GIGA WOLNOŚĆ

Q3 and 9M 2015 Financial Results

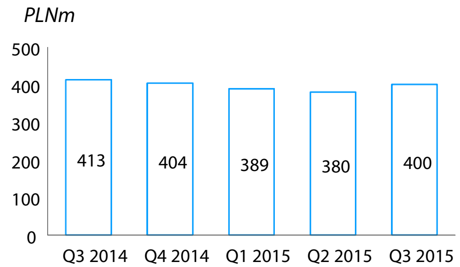
November 5, 2015

NETIA

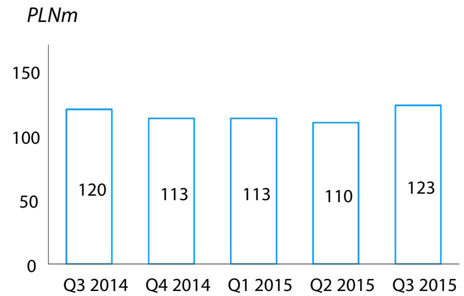
Total Netia | Key highlights for 9M and Q3 2015

- Revenue was PLN 1,169m for 9M 2015 (-8% y-o-y) and PLN 400m in Q3 2015 (+5% q-o-q and -3% y-o-y)
  - Revenue growth q-o-q mainly due to consolidation of operational and financial results of TK Telekom from July 21, 2015
- Profitability maintained thanks to cost optimizations despite a continuous revenue pressure
  - Adjusted EBITDA[1] was PLN 346m for 9M 2015 (-9% y-o-y) and PLN 123m for Q3 2015 (+12% q-o-q and +2% y-o-y)
  - EBITDA was PLN 347m for 9M 2015 (-2% y-o-y) and PLN 123m for Q3 2015 (+9% q-o-q and +12% y-o-y)
- Netia generated PLN 183m Adjusted OpFCF[2] for 9M 2015 (-19% y-o-y) and PLN 62m for Q3 2015 (+19% q-o-q and -7% y-o-y)
- Net debt at PLN 320m on September 30, 2015 (+70% q-o-q and +13% y-o-y), representing 0.6x of Adjusted EBITDA for full 2014 year at PLN 493m
- On July 21, 2015 Netia finalised the purchase of 100% of shares in TK Telekom from the Polish railway, PKP Group for PLN~222m
  - An intensive project is ongoing aiming at assessing the full potential of cost savings and capex optimisation levels
  - The transaction will have a more visible impact on Netia Group results, incl. anticipated synergies, in 2016
- Delegation of Mrs. Bogusława Matuszewska to temporarily perform the duties of the President of the Management Board of Netia (CEO) expired on October 6, 2015
- In accordance with the Management Board Rules, duties of Netia CEO are currently performed by Mr. Tomasz Szopa, Management Board Member of B2C Department

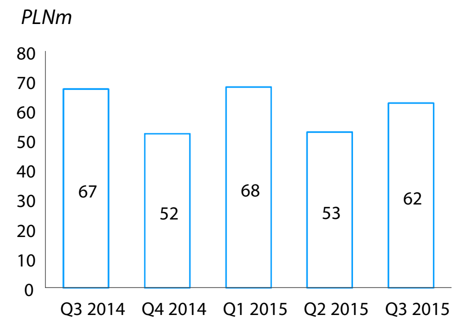
Revenues



Adjusted EBITDA[1]



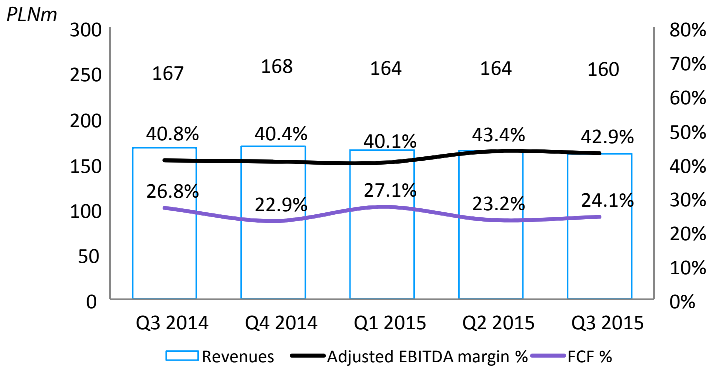
Adjusted OpFCF[2]



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

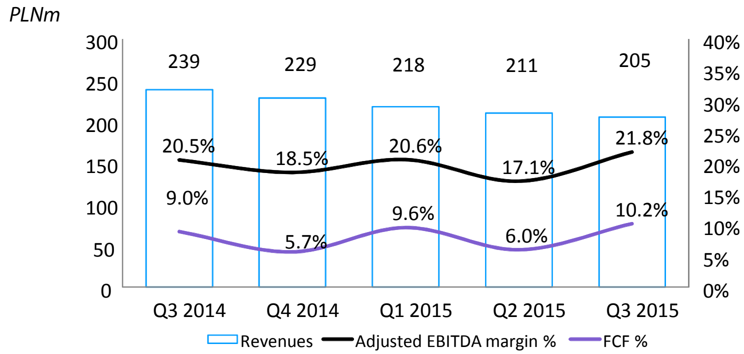
Total Netia | Profitability maintained despite price pressure in both Segments

B2B[1]



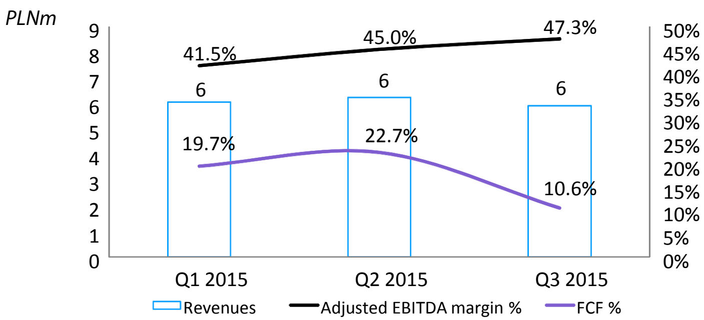
- **Revenue** was PLN 160m in Q3 2015 (-2% q-o-q and -4% y-o-y)
    - Stable margin despite continued price pressure
- **Adjusted EBITDA** was PLN 69m with a margin of 42.9%
- **Capital expenditure** at PLN 30m resulted in **Adjusted OpFCF** at the level of PLN 39m in Q3 2015

B2C[2]



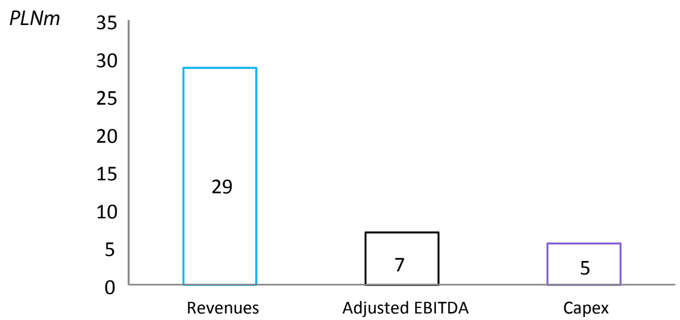
- **Revenue** was PLN 205m in Q3 2015, down by 2% compared to Q2 2015 and down by 14% y-o-y
    - RGUs at 1,744k (0% q-o-q, -6% y-o-y) while commercial performance visibly improved (-7k RGUs vs -18k RGUs in Q2 2015)
- **Adjusted EBITDA** was PLN 45m with a margin of 21.8%
    - Q-o-q increase reflects lower marketing costs and rental payments to incumbent
- **Capital expenditure** at PLN 21m in Q3 2015 resulted in **Adjusted OpFCF** at the level of PLN 21m

Petrotel[3]



- OpFCF drop in Q3 2015 caused by additional capital expenditure related to monitoring project for the city of Płock

TK Telekom[4]

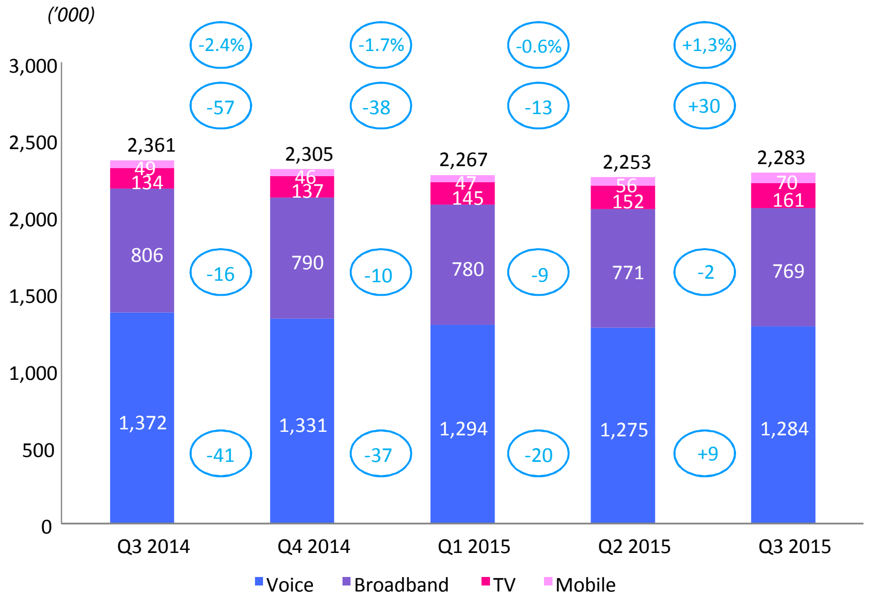


- TK Telekom financial data consolidated from July 21, 2015

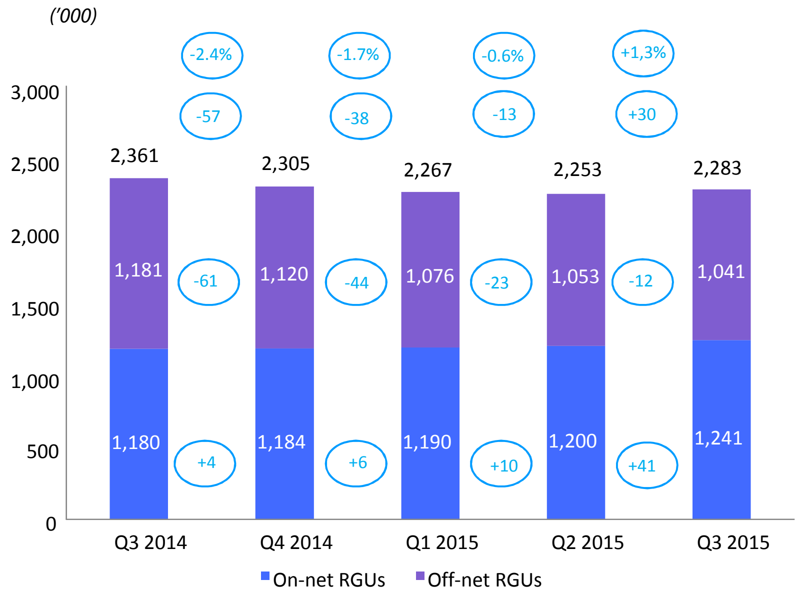
1 B2B comprises Business and Carrier customers sub-segments. TK Telekom results not included. 2 B2C comprises Residential and SOHO customers sub-segments
3 Operating costs and capital expenditures for Petrotel fully separated from Q1 2015 4 TK Telekom data consolidated from July 21, 2015

Total Netia | Total RGUs by product and access type

Total Netia RGUs



On-net and off-net RGUs



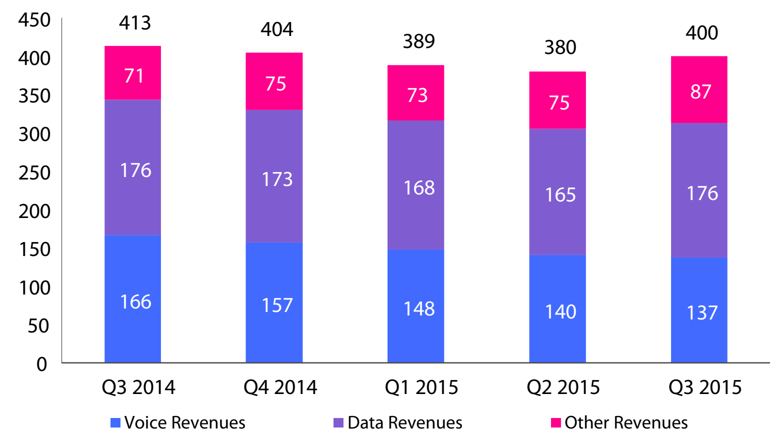
Comments

- Q-o-q increase in RGUs as a result of consolidation of TK Telekom operational results
- The Company recorded an increase of 41k on-net RGUs
- Visible trend improvement in off-net RGUs in Q3 2015 mainly due to better retention of voice services (WLR), internet access services (BSA, LLU) and an increase in mobile services
- At the end of Q3 2015 the share of on-net RGUs in total Netia services was 54% (+4pp y-o-y)

NETIA

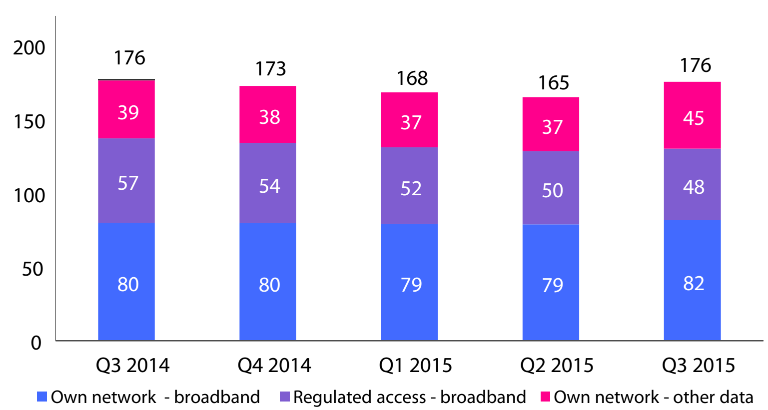
Revenue breakdown by service

PLNm



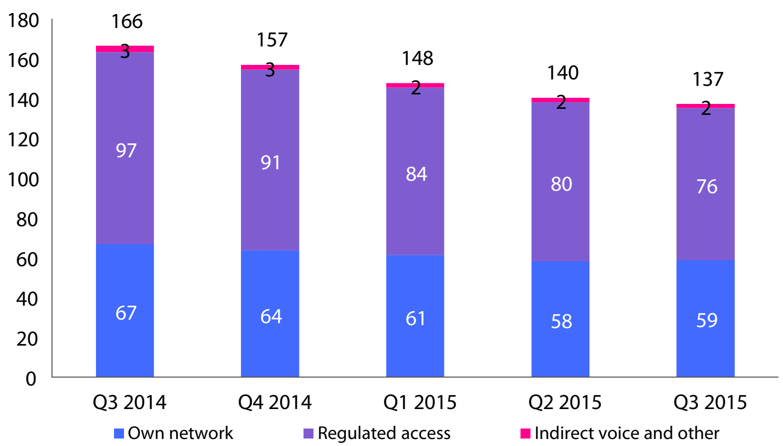
Data revenue[1] breakdown by access

PLNm



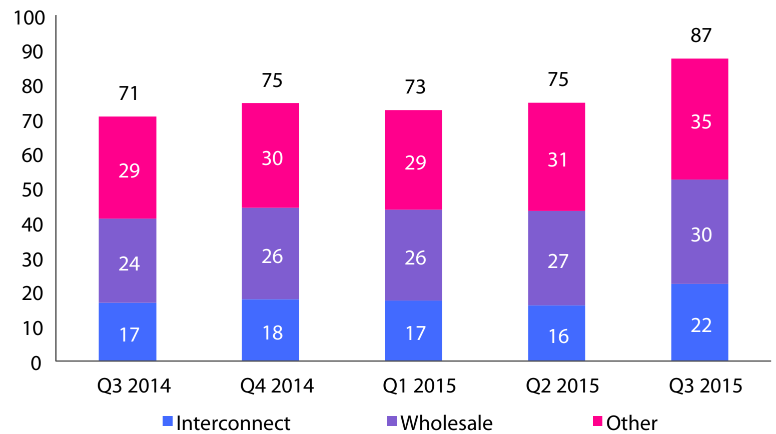
Voice revenue breakdown by access

PLNm



Other revenue[2]

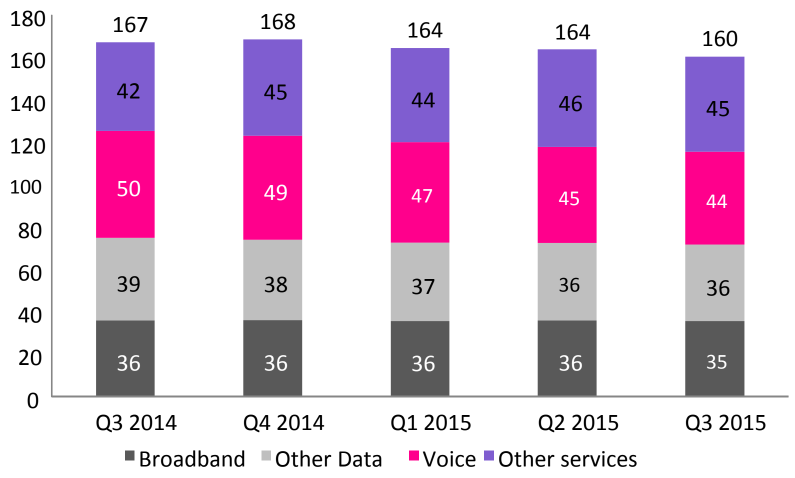
PLNm



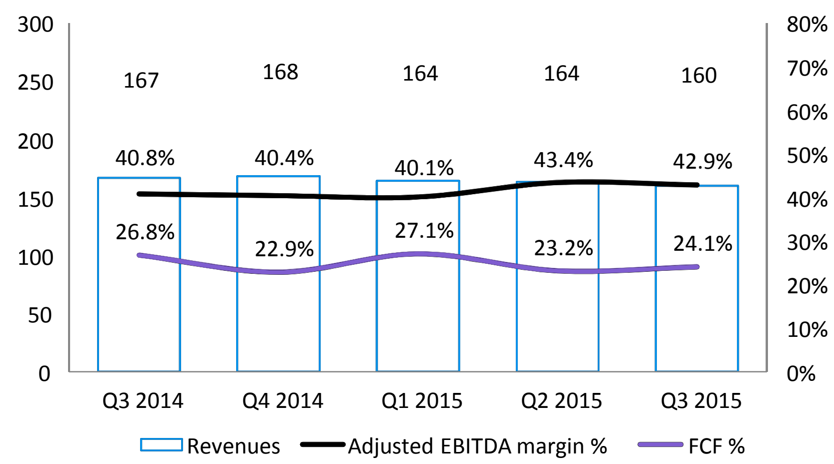
1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

B2B Overview

Revenue by service



Adjusted EBITDA margin and Adjusted OpFCF

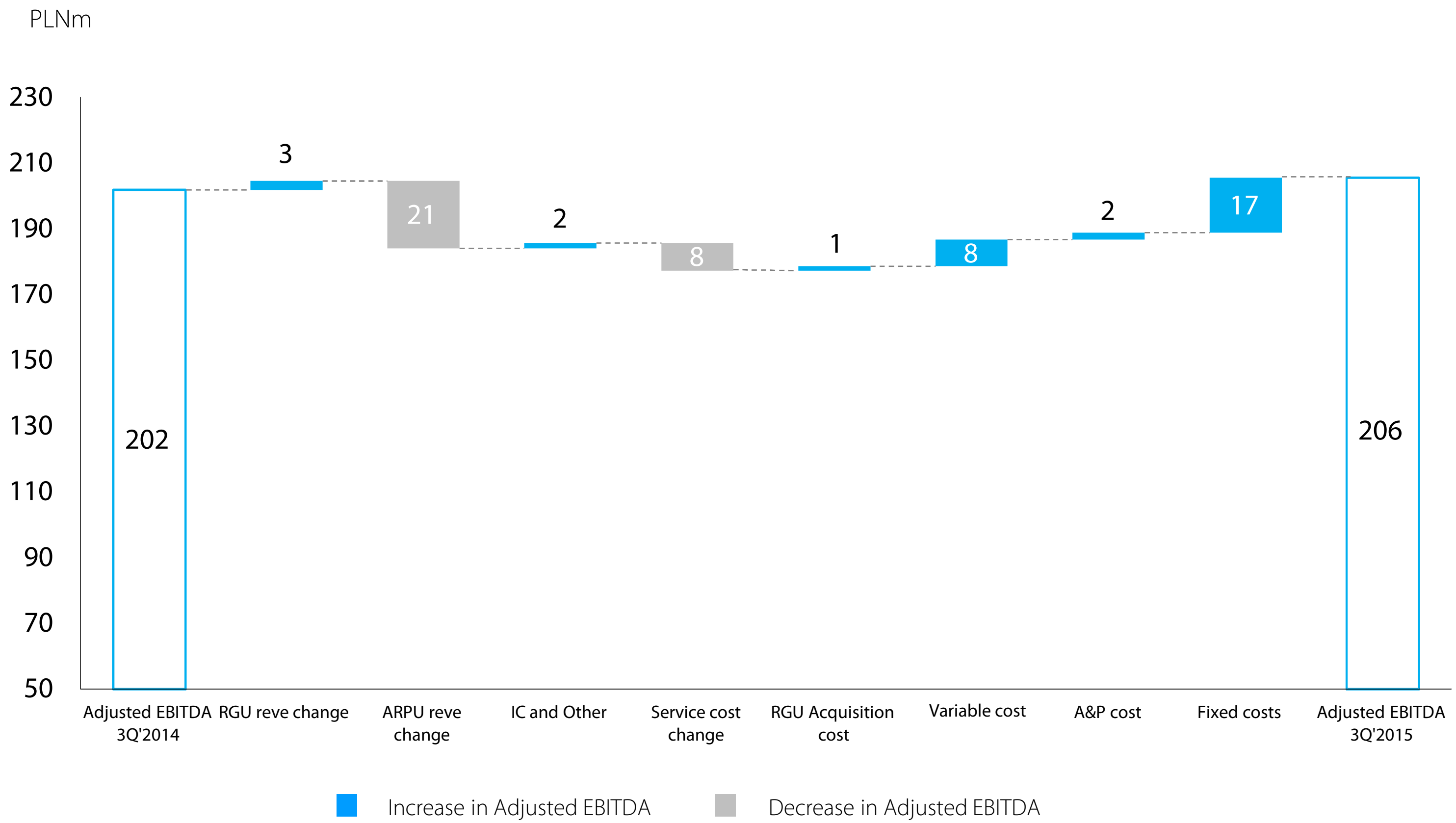


Comments

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

B2B financial performance | Adjusted B2B EBITDA bridge for 9M 2015

Actual
9M 2014
vs
9M 2015



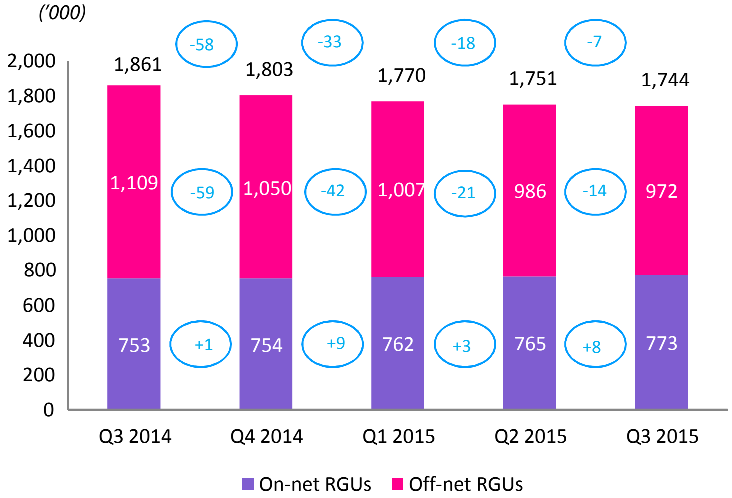
Comments

- ARPU decline related mainly to a visible price pressure in voice services
- Lower fixed and variable costs reflect a number of optimization initiatives introduced by the Company during 2014 and early 2015 within Netia Lite program

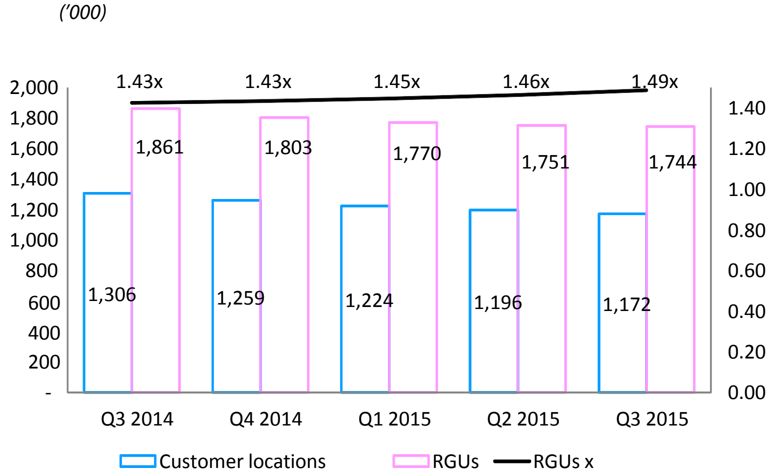
NETIA

B2C Overview

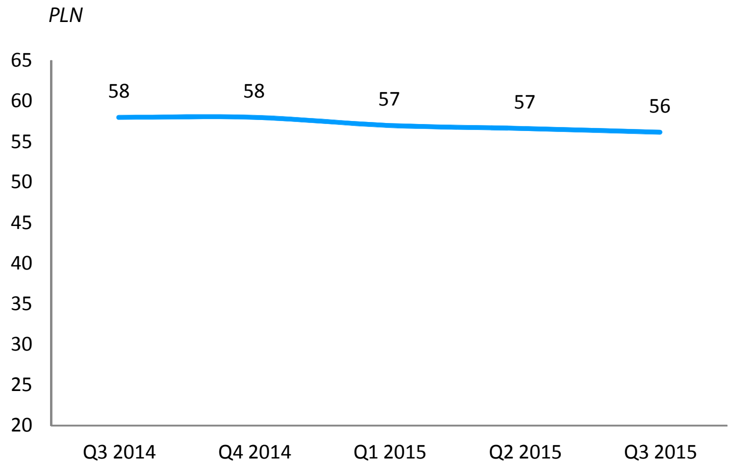
RGUs by access type



Customers and RGUs[1]



Average ARPU per Customer

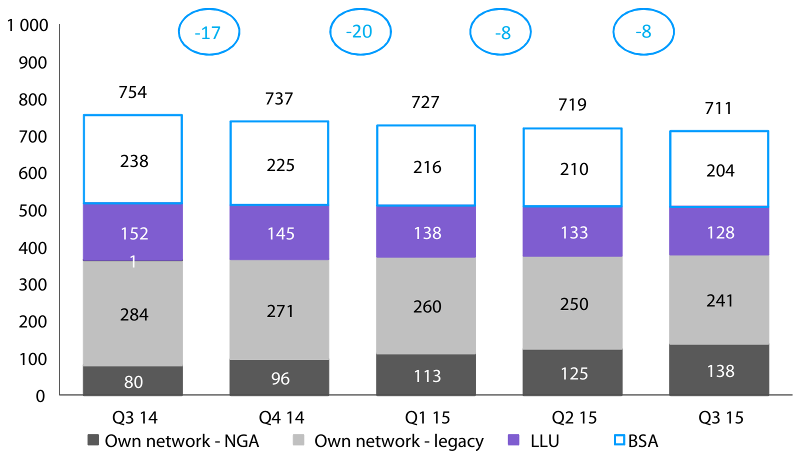


Comments

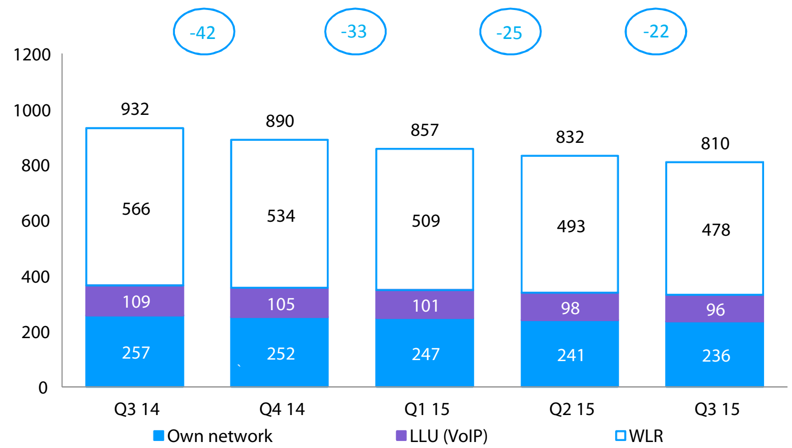
- Visible progress in commercial performance (-7k RGUs vs -18k RGUs a quarter earlier)
- Share of on-net RGUs up by 4 pp to 44% y-o-y
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

NETIA

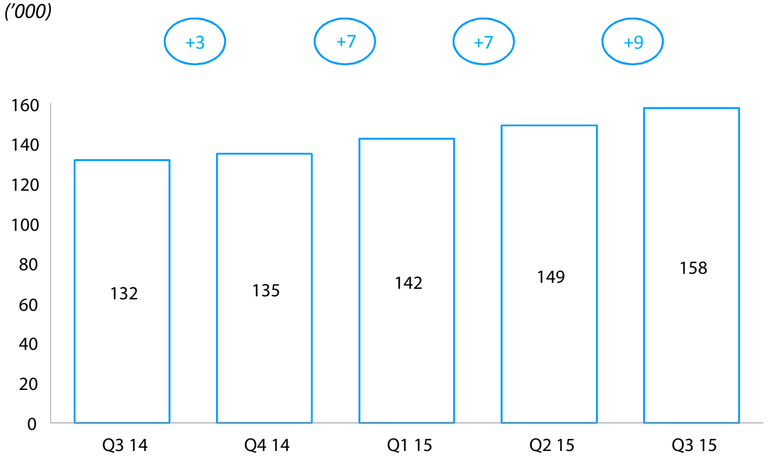
Broadband ports



Voice lines



TV services

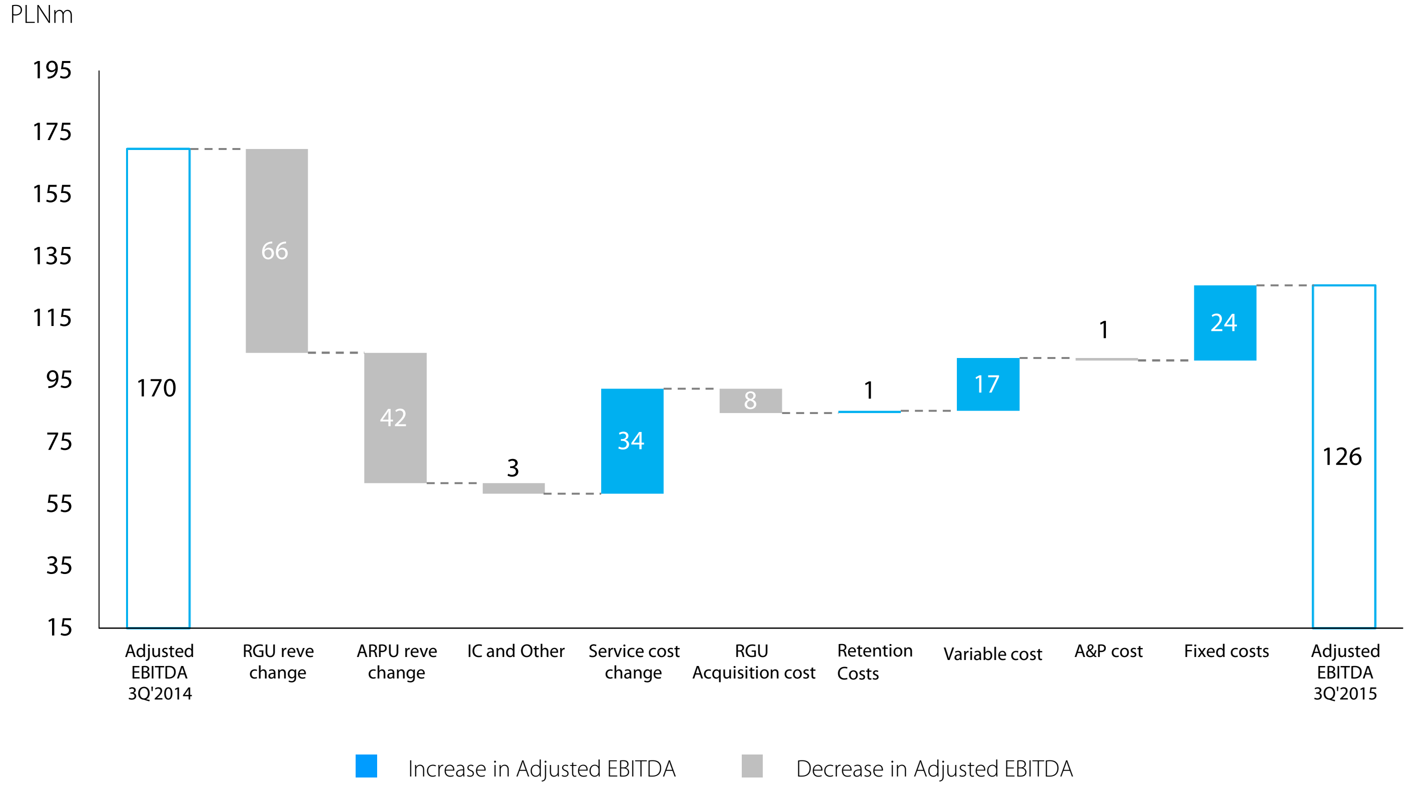


Comments

- TV services at 158k in Q3 2015 (+6% q-o-q and +20% y-o-y)
- Focus on retention in regulated access RGUs
- 53% of broadband customers served directly via Netia's own network (+5 pp y-o-y and +1 pp q-o-q)
- 42% of on-net broadband customers now take TV services from Netia

B2C financial performance | Adjusted B2C EBITDA bridge for 9M 2015

Actual
9M 2014
vs
9M 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
- Higher acquisition costs reflect increased number of new connections mainly on upgraded own networks
- Lower fixed and other variable costs reflect a number of optimization initiatives introduced by the Company during 2014 and early 2015 within Netia Lite program

Netia Group Financial Overview

Financial Performance | Key figures for 9m 2015 and FY 2014

NETIA

(PLN' 000)	2014				2015			2014 vs 2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9m 2014	9m 2015	y-o-y
Revenues	**434,371**	**422,161**	**413,407**	**404,100**	**388,718**	**380,340**	**400,426**	**1,269,939**	**1,169,484**	***(7.9%)***
Change (y-o-y%)	*(11.5%)*	*(11.6%)*	*(9.6%)*	*(10.4%)*	*(10.5%)*	*(9.9%)*	*(3,1%)*			
Gross profit	**141,816**	**130,509**	**125,436**	**113,161**	**110,065**	**111,691**	**124,519**	**397,761**	**346,275**	***(12.9%)***
Gross margin (%)	***32.6%***	***30.9%***	***30.3%***	***28.0%***	***28.3%***	***29.4%***	***31.1%***	***31.3%***	***29.6%***	
Adjusted EBITDA[1]	**134,440**	**125,106**	**120,253**	**113,352**	**113,295**	**109,817**	**123,191**	**379,799**	**346,303**	***(8.8%)***
Margin (%)	***31.0%***	***29.6%***	***29.1%***	***28.1%***	***29.1%***	***28.9%***	***30.8%***	***29.9%***	***29.6%***	
Change (y-o-y%)	*(5.3%)*	*(10.9%)*	*(16.6%)*	*(8.7%)*	*(15.7%)*	*(12.2%)*	*2.4%*			
EBITDA	**125,978**	**119,801**	**109,490**	**226,090**	**111,489**	**112,622**	**122,945**	**355,269**	**347,056**	***(2.3%)***
Margin (%)	***29.0%***	***28.4%***	***26.5%***	***55.9%***	***28.7%***	***29.6%***	***30.7%***	***28.0%***	***29.7%***	
Change (y-o-y%)	*(9.1%)*	*(12.2%)*	*(23.2%)*	*96.2%*	*(11.5%)*	*(6.0%)*	*12.3%*			
Depreciation	**105,294**	**105,577**	**106,378**	**106,743**	**105,450**	**102,378**	**102,786**	**317,249**	**310,614**	***(2.1%)***
Adjusted EBIT[1]	**29,146**	**19,529**	**13,875**	**6,609**	**7,845**	**7,439**	**20,405**	**62,550**	**35,689**	***(42.9%)***
Margin (%)	***6.7%***	***4.6%***	***3.3%***	***1.6%***	***2.0%***	***2.0%***	***5.1%***	***4.9%***	***3.1%***	
EBIT	**20,684**	**14,224**	**3,112**	**119,347**	**6,039**	**10,244**	**20,159**	**38,020**	**36,442**	***(4.2%)***
Margin (%)	***4.8%***	***3.4%***	***0.8%***	***29.5%***	***1.6%***	***2.7%***	***5.0%***	***3.0%***	***3.1%***	

Comments

- Sequentially higher revenue q-o-q driven mainly by acquisition of TK Telekom
- Gross margin decreased by 2pp y-o-y due to the continued price pressure in both segments

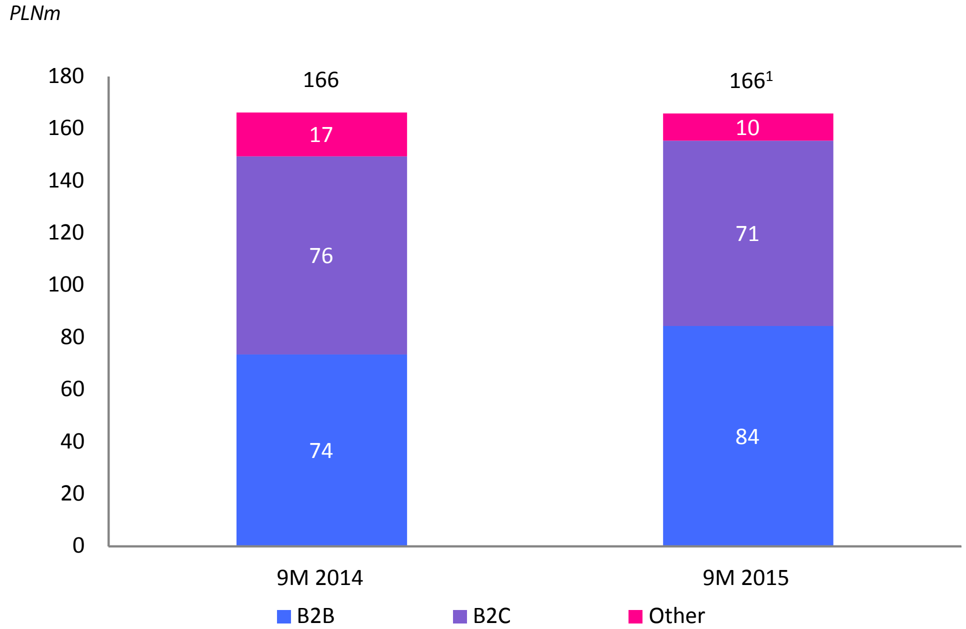
Financial Performance | Adjusted EBITDA reconciliation to Net Result

NETIA

PLN'000	*9m 2014*	*9m 2015*		*Change*
Adjusted EBITDA	**379,799**	**346,303**		*-9 %*
Unusual Items:				
Impairment charge	(2,503)	-	1	*nm*
M&A related costs	(100)	(4,260)	2	*+4160%*
New Netia integration costs	(6,133)	(251)	3	*-96%*
Restructuring costs	(12,553)	1,524	4	*nm*
N2 Project and Netia Lite costs	(3,241)	(260)		*-92%*
Refund of a court deposit	-	4,000	5	*nm*
EBITDA	**355,269**	**347,056**		*-2%*
Depreciation and amortization	(317,249)	(310,614)		*-2%*
EBIT	**38,020**	**36,442**		*-4%*
Net financial expenses	(15,842)	(4,707)		*-70%*
Profit / (Loss) before tax)	22,178	31,735		*+43%*
Current tax and deferred income tax	(7,346)	(15,628)		*+113%*
Net profit	**14,832**	**16,107**		*+9%*
Average number of outstanding shares (basic)	**347,910,774**	**348,107,152**		
EPS (in PLN, basic)	**0.04**	**0.05**		

1. Impairment related to the discontinuity of using Dialog's trademark
2. Mainly costs related to TK Telekom acquisition
3. Dialog and Crowley integration project costs („CDN")
4. Provisions mainly for staff redundancies related to Netia's reorganisation into B2B and B2C Business Units (N^2 Project) and Netia Lite
5. Refund of a court deposit established by the Company as a consequence of financial restructuring in 2002

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 and routine IT functionalities updates
- 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 access network upgrades for business clients
- Expenditures for television services reflect investments in new functionalities, development of TV platforms and capitalized Netia Player set-top boxes delivered to a growing customer base
- In 2014 capital expenditures related to the integration and capitalized interest were not allocated to B2B and B2C segments

1 Including TK Telekom in Other

- Netia delivered a set of solid financial results for Q3 2015, demonstrating relative business resilience against a visible competition and price pressure in a difficult market environment for both commercial divisions
- Following a TK Telekom acquisition the Group's financial standing remains very strong with a leverage at a convenient level below 1.0x of the 2014 Adjusted EBITDA at PLN 493m, providing flexibility to fund both distributions and acquisitions
- In accordance with the Management Board Rules, duties of CEO are currently performed by Mr. Tomasz Szopa, Management Board Member of B2C Department

THANK YOU

NETIA