GIGA WOLNOŚĆ

Q4 and FY 2014 Financial Results

Conference call for investors

February 19th, 2015

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.

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2014 Full Year Guidance delivery

	Actual FY 2014	Revised Guidance FY 2014
Revenues (PLNm)	**1,674**	1,675
Adjusted EBITDA (PLNm)	**493**	505
Adjusted EBITDA margin	***29.5%***	*30.1%*
Adjusted EBIT (PLNm)	**69**	75
Capex (PLNm)	**221**	215
Adjusted OpFCF (PLNm)	**272**	290

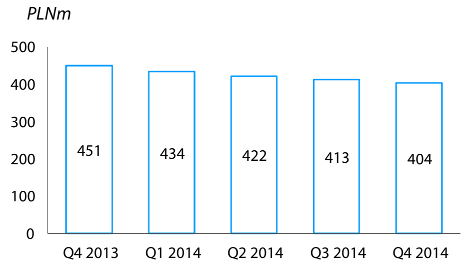
- Revenue and Adjusted EBITDA came in slightly short of the Revised Guidance for 2014
- Pressure on top line resulting from a continuous price competition on the market, decreasing number of off-net RGUs (mainly WLR) and MTR reductions, partly offset by cost optimization in the Group
- Capex guidance slight overrun caused by the higher B2B access capex and CPE capex as a consequence of high sales volumes on HFC networks
- The above financial guidance excludes the impact of one-off integration costs and one-off integration Capex related to Dialog and Crowley acquisitions

1 Original guidance published on February 20th, 2014: Revenue - PLN 1.735m, Adjusted EBITDA – PLN 505m, Adjusted EBIT – PLN 75m, Capex – PLN 200m, Adjusted OpFCF – PLN 305m

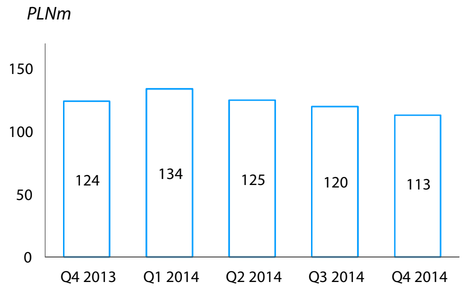
Key highlights | FY and Q4 2014

- Revenue was PLN 1,674m for FY 2014 (-11% y-o-y) and PLN 404m for Q4 2014 (-2% q-o-q and -10% y-o-y)
  - 23% of the annual drop attributable to MTR reductions
- Profitability maintained despite a revenue decline thanks to significant cost optimizations
  - Adjusted EBITDA[1] was PLN 493m for FY 2014 (-10% y-o-y) and PLN 113m for Q4 2014 (-6% q-o-q and -9% y-o-y)
  - EBITDA was PLN 581m for FY 2014 (+9% y-o-y) and PLN 226m for Q4 2014 (+107% q-o-q and +96% y-o-y)
- Netia generated PLN 272m Adjusted OpFCF[2] for FY 2014 (-12% y-o-y) and PLN 51m for Q4 2014 (-23% q-o-q and +41% y-o-y)
- Total RGUs at 2,305k on December 31, 2014 (-2% q-o-q and -9% y-o-y)
- Net debt at PLN 93m on December 31, 2014 (-67% q-o-q and -68% y-o-y), representing 0.19x of Adjusted EBITDA for full 2014 year at PLN 493m
- 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 was recorded as other income and will increase Netia Group's earnings for Q4 2014
- On December 29, 2014 the Management Board of Netia was notified of decision issued by the Director of the Tax Chamber in Warsaw establishing Netia's corporate income tax ("CIT") obligation for the 2003 at PLN zero. On January 8, 2015 the Netia received PLN 81.5m tax refund including accured interest
- In January, 2015 the Company introduced a new cost restructuring program, Netia Lajt 2.0, with expected savings coming, among others, from staff optimizations
- On January 30, 2015 Mr. Adam Sawicki resigned from his position as the President and the member of the Company's Management Board. The resignation is effective as of 31 July 2015

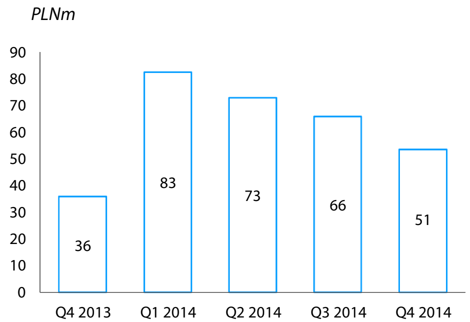
Revenues



Adjusted EBITDA[1]

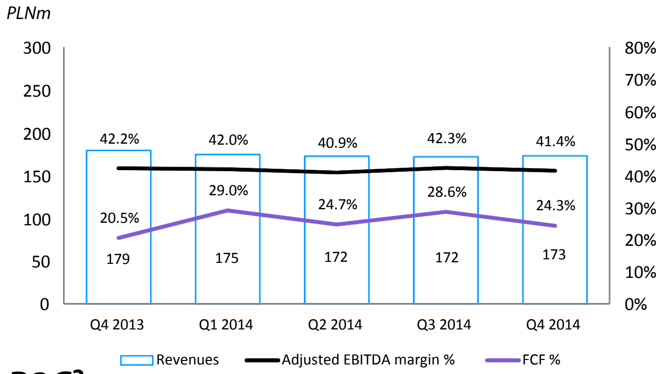


Adjusted OpFCF[2]



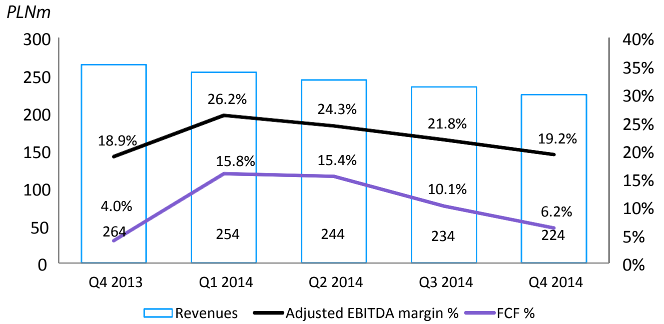
1 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment
2 Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration Capex; Capex = investments in tangible and intangible fixed assets

B2B[1]



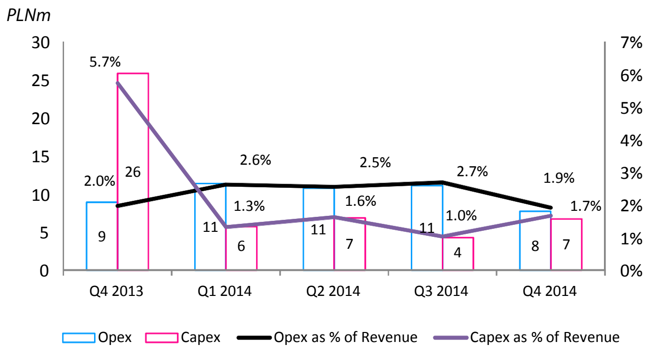
- **Revenue** was PLN 173m in Q4 2014 (+1% q-o-q and -3% y-o-y)
  - RGUs at 494k (+0% q-o-q, +3% y-o-y)
  - Top line stabilizing for the third quarter in a row
- **Adjusted EBITDA** was PLN 72m with a margin of 41.4% in Q4 2014
- **Capital expenditure** at PLN 30m in Q4 2014 resulted in **Adjusted OpFCF** at the level of PLN 42m

B2C[2]



- **Revenue** was PLN 224m in Q4 2014, down by 4% compared to Q3 2014 and down by 15% y-o-y
  - RGUs at1,766k (-3% q-o-q, -12% y-o-y)
  - Decline in RGUs still concentrated in the area of regulated access (WLR, BSA, LLU)
- **Adjusted EBITDA** was PLN 43m with a margin of 19.2% in Q4 2014
- **Capital expenditure** at PLN 29m in Q4 2014 resulted in **Adjusted OpFCF** at the level of PLN 14m

Other (unallocated expenses and Petrotel)

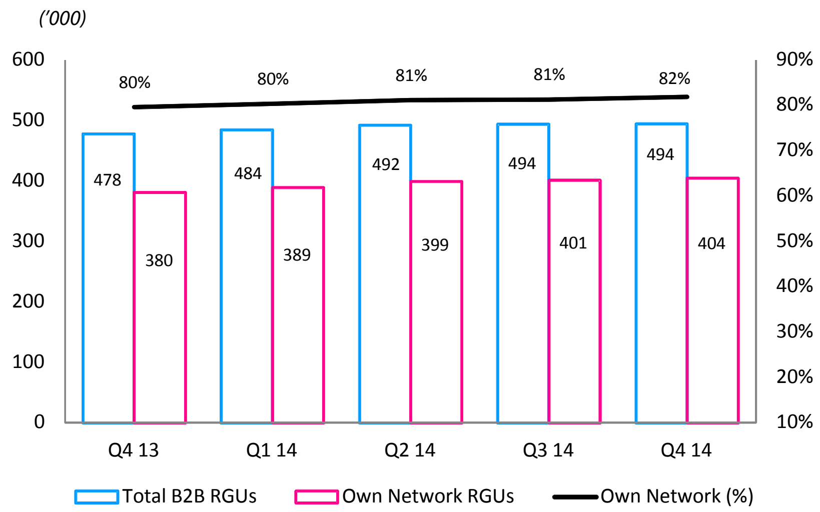


- Net of Petrotel EBITDA, unallocated costs of support functions
- Unallocated capex in Q4 2014 mainly related to Petrotel and CDN integration capex
- As part of the N² Project most of Other expenses and Other capex were allocated to either B2B or B2C (comparatives restated)

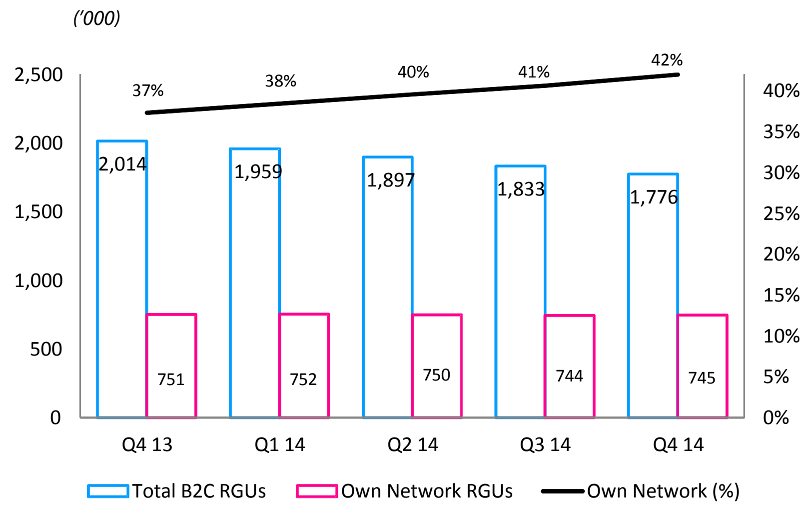
1 B2B comprises Business and Carrier customers sub-segments
2 B2C comprises Residential and SOHO customers sub-segments

B2B & B2C Divisions | Total RGUs by segment

B2B RGUs



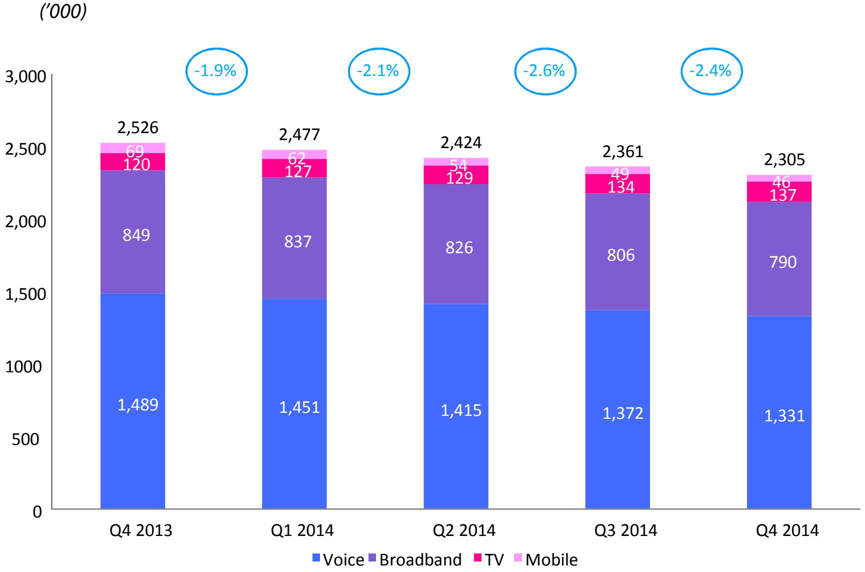
B2C RGUs



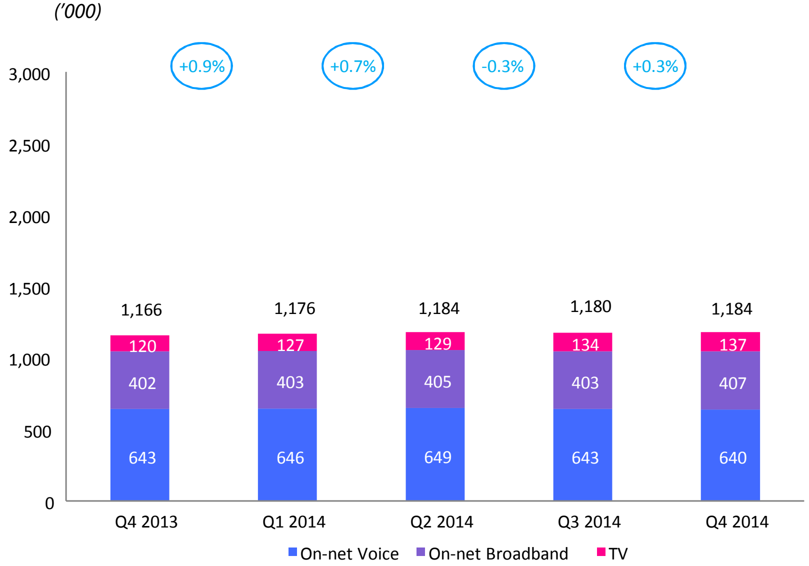
Comments

- Sequential B2B RGUs increase in on-net services
- Increase in B2C on-net RGUs driven mainly by TV and broadband services introduced on HFC network (commercial sale of the services launched on August 18, 2014)
- On-net RGUs share is targeted to grow as continued declines in off-net RGUs and on-net RGUs increases are expected

Total Netia RGUs



On-net Netia RGUs



Comments

- A decline in the total RGU figure results from a strategic defocus from proactive sales on the lower margin, regulated access based services (focus on retention)
- 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 supporting also increase in on-net broadband
- In Q4 2014 Netia reclassified the recognition of Multiroom services into VAS. If netted for the impact of the reclassification, the Group connected +10k TV subscribers in the fourth quarter

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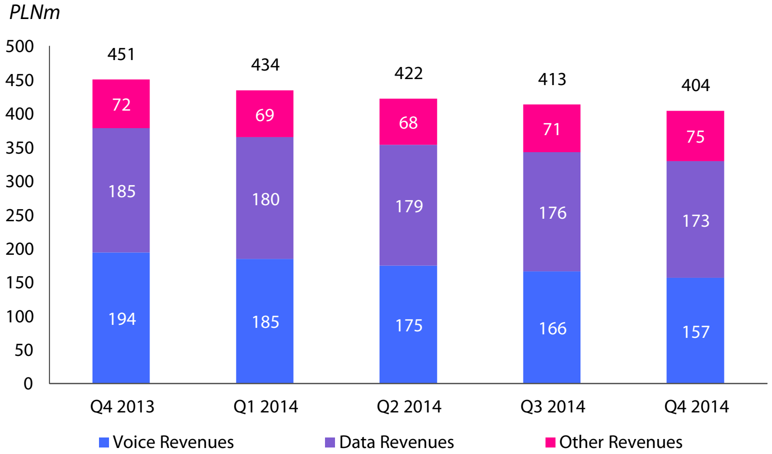
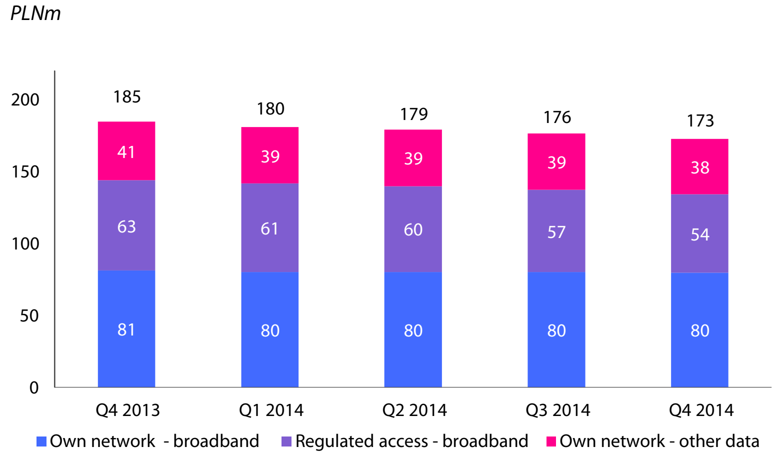
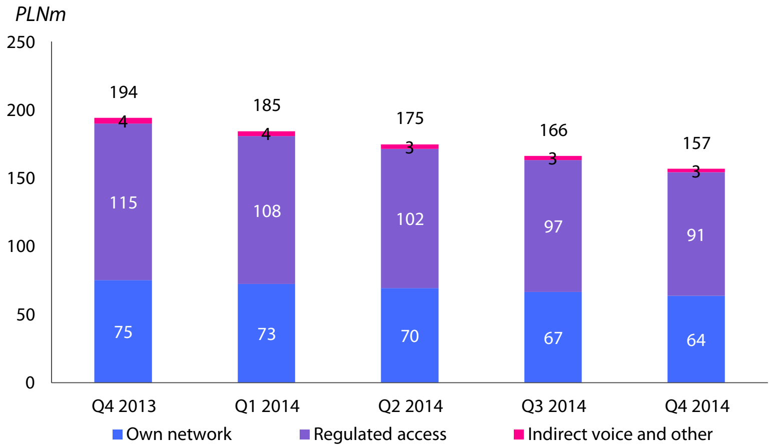
Revenue breakdown by service



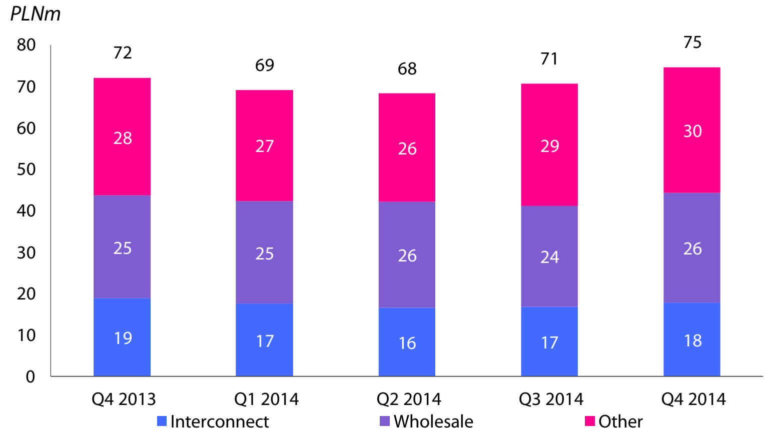
Data revenue[1] breakdown by access



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

B2B Overview

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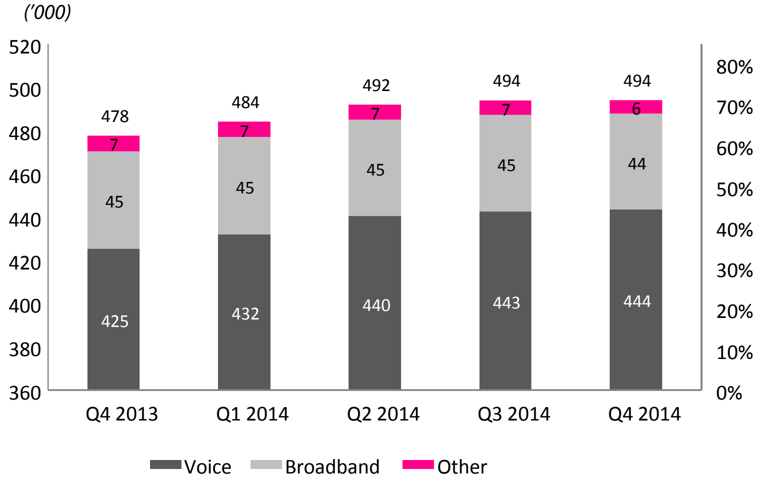
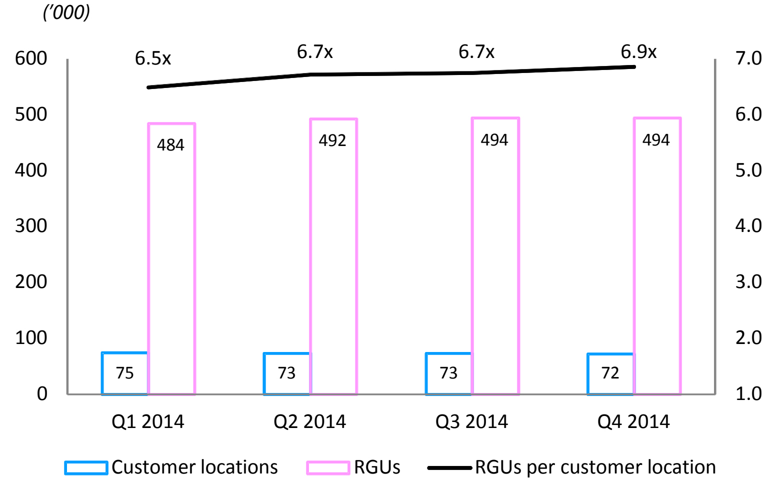
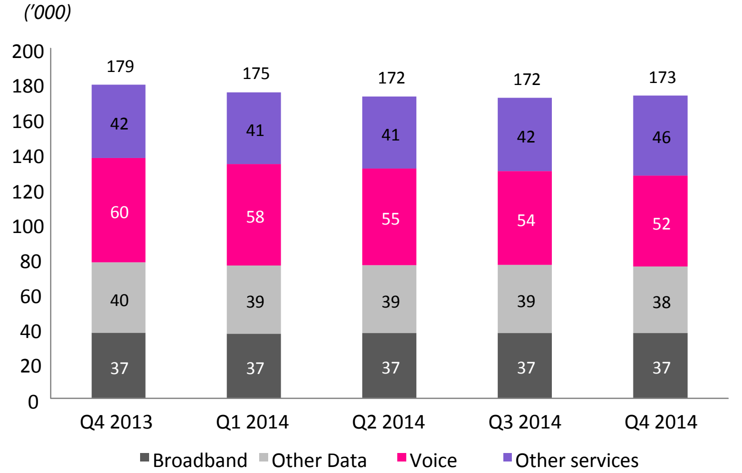
RGUs by type



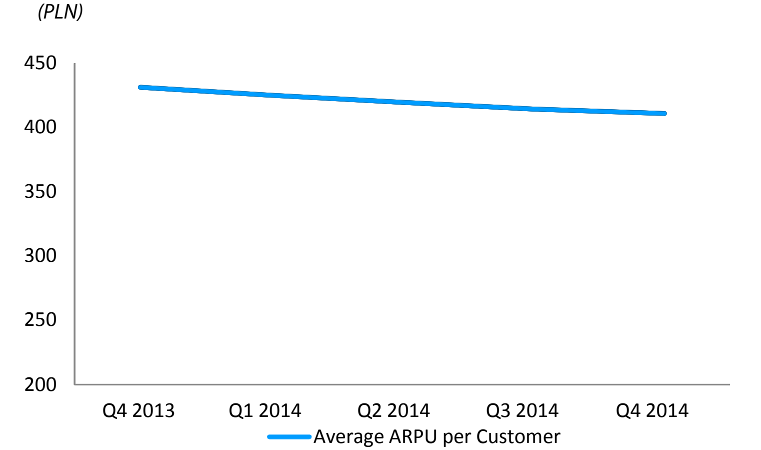
Customer Locations and RGUs



Revenue by service



Average ARPU per Customer Location[1]



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

B2B financial performance | Adjusted B2B EBITDA bridge for FY 2014

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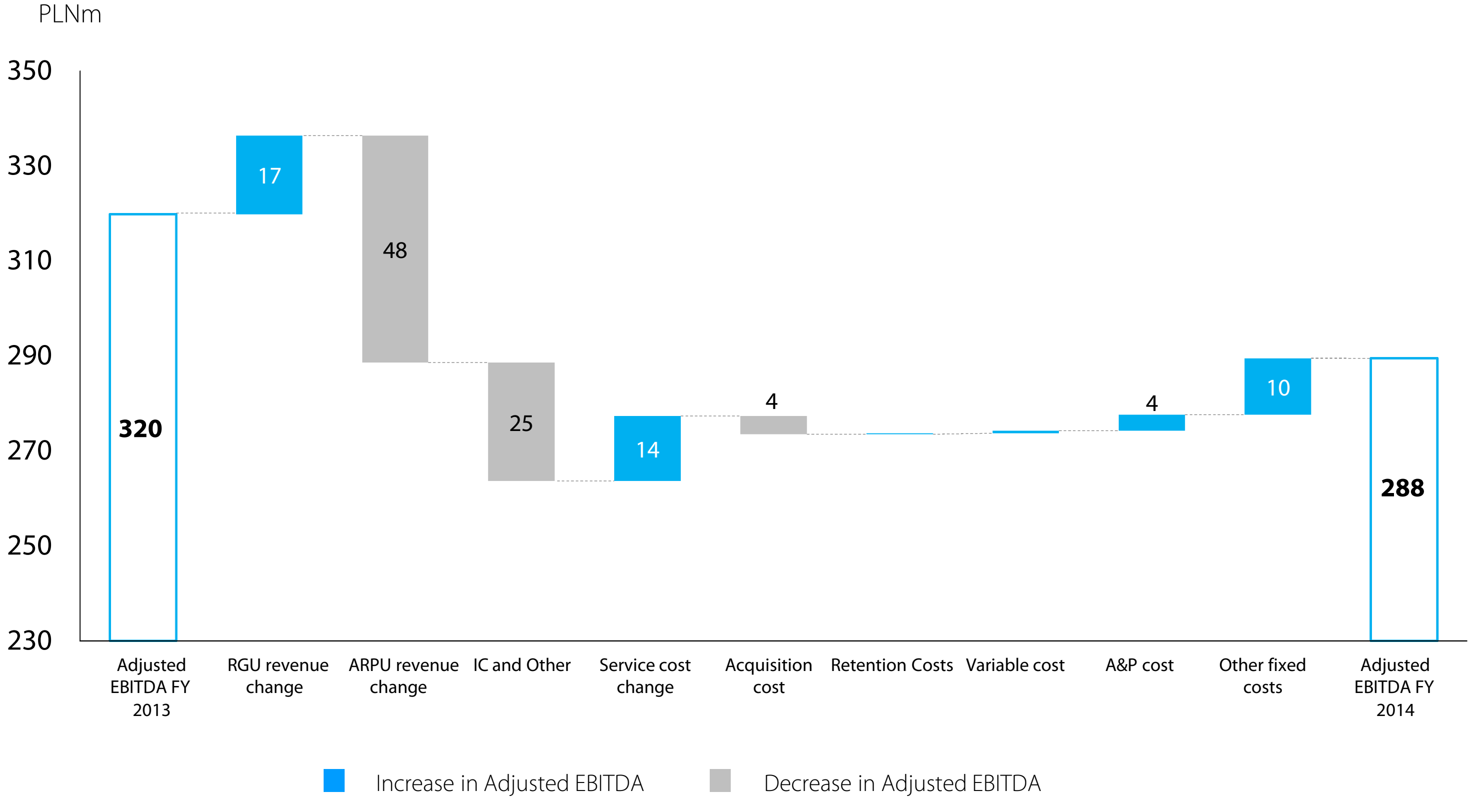
***Actual* 2013 vs 2014**

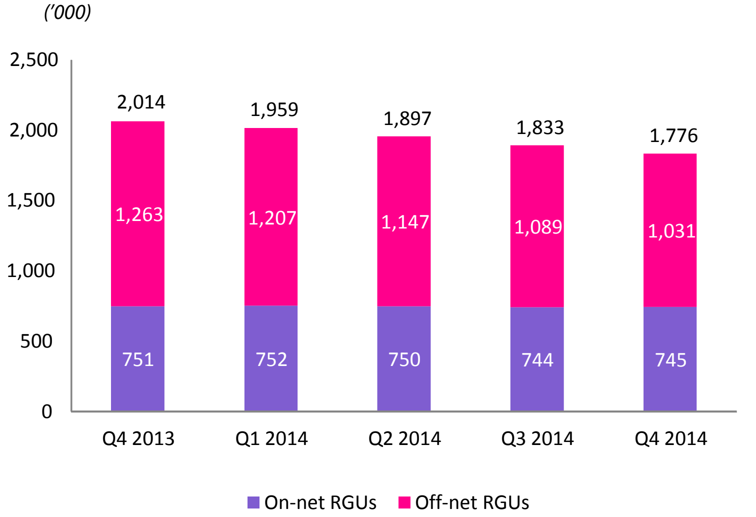


Comments

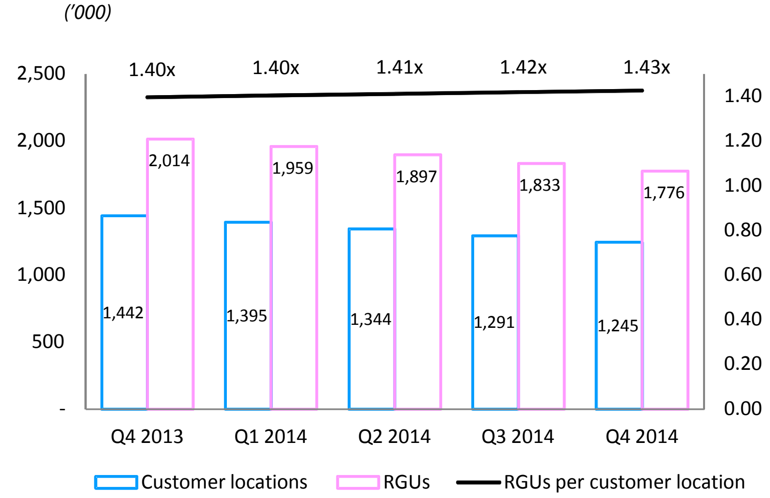
- ARPU decline concentrated mainly in voice related product lines
- Lower interconnect revenue paired with lower service costs reflect the impact of MTR cuts from 15 gr to 8 gr and further to 4 gr in the course of 2013. Average customer ARPUs still negatively affected by repricing of calls to mobiles
- Stronger focus on data transmission services as well as resignation from active sales based on regulated access and increased supervision over the discounting process should positively impact B2B financial results in subsequent periods

B2C Overview

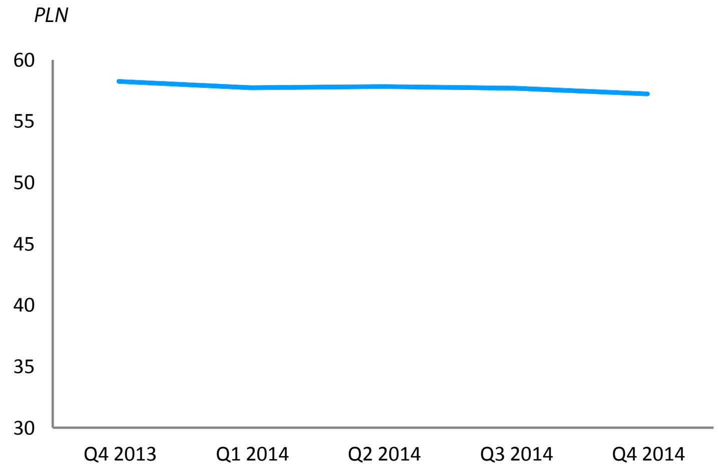
RGUs by access type



Customer Locations and RGUs



Average ARPU per Customer Location

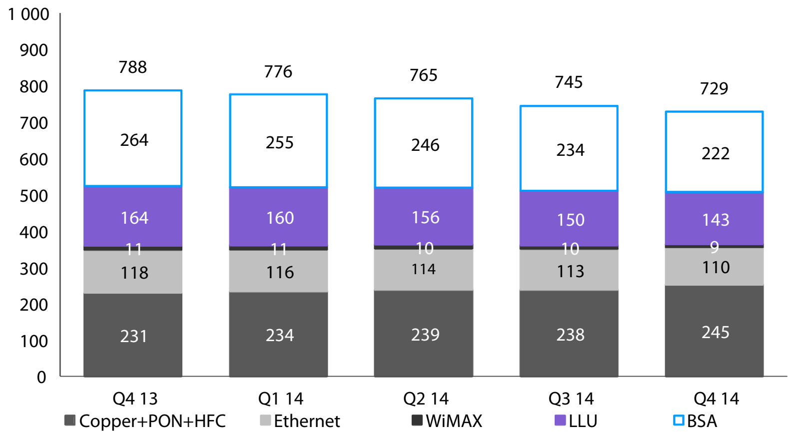


Comments

- Defocusing off-net services results in drop of B2C RGUs
- Share of on-net RGUs up by 5 pp to 42%
- 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

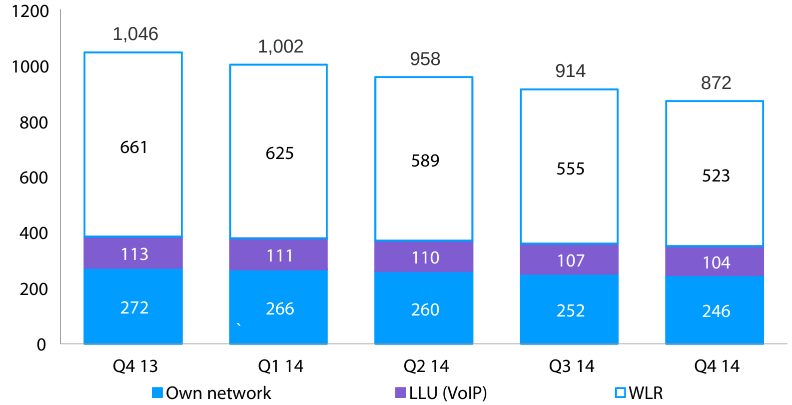
Broadband ports

('000)



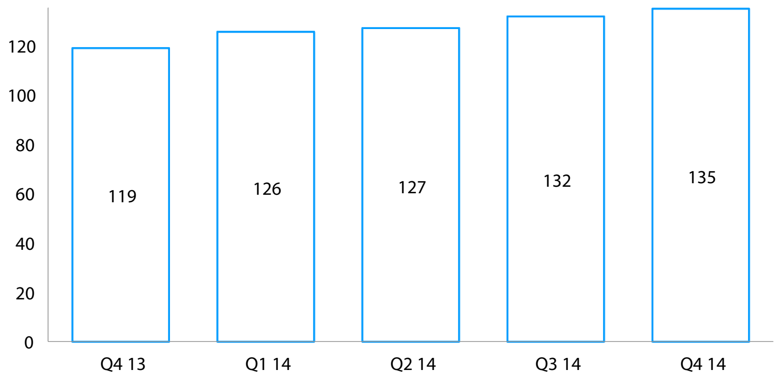
Voice lines

('000)



TV services

('000)



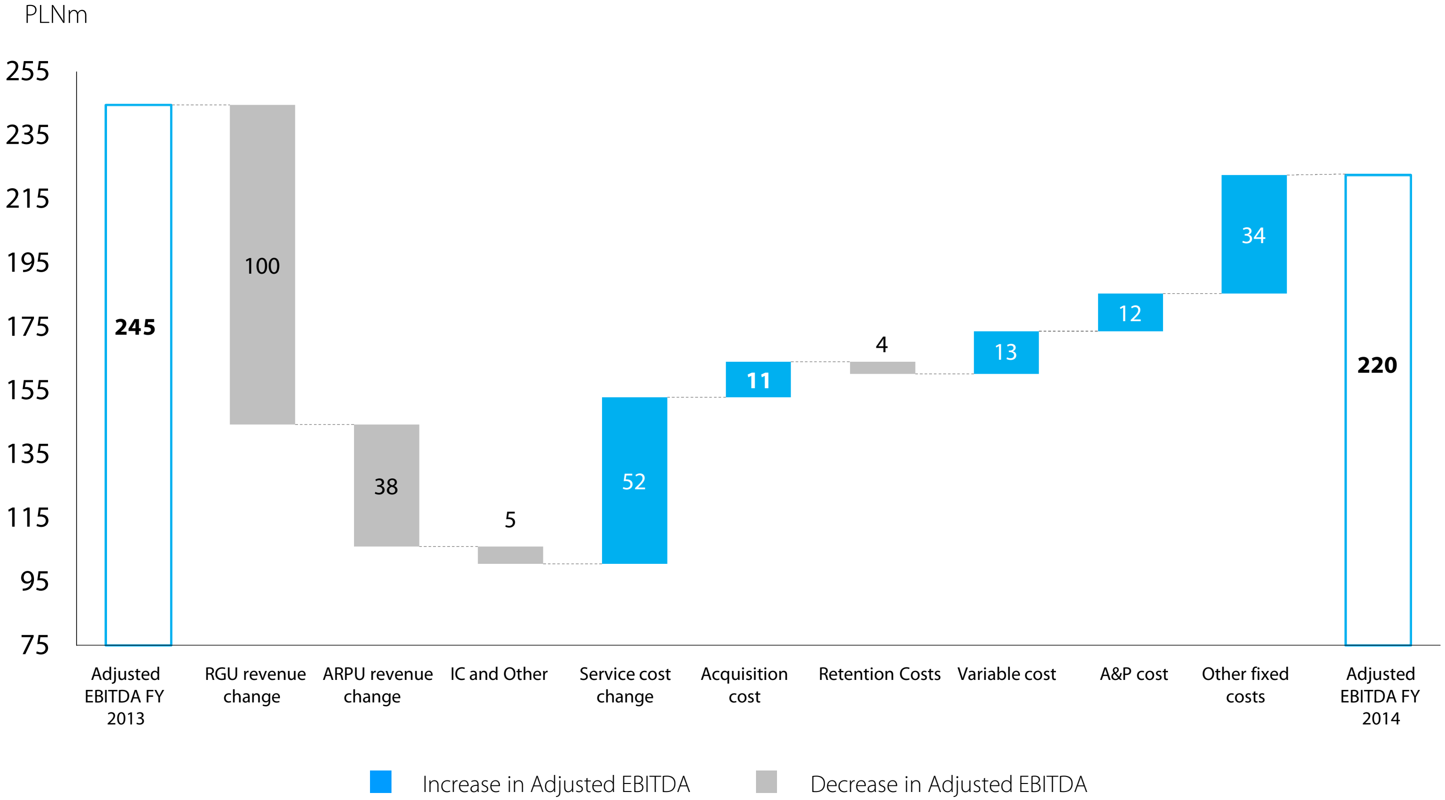
Comments

- TV services at 135k in Q4 2014 (2% q-o-q and 13% y-o-y)
- Focus on retention in regulated access RGUs
- 50% customers served directly via Netia's own network (+4 pp y-o-y and +2 pp q-o-q)
- 37% of On-net broadband customers now take TV services from Netia

1 If the effect of Multiroom redefinition netted - in Q4 2014 Netia connected +10k TV services

B2C financial performance | Adjusted B2C EBITDA bridge for FY 2014

***Actual* 2013 vs 2014**



Comments

- Revenue decline driven mainly by off-net RGU churn (WLR, BSA, LLU) and MTR reductions
- Lower service cost reflects lower off-net rental payments to incumbent and lower interconnection costs (MTR reductions)
- Lower fixed costs reflect a number of optimization initiatives introduced by the Company during 2014 within N^2, Netia Lajt and Netia Lajt 2.0 projects

NGA upgrade | Further progress with 45k HPs rolled-out in FY 2014 in total

NGA and TV potential coverage in Netia Group

('000 homes passed)	December 31, 2014			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	662	253	416	253	416
PON	176	176	176	176	176
Total	**2,520**	**1,326**	**1,730**	**1,326**	**1,730**
CATV	446	380	380	400	400
Total Proforma	**2,966**	**1,706**	**2,110**	**1,726**	**2,130**
% of Total on-net HP		*58%*	*71%*	*58%*	*72%*
LLU	4,930	-	2,163	-	2,163
Total	**7,896**	**1,706**	**4,273**	**1,726**	**4,293**

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 December 31, 2014, Netia covered in total 1,706k 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 4.3 million households
- 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 1,726k NGA HPs which can be reached with 3play service bundles (TV + fixed NGA broadband + fixed voice) with a further 2,567 HPs that can support TV services without network upgrade
- No further upgrades are planned at this stage as Netia focuses on higher penetration rates in already upgraded areas

1 Adaptation of ex-Aster CATV infrastructure

HFC Network | Dynamic sales growth in Warsaw and Cracow

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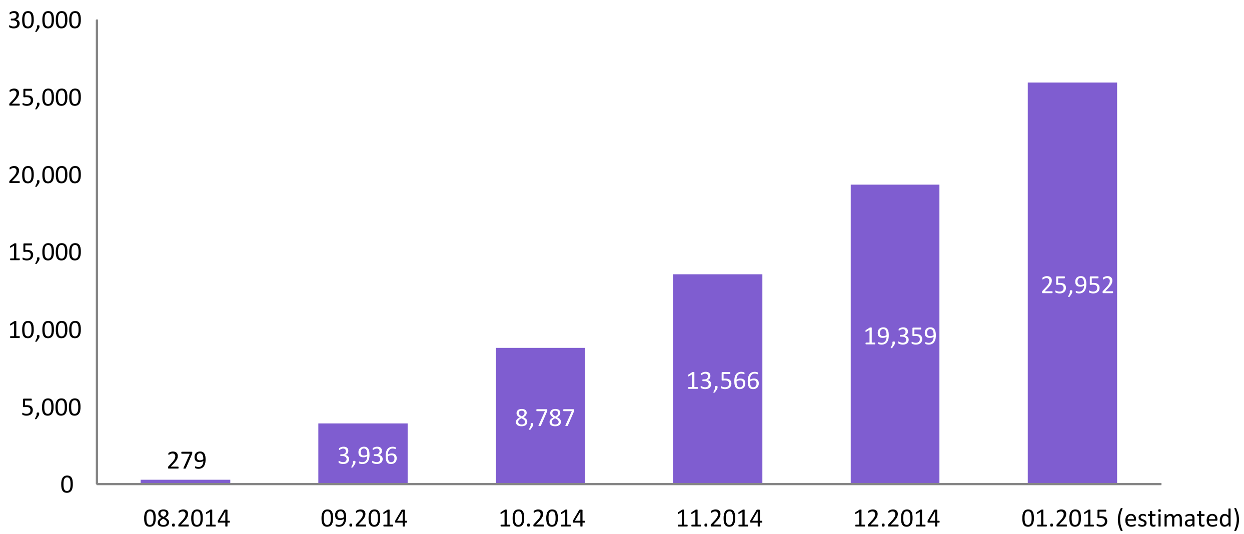
Number of services (end of period – cumulated)



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

- On average an acquisition of over 5k services per month
- Broadband paired with the TV service (2 play) offered for less than PLN 39,90 per month
- Bandwidth up to 300 Mb/s
- Very high 93% share of 2-play and 3-play bundles in the total sales volume

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- In January 2015 Netia launched the second phase of the savings program (Netia Lajt 2.0), which includes also group redundancies
- The Company assumes that redundancies and changes to the employment contracts will cover up to 350 individuals
- The aim of the program is to optimize the organizational structure, reporting processes flattening and to re-group our forces to become more flexible and able to respond to rapidly changing market conditions and customer needs in selected areas of competence
- Netia Lajt 2.0 is targeted to achieve significant incremental annual savings which will be used to finance the further development of the company

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Netia Group Financial Overview

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(PLN' 000)	2013				2014				2013 vs 2014		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2013	2014	y-o-y
Revenues	490,690	477,492	457,076	450,758	434,371	422,161	413,407	404,100	1,876,016	1,674,039	(10.8%)
Change (y-o-y%)	(9.8%)	(11.0%)	(12.3%)	(13.2%)	(11.5%)	(11.6%)	(9.6%)	(10.3%)			
Gross profit	161,696	154,948	156,104	137,926	141,816	130,509	125,436	113,161	610,674	510,922	(16.3%)
Gross margin (%)	33.0%	32.5%	34.2%	30.6%	32.6%	30.9%	30.3%	28.0%	32.6%	30.5%	
Adjusted EBITDA[1]	142,005	140,541	144,123	124,186	134,440	125,106	120,253	113,352	550,855	493,151	(10.5%)
Margin (%)	28.9%	29.4%	31.5%	27.6%	31.0%	29.6%	29.1%	28.1%	29.4%	29.5%	
Change (y-o-y%)	6.8%	(10.0%)	(8.5%)	(14.1%)	(5.3%)	(10.9%)	(16.6%)	(8.7%)			
Depreciation	111,349	109,968	109,666	109,011	105,294	105,577	106,378	106.743	439.994	423.992	(3.6%)
Adjusted EBIT[1]	30.656	30.573	34.457	15.175	29,146	19,529	13,875	6,609	110,861	69,159	(37.6%)
Margin (%)	6,2%	6,4%	7,5%	3,4%	6.7%	4.6%	3.3%	1.6%	5.9%	4.1%	

Comments

- Sequentially lower revenue q-o-q driven mainly by lower fixed voice revenue, particularly WLR and continued MTR related ARPU reductions
- Gross margin decreased by 2pp y-o-y due to the continued price pressure in both, B2C and B2B segments
- The loss of approximately PLN 58m in EBITDA y-o-y despite a decrease in revenue of PLN 202m reflects the cost optimization focus across the Group's operations

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	*2013*	*2014*		*Change*
Adjusted EBITDA	**550,855**	**493,151**		*-10 %*
Unusual Items:				
M&A related costs	(618)	(161)		*-74%*
New Netia integration costs	(9,500)	(7,863)	1	*-17%*
Restructuring costs	(3,631)	(34,622)	2	*nm*
N2 Project and Netia Lajt costs	(1,469)	(5,956)	3	*nm*
Impairment charge	(3,034)	(9,872)	4	*nm*
USO Provision	150	-		*nm*
Settlement agreement with Orange Polska	-	146,682	5	*nm*
EBITDA	**532,753**	**581,359**		*+9%*
Depreciation and amortization	(439,994)	(423,992)		*-4%*
EBIT	**92,759**	**157,367**		*+70%*
Net financial expenses	(28,339)	(30,955)		*+9%*
Profit /(Loss) before tax	64,420	126,412		*+96%*
Current tax and deferred income tax	(18,130)	48,421		*nm*
Net profit	**46,290**	**174,833**		*+278%*
Average number of outstanding shares (basic)	**354,504,029**	**347,933,646**		
EPS (in PLN, basic)	**0.13**	**0.50**		

1. Dialog and Crowley integration project costs („CDN")
2. Provisions mainly for staff redundancies related to Netia's reorganisation into B2B and B2C Business Units (N^2 Project) and Netia Lajt
3. Implementation costs for the N^2 and Netia Lajt projects
4. Impairment charges: (1) of PLN 2.5m related to the discontinuity of using Dialog's trademark from Q2 2014 (2) related to Dialog's MVNO platform
5. Settlement agreement with Orange Polska

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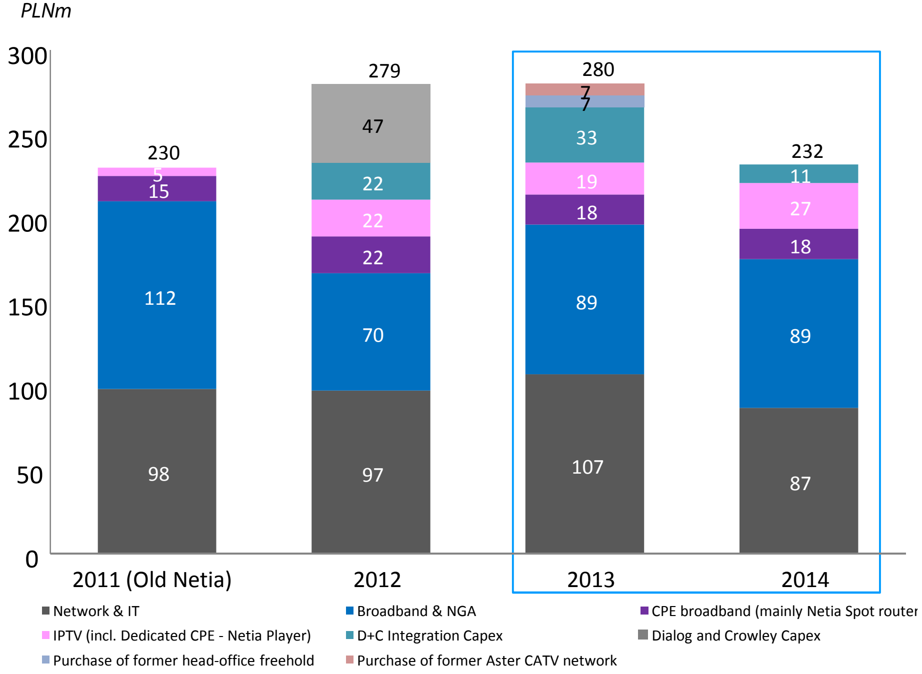
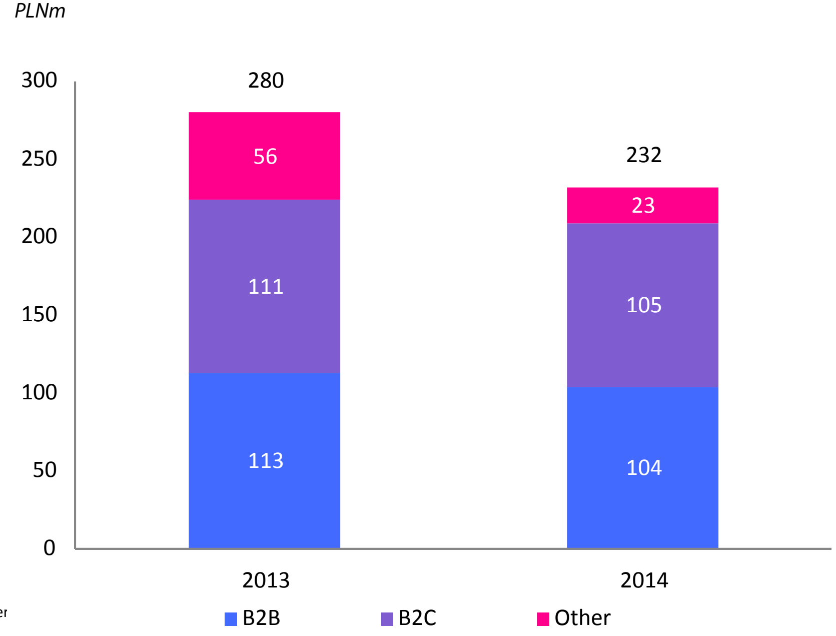
Capital investments by Type



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 within CDN, N^2 and Netia Lajt projects

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Settlement agreement with Orange Polska

- 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 was 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

Tax refund

- On December 29, 2014 The Management Board of Netia became aware that a further decision was issued by the Director of the Tax Chamber in Warsaw establishing Netia's corporate income tax ("CIT") obligation for the year 2003 at PLN 0
- As a consequence of this decision Netia received **PLN 81.5m** tax refund including accured interest
- The tax refund with interest accrued until December 31, 2014, totalling PLN 81.4m, was recognised as income tax benefit in Q4 2014 while the remaining PLN 0.1m will increase the net result in Q1 2015
- The decision brings to a close a dispute with the tax authorities over 2003 CIT

Conclusions

- Netia delivered a set of solid financial results for FY 2014, demonstrating business resilience against a strong competition and a heavy price discounting in a difficult market environment
- The Company recorded very good sales results on its HFC infrastructure in Warsaw and Cracow (commercially launched in August 2014) offering one of the fastest broadband services in Poland. Until 2014 year end the Company sold circa 20k services mainly in 2-3 play bundles
- Thanks to the optimization projects - Netia Lajt and Netia Lajt 2.0 the Group will generate significant savings which will finance the Group's further development
- As a result of one-off events (the settlement agreement with Orange Poland and the income tax refund) the Company received a total amount of over PLN 226m in cash recorded in Q4 2014
- Netia's financial standing remains strong with a leverage at 0.19x of the 2014 Adjusted EBITDA at PLN 493m, providing flexibility to fund both, distributions and acquisitions
- Netia maintains its distribution policy unchanged
- On January 30, 2015 Mr. Adam Sawicki resigned from his position of the President and the member of the Company's Management Board. The resignation is effective as of an end of July 31, 2015

THANK YOU

NETIA