



Netia's strategy to reach 1 million broadband customers

April 18, 2007

netia

PLAY 

G GERMANOS

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Strategic review conference call

Netia's management team:

Mirosław Godlewski, *President and Chief Executive Officer*

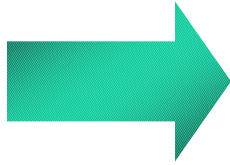
Piotr Czapski, *Strategy and Business Development Director*

Jon Eastick, *Chief Financial Officer*

Bertrand Le Guern, *Chief Operations Officer*

Tom Ruhan, *Chief Legal Officer*

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Market Overview

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Summary

Poland is a fast growing and attractive economy

Key factors:

Politics:

- Fast access liberalization
- EU accession

Economics:

- Low inflation
- Fast growth of the economy
- Low interest rates

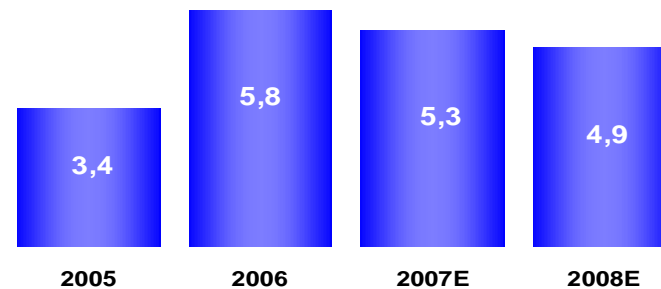
Society:

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

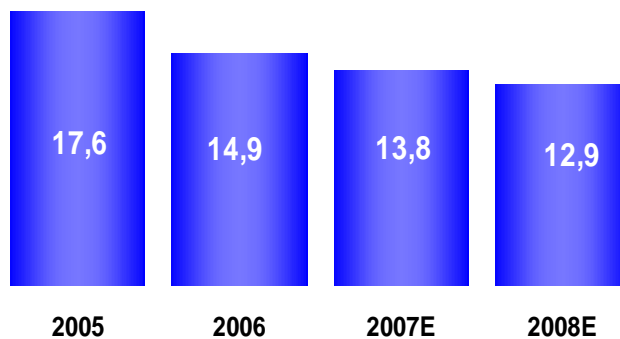
Technology:

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

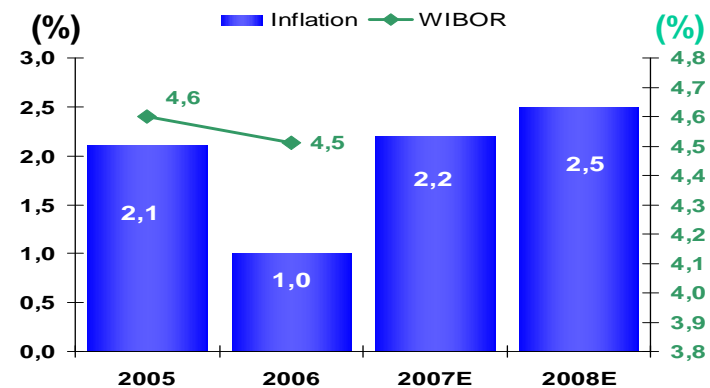
Gross Domestic Product (%)



Unemployment Rate (%)



Inflation / Interest rate

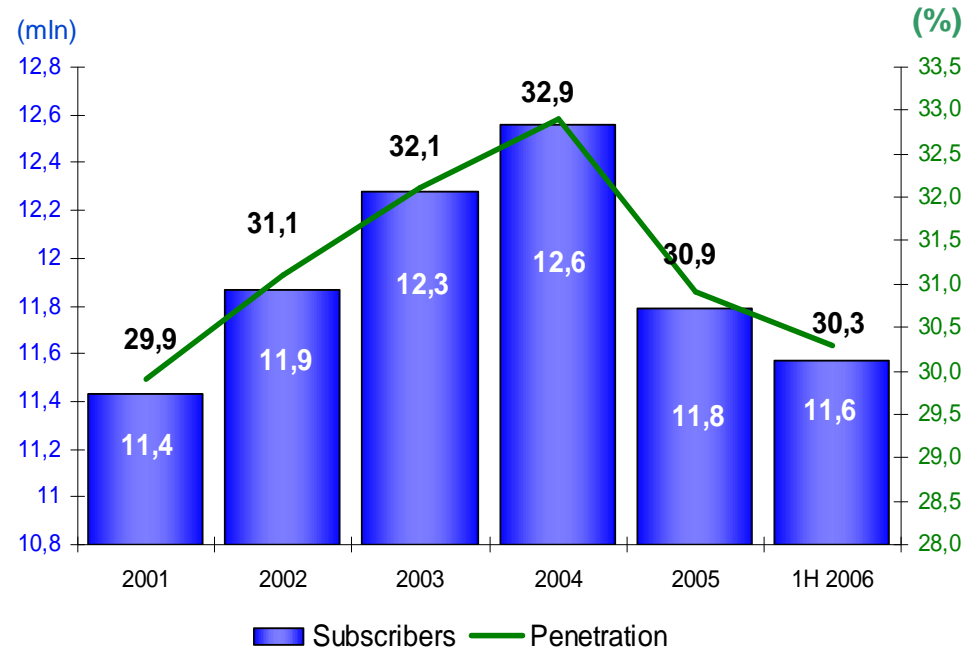


Polish telecom market is changing rapidly

Key market data

	2006
Population	38,7 mln
Number of households	12 mln
Fixed telephone lines in service	11,32 mln
Incumbent operator	Telekomunikacja Polska (TPSA)
Internet users	11,5 mln
Broadband subscribers	4 mln
Mobile subscribers	36,75 mln
Cable TV coverage	40%*
Cable internet connections	2,5%*

Fixed line subscribers



Key market trends

Market	Consumers	Regulations	Technology
<ul style="list-style-type: none"> ■ Rapid decline of traditional voice ■ Strong competition for business customers putting pressure on margins ■ Fast growth of Internet ■ Bundled offers of Internet and voice and triple play (also from CaTV) 	<ul style="list-style-type: none"> ■ Quick Fixed Mobile Substitution ■ Strong price pressure, especially from large business 	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ Poland #3 market for Skype world-wide ■ IPTv and VoD offer from TP ■ Wireless broadband through HSDPA, CDMA and WiMax

*data for 2005
Source: GUS, PMR, CBOS, TNS OBOP

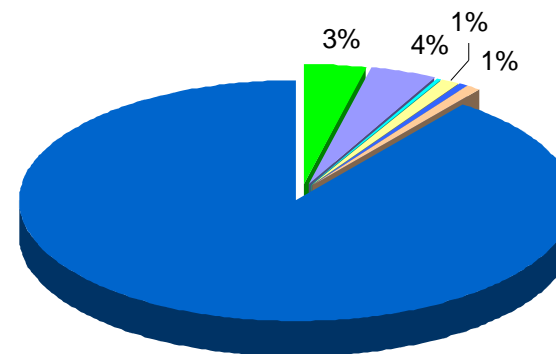


Despite big number of alternative players TPSA is strongly dominating the market

Key market players

Player	Key focus	Market position	Revenues'06 (EUR mln)
TP	Fixed line, internet, data	10.1mn fixed line, 1.7mn broadband subscribers	2,872
PTK Centertel (Orange)	Mobile	12.5mn mobile subscribers	1,950
Polkomtel (Plus)	Mobile	12mn mobile subscribers	1,905
PTC (Era)	Mobile	12.2mn mobile subscribers	1,838
Netia	Fixed line, data, internet	398k fixed line 55k broadband subscribers	223
Exatel	Fixed line	1.2% share of Polish telecom market in terms of value	137
Telefonia Dialog	Fixed line, data, internet	438k fixed line, 96k broadband subscribers	129
GTS Energis	Fixed line	7k business clients, approx 1% of the telecoms market by value	103
UPC Polska	Cable TV	2mln homes passed 994k cable TV subscribers	97.4*
Tele2	Fixed line, reseller	1mln fixed line subscribers	61,9*
Multimedia	Cable TV	130k fixed line subscribers	60,9*
Vectra	Cable TV	630k cable TV subscribers	53,0*

Fixed line market (number of lines)



91%



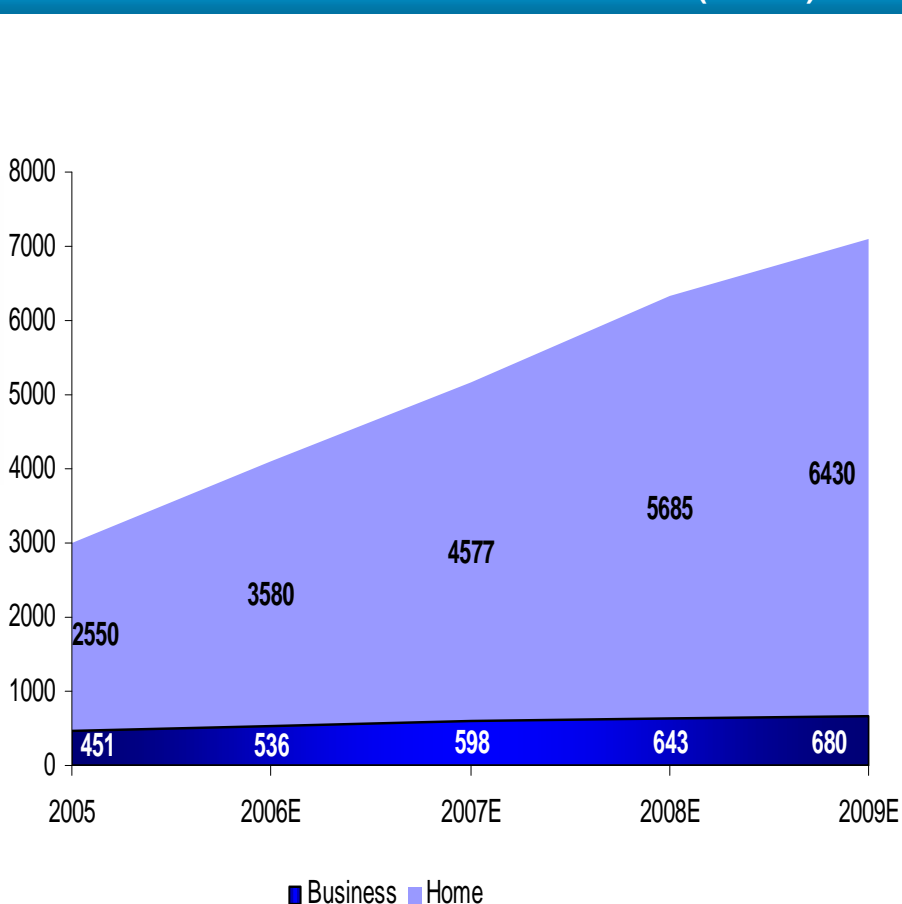
* data for 2005

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

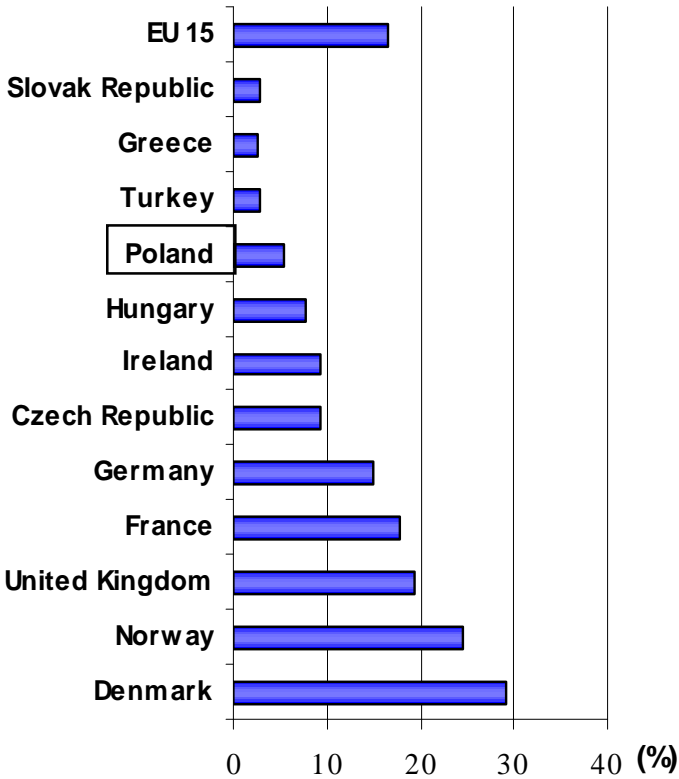


Polish broadband market is growing quickly (from a relatively low base)

Number of broadband subscribers in Poland (in '000)



Broadband Penetration rate (2006)



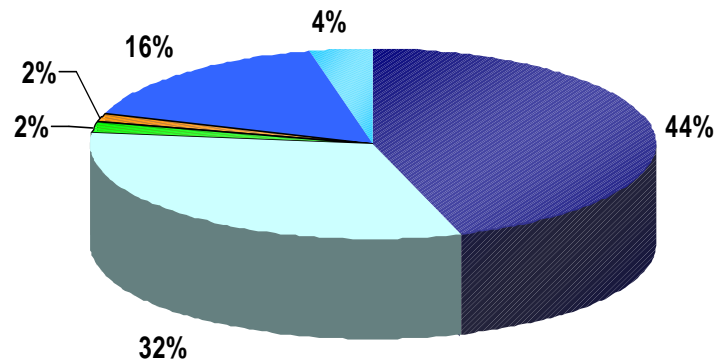
Source: PMR, OECD



Broadband market is extremely fragmented

Over 4000 broadband providers

New players coming into the market



■ TP
■ Ethernet networks
■ Netia
■ Dialog
■ CATV operators
■ Other telecom operators

- AirBites (Swisscom)
- Hyperion (ISP consolidation)
- Clearwire (WiMax)

Source: OECD June 2006, UKE, Netia





Netia is uniquely positioned to capitalize on new market opportunities

- Solid customer base (with main focus on business)
- Strong brand
- Growth track record in mass market ADSL in own network
- First to market with bitstream - now over 100 000 broadband customers*
- Proven M&A capability to acquire and integrate smaller companies
- Access to mobile products from PLAY
- Access to strong distribution network from Germanos
- Solid infrastructure and technology know-how
- Strong, committed and commercially-minded management team
- Committed and industry experienced leading shareholders

* Incl. xDSL over Netia's copper network, WiMax and bitstream methods of access to customers, status as of April 18, 2007



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Mission / Vision / Strategy



Netia's strategic objectives

Gain broadband services leadership	Reach 1 000 000 broadband customers
Leverage PLAY investments	Fixed-mobile convergence live in 2008 Cost and infrastructure synergies on group level
Optimize strong position in Business	Significant increase in number of SOHO & SME customers Increased profitability of large business with minimization of capex
Change organizational culture to support value growth-focused strategy	Visible customer-centric, performance-driven, entrepreneurial and trusting behaviour of employees
Invest for profitable growth	Industry leading revenue CAGR 2007- 09 Maximize utilization of existing assets

Strategic objective:

Gain broadband services leadership

Key initiatives

- **First & commercially aggressive in bitstream customer acquisition**
 - Two marketing campaigns per year
 - Valued Added Services as differentiating factor
 - High quality customer service
- **Quickly grow customer value through geo-targeted deployment of LLU (attractive geographies with high ARPU and good quality TP copper)**
- **Increase in utilization of existing own copper with selective extensions**
- **Optimisation of WiMax investment with limited expansions into under-served towns and suburbs of large cities**
- **Further increase customer value with VoIP and content based on IPTv and VoD**

Strategic objective:

Leverage PLAY investments

Key initiatives

- Resell mobile products for business customers under Netia brand
- Develop with PLAY convergent products:
 - Netia brand used for Business
 - PLAY brand for Home customers
- Capture cost synergies
 - Back-office
 - Distribution network
 - Procurement
- Provide transmission network solutions for PLAY
- Potential merger





Strategic objective:

Optimize strong position in Business

Key Initiatives

- **Shift customer mix from large corporate to SOHO and SME**
 - Standardize products for SOHO and SME
 - Simplify offering
- **Optimize cash-out in large corporate segment**
- **Introduce margin as the key KPI for business sales**



Strategic objective:

Change organization and company culture to support value growth-focused strategy

Key Initiatives

- **Install vision, values and strategy through entire organization**
- **Improve internal communication to foster cooperation and react faster to market changes**
- **Changes in office spaces supporting change in culture**
- **New performance management system implementation:**
 - a) **competency model**
 - b) **modification in PA**
 - c) **skills assessment process**
 - d) **C&B system revised and changed**
- **Align incentives of employees with shareholders' interests (SOP)**

Strategic objective:

Invest for profitable growth

Key Initiatives

- **Industry leading revenues CAGR 2007-09**
 - Up to PLN 700m to invest in broadband expansion over 3 years
 - Target of strong EBITDA growth by 2009 and FCF positive by 2010
- **Maximize utilisation of existing assets**
 - Decrease capex for traditional business
 - Increase copper line utilization
 - Leverage backbone and interconnection infrastructure for wholesale and regulated access
 - Extend Netia brand perception from Business to Home
 - Reduce unit costs to serve customers
 - Generate value from real estate



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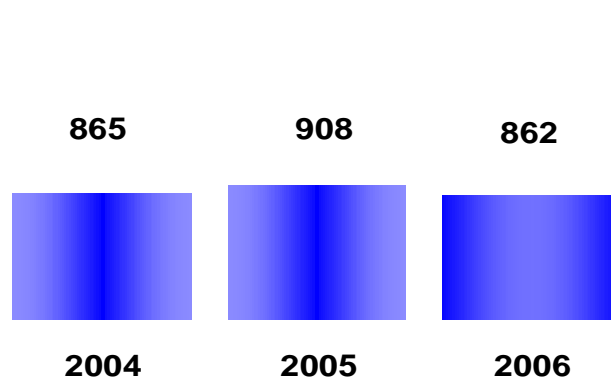
Key financials

Summary

Netia's selected financial data

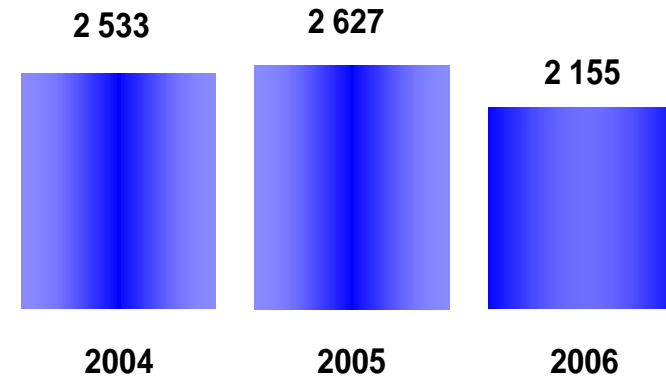
Revenues

PLN millions

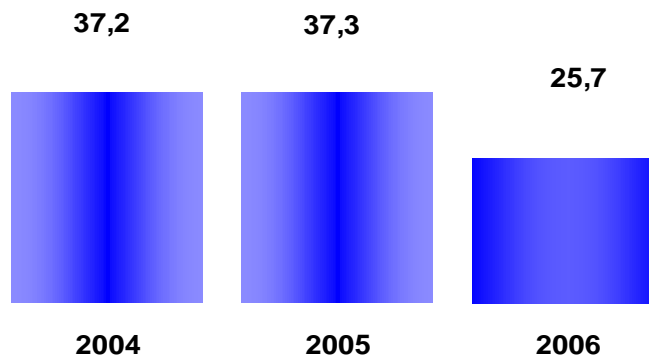


Total Assets

PLN millions

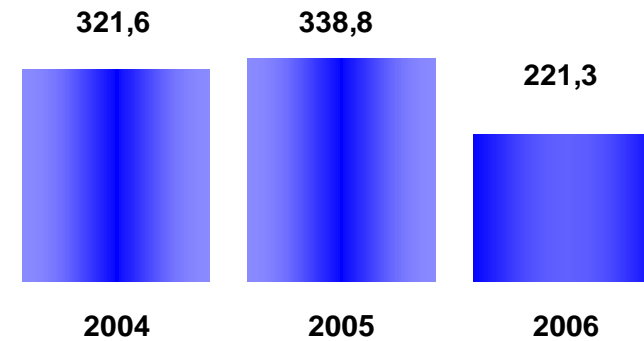


EBITDA margin %



EBITDA

PLN millions



All numbers conformed to 2006 presentation, except for the reclassification of certain financial costs/income in 2002 and 2003. EBITDA in 2002 and 2003 was adjusted for one-off items. Additionally, EBITDA for 2006 was adjusted by an impairment charge on non-current assets of PLN 354.7m and a non-cash exceptional gain on cancellation of EI-Net's license fee liabilities of PLN 64.5m.



EBITDA stabilised

PLN' K

	2006			
	1Q	2Q	3Q	4Q
REVENUES	218 380	203 422	230 537	209 718
% change on prior year quarter	0.8%	(9.2%)	(0.1%)	(11.7%)
EBITDA ADJUSTED	58 751	48 009	53 994	60 552
<i>EBITDA adjusted margin</i>	26.9%	23.6%	23.4%	28.9%
Pro Forma EBIT	(5 843)	(19 928)	(15 583)	(9 827)
Share of Losses of Investments in associates	(3 007)	(4 650)	(7 262)	(15 735)
Pro Forma PAT	(10 638)	(23 101)	(22 919)	(31 494)

Guidance for 2007

NETIA (PLN'M unless otherwise stated)	2007	2006
Broadband subscribers (K)	> 200	57
Revenues	830 - 865	862
Adjusted EBITDA	130	221
<i>of which</i>		
BSA, WLR, LLU access start-up losses	up to 80	-
Capital investments	up to 300	174
PLAY mobile customers (K)	> 500	

Capital investments 2007 vs 2006

<i>PLN' M</i>	2007	2006
Existing network	112	135
Information technology	32	15
P4 Transmission	65	-
Broadband	76 – 91	24
<i>Including WiMax</i>	27	21
Total	285 - 300	174

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 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

