H1 and Q2 2009 Financial Results

Investors Conference Call and Press Conference

August 6, 2009

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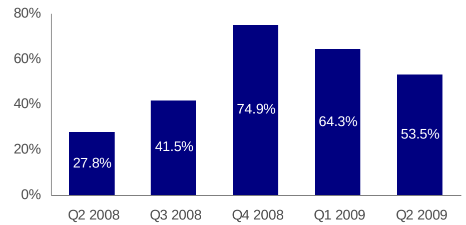
netia

WOLNOŚĆ WYBORU

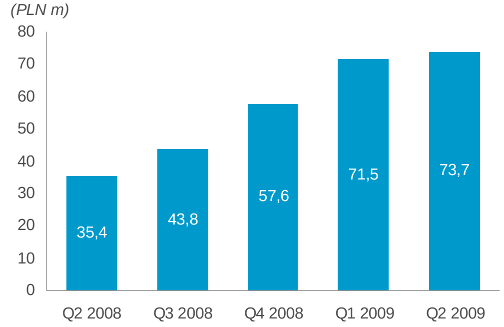
Executive summary | Key achievements in H1 and Q2 2009

- **Netia delivers strong EBITDA growth in H1 2009**
  - EBITDA was PLN 139.3m for H1 2009 (+101% y-o-y) and PLN 69.4m for Q2 2009 (+96% y-o-y, -0.7% q-o-q)
  - Adjusted EBITDA[1] was PLN 145.3m for H1 2009 (+110% y-o-y) and PLN 73.7m for Q2 2009 (+108% y-o-y, +3% q-o-q)
- **Revenue stabilized in a slowing economy thanks to growth in residential**
  - Revenue was PLN 749.3m for H1 2009 (+59% y-o-y) and PLN 373.7m for Q2 2009 (+53% y-o-y, -0.5% q-o-q)
  - Residential segment revenue continued to grow (+1.5% q-o-q)
  - Corporate and Wholesale segments revenue declined sequentially due to lower demand and pricing pressure (-0.4% q-o-q and -8% q-o-q, respectively)
- **Subscribers base continues to grow despite a challenging market environment**
  - 459k broadband services (+57% y-o-y, +4% q-o-q) and 466k as at August 6, 2009
  - 1,129k voice services (+131% y-o-y, +2% q-o-q)
- **Netia leads the LLU roll out in Poland**
  - 158 nodes unbundled; 7.3k clients as at June 31, 2009 and 10.4k as at August 6, 2009
  - Migration from BSA (1play) to shared LLU started in Q2 2009
  - Migration from BSA+WLR (2play) to full LLU pushed back to November 2009 (pending implementation of new, more cost effective technology solutions)
- **Comprehensive cost reduction program „Profit" proceeds smoothly**
- **Netia to sell to P4 equipment used for providing transmission services to P4**
- **Netia increased its flexibility in the use of funds by renegotiating credit facility**
- **Revised guidance for FY2009 was announced on August 6, 2009**

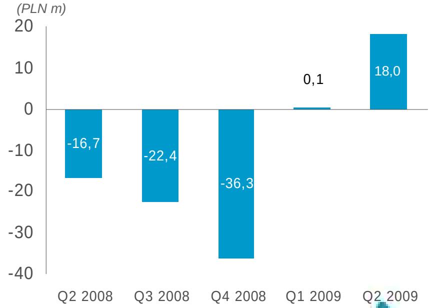
Revenue growth y-o-y



EBITDA quarterly development

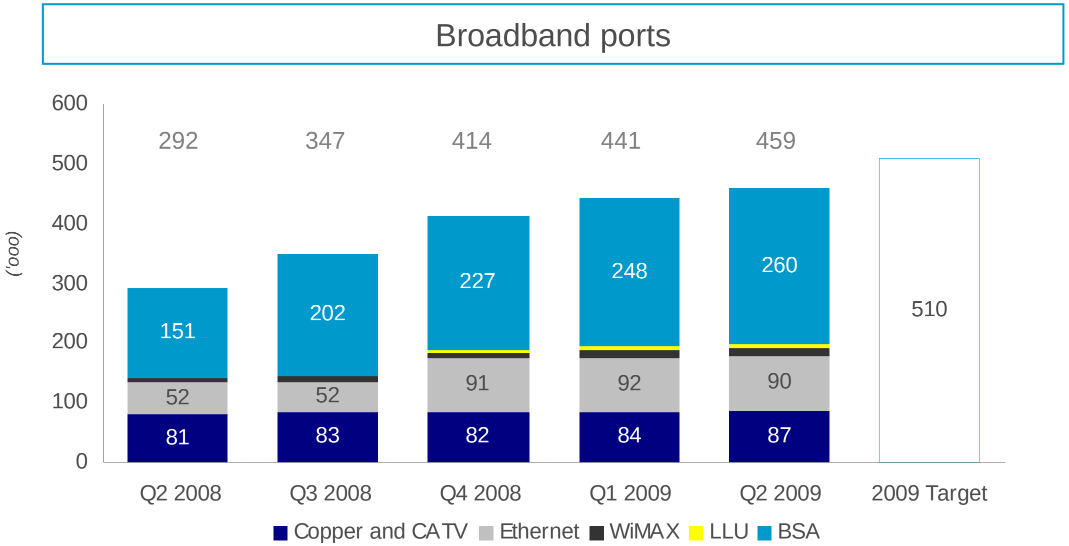


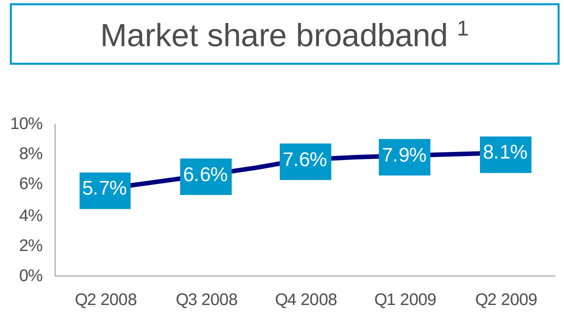
Op. FCF [2]

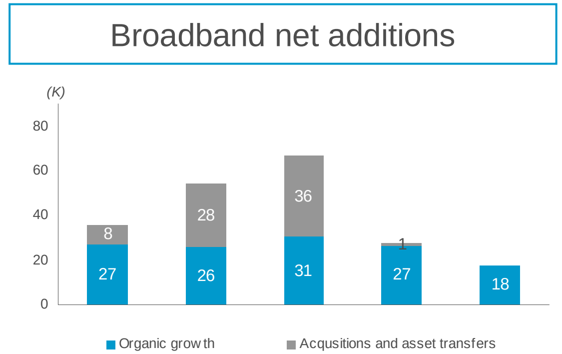


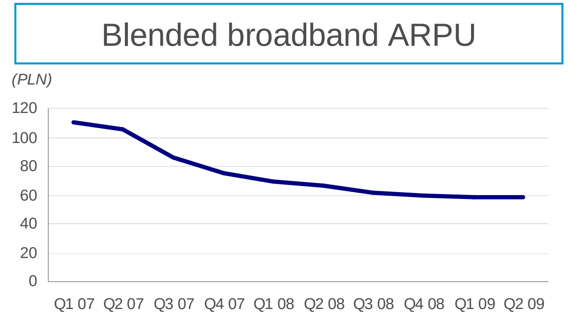
Revenue from continuing activities
[1] EBITDA for Q1 and Q2 2009 excl. one-off restructuring costs related to the „Profit" project
[2] Operating FCF = EBITDA less capex; EBITDA as reported less investments in tangible and intangible fixed assets

Broadband | Continued progress on Netia's broadband customer base







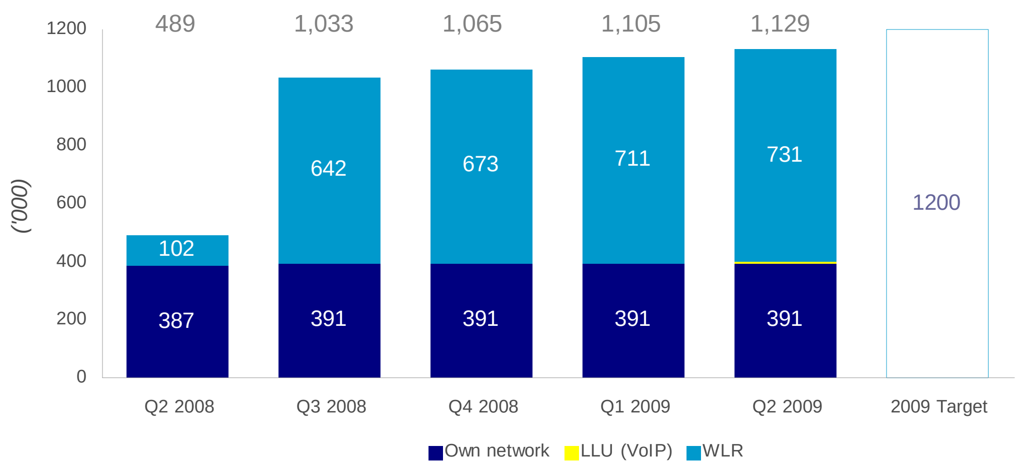


- 459k broadband customers as of Q2 2009
  - 42% of customers served directly via Netia's own network
  - Almost all 45k net additions in H1 2009 were acquired organically
  - Focus on 2play offers for new customers (represented nearly 40% of net additions in Q2 2009)
  - The Company's revised guidance for FY2009 is 510k broadband customers, 51k net additions in the second half of 2009
    - The above target factors in slower market growth due to macroeconomic conditions and increasing sales focus on 2play sales
    - Potential further Ethernet network acquisitions are not included
- ARPU in broadband is starting to stabilize

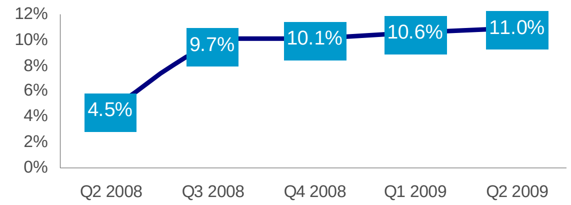
Source: Netia, TP, public domain
[1] Based on Netia's internal estimates of the total market volume as of 2008YE and H1 2009

Voice | Further solid progress on voice sales

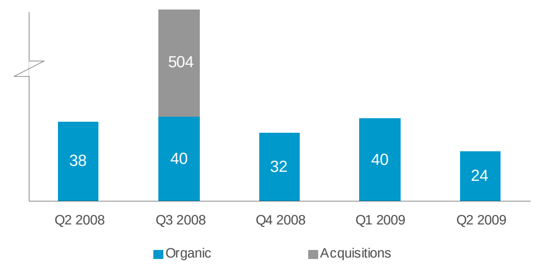
Voice lines



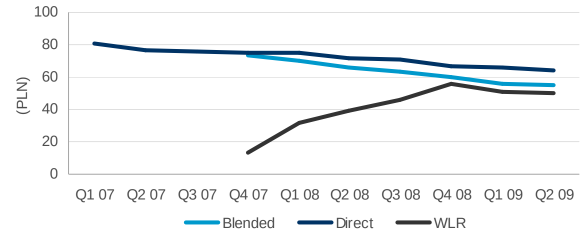
Market share voice [1]



Net additions



Voice ARPU

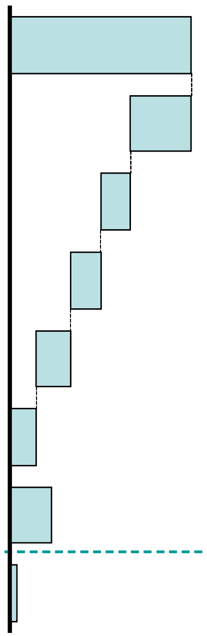


- 1,129k voice customers served as of Q2 2009
  - 35% of customers served directly via Netia's own network
  - Netia has approximately 65% of WLR market share
  - The Company's revised guidance for FY2009 is 1,200k voice customers, implying outstanding 71k net additions in the second half of 2009
    - The above target factors in better than anticipated growth in voice subscribers in residential segments
    - Netia continuously increases its sales focus on 2play sales
- Voice ARPU expected to stabilize in the medium term

Source: Netia, TP, public domain
[1] Based on Netia's internal estimates of the total market volume as of 2008YE and H1 2009

„Profit" Project | Update on Netia's cost reduction program

- Target to reduce PLN 100m of annual opex from Netia's cost base starting 2010
  - Approximately PLN 20m of savings to be delivered in 2009
  - Expected PLN 15m of one-off expenses related to Profit project in 2009 (PLN 6m recorded in H1 2009)



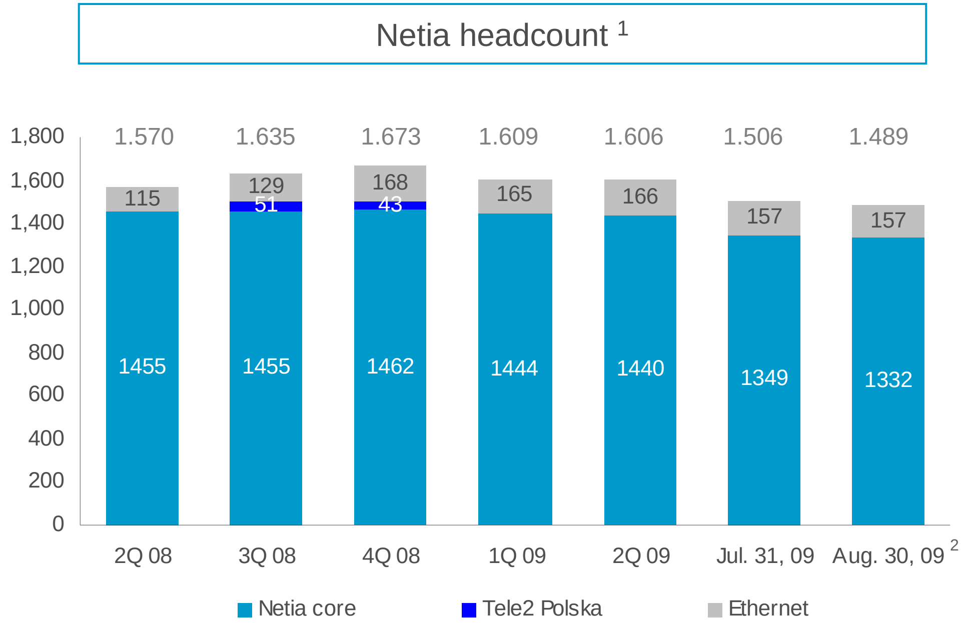
Functional areas	Potential[1] PLN 100m in total	No. of initiatives
Cost base in scope		178
A Network operations - outsourced & IT		47
B Network operations - internal & IT		14
C Customer care		28
D Marketing & Sales		15
E Support functions		19
F Procurement OPEX		55
IT change requests		3

- Volume-wise 32% of initiatives were completed and another 68% are in the implementation phase
- 16 new initiatives have replaced 13 cancelled or frozen initiatives
- Value-wise, already implemented initiatives are projected to produce:
  - 60% of targeted savings for FY2009
  - 50% of targeted savings for FY2010
- Headcount optimization being part of the 'Profit' project resulted in a decrease by 120 FTEs between March 31, 2009 and August 1, 2009
- Management is confident that the savings will be delivered

- Savings from the 'Profit' project to be realized in addition to the previously announced synergies from the Tele2 Polska integration into the Netia group (estimated at over PLN 30m per annum)
- Lower than expected 'Profit' project expenses to date resulted in the increased EBITDA guidance for FY2009 as announced on August 6, 2009

1 For illustrative purposes only, size of blocks does not necessarily correspond to envisaged savings by the Company in particular area

„Profit" Project | Headcount development

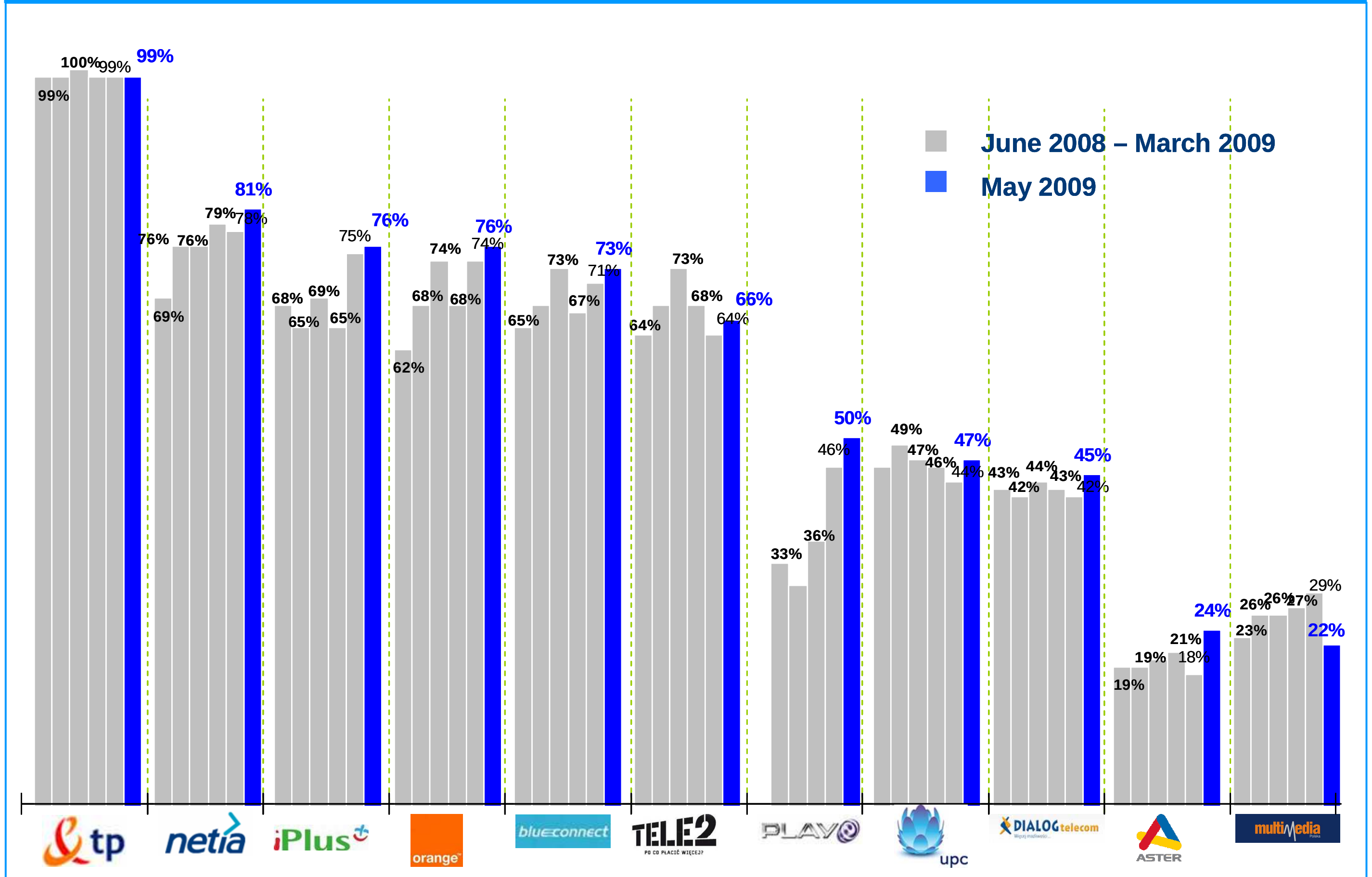


- Netia Group's headcount was 1,609 at the end of Q1 2009
- Netia SA decided to further decrease headcount during Q2 2009 as an additional cost optimization measure by approx. 130 FTEs
  - Employees received termination notices during Q2 2009
- Due to notice periods, most redundant staff were not working but were still on headcount at end Q2 2009
- Headcount for August is estimated at approximately 1,489 in Netia Group

Source: Netia
[1] Full-time equivalent of employees
[2] Estimation of headcount as of August 2009

Marketing | Awareness of Netia as broadband provider exceeds 80%

Prompted brand awareness of broadband providers



- Netia’s recent marketing campaign launched in Q2 2009 focused on brand awareness resulted in prompted brand awareness of Netia as broadband provider (ISP) exceeding 80%

Source: Brand Monitor, Pentor, May 2009   Note: Prompted brand awareness of ISP providers

Other developments | Credit facility and P4 transmission project

Amendment to credit facility

- On June 29, 2009 Netia restructured its original credit facility with Rabobank Polska SA
- Facility amount was reduced by PLN 80m to PLN 295m from PLN 375m
- Bank syndicated consented to:
  - The disposal of Netia's former head office and P4 transmission equipment while retaining PLN 80m of proceeds without mandatory facility repayments/ reductions
  - Perform a share buy-back of up to PLN 100m (up to PLN 50m in 2009 and 2010) without necessity to renegotiate the credit facility terms
- Changes increased Netia's flexibility in the use of funds which allow for pursuing non-Ethernet related acquisition opportunities and - if considered appropriate - executing a buy-back of the Company's shares

P4 transmission project

- On July 24, 2009 Netia signed the agreement to sell to P4 part of the dedicated transmission equipment used for rendering wholesale services to P4
- Total price consideration for the equipment is PLN 65.4m
  - Disposal transaction in 3 batches until July 1, 2010
  - On July 31, 2009 Netia received a payment of PLN 22.8m for the 1st batch of equipment
- Revenues and EBITDA from the reduced scope of cooperation are expected at 30% of current annual level of PLN 50m
- Netia expects to recover fully its original investment in the P4 transmission contract with a double digit IRR
- Transaction strengthens Netia's focus on investment in strategic residential and business segments rather than wholesale operations

Source: Company Note: Guidance as of April 6, 2009

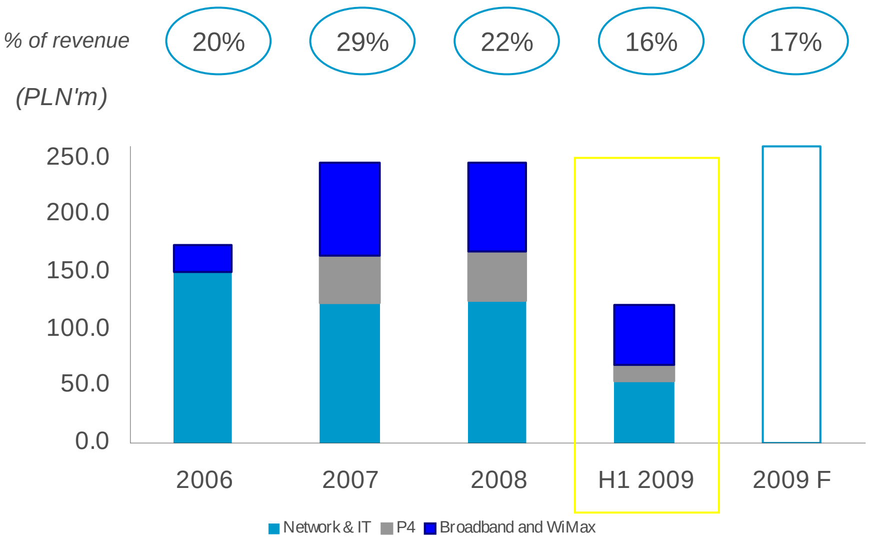
Financial performance | Key data for H1 2009 and FY 2008

(PLN' 000)	2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2
Revenues from continuing activities	228,696	243,483	271,159	369,056	375,665	373,679
y-o-y % change	*21.8%*	*27.8%*	*41.5%*	*79.4%*	*64.3%*	*53.5%*
Revenues	237,470	243,483	271,159	369,056	375,665	373,679
Gross profit	55,676	51,926	73,720	116,333	123,847	116,416
EBITDA / Adjusted EBITDA[1]	33,800	35,436	43,829	57,576	71,530	73,752
Margin	*14.2%*	*14.6%*	*16.2%*	*15.6%*	*19.0%*	*19.7%*
y-o-y % change	*(38.1%)*	*(43.1%)*	*21.2%*	*225.7%*	*111.6%*	*108.1%*
EBIT	(29,079)	(33,230)	(22,714)	(14,683)	(3,051)	(4,984)
Share of P4 start-up losses	(22,625)	--	--	--	--	--
Profit on sale of P4	--	353,427	(46)	--	--	--
PAT	(55,294)	314,581	(18,586)	(10,096)	(6,401)	(8,250)
Total assets	2,062,256	2,169,214	2,260,204	2,283,479	2,264,467	2,216,292
Net (debt)/cash and treasury bonds [3]	(105,264)	324,017	232,736	192,685	190,796	162,975
Available credit lines	120,000	375,000 [2]	375,000 [2]	375,000	375,000	295,000

[1] EBITDA for 2009 excluding the one-off expenses related to the cost optimization program (the „Profit" project)
[2] Including PLN 100m available at the Company's option
[3] Treasury bonds at nominal value

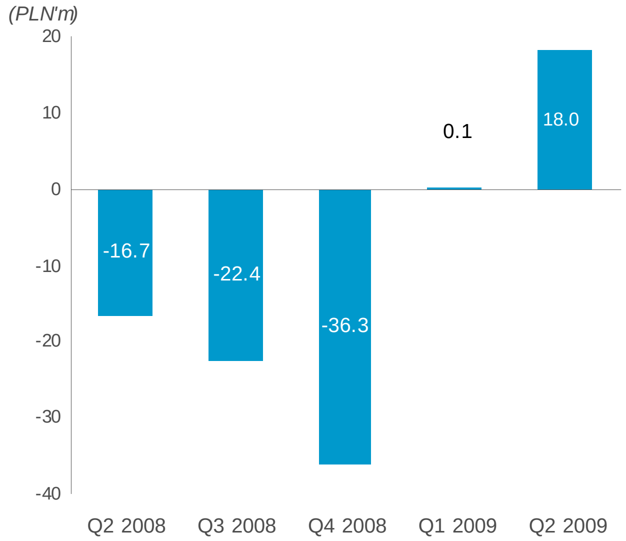
Financial performance | Capital investments and operating FCF

Capital investments



- Netia continues to invest in growth

Operating FCF[1]



- Netia is rapidly improving free cash flows from its operations (OpFCF)

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

Revised FY2009 guidance | Focus on profitability reinforced

	Previous	Updated
Broadband subscribers *('000)*	525	510
Voice service customers *(own network + WLR) ('000)*	1,150	1,200
Unbundled local loop *(LLU) nodes*	300	300
Revenues *(PLN'm)*	1,520	1,500
Adjusted EBITDA[1] *(PLN'm)*	290	290
EBITDA *(PLN'm)*	265	275
Capital investment *(excl. M&A) (PLN'm)*	260	260

Source: Company [1] *Adjusted EBITDA excludes one-off restructuring costs related to the cost reduction program (the „Profit" project)*

Guidance as of August 6, 2009

Medium term outlook | Maintained key milestones

	2010 - 2012
Revenue growth (CAGR)	5% - 10%
EBITDA margins	
at 23%	2010
at 28%	2012
Net profit by	2010
Free cash flow positive by	2010
Capex to sales down to 15% by	2011
1 million broadband subscribers	2012

Source: Company Note: Mid term outlook as published on April 6, 2009

Summary

- Broadband strategy driving profit improvements
- H2 2009 focus on further progress on 2play sales, LLU migration and IPTV launch
- Further consolidation of Ethernet market possible
- Steady progress on major cost saving program aimed at reducing OPEX by PLN 100m in FY2010 (with savings in FY2009 estimated at PLN 20m)
- Revised outlook for 2009:
  - Adjusted EBITDA increase by 70% y-o-y to PLN 290m
  - EBITDA increase by 61% y-o-y to PLN 275m (when taking into account PLN 15m of one-off restructuring costs)
- Confirmed mid-term outlook:
  - EBITDA margin in 2010 to reach 23%
  - EBITDA margin in 2012 to reach 28%

Thank you for your attention

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