GIGA WOLNOŚĆ

Q3 and 9M 2014 Financial Results
Strategy 2020 Update

Conference call for investors

November 6th, 2014

NETIA

Disclaimer

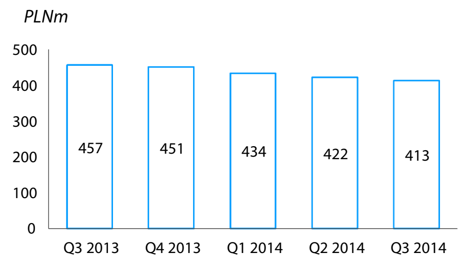
NETIA

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.

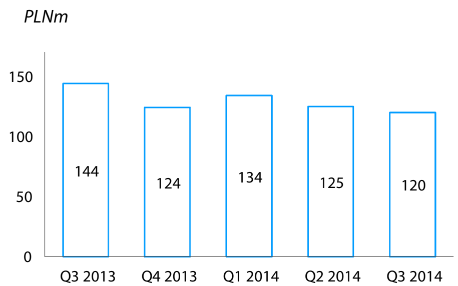
Key highlights | 9M and Q3 2014

- Revenue was PLN 1,270m for 9M 2014 (-11% y-o-y) and PLN 413m for Q3 2014 (-2% q-o-q and -10% y-o-y)
  - 26% of the annual and 15% q-o-q drop attributable to MTR reductions
- Profitability relatively resilient to revenue decline
  - Adjusted EBITDA[1] was PLN 380m for 9M 2014 (-11% y-o-y) and PLN 120m for Q3 2014 (-4% q-o-q and -17% y-o-y)
  - EBITDA was PLN 355m for 9M 2014 (-15% y-o-y) and PLN 109m for Q3 2014 (-9% q-o-q and -23% y-o-y)
- Netia generated PLN 222m Adjusted OpFCF[2] for 9M 2014 (-20% y-o-y) and PLN 66m for Q3 2014 (-9% q-o-q and -22% y-o-y)
- Net debt at PLN 284m on September 30, 2014 (-22% q-o-q and -10% y-o-y), representing 0.56x of Adjusted EBITDA guidance of PLN 505m for 2014 full year
- Total RGUs at 2,361k on September 30, 2014 (-3% q-o-q and -8% y-o-y)
- On November 4, 2014 Supervisory Board acknowledged key strategic directions of the updated Strategy 2020 (see next slides)
- On November 5, 2014 Netia and Orange Polska signed a settlement agreement under which both parties agreed to withdraw all claims and lawsuits and terminate all legal proceedings. Under the agreement, Orange Polska committed to pay Netia the amount of PLN 145m net of VAT, which will be recorded as other income and will increase Netia Group's net result for Q4 2014
- 2014 Guidance and Distribution Policy maintained

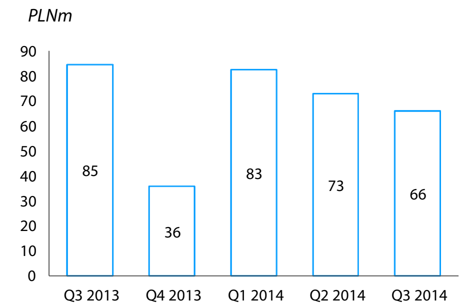
Revenues



Adjusted EBITDA[1]



Adjusted OpFCF[2]

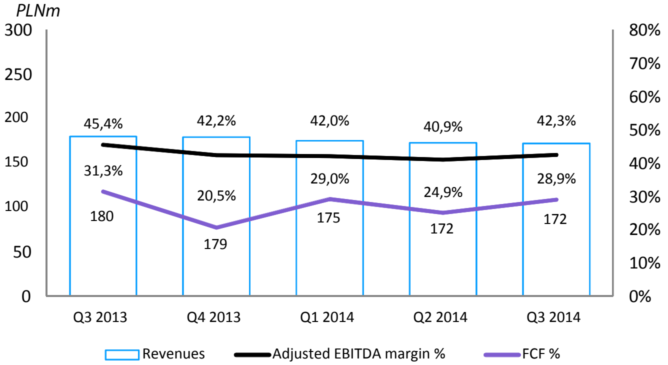


1 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment
2 Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration Capex; Capex = investments in tangible and intangible fixed assets

B2B & B2C | Stable top line and profitability in the B2B segment, trends in the B2C segment in line with expectations

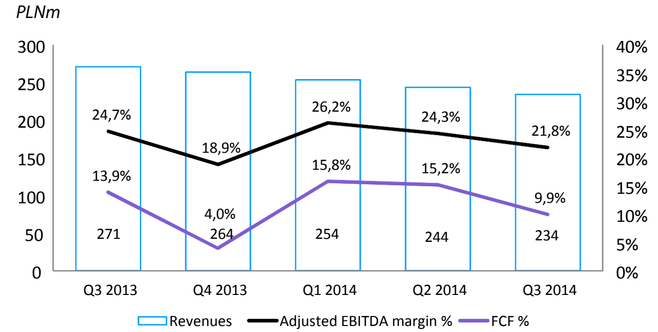
NETIA

B2B[1,3]



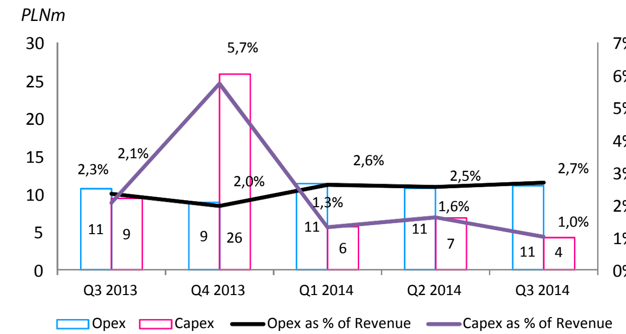
- **Revenue** was PLN 172m in Q3 2014 (-0% q-o-q and -5% y-o-y)
  - RGUs at494k (+0% q-o-q, +5% y-o-y)
  - Voice ARPUs under pressure and lower transit revenue due to MTR declines
- **Adjusted EBITDA** was PLN 73m with a margin of 42.3% in Q3 2014
- **Capital expenditure** at PLN 23m in Q3 2014 resulted in **Adjusted OpFCF** at the level of PLN 50m

B2C[2,3]



- **Revenue** was PLN 234m in Q3 2014, down by 4% compared to Q2 2014 and down by 14% y-o-y
  - RGUs at1,833k (-3% q-o-q, -11% y-o-y)
  - Substantial growth in TV (by 20% y-o-y and 4% q-o-q)
- **Adjusted EBITDA** was PLN 51m with a margin of 21.8% in Q3 2014
- **Capital expenditure** at PLN 28m in Q3 2014 resulted in **Adjusted OpFCF** at the level of PLN 23m

Other (unallocated expenses and Petrotel)[3]

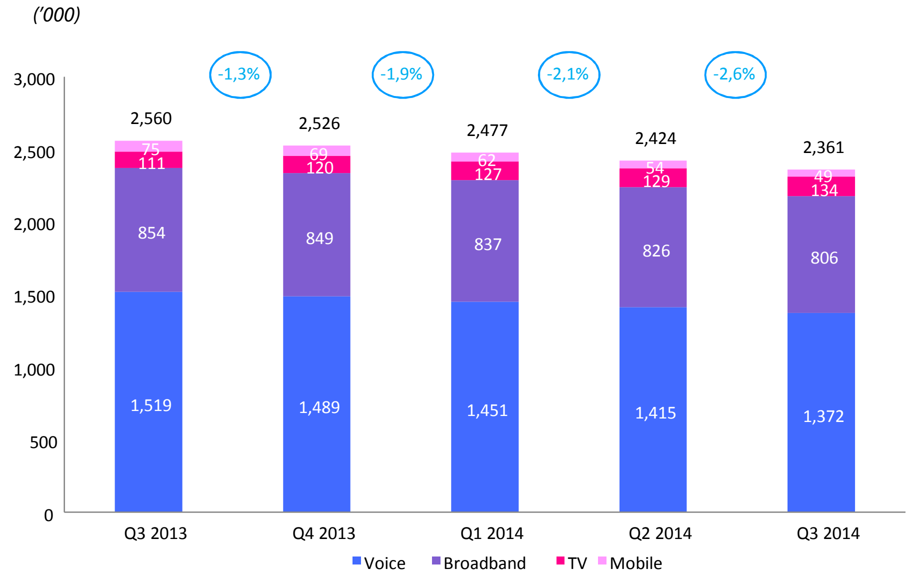


- Net of Petrotel EBITDA, unallocated costs of support functions (Finance, IT, HR, Management & Supervisory Boards, etc)
- Unallocated capex in Q3 2014 mainly related to Petrotel and CDN integration capex
- As part of the N[2] Project most of Other expenses and Other capex were allocated to either B2B or B2C (comparatives restated)

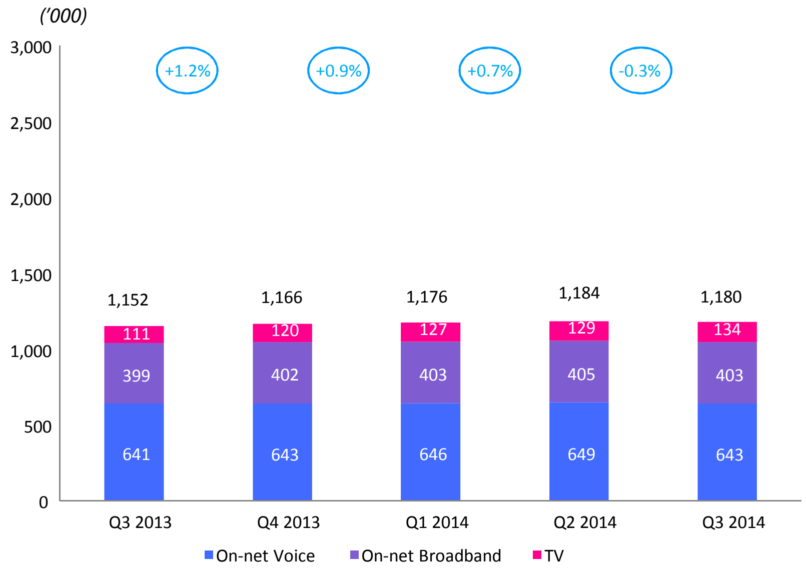
1 B2B comprises Business and Carrier customers sub-segments
2 B2C comprises Residential and SOHO customers sub-segments
3 Part of Other segment capex allocated to B2B and B2C segments (history restated)
Note: Excluding Petrotel and Other segment

Total Netia | Total RGUs by product

Total Netia RGUs



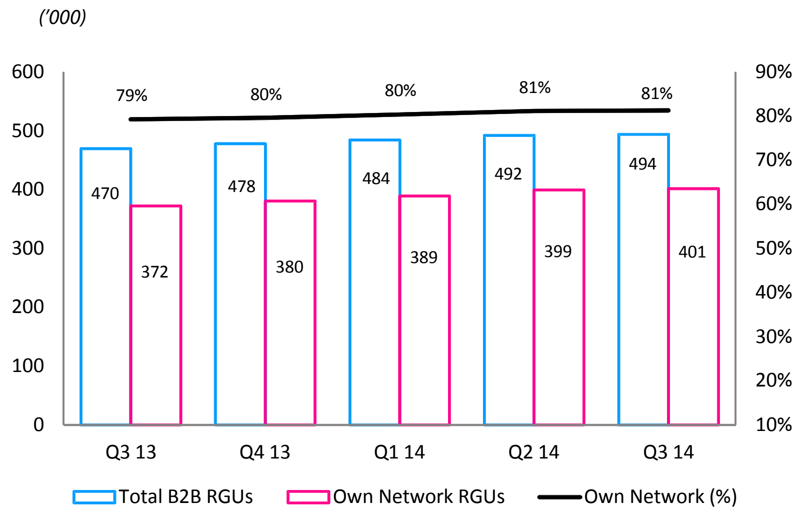
On-net Netia RGUs



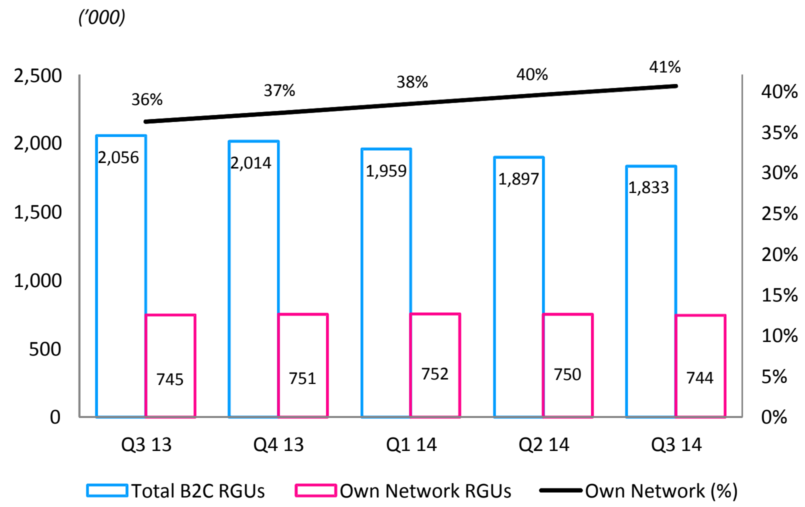
Comments

- Drop in total RGUs results from a strategic defocus of proactive sales on the lower margin WLR and BSA services (retention only)
- Positive net additions in the TV services reflect sales of smooth streaming based TV (adaptive IP) which is available over a wider footprint than IPTV and very promising sales results on the HFC network

B2B RGUs



B2C RGUs

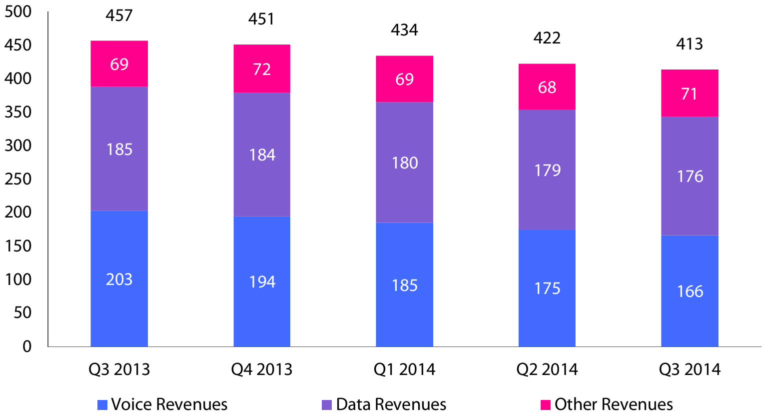


Comments

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

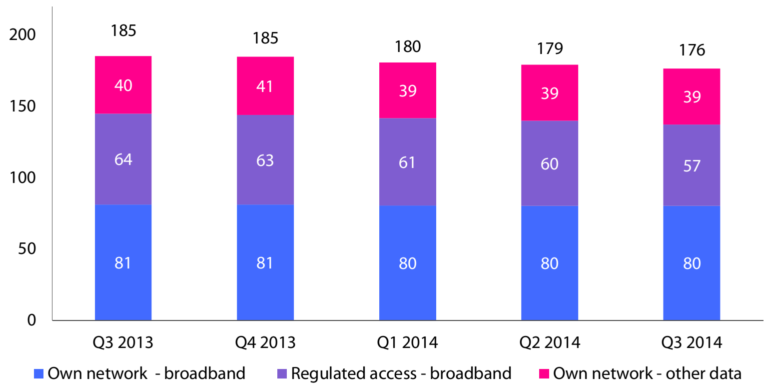
Revenue breakdown by service

PLNm



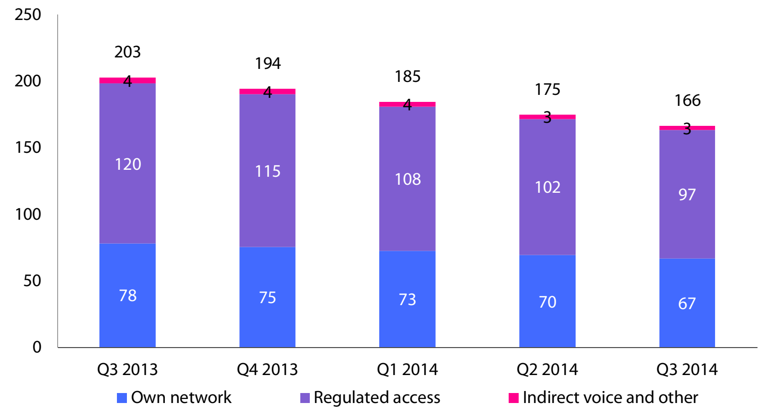
Data revenue[1] breakdown by access

PLNm



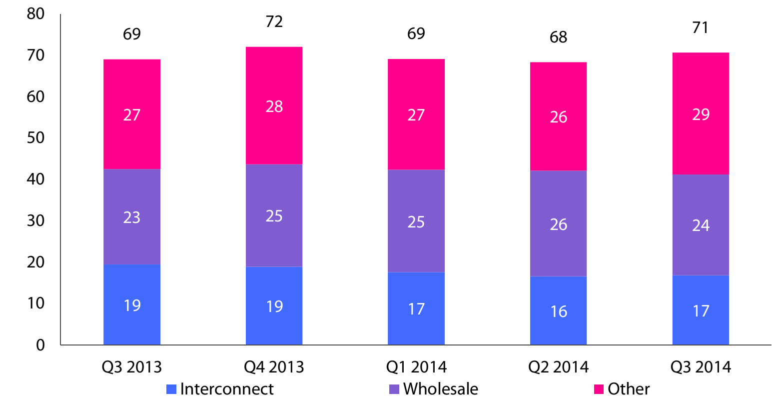
Voice revenue breakdown by access

PLNm



Other revenue[2]

PLNm

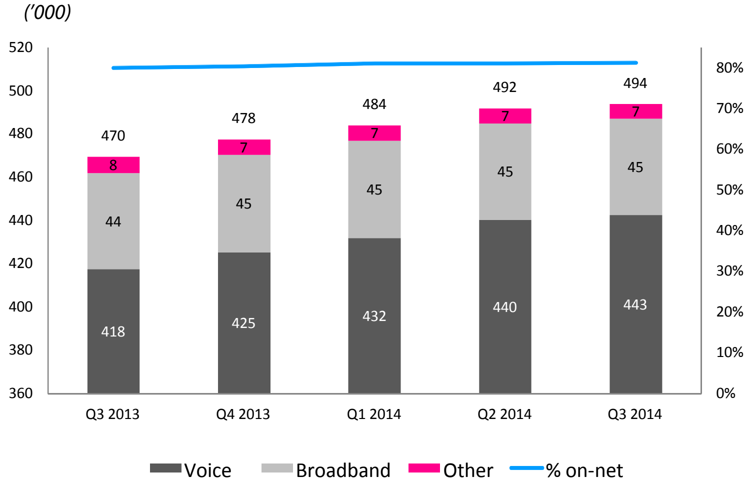


1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

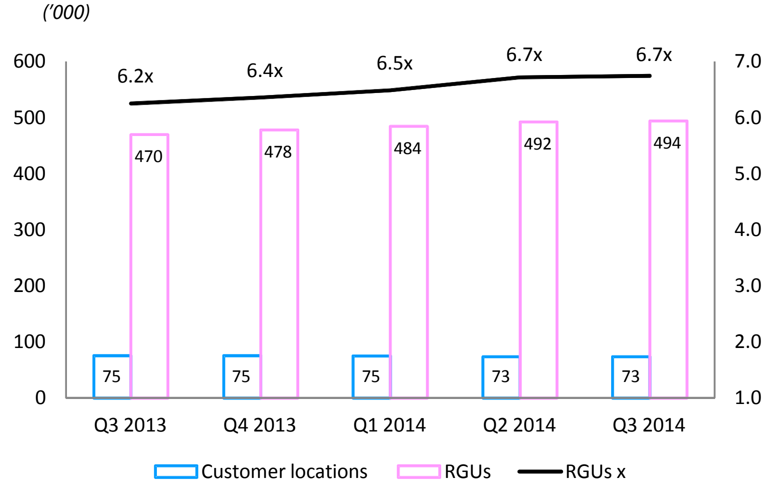
B2B Overview

NETIA

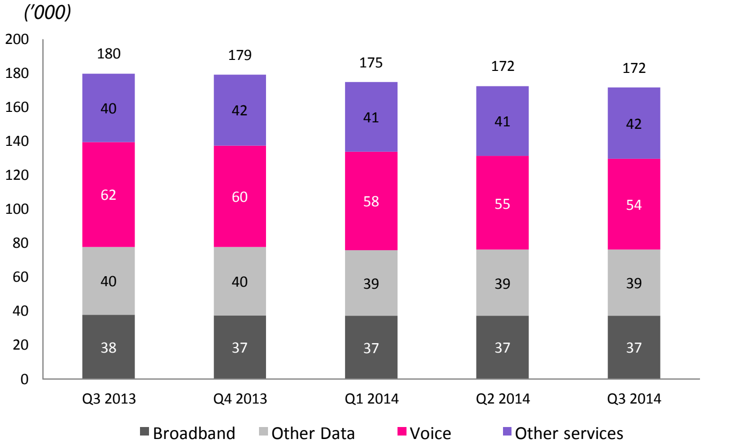
RGUs by type



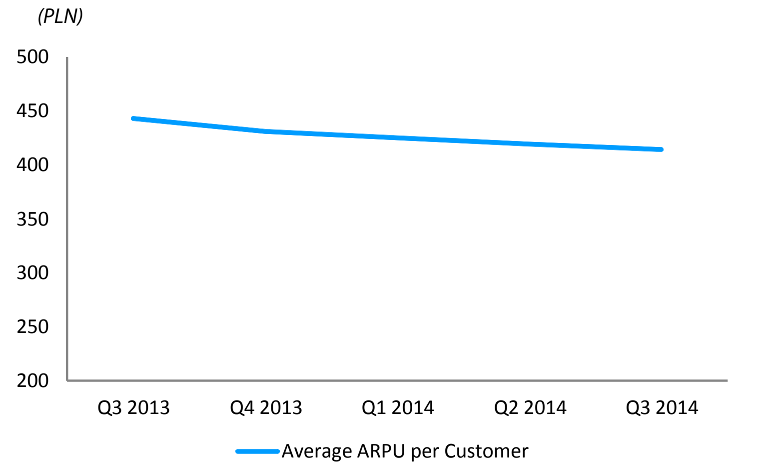
Customers Locations and RGUs



Revenue by service



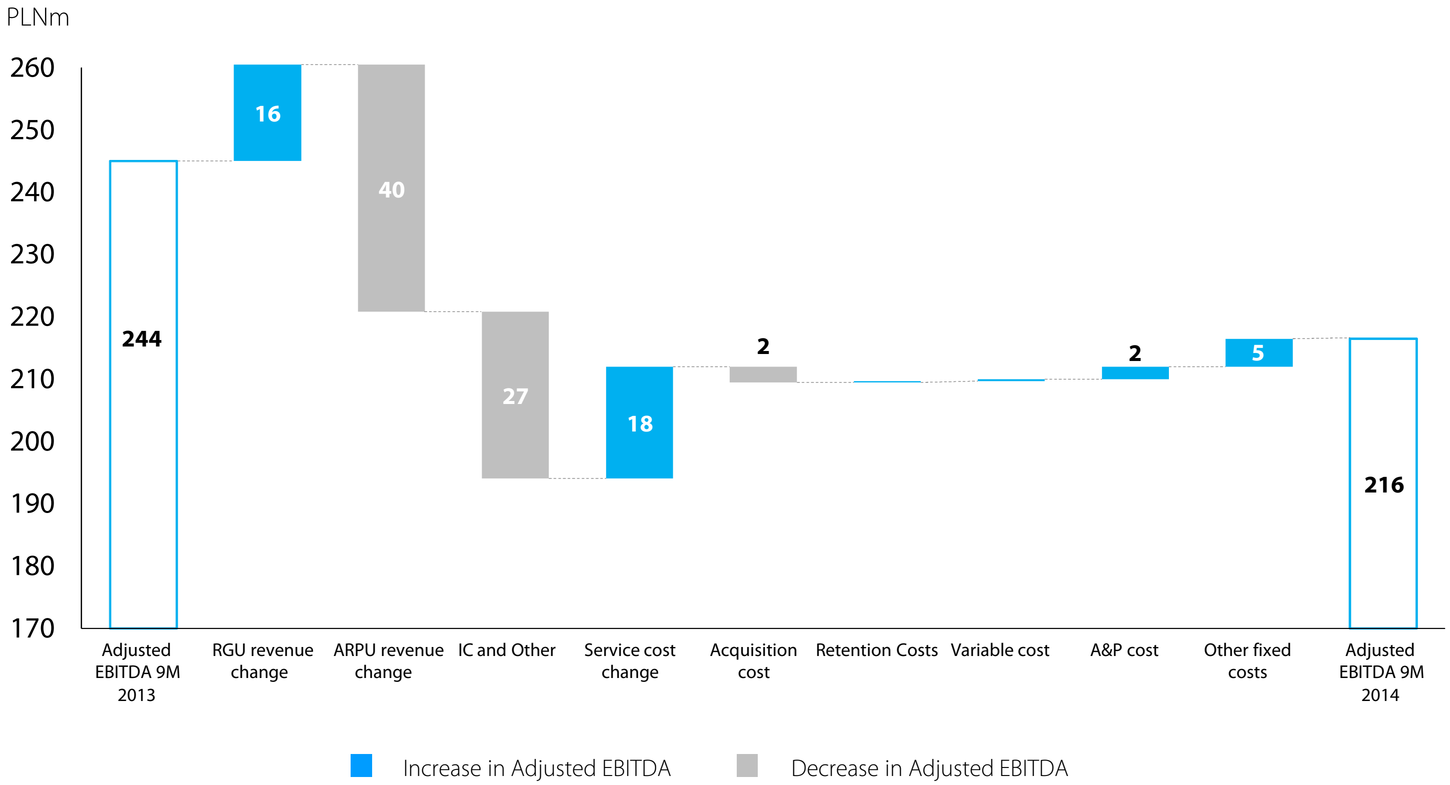
Average ARPU per Customer Location[1]



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 9M 2014

Actual
9M 2013
vs
9M 2014



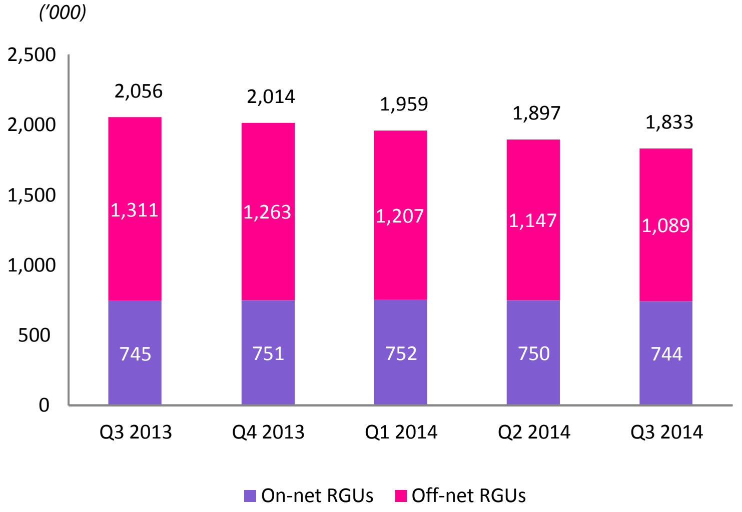
Comments

- 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 impact B2B financial results in subsequent periods

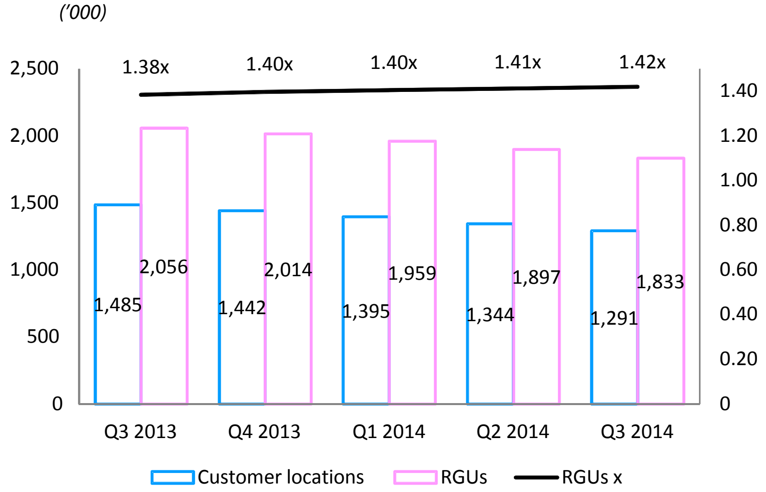
NETIA

B2C Overview

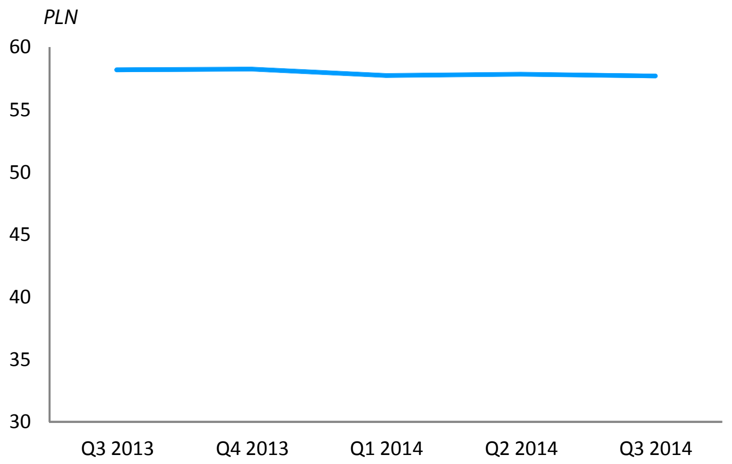
RGUs by access type



Customer Locations and RGUs



Average ARPU per Customer Location

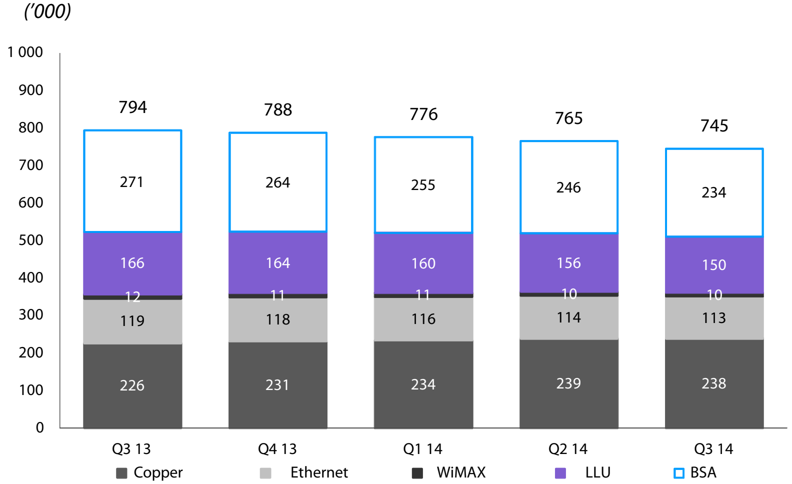


Comments

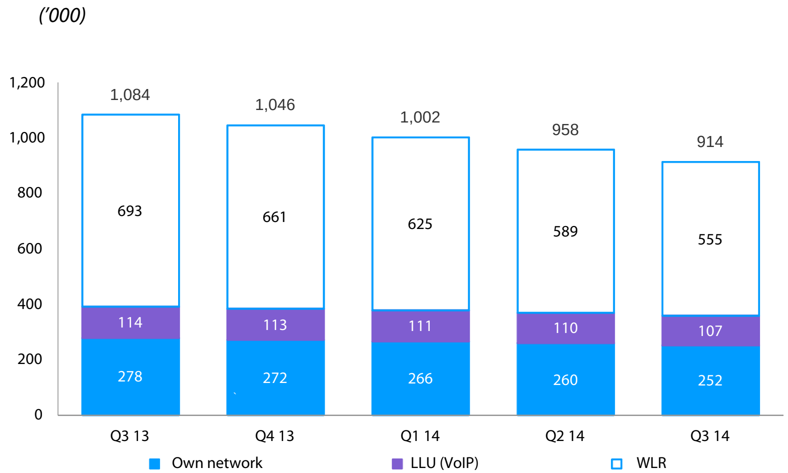
- Defocusing off-net services results in drop of B2C RGUs
- Share of on-net RGUs up by 4 pp to 41%
- TV cross-sell, higher BB speeds and unlimited voice keeping ARPU per customer relatively stable
- On-net cross-sell increases number of RGUs per customer
- Most customer losses are single play WLR or off-net broadband (BSA)

B2C Operations | RGUs by service

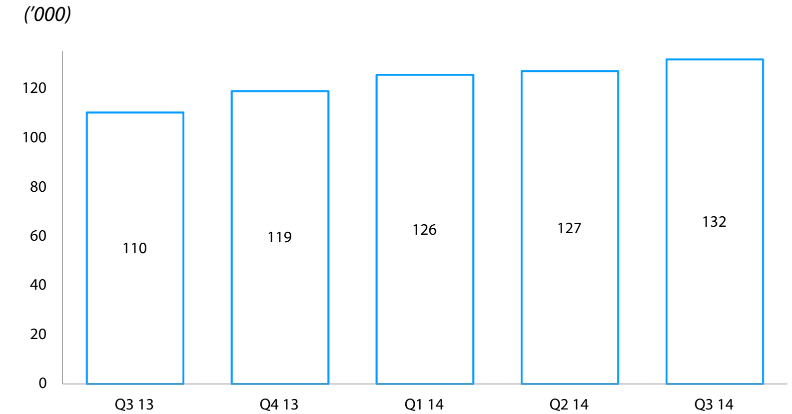
Broadband ports



Voice lines



TV services

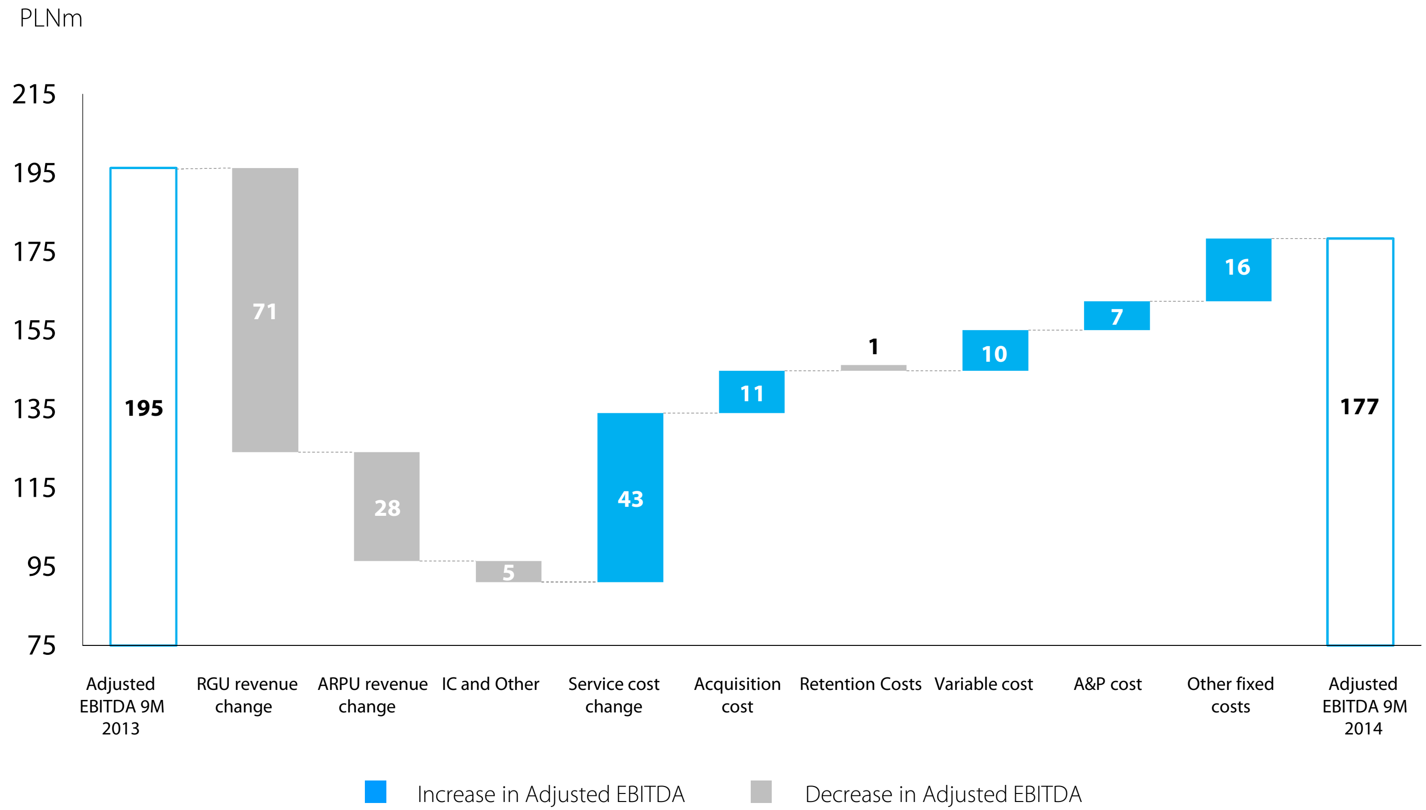


Comments

- TV services at 132k in Q3 2014 (4% q-o-q and 19% y-o-y)
- Focus on retention only in WLR reflected in drop in voice RGUs
- 48% customers served directly via Netia's own network (+3 pp y-o-y and +1 pp q-o-q)
- 37 % of On-net broadband customers now take TV services from Netia

NETIA

Actual
9M 2013
vs
9M 2014



Comments

- Revenue decline driven mainly by off-net RGU churn
- Lower service cost reflects lower off-net rental payments to incumbent and lower interconnection costs

NGA upgrade | Further progress with 33k HPs rolled-out in 9M 2014

NETIA

NGA and TV potential coverage for Netia post Aster CATV acquisition

	September 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	250	413	251	414
PON	167	167	167	167	167
Total	**2,509**	**1,314**	**1,718**	**1,315**	**1,720**
CATV	446	270	270	400	400
Total Proforma	**2,955**	**1,584**	**1,988**	**1,715**	**2,120**
% of Total on-net HP		*54%*	*67%*	*58%*	*72%*
LLU	4,930	-	2,163	-	2,163
Total	**7,885**	**1,584**	**4,151**	**1,715**	**4,283**

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

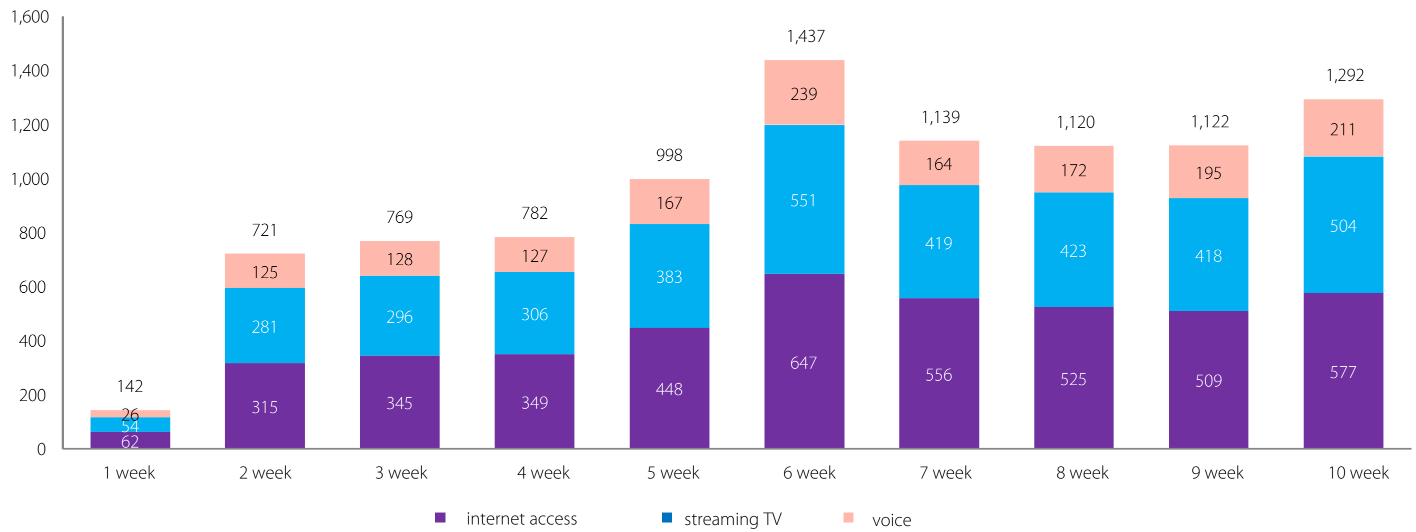
- Acquisition of part of ex-Aster network completed on May 10, 2013
- In Q2 2013 the Company began a project to integrate the HFC networks and prepare for a commercial launch
- On August 18 Netia launched commercial sale of services on the HFC network with very attractive commercial offer and one of the fastest broadband access in Poland – up to 300 Mb/s

NGA roll out status

- As at September 30, 2014, Netia covered in total 1,584k households with its NGA networks and a further 404k 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 4.1 million households which gives coverage of 30% of all HPs in Poland
- Netia has plans to expand its NGA coverage until the year end and once all upgrade projects are completed, Netia expects to cover in total approximately 1,715k NGA HPs which can be reached with 3play service bundles (TV + fixed NGA broadband + fixed voice) with a further 2,568 HPs that can support TV services without network upgrade
    - No further upgrades are planned at this stage beyond 2014

1 Adaptation of ex-Aster CATV infrastructure

Weekly sales dynamics - total services



Commercial offer

HFC	TV+Max 20	TV+Max 100	TV+Max 300
Bez telefonu	od 39,90 zł	od 49,90 zł	od 69,90 zł
Lepszy Telefon 30	od 44,90 zł	od 54,90 zł	od 74,90 zł
Do wszystkich 200	od 54,90 zł	od 64,90 zł	od 84,90 zł
Do wszystkich bez limitu	od 69,90 zł	od 79,90 zł	od 99,90 zł

Comments

- Regular acquisition of over 1k services per week despite access to less than 70% of HFC resources (100% planned for December 2014)
- Ca. 80% broadband services sold in bundle with TV or in 3P
- Broadband in bundle with TV offered for less than PLN 39,90 per month
- Bandwidth up to 300 Mb/s

Group Financial Overview

Financial Performance | Key figures for 2013 and 9M 2014

(PLN' 000)	2013				2014			9M vs 9M		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**9M 2013**	**9M 2014**	**y-o-y**
Revenues	490,690	477,492	457,076	450,758	434,371	422,161	413,407	1,425,258	1,269,939	(10.9%)
Change (y-o-y%)	(9.8%)	(11.0%)	(12.3%)	(13.2%)	(11.5%)	(11.6%)	(9.6%)			
Gross profit	161,696	154,948	156,104	137,926	141,816	130,509	125.436	472,748	397,761	(15.9%)
Gross margin (%)	33.0%	32.5%	34.2%	30.6%	32.6%	30.9%	30.3%	33.2%	31.3%	
Adjusted EBITDA[1]	142,005	140,541	144,123	124,186	134,440	125,106	120,253	426,669	379,799	(10.9%)
Margin (%)	28.9%	29.4%	31.5%	27.6%	31.0%	29.6%	29.1%	29.9%	29,9%	
Change (y-o-y%)	6.8%	(10.0%)	(8.5%)	(14.1%)	(5.3%)	(10.9%)	(16.6%)			
Adjusted EBIT[1]	30,656	30,573	34,457	15,175	29,146	19,529	13.875	95,686	62,550	(34.6%)
Margin (%)	6.2%	6.4%	7.5%	3.4%	6.7%	4.6%	3.3%	6.7%	4,9%	

Comments

- Sequentially lower revenue in 9M 2014 was driven mainly by lower fixed voice revenue, particularly WLR and continued MTR related ARPU reductions in B2B segment

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

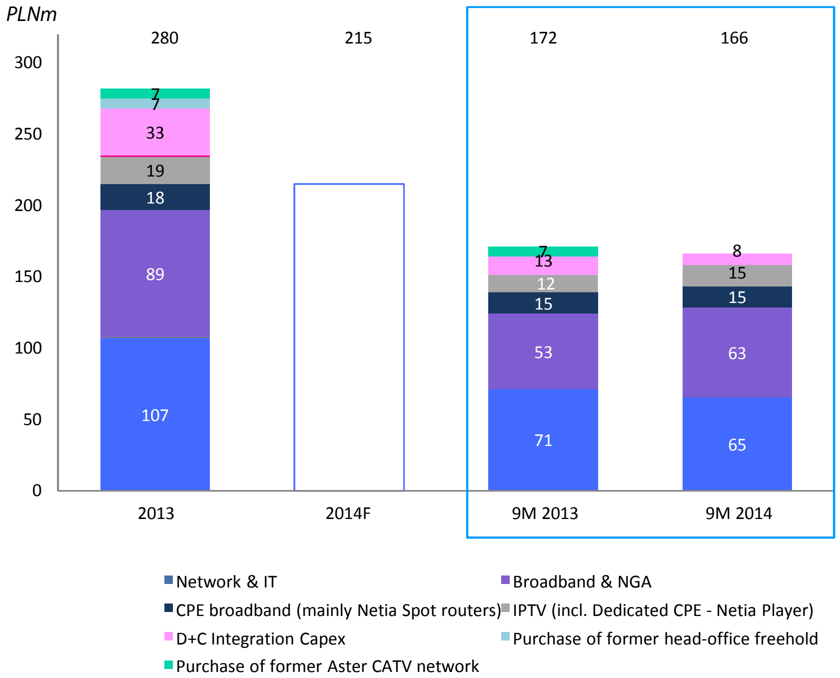
N E T I A

PLN'000	*9M 2013*	*9M 2014*		*Change*
Adjusted EBITDA	**426,669**	**379,799**		*-11 %*
Unusual Items:				
M&A related costs	(200)	(100)		*-50%*
New Netia integration costs	(5,817)	(6.133)	1	*+5%*
Restructuring costs	(2,850)	(12,535)	2	*+340%*
N2 Project (B2B/B2C Split) and Netia Lajt costs	-	(2,985)	3	*nm*
Impairment charge	(431)	(2,503)	4	*+480%*
Universal Service Obligation Provision	150	-		*np*
Settlement agreement with Orange Polska	-	(274)		*np*
EBITDA	**417,521**	**355,269**		*-15%*
Depreciation and amortization	(330,983)	(317,249)		*-4%*
EBIT	**86,538**	**38,020**		*-56%*
Net financial expenses	(23,168)	(15,842)	5	*-32%*
Profit /(Loss) before tax	63,370	22,178		*-65%*
Current tax and deferred income tax	(27,576)	(7,346)		*-73%*
Net profit	**35,794**	**14,832**		*-59%*
Average number of outstanding shares (basic)	**356,725,932**	**347,910,774**		*na*
EPS (in PLN, basic)	**0.10**	**0.04**		

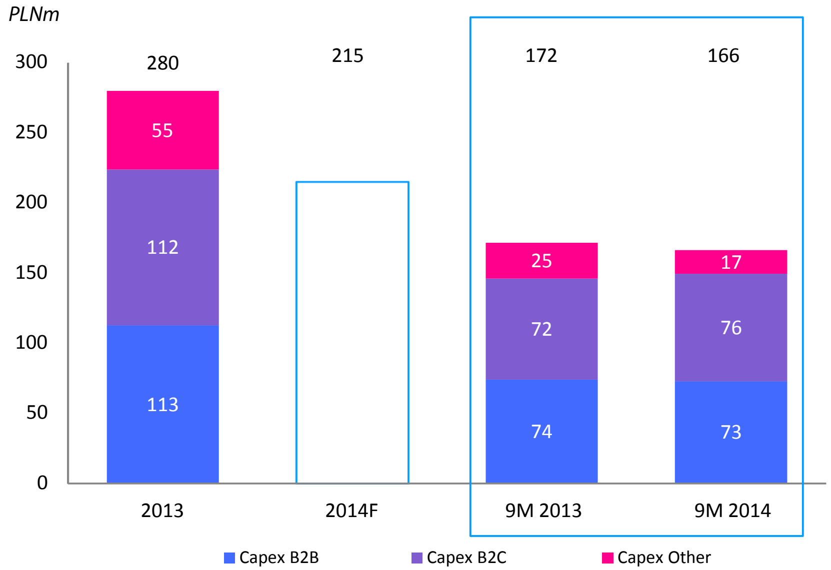
1. Dialog and Crowley integration project costs up 5% driven mainly by Dialog IT systems migration
2. Mainly provisions for staff redundancies related to Netia's reorganisation into B2B and B2C Business Units (N2 Project) and Netia Lajt
3. Implementation costs for the N^2 and Netia Lajt projects
4. Impairment 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

NETIA

Capital investments by Type



Capital investments by Operating Segments



Comments

- Capital investments in the existing network and IT reflect extension of the transmission network capacity to activate new business customers
- Investments in the broadband networks include mainly NGA upgrades as well as upgrades and integration works for residential clients within the cable networks located in Warsaw and Kraków, which were acquired from UPC Polska in May 2013
- As part of the N^2 reorganisation most of the capex was allocated to B2B and B2C. Historical data was restated as compared to previous quarters

1 Published capital investment guidance excludes integration and restructuring capex

NETIA

- On November 5, 2014 Netia Group companies and Orange Polska SA signed a settlement agreement in which the parties waived all their claims which had been brought before relevant courts and committed to undertake actions aimed at discontinuation of the relevant court proceedings between the parties
- As a result of mutual concessions the parties decided to settle their mutual claims by way of Orange Polska SA paying Netia one-off **PLN 145m** net of VAT
- This amount was paid on the date of signing of the settlement and will be recorded as other income increasing the Netia Group's net result for Q4 2014
- Orange Polska SA may be obliged to pay an additional amount upon the fulfillment of the certain additional conditions described in the settlement

- On November 3, 2014 Netia executed a new loan agreement with mBank SA (the Facility Agent) and Bank Gospodarki Żywnościowej SA for a term facility maturing in three years with a total of PLN 300m

- The loan refinances the earlier credit agreement signed on September 2011 with a consortium of banks (BGŻ, BNP Paribas, mBank, Raiffeisen Bank Polska, Raiffeisen Bank International) for the purchase of shares of Telefonia Dialog (as at October 31, 2014 outstanding amount was PLN 375m)

- Netia will repay the remaining balance of PLN 75m of the previous loan agreement from its own disposable funds

- The tenor on the loan is 3 years with semi annual principal repayments plus interest

- Financial terms of the transaction were based on WIBOR 3M and 6M with the spread generally in line with the market terms

Strategy 2020 Update

Strategy update | Currently, Netia is at the beginning of the next wave of evolution in a changing competitive environment

NETIA

	Creation of strong standing in B2B Segment 1999-2006	Dynamic development and consolidation of the market 2007-2011	Modernization and transformation 2012-today
Description	• Own network development • Focus on the B2B segment (B2C selectively) • No regulatory model	• Operation of own network and use the opportunities offered by regulations in segments (LLU, WLR, BSA) • Increasing the scale of operations through acquisitions (Dialog + Crowley + network ETTH)	• Modernization of own network to NGA standards • Resignation from proactive acquisition of regulated network services • Development of offers 2P / 3P with TV • Development of data transmission and "new data" products for B2B
Revenue (PLNm)	862	1,619	1,675
Adjusted EBITDA (PLNm)	155[2]-221 ↑	171[3]-408 ↑	591[4]-505 ↓
Adjusted EBITDA Margin (%)	25,7	25,2	30,1
OpFCF (PLNm)	48	164	290
RGU (services) (thousands)	458 (398; 60)	2.708 (1.745; 912; 51)	2.355 (1.412; 817; 126)
	2006	2011	2014 P[1]

TV

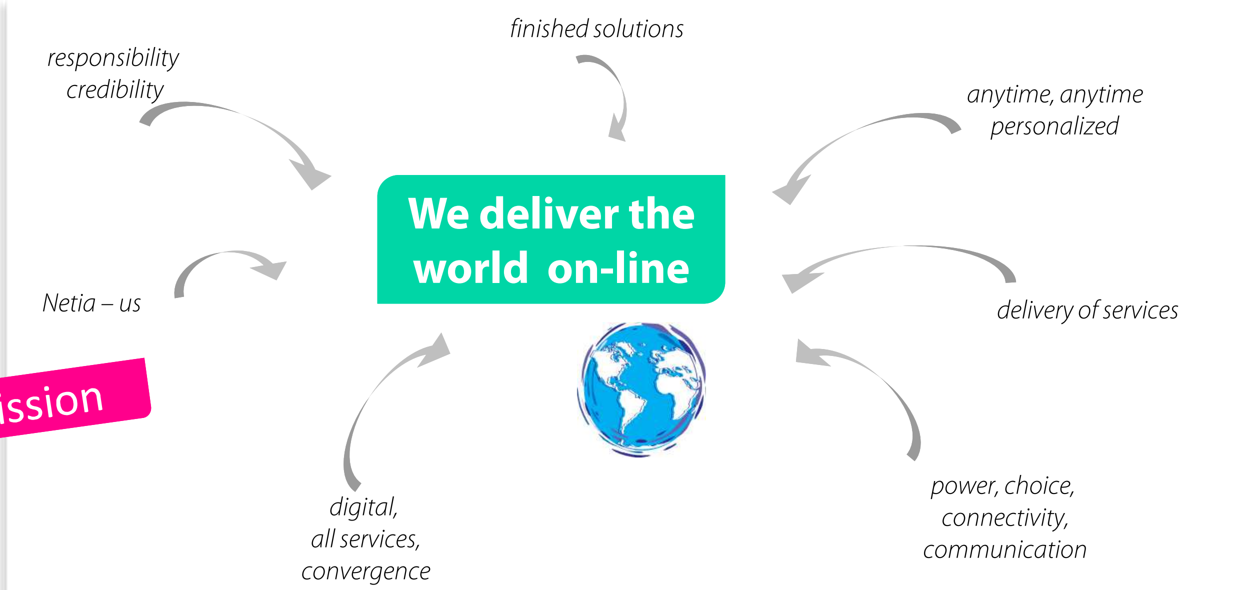
Broadband

Fix voice

1 Data for 2006, 2011 i 2014 (for2014 forecast for financial data and budget for services);
2 Data for 2002; 3 Data for 2007 ; 4 Data for 2012

NETIA

Mission



Vision

Following a profitable transformation the Netia Group is a preferred supplier of on-line services thanks to:

- Delivery of integrated telecommunication solutions based on data transmission and data center services to business customers,
- Offering multiservice packages based on multimedia platforms to on-net individual customers,
- Infrastructure and network assets dedicated to the segments of business clients and individuals,
- The team of employees with a passion inspired by our values.

 Key assumptions of the updated Strategy include a network split and improvement of the commercial results in the segments

NETIA

Netia

Segment of business customers (B2B)

- **Long term growth** by changing product portfolio structure
  - Reduction of exposure to voice services
  - Dynamic development in ICT segments – data center, cloud, possibility of selective acquisitions of competences / infrastructure
  - Partnership in convergent services area
  - Use of the **wholesale market potential**
- Reorganisation of the **operational model** in terms of sales forces and processes
- Looking for the optimal cost models

Segment of individual customers (B2C)

- Focus on defending the value, ie.
  - Intensive retention activities for existing customer base
  - Customer service cost optimization
  - SAC optimization (sales channels mix)
- In mid term **maximization of the own network value without additional network upgrades**
  - Increase of the penetration of 2P/3P packages with TV and mobile services used for retention purposes (the target of 2.0x services per customer)
  - Geo-approach used to increase penetration of own network services
  - Looking for the optimal cost models

Infrastructure

- Network split B2B/B2C – **B2C access infrastructure separation** and SLA based co-operation with B2B networks
- Network simplification and modernization to reduce **maintenance costs**
- IT systems optimization as a support of the **vital commercial processes**

Organization

- Development of an effective organization in a new operational model (split to B2C, B2B and infrastructure) and in a new competence model (B2B – new products and solutions)

FY 2014 Forecast and Distribution Policy maintained

NETIA

Forecast FY 2014	
Revenue (PLNm)	**1,675**
Adjusted EBITDA (PLNm)	**505**
Adjusted EBITDA margin	***30%***
Adjusted EBIT (PLN mln)	**75**
Capex (PLN mln)	**215**
Adjusted OpFCF (PLN mln)	**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

Maintained.

Conclusions

NETIA

- Netia delivered solid financial performance in 9M 2014, demonstrating the business' resilience against strong competition and heavy price discounting in a difficult market environment
- Netia's financial standing remains strong with a leverage at 0.56x of the 2014 Adjusted EBITDA guidance, providing flexibility to fund both distributions and acquisitions
- 2014 Guidance maintained - Revenue at PLN 1,675m, Adjusted EBITDA at PLN 505m and Capex at PLN 215m
- Netia achieves very promising sales results based on launched in August 2014 commercial services over its HFC infrastructure in Warsaw and Kraków offering one of the fastest internet services in Poland
- Supervisory Board acknowledged key strategic directions of the updated Strategy 2020 focused on defending of the B2C segment value (retention action on existing customer base, increasing own network penetration) and long term B2B growth mainly based on reduction of exposure to voice services and dynamic development in ICT
- Netia and Orange Polska signed a settlement agreement under which both parties agreed to withdraw all claims and lawsuits. Under the agreement, Orange Polska committed to pay Netia the amount of PLN 145m net of VAT, which will be recorded as Other Income and will increase Netia Group's net result for Q4 2014
- Netia maintained its distribution policy

THANK YOU

N E T I A