



Netia SA

The Broadband Opportunity in Poland

June 2007

netia

PLAY 

G GERMANOS

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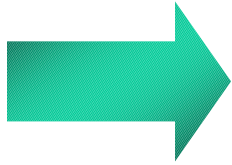
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Key recent developments at Netia

- Highly favourable regulatory opportunities available from January 2007 – in particular for LLU and Bitstream access
- Strategy refocused on the consumer broadband opportunity in Poland
- 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

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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

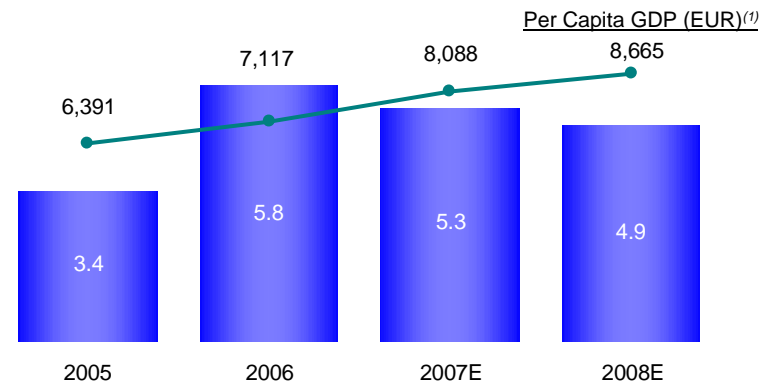
Society:

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

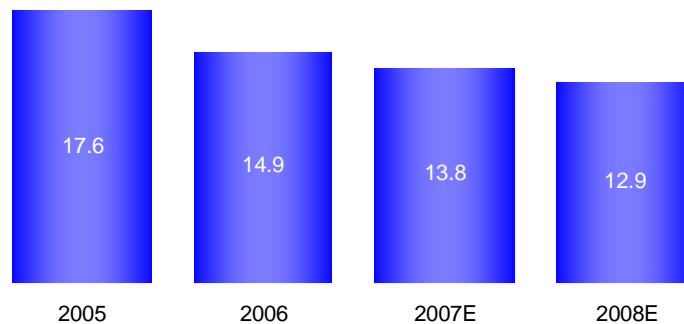
Technology:

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

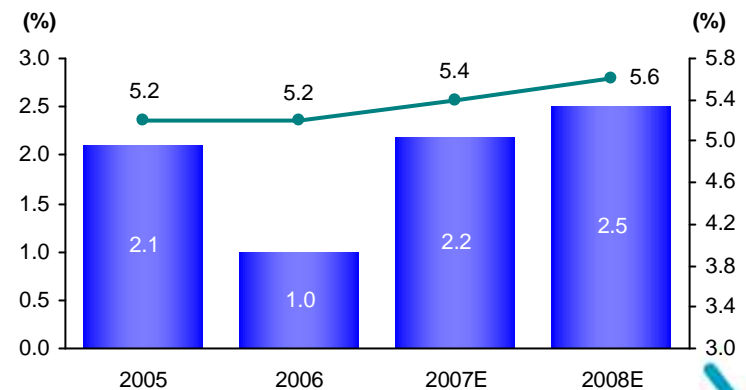
GDP growth (%)



Unemployment rate (%)



Inflation / interest rate⁽²⁾



(1) Source: Central Statistical Office

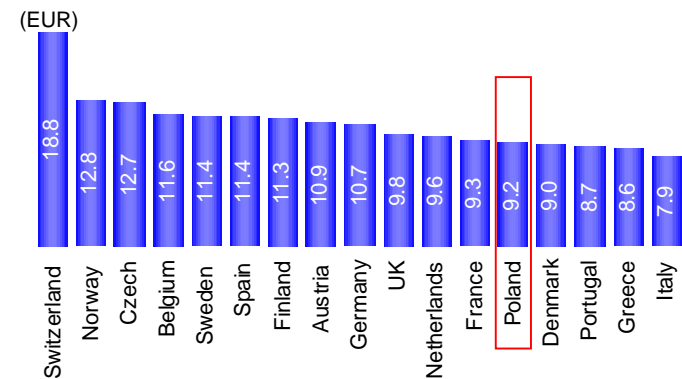
(2) Interest rate represented by 10-year government bond yield

Rapidly liberalising regulatory environment

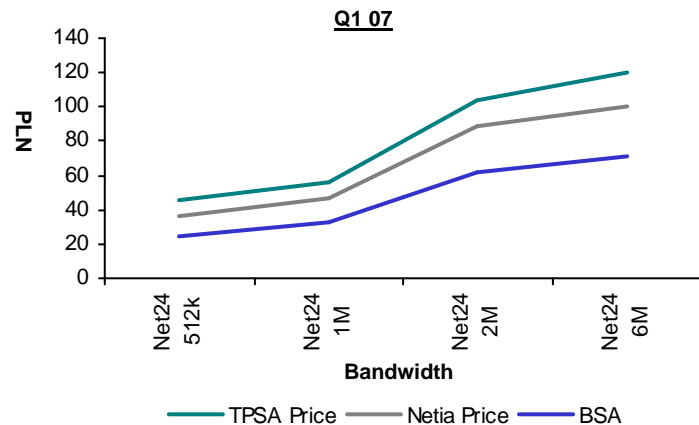
Regulations

- Bitstream with 51% discount from full retail price
- Wholesale Line Rental with 47% discount
- LLU with full access at 36 PLN / month
- New RIO with 35% fixed termination decline in 2006
- Mobile Termination Rate decline by 22% in 2006

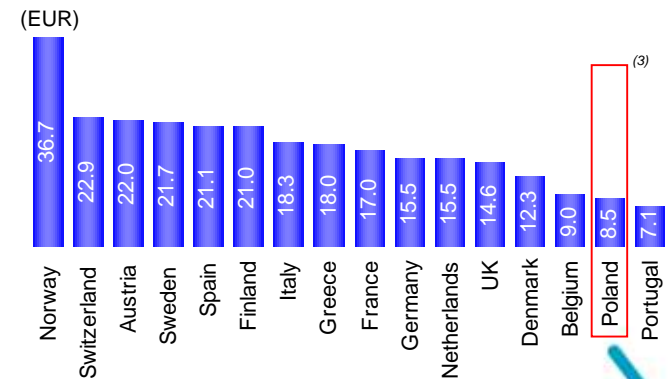
LLU wholesale pricing⁽¹⁾



Attractive bitstream economics



Bitstream wholesale pricing⁽²⁾



(1) Merrill Lynch Research

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

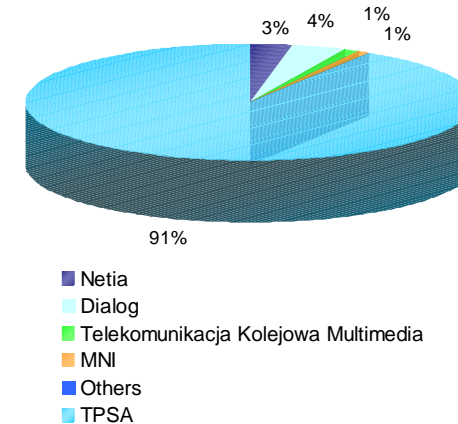
(3) Calculated as 51% discount to TPSA's ADSL ARPU in 2006

Netia is best placed to exploit the liberalising Polish telecom market

Key market players

Player	Key focus	Market position	Revenues'06 (EUR mln)	Market Cap (EUR mln)
TP	Fixed line, internet, data	10.1mn fixed line, 1.7mln broadband subscribes	2,872	8,386
PTK Centertel (Orange)	Mobile	12.5mln mobile subscribers	1,950	
Polkomtel (Plus)	Mobile	12mln mobile subscribers	1,905	Not Listed
PTC (Era)	Mobile	12.2mln mobile subscribers	1,838	Not Listed
Netia	Fixed line, data, internet	399k fixed line, 102k broadband subscribers (1)	223	432
Exatel	Fixed line	1.2% share of Polish telcom market in terms of value	137	Not Listed
Telefonia Dialog	Fixed line, data, internet	438k fixed line, 96k broadband subscribers	129	Not Listed
GTS Energis	Fixed line	7k business clients, approx 1% of the telecoms market by value	103	Not Listed
UPC Polska	Cable TV	2mln homes passed 994k cable TV subscribers	97.4*	Not Listed
Tele2	Fixed line, reseller	1mln fixed line subscribers	61.9*	Not Listed
Multimedia	Cable TV	130k fixed line subscribers	97.5	555
Vectra	Cable TV	630k cable TV subscribers	64.2	Not Listed
Hyperion	Broadband	N/A	5.1	30

Fixed line market (number of lines)



* data for 2005, market cap as of 22/05/2007

(1) data as of end Q1 2007

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

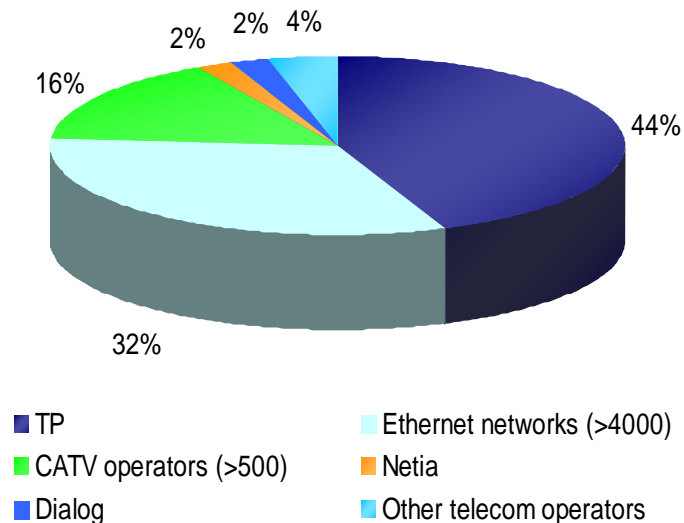


Broadband market is fragmented

Broadband subscribers

Opportunity for Netia

Total 4.1 mln



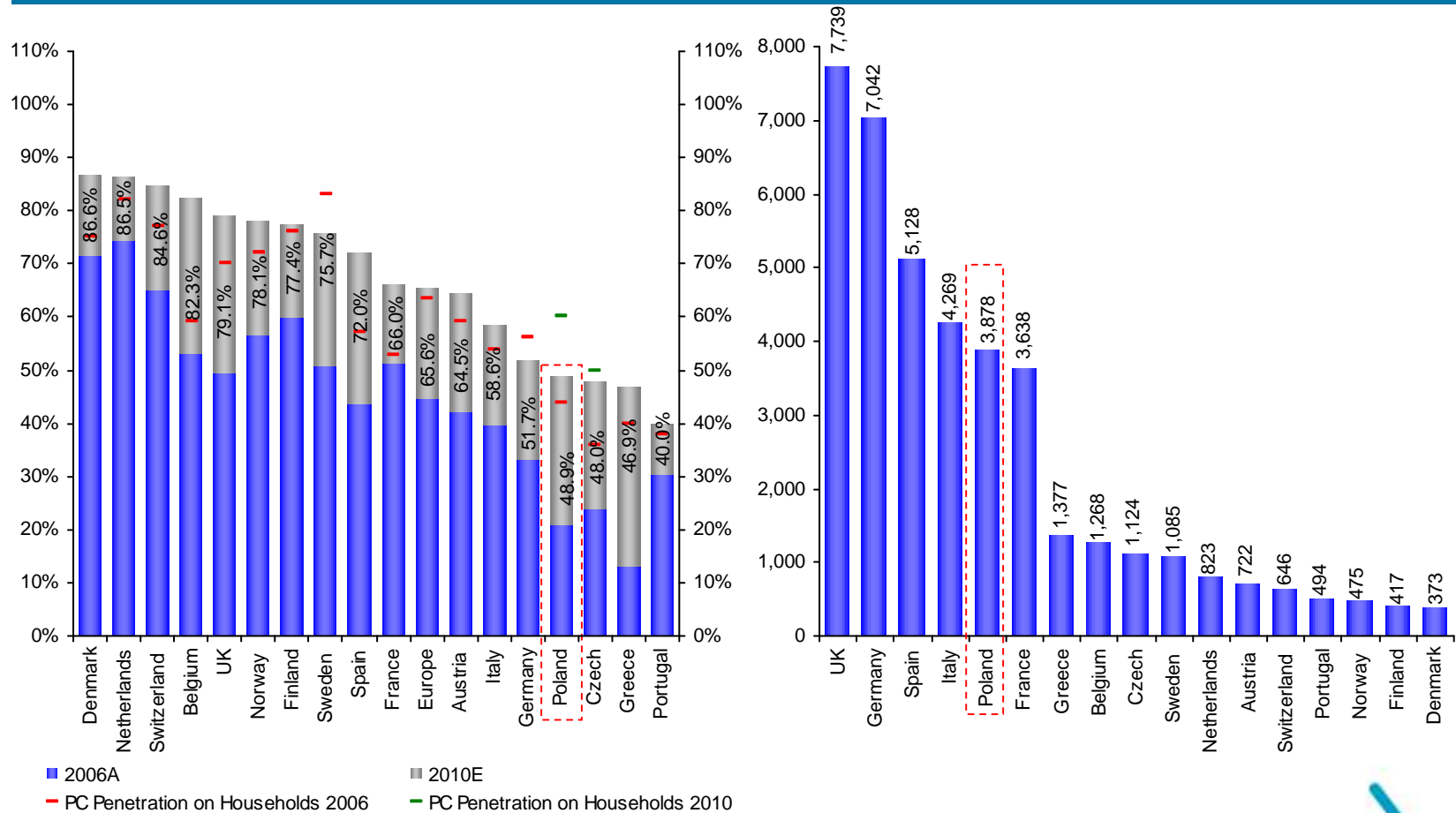
- Netia Copper / Fibre Network
 - Continue to expand penetration of ADSL to existing 250K residential customer lines and 150K business customer lines
- TP – Regulatory Access
 - Bitstream Internet Access
 - Upsell voice – VoIP and wholesale line rental (WLR)
 - Move to LLU when scale justifies
 - Up-sell 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⁾



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, apart from Poland

(2) Represents Households with Broadband Penetration in 2010E minus Households with Broadband Penetration in 2006A



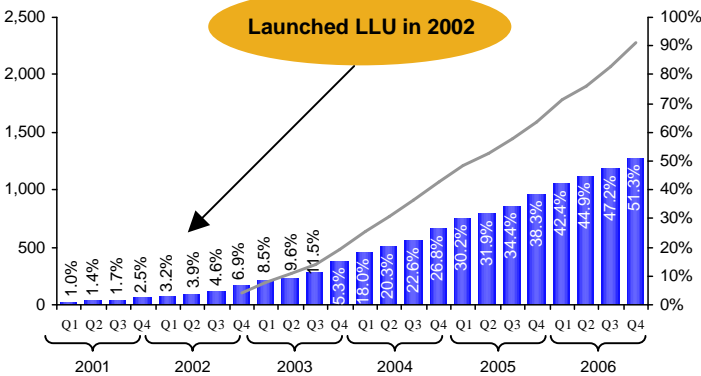
Netia is uniquely positioned to capitalize on the broadband opportunity

Early mover	<ul style="list-style-type: none">▪ Over 100 K broadband customers makes Netia number 1 among Polish altnets▪ First mover advantage on deregulation - 38K bitstream subs in Q1/ 2007 – first LLU agreement
PLAY operational synergies	<ul style="list-style-type: none">▪ Netia Broadband to be available through the Germanos sales network
National reach	<ul style="list-style-type: none">▪ Brand name established nationally▪ National marketing and distribution▪ National backbone network provides capacity and backhaul from interconnection points▪ National maintenance and delivery capability through Ericsson outsourcing agreement
Existing business supports growth	<ul style="list-style-type: none">▪ Cash generative legacy business▪ Significant potential for further optimisation▪ Debt free balance sheet to finance Broadband push
Management	<ul style="list-style-type: none">▪ Highly experienced management team with Polish telco market know-how▪ Shareholder value driven compensation plans

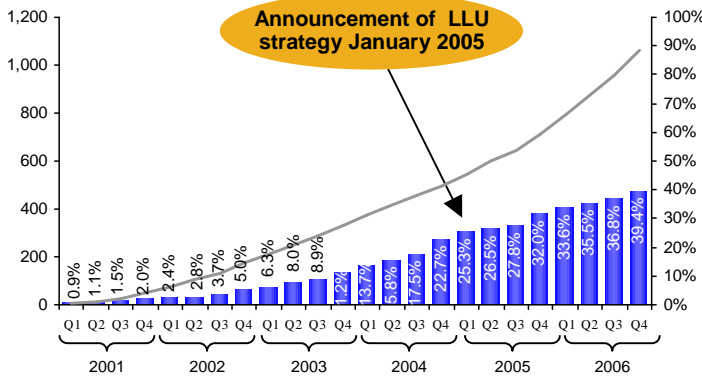


Comparable Leading Altnets

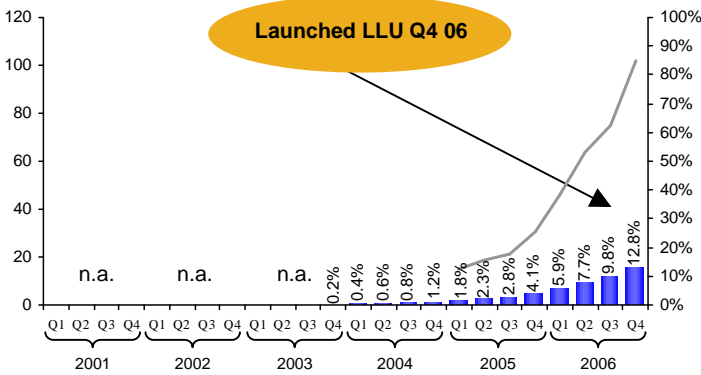
Iliad - France



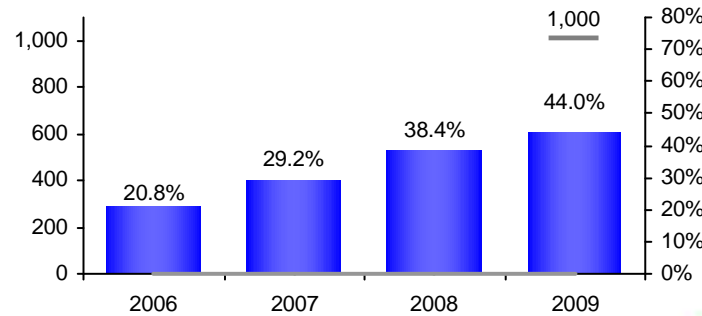
Fastweb - Italy



Forthnet - Greece



Netia - Poland



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



Source: Merrill Lynch Research, Informa, Company Financials

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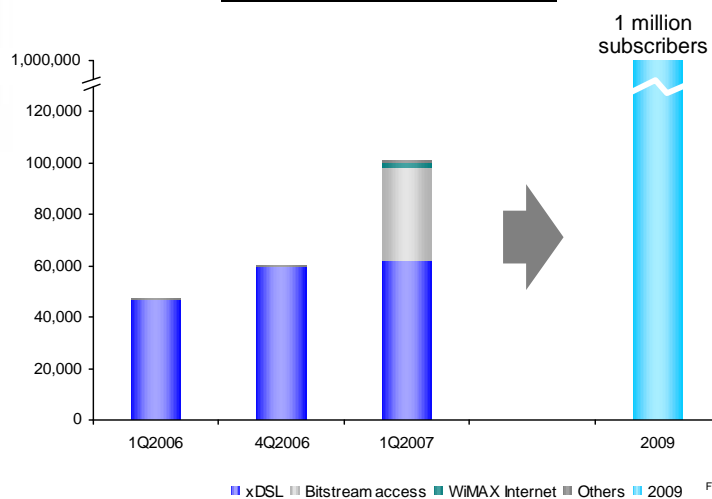
Netia's objectives to drive shareholder value

- Broadband leadership amongst altnets
- Optimize strong position in Business
- Change organizational culture to support value growth-focused strategy
- Scalable investments to drive value growth
- Leverage PLAY investments

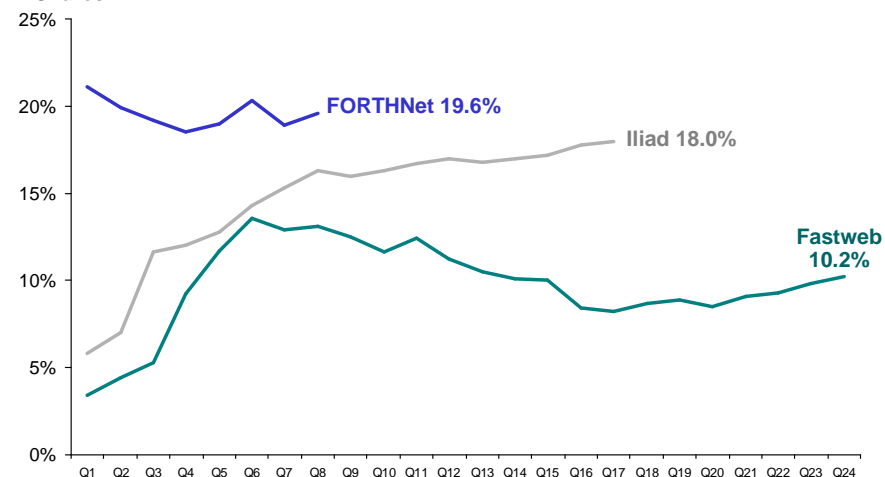
Netia's broadband customer base expected to grow

- Over 100,000 broadband customers at end Q1 2007
- Over 200,000 broadband customers to be served by 2007 year-end
- Strategic target to acquire 1 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%	11.8%	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 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
- 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 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



Marketing strategy

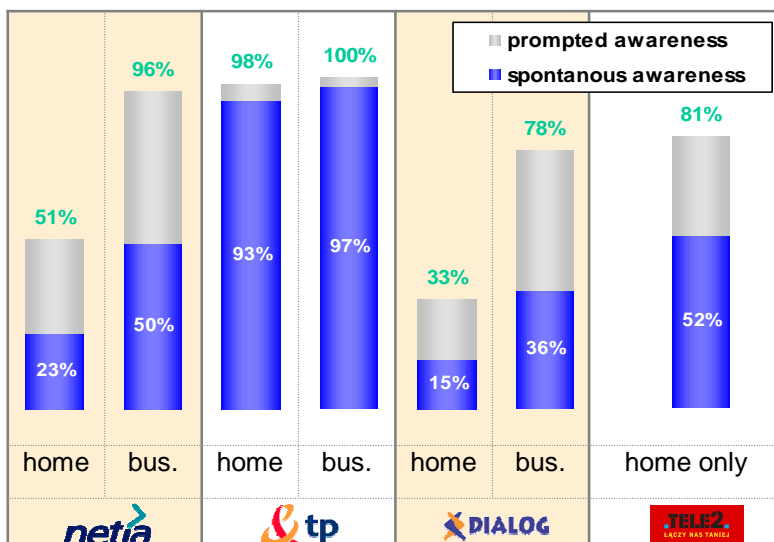
- First and commercially aggressive in bitstream customer acquisition
- Retail-focused marketing strategy
- Value-added services as differentiating factors
- High quality customer service
- Emphasis on low cost distribution and acquisition channels
- High street presence secured

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)

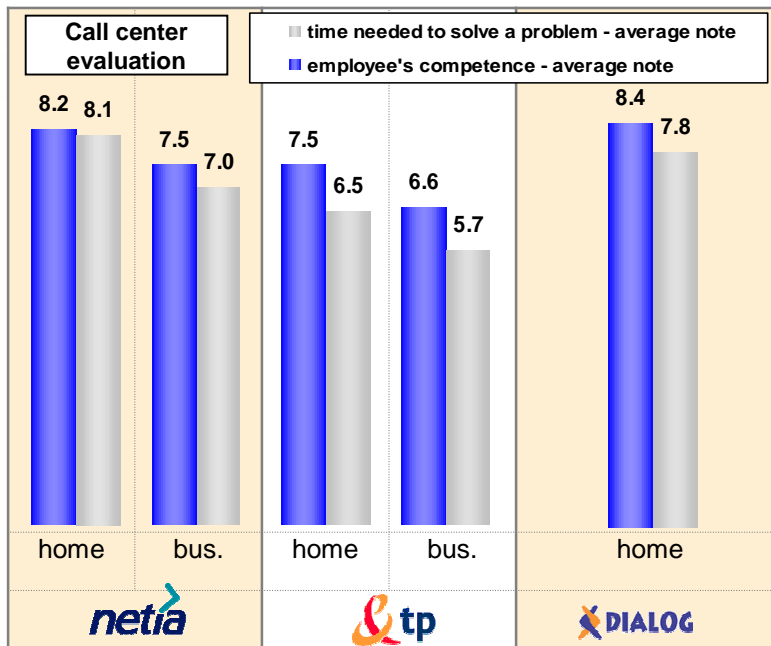


Customer service

- 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 3 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

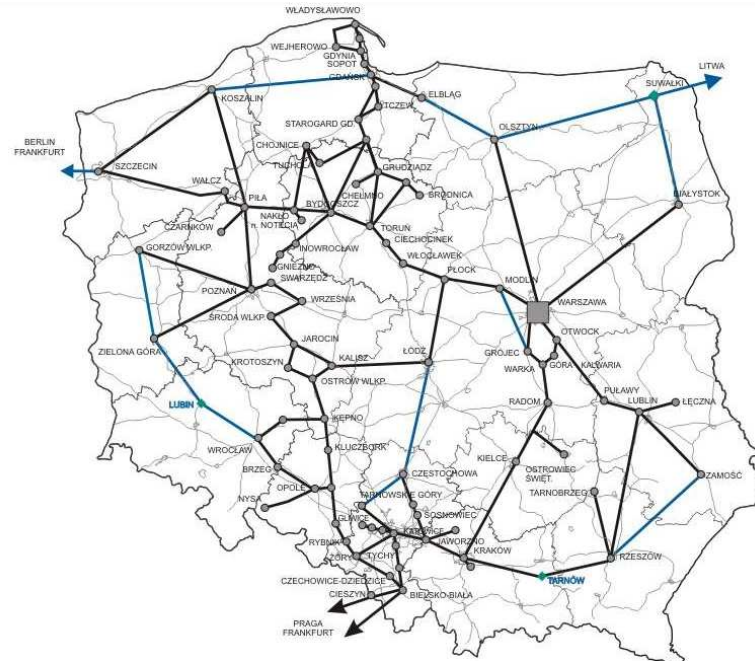


Network strategy

- Utilization of existing own copper with selective extensions
- Targeted build-out of LLU infrastructure
- Use of WiMAX investment in under-served towns and suburbs of large cities as appropriate

Local loop unbundling roll-out plans

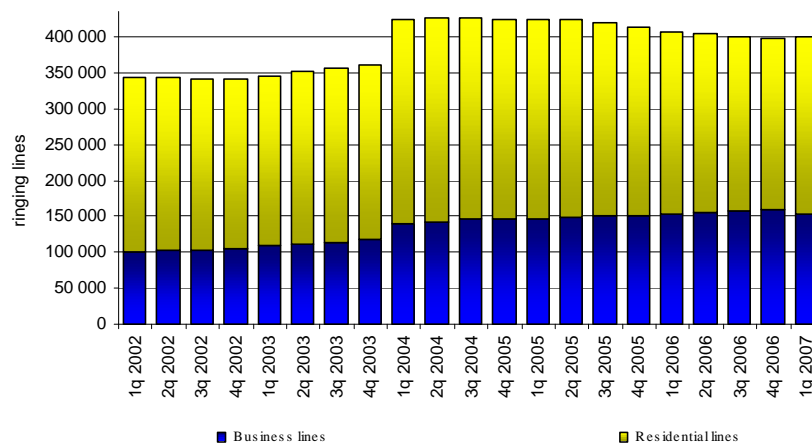
TP nodes to unbundle	560
Total nodes available for unbundling	5 615
Average lines per unbundled node	9 300
Target TP network coverage (%)	
- Bitstream	100%
- LLU	50%



Optimize strong position in Business

- 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

Direct voice subscriber lines



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

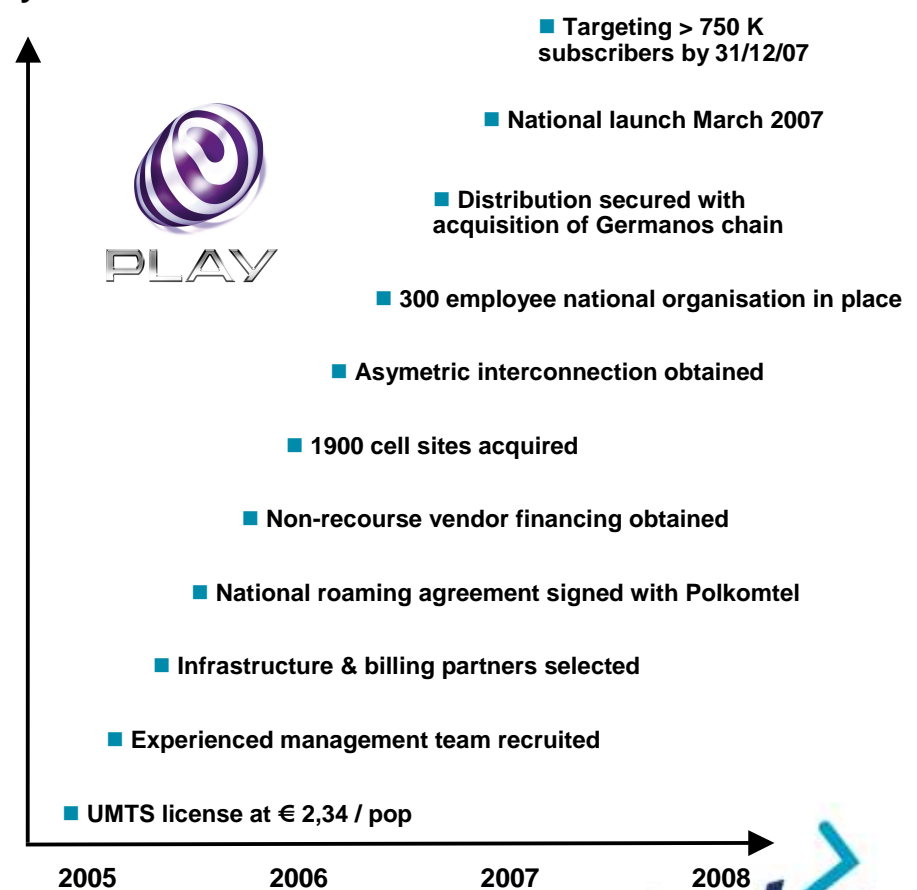


PLAY: Derisked and ready to build value

Drive value creation at Poland's 4th mobile operator

- 100 K subscribers
 - 39% postpaid
- Initial ARPUs indicate offer is reaching target segments of young, internet savvy customers
 - Play postpaid 189,6 PLN vs market 90 PLN
 - Play prepaid 87 PLN vs market 21,9 PLN
- Distribution capacity building from May 1 through Germanos stores
 - 300 + postpaid outlets
 - 20 000 + prepaid outlets
- Brand successfully established as recognisable and different from the crowd

Equity value



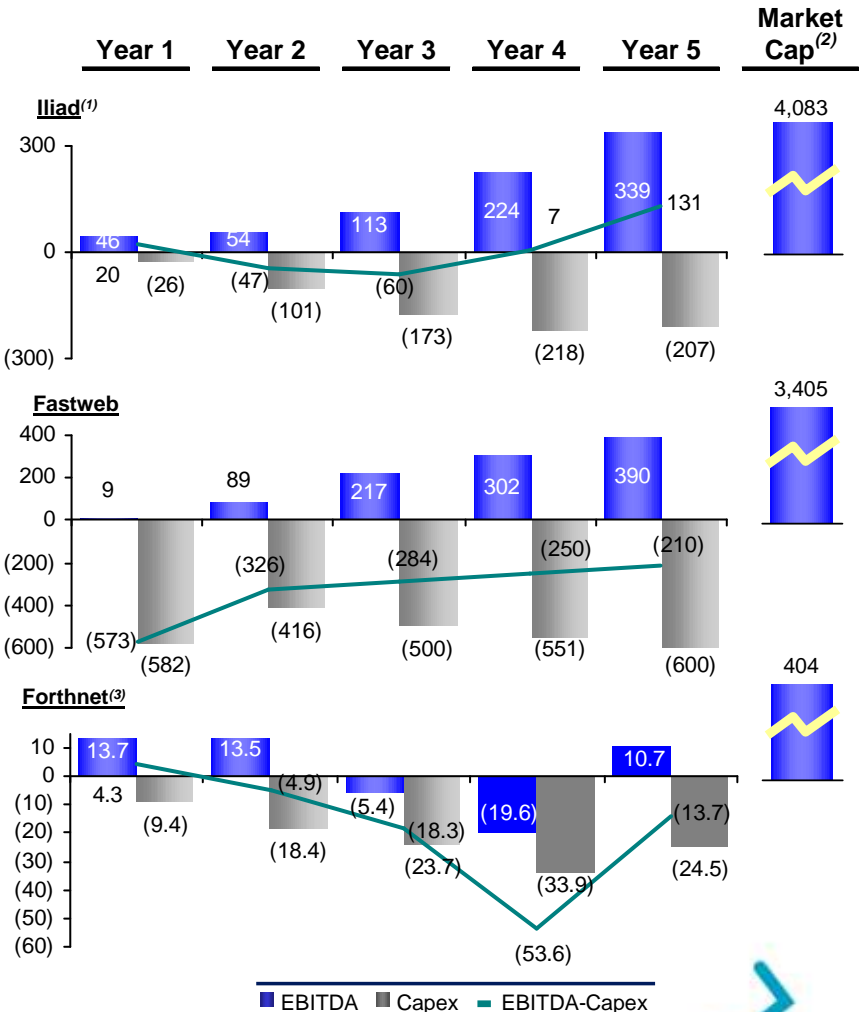


Change organization and company culture to support shareholder value focused strategy

- Change to challenger / innovator culture
- Install vision, values and strategy throughout entire organization
- Improve internal communication to foster cooperation and react faster to market changes
- Align incentives of employees with shareholders' interests (SOP for Management Board and top managers, new performance management system) and promote ownership culture

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 22 May 2007
 (3) Last two years are Merrill Lynch Forecast



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EBITDA stabilised, debt free

PLN' K	2007	2006			
	1Q	1Q	2Q	3Q	4Q
REVENUES	204 392	218 380	203 422	230 537	209 718
% change on prior year quarter	(6.4%)	0.8%	(9.2%)	(0.1%)	(11.7%)
EBITDA ADJUSTED	54 609	58 751	48 009	53 994	60 552
<i>EBITDA adjusted margin</i>	26.7%	26.9%	23.6%	23.4%	28.9%
Pro Forma EBIT	(14 910)	(5 843)	(19 928)	(15 583)	(9 827)
Share of losses of investments in associates	(25 613)	(3 007)	(4 650)	(7 262)	(15 735)
Pro Forma PAT	(37 797)	(10 638)	(23 101)	(22 919)	(31 494)
Total assets	2 093 132	2 588 619	2 527 046	2 528 943	2 155 359
Debt	0	0	0	0	0

Guidance for 2007

NETIA (PLN'M unless otherwise stated)	2007	2006
Broadband subscribers ('000)	> 200	57
Revenues	830 – 865	862
EBITDA like-for-like	210	221
-BSA, WLR, LLU access start-up losses for 153 K Broadband net additions	60	-
Adjusted EBITDA	150	221
PLAY mobile customers ('000)	> 750	



Capital investments 2007 vs 2006

PLN' M	2007	2006
Existing network	112	135
Information technology	32	15
P4 Transmission	65	-
Broadband	76 - 91	24
- Including WiMax	27	21
- 2007 active customers	40 - 52	
- Future growth of broadband customer base	9 - 12	
Total	285 - 300	174
Q1 2007 Capital investments	38	

Summary

- Attractive growth of the home market and regulated access offers new opportunities to leverage Netia's existing core competencies and assets
- 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
- A close partnership with PLAY will allow Netia to offer mobile and convergent products and achieve economies of scale in distribution and back-office
- Netia will optimize its strong position in the Business market by focusing on the most attractive segments and minimizing cash-out
- Customer-centric organization will support Netia's growth strategy
- 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