



Q4 and FY 2010 Financial Results

Conference call for investors

February 22, 2011

www.investor.netia.pl

netia
WOLNOŚĆ WYBORU

Executive summary | Netia posts very good results for FY2010

| | FY2010 | Guidance FY2010 ¹ |
|--|--------------|------------------------------|
| Revenues (PLN'm) | 1,569 | 1,550+ |
| Adjusted EBITDA¹ (PLN'm) | 359 | 355+ |
| Adjusted EBITDA margin (%) | 23% | 23% |
| EBITDA (PLN'm) | 586 | 360+ |
| Adjusted EBIT (excluding impairment reversal) (PLN'm) | 65 | 60+ |
| EBIT (PLN'm) | 286 | na |
| Capital investments (excl. M&A) (PLN'm) | 200 | 220 |
| Capital investments to sales (%) | 13% | 14% |
| <hr/> | | |
| Broadband subscribers² ('000) | 690 | 700 |
| Voice service customers ('000) | 1,231 | 1,225 |
| Unbundled local loop (LLU) nodes | 512 | 500+ |

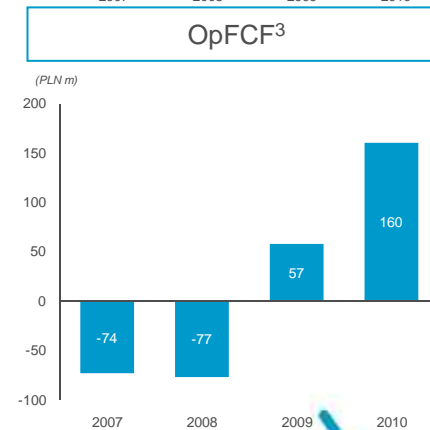
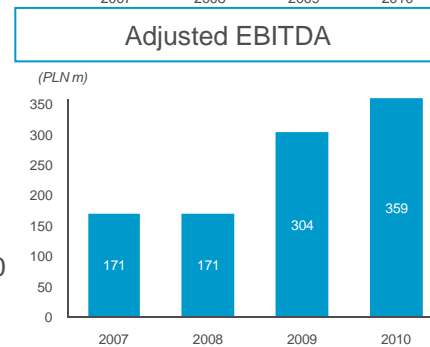
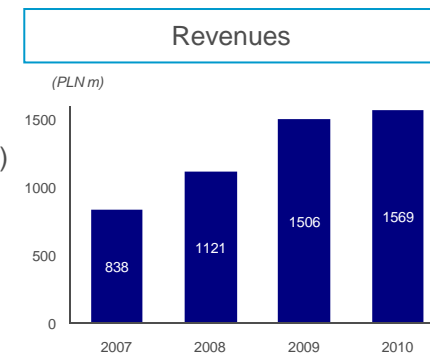
Source: Company

¹ Adjusted EBITDA excludes a non-cash gain on reversal of earlier impairment charges, a gain on the sale of the P4 transmission assets, one-off restructuring costs related to the cost reduction program (the „Profit“ project) and M&A related costs (expensed from 2010 following the change in IFRS reporting standards versus their earlier capitalization). Adjusted EBIT is shown comparable to original guidance by excluding the non-cash gain on reversal of earlier impairment charges.

www.investor.netia.pl ² Guidance for number of broadband subscribers (excluding Ethernet acquisitions) was updated during the course of 2010 from 680,000 to 700,000 following the announcement of Q1 2010 interim results. Excluding Ethernet acquisitions during 2010, Netia had approximately 675 thousand broadband customers at year end

Executive summary | Key achievements in Q4 and FY2010

- Revenue was PLN 1,569m for FY2010 (+4% y-o-y) and PLN 394m for Q4 2010 (+2% y-o-y, 0% q-o-q)
- Netia's subscriber market share continues to grow strongly
 - 690k broadband services (+23% y-o-y, +6% q-o-q) and 1,231k voice services (+6% y-o-y, +1% q-o-q)
 - Market shares at 11.5% for fixed broadband and 13.1% for fixed voice
 - Fixed broadband net additions share¹ estimated at over 30% for the whole FY2010
- Netia made strong progress on its LLU network and customers
 - 512 nodes unbundled, 127k clients at 2010YE versus 48k at 2009YE
 - Record 28k net additions in Q4 2010
 - Cumulative 64k clients migrated from BSA/WLR onto higher margin LLU
- PLN 221m impairment reversal recorded in 4Q 2010
 - Reversal increases net profit and distributable reserves for 2010 while increasing D&A charges to be covered from EBITDA in 2011 and beyond
 - Reversal does not include expected future cash flows from the new projects planned in Strategy 2020
- Further improvement in EBITDA profitability
 - Adjusted EBITDA² was PLN 359m for FY2010 (+18% y-o-y) and PLN 88m for Q4 2010 (+14% y-o-y, +3% q-o-q)
 - EBITDA was PLN 586m for FY 2010 (+87% y-o-y) and PLN 308m for Q4 2010 (+240% y-o-y, +243% q-o-q)
- Full year EBIT was PLN 286m (Adjusted EBIT² was PLN 59m)
- Net profit was PLN 264m (Adjusted Profit² was PLN 54m) in FY2010
- Netia was operating FCF³ positive in FY2010 (PLN 160m excluding Ethernet acquisitions)
- Customer care project 'Klientomania' reached its halfway point
- Strategy 2020, long-term outlook and distribution policy announced on January 13, 2011
- Guidance for FY2011 announced today



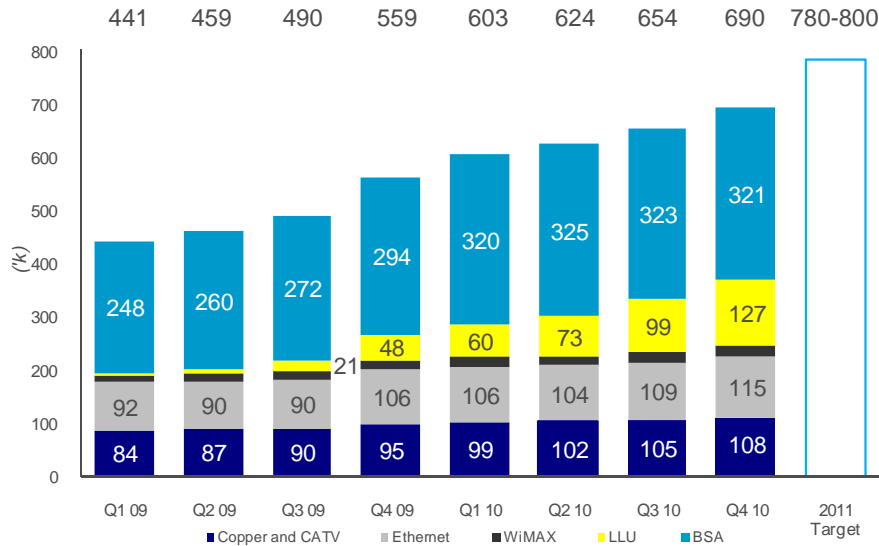
¹ Including Ethernet networks acquisitions

² Adjusted EBITDA, Adjusted EBIT and Adjusted Profit exclude impact on net result from non-cash gain on impairment reversal, gains on sale of the transmission equipment to P4, one-off restructuring costs related to the „Profit” project and M&A related costs

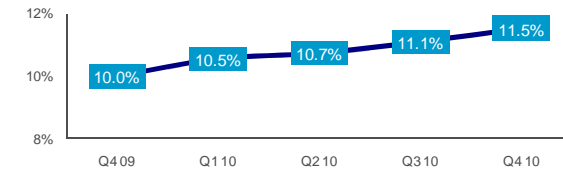
³ Operating FCF = Adjusted EBITDA less capex, capex = investments in tangible and intangible fixed assets

Broadband | Steady progress in Netia's subscriber base

Broadband ports



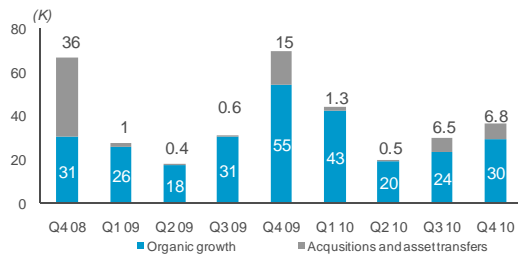
Market share broadband¹



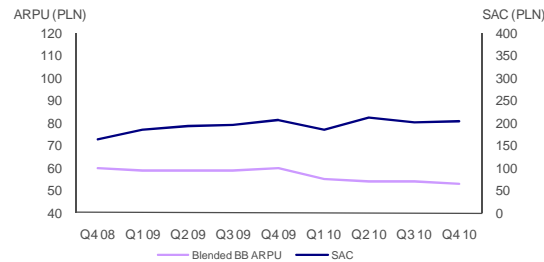
Comments

- 35% of customers served directly via Netia's own network
- Over 30% share of fixed broadband net additions in FY2010
- 127k LLU customers
- 40k clients migrated from BSA/WLR onto higher margin LLU during FY2010 bringing total migrations to 64k
- Netia forecasts 780-800k broadband customers by 2011YE

Broadband net additions



Blended broadband ARPU/SAC

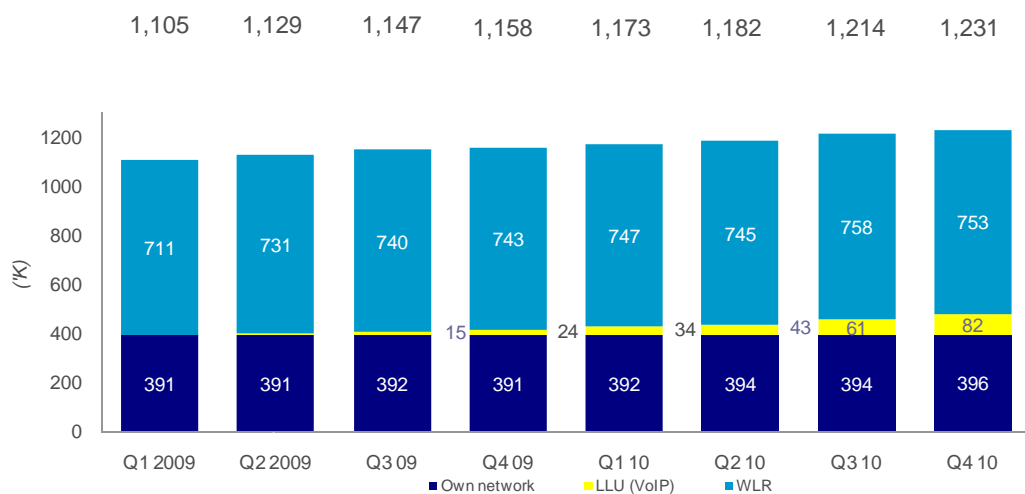


Source: Netia, public domain

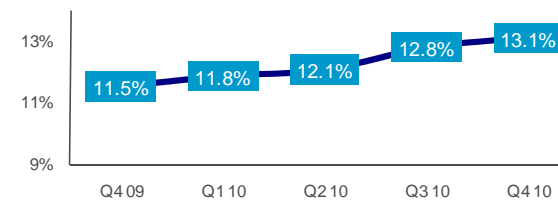
¹ Based on Netia's internal estimates of the total fixed broadband market volume

Voice | Continued progress on voice sales volumes

Voice lines



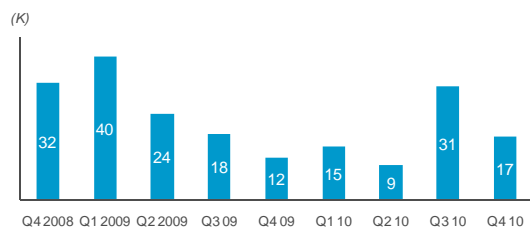
Market share voice¹



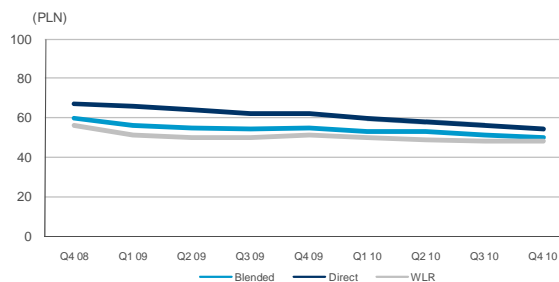
Comments

- 1,231k voice customers at year end
- 32% of customers served directly via Netia's own network
- Netia forecasts to at least maintain its voice customer base through 2011YE
- Voice ARPUs in gradual downward trend

Net additions



Voice ARPU



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

Financial performance | Key highlights for Q4 2010 and FY 2010

(PLN' 000)

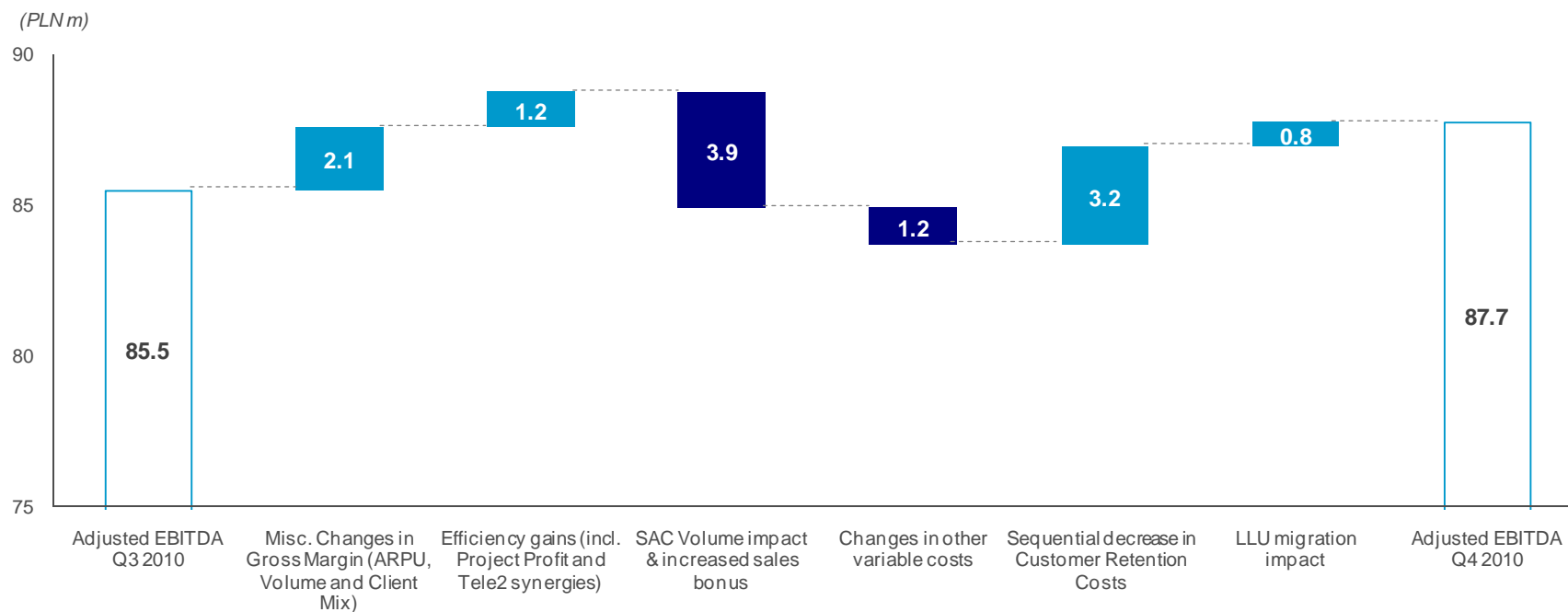
| | 2008 | 2009 | 2010 | 2010 | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | | Q1 | Q2 | Q3 | Q4 |
| Revenues | 1,112,394 | 1,505,871 | 1,569,296 | 386,979 | 393,698 | 394,465 | 394,154 |
| Growth (% YoY) | 42.5% | 34.3% | 4.2% | 3.0% | 5.4% | 6.5% | 2.0% |
| Gross profit | 297,655 | 500,385 | 493,317 | 126,755 | 131,491 | 115,870 | 119,201 |
| Margin | 26.8% | 33.2% | 31.4% | 32.8% | 33.4% | 29.4% | 30.2% |
| Adjusted EBITDA¹ | 170,641 | 303,950 | 359,494 | 90,799 | 95,433 | 85,525 | 87,737 |
| Margin | 15.2% | 20.2% | 22.9% | 23.5% | 24.2% | 21.7% | 22.3% |
| Growth (% YoY) | 0.0% | 78.1% | 18.3% | 26.9% | 29.4% | 4.4% | 14.3% |
| Adjusted EBIT¹ | na | 5,384 | 58,810 | 16,827 | 20,647 | 10,114 | 11,222 |
| EBIT | (99,706) | 14,268 | 285,755 | 19,554 | 20,485 | 14,379 | 231,337 |
| Adjusted Profit/ (Loss)¹ | (122,776) | (7,250) | 54,594 | 11,617 | 15,726 | 8,145 | 19,012 |
| Net profit/ (loss) | 230,605 | 88,697 | 263,895 | 14,344 | 15,564 | 12,410 | 221,577 |
| Total assets | 2,282,705 | 2,341,569 | 2,568,569 | 2,298,757 | 2,361,929 | 2,361,982 | 2,568,569 |
| Net cash and treasury bills | 192,685 | 239,692 | 345,216 | 206,339 | 272,472 | 313,313 | 345,216 |
| Available credit lines² | 375,000 | 295,000 | --- | 295,000 | 295,000 | --- | --- |

¹ Adjusted EBITDA, Adjusted EBIT and Adjusted Profit exclude as appropriate: a non-cash gain on impairment reversal (2010), one-off expenses related to the cost optimization program (the 'Profit' project) (2009-2010), M&A related expenses (2010), a positive accounting impact from settlement of disputes with TP (2009), a gain on sale of the tranches of transmission equipment to P4 (2009-2010) initial deferred tax asset recognition (2009), gain on sale of investment in P4 (2008) and impact from the one-offs on the income tax charge (2009-2010)

² Netia cancelled the PLN 295.0m credit facility on July 29, 2010 and signed a mandate to arrange PLN 700.0m of new financing to fund potential major acquisitions

EBITDA bridge | Higher gross additions, retention costs down q-o-q as planned

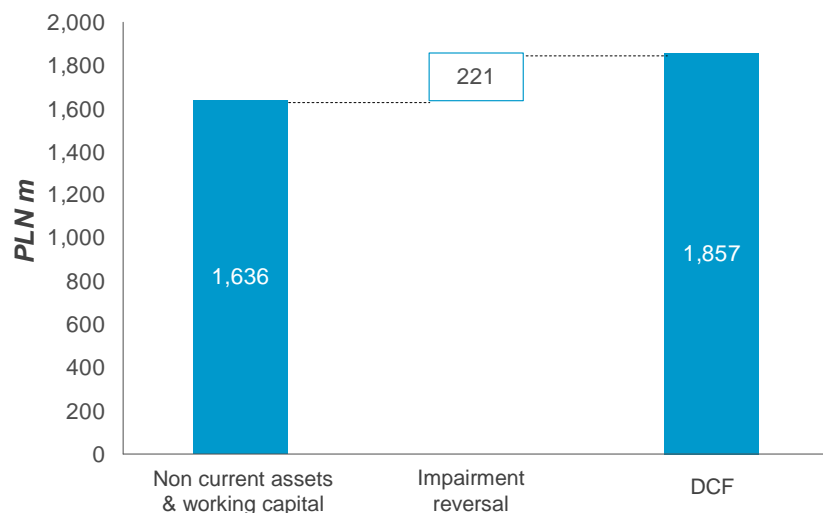
Key EBITDA drivers from Q3 2010 to Q4 2010



- Higher customer gross additions in Q4 2010 on pre-Christmas promotional offers drove higher acquisition expenses
- This was partially offset by increased operational efficiency thanks to gains from Project Profit and successful Tele2 synergy extraction
- Accelerated retention efforts in Q3 2010 had the desired effect on reducing Q4 churn and spending fell in Q4 as expected
- Migrations from BSA/WLR onto higher margin LLU-based services contribute to higher EBITDA profitability

Impairment reversal | Turnaround in Netia's profit outlook

Impairment reversal calculation¹



Methodology

- The Balance Sheet value tested comprises Non-Current Assets and Working Capital excluding:
 - Cash outstanding (PLN 345m)
 - Deferred tax asset (PLN 53m)
 - Tax Receivable in dispute (PLN 58m)
- DCF is based on the Company's business plan and excludes expected value creation from early stage or future projects
 - NGA network upgrades
 - TV content services
 - Future acquisitions
- DCF uses WACC of 11.75% and TGR of -1.2%

Comments

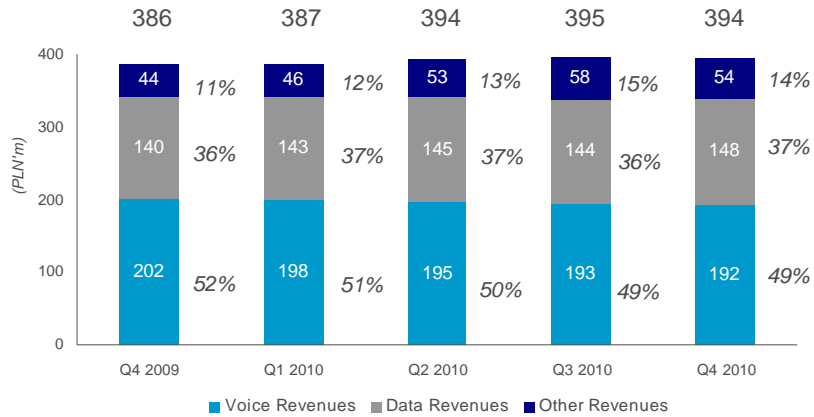
- Between 2000 and 2006 Netia booked impairments based on expected future operating performance of PLN 1,155m
- Following the turnaround in Netia's profitability and prospects, the 2010 impairment test produces expected future cash flows in excess of carrying value and results in an impairment reversal of PLN 221m
- This results in a reversal of the portion of historical impairments and (i) increases the total net book value of assets, (ii) generates a one-off gain in other operating income, and (iii) will drive higher levels of depreciation going forward for Netia
- The impairment reversal increases net profits and distributable reserves for Netia in 2010
- Such impairment reversals are very rare in the telecommunications sector

Source: Company

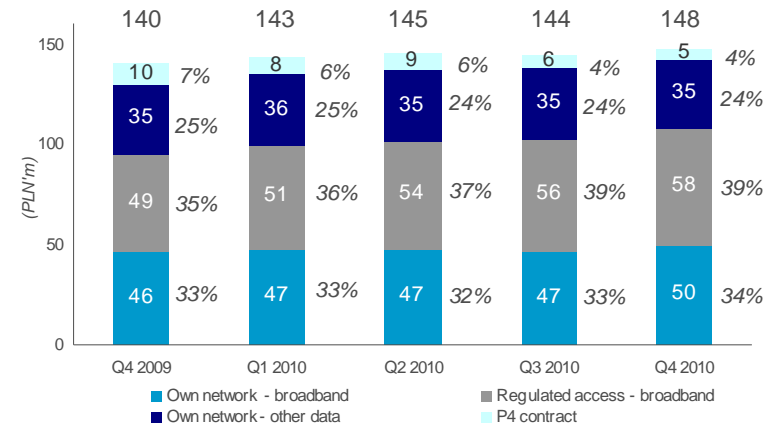
¹ For more details please refer to the latest press release and Company's financial statements for Full Year 2010

Revenue | Revenue development by service

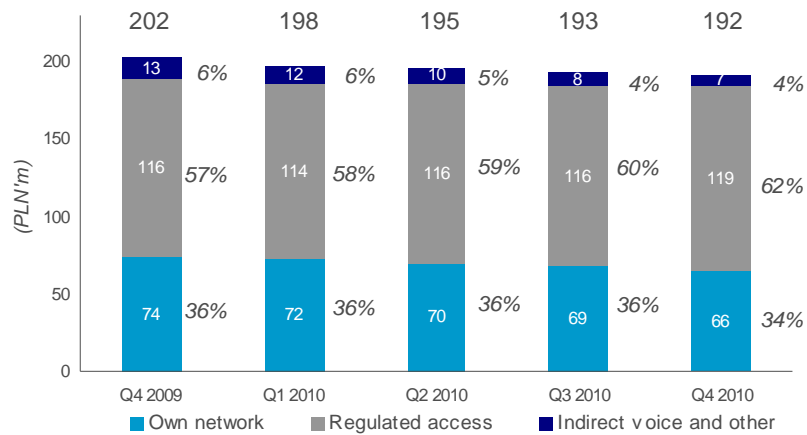
Revenue breakdown by service



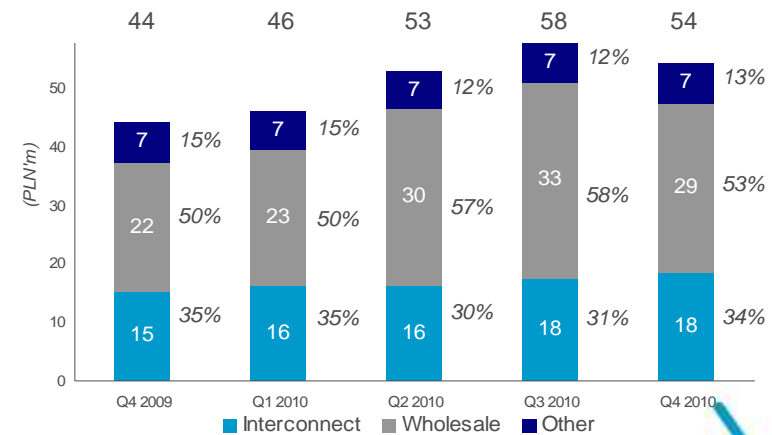
Data revenue breakdown by access



Voice revenue breakdown by access



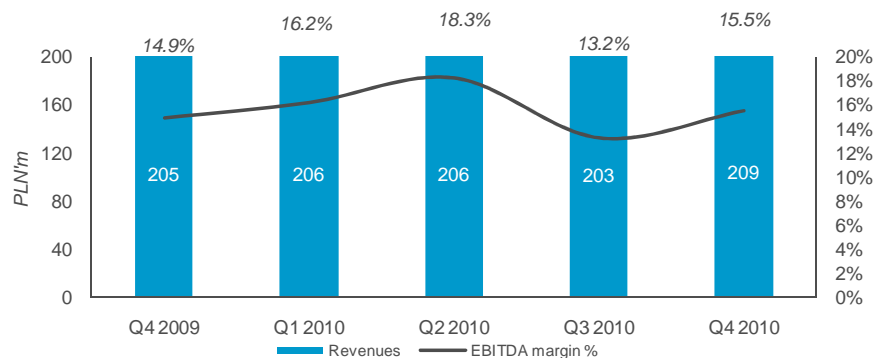
Other revenue



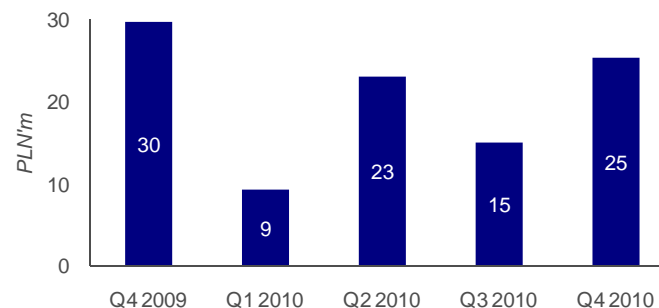
Source: Company

Operating segments | Residential

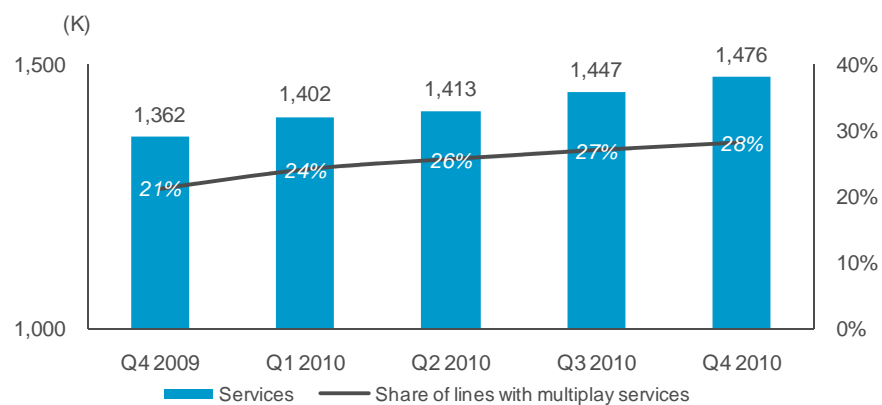
Revenue and EBITDA margin



Capex



Number of services¹



Comments

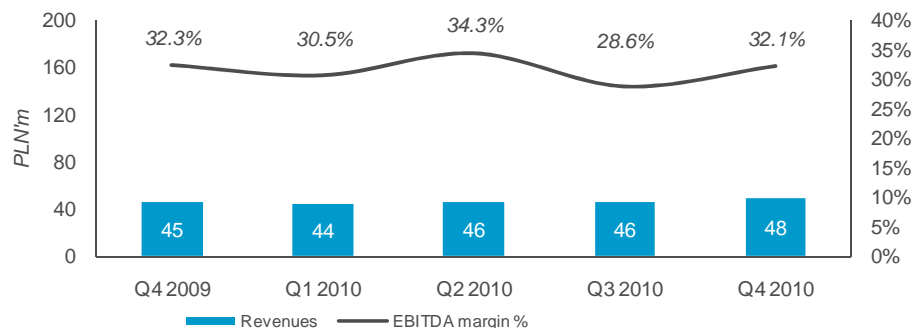
- Revenue up sequentially following Q3 2010 aggressive promotion and extension of soon-to-expire contracts on better terms in order to secure client base in tougher market environment
- Sequentially lower customer retention costs contributing to higher EBITDA margin in Q4 2010
- 2play new additions support operating leverage improvements

Source: Company

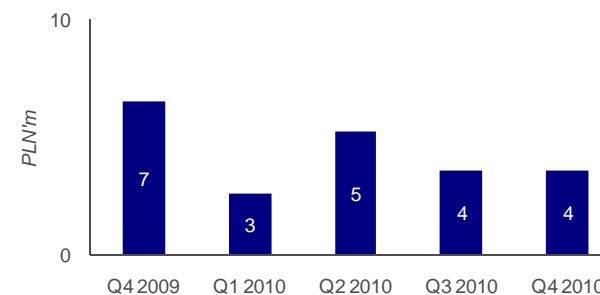
¹ Data and voice services excluding CPS (carrier pre selection) lines, end of period

Operating segments | SOHO/SME

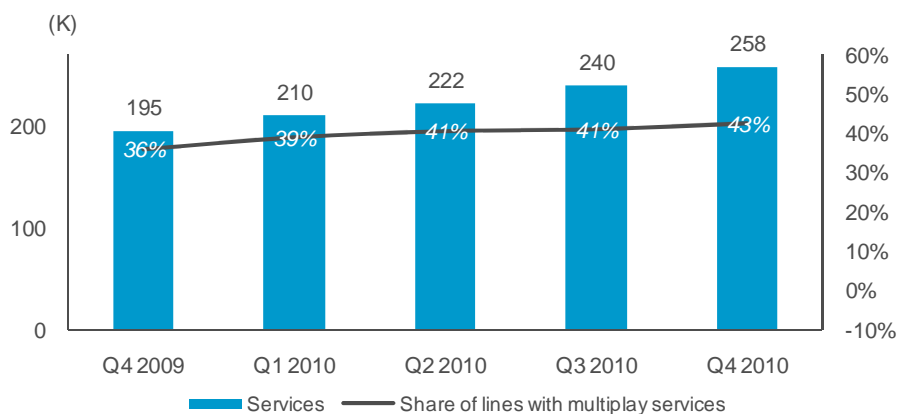
Revenue and EBITDA margin



Capex



Number of services¹



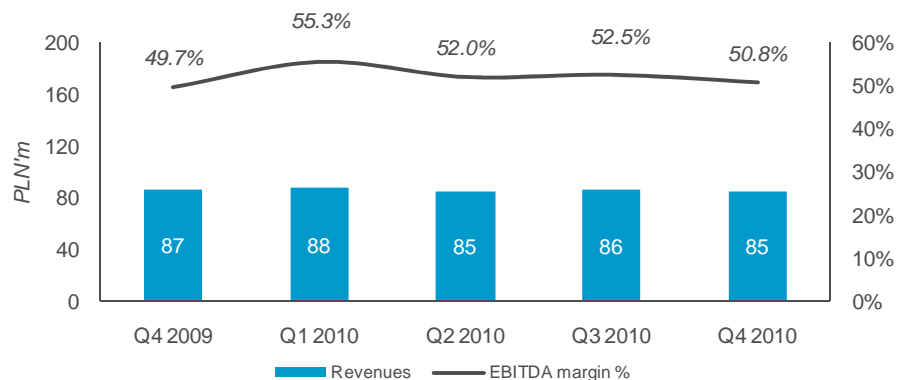
Comments

- Revenue up sequentially following aggressive promotion in Q3 2010
- Further progress on 2play to 43% of connected lines
- Pressure on ARPUs due to economic and competitive environment is continuing

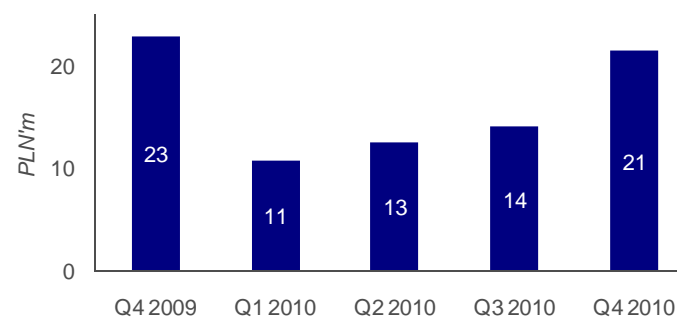
Source: Company
 1 Data and voice services excluding CPS (carrier pre selection) lines, end of period

Operating segments | Corporate

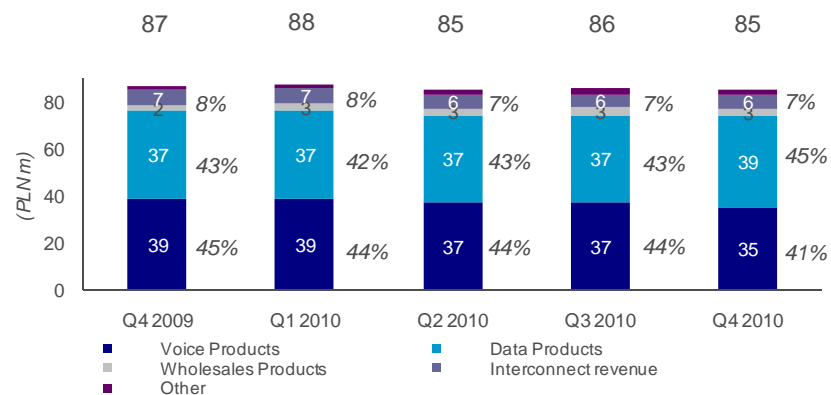
Revenue and EBITDA margin



Capex



Corporate revenue by type



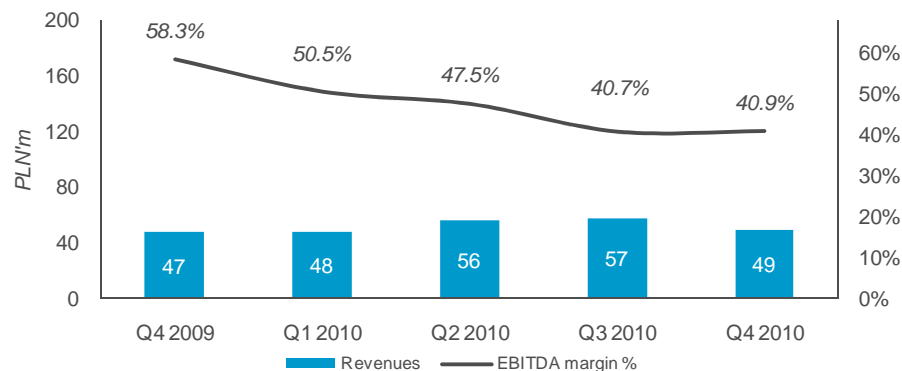
Comments

- 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

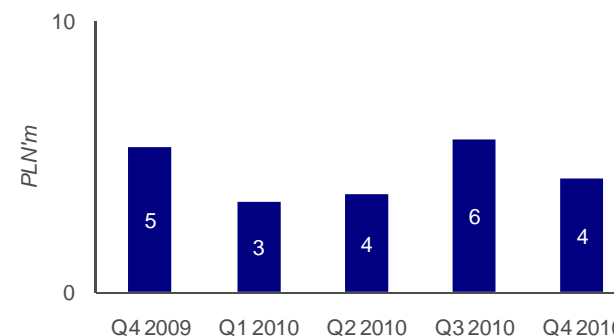
Source: Company

Operating segments | Carriers

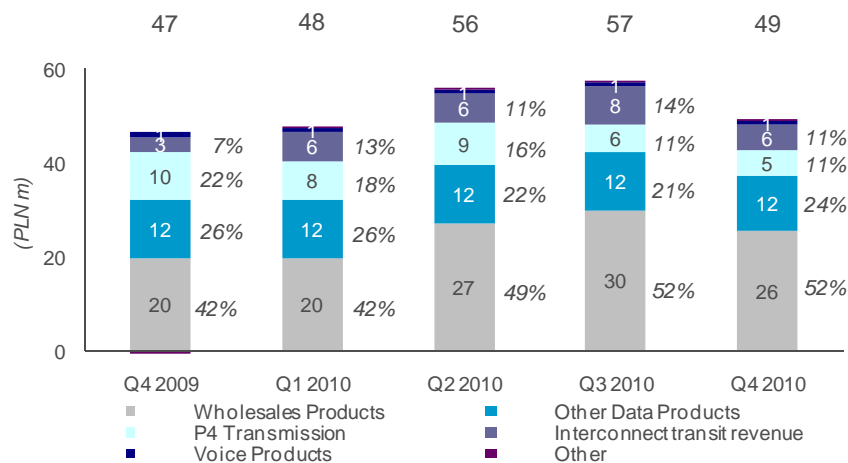
Revenue and EBITDA margin¹



Capex



Carriers revenue by type



Comments

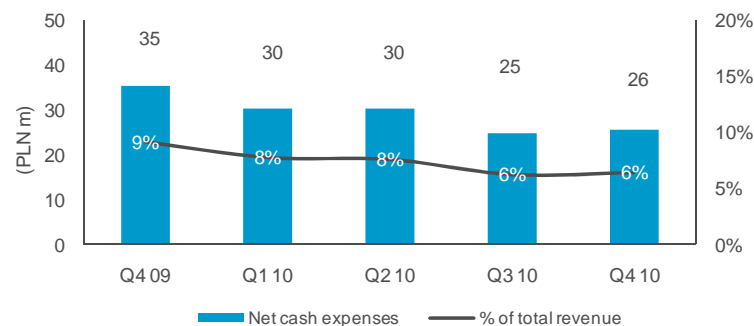
- Strong cash generative and stable business model
- Contribution mainly from data transmission and opportunistic carrier contracts
- Traditionally high operating margin based on leasing Netia's own capacity
- Lower margin in 2010 related to lower revenue from P4 and more wholesale revenues

Source: Company

www.investor.netia.pl ¹ EBITDA margin was restated to exclude an impact from the sale of transmission equipment to P4 in tranches in Q1 and Q3 2010

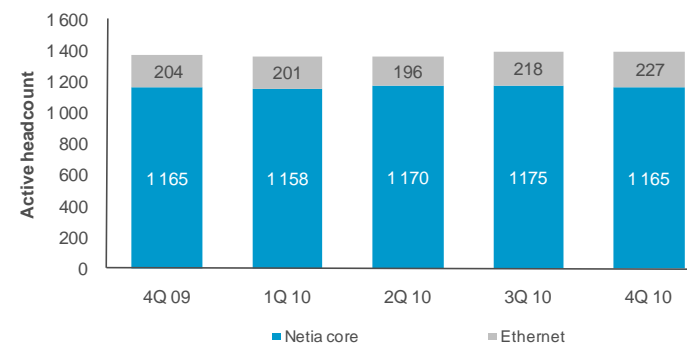
Operating expenses | Cost reductions locked-in

Other operating segment net cash expenses¹

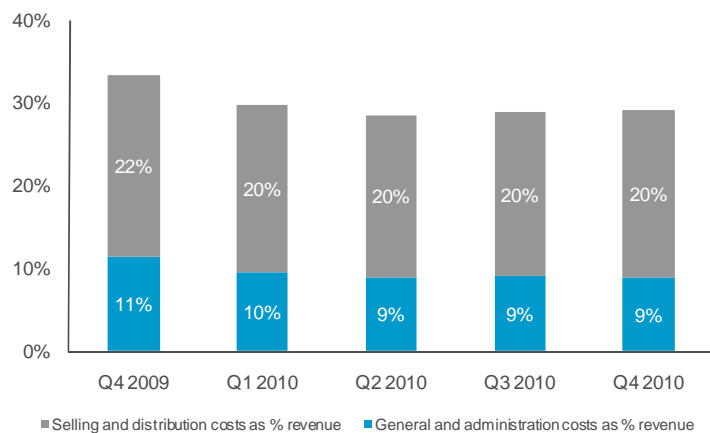


Headcount

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Total headcount ² | 1,432 | 1,410 | 1,416 | 1,450 | 1,441 |
| Active headcount ³ | 1,369 | 1,359 | 1,366 | 1,393 | 1,392 |



Total SG&A to revenue (%)



Comments

- SG&A expenses down by 11% y-o-y as a result of efficiency gains mainly delivered through Project Profit
- SG&A expenses to revenue down by 4 pp on Q4 2009
- Active headcount at 1,392 in Q4 2010 includes acquisition of a new Ethernet company with 14 employees

Source: Company

¹ Net cash expenses were adjusted by the following one-off items: a non-cash gain on impairment reversal (Q4 2010), one-off expenses related to the cost optimization program (the 'Profit' project) (2009-2010), M&A related expenses (Q4 2010), and a positive accounting impact from settlement of disputes with TP (Q4 2009)

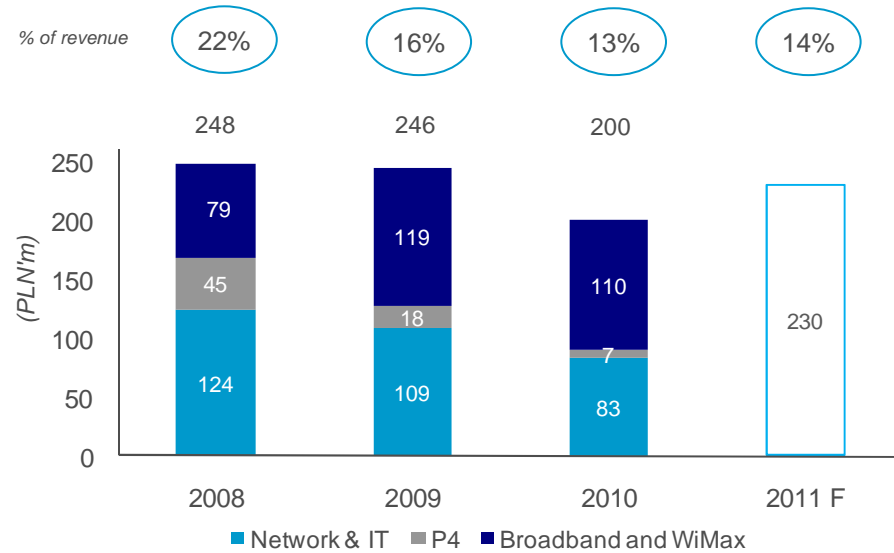
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² Full-time equivalent of employees

³ 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

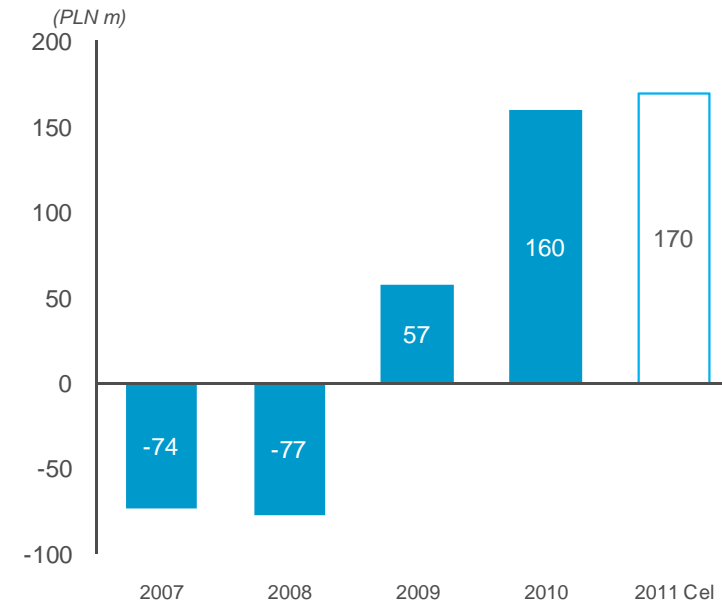
Financial performance | Capital investments and operating FCF

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 FY2010 versus the prior year period reflects strict control measures, utilization of previously developed IT support and completed P4 transmission roll-out
- Capex spending in 2011 to be driven by LLU roll-out extension to 700 nodes and first NGA upgrade projects

Operating FCF¹



- Operating free cash flow (OpFCF) continues to grow with FY 2010 cash generation at PLN 160m
- OpFCF for FY 2011 forecasted at PLN 170m (before acquisitions)

EBITDA reconciliation to Net Profit | Comments

| PLN'000 | FY 2009 | FY 2010 | Change |
|--|----------------|-----------------------|--------------|
| Adjusted EBITDA | 303,950 | 359,494 | +18% |
| Unusual Items: | | | |
| Gain on reversal of earlier impairment charges | - | 221,184 ^① | <i>nm</i> |
| Gain on disposal of transmission equipment to P4 | 5,298 | 7,298 | +38% |
| Positive accounting impact from TP settlement | 15,326 | - | <i>nm</i> |
| Project Profit restructuring costs | (11,740) | (790) | -93% |
| M&A related costs | - | (747) ^② | <i>nm</i> |
| EBITDA | 312,834 | 586,439 | +87% |
| Depreciation and amortization | (298,566) | (300,684) | +0.7% |
| EBIT | 14,268 | 285,755 | <i>nm</i> |
| Net financial income / (costs) | (13,143) | 3,014 | <i>nm</i> |
| <i>of which FX gains or losses, net</i> | (8,134) | (991) ^③ | <i>nm</i> |
| Income tax credit / (expense) | 87,572 | (24,874) ^④ | <i>nm</i> |
| Profit/ (Loss) | 88,697 | 263,895 | +197% |
| Number of shares (basic) | 389,277,294 | 389,328,713 | <i>na</i> |
| EPS (in PLN, basic) | 0.23 | 0.68 | <i>nm</i> |

① Impairment test does not take into account the cash flows expected from new projects planned under Netia's Strategy 2020

② New accounting standard for business combinations effective January 1, 2010

③ Better performance on financial expenses contributing to net profits

④ 2010 charge includes PLN 18.6m of deferred tax charges associated with Unusual Items. No cash taxes paid

FY 2011 guidance | Focus on profitability maintained

| | FY2010 | Guidance FY2011 |
|---|--------|-----------------|
| Total revenues (PLN'm) | 1,569 | 1,610+ |
| Adjusted EBITDA (PLN'm) | 359 | 405+ |
| Adjusted EBITDA margin (%) | 23% | 25% |
| EBITDA (PLN'm) | 313 | na |
| Adjusted EBIT (excl. impairment reversal)(PLN'm) | 65 | 70+ |
| EBIT (PLN'm) | 286 | na |
| Capital investment (excl. M&A) (PLN'm) | 200 | 230 |
| Capital investment to sales (%) | 13% | 14% |
| Operating free cash flow (OpFCF) (PLN'm) | 160 | 170+ |
| Broadband subscribers ('000) | 690 | 780-800 |
| Unbundled local loop (LLU) nodes | 512 | 700 |

- Voice customer base will be at least maintained
- Ethernet acquisitions come on top of FY 2011 guidance

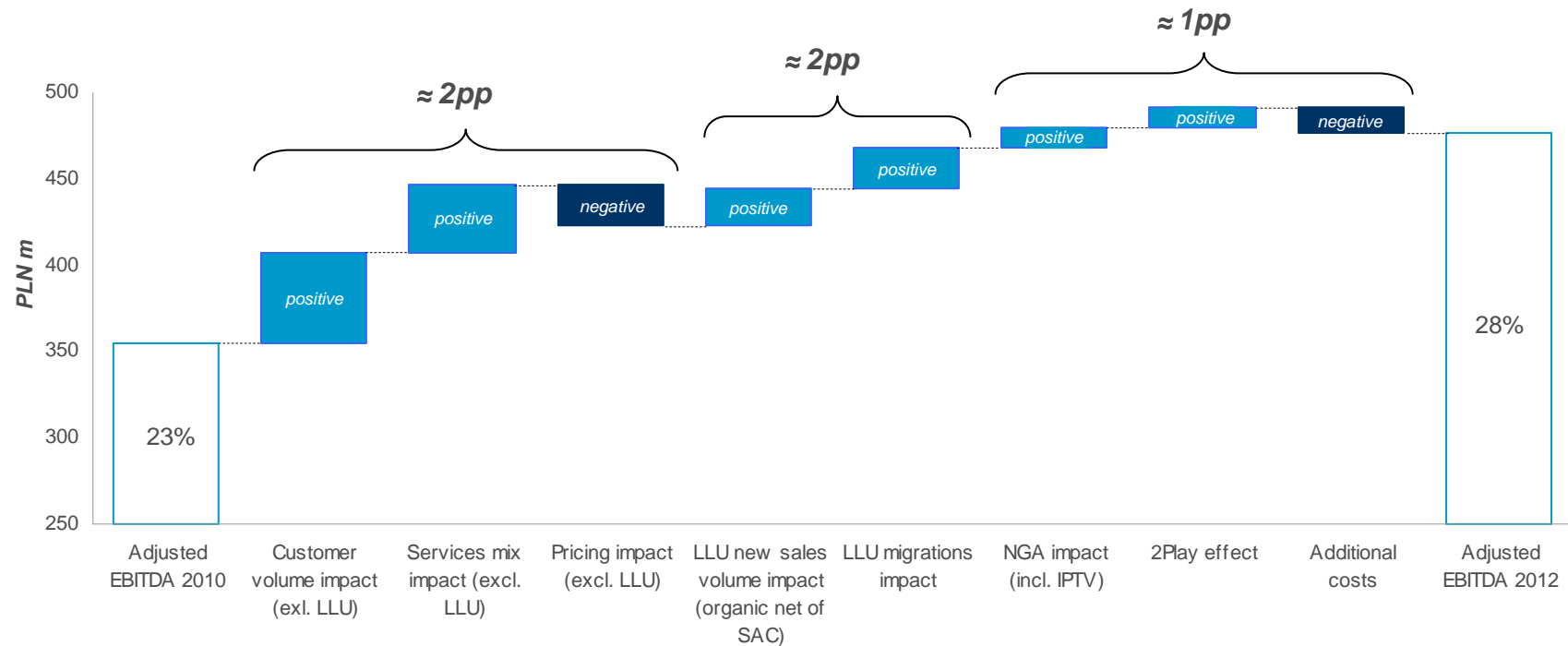
Source: Company

Guidance as of February 22, 2011

www.investor.netia.pl

EBITDA Bridge | Further improvement in profitability until 2012

Key EBITDA drivers from 2010A to 2012F



- Planned volume increase in the customer base driven by net additions in Residential, Soho/SME and Corpo markets combined with more focus on Netia's own networks (excluding LLU) should drive the Company's profitability regardless of the continuous pricing tension on the telecom market
- LLU roll-out will be key to deliver another significant portion of incremental profitability thanks to migration and organic sales based on an even larger amount of unbundled nodes throughout Poland
- NGA project contribution will be relatively mitigated until 2012 whereas it will drive the Company's value until 2020
- 2play impact should generate significant savings due to scale efficiencies while it will be offset by other contemplated operational costs

Source: Company Note: For illustrative purposes only

Outlook | Balanced growth should drive future improvements

2010-2012

Beyond 2012

Revenue growth (CAGR) – overall 3% - 5%

Revenue growth (CAGR) – retail segment¹ 5% - 10%

EBITDA margins

at 23% 2010

at 28% 2012

Increasing net operating profit trend 2010 - 2012

Increasing free cash flow trend 2009 - 2012

Capex to sales down to 15% by 2010

1 million broadband subscribers 2012

- Ethernet acquisitions are included in the 1 million broadband subscribers mid term target

Blended² fixed line market share to grow from 11.5% to at least 15%

Expected revenue growth above 2% pa delivers increasing value share

EBITDA margins in 26% - 28% range throughout

Capex to sales ratio to stay below 15% during network upgrade (2011 – 2013) and falling to 10% - 12% thereafter (2014 – 2020)

OpFCF margin to sales continuously above 10%

- All guidance excludes impact of potential transformational M&A

¹ Retail segment means Home, SOHO/SME, Corpo

² Average of the Fixed Voice and Fixed Broadband market shares in the Polish Fixed Telecom market

Distribution Policy | Spare cash will be utilised

M&A Funding

- While major M&A consolidation opportunities remain feasible:
 - Netia will try to maintain a PLN 300m cash 'acquisition fund'
 - Standby financing relationships (current mandate PLN 700m)
- As key targets are EBITDA positive businesses, additional funding to acquire multiple targets should be available
- Netia will continue to buy ETTH operators from its own cash-flow generation
- Netia will opportunistically target other bolt-on acquisitions that fit within Strategy 2020
- Management views expansion through M&A as the optimal way to increase leverage to 1x-2x EBITDA for the long-term

Distribution policy

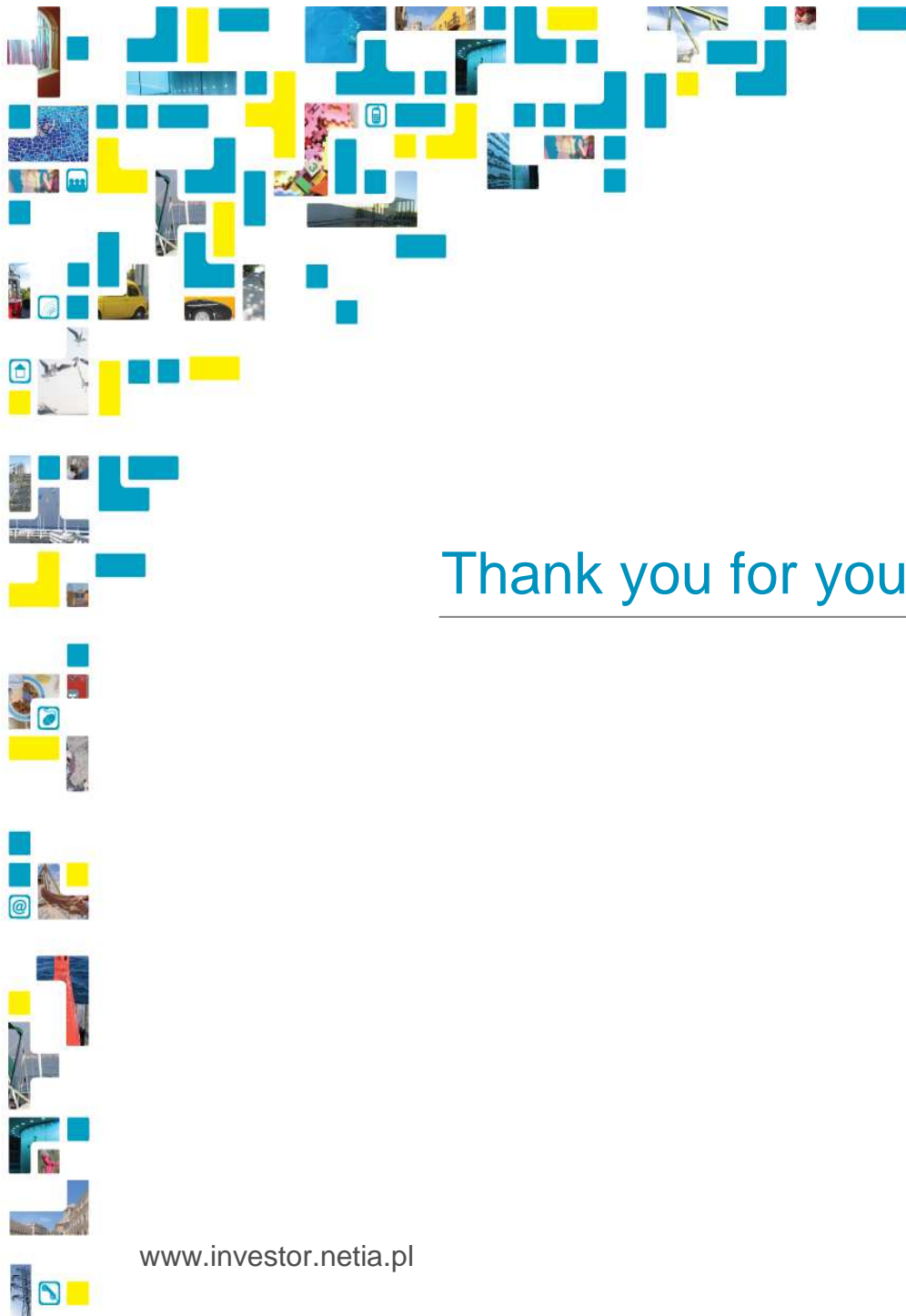
- Management intends to propose returning surplus funds above the PLN 300m 'acquisition fund' to shareholders through buy-backs and/or dividends
- Should circumstances lead Management to conclude that transformational market consolidating opportunities are no longer feasible, then Management will propose the return of the PLN 300m 'acquisition fund' to shareholders

Source: Company

www.investor.netia.pl

Summary

- **Broadband strategy driving profit improvements and free cash flow generation**
- **Netia's Strategy 2020 announced in January 2011**
 - Focus on further progress on multiplay services (2play & 3play), LLU roll-out and migration, customer care as well as network upgrades to NGA
- **Impairment reversal of PLN 221m recorded for FY2010**
 - Reversal does not take into account the cash flows expected from new projects planned under Netia's Strategy 2020
 - Reversal increases profits and distributable reserves at December 31, 2010, but will also have the effect of increasing future depreciation and amortization charges
- **Netia well positioned for any major acquisition opportunities**
- **Distribution policy, interrelated to M&A activities, announced in January 2011**
- **Outlook for FY 2011:**
 - Broadband subscribers to reach 780-800k plus Ethernet acquisitions
 - LLU nodes to reach 700
 - Revenue to reach over PLN 1,610m, Adjusted EBITDA to reach over PLN 405m and EBIT to reach over PLN 70m
 - Netia net profitable and generating over PLN 170m of free cash flow before acquisitions
 - Capex investment (excl. M&A) at PLN 230m



Thank you for your attention

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