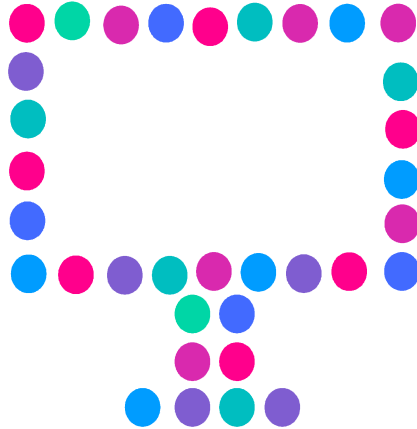
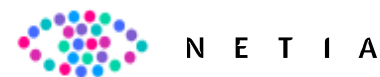


GIGA WOLNOŚĆ



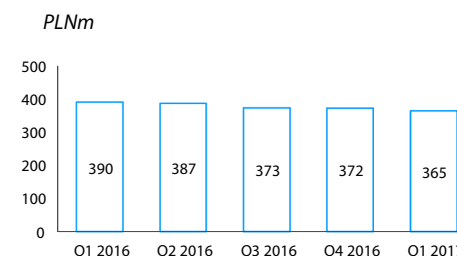
Q1 2017 Financial Results  
April 26, 2017

N E T I A

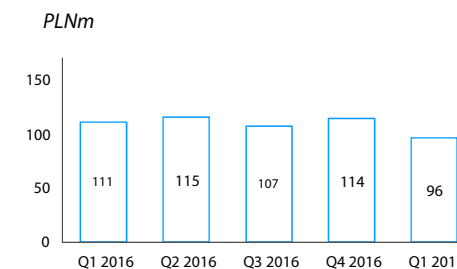


- Revenue was PLN 365m for Q1 2017 (-2% q-o-q and -7% y-o-y)
  - Adjusted EBITDA<sup>1</sup> was PLN 96m for Q1 2017 (-16% q-o-q and -13% y-o-y)
  - EBITDA was PLN 94m for Q1 2017 (-7% q-o-q and -12% y-o-y)
- Netia generated PLN 49m Adjusted OpFCF<sup>2</sup> for Q1 2017 (+34% q-o-q and -34% y-o-y)
- Net debt at PLN 200m on March 31, 2017 (-2% q-o-q and -5% y-o-y), representing 0.45x of Adjusted EBITDA for full 2016 year at PLN 447m
- The Ordinary General Meeting of the Company adopted on April 24, 2017 a Resolution on the payment of the dividend in the amount of PLN 0.38 per share to be paid on July 6, 2017

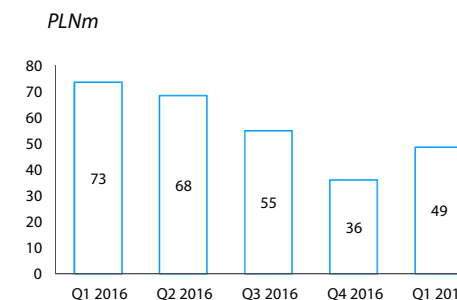
### Revenues



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

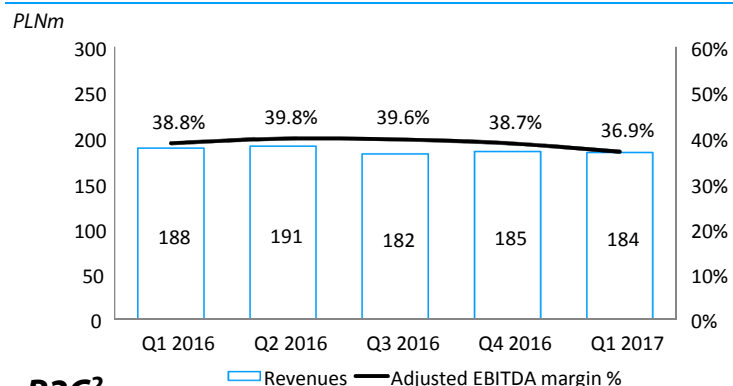


### Adjusted OpFCF<sup>2</sup>



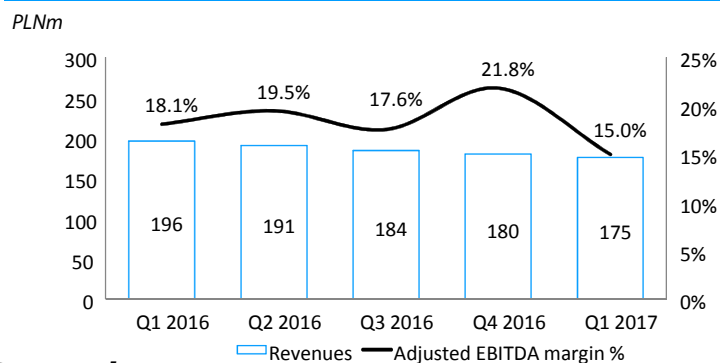
<sup>1</sup> Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment  
<sup>2</sup> Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan, investments related to the Netia Lite project; Capex = investments in tangible and intangible fixed assets

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



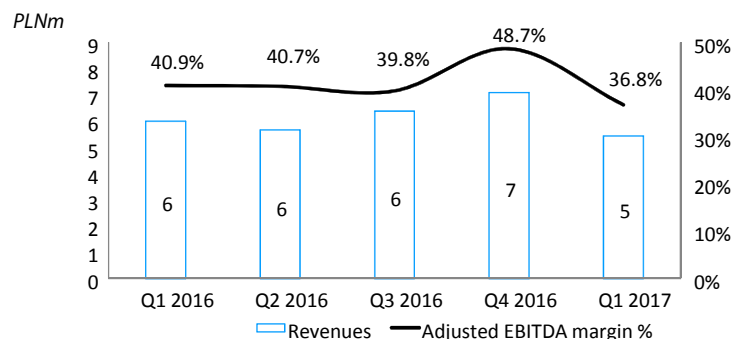
- **Revenue** was PLN 184m in Q1 2017 (-1% q-o-q and -3% y-o-y)
- **Adjusted EBITDA** was PLN 68m with a margin of 36.9%
- Includes TK Telekom

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



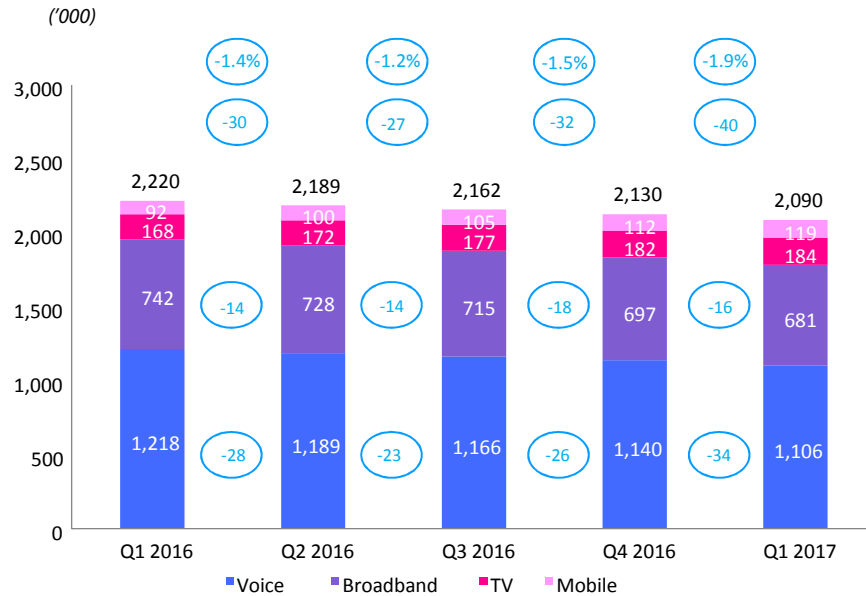
- **Revenue** was PLN 175m in Q1 2017, down by 2% compared to Q4 2016 and down by 10% y-o-y
- **RGUs** at 1,580k (-2% q-o-q, -7% y-o-y)
- **Adjusted EBITDA** was PLN 26m with a margin of 15,0%
  - Adjusted EBITDA Margin decline reflects increased spending on marketing being in line with B2C market strategy

### Petrotel

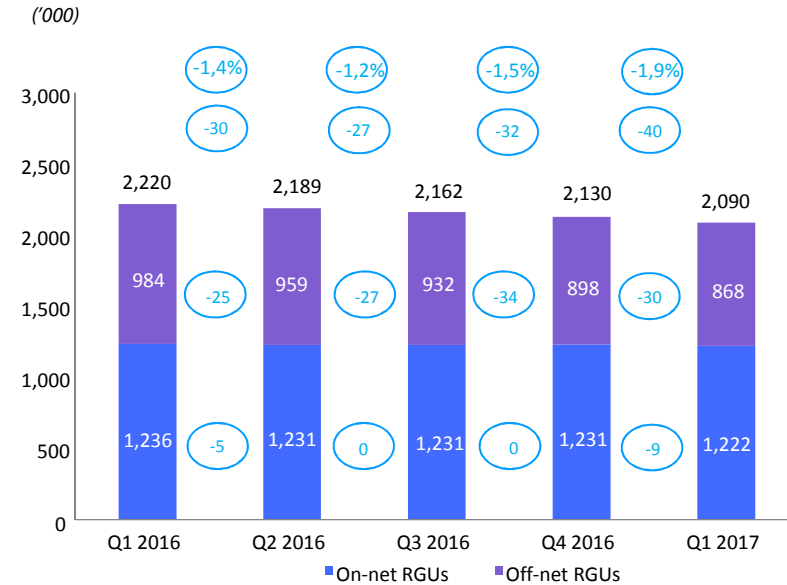


- One-off revenue related to the projects executed by the Company results in q-o-q fluctuations in both top-line and EBITDA margin

**Total Netia RGUs**



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

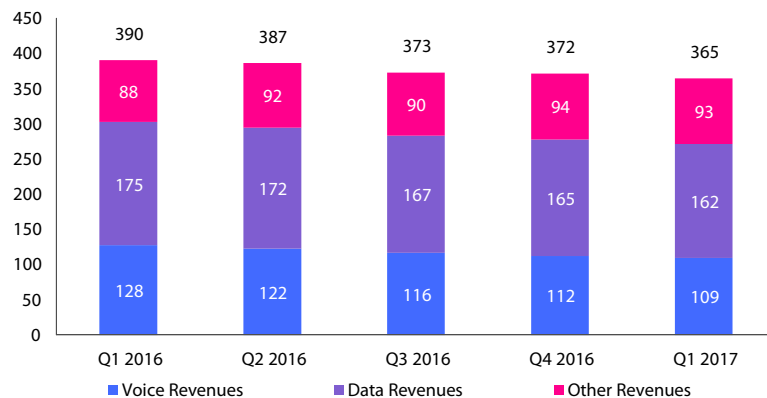


**Comments**

- Drop in total RGUs in Q1 2017 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q1 2017 the share of on-net RGUs in total Netia services was 58% (+2pp y-o-y)

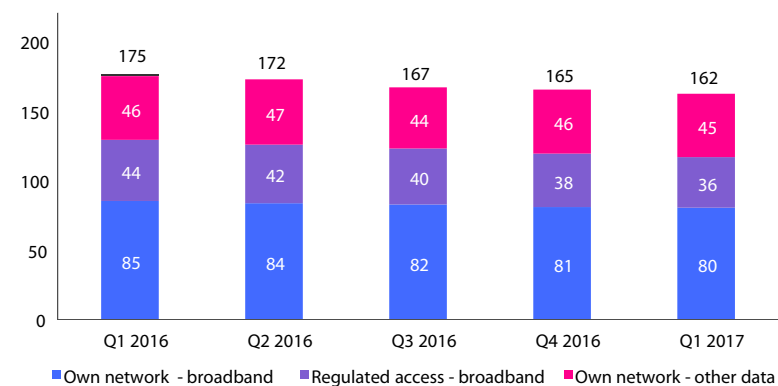
### Revenue breakdown by service

PLNm



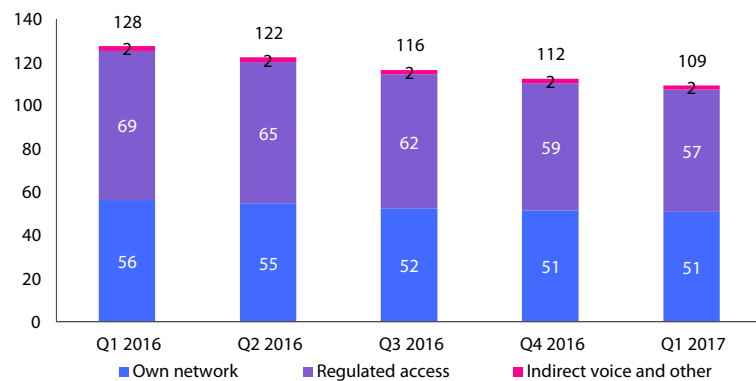
### Data revenue<sup>1</sup> breakdown by access

PLNm



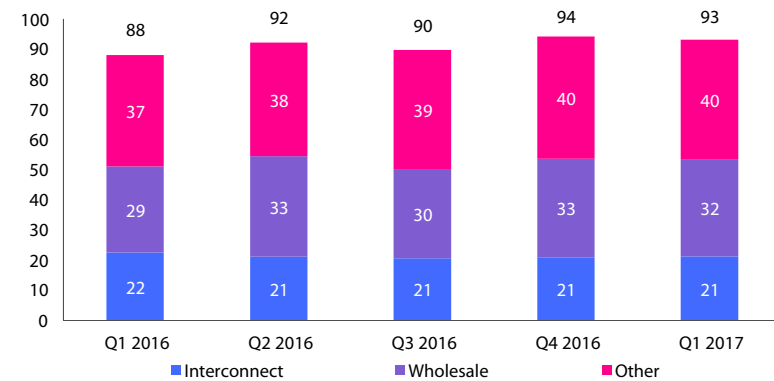
### Voice revenue breakdown by access

PLNm



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

PLNm



# Projects



## Network of XXI Century

### **Project scope**

- Modernization of 1.66m HP to FTTH/FTTB standard till 2020
- ~ 100% of own infrastructure offers bandwidth 100Mps+
- Transition from copper to fiber technology
- Budget: PLN 417m
- Prioritization / phasing of modernized areas in accordance with their business potential

### **Project status**

- Ca. 120k homes passed already modernized
- Ca. 30% of homes passed being a target for modernization are planned to be upgraded in 2017
- Commercial launch of sale on upgraded networks in March 2017

## Insourcing of network management and service delivery

### **Project scope**

- Access and backbone network management and services delivery processes managed directly within Netia Group
- Employees responsible for network management and service delivery taken over from major external partner
- Direct management of local sub-contractors

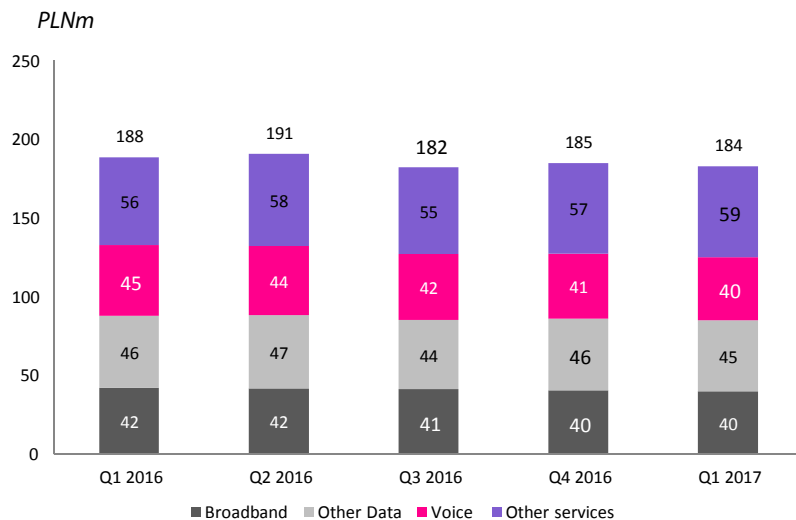
### **Project status**

- From January 2017 access network maintenance, service delivery and elimination of network failures processes insourced
- From January 2018 access, backbone networks maintenance process and Network Management Center will be insourced

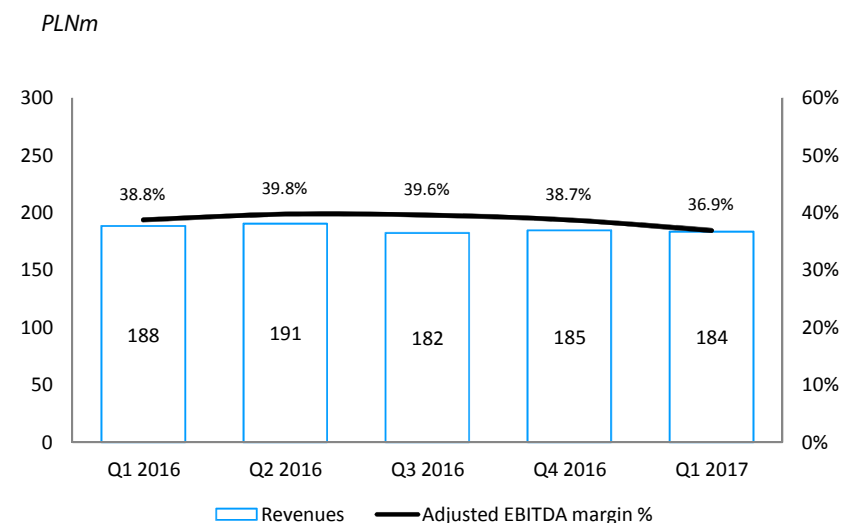
## B2B Overview



**Revenue by service**



**Profitability in B2B Segment**



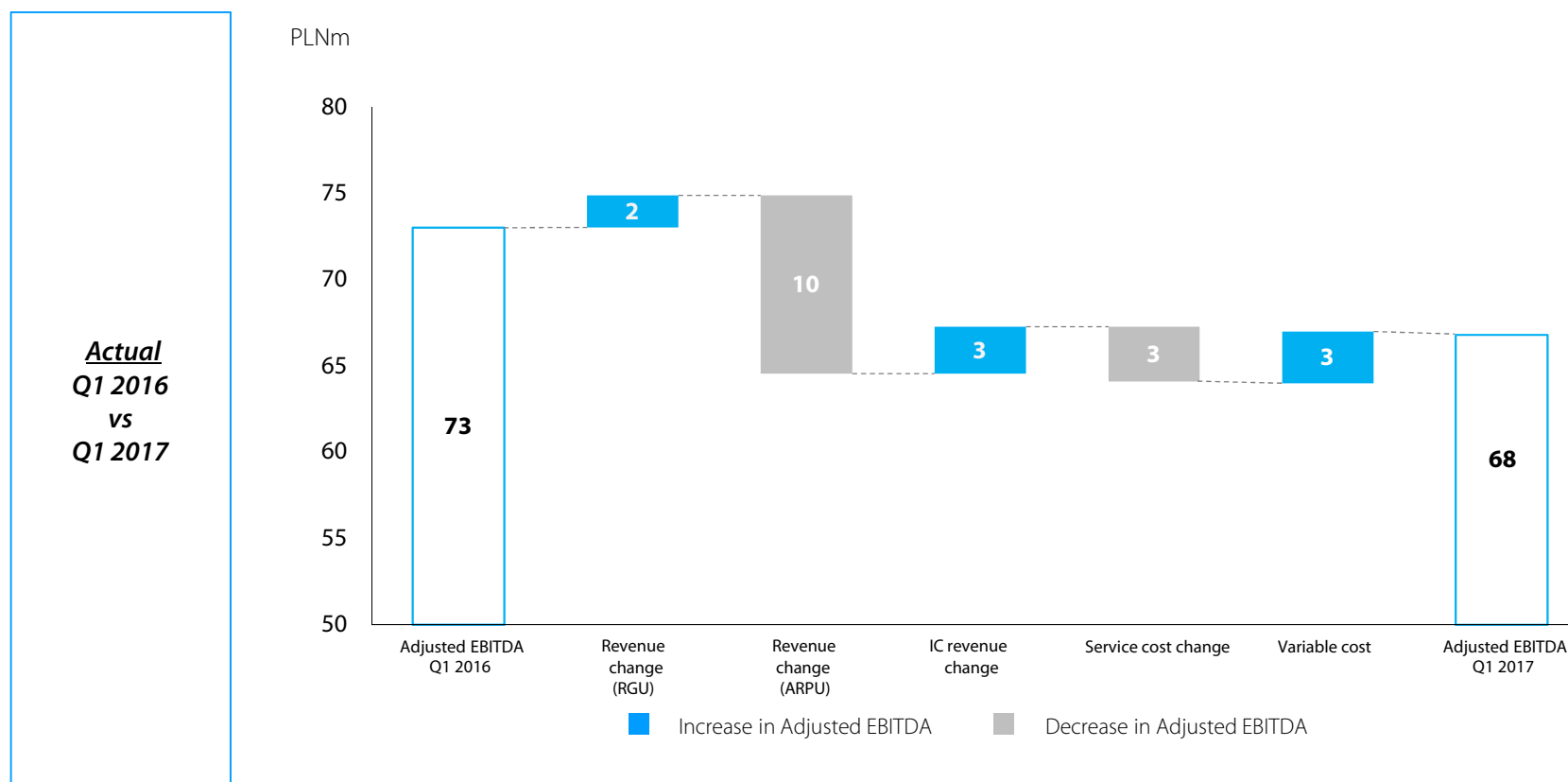
**Comments**

- Trends in broadband and other data services 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

## B2B financial performance | Adjusted B2B EBITDA bridge for Q1 2017



NETIA



### Comments

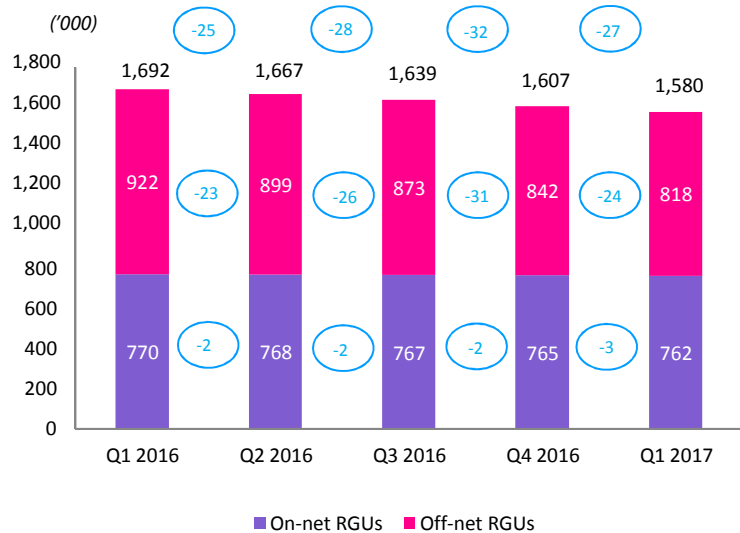
- ARPU decline related to a visible price pressure in voice and data services
- Lower variable costs reflect a number of optimization initiatives introduced by the Company
- Service costs increase in Q1 2017 related to higher wholesale revenue



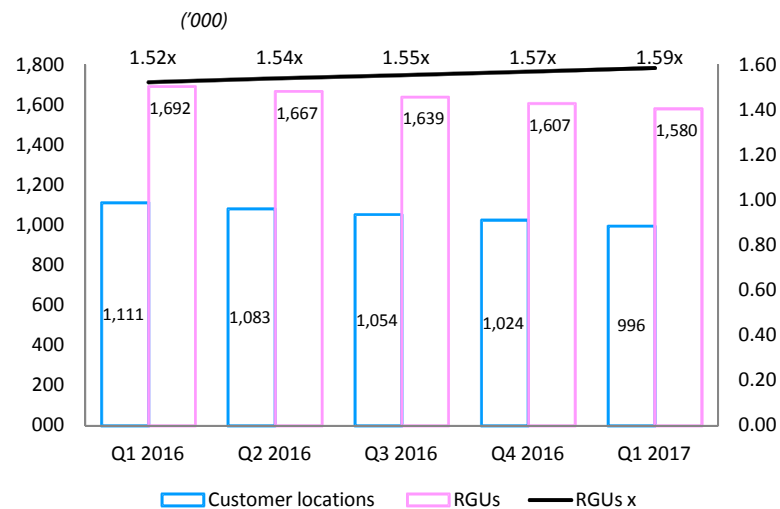
NETIA

## B2C Overview

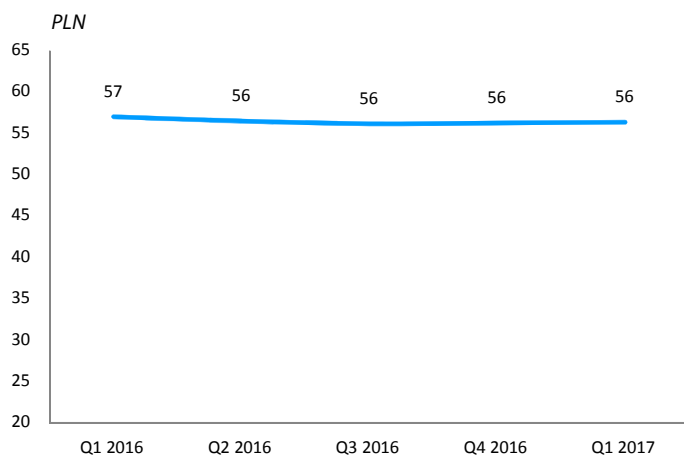
### RGUs by access type



### Customers and RGUs



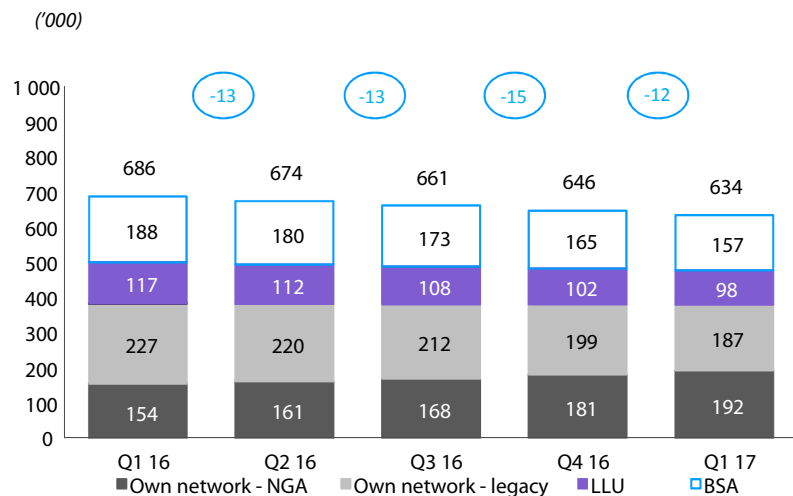
### Average ARPU per Customer



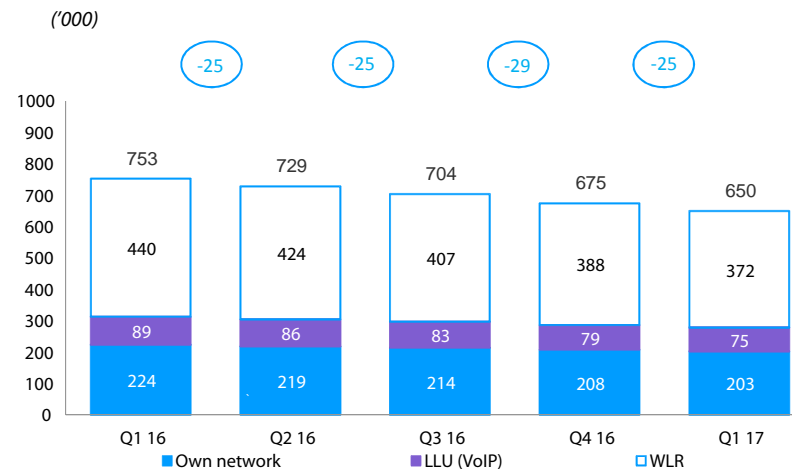
### Comments

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

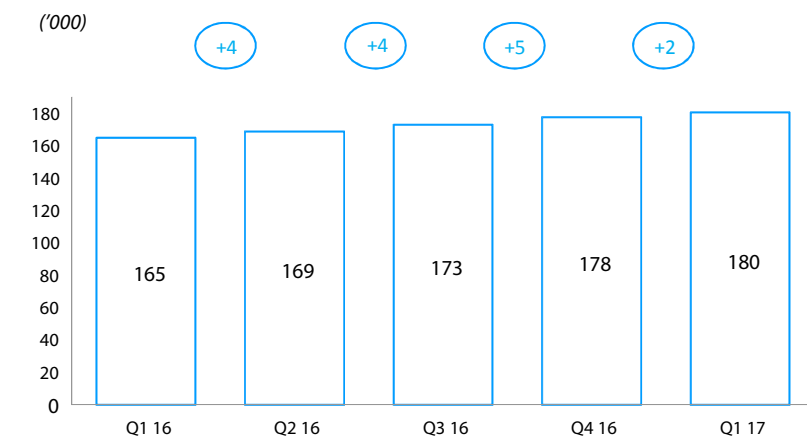
**Broadband ports**



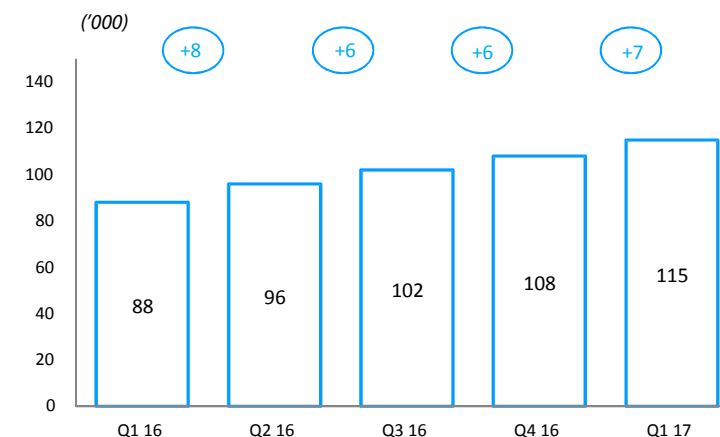
**Voice lines**



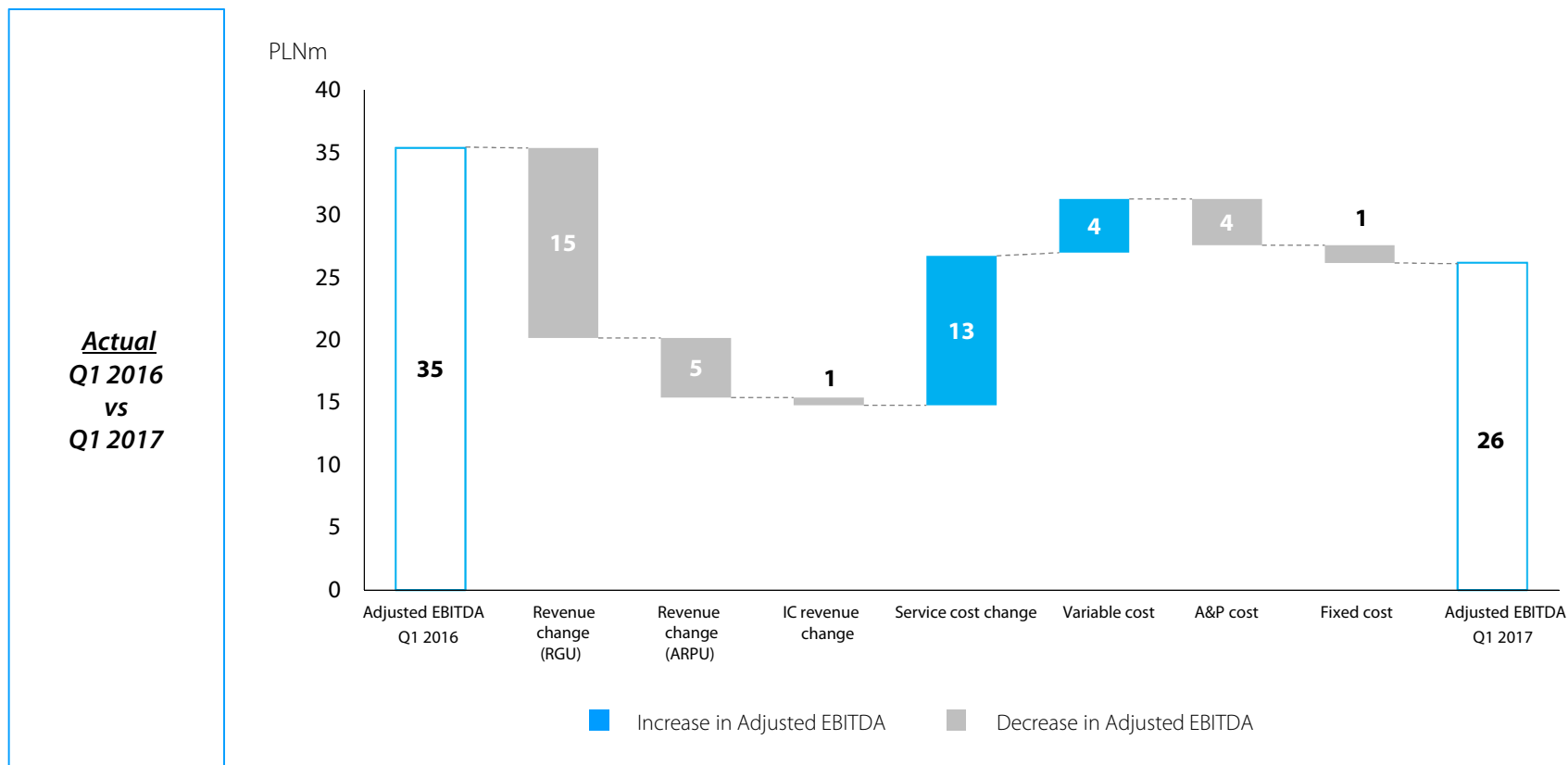
**TV services**



**Mobile services**



- 60% 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
- 31% 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



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## *Netia Group Financial Overview*



	2016				2017	2016 vs 2017		
	Q1	Q2	Q3	Q4	Q1	Q1 2016	Q1 2017	y-o-y
(PLN' 000)								
<b>Revenues</b>	<b>390,494</b>	<b>386,874</b>	<b>372,920</b>	<b>371,683</b>	<b>364,506</b>	<b>390,494</b>	<b>364,506</b>	<b>(6.7%)</b>
<i>Change (y-o-y%)</i>	0.5%	1.7%	(6.9%)	(7.7%)	(6.7%)	0.5%	(6.7%)	
<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>110,953</b>	<b>96,008</b>	<b>(13.5%)</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>28.4%</b>	<b>26.3%</b>	
<i>Change (y-o-y%)</i>	(2.3%)	4.4%	(13.2%)	2.4%	(13.5%)	(2.3%)	(13.5%)	
<b>EBITDA</b>	<b>107,128</b>	<b>114,808</b>	<b>102,909</b>	<b>101,594</b>	<b>94,327</b>	<b>107,128</b>	<b>94,327</b>	<b>(11.9%)</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>25.9%</b>	
<i>Change (y-o-y%)</i>	(3.9%)	1.9%	(16.3%)	(0.3%)	(11.9%)	(3.9%)	(11.9%)	
<b>Depreciation</b>	<b>106,976</b>	<b>102,102</b>	<b>97,573</b>	<b>94,553</b>	<b>79,103</b>	<b>106,976</b>	<b>79,103</b>	<b>(26.0%)</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>3,978</b>	<b>16,905</b>	<b>(324.9%)</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>1.0%</b>	<b>4.6%</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>0,152</b>	<b>15,224</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>0.0%</b>	<b>4.2%</b>	

### Comments

- Adjusted EBITDA Margin decline reflects increased spending on marketing in Q1 2017 in line with the Company market strategy



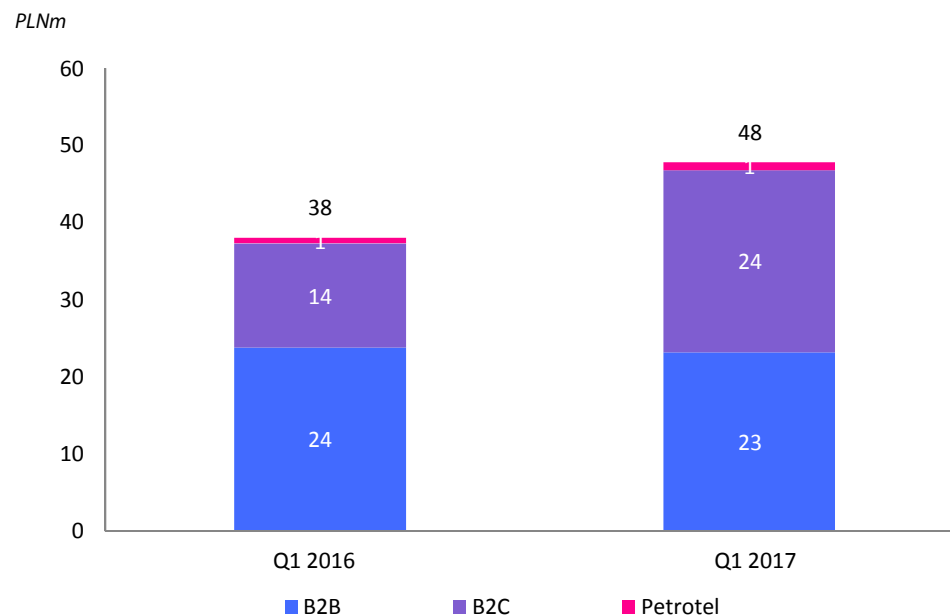


<i>PLN'000</i>	<i>Q1 2016</i>	<i>Q1 2017</i>	<i>Change</i>
<b>Adjusted EBITDA</b>	<b>110,953</b>	<b>96,008</b>	-13%
<i>Unusual Items:</i>			
Integration costs	(490)	(233)	-52%
Restructuring costs	(3,212)	(1,464) <sup>1</sup>	-54%
Liquidation costs	(123)	4	na
Extraordinary events	-	(8)	na
Reorganization costs	-	20	na
<b>EBITDA</b>	<b>107,128</b>	<b>94,327</b>	-12%
Depreciation and amortization	(106,976)	(79,103) <sup>2</sup>	-26%
<b>EBIT</b>	<b>152</b>	<b>15,224</b>	+9916%
Net financial expenses	(2,565)	(2,114)	-18%
Profit /(Loss) before tax	(2,413)	13,110	na
Current tax and deferred income tax	(7,833)	(1,152)	-85%
<b>Net Profit</b>	<b>(10,246)</b>	<b>11,958</b>	na
Average number of outstanding shares (basic)	<b>347,898,946</b>	<b>338,261,901</b>	
EPS (in PLN, basic)	<b>(0.03)</b>	<b>0.04</b>	

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

<sup>2</sup> In the three-month period ended March 31, 2017 the Netia Group reassessed the useful lives of its tangible and intangible fixed assets and in consequence, for certain non-current assets the remaining period over which they will be depreciated was extended. Decrease in the depreciation charge recognized in current period amounts to PLN 8.7m.

**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 10m in Q1 2017 are presented in the B2C segment

## Conclusions



N E T I A

- Netia delivered a set of solid financial results for Q1 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 0.45x of the 2016 Adjusted EBITDA at PLN 447m
- Transformation projects of Netia Group are conducted in accordance with the schedule
- The Ordinary General Meeting of the Company adopted on April 24, 2017 a Resolution on the payment of the dividend in the amount of PLN 0.38 per share to be paid on July 6, 2017

# 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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