GIGA WOLNOŚĆ

Q4 and FY 2015 Financial Results

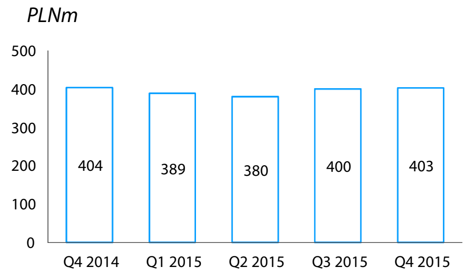
February 25, 2015

NETIA

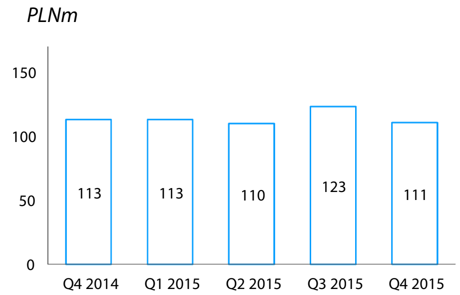
Total Netia | Key highlights for FY and Q4 2015

- Revenue was PLN 1,572m for FY 2015 (-6% y-o-y) and PLN 403m in Q4 2015 (+1% q-o-q and 0% y-o-y)
  - Revenue growth q-o-q mainly due to consolidation of full Q4 operational and financial results of TK Telekom
  - Profitability maintained thanks to cost optimizations despite a continuous revenue pressure
  - Adjusted EBITDA[1] was PLN 457m for FY 2015 (-7% y-o-y) and PLN 111m for Q4 2015 (-10% q-o-q and -2% y-o-y)
  - EBITDA was PLN 449m for FY 2015 (-23% y-o-y) and PLN 102m for Q4 2015 (-17% q-o-q and -55% y-o-y)
- Netia generated PLN 240m Adjusted OpFCF[2] for FY 2015 (-13% y-o-y) and PLN 55m for Q4 2015 (-12% q-o-q and +6% y-o-y)
- Net debt at PLN 253m on December 31, 2015 (-21% q-o-q and +172% y-o-y), representing 0.6x of Adjusted EBITDA for full 2015 year at PLN 457m
- As a result of ongoing TK Telekom consolidation process Netia expects to achieve target synergies in the amount of PLN 26m at the EBITDA level and another PLN 9m in capital expenditure. Complete net effect of synergies will be visible in 2018
- On December 3, 2015 Netia's Supervisory Board appointed Mr. Tomasz Szopa, former Management Board Member of B2C Department as President of Management Board and Chief Executive Officer

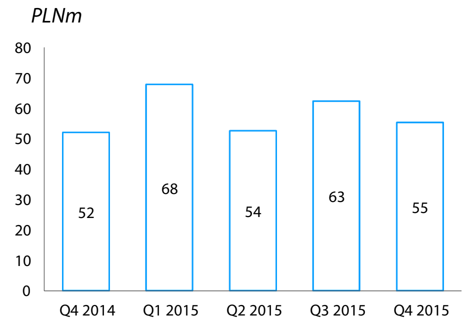
Revenues



Adjusted EBITDA[1]



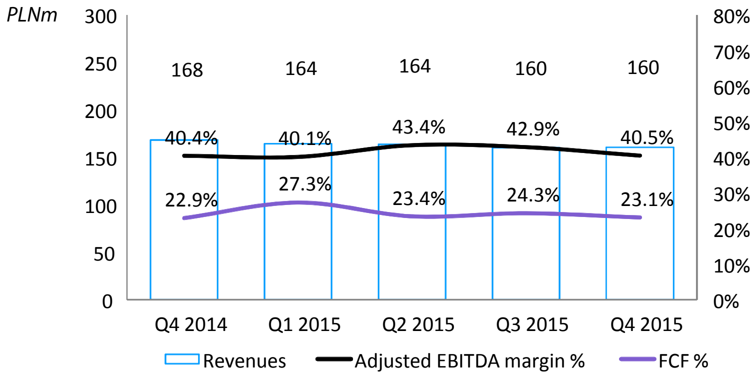
Adjusted OpFCF[2]



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, investments related to the Netia Lite project and non-current asset received in non-cash transaction (comparatives restated); Capex = investments in tangible and intangible fixed assets

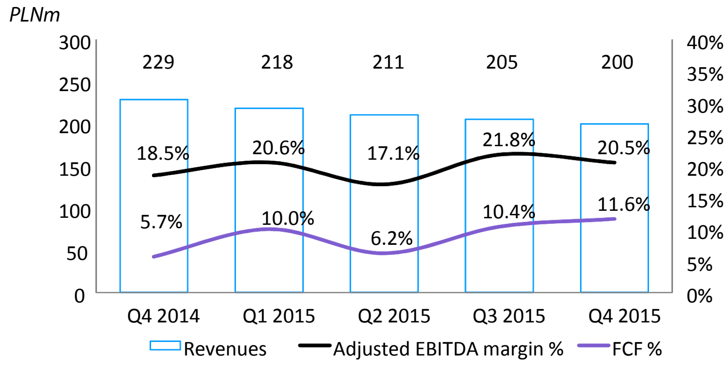
NETIA

B2B[1]



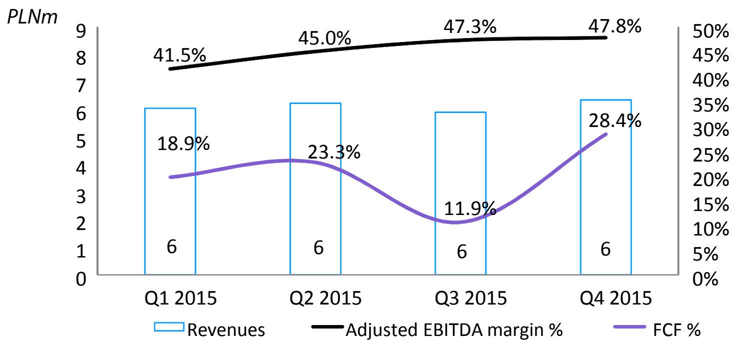
- **Revenue** was PLN 160m in Q4 2015 (0% q-o-q and -5% y-o-y)
  - Stable margin despite continued price pressure
- **Adjusted EBITDA** was PLN 65m with a margin of 40.5%
- **Capital expenditure[5]** at PLN 28m resulted in **Adjusted OpFCF** at the level of PLN 37m in Q4 2015

B2C[2]



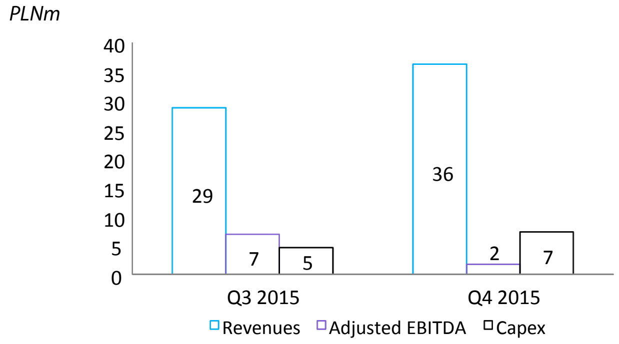
- **Revenue** was PLN 200m in Q4 2015, down by 3% compared to Q3 2015 and down by 13% y-o-y
  - RGUs at 1,721k (-1% q-o-q, -5% y-o-y)
- **Adjusted EBITDA** was PLN 41m with a margin of 20.5%
- **Capital expenditure[5]** at PLN 18m in Q4 2015 resulted in **Adjusted OpFCF** at the level of PLN 23m

Petrotel[3]



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

TK Telekom[4]

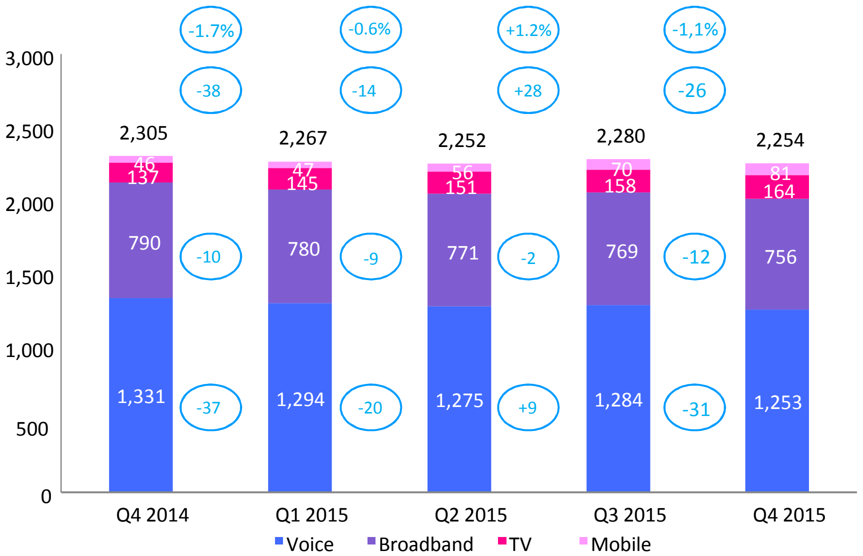


- TK Telekom financial data consolidated from July 21, 2015

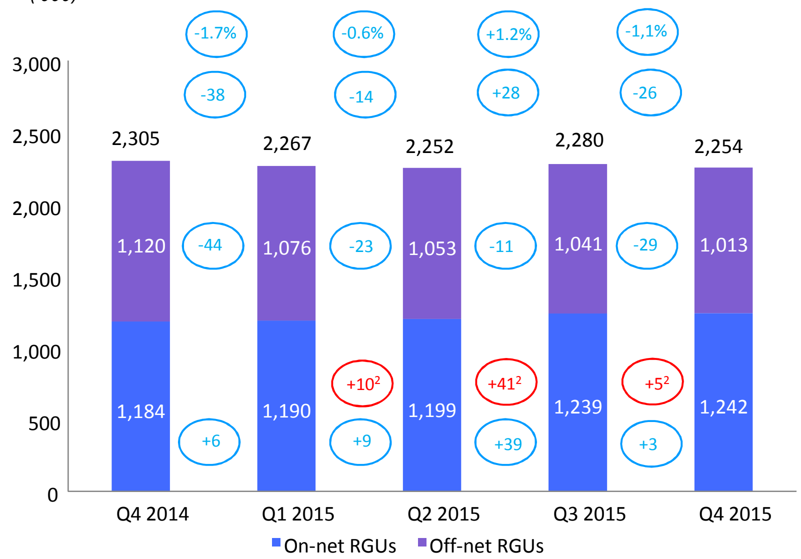
1 B2B comprises Business and Carrier customers sub-segments. TK Telekom results not included. 2 B2C comprises Residential and SOHO customers sub-segments
3 Operating costs and capital expenditures for Petrotel fully separated from Q1 2015 4 TK Telekom data consolidated from July 21, 2015
5 Capex excluding integration capex, capitalised interests from the bank loan, investments related to the Netia Lite project and non-current asset received in non-cash transaction (comparatives restated)

Total Netia | Total RGUs by product and access type

Total Netia RGUs[1]



On-net and off-net RGUs[1]



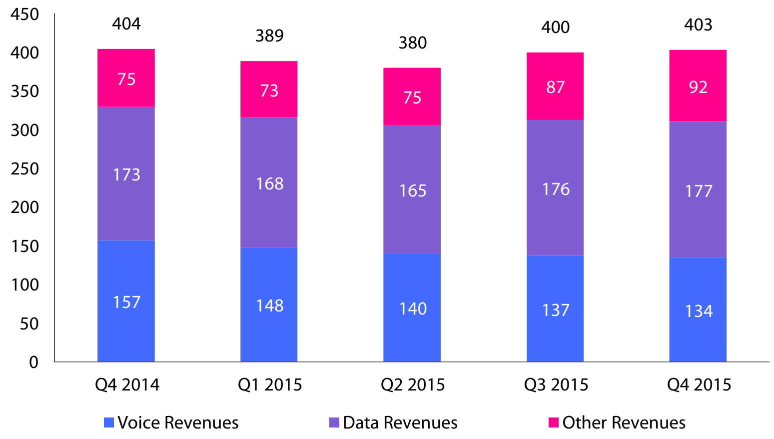
Comments

- Drop in total RGUs in Q4 2015 results mainly from strategic defocus of lower margin WLR and BSA services (focus on retention)
- The Company recorded an increase of 3k on-net RGUs q-o-q
- At the end of Q4 2015 the share of on-net RGUs in total Netia services was 55% (+4pp y-o-y)
- Total loss of 50k RGUs y-o-y vs. 220k RGUs a year before

1 In Q4 2015 Netia changed the presentation of Multiroom services . Impact – 4k TV RGUs and total RGUs down (comparatives restated)
2 If the effect of Multiroom netted

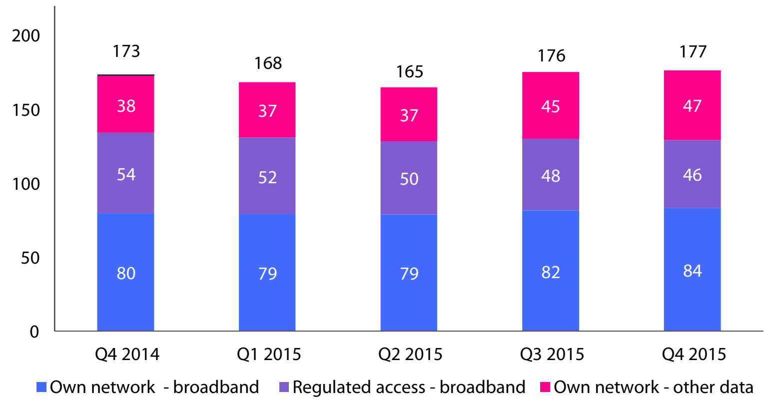
Revenue breakdown by service

PLNm



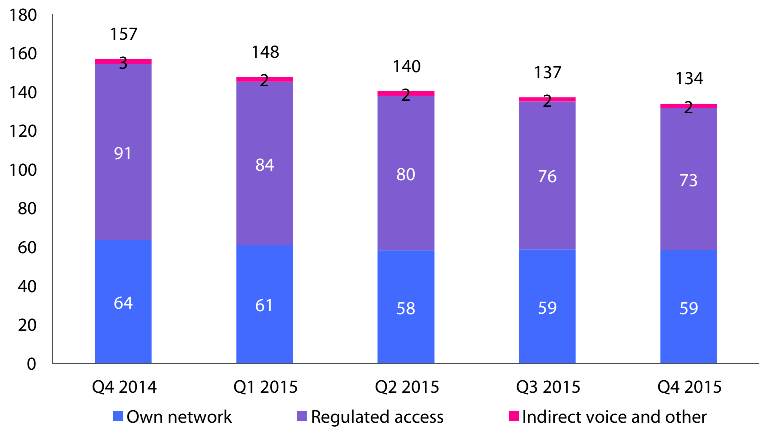
Data revenue[1] breakdown by access

PLNm



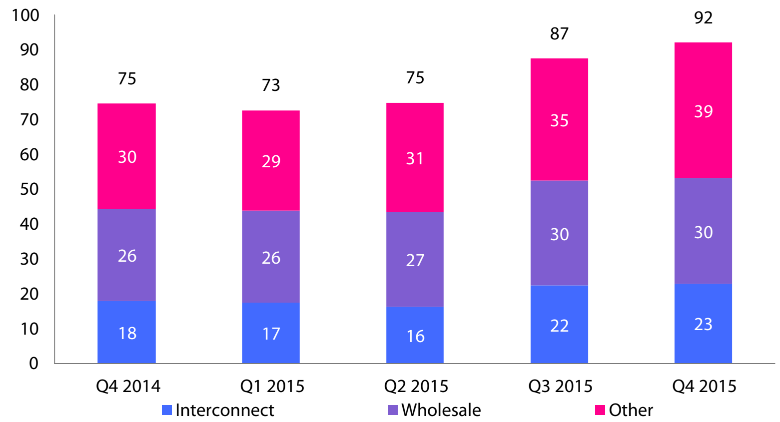
Voice revenue breakdown by access

PLNm



Other revenue[2]

PLNm

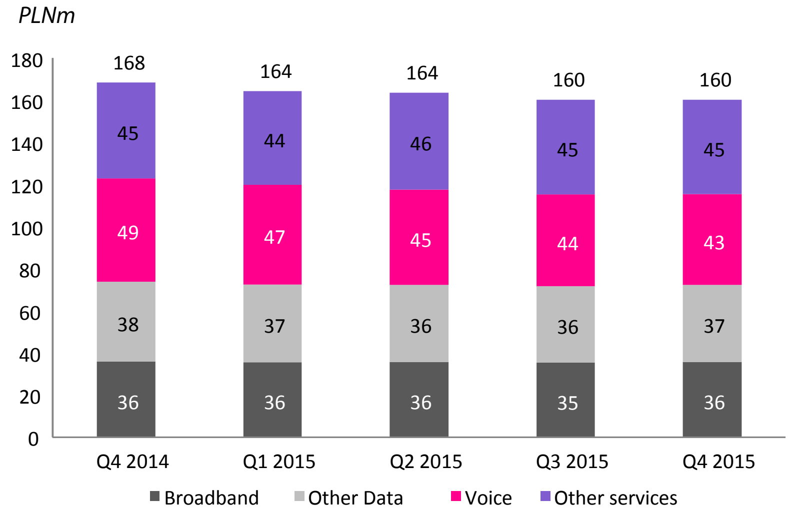


1 Including revenues from VAS, elsewhere reported as Other Telecommunication revenue
2 Includes revenues from TV services

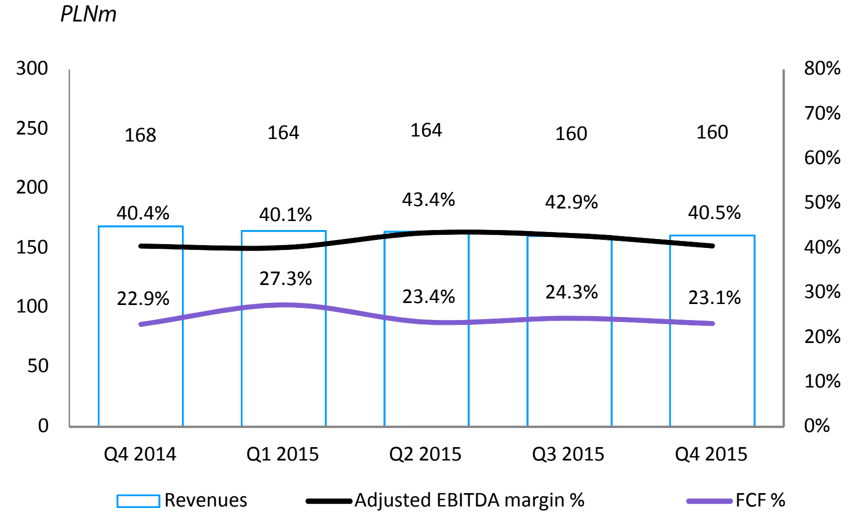
B2B Overview

NETIA

Revenue by service



Adjusted EBITDA margin and Adjusted OpFCF

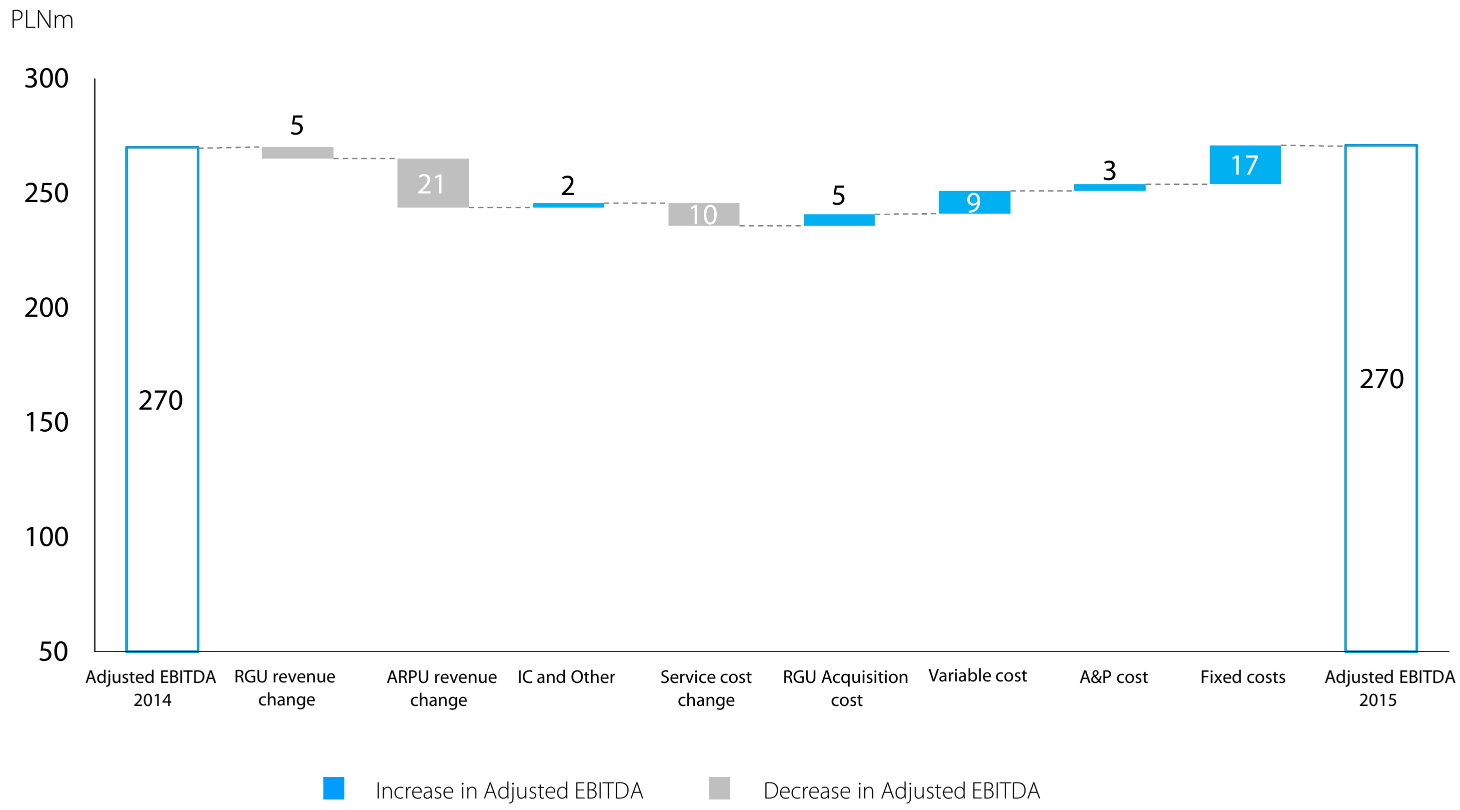


Comments

- 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 FY 2015

Actual
2014
vs
2015



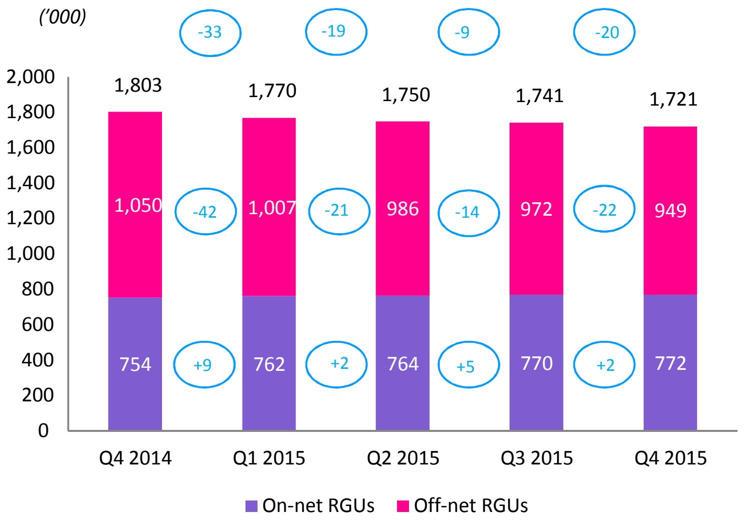
Comments

- 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 2015 within Netia Lite program

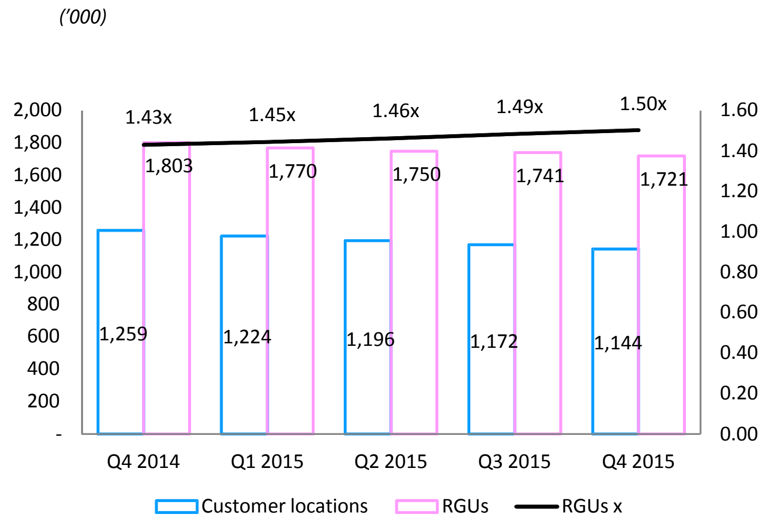
B2C Overview

B2C Operations | RGUs and ARPU per Customer

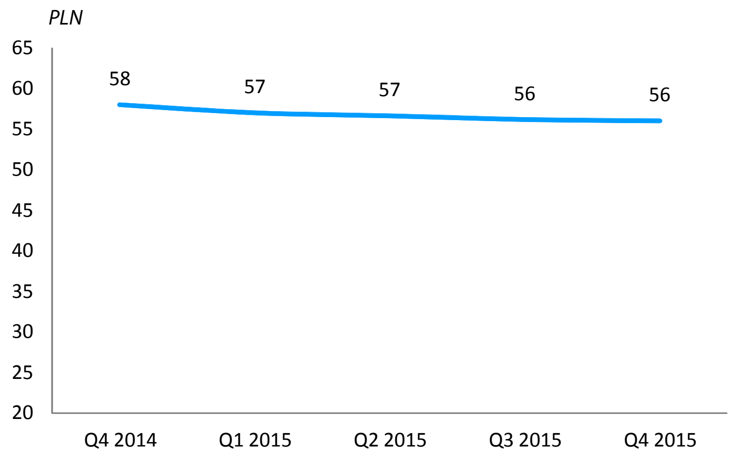
RGUs by access type[1]



Customers and RGUs[1]



Average ARPU per Customer

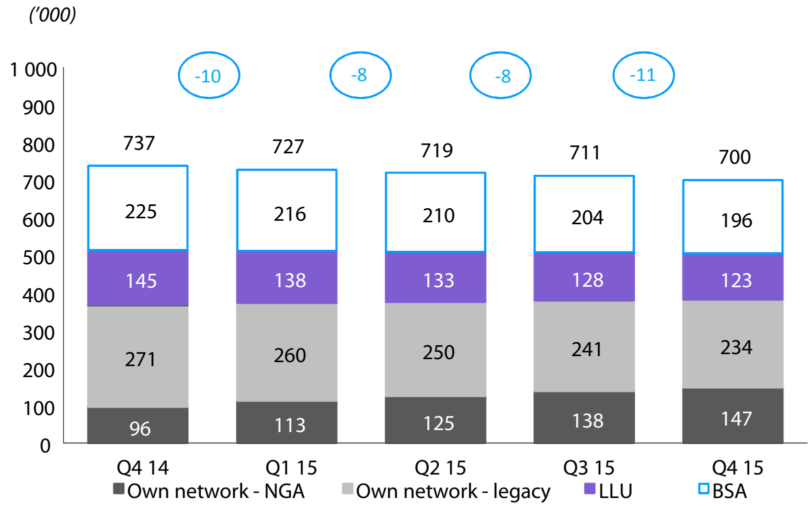


Comments

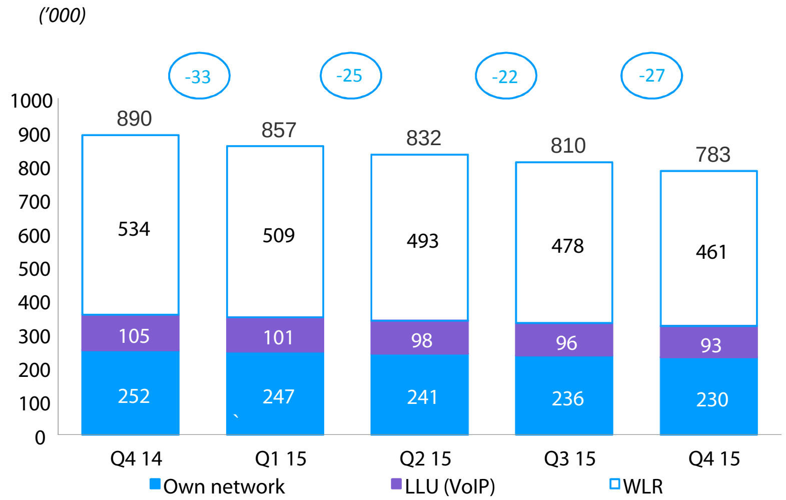
- Share of on-net RGUs up by 3 pp y-o-y to 45%
- TV cross-sell, higher broadband speeds offered and unlimited voice keep ARPU per customer at a relatively stable level
- On-net bundling increases number of RGUs per customer
- Most customer losses are single play off-net voice (WLR) and off-net broadband (BSA)

1 In Q4 2015 Netia changed the presentation of Multiroom services . Impact – 4k TV RGUs and total RGUs down (comparatives restated)

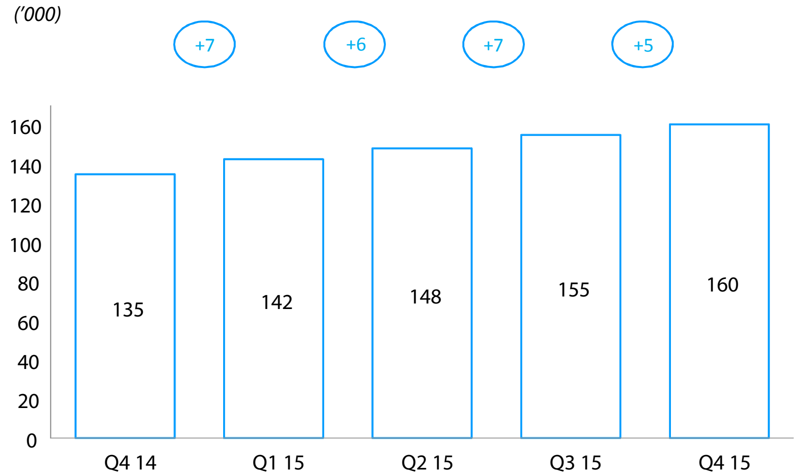
Broadband ports



Voice lines



TV services[1]



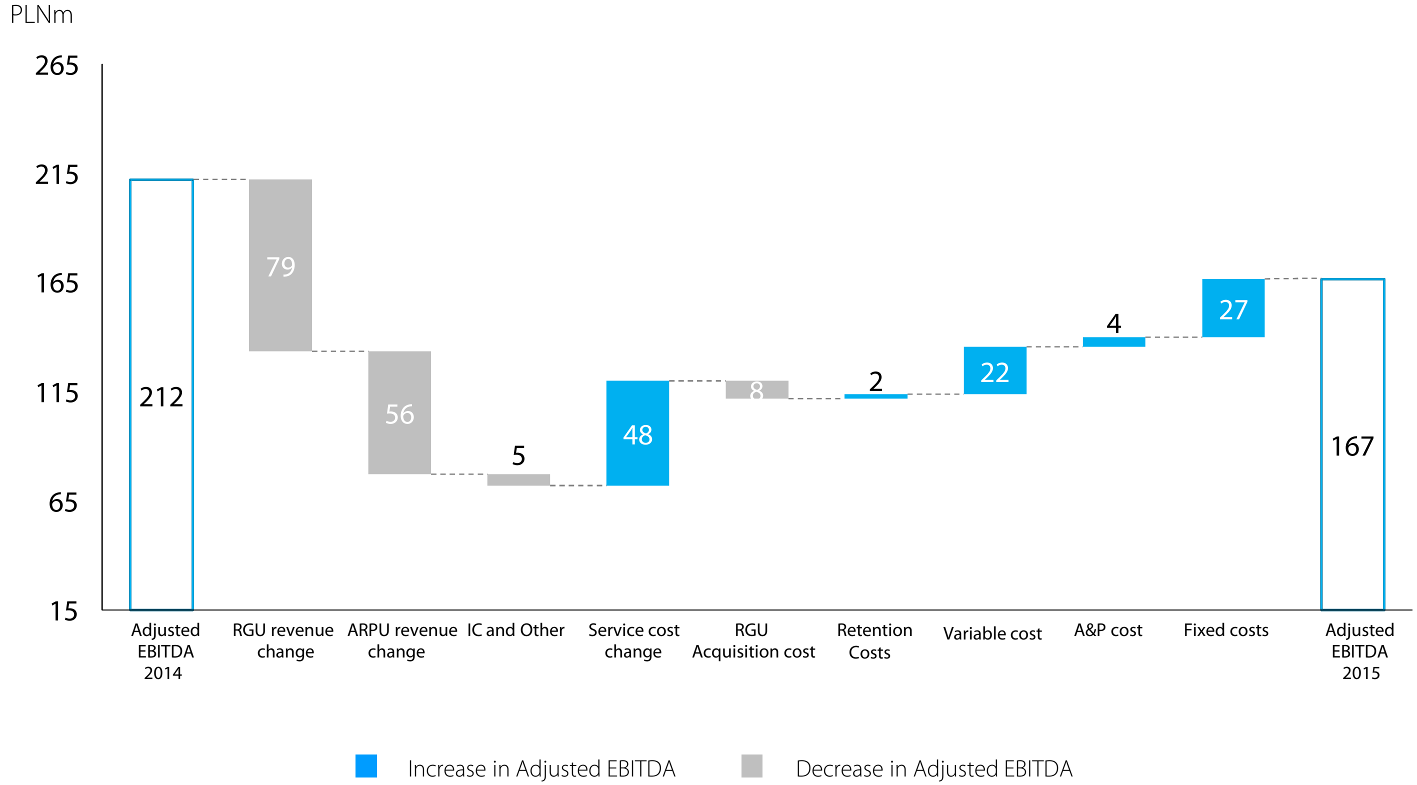
Comments

- TV services at 160k in Q4 2015 (+3% q-o-q and +19% y-o-y)
- Focus on retention in regulated access RGUs
- 54% of broadband customers served directly via Netia's own network (+4 pp y-o-y and +1 pp q-o-q)
- 42% of on-net broadband customers now take TV services from Netia

1 In Q4 2015 Netia changed the presentation of Multiroom services. Impact – 4k TV RGUs and total RGUs down (comparatives restated)

B2C financial performance | Adjusted B2C EBITDA bridge for FY 2015

Actual
2014
vs
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 2015 within Netia Lite program

Netia Group Financial Overview

Financial Performance | Key figures for Q4 and FY 2015

NETIA

(PLN' 000)	2014				2015				2014 vs 2015		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**2014**	**2015**	**y-o-y**
Revenues	**434,371**	**422,161**	**413,407**	**404,100**	**388,718**	**380,340**	**400,426**	**402,697**	**1,674,039**	**1,572,181**	***(6.1%)***
Change (y-o-y%)	*(11.5%)*	*(11.6%)*	*(9.6%)*	*(10.4%)*	*(10.5%)*	*(9.9%)*	*(3.1%)*	*(0.3%)*			
Gross profit	**141,816**	**130,509**	**125,436**	**113,161**	**110,065**	**111,691**	**124,519**	**110,303**	**510,922**	**456,578**	***(10.6%)***
Gross margin (%)	***32.6%***	***30.9%***	***30.3%***	***28.0%***	***28.3%***	***29.4%***	***31.1%***	***27.5%***	***30.5%***	***29.0%***	
Adjusted EBITDA[1]	**134,440**	**125,106**	**120,253**	**113,352**	**113,295**	**109,817**	**123,191**	**110,608**	**493,151**	**456,911**	***(7.3%)***
Margin (%)	***31.0%***	***29.6%***	***29.1%***	***28.1%***	***29.1%***	***28.9%***	***30.8%***	***27.5%***	***29.5%***	***29.1%***	
Change (y-o-y%)	*(5.3%)*	*(10.9%)*	*(16.6%)*	*(8.7%)*	*(15.7%)*	*(12.2%)*	*2.4%*	*(2.4%)*			
EBITDA	**125,978**	**119,801**	**109,490**	**226,090**	**111,489**	**112,622**	**122,945**	**101,947**	**581,359**	**449,003**	***(22.8%)***
Margin (%)	***29.0%***	***28.4%***	***26.5%***	***55.9%***	***28.7%***	***29.6%***	***30.7%***	***25.3%***	***34.7%***	***28.6%***	
Change (y-o-y%))	*(9.1%)*	*(12.2%)*	*(23.2%)*	*96.2%*	*(11.5%)*	*(6.0%)*	*12.3%*	*(54.9%)*			
Depreciation	**105,294**	**105,577**	**106,378**	**106,743**	**105,450**	**102,378**	**102,786**	**110,473**	**423,992**	**421,087**	***(0.7%)***
Adjusted EBIT	**29,146**	**19,529**	**13,875**	**6,609**	**7,845**	**7,439**	**20,405**	**0,135**	**69,159**	**35,824**	***(48.0%)***
Margin (%)	***6.7%***	***4.6%***	***3.3%***	***1.6%***	***2.0%***	***2. 0%***	***5.1%***	***(0.0%)***	***4.1%***	***2.3%***	
EBIT	**20,684**	**14,224**	**3,112**	**119,347**	**6,039**	**10,244**	**20,159**	**(8,526)**	**157,367**	**27,916**	***(82.3%)***
Margin (%)	***4.8%***	***3.4%***	***0.8%***	***29.5%***	***1.6%***	***2.7%***	***5.0%***	***(2.1%)***	***9.4%***	***1.8%***	

Comments

- Revenue growth q-o-q mainly due to consolidation of full Q4 financial results of TK Telekom
- Gross margin decreased by 1.5 pp y-o-y due to the continued price pressure in both segments

Financial Performance | Adjusted EBITDA reconciliation to Net Result

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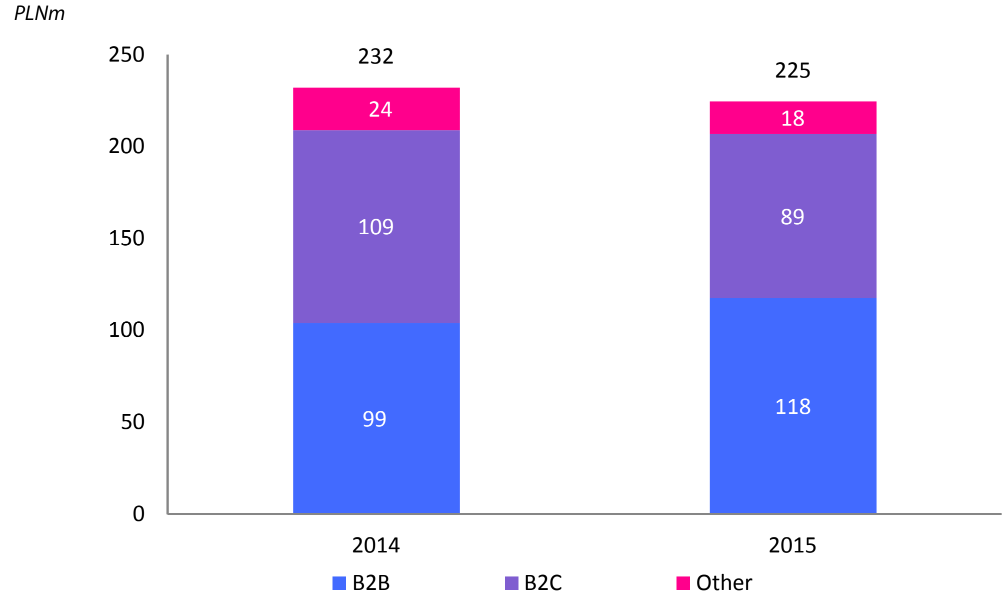
PLN'000	*2014*	*2015*		*Change*
Adjusted EBITDA	**493,151**	**456,911**		*-7%*
Unusual Items::				
Impairment charge	(9,872)	(6,319)	1	*-36%*
M&A related costs	(161)	(4,263)	2	*+2548%*
New Netia integration costs	(7,863)	(764)		*-90%*
Restructuring costs	(34,622)	3,224	3	*nm*
Reorganization costs	(5,956)	(3,786)	4	*-36%*
Refund of a court deposit	-	4,000	5	*nm*
Settlement agreement with Orange Polska	146,682	-		*nm*
EBITDA	**581,359**	**449,003**		*-23%*
Depreciation and amortization	(423,992)	(421,087)		*-1%*
EBIT	**157,367**	**27,916**		*-82%*
Net financial expenses	(30,955)	(7,225)		*-77%*
Profit /(Loss) before tax	126,412	20,691		*-84%*
Current tax and deferred income tax	48,421	(18,478)		*nm*
Net Profit	**174,833**	**2,213**		*-99%*
Average number of outstanding shares (basic)	**347,933,646**	**348,126,331**		
EPS (in PLN, basic)	**0.50**	**0.01**		

1. Impairment related to the IRU agreements due to a poor financial situation of the contractor
2. Mainly costs related to TK Telekom acquisition
3. Mainly released provision for staff redundancies related to Netia Lite and cost of employment restructuring in TK Telekom (PLN 1.3 mln)
4. Mainly Netia Lite project costs
5. Refund of a court deposit established by the Company as a consequence of financial restructuring in 2002

- As a result of ongoing TK Telekom consolidation process Netia expects to achieve target synergies in the amount of **PLN 35m** at the **FCF** level:
  - **PLN 26m** affecting **EBITDA** (among others network maintenance costs reduction and staff redundancies)
  - **PLN 9m** related to **capital expenditure**
- Total costs of synergies in 2015-2018:
  - ca. PLN 18m operational costs
  - ca. PLN 33m capital expenditure
- Complete net effect of synergies will be visible in 2018

Capital investments by Operating Segments[1]



Comments

- Capital investments in the existing network and IT reflect mainly extension of the transmission network capacity to activate new customers, IT functionalities updates (Cloud among others) and new DWDM
- 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
- Capital expenditure related to the integration of TK Telekom in the amount of PLN 3m allocated to B2B segment

1 Including TK Telekom and Petrotel in Other

Conclusions

- Netia delivered a set of solid financial results for Q4 and FY 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 0.6x of the 2015 Adjusted EBITDA at PLN 457m
- On December 3, 2015 Netia's Supervisory Board appointed Mr. Tomasz Szopa, former Management Board Member of B2C Department, as President of Management Board and Chief Executive Officer

Disclaimer

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THANK YOU

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