



Q1 2010 Financial Results

Conference call for investors

May 6, 2010

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Executive summary | Key achievements in Q1 2010

Subscribers base growth boost

- 603k broadband services at end Q1 2010 (+37% y-o-y, +8% q-o-q)
- Fixed broadband net additions share¹ estimated at 35% for Q1 2010
- 1,173k voice services at end Q1 2010 (+6% y-o-y, +1% q-o-q)

Revenue was PLN 387.0m for Q1 2010 (+3% y-o-y, +0.2% q-o-q)

Netia delivers strong EBITDA growth in Q1 2010

- Adjusted EBITDA² was PLN 90.8m for Q4 2009 (+27% y-o-y, +18% q-o-q)
- EBITDA was PLN 93.5m for Q1 2010 (+34% y-o-y, +3% q-o-q)
- Sequential increase in Adjusted EBITDA mainly reflects profitability gains from the major efficiency initiatives conducted in 2009

EBIT profit was PLN 19.5m (Adjusted EBIT² was positive PLN 16.8m), up sequentially by 29%

Net profit was PLN 14.3m in Q1 2010 (as compared to PLN 6.4m loss in Q1 2009)

Netia was operating FCF^{3,4} positive in Q1 2010 (positive PLN 64.5m excl. Ethernets acquisitions of PLN 0.8m)

Netia leads the LLU roll out in Poland

- 307 nodes unbundled, 59.5k clients as at March 31, 2010

A new group-wide project „Klientomania” aimed at delivering market leading customer satisfaction as another differentiating factor for Netia launched in March 2010

2010 FY guidance for the number of broadband subscribers was increased to 700,000

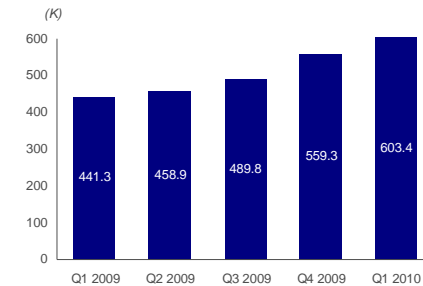
¹ Including Ethernet networks acquisitions

² Adjusted EBITDA and Adjusted EBIT exclude one-off restructuring costs related to the „Profit” project, a positive accounting impact from settlement of disputes with TP in Q4 2009 and a gain on sale of the second of three tranches of transmission equipment to P4 in Q1 2010

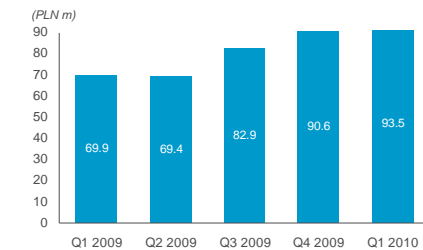
³ Operating FCF = EBITDA less capex; EBITDA as reported less investments in tangible and intangible fixed assets

⁴ Capex related payments were PLN 56.5m for Q1 2010 as payables related to investments made in Q4 2009 were paid down

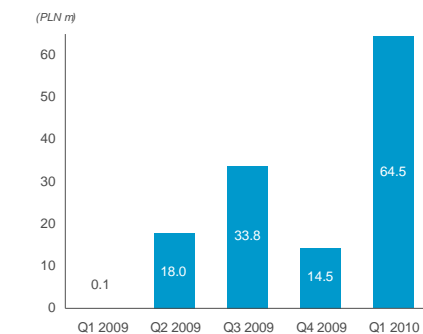
Broadband subscribers



EBITDA quarterly development

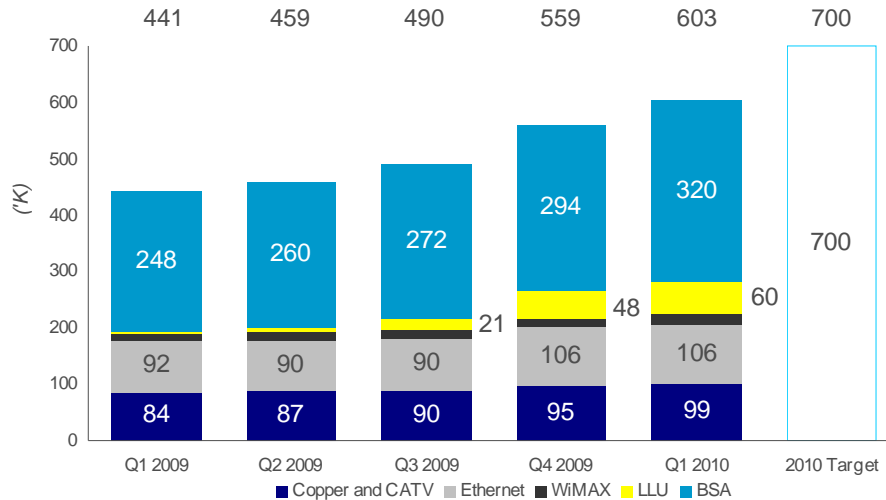


Op. FCF^{3,4}

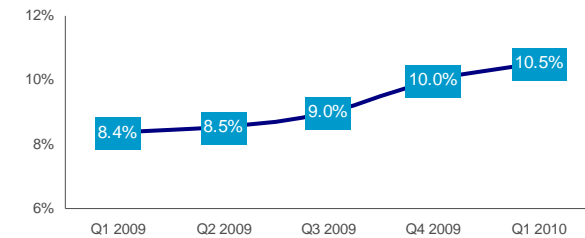


Broadband | Strong progress in Netia's subscriber base

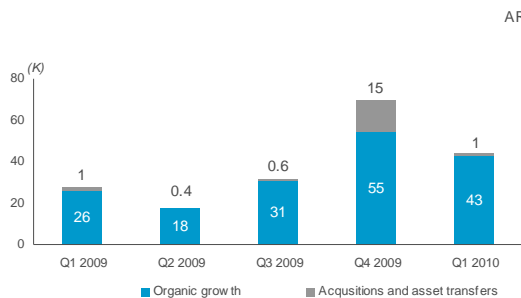
Broadband ports



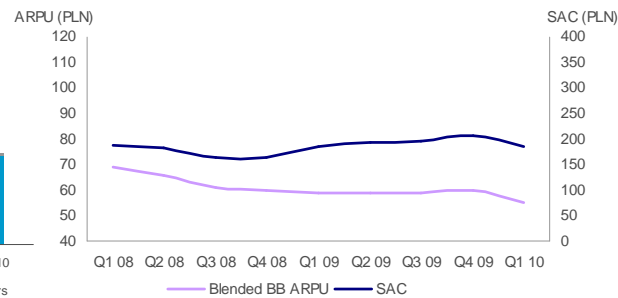
Market share broadband¹



Broadband net additions



Blended broadband ARPU/SAC

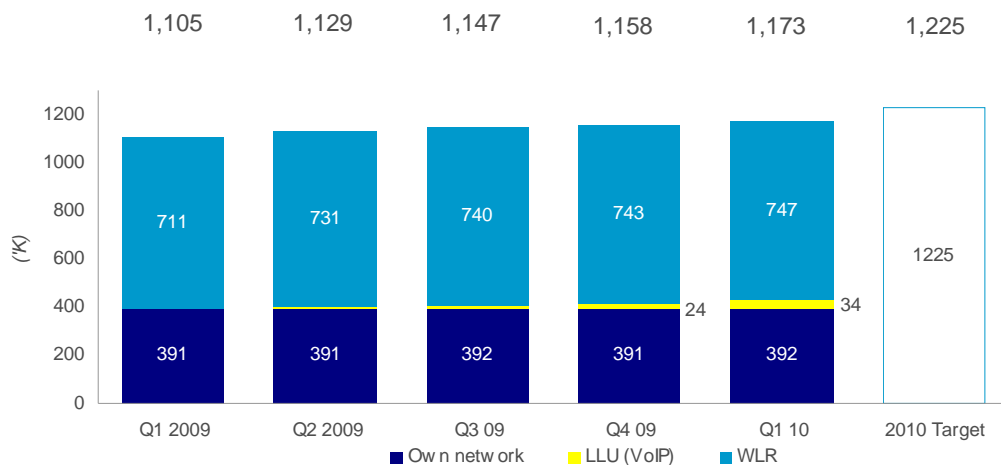


- 603k broadband customers as of Q1
- 37% of customers served directly via Netia's own network
- 35% share of fixed broadband net additions in Q1 2010¹
- 44k net additions in Q1 2010 includes second highest organic additions (43k) achieved by Netia
- Migration of 2play customers from BSA/WLR onto higher margin full LLU restarted in mid-April 2010
- Netia forecasts 700k broadband customers by 2010YE (revised upwards from 680k)

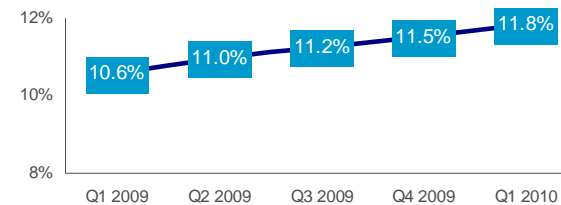
Source: Netia, public domain
¹ Based on Netia's internal estimates of the total fixed broadband market volume

Voice | Continued progress on voice sales

Voice lines

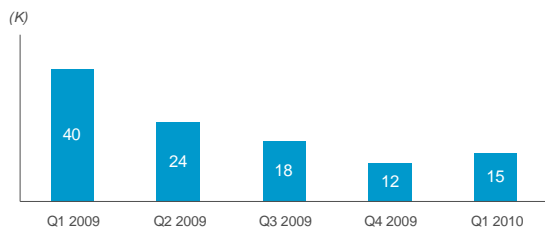


Market share voice¹

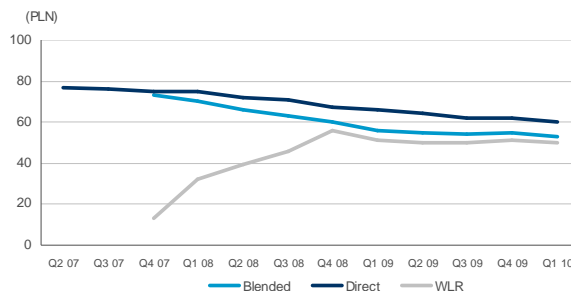


- 1,173k voice customers served as of Q1 2010
- 33% of customers served directly via Netia's own network
- Netia forecasts 1,225k voice customers by 2010 YE
- Business customer ARPU remains under pressure

Net additions



Voice ARPU



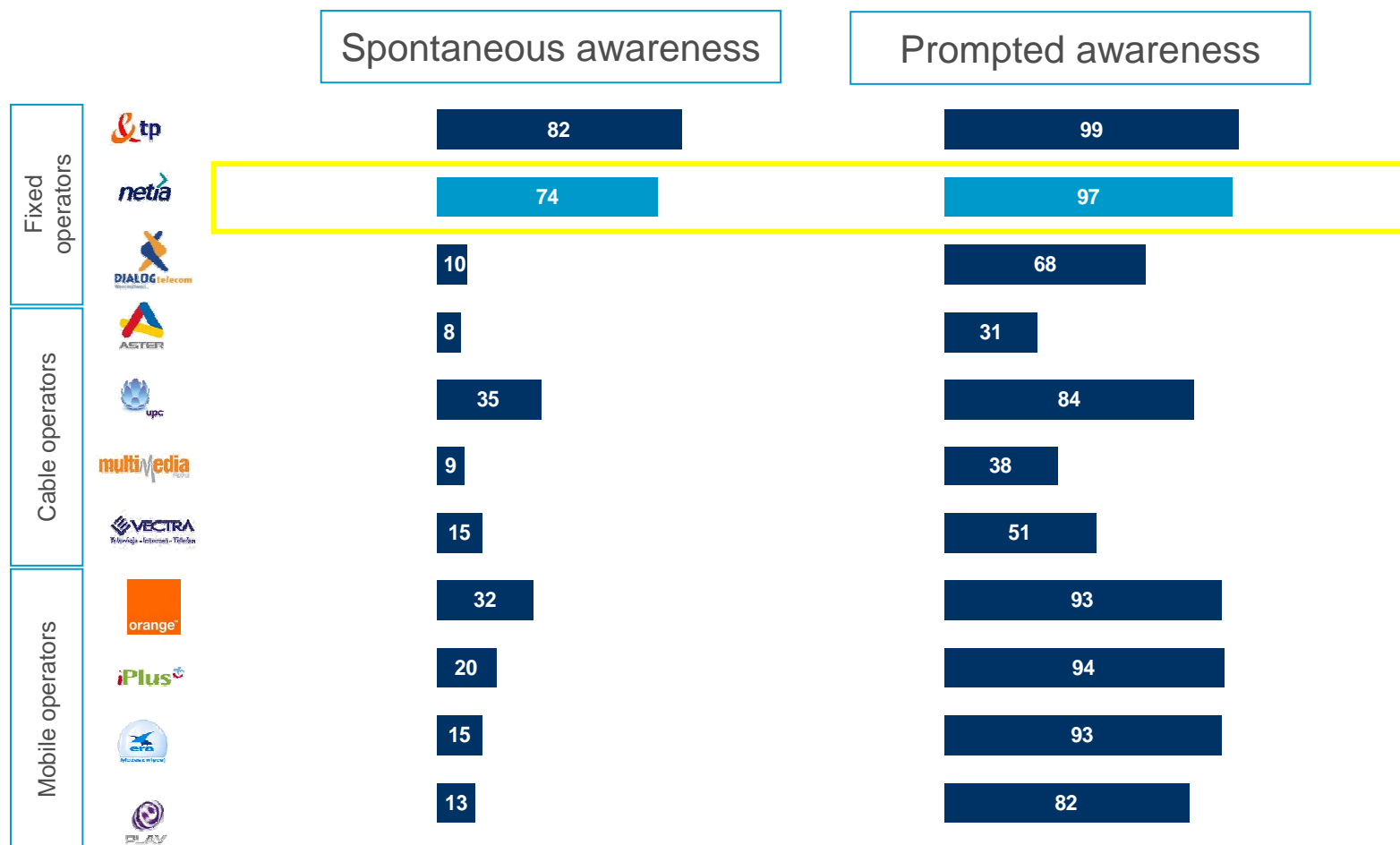
Source: Netia, TP, public domain

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

Brand awareness | Netia is widely recognized as an Internet provider

BRAND Awareness, March 2010

What brands of **Internet providers** do you know?



Note: Computer Aided Web Interviewing (CAWI) on GfK Internet panel (Sample size: N=300)

Financial performance | Key metrics for Q1 2010

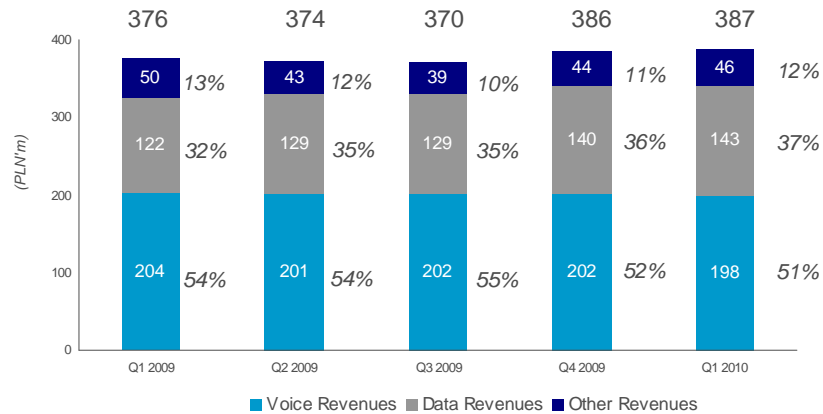
(PLN' 000)

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Revenues	375,665	373,679	370,281	386,246	386,979
Growth (% YoY)	58.2%	53.5%	36.6%	4.7%	3.0%
Gross profit	123,847	116,416	123,300	136,790	126,755
Margin	33.0%	31.2%	33.3%	35.4%	32.8%
Adjusted EBITDA¹	71,530	73,752	81,907	76,729	90,799
Margin	19.0%	19.7%	22.1%	19.9%	23.5%
Growth (% YoY)	111.6%	108.1%	86.9%	33.3%	26.9%
EBIT	(3,051)	(4,984)	7,061	15,210	19,554
Profit/(loss) before tax	(6,934)	(8,189)	4,189	12,027	17,425
Net profit/ (loss)	(6,401)	(8,250)	4,228	99,088	14,344
Total assets	2,264,686	2,216,531	2,218,287	2,340,676	2,298,503
Net (debt)/cash and treasury bills	190,571	162,886	211,641	239,345	206,339
Available credit lines	375,000	295,000	295,000	295,000	295,000

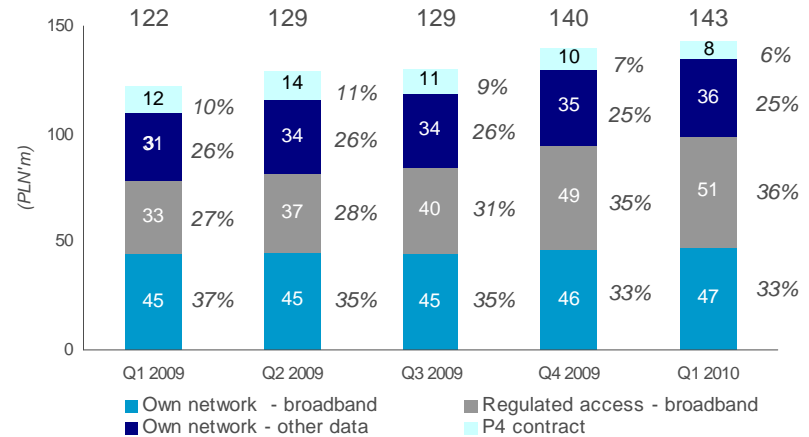
¹ Adjusted EBITDA excludes the one-off expenses related to the cost optimization program (the 'Profit' project), a positive accounting impact from settlement of disputes with TP and a gain on sale of the first and the second of three tranches of transmission equipment to P4

Revenue | Revenue development by service

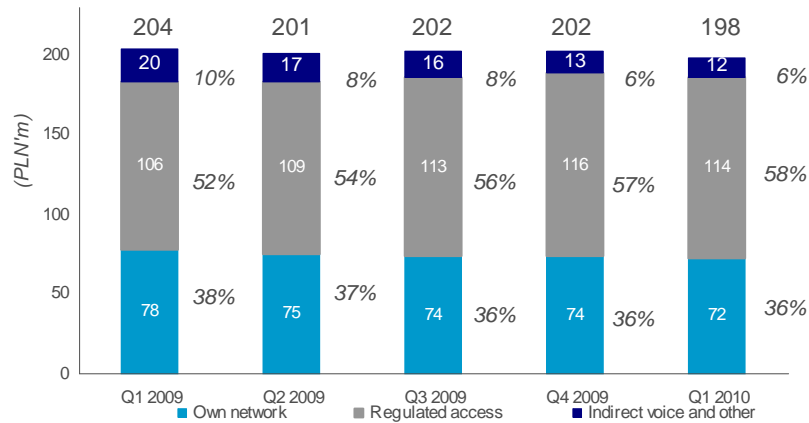
Revenue breakdown by service



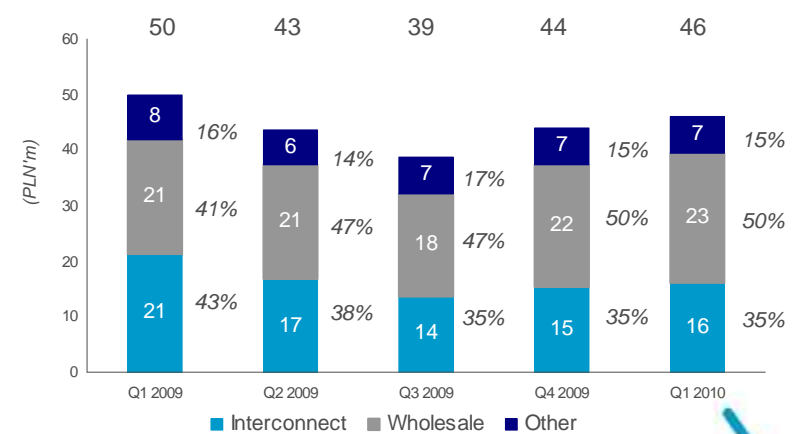
Data revenue breakdown by access



Voice revenue breakdown by access



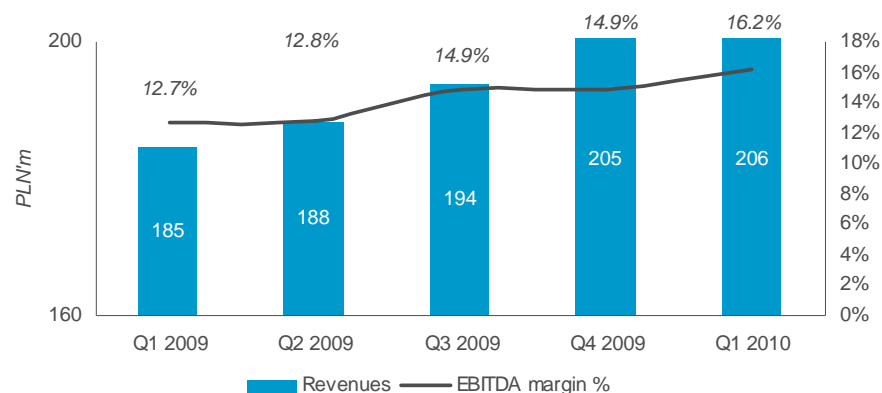
Other revenue



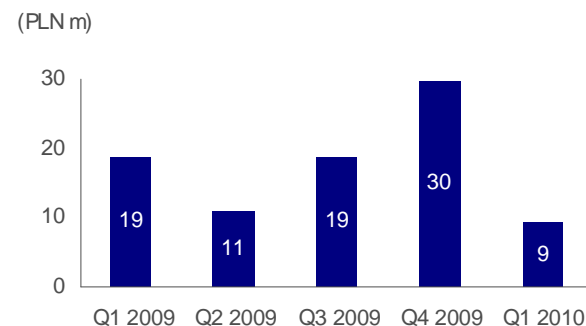
Source: Company

Operating segments | Residential

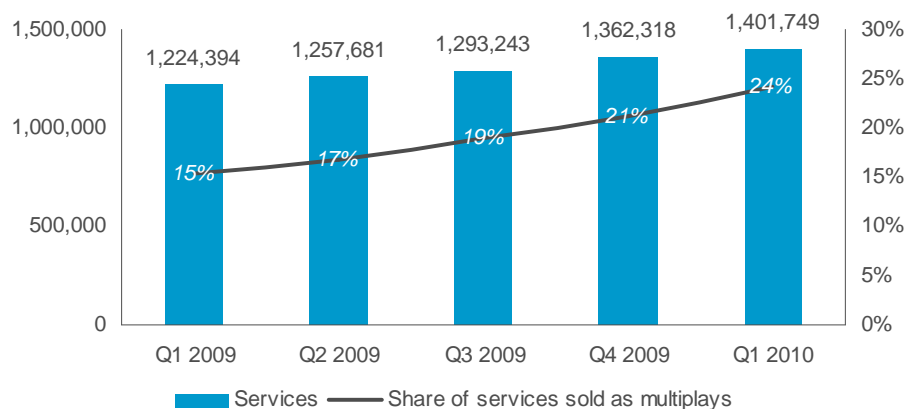
Revenue and EBITDA margin



Capex



Number of services¹



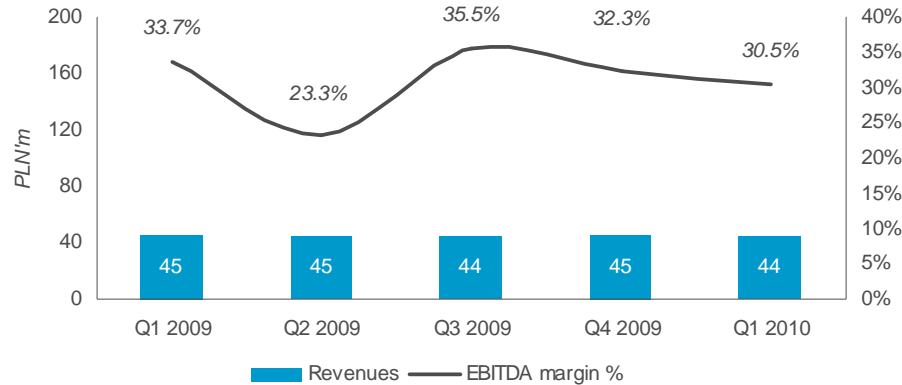
Comments

- Contribution of broadband revenues increasing sequentially
- Impact of LLU already noticeable in Q1 2010 in EBITDA margin
- 2play new additions support operating leverage improvements
- Capex to rise with the final wave of LLU roll-out later in 2010

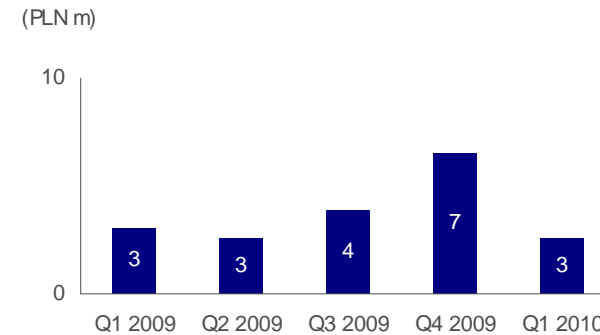
Source: Company
¹ Data and voice services, end of period

Operating segments | SOHO/SME

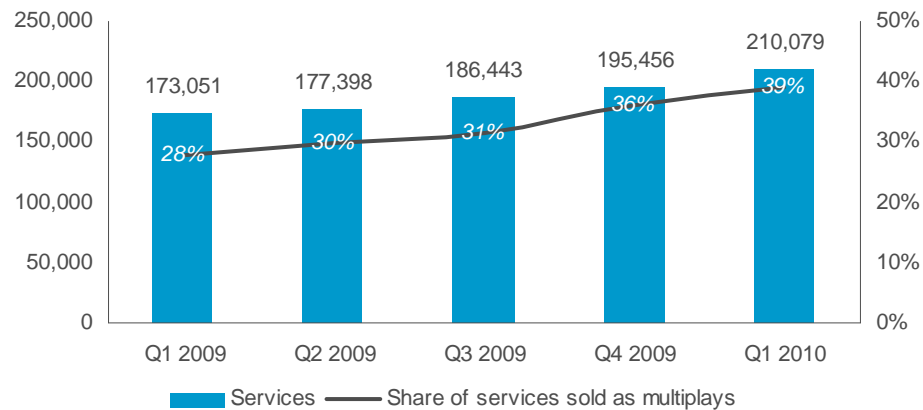
Revenue and EBITDA margin



Capex



Number of services¹



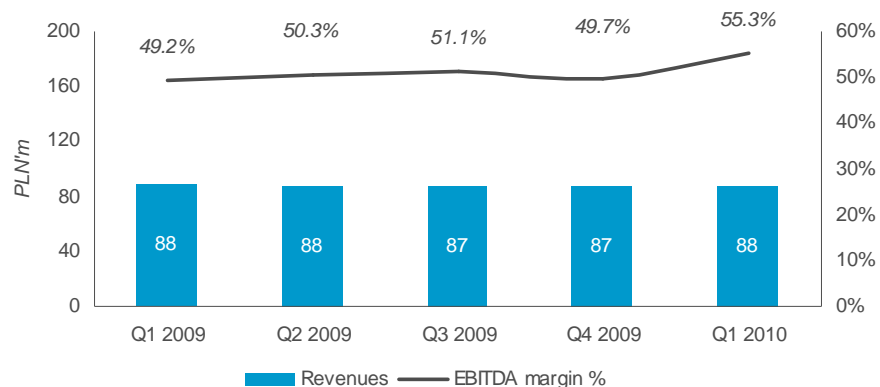
Comments

- Traditionally high and increasing number of services per SOHO/SME customers (bundled offers for firms)
- Pressure on ARPUs due to economic and competitive environment
- OneOffice contributing strongly as a winning concept
- Lower EBITDA margins reflect acquisition spending and ARPU pressure

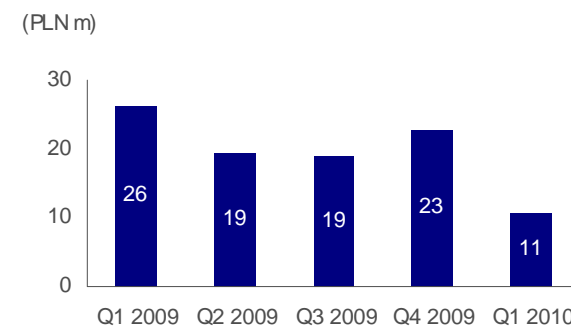
Source: Company
¹ Data and voice services, end of period

Operating segments | Corporate

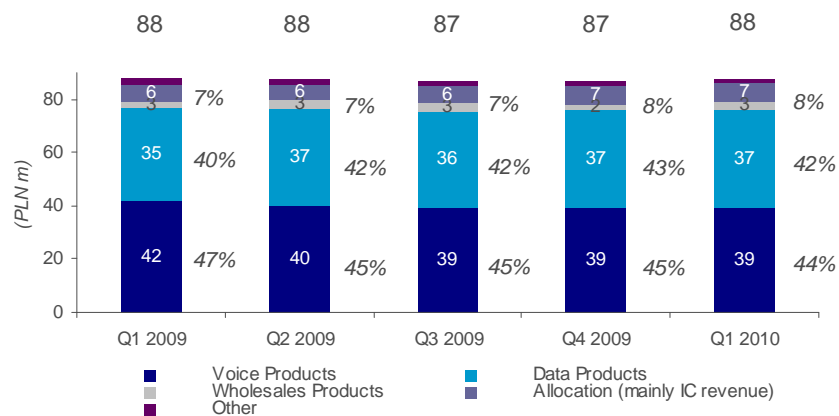
Revenue and EBITDA margin



Capex



Corporate revenue by type



Comments

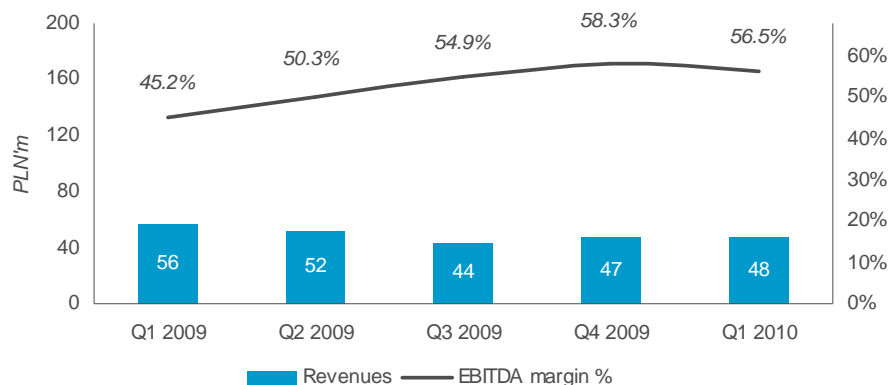
- Cash generative and stable business model
- Data revenue is increasingly important to the sales mix
- High operating margin as most services provided over Netia's own infrastructure

Source: Company

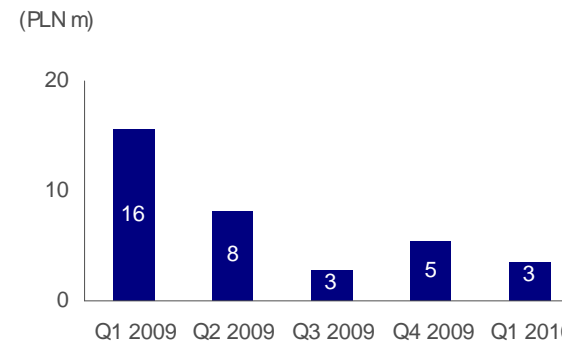
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Operating segments | Carriers

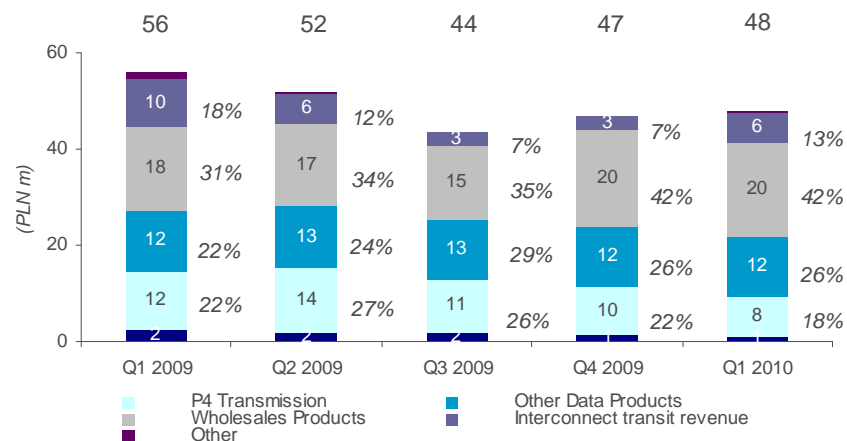
Revenue and EBITDA margin



Capex



Carriers revenue by type



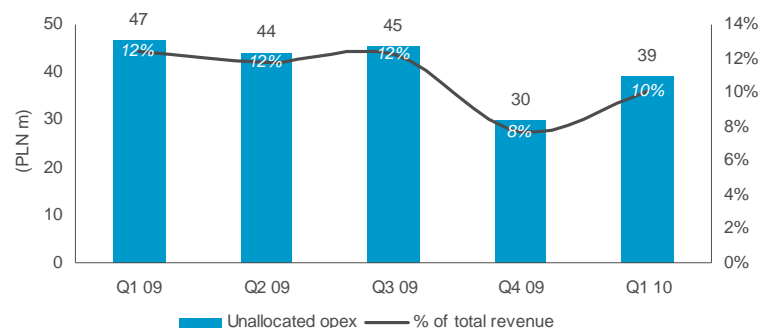
Comments

- Strong cash generative and stable business model
- Contribution mainly from data transmission and opportunistic carrier contracts
- Traditionally high operating margin based on leasing Netia's own capacity
- Gradual loss of P4 contract revenue and margin but also much lower capex

Source: Company

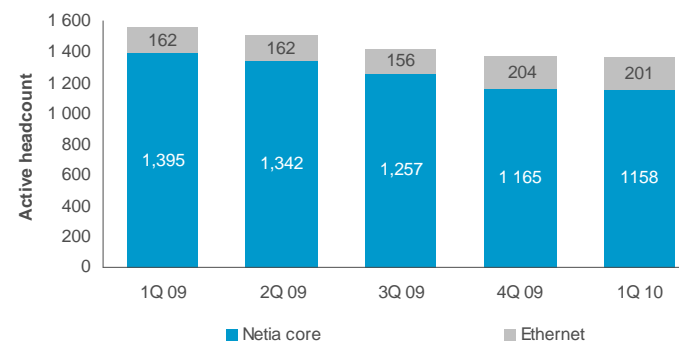
Operating expenses | Visible progress on costs

Other operating segment expenses

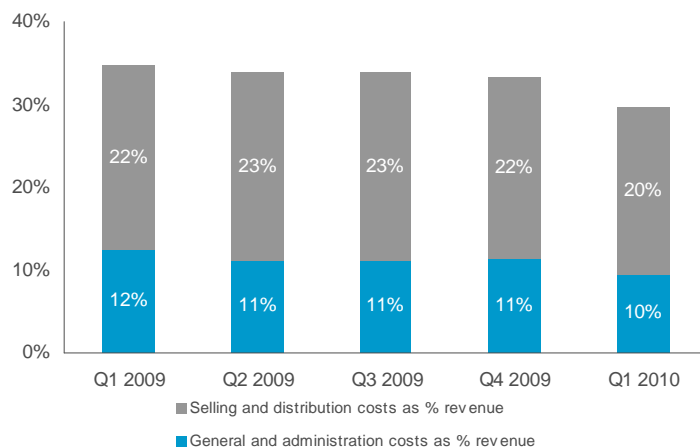


Headcount

Total headcount ¹	1,609	1,606	1,477	1,432	1,410
Active headcount ²	1,557	1,504	1,413	1,369	1,359



Total SG&A to revenue (%)



Comments

- SG&A expenses down by 12% y-o-y as a result of efficiency gains mainly delivered through Project Profit
- Unallocated operating expenses on a decreasing trend
 - Positive accounting impact on settlement with TP netted off PLN 15.3m of costs in Q4 2009
- Headcount reduced to 1,410 in Q1 2010, down by 12% over 12 months

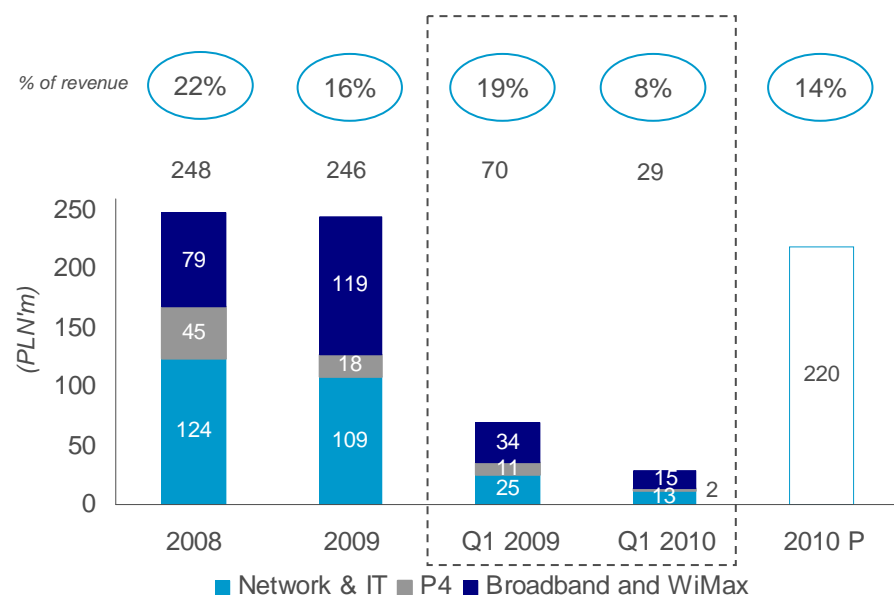
Source: Company

¹ Full-time equivalent of employees

² Full-time employment equivalent with regard to employees who are not during maternity leaves, non-paid leaves nor long-term sick leaves (above 33 days during calendar year), who are not at military service or who were relieved from the obligation to perform work

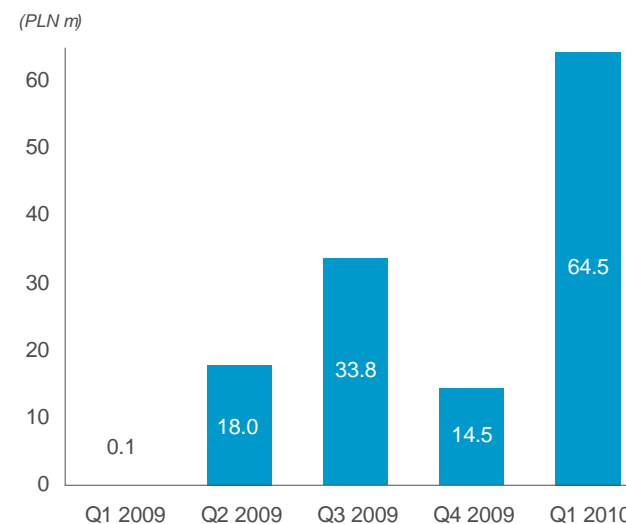
Financial performance | Capital investments and operating FCF

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 Q1 10 over a prior year quarter reflects strict control measures, differences in the timing of major projects completion and completed P4 transmission roll-out

Operating FCF^{1,2}



- Netia is rapidly improving free cash flows from its operations (OpFCF)
- Netia targets PLN 140m of OpFCF in FY2010

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

² Capex related payments were PLN 56.5m for Q1 2010 as payables related to investments made in Q4 2009 were paid down

EBITDA reconciliation to Net Profit | Comments

PLN'000	Q1 2009	Q1 2010	Change
Adjusted EBITDA	71,530	90,799 ^①	+27%
Gain on disposal of transmission equipment to P4	-	2,865	<i>nm</i>
Project Profit restructuring costs	(1,619)	(138)	-91%
EBITDA	69,911	93,526 ^①	+34%
Depreciation and amortization	(72,962)	(73,972)	+1%
EBIT	(3,051)	19,554 ^①	<i>nm</i>
Net financial costs	(3,883)	(2,129)	<i>nm</i>
<i>of which FX gains or losses, net</i>	(2,394)	(661) ^②	<i>nm</i>
Income tax credit / (expense)	533	(3,081)	<i>nm</i>
Profit/ (Loss)	(6,401)	14,344	<i>nm</i>
Shares outstanding	389,277,294	389,338,353	<i>na</i>
EPS (in PLN, basic & diluted)	(0.02)	0.04	<i>nm</i>

① Surge in profitability due to strong subscriber base growth as well as delivery of savings and synergies

② Hedging policy implemented in Netia due to high volatility of EUR and USD payments to foreign subcontractors of equipment

FY 2010 guidance | Broadband subscribers up, all other guidance maintained

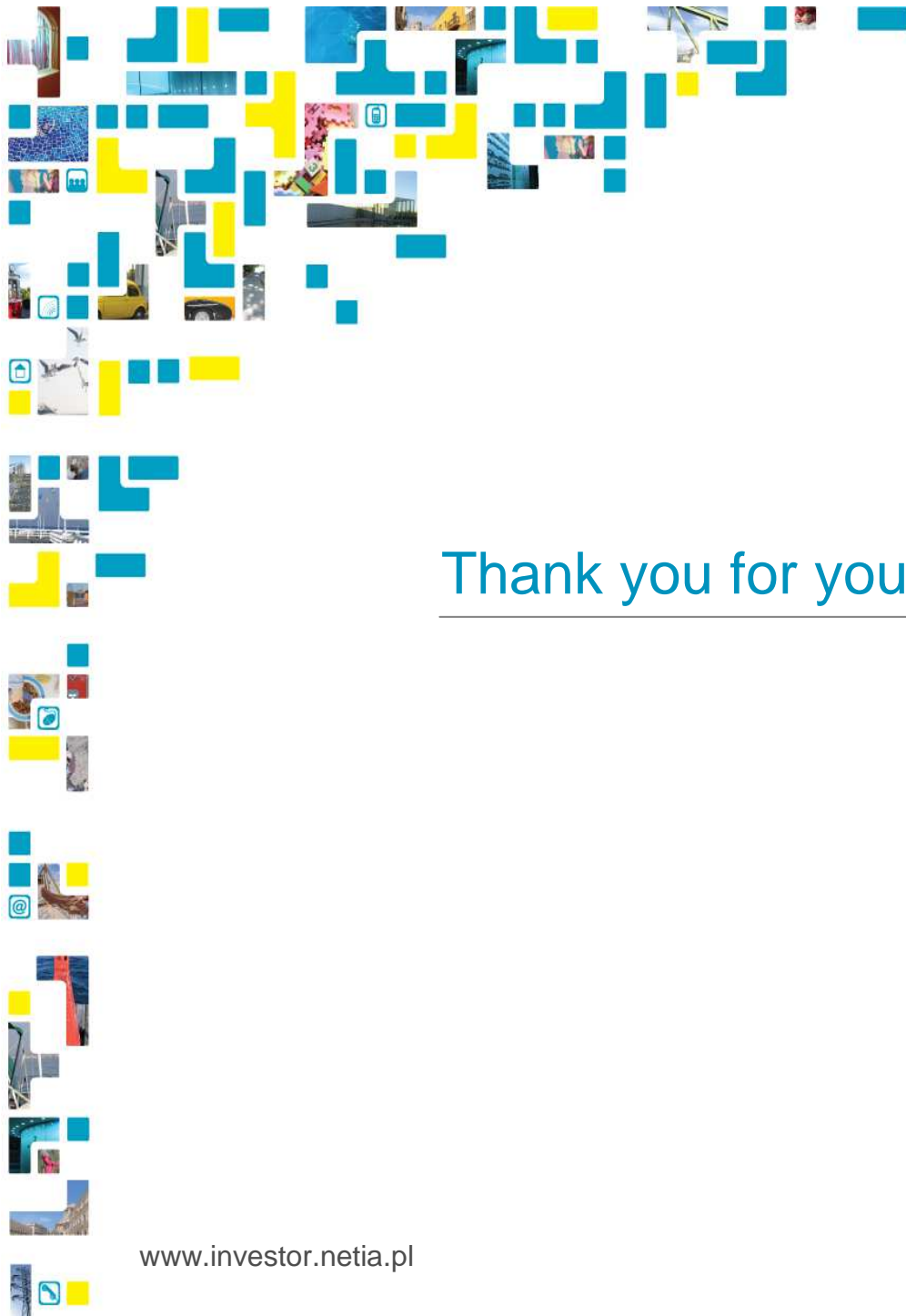
	Previous	Revised
Broadband subscribers ('000)	680	700
Voice service customers (own network + WLR) ('000)	1,225	1,225
Unbundled local loop (LLU) nodes	500+	500+
Total revenues (PLN'm)	1,550+	1,550+
Adjusted EBITDA (PLN'm)	355+	355+
Adjusted EBITDA margin (%)	23%	23%
EBITDA (PLN'm)	360+	360+
EBIT (PLN'm)	60+	60+
Capital investment (excl. M&A) (PLN'm)	220	220

- Netia increases its guidance for the number of broadband clients by 20K by the end of year
- EBITDA guidance maintained as Netia expects higher cost of subscriber acquisitions (SAC) due to accelerated sales of voice services and costs of migration onto full LLU
- Netia guides for FY2010 to be net profitable throughout the whole year with FCF generation to reach PLN 140m
- Ethernet acquisitions come on top of this guidance



Summary

- **Another excellent quarter in sales performance especially in Residential and SOHO/SME segments**
- **Operating efficiency gains delivered as planned through Project Profit and Tele2 synergies**
 - 'Profit' project aimed at reducing OPEX by net PLN 100m in FY2010 and beyond
 - Synergies from the Tele2 Polska integration expected 54% ahead of original target at PLN 46m+
- **Broadband strategy driving profitability improvements and FCF generation**
- **Focus on further progress on 2play sales and LLU migration**
- **Netia well positioned for any major acquisitions**
- **Netia welcomes the market pricing shift towards faster speed services**
- **Outlook for 2010:**
 - Broadband subscribers to reach 700k plus Ethernet acquisitions
 - Adjusted EBITDA to reach over PLN 355m and EBITDA to reach over PLN 360m
 - Netia expects to be operating net profitable and generate over PLN 140m of free cash flow before acquisitions
 - Strong focus on customer care and quality of delivered services under new 'Customer First' ('Klientomania') project



Thank you for your attention

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