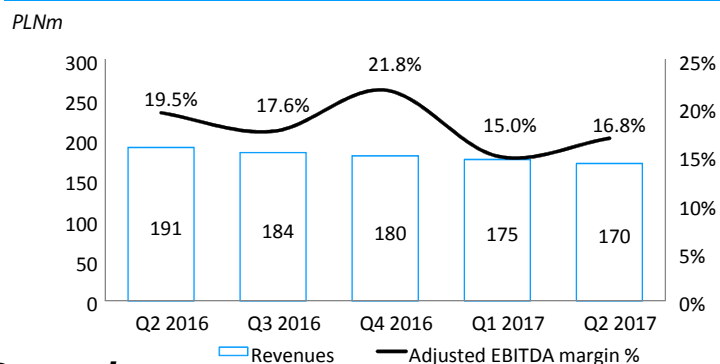
<sup>2</sup> Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan

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



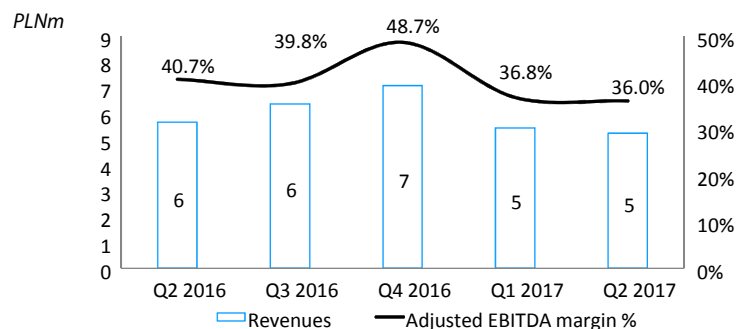
- **Revenue** was PLN 186m in Q2 2017 (+1% q-o-q and -3% y-o-y)
- **Adjusted EBITDA** was PLN 67m with a margin of 36.0%
- Includes TK Telekom

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



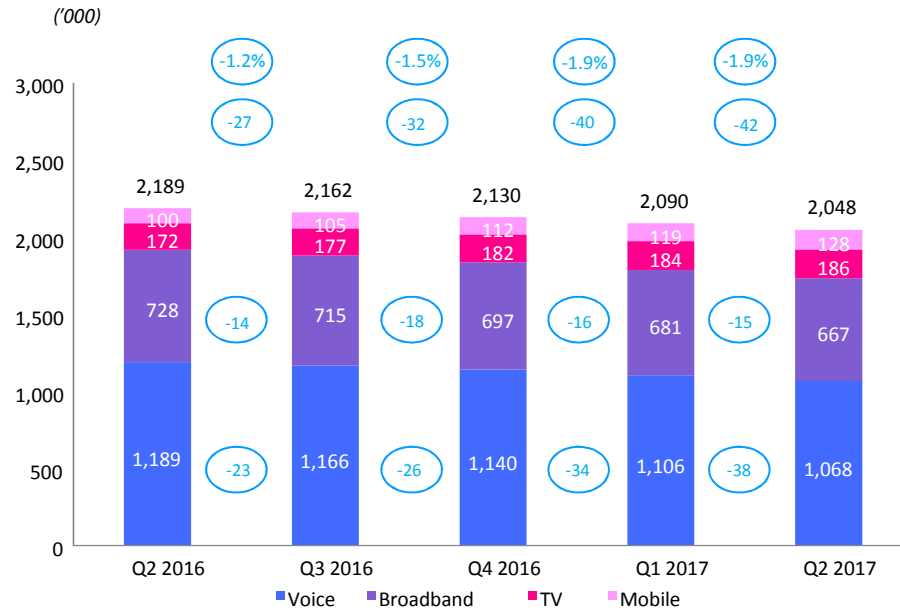
- **Revenue** was PLN 170m in Q2 2017, down by 3% compared to Q1 2017 and down by 11% y-o-y
- **RGUs** at 1,552k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 29m with a margin of 16,8%
  - Higher profitability in Q2 2017 possible among others thanks to lower network maintenance spendings as a result of network maintenance and service delivery processes insourcing

### Petrotel

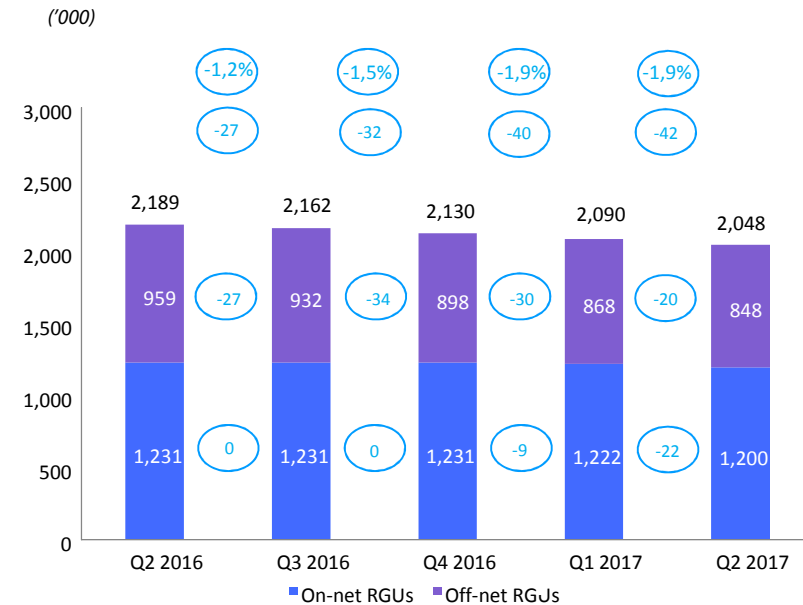


- One-off revenue related to the projects executed by the Company results in q-o-q fluctuations in both top-line and EBITDA margin

**Total Netia RGUs**



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

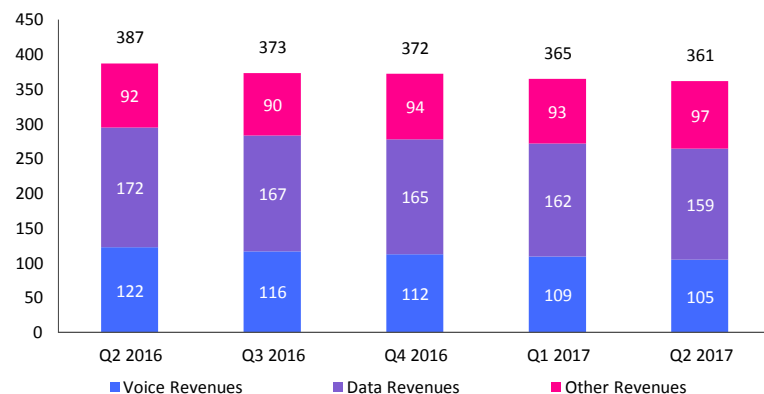


**Comments**

- Drop in total RGUs in Q2 2017 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q2 2017 share of on-net RGUs in total Netia services was 59% (+2pp y-o-y)

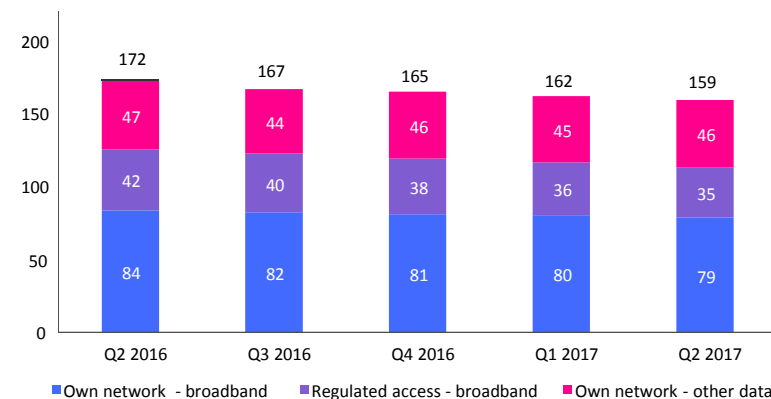
### Revenue breakdown by service

PLNm



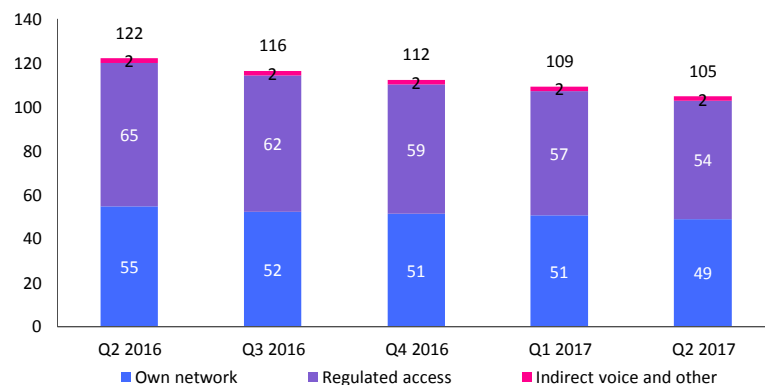
### Data revenue<sup>1</sup> breakdown by access

PLNm



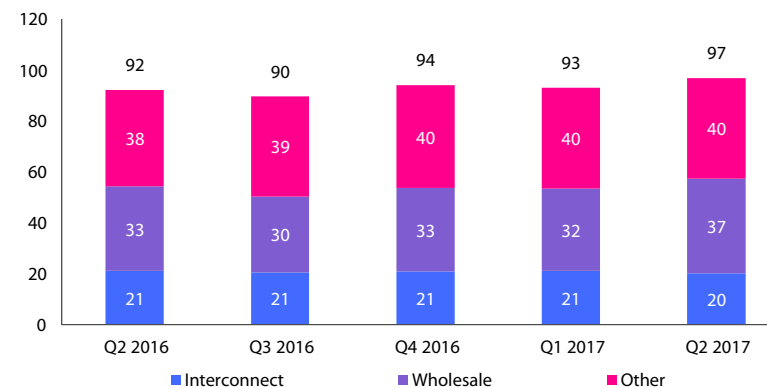
### Voice revenue breakdown by access

PLNm



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

PLNm



## B2B Overview

**Netia** integrates traditional solutions and modern telecommunication services in the Unified Communications business communicator

1 NUMBER ON ANY TERMINAL

1 PRICE

MOBILITY

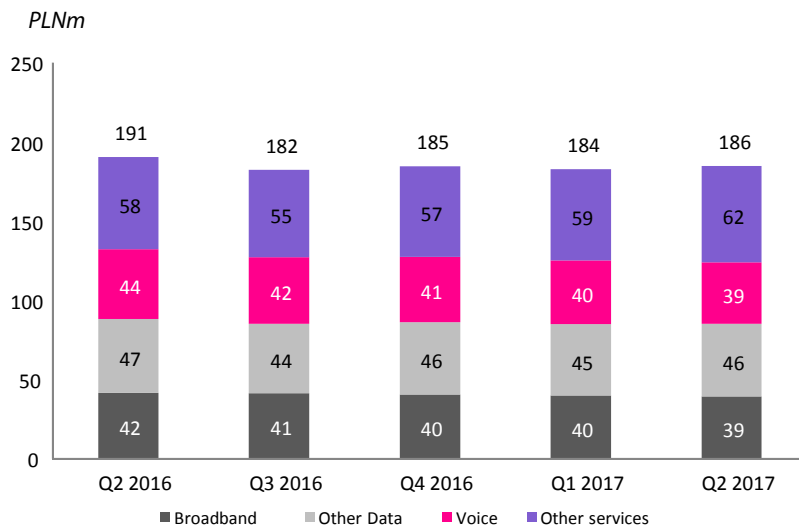


**Financial Magazine Award for the Best Service on SME market**

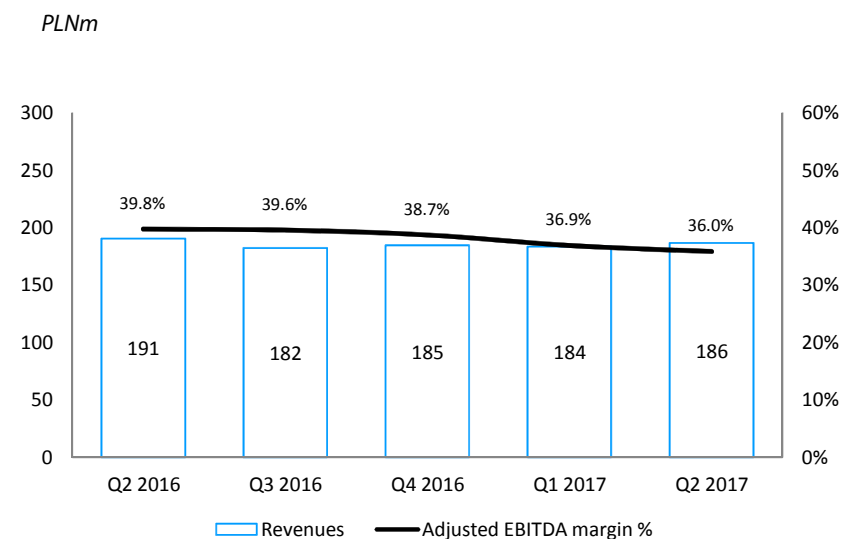


**IT Managers Award for the most interesting service in Cloud**

**Revenue by service**



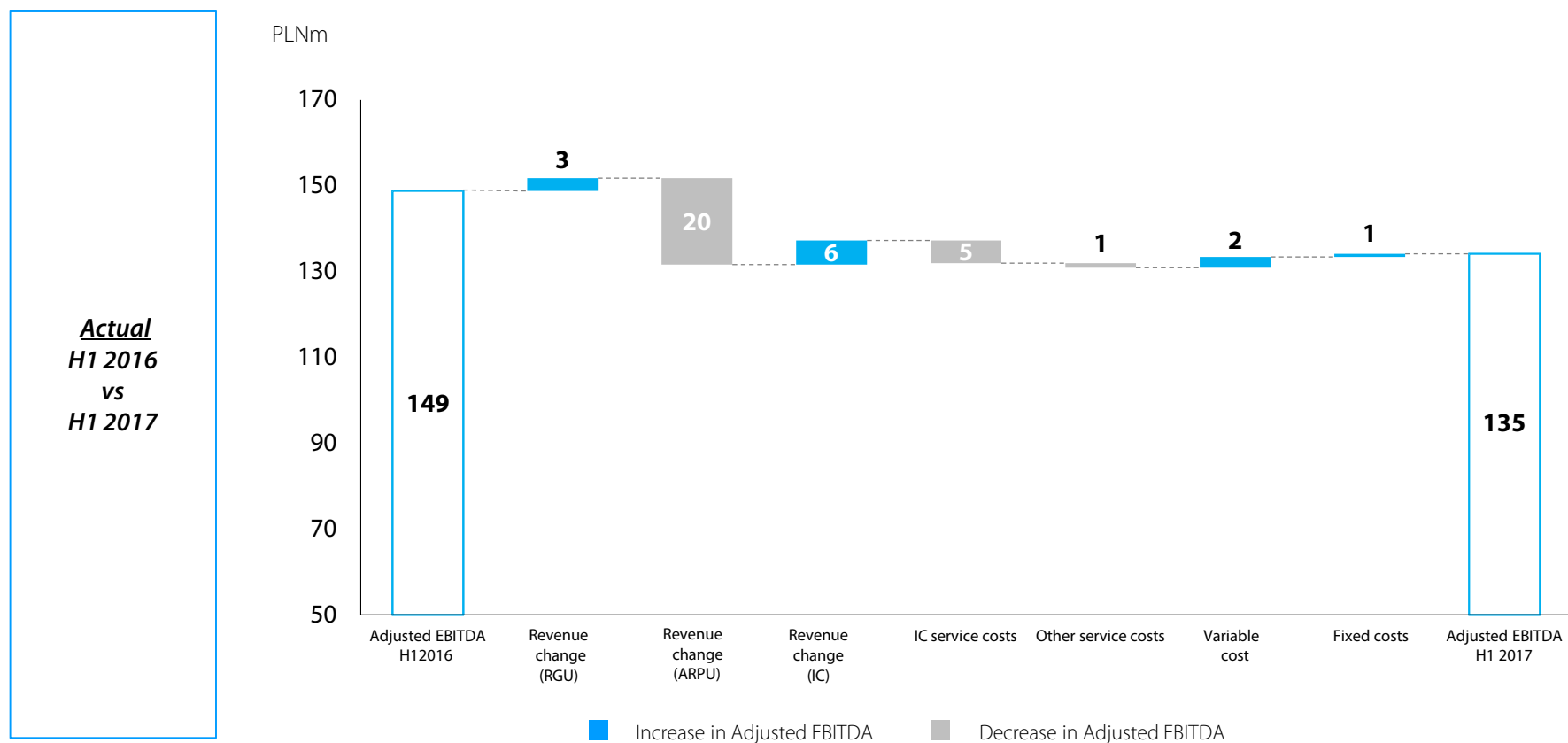
**Profitability in B2B Segment**



**Comments**

- Trends in broadband and other data services stable despite a competitive market environment
- Revenue increase q-o-q mainly due to higher wholesale traffic
- Relatively stable profitability despite a strong price pressure





**Comments**

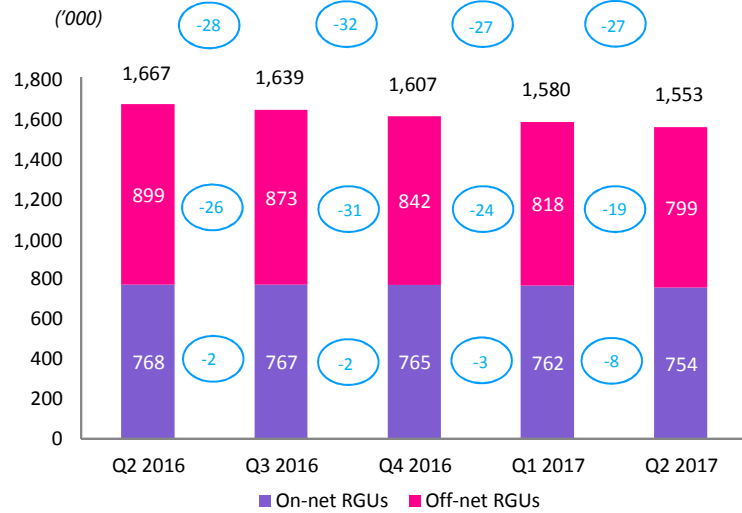
- ARPU decline related to a visible price pressure in voice and data services
- Lower variable costs reflect a number of optimization initiatives introduced by the Company
- Service costs increase in H1 2017 related to higher wholesale revenue



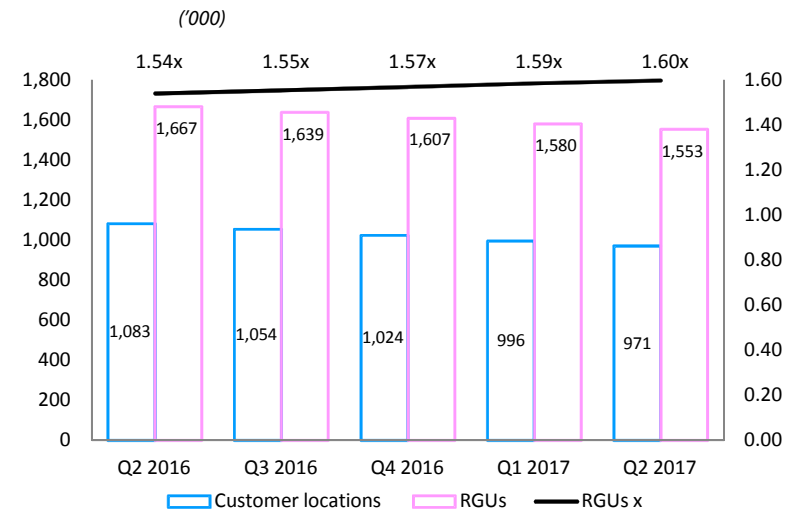
NETIA

## B2C Overview

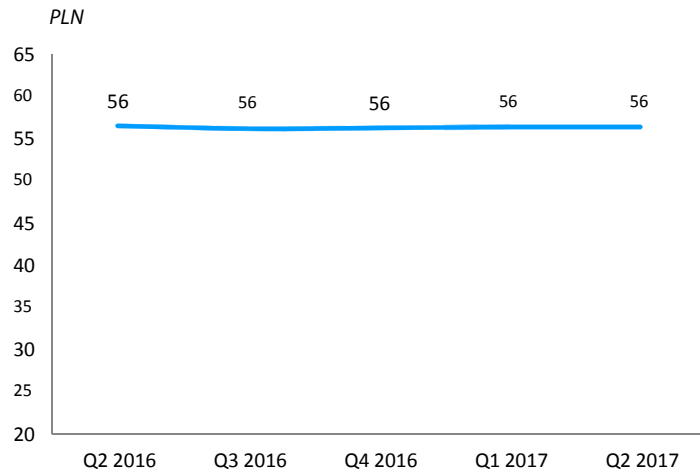
**RGUs by access type**



**Customers and RGUs**



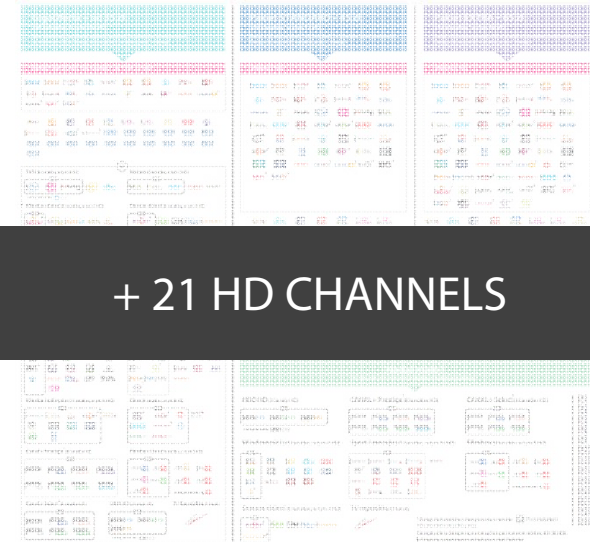
**Average ARPU per Customer**



**Comments**

- Share of on-net RGUs up by 3 pp y-o-y to 49%
- 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)

**TV offer development**



**Netia Mobile performance**



30%



**new Customers  
porting number**

70%



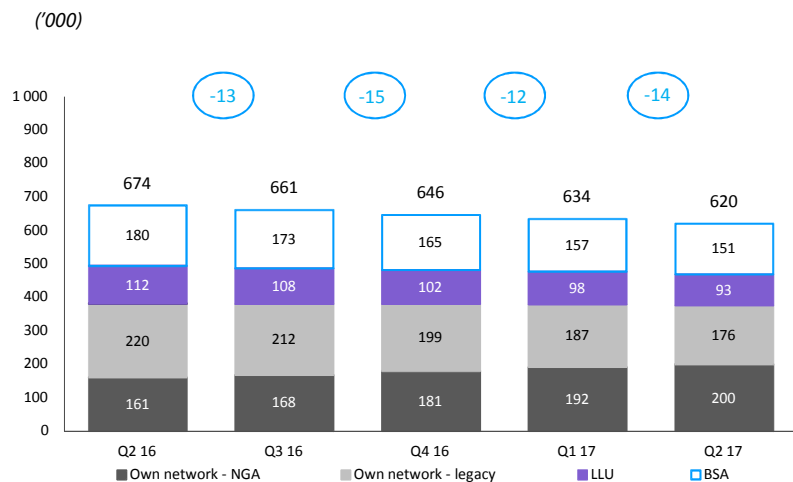
**Customers choosing  
„no limit” tariffs**

Ranked 5

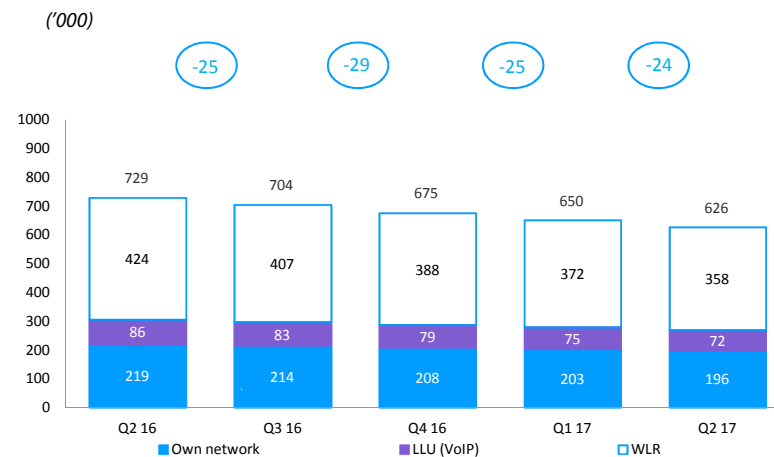


**in Mobile Number  
Portability in Poland**

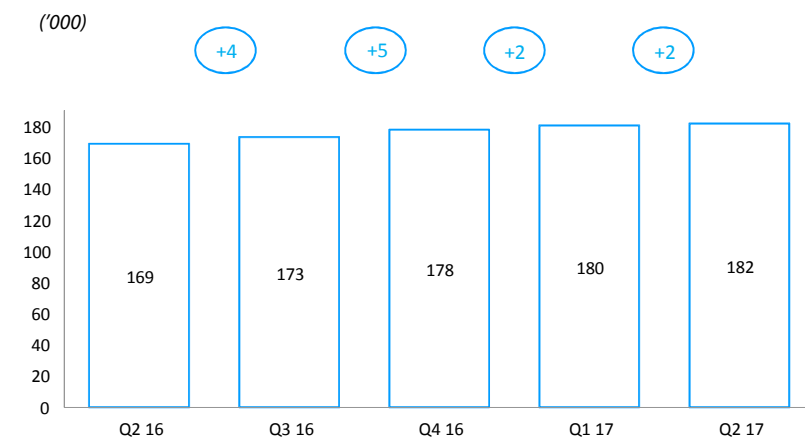
### Broadband ports



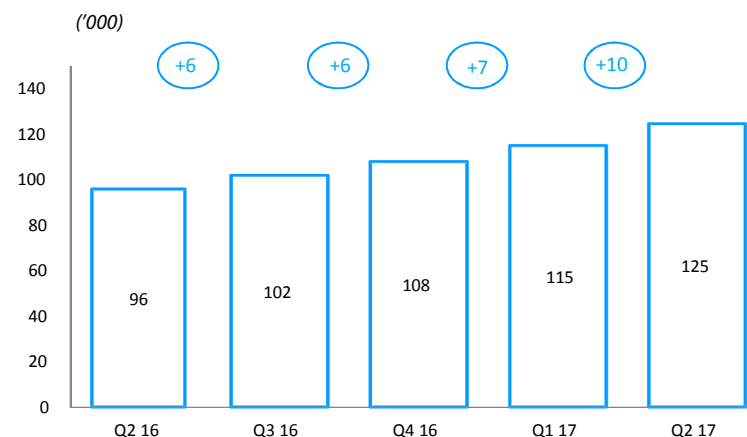
### Voice lines



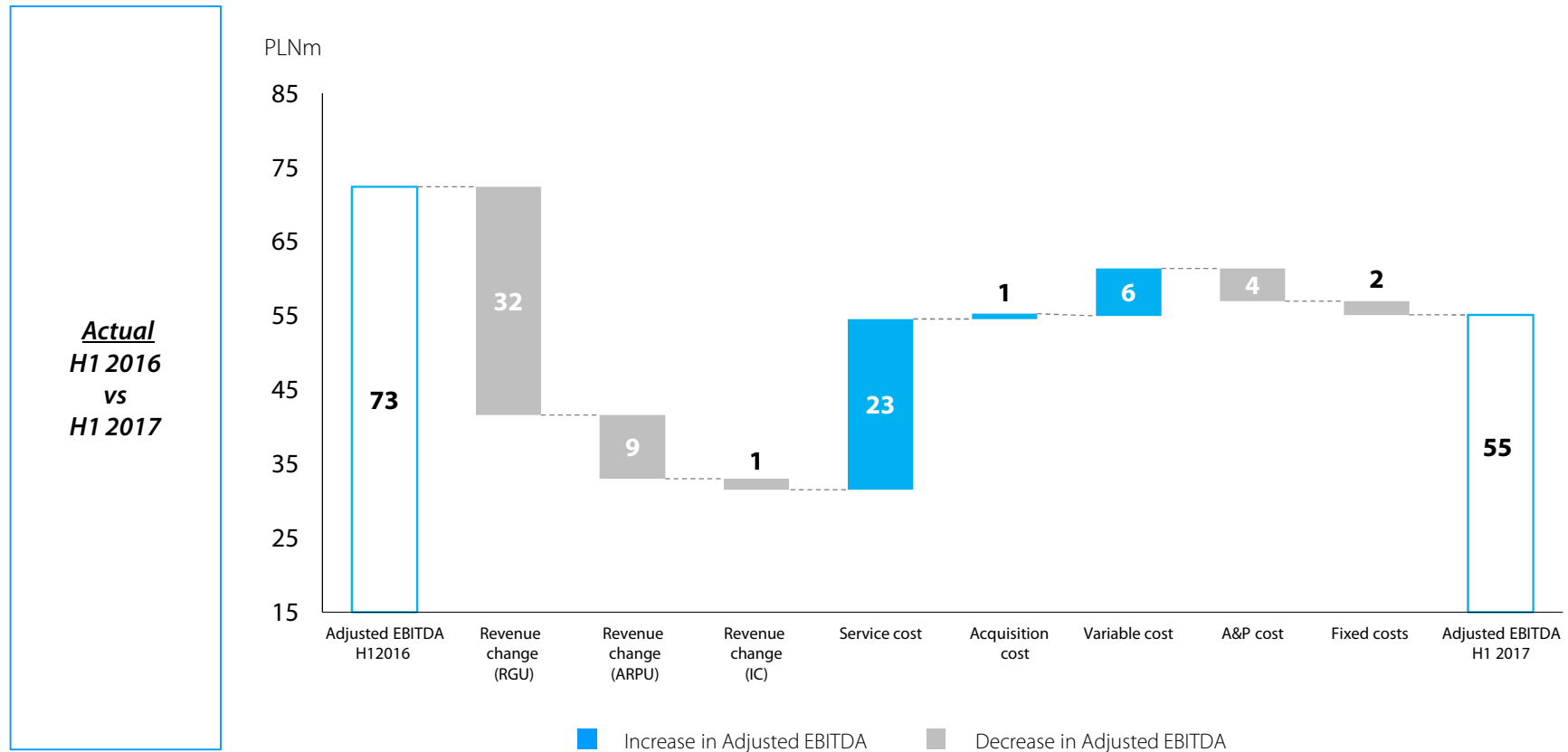
### TV services



### Mobile services



- 61% of broadband customers served directly via Netia’s own network (+4 pp y-o-y and +1 pp q-o-q)
- 48% of on-net broadband customers now take TV services from Netia
- 30% 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 costs reflect a number of optimization initiatives introduced by the Company



N E T I A

## *Netia Group Financial Overview*



	2016				2017		2016 vs 2017		
	Q1	Q2	Q3	Q4	Q1	Q2	H1 2016	H1 2017	y-o-y
<i>(PLN' 000)</i>									
<b>Revenues</b>	<b>390,494</b>	<b>386,874</b>	<b>372,920</b>	<b>371,683</b>	<b>364,506</b>	<b>361,201</b>	<b>777,368</b>	<b>725,707</b>	<b>(6.6%)</b>
<i>Change (y-o-y%)</i>	0.5%	1.7%	(6.9%)	(7.7%)	(6.7%)	(6.6%)	1.1%	(6.6%)	
<b>Adjusted EBITDA</b>	<b>110,953</b>	<b>115,196</b>	<b>107,036</b>	<b>114,257</b>	<b>96,008</b>	<b>97,388</b>	<b>226,149</b>	<b>193,396</b>	<b>(14.5%)</b>
<b>Margin (%)</b>	<b>28.4%</b>	<b>29.8%</b>	<b>28.7%</b>	<b>30.7%</b>	<b>26.3%</b>	<b>27.0%</b>	<b>29.1%</b>	<b>26.6%</b>	
<i>Change (y-o-y%)</i>	(2.3%)	4.4%	(13.2%)	2.4%	(13.5%)	(15.5%)	1.0%	(14.5%)	
<b>EBITDA</b>	<b>107,128</b>	<b>114,808</b>	<b>102,909</b>	<b>101,594</b>	<b>94,327</b>	<b>98,913</b>	<b>221,936</b>	<b>193,240</b>	<b>(12.9%)</b>
<b>Margin (%)</b>	<b>27.4%</b>	<b>29.7%</b>	<b>27.6%</b>	<b>27.3%</b>	<b>25.9%</b>	<b>27.4%</b>	<b>28.5%</b>	<b>26.6%</b>	
<i>Change (y-o-y%)</i>	(3.9%)	1.9%	(16.3%)	(0.3%)	(11.9%)	(13.8%)	(1.0%)	(12.9%)	
<b>Depreciation</b>	<b>106,976</b>	<b>102,102</b>	<b>97,573</b>	<b>94,553</b>	<b>79,103</b>	<b>78,565</b>	<b>209,078</b>	<b>157,668</b>	<b>(24.6%)</b>
<b>Adjusted EBIT</b>	<b>3,978</b>	<b>13,094</b>	<b>9,463</b>	<b>19,704</b>	<b>16,905</b>	<b>18,823</b>	<b>17,071</b>	<b>35,728</b>	<b>109.3%</b>
<b>Margin (%)</b>	<b>1.0%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>5.3%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>2.2%</b>	<b>4.9%</b>	
<b>EBIT</b>	<b>0,152</b>	<b>12,706</b>	<b>5,336</b>	<b>7,041</b>	<b>15,224</b>	<b>20,348</b>	<b>12,858</b>	<b>35,572</b>	
<b>Margin (%)</b>	<b>0.0%</b>	<b>3.3%</b>	<b>1.4%</b>	<b>1.9%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>1.7%</b>	<b>4.9%</b>	

### Comments

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



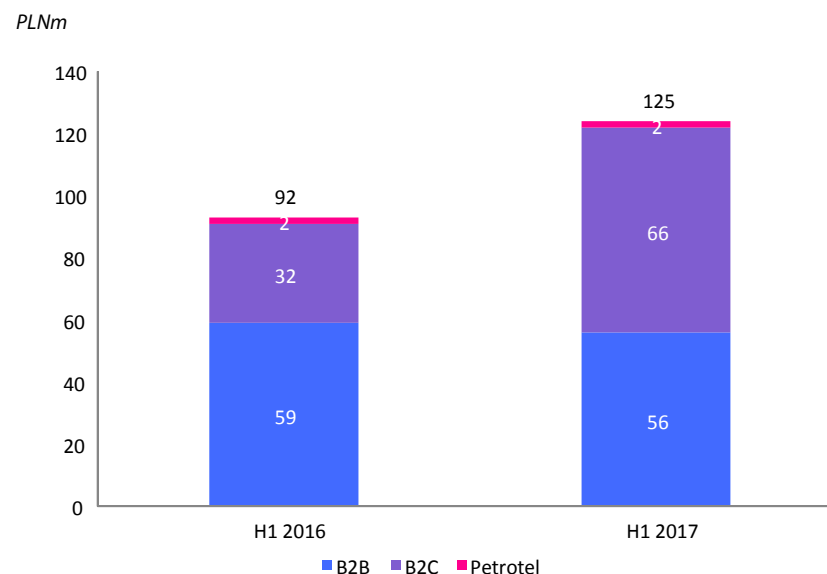


<i>PLN'000</i>	<i>H1 2016</i>	<i>H1 2017</i>	<i>Change</i>
<b>Adjusted EBITDA</b>	<b>226,149</b>	<b>193,396</b>	-14%
<i>Unusual Items:</i>			
Integration costs	(897)	(299)	-67%
Restructuring costs	(5,031)	(3,539) <sup>1</sup>	-30%
Transformation projects	-	(85)	na
Other one-off events	-	3,747 <sup>2</sup>	na
M&A related costs	(100)	-	na
Liquidation costs	(207)	-	na
Reorganization costs	2,022	20	-99%
<b>EBITDA</b>	<b>221,936</b>	<b>193,240</b>	-13%
Depreciation and amortization	(209,078)	(157,668)	-25%
<b>EBIT</b>	<b>12,858</b>	<b>35,572</b>	+117%
Net financial expenses	(3,600)	(3,288)	-9%
Profit/(Loss) before tax	9,258	32,284	249%
Current tax and deferred income tax	4,197	(5,168)	np
<b>Net Profit</b>	<b>13,455</b>	<b>27,116</b>	102%
Average number of outstanding shares (basic)	<b>346,609,366</b>	<b>337,047,972</b>	
EPS (in PLN, basic)	<b>0.04</b>	<b>0.08</b>	

<sup>1</sup> Mainly staff redundancies related to cost of employment restructuring in TK Telekom

<sup>2</sup> Mainly sale of fixed assets in the amount of PLN 2.6m

**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 extension of transmission network capacity, connecting new customers, switching B2B customers from radio access to fiber
- Capital expenditures for the network upgrades in the amount of PLN 35m in H1 2017 are presented in the B2C segment



- Netia delivered a set of solid financial results for H1 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 0.42x of the 2016 Adjusted EBITDA at PLN 447m
- On July 6, 2017 Netia paid the dividend in the amount of PLN 0.38 per share
- On June 1, 2017 Mr. Tomasz Szopa resigned from his position as the President and the member of the Company's Management Board, effective immediately
- On June 1, 2017 Netia's Supervisory Board appointed Mrs. Katarzyna Iwuć as Acting President of the Management Board and Chief Financial Officer of the Company
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# 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.*

THANK  
YOU

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