GIGA WOLNOŚĆ

Q1 2016 Financial Results

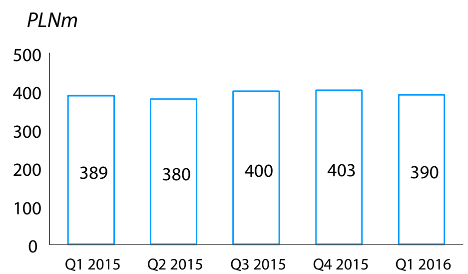
May 12, 2016

NETIA

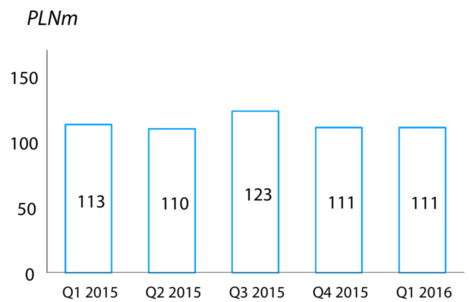
Total Netia | Key highlights for Q1 2016

- Revenue was PLN 390m for Q1 2016 (-3% q-o-q and 0% y-o-y)
  - Profitability stable thanks to cost optimizations despite a continuous revenue pressure
  - Adjusted EBITDA[1] was PLN 111m for Q1 2016 (0% q-o-q and -2% y-o-y)
  - EBITDA was PLN 107m for Q1 2016 (+5% q-o-q and -4% y-o-y)
- Netia generated PLN 73m Adjusted OpFCF[2] for Q1 2016 (+33% q-o-q and +8% y-o-y)
- Net debt at PLN 211m on March 31, 2016 (-16% q-o-q and +448% y-o-y), representing 0.5x of Adjusted EBITDA for full 2015 year at PLN 457m
- In March, 2016 the Supervisory Board approved a new investment program aimed at upgrading Netia's access network to NGA standard >= 100Mbps. The program will be executed from 2016 to 2020 and the total cost will amount to ~PLN 417m
- On February 29, 2016 Management Board of Netia proposed to its AGM to pay a dividend of PLN 0.20 per share

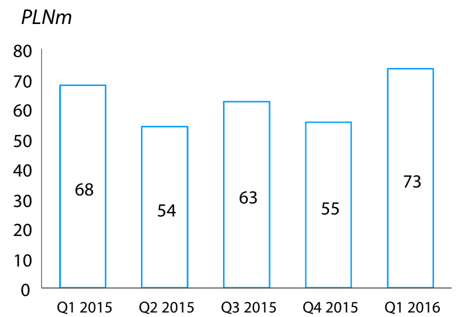
Revenues



Adjusted EBITDA[1]



Adjusted OpFCF[2]



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 and non-current asset received in non-cash transaction ; Capex = investments in tangible and intangible fixed assets

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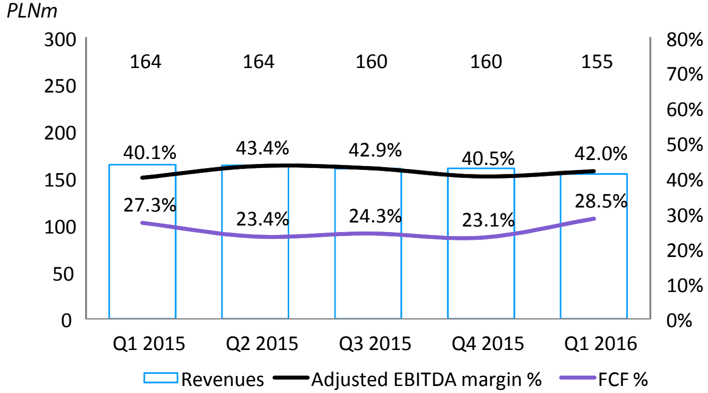
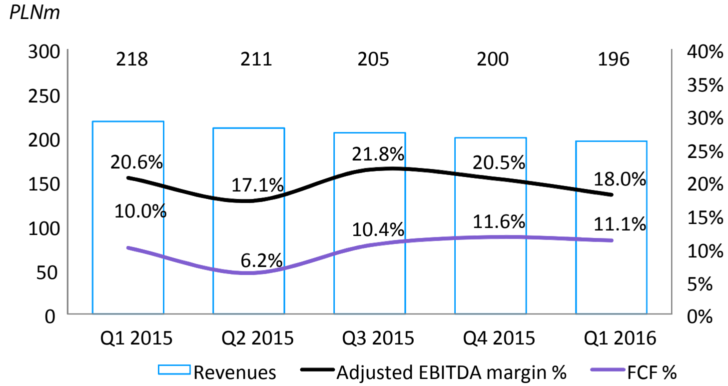
B2B[1]



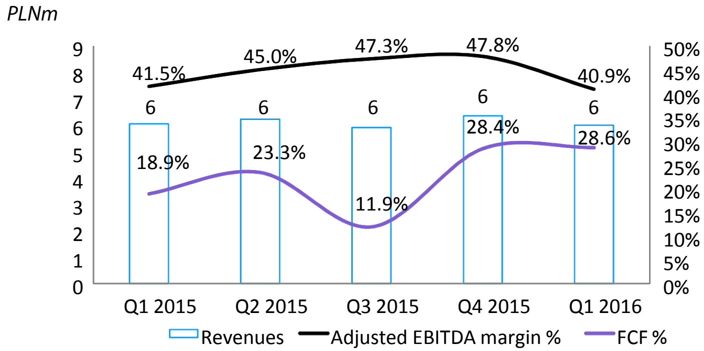
- **Revenue** was PLN 155m in Q1 2016 (-4% q-o-q and -6% y-o-y)
- **Adjusted EBITDA** was PLN 65m with a margin of 42.0%
- **Capital expenditure[5]** at PLN 21m resulted in **Adjusted OpFCF** at the level of PLN 44m in Q1 2016

B2C[2]



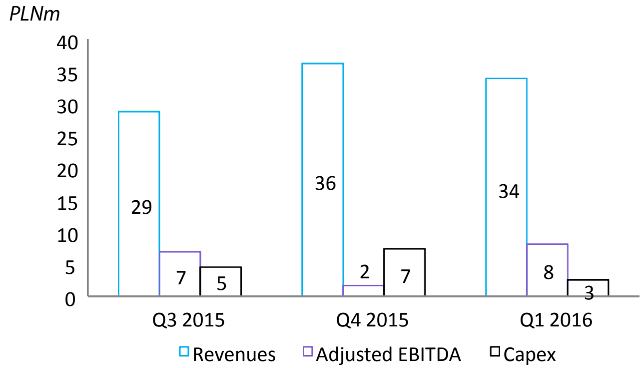
- **Revenue** was PLN 196m in Q1 2016, down by 2% compared to Q4 2015 and down by 10% y-o-y
  - RGUs at 1,692k (-2% q-o-q, -4% y-o-y)
- **Adjusted EBITDA** was PLN 35m with a margin of 18.0%
- **Capital expenditure[5]** at PLN 13m in Q1 2016 resulted in **Adjusted OpFCF** at the level of PLN 22m

Petrotel[3]



- Q1 2016 EBITDA drop mainly due to additional costs related to one-off contracts realization

TK Telekom[4]

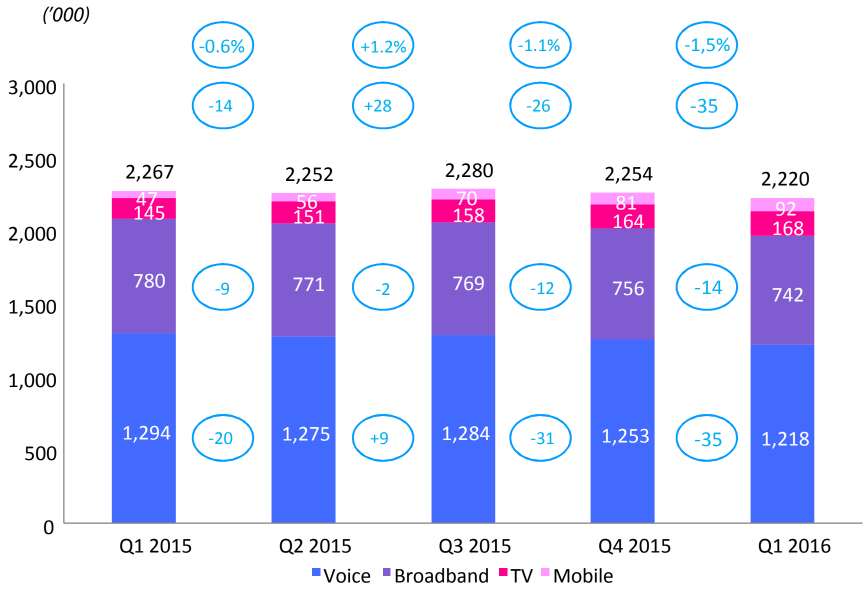


- TK Telekom financial data consolidated from July 21, 2015

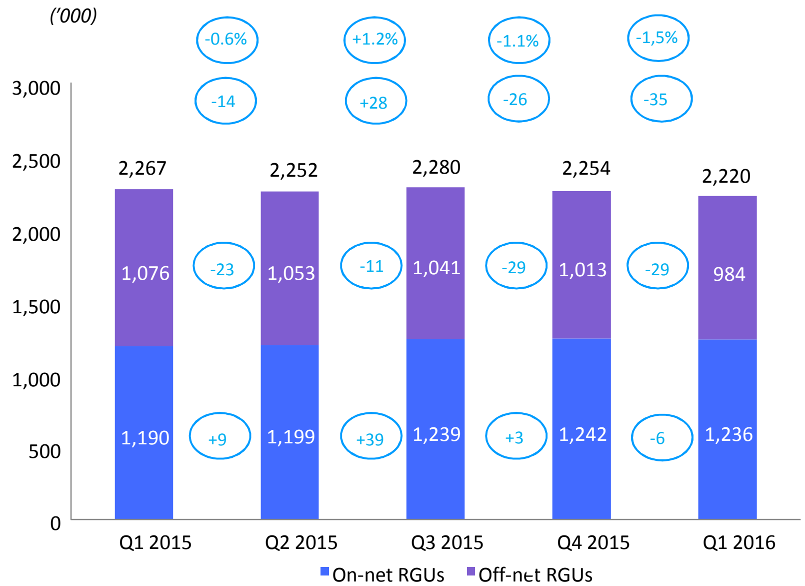
1 B2B comprises Business and Carrier customers sub-segments. TK Telekom results not included. 2 B2C comprises Residential and SOHO customers sub-segments
3 Operating costs and capital expenditures for Petrotel fully separated from Q1 2015 4 TK Telekom data consolidated from July 21, 2015
5 Capex excluding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

Total Netia | Total RGUs by product and access type

Total Netia RGUs



On-net and off-net RGUs



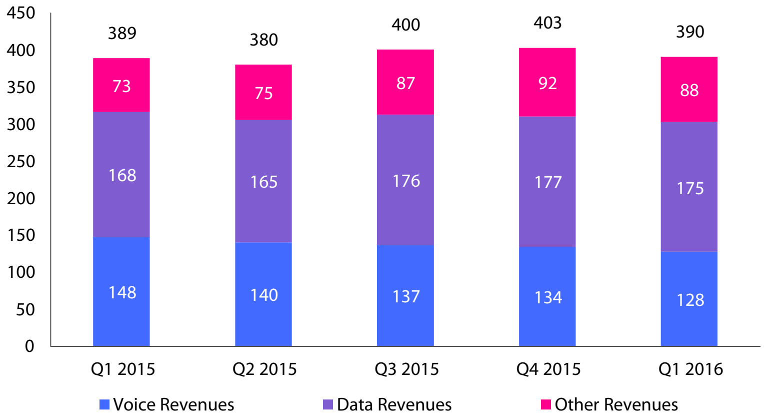
Comments

- Drop in total RGUs in Q1 2016 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- At the end of Q1 2016 the share of on-net RGUs in total Netia services was 56% (+3pp y-o-y)

Total Netia | Revenue development by service

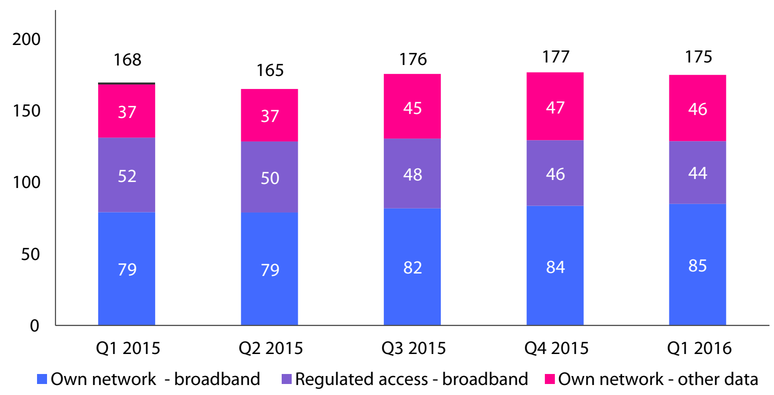
Revenue breakdown by service

PLNm



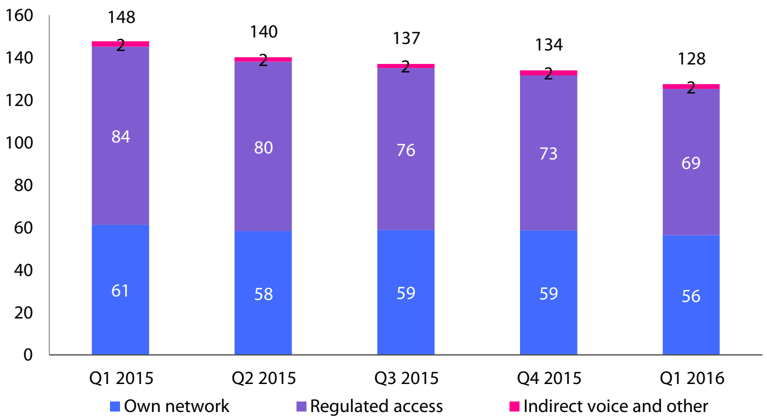
Data revenue[1] breakdown by access

PLNm



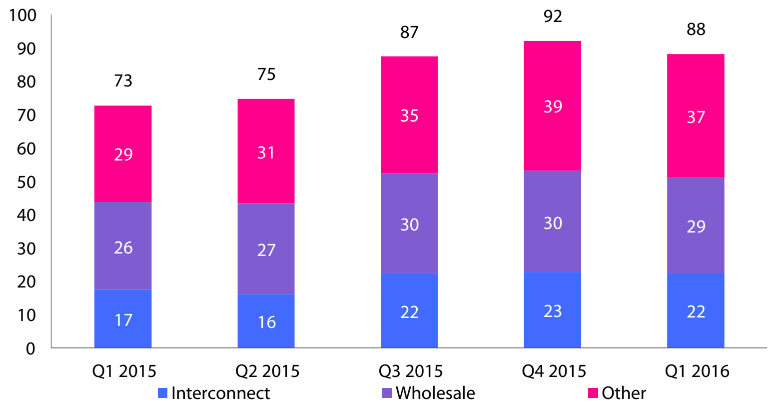
Voice revenue breakdown by access

PLNm



Other revenue[2]

PLNm



1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

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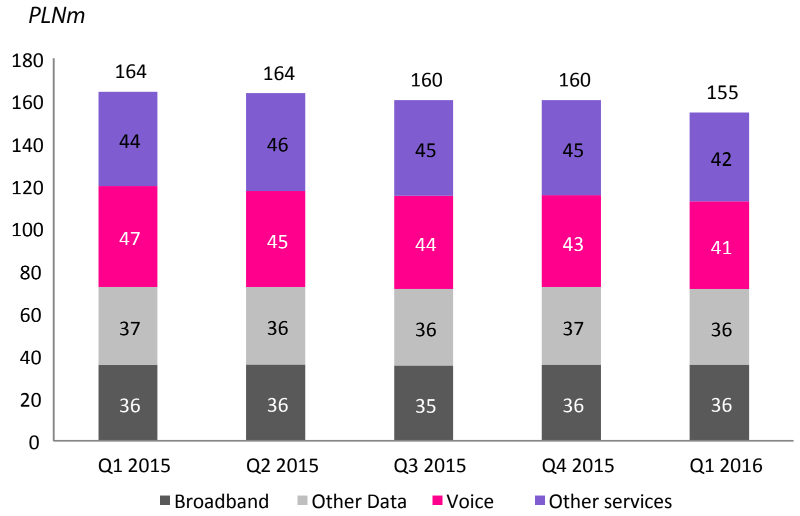
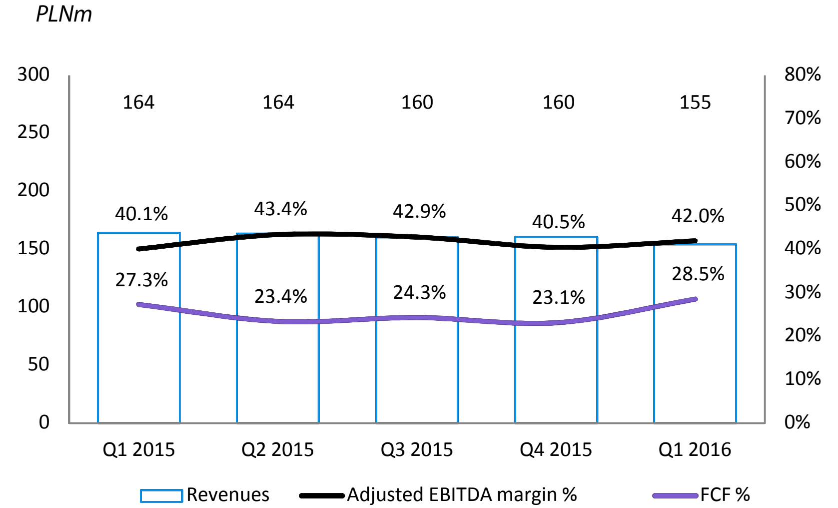
B2B Overview

NETIA

Revenue by service



Adjusted EBITDA margin and Adjusted OpFCF

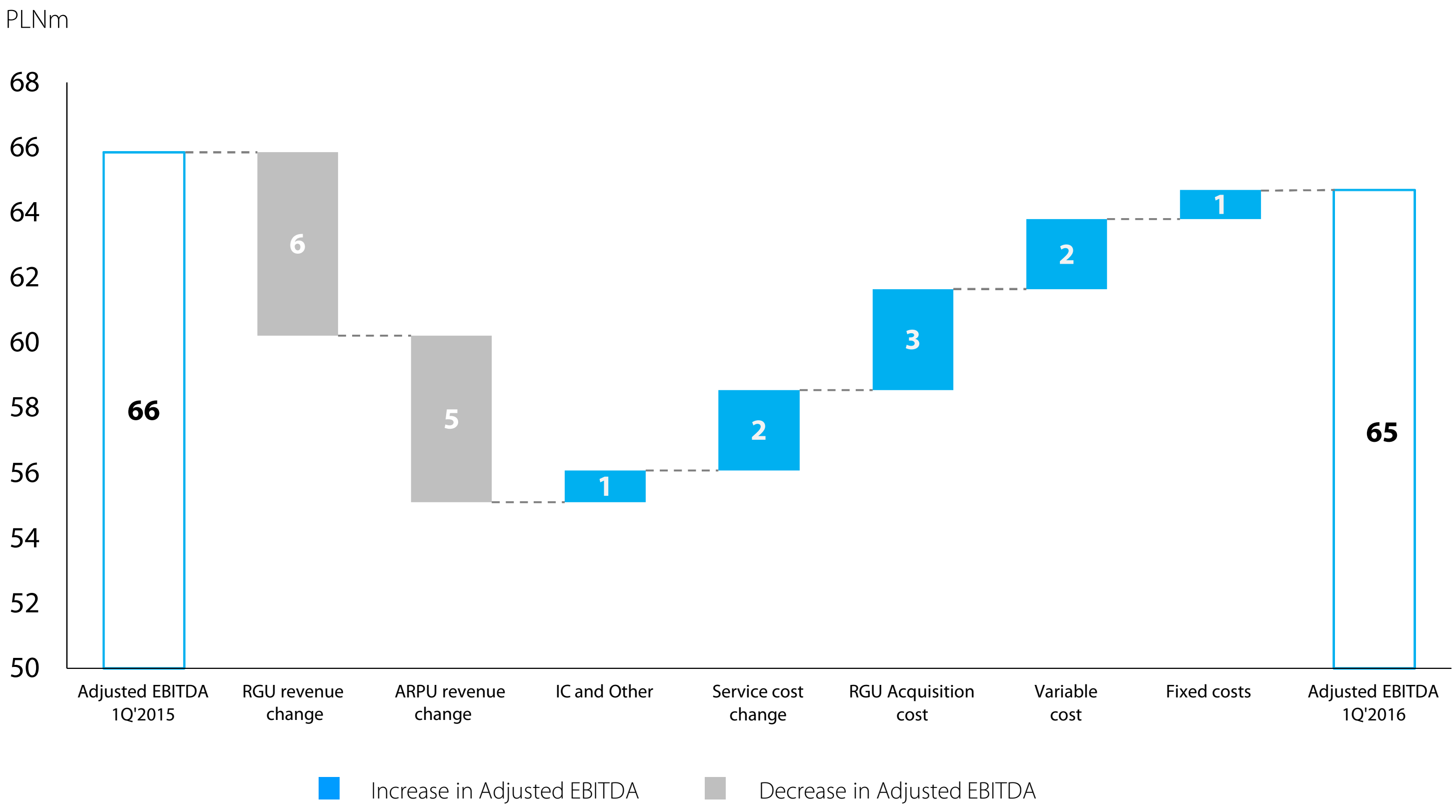


Comments

- 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
- Total revenue decrease q-o-q mainly due to a continues voice revenue decline (price pressure combined with a lower volumes) and limited lower margin wholesale traffic

B2B financial performance | Adjusted B2B EBITDA bridge for Q1 2016

Actual
Q1 2015
vs
Q1 2016



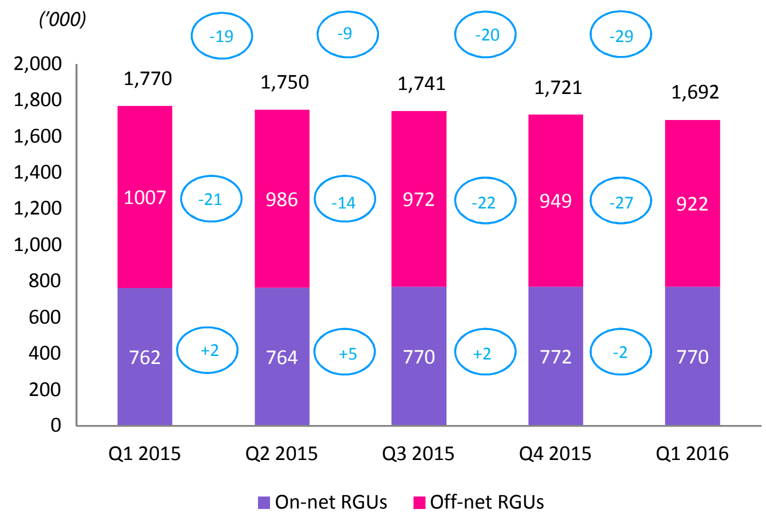
Comments

- 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 fixed and variable costs reflect a number of optimization initiatives introduced by the Company within Netia Lite program

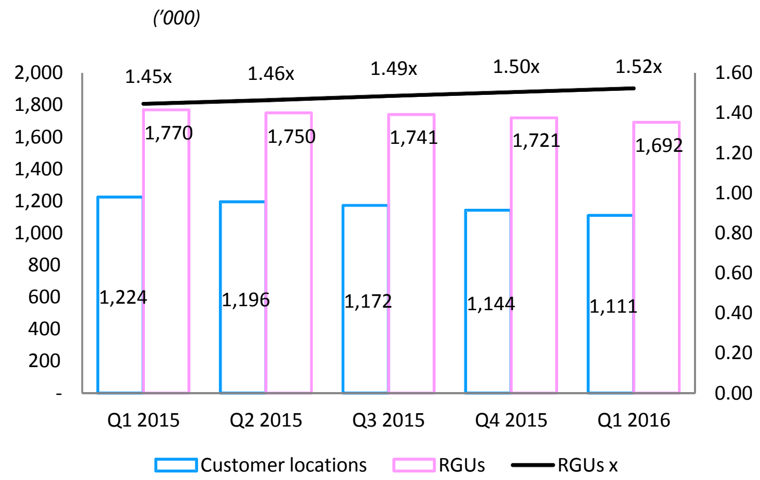
B2C Overview

B2C Operations | RGUs and ARPU per Customer

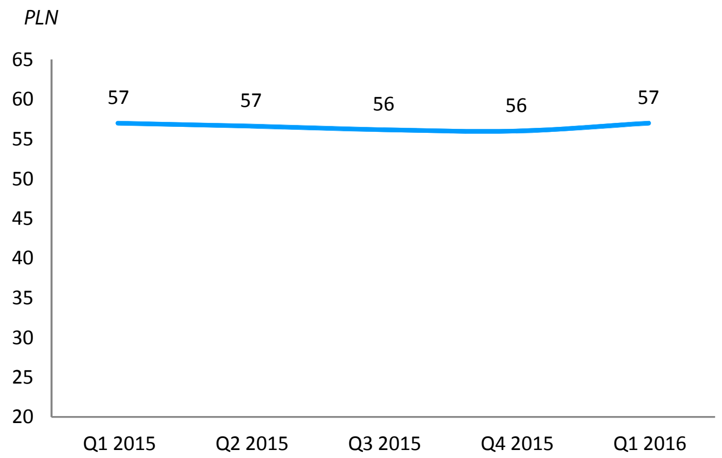
RGUs by access type



Customers and RGUs



Average ARPU per Customer

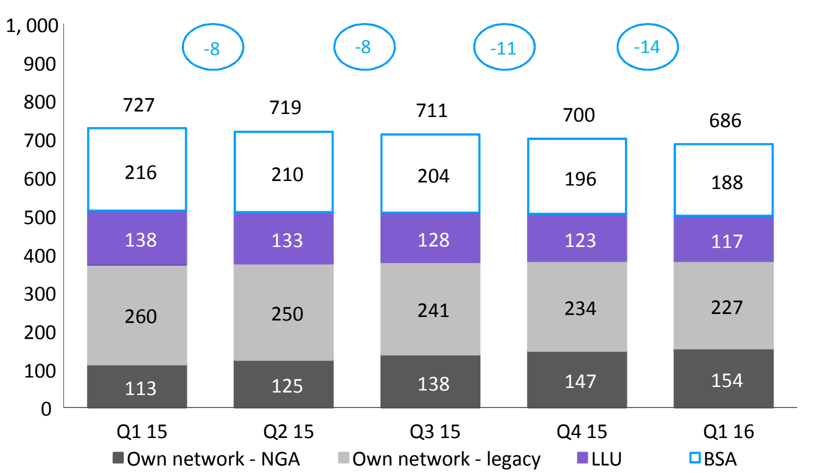


Comments

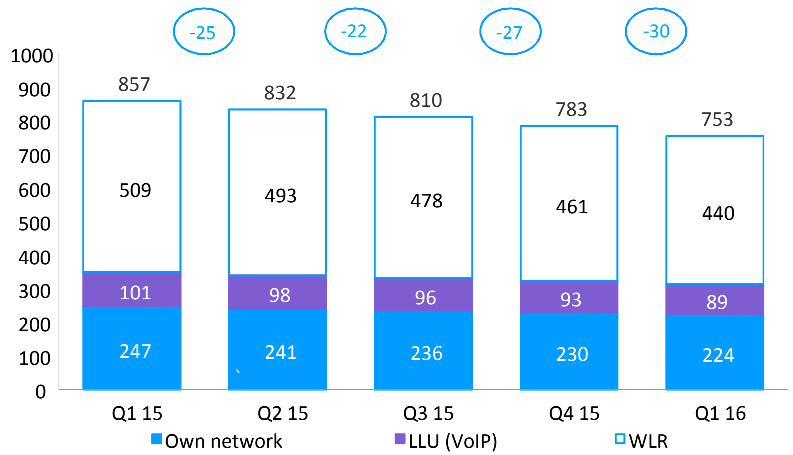
- Share of on-net RGUs up by 3 pp y-o-y to 46%
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

B2C Operations | RGUs by service

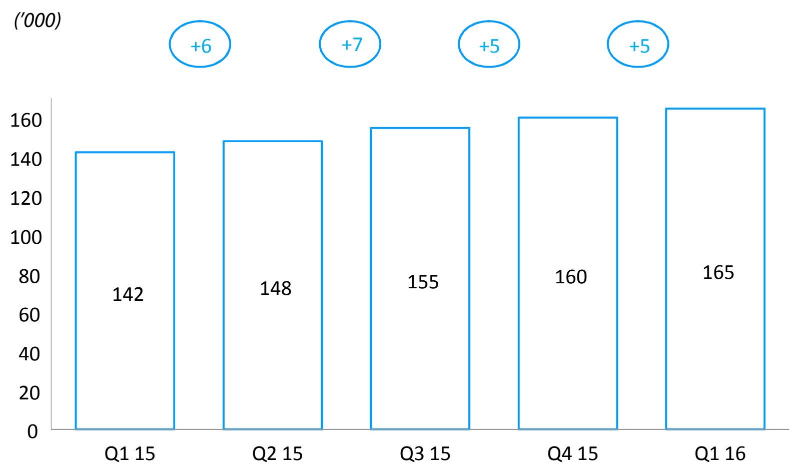
Broadband ports



Voice lines



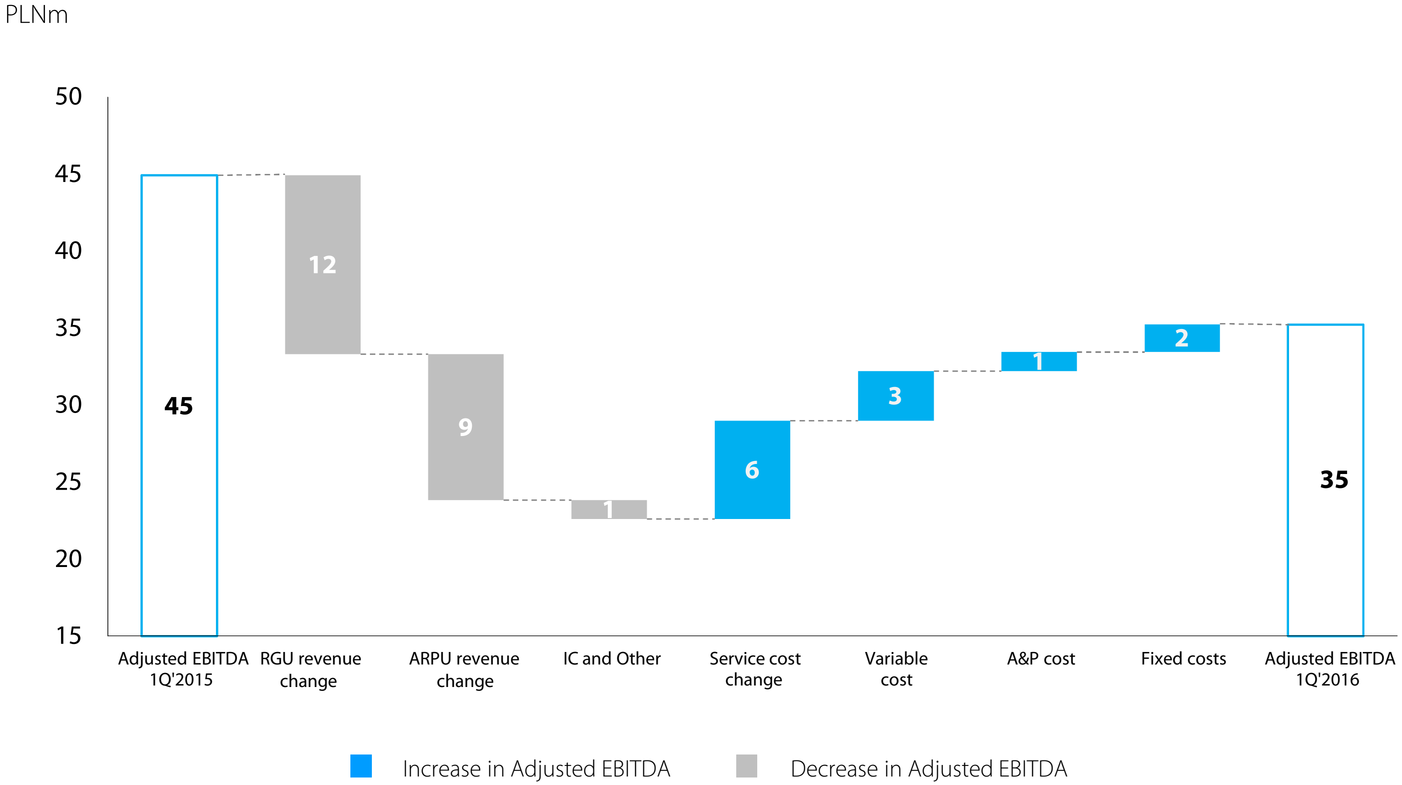
TV services



Comments

- TV services at 165k in Q1 2016 (+3% q-o-q and +16% y-o-y)
- Focus on retention in regulated access RGUs
- 56% of broadband customers served directly via Netia's own network (+5 pp y-o-y and +1 pp q-o-q)
- 43% of on-net broadband customers now take TV services from Netia

Actual
Q1 2015
vs
Q1 2016



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 fixed and other variable costs reflect a number of optimization initiatives introduced by the Company within Netia Lite program

Netia Group Financial Overview

Financial Performance | Key figures for Q1 2016

(PLN' 000)	2015				2015 vs 2016		
	Q1	Q2	Q3	Q4	Q1 2015	Q1 2016	y-o-y
Revenues	**388,718**	**380,340**	**400,426**	**402,697**	**388,718**	**390,494**	***(0.5%)***
Change (y-o-y%)	*(10.5%)*	*(9.9%)*	*(3.1%)*	*(0.3%)*	*(10.5%)*		
Gross profit	**110,065**	**111,691**	**124,519**	**110,303**	**110,065**	**111,709**	***1.5%***
Gross margin (%)	***28.3%***	***29.4%***	***31.1%***	***27.5%***	***28.3%***	***28.6%***	
Adjusted EBITDA	**113,296**	**109,817**	**123,191**	**110,608**	**113,296**	**110,830**	***(2.2%)***
Margin (%)	***29.1%***	***28.9%***	***30.8%***	***27.5%***	***29.1%***	***28.4%***	
Change (y-o-y%)	*(15.7%)*	*(12.2%)*	*2.4%*	*(2.4%)*	*(15.7%)*		
EBITDA	**111,489**	**112,622**	**122,945**	**101,947**	**111,489**	**107,128**	***(3.9%)***
Margin (%)	***28.7%***	***29.6%***	***30.7%***	***25.3%***	***28.7%***	***27.4%***	
Change (y-o-y%))	*(11.5%)*	*(6.0%)*	*12.3%*	*(54.9%)*	*(11.5%)*		
Depreciation	**105,450**	**102,378**	**102,786**	**110,473**	**105,450**	**106,976**	***1.4%***
Adjusted EBIT	**7,846**	**7,439**	**20,405**	**0,135**	**7,846**	**3,854**	***(50.8%)***
Margin (%)	***2.0%***	***2. 0%***	***5.1%***	***(0.0%)***	***2.0%***	***1.0%***	
EBIT	**6,039**	**10,244**	**20,159**	**(8,526)**	**6,039**	**0,152**	***(97.5%)***
Margin (%)	***1.6%***	***2.7%***	***5.0%***	***(2.1%)***	***1.6%***	***0.0%***	

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

Financial Performance | Adjusted EBITDA reconciliation to Net Result

PLN'000	*Q1 2015*	*Q1 2016*		*Change*
Adjusted EBITDA	**113,296**	**110,830**		*-2%*
Unusual Items:				
M&A related costs	(668)	-		*na*
New Netia integration costs	(183)	(490)	1	*+168%*
Restructuring costs	86	(3.212)	2	*na*
Reorganization costs	(1,042)	-		*na*
EBITDA	**111,489**	**107,128**		*-4%*
Depreciation and amortization	(105,450)	(106,976)		*+1%*
EBIT	**6,039**	**152**		*-97%*
Net financial expenses	(1,294)	(2,565)		*+98%*
Profit /(Loss) before tax	4,745	(2,413)		*na*
Current tax and deferred income tax	(3,484)	(7,833)		*+125%*
Net Profit	**1,261**	**(10,246)**		*na*
Average number of outstanding shares (basic)	**348,088,394**	**347,898,946**		
EPS (in PLN, basic)	**0.00**	**(0.03)**		

1 Mainly costs related to integration of TK Telekom

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

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Netia today				
('000)	Total	< 30 Mbps	< 100 Mbps	>= 100 Mbps
Copper	1408	753	655	0
FTTB - ETTH	592	350	0	242
FTTH - PON	165	0	0	165
CATV	385	0	0	385
Total	**2550**	**1103**	**655**	**792**

After modernization
> = 100 Mbps
PSTN only
592
1573
385
2550

~ 56% NGA > 30 Mbps

~ 100% NGA >= 100 Mbps

- Investment of PLN 417m during 2016-2020
- +1.66 additional homes passed in a range of NGA >=100 Mbps network
- Elimination of technological limitations – consistent offer across entire access network

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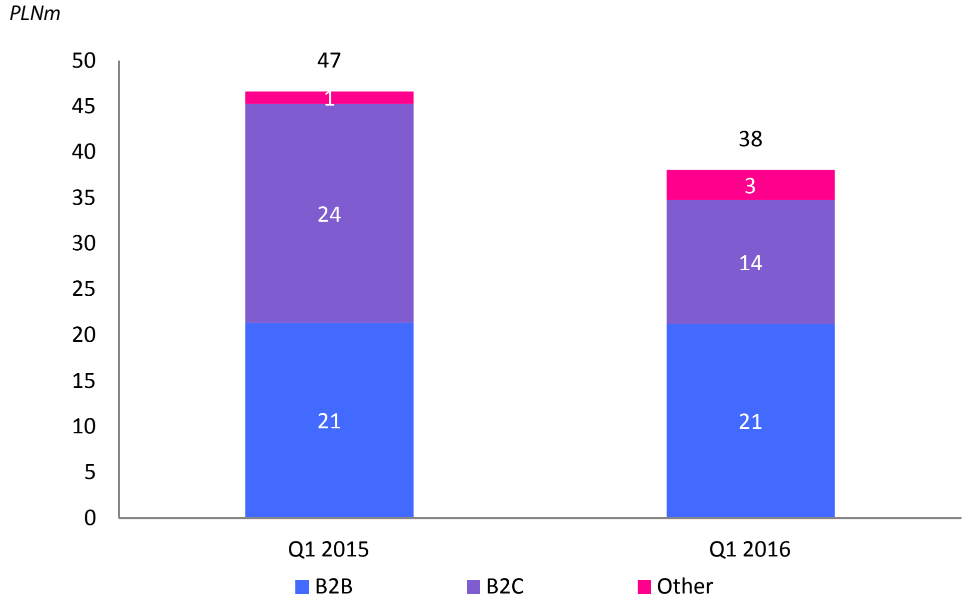
Capital investments by Operating Segments[1]



Comments

- Capital investments in the existing network reflect mainly extension of the transmission network capacity to activate new customers and to provide TV services to customers
- Investments in the broadband networks include mainly upgrades and integration works within the cable networks located in Warsaw and Kraków, which were acquired from UPC Polska in May 2013 and access network upgrades for business clients
- Expenditures for television services reflect investments in new functionalities, development of TV platforms and capitalized Netia Player set-top boxes delivered to a growing customer base
- Capital expenditure related to the integration of TK Telekom in the amount of PLN 0.4m allocated to B2B segment

1 Including TK Telekom and Petrotel in Other

Conclusions

- Netia delivered a set of solid financial results for Q1 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 457m
- In March, 2016 the Supervisory Board approved a new investment program aimed at upgrading Netia's access network to NGA standard >= 100Mbps. The program will be executed from 2016 to 2020 and the total cost will amount to ~PLN 417m
- On February 29, 2016 Management Board of Netia proposed to its AGM to pay a dividend of PLN 0.20 per share

Disclaimer

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THANK YOU

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