Q3 and YTD 2012 Financial Results

Conference call for investors

November 8th, 2012

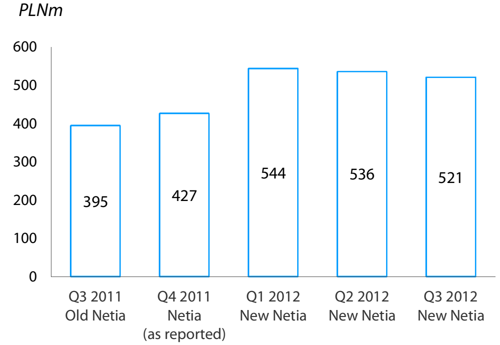
NETIA

Key highlights | YTD and Q3 2012

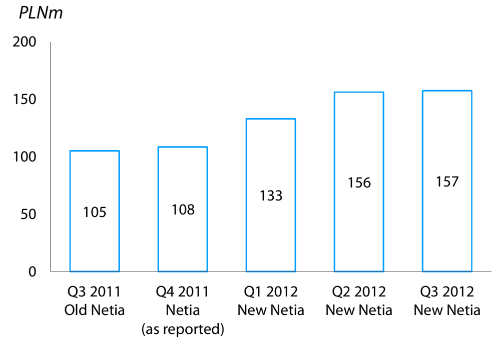
N E T I A

- Revenue was PLN 1,602m for 9M 2012 (+34% y-o-y) and PLN 521m for Q3 2012 (+32% y-o-y, -3% q-o-q)
- Netia's residential subscriber base continued to contract while business segments remained stable in Q3
  - 889k broadband services (+21% y-o-y, +0% y-o-y pro-forma, -2% q-o-q)
  - 1,678k voice services (+41% y-o-y, -5% y-o-y pro-forma, -2% q-o-q)
  - Market shares at 13.7% for fixed broadband[1] and 20.0% for fixed voice
  - 73k TV services (+57% y-o-y-pro-forma, +2% q-o-q)
  - 95k mobile services (+28% y-o-y pro-forma, -1% q-o-q)
  - 703k Business[4] RGUs (+1% q-o-q) and 1,996k Residential RGUs (-3% q-o-q)
- Stable profitability supported by synergy extraction from Dialog and Crowley acquisitions
  - Adjusted EBITDA[2] was PLN 447m for 9M 2012 (+49% y-o-y) and PLN 157m for Q3 2012 (+1% q-o-q)
  - EBITDA was PLN 407m for 9M 2012 (+39% y-o-y) and PLN 148m for Q3 2012 (10% q-o-q)
- Netia was PLN 244m OpFCF[3] positive in 9M 2012 (+80% y-o-y) and PLN 84m in Q3 2012 (-4% q-o-q)
- The comprehensive „CDN" integration project is progressing as planned
  - Crowley and Netia as well as Dialog and Avista legal mergers completed in July and August 2012
  - 75 Opex Synergy initiatives & 19 Capex Synergy initiatives completed (+21 q-o-q and +6 q-o-q respectively)
  - The total integration project impact at PLN 48m in Opex and at PLN 13m in Capex in terms of YTD synergies as of September 30, 2012 (+PLN 24m and +PLN 7m respectively)
  - Extended service contract with Ericsson covering the maintenance and management of the Netia Group's networks was signed on August 14, 2012 with 188 FTEs outsourced
  - Group headcount down to 2,144 on September 30, 2012 (-16% q-o-q and -23% YTD) as 519 redundancies start to be reflected
- Net debt up slightly, at PLN 459m as of Q3 2012 (0.76x 2012 Adjusted EBITDA guidance)
- Second tranche of the share buy-back program completed with utilisation of PLN 75m for repurchase of 3.3% share capital, the third tranche already progressing (up to 2.5% of share capital or up to PLN 50.0m)

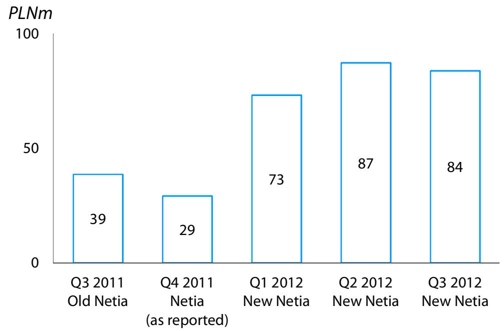
Revenue



Adjusted EBITDA[2]



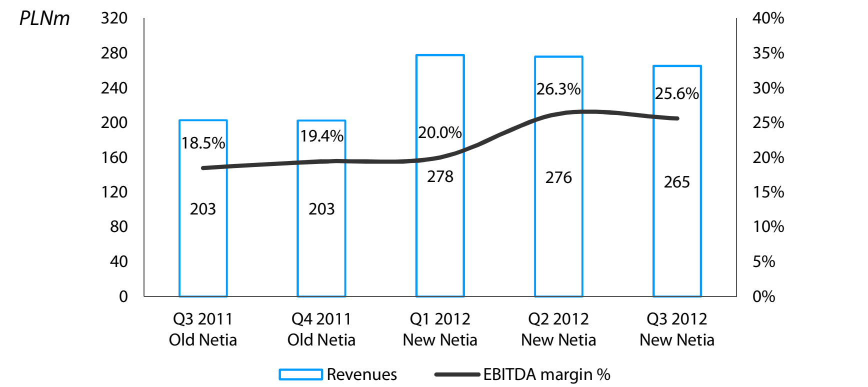
OpFCF[3]



1 Including Ethernet networks acquisitions 2 Adjusted EBITDA excludes as appropriate, one-off costs related to restructuring, M&A activity and integration
3 OpFCF = Adjusted EBITDA less Capex, Capex = investments in tangible and intangible fixed assets 4 Business comprises Corpo, SoHo SME and Carrier operational segments in New Netia, including Dialog and Crowley Integration

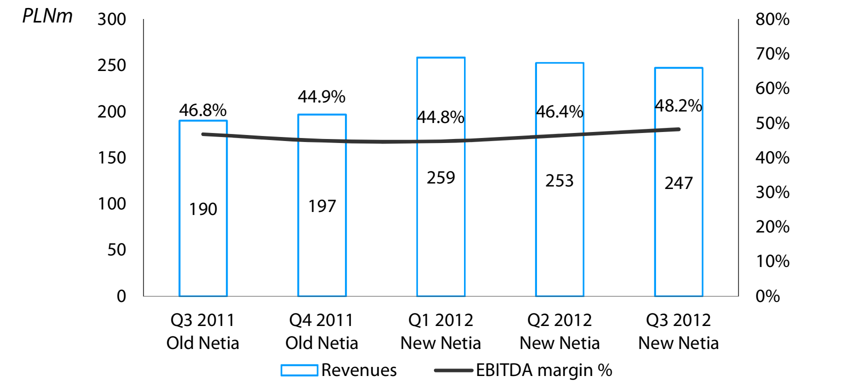
Home and Business | Revenue under pressure in both Residential and Business due to weak economy while synergies support profitability

Home



- Dialog customers now served by New Netia Home Organisation
- **Revenue** was PLN 265m in Q3 2012, down by 4% compared to Q2 2012 and up by 31% y-o-y due to inclusion of Dialog customers
  - Falling voice and broadband RGUs
  - Insufficient growth on TV and mobile
- **Adjusted EBITDA** margin was 25.6% in Q3 2012
  - Lower margin in Q3 due to increased advertising
  - Higher margins versus 2011 due to higher share of on-net customers and extracted synergies
- **ARPUs** remained relatively stable in all product lines, in line with Netia's strategy to focus on high end customers rather than re-price its services to defend the customer base
- **Capital expenditure** at PLN 19m in Q3 2012 resulted in **OpFCF** at the level of PLN 49m (PLN 66m of Capex and PLN 130m of OpFCF for 9M 2012, respectively)

Business[1]



- Dialog and Crowley customers now served by New Netia Business Organisation
- **Revenue** was PLN 247m in Q3 2012, down by 2% compared to Q2 2012 and up by 30% y-o-y
  - RGU growth offset by pressure on voice ARPU
  - Lower share of Carrier low margin transit services accounts for over 50% of lost revenue in the quarter
- **Adjusted EBITDA** margin was 48.2% in Q3 2012
  - Improving EBITDA thanks to extraction of synergies
  - High margins maintained with introduction of Dialog and Crowley due to high share of on-net customers
- **Capital expenditure** at PLN 25m in Q3 2012 resulted in **OpFCF** at the level of PLN 94m (PLN 74m of Capex and PLN 279m of OpFCF for 9M 2012, respectively)

Source: Netia, public domain

1 Business comprises Corpo, SoHo SME and Carrier operational segments in New Netia, including Dialog and Crowley integration

Broadband | Challenging low-end market, ARPUs remain firm

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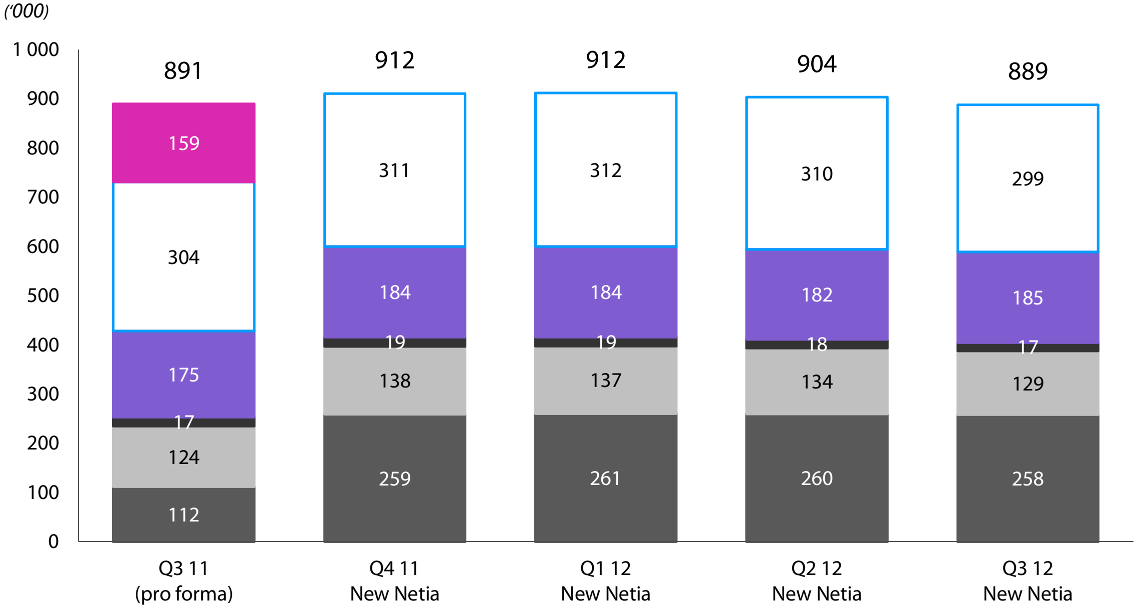
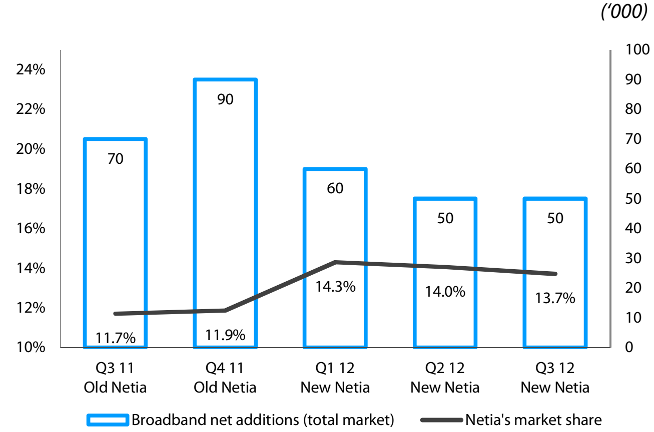
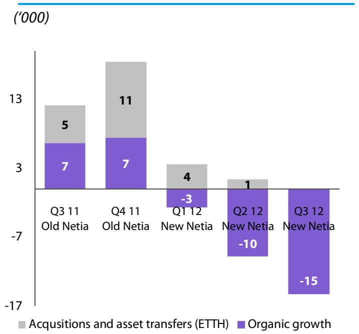
Broadband ports



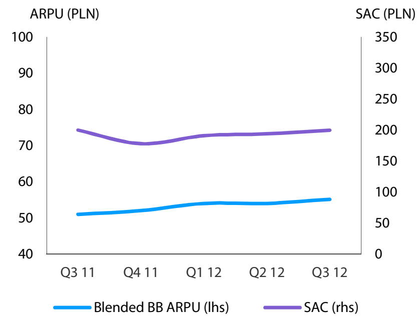
Fixed broadband market slowing[1]



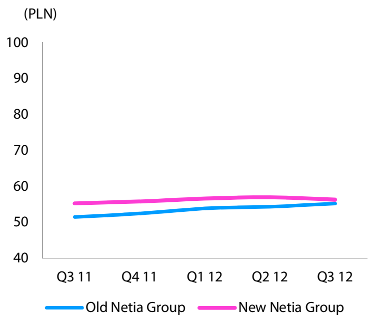
Broadband net additions (Old & New Netia)



Blended broadband ARPU/SAC[2] (Old Netia)



Broadband ARPU (Old vs New Netia)



Comments

- New Netia's total share in fixed broadband estimated at 13.7%
- 46% of customers served directly via New Netia's own network (vs. 35% in Q3 2011)
- Sales volumes down in a weak market characterized by strong price pressure
- BSA and LLU results for Q3 include ~9.3k migrations to LLU
- Broadband ARPU at PLN 56 compared to PLN 57 in a previous quarter

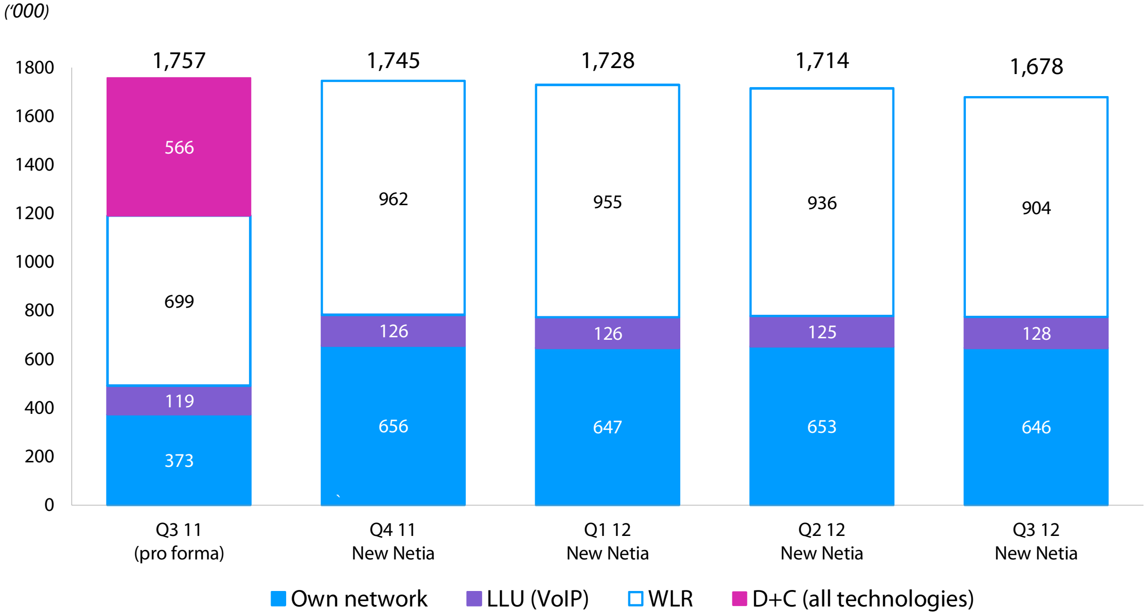
Source: Netia, public domain

1 Based on Netia's internal estimates of the total fixed broadband market volume, including ETTH acquisitions once definitions have been fully aligned between Old Netia and the Dialog Group

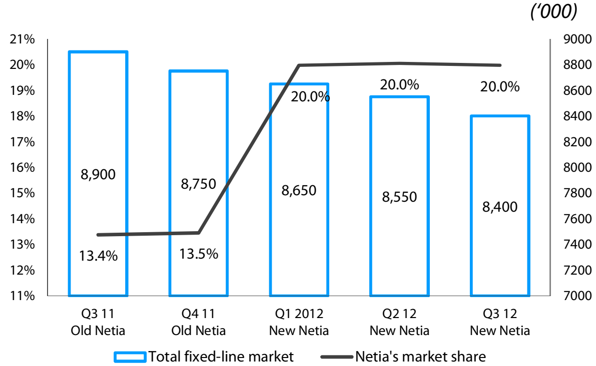
2 Estimate only as New Netia SAC statistics are expected to be available later in 2012

Voice | Market share maintained at 20.0% as Netia focuses on value

Voice lines



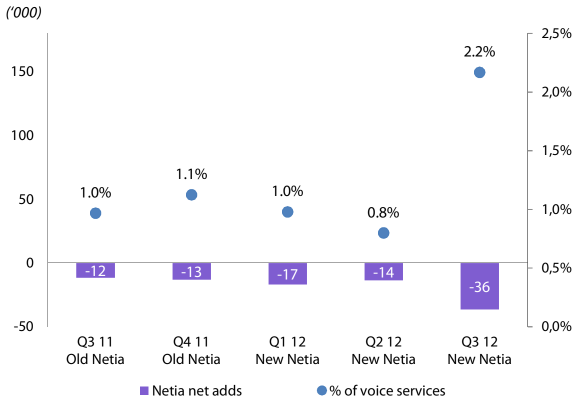
Fixed voice market performance[1]



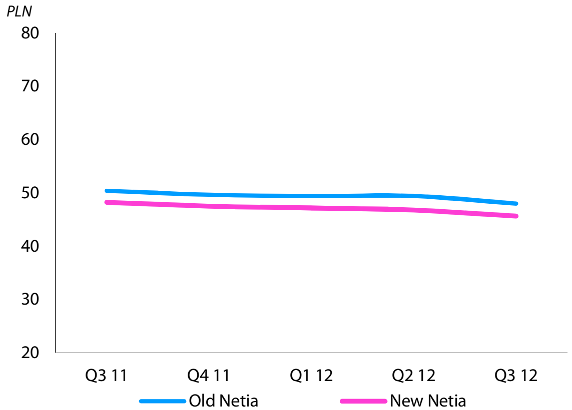
Comments

- New Netia's total share in fixed voice market remains at 20%
- 39% of customers served directly via New Netia's own network (vs. 31% in Q3 2011)
- Netia is targeting higher ARPU customers and upselling unlimited national call bundles in order to attract higher value customers
- Significant churn pressure on low end
- Blended voice ARPU down from PLN 47 to PLN 46 in Q3
- Further discounting by key competitors in October 2012 worsening the outlook

Net additions (Old & New Netia)



Voice ARPU (Old & New Netia)



Source: Netia, TP, public domain

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

Television | Further progress in TV sales, product fine tuning in progress

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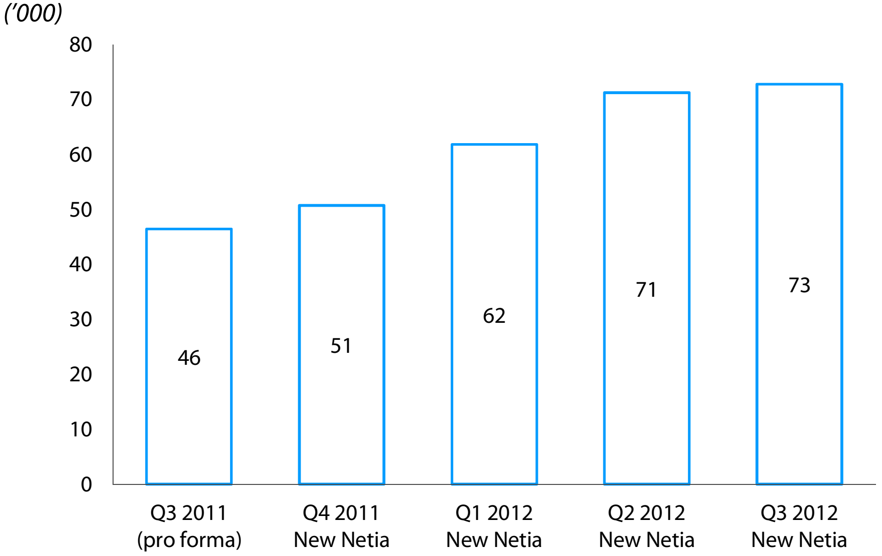
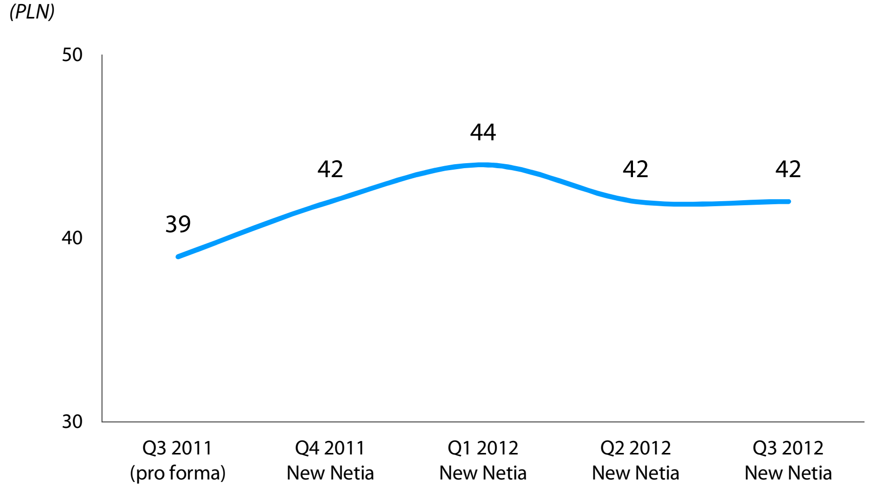
Total TV services in New Netia



Multifunctional TV approach fully in line with Netia's strategy

Blended TV ARPU



Comments

- Relatively lower TV customers' uptake in Q3 2012 planned to rebound in Q4
- In August 2012 Netia introduced a TV offer for business customers
  - 2 packages similar to residential offers and 1 package designed solely for HoReCa (hotel, restaurant, café) businesses to broadcast television in public places
- In September 2012 Netia introduced a new Pay-Per-View feature for Netia Player that enables broadcasting of exclusive live events
- Friendly User Tests of adaptive IP-based TV technology have ended and the service is commercially available from Netia (Smooth Streaming™)
- Friendly User Tests for LLU customers to deliver results by year end

Mobile | Mobile subscriber base stable

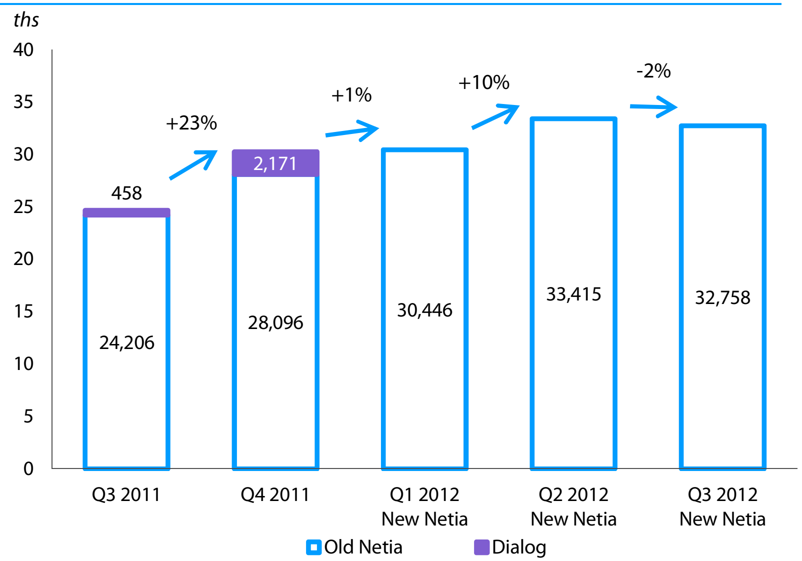
Key highlights – mobile broadband

- Almost 33k mobile broadband services as of Q3 2012
  - MVNO not a key focus, pending decisions over long term partnering strategy
- USB modems marketed to SME and existing residential customers (Home)
- Services in Old Netia provided in cooperation with P4 while in Dialog provided in cooperation with Polkomtel under MVNO agreements
- Margins on mobile broadband comparable to BSA services
- ARPU at the level of PLN 27, down by 4% q-o-q

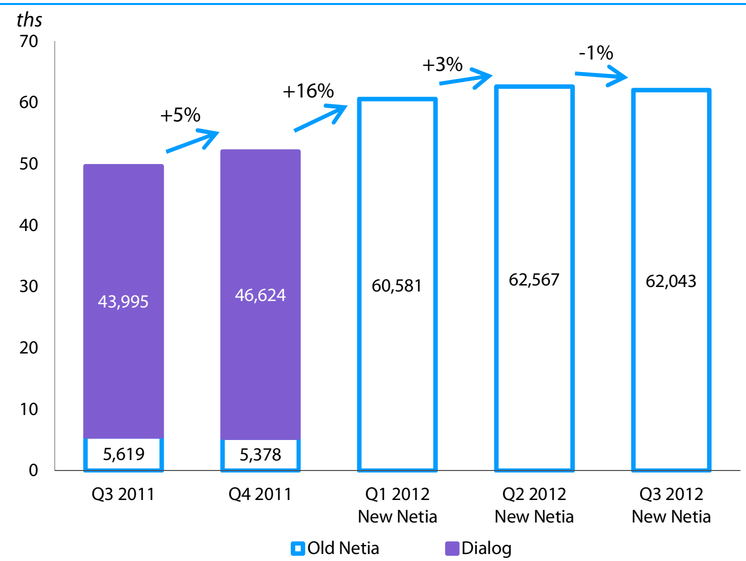
Key highlights – mobile voice

- Over 62k mobile voice services as of Q3 2012
- 47k mobile voice services were acquired along with the purchase of the Dialog group
  - Dialog offers "Diallo" branded services over MVNO agreement with Polkomtel
- ARPU reached PLN 27, with positive dynamics based on higher usage profile (+4% q-o-q)

Mobile broadband subscriber base



Mobile voice subscriber base



Financial performance | Key figures for 9M 2012 and FY 2011

(PLN' 000)	2011 (pro forma[1])				2011 (as reported)				2012 (as reported[3])		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4[2]**	**Q1**	**Q2**	**Q3**
Revenues	551,920	542,432	542,182	548,416	401,189	396,280	394,616	426,718	544,279	536,472	521,073
Growth (%) QoQ (proforma)/YoY (as reported)	*nm*	*(1.7%)*	*0.0%*	*1.1%*	*3.7%*	*0.7%*	*0.0%*	*8.3%*	*35.7%*	*35.4%*	*32.0%*
Gross profit	*nm*	*nm*	*nm*	*nm*	130,955	123,956	124,670	136,193	164,276	158,632	158,127
Margin	*nm*	*nm*	*nm*	*nm*	*32.6%*	*31.3%*	*31.6%*	*31.9%*	*30.2%*	*29.6%*	*30.3%*
Adjusted EBITDA[4]	138,849	129,542	139,403	138,276	101,504	92,832	105,457	108,417	133,008	156,186	157,448
Margin	*25.2%*	*23.9%*	*25.7%*	*25.2%*	*25.3%*	*23.4%*	*26.7%*	*25.4%*	*24.4%*	*29.1%*	*30.2%*
Growth QoQ (proforma)/YoY (as reported)	*nm*	*(6.7%)*	*7.6%*	*(0.8%)*	*11.8%*	*(2.7%)*	*23.3%*	*23.6%*	*31.0%*	*68.2%*	*49.3%*
Adjusted EBIT[4]	38,932	29,319	38,611	35,457	26,179	17,046	29,640	26,217	12,989	34,085	36,369
Margin	*7.1%*	*5.4%*	*7.1%*	*6.5%*	*6.5%*	*4.3%*	*7.5%*	*6.1%*	*2.4%*	*6.4%*	*7.0%*

Comments

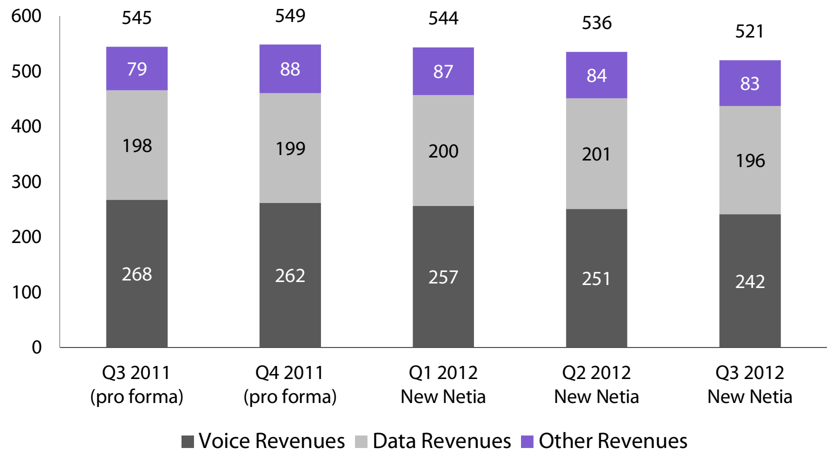
- Sequentially lower revenue in Q3 2012 was driven mainly by lower sales volumes in voice services and lower Carrier transit revenues
- Execution of integration synergies from Dialog Group and Crowley combined with the ongoing process of cost optimization resulted in an increase in New Netia's Adjusted EBITDA margin for Q3 2012 to 30.2%
- Net Debt rose marginally from PLN 454m to PLN 459m during Q3 2012 as share buy-backs and temporary VAT outflows following intra-group transactions consumed free cash flows

1 Pro forma results for 2011 include the consolidation of the Dialog group and Crowley Data Poland, which were acquired in mid- December 2011, for each prior year quarter
2 Reported actual results for Q4 2011 include 2 weeks of consolidation of the Dialog group and Crowley Data Poland
3 Reported actual results for Q1, Q2 and Q3 2012 include consolidation of the Dialog group and Crowley Data Poland
4 Adjusted EBITDA, and Adjusted EBIT exclude as appropriate: reversal of impairment provisions (Q4 2011), one-off expenses related to the cost optimization program (2010-2011), M&A related expenses (2011-2012), New Netia integration costs (Q4 2011 and 9M 2012) and provision for the universal service obligation payment (Q2 and Q4 2011)

Financial performance | Revenue development by service

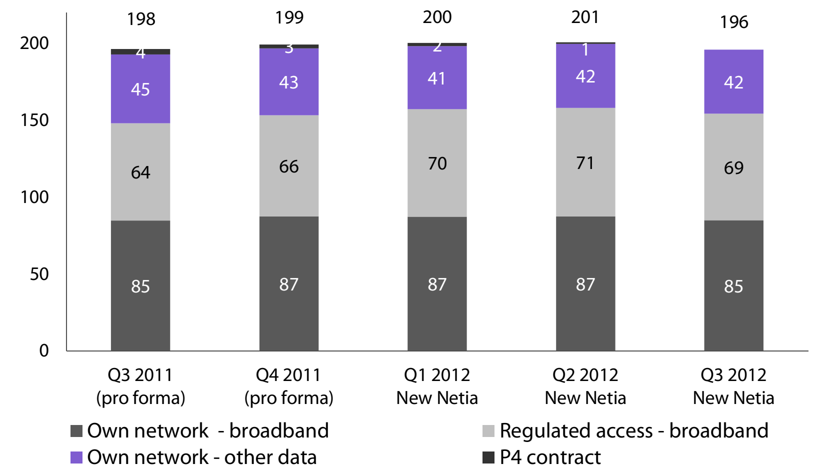
Revenue breakdown by service (pro forma)

PLNm



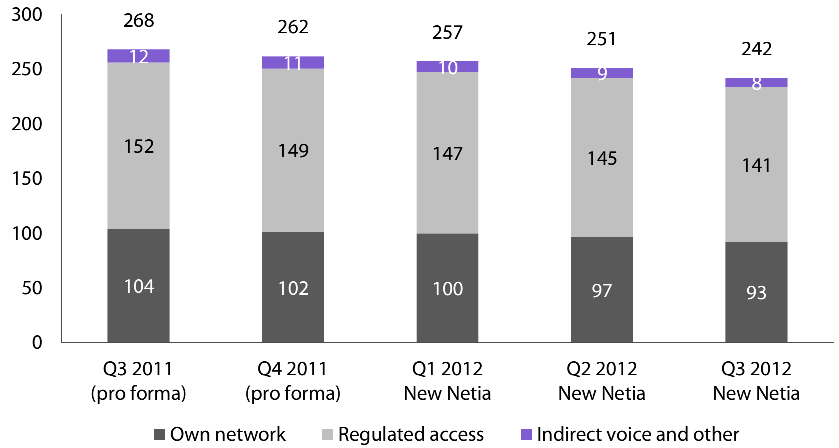
Data revenue[1] breakdown by access (pro forma)

PLNm



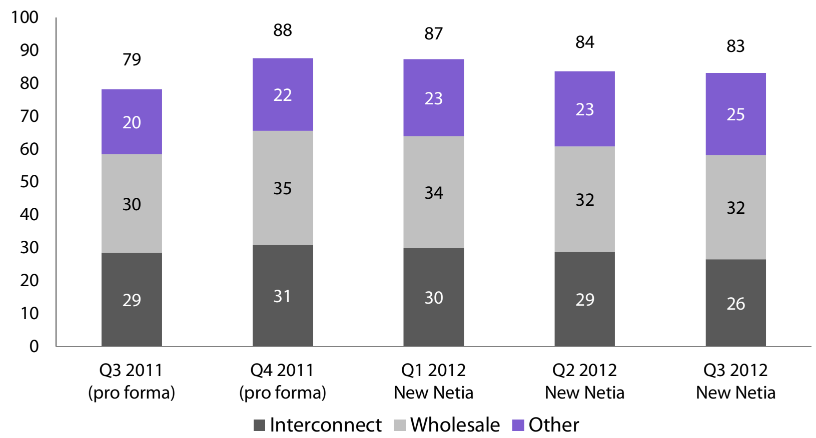
Voice revenue breakdown by access (pro forma)

PLNm



Other revenue (pro forma)

PLNm



1 *Including revenues from VAS*

Financial performance | Profitability fairly stable in most of the segments as synergies off-set pressure on segment direct margins

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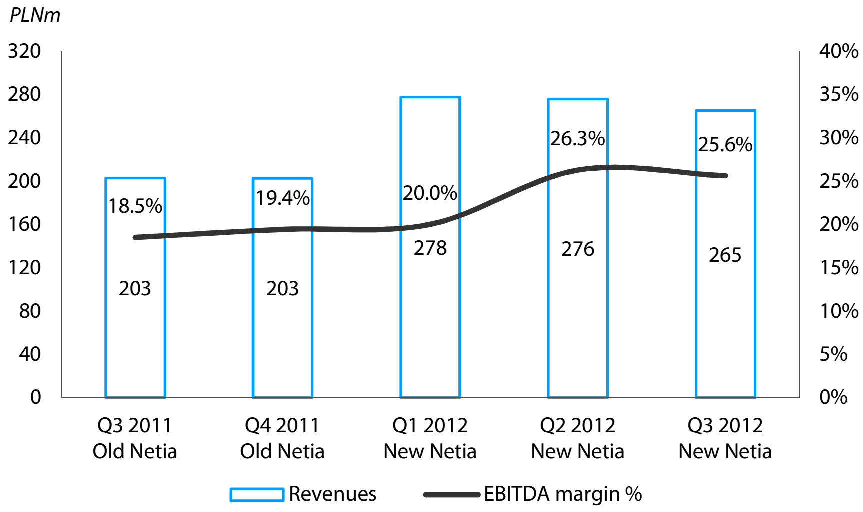
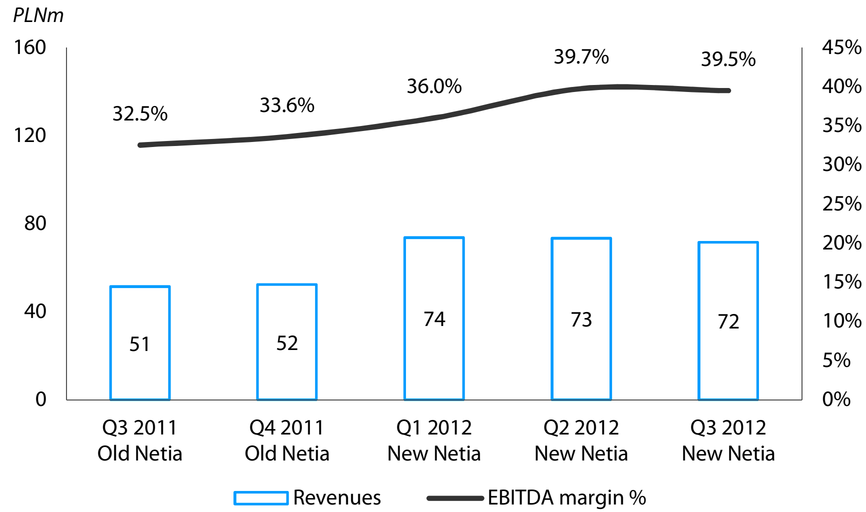
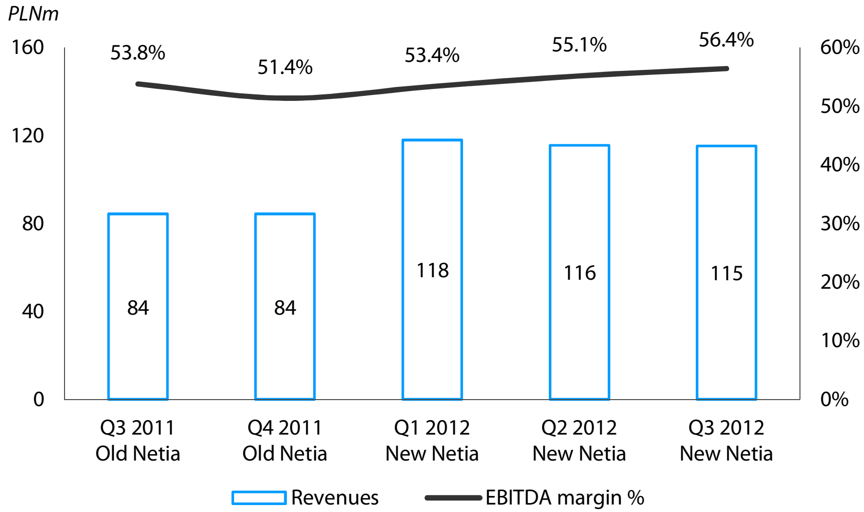
Residential segment (Old & New Netia[1])



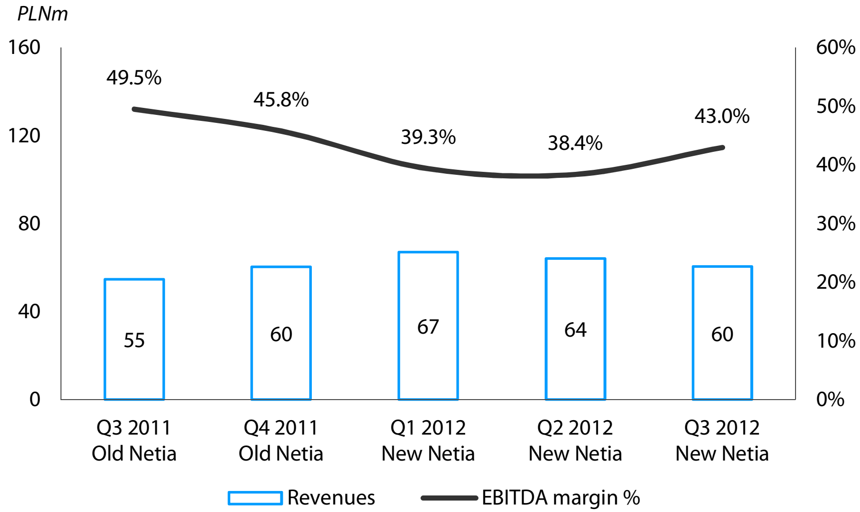
SoHo SME segment (Old & New Netia[1])



Corporate segment (Old & New Netia[1])



Carrier segment (Old & New Netia[1])



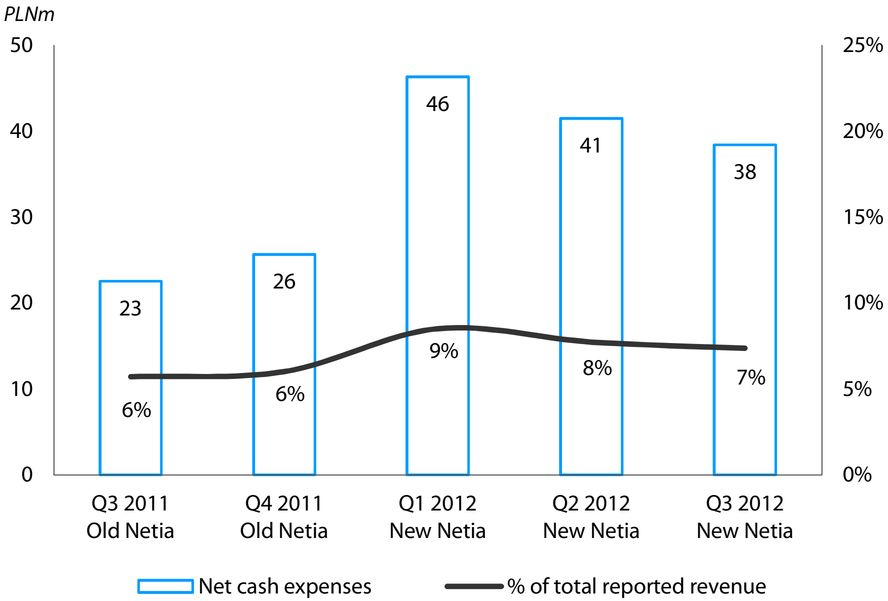
Source: Company

1 Dialog and Crowley have already been reorganised into customer-based segments of New Netia

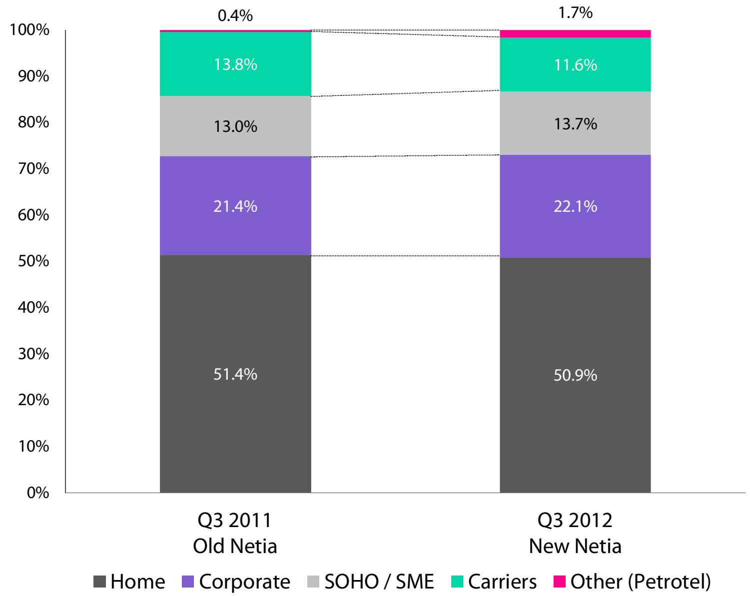
Financial performance | Reallocation of reporting segments in New Netia completed for the 3 quarters of 2012

NETIA

Other operating segment net cash expenses[2] (Old & New Netia[1])



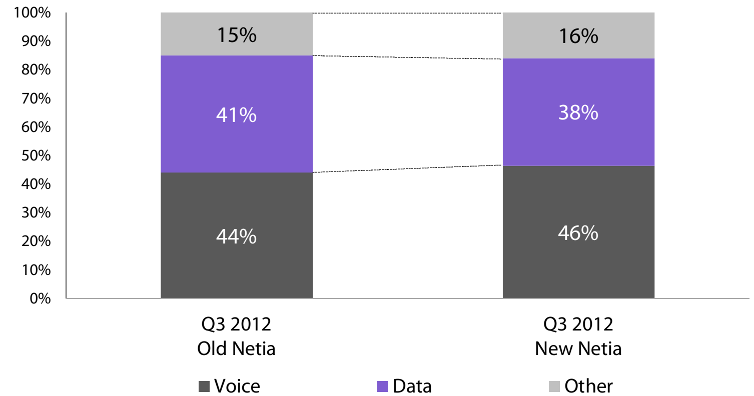
Old Netia vs. New Netia Revenue by Segment



Comments

- Dialog and Crowley subscribers now distributed amongst customer-based segments of New Netia
- Combination with Dialog and Crowley had minimal impact on comparison of revenues
- Single New Netia Organisation across all legal entities except Petrotel (segment other) since Q2 2012
- 9M 2012 opex synergies estimated at PLN 48m visible across the operational segments

Old Netia vs. New Netia Revenue by Service



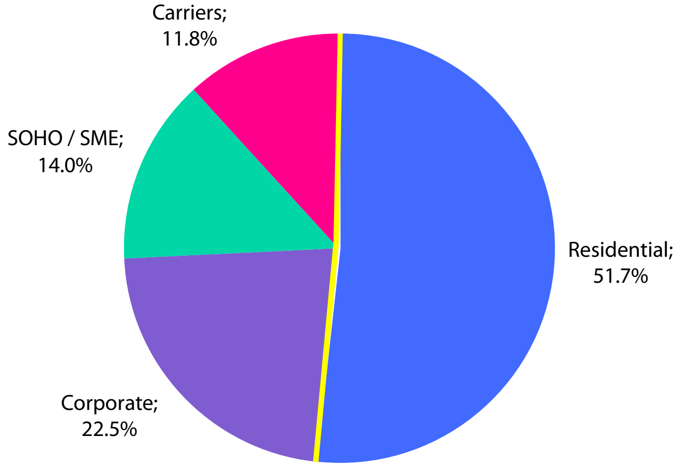
Source: Company

1 Dialog and Crowley have already been reorganised into customer-based segments of New Netia

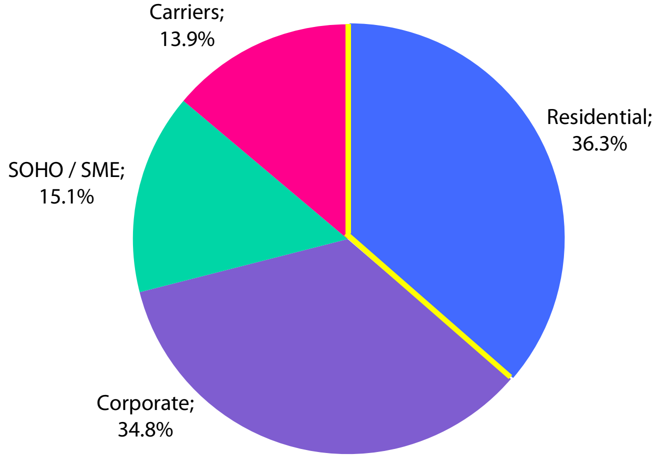
2 Net cash expenses were adjusted by the following one-off items: M&A related expenses, Integration & Restructuring

Financial performance | Business strength balances recent pressure on low-end part of the Residential segment

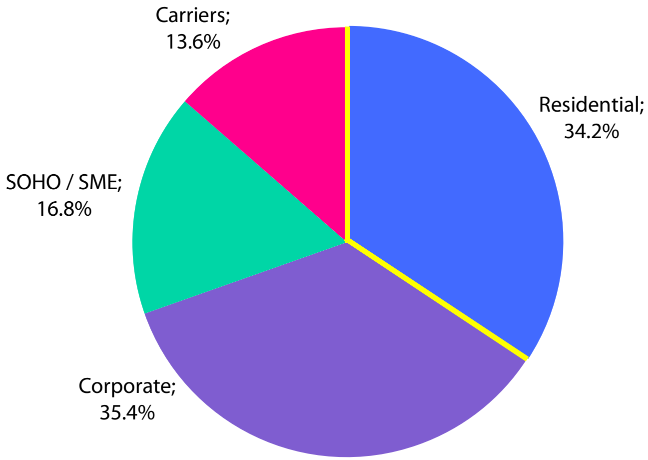
Revenue breakdown by segment in Q3 2012



Adj. EBITDA breakdown by segment in Q3 2012



OpFCF breakdown by segment in Q3 2012



Comments

- Business segments contributing 48.3% of revenue, but 63.8% of Adjusted EBITDA and 65.8% of OpFCF
- Business segment margins supported by higher on-network share of RGUs and higher Capex intensity than the Residential Segment

Note: For illustrative purposes only

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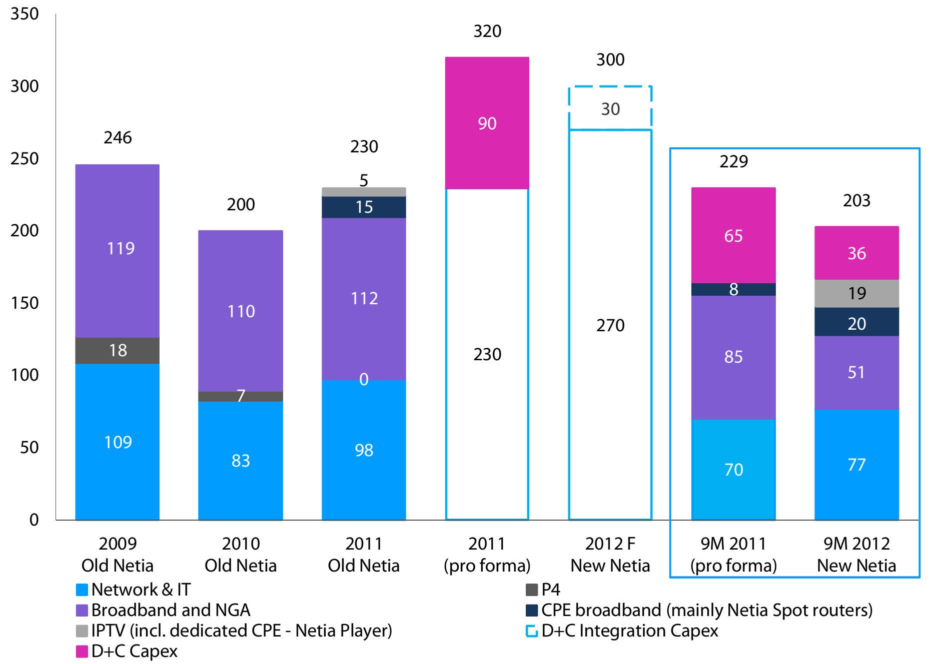
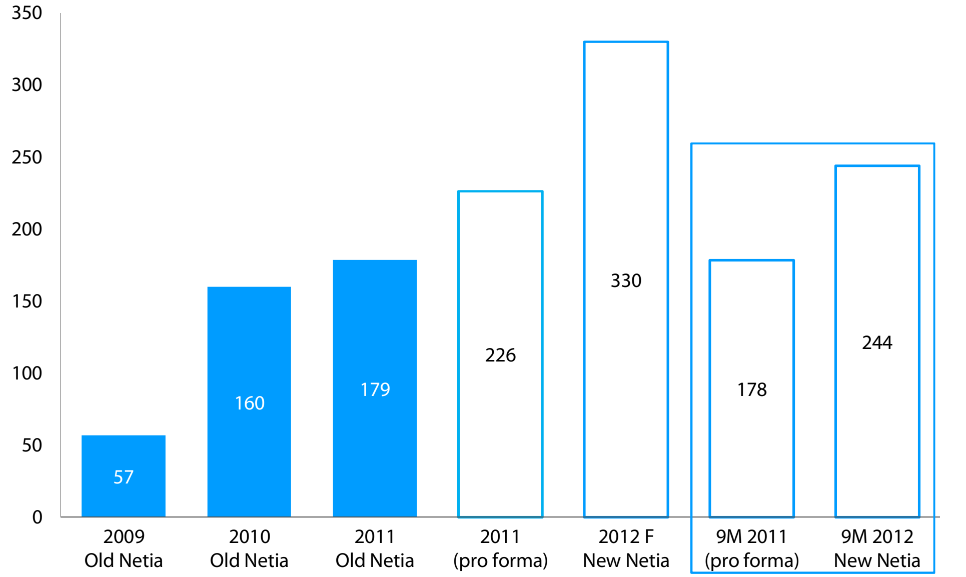
Capital investments



Operating FCF[1]



- Higher Capex in existing network and IT reflects an extension of New Netia's current transmission networks to activate new corporate and carrier customers with data services and spending on the IT architecture project
- Lower capital expenditures related to broadband networks reflect the completion of the LLU roll-out with respect to newly unbundled nodes (PLN 27.4m for 9M 2011 vs. PLN 2.8m for 9M 2012)
- Capex full-year 2012 guidance (excl. Integration) maintained at PLN 270m

- New Netia was operating free cash flow positive in 9M 2012 with cash generation at PLN 244m (+80% y-o-y, +37% y-o-y pro-forma)
- Operating Free Cash Flow guidance for New Netia in 2012 maintained at PLN 330m

1 Operating FCF = Adjusted EBITDA less Capex; Adjusted EBITDA as reported less investments in tangible and intangible fixed assets, excluding integration investments and acquisitions

Financial performance | EBITDA reconciliation to Net Profit

PLN'000	9M 2011 As reported	9M 2012 As reported	Change
Adjusted EBITDA	**299,793**	**446,639**	*+49%*
Unusual Items:			
M&A related costs	(3,706)	(950)	*-74%*
New Netia integration costs	-	(16,504) 1	*nm*
Restructuring costs	(274)	(21,739) 1	*nm*
Provision for universal service obligation payments	(2,380)	-	*nm*
EBITDA	**293,433**	**407,446**	*+39%*
Depreciation and amortization	(226,928)	(363,199) 2	*+60%*
EBIT	**66,505**	**44,247**	*-33%*
Net financial income / (costs)	14,307	(33,403) 3	*nm*
Profit /(Loss) before tax	80,812	10,844	*-87%*
Current tax and deferred tax income	(7,965)	10,363 4	*nm*
CIT 2003 tax dispute expense	*(58,325)* 5	-	*nm*
Profit/ (Loss)	**14,522**	**21,207**	*+46%*
Number of shares[1] (basic)	**390,579,740**	**378,768,106** 6	*na*
EPS (in PLN, basic)	**0.04**	**0.06**	*+50%*

1 Consulting and other integration costs are reported separately from severance costs (restructuring). The combined target for 2012 is PLN 50m. Restructuring provision covers costs of headcount reductions (519 employees) executed in Q2 and Q4 2012 and a contribution towards Ericsson's expected cost of reorganising the outsourced New Netia maintenance organisation

2 Higher depreciation following the acquisitions of the Dialog Group's and Crowley's operating assets, the creation of acquisition intangible assets and the reversal of impairment recorded in Old Netia in Q4 2011

3 Increased financial interest on the bank loans related to the recent Dialog Group and Crowley acquisitions off-set the interest accrued on the cash balance of Netia

4 A non-cash gain of PLN 21m was recorded in H1 2012 due to the recognition of deferred tax assets arising on the intragroup sale of the network assets by Dialog to Netia

5 Following the adverse court decision of March 15, 2011 Netia expensed the disputed 2003 tax claim and interests of PLN 58m. The amounts were paid in full in Q1 2010. Netia is appealing to the final instance and expects the hearing in 2013

6 Including share buy-backs executed through 30th September 2012 of 11.8m shares, effective shares outstanding stood at 374m

1 Average effective shares outstanding

Integration | „CDN" project fully on track

Synergy initiatives in progress

- **Synergy realization (as of September 30, 2012):**
  - ✓ Opex – PLN 48.1m
  - ✓ Capex – PLN 13.2m
- **Over 100 synergy projects defined out of which:**
  - ✓ 75 Opex Synergy initiatives with all planned activities completed as of September 30, 2012 (+21 q-o-q)
  - ✓ 19 Capex Synergy initiatives with all planned activities completed as of September 30, 2012 (+6 q-o-q)
- **Synergy initiatives are already starting to deliver savings supporting EBITDA in areas such as:**
  - ✓ Sales
  - ✓ Marketing
  - ✓ One organization
  - ✓ Postage
  - ✓ Printing
  - ✓ Insurance
  - ✓ Network (maintenance contracts)
  - ✓ Administration (office space, cars fuel, building maintenance)
  - ✓ Interconnect (Voice termination & IC, IP transit)
  - ✓ Service Delivery
- **Already completed synergy initiatives are projected to deliver PLN 80m of annual synergies in 2013**
- **Synergy initiatives are already starting to deliver Capex savings in:**
  - ✓ Network (unification of network usage, equipment prices renegotiation, withdrawal from duplicate investment projects)
  - ✓ IT (withdrawal from investments in duplicate IT systems, licenses)

Integration costs

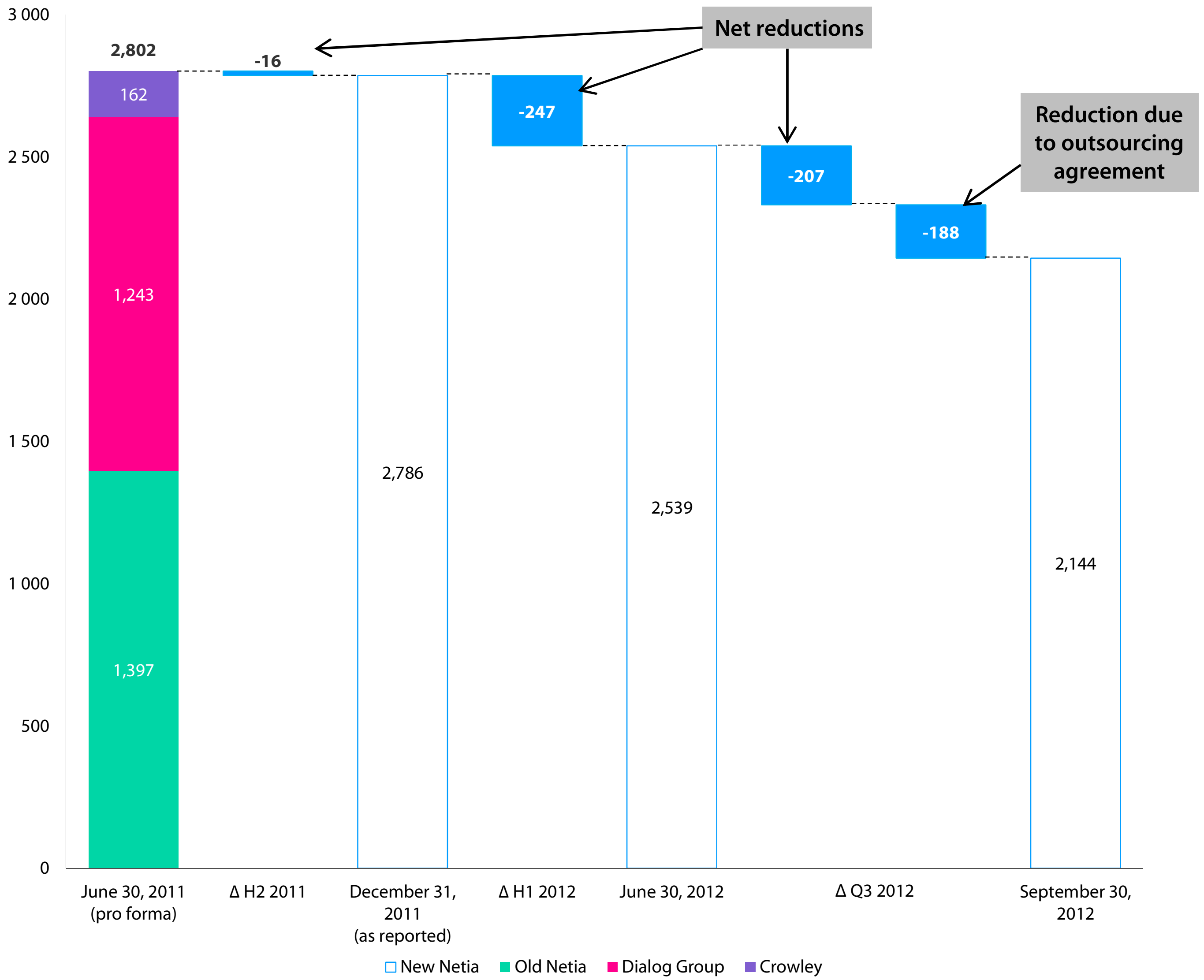
- Integration costs for 9M 2012 amounted in total to PLN 38.2m of which PLN 21.7m were related to restructuring
- In Q4 2012 costs associated with the continuation of the outplacement program and non-cash provisions for impairment of IT and network systems in the acquired companies are expected to be recorded
- Initial estimates regarding total 2012 reorganization costs of PLN 50m remain valid

Most recent activities

- ✓ 519 redundancies for 2012 with second wave of notices issued in October and headcount to drop throughout Q4 2012
- ✓ Extended service contract with Ericsson covering the maintenance and management of the Netia Group's networks, to include the Dialog and Crowley networks
- ✓ Above mentioned extension of network outsourcing reduced headcount by another 188 staff transferred to Ericsson in August 2012
- ✓ Legal merger of Dialog and Avista completed on July 31, 2012
- ✓ Netia and Crowley merger completed on August 31, 2012

Integration | Headcount optimization to boost new organizational efficiency

Total active headcount bridge between June 30, 2011 and September 30, 2012



Comments

- Total active headcount of 2,144 at the end of Q3 2012 down by 23.5% versus June 2011
- Continuing headcount optimization led to a 395 net HC reduction in Q3 2012
    - This included 188 employees transferred to Ericsson within the maintenance outsourcing agreement
- Second wave of reductions included in the 519 Announced 2012 redundancies got underway in October
- Management expects group headcount at approximately 2,100 by the end of 2012

Guidance Update | Strategic financial goals and Home Segment Strategy under review

2012 Full Year Revised Guidance

	Original	*Revised*
Number of services (RGUs) ('000)	2,900	**2,650**
Revenues (PLNm)	2,185	**2,125**
Adjusted EBITDA (PLNm)	600	**600**
EBITDA margin (PLNm)	27.5%	**28%**
Adjusted EBIT (PLNm)	125	**125**
Capex (excl. integration) (PLNm)	300	**270**
Adjusted OpFCF (PLNm)	300	**330**

The above financial guidance excludes the impact of one-off integration costs and one-off integration Capex

Integration Opex (PLNm)	**to 50**	**to 50**
Integration Capex (PLNm)	**to 30**	**to 30**

- *Management is today confirming all guidance with the exception of a further reduction in RGU targets from 2,750k to 2,650k*

Strategic Financial Goals (Until 2020)

As updated on 15th March 2012

Progressive growth in total number of services (RGUs)

Services per subscriber to reach 2.0x (RGUs per sub)

Continuously increasing value share in the fixed telco market

EBITDA margin in 27% - 29% range throughout

Capex to sales ratio to stay below 15% during network upgrade (2012 – 2013) and falling to 10% - 12% thereafter (2014 – 2020)

OpFCF margin to sales continuously above 12%

All guidance excludes impact of further potential transformational M&A

- *In view of recently announced price reductions by key competitors and the weak market environment, Management has decided to review its Residential Market Strategy*

Conclusions

- Significant slowdown in the economy combined with strong competitive pressure in the Residential segment responsible for lack of growth in fixed broadband and fixed voice in 9M 2012
- New, adaptive IP-based TV delivery solution is an opportunity to broaden Netia's addressable TV market
- Strongly cash generative Business segment continues to mitigate Residential segment challenges whilst leveraging the network asset base
- Netia remains determined to develop its TV services and to improve the effectiveness of the New Netia sales organisations as key objectives to improve RGU performance in future
- Delivered synergies and lower share of lower margin products (BSA, WLR and Carrier transit) drives the Adjusted EBITDA profitability to a record high 30% in a single quarter
- Integration proceeds at full speed with the second wave of headcount reductions in progress
- Financial Guidance confirmed as on track for PLN 600m Adjusted EBITDA (+47% y-o-y) and PLN 330m OpFcF (+101% y-o-y)
- Second tranche of share buy-back program completed (PLN 75m utilized for repurchase of 3.3% share capital) and the third tranche in progress (total of up to 2.5% of share capital or up to PLN 50.0m)
- Management is considering the introduction of a dividend policy from 2013 absent material M&A activity

THANK YOU

NETIA