



H1 and Q2 2010 Financial Results

Conference call for investors

August 5, 2010

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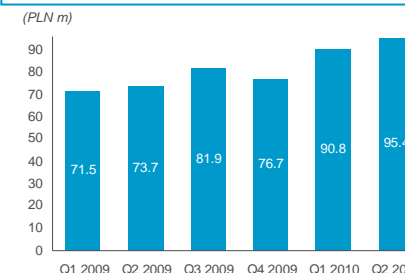
Executive summary | Key achievements in H1 and Q2 2010

- Revenue was PLN 780.7m for H1 2010 (+4% y-o-y) and PLN 393.7m for Q2 2010 (+5% y-o-y, +2% q-o-q)
- Netia's subscriber market share continues to grow
 - 624k broadband services (+36% y-o-y, +3% q-o-q) and 1,182k voice services (+5% y-o-y, +1% q-o-q)
 - Market shares at 10.7% for fixed broadband and 12.1% for voice
 - Fixed broadband net additions share¹ estimated at 30% for H1 2010 and 22% for Q2 2010
- Netia delivers strong EBITDA growth in H1 2010
 - Adjusted EBITDA² was PLN 186.2m for H1 2010 (+28% y-o-y) and PLN 95.4m for Q2 2010 (+29% y-o-y, +5% q-o-q)
 - EBITDA was PLN 188.8m for H1 2010 (+35% y-o-y) and PLN 95.3m for Q2 2010 (+37% y-o-y, +2% q-o-q)
 - Sequential increase in Adjusted EBITDA mainly reflects improving gross margin and profitability gains from the major efficiency initiatives conducted in 2009
- EBIT profit was PLN 40.0m (Adjusted EBIT² was positive PLN 37.5m) in H1 2010 and PLN 20.5m (Adjusted EBIT profit PLN 20.6m) in Q2 2010
- Net profit was PLN 29.9m in H1 2010 and PLN 15.6m in Q2 2010 (as compared to PLN 14.6m loss in H1 2009 and net profit of PLN 14.3m in Q1 2010)
- Netia was operating FCF³ positive in H1 and Q2 2010 (positive PLN 107.7m and PLN 43.2m, respectively, excl. Ethernet acquisitions)
- Netia made strong progress on its LLU network
 - 350 nodes unbundled, 73.1k clients as at June 30, 2010
- Customer care project 'Klientomania' proceeds smoothly
- Netia is advanced in raising financing for a major acquisition
- 2010 FY guidance maintained

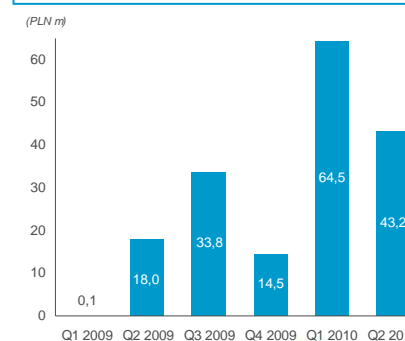
Broadband subscribers



Adjusted EBITDA



OpFCF³



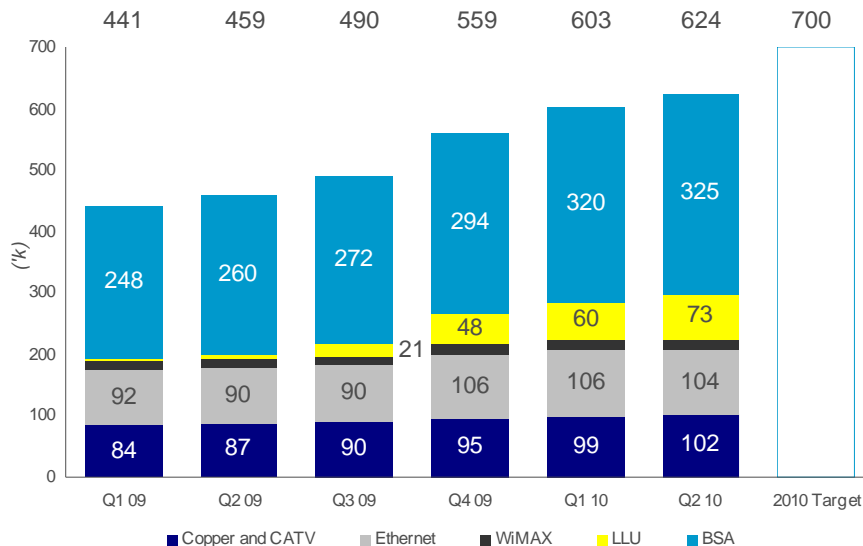
¹ Including Ethernet networks acquisitions

² Adjusted EBITDA and Adjusted EBIT exclude one-off restructuring costs related to the „Profit” project 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

Broadband | Q2 2010 growth 15% faster than a year ago

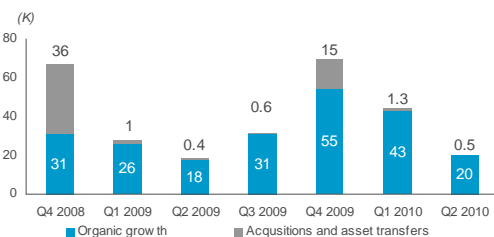
Broadband ports



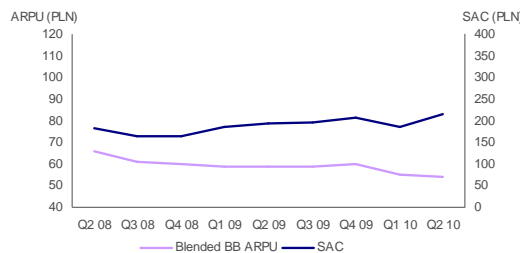
Market share broadband¹



Broadband net additions



Blended broadband ARPU/SAC



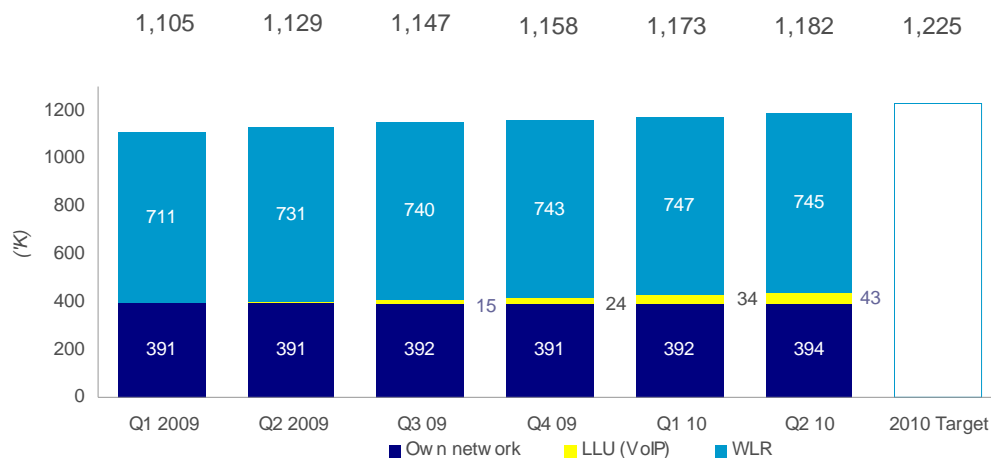
- Sequential decline in net additions in Q2 2010 reflects seasonality, unusual events in Poland and less aggressive offers but 15% above previous year
- 36% of customers served directly via Netia's own network
- 30% share of fixed broadband net additions in H1 2010¹
- Bundled voice and data services on 26% of residential lines and 41% of SOHO/SME lines
- Nearly 81k LLU customers today
- Migration of 2play customers from BSA/WLR onto higher margin full LLU restarted in mid-April 2010
- Netia forecasts 700k broadband customers by 2010YE

Source: Netia, public domain

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

Voice | Steady progress continues

Voice lines

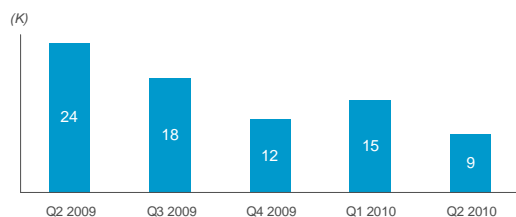


Market share voice¹

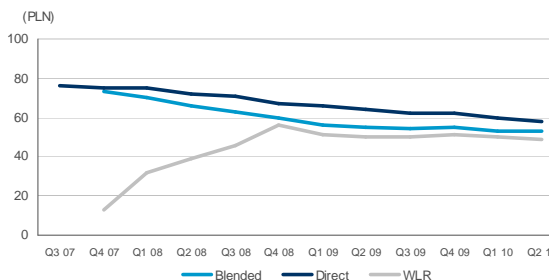


- 1,182k voice customers served as of H1 2010
- 33% of customers served directly via Netia's own network
- Netia forecasts 1,225k voice customers by 2010 YE
- Business customer ARPU remains under pressure

Net additions



Voice ARPU

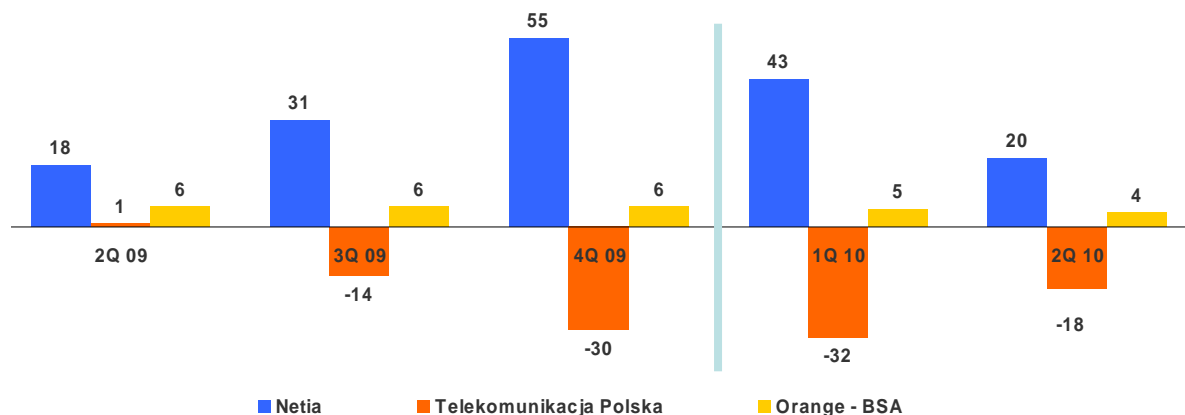


Source: Netia, TP, public domain

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

Competitive environment | In price competitive market other advantages become crucial

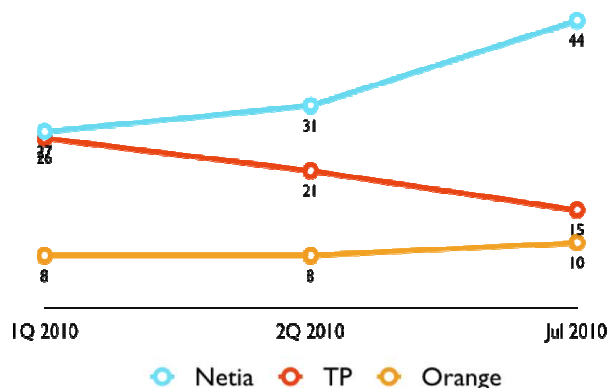
Broadband – Net Adds (quarterly, thousands)



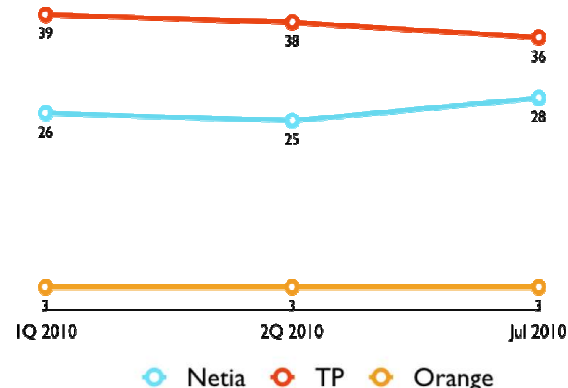
Comments

- Netia continues to outperform in terms of broadband net adds
- In Q1 2010 Netia reduced discounts, although a certain price gap versus Orange BSA (negative 7-8%) and TPSA (positive 10%) remains
- Other competitive advantages will become crucial incl. advertising and sales effectiveness as well as quality and customer experience

Advertising Awareness (ToM)



Brand Awareness (ToM)



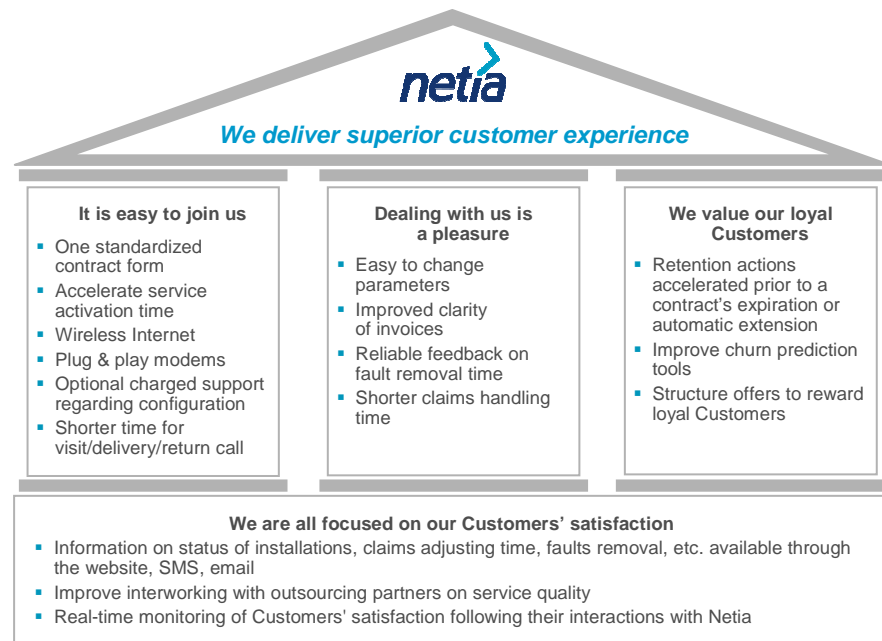
Comments

- Netia allocates approximately 4% of its revenues annually to advertising and promotions which given net adds performance in recent quarters demonstrates outstanding efficiency

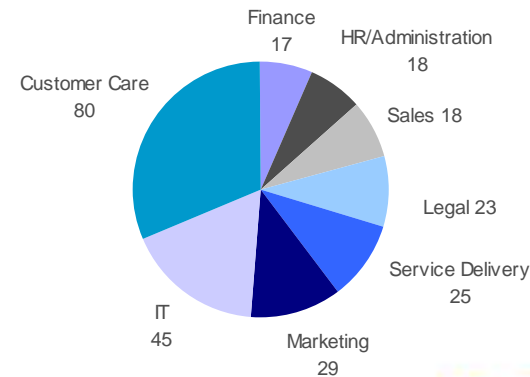
Source: Advertising & Brand tracking, GfK Polonia, 07.2010; ZenithOptimedia, TPSA quarterly results, Netia

klientomania

- In March 2010 Netia launched a new project 'Klientomania' with the goals:
 - To increase customer satisfaction at every stage of the customer life cycle
 - To establish Netia as the clear market leader in this respect
- Netia builds yet another competitive advantage with this project
 - Customer care will play an increasingly important role with the anticipated market saturation of broadband services
 - Netia prepares for the expected shift in market momentum towards customer care with the 'Klientomania' launch
 - The project is self-financing
- The project moved into the implementation phase
 - The research phase is completed with 12 main initiative areas and 80 tasks necessary to achieve these initiatives being defined
 - Some of the most important customer satisfaction initiatives should be completed in H2 2010





Scope of involvement in the project in 80 tasks



New services | Mobile Internet to Start

- Netia launched a new offer “Mobile Internet to Start” on August 2, 2010
- New customers awaiting activation of fixed Internet, voice or both of these services can optionally use Netia’s mobile Internet access
- The service can be tested free of charge for 30 days
- Following a trial period, Mobile Internet can be contracted for 24 months in two price options of 2GB and 4GB
- New offer is addressed to customers from the Residential, SOHO/SME and Corporate market segments
- The product is provided in cooperation with mobile operator P4
- This offer extends Netia’s mobile Internet offering

Residential clients			
Product	☎	@	@ ☎
 2 GB		PLN 29 gross	
 4 GB	PLN 39 gross		

SOHO/SME and Corporate clients ¹			
Product	☎	@	@ ☎
 2 GB		PLN 24 net	
 4 GB	PLN 32 net		

¹ The SOHO/SME clients of Netia’s OneOffice solution can purchase a 4GB package at a promotional price of PLN 29 net per month. Cost of a mobile modem to be borne by a customer equals PLN 1.

Financial performance | Key metrics for H1 2010

(PLN' 000)

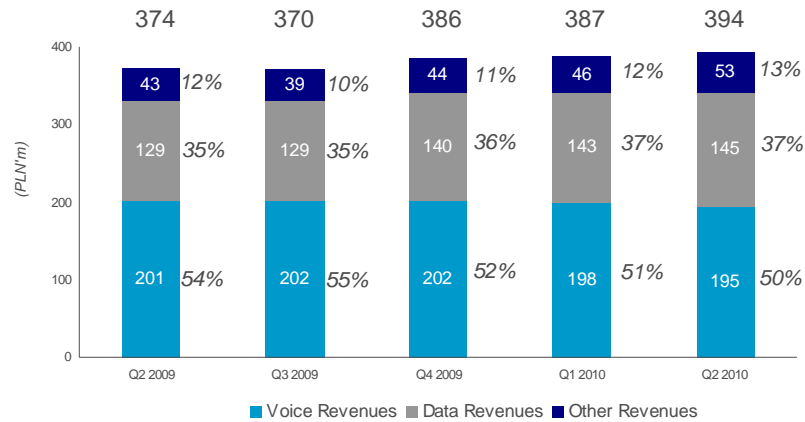
	2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	375,665	373,679	370,281	386,246	386,979	393,698
Growth (% YoY)	58.2%	53.5%	36.6%	4.7%	3.0%	5.4%
Gross profit	123,847	116,416	123,300	136,790	126,755	131,491
Margin	33.0%	31.2%	33.3%	35.4%	32.8%	33.4%
Adjusted EBITDA¹	71,530	73,752	81,907	76,729	90,799	95,433
Margin	19.0%	19.7%	22.1%	19.9%	23.5%	24.2%
Growth (% YoY)	111.6%	108.1%	86.9%	33.3%	26.9%	29.4%
EBIT	(3,051)	(4,984)	7,061	15,210	19,554	20,485
Profit/(loss) before tax	(6,934)	(8,189)	4,189	12,027	17,425	22,813
Net profit/ (loss)	(6,401)	(8,250)	4,228	99,088	14,344	15,564
Total assets	2,264,686	2,216,531	2,218,287	2,340,676	2,298,837	2,361,929
Net cash and treasury bills	190,571	162,886	211,641	239,345	206,339	272,472
Available credit lines²	375,000	295,000	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

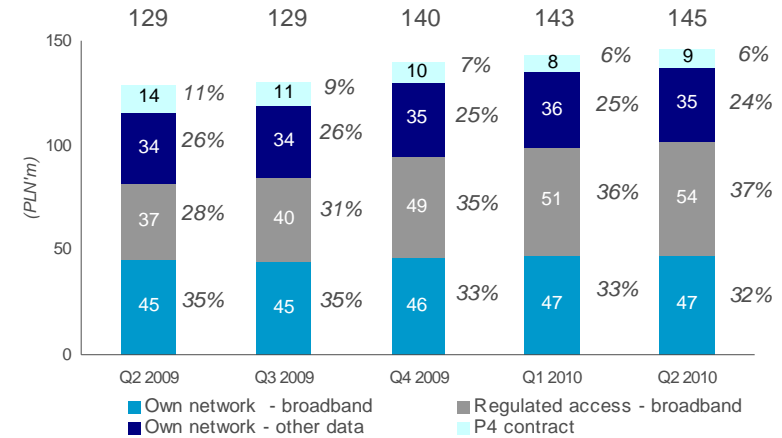
² Netia cancelled the PLN 295.0m credit facility on July 29, 2010 as it has signed a mandate to arrange new financing to fund potential major acquisitions

Revenue | Revenue development by service

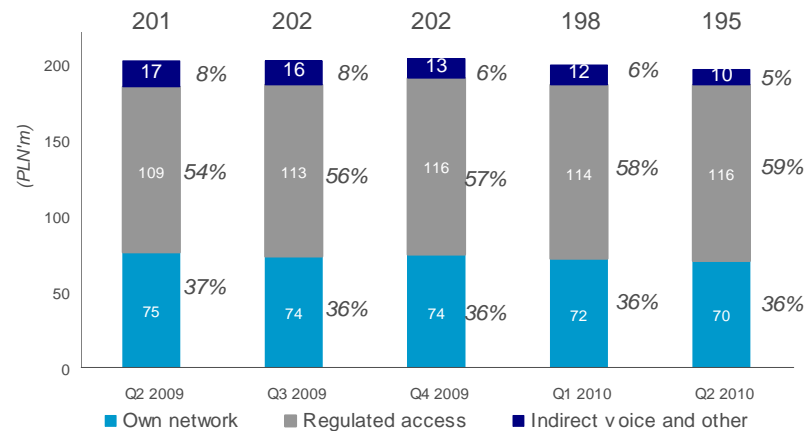
Revenue breakdown by service



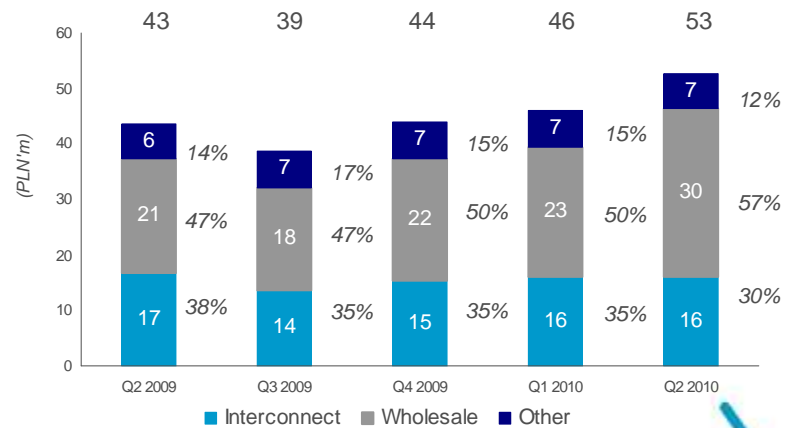
Data revenue breakdown by access



Voice revenue breakdown by access



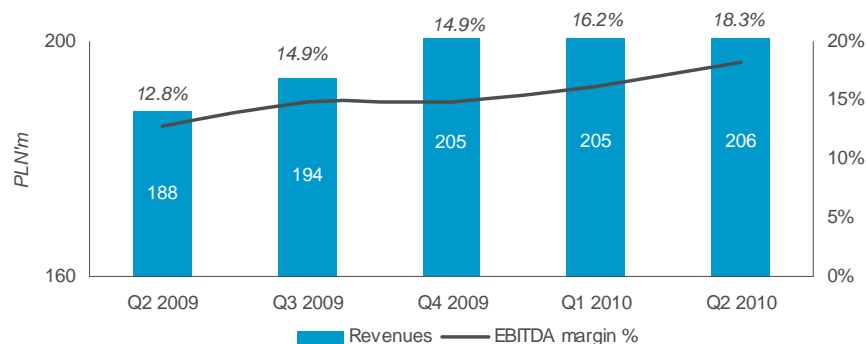
Other revenue



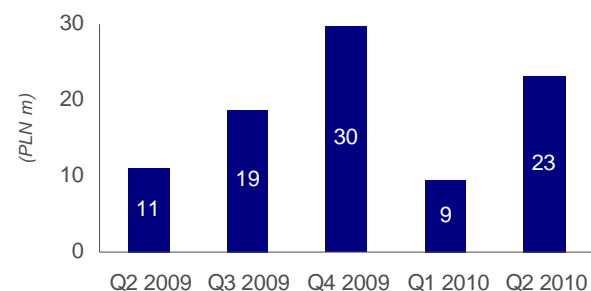
Source: Company

Operating segments | Residential

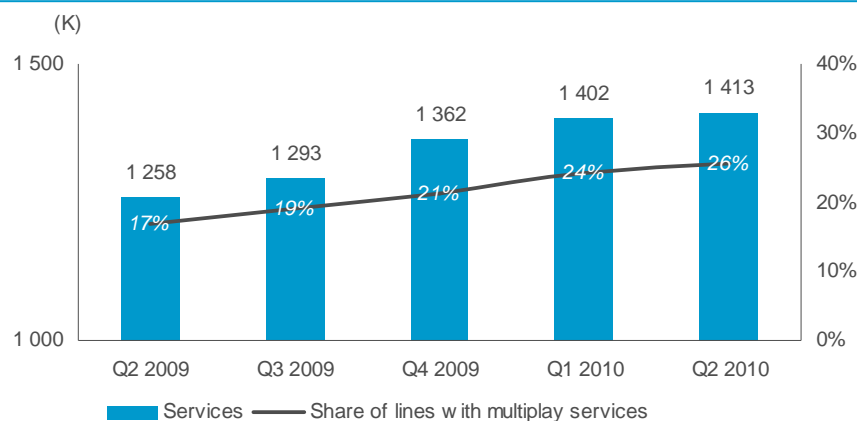
Revenue and EBITDA margin



Capex



Number of services¹



Comments

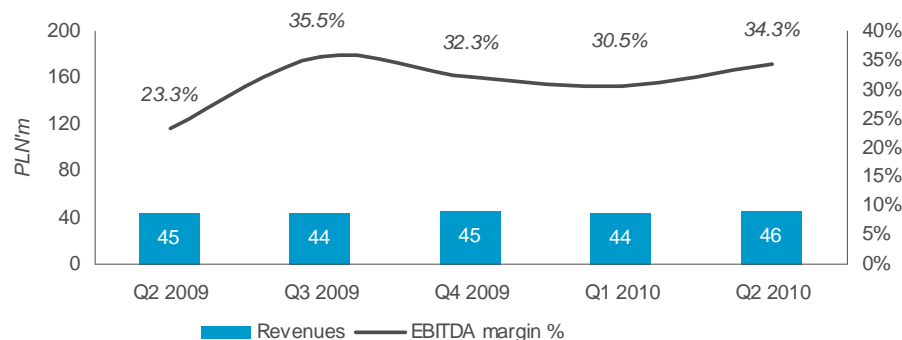
- Contribution of broadband revenues increasing sequentially
- Impact of LLU already noticeable in H1 2010 in EBITDA margins
- 2play new additions support operating leverage improvements
- Capex rising with the final wave of LLU roll-out

Source: Company

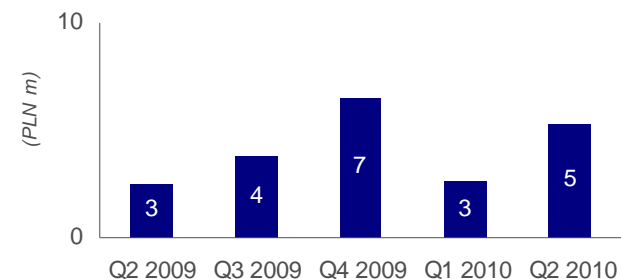
¹ Data and voice services excluding CPS (carrier pre selection) lines, end of period

Operating segments | SOHO/SME

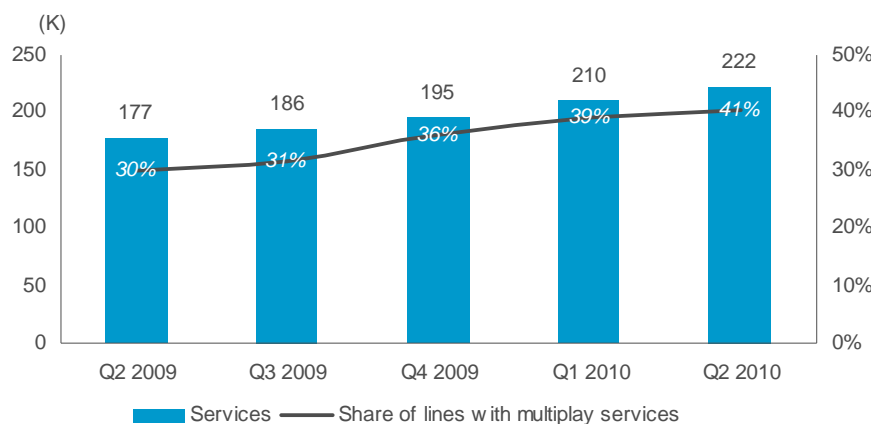
Revenue and EBITDA margin



Capex



Number of services¹



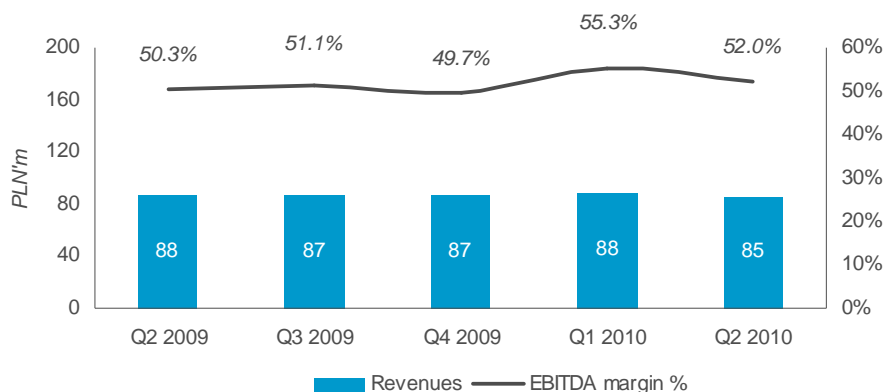
Comments

- Revenue growth returned in Q2 2010 behind a strong customer acquisition trend
- Traditionally high and increasing number of services per SOHO/SME customers (bundled offers for firms)
- Pressure on ARPUs due to economic and competitive environment is continuing
- Margins up on prior year quarter due to the elimination of an ATL campaign

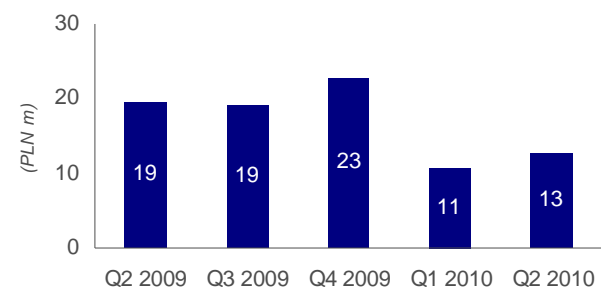
Source: Company
¹ Data and voice services excluding CPS (carrier pre selection) lines, end of period

Operating segments | Corporate

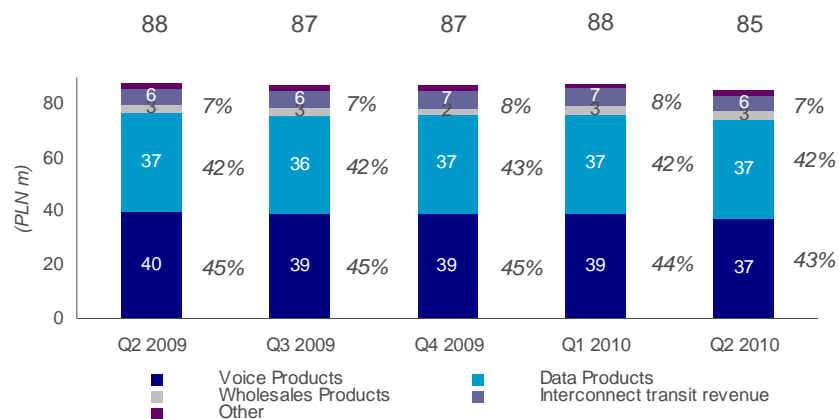
Revenue and EBITDA margin



Capex



Corporate revenue by type



Comments

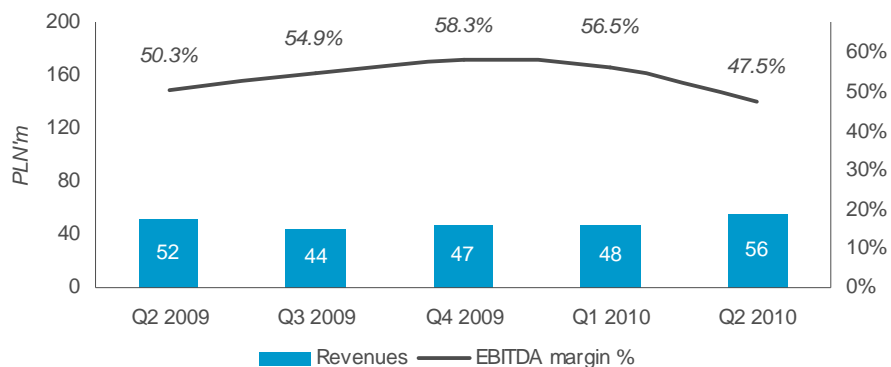
- Cash generative and stable business model
- Winning exposure to data services is increasingly important to drive revenues
- High operating margin as most services provided over Netia's own infrastructure

Source: Company

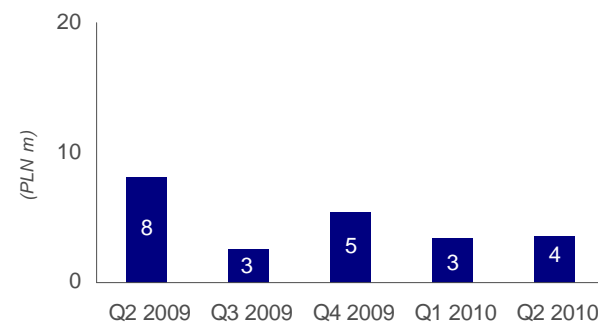
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Operating segments | Carriers

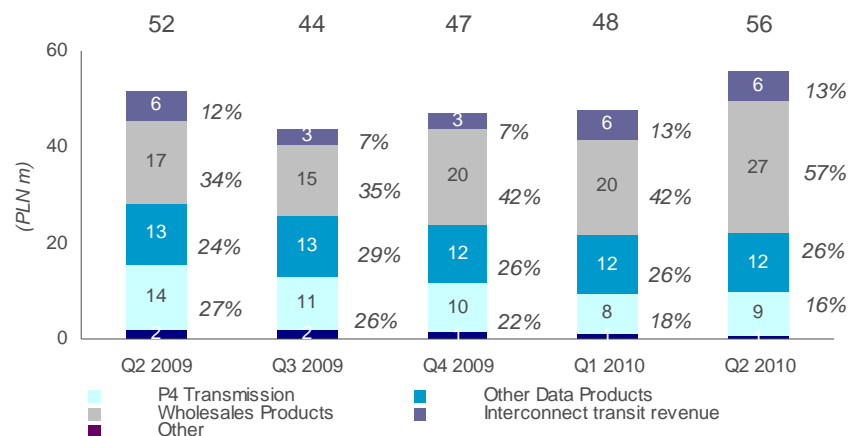
Revenue and EBITDA margin



Capex



Carriers revenue by type



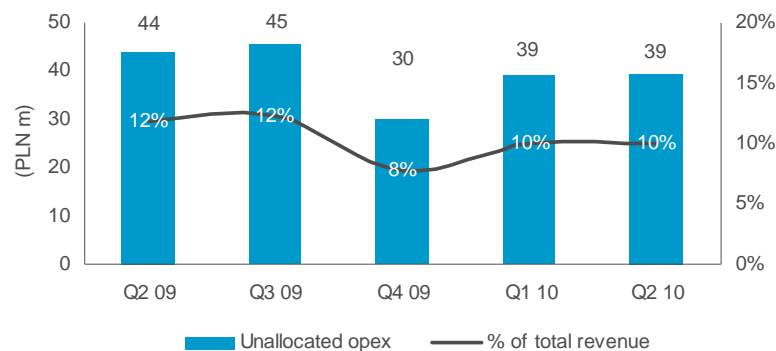
Comments

- 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
- Sequential decrease in margin due to higher volumes of opportunistic wholesale transit business

Source: Company

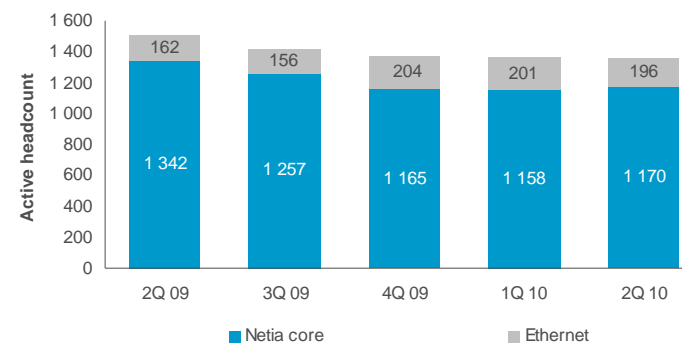
Operating expenses | Cost reductions locked-in

Other operating segment expenses

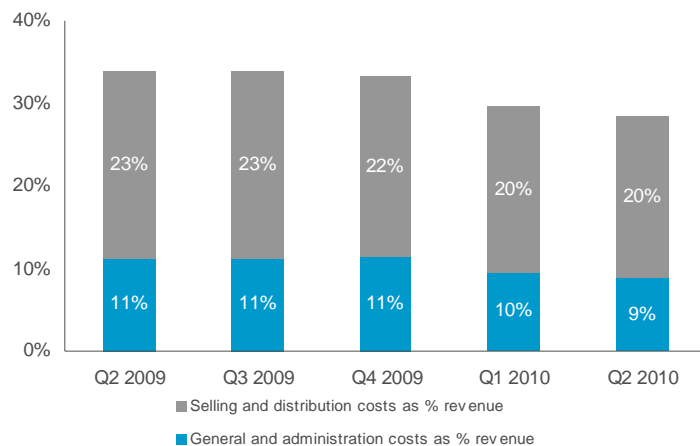


Headcount

Total headcount ¹	1,606	1,477	1,432	1,410	1,416
Active headcount ²	1,504	1,413	1,369	1,359	1,366



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
- SG&A expenses to revenue down by 5 pp on Q2 2009
- Active headcount reduced to 1,366 in Q2 2010, down by 9% over 12 months and up by only 7 heads since Project Profit reductions completed

Source: Company

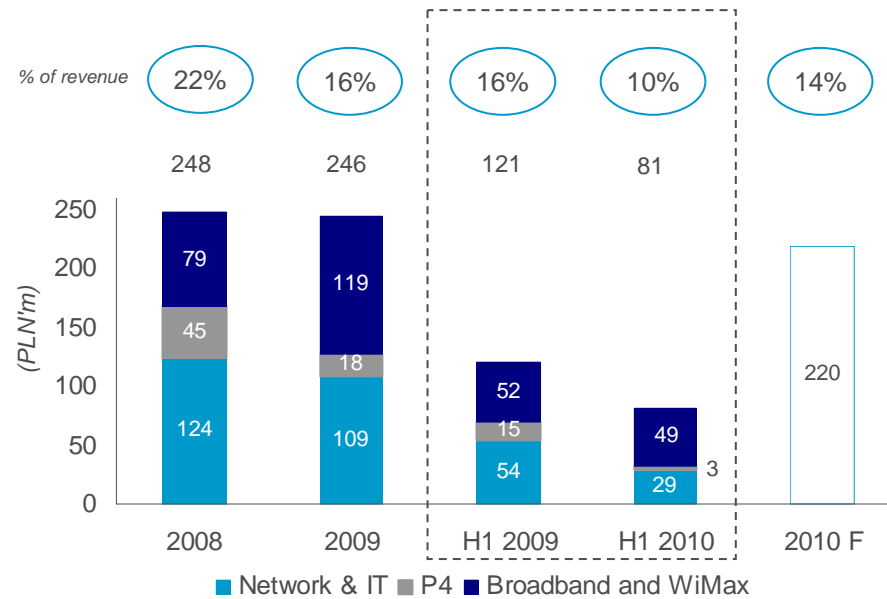
¹ Full-time equivalent of employees

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

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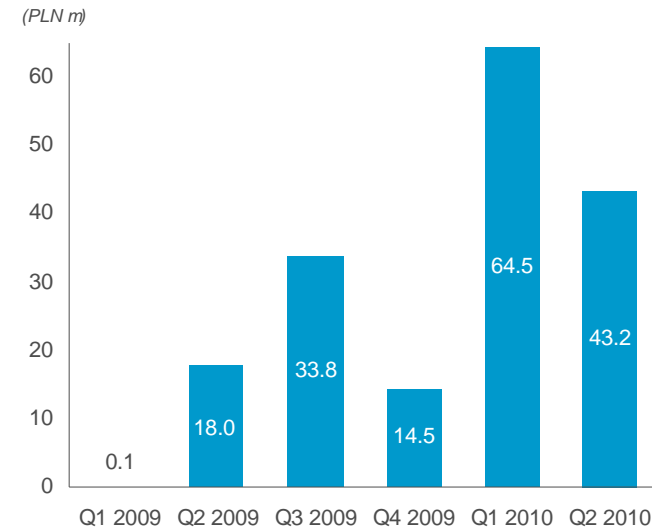
Financial performance | Capital investments and operating FCF

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 H1 10 versus the prior year period reflects strict control measures, utilization of previously developed IT support and completed P4 transmission roll-out

Operating FCF¹



- Netia is rapidly improving free cash flows from its operations (OpFCF)
- Netia targets PLN 140m of OpFCF in FY2010
- Sequential decline in OpFCF reflects seasonality in capital investment spending

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

EBITDA reconciliation to Net Profit | Comments

PLN'000	H1 2009	H1 2010	Change
Adjusted EBITDA	145,282	186,232	+28%
Gain on disposal of transmission equipment to P4	-	2,865	<i>nm</i>
Project Profit restructuring costs	(5,967)	(300)	-95%
EBITDA	139,315	188,797	+35%
Depreciation and amortization	(147,350)	(148,758)	+1%
EBIT	(8,035)	40,039	<i>nm</i>
Net financial income / (costs)	(7,088)	199	<i>nm</i>
<i>of which FX gains or losses, net</i>	<i>(7,077)</i>	<i>(87)</i>	<i>nm</i>
Income tax credit / (expense)	472	(10,330)	<i>nm</i>
Profit/ (Loss)	(14,651)	29,908	<i>nm</i>
Shares outstanding	389,277,294	389,338,353	<i>na</i>
EPS (in PLN, basic & diluted)	(0.05)	0.08	<i>nm</i>

- Surge in profitability due to strong subscriber base growth as well as delivery of savings and synergies
- Better performance on financial expenses contributing to net profits
- Tax charge reflects deferred taxes as prior losses cover all current taxable profits

Financing | Netia is advanced in raising funds for potential major acquisitions

- On July 29, 2010 Netia entered into a mandate letter with BRE Bank, Rabobank Polska and Raiffeisen Bank Polska for arrangement of new financing for a potential market consolidating acquisition in the telecommunications sector in Poland
- The amount of new financing to be arranged is considered by the Management sufficient to fund a major in-market acquisition by the Company
- Netia also signed agreements with the investment banking consortium of Raiffeisen Investment and Lazard and, separately, with Rabobank Corporate Advisory, for financial advisory in relation to potential disposal processes of selected telecom assets in Poland
- In parallel, the existing loan facilities totalling PLN 295m were cancelled, effective August 5, 2010
- Netia's cash resources at June 30, 2010 totalled PLN 272m (PLN 145m in cash and PLN 127m in treasury bills at market value)
 - Netia intends to retain a suitable cash balance to support major acquisitions whilst such opportunities remain feasible
 - Netia is considering recommending a dividend to be paid in 2011 from any surplus cash balances generated

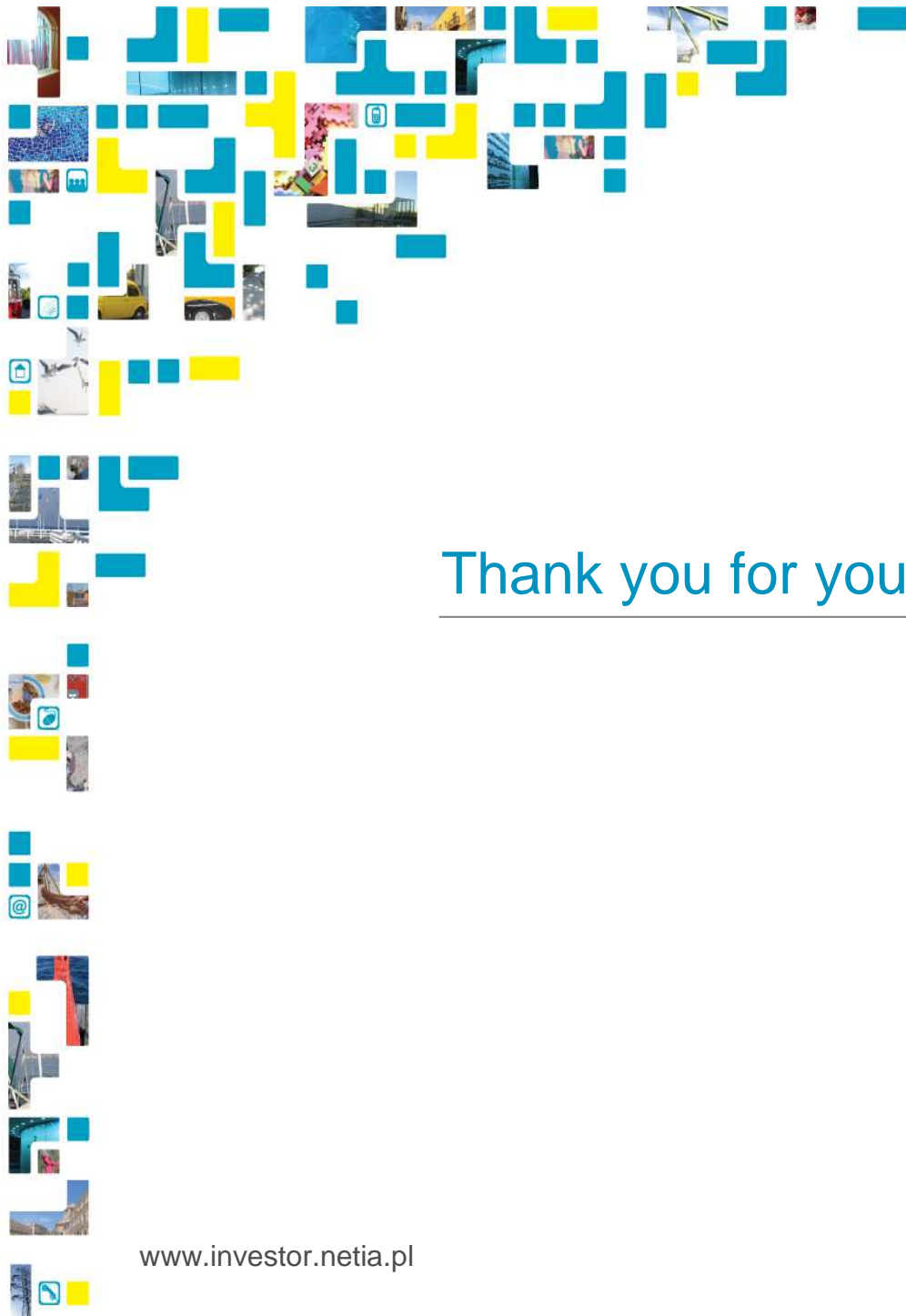


Summary

- **Broadband strategy driving profitability improvements and FCF generation**
- **Focus on further progress on 2play sales and LLU migration**
- **Operating efficiency gains delivered as planned through Project Profit and Tele2 synergies are being sustained**
- **Netia well positioned for any major acquisitions**
- **Guidance for FY 2010 and medium-term outlook confirmed**

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



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