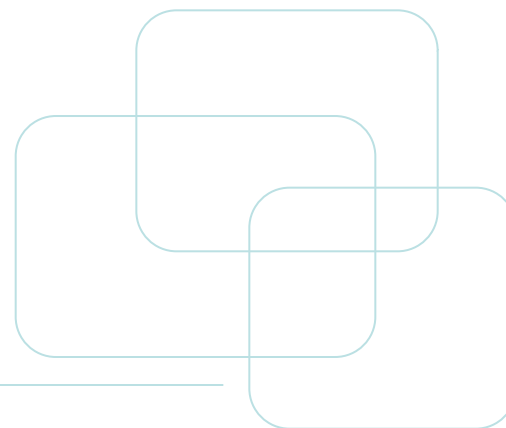




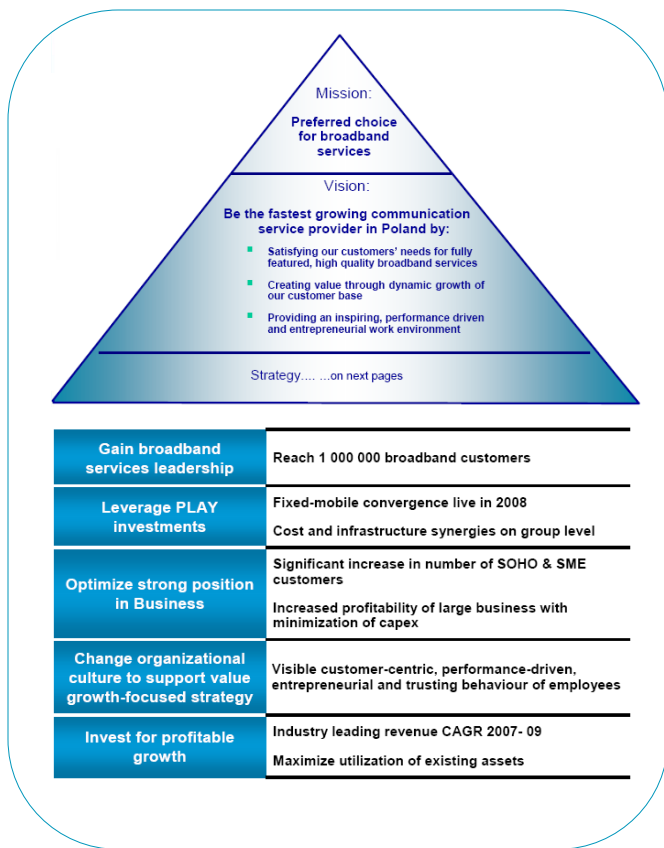
## *Netia Strategy towards 2020*

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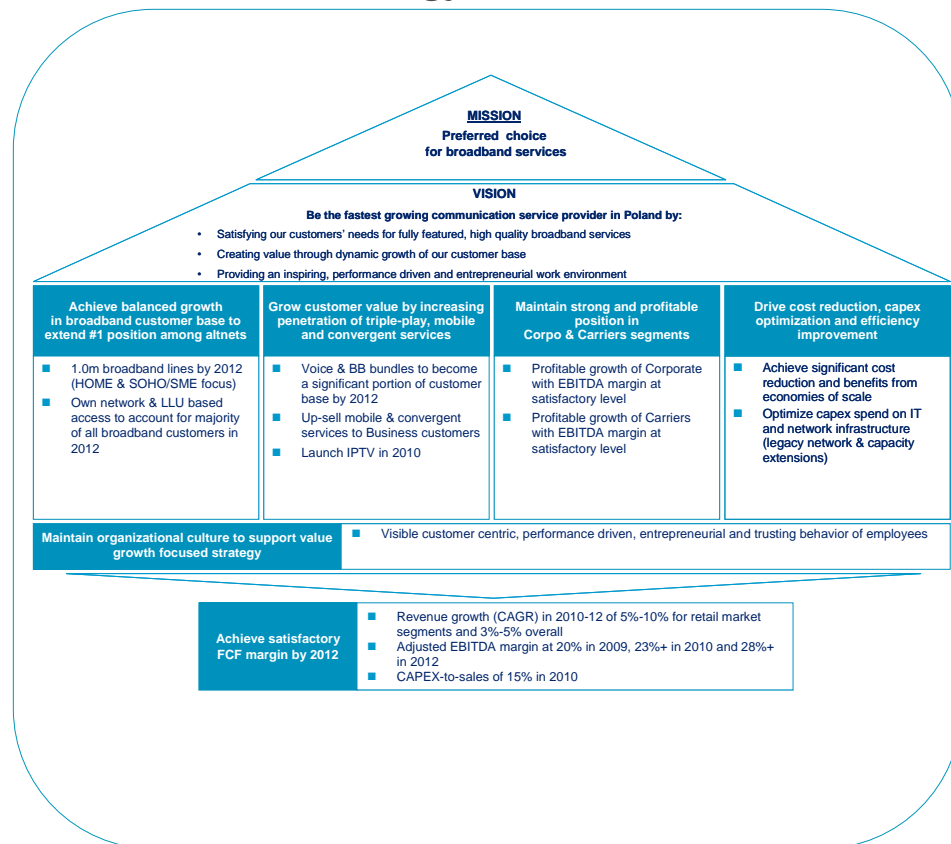


# Since 2007 Netia's strategic goal has been to be the fastest growing service provider and a preferred choice for broadband services in Poland

## Strategy as Announced



## Strategy as Revised



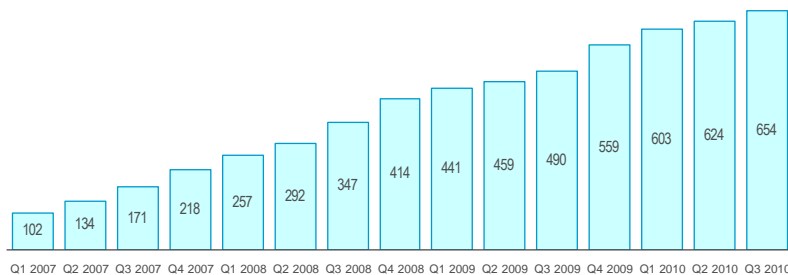
### Revision Triggers

- Divestment of Netia's minority stake in P4 in early 2008
- Acquisition of Tele2 Polska majority stake by Netia in late 2008
- Anticipated launch of IPTV services (originally planned for 2010)

# Netia's consistent strategy execution has turned around the Company's key results and we remain on track to meet our mid term financial goals

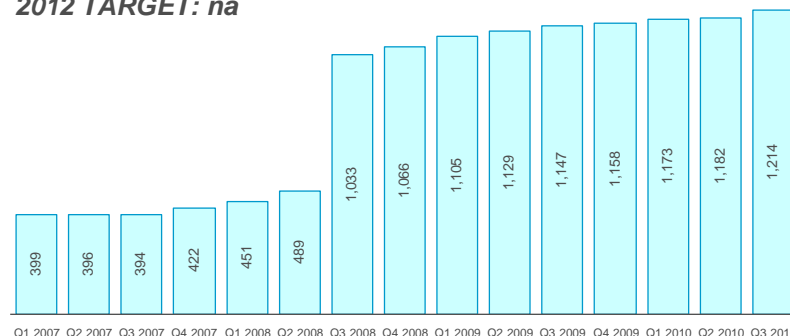
## Broadband services ('000)

2012 TARGET: 1 million subs



## Voice services ('000)

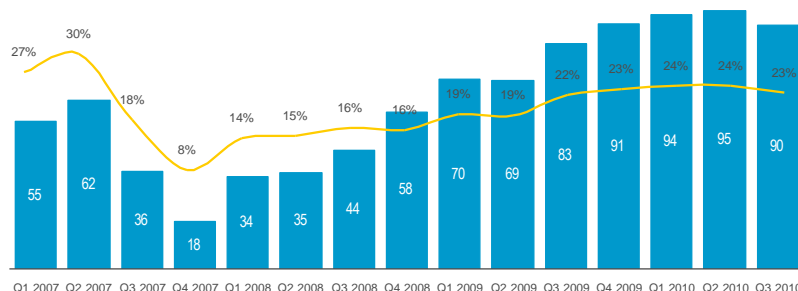
2012 TARGET: na



## EBITDA (PLNm)

2012 TARGET: 28% EBITDA margin

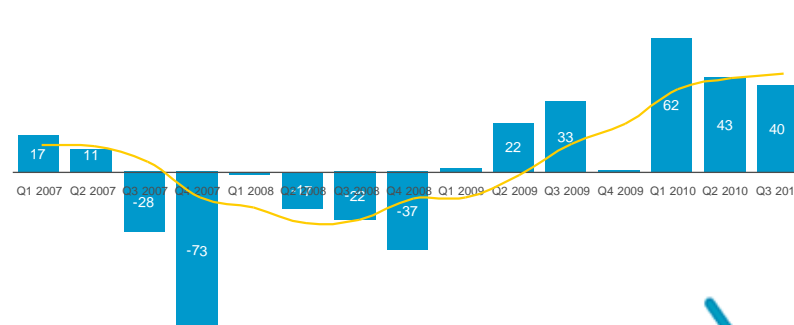
EBITDA margin %



## OpFCF<sup>1</sup> (PLNm)

2012 TARGET: improving OpFCF trend

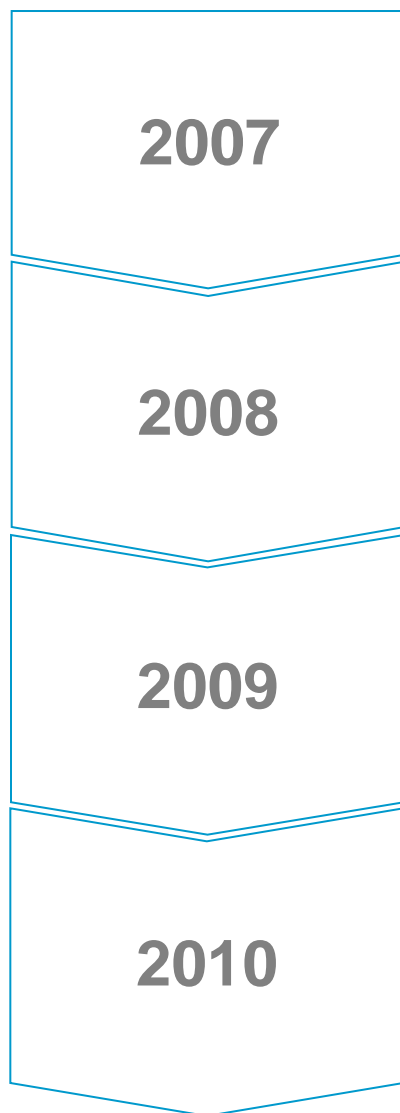
12M OpFCF moving average



### Netia Strategy towards 2020

<sup>1</sup> Operating FCF = EBITDA less capex, EBITDA as reported less investments in tangible and intangible fixed assets

# Most of key milestones of this strategy have already been achieved demonstrated by attained scale of operations and universe of products



Strategy realization

## Increase number of customers

- Expand distribution and back-office capacity to serve Home market nationally
- Aggressive acquisition of broadband customers based on geo-marketing
  - Leading position in Bitstream
  - Optimization of WiMax investments
  - Selective acquisition of high quality Ethernet access networks
- Acquisition and integration of Tele2 Polska

## Broaden portfolio of services

- Early entry into LLU and quick roll-out in most attractive areas
- Internet VAS and content to increase ARPU and customer loyalty
- Mobile and convergent services through partnership with Play
- Further profitable growth of Corporate and Wholesale segments

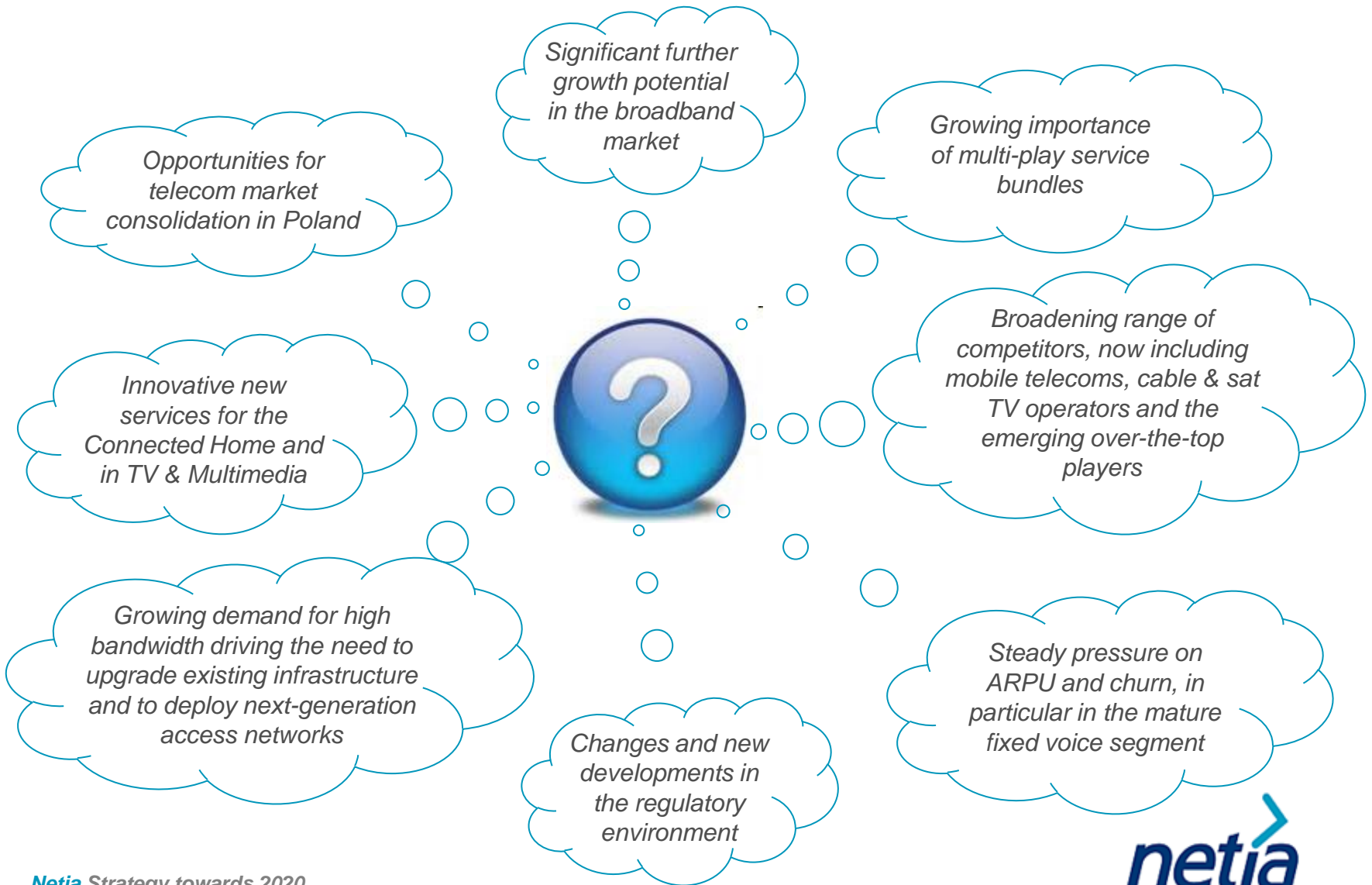
## Increase customer value to drive profitability

- Increase coverage of LLU and migrate Bitstream / WLR customers onto LLU
- Sales focus on cross-selling to multi-play
- Maintain high EBITDA margin from Corporate & Wholesale
- Continued acquisitions and integration of local Ethernet networks
- Execute cost reduction initiatives and increase efficiency with economies of scale

## Net profits and FCF positive

- Continue cost reduction and efficiency improvement
- Focus on Infrastructure Based Access and 2play customers
- Increase contribution from broadband customers
- Implementation of 3play including TV pending completion
- Klientomania project currently in progress

# Changes in the telecom environment led us to think beyond 2012 to better address the emerging opportunities and the potential threats



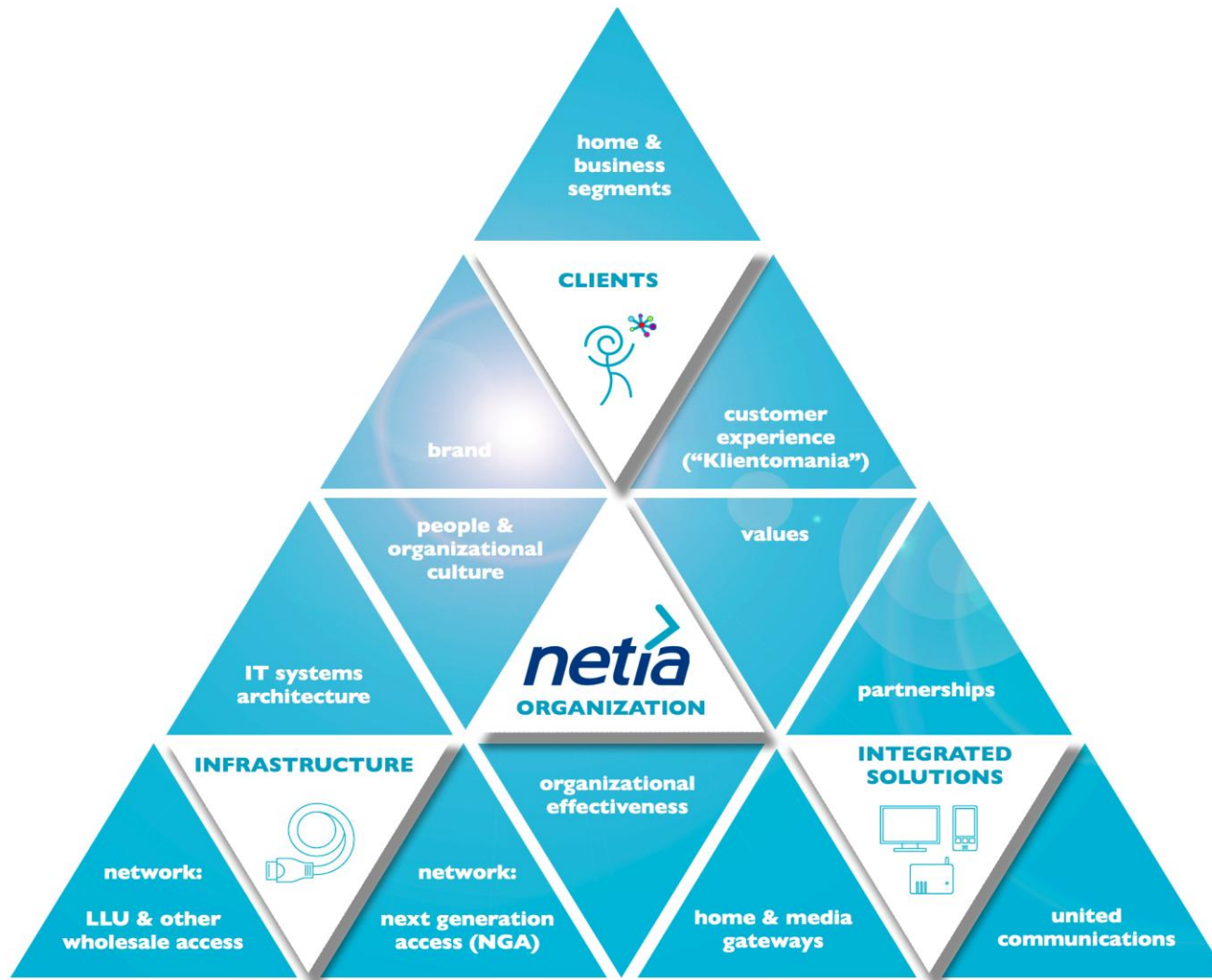
While still targeting 1 million broadband clients by 2012 today Netia has a clear Vision and Mission on its strategic path towards 2020...



*By 2020 Netia will profitably grow to be Poland's No.1 on-line gateway through:*

- Delivering integrated and easy to use solutions
- Providing a superior customer experience, and
- the Drive of passionate employees inspired by our values

...which is translated into a balanced growth strategy based on four focus areas for Netia's future value proposition to the market and investors



# Four main focus areas underline where Netia wants to see its competitive advantages built and value created for customers and shareholders

## *Customers*

- Excellence in processes that run through critical customer touch-points to deliver customer experience distinctly better than with the key competitors
- Streamlining customer processes to optimize operational and financial performance
- Recognized & well-perceived brand as a core asset supporting our strong market position in the Home & Business segments

## *Integrated solutions*

- Portfolio of integrated solutions that comprehensively meets the communication & entertainment needs of our Home & Business customers
- Strong expertise to consistently design & launch customer-winning propositions
- Ability to design user-friendly & intuitive interface and deliver effortless user experience
- Strong partnerships and seamless integration of third-party products & devices within our solutions





## *Infrastructure*

- Own access network infrastructure largely upgraded to Next Generation Access (NGA)
- Migration from regulated & wholesale access to own infrastructure once sufficient local scale had been achieved to enable value-creating own network deployment
- Optimisation of network roll-out cost and risk-sharing through co-investment & cooperative arrangements, offering wholesale services to third-parties and leveraging public & EU funds
- IT architecture supporting seamless & effective delivery of critical business processes





## *Organisation*

- Agile, effective and flexible organization & processes
- Company values strongly reflected in employee behaviour
- Passion for exceeding customer expectations by going the extra mile
- Strong & deep employee empowerment across all organizational levels
- Senior and middle management strongly motivated by stock option plan

# 2011 and 2012 will become transition years for Netia with key strategic projects completed (such as LLU or Klientomania) or initiated (such as NGA)

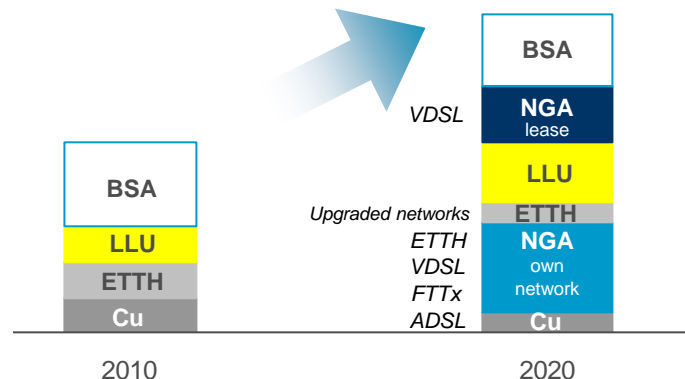
	 <b>Clients</b>	 <b>Clients</b>	 <b>Infrastructure</b>	 <b>Integrated solutions</b>
	<b><i>Grow customers organically and through M&amp;A</i></b>	<b><i>Deliver superior customer experience</i></b>	<b><i>Leverage regulated access and extend own infrastructure</i></b>	<b><i>Provide integrated solutions for Home &amp; Business customers</i></b>
<b>2010</b>	<ul style="list-style-type: none"> <li>● Grow Home and SOHO/SME customer base with focus on direct infrastructure (LLU, ETTH, Cu)</li> <li>● Set-up for focused growth in Corpo behind data services</li> <li>● Continue ETTH M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>● Implement initial set of initiatives from the "Klientomania" program</li> <li>● Define target IT systems architecture and optimized business processes</li> </ul>	<ul style="list-style-type: none"> <li>● Finalize roll-out of the first 500 LLU nodes</li> </ul>	<ul style="list-style-type: none"> <li>● Set up &amp; test process for targeting new partners</li> </ul>
<b>2011</b>	<ul style="list-style-type: none"> <li>● Continue customer base growth driven by multi-play bundles (fixed &amp; mobile BB, TV, voice)</li> <li>● Grow Corpo revenue at above market growth rate</li> <li>● Continue ETTH M&amp;A</li> <li>● Aim to secure a transformational acquisition</li> </ul>	<ul style="list-style-type: none"> <li>● Establish "Klientomania" as on-going organizational improvement process</li> <li>● Customer satisfaction on par with market leaders despite reliance on regulated products</li> <li>● Implement high priority elements of target IT systems architecture &amp; business processes</li> <li>● Deploy showrooms for "Netia experience"</li> </ul>	<ul style="list-style-type: none"> <li>● Pursue selective NGA upgrades in ETTH networks and run commercial NGA test to validate business assumptions</li> <li>● Initiate upgrade of own copper to VDSL</li> <li>● Explore co-investment in NGA roll-out</li> <li>● Extend LLU roll-out to 700 nodes</li> </ul>	<ul style="list-style-type: none"> <li>● Launch integrated TV &amp; multimedia access solution for Home</li> <li>● Develop Unified Communications concept for Business</li> <li>● Establish relationships with selected group of partners (multimedia content, integration services, applications &amp; software)</li> </ul>

# Beyond 2012 our strategic focus will be on leveraging existing competitive advantages combined with superior customer experience and integrated offer

	 <b>Clients</b>	 <b>Clients</b>	 <b>Infrastructure</b>	 <b>Integrated solutions</b>
	<b><i>Grow customers organically and through M&amp;A</i></b>	<b><i>Deliver superior customer experience</i></b>	<b><i>Leverage regulated access and extend own infrastructure</i></b>	<b><i>Provide integrated solutions for Home &amp; Business customers</i></b>
<b>2012 - 2015</b>	<ul style="list-style-type: none"> <li>● 15% to 20% market share in broadband</li> <li>● Above average share in areas with own infrastructure</li> <li>● Clear #2 in Corpo segment after TP</li> <li>● Selective market consolidation M&amp;A and in ETTH segment</li> </ul>	<ul style="list-style-type: none"> <li>● Clear #1 on customer satisfaction and its key drivers</li> <li>● Target IT systems architecture &amp; business processes fully implemented</li> <li>● Process management in line with best practices</li> </ul>	<ul style="list-style-type: none"> <li>● Majority of own copper and ETTH upgraded to NGA</li> <li>● Consider wider own NGA roll-out</li> <li>● Public / EU funds used to extend reach of NGA beyond currently commercially viable areas</li> </ul>	<ul style="list-style-type: none"> <li>● ¼ of Netia customers subscribing to our TV &amp; multimedia services</li> <li>● Consider extending TV &amp; multimedia solution to three screens (TV, PC, mobile)</li> <li>● Established portfolio of partnerships in Home &amp; Business</li> </ul>
<b>2016 - 2020</b>	<ul style="list-style-type: none"> <li>● Fixed broadband penetration saturating</li> <li>● Netia, consolidated CATV and TP as “peer powers” in Home</li> <li>● Netia as the leading alternative to TP in Business</li> <li>● Over 20% value share within the fixed telecoms market</li> </ul>	<ul style="list-style-type: none"> <li>● Customer experience distinctly and consistently better than for key competitors</li> <li>● Excellence in processes that run through critical customer touch-points</li> </ul>	<ul style="list-style-type: none"> <li>● Portfolio of own &amp; regulated access infrastructure, both on NGA &amp; traditional networks</li> <li>● More than ⅓ of customers on NGA (own &amp; regulated)</li> <li>● Explore opportunities to migrate further customers to own NGA from regulated access NGA and from LLU</li> </ul>	<ul style="list-style-type: none"> <li>● Customer intimacy &amp; know-how to create customer-winning solutions</li> <li>● Capability to deliver seamless integration of third-party products and intuitive multi-device user interface</li> <li>● Strong partnerships</li> </ul>

# Netia's strategic vision for network transformation and margin expansion

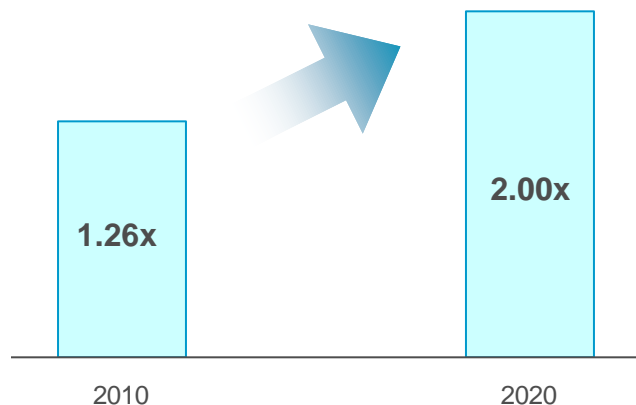
## Planned evolution of Netia clients by technology



## More customers on high margin own networks

- NGN and VDSL solutions will be commercially trialed before Netia commences roll-out
- Netia expects to be able to keep investment spending below 15% in relation to annual revenues even in peak roll-out years
- Network transformation is expected to take place between 2012 and 2016

## RGU<sup>1</sup> per subscriber in Residential Segment (x)<sup>2</sup>



## More customers taking multi-play services<sup>1</sup>

- RGUs will be driven by further progress on double-play services and introduction of TV services in 2011
  - TV pilot introduced already in Q4 2010 in select regions

# Mid term guidance and long term outlook remain stable while balanced growth should drive improvements of Netia's financial position in future

## Medium term guidance (Until 2012)

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

## Strategic Financial Goals (Beyond 2012)

**Blended<sup>1</sup> 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

# Netia's M&A Activity and Distribution Policy will be closely interrelated

## 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

# Summary

- We have been successfully delivering our current strategy and most of its key strategic goals - established back in 2007 - have already been or are being achieved
  - We will continue to deliver on the existing guidance through 2012 while next 24 months will become a transition period for Strategy 2020 implementation
- Strategy 2020 will lead Netia to be Poland's No. 1 on-line gateway, delivering integrated and easy-to-use solutions, providing superior customer experience, driven by passionate employees inspired by our values
  - Strategy 2020 will focus on growing Netia's customer base and their value through delivery of integrated telecom services and media solutions to end users while providing unique superior customer experience at the same time
  - Next Generation Infrastructure (NGA) will support us in developing and rendering innovative, high quality and easy-to-use services to our customers
  - Finalizing LLU roll-out combined with NGA upgrade in select parts of our Copper network as well as implementation of commercial TV services will facilitate integrated product offerings comprising 3play+ driving customer value and enhancing customer experience
  - We will continue to penetrate the market with regulatory access in search of new residential clients while strong focus will be maintained on our traditionally very effective business segments
  - Netia will focus on opportunities in M&A, including ETTH acquisitions, and transformational value-enhancing transactions in particular
    - 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
  - Delivering 'best-in-class' financial and operating performance among European peers will be Netia's key focus over the long term through rising market share and increasing profitability



*Thank you*