

Q3 2011 Financial Results

Conference call for investors
November 3rd, 2011

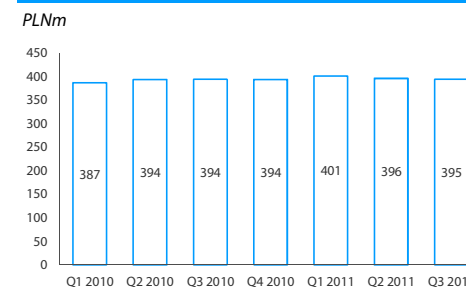
N E T I A

Key highlights | 9M and Q3 2011

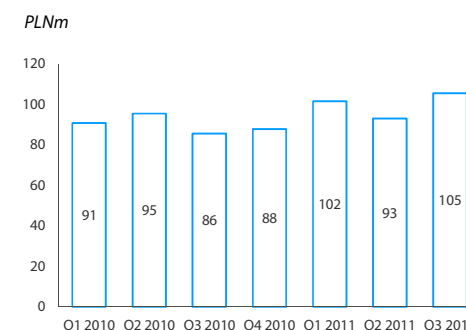


- Revenue was PLN 1,192m for 9M 2011 and PLN 395m for Q3 2011 (+1% y-o-y and flat q-o-q)
- Netia's broadband subscriber base shows progress against a slowing market with weaker organic performance off-set by stronger impact from ETTH acquisitions
 - 732k broadband services (+12% y-o-y, +2% q-o-q)
 - 1,190k¹ voice services (-1% y-o-y, -1% q-o-q)
 - Market shares at 11.8% for fixed broadband and 13.3% for fixed voice
 - Fixed broadband net additions share estimated at approximately 20%² for Q3 2011
- LLU still growing strongly and driving margins through customer migrations
 - 16k net additions in Q3 2011
 - 674 nodes unbundled, 175k clients at Q3 2011 including 100k gross migrations from BSA/WLR
- Successful NGA roll-out with 3play sales picking up in line with expectations
 - Netia already more than half way with its NGA network expansion target of 500k homes passed by 2011YE
 - 2k IPTV subscribers in Q3 with wider scale sales effort starting during Q4
- EBITDA recovers in Q3 so Netia on track to deliver its financial guidance
 - Adjusted EBITDA³ was 300m for 9M 2011 (+10% y-o-y) and 105m for Q3 2011 (+14% q-o-q)
 - EBITDA was PLN 293m for 9M 2011 (+5% y-o-y) and PLN 103m for Q3 2011 (+17% q-o-q)
- Reported net profit for 9M 2011 was PLN 15m and reported net profit for Q3 2011 was PLN 25m
- Netia was OpFCF⁴ positive in 9M 2011 (PLN 136m) and in Q3 2011 (PLN 39m)
- Netia successfully signed 2 major in-market consolidating acquisitions in Q3 2011
 - Acquisition of Telefonía Dialog strengthens Netia in Home and SoHo/SME market segments
 - Acquisition of Crowley Data Poland further supports Netia's Corpo and SME segments
 - Both transactions are subject to Competition Office clearance

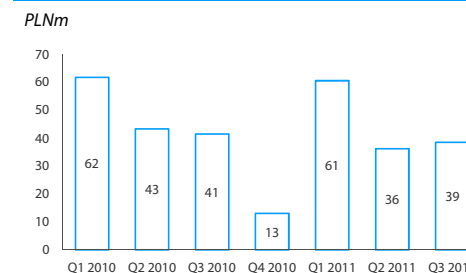
Revenue



Adjusted EBITDA³



OpFCF⁴



¹ Including SIP Trunk Corpo Clients reclassification in earlier quarters

² Including Ethernet networks acquisitions

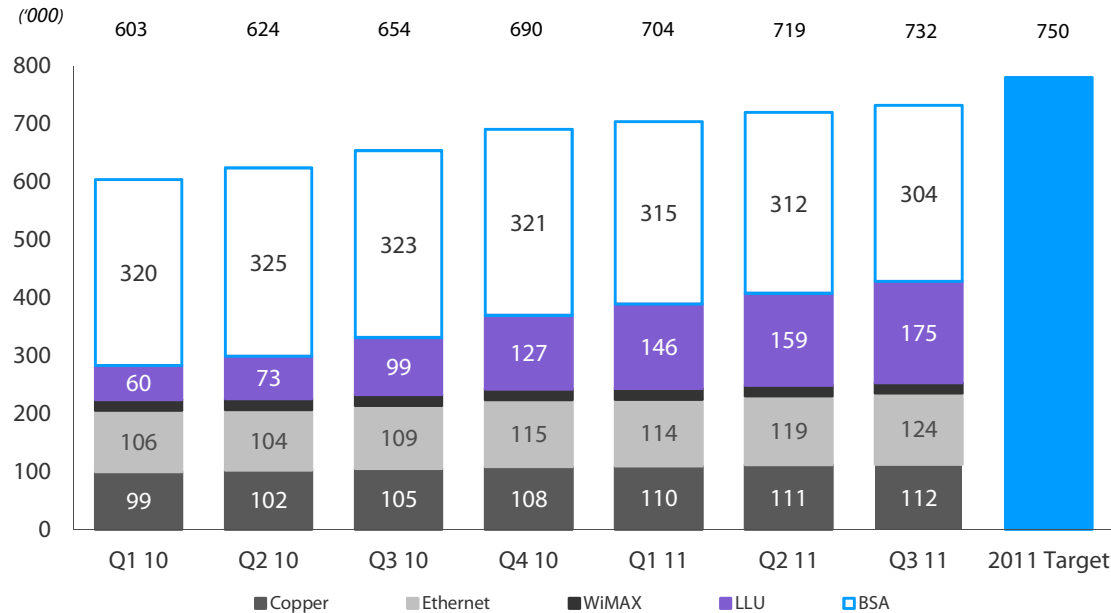
³ Adjusted EBITDA, Adjusted EBIT and Adjusted Profit exclude, as appropriate, impact from gains on sale of the transmission equipment to P4 (2010), expenses related to the CIT 2003 tax dispute (2011), provision for universal service obligation payment(2011), one-off restructuring costs related to the „Profit“ project (2010-2011) and M&A related costs (2011)

⁴ OpFCF = Adjusted EBITDA less capex, capex = investments in tangible and intangible fixed assets

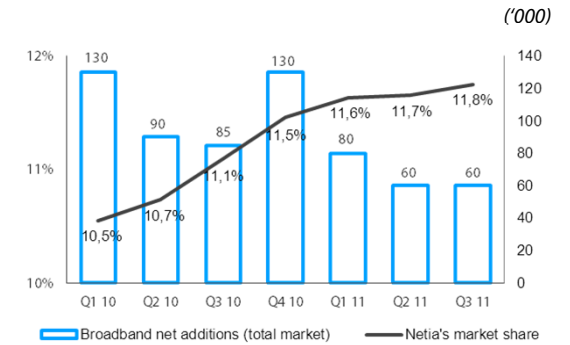
Broadband | Growing focus on LLU and ETTH acquisitions



Broadband ports



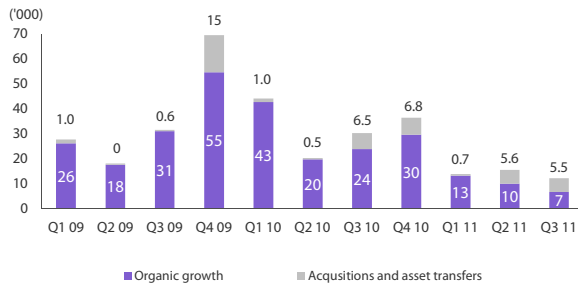
Fixed broadband market slowing



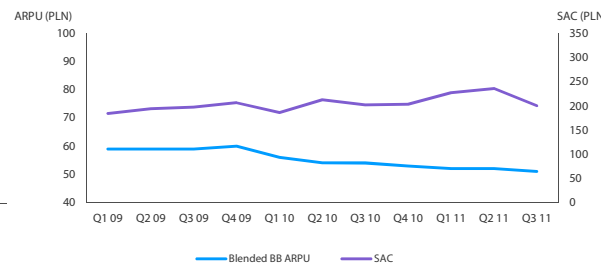
Comments

- Netia's share of broadband net additions for Q3 estimated at 20%²
- Market slowdown and high-end customer focus while TP remains price competitive on low-end reduces sales volumes
- LLU performing well at 175k (up 10% q-o-q)
- ARPUs down marginally to 51 PLN in Q3 from 52 PLN in Q1 and Q2
- Lower SAC driven by Netia Spot routers being capitalized
- Netia's guidance of 750k broadband subscribers by year end now includes the positive impact of ETTH acquisitions

Broadband net additions



Blended broadband ARPU/SAC



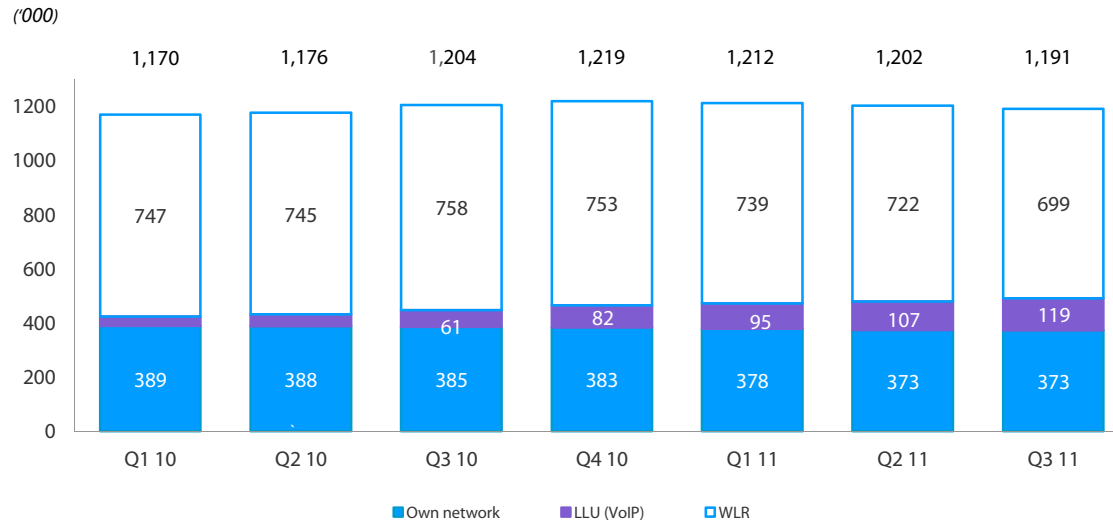
Source: Netia, public domain

1 Based on Netia's internal estimates of the total fixed broadband market volume, 2 Including ETTH acquisitions

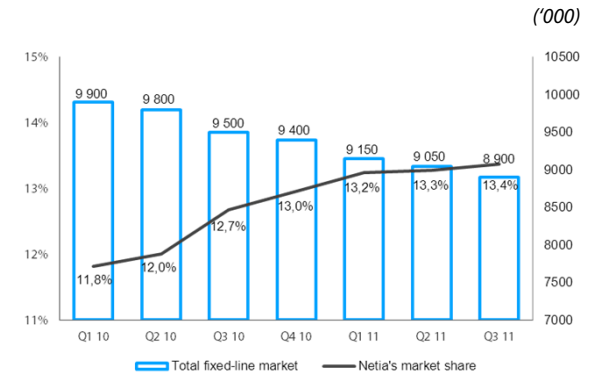
Voice | Volumes under pressure as Netia focuses on higher end



Voice lines¹



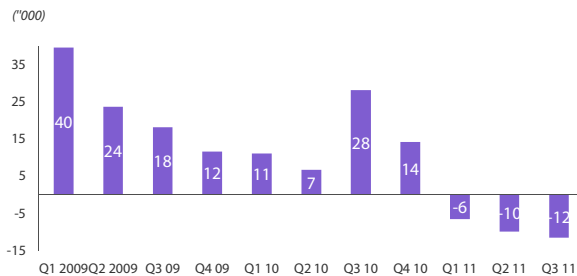
Fixed voice market performance¹



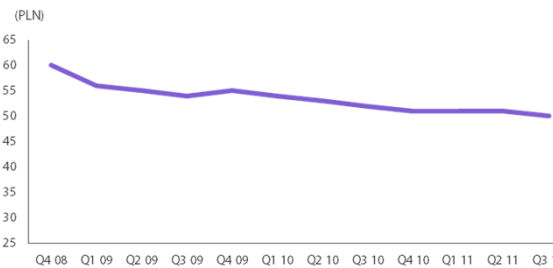
Comments

- 31% of customers served directly via Netia's own network
- Netia is targeting higher ARPU customers and upselling unlimited national call bundles in order to attract higher value customers
- WLR ARPU up over last 12 months while business ARPU declines pulling down blended average
- Stabilized blended voice ARPU in 9M 2011 at 50 PLN supporting stable top line from fixed voice services

Net additions



Voice ARPU



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

Guidance | Revision on the back of slower broadband market growth



<u>Guidance 2011</u>	<u>9M 2011</u>	<u>Y-o-Y change</u>	<u>Previous Guidance</u>	<u>Revisions</u>
Total revenues (PLNm)	1,192	+1%	1,610+	1,590+
Adjusted EBITDA (PLNm)	300	+10%	405+	-
Adjusted EBITDA margin (%)	25%	+2.0pp	25%	-
EBIT (PLNm)	67	+22%	70+	95+
Capital investment (excl. M&A) (PLNm)	164	+31%	230	-
Capital investment to sales (%)	14%	+1.8pp	14%	-
Operating free cash flow (OpFCF) (PLNm)	135	-8%	170+	-
Broadband subscribers ('000)	732	+12%	750	750 (incl. ETTH M&A) ¹
Voice subscribers ('000)	1,191	-2%	Withdrawn	-
Unbundled local loop (LLU) nodes	674	+54%	700	-

Recent acquisitions | Competition Office decision likely in 2-3 months



N E T I A

- On September 29th Netia signed two significant acquisition agreements
 - **Telefonia Dialog Group** for EV 890m PLN
EV/EBITDA 2011E **6.4x** stand alone or EV/EBITDA 2014E **4.0x** including full annualized synergies
 - **Crowley Data Poland** for EV 100m PLN
EV/EBITDA 2011E **6.0x** stand alone or EV/EBITDA 2013E **2.7x** including full annualized synergies
- Management is confident in its synergy projections to deliver more than **106m PLN in annual synergies** by 2014, which will be further refined during detailed integration planning prior to, and immediately after completing the acquisitions
- Both targets **fully in line with the recently announced Netia's Strategy 2020** which will now be adjusted to accommodate new group's potential for further growth
 - **Telefonia Dialog Group**: Home segment expansion, IPTV competences and platform, MVNO with Polkomtel
 - **Crowley Data Poland**: Corporate and SME segments' booster, acquired entrepreneurial team, LMDS technology
- **Objective to utilize surplus cash fully delivered**
 - PLN 344m to be invested in the two acquisitions
 - PLN 60m of the ongoing open market buyback of 2.5% of shares to be completed by year end
 - Pro-forma net debt post acquisition at comfortable level of around 1.0x EBITDA
- Closure of both transactions anticipated in December 2011 – January 2012 timeframe, dependent on Competition Office approval
- New Netia detailed 2012 and updated medium-term guidance to be announced in Q1/Q2 next year, dependent on closing dates and integration planning results
- Projected boost to profitability and cash generation will make New Netia **a sizeable European altnet with circa 3.0 million unique services in Poland** and further appetite for in-market consolidation supported by significant further borrowing capacity

NGA upgrade roll-out status update

- 365k NGA ready HPs able to render 3play to date
 - 314k VDSL upgraded HPs on copper networks
 - 51k FTTB upgraded HPs on ETTH networks
- Netia target 500k NGA ready HPs by 2011YE

Multi-year roll-out to accelerate

- 2011 roll-out capex at only PLN 12.8m as focused on VDSL curbs to existing DSLAMs
- Later phases more expensive as fiber-in-the-loop (FITL) investments required

Customer patterns shifting to personalized TV consumption

- Netia’s proprietary media box to launch in Q4 2011
- Introduction of new 2-way TV functionalities such as IPTV, web TV, streaming and widgets should help Netia Spot and other Netia’s proprietary boxes to attract attention from customers
- Netia is fully committed to IPTV roll-out in a commercially viable way and as of today already serves 2.6k IPTV customers with more to come during coming quarters

NGA potential coverage for New Netia

('000 homes passed)	HP	NGA Potential	NGA to 2011YE
CU	1,012	570	380
ETTH	532	370	120
LLU	4,545	1,150	-
Total	6,089	2,090	500
+ Dialog	650	450	200
TOTAL Pro-Forma	6,739	2,540	700

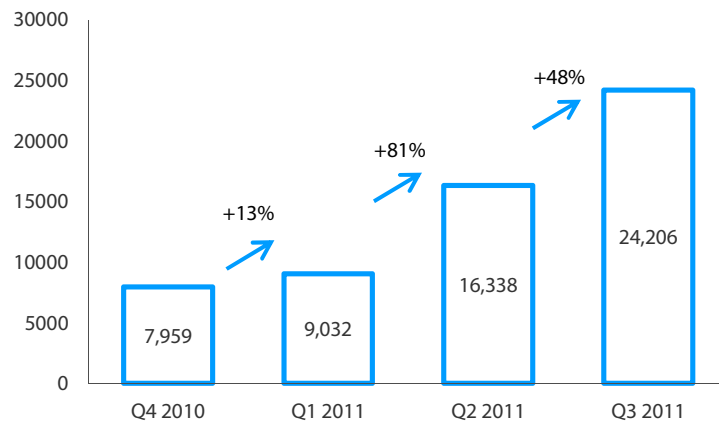
Note: For Dialog only Netia internal estimations



Key highlights

- Netia selling mobile voice to SMEs within integrated 'One Office' offer
- USB modems marketed to SME and existing residential customers (Home)
- Services provided in cooperation with P4 under an MVNO agreement
- Margins on mobile broadband comparable to BSA services

Mobile broadband subscriber base



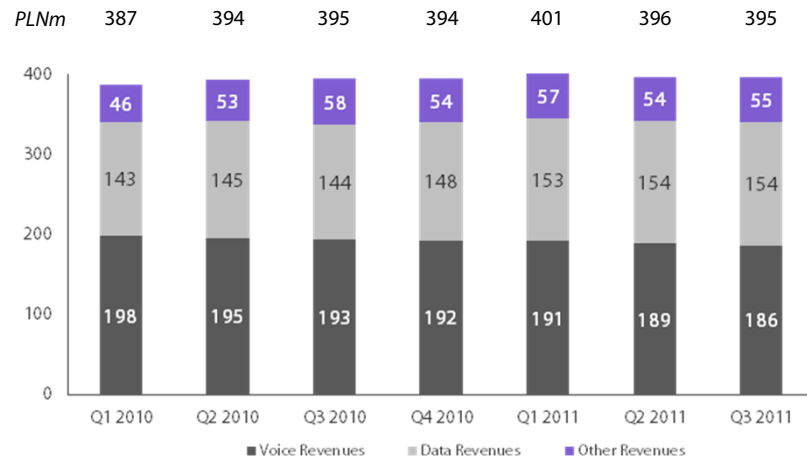
Financial performance | Key figures for Q3 2011



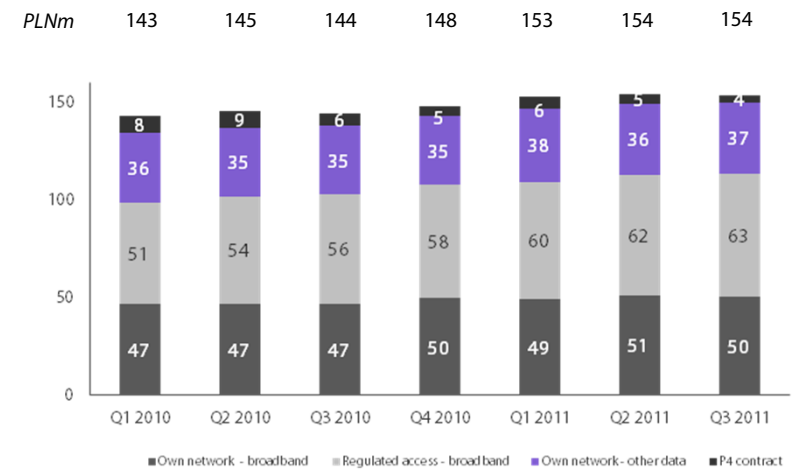
(PLN' 000)	2010				2011			Other comments
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Revenues	386,979	393,698	394,465	394,154	401,189	396,280	394,616	<ul style="list-style-type: none"> • Net loss in Q1 2011 due to PLN 58.3m of additional tax expense regarding CIT 2003; • Tax dispute moves on to the Supreme Administrative Court • Loan agreement signed for PLN 700m PLN <ul style="list-style-type: none"> - PLN 650m for Dialog acquisition - PLN 50m revolver • 5 year amortizing senior debt
Growth (% YoY)	3.0%	5.4%	6.5%	2.0%	3.7%	0.7%	0.0%	
Gross profit	126,763	131,484	115,869	119,201	130,955	123,956	124,670	
Margin	32.8%	33.4%	29.4%	30.2%	32.6%	31.3%	31.6%	
Adjusted EBITDA¹	90,807	95,425	85,525	87,737	101,504	92,832	105,457	
Margin	23.5%	24.2%	21.7%	22.3%	25.3%	23.4%	26.7%	
Growth (% YoY)	57.7%	29.4%	4.4%	14.3%	11.8%	(2.7%)	23.3%	
Adjusted EBIT¹	16,835	20,639	10,114	11,222	26,179	17,046	29,640	
EBIT	19,562	20,477	14,379	231,337	26,050	12,893	27,562	
Adjusted net profit¹	12,143	15,687	8,955	18,809	19,385	16,275	26,339	
Net profit/ (loss)	14,352	15,556	12,410	221,577	(23,045)	12,911	24,656	
Total assets	2,299,491	2,361,929	2,361,982	2,568,569	2,537,800	2,565,803	2,550,219	
Net cash and treasury bills	206,339	272,472	312,979	345,185	382,039	429,961	433,658	
Available credit lines	295,000	295,000	---	---	---	---	700,000	

¹ Adjusted EBITDA, Adjusted EBIT and Adjusted net profit exclude as appropriate: a non-cash gain on impairment reversal (Q4 2010), expenses related to CIT 2003 tax dispute (Q1 2011), one-off expenses related to the cost optimization program (the 'Profit' project) (2010-2011), M&A related expenses (Q4 2010-2011), a gain on sale of the tranches of transmission equipment to P4 (Q1 and Q3 2010), provision for the universal service obligation payment (Q2 2011) and impact from the one-offs on the income tax charge (2010-2011)

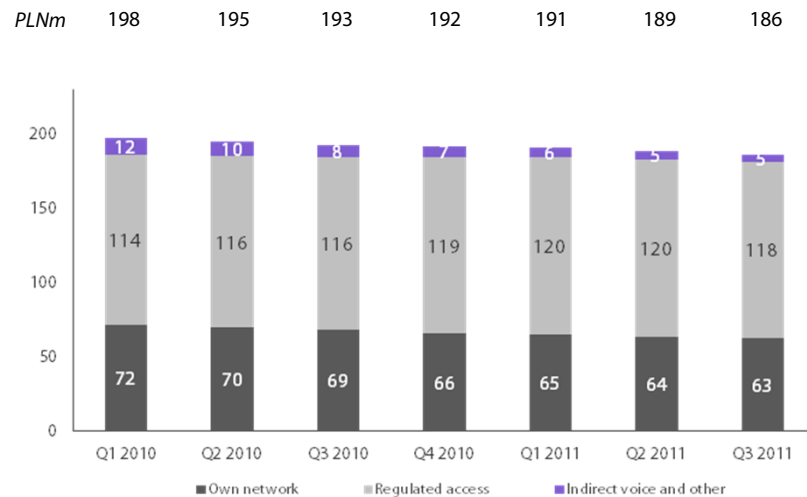
Revenue breakdown by service



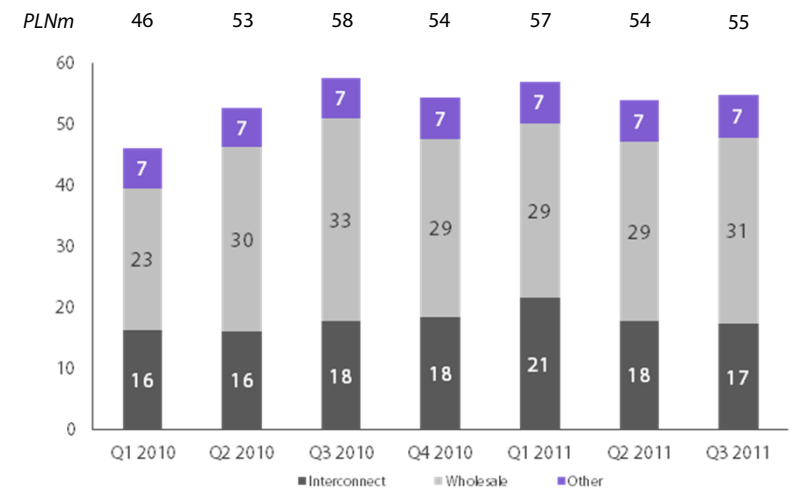
Data revenue breakdown by access



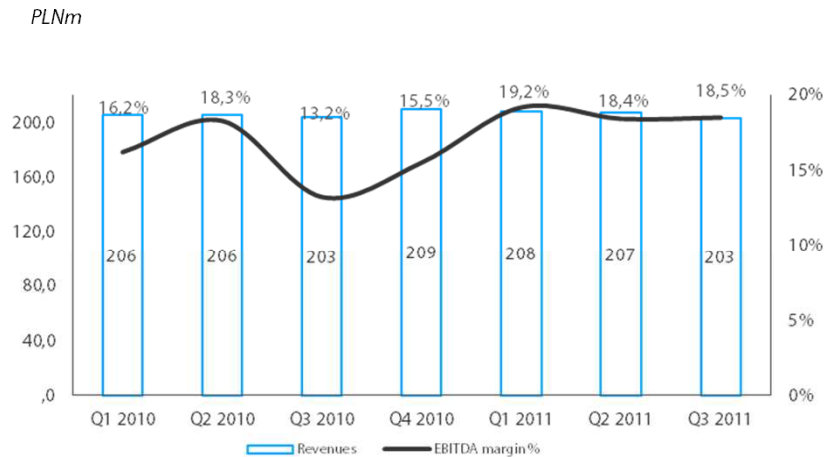
Voice revenue breakdown by access



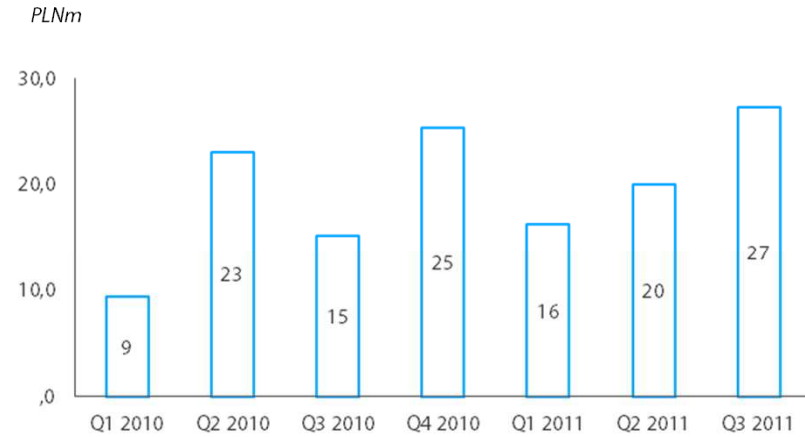
Other revenue



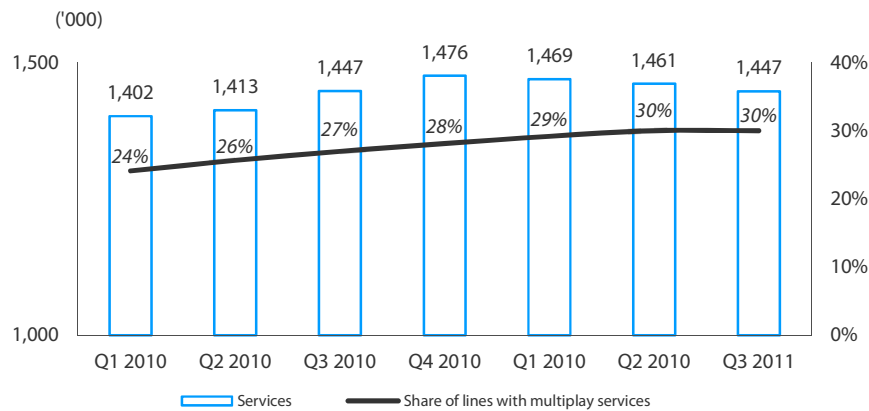
Revenue and EBITDA margin



Capex



Number of services¹

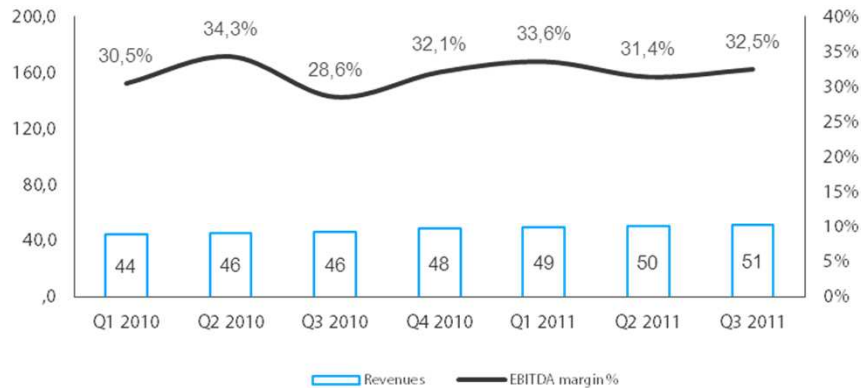


Comments

- Single play RGUs from low margin BSA and WLR services continued to churn in Q3 due to more competitive environment in low end customer segment
- 2play new additions on own network and LLU migrations support operating leverage improvements
- 3play offer to boost sales and services per unique subscriber in Q4 and more visibly in Q1 2012
- Sales channels being optimized to push 3play going forward
- Addition of Dialog will increase on-network share and margins as well as add TV competencies

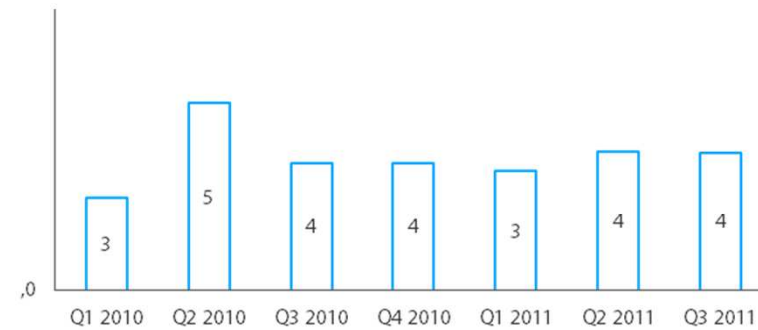
Revenue and EBITDA margin

PLNm

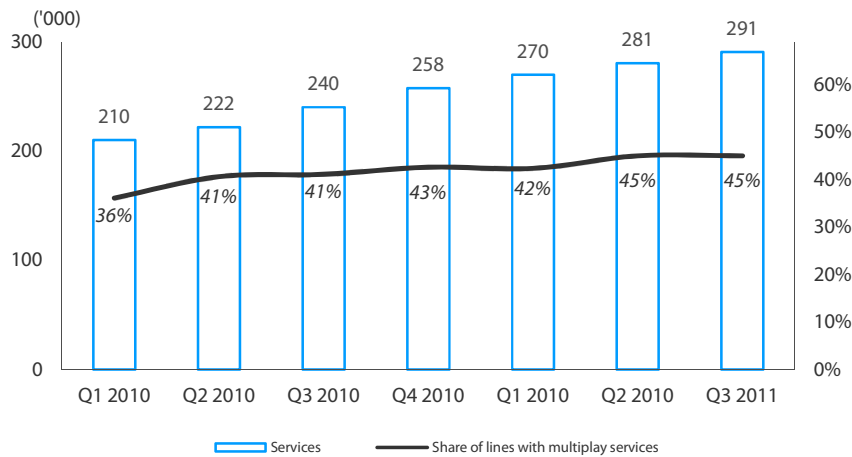


Capex

PLNm



Number of services¹

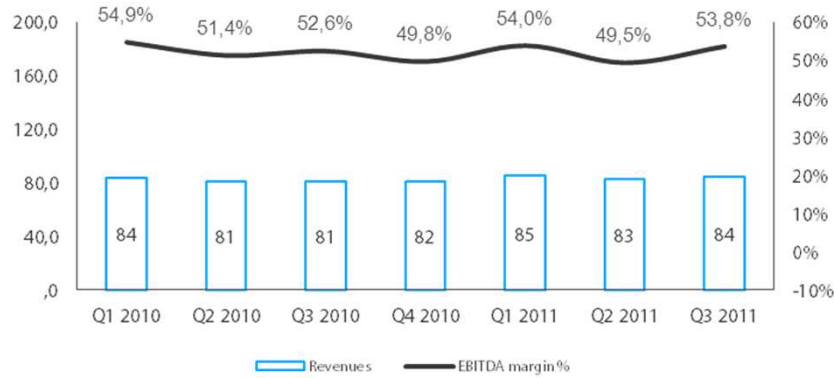


Comments

- Fastest growing segment with revenue up 11% y-o-y
- RGUs up 21% y-o-y due to aggressive customer acquisition
- Pressure on ARPU's due to economic and competitive environment is continuing
- Potential to keep growing market share over regulated access
- Segment shortly to be strengthened by acquisition of Crowley Data Poland

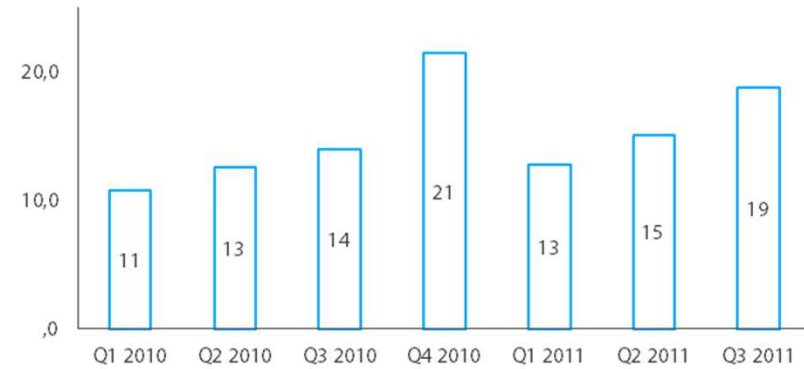
Revenue and EBITDA margin

PLNm



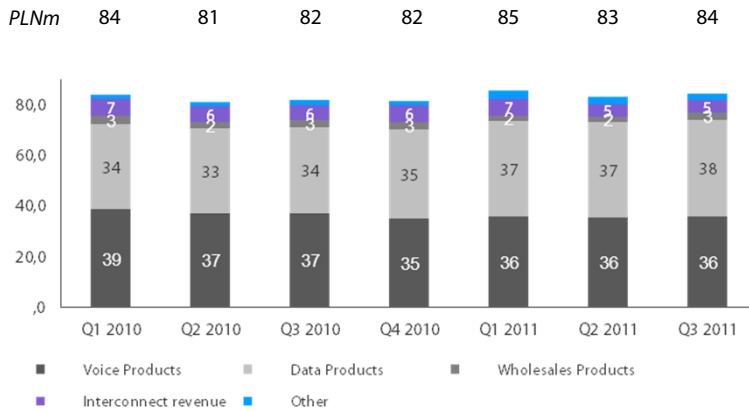
Capex

PLNm



Revenue breakdown by type of service

PLNm

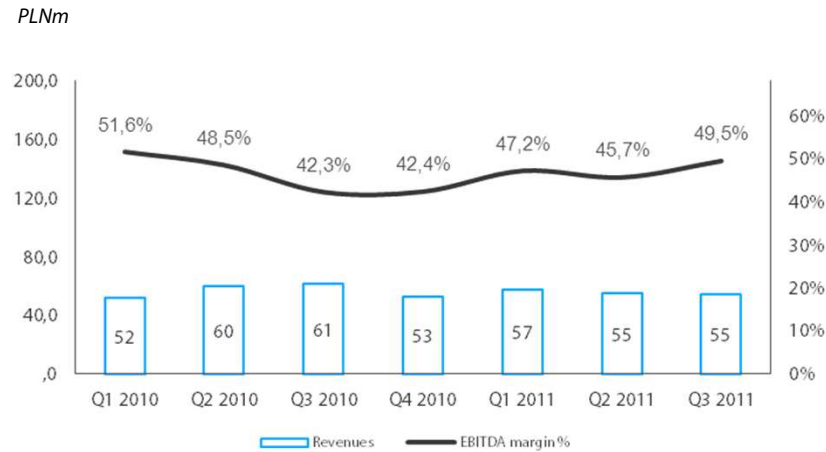


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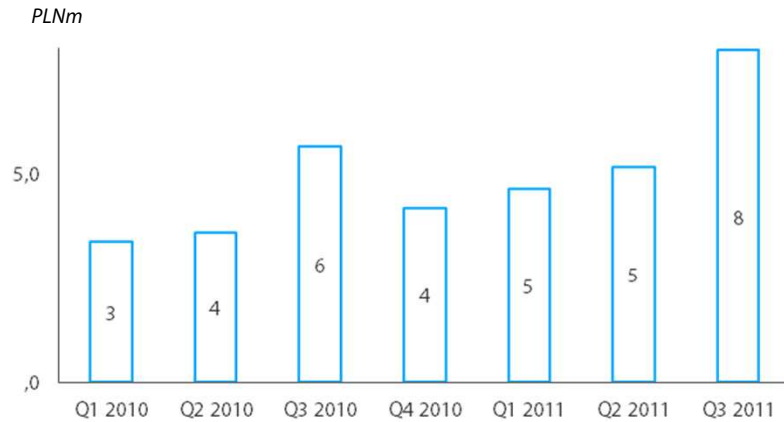
- Cash generative and stable business model
- Winning exposure to data services is increasingly important to drive revenues
- Strategy refresh in 2010 starting to deliver progress in revenues (+4% y-o-y)
- High operating margin as most services provided over Netia's own infrastructure driving 1:1 capital expenditure

Source: Company
 Note: In Q1 2011 Netia reclassified certain revenues between Corporate and Carrier client segments. Accordingly, the comparative figures for all quarters of 2010 were restated and therefore vary from the numbers reported previously.

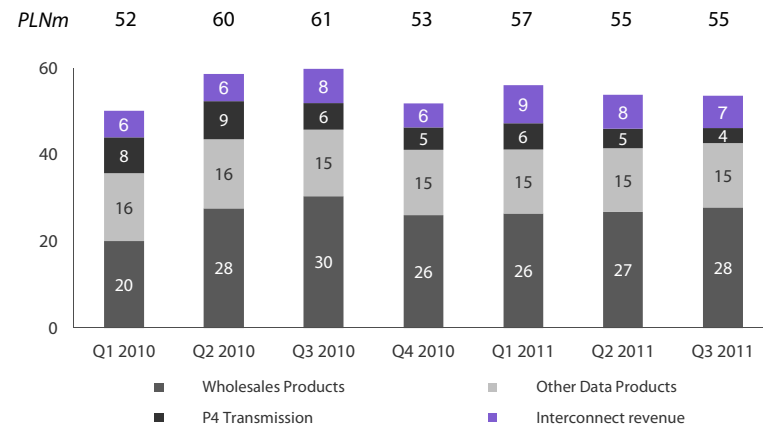
Revenue and EBITDA margin



Capex



Revenue breakdown by type of service



Comments

- Strong cash generative and stable business model
- Revenues down on 2010 due to P4 contract, less low margin transit volumes
- Contribution mainly from data transmission and opportunistic carrier contracts
- Traditionally high operating margin based on leasing Netia's own spare capacity

Note: In Q1 2011 Netia reclassified certain revenues between Corporate and Carrier client segments. Accordingly, the comparative figures for all quarters of 2010 were restated and therefore vary from the numbers reported previously.

Note: EBITDA margin was restated to exclude an impact from the sale of transmission equipment to P4 in tranches in Q1 and Q3 2010.

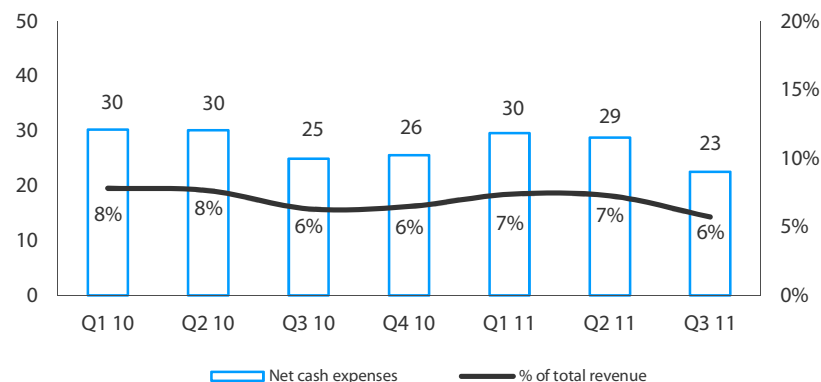
Operating expenses | Flexible cost structure helps to drive expenses down



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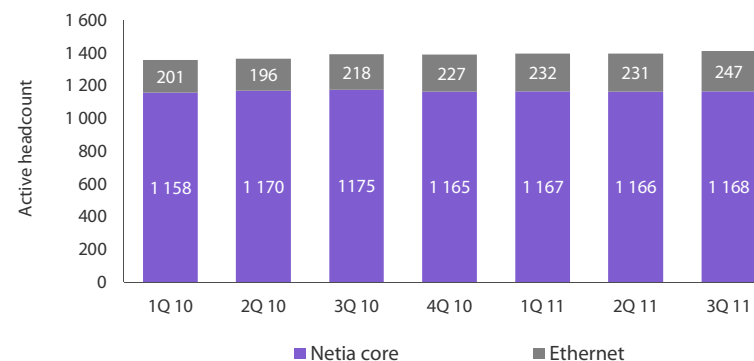
Other operating segment net cash expenses¹

PLNm

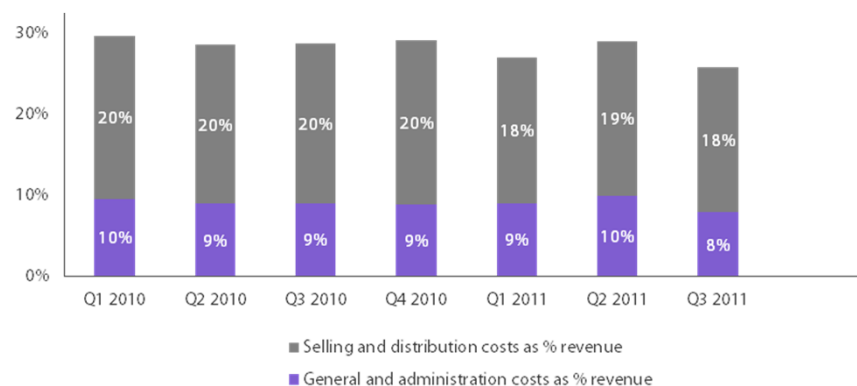


Headcount

Total headcount ²	1,410	1,416	1,450	1,441	1,452	1,454	1,467
Active headcount ³	1,359	1,366	1,393	1,392	1,399	1,397	1,415



Total SG&A to revenue (%)⁴



Comments

- Active headcount at 1,415 in Q3 2011 – the year-on-year increase was driven by the acquisition of new Ethernet companies
- G&A in Q3 2011 back to regular levels without major one-offs
- Lower SOP provisions and reductions in labor related costs such as bonus scheme for sales had additional positive impact on the expense level

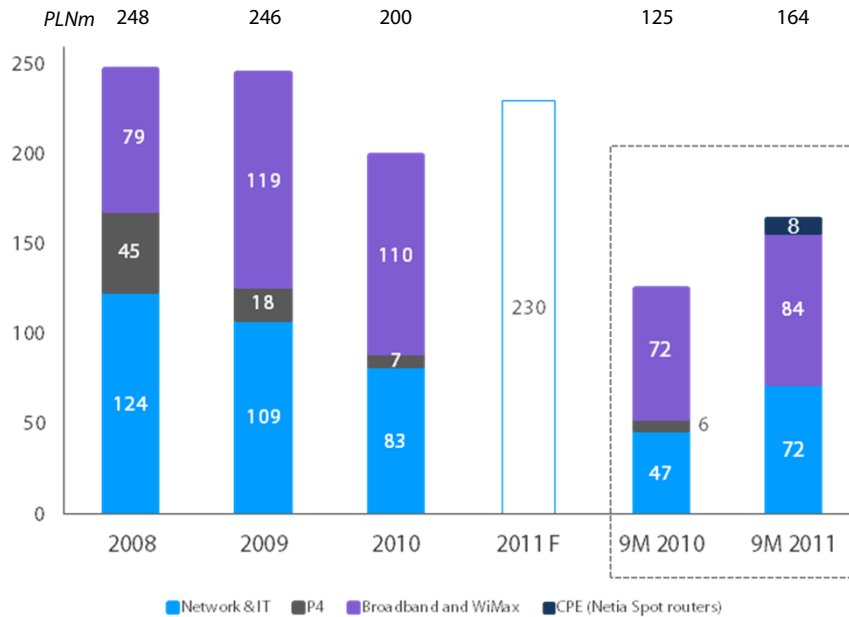
¹ Net cash expenses were adjusted by the following one-off items: a non-cash gain on impairment reversal (Q4 2010), one-off expenses related to the cost optimization program (the 'Profit' project) (2010 and Q2 2011), provision for universal service obligation payment (Q2 2011) and M&A related expenses (Q4 2010 and H1 2011)

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

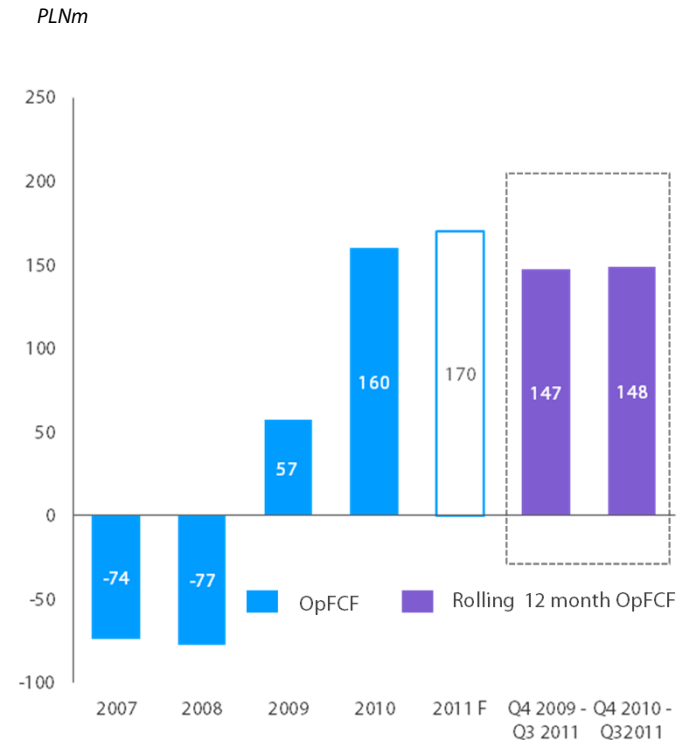
⁴ Excluding related one-off items

Capital investments



- Netia continues to invest in growth, mainly in the residential segment to provide for increasing volumes of subscribers and capacity for higher speeds
- Higher capex in existing network and IT reflects an acceleration on spending to activate new corporate customers with data services
- Capex related to broadband networks in 9M 2011 reflects mainly the LLU roll-out with respect to newly unbundled nodes and upgrades of the transmission capacity
- NGA spending to cover 500k homes passed in 2011 with just PLN 12.8m of higher capex spend while set-top box capex will drive spending in 2012
- Proprietary 'Netia Spot' is capitalized and rented to customers

Operating FCF¹



- Netia was operating free cash flow positive in Q3 2011 with cash generation at PLN 38m
- OpFCF for 9M 2011 amounted to PLN 148m (before acquisitions)
- On track to meet full year guidance of PLN 170m OpFCF

EBITDA reconciliation to Net Profit | Comments



N E T I A

<i>PLN'000</i>	9M 2010	9M 2011	Change
Adjusted EBITDA	271,757	299,793	+10%
Unusual Items:			
Gain on disposal of transmission equipment to P4	7,298	-	<i>nm</i>
Provision for universal service obligation payments	-	(2,380)	<i>nm</i>
Restructuring costs	(468)	(274)	<i>nm</i>
M&A related costs	-	(3,706)	<i>nm</i>
EBITDA	278,587	293,433	+5%
Depreciation and amortization	(224,169)	(226,928) ¹	+1%
EBIT	54,419	66,505	+22%
Net financial income / (costs)	175	14,307 ²	<i>nm</i>
Profit before tax	54,593	80,812	+48%
Current tax and deferred tax (expense)/income	(12,275)	(7,965) ¹	<i>nm</i>
<i>CIT 2003 tax dispute expense</i>	-	(58,325) ³	<i>nm</i>
Profit/ (Loss)	42,318	14,522	-66%
Number of shares (basic)	389,318,447	390,579,740	<i>na</i>
EPS (in PLN, basic)	0.11	0.04	<i>nm</i>

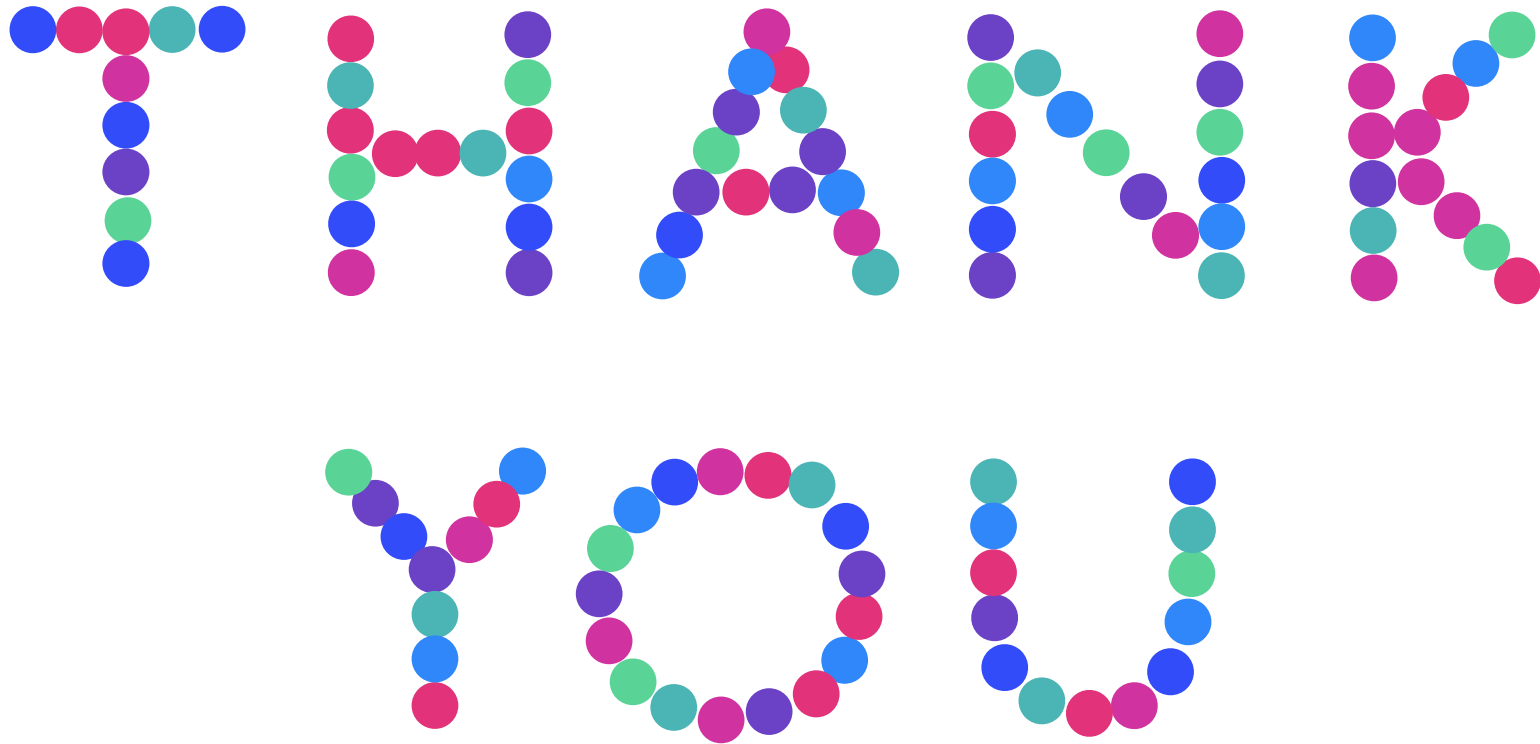
¹ Depreciation life of access networks were extended due to the decision to upgrade to VDSL taken as a part of strategy 2020. This in turn led to an increase in deferred tax assets recognized of approximately PLN 16m

² Financial income up due to higher interest income, no bank fees on undrawn loans and hedging gains

³ Following the adverse court decision of March 15, 2011 Netia has expensed the disputed 2003 tax claim and interests of PLN 58.3m. The amounts were paid in full in Q1 2010. Netia is appealing to the final instance



- Solid quarter from Netia in a challenging market environment
- 2play focus contributes to higher profitability despite some churn seen on 1play BSA and WLR customers
- 700 node LLU roll-out almost complete while NGA upgrades to 500,000 homes passed on target for 2011YE
- IPTV and 3play cross-sell potential expected to have a major positive impact on Netia's top line in quarters to come with sales efforts ramping up in Q4 2011
- Completion of the acquisitions of Telefonica Dialog and Crowley Data Poland pending approval from the Competition Office – detailed integration planning underway in Q4 2011
- Stable cash flow generation and Q3 margin rebound keeping Netia on track to deliver financial guidance for 2011



N E T I A