



Netia SA

The Broadband Opportunity in Poland

October 2007

netia

PLAY 

G GERMANOS

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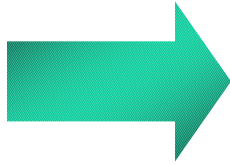
Some of the information contained in this material contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. For a more detailed description of these risks and factors, please see Netia's interim financial report and press release announced on August 13, 2007. Netia undertakes no obligation to publicly update or revise any forward-looking statements.



Key recent developments at Netia

- Highly favourable regulatory opportunities available from January 2007 – in particular for LLU and Bitstream access
- Strategy refocused on the consumer broadband opportunity in Poland – broadband customer base of 175K growing by 200% over last 12 months
- New management team highly incentivised to maximise shareholder value
- 23% stake in #4 Polish mobile player expected to create considerable value and provide key operational synergies – over 300K mobile customers and a target of more than 750K clients by 2007 year-end

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Poland is a fast growing and attractive economy

Key factors

Politics:

- Committed to fast telecoms access liberalization
- EU accession fosters stability

Economics:

- Low inflation
- Fast growth of the economy
- Low interest rates

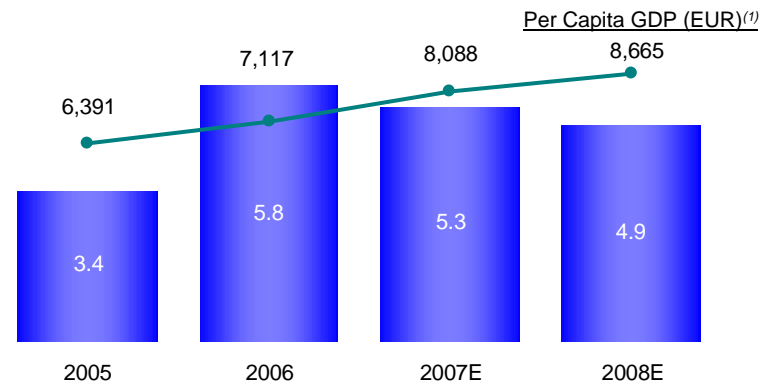
Society:

- Migration to large cities and EU countries
- Growing middle class and elderly population

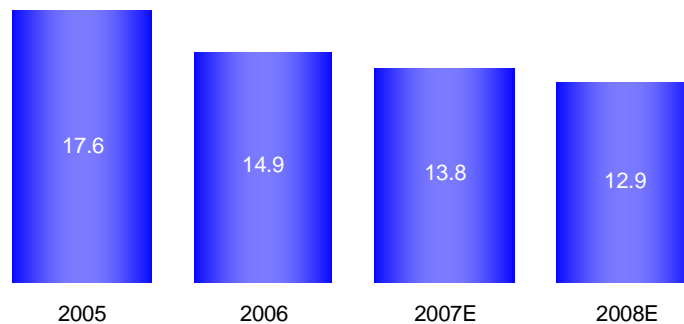
Technology:

- Mass use of Internet and mobile telephony
- Fast acceptance of new technologies

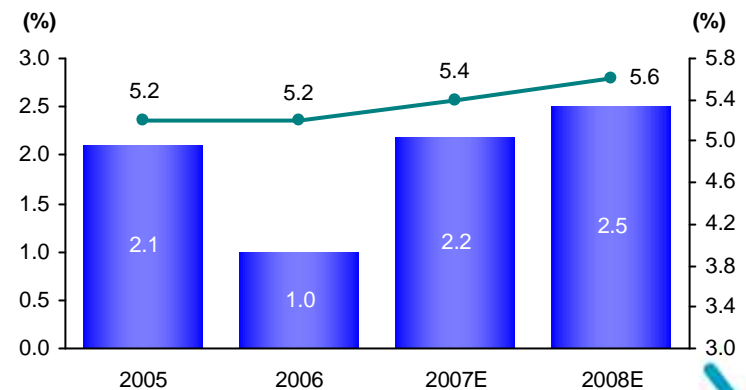
GDP growth (%)



Unemployment rate (%)



Inflation / interest rate⁽²⁾



(1) Source: Central Statistical Office

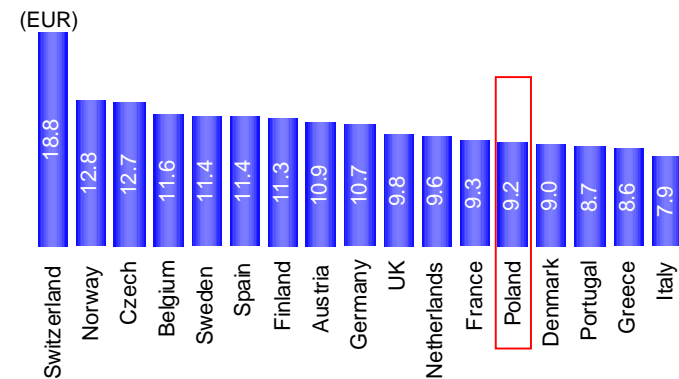
(2) Interest rate represented by 10-year government bond yield

Rapidly liberalising regulatory environment

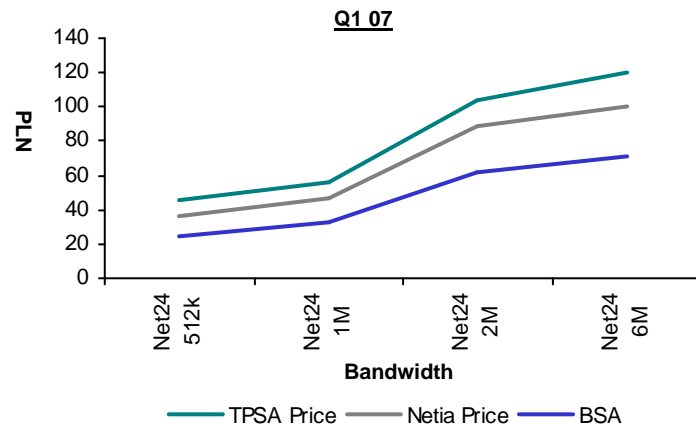
Regulations

- Bitstream with 51% discount from full retail price
- Wholesale Line Rental with 47% discount
- LLU with full access at 36 PLN / month
- RIO with 35% fixed termination decline in 2006
- Mobile Termination Rate decline by 22% in 2006
- Almost PLN 0.5 bn of fines imposed on TP with most upheld by courts

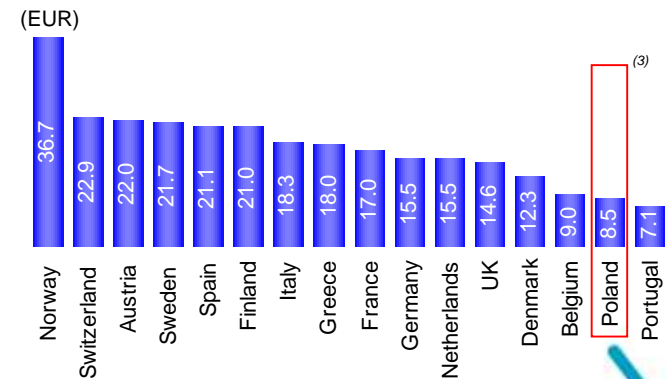
LLU wholesale pricing⁽¹⁾



Attractive bitstream economics



Bitstream wholesale pricing⁽²⁾



(1) Merrill Lynch Research

(2) Resale ADSL is shown for Finland, Germany, Greece, Sweden and Switzerland

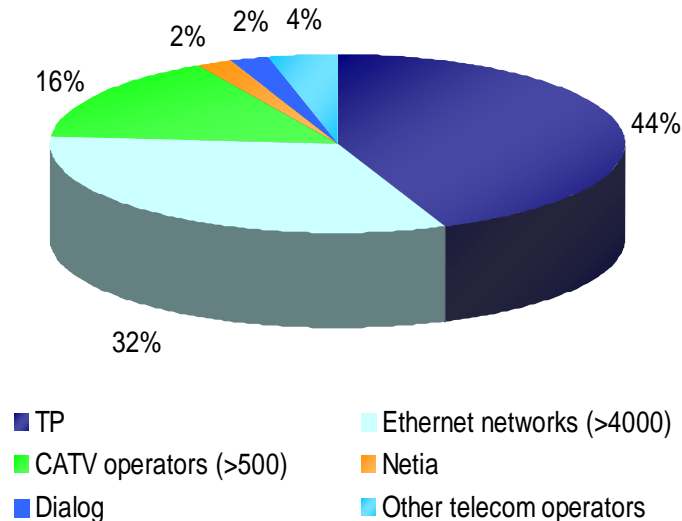
(3) Calculated as 51% discount to TPSA's ADSL ARPU in 2006

Broadband market is fragmented

Broadband subscribers

Growth opportunity for Netia

Total 4.1 mln



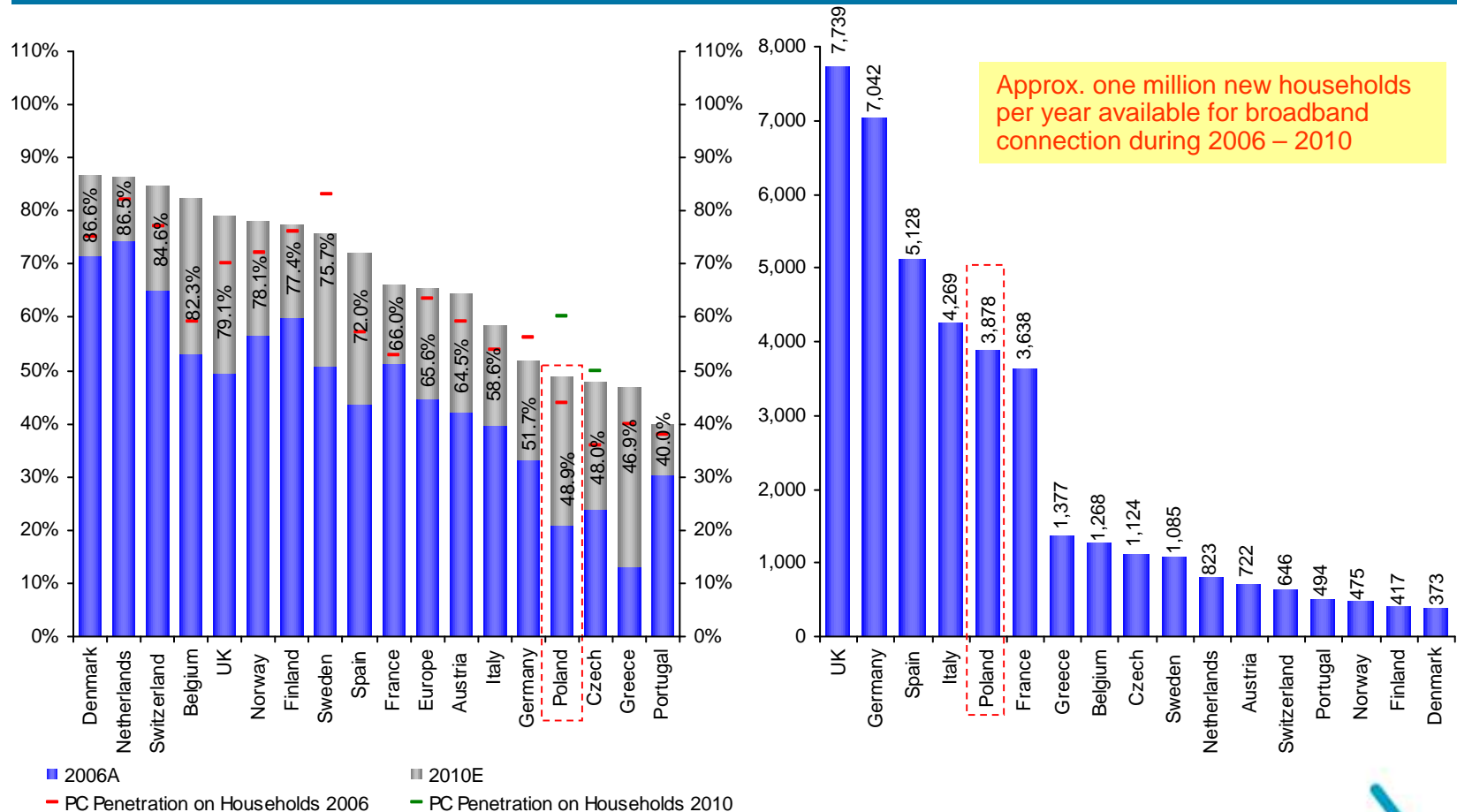
- Netia Copper / Fibre Network
 - Continue to expand penetration of ADSL to existing 250K residential customer lines and 150K business customer lines
- TP – Regulatory Access
 - Bitstream Internet Access
 - Upsell voice – VoIP and wholesale line rental (WLR)
 - Move to LLU when scale justifies
 - Up-sell IPTV and cross-sell mobile services
- Ethernet Networks
 - High capacity local networks
 - No scale to offer content or meet regulatory requirements
 - Potential for bolt-on acquisitions
- Cable TV
 - Netia has opportunity to compete with multi-play offers



Polish broadband market upside

Broadband penetration⁽¹⁾

2010E BB penetration upside (households)⁽¹⁾⁽²⁾



Approx. one million new households per year available for broadband connection during 2006 – 2010

Source: Merrill Lynch Broadband Matrix, Merrill Lynch CE3 Matrix
 Note: Western European Countries forecasts formulated post Q4 06 results, Poland and Czech Republic forecasts formulated post Q1 06 results; 2006 year end figures for Poland and Czech republic estimated as at Q1 06
 (1) Always excludes Ethernet Networks
 (2) Represents Households with Broadband Penetration in 2010E minus Households with Broadband Penetration in 2006A



Netia is best placed altnet to exploit the liberalising Polish telecom market

Key market players

Player	Key focus	Market position	Revenues '06 (EUR mln)	Market Cap (EUR mln)	National backbone	Customer focus	LLU BSA/WLR strategy
TP	Fixed line, internet, data	10.1mn fixed line, 1.7mn broadband subscribes	2,872	8,126			
PTK Centertel (Orange)	Mobile	12.5mn mobile subscribers	1,950				
Polkomtel (Plus)	Mobile	12mn mobile subscribers	1,905	Not Listed			
PTC (Era)	Mobile	12.2mn mobile subscribers	1,838	Not Listed			
Netia	Fixed line, data, internet	396k fixed line, 175 K broadband subscribers ⁽¹⁾	223	385	Yes	Bus/Res	WLR, BSA, LLU
Exatel	Fixed line	1.2% share of Polish telcom market in terms of value	137	Not Listed	Yes	Business	WLR, BSA
Telefonia Dialog	Fixed line, data, internet	438k fixed line, 96k broadband subscribers	129	Not Listed	No	Res/Bus	WLR, BSA, LLU
GTS Energis	Fixed line	7k business clients, approx 1% of the telecoms market by value	103	Not Listed	Yes	Business	WLR, BSA, LLU
UPC Polska	Cable TV	2mln homes passed 994k cable TV subscribers	97.4*	Not Listed	No	Residential	
Tele2	Fixed line, reseller	1mn fixed line subscribers	61.9*	Not Listed	No	Residential	WLR, BSA, LLU
Multimedia	Cable TV	130k fixed line subscribers	97.5	496	No	Residential	WLR, BSA, LLU
Vectra	Cable TV	630k cable TV subscribers	64.2	Not Listed	No	Residential	
Hyperion	Broadband	N/A	5.1	30	No	Residential	

* data for 2005, market cap as of 11/10/2007

(1) data as of October 10, 2007

Source: GUS, CBOS, TNS OBOP, PMR, company data, financial statements of operators



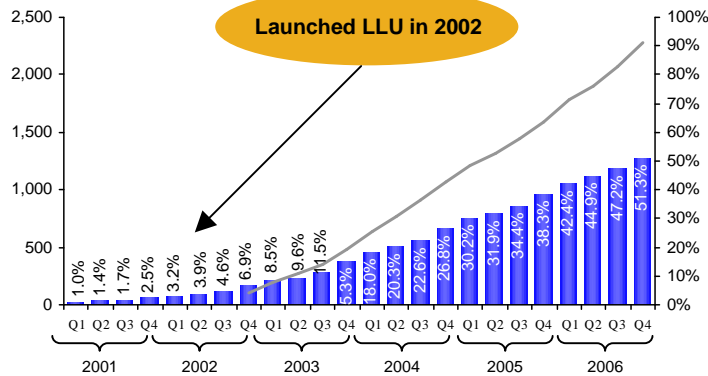
Netia is uniquely positioned to capitalize on the broadband opportunity

<p>Early mover</p>	<ul style="list-style-type: none"> ▪ Over 175 K broadband customers makes Netia number 1 among Polish altnets ▪ First mover advantage on deregulation - 74K bitstream subs at Oct. 10, 2007 ▪ First LLU agreement
<p>PLAY operational synergies</p>	<ul style="list-style-type: none"> ▪ Netia Broadband available through the Germanos sales network
<p>National reach</p>	<ul style="list-style-type: none"> ▪ Brand name established nationally ▪ National marketing and distribution and high street presence ▪ National backbone network provides capacity and backhaul from interconnection points ▪ National maintenance and delivery capability through Ericsson outsourcing agreement
<p>Existing business supports growth</p>	<ul style="list-style-type: none"> ▪ Cash generative legacy business ▪ Significant potential for further optimisation ▪ Debt free balance sheet to finance Broadband push
<p>Management</p>	<ul style="list-style-type: none"> ▪ Highly experienced management team with Polish telco market know-how ▪ Shareholder value driven compensation plans

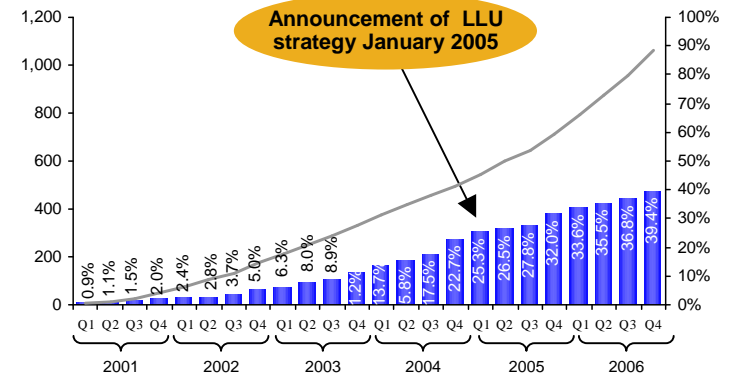


Comparable Leading Altnets

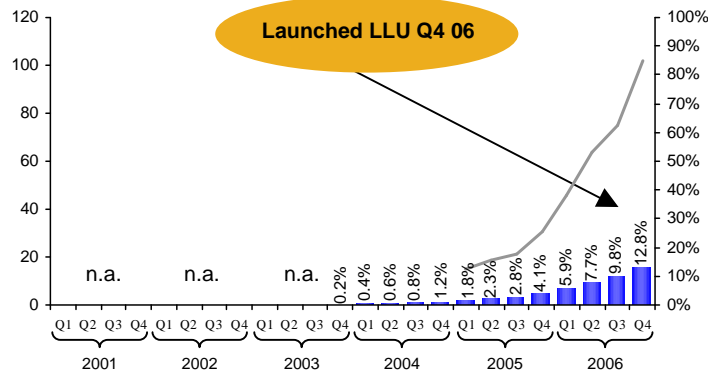
Iliad - France



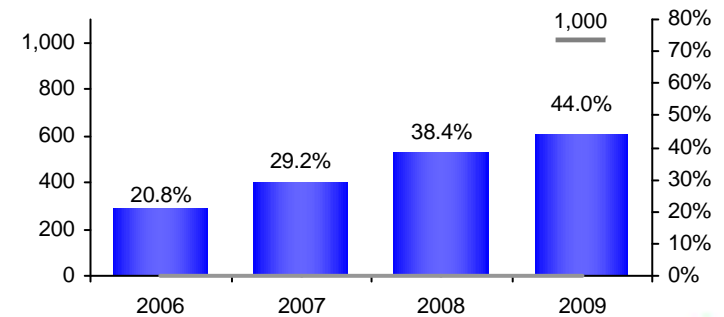
Fastweb - Italy



Forthnet - Greece



Netia - Poland



■ BB Penetration of Households [%] ■ Number of Company's Subscribers



Source: Merrill Lynch Research, Informa, Company Financials

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Netia's objectives to drive shareholder value

- Broadband leadership amongst altnets – target to acquire one million broadband customers within next three years
- Optimize strong position in Business customer segment
- Leverage PLAY investments

While

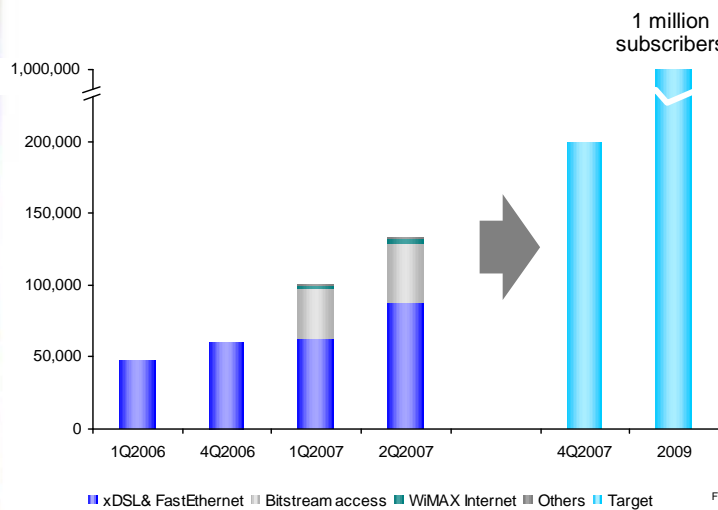
- Changing organizational culture to support value growth-focused strategy
- Focusing on a scalable investment strategy to drive value growth



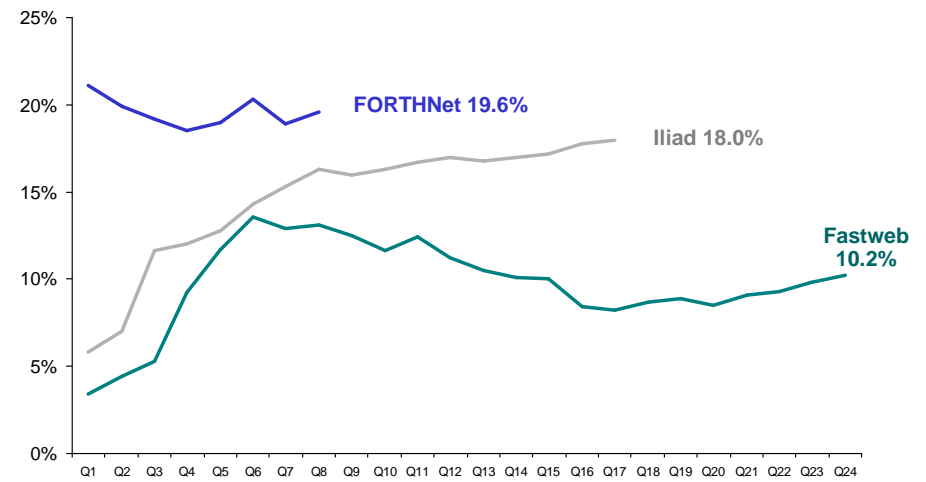
Netia's broadband customer base growing fast

- Over 175 K broadband customers on Oct. 10, 2007
- Over 200 K broadband customers targeted to be served by 2007 year-end
- Strategic target to acquire one million broadband customers within next three years
- Implies high teens market share of net adds going forward

Broadband customer lines



Market Shares



	Start Date	Start Subs	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24
FORTHNet	Q1 05	15.2	21.1%	19.9%	19.2%	18.5%	19.0%	20.3%	18.9%	19.6%																
Iliad	Q4 02	99.1	5.8%	n.a	11.6%	n.a	12.8%	14.3%	15.3%	16.3%	16.0%	16.3%	16.7%	17.0%	16.8%	17.0%	17.2%	17.8%	18.0%							
Fastweb	Q1 01	6.4	3.4%	4.4%	5.3%	9.2%	11.7%	13.6%	12.9%	13.1%	12.5%	11.6%	12.4%	11.2%	10.5%	10.1%	10.0%	8.4%	8.2%	8.7%	8.9%	8.5%	9.1%	9.3%	9.8%	10.2%

— FORTHNet — Iliad — Fastweb⁽¹⁾



Source: Company reports

(1) Nationwide market share. Fastweb Fibre to the home network covered only ca. 4mm homes until nationwide LLU roll out commenced in January 2005



Growth strategy



Increase customer value

- Increased penetration of LLU and migration of Bitstream / WLR customers
- Further acquisitions of local Ethernet networks
- Introduce and up-sell of triple-play
- Up-sell of mobile and convergent services to business customers
- Further optimization of network capacity utilization

Broaden portfolio of services

- Early entry into LLU and quick roll-out in most attractive areas
- Evaluation of market potential, technology and business model for IPTV and VoD, followed by roll-out in 2008
- Preparation, business and technology assessment and initial entry into mobile and convergent services

Increase number of customers

- Expand distribution and back-office capacity to serve Home market nationally
- Aggressive acquisition of broadband customers based on geo-marketing
 - Leading position in Bitstream
 - Better utilization of own copper
 - Optimization of existing WiMax investments
 - Selective acquisition of high quality Ethernet access networks
- Up-sell of WLR to Bitstream and CPS customers



Marketing strategy

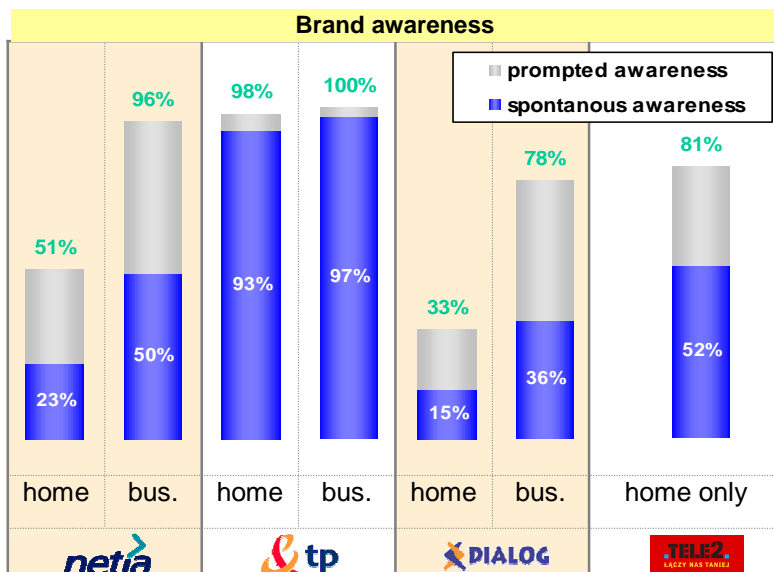
- First and commercially aggressive in bitstream customer acquisition
- Retail-focused marketing strategy
- Value-added services as differentiating factors
- High quality customer service
- Emphasis on low cost distribution and acquisition channels
- High street presence secured

Marketing infrastructure in place

- State of the art e-sales system
- 200+ Telesales (113 internal and 91 outsourced)
- 530 door-to-door sales commission only
- 300+ Play / Germanos high-street stores available with the exclusivity on broadband

Transitioning to mass market

- Brand well established with business customer base
- New consumer logo design
- Launch of mass market advertising campaign (TV, print, megaboard, direct mail, etc.)
- Advertising efficiencies given nation-wide footprint



Data for consumer: rolled 3 months February-April 2007 (N=3000)
 Data for business: February 2007 (N=500)

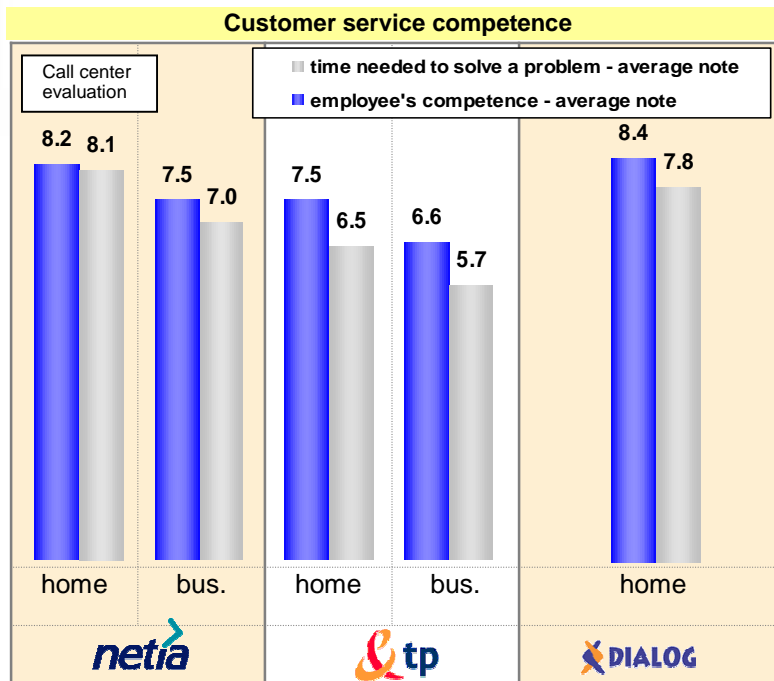


Customer service

- Netia's customer service ranked high by its clients
- Focus on high quality customer service
- Adequate resources provisioning to ensure performance

Customer operations resources

- 3 Call centres, two of which are outsourced (capability to handle 10,000 calls per day)
- Geneva billing / Clarify CRM more than sufficient
- Technical support outsourced to Ericsson
 - 300 professionals
 - National coverage
- 300+ customer service staff
- 150 flexible external capacity added in past 6 months
- 200+ telesales force for CRM and upselling
- Installations
 - Plug&Play CPE
 - Installation advice outsourced



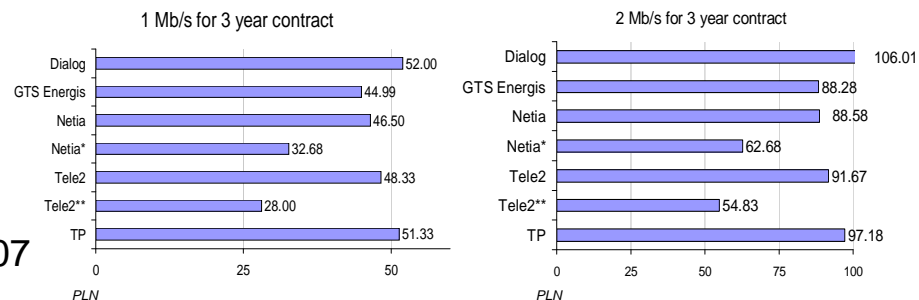
Data for consumer: February 2007 (Netia=44, TP S.A.=82 Dialog=74)
Data for business: February 2007 (Netia=190, TP S.A.=444), weighted



Comparison of Netia Products / Pricing

- H1 2007 focus on bitstream access and ability to be price leader
- H2 2007 focus on voice (WLR) + Internet (BSA) bundles - offered since Aug.20, 2007
- Migration to LLU profile, i.e. ability to differentiate on speed and innovation

Comparison of prices for broadband Internet provided over BSA ~



~ Comparison of average monthly fees, all prices gross.

* Netia's promotion „Internet free of charge for a year” (July 9-Aug.10, 2007)

** Tele2's summer promotion (until Aug. 31, 2007)



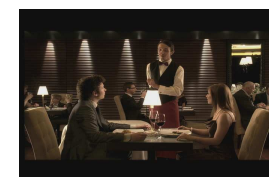
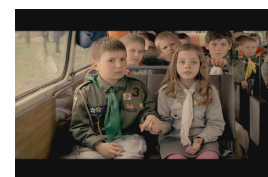
SZYBKI INTERNET ZA DARMO

Nasze jedyne korzystanie z linii TP SA, umożliwia nam szybki Internet. Wskazaliśmy na to, dzięki czemu możemy być tak tani. Za pomocą 12 miesięcznych kontraktów, oferujemy ci bezpłatny 1 Mb/s. Na 2. i 3. miesiąc oferujemy ci nawet 2 Mb/s. Cena za pozostałe dwa lata, to tylko 49 zł brutto wliczonego do Internet (180 zł).

Jest to oferta z ograniczonymi obrotami i nie dotyczy ponad 1200 ul. brzoźców w powiecie zamojskim.

0 801 88 11 00 www.netia.pl sklepy Play Germanos

Oferta ograniczona czasowo i przestrzennie. Skonfigurowana przez Netia. Promocja dotyczy tylko Internetu na linii TP SA. Nie dotyczy pozostałych usług. Oferta jest dostępna tylko w wybranych sklepach Play Germanos. Oferta jest dostępna tylko w wybranych sklepach Play Germanos. Oferta jest dostępna tylko w wybranych sklepach Play Germanos.



CZAS NA SZYBKOŚĆ. KUPIJ SZYBKI INTERNET!

Nie dość, że szybko, to o 23% taniej niż u konkurencji. Teraz możesz grać miłośnik na linii TP SA.

Informacja: 0 801 88 11 00 www.netia.pl



An example of Netia's bitstream promotion „Internet free of charge for a year” of July 2007

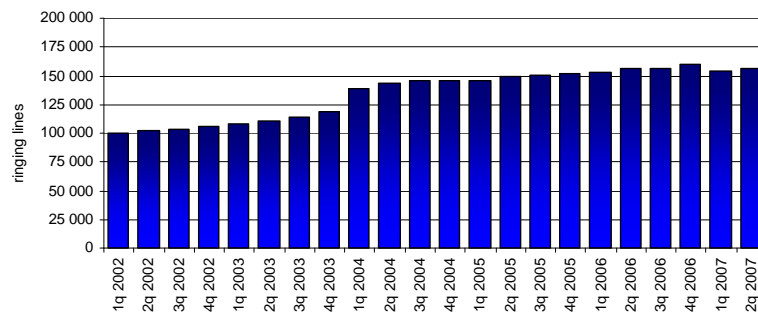
Examples of Netia's bitstream promotion campaign „Fast Internet” of May 2007



Optimize strong position in Business customer segment

- Target higher margin corporate business while minimizing cash burn
- Shift customer mix from large corporate to SOHO and SME
 - Standardize products for SOHO and SME
 - Simplify offering to eliminate costs of bespoke complexity
- Focus sales force on margin as the key KPI for business segment
- Voice services to be upsold to bitstream customers in future
- Reduce cost and capex to sales requirements

Business voice subscriber lines

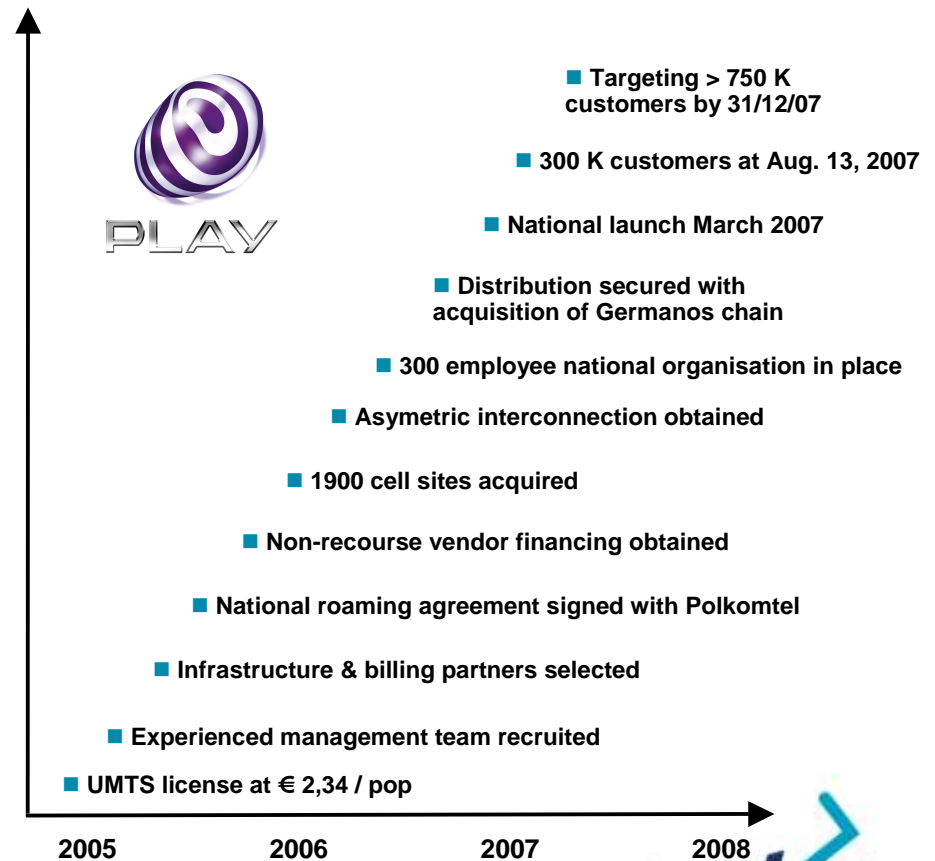


PLAY: Derisked and ready to build value

Drive value creation at Poland's 4th mobile operator

- Over 500 K customers (mid-Oct. 07)
- Revenues for H1 2007 were PLN 54.7m (approx. 1% market share)
- Initial above-market-average ARPUs indicate offer is reaching target segments of young, internet savvy customers
- Distribution capacity building from May 1 through Germanos stores
 - 300 + postpaid outlets
 - 30 000 + prepaid outlets
- Brand successfully established as recognisable and different from the crowd
- Good results from initial customer satisfaction and loyalty surveys

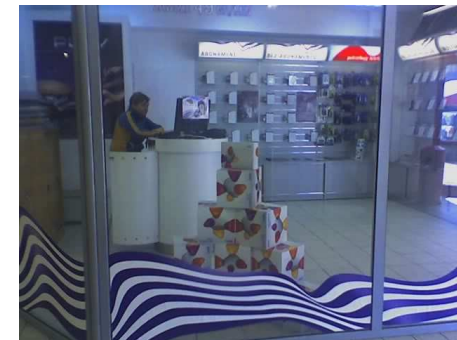
Equity value



netia

Leverage PLAY investments

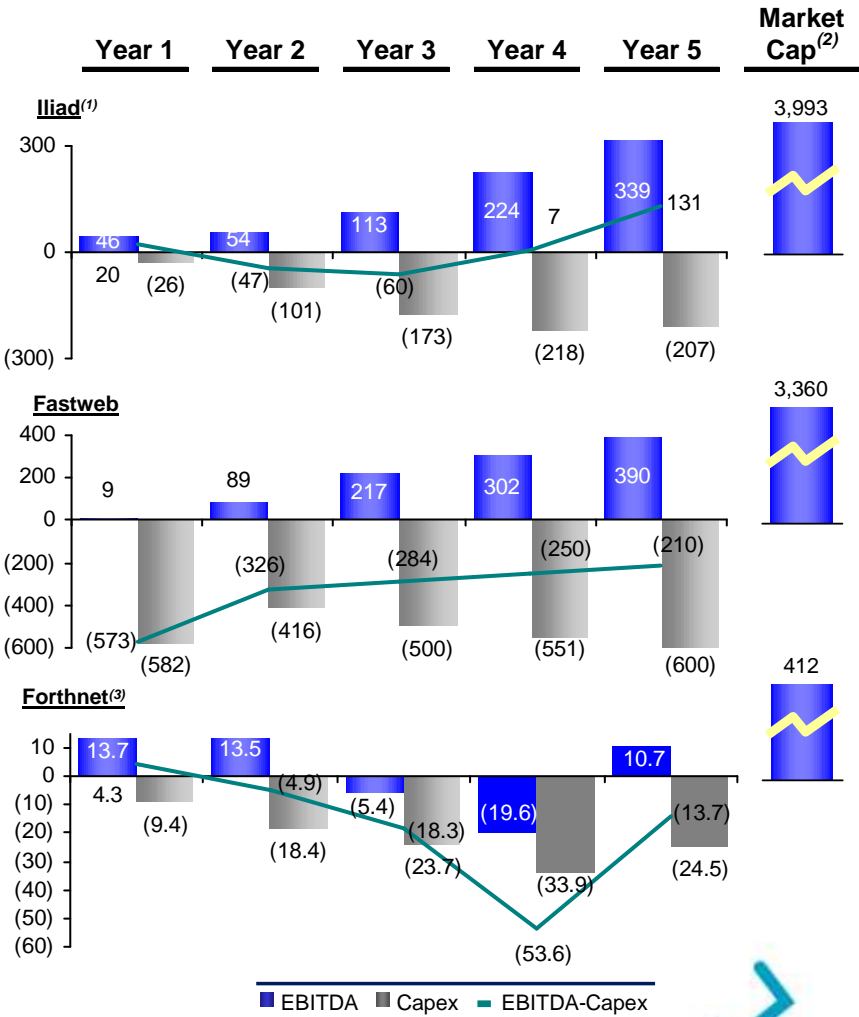
- Broaden product portfolio:
 - Resell mobile products for business customers under Netia brand
 - Develop convergent products with PLAY
- Provide backhaul solutions for Play's network
 - 5 year contract ramping up to 50 mln PLN annual revenue
 - Capital investment to PLN 100 mln 2007 - 2008
- Capture cost synergies:
 - Back-office
 - Distribution network
 - Procurement



Up to 10% of Netia's bitstream sales is coming now through Germanos stores

Scalable investments to achieve value growth

- Netia targets to become cash flow positive by 2010, i.e. sooner than its broadband peers
- Cash flow impact considerably mitigated by:
 - Legacy cash flows
 - Utilisation of existing assets
 - Optimisation of real estate / other non-core assets
- Netia expects to stay EBITDA positive throughout the growth phase



Sources: Company financials, equity research reports
 (1) LLU launch in Year 2
 (2) Share price as at 11 Oct. 2007
 (3) Last two years are Merrill Lynch Forecast



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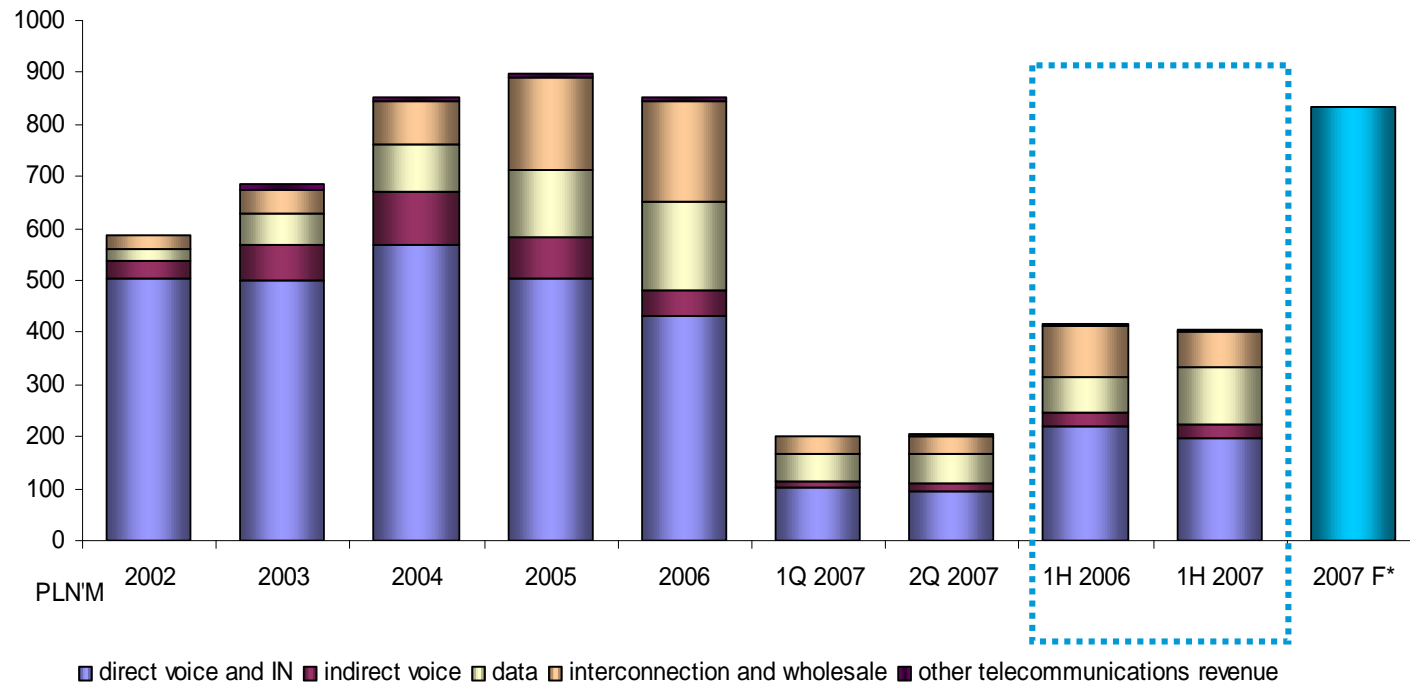
Improving financial performance

PLN' K	2007	2007	2006			
	2Q	1Q	4Q	3Q	2Q	1Q
Revenues	205,580	204,392	209.718	230.537	203.422	218.380
% change (y-o-y)	1.1%	(6.4%)	(11.7%)	(0.1%)	(9.2%)	0.8%
EBITDA / Adjusted EBITDA* Margin	62,236 30.3%	54,609 26.7%	60,552* 28.9%*	53,994* 23.4%*	48,009* 23.6%*	58,759 26.9%
EBIT/Pro Forma EBIT*	(8,249)	(14,910)	(9,827)*	(15,583)*	(19,928)*	(5,843)
Share of P4's start-up losses	(42,994)	(25,618)	(15,735)	(7,262)	(4,650)	(3,007)
PAT/Pro Forma PAT *	(51,010)	(37,802)	(31,494)*	(22,919)*	(23,101)*	(10,638)
Total assets	2,092,063	2,093,132	2,155,359	2,528,943	2,527,046	2,588,619
Net cash	98,861	152,129	143,586	107,783	136,008	228,957
Available credit lines	295,000	100,000	200,000	--	--	--

Guidance for 2007

NETIA (PLN'M unless otherwise stated)	1H 2007 actual	2007 guidance previous	2007 guidance updated
Broadband subscribers ('000)	134	>> 200	>> 200
Revenues	410.0	830.0 – 865.0	835.0 – 850.0
EBITDA/Adjusted EBITDA	116.8	150.0	160.0
<i>Including</i>			
BSA, WLR, LLU access start-up losses	21.8	60.0	60.0
Investment outlays	89.3	up to 300.0	up to 275.0
PLAY mobile customers ('000)	172	> 750	> 750

Top-line development by product

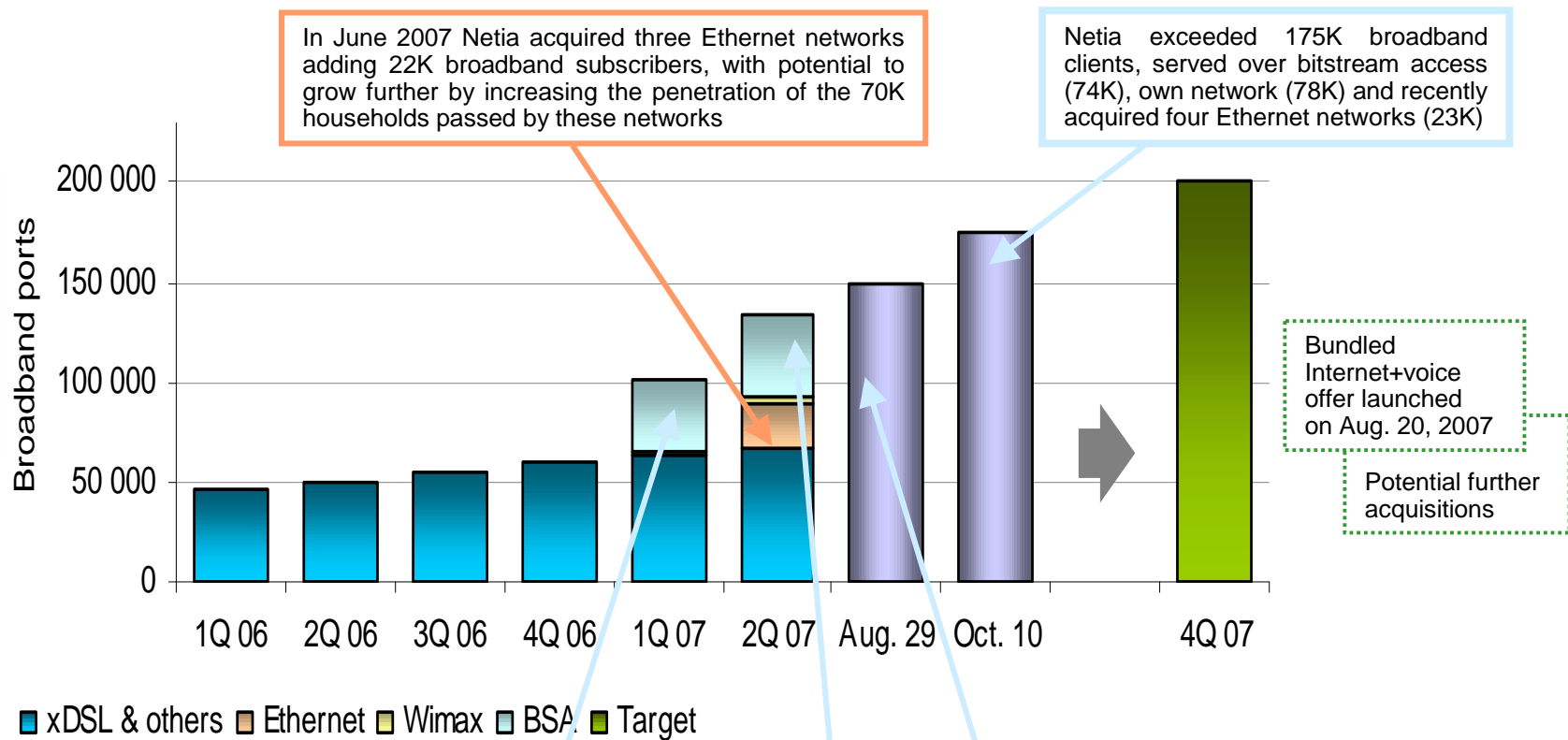


- > Data revenues for H1 2007 grew to PLN 109.5m for a 54% year-on-year increase and a 13% sequential increase. This growth in data revenues more than offset a 10% decline in direct voice revenues
- > Revenues for H1 2007 decreased by 3% year-on-year to PLN 410.0m due to falling wholesale and interconnection revenues
- > Expected further growth in broadband connections, upselling of voice services to new broadband customers and revenues from transmission services to PLAY position Netia well for sequential revenue growth during H2 2007 and year-on-year revenue growth in 2008

* Revenue guidance for 2007: PLN 835m-PLN 850m



Netia's broadband customer base expands dynamically



In June 2007 Netia acquired three Ethernet networks adding 22K broadband subscribers, with potential to grow further by increasing the penetration of the 70K households passed by these networks

Netia exceeded 175K broadband clients, served over bitstream access (74K), own network (78K) and recently acquired four Ethernet networks (23K)

Bundled Internet+voice offer launched on Aug. 20, 2007
Potential further acquisitions

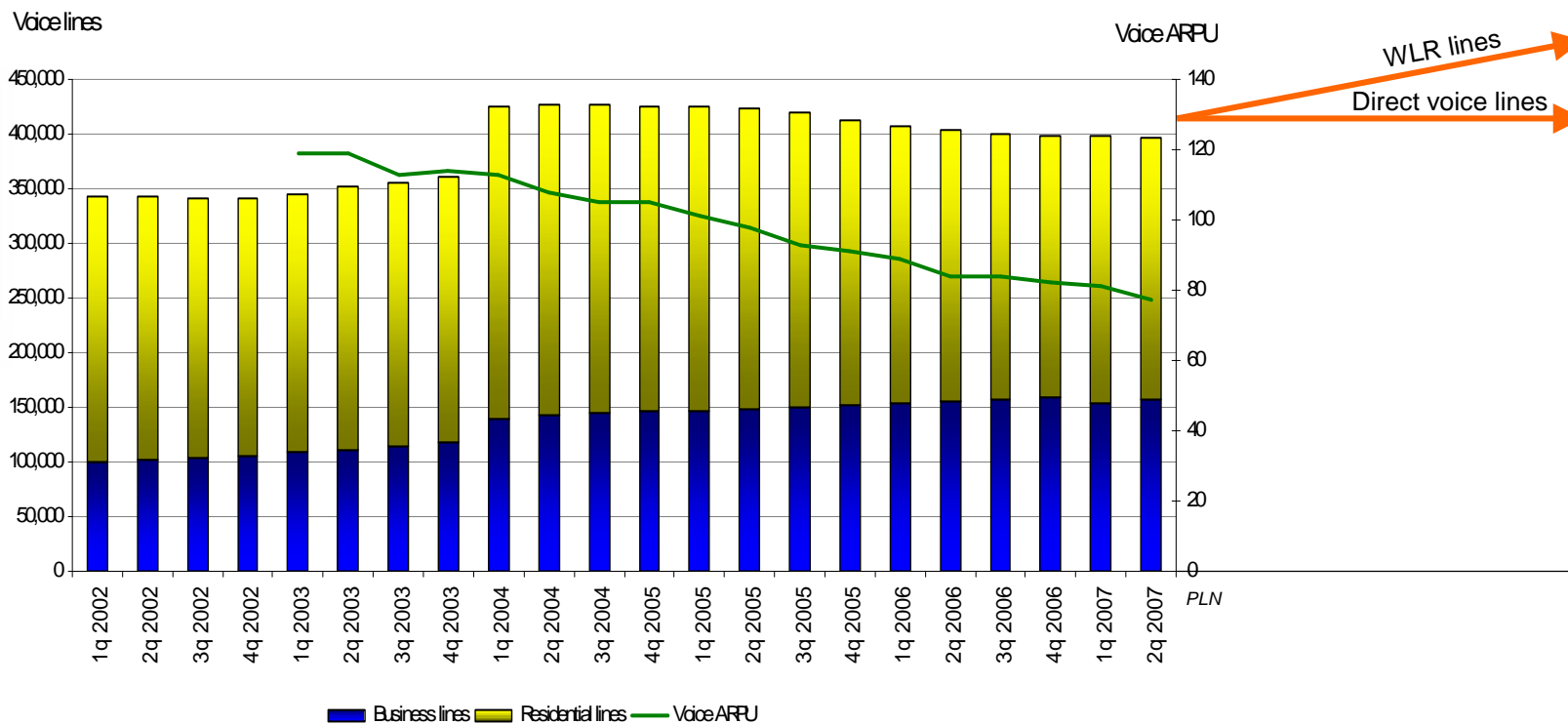
Commercial launch of Poland's first bitstream offering to residential clients (mid-January 2007)

„Internet - A Year for Free” promotion (July 9-Aug. 10, 2007)

„Fast Internet” promotion campaign (mid-May 2007)



Doubleplay expected to help stabilise voice revenues



Summary

- Attractive growth of the **Home market** and regulated access offers new opportunities to leverage Netia's existing core competencies and assets

through

- Rapid acquisition of broadband customers and further increase in customer value by migration from bitstream to LLU and up-sell of content and convergent services will be the main source of growth
- Customer-centric organization will support Netia's growth strategy
- Netia will optimize its strong position in the **Business market** by focusing on the most attractive segments and minimizing cash-out
- A close partnership with PLAY will allow Netia to offer **mobile and convergent products** and achieve economies of scale in distribution and back-office
- Three years of investment in broadband should lead to strong EBITDA growth by 2009 and positive cash flow by 2010



Thank you for your attention