



No.1 Altnet in Poland

ING Annual EMEA Forum Prague, December 2010

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netia
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Netia's investment proposition

Poland's largest altnet telecom

- Poland's largest altnet telecom operator with 2009 revenue of PLN 1,506m
 - Growth driven via organic subscriber gross additions and bolt-on acquisitions
 - Three times larger than nearest altnet competitors
 - 2010 Adjusted EBITDA margin forecast at 23% with FCF margin at 9% of sales
 - Debt free with PLN 300m in cash and an additional PLN 700m available for potential acquisitions

Broadband driven growth strategy

- Broadband-driven growth strategy aiming for one million broadband subscribers by FY2012
 - Subscriber base up to 654k in Q3 2010 from 60k in Q4 2006
 - Market share up from 1.5% in Q4 2006 to 11.1% in Q3 2010¹
 - 37% of net broadband additions in the Polish market during the 12 months to the end of Q3 2010¹
 - Dominant share of regulated broadband access among altnets (89% of BSA and LLU)
 - 35% of broadband customers served end-to-end over Netia's own network
 - Netia is guiding for 700k broadband customers by December 2010

Leveraging own network scale

- 1,214k voice subscribers at the end of Q3 2010
 - Approximately 394k voice customers served end-to-end over Netia's own network
 - More than 758k voice subscribers served via wholesale agreements with incumbent (WLR)
 - Approximately 61k voice customers served via unbundled local loops of incumbent (LLU voice over IP)
 - Up-selling broadband to existing clients (focus on 2play)
 - The Company is guiding for 1,225k voice customers by December 2010
- Approximately 5.0k km of backbone network and 4.5k km of metropolitan rings underpin all operations
- Market leader in roll-out of LLU (437 nodes unbundled, 98k clients)

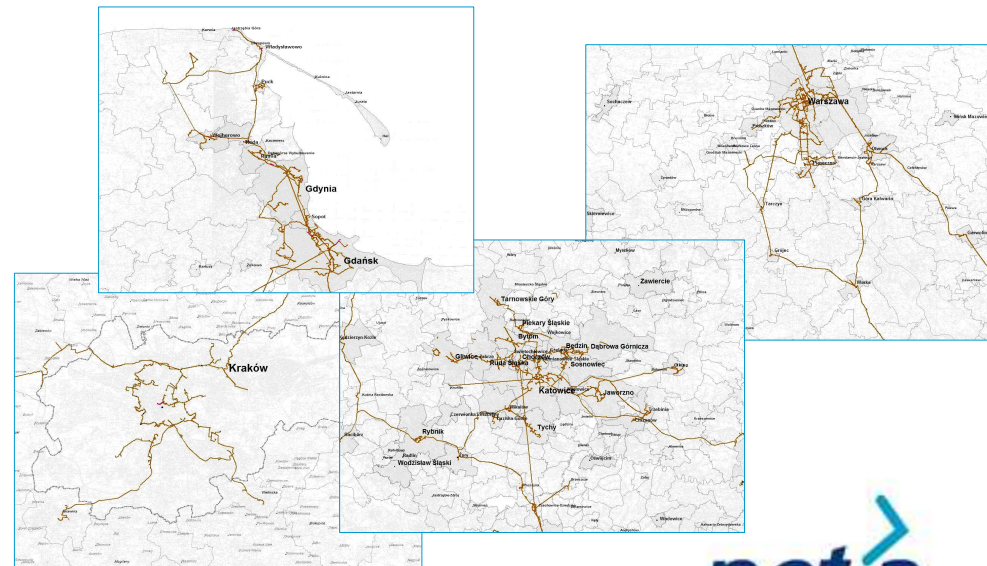
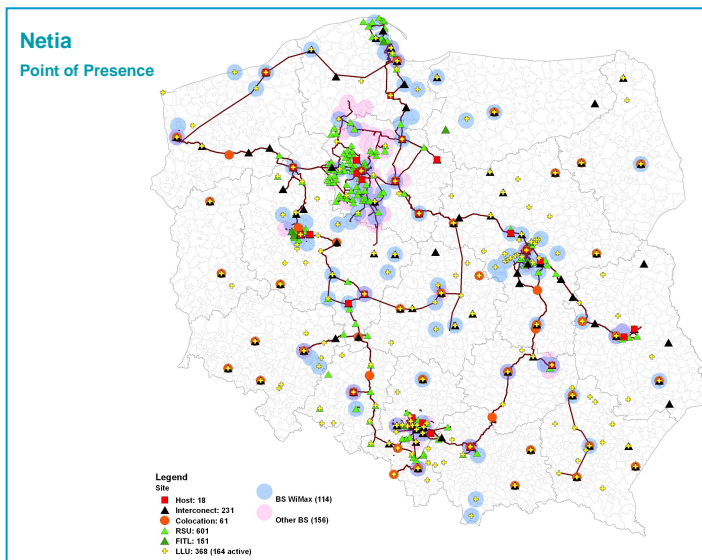
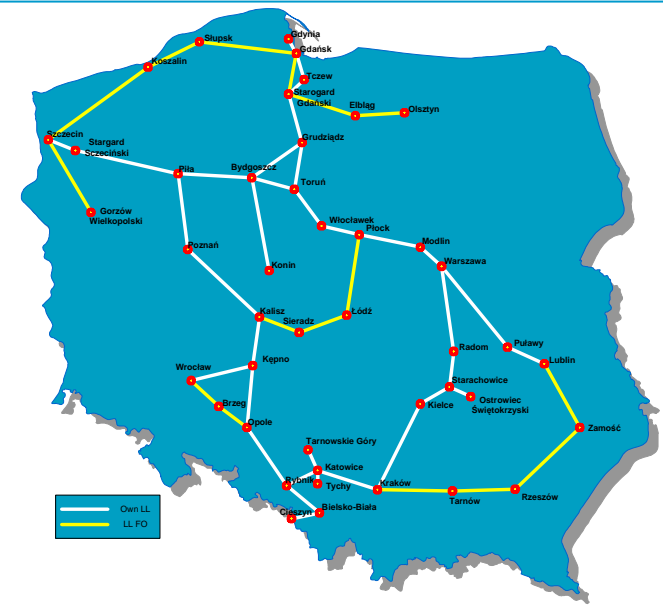
Competitive advantages

- Leveraging competitive advantages of national backbone and residential market know-how
- Attractive market growth potential and a positive regulatory environment
- Largest altnet for business customers, strongly cash generative
- Strong balance sheet and fully funded growth strategy
- Experienced management team with shareholder value driven compensation plans

¹ Based on Netia's internal estimates of the total fixed broadband market volume

Netia's own network coverage

- Backbone fiber network of approximately 5,000km
- Metro fiber network of approximately 4,450km
 - Own duct pipe of approximately 3,200km
 - Typical capacity 72j
 - Metropolitan fiber infrastructure in 44 biggest cities of Poland
- Over 40 C/DWDM sites in all major cities
- Alcatel based SDH network (1500+ SDH sites with STM -16 and STM -64)
- Two independent networks carrying all packet traffic
 - Carrier Ethernet and Metro Ethernet for L2 services
 - 30 Ethernet nodes with 10Gb uplink
 - 150 Ethernet nodes with 1Gb uplink
 - 550+ ADSL nodes with 1Gb uplink
 - IP core network for other services
 - 15 Core IP nodes with 10Gb uplink
 - 4 POI with International IP Transit Providers
- 5 Collocation Centers (Tier III class)
- International point of interconnect in Cieszyn (route to Prague and Frankfurt)
- One homogenous management system with end-to-end provisioning capabilities



Positive regulatory changes

Market status prior to introduction of regulated access in 2006

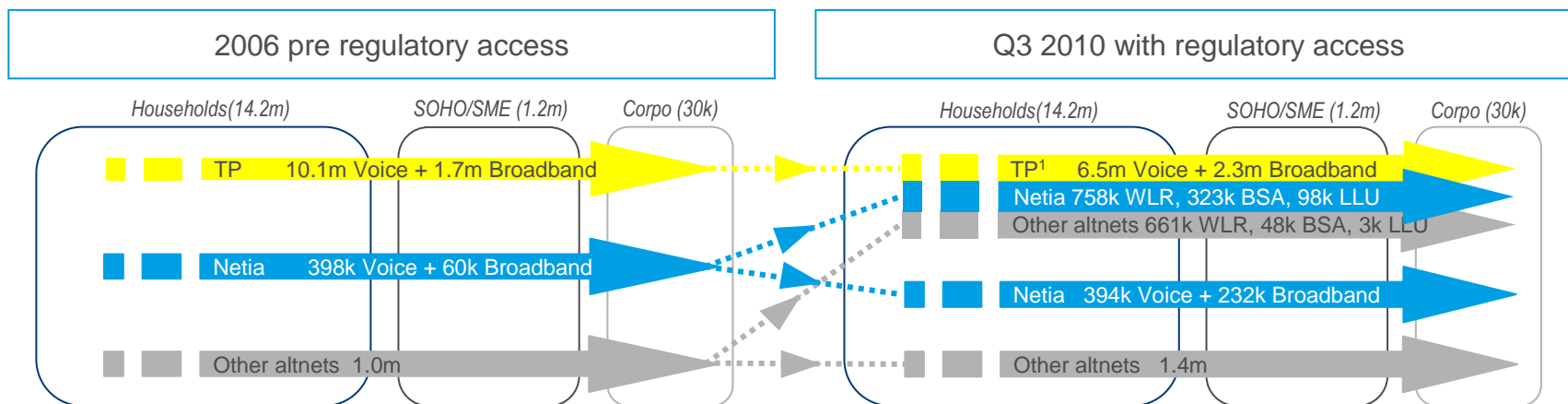
- Altnets competed with the incumbent in select country concession areas over their own local networks, target addressable market was limited to their own network coverage (Netia's accessible market was 398k lines), nationwide competition only for call-by-call services

Market status post WLR/BSA regulated access introduction in 2007

- Regulated access over incumbent's network allows altnets to resell voice, broadband services and subscriptions based on wholesale (WLR/BSA) agreements with the incumbent (TP)
- New regulatory regime allows Netia to reach out to more than 10m residential and business customers connected to TP's local networks
- Netia's national backbone network & back-office, brand and business processes are now leveraged across the entire addressable market nationwide

Market status post LLU regulated access implementation in 2007

- LLU legislation in place since 2003 in Poland, but effective unbundling process possible as of 2007, LLU tariffs significantly reduced as of 2009 improve attractiveness of LLU customers to altnets
- Incumbent's network comprises ~5k nodes with average ~2k lines per node (totalling ~10m lines)
- Netia becomes the only truly successful altnet in Poland with 437 nodes unbundled by the end of Q3 2010, targeting 500+ nodes unbundled by 2010 year end



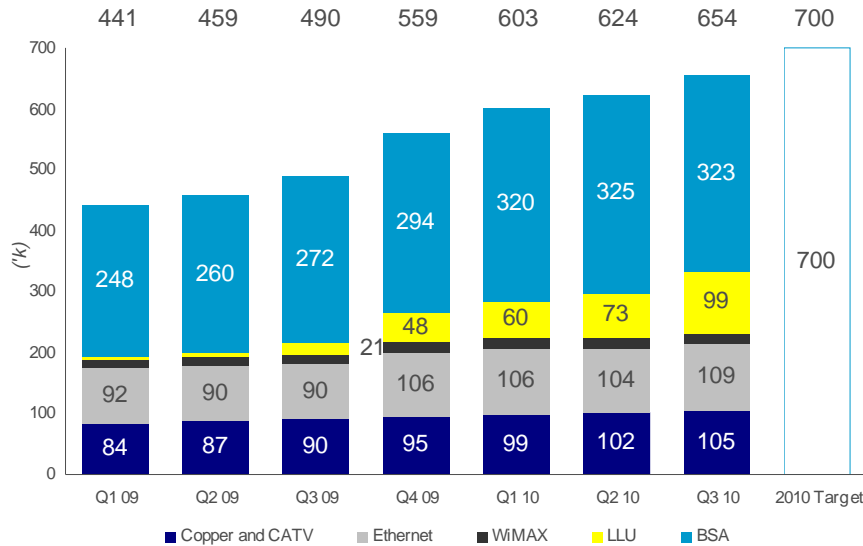
Netia addressable market today is:

- 7.9m TP lines
- 394k Netia own lines (550k lines of installed capacity)
- WiMax national license
- Ethernet networks acquisitions (458k homes passed to date)

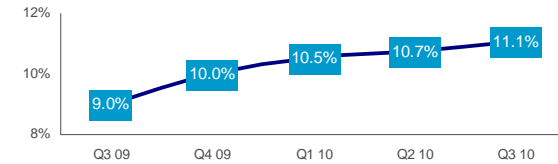
¹ TP lines in retail (excluding wholesale to altnets) Source: Company, TP, UKE, press releases

Strong progress in Netia's broadband subscriber base

Broadband ports

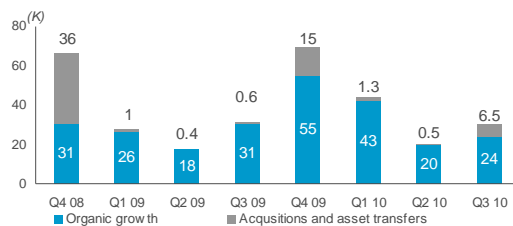


Market share broadband¹

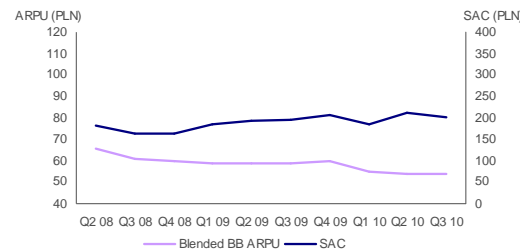


- 35% of customers served directly via Netia's own network
- 31% share of fixed broadband net additions in 9M 2010 and 36% for Q3 2010
- Over 107k LLU customers today
- 2play services represented 59% of migrations and 96% of organic net LLU additions in Q3 2010
- 17k clients migrated from BSA/WLR onto higher margin LLU during Q3 2010
- 34% of new LLU sales came from re-activation of previously dormant TP lines or activation of new lines
- Netia forecasts 700k broadband customers by 2010YE

Broadband net additions



Blended broadband ARPU/SAC

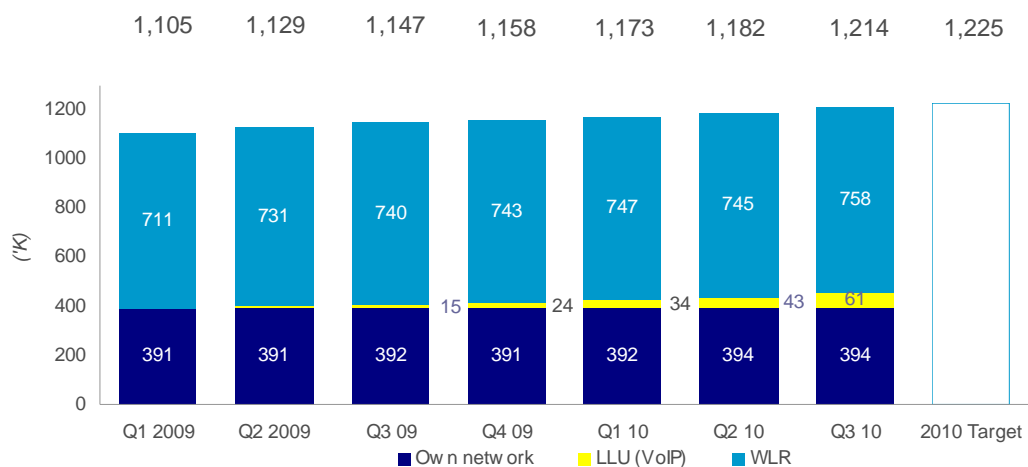


Source: Netia, public domain

¹ Based on Netia's internal estimates of the total fixed broadband market volume

Continued progress on voice sales

Voice lines

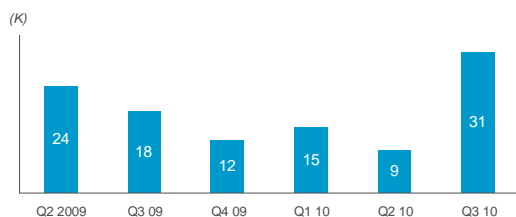


Market share voice¹

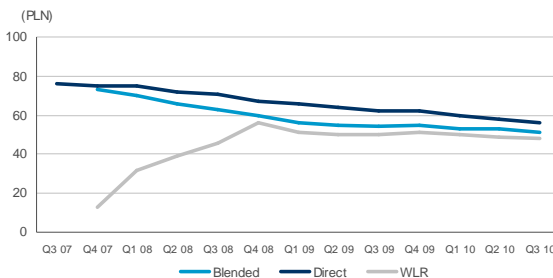


- 1,214k voice customers served as of Q3 2010
- 31k customers added during Q3 2010
- 32% of customers served directly via Netia's own network
- Netia forecasts 1,225k voice customers by 2010 YE
- Voice ARPUs in slow downward trend as anticipated

Net additions



Voice ARPU

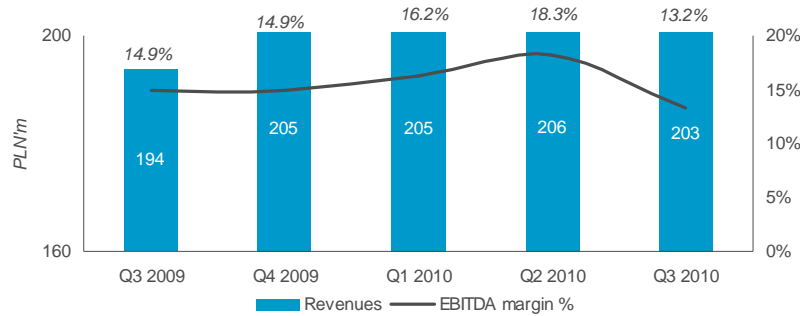


Source: Netia, TP, public domain

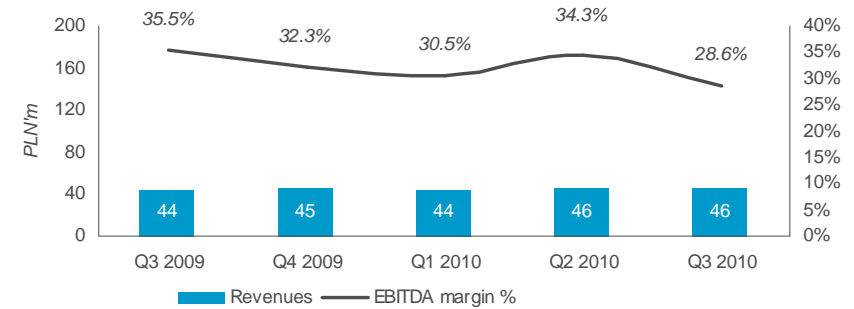
¹ Based on Netia's internal estimates of the total market volume as of 2008YE and 9M 2009

Revenue development by customer segments

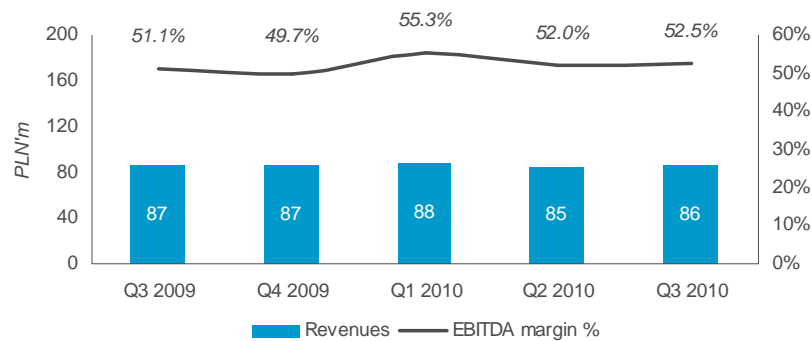
Residential



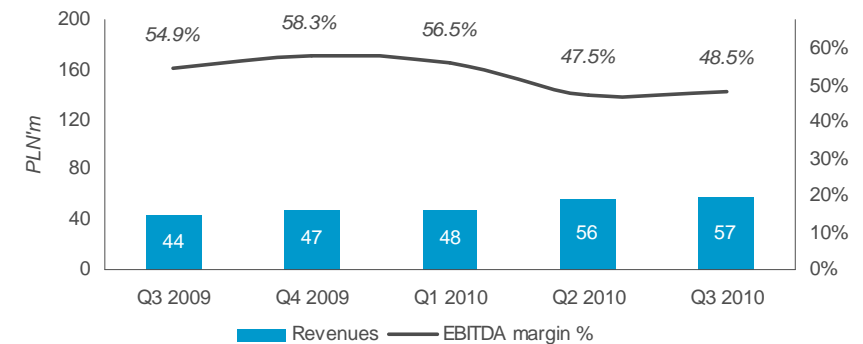
SOHO/SME¹



Corporate



Carrier

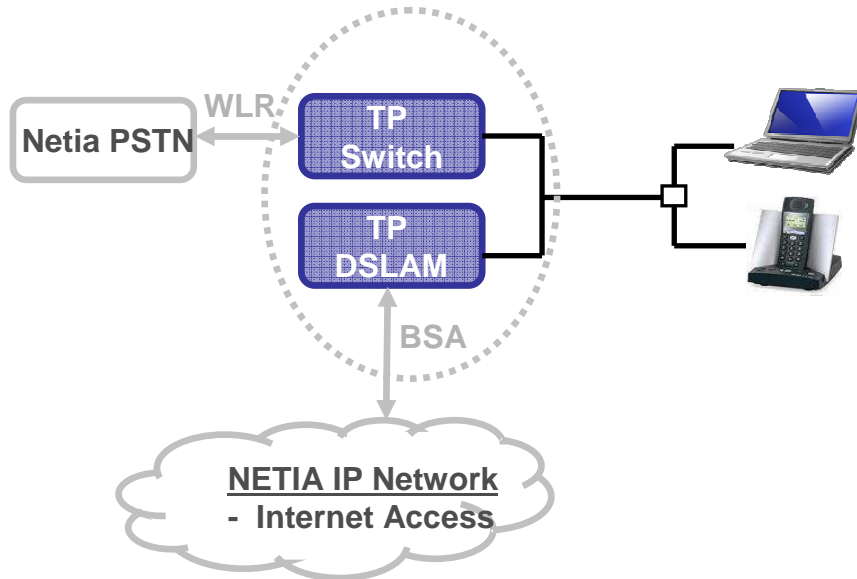


¹ SOHO = small office, home office, SME = small and medium enterprises

Source: Company internal management reports

Note: Customer segment EBITDAs presented above exceed Netia's total reported EBITDA due to certain costs being allocated centrally (please refer to notes to financial statements for more details)

Wholesale model works successfully



Business Model (2play)

- TP offers Voice & 2 Mb/s Internet for ~76 PLN¹
- Netia bills voice and Internet for ~ 72 PLN¹
- Netia pays to TP ~26 PLN for Internet and 20 PLN for WLR
- **TOTAL cost ~ 46 PLN**
- Gross margin 36%
- Netia does not invest in DSLAM
- Netia can only resell services offered by TP i.e. bandwidths

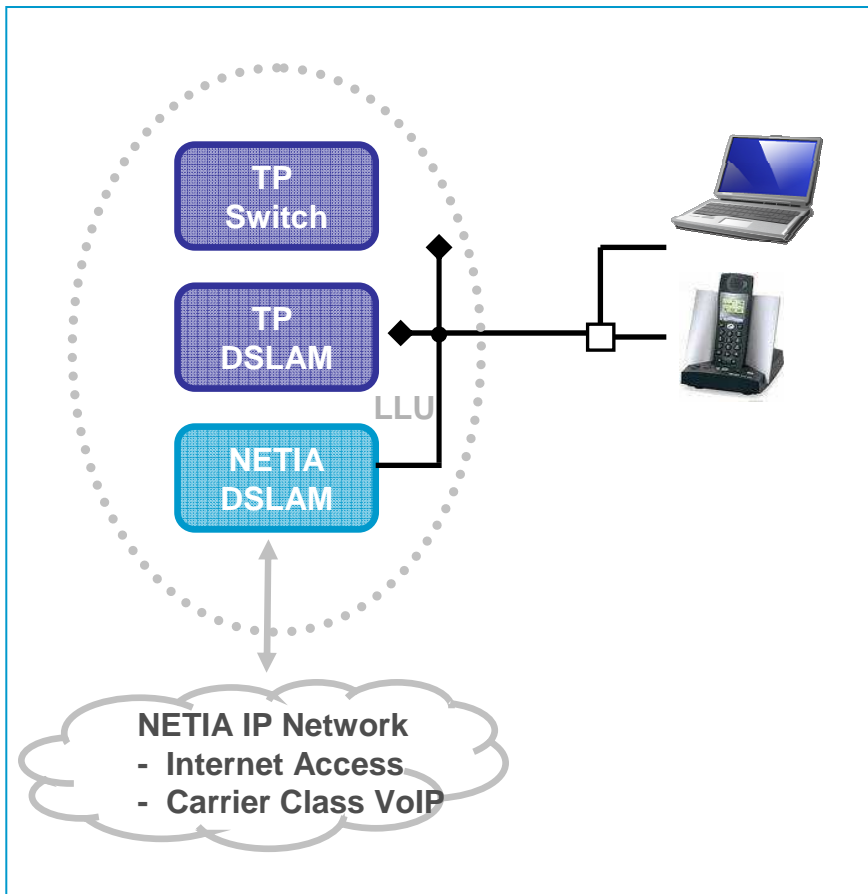
Wholesale Strategy

- Single play customers represent a base for cross selling
- Migration of 1play (BSA) customers to higher margin LLU services (shared LLU) began in Q2 2009
- Migration of 2play customers to full LLU access from November 2009
- 47k clients migrated by the end of Q3 2010

Source: Company

www.investor.netia.pl ¹ An effective net price when signing a 24 month contract, Voice charges as per tariff plans doMowy 60 (TP) and Evenings & Weekends (Netia) (VAT at 22%)

LLU model offers broader opportunities



Business Model (2play)

- Netia bills Double Play Revenues for voice and 4Mb/s Internet service at ~ **61 PLN**¹
- Netia pays TP 22 PLN monthly line rental fee
- **TOTAL monthly wholesale fee ~22 PLN**
- Gross margin 64%
- Netia has to invest in its own DSLAM (~ 200K PLN / node)
- NETIA controls services delivered over DSLAM
 - Speeds
 - Value Added Services like IPTV, VOD, PVR

LLU roll-out

- Target to unbundle 4.4m TP lines with 500 DSLAM in 2008-2010
 - Attractive operating leverage on unbundling ~10% of incumbent's infrastructure accessed ~50% of the total addressable market²
- 475 nodes unbundled as at November 5, 2010

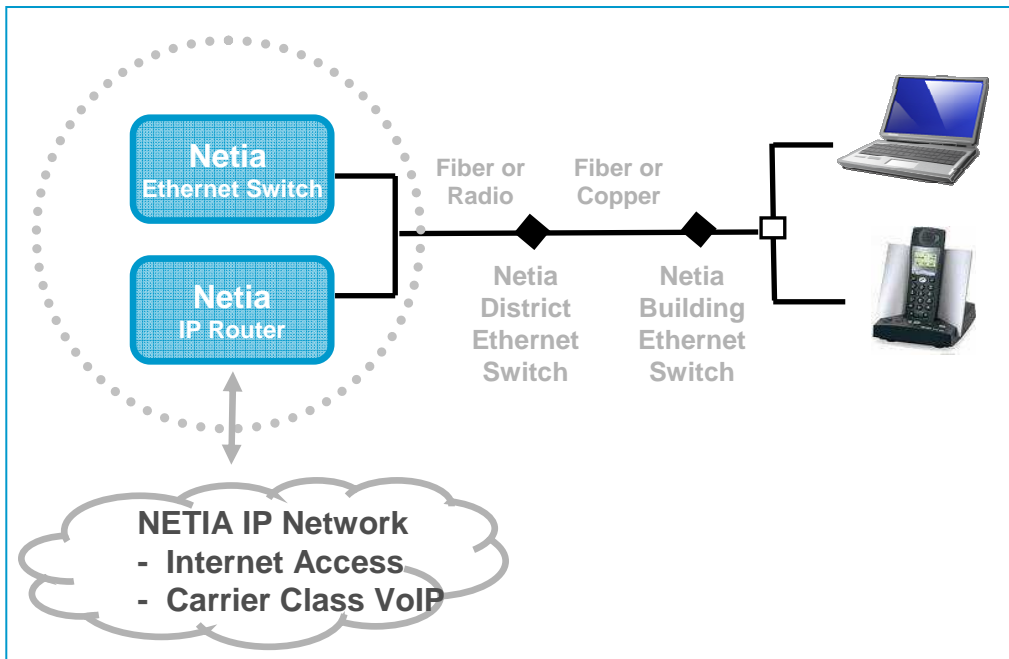
- Migration of wholesale customers from Q2 2009 (1play) and Q4 2009 (2play); 47k clients migrated by the end of Q3 2010
- At the end of Q3 2010 Netia served 98k LLU clients (an average of 226 clients / node)

Source: Company

www.investor.netia.pl ¹ An effective net price when signing a 24 month contract, Voice charges as per the Evenings & Weekends tariff plan (VAT at 22%)

² Netia targets selectively nodes with 10k+ lines per node (average no. of lines per node in PL is ~2k)

Consolidation opportunities in Ethernets



Business Model

- Netia controls all elements of access network = no „last mile” access fees to third parties
- Average Internet ARPU at ~ 43 PLN
- Potential for ARPU increase when introducing VoIP services
- Synergies from the acquired Ethernet networks (scale, infrastructure, organization) leading to the improvement of results after acquisition
- Fast client service – Internet activation and maintenance
- Gross profit margin of ~ 70%

Ethernet Strategy

- 1play Internet access customers represent base for voice up-selling (convergence to 2play)
- Organic growth through increased penetration of acquired homes passed (approximately 415k)
- Investment dedicated to services upgrade and coverage expansion
 - At present Netia’s standard offer over ETTH building’s last mile is Internet access of up to 4Mbps & VoIP while technology usually allows access speeds of up to 100 Mb/s within the ETTH access network
 - Provisioning of IPTV and higher speed Internet usually requires an upgrade of capacity between the ETTH access network and Netia’s backbone network
- Target of 200k Ethernet subscribers by 2012 (organic and acquisitions)

Source: Company

Financial performance

(PLN' 000)

	2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenues	375,665	373,679	370,281	386,246	386,979	393,698	394,465
Growth (% YoY)	58.2%	53.5%	36.6%	4.7%	3.0%	5.4%	6.5%
Gross profit	123,855	116,424	123,308	136,798	126,755	131,491	115,870
Margin	33.0%	31.2%	33.3%	35.4%	32.8%	33.4%	29.4%
Adjusted EBITDA¹	71,538	73,760	81,915	76,773	90,799	95,433	85,525
Margin	19.0%	19.7%	22.1%	19.9%	23.5%	24.2%	21.7%
Growth (% YoY)	111.6%	108.1%	86.9%	33.3%	26.9%	29.4%	4.4%
EBIT	(3,043)	(4,976)	7,069	15,218	19,554	20,485	14,379
Profit/(loss) before tax	(6,926)	(8,181)	4,197	12,035	17,425	22,813	14,355
Net profit/ (loss)	(6,393)	(8,242)	4,236	99,096	14,344	15,564	12,410
Total assets	2,264,368	2,217,241	2,219,005	2,341,649	2,298,837	2,361,929	2,361,982
Net cash and treasury bills	190,571	162,886	211,641	239,345	206,339	272,472	312,979
Available credit lines²	375,000	295,000	295,000	295,000	295,000	295,000	---

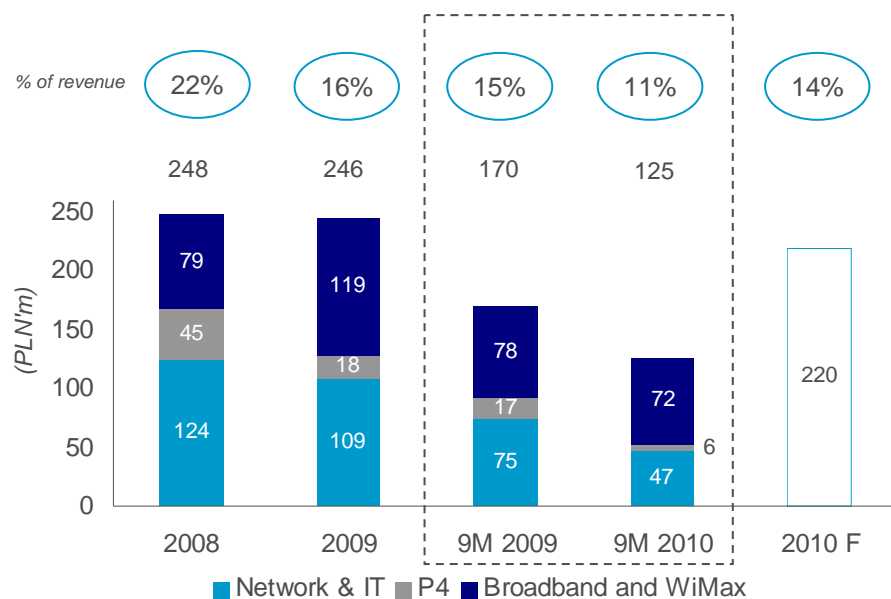
- Accelerating voice net additions, LLU migrations and retention spending drag down Q3 2010 margins as flagged previously

¹ Adjusted EBITDA excludes the one-off expenses related to the cost optimization program (the 'Profit' project), a positive accounting impact from settlement of disputes with TP and a gain on sale of the tranches of transmission equipment to P4

² Netia cancelled the PLN 295.0m credit facility on July 29, 2010 as it has signed a mandate to arrange PLN 700.0m of new financing to fund potential major acquisitions

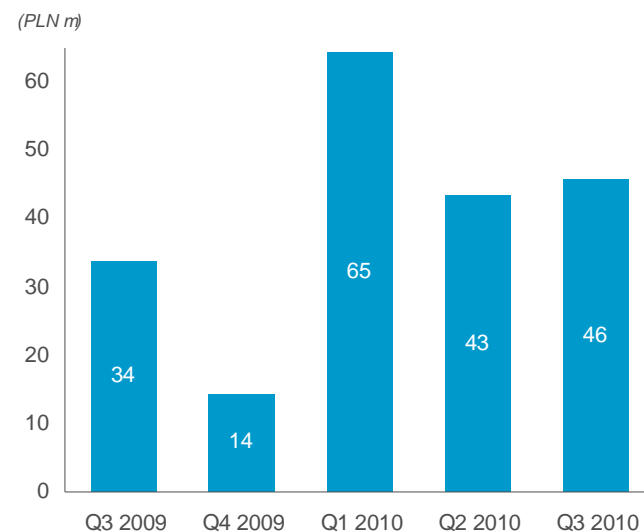
Capital investments and operating FCF

Capital investments



- Netia continues to invest in growth, mainly in residential segment to provide for increasing volumes of subscribers and capacity for higher speeds
- Lower capex in 9M 10 versus the prior year period reflects strict control measures, utilization of previously developed IT support and completed P4 transmission roll-out
- Netia considers extending its LLU roll-out to 700 nodes

Operating FCF¹



- Operating free cash flow (OpFCF) continues to grow with 12 month cash generation at PLN 168m

¹ Operating FCF = EBITDA less capex; EBITDA as reported less investments in tangible and intangible fixed assets

2010 guidance and mid-term outlook

Guidance FY2010		Medium term outlook	
Broadband subscribers ('000)	700	Revenue growth (CAGR) – overall	3% - 5%
Voice service customers (own network + WLR) ('000)	1,225	Revenue growth (CAGR) – retail segment¹	5% - 10%
Unbundled local loop (LLU) nodes	500+	EBITDA margins	
		at 23%	2010
Total revenues (PLN'm)	1,550+	at 28%	2012
Adjusted EBITDA (PLN'm)	355+	Increasing net operating profit trend	2010 - 2012
Adjusted EBITDA margin (%)	23%	Increasing free cash flow trend	2009 - 2012
EBITDA (PLN'm)	360+	Capex to sales down to 15% by	2010
EBIT (PLN'm)	60+	1 million broadband subscribers	2012
Capital investment (excl. M&A) (PLN'm)	220		

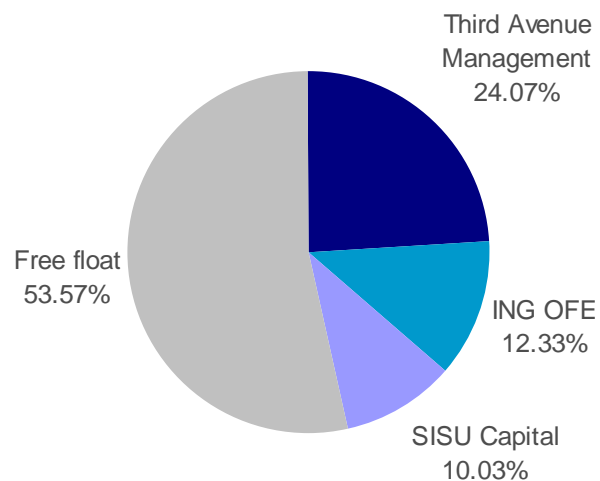
- Netia guides for FY2010 to be net profitable in each quarter
- Estimated FCF generation in FY2010 to reach PLN 140m
- Ethernet acquisitions come on top of this guidance

Source: Company ¹ Retail segment means Home, SOHO/SME, Corpo
 Guidance for FY2010 as published on May 6, 2010; Mid term outlook as of November 5, 2009

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Netia shareholders and share price performance

Shareholder structure



As of August 10, 2010

Shareholder	Number of shares (m)	% Capital	% Votes
Third Avenue Management	93.7	24.07%	24.07%
ING OFE	48.0	12.33%	12.33%
SISU Capital	39.0	10.03%	10.03%
Free float	208.6	53.57%	53.57%
Total	389.3	100.0%	100.0%

Source: Company

Share price performance since launch of broadband driven growth strategy (April 2007)



	PLN m	EUR m
Enterprise value (as of November 18, 2010)	1,750.3	444.4
Market capitalisation (as of November 18, 2010)	2,063.3	523.9
Bank debt outstanding (as of Sept. 30, 2010)	0.3	0.1
Cash (as of Sept. 30, 2010)	313.3	79.5
Shares outstanding (m)	389.3	389.3
Share price (as of November 18, 2010)	5.30	1.35
Daily volume average (k shares) (as of November 18, 2010 YTD)	478	478
PLN/EUR spot rate as of November 18, 2010	3.9386	nm

Source: Company



Thank you for your attention

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