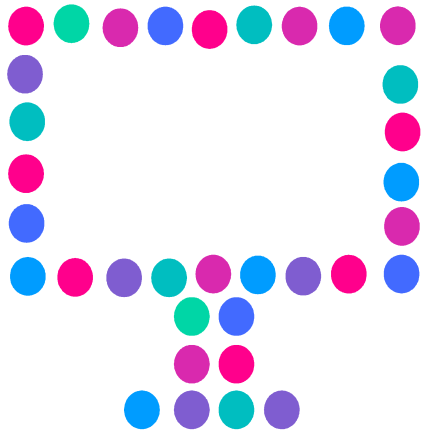
GIGA WOLNOŚĆ



Q1 2015 Financial Results

Conference call for investors

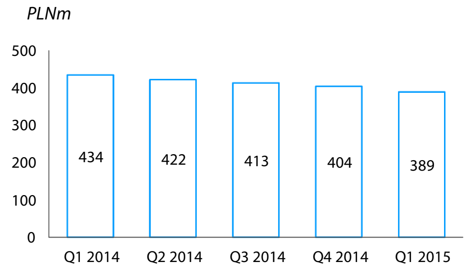
May 14th, 2015

NETIA

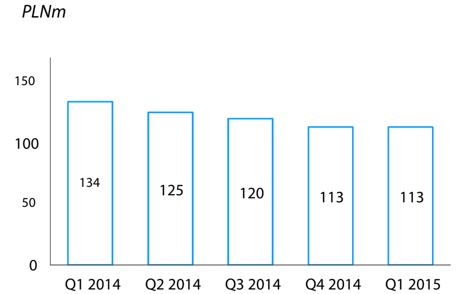
Total Netia | Key highlights for Q1 2015

- Revenue was PLN 389m for Q1 2015 (-4% q-o-q and -11% y-o-y)
- Profitability maintained thanks to cost optimizations despite a revenue pressure
  - Adjusted EBITDA[1] was PLN 113m for Q1 2015 (0% q-o-q and -16% y-o-y)
  - EBITDA was PLN 111m for Q1 2015 (-51% q-o-q and -12% y-o-y)
- Netia generated PLN 68m Adjusted OpFCF[2] for Q1 2015 (+30% q-o-q and -19% y-o-y)
- Net debt at PLN 38m on March 31, 2015 (-58% q-o-q and -85% y-o-y), representing 0.08x of Adjusted EBITDA for full 2014 year at PLN 493m
- Netia's Supervisory Board appointed Mr. Paweł Szymański as President of the Management Board of the Company, Mr. Cezary Chałupa and Mr. Tomasz Szopa as Management Board Members running B2B Department and B2C Department, respectively (effective April 1, 2015)
- Management Board of Netia is proposing to its AGM, convened for June 2, 2015, to pay a dividend of PLN 0.42 per share which would be payable on June 26, 2015 to shareholders of record on June 12, 2015
- On May 8, 2015, Netia entered into a preliminary agreement to purchase 100% of shares of TK Telekom Sp. z o.o. from PKP Group. The transaction is conditional upon a consent of the Office of Competition and Customer Protection and an approval of the General Meeting of Shareholders of PKP S.A.
- In January 2015 Netia introduced a second phase of Netia Lajt program including among others group headcount redundancies. The aim of the Netia Lajt project is to deliver additional cost savings within the Netia Group

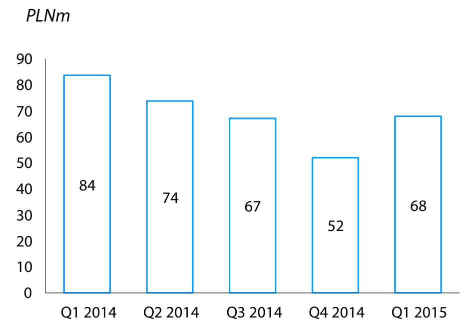
Revenues



Adjusted EBITDA[1]

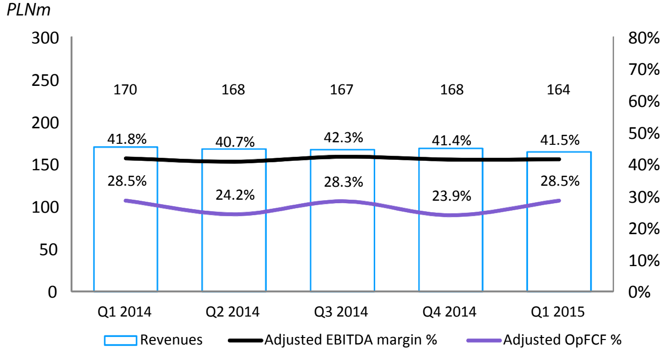


Adjusted OpFCF[2]



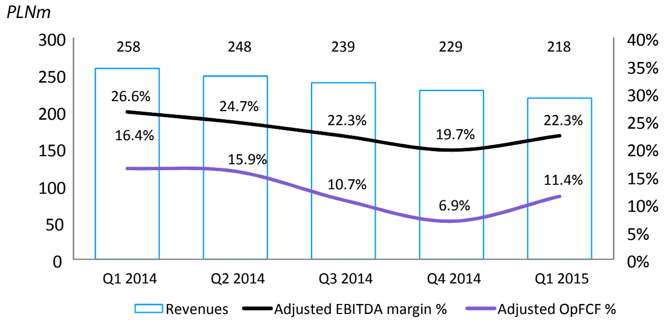
1 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, integration, M&A activity, impairment
2 Adjusted OpFCF = Adjusted EBITDA less Capex excluding integration capex, capitalised interests from the bank loan and investments related to the Netia Lite project; Capex = investments in tangible and intangible fixed assets
Note: In Q1 2015 Netia modified the method of presenting capitalised interests from the bank loan and investments related to the Netia Lite project, which are currently excluded from the adjusted capex (comparatives restated)

B2B[1,3,4]



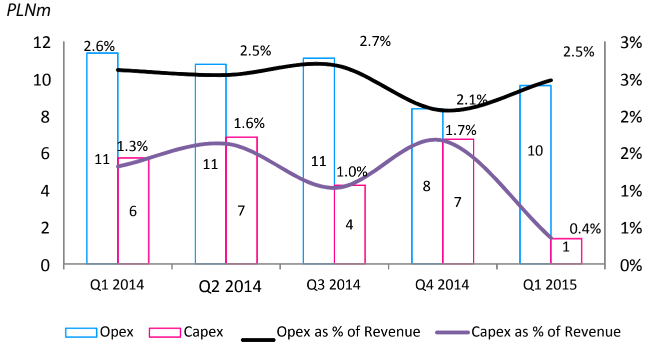
- **Revenue** was PLN 164m in Q1 2015 (-2% q-o-q and -3% y-o-y)
  - Stable trends in data transmission and broadband services, continued price pressure in voice
- **Adjusted EBITDA** was PLN 68m with a margin of 41.5%
- **Capital expenditure** at PLN 21m resulted in **Adjusted OpFCF** at the level of PLN 47m in Q1 2015

B2C[2,3,4]



- **Revenue** was PLN 218m in Q1 2015, down by 5% compared to Q4 2014 and down by 16% y-o-y
  - RGUs at 1,770k (-2% q-o-q, -11% y-o-y) while commercial performance visibly improved (-33k RGUs vs -58k RGUs a quarter earlier)
  - Decline in RGUs still concentrated mostly in the area of regulated access (WLR, BSA, LLU)
- **Adjusted EBITDA** was PLN 49m with a margin of 22.3%
- **Capital expenditure** at PLN 24m in Q1 2015 resulted in **Adjusted OpFCF** at the level of PLN 25m

Other unallocated items[4]

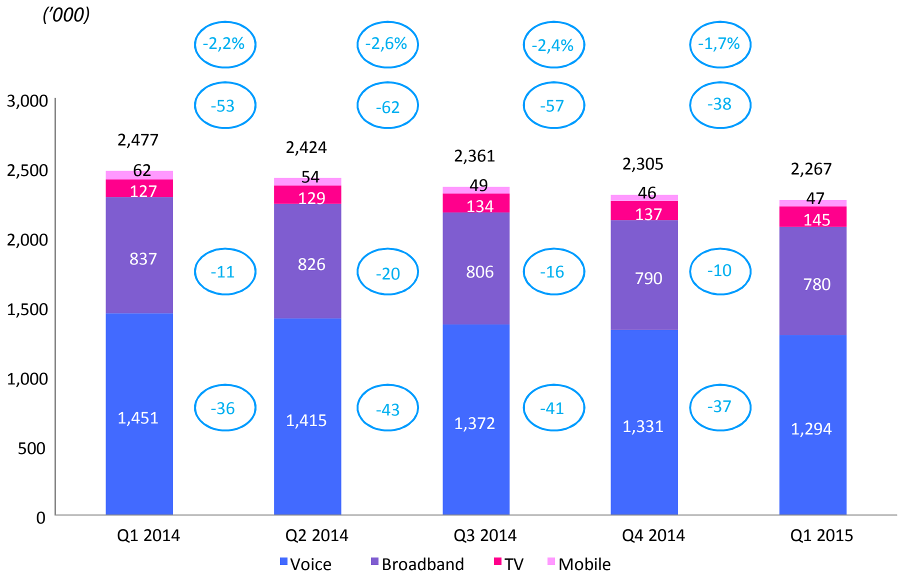


- Unallocated capex in Q1 2015 mainly related to Petrotel company
- Most of Other expenses and Other capex were allocated to either B2B or B2C already (comparatives restated)
- Q-o-q increase in operating expenses - one-off spending in the corporate support area related to the cost base optimization in the Group

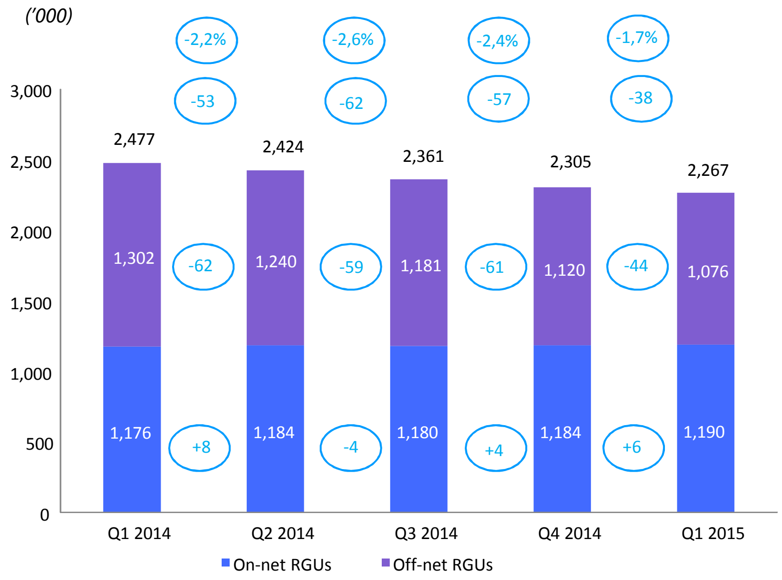
1 B2B comprises Business and Carrier customers sub-segments 2 B2C comprises Residential and SOHO customers sub-segments
3 In January, 2015 circa 12k customers were transferred from B2B to B2C segment (comparatives restated) 4 Petrotel revenues not included

Total Netia | Total RGUs by product and access type

Total Netia RGUs



On-net and off-net RGUs



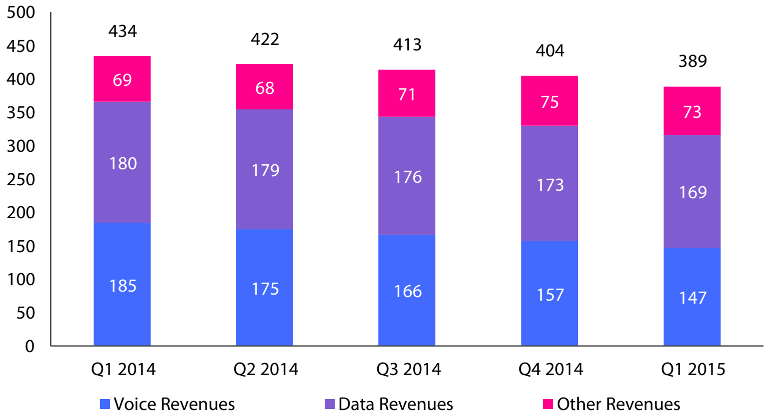
Comments

- In Q1 2015 a visible improvement in commercial results (-38k RGUs vs -57k RGUs in the previous quarter)
- The Company recorded an increase of 6k on-net RGUs in line with the commercial strategy
- Visible churn reduction in Q1 2015 in off-net RGUs mainly due to better retention of voice services (WLR) and internet access services (BSA)

NETIA

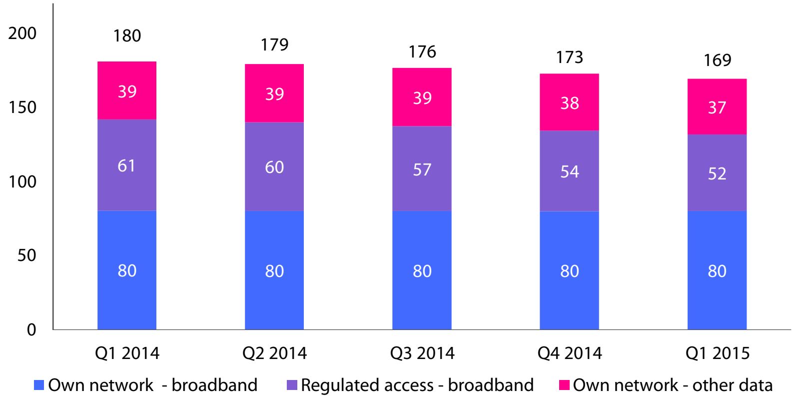
Revenue breakdown by service

PLNm



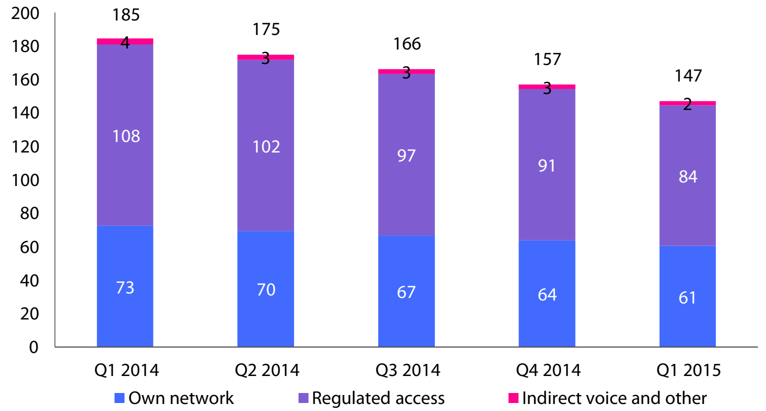
Data revenue[1] breakdown by access

PLNm



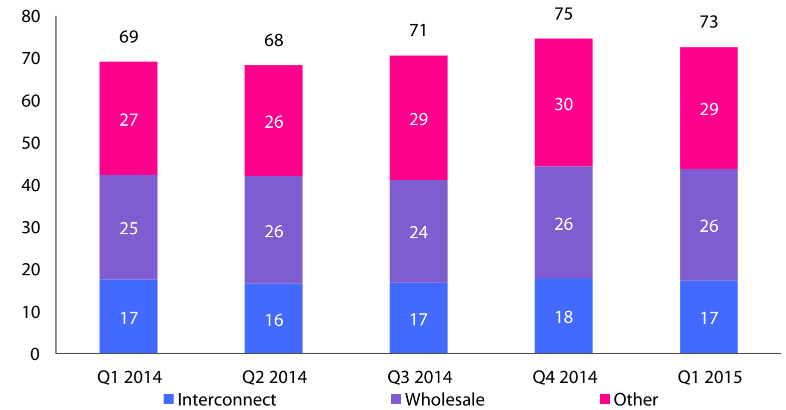
Voice revenue breakdown by access

PLNm



Other revenue[2]

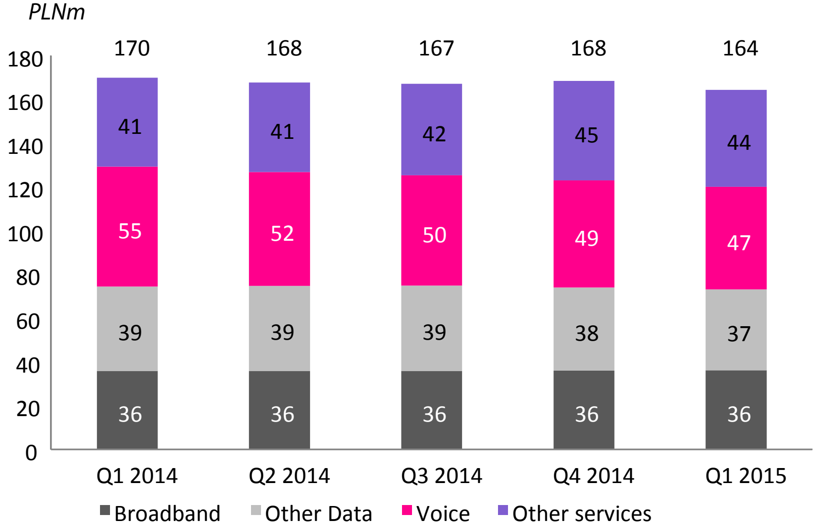
PLNm



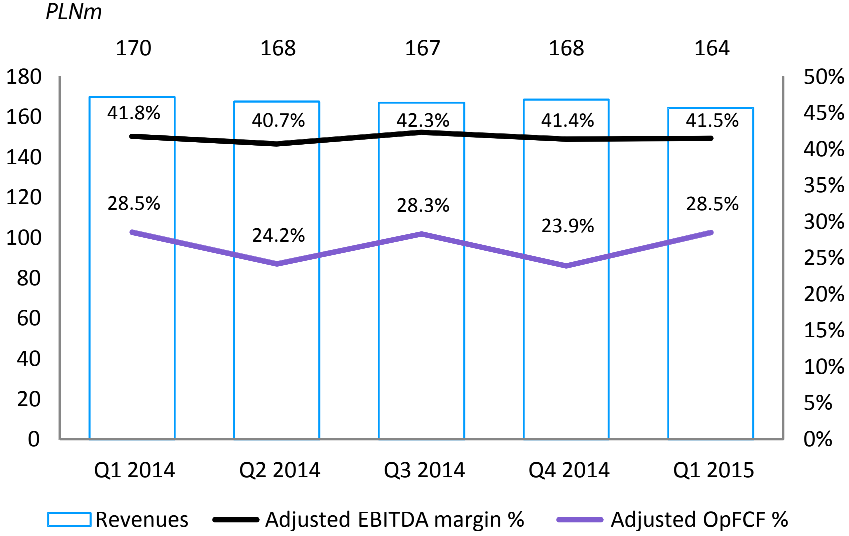
1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

B2B Overview

Revenue by service[1]



Adjusted EBITDA margin and Adjusted OpFCF



Comments

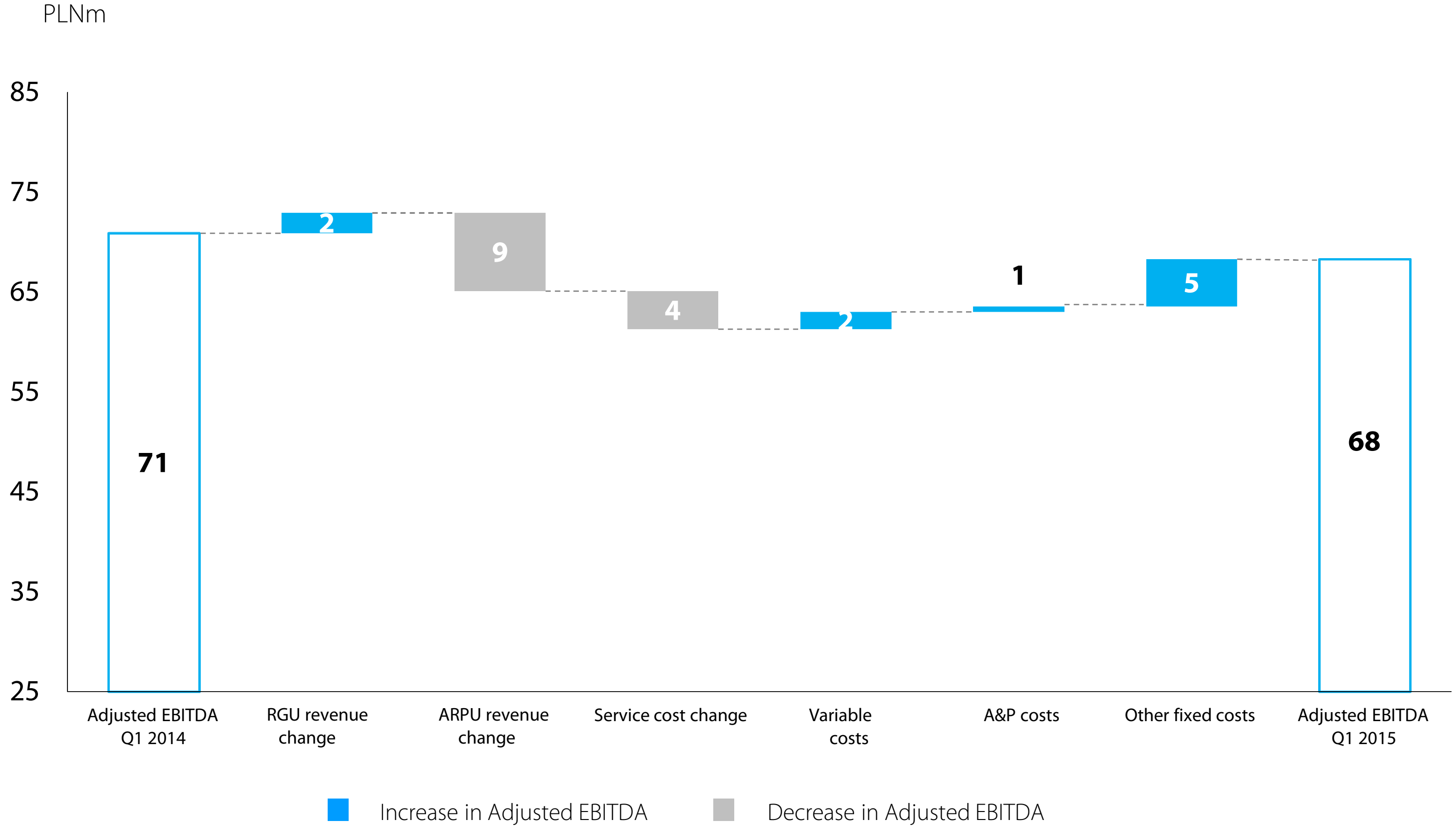
- A revenue decline visible in voice services due to a continuous price pressure combined with a lower traffic volume
- Stable trends in the data and broadband services despite a competitive market environment
- Broadband revenue levels maintained despite a strong price pressure thanks to a shift of commercial focus on services with higher bandwidths and ARPUs

1 In January, 2015 circa 12k customers were transferred from B2B to B2C segment (comparatives restated)

B2B financial performance | Adjusted B2B EBITDA bridge for Q1 2015

NETIA

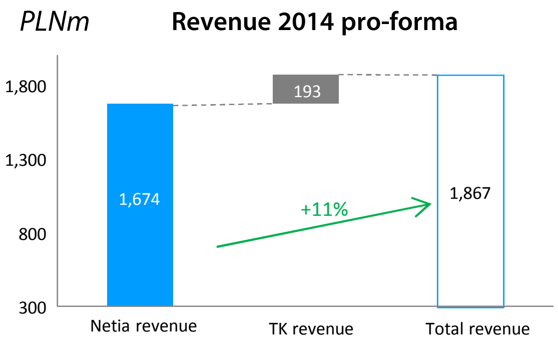
Actual
Q1 2014
vs
Q1 2015

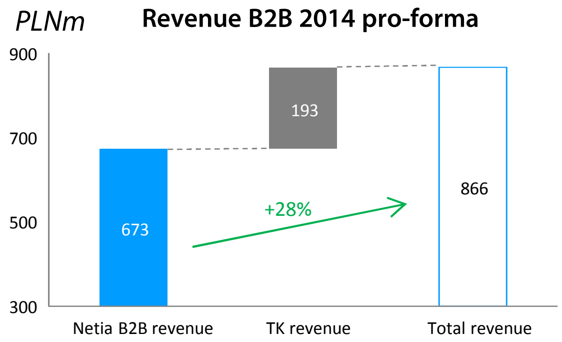


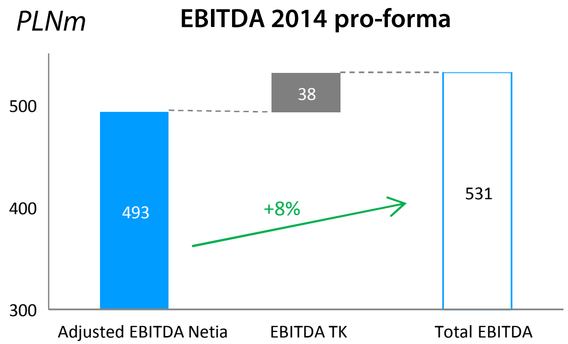
Comments

- ARPU decline related mainly to a visible price pressure in voice services
- Lower fixed costs reflect a number of optimization initiatives introduced by the Company during 2014 and early 2015 within Netia Lajt program
- Stronger focus on data transmission, resignation from active sales on regulated access and increased supervision over a discounting process are intended to improve B2B financial results in subsequent periods

- On May 8, 2015, Netia entered into a preliminary agreement to acquire 100% of shares of **TK Telekom** from the PKP Group
- The transaction is conditional upon a consent of the Office of Competition and Customer Protection as well as an approval of the General Meeting of Shareholders of PKP SA
- The transaction is in line with the Netia Group's strategy to play an active role in consolidation of the Polish telco market and focus on development of its own network infrastructure
- The total value of the transaction amounts to ca. **PLN 221m**, an equivalent of Enterprise Value of PLN 200m (representing approx. **5.2x EV/EBITDA** based on TK Telekom pro-forma EBITDA of PLN 38m for 2014 full year)
  - Management estimates that the transaction will bring visible synergies to the Group
- The deal will scale up Netia operations (pro-forma) by over 28% in the B2B segment and over 11% overall, extend Netia's own infrastructure footprint (approx. 7.5k km extra fiber optics) and will bring additional balance sheet flexibility to the Group







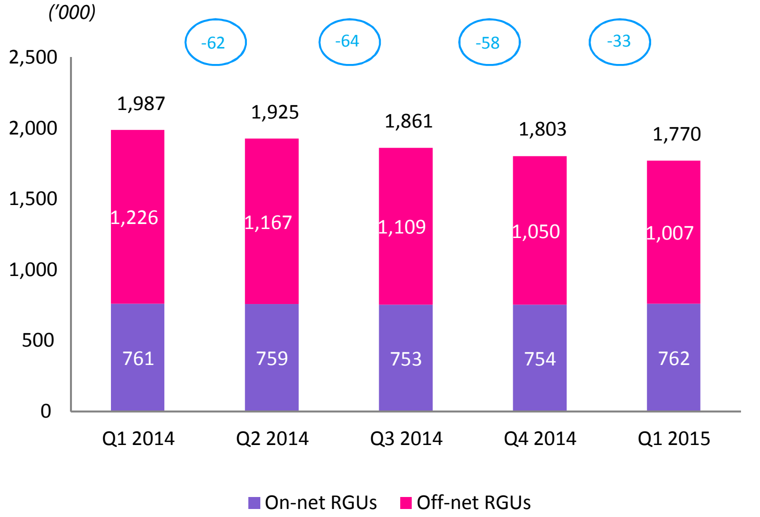
Note: Revenue and EBITDA of TK Telekom for 2014 are fro-forma values (construction activity separated)

NETIA

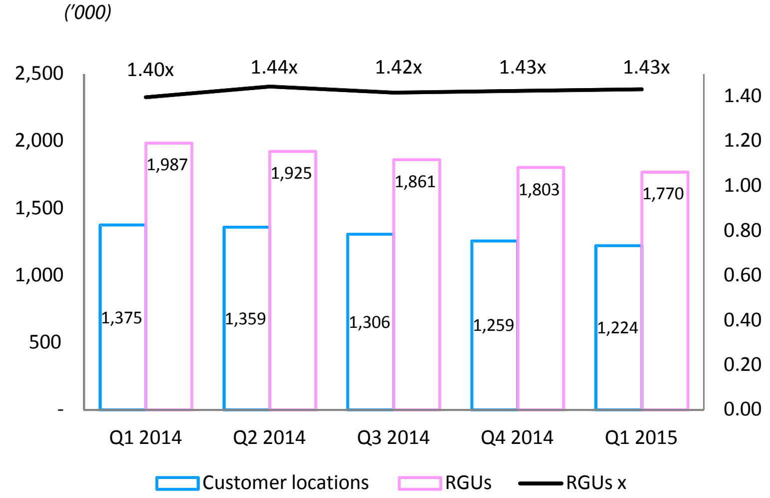
B2C Overview

NETIA

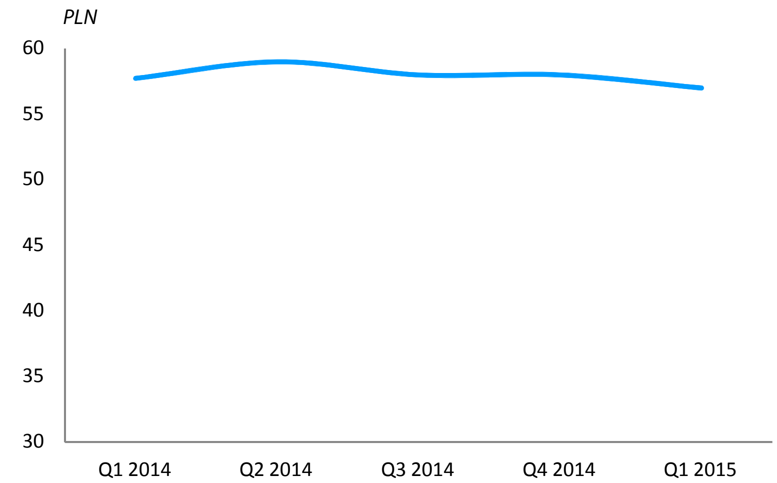
RGUs by access type[1]



Customers and RGUs[1]



Average ARPU per Customer



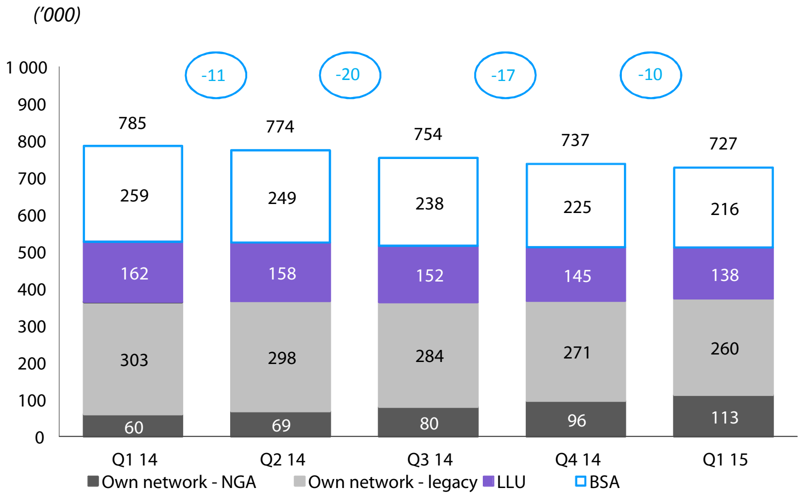
Comments

- Visible progress in commercial performance (-33k RGUs vs -58k RGUs a quarter earlier
- Share of on-net RGUs up by 5 pp to 43% y-o-y
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

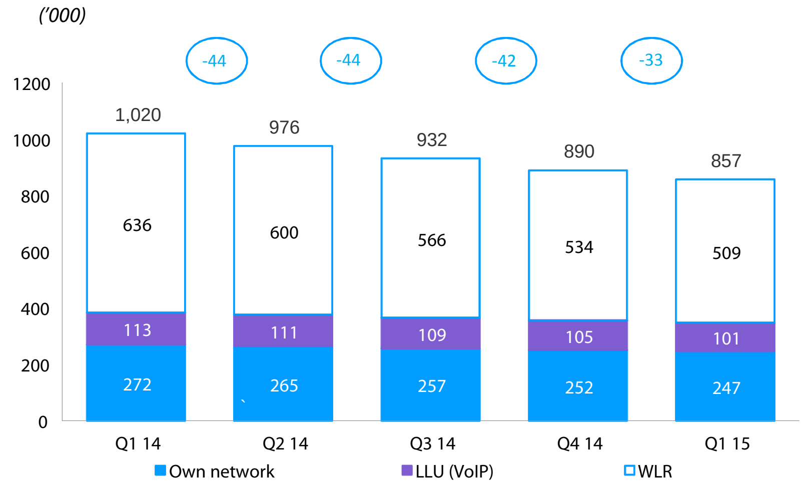
1 In January, 2015 circa 12k customers were transferred from B2B to B2C segment (comparatives restated)

B2C Operations | RGUs by service

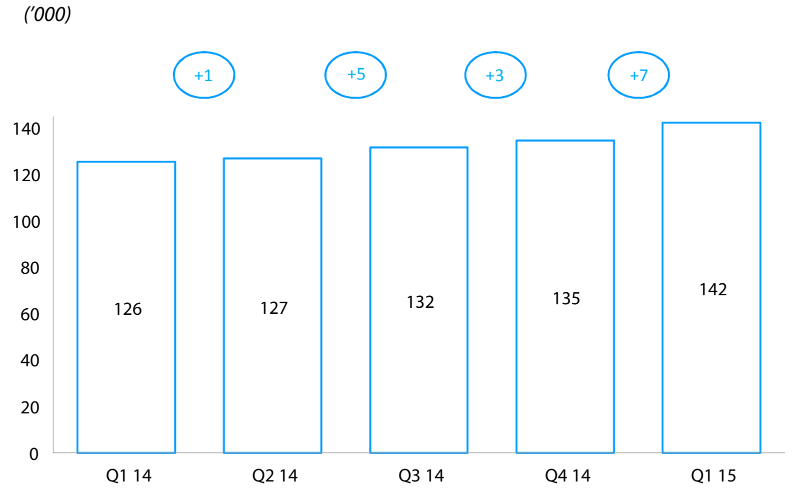
Broadband ports



Voice lines



TV services

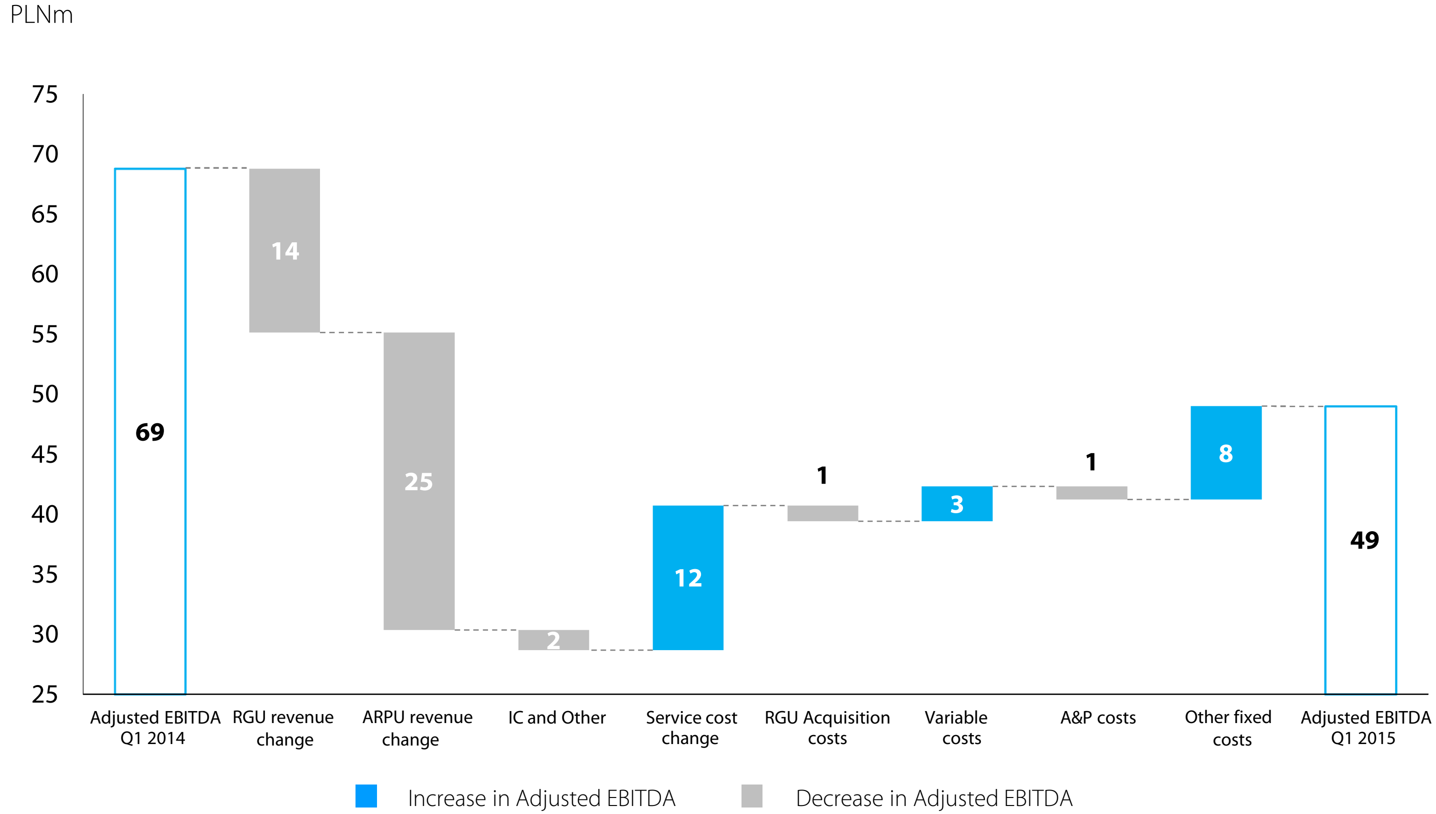


Comments

- TV services at 142k in Q1 2015 (6% q-o-q and 13% y-o-y)
- Focus on retention in regulated access RGUs
- 51% of broadband customers served directly via Netia's own network (+5 pp y-o-y and +1 pp q-o-q)
- 38% of on-net broadband customers now take TV services from Netia

B2C financial performance | Adjusted B2C EBITDA bridge for Q1 2015

Actual
Q1 2014
vs
Q1 2015



Comments

- Revenue decline driven mainly by off-net RGU churn (WLR, BSA, LLU) and on-net ARPU reductions (bundling)
- Lower service cost reflects lower off-net rental payments to incumbent and lower interconnection costs
- Lower fixed costs reflect a number of optimization initiatives introduced by the Company during 2014 and early 2015 within Netia Lajt project

Netia Group Financial Overview

Financial Performance | Key figures for Q1 2015 and FY 2014

(PLN' 000)	2014				2014 vs 2015		
	Q1	Q2	Q3	Q4	Q1 2014	Q1 2015	y-o-y
Revenues	434,371	422,161	413,407	404,100	434,371	388,718	(10.5%)
Change (y-o-y%)	(11.5%)	(11.6%)	(9.6%)	(10.3%)			
Gross profit	141,816	130,509	125,436	113,161	141,816	110,065	(22.4%)
Gross margin (%)	32.6%	30.9%	30.3%	28.0%	32.6%	28.3%	
Adjusted EBITDA[1]	134,440	125,106	120,253	113,352	134,440	113,296	(15.7%)
Margin (%)	31.0%	29.6%	29.1%	28.1%	31.0%	29.1%	
Change (y-o-y%)	(5.3%)	(10.9%)	(16.6%)	(8.7%)			
EBITDA	125,978	119,801	109,490	226,090	125,978	111,489	(11.5%)
Margin (%)	29.0%	28.4%	26.5%	55.9%	29.0%	28.7%	
Change (y-o-y%)	9.3%	(4.9%)	(8.6%)	106.5%			
Depreciation	105,294	105,577	106,378	106.743	105,294	105,450	0.1%
Adjusted EBIT[1]	29,146	19,529	13,875	6,609	29,146	7,846	(73.0%)
Margin (%)	6.7%	4.6%	3.3%	1.6%	6.7%	2.0%	
EBIT	20,684	14,224	3,112	119,347	20,684	6,039	(70.8%)
Margin (%)	4.8%	3.4%	0.8%	29.5%	4.8%	1,6%	

Comments

- Sequentially lower revenue q-o-q driven mainly by lower fixed voice revenue, particularly regulated access (WLR) in B2C and continued price pressure combined with lower voice traffic in B2B
- Gross margin decreased by 4pp y-o-y due to the continued price pressure in both segments
- The loss of approximately PLN 14m in EBITDA y-o-y on a decrease in revenue of PLN 46m confirms the need to continue cost optimization programs within the Netia Group

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

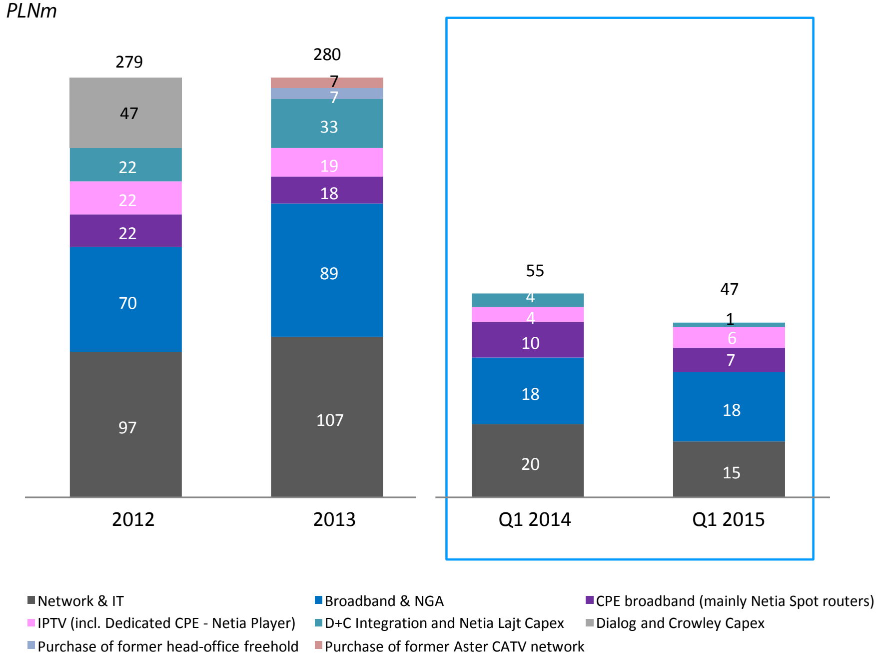
N E T I A

PLN'000	***Q1 2014***	***Q1 2015***		***Change***
Adjusted EBITDA	**134,440**	**113,296**		*-16 %*
Unusual Items:				
M&A related costs	-	(668)		*nm*
New Netia integration costs	(1,776)	(183)	1	*-90%*
Restructuring costs	(3,641)	86	2	*nm*
N2 Project and Netia Lajt costs	(542)	(1,042)	3	*+92%*
Impairment charge	(2,503)	-	4	*nm*
EBITDA	**125,978**	**111,489**		*-12%*
Depreciation and amortization	(105,294)	(105,450)		*0%*
EBIT	**20.684**	**6,039**		*-71%*
Net financial expenses	(4,551)	(1,294)		*-72%*
Profit /(Loss) before tax	16,133	4,745		*-71%*
Current tax and deferred income tax	(5,180)	(3,484)		*-33%*
Net profit	**10,953**	**1,261**		*-88%*
Average number of outstanding shares (basic)	**347,910,774**	**348,088,394**		
EPS (in PLN, basic)	**0.03**	**0.00**		

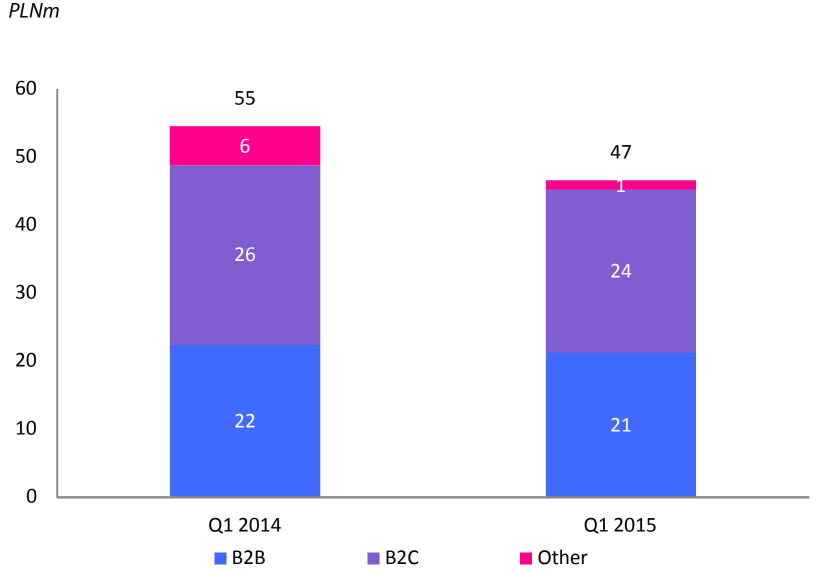
1. Dialog and Crowley integration project costs („CDN")
2. Provisions mainly for staff redundancies related to Netia's reorganisation into B2B and B2C Business Units (N^2 Project) and Netia Lajt
3. Implementation costs for the N^2 and Netia Lajt projects
4. Impairment of PLN 2.5m related to the discontinuity of using Dialog's trademark

NETIA

Capital investments by Type



Capital investments by Operating Segments



Comments

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

Conclusions

- Netia delivered a set of solid financial results for Q1 2015, demonstrating business resilience against a strong competition and price pressure in a difficult market environment in both commercial divisions
- Thanks to the optimization projects - Netia Lajt and Netia Lajt 2.0 the Group targets significant annual savings which will finance the Company's further development
- Netia's financial standing remains strong with a leverage at only 0.08x of the 2014 Adjusted EBITDA at PLN 493m, providing flexibility to fund both, distributions and acquisitions
- Netia's Supervisory Board appointed Mr. Paweł Szymański as President of the Management Board of the Company, Mr. Cezary Chałupa and Mr. Tomasz Szopa as Management Board Members running B2B Department and B2C Department, respectively (effective April 1, 2015)
- On May 8, 2015, Netia entered into a preliminary agreement to purchase 100% of shares of TK Telekom Sp. z o.o. from PKP Group. The transaction is conditional upon a consent of the Office of Competition and Customer Protection and an approval of the General Meeting of Shareholders of PKP SA
- Management Board of Netia is proposing to its AGM to pay a dividend of PLN 0.42 per share which would be payable on June 26, 2015 to shareholders of record on June 12, 2015

THANK YOU

NETIA