NETIA

Contact: Andrzej Kondracki
(Investor Relations)
T +48 22 352 4060
andrzej_kondracki@netia.pl

Małgorzata Babik
(Public Relations)
T +48 22 352 2520
malgorzata_babik@netia.pl

Netia reports 2011 first half results

WARSAW, Poland – August 4, 2011 – 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, 2011.

1 Key highlights

1.1 FINANCIAL

- *Revenue* was PLN 797.5m in H1 2011, up by 2% versus H1 2010. In Q2 2011 revenue decreased sequentially by 1% to PLN 396.3m as compared to PLN 401.2m in Q1 2011 and increased by 1% versus the prior year quarter. The deceleration in revenue growth reflects a slowing broadband market and increased price competition.

- *Adjusted EBITDA* was PLN 194.3m for H1 2011, up by 4% from H1 2010, with subscriber growth, customer mix and cost control more than offsetting the impact of declining ARPUs. Sequentially, Adjusted EBITDA decreased by 8% to PLN 92.8m from PLN 101.5m in Q1 2011, mainly due to lower revenues and higher advertising expenditure. Adjusted EBITDA margin was 24.4% in H1 2011 and 23.4% in Q2 2011 versus 23.9% in H1 2010 and 25.3% in Q1 2011.

- *EBITDA* was PLN 190.0m for H1 2011 and PLN 88.7m for Q2 2011, up by 1% versus H1 2010 and down by 12% versus Q1 2011. The main unusual items expensed were the costs of M&A projects of PLN 1.7m and PLN 2.4m of provisions for universal service obligation payments, both recorded in H1 2011. The unusual gain recorded in H1 2010 was a PLN 2.9m gain on the disposal of a tranche of transmission equipment to P4. EBITDA margin was 23.8% in H1 2011 and 22.4% in Q2 2011 as compared to 24.2% for H1 2010 and 25.3% for Q1 2011.

- *EBIT* decreased by 3% to PLN 38.9m (up by 15% YoY to PLN 43.2m profit when excluding all one-offs) in H1 2011 as compared to PLN 40.0m (PLN 37.5m profit when excluding one-offs) in H1 2010. EBIT for Q2 2011 was PLN 12.9m (PLN 17.0m profit when excluding one-offs) compared to PLN 26.0m (PLN 26.2m profit when excluding one-offs) in Q1 2011.

- *In H1 2011 Netia expensed PLN 58.3m paid during 2010 in relation to the Company's corporate income tax ("CIT") for the year 2003* following the ruling of the Voivodship Administrative Court of March 15, 2011, which dismissed Netia's appeal of the earlier decision of the Director of the Tax Chamber in Warsaw. The Company filed a motion for cassation to the Supreme Administrative Court.

- *Reported net loss for H1 2011* was PLN 10.1m as compared to net profit of PLN 29.9m for H1 2010. *Reported net profit for Q2 2011* was PLN 12.9m versus net loss of PLN 23.0m for Q1 2011.

- *Cash resources* at June 30, 2011 totalled PLN 430.1m (PLN 219.4m in cash and cash equivalents plus PLN 210.7m in treasury bills), up by PLN 48.0m from March 2011 and by PLN 157.6m versus June 30, 2010.

- *Netia was operating free cash flow positive in H1and Q2 2011*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding Ethernet acquisitions, was PLN 96.8m and PLN 36.2m for H1 2011 and Q2 2011, respectively.

- *Netia is revising down its subscriber guidance for 2011* following the Q2 2011 results and in recognition of slower market growth (see section 4 Revised Guidance).

1.2 OPERATIONAL

- *Netia's broadband subscriber base* reached 719,595 at June 30, 2011, growing by 2% from 704,082 at March 31, 2011 and by 15% from 623,579 at June 30, 2010. Netia estimates that its total fixed broadband market share increased to 11.7% from 10.7% at June 30, 2010. Netia added 15,513 net broadband customers during Q2 2011, (9,916 excluding Ethernet acquisitions) versus 13,835 net additions in Q1 2011 (13,168 excluding Ethernet acquisitions) and 20,212 net additions in Q2 2010 (19,708 excluding Ethernet acquisitions). The year-on-year decrease in net additions reflects markedly lower market growth and tougher price competition, which is limiting volumes particularly on lower margin bitstream wholesale access services. At the same time, Netia's offering over its own networks and LLU, operating on higher margins, remains attractively priced versus our competitors and continues to make progress.

- *On June 9, 2011 Netia introduced to its offering a new proprietary branded home router - the 'Netia Spot'*, a unique solution allowing for, among others, the connection of various digital equipment into a wireless home network. The launch supplemented Netia's recent offer 'No Limits' with best effort transmission speed and no requirement for a loyalty agreement, in place from April 2011. Despite the offering having several USPs (unique selling points), sales have been below Management's expectations. Various changes to sales and marketing mix are planned to increase offer attractiveness at the lower end of the market. Moreover, Management expects the rapid expansion of 3play availability to 500,000 homes passed by the end of 2011 to further support the offer and drive TV service sales (please see below). Netia is now forecasting to finish 2011 with 750,000 broadband customer plus further acquisitions of Ethernet customers to come on top.

- *Netia's voice subscriber base* (own network, WLR and LLU) was 1,202,122 at June 30, 2011 as compared to 1,176,226 at June 30, 2010 and 1,212,072 at March 31, 2011. In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in lower comparative figures for the Voice over IP lines (excl. LLU) than reported previously. Each SIP Trunk service is now quantified as an equivalent of multiple external calls which can be made simultaneously as opposed to its previous presentation as an equivalent of internal PABX lines. In total, Netia recorded a net decrease of 9,950 voice subscribers during Q2 2011, associated mainly with clients churning from traditional direct voice and WLR services. Netia estimates that its total fixed voice market share increased to 13.3% from 12.1% over the past twelve months. Of the total voice customers served at June 30, 2011, 31% received service over Netia's own access infrastructure. Due to the competitive market conditions and Netia's focus on higher end customers, Netia is switching focus to maintaining voice revenues as opposed to subscriber numbers and accordingly is withdrawing its previous guidance that it aimed to maintain its voice subscriber base in 2011. Stable blended voice ARPU for the past three quarters underlines the effectiveness of this change of commercial positioning.

- *Netia made significant progress on its LLU network* with 612 nodes unbundled for total coverage of approximately 4.5m lines and a total of 159,260 LLU clients as at June 30, 2011. LLU net additions totalled 13,190 in Q2 2011 as compared to 19,175 in Q1 2011 and 13,596 in Q2 2010. In Q2 2011 the migrations of BSA/WLR customers onto LLU totalled 8,497. Netia plans to unbundle 700 nodes by year-end 2011.

- *Successful trials of 3play services.* In June 2011 Netia completed a commercial pilot of 3play services including IPTV. Following encouraging results, Netia decided to move ahead with the expansion of the existing NGA (Next Generation Access) network from approximately 30,000 to 500,000 homes passed by the end of 2011 (please see section 2 Operational Overview).

Miroslaw Godlewski, Netia's President and CEO, commented: *„During H1 2011, Netia has taken several significant steps on its journey to fulfilling its new strategic mission to „Deliver the World Online". Our new Strategy 2020 was announced publicly in January and has now been communicated throughout the Netia Group. The process of repositioning our offered services to compete on value, functionality and service rather than simply choice and price gathered pace over the past months. We launched our new "No Limits" offer in March, moving up-market with several USPs, including best efforts broadband speed, unlimited domestic fixed voice and no loyalty contract for a great value PLN 99.90 price. This was followed up in May with the introduction of our first proprietary home router, the Netia Spot, as part of the "No Limits" package. These changes were underlined by a radical change to the Group's corporate identity and ATL advertising platform in March.*

In parallel we made excellent progress in piloting our NGA standard services over our own VDSL and fast Ethernet networks. The "No Limits" offer was further enhanced with Netia's first IPTV services in the selected test areas and sales results have beaten our internal targets and been better than for LLU when it was introduced three years ago. By the end of 2011 we intend to have 500,000 homes passed with NGA and IPTV service capability and we expect to be rapidly adding 3play customers to our base.

Whilst we are encouraged by our strategic progress, we have also noted that the pace of growth in broadband penetration has slowed significantly during the past few quarters. Moreover, intense price competition at the low end of the market has resulted in much slower than expected subscription growth, especially in the area of 1play broadband and voice services. This slow-down has come earlier than we expected, but we have taken the difficult decision to forgo the further price cuts on low-end services and, instead, focus on growth in higher value customer multi-play and own-network areas behind the "No Limits" and IPTV initiatives. As a result, we today are reducing our subscriber growth guidance for 2011 and 2012 whilst our financial guidance remains unchanged.

Despite the current tough market conditions, I am confident that we are laying the right foundations to accelerate our growth rate once more in the coming quarters. We see several interesting acquisition opportunities on the Polish market and believe that market consolidation can be a significant value driver for our business in the coming quarters."

Jon Eastick, Netia's CFO, commented: *"Following on from record financial results in Q1 2011, Netia found Q2 2011 more challenging in the face of a slowing broadband market and strong price competition for 1play broadband and voice subscribers. Our "No Limits" offering, together with the new Netia Spot home router, is aimed more toward higher ARPU customer segments and, after a slower than expected start, sales volumes are accelerating. This offer will become yet more competitive as we roll out NGA quality networks during H2 2011.*

Rather than get into a price war over lower ARPU, lower margin customers, we have decided to take down our 2011 broadband subscriber target to 750,000, excluding further Ethernet acquisitions and, for the time being at least, to increase the emphasis on acquisitions as a means to grow our customer base. However, given that the customers we are acquiring organically tend to be multi-play and connected over our own networks or LLU, we expect to see improvement in margins and have therefore left our financial guidance unchanged.

In the second quarter we recorded a net profit of PLN 12.9m and our cash resources climbed by almost PLN 50.0m to PLN 430.1m. Whilst we are well funded to take any interesting consolidation opportunity that comes along, we are determined not to overpay for any asset and, following our June 2 Annual Shareholders Meeting, we are mindful that we have the option of undertaking share buy-backs of up to PLN 350m."

2 Operational overview

2.1 BROADBAND

Broadband subscribers increased to 719,595 at June 30, 2011, up by 2% from 704,082 at March 31, 2011 and by 15% from 623,579 at June 30, 2010.

By the end of 2011, Netia aims to reach 750,000 broadband subscribers through further organic growth, with potential for a higher figure from additional Ethernet network acquisitions.

Netia provides its broadband services using the following technologies:

Number of broadband ports	*Q2 2010*	*Q3 2010*	*Q4 2010*	*Q1 2011*	*Q2 2011*
xDSL and FastEthernet over Netia's own fixed-line network	206,154	213,238	223,169	223,862	229,955
WiMAX Internet	18,826	19,079	18,974	18,570	18,034
LLU	73,101	98,555	126,895	146,070	159,260
Bitstream access	325,289	322,871	321,075	315,464	312,238
Other	207	158	134	116	108
Total	**623,579**	**653,901**	**690,247**	**704,091**	**719,595**

Broadband net additions totalled 29,348 during H1 2011 and 15,513 during Q2 2011, down by 54% and 23% on H1 2010 and Q2 2010, respectively, and up by 12% over Q1 2011. Additions from Ethernet network acquisitions of 5,597 subscribers for Q2 2011 compare to 667 subscribers for Q1 2011 and 504 subscribers for Q2 2010. Lower net additions year-on-year reflect the impact of a significantly slower broadband market and increased price competition on broadband products and from the incumbent in particular. This has virtually eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates across the broadband portfolio. Netia's 'No Limits' offering, together with the 'Netia Spot' home router, introduced in Q2 2011 is attracting higher value 2play customers but so far not in sufficient volumes to offset the underperformance observed on lower value 1play broadband services. Sales performance is expected to improve in H2 2011 as more potential customers can receive the 3play bundle available over the NGA network and as sales and communications are improved.

Broadband ARPU was PLN 52 in Q2 2011 as compared to PLN 54 in Q2 2010 and PLN 52 in Q1 2011. The year-on-year fall in ARPU reflects increased focus on 2plays and pre-emptive price reductions made in mid-2010. The firmer performance seen so far in 2011 follows increased focus on higher end offers with the 'No Limits' tariff. Broadband ARPU is expected to settle between PLN 50 and PLN 60 per month in the medium term.

Broadband SAC was PLN 236 in Q2 2011 as compared to PLN 212 in Q2 2010 and PLN 227 in Q1 2011. The sequential increase in Broadband SAC was associated mainly with the higher share of LLU lines being activated on previously dormant TP lines and related payments to TP, coupled with a shift towards higher margin 2play sales with a corresponding adverse impact on unit commission costs.

Local loop unbundling (LLU). In Q2 2011 Netia continued to extend the reach of its LLU-based services, with 13,190 net additions for the quarter. Netia had 612 unbundled nodes at June 30, 2011 versus 535 nodes at March 31, 2011, reaching approximately 4.5 million customer lines. Netia expects to take the total of unbundled nodes to 700 by the end of 2011, reaching approximately 5.0 million customer lines.

Netia served 159,260 customers over LLU as at June 30, 2011 as compared to 146,070 at March 31, 2011 and 73,101 at June 30, 2010. During Q2 2011 Netia migrated 1,123 1play and 7,374 2play clients onto LLU, increasing the cumulative number of 1play and 2play migrations to 86,381. Of the new LLU sales for Q2 2011, a sizable portion (48%) came from re-activation of previously dormant TP lines or activation of new fixed lines.

At the end of Q2 2011, Netia served an average of 260 customers per LLU node as compared to 209 customers per LLU node in Q2 2010.

Acquisitions of local Ethernet network operators. As of June 30, 2011, Netia's Ethernet networks provided broadband access to a total of 119,251 mostly residential customers as compared to 114,485 customers at March 31, 2011 and 104,237 customers at June 30, 2010, with approximately 523,000 homes passed.

During Q2 2011 Netia acquired a further two Ethernet networks with 5,597 active customers and 21,000 homes passed. Netia remains fully dedicated to consolidation of the fragmented Polish Ethernet ISP market and is making good progress on its pipeline of acquisitions for 2011.

Multiplay services. Netia continues to increase the share of services sold in voice and data bundles. As at June 30, 2011, bundled services were delivered on 30% and 45% of lines in the Residential and SOHO/SME segments, respectively. This represents increases by 1 and 2 percentage points in the respective segments from March 31, 2011 and by 4 percentage points year-on-year for both segments.

NGA network and development of IPTV services. Netia is committed to introducing a commercially viable IPTV offer into its product portfolio as the provision of 3play services is considered important in supporting ARPU and improving customer retention. In December 2010 Netia launched a commercial pilot of its 3play services in select areas of Toruń and Wrocław. In February 2011 Netia expanded the reach of its IPTV services under the commercial pilot to new locations, bringing total coverage to 30,000 households. This included, among others, selected areas near Warsaw, Poznań, Kraków and Gdynia. Netia offered fast Internet access with transmission speeds of up to 50 Mb/s and up to 100 Mb/s over its copper (VDSL) and Ethernet networks, respectively, in a bundle with a TV service (2play) or a TV + voice service (3play). The IPTV offering included HD channels and was developed in co-operation with a local partner. The pilot was completed in June 2011 with over 1,000 clients acquired during 6 months, which is a better sales result than for LLU when it was introduced three years ago. Following its successful results, Netia decided to go ahead with the first phase of upgrading the existing copper and Ethernet networks to NGA (Next Generation Access) standard, comprising 500,000 homes passed by the end of 2011. Out of this, approximately 380,000 lines will be upgraded on the copper networks and approximately 120,000 lines on the Ethernet networks. Capital expenditures related to this first phase of the upgrade are estimated at PLN 12.8m as Netia will first upgrade the least expensive lines.

Netia Spot. On June 9, 2011 Netia introduced to its offering a new device the 'Netia Spot', an innovative Wi-Fi based home router solution. This user friendly (plug & play), self-diagnostic router with a modern design allows not only for connecting various digital equipment into a wireless home network, but also provides access to Netia's mobile internet and, in the near future, the international Fon WiFi Community network as well as enabling file sharing, including those on external memory discs.

The launch of the Netia Spot supplemented Netia's recently introduced offer 'No Limits' from April 2011, based on the unique for the Polish market concept of providing Internet services at a flat rate. In its basic variant, the offering 'No Limits with Netia Spot' includes a bundle of Internet access at the highest transmission speed available over a given line (i.e. "best effort") plus unlimited fixed-line domestic calls plus, where provided, a basic bundle of TV services at a monthly fee of PLN 99.90 gross. Rental of the Netia Spot router is included within the monthly subscription. In parallel, Netia resigned from concluding contracts with its customers for a defined period (so called "loyalty contracts"). Instead, upon dissolving a contract the Company will charge a deferred activation fee, the amount of which gradually reduces from PLN 300 gross for Internet access, PLN 150 gross for the Netia Spot router and PLN 123 gross for voice services in the 1st month of a contract to PLN 0.01 gross in the 25th month and onwards. The offering is supported by a new ATL advertising campaign.

These actions, along with the recently implemented changes of Netia's corporate web site and corporate identity are each elements of the Company's total rebranding ("rebraining"), and are executed in line with its new mission: "We deliver the world on-line".

Mobile broadband customers. Netia continues to develop its base of cross-sold mobile broadband customers, which have economics similar to BSA services. The customer base totalled 16,338 at June 30, 2011 as compared to 7,959 at December 31, 2010 and 9,032 at March 31, 2011. *Mobile broadband ARPU* was PLN 30 in Q2 2011 as compared to PLN 27 in Q1 2011. Mobile broadband services are provided via an MVNO agreement with the mobile operator P4 (Play).

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines (own network, WLR and LLU) totalled 1,202,162 at June 30, 2011 as compared to 1,176,226 at June 30, 2010 and 1,212,072 at March 31, 2011. In Q2 2011 Netia recorded a net decrease of 9,910 voice lines, associated mainly with clients churning from traditional direct voice and WLR services.

Voice subscriber reclassification and restatement. In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in lower comparative figures for the Voice over IP lines (excl. LLU) than reported previously. This reduced the total voice subscriber base by approximately 1%. Each SIP Trunk service is now quantified as an equivalent of multiple external calls which can be made simultaneously as opposed to its previous presentation as en equivalent of internal PABX lines.

Aggressive price competition from TP and smaller players, often targeting low ARPU customers with low monthly fees, together with substitution from mobile and cable TV, is putting pressure on the subscriber base whilst Netia is 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 segment 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, Netia is switching focus to maintaining voice revenues as opposed to subscriber numbers and accordingly is withdrawing its previous guidance that it aimed to maintain its voice subscriber base in 2011. Stable blended voice ARPU for the past three quarters underlines the effectiveness of this change of commercial positioning.

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

Number of voice lines	*Q2 2010*	*Q3 2010*	*Q4 2010*	*Q1 2011*	*Q2 2011*
Traditional direct voice	342,975	336,074	332,657	326,982	322,583
Incl. ISDN	*141,884*	*141,110*	*143,560*	*144,582*	*145,738*
Incl. Legacy wireless	*37,629*	*38,132*	*38,666*	*38,504*	*40,474*
Voice over IP (excl. LLU)[1]	23,459	28,092	30,589	31,325	32,133
WiMAX voice	21,334	20,788	20,043	19,197	18,432
Netia network subscriber voice lines[1]	**387,768**	**384,954**	**383,289**	**377,504**	**373,148**
WLR	745,248	758,096	752,899	739,456	722,316
LLU voice over IP	43,210	61,284	82,379	95,112	106,698
Total[1]	**1,176,226**	**1,204,334**	**1,218,567**	**1,212,072**	**1,202,162**

[1] *In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in lower comparative figures for the Voice over IP lines (excl. LLU) than reported previously. Each SIP Trunk service is now quantified as an equivalent of multiple external calls which can be made simultaneously as opposed to its previous presentation as en equivalent of internal PABX lines.*

Voice ARPU per WLR line amounted to PLN 49 in Q2 2011 as compared to PLN 49 in Q2 2010 and PLN 49 in Q1 2011. ARPU stabilisation reflects the success of upselling all-inclusive fixed voice offers for higher monthly fees and the loss of some low ARPU customers to competition.

Voice ARPU per Netia network subscriber line amounted to PLN 54 in Q2 2011 as compared to PLN 59 in Q2 2010 and PLN 54 in Q1 2011, with the year-on-year decrease reflecting overall tariff reduction trends and pressure on prices in the business segment in particular. In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in adjusting comparative figures for voice ARPU per Netia network subscriber line.

Blended voice ARPU was PLN 51 in Q2 2011 as compared to PLN 53 in Q2 2010 and PLN 51 in Q1 2011.

2.2.2 Indirect voice

CPS lines (carrier pre selection) totalled 72,382 at June 30, 2011 as compared to 98,287 at June 30, 2010 and 76,156 at March 31, 2011. 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 Netia voice subscriber base of 1,202,162 clients as at June 30, 2011.

Indirect voice ARPU per CPS line was PLN 24 in Q2 2011 as compared to PLN 32 in Q2 2010 and PLN 27 in Q1 2011. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers is responsible for the year-on-year ARPU decline.

2.3. OTHER

Headcount for the Netia group was 1,454 at June 30, 2011, compared to 1,416 at June 30, 2010 and 1,452 at March 31, 2011. Active headcount was 1,397 at June 30, 2011 versus 1,366 at June 30, 2010 and 1,399 at March 31, 2011. The increase in headcount was driven by the acquisition of new Ethernet companies.

The movement in headcount can be analyzed as follows:

	Active	*Total*
Headcount at June 30, 2010	**1,366**	**1,416**
Ethernet networks' acquired headcount	44	48
Headcount increase / (reductions)	(13)	(10)
Headcount at June 30, 2011	**1,397**	**1,454**

Management expects the current employment level at Netia group to remain broadly stable during 2011, subject to any new employees acquired along with Ethernet networks.

Capital investment additions

Capital investment additions (PLN'M)	*H1 2010*	*H1 2011*	*Change %*	*Q1 2011*	*Q2 2011*	*Change %*
Existing network and IT	28.8	37.9	32%	15.9	22.0	38%
Broadband networks	48.8	59.6	22%	25.0	34.6	38%
P4 transmission project	3.5	-	na	-	-	na
Total	**81.1**	**97.5**	**20%**	**40.9**	**56.6**	**38%**

Higher capital investments in existing network and IT reflect extension of transmission network capacity to activate new corporate customers and increased rental of high capacity trunks. Capital expenditures related to broadband networks in H1 2011 reflect mainly the LLU roll-out with respect to newly unbundled nodes and upgrades to transmission capacity. As Netia Spot routers will be "leased" to customers under the same business model as satellite TV providers utilise, the customer premises equipment will be capitalised as part of the broadband capex. Due to the sale of the P4 radio transmission network back to P4 in 2010, the P4 related spending is now largely limited to Netia's core backbone network and is therefore part of the Existing network and IT category. Capex related cash payments were PLN 118.6m for H1 2011 and PLN 49.7m for Q2 2011, with PLN 50.3m in Q1 2011 reflecting the payments of payables related to investments made in Q4 2010.

3 OTHER DEVELOPMENTS

Financing and distribution of profits through a share buy-back programme. Netia's broadband-driven growth strategy is self-financing, with loan facilities needed only in relation to funding in-market consolidation opportunities, should they occur.

On January 13, 2011, Netia announced its distribution policy as follows:

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

Netia's Annual General Shareholders Meeting held on June 2, 2011 approved, among others, the 2010 financial statements and distribution of profits. In particular, the AGM adopted a *share buy-back programme* to acquire and redeem up to 12.5% of the Company's share capital utilising assigned funds totalling up to PLN 350.0m.

On June 30, 2011, Netia had PLN 430.1m in cash and treasury bills at market value. In addition, Netia may obtain additional external financing of PLN 700.0m under a mandate signed with a consortium of banks in July 2010. Financial covenants agreed as part of this loan facility are such that further funds may be raised to finance further acquisitions once this loan and Netia's cash resources have been consumed.

Once on-going acquisition tender processes reach a conclusion, the Management shall make a decision whether to propose a share buy-back either through a tender offer, offer for shares or open market buy backs. The choice of a method and its term will be subject to Supervisory Board's approval.

New strategy and total rebranding ("rebraining") of Netia. On January 13, 2011 Netia announced the main assumptions of its strategy towards year 2020 ("Strategy 2020"). Netia's new mission statement is: "We deliver the world on-line". Netia's vision is to become Poland's No. 1 on-line gateway through: (i) delivering integrated and easy-to-use solutions, (ii) providing superior customer experience, and (iii) the drive of passionate employees inspired by the values of the Company.

On March 31, 2011, with the launch of its new corporate identity and logo, Netia initiated the process of profound changes in its way of thinking and acting on the market, reflecting the above mentioned new mission and vision. Netia views today's world as the one enriched by the possibilities offered by the Internet and without the boundaries between its off-line and on-line component, which are blurring further on a daily basis. Netia's aspiration is to become a guide in exploring this new world and helping to understand its nature. Accordingly, Netia intends to offer its customers the unique, revolutionary products and services characterized by simplicity, innovation and good value, delivered by a passionate team. In the first step, on April 14, 2011 Netia introduced, for the first time on the Polish market, the flat rate-based broadband offering and launched its new e-store. This was further supplemented with introduction on June 9, 2011 of the Netia Spot, a proprietary, user friendly, multifunctional wireless router.

Netia's new strategic philosophy is being communicated to the market through a new ATL advertising campaign and supported by new corporate identity, including new web site and new logo. Netia's new corporate identity won this year's edition of the prestigious international Red Dot Award for communications design.

Netia's shares became a composite of the RESPECT Index of the Warsaw Stock Exchange, starting from August 1, 2011. The RESPECT Index covers the Polish companies listed on the Warsaw Stock Exchange's main market which operate in accordance with the best standards of corporate governance, information governance, investor relations as well as take into consideration and respect ecological, social and personnel factors. The companies are being qualified to the index based on a three stage verification process carried out by the Warsaw Stock Exchange, with regard to the above areas, as well and an audit executed by the project's partner – Deloitte. Currently, the RESPECT Index comprises 22 companies.

Customer satisfaction initiatives (the "Klientomania" project). Following the adoption of Netia's Strategy 2020 in January 2011, which defines customer experience as one of the main strategic focus areas in the Company's operations, Netia will continue its "Klientomania" project from 2010, aimed at delivering best-in-market customer service and increasing customer satisfaction at every stage of the customer life cycle, as a continuous improvement process embedded in the Group's operations.

The recently completed tasks under this project include, among others:

- Improved sales support tools
- Extended sms communications with regard to status of technical failures and claims' holding
- Accelerated access to customer payment status in the CRM system
- Implemented new process with regard to conditional service unlocking prior to obtaining a payment confirmation
- Expected date of service delivery communicated with an accuracy of 1 day
- Service activation schedule communicated to corporate segment customers
- Regular monitoring of the impact of improvement projects on customer satisfaction

The "Klientomania" project is being conducted with participation of all functions in the Company and is expected to deliver measurable improvements in customer satisfaction and be self-financing through increased sales, better customer retention performance and lower customer care costs.

Administrative court rejects Netia's claim for a refund of tax. On February 19, 2010 Netia received a decision of the Director of the Tax Chamber in Warsaw ("Tax Chamber Director") according to which the Company's corporate income tax ("CIT") due for the year 2003 was set at PLN 34.2m plus penalty interest of approximately PLN 25.3m.

Netia paid in full the decision of the Tax Chamber Director, which was enforceable as a decision of the second instance tax authority, on February 23, 2010 using some of the Company's cash deposits. Of the PLN 59.6m settled, PLN 1.3m was subsequently conceded by the Tax Authority as overpayment. During 2010, Netia treated the taxes paid as a receivable in its accounts rather than as an expense, due to Management's expectations, based on the expert advice received, that the amounts paid will ultimately be recovered.

The Company appealed to the Voivodship Administrative Court against the decision issued by the Tax Chamber Director. However, on March 15, 2011 the Voivodship Administrative Court delivered a judgment dismissing the Company's claim in its entirety. The Company received a written justification of the judgment and filed a motion for cassation to the Supreme Administrative Court.

Should the appeal to the Supreme Administrative Court be positive for the Company, the amount of unduly paid tax plus interest will be treated as an overpayment and must be returned by the tax authorities together with interest (currently the interest rate on tax liabilities amounts to 14% per annum).

Netia will undertake all possible legal steps to prove that the decision of the Tax Chamber Director was groundless. Nevertheless, taking into consideration the recent adverse judgment of an independent court, Management has decided to treat the claim as a contingent asset and therefore expensed the PLN 58.3m paid during 2010 in the financial statements for Q1 2011.

Regulatory issues and recent market developments. During Q4 2010 Netia participated, together with other operators associated in telecom chamber KIGEiT and TP, in consultations initiated by the Regulator, aimed at improving the margin squeeze test procedure for BSA to increase its transparency going forward. As a result of these consultations, during February 2011, a new test procedure was published by the Regulator which, in Netia's opinion, increases transparency of the margin squeeze test and provides alternative operators with access to the data indispensable to verify its results. The operators submitted their new cost input on June 30, 2011, which is being currently analysed by the Regulator. In accordance with the new procedure, the Regulator has 30 days from the date of submitting the cost input to either approve it, reject it or to ask for additional clarifications. The Company expects the Regulator's decision with regard to its submitted costs, along with the information on the average costs to be used in the margin squeeze test, by mid-August 2011.

Despite TP's current broadband tariffs passing the existing margins squeeze test, Netia's broadband offering over its own network and LLU remain competitively priced while economics for services based on bitstream access are now more challenging. Accordingly, Netia decided to expand its LLU roll-out to 700 nodes from over 500 nodes planned previously while simultaneously reducing its projections for customers served over bitstream access.

Universal service obligation refund. In May 2011 the Regulator (President of UKE) issued a decision to refund TP SA for rendering services under its universal service obligation (the "USO"). The total amount to be paid by market participants with respect to the USO for years 2006-2009 inclusive was set at approximately PLN 67.0m. There is no public information from the Regulator concerning the amount of the incumbent's claim for a refund for year 2010 while the USO duty imposed on the incumbent by the Regulator expired in May 2011 (no other entity was appointed to provide the USO services thereafter). Netia estimates that its share of a refund, payable upon issuing decisions by the Regulator, determining the amount of Netia's share in the subsidy to universal service until the end of the year 2009, may amount to approximately PLN 2.4m. As a result, in Q2 2011 the Company provisioned for such an amount under other costs of general administration. Both the telecommunications chamber, KIGEiT, and TP SA itself are appealing the Regulator's May decision.

Exercise of options under Netia's stock option plan. Given that the Company's employee stock option plan adopted in 2002, as amended in 2003 (the "Plan 2003") expires at the end of 2012, Netia management participants can be expected to exercise their options under the Plan 2003 and acquire Netia shares over the next two years. In this regard, Netia has so far issued 1.6m shares during 2011 in consideration of 4.7m exercised options, and the highest possible number of shares that may still be issued under the Plan 2003 is 11.5m.

On February 28, 2011, Netia's Supervisory Board adopted a set of rules for the new stock option plan covering years 2011-2020 (the "Plan 2011"), in line with the authorization of Netia's Annual General Shareholders' Meeting of May 26, 2010, which resolved for the issuance of up to 27.3m options and up to 13.6m shares for the purposes of Plan 2011. As of June 30, 2011, 3.5m options were granted under Plan 2011. The outstanding options are exercisable until May 26, 2020, with the earliest possible vesting date being February 25, 2014. Upon exercise of the options, Netia will issue to each exercising participant the number of shares representing such participant's gain resulting from the exercise of the options, being the difference between the exercise price of the Company's shares and strike price of the options. Furthermore, the number of shares which can be issued to the participant is capped at half the number of granted options.

4 Revised guidance for FY2011 and mid-term (2010-2012)

Netia is today revising downwards its subscriber targets for 2011 and updating its mid-term guidance. The Company's long-term financial outlook published together with Strategy 2020 in January 2011 remains unchanged (see Netia's current report no. 2/2011 dated January 13, 2011).

Markedly lower than expected broadband market growth, together with intensified price competition for both broadband and voice customers, has combined to significantly reduce rates of subscriber growth in broadband and voice services and 1play customers in particular. Rather than cut prices to restore growth rates at the expense of margins, Management has chosen to reduce broadband guidance and to withdraw voice subscriber guidance for 2011. Accordingly, Netia will be unlikely to reach 1 million broadband customers by 2012 through organic growth and Ethernet acquisitions as previously targeted. Nonetheless, Netia remains committed to growing the business to at least 1 million broadband services over the longer term and notes that major in-market consolidations may accelerate delivery of this strategic target. Furthermore, Netia continues to target maximizing voice service revenue by focusing on ARPU management rather than subscription numbers.

Netia has been quickly repositioning its market offering to focus on functionality and value for money. In this regard, in line with its new strategy, the 'No Limits' broadband offering and the NGA network upgrade to facilitate 3play are intended to deliver increased penetration rates on Netia's proprietary networks and to accelerate acquisitions of higher value customers. For this reason and based on the results of the successful NGA pilot project, Netia Management is currently updating its operational plans and remains of the view that medium and long-term financial guidance can be delivered.

Full revised guidance for 2011 is set out below:

FY2011 Guidance	*Previous*	*Revised*
Revenues *(PLN m)*	1,610.0+	Unchanged
Adjusted EBITDA *(PLN m)*	405.0+	Unchanged
Adjusted EBITDA margin *(PLN m)*	25%	Unchanged
Adjusted EBIT (PLN m)	70.0+	Unchanged
Capital investments (excl. M&A) (PLN m)	230.0	Unchanged
Capital investments to sales *(%)*	14%	Unchanged
Operating free cash flow (OpFCF)	170.0+	Unchanged
Total broadband lines excluding Ethernet acquisitions	780,000-800,000	750,000
Unbundled local loop *(LLU) nodes*	700	Unchanged
Voice base of approximately 1,218,000 lines[1]	Maintain	Withdrawn

[1] In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in lower comparative figures for the Voice over IP lines (excl. LLU) than reported previously. Each SIP Trunk service is now quantified as an equivalent of multiple external calls which can be made simultaneously as opposed to its previous presentation as en equivalent of internal PABX lines.

In addition, Netia forecasts to make a net profit for the full year 2011.

Accordingly, the revised medium term outlook for Netia is as follows:

Mid-term guidance (2010-2012)	*Previous*	*Revised*
Revenue growth (CAGR) overall	3% - 5%	Unchanged
Revenue growth (CAGR) in retail market segments	5% - 10%	Unchanged
EBITDA margin at 23% by 2010 EBITDA margin in 2012 (%)	Delivered 28%	na Unchanged
Net profit by 2010	Delivered	na
Capex to sales down to 15% by 2010	Delivered	na
1 million broadband subscribers by	2012	Withdrawn

Consolidated Financial Information

Please also refer to our financial statements for the six-month period ended June 30, 2011.

H1 2011 vs. H1 2010

Revenue rose by 2% YoY to PLN 797.5m for H1 2011 from PLN 780.7m for H1 2010, with Home, Soho/SME, Corporate and Carrier revenue segments all showing growth versus the prior half year.

Telecommunications revenue increased by 2% YoY to PLN 795.2m in H1 2011 from PLN 778.2m in H1 2010. Data revenue increased to PLN 296.4m, up by 6% YoY from PLN 279.5m in H1 2010, 7 percentage points being attributable to broadband-related organic growth and 1 percentage point to acquisitions of Ethernet operators while data transmission connections for P4 accounted for a decrease of 2 percentage points. Revenue from direct voice services decreased by 1% or PLN 3.7m as a result of decreasing tariffs and lower usage, with lower ARPUs largely offset by the increase in the customer base.

The overall revenue level was supported by growth in the carrier segment driven by increases in interconnection revenue by PLN 7.1m, including PLN 4.1m from higher transit and PLN 3.6m from higher rates for traffic termination in Netia on the higher customer base, or 22% YoY and wholesale services by 8% YoY or PLN 4.5m. The gradual run-down in indirect voice customers produced a revenue decrease of PLN 9.9m or 46% YoY.

Cost of sales increased by 4% YoY to PLN 542.5m from PLN 522.4m for H1 2010 and represented 68% of total revenue in H1 2011 and 67% for H1 2010.

Interconnection charges increased by 12% to PLN 116.5m in H1 2011 as compared to PLN 103.5m for H1 2010. This was mainly the result of increased subscriber originated voice termination in the retail segment and transit traffic services in the carrier segment.

Depreciation and amortization related to the cost of sales increased by 2% to PLN 126.1m in H1 2011 as compared to PLN 123.1m for H1 2010.

Network operations and maintenance cost increased only by 1% YoY to PLN 262.4m in H1 2011 as compared to PLN 258.9m for H1 2010, despite the increasing customer base, which reflects the increasing share of LLU in the customer mix.

Salaries and benefits related to the cost of sales increased by 13% to PLN 11.1m from PLN 9.8m, driven by acquisitions of new Ethernet companies.

Gross profit for H1 2011 was PLN 254.9m as compared to PLN 258.2m for H1 2010. Gross profit margin was 32.0% in H1 2011 versus 33.1% in H1 2010.

Selling and distribution costs decreased by 5% YoY to PLN 147.4m from PLN 155.1m for H1 2010 and represented 18% of total revenue as compared to 20% in H1 2010.

Third party commissions paid for the acquisition of new customers were down by 21% YoY to PLN 14.9m from PLN 18.9m, reflecting relatively lower customer intake overall as well as ongoing optimization of sales channel-mix, despite the increase in SAC due to greater focus on 2play and LLU.

Impairment of receivables decreased to PLN 2.7m from PLN 5.4m in H1 2010.

Billing, mailing and logistics costs decreased by 10% YoY to PLN 15.9m from PLN 17.8m in H1 2010, mainly as a result of more customers accepting electronic invoices.

Depreciation and amortization related to selling and distribution cost decreased by 9% to PLN 14.8m from PLN 16.3m in H1 2010.

Outsourced customer service costs increased by 7% to PLN 15.7m from PLN 14.6m due to increased retention activities.

Other expenses related to selling and distribution cost increased by 23% YoY to PLN 15.2m from PLN 12.3m in H1 2010, driven by higher retention costs related to fees payable to TP upon increasing broadband transmission speeds to Netia's bitstream access customers and higher cost of licenses for providing Internet access security in line with increased sales volumes of value added broadband services.

Advertising and promotion spending fell by 7% from PLN 25.8m to PLN 24.0m.

General and administration costs increased by 5% YoY to PLN 75.5m from PLN 72.1m for H1 2010 and represented 9% of total revenue in both periods. This was mainly due to PLN 2.4m provisioned in relation to Netia's estimated universal service obligation and PLN 1.7m of M&A costs of which PLN 0.9m are included into 'Other expenses' related to the general and administrative category.

Adjusted EBITDA increased by 4% YoY to PLN 194.3m from PLN 186.2m for H1 2010 and Adjusted EBITDA margin increased to 24.4% as compared to 23.9% for H1 2010. Including the PLN 2.9m gain on disposal of a tranche of transmission equipment to P4 in Q1 2010, universal service obligation provision of PLN 2.4m in Q2 2011, restructuring costs of PLN 0.2m in H1 2011 and PLN 0.3m in H1 2010 and the costs of M&A projects of PLN 1.7m in H1 2011, *EBITDA* was PLN 190.0m for H1 2011 as compared to PLN 188.8m for H1 2010. EBITDA margin was 23.8% for H1 2011 as compared to 24.2% for H1 2010.

Depreciation and amortization remained almost stable YoY and amounted to PLN 151.1m in H1 2011 as compared to PLN 148.7m in H1 2010. Following a comprehensive review of the useful lives of Netia's network assets in the light of the Group's new Strategy 2020, the useful economic lives of existing network assets, in particular ducts and cabling, have been extended significantly with effect from January 1, 2011.

Operating profit (EBIT) was PLN 38.9m as compared to an operating profit of PLN 40.0m for H1 2010. Excluding net unusual items described above of PLN 4.3m of costs in H1 2011 and PLN 2.6m of net gains in H1 2010, EBIT increased by 15% to PLN 43.2m in H1 2011 from PLN 37.5m for H1 2010.

Net finance income was PLN 6.9m as compared to net finance income of PLN 0.2m for H1 2010 and was related mainly to interest earned on cash and treasury bills deposits and the cancellation of the Company's old bank facility which was generating amortized costs during H1 2010.

Income tax charge of PLN 56.0m was recorded in H1 2011 as compared to income tax charge of PLN 10.3m for H1 2010 and included PLN 58.3m expensed in Q1 2011 in relation to a tax dispute (see Other Developments). Excluding this item, the Group recognized income of PLN 16m from an upward adjustment in deferred tax assets following the lengthening of the estimated useful lives of certain network assets and expensed PLN 14m of deferred tax assets as timing differences and tax losses are consumed.

Net loss for H1 2011 was PLN 10.1m versus net profit of PLN 29.9m for H1 2010.

Cash outlays on purchase of fixed assets and computer software increased by 25% to PLN 118.6m for H1 2011 from PLN 94.9m for H1 2010, driven mainly by the LLU roll-out and upgrades to transmission capacity.

Cash and cash equivalents at June 30, 2011 totalled PLN 430.1m (PLN 219.4m in cash and cash equivalents plus PLN 210.7m in treasury bills), up by PLN 157.6m versus June 30, 2010.

Netia was virtually debt free at June 30, 2011.

Q2 2011 vs. Q1 2011

Revenue decreased sequentially by 1% to PLN 396.3m in Q2 2011 as compared to 401.2m in Q1 2011, as a result of the generally observed market slowdown.

Telecommunications revenue decreased by 1% QoQ to PLN 395.2m in Q2 2011 from PLN 400.0m in Q1 2011. Interconnection revenue decreased sequentially by PLN 3.7m or 17% following lower transit traffic volumes and one-off adjustment in Q1 2011. Data revenue rose slightly to PLN 148.6m in Q2 2011 versus PLN 147.8m in Q1 2011. Direct voice revenue fell by less than 1% QoQ to PLN 183.5m versus PLN 184.9m in Q1 2011 as firm ARPUs largely offset the fall in the subscriber base.

Cost of sales amounted to PLN 272.3m in Q2 2011 versus 270.2m in Q1 2011, representing 69% and 67% of total revenue, respectively. Network operations and maintenance cost increased by 1% or PLN 1.9m driven by seasonally higher level of network maintenance. The cost of goods sold was lower by 13% QoQ or PLN 0.5m in connection with sequentially lower sales volumes.

Gross profit was PLN 124.0m in Q2 2011 as compared to PLN 130.9m in Q1 2011, with gross profit margin at 31.3% as compared to 32.6% in Q1 2011.

Selling and distribution costs increased QoQ by 4% to PLN 75.1m in Q2 2011 as compared to PLN 72.3m in Q1 2011 representing 19% and 18% of total revenue, respectively. Advertising and promotion spending was higher by 19% or PLN 2.1m as a result of more intensive advertising campaigns. Sequentially lower sales volumes resulted in a decrease of third party commissions by 24% or PLN 2.0m in total.

General and administrative expenses increased by 9% to PLN 39.4m in Q2 2011 from PLN 36.0m in Q1 2011, and represented 10% and 9% of total revenue, respectively. Other expenses in this cost category included PLN 2.4m provisioned in relation to Netia's estimated universal service obligation payment (see section Other Developments) and PLN 0.9m of M&A costs. Accrued costs of settling in-the-money stock options increased by PLN0.6m due to the rise in Netia's stock price during Q2 2011.

Adjusted EBITDA was PLN 92.8m for Q2 2011, down by 8% over Q1 2011 and Adjusted EBITDA margin was 23.4% in Q2 2011 versus was 25.3% in Q1 2011.

EBITDA was PLN 88.7m as compared to PLN 101.4m in Q1 2011. EBITDA for Q2 2011 included PLN 2.4m provisioned in relation to the estimated amount of Netia's contribution to the incumbent's costs borne under the universal service obligation (see section Other Developments), M&A related expenses of PLN 1.5m and PLN 0.2m of restructuring costs while Q1 2011 included M&A related expenses of PLN 0.1m.

Operating profit (EBIT) was PLN 12.9m as compared to operating profit of PLN 26.0m in Q1 2011. Excluding unusual items, EBIT for Q2 2011 would have been PLN 17.0m as compared to PLN 26.2m for Q1 2011.

Net finance income was PLN 3.8m as compared to PLN 3.1m in Q1 2011, reflecting the increasing cash balance and rising yields on treasury bills.

Income tax charge of PLN 3.8m was recorded in Q2 2011 versus PLN 52.1m in Q1 2011. In Q1 2011 the tax charge included PLN 58.3m expensed in relation to a tax dispute (see section Other Developments).

Net profit for Q2 2011 was PLN 12.9m versus net loss of PLN 23.0m for Q1 2011.

Key Figures

PLN'000	H1 2010	H1 2011	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Revenues	780,677	797,469	393,698	394,465	394,154	401,189	396,280
y-o-y % change	*4.2%*	*2.2%*	*5.4%*	*6.5%*	*2.0%*	*3.7%*	*0.7%*
Adjusted EBITDA	186,232	194,336	95,425	85,525	87,737	101,504	92,832
Margin %	*23.9%*	*24.4%*	*24.2%*	*21.7%*	*22.3%*	*25.3%*	*23.4%*
y-o-y change %	*28.2%*	*4.4%*	*29.4%*	*4.4%*	*14.3%*	*11.8%*	*(2.7%)*
EBITDA	188,797	190,054	95,263	89,790	307,852	101,375	88,679
Margin %	*24.2%*	*23.8%*	*24.2%*	*22.8%*	*78.1%*	*25.3%*	*22.4%*
Adjusted EBIT	37,474	43,225	20,639	10,114	11,222	26,179	17,046
Margin %	*4.8%*	*5.4%*	*5.2%*	*2.6%*	*2.8%*	*6.5%*	*4.3%*
EBIT	40,039	38,943	20,477	14,379	231,337	26,050	12,893
Margin %	*5.1%*	*4.9%*	*5.2%*	*3.6%*	*58.7%*	*6.5%*	*3.3%*
Adjusted Profit of the Netia Group (consolidated)	27,830	51,659	15,687	8,955	18,809	19,385	16,275
Margin %	*3.6%*	*6.5%*	*4.0%*	*2.3%*	*4.8%*	*4.8%*	*4.1%*
Profit/(Loss) of the Netia Group (consolidated)	29,908	(10,134)	15,556	12,410	221,577	(23,045)	12,911
Margin %	*3.8%*	*(1.3%)*	*4.0%*	*3.1%*	*56.2%*	*(5.7%)*	*3.3%*
Profit/(Loss) of Netia SA (stand alone)[1]	31,287	(10,424)	17,051	11,973	223,772	(21,558)	11,134
Cash and cash equivalents	145,224	219,388	145,224	157,427	173,600	210,439	219,388
Treasury bills (at amortized cost)	127,248	210,680	127,248	155,886	171,616	171,600	210,680
Debt	-	107	-	334	31	-	107
Capex related payments	94,869	118,599	38,304	49,122	49,243	68,927	49,672
Investments in tangible and intangible fixed assets	81,100	97,509	52,071	44,040	74,683	40,920	56,589

EUR'000[2]	H1 2010	H1 2011	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Revenues	195,825	200,037	98,755	98,948	98,870	100,634	99,403
y-o-y % change	*4.2%*	*2.2%*	*5.4%*	*6.5%*	*2.0%*	*3.7%*	*0.7%*
Adjusted EBITDA	46,714	48,747	23,936	21,453	22,008	25,461	23,286
Margin %	*23.9%*	*24.4%*	*24.2%*	*21.7%*	*22.3%*	*25.3%*	*23.4%*
y-o-y change %	*28.2%*	*4.4%*	*29.4%*	*4.4%*	*14.3%*	*11.8%*	*(2.7%)*
EBITDA	47,358	47,673	23,896	22,523	77,222	25,429	22,244
Margin %	*24.2%*	*23.8%*	*24.2%*	*22.8%*	*78.1%*	*25.3%*	*22.4%*
Adjusted EBIT	9,400	10,843	5,177	2,537	2,815	6,567	4,276
Margin %	*4.8%*	*5.4%*	*5.2%*	*2.6%*	*2.8%*	*6.5%*	*4.3%*
EBIT	10,043	9,768	5,136	3,607	58,029	6,534	3,234
Margin %	*5.1%*	*4.9%*	*5.2%*	*3.6%*	*58.7%*	*6.5%*	*3.3%*
Adjusted Profit of the Netia Group (consolidated)	6,981	12,958	3,935	2,246	4,718	4,862	4,082
Margin %	*3.6%*	*6.5%*	*4.0%*	*2.3%*	*4.8%*	*4.8%*	*4.1%*
Profit/(Loss) of the Netia Group (consolidated)	7,502	(2,542)	3,902	3,113	55,580	(5,781)	3,239
Margin %	*3.8%*	*(1.3%)*	*4.0%*	*3.1%*	*56.2%*	*(5.7%)*	*3.3%*
Profit/(Loss) of Netia SA (stand alone)[1]	7,848	(2,615)	4,277	3,003	56,131	(5,408)	2,793
Cash and cash equivalents	36,428	55,031	36,428	39,489	43,546	52,787	55,031
Treasury bills (at amortized cost)	31,919	52,847	31,919	39,102	43,048	43,044	52,847
Debt	-	27	-	84	8	-	27
Capex related payments	23,797	29,749	9,608	12,322	12,352	17,290	12,460
Investments in tangible and intangible fixed assets	20,343	24,459	13,062	11,047	18,734	10,264	14,195

[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 3.9866 = EUR 1.00, the average rate announced by the National Bank of Poland on June 30, 2011. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2010 exclude the following items as appropriate: a non-cash gain on reversal of earlier impairment charges of PLN 221.2m, a gain on disposal of transmission equipment tranches to P4 of PLN 7.3m, restructuring expenses related to the "Profit" Project of PLN 0.8m, expenses related to M&A activities of PLN 0.7m and impact from these one-offs on the income tax charge of PLN 18.6m). Items excluded for H1 2011 are the following: expenses related to the CIT 2003 tax dispute of PLN 58.3m, PLN 2.4m of expenses provisioned for universal service obligation payments, expenses related to M&A activities of PLN 1.7m and restructuring costs of PLN 0.2m and an income of PLN 16m from an upward adjustment in deferred tax assets following the lengthening of the estimated useful lives of certains network assets.

Key Operational Indicators

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Broadband data services						
Netia infrastructure-based services	223,392	225,189	232,475	242,277	242,548	248,097
Own fixed-line networks	*205,045*	*206,154*	*213,238*	*223,169*	*223,862*	*229,955*
WiMAX	*18,094*	*18,828*	*19,079*	*18,974*	*18,570*	*18,034*
Others	*253*	*207*	*158*	*134*	*116*	*108*
Bitstream access	320,470	325,289	322,871	321,075	315,464	312,238
LLU	59,505	73,101	98,555	126,895	146,070	159,260
Total broadband data services (end of period)	**603,367**	**623,579**	**653,901**	**690,247**	**704,082**	**719,595**
Voice services (excl. CPS)						
Traditional direct voice	346,731	342,975	336,074	332,657	326,982	322,583
incl. ISDN equivalent of lines	*139,182*	*141,884*	*141,110*	*143,560*	*144,582*	*145,738*
incl. legacy wireless	*37,582*	*37,629*	*38,132*	*38,666*	*38,504*	*40,474*
Voice over IP (excl. LLU)[1]	20,378	23,459	28,092	30,589	31,325	32,133
WiMAX voice	21,699	21,334	20,788	20,043	19,197	18,432
Netia network subscriber voice services [1]	388,808	387,768	384,954	383,289	377,504	373,148
WLR	746,959	745,248	758,096	752,899	739,456	722,316
LLU voice over IP	33,771	43,210	61,284	82,379	95,112	106,698
Total voice services[1] (end of period)	**1,169,538**	**1,176,226**	**1,204,334**	**1,218,567**	**1,212,072**	**1,202,162**
Total Broadband and Voice services (end of period)[1]	**1,772,905**	**1,799,805**	**1,858,235**	**1,908,814**	**1,916,154**	**1,921,757**
Corporate segment[1,2]	156,376	160,406	166,046	170,731	172,470	175,581
Carrier segment[1,2]	4,701	4,849	4,843	4,665	4,437	4,467
Residential segment	1,401,749	1,412,543	1,447,284	1,475,682	1,469,254	1,461,116
Share of lines with multiplay services	*24%*	*26%*	*27%*	*28%*	*29%*	*30%*
SOHO/SME segment[1]	210,079	222,007	240,071	257,736	269,993	280,593
Share of lines with multiplay services	*39%*	*41%*	*41%*	*43%*	*42%*	*45%*
Other						
Total net additions in Broadband data services	44,050	20,212	30,322	36,346	13,835	15,513
Monthly Broadband ARPU (PLN)	56	54	54	53	52	52
Monthly Broadband SAC (PLN)	186	212	202	203	227	236
Total net additions in Voice services[1]	11,090	6,688	28,108	14,233	(6,495)	(9,910)
Business mix of total subscriber lines (cumulative) [1]	25.9%	26.7%	27.6%	28.5%	29.4%	30.4%
Monthly Voice ARPU in own network (PLN) [1]	60	59	57	54	54	54
Monthly Voice ARPU for WLR (PLN)	50	49	48	48	49	49
Monthly Voice ARPU blended (PLN) [1]	54	53	52	51	51	51
CPS lines (cumulative)	108,705	98,287	90,124	82,983	76,159	72,382
Monthly Voice ARPU for CPS	34	32	30	28	27	24
Headcount	1,410	1,416	1,450	1,441	1,452	1,454
Active headcount	1,359	1,366	1,393	1,392	1,399	1,397

[1] *In Q2 2011 Netia modified the definition of equivalent voice over IP lines in each SIP Trunk service, resulting in lower comparative figures for the Voice over IP lines (excl. LLU) than reported previously. Each SIP Trunk service is now quantified as an equivalent of multiple external calls which can be made simultaneously as opposed to its previous presentation as en equivalent of internal PABX lines. In addition, monthly voice ARPUs (blended and per Netia's own network line) were also restated in connection with the above change.*

[2] *In Q1 2011 Netia reclassified certain lines between Corporate and Carrier client segments, however without an impact on the total number of lines. Accordingly, the comparative figures for all quarters of 2010 were restated and therefore vary from the numbers reported previously.*

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Direct Voice	372,190	368,450	184,951	183,499
Incl. monthly fees	*238,410*	*255,716*	*127,647*	*128,069*
Incl. calling charges	*133,640*	*112,358*	*57,225*	*55,133*
Indirect Voice	21,515	11,618	6,348	5,270
Data[1]	279,487	296,452	147,855	148,597
Interconnection revenues	32,250	39,322	21,492	17,830
Wholesale services	53,381	57,915	28,683	29,232
Other telecommunications revenues[1]	19,365	21,474	10,676	10,798
Total telecommunications revenue	**778,187**	**795,231**	**400,005**	**395,226**
Radio communications revenue	2,490	2,238	1,184	1,054
Total revenue	**780,677**	**797,469**	**401,189**	**396,280**
Cost of sales	**(522,431)**	**(542,558)**	**(270,234)**	**(272,324)**
Interconnection charges	(103,503)	(116,482)	(58,321)	(58,161)
Network operations and maintenance	(258,878)	(262,428)	(130,242)	(132,186)
Costs of goods sold	(7,296)	(7,004)	(3,752)	(3,252)
Depreciation and amortization	(123,099)	(126,069)	(62,710)	(63,359)
Salaries and benefits	(9,839)	(11,101)	(5,469)	(5,632)
Restructuring (Project Profit)	-	-	-	-
Taxes, frequency fees and other expenses	(19,816)	(19,474)	(9,740)	(9,734)
Gross profit	**258,246**	**254,911**	**130,955**	**123,956**
Margin (%)	***33.1%***	***32.0%***	***32.6%***	***31.3%***
Selling and distribution costs	**(155,061)**	**(147,407)**	**(72,271)**	**(75,136)**
Advertising and promotion	(25,812)	(24,052)	(10,967)	(13,085)
Third party commissions	(18,958)	(14,893)	(8,460)	(6,433)
Billing, mailing and logistics	(17,776)	(15,932)	(8,111)	(7,821)
Outsourced customer service	(14,605)	(15,692)	(8,025)	(7,667)
Impairment of receivables	(5,395)	(2,731)	(360)	(2,371)
Depreciation and amortization	(16,289)	(14,794)	(7,490)	(7,304)
Salaries and benefits	(43,640)	(43,921)	(21,727)	(22,194)
Restructuring (Project Profit)	(246)	(177)	-	(177)
Other costs	(12,340)	(15,215)	(7,131)	(8,084)
General and administration costs	**(72,067)**	**(75,464)**	**(36,040)**	**(39,424)**
Professional services	(4,330)	(4,392)	(2,005)	(2,387)
Electronic data processing	(5,315)	(4,863)	(2,352)	(2,511)
Office and car maintenance	(5,913)	(5,912)	(2,827)	(3,085)
Depreciation and amortization	(9,370)	(10,248)	(5,125)	(5,123)
Salaries and benefits	(36,669)	(35,899)	(18,191)	(17,708)
Restructuring (Project Profit)	(54)	(58)	-	(58)
Other costs	(10,416)	(14,092)	(5,540)	(8,552)
Other income	6,404	7,416	4,714	2,702
Other expense	(782)	(996)	(997)	1
Other gains/ (losses), net	3,299	483	(311)	794
EBIT	**40,039**	**38,943**	**26,050**	**12,893**
Margin (%)	***5.1%***	***4.9%***	***6.5%***	***3.3%***
Finance income	7,172	7,528	3,282	4,246
Finance cost	(6,973)	(623)	(222)	(401)
Profit before tax	**40,238**	**45,848**	**29,110**	**16,738**
Tax benefit / (charge)	(10,330)	(55,982)	(52,155)	(3,827)
Profit	**29,908**	**(10,134)**	**(23,045)**	**12,911**

[1] *In January 2011 Netia reclassified certain revenues between Data and Other revenue related to value added services, however without an impact on the total revenue. Accordingly, the comparative figures for all quarters of 2010 were restated and therefore vary from the numbers reported previously.*

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

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Operating Profit	**40,039**	**38,943**	**26,050**	**12,893**
Add back:				
Depreciation and amortization	148,758	151,111	75,325	75,786
EBITDA	**188,797**	**190,054**	**101,375**	**88,679**
Add back:				
Project Profit / restructuring costs	300	235	-	235
M&A related costs	-	1,667	129	1,538
Provision for universal service obligation payments	-	2,380	-	2,380
Less:				
Gain on disposal of transmission equipment to P4	(2,865)	-	-	-
Adjusted EBITDA	**186,232**	**194,336**	**101,504**	**92,832**
Margin (%)	***23.9%***	***24.4%***	***25.3%***	***23.4%***

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

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Reminder fees and penalties	2,771	1,740	729	1,011
Forgiveness of liabilities	-	-	-	-
Fair value adjustments on other receivables and reversal of provisions	693	-	-	-
Settlement with Tele2 Sverige	1,461	-	-	-
Results of settlements	-	2,700	2,700	-
Other operating income	1,479	2,976	1,285	1,691
Total	**6,404**	**7,416**	**4,714**	**2,702**

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

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Impairment charges for specific individual assets	(782)	(958)	(958)	-
Other expenses	-	(38)	(39)	1
Total	**(782)**	**(996)**	**(997)**	**1**

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

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Gain / (loss) on sale of impaired receivables	782	241	(10)	251
Gain / (loss) on disposal of fixed assets	3,716	721	(14)	735
Net foreign exchange gains / (losses)	(1,199)	(479)	(287)	(192)
Total	**3,299**	**483**	**(311)**	**794**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Profit	**29,908**	**(10,134)**	**(23,045)**	**12,911**
Cash flow hedges	3,265	(254)	(240)	(14)
Income tax relating to components of other comprehensive income	(640)	23	41	(18)
Other comprehensive Income / (Loss)	**2,625**	**(231)**	**(199)**	**(32)**
Total comprehensive Income / (Loss)	**32,533**	**(10,365)**	**(23,244)**	**12,879**
Attributable to equity holders of the Company	*32,533*	*(10,365)*	*(23,244)*	*12,879*

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	Dec. 31 2010 *audited*	March 31 2011 *unaudited*	June 30 2011 *unaudited*
Property, plant and equipment, net	1,475,682	1,473,665	1,461,309
Intangible assets	389,444	376,102	371,585
Investment property	45,084	25,933	25,808
Deferred income tax assets	52,762	59,017	55,242
Available for sale financial assets	10	115	115
Long-term receivables	217	218	218
Prepaid expenses and accrued income	10,508	9,805	8,819
Total non-current assets	**1,973,707**	**1,944,855**	**1,923,096**
Inventories	11,393	7,120	6,893
Trade and other receivables	139,691	163,407	170,052
Current income tax receivables	58,445	30	51
Prepaid expenses and accrued income	37,876	38,108	33,407
Derivative financial instruments	117	117	112
Financial assets at fair value through profit and loss	1	1	1
Held to maturity investments	171,616	171,600	210,680
Restricted cash	2,123	2,123	2,123
Cash and cash equivalents	173,600	210,439	219,388
	594,862	**592,945**	**642,707**
Non-current assets classified as held for sale	-	-	-
Total current assets	**594,862**	**592,945**	**642,707**
TOTAL ASSETS	**2,568,569**	**2,537,800**	**2,565,803**
Share capital	389,459	390,375	391,043
Share premium	1,599,299	1,599,580	1,866,857
Retained earnings	269,258	246,213	(7,908)
Other components of equity	39,530	38,729	38,463
TOTAL EQUITY	**2,297,546**	**2,274,897**	**2,288,455**
Provisions	988	914	842
Deferred income	21,619	20,014	21,185
Other long-term liabilities	9,264	8,098	7,846
Total non-current liabilities	**31,871**	**29,026**	**29,873**
Trade and other payables	206,351	192,838	202,743
Derivative financial instruments	849	1,044	846
Borrowings	31	-	107
Other financial liabilities	-	-	-
Current income tax liabilities	1	1	1
Provisions	1,855	1,723	1,584
Deferred income	30,065	38,271	42,194
Total current liabilities	**239,152**	**233,877**	**247,475**
Total liabilities	**271,023**	**262,903**	**277,348**
TOTAL EQUITY AND LIABILITIES	**2,568,569**	**2,537,800**	**2,565,803**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	H1 2010 *unaudited*	H1 2011 *unaudited*	Q1 2011 *unaudited*	Q2 2011 *unaudited*
Profit / (Loss)	**29,908**	**(10,134)**	**(23,045)**	**12,911**
Depreciation and amortization	148,758	151,111	75,325	75,786
Impairment charges for specific individual assets	782	958	958	-
Reversal of impairment charges	(58)	(1,007)	-	(1,007)
Reversal of specific impairment charges	-	-	-	-
Deferred income tax charge / (benefit)	10,172	(2,602)	(6,245)	3,643
Interest expense and fees charged on bank loans	5,741	-	-	-
Other interest charged	(1,505)	(3,273)	(1,561)	(1,712)
Share-based compensation	4,396	1,955	829	1,126
Fair value (gains)/losses on financial assets/liabilities	(697)	-	-	-
Fair value (gains)losses on derivative financial instruments	(2,443)	(105)	(15)	(90)
Foreign exchange (gains)/losses	1,286	153	(68)	221
(Gain)/Loss on disposal of fixed assets	(3,630)	(661)	49	(710)
(Gain)/Loss on sale of investments	881	-	-	-
Changes in working capital	(30,638)	5,285	1,229	4,056
Tax expensed in relation to prior periods	-	58,325	58,325	-
Tax paid in respect to prior periods	(58,325)	-	-	-
Net cash provided by operating activities	**104,628**	**200,005**	**105,781**	**94,224**
Purchase of fixed assets and computer software	(94,869)	(118,599)	(68,927)	(49,672)
Purchase of operational networks	(818)	-	-	-
Proceeds from sale of non-core assets	23,760	4,872	94	4,778
Purchase of subsidiaries, net of received cash	(516)	(2,197)	(573)	(1,624)
Net (purchase)/receipt of treasury notes	(67,008)	(35,594)	1,676	(37,270)
Sale of investments	3,395	-	-	-
Net cash used in investing activities	**(136,056)**	**(151,518)**	**(67,730)**	**(83,788)**
Finance lease payments	(2,828)	(2,515)	(1,249)	(1,266)
Loan repayments	(347)	(31)	(31)	-
Payments of fees relating to bank loans	(1,113)	-	-	-
Net cash used in financing activities	**(4,288)**	**(2,546)**	**(1,280)**	**(1,266)**
Net change in cash and cash equivalents	**(35,716)**	**45,941**	**36,771**	**9,170**
Effect of exchange rate change on cash and cash equivalents	(263)	(153)	68	(221)
Cash and cash equivalents at the beginning of the period	181,203	173,600	173,600	210,439
Cash and cash equivalents at the end of the period	**145,224**	**219,388**	**210,439**	**219,388**

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 TPSA. The altnet connects to the TPSA data network and may only offer services identical to those of TPSA, paying TPSA on a retail minus basis for use of the TPSA 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 TP (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, one-off restructuring expenses related to the cost reduction program (the "Profit" project), M&A expenses, a gain on disposal of the transmission equipment to P4 and a positive accounting impact from the settlement agreement with TP 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 TPSA. The altnet installs DSLAM equipment at a TPSA local network node and connects it to its own backbone network. The altnet may offer broadband and voice service to any customer connected by TPSA copper line to the given node. The alnet can offer an unrestricted range of services and pays TPSA 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 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 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 TPSA. The altnet connects to the TPSA voice network and charges the customer for both line rental and calls made. TPSA 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 2011 results

Netia management will hold a conference call to review the results on August 4, 2011 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

Dial in numbers:
(UK) +44 20 3003 2666
(US) +1 646 843 4608

Replay number:
(UK) +44 20 8196 1998
Passcode: 1357931#

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.