GIGA WOLNOŚĆ

Q4 and FY 2013 Financial Results

Conference call for investors

February 20th, 2014

NETIA

NETIA

2013 Full Year Guidance delivery

	Actual FY 2013	Guidance[1] FY 2013
Number of services (RGUs) ('000)	**2,526**	2,540
Revenues (PLNm)	**1,876**	1,875
Adjusted EBITDA (PLNm)	**551**	550
Adjusted EBITDA margin	***29.4%***	*29.3%*
Adjusted EBIT (PLNm)	**111**	110
Capex (PLNm)	**240**	225
Adjusted OpFCF (PLNm)	**311**	325

- *Netia delivered both revised revenue and upgraded Adjusted EBITDA guidance for 2013*
- *Revised RGU guidance missed due to slower sequential progress than expected in Q4 2013*
- *Capex guidance overrun caused by higher B2B access capex and late decision to buy the freehold of the former head office location*

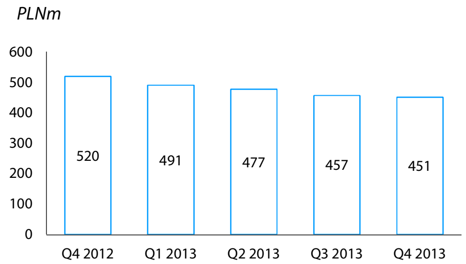
The above financial guidance excludes the impact of one-off integration costs and one-off integration Capex related to Dialog and Crowley acquisitions

1 As per revised Netia guidance for 2013 published on November 7, 2013

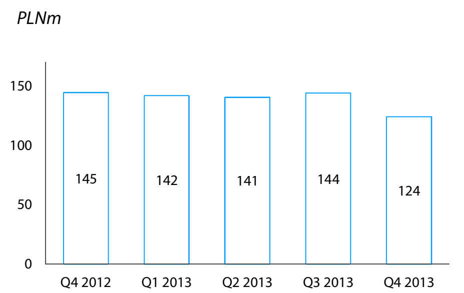
Key financial highlights | Q4 and FY 2013

- Revenue was PLN 1,876m for FY 2013 (-12% y-o-y) and PLN 451m for Q4 2013 (-13% y-o-y and -1% q-o-q)
  - 34% of the annual and q-o-q respective drop attributable to MTR reductions
- Profitability resilient to revenue decline
  - Adjusted EBITDA was PLN 551m for FY 2013 (-7% y-o-y) and PLN 124m for Q4 2013 (-14% q-o-q)
  - EBITDA was PLN 533m for FY 2013 (+15% y-o-y) and PLN 115m for Q4 2013 (-19% q-o-q)
- Netia generated PLN 311m Adjusted OpFCF[2] for FY 2013 (-7% y-o-y) and PLN 36m in Q4 2013 (-57% q-o-q) as spending and investments traditionally picked up in the fourth quarter
- Net debt down to PLN 291m on December 31, 2013 (-8% q-o-q and -29% y-o-y), representing 0.53x of the 2013 Adjusted EBITDA
- Total RGUs at 2,526k on December 31, 2013 (-6% y-o-y, -1% q-o-q)
- Business segment (B2B) remains solid while Residential segment (B2C) adds TV services and accelerates on-net broadband sales
  - 120k TV services (+52% y-o-y, +8% q-o-q) with a quarterly increase of 9k services
  - 849k fixed broadband services (-3% y-o-y, -1% q-o-q) with a quarterly decline of 5k services
  - 1,489k fixed voice services (-9% y-o-y, -2% q-o-q) with a quarterly decline of 31k services
  - 69k mobile services (-24% y-o-y, -9% q-o-q) with a quarterly decline of 7k services
  - 478k B2B RGUs (+2% q-o-q, +5% y-o-y) and 2,014k B2C RGUs (-2% q-o-q, -8% y-o-y)[3]
- The „CDN" integration project is progressing as planned:
  - Cumulative synergies over the last eight quarters amounted to PLN 219m at the Adjusted EBITDA level and PLN 46m from capital investments through December 31, 2013 (PLN 36m q-o-q and PLN 6m q-o-q, respectively)
  - Netia Group's active headcount down to 1,917 on December 31, 2013 (-1% q-o-q and -5% y-o-y)
- In January, 2014 Netia announced a divisional split of its operations between two distinct Business Units: Business to Consumers (B2C) and Business to Business (B2B), with a view to best support the needs of its residential and business customers and the Company's key strategic objectives (N² Project)

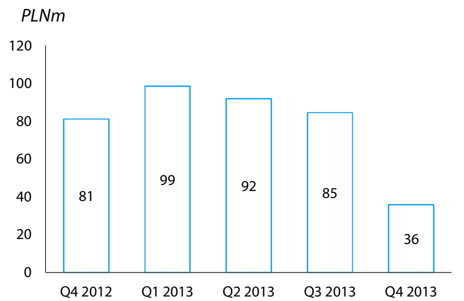
Revenues



Adjusted EBITDA[1]



Adjusted OpFCF[2]



1 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment and decrease in provision for Universal Service Obligation
2 Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration Capex; Capex = investments in tangible and intangible fixed assets
3 Operating segments reorganized from July 2013 into two major segments: B2B and B2C with Petrotel in Other segment

Growing B2B and B2C on-net customer bases together with increased A&P spendings seasonally reduce EBITDA margin in segments

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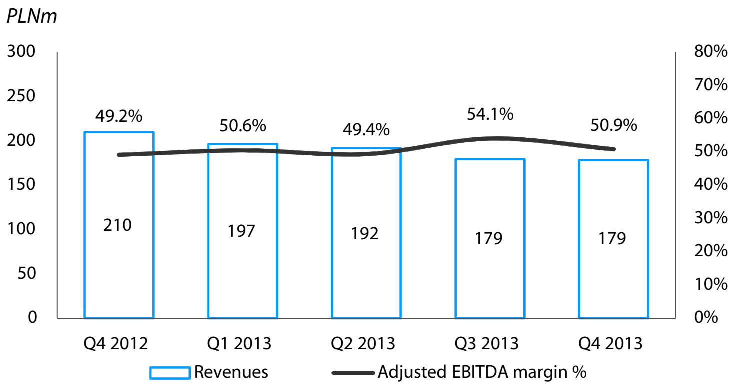
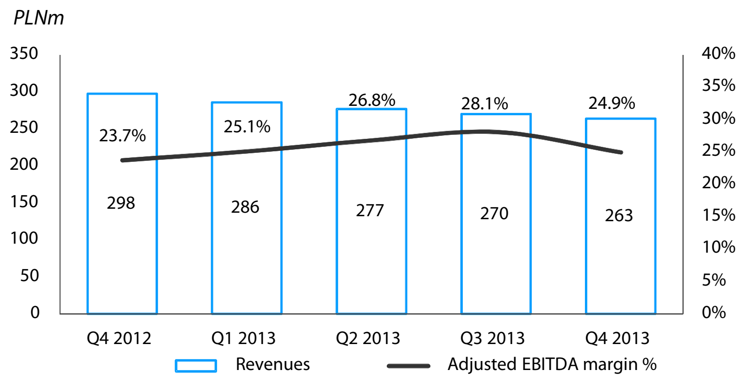
B2B[1,2]



- **Revenue** was PLN 179m in Q4 2013, equal to Q3 2013 and down by 15% y-o-y
  - Number of RGUs: 478k (+2% q-o-q, +5% y-o-y)
  - Voice ARPUs under pressure and lower transit revenue due to MTR declines with offsetting fall in interconnection costs
- **Adjusted EBITDA** margin was 50.9% in Q4 2013
  - Sequential drop reflects increased acquisition costs driven by growing B2B customer base and higher A&P costs
- **Capital expenditure** at PLN 35m in Q4 2013 resulted in **Adjusted OpFCF**[4] at the level of PLN 56m

B2C[1,3,5]

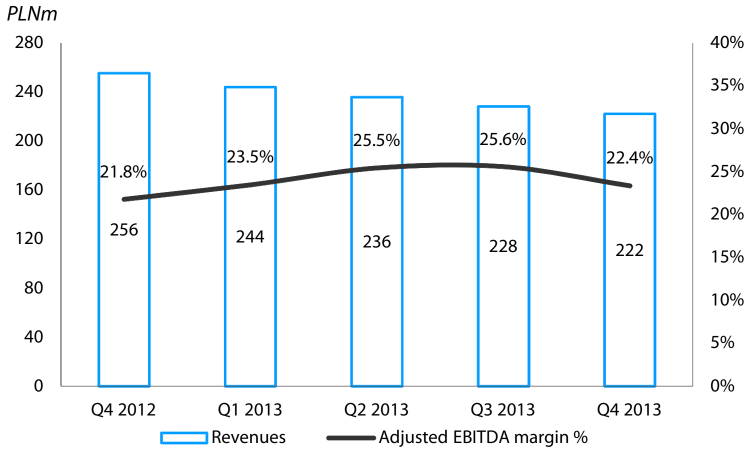


- **Revenue** was PLN 263m in Q4 2013, down by 2% compared to Q3 2013 and down by 12% y-o-y
  - Falling voice and broadband RGUs by 2% sequentially and 10% y-o-y
  - Substantial growth in TV (by 52% y-o-y and 8% q-o-q) and progress in on-net broadband
- **Adjusted EBITDA** margin was 24.9% in Q4 2013
- **ARPUs** stable in most product lines and consistent with Netia's strategy to focus on high end customers rather than re-price its services to defend the off-net customer base
- **Capital expenditure** at PLN 33m in Q4 2013 resulted in **Adjusted OpFCF**[4] at the level of PLN 33m
- **Sales focus** on on-net broadband and TV services in light of the continued pricing pressure and deteriorating profitability of WLR- and BSA-based services

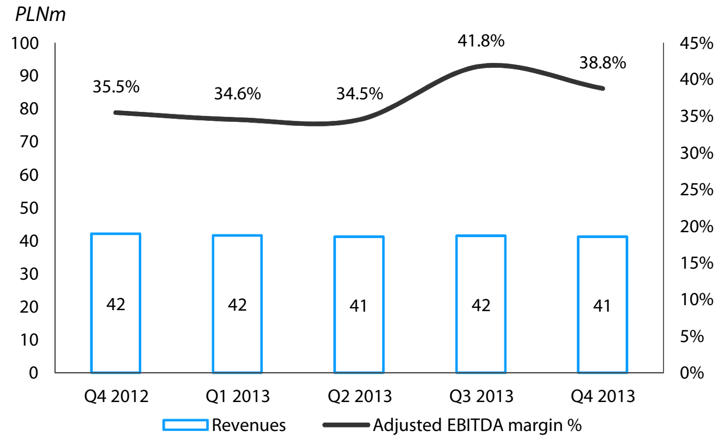
1 Operating segments reorganized from July 2013 into two major segments: B2B and B2C
2 B2B comprises Business and Carrier customers sub-segments
3 B2C comprises Residential and SOHO customers sub-segments
4 Excluding non-allocated Opex of PLN 50m in Q4 and non-allocated Capex of PLN 36m in Q4 2013
5 Excluding Petrotel
Source: Netia, public domain

New B2C Segment

Residential sub-segment (Restated)

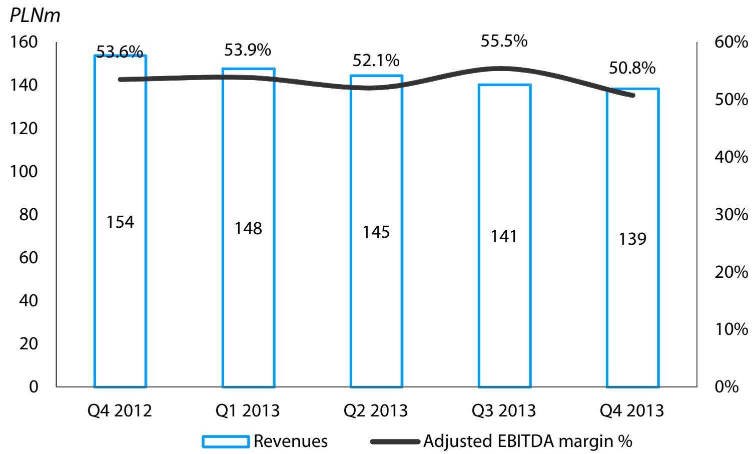


SoHo sub-segment (Restated)

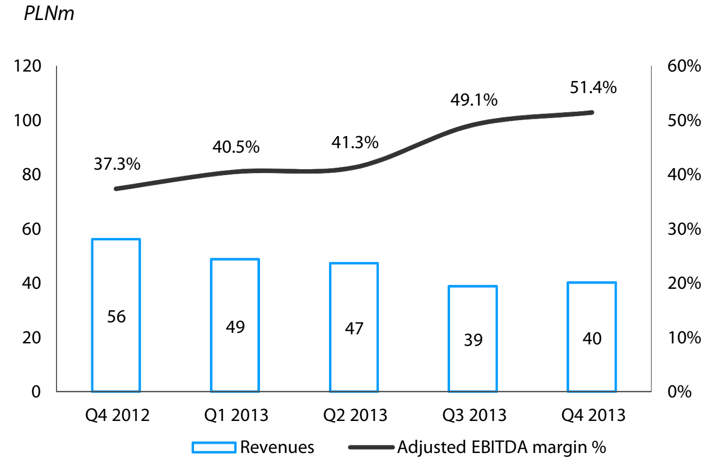


New B2B Segment

Business sub-segment (Restated)



Carrier sub-segment (Restated)

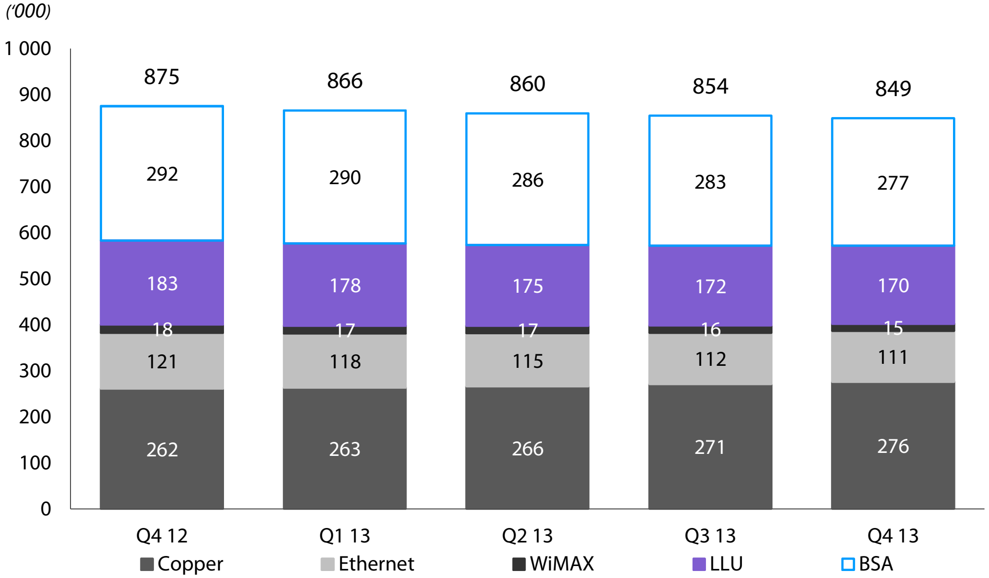


1 Excluding Petrotel

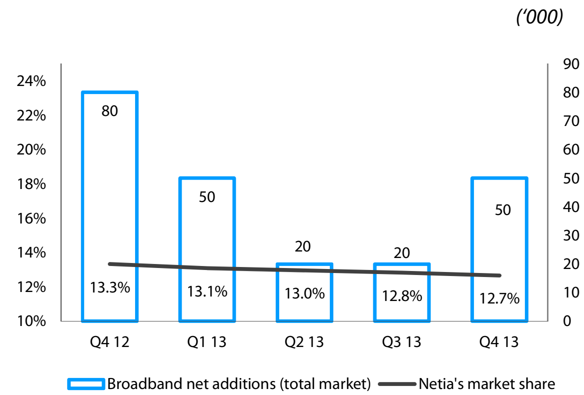
Source: Company

Broadband | Continued on-net improvement with stable ARPU

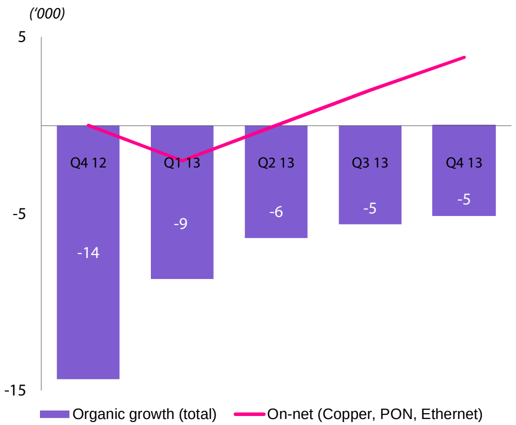
Broadband ports



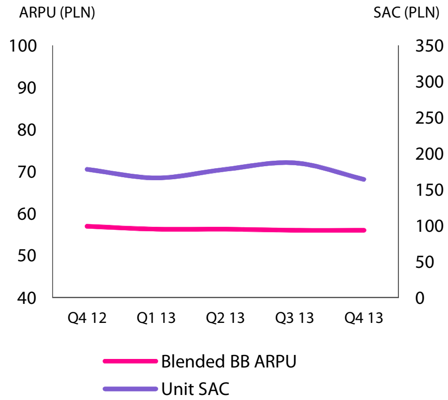
Fixed broadband market performance[1]



Broadband net additions



Blended broadband ARPU and SAC



Comments

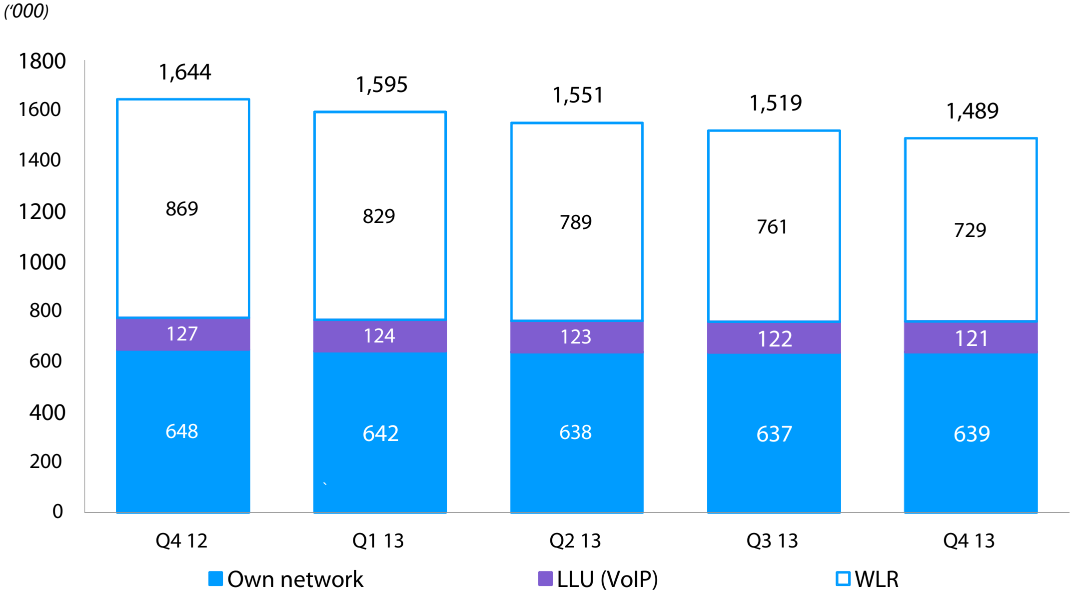
- Copper/Fiber and Ethernet combined net additions turned positive in Q2 and accelerating in Q3 2013 and Q4 2013
  - Performance improved sequentially behind price reductions and TV cross-sell
- 47% of customers served directly via Netia's own network
- Broadband ARPU stable at PLN 56 versus the previous quarter with SAC falling to PLN 164 in Q4 2013

1 Based on Netia's internal estimates of the total fixed broadband market volume, including ETTH acquisitions

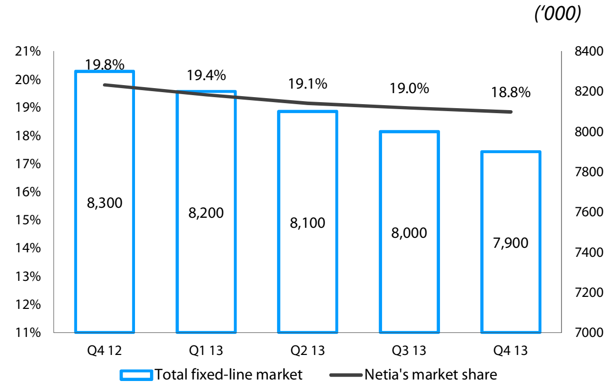
Source: Netia, public domain

Voice | Stability on own network combined with flat WLR churn

Voice lines



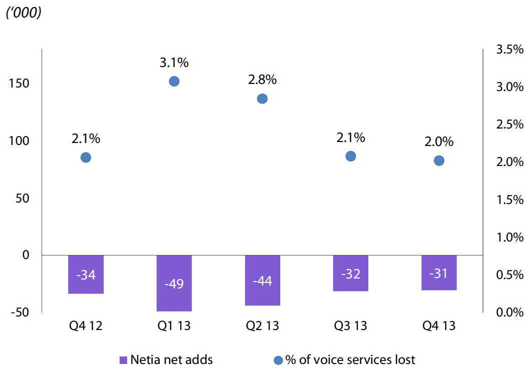
Fixed voice market performance[1]



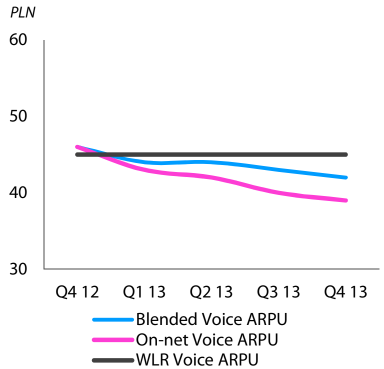
Comments

- 43% of customers served directly via Netia's own network (+4pp y-o-y)
- Netia is defending ARPU and on-net customer base, defocusing WLR
- Blended voice ARPU relatively stable at PLN 42 in Q4 (-2% q-o-q)
  - WLR stable at PLN 45 for the past eight quarters
  - On-net ARPU down due to bundling and more aggressive defence versus competitors across B2C and B2B

Net additions



Voice ARPU

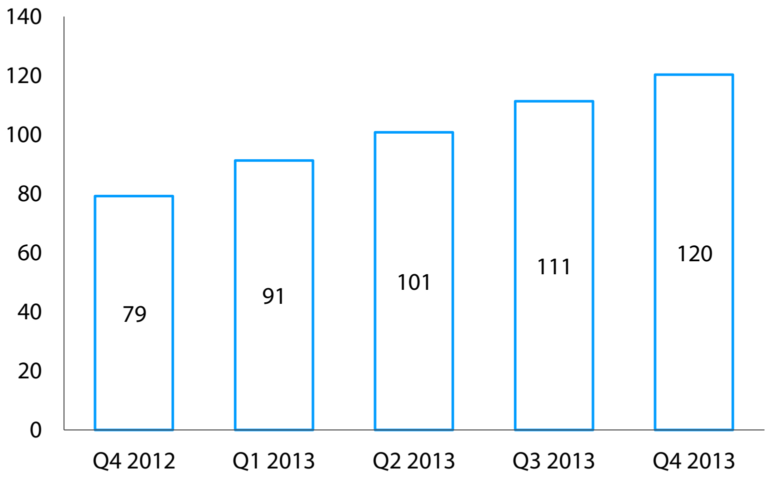


1 Based on Netia's internal estimates of the total market volume

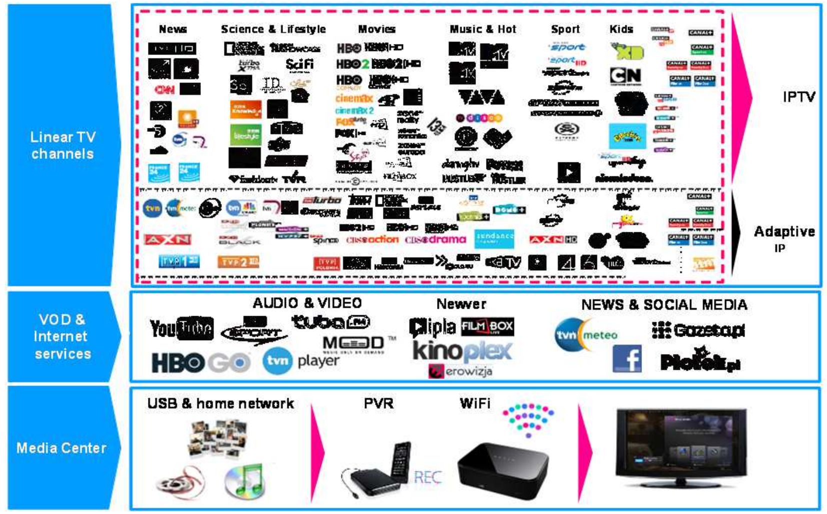
Source: Netia, TP, public domain

Television | TV services reach 120k and maintain positive momentum

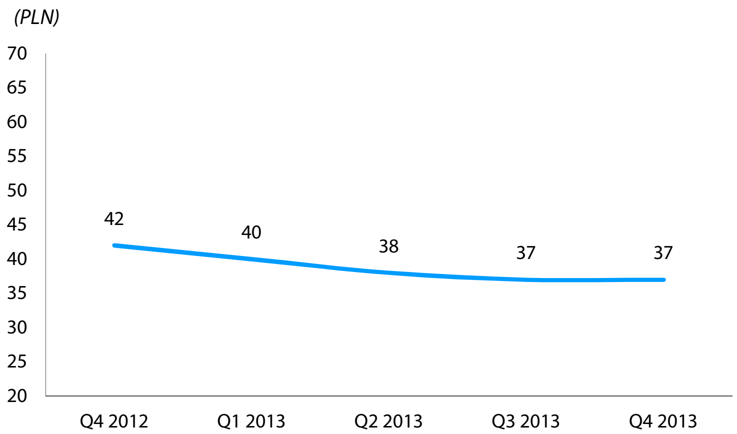
Total TV services in Netia



Multifunctional TV approach



Blended TV ARPU



Comments

- TV services passed 120k in Q4 2013 (52% y-o-y and 8% q-o-q)
- Positive net additions reflect sales of smooth streaming based TV (adaptive IP) which is available over a wider footprint than IPTV and was introduced commercially a year ago
- Attractive TV offer over 170 channels in over a dozen thematic blocks introduced in Q4. Sales now accelerating after slower start than anticipated
- TV ARPU stable at PLN 37 in Q4 2013

NGA upgrade | Further progress with 41k HPs rolled-out in Q4

NGA and TV potential coverage for Netia post Aster CATV acquisition

('000 homes passed)	December 31, 2013			With ongoing upgrades[1]	
	Homes passed (HP)	NGA HP	TV ready HP	NGA HP	TV ready HP
Cu	1,682	897	1,138	897	1,138
ETTH	657	236	406	263	433
PON	148	148	148	167	167
Total	**2,487**	**1,281**	**1,692**	**1,327**	**1,738**
CATV	446	-	-	400	400
Total Pro forma	**2,933**	**1,281**	**1,692**	**1,727**	**2,138**
% of Total on-net HP		*44%*	*58%*	*59%*	*73%*
LLU	4,930	-	2,163	-	2,163
Total	**7,863**	**1,281**	**3,855**	**1,727**	**4,301**

Note: TV Ready HPs based on ADSL+, LLU and ETTH (with bandwidth +14 Mb/s) come on top of NGA HPs thus producing the total TV (3play) potential for New Netia's addressable market (homes passed)

Note: For illustrative purposes only

CATV integration project update

- Acquisition of part of ex-Aster network completed on May 10, 2013
- In Q2 2013 the Company began a project to integrate the HFC networks and prepare for a commercial launch which is now planned towards Q3, 2014
- The following key milestones have been accomplished :
  - Product and operational processes design, implementation of HFC technical solutions
  - Network operational hand-over from UPC to Netia on-track - 65% execution at the end of Q4 2013, 100% realization planned till end of Q2, 2014
  - HFC products technical tests (friendly user tests) have been started

NGA roll out status

- As at December 31, 2013, Netia covered in total 1,281k households with its NGA networks and a further 172k TV ready HPs within its network coverage based on ADSL2+ technology
- Including all LLU and own network ADSL2+ and ETTH HPs with bandwidth above 14 Mb/s Netia is able to provide TV services based on smooth streaming technology to nearly 3.9 million households which gives coverage of 28% of all HPs in Poland
- Netia has advanced plans to expand its NGA coverage and once all upgrade projects are completed, Netia expects to cover in total approximately 1,720k NGA HPs which can be reached with 3play service bundles (TV + fixed NGA broadband + fixed voice)
- Furthermore, Netia has introduced smooth streaming technology, which expands the availability of its 3play bundle offer onto networks where line speeds are too slow to support IPTV (extra 240k on-net HPs)
- In Q2 2013 Netia introduced its FOTON™ brand related solely to high speed broadband delivered over NGA in select areas

1 Adaptation of ex-Aster CATV infrastructure

CDN Project | PLN 265m of cumulative synergies delivered

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Financial and operational data

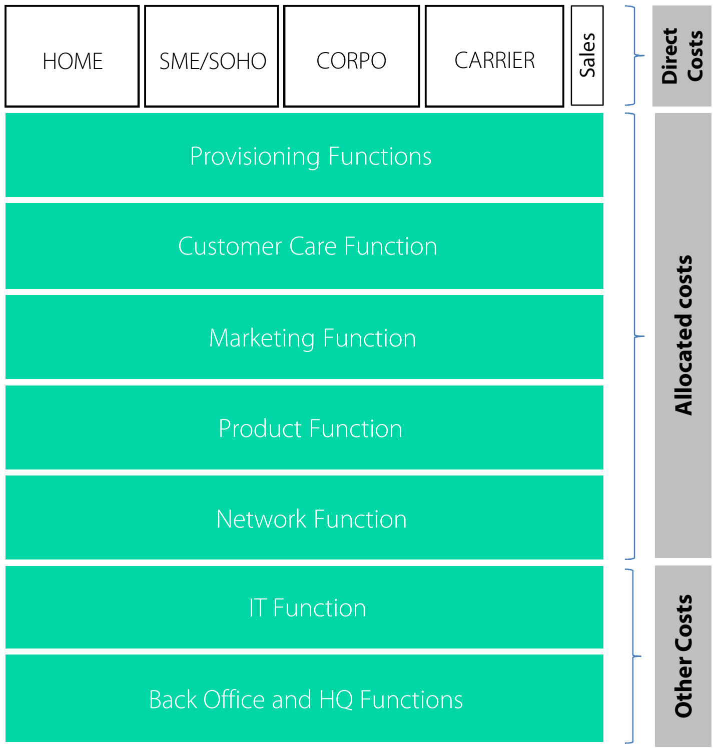
(kPLN)	2012 TOTAL		2013 TOTAL		YTD: 24 Months of Project	
	Actual	Plan	Actual	Plan	Actual	Plan
Opex synergies	**76,160**	**65,083**	**143,156**	**115,653**	**219,316**	**180,736**
Capex synergies	**21,842**	**14,249**	**24,162**	**17,690**	**46,004**	**31,939**
Integration OPEX	48,142	52,590	12,390	12,593	60,532	65,183
Integration CAPEX	22,133	27,716	32,605	32,850	54,738	60,566
Net Cash Flows	***27,727***	***(974)***	***122,323***	***87,900***	***150,050***	***86,926***

More that expected for less than predicted

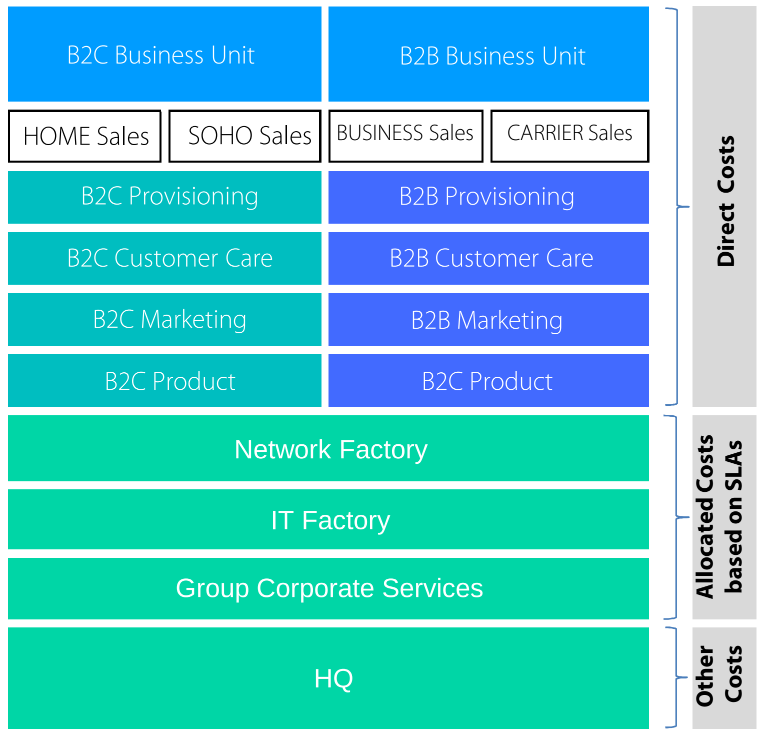
- Value of operating synergies reported bottom-up by functional integration streams during 24 months was PLN 265m (delivered at 25% above expectations)
  - Capex synergies delivered 44% higher than planned
  - Opex synergies at delivered 21% higher than planned
- Integration spendings (OPEX & CAPEX) 8% lower than planned
- Group headcount down from 2011Proforma peak of 2,787 to 1,917 in December 2013
- Key remaining projects:
  - Dialog billing and CRM migrations to Netia platforms during Q2 2014
  - Network and IT migrations from Dialog`s old head office to other group locations throughout 2014

New Projects | Netia², creation of B2B and B2C Business Units

Old Functional Organisation H1 2013



Target Organisation from Q2 2014



Key objectives of the reorganisation

- To accelerate commercial performance by creating more focused B2B and B2C Management Teams
- To identify and deliver new cost saving opportunities by removing cross-functional duplication within divisions and creating more cost pressure on support functions to deliver value
- To delegate significant autonomy to the Business Units to speed up decision making

Financial performance | Key figures for FY 2013 and FY 2012

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(PLN' 000)	2012				2013				Y-o-Y	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY 2012	FY 2013
Revenues	544,279	536,472	521,073	519,532	490,690	477,492	457,076	450,758	2,121,356	1,876,016
Change (y-o-y%)	(1.4%)	(1.1%)	(3.9%)	(5.3%)	(9.8%)	(11.0%)	(12.3%)	(13.2%)	(3.0%)	(11.6%)
Gross profit	164,276	158,632	158,127	156,105	161,696	154,948	156,104	137,926	637,140	610,674
Gross margin (%)	30.2%	29.6%	30.3%	30.0%	33.0%	32.5%	34.2%	30.6%	30.0%	32.6%
Adjusted EBITDA[1]	133,008	156,183	157,448	144,526	142,005	140,541	144,123	124,186	591,165	550,855
Margin (%)	24.4%	29.1%	30.2%	27.8%	28.9%	29.4%	31.5%	27.6%	27.9%	29.4%
Growth (y-o-y%)	(4.2%)	20.6%	12.9%	4.5%	6.8%	(10.0%)	(8.5%)	(14.1%)	8.3%	(6.8%)
Adjusted EBIT[1]	12,989	34,082	36,369	25,234	30,656	30,573	34,457	15,175	108,674	110,861
Margin (%)	2.4%	6.4%	7.0%	4.9%	6.2%	6.4%	7.5%	3.4%	5.1%	5.9%

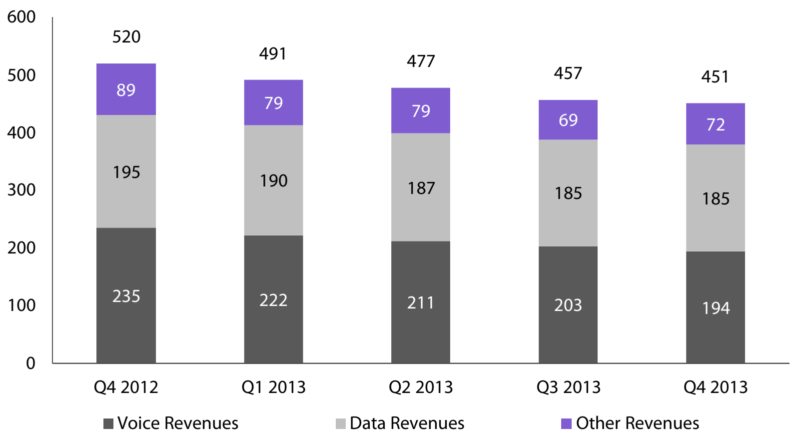
Comments

- Sequentially lower revenue in Q4 2013 was driven mainly by lower fixed voice revenue, particularly WLR, and continued MTR related ARPU reductions in B2B segment
- Voice revenue declines and certain assets write offs drove gross margin declines in Q4 2013
- Higher advertising and seasonal peak in general administration spendings drove up S,G&A costs sequentially
- Net Debt decreased from PLN 317m to PLN 291m during Q4 2013 with the Group`s leverage now at 0.53x Adjusted EBITDA for 2013

1 Adjusted EBITDA, and Adjusted EBIT exclude as appropriate: M&A related expenses, New Netia integration & restructuring costs, impairment provision and decrease in provision for Universal Service Obligation

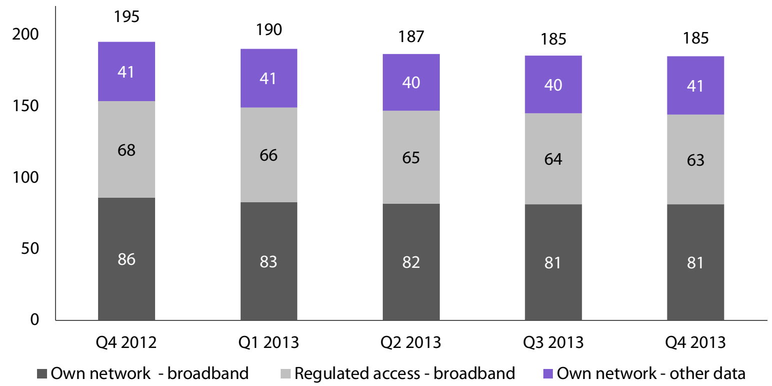
Revenue breakdown by service

PLNm



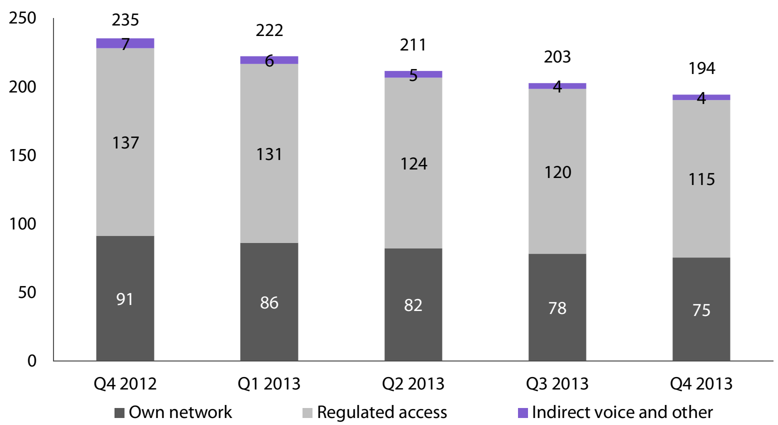
Data revenue[1] breakdown by access

PLNm



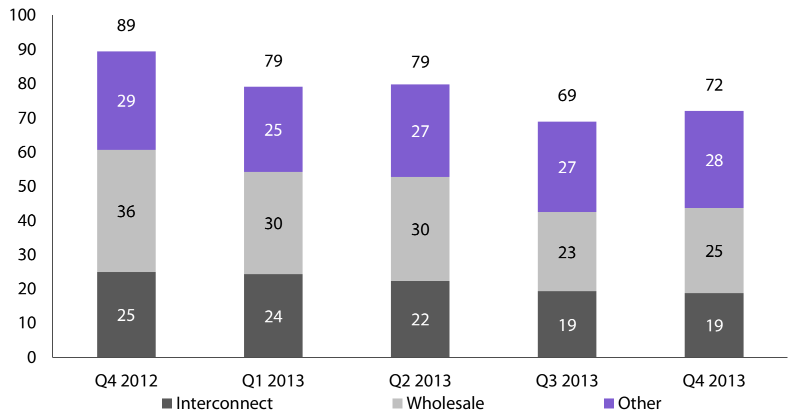
Voice revenue breakdown by access

PLNm



Other revenue[2]

PLNm

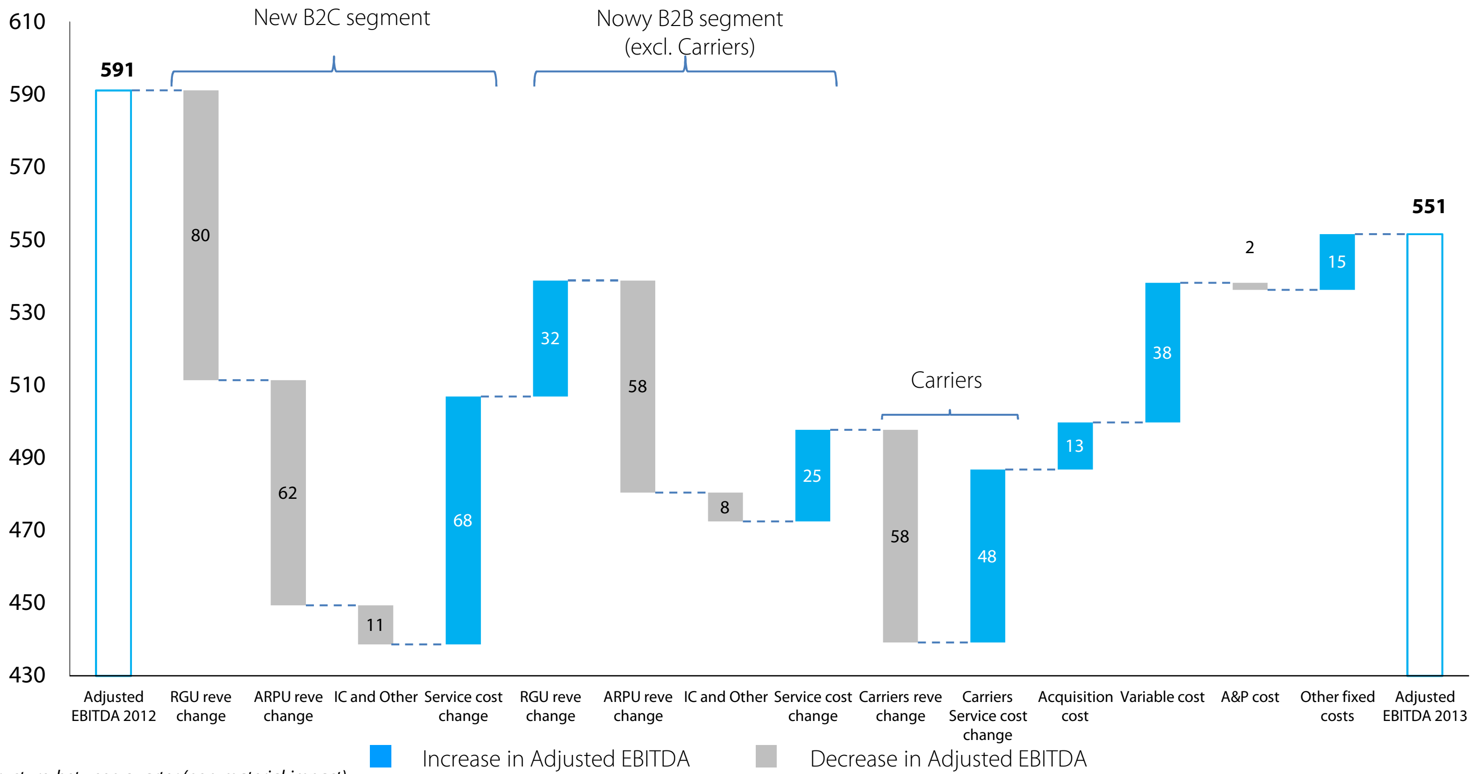


1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

Financial performance | Adjusted EBITDA bridge for FY 2013

***FY 2013 Original Target** (PLNm)*	**591**	**-48**	**-84**	**-2**	**55**	**33**	**-37**	**10**	**27**	**-66**	**51**	**-26**	**19**	**-4**	**7**	**526**
Variance		**-66%**	**26%**	**-450%**	**24%**	**-3%**	**-57%**	**-180%**	**-7%**	**12%**	**-6%**	**150%**	**100%**	**50%**	**114%**	**5%**

Execution
2012
vs
2013



Note: Please note change in P&L structure between quarter (non-material impact)

Comments

- ARPU declines in Residential segment slower than planned but RGU improvement coming through slower than expected
- Business markets reflect the impact of MTR cuts from 15 gr to 8 gr and 4 gr in the course of 2013 plus savings passed on to customers
- Original targets restated to reflect the new B2B and B2C segments configuration
- Adjusted EBITDA delivered at PLN 551m (5% over original guidance)

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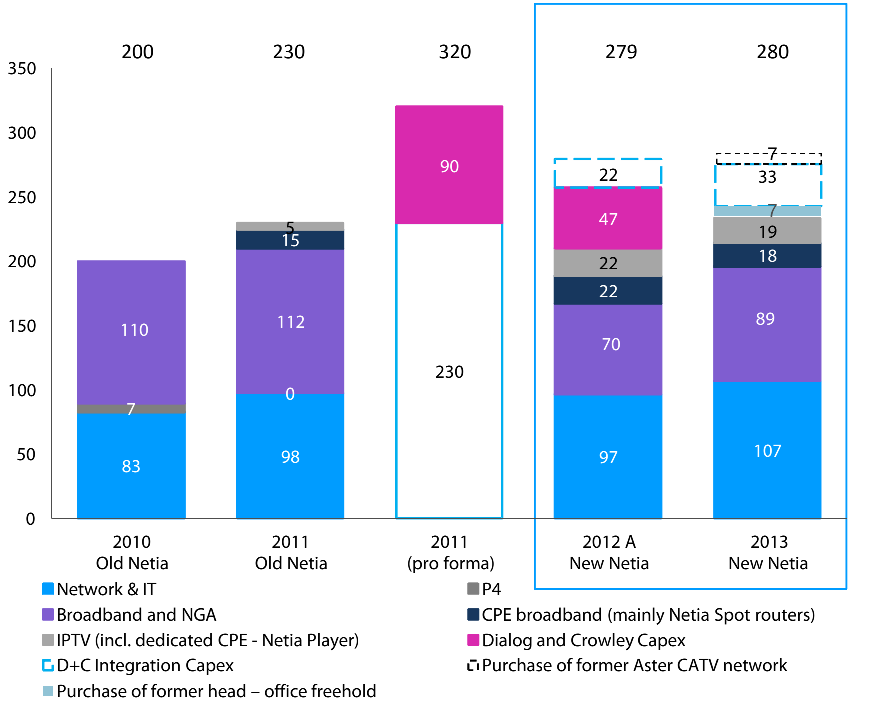
PLN'000	*FY 2012*	*FY 2013*		*Change*
Adjusted EBITDA	**591,165**	**550,855**		*-7 %*
Unusual Items:				
M&A related costs	(1,504)	(618)		*nm*
New Netia integration costs	(26,275)	(9,500)	1	*nm*
Restructuring costs	(22,656)	(3,631)	1	*nm*
Impairment of non-current assets (Uni-Net)	(79,203)	(431)		*nm*
Universal Service Obligation provision	-	150		-
N2 Project costs (B2B/B2C Split)	-	(1,469)	2	-
Former head office impairment charge	-	(2,603)	3	-
EBITDA	**461,527**	**532,753**		*+15%*
Depreciation and amortization	(482,491)	(439,994)	4	*-9%*
EBIT	**(20,964)**	**92,759**		*+542%*
Net financial expenses	(39,942)	(28,339)	5	*-29%*
Profit /(Loss) before tax	(60,906)	64,420		*nm*
Current tax and deferred tax income	(26,798)	(18,130)	6	*nm*
Net profit	**(87,704)**	**46,290**		*nm*
Average number of outstanding shares[1] (basic)	**379,014,108**	**354,504,029[2]**		*na*
EPS (in PLN, basic)	**(0.23)**	**0.13**		*nm*

1. Dialog and Crowley integration project costs down 73% y-o-y as the active project scope runs down
2. New reorganisation project for H1 2014
3. Following independent valuation
4. Longer depreciation period for selected group of tangible assets with visible impact on net profitability
5. Acquisition loan repayments resulted in lower net interest expenses
6. Non deductible costs combined with recognized deferred tax liabilities relating to depreciation drive high effective tax rate (deferred tax assets relating to timing differences to be realized after 5 years planning horizon are not recognized)

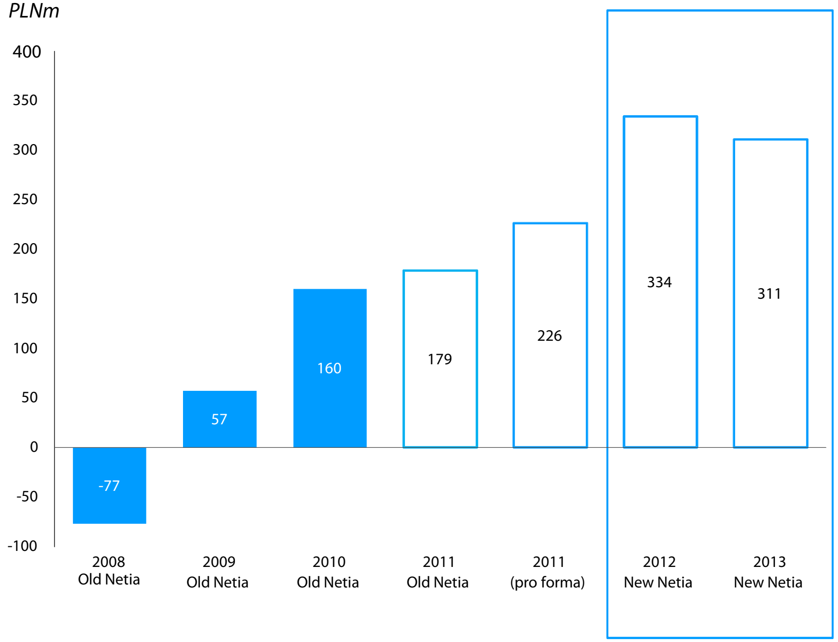
1 Average effective shares outstanding and excluding treasury shares.
2 Excluding treasury shares. Post redemption of treasury shares resolved by the AGM on June 28 and registered by the court on October 24, 2013 Netia's outstanding share capital is 347.9m shares

Financial performance | Over PLN 300m Adjusted OpFCF delivered in 2013

Capital investments



Adjusted Operating FCF[1]



- Following the full integration of Dialog Group and Crowley, capex to support those businesses included from Q1 2013 within all other capex categories
- Capex in existing network and IT reflects extension of transmission network capacity to activate new corporate and carrier customers as well as NGA development and upgrades for residential clients
- Lower purchases of Netia Spots and Netia Players reflect activations from existing stocks and refurbishment
- PLN 6.5m invested in acquiring the freehold to the plots at Netia's former head office on Poleczki street in Warsaw
- PLN 7.2m invested in purchase of part of the Aster CATV network

- Netia recorded positive Adjusted Operating Free Cash Flow in both FY and Q4 2013 with cash generation at PLN 311m and PLN 36m, respectively
- Adjusted capital investment excluding integration capex and Aster CATV network totalled PLN 240m. Capex to sales at 12.8% for 2013 vs. 12.1% for 2012

1 Adjusted operating FCF = Adjusted EBITDA less Capex; Adjusted EBITDA as reported less investments in tangible and intangible fixed assets, excluding integration investments and acquisitions

2014 Guidance & Distribution Policy | PLN 146m to Shareholders maintained

2014 Full Year Guidance

Revenues (PLNm)	**1,735**
Adjusted EBITDA (PLNm)	**505**
Adjusted EBITDA margin	***29%***
Adjusted EBIT (PLNm)	***75***
Capex (PLNm)	**200**
Adjusted OpFCF (PLNm)	**305**

The above financial guidance excludes the impact of one-off integration costs and one-off integration Capex related to Dialog and Crowley acquisitions

Distribution Policy

Unchanged Policy

Based on its free cash flow projections, Management estimates that the Company may distribute up to **PLN 146m**, pro forma **PLN 0.42** per outstanding shares from 2014 onwards with some scope to moderately increase payments over time. Leverage may rise to 1.0x EBITDA in the medium term to facilitate such payments.

Proposal for 2014

- Management is proposing a PLN 0.42 dividend payout
- Management is considering proposal of a new share buy-back programme to maximise future flexibility in the form of payment

- *No RGU guidance for 2014 as Management focuses on product features, restructuring and cost reduction. Nonetheless on-net RGUs expected to grow*
- *Mid term strategic financial guidance (under review since Q3 2013) is being withdrawn pending the 2014 strategic planning round including new MB Members responsible for B2B and B2C*

Conclusions

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- Netia produced a solid set of results for Full Year 2013 that underlines the resilience of the business against strong competition and heavy price discounting in a difficult market environment
- Visible progress in TV services, on-net broadband and B2B RGUs during 2013
- Cash generative B2B segment balances pressure on B2C segment whilst leveraging the network asset base
- NGA network expanded by 241k HPs in 2013 to 1.28m NGA HPs with 400k HFC HP to go live in 2014
- Reorganisation to form B2B and B2C operating divisions to go live in Q2 with twin objectives of improving commercial performance and operational efficiency
- FY 2014 Guidance for 1,735m Revenues, 505m Adjusted EBITDA and 305m Adjusted OpFCF
- Leverage at 0.53x of the 2013 Adjusted EBITDA provides flexibility to fund both distributions and acquisitions
- Management proposing dividend of PLN 0.42 per share , PLN 146m in total

THANK YOU

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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.