GIGA WOLNOŚĆ

Q2 and H1 2014 Financial Results

Conference call for investors

August 28th, 2014

NETIA

Disclaimer

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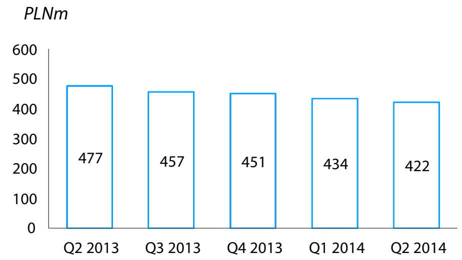
Some of the information included in this material contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking 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.

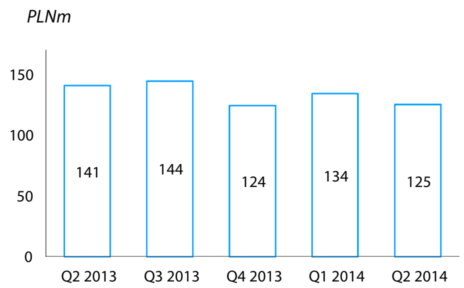
Netia Group highlights | H1 2014

- Revenue was PLN 857m for H1 2014 (-11% y-o-y) and PLN 422m for Q2 2014 (-3% q-o-q and -12% y-o-y)
  - 30% of the annual and 11% q-o-q drop attributable to MTR reductions
- Profitability resilient to revenue decline
  - Adjusted EBITDA[1] was PLN 260m for H1 2014 (-8% y-o-y) and PLN 125m for Q2 2014 (-7% q-o-q and -11% y-o-y)
  - EBITDA was PLN 246m for H1 2014 (-11% y-o-y) and PLN 120m for Q2 2014 (-5% q-o-q and -12% y-o-y)
- Netia generated PLN 155m Adjusted OpFCF[2] for H1 2014 (-18% y-o-y) and PLN 73m for Q2 2014 (-12% q-o-q and -21% y-o-y)
- Net debt at PLN 366m on June 30, 2014 (+40% q-o-q and -8% y-o-y), representing 0.72x of Adjusted EBITDA guidance of PLN 505m for 2014 full year. Quarterly increase reflects cash outflows related to PLN 146m (PLN 0.42 per share) dividend pay-out
- Total RGUs at 2,424k on June 30, 2014 (-2% q-o-q and -7% y-o-y)
- Changes to the Management Board and director level to flatten the organization introduced by new CEO Adam Sawicki
- Strategic update ongoing with Management and Supervisory Board acceptance targeted for October 2014
- 2014 Guidance revised at:
  - Revenue: PLN 1,675m (revised downwards)
  - Adjusted EBITDA: PLN 505m (maintained)
  - Capex: PLN 215m (revised upwards)
  - OpFCF: PLN 290m (revised downwards)

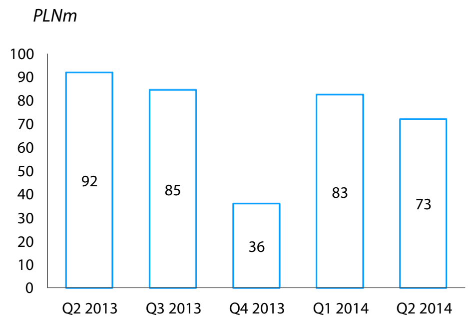
Revenues



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; Capex = investments in tangible and intangible fixed assets

B2B & B2C | Fixed voice disconnections in B2C and price reductions in B2B reflect on top line performance

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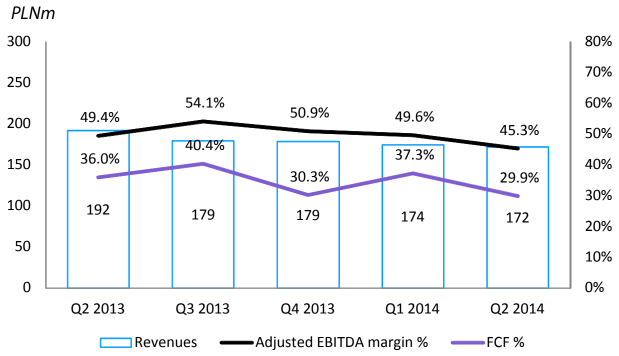
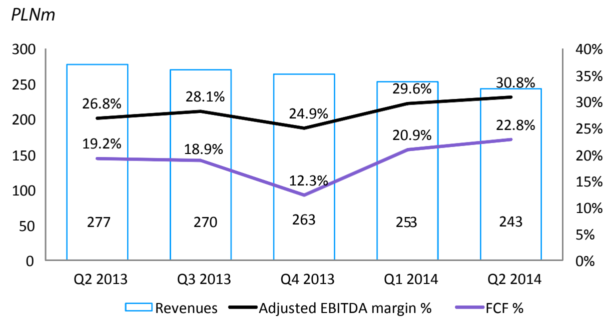
B2B[1,3]



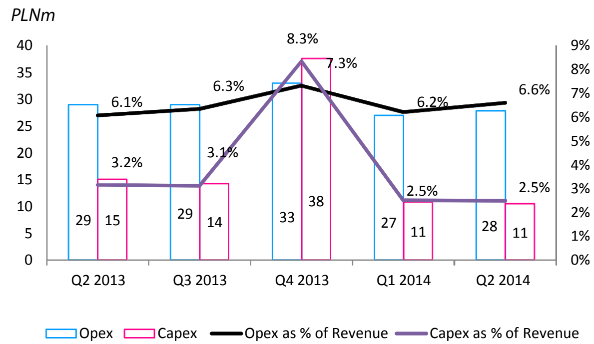
- **Revenue** was PLN 172m in Q2 2014 (-1% q-o-q and -10% y-o-y)
  - RGUs: 492k (+2% q-o-q, +6% y-o-y)
  - Voice ARPUs under pressure and lower transit revenue due to MTR declines
- **Adjusted EBITDA** was PLN 78m for a margin of 45.3% in Q2 2014. Decrease reflects mainly pressure on prices, lower fixed voice and higher allocation of network costs
- **Capital expenditure** at PLN 27m in Q2 2014 resulted in **Adjusted OpFCF** at the level of PLN 51m

B2C[2,3]



- **Revenue** was PLN 243m in Q2 2014, down by 4% compared to Q1 2014 and down by 12% y-o-y
  - RGUs: 1,897k (-3% q-o-q, -9% y-o-y)
  - Substantial growth in TV (by 27% y-o-y and 1% q-o-q) and progress in on-net broadband
- **Adjusted EBITDA** was PLN 75m for a margin of 30.8% in Q2 2014
- **Capital expenditure** at PLN 19m in Q2 2014 resulted in **Adjusted OpFCF** at the level of PLN 55m

Other (unallocated expenses and Petrotel)[3]

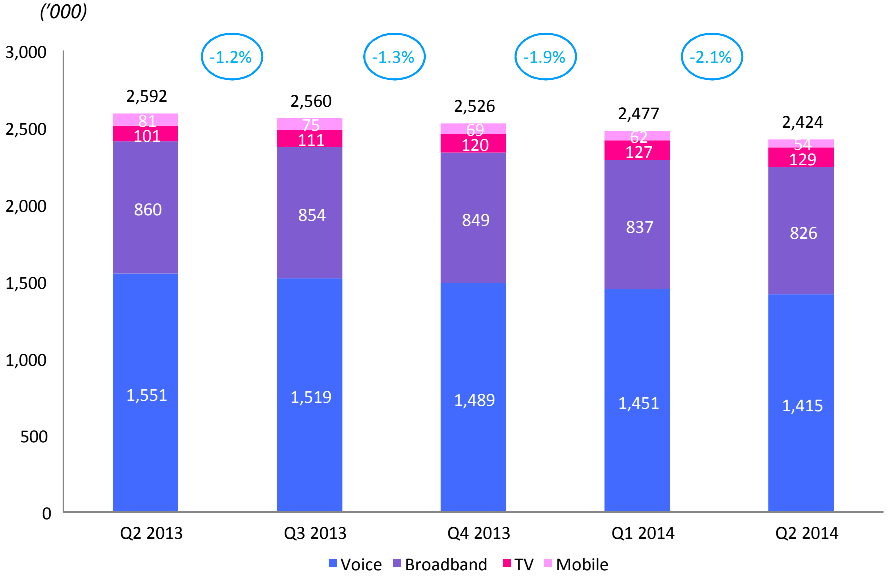


- Net of Petrotel EBITDA, unallocated costs of support functions (Finance, IT, HR, Management & Supervisory Boards, etc) running between 6-7% of revenue
- Unallocated capex in Q2 2014 mainly related to IT and CDN integration capex
- As part of the N^2 Project, Management expects to allocate most of Other expenses and Other capex to either B2B or B2C in the reported results by Q3 2014 (comparatives will be restated)

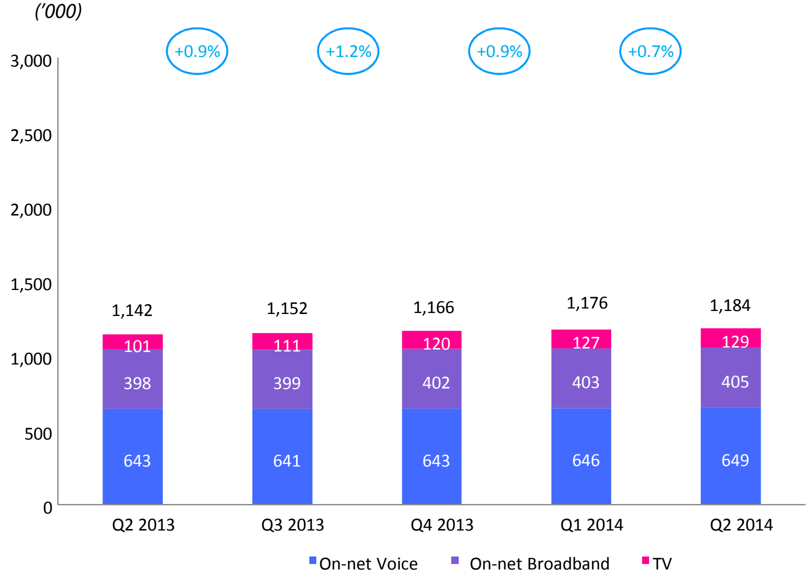
1 B2B comprises Business and Carrier customers sub-segments
2 B2C comprises Residential and SOHO customers sub-segments
3 Part of Other segment capex allocated to B2B and B2C segments (history restated)
Note: Excluding Petrotel and Other segment

Total Netia | Continued RGU growth on own networks

Total Netia RGUs



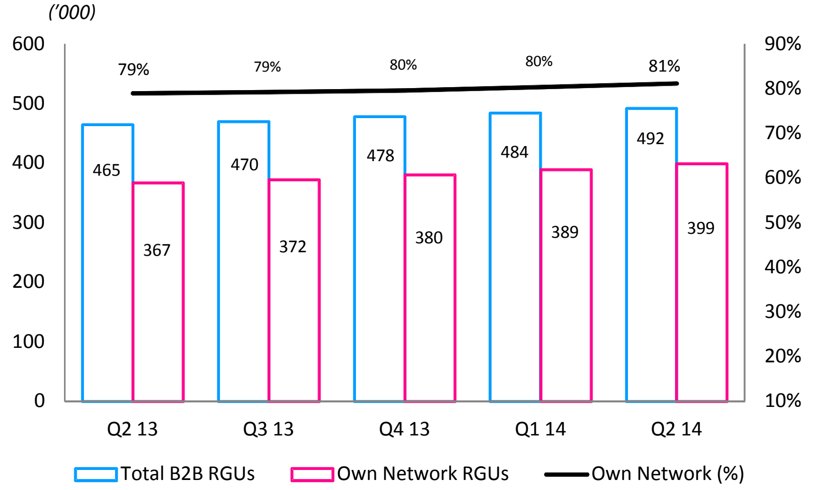
On-net Netia RGUs



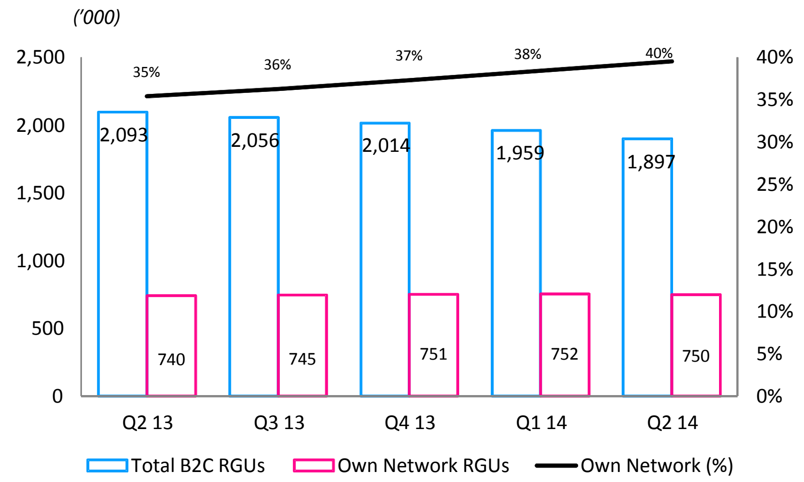
Comments

- Netia continues to grow RGUs on its own networks due to B2B voice, B2C broadband and B2C TV services (+4% y-o-y)
- Drop in total RGUs results from strategic defocus of lower margin WLR and BSA services
- Positive net additions in TV services reflect sales of smooth streaming based TV (adaptive IP) which is available over a wider footprint than IPTV

B2B RGUs



B2C RGUs



Comments

- Sequential B2B RGUs increase in on-net voice services
- Moderate on-net RGUs drop in B2C driven by voice products. Increase on B2C on-net broadband and TV services
- In subsequent periods we expect continued declines in off-net RGUs while on-net RGUs, including TV services, B2C broadband and B2B services generally, are targeted to grow

Source: Company

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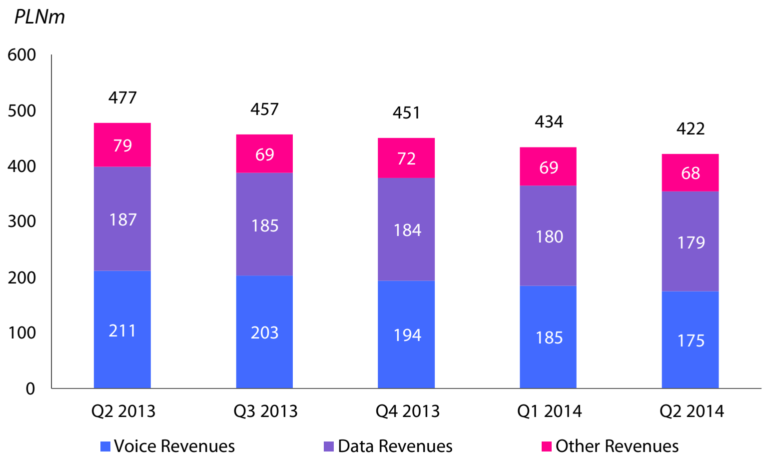
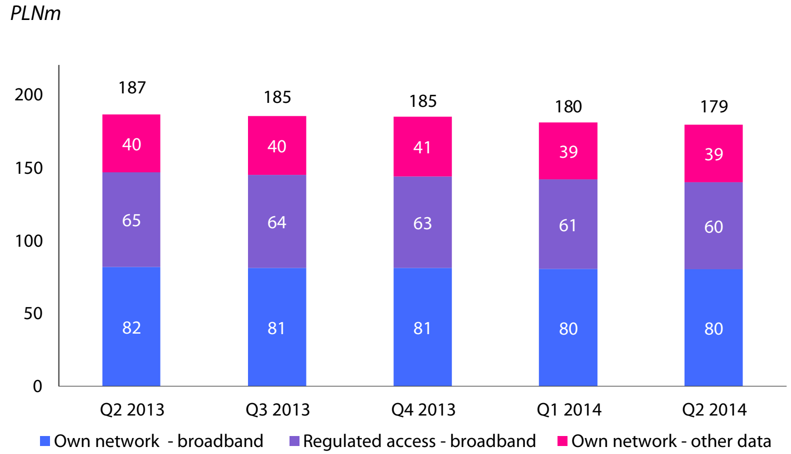
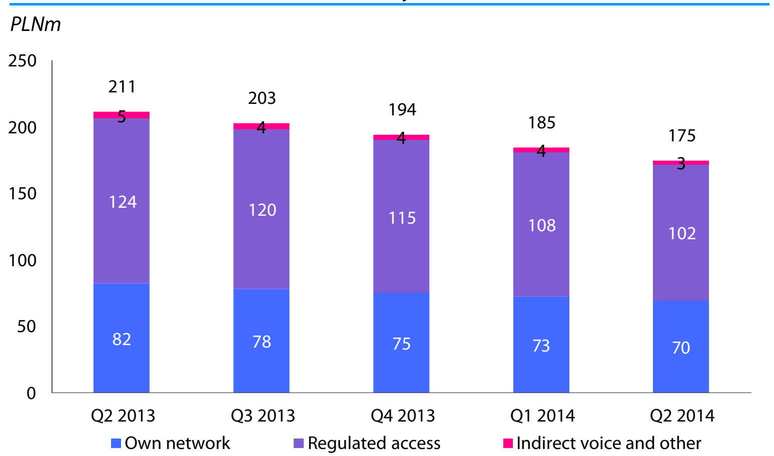
Revenue breakdown by service



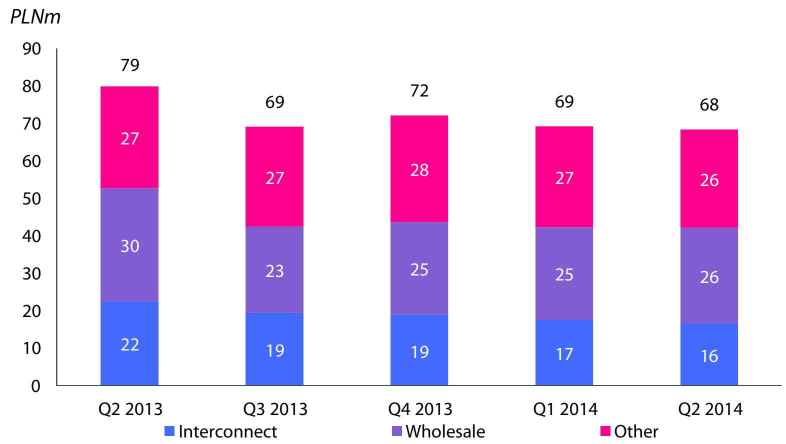
Data revenue[1] breakdown by access



Voice revenue breakdown by access



Other revenue[2]



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

In July 2014 Netia introduced a new project - "Netia Lajt" with main objective to optimize operational and cost structure of the company to support the new corporate strategy (currently subject to update)

Project assumptions

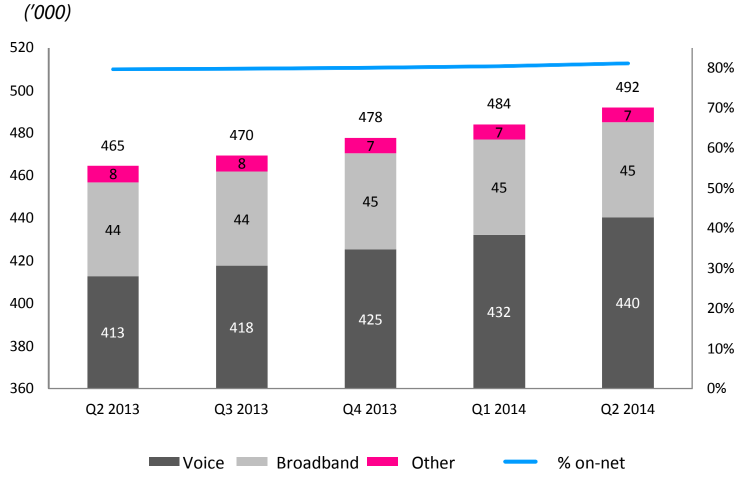
- To provide additional funding for development of commercial projects by generating savings estimated at approx. **PLN 50m** per year at EBITDA level for 2015 and beyond
- Cost optimization activities carried without substantial negative impact on basic operational processes of the company
- Improved flexibility and shorten decision-making process by flattening the organizational structure
- Most of the initiatives and savings should be implemented by YE 2014 (complete implementation of all objectives planned for late 2015)
- Key savings areas: senior management structure, organisational design, office space, discretionary spending, unprofitable products and sales channels

Netia Lajt

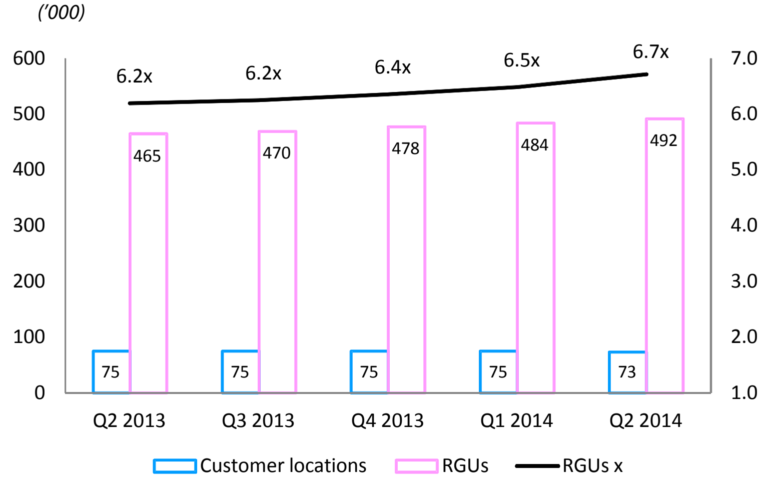
- **Simplification** (organizational and network structure)
- **Focus** (commercial areas)
- **Innovation** (products)

B2B Overview

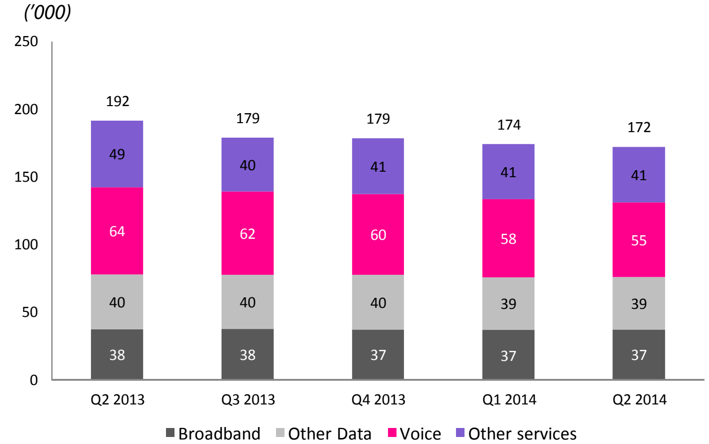
RGUs by type



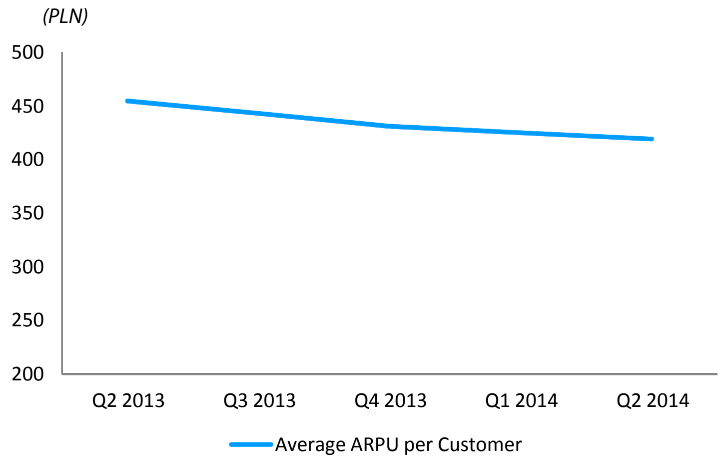
Customers Locations and RGUs



Revenue by service



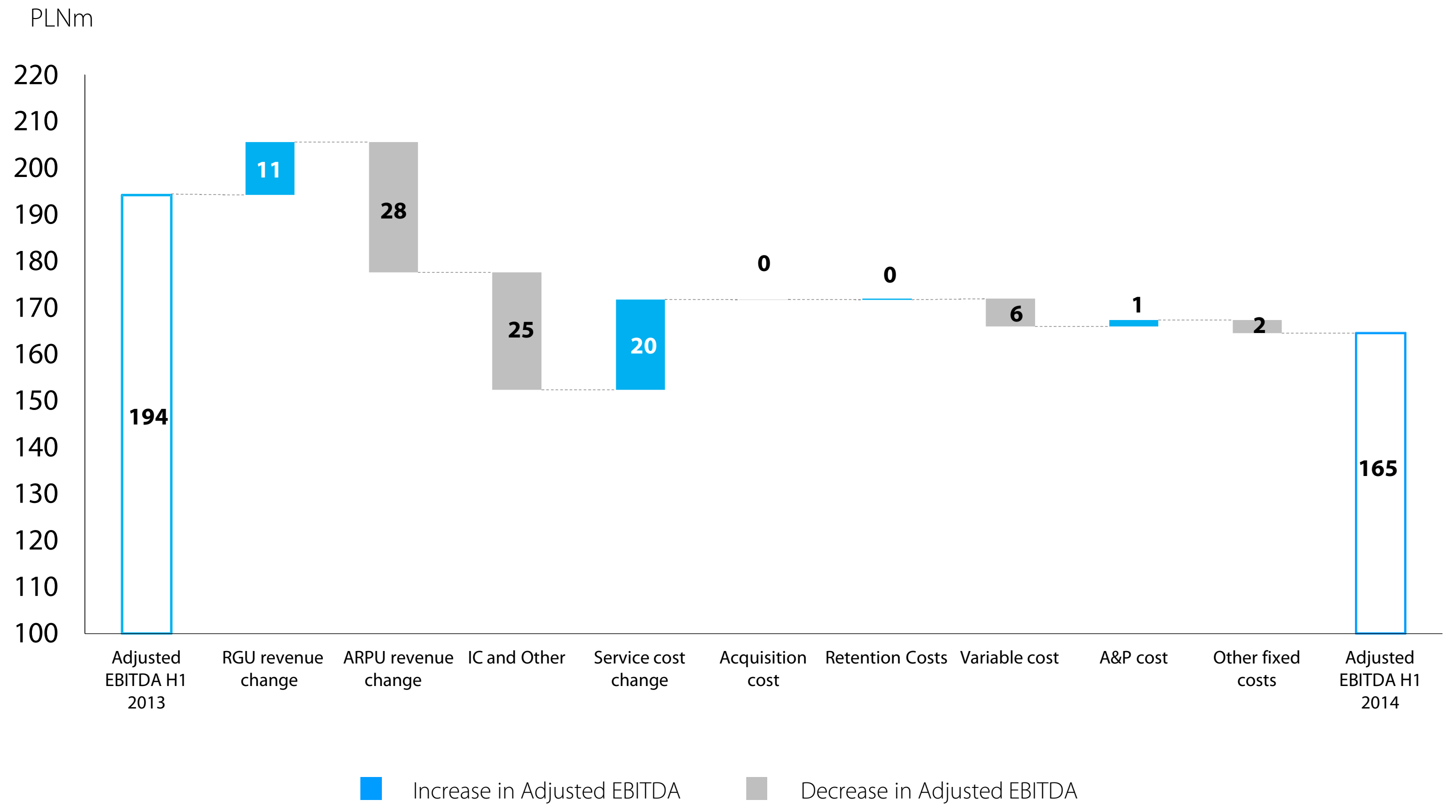
Average ARPU per Customer Location[1]



1 Analyses B2B broadband and voice revenues. B2B Other Data network revenues and Other Services revenues excluded

B2B financial performance | Adjusted B2B EBITDA bridge for H1 2014

Actual
H1 2013
vs
H1 2014

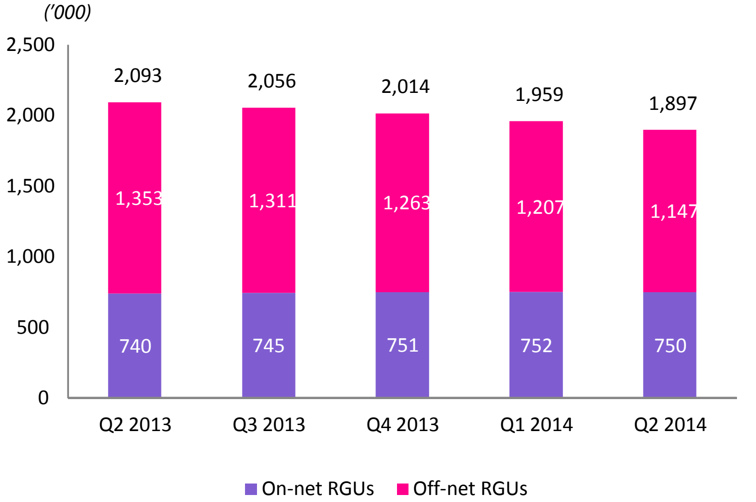


Comments

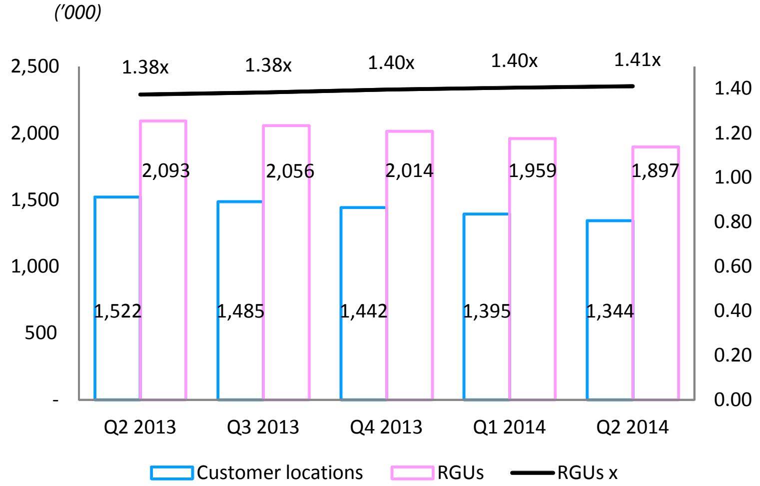
- ARPU decline, related mainly to voice services, lowers B2B revenue and EBITDA margin between periods
- Lower interconnect revenue together with falling services costs reflect the impact of MTR cuts from 15 gr to 8 gr and 4 gr in the course of 2013. Customer ARPUs still negatively affected by repricing of calls to mobiles
- Focusing on data transmission services, resignation from active sales based on regulated access and increased supervision of the discounting process should positively affect B2B financial results in subsequent periods

B2C Overview

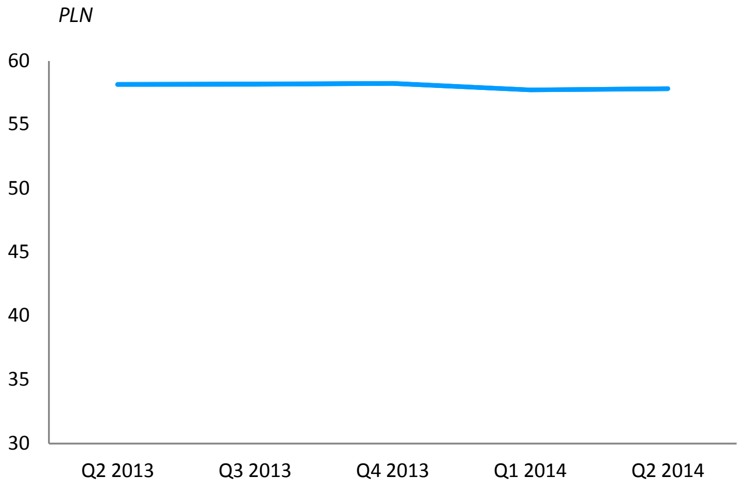
RGUs by access type



Customer Locations and RGUs



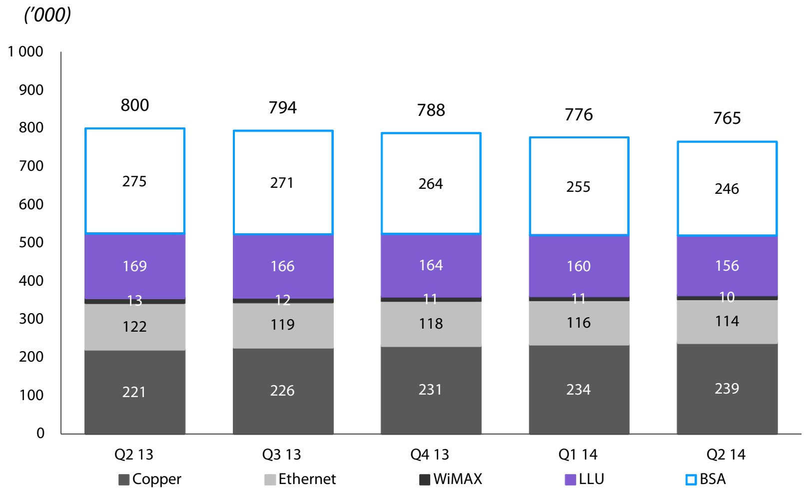
Average ARPU per Customer Location



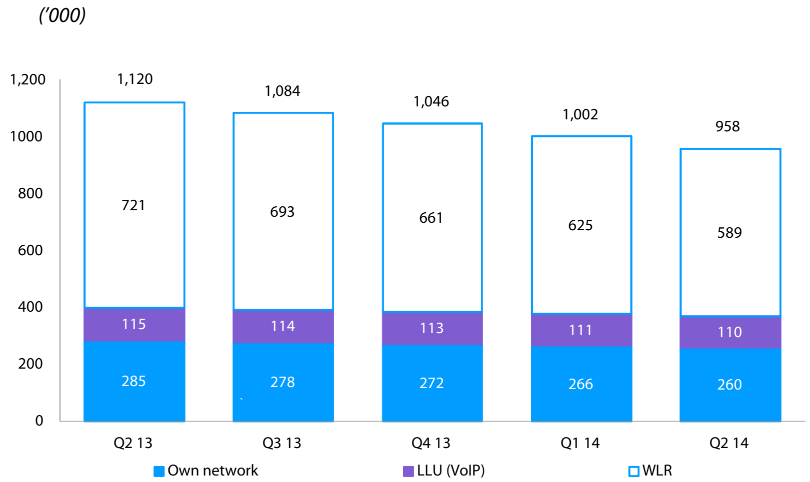
Comments

- Defocusing off-net services results in drop of B2C RGUs
- RGUs down 9% y-o-y with share of on-net RGUs up by 4 pp to 40%
- TV cross-sell, higher BB speeds and unlimited voice keeping ARPU per customer relatively stable
- On-net cross-sell increases number of RGUs per customer
- Most customer losses are single play WLR or off-net broadband

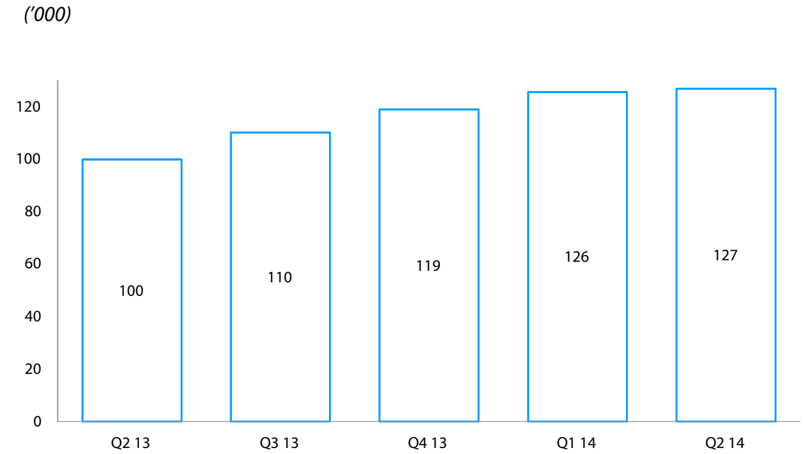
Broadband ports



Voice lines



TV services

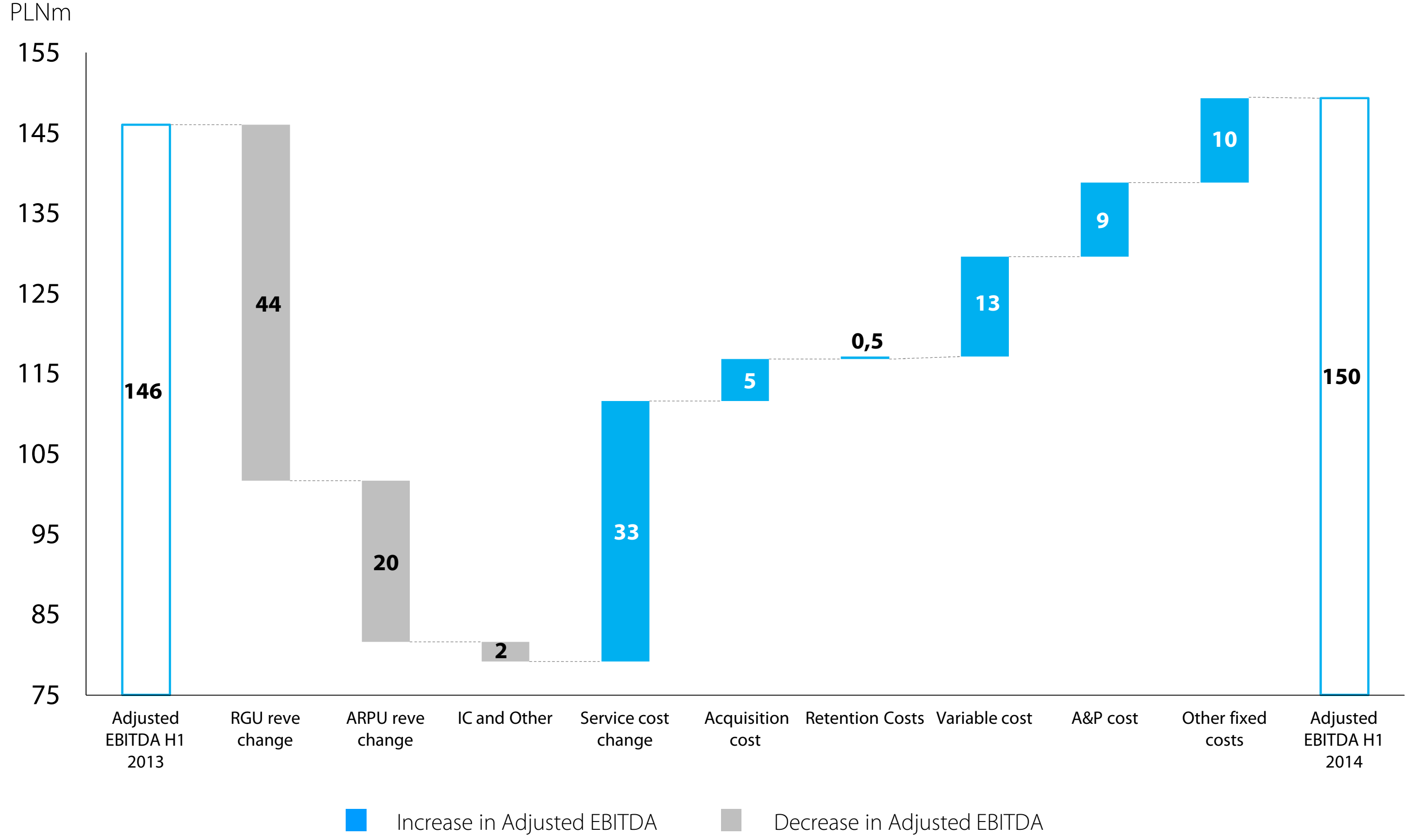


Comments

- TV services at 127k in Q2 2014 (1% q-o-q and 27% y-o-y)
- Defocusing WLR reflected in drop in voice RGUs
- Slightly growing on-net broadband customer base. 47% customers served directly via Netia's own network (+2 pp y-o-y and +1 pp q-o-q)
- 35 % of On-net broadband customers now take TV services from Netia
- Streaming replaces IPTV (+17k streaming, - 6k IPTV, -3k HBO in H1 2014)

B2C financial performance | Adjusted B2C EBITDA bridge for H1 2014

Actual
H1 2013
vs
H1 2014



Comments

- Revenue decline driven mainly by off-net RGU declines
- Lower service cost reflects lower off-net rental payments to incumbent and lower interconnection costs
- EBITDA up 3% y-o-y due to strict cost control and scalability of off-net business model as lower SAC, lower advertising, and lower variable costs

NGA upgrade | Further progress with 24k HPs rolled-out in H1

NGA and TV potential coverage for Netia post Aster CATV acquisition

	June 30, 2014			With ongoing upgrades[1]	
('000 homes passed)	Homes passed (HP)	NGA HP	TV ready HP	NGA HP	TV ready HP
Cu	1,682	897	1,138	897	1,138
ETTH	659	248	413	257	414
PON	160	160	160	167	168
Total	**2,501**	**1,305**	**1,712**	**1,321**	**1,719**
CATV	446	-	-	400	400
Total Proforma	**2,947**	**1,305**	**1,712**	**1,721**	**2,119**
% of Total on-net HP		*44%*	*58%*	*58%*	*72%*
LLU	4,930	-	2,163	-	2,163
Total	**7,877**	**1,305**	**3,875**	**1,721**	**4,282**

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 for Q3, 2014
- The following key milestones have been accomplished :
  - Product and operational processes design, implementation of HFC technical solutions, first part of CPE ordered
  - Network operational hand-over from UPC to Netia - 85% completed at the end of H1 2014
  - On August 18 Netia launched commercial sale of services on the HFC network

NGA roll out status

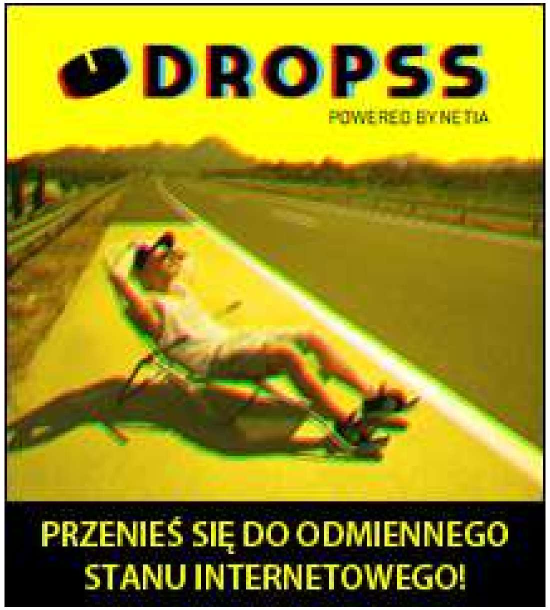
- As at June 30, 2014, Netia covered in total 1,305k households with its NGA networks and a further 407k HPs on non upgraded networks can receive sufficient bandwidth to receive TV services
- Including all LLU and own network ADSL2+ and ETTH HPs with bandwidth above 14 Mb/s, Netia is able to provide 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 1,721k NGA HPs which can be reached with 3play service bundles (TV + fixed NGA broadband + fixed voice) with a further 2,561 HPs that can support TV services without network upgrade

1 Adaptation of ex-Aster CATV infrastructure

On July 29, 2014 Netia introduced a new brand and a new Internet access offering over regulated access (LLU and BSA) - the 'Dropss'

Product description

- Internet access service based on incumbent infrastructure (LLU, BSA) dedicated only to new customers
- No charge for line maintenance
- No penalty charge for termination of the contract
- No loyalty period
- Ca. 30% price reduction comparing to incumbent
- Bandwidth up to 20 Mb/s
- Costs offset by activation fee, no free modem and use of only cheapest sales channels



Modernization of ex. Aster network using modern network solutions has allowed Netia to offer one of the fastest internet services in Poland with the maximum bandwidth up to 300 Mb/s

HFC offer conditions

- Bandwidth option up to 300 Mb/s for PLN 49.90 (up to 20 Mb/s for PLN 29.90)
- Internet + TV packages start from PLN 39.90
- Modern WiFi router without additional charge
- Nearly 180 digital channels including 60 HD channels
- Multiroom service with second TV decoder equal to primary service, costs only PLN 1 per month
- In accordance with the decision of the President of UOKiK all ex. Aster customers who will sign an agreement with Netia (regardless of the type of current contract with UPC Poland), may terminate the contract without any penalty charge
- Following a 2 months trial, full commercial launch started on August 18

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Group Financial Overview

Financial Performance | Key figures for 2013 and H1 2014

N E T I A

(PLN' 000)	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1 2014	2014 Q2 2014	2014 q-o-q	H1 vs H1 H1 2013	H1 vs H1 H1 2014	H1 vs H1 y-o-y
Revenues	490,690	477,492	457,076	450,758	434,371	422,161	(2.8%)	968,182	856,532	(11.5%)
Change (y-o-y%)	(9.8%)	(11.0%)	(12.3%)	(13.2%)	(11.5%)	(11.6%)				
Gross profit	161,696	154,948	156,104	137,926	141,816	130,509	(8.0%)	316,644	272,325	(14.0%)
Gross margin (%)	33.0%	32.5%	34.2%	30.6%	32.6%	30.9%		32.7%	31.8%	
Adjusted EBITDA[1]	142,005	140,541	144,123	124,186	134,440	125,106	(6.9%)	282,546	259,546	(8.1%)
Margin (%)	28.9%	29.4%	31.5%	27.6%	31.0%	29.6%		29.2%	30.3%	
Change (y-o-y%)	6.8%	(10.0%)	(8.5%)	(14.1%)	(5.3%)	(10.9%)				
Adjusted EBIT[1]	30,656	30,573	34,457	15,175	29,146	19,529	(33.0%)	61,229	48,675	(20.5%)
Margin (%)	6.2%	6.4%	7.5%	3.4%	6.7%	4.6%		6.3%	5.7%	

Comments

- Sequentially lower revenue in H1 2014 was driven mainly by lower fixed voice revenue, particularly WLR, and continued MTR related ARPU reductions in B2B segment
- Higher costs mainly related to HQ office lease (release of deferred incentives in Q1 2014), impairment of receivables (following a stabilization of previously improving debt recovery rates) and liquidation of certain obsolete fixed assets

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

Financial Performance | Adjusted EBITDA reconciliation to Net Result

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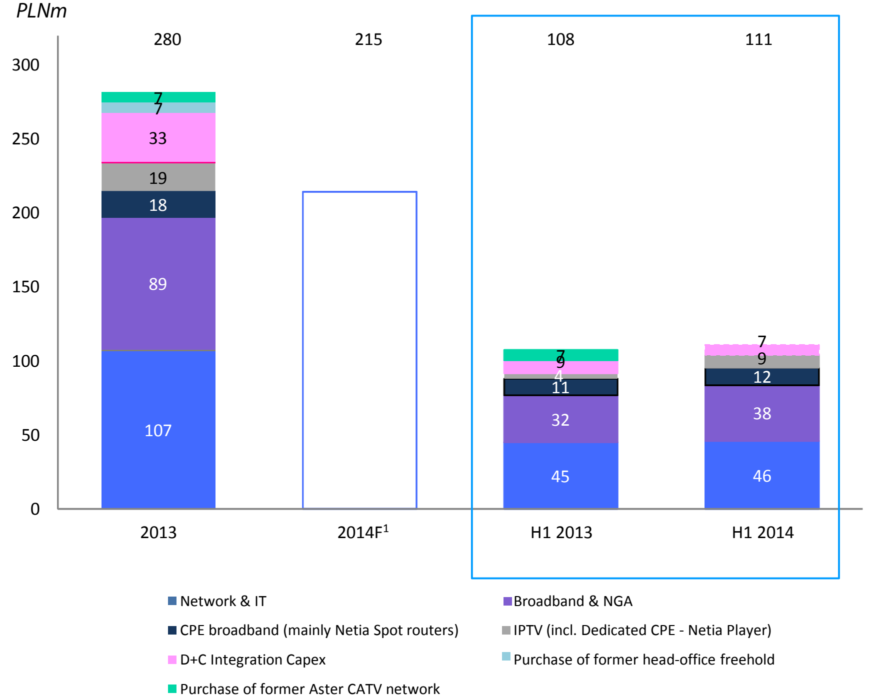
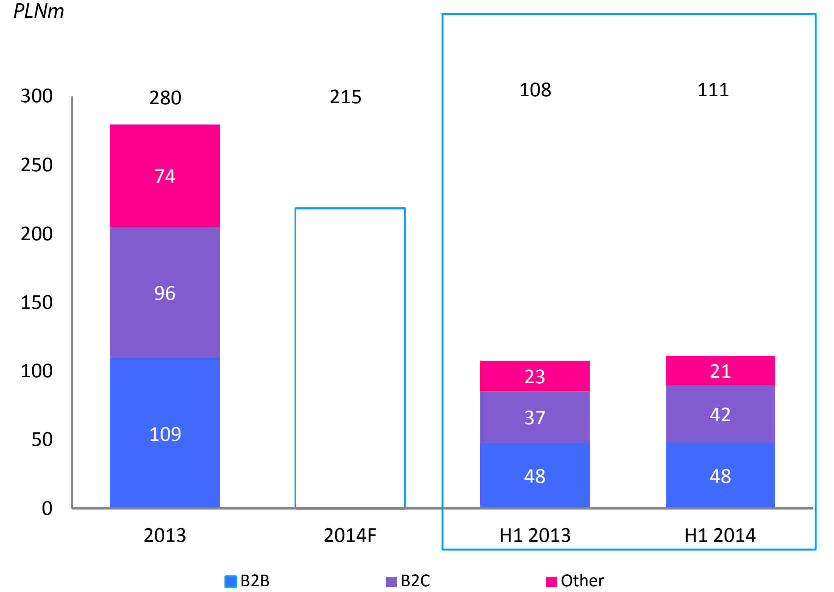
PLN'000	H1 2013	H1 2014		Change
Adjusted EBITDA	**282,546**	**259,546**		-8 %
Unusual Items:				
M&A related costs	(119)	(40)		-66%
New Netia integration costs	(4,785)	(4,413)	1	-8%
Restructuring costs	(2,182)	(5,679)	2	+160%
N2 Project costs (B2B/B2C Split)	-	(1,132)	3	nm
Impairment charge	(431)	(2,503)	4	+480%
EBITDA	**275,029**	**245,779**		-11%
Depreciation and amortization	(221,317)	(210,871)		-5%
EBIT	**53,712**	**34,908**		-35%
Net financial expenses	(15,345)	(9,455)	5	-38%
Profit /(Loss) before tax	38,367	25,453		-34%
Current tax and deferred income tax	(16,639)	(6,205)		-63%
Net profit	**21,728**	**19,248**		-11%
Average number of outstanding shares (basic)	**361,206,565**	**347,910,774**		na
EPS (in PLN, basic)	**0.06**	**0.06**		

1. Dialog and Crowley integration project costs down 8% y-o-y as the active project scope runs down. IT migration completed in Q2 2014
2. Mainly provisions for staff redundancies related to Netia's reorganisation into B2B and B2C Business Units (N2 Project)
3. Implementation costs for the N^2 project for H1 2014
4. Impairment charge of PLN 2.5m recorded upon the decision to discontinue using Dialog's trademark from Q2 2014
5. Acquisition loan repayments resulted in lower net interest expenses

Capital investments by Type



Capital investments by Operating Segments

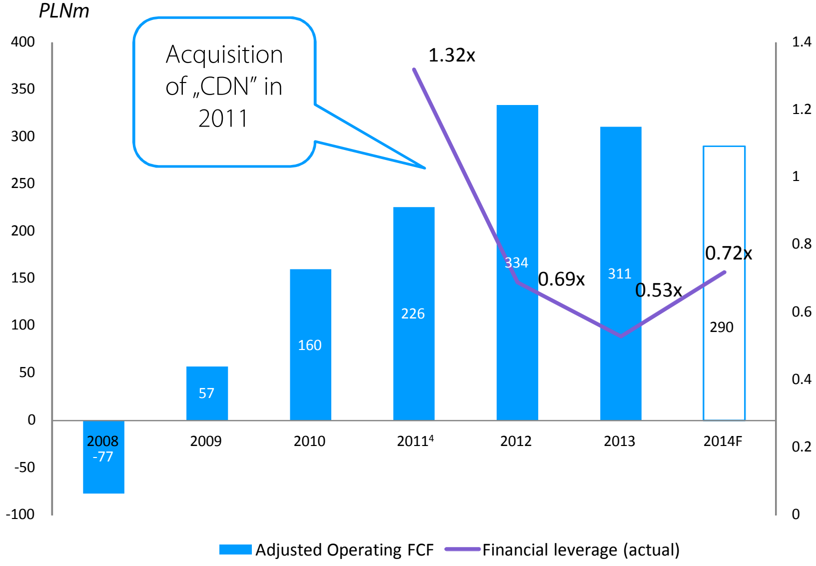


Comments

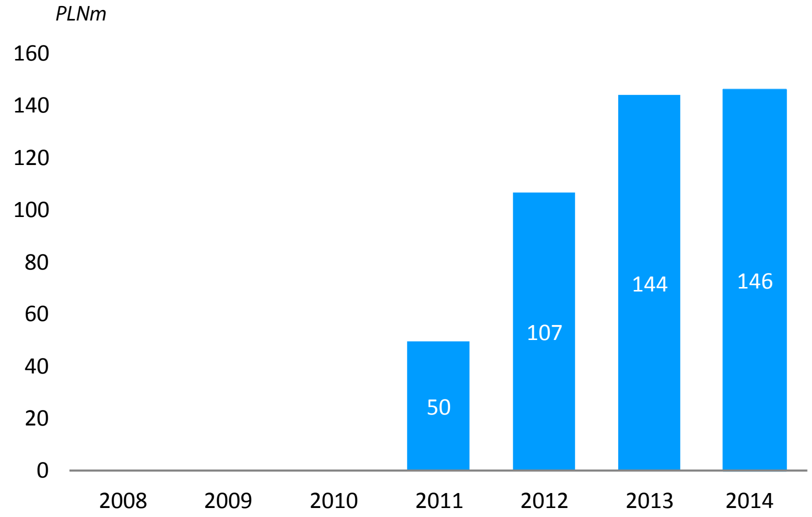
- Capital investment in existing network and IT reflect extension of transmission network capacity to activate new business customers
- Investments in broadband networks include mainly NGA development and upgrades for residential clients and works on integrating with Netia's broadband network the cable networks in Warsaw and Kraków, which were acquired from UPC Polska in May 2013
- As part of the N^2 reorganisation, Management expects all capex will be substantially allocated to B2B and B2C. In comparison to Q1 2014 results part of Other segment capex allocated to B2B and B2C segments (history restated)

1 Published capital investment guidance excludes integration and restructuring capex

Adjusted Operating FCF[1] and Financial Leverage[3]



Dividends and other distributions[2]



Comments

- Company paid a PLN 146m (42 groszy) dividend in accordance with the distribution policy in June 2014
- Net Debt increased from PLN 261m to PLN 366m during Q2 2014 with the Group`s leverage now at 0.72x Adjusted EBITDA guidance of PLN 505m for 2014 full year
- Adjusted Operating FCF robust at a forecast PLN 290m and 17.3% of revenue for 2014 despite falling RGUs
- Operational FCF in H1 was PLN 155m (-13% q-o-q and -18% y-o-y)

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
2 Including Buy-Back program
3 Leverage = Net debt/Adjusted EBITDA
4 2011 FCF includes proforma results of Dialog and Crowley to aid comparability

NETIA

2014 Full Year Guidance

	Previous	***Revised***
Revenues (PLNm)	**1,735**	**1,675**
Adjusted EBITDA (PLNm)	**505**	**505**
Adjusted EBITDA margin	***29%***	***30%***
Adjusted EBIT (PLNm)	***75***	***75***
Capex (PLNm)	**200**	**215**
Adjusted OpFCF (PLNm)	**305**	**290**

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 share 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.

Payout in 2014

- Company paid a PLN 0.42 dividend per share on June 17
- AGM adopted a new PLN 200m share buy-back program to maximise flexibility in the form of payment of future distributions

- *Despite revenue guidance reduction Adjusted EBITDA stays unchanged due to strict cost control and scalability of off-net business model*
- *Expected increase in capital expenditure relates mainly to the CPE and network costs associated with accelerating gross additions in H2 2014*
- *No RGU guidance for 2014 as Management focuses on product features, restructuring and cost reduction. Nonetheless on-net RGUs expected to grow*

Conclusions

NETIA

- Netia delivered robust financial performance in H1 2014, demonstrating the business' resilience against strong competition and heavy price discounting in a difficult market environment
- As expected company continues progress in TV services, on-net broadband and B2B RGUs
- Constantly growing B2C margins reflect strategic defocus of WLR and BSA services, simplification and cost reduction initiatives
- Netia's financial standing strong with leverage at 0.72x of the 2014 Adjusted EBITDA guidance, providing flexibility to fund both distributions and acquisitions
- Company paid a PLN 146m (42 groszy per share) dividend in accordance with the distribution policy in June 2014
- 2014 Guidance revised at revenue PLN 1,675m, adjusted EBITDA PLN 505m and capex PLN 215m
- Netia launched commercial services over its HFC infrastructure in Warsaw and Kraków offering one of the fastest internet services in Poland
- On July 2014 Netia introduced a new brand and a new Internet access offering over regulated access (LLU and BSA) - the 'Dropss' with significant price reduction comparing to incumbent
- „Netia Lajt" cost reduction and simplification project launched with objective of cutting PLN 50 mln from annualized cost base in 2015
- New Supervisory Board, Management Board and Management Team focused on updating Group Strategy

THANK YOU

NETIA