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Netia reports 2013 first half results

WARSAW, Poland – August 8, 2013 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results for the six months ended June 30, 2013.

1 Key highlights

1.1 FINANCIAL

Revenue was PLN 968.2m in H1 2013, down by 10% versus H1 2012. In Q2 2013 revenue decreased sequentially by 3% to PLN 477.5m from PLN 490.7m. The declines were driven mainly by lower voice revenue following a 10% year-on-year and 3% sequential decline in fixed voice services provided, with RGU declines continuing to be concentrated in the Residential segment. Netia estimates MTR related revenue drops at 33% of the half year and 12% of the sequential revenue decline.

- *Adjusted EBITDA* was PLN 282.5m for H1 2013, down by 2% over H1 2012. In Q2 2013 Adjusted EBITDA was PLN 140.5m, down by 1% versus Q1 2013. Adjusted EBITDA margin was 29.2% for H1 2013 and 29.4% in Q2 2013 versus 26.8% for H1 2012 and 28.9% in Q1 2013. Higher Adjusted EBITDA margin both year-on-year and sequentially is due to the lower revenues being concentrated in low margin RGU categories such as off-net services, the impact of increasing integration synergies and falling MTR rates.

- *EBITDA* was PLN 275.0m for H1 2013 and PLN 136.4m for Q2 2013, up by 6% versus H1 2012 and down by 2% versus Q1 2013. The unusual items for H1 2013 include Dialog Group and Crowley integration costs of PLN 4.8m, restructuring costs of PLN 2.2m, an impairment charge of PLN 0.4m recorded by Uni-Net, Netia's subsidiary providing radio trunking services, and costs of M&A projects of PLN 0.1m. The unusual items for the comparative H1 2012 period include Dialog Group and Crowley integration costs of PLN 12.0m, restructuring costs of PLN 17.5m and costs of M&A projects of PLN 0.7m. EBITDA margin was 28.4% for H1 2013 and 28.6% for Q2 2013 as compared to 24.0% for H1 2012 and 28.3% for Q1 2013.

- *EBIT* was PLN 53.7m (Adjusted EBIT was PLN 61.2m profit when excluding all one-offs) in H1 2013 as compared to PLN 16.9m (PLN 47.1m profit when excluding one-offs) in H1 2012. EBIT for Q2 2013 was PLN 26.4m as compared to PLN 27.3m (PLN 30.6m profit in both Q1 and Q2 2013 when excluding one-offs).

- *Net profit* was PLN 21.7m for H1 2013 versus net profit of PLN 11.2m for H1 2012. Net profit for Q2 2013 was PLN 8.6m versus a net profit of PLN 13.1m for Q1 2013. Reported net profit for H1 2013 included PLN 16.8m of interest to service the loan taken in 2011 to acquire Dialog Group versus PLN 25.6m of interest for this purpose in H1 2012. Moreover, reported net profit for H1 2013 included an income tax charge of PLN 16.6m as opposed to the income tax benefit of PLN 17.3m recorded in H1 2012. The current period result reflects non-deductible expenses while in the prior period Netia recorded a non-cash gain of PLN 21m due to the recognition of deferred tax assets arising on the intragroup sale of network assets by Dialog to Netia.

- *Netia was operating free cash flow positive in H1 2013 and Q2 2013*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex and Ethernet acquisitions, was PLN 190.6m for H1 2013 and PLN 92.0m for Q2 2013 versus PLN 162.8m in H1 2012 and PLN 98.6m for Q1 2013. Seasonal acceleration in capital investment is responsible for the sequential decrease in operating free cash flow.

- *Netia's cash and short term deposits* at June 30, 2013 totalled PLN 124.4m, up by PLN 26.1m from March 31, 2013, with *total debt* at PLN 522.9m, down by PLN 39.6m from March 31, 2013. *Net debt* therefore stood at PLN 398.5m, down by PLN 65.7m from PLN 464.2m on March 31, 2013 and *financial leverage* was 0.72x Adjusted EBITDA updated guidance of PLN 550m for 2013 full year.

- *Netia completed an offer to purchase shares* in May 2013 (the 'Offer') under which it acquired 16.0m treasury shares representing 4.15% of the Netia's share capital and entitling to exercise 4.15% of the total number of votes at the shareholders meeting for a total of PLN 128.1m. The purchase price of one share under the Offer was PLN 8.00. The purchased treasury shares were subsequently redeemed by Netia's annual shareholders meeting held on June 28, 2013 and the related decrease in Netia's share capital will become effective as of the date of its registration by the court. Once the registry court gives effect to the redemption of a total of 38.4m treasury shares acquired under this and earlier phases of Netia's share buy-back program, the Company's outstanding share capital shall fall to 347.9m shares (for details please see section 3 *Other Highlights*).

- *Updated guidance for 2013*. While Management notes solid progress in B2B, TV and on-net broadband RGUs in B2C in line with key strategic priorities for 2013, this progress is coming through more slowly than originally planned while losses of voice services, particularly over regulated access, are continuing at a faster pace than was previously expected. As a result, Management is today revising down its full year RGU and revenue guidance to 2,525k RGUs and PLN 1,900m, respectively. However, cost control, lower customer acquisitions related spending and capital investment savings allow for increasing both Adjusted EBITDA and Adjusted operating free cash flow performance by PLN 25m to PLN 550m and PLN 325m, respectively, and Adjusted EBIT guidance by PLN 35m to PLN 100m.

1.2 OPERATIONAL

- *Number of services (RGUs)* was 2,592,260 at June 30, 2013 as compared to 2,785,339 at June 30, 2012 and 2,637,912 at March 31, 2013, with the year-on-year and quarterly decreases driven by the fall in the number of fixed voice services and generally intense competition on a weak telecommunications market. In Q2 2013 Netia added 5,873 on-net RGUs and recorded 51,525 off-net RGU disconnections while sequential net RGU losses fell by 10% to 45,652. Management is targeting 2013 as a year of transitioning to greater on-network sales focus and increased sales of on-net broadband and TV services.

- *The Company is now guiding for 2,525,000 services by the end of 2013* as compared to previously forecasted 2,650,000 services, with the change caused by improvements in TV and on-net broadband services coming through more slowly than previously anticipated and continued erosion of the WLR base at a higher rate than planned.

- *Netia's TV services* reached 100,879 at June 30, 2013, growing by 42% from 71,274 at June 30, 2012 and by 11% from 91,237 at March 31, 2013.

- *Netia's broadband services* base was 859,708 at June 30, 2013, declining by 5% from 903,947 at June 30, 2012 and by 1% from 866,077 at March 31, 2013. Netia estimates that its total fixed broadband market share was approximately 12.9% versus 14.0% at June 30, 2012. Netia recorded a net decrease of 6,369 broadband customers during Q2 2013 versus a net decrease of 8,701 broadband customers during Q1 2013 (both total and organic as there were no Ethernet acquisitions in these quarters). Slow market growth and tougher price competition, including cable operators offering multiplay bundles, is reflected in the performance. Whilst Netia has responded by lowering prices and increasing advertising support, Management is focusing on its own network and bundled services rather than regulated access or total services sold in order to defend gross margins. Of the total broadband customers served at June 30, 2013, 46% received service over Netia's own access infrastructure as compared to 45% at June 30, 2012.

- *Netia's fixed voice services*. Netia estimates that its total fixed voice market share was approximately 19.1% in Q2 2013 versus 20.0% in Q2 2012. Due to competitive market conditions and Netia's focus on higher-value customers, Netia is concentrating on defending voice revenues and margins as opposed to subscriber numbers. Netia's voice subscriber base was 1,550,812 at June 30, 2013 as compared to 1,714,136 at June 30, 2012 and 1,594,875 at March 31, 2013. In total, Netia recorded a net decrease of 44,063 voice subscribers during Q2 2013 versus 49,029 in Q1 2013. The Company expects the number of fixed voice services to continue to decline, mainly in connection with clients churning from traditional direct voice and WLR services. Of the total voice customers served at June 30, 2013, 41% received service over Netia's own access infrastructure as compared to 38% at June 30, 2012.

- *Netia's mobile services* at June 30, 2013 were 28,906 for mobile broadband and 51,955 for mobile voice as compared to, respectively, 33,415 and 62,567 services at June 30, 2012 and 29,272 and 56,451services at March 31, 2013. Netia is not actively promoting mobile services, but maintains its offering to provide competitive services to those customers looking for a convergent offering.

- *NGA network expansion.* During Q2 2013 Netia continued to expand its NGA standard network, which allows for providing, among others, high speed broadband and 3play services including IPTV and streaming TV services adding 124,000 homes passed. As of June 30, 2013, Netia covered in total 1,172,000 households with its NGA networks, including approximately 828,000 homes passed with VDSL copper networks, approximately 143,000 homes passed with passive optical networks (PON) and approximately 201,000 homes passed with the fast Ethernet networks and fiber to the building (FTTB).

Mirosław Godlewski, Netia's President and CEO, commented: *"Netia has produced a solid set of results for the first half of 2013 that underline the resilience of the business in the face of strong competition and heavy price discounting on the Polish telecommunications market. Our three business-to-business ("B2B") segments continue to grow services ("RGUs") sold and to produce over two thirds of Netia's EBITDA and free cash flow while the contraction remains concentrated in our residential ("B2C") activities and particularly in relatively low margin off-network services. As a result of this stronger performance in more profitable areas, Adjusted EBITDA for Q2 2013 was PLN 140.5m, just 1% down sequentially despite a further 3% sequential fall in revenue to PLN 477.5m. Our Adjusted EBITDA for H1 2013 was PLN 282.5m, down just 2% on the prior year despite a 10% revenue fall, much of which was driven by falling mobile termination rates ("MTRs"). With post-Dialog and Crowley integration capital investment 22% lower than in H1 2012, I am pleased that Netia continues to deliver record operating free cash flows with PLN 190.2m PLN recorded in H1 2013, 17 % above the prior year period.*

We made some progress in the repositioning of our B2C business during the second quarter with our TV service customer base breaking through 100k subscribers, up 9.6 k during the quarter, voice and broadband service losses slowing and on-network copper, fiber and Ethernet based broadband services growing slightly to 381.2k, 44% of the broadband base of 859.7k services. Together with the newly acquired cable TV networks in Warsaw and Krakow, Netia will soon have 2.9m homes passed by its own local access networks and we are confident that our increasingly competitive TV offerings can underpin a gradual increase in penetration rates for high margin bundled services in the medium term. Whilst our strategic direction is promising, the pace of improvement has been slower than we had planned for and we have therefore today updated our full year guidance to reflect a lower year-end RGU forecast of 2,525k and a lower 2013 revenue forecast of PLN 1,900m. However, B2B resilience and effective cost control mean that we are simultaneously able to increase Adjusted EBITDA guidance by 5% to PLN 550m and Adjusted Operating Free Cash Flow performance to PLN 325m.

Capital investment guidance remains unchanged at PLN 225m, plus PLN 35m directly related to the Dialog and Crowley integration, even though we continue to roll-out NGA network upgrades and will be investing in the integration of our new cable networks into our existing core network in anticipation of offering commercial cable TV services from early 2014. These cable networks were acquired for less than PLN 6m and require undemanding penetration rates below 10% of homes passed for the investment to break-even and therefore have the potential to generate high returns for our investors. Along with the Tele2 Polska, Dialog and Crowley acquisitions and our customer value-focused strategy to deal with the difficult market environment, this cable TV project underlines Management's commitment to deliver shareholder value from the Polish telecommunications market by looking for exceptional opportunities. To this end we continue to monitor the status of various long- term acquisition targets and maintain the financial flexibility necessary to acquire such businesses while retaining the capability to make annual pay-outs to our shareholders."

Jon Eastick, Netia's CFO, commented: "Netia is today reporting a record operating free cash flow of PLN 190.6m for H1 2013, up by 17% on the prior year period and by a massive 96% compared to H1 2011, prior to the Q4 2011 acquisitions of Dialog and Crowley. This excellent performance, which represents 20% of H1 2013 revenue, results from over-delivery on integration synergy targets together with a disciplined, value focused commercial strategy in the face of challenging market conditions. We are committed to developing B2B services, where we generate over two-thirds of our cash flows, defending margins on defocused off-network voice and broadband while growing TV and broadband services delivered over Netia's own local access networks, which we continue to upgrade to NGA quality. In Q2 2013 we delivered on most of these objectives with B2B RGUs growing slightly, WLR ARPUs maintained at PLN 45 for the sixth successive quarter, TV growing by a further 9.6 k to over 100k subscribers and on-network broadband in xDSL, PON and Ethernet technologies up marginally to 381.2k RGUs.

Q2 2013 was a busy quarter for Netia's balance sheet. In May we completed the buy-back of 4.15% of Netia's share capital with a payment of PLN 128.1m to our shareholders. Over 95% of shares were tendered in view of the premium price offered of PLN 8 per share and this achieved the desired result of a distribution to almost all shareholders equivalent to PLN 0.35 per share held. For 2014 we are targeting to distribute PLN 145m, in line with our distribution policy and representing PLN 0.42 per share after reflecting the recently approved redemption of all treasury shares. In June we repaid a further PLN 65m of debt and our leverage at June 30, 2013 stood at 0.72x our upwardly revised 2013 Adjusted EBITDA guidance of PLN 550m. In order to maintain our financial flexibility, we added PLN 200m of undrawn long-term funding to our senior debt facilities and cancelled a PLN 50m revolving facility for a net increase of PLN 150m in available liquidity. This move allows Netia to contemplate smaller acquisitions without needing to modify its recently announced distribution policy.

Finally, Management welcomed the June judgment of the Supreme Administrative Court to overrule the previously binding adverse judgment of the Voivodship Administrative Court regarding Netia's 2003 Corporation Tax ("CIT") liabilities and sent the case back for re-evaluation. This ruling opens the way for a potentially positive outcome of this long contested case and the possibility of the return of all or part of the PLN 51.9m paid to the tax office in 2010, together with statutory interest. We currently await the written justification of the Supreme Administrative Court's judgment before deciding on our next steps in the proceedings."

2 Operational review

2.1 BROADBAND, TV & MOBILE SERVICES

TV and content services. Since 2011 Netia has been offering its customers TV services 'Telewizja Osobista' (Personal Television). The offering includes a proprietary set-top box – the 'Netia Player', which provides access to paid digital TV services provided over IP based protocols in multicast (IPTV) and unicast (streaming), quick and easy access to popular internet services or personal multimedia over the TV screen as well as video-on-demand (VOD) content libraries such as Ipla, Kinoplex and HBO GO.

IPTV based offerings comprise between 24 and 120 TV channels and between 2 and 25 HD TV channels depending on the pricing of the package while VOD libraries and widgets come on top. Streaming based offerings, thanks to which Netia is able to offer TV service outside its own network coverage using a Microsoft Smooth Streaming technology, comprise a narrower range of channels than IPTV, supplemented by video content libraries and widgets installed on the Netia Player. Each service can be optionally expanded further with HBO HD and nc+ packages.

Netia is constantly working to expand the number of content partners. For example, in Q2 2013 the streaming based offering was enlarged by new HD channels and the Disney Channel.

The number of active TV services in Netia grew to 100,879 as at June 30, 2013 up by 42% from 71,274 as at June 30, 2012 and by 11% from 91,237 as at March 31, 2013.

Number of TV services (k)	*Q1 2012*	*Q2 2012*	*Q3 2012*	*Q4 2012*	*Q1 2013*	*Q2 2013*
Total	**61.8**	**71.3**	**72.8**	**79.3**	**91.2**	**100.9**

Netia added 9,642 TV services net in Q2 2013 as compared to 11,952 services added in Q1 2013. The net additions reflect the sales of the smooth streaming-based TV, which is available over a wider footprint than IPTV and was introduced commercially in Q3 2012. Management expects that the product, coverage and distribution improvements to be implemented in 2013 should combine to support continued TV sales growth over future quarters.

TV ARPU was PLN 38 in Q2 2013 as compared to PLN 42 in Q2 2012 and PLN 40 in Q1 2013. The ARPU decline reflects the increasing share of the narrower and cheaper smooth streaming offer in the service mix relative to IPTV based services.

Broadband services totalled 859,807 at June 30, 2013, down by 5% from 903,947 at June 30, 2012 and by 1% from 866,077 at March 31, 2013.

Netia provides its broadband services using the following technologies:

Number of broadband ports (k)	*Q1 12*	*Q2 12*	*Q3 12*	*Q4 12*	*Q1 13*	*Q2 13*
xDSL, FastEthernet and PON over own network	397.7	393.7	387.6	382.5	381.1	381.3
incl. Traditional networks (PON, VDSL, ADSL)	*260.9*	*260.1*	*262.6*	*261.5*	*263.1*	*266.1*
incl. acquired Ethernet Companies	*132.0*	*129.0*	*125.0*	*121.0*	*118.0*	*115.2*
WiMAX Internet	18.6	18.0	17.2	17.9	17.1	16.5
LLU	184.1	182.3	184.6	182.7	178.4	175.4
Bitstream access	312.1	309.9	299.3	291.6	289.5	286.5
Total	**912.4**	**903.9**	**888.7**	**874.8**	**866.1**	**859.7**

Broadband net decrease totalled 6,369 during Q2 2013 as compared to 8,701 in Q1 2013. There were no additions from Ethernet network acquisitions in both Q2 2013 and Q1 2013. The sequential improvement reflects the impact of new advertising campaigns, which promote the bundled TV and Internet services and communicate product USPs (unique selling points) for Netia offers, and improvements to sales processes and organisation.

Nevertheless, slower fixed broadband market growth and increased price competition on broadband products from both the incumbent and cable TV operators has eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio.

In 2013 Netia is focusing on sales of its on-net products, including on-net broadband services. In Q2 2013 the Company recorded 3,013 net additions in own broadband network excluding the performance in the acquired local Ethernet companies, which recorded net decrease of 2,836 services and compares to respectively 1,537 net additions and 2,999 net decrease recorded in Q1 2013. However, despite continuing organic net disconnections on the Ethernet network as a whole, Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program beyond the additional 54,000 HPs currently being rolled out.

Broadband ARPU was PLN 56 in Q2 2013 as compared to PLN 57 in Q2 2012 and PLN 56 in Q1 2013. Netia's conservative pricing policy and focus on higher value customer segments has resulted in a satisfactory ARPU performance over the past year, despite deep price cuts introduced by some of Netia's competitors.

Broadband SAC was PLN [178] in Q2 2013 as compared to PLN 166 in Q1 2013 and PLN 178 in Q4 2012.

Acquisitions of local Ethernet network operators. As of June 30, 2013, Netia's Ethernet networks provided broadband access to a total of 115,170 mostly residential customers as compared to 118,006 customers at March 31, 2013 and 128,978 customers at June 30, 2012, with approximately 621,000 homes passed. Despite continuing organic net disconnections on the Ethernet network as a whole, Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program in 2013. Netia is currently focused on upgrading Ethernet networks already acquired and therefore will likely acquire new networks at a much slower pace than seen in the past, if as all.

NGA network development. As at June 30, 2013, Netia covered in total 1,172,000 households with its NGA networks, including 143,000 PON HPs, 828,000 VDSL HPs and 201,000 Ethernet FTTB HPs. Moreover, Netia covered a further 241,000 IPTV ready HPs within its network coverage based on ADSL2+ technology. Combined with NGA ready HPs, all of which can deliver IPTV services, Netia had 1,413,000 IPTV ready HPs in its proprietary network coverage.

Netia has advanced plans to expand its NGA coverage by another 543,000 or more HPs inclusive of the recent acquisition of cable networks from UPC Polska. Once all upgrade projects are completed, Netia expects to cover in total approximately 1,715,000 NGA HPs which can be reached with 3play service bundles (IPTV + fixed NGA broadband + fixed voice). Furthermore, Netia has introduced smooth streaming technology, which expands the availability of its 3play bundle offer onto networks where line speeds are too slow to support IPTV and, potentially in the future, to homes where Netia does not provide the broadband connection. Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services in additions to constant development of the content offering and service functionalities.

Mobile services. Mobile broadband customer base totalled 28,906 at June 30, 2013 as compared to 33,415 at June 30, 2012 and 29,272 at March 31, 2013. *Mobile broadband ARPU* was PLN 28 in Q2 2013 as compared to PLN 28 in Q2 2012 and PLN 25 in Q1 2013. *Mobile voice services* totalled 51,955 at June 30, 2013 as compared to 62,567 at June 30, 2012 and 56,451 at March 31, 2013. *Mobile voice ARPU* was PLN 27 in Q2 2013 as compared to PLN 26 in Q2 2012 and PLN 27 in Q1 2013. Mobile broadband has similar economics to BSA services whilst mobile voice has benefited from improved terms of MVNO agreements with partners P4 and Polkomtel.

Number of mobile services (k)	*Q1 2012*	*Q2 2012*	*Q3 2012*	*Q4 2012*	*Q1 2013*	*Q2 2013*
Mobile data	30.4	33.4	32.8	30.3	29.3	28.9
Mobile voice	60.6	62.6	62.0	60.2	56.4	52.0
Total	**91.0**	**96.0**	**94.8**	**90.5**	**85.7**	**80.9**

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines totalled 1,550,812 at June 30, 2013 as compared to 1,714,136 at June 30, 2012 and 1,594,875 at March 31, 2013. In Q2 2013 Netia recorded a net decrease of 44,063 voice lines versus 49,029 voice lines in Q1 2013. The Company expects the number of fixed voice lines to continue to decline, mainly due to clients churning from traditional direct voice and WLR services.

The aggressive price competition from other providers on the market together with substitution from mobile and migrations to voice bundled with cable TV, has been putting pressure on the fixed voice subscriber base whilst Netia has been targeting higher ARPU customers and upselling unlimited fixed-line national call bundles in order to attract higher value customers.

Netia is steadily growing its base of relatively low cost VoIP customers, principally in the business segments or over LLU and Ethernet to residential customers. Over time, the Company expects to gradually reduce its reliance on traditional switched telephony, thereby reducing its cost base.

Due to the competitive market conditions and Netia's focus on higher end customers and those served directly over its own networks, Netia has switched emphasis to defending voice revenues and margins as opposed to subscriber numbers. As a result, the net decline during Q2 2013 in services was 1% on high margin own network services, 1% on LLU voice over IP services and 5% on lower margin WLR services.

Netia provides its voice services through the following types of access:

Number of fixed voice lines (k)	*Q1 2012*	*Q2 2012*	*Q3 2012*	*Q4 2012*	*Q1 2013*	*Q2 2013*
Traditional direct voice	584.9	587.3	578.2	563.7	553.3	545.1
Incl. ISDN	*222.6*	*233.3*	*233.9*	*237.0*	*236.6*	*235.4*
Incl. Legacy wireless	*42.1*	*44.0*	*44.4*	*44.8*	*45.1*	*42.9*
Voice over IP (excl. LLU)	45.1	49.7	53.0	69.3	74.6	80.0
WiMAX voice	16.7	15.8	15.0	14.7	13.8	13.2
Own network voice lines	**646.7**	**652.8**	**646.2**	**647.8**	**641.7**	**638.3**
WLR	954.9	936.2	903.8	869.2	828.9	789.0
LLU voice over IP	126.2	125.1	127.7	126.9	124.3	123.5
Total	**1,727.8**	**1,714.1**	**1,677.8**	**1,643.9**	**1,594.9**	**1,550.8**

Voice ARPU per WLR line was PLN 45 in Q2 2013 as compared to PLN 45 in Q2 2012 and PLN 45 in Q1 2013.

Voice ARPU per Netia network subscriber line was PLN 42 in Q2 2013 as compared to PLN 49 in Q2 2012 and PLN 43 in Q1 2013. The fall reflects more aggressive defence of the customer base than on WLR, aggressively priced voice over IP services to business customers and deep discounts given when voice is bundled in 3play.

Blended voice ARPU was PLN 44 in Q2 2013 as compared to PLN 47 in Q2 2012 and PLN 44 in Q1 2013.

2.2.2 Indirect voice

CPS lines (carrier pre selection) totalled 58,358 at June 30, 2013 as compared to 67,480 at June 30, 2012 and 62,013 at March 31, 2013. Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers. CPS clients are not counted in the total voice subscriber base of 1,550,812 clients as at June 30, 2013.

Indirect voice ARPU per CPS line was PLN 28 in Q2 2013 as compared to PLN 44 in Q2 2012 and PLN 30 in Q1 2013. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers are responsible for the progressive ARPU decline.

2.3 OTHER

Headcount was 2,012 at June 30, 2013, compared to 2,693 at June 30, 2012 and 2,053 at March 31, 2013. Active headcount was 1,948 at June 30, 2013 versus 2,539 at June 30, 2012 and 1,971 at March 31, 2013.

The movement in headcount can be analyzed as follows:

	Active	*Total*
Headcount at June 30, 2012	**2,539**	**2,693**
Employees acquired in Ethernet acquisitions since June 30, 2012	-	-
Net headcount reductions since June 30, 2012	(591)	(681)
Headcount at June 30, 2013	**1,948**	**2,012**

Capital investment additions

Capital investment additions (PLN'M)	*H1 2012*	*H1 2013*	*Change %*	*Q1 2013*	*Q2 2013*	*Change %*
Existing network and IT	44.7	45.2	1%	18.6	26.6	43%
Broadband networks	33.2	31.8	-4%	15.5	16.3	5%
CPE broadband (mainly capitalised Netia Spot routers)	12.7	11.3	-11%	6.5	4.8	-26%
IPTV (incl. dedicated CPE – Netia Player)	9.9	3.6	-64%	2.8	0.8	-71%
CDN integration	2.5	8.7	249%	2.5	6.2	148%
Total	**103.0**	**100.6**	**-2%**	**45.9**	**54.7**	**19%**
Dialog group and Crowley[1]	25.8	na	na	na	na	na
Total	**128.8**	**100.6**	**-22%**	**45.9**	**54.7**	**19%**

1 Starting from Q1 2013, the capital investments of the Dialog group and Crowley, which were acquired by Netia in December 2011, were fully integrated with others capital investment categories.

Capital investment in existing network and IT reflect extension of transmission network capacity to activate new corporate and carrier customers as well as NGA development and upgrades for residential clients. Lower purchases of Netia Players reflect activations from existing stocks. Following the full integration of the Dialog and Crowley businesses into New Netia, capital investment necessary to support those acquired networks is included with the other capital investment categories. The reduced capital investment year-on-year reflects tighter control over projects in the newly acquired businesses, purchasing synergies and slower volume growth requirements.

3 Other Highlights

Integration of Netia, Dialog Group and Crowley into New Netia Group. In December 2011 Netia acquired 100% stakes in Telefonia Dialog SA ("Dialog", currently Telefonia Dialog Sp. z o.o.) and Crowley Data Poland Sp. z o.o. ("Crowley", currently merged into Netia). Both acquisitions, which transform Netia into a sizable European altnet with approximately 2.6m unique services, are in line with its Strategy 2020 announced in early 2011 and are expected to further strengthen the Company's market position in all four customer segments, leveraging Dialog's and Crowley's network assets, customer base and operating resources. In particular, the acquisitions are expected to facilitate the development of new generation broadband and TV services delivered through the NGA roll-out and deliver extensive operational synergies.

Management's original objective was to deliver its initial estimate of more than 115.0m PLN in annual synergies by 2014. This estimate was further refined during the detailed integration planning process completed in May 2012 and has resulted in the synergy targets expected by 2014 being increased to PLN 130.0m. The Company now targets over PLN 120.0m of synergies to be delivered on the EBITDA level (versus the original estimate of PLN 106m) while approximately PLN 10.0m of additional synergies are expected to be delivered from capital investment efficiencies whilst changes to Dialog Group's investment strategy are expected to yield further reductions in capex run-rates.

Completed and on-going integration projects have delivered cumulative synergies over six quarters in the amount of PLN 148.5m at the Adjusted EBITDA level and PLN 33.9m from capital investments through June 30, 2013. From a total of over 100 projects, 86 Adjusted EBITDA level synergy initiatives are already completed. In addition, 39 Capex synergy initiatives have been completed. Total reorganization costs recorded in H1 2013 amounted to PLN 5.6m (out of which PLN 1.6m related to the employment restructuring program and PLN 4.0m related to integration costs).

This comprehensive integration project which is expected to create a larger, more efficient and more competitive New Netia is progressing smoothly. Senior management is confident that its upwardly revised synergy targets will be achieved with the final projects, mainly related to IT platform migrations, being concluded in Q4 2013. Completion of this and other open projects during the course of 2013 is expected to grow the base of delivered operational synergies from PLN 76.2m in 2012 to PLN 115m in 2013 and PLN 120m in 2014 with a further PLN 10m in recurring capex synergies.

Financing. On June 30, 2013, Netia had PLN 124.4m in cash and short term deposits and PLN 522.9m in total debt and accrued interest as compared to PLN 98.3m and PLN 562.5m, respectively, on March 31, 2013. The debt outstanding on June 30, 2013 comprised PLN 447.2m of principal and interest on a five-year senior debt facility drawn to acquire Dialog group, a revolving facility of PLN 50.2m to partly finance the Dialog and Crowley acquisitions and an overdraft facility of PLN 25.5m. Debt as at March 31, 2013 comprised, respectively, PLN511.4m, PLN 51.1m and null for the same purposes. In addition, at March 31, 2013 Netia held a further PLN 129.0m of cash on an escrow account pending conclusion of its Offer to purchase 16.0m Netia shares, which was completed on May 28, 2013. Accordingly, Netia Group's net debt at June 30, 2013 was PLN 398.5m versus PLN 464.2m at March 31, 2013 and net debt to the upwardly revised Adjusted EBITDA forecast for 2013 of PLN 550m amounted to 0.72x.

On June 20, 2013 Netia extended the long-term loan facility by an additional tranche of PLN 200.0m, designated for the financing of capital expenditures and operating expenses of the Netia Group and for payments to shareholders of the Company. None of these new funds have been drawn, but are available until December 20, 2014. Moreover, in July 2013 Netia repaid and cancelled the PLN 50.0m revolving facility option.

Financial covenants agreed as part of the loan facility with the consortium of banks signed in September 2011 are such that further funds may be raised to finance further acquisitions.

Offer to purchase shares. On March 13, 2013 Netia announced an offer to purchase up to 16.0m shares for a total amount of up to PLN 128.1m in continuation of the buy-back program authorized by the shareholders in 2011 (the 'Offer'). The purchase price of one share under the Offer was PLN 8.00 (a proforma equivalent of PLN 0.35 per outstanding share). The Offer was successfully completed in full on May 28, 2013, with shareholders tendering in total shares representing 89.3% of Netia's share capital and, after giving effect to the treasury shares held by Netia prior to the Offer's commencement, 94.8% of the shares outstanding. The Offer completed the general buy-back program adopted by Netia's general shareholders meeting in June 2011 to acquire and redeem up to 12.5% of the Company's share capital utilizing assigned funds totaling up to PLN 350.0m. The annual shareholders meeting held on June 28, 2013 redeemed a total of 38.4m treasury shares acquired in relation to various tranches of the Company's buy-back program. Once this redemption is registered by the court, Netia's outstanding share capital shall fall to 347.9m shares.

New distribution policy. As previously announced, while remaining interested in a number of potential acquisition targets, Netia Management presently anticipates no likely short-term transactions and therefore targets to facilitate payments to shareholders through either dividends or offers to purchase shares directed to all shareholders or capital redemptions, depending on the evolution of distributable reserves in Netia SA, which stood at PLN 382.3m at June 30, 2013 and represent the key constraint on future distributions. Based on its free cash flow projections, Management estimates that the Company may distribute up to PLN 145m from 2014 onwards (pro forma PLN 0.42 per outstanding shares after giving effect to the recently completed Offer to purchase 16.0m shares) with some scope to moderately increase payments over time.

In 2013 the Company returned to its shareholders PLN 128.1m (a proforma equivalent of PLN 0.35 per outstanding share) through the buy-back of 4.15% of the Company's share capital.

Disputed corporate income tax (CIT) for 2003. On June 25, 2013, the Supreme Administrative Court in Warsaw overruled the judgment of the Voivodship Administrative Court, which had been appealed by Netia, upholding the decision of the Director of the Tax Chamber in Warsaw in its entirety and remanded the case for reconsideration to the first-instance court. The ruling of the Supreme Administrative Court opens the way for a potentially favorable to Netia conclusion of the dispute. Following the earlier receipt of PLN 7.8m of refunds and interest from the tax authorities, Netia continues to claim PLN 51.9m plus interest from the tax authorities in relation to the disputed 2003 CIT case. Currently, the Company is awaiting a written justification of the Supreme Administrative Court's judgment in order to assess its implications for possible next steps in the proceedings.

Netia acquired from UPC Polska a part of former Aster cable operator's network, which was classified for resale according to the decision of the President of the Office of Competition and Consumer Protection (UOKiK) as of September 5, 2011 approving the acquisition of Aster cable operator by UPC Polska. The transaction was finalized on May 10, 2013 following the receipt of consent from the President of the Office of Competition and Consumer Protection and completion of certain other conditions precedent. Netia purchased from UPC Polska and UPC Poland Holding BV 100% of shares in Centrina Sp. z o.o. and Dianthus Sp. z o.o., which own cable networks in Warsaw and Krakow reaching a total of 446,000 homes passed. The transaction has been treated as a purchase of network assets and related liabilities with a net valuation of PLN 5.8m. Simultaneously, UPC Polska concluded with Centrina and Dianthus a 12-month network rental agreement in order to ensure service continuity to its customers during a transition period. Total consideration payable to Netia Group for this network rental amounts to PLN 4.5m. Moreover, Netia will receive discounts on certain ongoing commercial agreements between the Netia Group and UPC Polska. These discounts are estimated to amount to PLN 16.4m and will be recognized as they are received.

Netia is not gaining any retail customers, but the transaction increases the reach of Netia's proprietary network by 18% to 2.9 million households and allows the Company to strengthen its infrastructural market position in these regions of the Residential market segment where, until now, it did not hold a strong footprint. The acquisition is the next important step in the execution of Netia's strategy, which is based on developing on-line solutions focusing on the Company's own networks and may prove an excellent base for extracting synergies from future consolidation activities, not pursued before by Netia in this market segment.

Netia has begun works on connecting the cable network to its backbone network, defining the to-be service offering and procuring necessary network equipment and set-top boxes. The Group is targeting a commercial launch in early 2014.

4Sails. In Q2 2013 Netia continued works on an internal project '4Sails' aimed at reviewing sales force operations to fully exploit opportunities arising from the Telefonia Dialog and Crowley Data Poland acquisitions. Based on Deloitte's recommendation, the internal project team in Netia prepared the list of initiatives along with the timetable of their implementation. The first key initiatives have already been introduced. Among others, a number of improvements have been implemented within the business customer market segment with a view to strengthen the strategy for acquisition, maintenance and retention of the customer base while adjusting the sales structure to new market challenges. In parallel, the management of the SME customer base has been modified with an aim to bring the service level for these customers closer to the standards in place for business clients. As far as the residential customer segment is concerned, a dedicated program for external sales partners has been launched to optimize rules of co-operation and focus on both quality and productivity of sales activities. The implementation of most initiatives is planned for H2 2013. This includes, among others, changes to sales communications and improvements to system tools, data quality and reporting. From July 2013 Netia reorganized its operating segments into two main divisions: B2B (comprising the previous Corporate, Carrier, and SME segments) and B2C (comprising the previous Residential and SOHO segments). The Company plans to fully modify financial reporting according to the new segments from Q3 2013.

Netia's annual shareholders meeting held on June 28, 2013 approved, among others, the financial statements for 2012 and the redemption of the treasury shares following the completion of the share buy-back program. The related decrease in Netia's share capital will become effective as of the day of its registration by the court). In addition, the AGM determined the number of the Supervisory Board members at nine persons and appointed Mr. Jerome de Vitry (for a second term of office) and Mr. Jacek Czernuszenko (for a first term of office) to the Company's Supervisory Board.

Decrease of strike prices of options granted under the stock option plan. On June 28, 2013 Netia's Supervisory Board adopted a resolution on decreasing by PLN 0.16 the strike price of all existing options issued under the stock option plan for the years 2011-2020. The resolution followed the completion in May 2013 of an Offer to repurchase shares, under which Netia acquired 16,012,630 of its own shares for the price of PLN 8 per share. The above purchase had an impact on the market price of the Company's shares equivalent to a dividend payment and therefore it resulted in a proforma decrease of the market price of the Company's shares and a corresponding decrease of the value of all the existing options granted to the participants of the stock option plan. By reducing the strike price of the existing options, the Supervisory Board has effectively neutralized the impact of the share repurchase on the value of the stock option plan.

4 Updated guidance for FY2013

Netia is revising its 2013 guidance as published previously on December 20, 2012 (see Netia's current report no. 109/2012 dated December 20, 2012).

While Management notes solid progress in B2B, TV and on-net broadband RGUs in B2C in line with key strategic priorities for 2013, this progress is coming through more slowly than originally planned while losses of voice services, particularly over regulated access, are continuing at a faster pace than was previously expected. As a result, Management is today revising down its full year RGU and revenue guidance to 2,525k RGUs and PLN 1,900m, respectively. However, cost control, lower customer acquisitions related spending and capital investment savings allow for increasing both Adjusted EBITDA and Adjusted operating free cash flow performance by PLN 25m to PLN 550m and PLN 325m, respectively, and Adjusted EBIT guidance by PLN 35m to PLN 100m. The new guidance reflects the current year impact of capital investments necessary to integrate cable TV networks in Warsaw in Kraków.

Full guidance for 2013 is set out below:

FY2013 Guidance	*Previous*	*Updated*
Number of services (RGUs) ('000)	2,650	2,525
Revenues (PLN m)	1,925	1,900
Adjusted EBITDA (PLN m)	525	550
Adjusted EBITDA margin (%)	27.3%	28.9%
Adjusted EBIT (PLN m)	65	100
Capital investments (excl. M&A and integration capex) (PLN m)	225	225
Capital investments (excl. M&A and integration capex) to sales (%)	11.7%	11.8%
Adjusted operating free cash flow (Adj. OpFCF)[1](PLN m)	300	325

1 Adjusted EBITDA less Capital Investments excluding Dialog and Crowley integration related capex and Ethernet acquisitions

The above guidance excludes the impact of one-off integration costs and one-off integration capital investments, estimated at up to PLN 10 million and up to PLN 35 million, respectively.

The long-term strategic financial goals published on December 20, 2012 (see Netia's current report no. 109/2012 dated December 20, 2012) remain unchanged.

Consolidated Financial Information

Please also refer to our financial statements for the six-month period ended June 30, 2013.

H1 2013 vs. H1 2012

Revenue decreased by 10% YoY to PLN 968.2m for H1 2013 from PLN 1,080.7m for H1 2012. The Home operating segment decreased by 13% or PLN 72.3m, the Corporate segment by 4% or PLN 10.2m, the SOHO/SME segment by 5% or 6.8m and the Carrier segment by 18% or PLN 24.1m. The decline in revenues was driven by a 7% YoY decline in services provided (RGUs) and by falls in mobile termination rates (MTRs). RGU declines continued to be concentrated in the Residential segment and in fixed voice services and lower margin WLR services in particular. The proportion of RGUs delivered on-network has increased from 41% to 43% in the twelve months to June 30, 2013.

Telecommunications revenue decreased by 10% YoY to PLN 962.9m in H1 2013 from PLN 1,076.2m in H1 2012, driven by a 14% or PLN 66.6m decrease in direct voice revenue to PLN 421.3m from PLN 487.9m in H1 2012, associated with the decrease in the voice subscriber base and the drop in the number of WLR services in particular. Indirect voice services (CPS) revenue decreased by 45% or PLN 8.8m as a result of decreasing customer numbers and falling ARPUs. Revenues from interconnect and carrier services combined were down by 16% to PLN 106.1m from PLN 126.1m in H1 2012 following the introduction of lower MTRs in July 2012 and again in January 2013. Data revenue decreased by 5% or PLN 21.0m to PLN 365.8m from PLN 386.8m in H1 2012, mainly due to the lower number of BSA services. Other telecommunications revenue, which include TV and mobile services, increased between the compared periods by 6% or PLN 3.2m to PLN 59.1m in H1 2013 from PLN 55.9m in H1 2012 and represented 6% of total revenue versus 5% in the prior year period. Direct voice revenue as a share of total telecommunications revenue declined YoY from 45% to 44% and data revenue increased over the same period from 36% to 38%.

Cost of sales decreased by 14% YoY to PLN 651.5m from PLN 757.8m for H1 2012 and represented 67% of total revenue as compared to 70% in the prior year period. Lower interconnection costs following cuts to MTRs, a relatively faster decline in off-net services and synergies from Dialog Group and Crowley integration were the main drivers of the decreasing share of costs in relation to revenue.

Interconnection charges decreased by 27% to PLN 117.2m in H1 2013 as compared to PLN 160.1m for H1 2012, due to falling MTRs.

Network operations and maintenance cost decreased by 8% to PLN 302.6m from PLN 327.4m for H1 2012 due to synergies from Dialog Group and Crowley integration and less off-net RGUs, partly offset by an increase in outsourced maintenance costs after transferring Dialog and Crowley network maintenance to Ericsson.

Depreciation and amortization related to cost of sales decreased by 8% to PLN 180.0m as compared to PLN 196.6m for the prior year period following the reassessment of useful lives of the Netia Group's fixed assets in Q1 2013, resulting in reduction of depreciation rates.

Taxes, frequency fees and other expenses decreased by 24% to PLN 31.7m in H1 2013 as compared to PLN 41.5m for H1 2012, due to synergies from Dialog Group and Crowley integration.

Salaries and benefits related to the cost of sales decreased by 32% to PLN 16.4m from PLN 24.1m for H1 2012 following the headcount reduction process started in June 2012 in connection with the integration of Netia, Dialog Group and Crowley into the New Netia Group and the transfer of Dialog and Crowley maintenance staff to Ericsson in September 2012.

Gross profit for H1 2013 was PLN 316.6m as compared to PLN 322.9m for H1 2012, a drop of just 2% despite revenue falling by 10%. Gross profit margin was 32.7% for H1 2013 and 29.9% for H1 2012. Increasing share of revenue from higher margin own-network services as well as synergies from the Dialog Group and Crowley integration, together with lower MTRs and lower depreciation charges mentioned above, are responsible for the improving percentage gross margin achieved.

Selling and distribution costs decreased by 12% YoY to PLN 182.9m from PLN 208.2m for H1 2012 and represented 19% of total revenue in both compared periods. Synergies from Dialog Group and Crowley integration were the main drivers of the decreasing costs. In addition, cost of third party commissions was reduced due to lower gross additions.

Billing, mailing and logistics costs decreased by 35% YoY to PLN 14.7m from PLN 22.6m while the average number of RGUs served fell only by 6% between the two half year periods due to integration synergies.

Outsourced customer service cost decreased by 42% YoY to PLN 9.1m from PLN 15.6m due to extracting integration synergies and increased use of internal customer care resources.

Salaries and benefits related to selling and distribution cost decreased by 9% to PLN 60.1m from PLN 65.7m in H1 2012.

Third party commissions decreased by 24% YoY to PLN 12.2m from PLN 16.1m due to lower gross additions, particularly in voice services.

Advertising and promotion cost increased by 7% to PLN 17.7m from PLN 16.6m.

Impairment of receivables was higher by 41% and PLN 2.3m as the prior year period benefited from a one-off adjustment to the debt provision to reflect improved recovery rates.

General and administration costs decreased by 20% YoY to PLN 88.6m from PLN 111.4m for H1 2012 and represented 9% of total revenue versus 10% for H1 2012. Synergies from Dialog Group and Crowley integration were the main drivers of the cost decrease.

Salaries and benefits related to general administration cost decreased by 20% to PLN 42.2m from PLN 52.5m in H1 2012, reflecting mainly the headcount optimization process conducted in 2012 in connection with the Dialog Group and Crowley integration into the Netia group.

Other costs related to general administration cost decreased by 28% to PLN 12.5m from PLN 17.5m in H1 2012, due to significantly lower integration costs as the scale of the project is reduced with most synergy initiatives now completed.

Other income and expense, net fell by 64% or PLN 6.9m mainly due to a decrease in reminder fees and penalties charged by Netia.

Adjusted EBITDA was PLN 282.5m, down by 2% from PLN 289.2m for H1 2012 as lower revenue was offset by higher percentage gross margins and lower SG&A expenses. Adjusted EBITDA margin was 29.2% as compared to 26.8% in the prior year period. Higher Adjusted EBITDA margin reflects Dialog Group and Crowley integration and synergies and lower base of both revenue and cost from MTR reductions, partially offset by falling gross profits from contracting voice services.

Including the Dialog Group and Crowley integration costs of PLN 4.8m in H1 2013 and PLN 12.0m in H1 2012, restructuring costs of PLN 2.2m in H1 2013 and PLN 17.5m in H1 2012, impairment charge of PLN 0,4m recorded in H1 2013 and the costs of M&A projects of PLN 0.1m in H1 2013 and PLN 0.7m in H1 2012, *EBITDA* was PLN 275.0m for H1 2013 as compared to PLN 259.0m for the prior year period. EBITDA margin was 28.4% as compared to 24.0% for H1 2012. Going forward into H2 2013, Netia expects the Adjusted EBITDA margin to settle in the 28%-29% range due to the effects of sequential decline in revenue and an anticipated increase in costs associated with improving customer intake.

Depreciation and amortization was PLN 221.3m, a decrease of 9% YoY as compared to PLN 242.1m in H1 2012. Following a comprehensive review of the useful lives of Netia's network assets, the useful economic lives of certain existing network assets, in particular telecommunications equipment, have been extended with effect from January 1, 2013 whilst certain other assets are now fully depreciated.

Operating profit (EBIT) was PLN 53.7m as compared to an operating profit of PLN 16.9m for H1 2012. Excluding unusual costs described above of PLN 7.5m in H1 2013 and PLN 30.2m in H1 2012, Adjusted EBIT was PLN 61.2m for H1 2013 versus PLN 47.1m for H1 2012.

Net financial cost was PLN 15.3m as compared to net financial cost of PLN 23.0m for the prior year period and the improvement is driven by the falls in net debt and in market interest rates between the periods.

Income tax charge of PLN 16.6m was recorded in H1 2013 as compared to income tax benefit of PLN 17.3m for H1 2012. Income tax benefit in H1 2012 included a non-cash gain of PLN 21m recorded due to the recognition of deferred tax assets arising on the intragroup sale of network assets by Dialog to Netia.

Net profit was PLN 21.7m for H1 2013 versus net profit of PLN 11.2m for H1 2012.

Cash outlays on purchase of fixed assets and computer software decreased by 11% to PLN 126.8m for H1 2013 versus PLN 141.9m for H1 2012. In H1 2013 PLN 5.1m was spent in cash on the acquisition of a cable network from UPC Polska while in H1 2012 PLN 5.3m was spent on acquisitions of Ethernet operators and networks and PLN 2.8m was paid towards the final price adjustment in the Crowley acquisition.

Cash and short term deposits at June 30, 2013 totalled PLN 124.4m versus PLN 125.9m at June 30, 2012.

Debt and accrued interest at June 30, 2013 was PLN 522.9m as compared to PLN 579.8m in the prior year period.

Net debt at June 30, 2013 was PLN 398.5m as compared to PLN 453.9m in the prior year period. Over the 12 months to June 30, 2013, PLN 225.8m was returned to shareholders in the form of various tranches of share buy-backs.

Q2 2013 vs. Q1 2013

Sequential revenue decreased by 3% to PLN 477.5m in Q2 2013 from PLN 490.7m in Q1 2013. The decline in revenues was driven by a 2% sequential decline in services provided (RGUs), which continued to be concentrated in the Residential segment and in fixed voice services.

Telecommunications revenue decreased by 3% to PLN 474.7m in Q2 2013 versus PLN 488.2m in Q1 2013. Direct voice revenue fell by 4% QoQ to PLN 205.9m from PLN 215.4m in Q1 2013 as a result of the fall in the subscriber base and on-network ARPU declines partly related to passing on of MTR savings. Data revenue declined by 1% to PLN 181.5m in Q2 2013 from PLN 184.2m in Q1 2013 following the decrease in the subscriber base. Carrier segment revenue decreased sequentially by 5% or PLN 5.3m on lower voice transit revenue. Other telecommunications revenue increased between consecutive quarters by 7% or PLN 1.9m due to higher number of TV services and increased sales of telecommunications equipment.

Cost of sales decreased by 2% to PLN 322.5m as compared to PLN 329.0m in Q1 2013, representing 68% of total revenue in Q2 2013 as compared to 67% in Q1 2013. Cost of network operations and maintenance decreased by 2% or 3.7m mainly as a result of less fees payable to Orange Polska on less wholesale access services. Interconnection charges decreased by 5% or PLN 2.7m on less transit activity in the Carrier segment and lower usage in fixed voice services.

Gross profit was PLN 154.9m in Q2 2013 as compared to PLN 161.7m in Q1 2013, with gross profit margin at 32.5% versus 33.0% in Q1 2013.

Selling and distribution costs decreased by 5% QoQ to PLN 89.3m in Q2 2013 as compared to PLN 93.6m in Q1 2013 representing 19% of total revenue in both quarters. Advertising and promotion spending was up by 23% or PLN 1.8m as a result of more intensive advertising campaigns. Outsourced customer service cost was down by 40% or PLN 2.3m following a shift towards more insourced activities, with the contact center to be fully managed internally from August 2013. Sequentially lower sales volumes and synergies resulted in a decrease of billing, mailing and logistics costs (by 15% or PLN 1.2m) and cost of salaries and benefits related to selling and distribution (by 2% or PLN 0.6m).

General and administrative expenses decreased by 6% to PLN 42.9m in Q2 2013 from PLN 45.7m in Q1 2013, and represented 9% of total revenue in both quarters. The decrease was driven mainly by sequentially lower cost of salaries and benefits related to general administration (by 4% or PLN 1.0m) and professional services (by 33% or PLN 0.9m).

Adjusted EBITDA was PLN 140.5m versus PLN 142.0m for Q1 2013 and Adjusted EBITDA margin was 29.4% in Q1 2013 versus was 28.9% in Q1 2013.

EBITDA was PLN 136.4m as compared to PLN 138.6m in Q1 2013. EBITDA for Q2 2013 included Dialog Group and Crowley integration costs of PLN 2.5m, restructuring costs of PLN 1.3m, an impairment charge of PLN 0.4m and a decrease in costs of M&A projects of PLN 0.1m resulting from capitalization of acquisition costs connected with acquisition of network from UPC Polska, which, in the consolidated financial statements, was treated as an asset purchase and not as a business acquisition. EBITDA for Q1 2013 included Dialog Group and Crowley integration costs of PLN 2.2m, restructuring costs of PLN 0.9m and the costs of M&A projects of PLN 0.3m.

Operating profit (EBIT) was PLN 26.4m as compared to operating profit of PLN 27.3m in Q1 2013. Excluding unusual items, EBIT for Q2 2013 would have been PLN 30.6m profit, unchanged in comparison to Q1 2013.

Net financial cost was PLN 7.9m as compared to net financial cost of PLN 7.4m in Q1 2013.

Income tax charge of PLN 9.9m was recorded in Q2 2013 versus income tax charge of PLN 6.7m in Q1 2013.

Net profit for Q2 2013 was PLN 8.6m versus net profit of PLN 13.1m for Q1 2013.

Key Figures

PLN'000	H1 2012	H1 2013	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Revenues	1,080,751	968,182	536,472	521,073	519,532	490,690	477,492
y-o-y % change	*35.5%*	*(10.4%)*	*35.4%*	*32.0%*	*21.8%*	*(9.8%)*	*(11.0%)*
Adjusted EBITDA	289,191	282,546	156,183	157,448	144,526	142,005	140,541
Margin %	*26.8%*	*29.2%*	*29.1%*	*30.2%*	*27.8%*	*28.9%*	*29.4%*
y-o-y change %	*48.8%*	*(2.3%)*	*68.2%*	*49.3%*	*33.3%*	*6.8%*	*(10.0%)*
EBITDA	259,019	275,029	134,877	148,427	54,081	138,621	136,408
Margin %	*24.0%*	*28.4%*	*25.1%*	*28.5%*	*10.4%*	*28.3%*	*28.6%*
Adjusted EBIT	47,071	61,229	34,082	36,369	25,234	30,656	30,573
Margin %	*4.4%*	*6.3%*	*6.4%*	*7.0%*	*4.9%*	*6.2%*	*6.4%*
EBIT	16,899	53,712	12,776	27,348	(65,211)	27,272	26,440
Margin %	*1.6%*	*5.5%*	*2.4%*	*5.2%*	*(12.6%)*	*5.6%*	*5.5%*
Adjusted Profit of the Netia Group (consolidated)	35,611	27,817	38,276	17,342	(35,651)	15,885	11,932
Margin %	*3.3%*	*2.9%*	*7.1%*	*3.3%*	*(6.9%)*	*3.2%*	*2.5%*
Profit/(Loss) of the Netia Group (consolidated)	11,172	21,728	21,018	10,035	(108,911)	13,144	8,584
Margin %	*1.0%*	*2.2%*	*3.9%*	*1.9%*	*(21.0%)*	*2.7%*	*1.8%*
Profit/(Loss) of Netia SA (stand alone)[1]	(29,158)	(18,309)	(8,715)	(9,783)	(55,234)	(9,055)	(9,254)
Cash and short term deposits	125,959	124,401	125,959	131,122	142,702	98,304	124,401
Cash, restricted cash and short term deposits	128,237	126,524	128,237	133,385	144,965	229,750	126,524
Treasury bills (at amortized cost)	-	-	-	48	49	-	-
Debt	579,830	522,935	579,830	590,013	550,649	562,543	522,935
Capex related payments	141,873	126,793	66,512	68,027	52,606	71,628	55,165
Investments in tangible and intangible fixed assets	128,821	100,637	68,924	73,752	76,524	45,899	54,738

EUR'000[2]	H1 2012	H1 2013	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Revenues	249,642	223,640	123,919	120,362	120,006	113,344	110,296
y-o-y % change	*35.5%*	*(10.4%)*	*35.4%*	*32.0%*	*21.8%*	*(9.8%)*	*(11.0%)*
Adjusted EBITDA	66,800	65,265	36,077	36,369	33,384	32,802	32,464
Margin %	*26.8%*	*29.2%*	*29.1%*	*30.2%*	*27.8%*	*28.9%*	*29.4%*
y-o-y change %	*48.8%*	*(2.3%)*	*68.2%*	*49.3%*	*33.3%*	*6.8%*	*(10.0%)*
EBITDA	59,831	63,529	31,155	34,285	12,492	32,020	31,509
Margin %	*24.0%*	*28.4%*	*25.1%*	*28.5%*	*10.4%*	*28.3%*	*28.6%*
Adjusted EBIT	10,873	14,143	7,873	8,401	5,829	7,081	7,062
Margin %	*4.4%*	*6.3%*	*6.4%*	*7.0%*	*4.9%*	*6.2%*	*6.4%*
EBIT	3,903	12,407	2,951	6,317	(15,063)	6,300	6,107
Margin %	*1.6%*	*5.5%*	*2.4%*	*5.2%*	*(12.6%)*	*5.6%*	*5.5%*
Adjusted Profit of the Netia Group (consolidated)	8,226	6,425	8,841	4,006	(8,235)	3,669	2,756
Margin %	*3.3%*	*2.9%*	*7.1%*	*3.3%*	*(6.9%)*	*3.2%*	*2.5%*
Profit/(Loss) of the Netia Group (consolidated)	2,581	5,019	4,855	2,318	(25,157)	3,036	1,983
Margin %	*1.0%*	*2.2%*	*3.9%*	*1.9%*	*(21.0%)*	*2.7%*	*1.8%*
Profit/(Loss) of Netia SA (stand alone)[1]	(6,735)	(4,229)	(2,013)	(2,260)	(12,758)	(2,092)	(2,138)
Cash and short term deposits	29,095	28,735	29,095	30,288	32,963	22,707	28,735
Cash, restricted cash and short term deposits	29,621	29,226	29,621	30,811	33,485	53,070	29,226
Treasury bills (at amortized cost)	-	-	-	11	11	-	-
Debt	133,935	120,793	133,935	136,287	127,194	129,942	120,793
Capex related payments	32,771	29,288	15,364	15,714	12,151	16,545	12,743
Investments in tangible and intangible fixed assets	29,756	23,246	15,921	17,036	17,676	10,602	12,644

[1] The profit of Netia SA (stand alone) is used for purpose of calculation of the amounts available for potential cash distribution to shareholders through dividends or share buy-backs.

[2] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.3292 = EUR 1.00, the average rate announced by the National Bank of Poland on June 28, 2013. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2012 exclude the following items as appropriate: an impairment charge of PLN 79.2m, New Netia (Dialog Group & Crowley) integration costs of PLN 26.3m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 22.6m and expenses related to M&A activities of PLN 1.5m and impact from these one-offs on the income tax charge of PLN 9.6m. Items excluded for H1 2013 are as follows: New Netia (Dialog Group & Crowley) integration costs of PLN 4.8m, restructuring expenses of PLN 2.2m, impairment charge of PLN 0.4m and expenses related to M&A activities of PLN 0.1m and impact from these one-offs on the income tax charge of PLN 1.3m.

Key Operational Indicators	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Total services (RGUs)	***2,793,068***	***2,785,339***	***2,734,070***	***2,688,467***	***2,637,912***	***2,592,260***
Broadband data services						
Own infrastructure-based services	416,241	411,716	404,795	400,431	398,162	397,788
Own fixed-line networks	*397,680*	393,753	*387,600*	*382,540*	*381,078*	*381,255*
WiMAX	*18,561*	*17,963*	*17,195*	*17,891*	*17,084*	*16,533*
Bitstream access	312,103	309,878	299,272	291,621	289,522	286,465
LLU	184,064	182,353	184,631	182,726	178,393	175,455
Total broadband data services (end of period)	**912,408**	**903,947**	**888,698**	**874,778**	**866,077**	**859,708**
Voice services (excl. CPS)						
Traditional direct voice[1]	584,928	587,311	578,191	563,753	553,337	545,127
incl. ISDN equivalent of lines	*222,604*	*233,280*	*233,888*	*236,974*	*236,628*	*235,370*
incl. legacy wireless	*42,158*	*43,984*	*44,418*	*44,788*	*45,143*	*42,943*
Voice over IP (excl. LLU)	45,100	49,694	53,050	69,359	74,580	79,987
WiMAX voice	16,644	15,819	14,987	14,663	13,802	13,210
Netia network subscriber voice services	646,672	652,824	646,228	647,775	641,719	638,324
WLR	954,917	936,167	903,810	869,196	828,850	788,996
LLU voice over IP	126,240	125,145	127,728	126,933	124,306	123,492
Total voice services (end of period)	**1,727,829**	**1,714,136**	**1,677,766**	**1,643,904**	**1,594,875**	**1,550,812**
TV services (end of period)	**61,804**	**71,274**	**72,805**	**79,285**	**91,237**	**100,879**
Mobile Data services (end of period)	**30,446**	**33,415**	**32,758**	**30,281**	**29,272**	**28,906**
Mobile Voice services (end of period)	**60,581**	**62,567**	**62,043**	**60,219**	**56,451**	**51,955**
Total services (RGUs) by segment (end of period)	**2,793,068**	**2,785,339**	**2,734,070**	**2,688,467**	**2,637,912**	**2,592,260**
Corporate segment	277,844	294,960	300,411	307,604	316,278	318,949
Carrier segment	8,444	8,513	8,420	10,090	10,128	10,165
Residential segment	2,077,515	2,050,755	1,995,939	1,934,843	1,877,834	1,830,189
Share of lines with multiplay services	*30.6%*	*31.2%*	*31.4%*	*31.8%*	*32.2%*	*32.5%*
SOHO/SME segment	393,939	396,133	394,350	400,905	398,877	398,407
Share of lines with multiplay services	*46.7%*	*47.3%*	*47.2%*	*47.2%*	*47.6%*	*48.2%*
Other[2] (Petrotel)	35,326	34,978	34,950	35,025	34,795	34,550
Other						
Total net additions in Broadband data services	838	(8,461)	(15,249)	(13,920)	(8,701)	(6,369)
Monthly Broadband ARPU (PLN)	57	57	56	57	56	56
Total net additions in Voice services	(16,894)	(13,693)	(36,370)	(33,862)	(49,029)	(44,063)
Monthly Voice ARPU in own network (PLN)	49	49	46	46	43	42
Monthly Voice ARPU for WLR (PLN)	45	45	45	45	45	45
Monthly Voice ARPU blended (PLN)	47	47	46	46	44	44
Monthly TV ARPU blended (PLN)	44	42	42	42	40	38
Monthly Mobile Data ARPU blended (PLN)	28	28	27	26	25	28
Monthly Mobile Voice ARPU blended (PLN)	24	26	27	26	27	27
CPS lines (cumulative)	70,029	67,480	65,249	62,241	62,013	58,358
Monthly Voice ARPU for CPS	48	44	42	37	30	28
Headcount	2,811	2,693	2,240	2,117	2,053	2,012
Active headcount	2,719	2,539	2,144	2,013	1,971	1,948

[1] The sequential improvement in the number of traditional direct voice services between Q1 and Q2 2012 results from a one-time upward adjustment in the number of traditional direct voice lines by 12,965 due to product definition changes to services sold by the Corporate Segment.

[2] Number of services in Dialog and Crowley has been fully integrated under the Netia Group's four operating segments. Services at Dialog's subsidiary Petrotel are shown separately under the 'Other' segment.

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Direct Voice	487,917	421,278	215,404	205,874
Incl. monthly fees	*339,032*	*303,253*	154,449	*148,804*
Incl. calling charges	*148,692*	*117,598*	60,769	*56,829*
Indirect Voice	19,440	10,642	5,620	5,022
Data	386,793	365,774	184,240	181,534
Interconnection revenues	58,065	46,381	24,730	21,651
Wholesale services	68,076	59,703	29,598	30,105
Other telecommunications revenues	55,945	59,140	28,618	30,522
Total telecommunications revenue	**1,076,236**	**962,918**	**488,210**	**474,708**
Radio communications and other revenue	4,515	5,264	2,480	2,784
Total revenue	**1,080,751**	**968,182**	**490,690**	**477,492**
Cost of sales	**(757,843)**	**(651,538)**	**(328,994)**	**(322,544)**
Interconnection charges	(160,145)	(117,226)	(59,989)	(57,237)
Network operations and maintenance	(327,376)	(302,584)	(153,154)	(149,430)
Costs of goods sold	(4,881)	(3,159)	(1,350)	(1,809)
Depreciation and amortization	(196,561)	(180,049)	(90,422)	(89,627)
Salaries and benefits	(24,099)	(16,360)	(8,385)	(7,975)
Restructuring	(3,263)	(431)	(36)	(395)
Taxes, frequency fees and other expenses	(41,518)	(31,729)	(15,658)	(16,071)
Gross profit	**322,908**	**316,644**	**161,696**	**154,948**
Margin (%)	***29.9%***	***32.7%***	***33.0%***	***32.5%***
Selling and distribution costs	**(208,224)**	**(182,898)**	**(93,604)**	**(89,294)**
Advertising and promotion	(16,588)	(17,700)	(7,939)	(9,761)
Third party commissions	(16,133)	(12,200)	(6,046)	(6,154)
Billing, mailing and logistics	(22,582)	(14,687)	(7,930)	(6,757)
Outsourced customer service	(15,617)	(9,112)	(5,710)	(3,402)
Impairment of receivables	(5,629)	(7,927)	(4,775)	(3,152)
Depreciation and amortization	(30,548)	(26,959)	(13,608)	(13,351)
Salaries and benefits	(65,746)	(60,098)	(30,352)	(29,746)
Restructuring	(8,797)	(881)	(485)	(396)
Other costs	(26,584)	(33,334)	(16,759)	(16,575)
General and administration costs	**(111,402)**	**(88,603)**	**(45,665)**	**(42,938)**
Professional services	(5,704)	(4,469)	(2,683)	(1,786)
Electronic data processing	(6,267)	(7,524)	(3,682)	(3,842)
Office and car maintenance	(8,956)	(6,691)	(3,443)	(3,248)
Depreciation and amortization	(15,011)	(14,309)	(7,319)	(6,990)
Salaries and benefits	(52,543)	(42,184)	(21,583)	(20,601)
Restructuring	(5,451)	(870)	(363)	(507)
Other costs	(17,470)	(12,556)	(6,592)	(5,964)
Other income	12,738	4,998	2,345	2,653
Other expense	(1,910)	(1,094)	(76)	(1,018)
Other gains/ (losses), net	2,789	4,665	2,576	2,089
Impairment charge for non-current assets	-	-	-	-
EBIT	**16,899**	**53,712**	**27,272**	**26,440**
Margin (%)	***1.6%***	***5.5%***	***5.6%***	***5.5%***
Finance income	4,094	4,029	1,844	2,185
Finance cost	(27,149)	(19,374)	(9,256)	(10,118)
Profit before tax	**(6,156)**	**38,367**	**19,860**	**18,507**
Tax benefit / (charge)	17,328	(16,639)	(6,716)	(9,923)
Profit / (Loss)	**11,172**	**21,728**	**13,144**	**8,584**

EBITDA Reconciliation to Profit
(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Operating Profit	**16,899**	**53,712**	**27,272**	**26,440**
Add back:				
Depreciation and amortization	242,120	221,317	111,349	109,968
EBITDA	**259,019**	**275,029**	**138,621**	**136,408**
Add back:				
Impairment charge for non-current assets	-	431	-	431
Restructuring costs	17,510	2,182	884	1,298
M&A related costs	694	119	271	(152)
New Netia integration costs	11,968	4,785	2,229	2,556
Adjusted EBITDA	**289,191**	**282,546**	**142,005**	**140,541**
Margin (%)	***26.8%***	***29.2%***	***28.9%***	***29.4%***

Note to Other Income
(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Reminder fees and penalties	8,583	3,274	1,681	1,593
Forgiveness of liabilities	244	326	163	163
Other operating income	3,581	1,398	501	897
Reversal of an impairment charge for non-current assets	330	-	-	-
Total	**12,738**	**4,998**	**2,345**	**2,653**

Note to Other Expense
(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Impairment charges for specific individual assets	(1,539)	(1,042)	(67)	(975)
Other expenses	(371)	(52)	(9)	(43)
Total	**(1,910)**	**(1,094)**	**(76)**	**(1,018)**

Note to Other Gains / (losses), net
(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Gain / (loss) on sale of impaired receivables	2,898	5,436	3,369	2,067
Gain / (loss) on disposal of fixed assets	(293)	(495)	(704)	209
Net foreign exchange gains / (losses)	184	(276)	(89)	(187)
Total	**2,789**	**4,665**	**2,576**	**2,089**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Profit / (Loss)	**11,172**	**21,728**	**13,144**	**8,584**
Cash flow hedges	(4,309)	5,268	1,642	3,626
Income tax relating to components of other comprehensive income	843	(1,027)	(343)	(684)
Other comprehensive Income / (Loss)	**(3,466)**	**4,241**	**1,299**	**2,942**
Total comprehensive Income / (Loss)	**7,706**	**25,969**	**14,443**	**11,526**
Attributable to equity holders of the Company	*7,706*	*25,969*	*14,443*	*11,526*

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	December 31 2012 *audited*	March 31 2013 *unaudited*	June 30 2013 *unaudited*
Property, plant and equipment, net	2,066,304	2,018,333	1,984,723
Intangible assets	597,455	579,108	563,481
Investment property	-	26,267	26,141
Deferred income tax assets	101,687	99,778	95,124
Available for sale financial assets	115	115	115
Long-term receivables	1	1	1
Prepaid expenses and accrued income	11,082	9,281	7,354
Income tax receivables	-	-	814
Total non-current assets	**2,776,644**	**2,732,883**	**2,677,753**
Inventories	2,094	1,670	1,745
Trade and other receivables	248,270	222,480	216,925
Current income tax receivables	518	1,114	26
Prepaid expenses and accrued income	33,660	32,464	34,216
Derivative financial instruments	-	254	1,337
Financial assets at fair value through profit and loss	15	15	18
Held to maturity investments	49	-	-
Restricted cash	2,263	131,446	2,123
Cash and short-term deposits	142,702	98,304	124,401
	429,571	**487,747**	**380,791**
Assets held for sale	26,770	-	-
Total current assets	**456,341**	**487,747**	**380,791**
TOTAL ASSETS	**3,232,985**	**3,220,630**	**3,058,544**
Share capital	386,281	386,281	386,281
Treasury shares	(106,814)	(122,702)	(251,012)
Supplementary capital	2,060,076	2,060,076	1,971,500
Retained earnings	(62,432)	(49,288)	57,647
Other components of equity	19,184	20,996	14,986
TOTAL EQUITY	**2,296,295**	**2,295,363**	**2,179,402**
Bank loans	384,452	385,096	320,809
Provisions	18,189	18,053	20,397
Deferred income tax liabilities	17,683	19,745	21,227
Deferred income	20,769	21,185	19,646
Other financial liabilities	5,741	5,464	2,487
Other long-term liabilities	4,232	3,773	3,319
Total non-current liabilities	**451,066**	**453,316**	**387,885**
Trade and other payables	260,069	237,885	227,813
Derivative financial instruments	7,268	5,769	6,025
Borrowings	166,197	177,447	202,126
Other financial liabilities	66	66	66
Current income tax liabilities	1	1	1
Provisions	14,200	13,169	13,217
Deferred income	37,823	37,614	42,009
Total current liabilities	**485,624**	**471,951**	**491,257**
Total liabilities	**936,690**	**925,267**	**879,142**
TOTAL EQUITY AND LIABILITIES	**3,232,985**	**3,220,630**	**3,058,544**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	H1 2012 *unaudited*	H1 2013 *unaudited*	Q1 2013 *unaudited*	Q2 2013 *unaudited*
Profit / (Loss)	**11,172**	**21,728**	**13,144**	**8,584**
Depreciation and amortization	242,120	221,317	111,349	109,968
An impairment charge on non-current assets	-	1	-	1
Impairment charges for specific individual assets	1,539	1,041	67	974
Reversal of impairment charges for specific assets	(330)	-	-	-
Deferred income tax charge / (benefit)	(16,766)	9,081	3,628	5,453
Interest expense and fees charged on bank loans	25,626	16,790	8,655	8,135
Other interest charged	219	172	92	80
Share-based compensation	1,635	1,482	608	874
Fair value (gains)/losses on financial assets/liabilities	1	(3)	-	(3)
Fair value (gains)losses on derivative financial instruments	1,125	(1,263)	366	(1,629)
Foreign exchange (gains)/losses	(60)	(107)	(39)	(68)
(Gain)/Loss on disposal of fixed assets	322	945	1,154	(209)
Changes in working capital	15,788	28,806	30,848	(2,042)
Net cash provided by operating activities	**282,391**	**299,990**	**169,872**	**130,118**
Purchase of fixed assets and computer software	(141,873)	(126,793)	(71,628)	(55,165)
Proceeds from sale of non-core assets	231	730	332	398
Purchase of Ethernet operators, net of received cash	(5,285)	-	-	-
Purchase price adjustment for Crowley	(2,775)	-	-	-
Net (purchase)/receipt of treasury bonds / notes	-	50	50	-
Purchase of non-controlling interest	(15)	-	-	-
Sale of investments	28	-	-	-
Net cash used in investing activities	**(149,689)**	**(126,013)**	**(71,246)**	**(54,767)**
Government grants received	6,595	601	-	-
Transfer to restricted cash to repurchase shares	-	-	(129,000)	129,601
Proceeds from borrowings	-	50,000	50,000	-
Repurchase of own shares	(24,847)	(144,198)	(15,888)	(128,310)
Finance lease payments	(3,244)	(1,483)	(747)	(736)
Overdraft	-	6,779	(18,751)	25,530
Loan repayments	(116,981)	(65,000)	-	(65,000)
Interest repayments	(24,835)	(37,371)	(28,677)	(8,694)
Payments of fees relating to bank loans	-	(1,713)	-	(1,713)
Net cash used in financing activities	**(163,312)**	**(192,385)**	**(143,063)**	**(49,322)**
Net change in cash and short-term deposits	**(30,610)**	**(18,408)**	**(44,437)**	**26,029**
Effect of exchange rate change on cash and cash equivalents	60	107	39	68
Cash and short-term deposits at the beginning of the period	156,509	142,702	142,702	98,304
Cash and short-term deposits at the end of the period	**125,959**	**124,401**	**98,304**	**124,401**

Definitions	
Active headcount	• 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
Backbone	• a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream access	• a type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by the incumbent. The altnet connects to the incumbent's data network and may only offer services identical to those of the incumbent, paying it on a retail minus basis for use of its network.
Broadband SAC	• a cost per unit related to the acquisition of new customers through broadband access (i.e., Bitstream, LLU, WiMAX, xDSL), including a one-time payment to the incumbent, sales commissions, postal services and the cost of modems sold;
Broadband ARPU	• average monthly revenue per broadband port during the period; Broadband ARPU is obtained by dividing the amount of monthly revenues from data services related to provisioning fixed Internet access by the average number of broadband ports, in each case for the referenced three-month period; Where significant promotional discounts are given at the beginning of contracts, revenues are averaged over the life of the contract.
Broadband port	• a broadband port which is active at the end of a given period;
Cash	• cash and cash equivalents at the end of period;
Cost of network operations and maintenance	• cost of rentals of lines and telecommunications equipment, as well as maintenance, services and related expenses necessary to operate our network;
Data revenues	• revenues from provisioning Frame Relay (including IP VPN-virtual private network services), lease of lines (including leased lines for carriers), Internet fixed-access services (provided, among others, through bitsteam and WiMAX types of access) and IP Transit;
Direct voice revenues	• telecommunications revenues from voice services offered by Netia to its subscribers (through various types of access, including, among others, WiMAX). Direct voice services include the following traffic fractions: local calls, domestic long-distance (DLD) calls, international long distance (ILD) calls, fixed-to-mobile calls and other services (incl. Internet dial-in, emergency calls and 0-80x/0-70x - type calls originated by Netia's subscribers);
DSLAM	• technical infrastructure that splits data from voice traffic over a copper line and is deployed in the local network of a telecommunications operator to provide ADSL services to customers connected to a given local network node.
EBITDA / Adjusted EBITDA	• to supplement the reporting of our consolidated financial information under IFRS, we will continue to present certain financial measures, including EBITDA. We define EBITDA as profit/(loss) as measured by IFRS, adjusted for depreciation and amortization, financial income and expense, income taxes and results of investments in associates. EBITDA has been further adjusted for a non-cash gain on reversal of earlier impairment charges, provision for universal service obligation payment, one-off restructuring expenses related to the cost reduction program, M&A expenses, New Netia integration expenses, a gain on disposal of the transmission equipment to P4 and a positive accounting impact from the settlement agreement with the incumbent and is therefore defined as Adjusted EBITDA. We believe EBITDA and related measures of cash flow from operating activities serve as useful supplementary financial indicators in measuring the operating performance of telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) or as an indicator of operating performance or as a measure of cash flows from operations under IFRS or as an indicator of liquidity. The presentation of EBITDA, however, enables investors to focus on period-over-period operating performance, without the impact of non-operational or non-recurring items. It is also among the primary indicators we use in planning and operating the business. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies;
Headcount	• full time employment equivalents;
Indirect voice revenues	• telecommunications revenues from the services offered through Netia's prefix (1055) or Tele2 Polska's prefix (1061) to customers being subscribers of other operators. Indirect access services include the following traffic fractions: domestic long-distance (DLD) calls, international long distance (ILD) calls and fixed-to-mobile calls;

Interconnection charges	•	payments made by Netia to other operators for origination, termination or transfer of traffic using other operators' networks;
Interconnection revenues	•	payments made by other operators to Netia for origination, termination or transfer of traffic using Netia's network, netted against the cost of traffic termination;
Local Loop Unbundling (LLU)	•	a type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by the incumbent. The altnet installs DSLAM equipment at the incumbent's local network node and connects it to its own backbone network. The altnet may offer broadband and voice service to any customer connected by the incumbent's copper line to the given node. The alnet can offer an unrestricted range of services and pays the incumbent space rental and monthly fees per customer line used.
Professional services	•	costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;
Other telecommunications services revenues	•	revenues from TV, mobile voice and mobile data services, revenues from provisioning Internet dial-in services for Netia's indirect customers (based on a call-back principle and an access number (0-20)); revenues from provisioning free-phone, split-charge and premium rate services (i.e., 0-800, 0-801 and 0-70x type services), netted against the cost of revenue sharing; as well as other non-core revenues;
Radiocommunications revenue	•	revenues from radio-trunking services provided by Netia's subsidiary, UNI-Net Poland Sp. z o.o.;
Subscriber line	•	a connected line which became activated and generated revenue at the end of the period;
Voice ARPU	•	average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Wholesale Line Rental (WLR)	•	a type of regulatory voice access enabling provision of voice service by an altnet to customers connected by a copper line owned by the incumbent. The altnet connects to the incumbent's voice network and charges the customer for both line rental and calls made. The incumbent receives a payment for line rental plus call origination fees and keeps all interconnection revenues from incoming calls.
Wholesale services	•	revenues from providing commercial network services such as voice termination, incoming Voice over Internet Protocol (VoIP), telehousing and collocation as well as backbone-based services.

Conference call on the H1 2013 results

Netia management will hold a conference call to review the results on August 8, 2013 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

Dial in numbers:
(PL) +48 22 397 9053
(UK) +44 20 3003 2666
(US) +1 212 999 6659

Replay number:
(UK) +44 20 8196 1998
Passcode: 7186140#

A link to an audio recording of the conference call for replay on a later date will be posted on Netia's investor website (www.investor.netia.pl)

For further information, please contact Anna Kuchnio at +48 22 352 2061, email: anna_kuchnio@netia.pl.

Some of the information contained in this news release contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Netia undertakes no obligation to publicly update or revise any forward-looking statements.