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Netia reports 2011 third quarter results

WARSAW, Poland – November 3, 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 nine months ended September 30, 2011.

1 Key highlights

1.1 FINANCIAL

- *Revenue* was PLN 1,192.1m for nine months of 2011, up by 1% versus the same period of 2010. Q3 2011 revenue remained broadly stable at PLN 394.6m as compared to PLN 396.3m in Q2 2011 and 394.5m versus the prior year quarter. Steady progress in the corporate and SOHO/SME segments has been partly offset by tougher conditions in the residential segment and lower carrier revenues.

- *Adjusted EBITDA* was PLN 299.8m for the nine month period, up by 10% over the first nine months of 2010, with subscriber growth, customer mix and cost control more than offsetting the impact of declining ARPUs. Sequentially, Adjusted EBITDA increased by 14% to PLN 105.4m from PLN 92.8m in Q2 2011, mainly due to higher gross margins, lower salaries and stock option plan related expenses and lower advertising expenditure. Adjusted EBITDA margin was 25.1% for the nine months of 2011 and 26.7% in Q3 2011 versus 23.1% for the nine months of 2010 and 23.4% in Q2 2011.

- *EBITDA* was PLN 293.4m for year-to-date 2011 and PLN 103.4m for Q3 2011, up by 5% versus year-to-date 2010 and by 17% versus Q2 2011. The main unusual items expensed were the costs of M&A projects of PLN 3.7m and PLN 2.4m of provisions for universal service obligation payments, both recorded in the nine months of 2011. The unusual gain recorded in the comparative period of 2010 was a gain of PLN 7.3m gain on the disposal of two tranches of transmission equipment to P4. EBITDA margin was 24.6% for year-to-date 2011 and 26.2% in Q3 2011 as compared to 23.7% for the first nine months of 2010 and 22.4% for Q2 2011.

- *EBIT* increased by 22% to PLN 66.5m (up by 53% YoY to PLN 72.9m profit when excluding all one-offs) in the first nine months of 2011 as compared to PLN 54.4m (PLN 47.6m profit when excluding one-offs) in the same period of 2010. EBIT for Q3 2011 was PLN 27.6m (PLN 29.6m profit when excluding one-offs) compared to PLN 12.9m (PLN 17.0m profit when excluding one-offs) in Q2 2011.

- *The nine months of 2011 include the expensing of 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 profit for year-to-date 2011* was PLN 14.5m as compared to net profit of PLN 42.3m for year-to-date 2010. *Reported net profit for Q3 2011* was PLN 24.6m versus net profit of PLN 12.9m for Q2 2011.

- *Cash resources* at September 30, 2011 totalled PLN 433.6m (PLN 217.4m in cash and cash equivalents plus PLN 216.2m in treasury bills), up by PLN 3.6m from June 30, 2011 and by PLN 120.3m versus September 30, 2010.

- *Netia was operating free cash flow positive both year-to-date and in Q3 2011*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding Ethernet acquisitions, was PLN 135.4m for the first nine months of 2011and PLN 38.5m for Q3 2011.

- On September 29, 2011 *Netia signed two significant agreements relating to the purchase of 100% stakes in (i) Telefonia Dialog SA, Poland's second largest altnet, and (ii) Crowley Data Poland Sp. z o.o., data transmission provider for the business segment*. Both transactions are subject to competition authority (UOKiK) clearance (see section 1.2 Operational Highlights). Simultaneously, in performance of a mandate letter signed with a consortium of banks in July 2010, Netia executed a loan agreement for the total amount of PLN 700.0m to fully fund the above-mentioned acquisitions together with its own cash resources (see section 3 Other Developments).

- *Netia modifies its year 2011 guidance* published previously on August 4, 2011. Revenue guidance has been reduced to above PLN 1,590.0m from above PLN 1,610.0m following a weaker than expected 3Q 2011 and softening ARPUs. Broadband subscriber numbers are now expected to finish 2011 at 750,000, including Ethernet acquisitions. However, EBIT guidance is being increased to above PLN 95.0m, EBITDA guidance is held at above PLN 405.0m and capital investments and free cash flow guidance is also unchanged.

1.2 OPERATIONAL

- *Netia's broadband subscriber base* reached 731,699 at September 30, 2011, growing by 2% from 719,595 at June 30, 2011 and by 12% from 653,901 at September 30, 2010. Netia estimates that its total fixed broadband market share increased to 11.8% from 11.1% at September 30, 2010. Netia added 12,104 net broadband customers during Q3 2011, (6,623 excluding Ethernet acquisitions) versus 15,513 net additions in Q2 2011 (9,916 excluding Ethernet acquisitions) and 30,322 net additions in Q3 2010 (23,801 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.

- *Netia's voice subscriber base* (own network, WLR and LLU). Netia estimates that its total fixed voice market share increased to 13.4% from 12.7% over the past twelve months. Due to the competitive market conditions and Netia's focus on higher end customers, Netia is focusing on defending voice revenues as opposed to subscriber numbers. Netia's voice subscriber base was 1,190,636 at September 30, 2011 as compared to 1,204,334 at September 30, 2010 and 1,202,122 at June 30, 2011. In total, Netia recorded a net decrease of 11,256 voice subscribers during Q3 2011, associated mainly with clients churning from traditional direct voice and WLR services. Of the total voice customers served at September 30, 2011, 31% received service over Netia's own access infrastructure.

- *Netia made significant progress on its LLU network* with 674 nodes unbundled for total coverage of approximately 4.7m lines and a total of 175,435 LLU clients as at September 30, 2011. LLU net additions totalled 16,175 in Q3 2011 as compared to 13,190 in Q2 2011 and 25,454 in Q3 2010. In Q3 2011 the migrations of BSA/WLR customers onto LLU totalled 13,937, increasing the total gross number of migrations to 100,318. Netia plans to unbundle 700 nodes by year-end 2011.

- *NGA network extension.* Following a successful pilot project, Netia decided to expand its existing NGA standard network, which allows for providing 3play services including IPTV, from approximately 30,000 to 500,000 homes passed by the end of 2011. As of today, over 365,000 households are within the reach of Netia's NGA network, including approximately 314,000 homes passed with the copper network and approximately 51,000 homes passed with the fast Ethernet networks (please see section 2 Operational Overview).

Miroslaw Godlewski, Netia's President and CEO, commented: *"The third quarter of 2011 was a period of significant investment in the long-term future of the Netia Group. As well as the much publicised acquisitions of Telefonia Dialog SA (Dialog) and Crowley Data Poland Sp. z o.o. (CDP), Netia's capital investment spending was up 31% on a year-to-date basis at PLN 164m. Our fast-tracked LLU roll-out for 2011 is almost complete with 674 nodes already operational and the last of the targeted 700 nodes, giving access to almost 5 million TP lines, going into service during Q4 2011. Our new generation network roll-out is gathering pace with the number of up to 50 Mb/s VDSL and up to 100 Mb/s fast Ethernet homes passed rising from 30,000 to nearly 268,000 during just three months and we are well on track to reach 500,000 homes passed by the end of the year. Wider availability of fast broadband means that a lot of time has been spent on ramping up our sales competencies to sell TV services and triple-play in anticipation of this new key growth driver for 2012. Exciting new content related services and proprietary solutions will be launched during the fourth quarter. We are also well advanced with our three-year programme of upgrading Netia's IT architecture as the first phases are nearing implementation. All this work on getting ready for our new strategic mission to "Deliver the World Online" is being undertaken whilst financial discipline is maintained, with total capital investment to sales expected to be a moderate 15% of sales and we remain committed to maintaining a minimum 10% operating free cash flow margin to sales over the coming years.*

Our twin acquisitions of the Dialog Group and CDP, both announced on September 29, 2011 and both still subject to competition authority (UOKiK) approval, provide us with a great opportunity to deliver our Strategy 2020 across a 40% larger business. The acquisition of Dialog should greatly strengthen our portfolio of fully-owned access networks, allowing us full control of delivery of our services to our customers, and bring valuable new competences around TV, content management and localised customer care into our organisation. The acquisition of CDP should bring an injection of entrepreneurial spirit, fast-deploying point-to-point radio access solutions and an increased lead over other Polish alternative operators in business segment market share. Our management team is already working hard on preparing the details of our integration project to be launched at short notice if and when the competition authority (UOKiK) allows the two acquisitions to go forward. In designing the New Netia we have targeted a minimum of PLN 106m in annualised synergies to be delivered within two years. An expansion of our currently targeted EBITDA level of PLN 405m to above PLN 700m and a doubling of free-cash flow by 2014 are our tentative objectives in preparing the integration. New medium-term guidance and targets for 2012 will be issued only once the dates of closing and consolidating are known and once we have completed most of the detailed integration planning work.

Given Netia's track record in delivering organic growth and creating value from acquisitions such as that of Tele2 Polska in 2008, I am confident that Netia is about to embark on a new period of market-leading expansion in revenues and margins. Given that our pro-forma financial leverage is likely to be around 1.0x EBITDA when the acquisitions close, New Netia will still have the financial flexibility to either participate in further in-market consolidation opportunities, if priced at reasonable levels, or to undertake further share buy-backs during 2012."

Jon Eastick, Netia's CFO, commented: *"Today we are pleased to be reporting a new record quarter of PLN 105m in Adjusted EBITDA and Netia remains well on track to meet its profitability guidance for 2011. These financial results underline both our cost discipline and the flexibility of our cost base as they have been achieved despite revenue growth and customer net additions coming in below our earlier expectations. Both residential and business segments are trying to grow telephony and broadband services against a backdrop of weak penetration dynamics and fierce competition. Netia's investment in expanding its NGA coverage and preparations to push TV sales across those networks provides us with the foundations for new impetus to organic growth in 2012 and beyond.*

The record Adjusted EBITDA result plus strong financial income from interest on our PLN 433.6m cash balance and hedging income has produced excellent progress on net profitability in Q3 2011 with PLN 24.6m representing a 99% improvement on the prior year quarter and has moved the year-to-date net profit onto PLN 14.5m, now fully covering the tax write-down of PLN 58.3m taken in Q1 2011. We remain hopeful that we shall ultimately prevail in our dispute over the 2003 tax return and submitted our final appeal to the court during August.

Should competition authority (UOKiK) permit us to close the Dialog and CDP acquisitions in early 2012 and given Netia's strong cash generation, we are expecting to require only PLN 550m of net debt to complete our acquisitions, which would leave us with modest leverage of 1.0x EBITDA on a pro-forma basis. With at least PLN 106m in probable synergies identified during due diligence on these two cash generative businesses, we are hoping to build a detailed integration plan to double Netia's 2011 operating free cash flow generation by 2014. This strong liquidity position allows us to start thinking about raising further funds to support further acquisitions or to continue buying back Netia's shares in line with the authorisation previously received from our shareholders. In pursuing further acquisitions, we will remain cautious both in terms of valuation and in terms of the operational risks inherent in integrating such businesses into the Netia Group."

2 Operational overview

2.1 BROADBAND

Broadband subscribers increased to 731,699 at September 30, 2011, up by 2% from 719,595 at June 30, 2011 and by 12% from 653,901 at September 30, 2010.

By the end of 2011, Netia aims to reach 750,000 broadband subscribers both through further organic growth and additional Ethernet network acquisitions.

Netia provides its broadband services using the following technologies:

Number of broadband ports	*Q3 2010*	*Q4 2010*	*Q1 2011*	*Q2 2011*	*Q3 2011*
xDSL and FastEthernet over Netia's own fixed-line network	213,238	223,169	223,862	229,955	235,141
WiMAX Internet	19,079	18,974	18,570	18,034	17,495
LLU	98,555	126,895	146,070	159,260	175,435
Bitstream access	322,871	321,075	315,464	312,238	303,609
Other	158	134	116	108	19
Total	**653,901**	**690,247**	**704,091**	**719,595**	**731,699**

Broadband net additions totalled 41,452 during nine months of 2011 and 12,104 during Q3 2011, down by 56% and 60% on year-to-date 2010 and Q3 2010, respectively, and down by 22% over Q2 2011. Additions from Ethernet network acquisitions of 5,481 subscribers for Q3 2011 compare to 5,597 subscribers for Q2 2011 and 6,521subscribers for Q3 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 not in sufficient volumes to offset the underperformance observed on lower value 1play broadband services. Sales performance is expected to improve as more potential customers can receive the 3play bundle available over the rapidly expanding NGA network.

Broadband ARPU was PLN 51 in Q3 2011 as compared to PLN 54 in Q3 2010 and PLN 52 in Q2 2011. The year-on-year fall in ARPU reflects increased focus on 2plays and pre-emptive price reductions made in mid-2010. Broadband ARPU is expected to settle between PLN 50 and PLN 60 per month in the medium term.

Broadband SAC was PLN 200 in Q3 2011 as compared to PLN 202 in Q3 2010 and PLN 236 in Q2 2011. The sequential decrease in Broadband SAC was associated with the introduction of Netia Spot routers, which are being "leased" to customers, using the same business model as satellite TV, and capitalized.

Local loop unbundling (LLU). In Q3 2011 Netia continued to extend the reach of its LLU-based services, with 16,175 net additions for the quarter. Netia had 674 unbundled nodes at September 30, 2011 versus 612 nodes at June 30, 2011, reaching approximately 4.7 million customer lines. Netia expects to take the total of unbundled nodes to 700 by the end of 2011, reaching close to 5.0 million customer lines.

Netia served 175,435 customers over LLU as at September 30, 2011 as compared to 159,260 at June 30, 2011 and 98,555 at September 30, 2010. During Q3 2011 Netia migrated 3,401 1play and 10,536 2play clients onto LLU, increasing the cumulative gross number of 1play and 2play migrations to 100,318. Of the new LLU sales for Q3 2011, a sizable portion (55%) came from re-activation of previously dormant TP lines or activation of new fixed lines.

At the end of Q3 2011, Netia served an average of 260 customers per LLU node as compared to 225 customers per LLU node in Q3 2010.

Acquisitions of local Ethernet network operators. As of September 30, 2011, Netia's Ethernet networks provided broadband access to a total of 123,532 mostly residential customers as compared to 119,251 customers at June 30, 2011 and 108,735 customers at September 30, 2010, with approximately 558,000 homes passed.

During Q3 2011 Netia acquired two further Ethernet networks with 5,481 active customers and 34,000 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 September 30, 2011, bundled services were delivered on 30% and 45% of lines in the Residential and SOHO/SME segments, respectively. This represents increases by 3 and 4 percentage points in the respective segments from September 30, 2010 and remains stable sequentially 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 June 2011 Netia completed a commercial pilot of its IPTV services run on the coverage area of 30,000 households. The pilot's sales results, with over 1,000 clients acquired during 6 months, were better than for LLU when it was introduced three years ago. Following the pilot's success, 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. As of November 2, 2011, over 365,000 lines had been upgraded, including approximately 314,000 VDSL lines and approximately 51,000 Ethernet lines.
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.
The number of active IPTV customers grew to 1,929 as at September 30, 2011 and 2,577 as at November 2, 2011. Sales forces are still being prepared to focus on the 3play opportunity across the entire covered area and sales rates are expected to accelerate significantly in 2012.

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 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 being introduced 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.

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 24,206 at September 30, 2011 as compared to 7,959 at December 31, 2010 and 16,338 at June 30, 2011. *Mobile broadband ARPU* was PLN 28 in Q3 2011 as compared to PLN 30 in Q2 2011 and 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 1,190,636 at September 30, 2011 as compared to 1,204,334 at September 30, 2010 and 1,202,162 at June 30, 2011. In Q3 2011 Netia recorded a net decrease of 11,526 voice lines, associated mainly with clients churning from traditional direct voice and WLR services.

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 defending voice revenues as opposed to subscriber numbers.

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

Number of voice lines	*Q3 2010*	*Q4 2010*	*Q1 2011*	*Q2 2011*	*Q3 2011*
Traditional direct voice	336,074	332,657	326,982	322,583	321,091
Incl. ISDN	*141,110*	*143,560*	*144,582*	*145,738*	*148,270*
Incl. Legacy wireless	*38,132*	*38,666*	*38,504*	*40,474*	*41,987*
Voice over IP (excl. LLU)[1]	28,092	30,589	31,325	32,133	33,912
WiMAX voice	20,788	20,043	19,197	18,432	17,550
Netia network subscriber voice lines[1]	**384,954**	**383,289**	**377,504**	**373,148**	**372,553**
WLR	758,096	752,899	739,456	722,316	699,275
LLU voice over IP	61,284	82,379	95,112	106,698	118,808
Total[1]	**1,204,334**	**1,218,567**	**1,212,072**	**1,202,162**	**1,190,636**

[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 Q3 2011 as compared to PLN 48 in Q3 2010 and PLN 49 in Q2 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 53 in Q3 2011 as compared to PLN 57 in Q3 2010 and PLN 54 in Q2 2011, with the year-on-year decrease reflecting overall tariff reduction trends and pressure on prices in the business segment in particular.

Blended voice ARPU was PLN 50 in Q3 2011 as compared to PLN 52 in Q3 2010 and PLN 51 in Q2 2011.

2.2.2 Indirect voice

CPS lines (carrier pre selection) totalled 69,867 at September 30, 2011 as compared to 90,287 at September 30, 2010 and 72,382 at June 30, 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 1,190,636 clients as at September 30, 2011.

Indirect voice ARPU per CPS line was PLN 24 in Q3 2011 as compared to PLN 30 in Q3 2010 and PLN 24 in Q2 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 1,467 at September 30, 2011, compared to 1,450 at September 30, 2010 and 1,454 at June 30, 2011. Active headcount was 1,414 at September 30, 2011 versus 1,393 at September 30, 2010 and 1,397 at June 30, 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 September 30, 2010	**1,393**	**1,450**
Ethernet networks' acquired headcount	63	68
Headcount increase / (reductions)	(41)	(51)
Headcount at September 30, 2011	**1,415**	**1,467**

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)	*YTD 2010*	*YTD 2011*	*Change %*	*Q2 2011*	*Q3 2011*	*Change %*
Existing network and IT	46.8	70.3	50%	22.0	32.4	47%
Broadband networks	72.1	85.4	18%	30.5	29.9	-2%
CPE (capitalised Netia Spot routers)	-	8.7	na	4.1	4.6	13%
P4 transmission project	6.2	-	na	-	-	na
Total	**125.1**	**164.4**	**31%**	**56.6**	**66.9**	**18%**

Higher capital investment in existing network and IT reflect extension of transmission network capacity to activate new corporate and carrier customers. Capital expenditures related to broadband networks in nine months of 2011 reflect mainly the LLU roll-out with respect to newly unbundled nodes, upgrades to transmission capacity and upgrades to NGA standard. As Netia Spot routers, introduced to Netia's offering in June 2011, are being "leased" to customers under the same business model as satellite TV providers utilise, the customer premises equipment is being capitalised. 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.

3 OTHER HIGHLIGHTS

On September 29, 2011 Netia agreed to acquire 100% stakes in Telefonia Dialog SA and Crowley Data Poland Sp. z o.o. for the enterprise values of PLN 890.0m and PLN 100.0m, respectively. Both transactions are subject to competition authority (UOKiK) clearance and management is hoping to close the deals by the end of January 2012. The acquisition price for Telefonia Dialog SA represents 6.4x standalone EBITDA forecasted for 2011 and 4.0x EBITDA including full annualized synergies. The acquisition price for Crowley Data Poland Sp. z o.o. represents 6.0x standalone EBITDA forecasted for 2011 and 2.7x EBITDA including full annualized synergies. Management's tentative objective is to deliver more than 106.0m PLN in annual synergies by 2014, an estimate which will be further refined during integration planning immediately after completing the acquisitions. Integration to create a New Netia is expected to take up to 2 years, although the majority of synergy projects should be completed within the first 12 months post transaction.

The expanded New Netia Group Pro-forma for 2011 would comprise:

	Updated Netia 2011 Guidance / Actual	New Netia Group Pro-forma for 2011[1]
Revenue (PLNm) (estimated)	1,590.0+	2,250.0
Adjusted EBITDA (estimated, excl. synergies)	405.0+	561.0
Adjusted EBITDA margin	25%	25%
EBITDA with full annualized synergies	**405.0+**	**667.0**[2]
Operating FCF with full annualized synergies	**170.0+**	**352.0**[2]
Fixed broadband services	731,699	886,000[3]
Fixed voice services	1,190,636	2,001,000[3]
Other services, principally TV and mobile services	26,136	123,000[3]

1 Pro-forma for illustrative purposes only, it does not constitute a guidance of a New Netia Group for 2012FY
2 Pro-forma for illustrative purposes only, Pro-forma 2011E EBITDA plus full annualised synergies, projected to be delivered by 2014
3 Figures for Telefonia Dialog SA as of H1 2011 and Current Netia as of Q3 2011

Financing and distribution of profits through a share buy-back programme. On September 30, 2011, Netia had PLN 433.6m in cash and treasury bills at market value. In addition, on September 29, 2011 Netia executed a loan agreement to obtain additional external financing of PLN 700.0m under a mandate signed with a consortium of banks in July 2010. This included a five-year senior debt facility of PLN 650.0m designated to acquire Telefonia Dialog SA and a PLN 50.0m revolving facility for general operating purposes. The remaining PLN 324.0m of the adjusted purchase price[1] to acquire Telefonia Dialog SA and estimated PLN 104.0m to acquire Crowley Data Poland Sp. z o.o. will be financed by Netia internally from its own cash resources including the PLN 300.0m acquisition fund it set aside earlier in 2011. Assuming closing of both acquisitions in January 2012, Netia Group's Pro-forma Net Debt to Pro-forma EBITDA is projected to be at the level of around 1.0x EBITDA. Financial covenants agreed as part of the above 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.

Management is currently analysing opportunities to raise additional financing to fund near-term acquisition opportunities or, should such opportunities not be possible at reasonable prices, be directed towards the share buy-back programme.

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 general *share buy-back program* to acquire and redeem up to 12.5% of the Company's share capital utilising assigned funds totalling up to PLN 350.0m. Within the authorisation granted by the AGM, on August 17, 2011 Netia commenced a buyback program aimed at acquiring up to 2.5% of the Company's share capital, allocating for this purpose up to PLN 60.0m. As of November 1, 2011, the Company had repurchased under this program 8,707,988 shares representing 2.23% of Netia's share capital and 2.23% of votes at the general meeting of shareholders.

The Company expects to complete the on-going buyback program during Q4 2011. An expanded buy-back program for up to 10% of the Company's share capital in line with existing authorisations remains dependent on near-term prospects for further large acquisitions.

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 self service solutions allowing customers to extend their service agreements with Netia
- New, user friendly "Welcome Pack" introduced on CDs
- New intranet functionalities added to increase the tool's utility for customer care consultants
- Additional recharging of mobile internet pulses offered to broadband customers in case of technical failure issues
- Regular workshops with external partners to work-out new standards of cooperation for better serving customers' needs
- 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 subsequently received a written justification of the judgment and filed a motion for cassation to the Supreme Administrative Court in August 2011.

[1] Please see Netia's report 45/2011 dated September 29, 2011 for details of the purchase price adjustment mechanism relating to the Dialog acquisition.

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 is taking 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 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 was subsequently approved by the Regulator. In accordance with the new procedure, the Regulator has provided Netia and other operators whose cost input was approved with the information on the average costs to be used in the margin squeeze test and with the margin squeeze test model itself. These new average costs and model will be applied from now on to verify TP's new offerings in the test procedure.

Netia is awaiting results of the first applications of the new cost data to the margin squeeze test before concluding whether the test is now more effective in protecting reasonable margins.

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, including TP SA, with respect to the USO for years 2006-2009 inclusive was set at approximately PLN 67.0m. Both the telecommunications chamber, KIGEiT, and TP SA itself had been appealing the Regulator's May decision, nevertheless the Regulator has sustained its original view. 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 USO cost 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. Moreover, in June 2011 TP SA filed applications for awarding subsidy towards its USO costs for year 2010 for a total amount of PLN 269.4m. Currently, the Regulator is holding proceedings with regard to the incumbent's 2010 claim to decide whether and, if so, in what amount the subsidy to USO providing costs should be paid by market participants, including TP SA. The USO imposed on the incumbent by the Regulator expired in May 2011 (no other entity has been designated to provide the USO services thereafter).

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 five quarters. In this regard, Netia has so far issued 1.6m shares during 2011 in consideration of 4.9m 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 September 30, 2011, 3.6m 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 Guidance for FY2011 and mid-term (2010-2012)

Following weaker than expected revenues, ARPUs and subscriber growth in Q3 2011, Netia is revising its 2011 guidance as published previously on August 4, 2011 (see Netia's current report no. 31/2011 dated August 4, 2011). The guidance does not take account of any effect from the potential closing of the acquisitions of Telefonia Dialog SA and Crowley Data Poland Sp. z o.o. before the end of 2011. Netia expects to publish its detailed 2012 and updated medium-term guidance in Q1 or Q2 2012, dependent on the closing dates of these acquisitions and integration planning results.

Full guidance for 2011 is set out below:

FY2011 Guidance	*Previous*	*Revised*
Revenues *(PLN m)*	1,610.0+	1,590.0+
Adjusted EBITDA *(PLN m)*	405.0+	405.0+
Adjusted EBITDA margin *(PLN m)*	25%	25%
Adjusted EBIT (PLN m)	70.0+	95.0+
Capital investments (excl. M&A) (PLN m)	230.0	230.0
Capital investments to sales *(%)*	14%	14%
Operating free cash flow (OpFCF)	170.0+	170.0+
Total broadband lines	750,000[1]	750,000[2]
Unbundled local loop *(LLU) nodes*	700	700

1 Total broadband lines excluding Ethernet acquisitions
2 Total broadband lines including Ethernet acquisitions

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

The medium term outlook for Netia remains as follows:

Mid-term guidance (2010-2012)	
Revenue growth (CAGR) overall	3%-5%
Revenue growth (CAGR) in retail market segments	5%-10%
EBITDA margin in 2012 (%)	28%

The medium-term guidance shown above was originally issued in 2009 and does not take into consideration the impact of the pending acquisitions of Telefonia Dialog SA and Crowley Data Poland Sp. z o.o. It shall be replaced by guidance for 2012 to be issued once the two acquisitions are completed and once the budgets and integration plans for the expanded Netia Group have been approved.

The long-term strategic financial goals issued together with the Strategy 2020 shall also be updated to reflect the expanded Netia Group during the course of 2012.

Accordingly, neither the medium-term guidance nor the long-term strategic financial goals reflect the likely financial results of the Netia Group should the two acquisitions be closed as expected.

Consolidated Financial Information

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

2011 Year-to-Date vs. 2010 Year-to-Date

Revenue rose by 1% YoY to PLN 1,192.1m for the nine-month period ended September 30, 2011 from PLN 1,175.1m for the same period in 2010, with Home, Soho/SME, and Corporate revenue segments all showing growth versus the prior year and a decrease in Carrier segment driven by lower revenue from P4 following the sale of transmission equipment to P4 during 2010.

Telecommunications revenue increased by 1% YoY to PLN 1,188.8m in the first nine months of 2011 from PLN 1,171.5m in year-to-date 2010. Data revenue increased to PLN 444.4m, up by 6% YoY from PLN 419.0m in the nine-month period ended September 30, 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 7.6m as a result of decreasing tariffs and lower usage.

The overall revenue level was supported by growth in the carrier segment driven by increases in interconnection revenue by PLN 6.6m, including PLN 3.3m from higher transit and PLN 4.3m from higher rates for traffic termination in Netia on the higher customer base, or 13% YoY and wholesale services by 2% YoY or PLN 1.8m. Other telecommunications revenue increased by PLN 4.2m or 15% driven by growing number of mobile data and value-added services. The gradual run-down in indirect voice customers produced a revenue decrease of PLN 13.3m or 44% YoY.

Cost of sales increased by 1% YoY to PLN 812.5m from PLN 801.0m for the nine-month period ended September 30, 2010 and represented 68% of total revenue in both year-to-date periods.

Interconnection charges increased by 5% to PLN 173.5m in the first nine months of 2011 as compared to PLN 165.1m for the same period of 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 190.2m as compared to PLN 185.6m for the nine-month period ended September 30, 2010.

Network operations and maintenance cost increased only by 1% YoY to PLN 395.0m as compared to PLN 392.5m for the prior year period, despite the increasing customer base, which reflects the increasing share of LLU in the customer mix.

Costs of goods sold decreased by 40% YoY to PLN 8.3m as compared to PLN 13.8m recorded in the first nine months of 2010, following lower sales volumes and the introduction of the proprietary Netia Spot routers from June 2011, which are being capitalized as part of Netia's broadband capex. PLN 4.6m was capitalized during 3Q 2011.

Salaries and benefits related to the cost of sales increased by 7% to PLN 16.0m from PLN 14.9m, driven by acquisitions of new Ethernet companies.

Gross profit for the nine-month period ended September 30, 2011 was PLN 379.6m as compared to PLN 374.1m for the corresponding period of 2010. Gross profit margin was 31.8% in both year-to-date periods.

Selling and distribution costs decreased by 6% YoY to PLN 218.2m from PLN 233.1m for the same period last year and represented 18% of total revenue as compared to 20% in the prior year period.

Third party commissions paid for the acquisition of new customers were down by 25% YoY to PLN 21.9m from PLN 29.1m, reflecting relatively lower customer intake overall as well as ongoing optimization of sales channel-mix.

Advertising and promotion spending fell by 10% from PLN 38.6m to PLN 34.6m.

Depreciation and amortization related to selling and distribution cost decreased by 13% to PLN 21.1m from PLN 24.4m in the first nine months of 2010.

Billing, mailing and logistics costs decreased by 9% YoY to PLN 24.3m from PLN 26.7m, mainly as a result of more customers accepting electronic invoices.

Impairment of receivables decreased to PLN 5.0m from PLN 7.3m in the nine-month period ended September 30, 2010.

Other expenses related to selling and distribution cost increased by 25% YoY to PLN 23.5m from PLN 18.8m in the first nine months of 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, which form part of Other Telecommunications Revenues.

General and administration costs decreased by 1% YoY to PLN 106.6m from PLN 107.4m for year-to-date 2010 and represented 9% of total revenue in both periods. The decrease in salaries' and benefits' cost related to the general and administrative category, associated with lower costs of the stock option plan and lower cost of settling in-the-money stock options, offset an increase in 'Other expenses', which was mainly due to PLN 2.4m provisioned in the current year period in relation to Netia's estimated universal service obligation and PLN 1.9m of M&A costs.

Adjusted EBITDA increased by 10% YoY to PLN 299.8m from PLN 271.7m for the nine-month period ended September 30, 2010 and Adjusted EBITDA margin increased to 25.1% as compared to 23.1% for the first nine months of 2010. Including the PLN 7.3m gain on disposal of two tranches of transmission equipment to P4 in nine months of 2010, universal service obligation provision of PLN 2.4m in Q2 2011, restructuring costs of PLN 0.3m in year-to-date 2011 and PLN 0.5m in year-to-date 2010 and the costs of M&A projects of PLN 3.7m in the current year period, *EBITDA* was PLN 293.4m for the nine-month period ended September 30, 2011 as compared to PLN 278.6m for the corresponding period of 2010. EBITDA margin was 24.6% as compared to 23.7% for the nine-month period ended September 30, 2010.

Depreciation and amortization increased by 1% to PLN 226.9m as compared to PLN 224.2m in the first nine months of 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 66.5m as compared to an operating profit of PLN 54.4m for the nine-month period ended September 30, 2010. Excluding net unusual items described above of PLN 6.4m of costs in year-to-date 2011 and PLN 6.8m of net gains in year-to-date 2010, EBIT increased by 53% to PLN 72.9m for the first nine months of 2011 from PLN 47.6m for the same period of 2010.

Net financial income was PLN 14.3m as compared to net financial income of PLN 0.2m for the prior-year period. The improvement was related mainly to interest earned on larger cash and treasury bills deposits, the cancellation of the Company's old bank facility which was generating amortized costs during year-to-date 2010 and gains on cash flow hedges made to offset currency exposure in certain operating expenses.

Income tax charge of PLN 66.3m was recorded in the nine-month period ended September 30, 2011 as compared to income tax charge of PLN 12.3m for the same period of 2010 and included PLN 58.3m expensed in Q1 2011 in relation to a tax dispute (see Other Highlights). 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 24m of deferred tax assets as timing differences and tax losses are consumed.

Net profit was PLN 14.5m for the nine-month period ended September 30, 2011 versus net profit of PLN 42.3m for the same period of 2010.

Cash outlays on purchase of fixed assets and computer software increased by 37% to PLN 197.5m for the nine-month period ended September 30, 2011 from PLN 144.0m for the corresponding period of 2010, driven mainly by the LLU roll-out, upgrades to NGA network standard and upgrades to transmission capacity.

Cash outlays on repurchase of treasury shares under Netia's buy-back program amounted to PLN 22.7m through September 30, 2011 and PLN 11.1m was spent on acquisitions of Ethernet operators and networks.

Cash and cash equivalents at September 30, 2011 totalled PLN 433.6m (PLN 217.4m in cash and cash equivalents plus PLN 216.2m in treasury bills), up by PLN 120.3m versus September 30, 2010.

Netia was virtually debt free at September 30, 2011.

Q3 2011 vs. Q2 2011

Sequential revenue fell marginally to PLN 394.6m in Q3 2011 from PLN 396.3m in Q2 2011.

Telecommunications revenue was PLN 393.5m in Q3 2011 versus PLN 395.2m in Q2 2011. Other telecommunications revenue grew by PLN 1.0m or 9% driven by an increase in the number of mobile data services and value added services. Data revenue decreased slightly to PLN 148.0m in Q3 2011 versus PLN 148.6m in Q2 2011 driven by lower by PLN 1.0m revenue from data transmission services rendered to P4. Direct voice revenue fell by 1% QoQ to PLN 180.9m versus PLN 183.5m in Q2 2011. Total wholesale and interconnection revenue increased sequentially by PLN 0.7m or 1% as a result of increased revenue from leasing dark fiber.

Cost of sales amounted to PLN 269.9m in Q3 2011 versus 272.3m in Q2 2011, representing 68% and 69% of total revenue, respectively. The cost of goods sold was lower by 61% QoQ or PLN 2.0m in connection with the introduction of Netia Spot routers to the offering (currently, the customer premises equipment is being "leased" to customers and capitalised as part of the broadband capex). Interconnection charges decreased by 2% or PLN 1.1m following the introduction of lower mobile termination rates from July 2011.

Gross profit was PLN 124.7m in Q3 2011 as compared to PLN 124.0m in Q2 2011, with gross profit margin at 31.6% as compared to 31.3% in Q2 2011.

Selling and distribution costs decreased QoQ by 6% to PLN 70.8m in Q3 2011 as compared to PLN 75.1m in Q2 2011 representing 18% and 19% of total revenue, respectively. Cost of salaries and benefits related to selling and distribution was sequentially lower by 12% or PLN 2.8m, mainly due to seasonal release of the holiday provisions and lower sales commissions on sequentially lower sales volumes. Advertising and promotion spending was lower by 19% or PLN 2.5m as a result of less intensive advertising campaigns.

General and administrative expenses decreased by 21% to PLN 31.1m in Q3 2011 from PLN 39.4m in Q2 2011, and represented 8% and 10% of total revenue, respectively. The decrease was driven by lower cost of salaries and benefits related to general administration, associated among others with lower cost accrued for settling in-the-money stock options, lower mark-to-market value of restricted stock units and the seasonal release of holiday provisions. In addition, in previous quarter's 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).

Adjusted EBITDA increased to PLN 105.4m from PLN 92.8m for Q2 2011 and Adjusted EBITDA margin was 26.7% in Q3 2011 versus was 23.4% in Q2 2011.

EBITDA was PLN 103.4m as compared to PLN 88.7m in Q2 2011. EBITDA for Q3 2011 included M&A related expenses of PLN 2.0m while 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.

Operating profit (EBIT) was PLN 27.6m as compared to operating profit of PLN 12.9m in Q2 2011. Excluding unusual items, EBIT for Q3 2011 would have been PLN 29.6m as compared to PLN 17.0m for Q2 2011.

Net financial income was PLN 7.4m as compared to PLN 3.8m in Q2 2011, reflecting gains on cash flow hedges made to offset exposure to operating expenses denominated in foreign currencies.

Income tax charge of PLN 10.3m was recorded in Q3 2011 versus PLN 3.8m in Q2 2011.

Net profit for Q3 2011 was PLN 24.6m versus net profit of PLN 12.9m for Q2 2011.

Key Figures

PLN'000	YTD 2010	YTD 2011	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Revenues	1,175,142	1,192,085	394,465	394,154	401,189	396,280	394,616
y-o-y % change	*5.0%*	*1.4%*	*6.5%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*
Adjusted EBITDA	271,757	299,793	85,525	87,737	101,504	92,832	105,457
Margin %	*23.1%*	*25.1%*	*21.7%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*
y-o-y change %	*19.6%*	*10.3%*	*4.4%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*
EBITDA	278,587	293,433	89,790	307,852	101,375	88,679	103,379
Margin %	*23.7%*	*24.6%*	*22.8%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*
Adjusted EBIT	47,588	72,865	10,114	11,222	26,179	17,046	29,640
Margin %	*4.0%*	*6.1%*	*2.6%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*
EBIT	54,418	66,505	14,379	231,337	26,050	12,893	27,562
Margin %	*4.6%*	*5.6%*	*3.6%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*
Adjusted Profit of the Netia Group (consolidated)	36,786	77,998	8,955	18,809	35,385	16,275	26,339
Margin %	*3.1%*	*6.5%*	*2.3%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*
Profit/(Loss) of the Netia Group (consolidated)	42,318	14,522	12,410	221,577	(23,045)	12,911	24,656
Margin %	*3.6%*	*1.2%*	*3.1%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*
Profit/(Loss) of Netia SA (stand alone)[1]	43,260	16,191	11,973	223,772	(21,558)	11,134	26,615
Cash and cash equivalents	157,427	217,399	157,427	173,600	210,439	219,388	217,399
Treasury bills (at amortized cost)	155,886	216,259	155,886	171,616	171,600	210,680	216,259
Debt	334	100	334	31	-	107	100
Capex related payments	143,991	197,553	49,122	49,243	68,927	49,672	78,954
Investments in tangible and intangible fixed assets	125,140	164,425	44,040	74,300	40,920	56,589	66,916

EUR'000[2]	YTD 2010	YTD 2011	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Revenues	266,400	270,241	89,424	89,353	90,948	89,835	89,458
y-o-y % change	*5.0%*	*1.4%*	*6.5%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*
Adjusted EBITDA	61,606	67,962	19,388	19,890	23,011	21,045	23,907
Margin %	*23.1%*	*25.1%*	*21.7%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*
y-o-y change %	*19.6%*	*10.3%*	*4.4%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*
EBITDA	63,154	66,520	20,355	69,789	22,981	20,103	23,436
Margin %	*23.7%*	*24.6%*	*22.8%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*
Adjusted EBIT	10,788	16,518	2,293	2,544	5,935	3,864	6,719
Margin %	*4.0%*	*6.1%*	*2.6%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*
EBIT	12,336	15,076	3,260	52,443	5,905	2,923	6,248
Margin %	*4.6%*	*5.6%*	*3.6%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*
Adjusted Profit of the Netia Group (consolidated)	8,339	17,682	2,030	4,264	8,022	3,689	5,971
Margin %	*3.1%*	*6.5%*	*2.3%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*
Profit/(Loss) of the Netia Group (consolidated)	9,593	3,292	2,813	50,231	(5,224)	2,927	5,589
Margin %	*3.6%*	*1.2%*	*3.1%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*
Profit/(Loss) of Netia SA (stand alone)[1]	9,807	3,670	2,714	50,728	(4,887)	2,524	6,033
Cash and cash equivalents	35,688	49,283	35,688	39,354	47,706	49,734	49,283
Treasury bills (at amortized cost)	35,339	49,025	35,339	38,905	38,901	47,760	49,025
Debt	76	23	76	7	-	24	23
Capex related payments	32,642	44,784	11,136	11,163	15,625	11,260	17,899
Investments in tangible and intangible fixed assets	28,369	37,274	9,984	16,843	9,276	12,828	15,170

[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 4.4112 = EUR 1.00, the average rate announced by the National Bank of Poland on September 30, 2011. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for YTD 2010 exclude the following items as appropriate: a gain on disposal of transmission equipment tranches to P4 of PLN 7.3m, restructuring expenses related to the "Profit" Project of PLN 0.5m and impact from these one-offs on the income tax charge of PLN 1.3m. Items excluded for YTD 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 3.7m 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 certain network assets.

Key Operational Indicators

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Broadband data services							
Netia infrastructure-based services	223,392	225,189	232,475	242,277	242,548	248,097	252,655
Own fixed-line networks	*205,045*	*206,154*	*213,238*	*223,169*	*223,862*	*229,955*	*235,141*
WiMAX	*18,094*	*18,828*	*19,079*	*18,974*	*18,570*	*18,034*	*17,495*
Others	*253*	*207*	*158*	*134*	*116*	*108*	*19*
Bitstream access	320,470	325,289	322,871	321,075	315,464	312,238	303,609
LLU	59,505	73,101	98,555	126,895	146,070	159,260	175,435
Total broadband data services (end of period)	**603,367**	**623,579**	**653,901**	**690,247**	**704,082**	**719,595**	**731,699**
Voice services (excl. CPS)							
Traditional direct voice	346,731	342,975	336,074	332,657	326,982	322,583	321,091
incl. ISDN equivalent of lines	*139,182*	*141,884*	*141,110*	*143,560*	*144,582*	*145,738*	*148,270*
incl. legacy wireless	*37,582*	*37,629*	*38,132*	*38,666*	*38,504*	*40,474*	*41,987*
Voice over IP (excl. LLU)[1]	20,378	23,459	28,092	30,589	31,325	32,133	33,912
WiMAX voice	21,699	21,334	20,788	20,043	19,197	18,432	17,550
Netia network subscriber voice services [1]	388,808	387,768	384,954	383,289	377,504	373,148	372,553
WLR	746,959	745,248	758,096	752,899	739,456	722,316	699,275
LLU voice over IP	33,771	43,210	61,284	82,379	95,112	106,698	118,808
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**	**1,190,636**
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**	**1,922,335**
Corporate segment[1,2]	156,376	160,406	166,046	170,731	172,470	175,581	180,259
Carrier segment[1,2]	4,701	4,849	4,843	4,665	4,437	4,467	4,451
Residential segment	1,401,749	1,412,543	1,447,284	1,475,682	1,469,254	1,461,116	1,446,742
Share of lines with multiplay services	*24%*	*26%*	*27%*	*28%*	*29%*	*30%*	*30%*
SOHO/SME segment[1]	210,079	222,007	240,071	257,736	269,993	280,593	290,883
Share of lines with multiplay services	*39%*	*41%*	*41%*	*43%*	*42%*	*45%*	*45%*
Other							
Total net additions in Broadband data services	44,050	20,212	30,322	36,346	13,835	15,513	12,104
Monthly Broadband ARPU (PLN)	56	54	54	53	52	52	51
Monthly Broadband SAC (PLN)	186	212	202	203	227	236	200
Total net additions in Voice services[1]	11,090	6,688	28,108	14,233	(6,495)	(9,910)	(11,526)
Business mix of total subscriber lines (cumulative) [1]	25.9%	26.7%	27.6%	28.5%	29.4%	30.4%	31.6%
Monthly Voice ARPU in own network (PLN) [1]	60	59	57	54	54	54	53
Monthly Voice ARPU for WLR (PLN)	50	49	48	48	49	49	49
Monthly Voice ARPU blended (PLN) [1]	54	53	52	51	51	51	50
CPS lines (cumulative)	108,705	98,287	90,124	82,983	76,159	72,382	69,867
Monthly Voice ARPU for CPS	34	32	30	28	27	24	24
Headcount	1,410	1,416	1,450	1,441	1,452	1,454	1,467
Active headcount	1,359	1,366	1,393	1,392	1,399	1,397	1,414

[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:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Direct Voice	556,966	549,400	183,499	180,950
Incl. monthly fees	*360,462*	*384,093*	*128,069*	*128,377*
Incl. calling charges	*196,300*	*164,825*	*55,133*	*52,467*
Indirect Voice	29,995	16,681	5,270	5,063
Data[1]	418,981	444,431	148,597	147,979
Interconnection revenues	49,913	56,544	17,830	17,222
Wholesale services	86,609	88,461	29,232	30,546
Other telecommunications revenues[1]	29,021	33,260	10,798	11,786
Total telecommunications revenue	**1,171,485**	**1,188,777**	**395,226**	**393,546**
Radio communications revenue	3,657	3,308	1,054	1,070
Total revenue	**1,175,142**	**1,192,085**	**396,280**	**394,616**
Cost of sales	**(801,026)**	**(812,504)**	**(272,324)**	**(269,946)**
Interconnection charges	(165,103)	(173,531)	(58,161)	(57,049)
Network operations and maintenance	(392,550)	(395,035)	(132,186)	(132,607)
Costs of goods sold	(13,778)	(8,265)	(3,252)	(1,261)
Depreciation and amortization	(185,625)	(190,167)	(63,359)	(64,098)
Salaries and benefits	(14,896)	(16,038)	(5,632)	(4,937)
Restructuring	(25)	-	-	-
Taxes, frequency fees and other expenses	(29,049)	(29,468)	(9,734)	(9,994)
Gross profit	**374,116**	**379,581**	**123,956**	**124,670**
Margin (%)	***31.8%***	***31.8%***	***31.3%***	***31.6%***
Selling and distribution costs	**(233,123)**	**(218,248)**	**(75,136)**	**(70,841)**
Advertising and promotion	(38,559)	(34,594)	(13,085)	(10,542)
Third party commissions	(29,119)	(21,943)	(6,433)	(7,050)
Billing, mailing and logistics	(26,670)	(24,331)	(7,821)	(8,399)
Outsourced customer service	(23,556)	(24,137)	(7,667)	(8,445)
Impairment of receivables	(7,355)	(5,050)	(2,371)	(2,319)
Depreciation and amortization	(24,403)	(21,147)	(7,304)	(6,353)
Salaries and benefits	(64,413)	(63,351)	(22,194)	(19,430)
Restructuring	(241)	(158)	(177)	19
Other costs	(18,807)	(23,537)	(8,084)	(8,322)
General and administration costs	**(107,395)**	**(106,568)**	**(39,424)**	**(31,104)**
Professional services	(6,521)	(6,361)	(2,387)	(1,969)
Electronic data processing	(7,861)	(7,387)	(2,511)	(2,524)
Office and car maintenance	(9,020)	(8,616)	(3,085)	(2,704)
Depreciation and amortization	(14,141)	(15,614)	(5,123)	(5,366)
Salaries and benefits	(53,813)	(48,089)	(17,708)	(12,190)
Restructuring	(202)	(116)	(58)	(58)
Other costs	(15,837)	(20,385)	(8,552)	(6,293)
Other income	13,365	10,523	2,702	3,107
Other expense	(782)	(998)	1	(2)
Other gains/ (losses), net	8,237	2,215	794	1,732
EBIT	**54,418**	**66,505**	**12,893**	**27,562**
Margin (%)	***4.6%***	***5.6%***	***3.3%***	***7.0%***
Finance income	8,701	14,609	4,246	7,493
Finance cost	(8,526)	(302)	(401)	(91)
Profit before tax	**54,593**	**80,812**	**16,738**	**34,964**
Tax benefit / (charge)	(12,275)	(66,290)	(3,827)	(10,308)
Profit	**42,318**	**14,522**	**12,911**	**24,656**

[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:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Operating Profit	**54,418**	**66,505**	**12,893**	**27,562**
Add back:				
Depreciation and amortization	224,169	226,928	75,786	75,817
EBITDA	**278,587**	**293,433**	**88,679**	**103,379**
Add back:				
Restructuring costs	468	274	235	39
M&A related costs	-	3,706	1,538	2,039
Provision for universal service obligation payments	-	2,380	2,380	-
Less:				
Gain on disposal of transmission equipment to P4	(7,298)	-	-	-
Adjusted EBITDA	**271,757**	**299,793**	**92,832**	**105,457**
Margin (%)	***23.1%***	***25.1%***	***23.4%***	***26.7%***

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

Time periods:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Reminder fees and penalties	5,279	4,060	1,011	2,320
Fair value adjustments on other receivables and reversal of provisions	4,010	-	-	-
Settlement with Tele2 Sverige	1,461	-	-	-
Results of settlements	-	2,700	-	-
Other operating income	2,615	3,763	1,691	787
Total	**13,365**	**10,523**	**2,702**	**3,107**

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

Time periods:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Impairment charges for specific individual assets	(782)	(958)	-	-
Other expenses	-	(40)	1	(2)
Total	**(782)**	**(998)**	**1**	**(2)**

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

Time periods:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Gain / (loss) on sale of impaired receivables	1,691	586	251	345
Gain / (loss) on disposal of fixed assets	8,096	2,167	735	1,446
Net foreign exchange gains / (losses)	(1,550)	(538)	(192)	(59)
Total	**8,237**	**2,215**	**794**	**1,732**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Profit	**42,318**	**14,522**	**12,911**	**24,656**
Cash flow hedges	1,865	6,099	(14)	6,353
Income tax relating to components of other comprehensive income	(378)	(1,115)	(18)	(1,138)
Other comprehensive Income / (Loss)	**1,487**	**4,984**	**(32)**	**5,215**
Total comprehensive Income / (Loss)	**43,805**	**19,506**	**12,879**	**29,871**
Attributable to equity holders of the Company	*43,805*	*19,506*	*12,879*	*29,871*

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	Dec. 31 2010 *audited*	March 31 2011 *unaudited*	June 30 2011 *unaudited*	Sept. 30 2011 *unaudited*
Property, plant and equipment, net	1,475,682	1,473,665	1,461,309	1,462,726
Intangible assets	389,444	376,102	371,585	366,484
Investment property	45,084	25,933	25,808	25,682
Deferred income tax assets	52,762	59,017	55,242	43,563
Available for sale financial assets	10	115	115	115
Long-term receivables	217	218	218	217
Prepaid expenses and accrued income	10,508	9,805	8,819	9,545
Total non-current assets	**1,973,707**	**1,944,855**	**1,923,096**	**1,908,332**
Inventories	11,393	7,120	6,893	5,958
Trade and other receivables	139,691	163,407	170,052	167,243
Tax Office receivables	58,325	-	-	-
Current income tax receivables	120	30	51	47
Prepaid expenses and accrued income	37,876	38,108	33,407	25,659
Derivative financial instruments	117	117	112	7,188
Financial assets at fair value through profit and loss	1	1	1	11
Held to maturity investments	171,616	171,600	210,680	216,259
Restricted cash	2,123	2,123	2,123	2,123
Cash and cash equivalents	173,600	210,439	219,388	217,399
Total current assets	**594,862**	**592,945**	**642,707**	**641,887**
TOTAL ASSETS	**2,568,569**	**2,537,800**	**2,565,803**	**2,550,219**
Share capital	389,459	390,375	391,043	391,061
Treasury shares	-	-	-	(24,738)
Supplementary capital	1,599,299	1,599,580	1,866,857	1,867,079
Retained earnings	269,258	246,213	(7,908)	16,748
Other components of equity	39,530	38,729	38,463	43,871
TOTAL EQUITY	**2,297,546**	**2,274,897**	**2,288,455**	**2,294,021**
Provisions	988	914	842	773
Deferred income	21,619	20,014	21,185	20,399
Other long-term liabilities	9,264	8,098	7,846	7,333
Total non-current liabilities	**31,871**	**29,026**	**29,873**	**28,505**
Trade and other payables	206,351	192,838	202,743	180,633
Derivative financial instruments	849	1,044	846	-
Borrowings	31	-	107	100
Other financial liabilities	-	-	-	1,994
Current income tax liabilities	1	1	1	1
Provisions	1,855	1,723	1,584	3,719
Deferred income	30,065	38,271	42,194	41,246
Total current liabilities	**239,152**	**233,877**	**247,475**	**227,693**
Total liabilities	**271,023**	**262,903**	**277,348**	**256,198**
TOTAL EQUITY AND LIABILITIES	**2,568,569**	**2,537,800**	**2,565,803**	**2,550,219**

Cash Flow Statement (PLN in thousands unless otherwise stated)				
Time periods:	YTD 2010 *unaudited*	YTD 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*
Profit / (Loss)	**42,318**	**14,522**	**12,911**	**24,656**
Depreciation and amortization	224,169	226,928	75,786	75,817
Impairment charges for specific individual assets	782	958	-	-
Reversal of impairment charges	(308)	(1,007)	(1,007)	-
Deferred income tax charge / (benefit)	12,777	7,628	3,643	10,230
Interest expense and fees charged on bank loans	5,741	-	-	-
Other interest charged	(2,702)	(5,327)	(1,712)	(2,054)
Share-based compensation	5,684	2,526	1,126	571
Fair value (gains)/losses on financial assets/liabilities	(697)	(10)	-	(10)
Fair value (gains)losses on derivative financial instruments	(1,255)	(1,999)	(90)	(1,894)
Foreign exchange (gains)/losses	815	(790)	221	(943)
(Gain)/Loss on disposal of fixed assets	(8,009)	(2,063)	(710)	(1,402)
(Gain)/Loss on sale of investments	881	-	-	-
Changes in working capital	(18,577)	9,800	4,056	4,515
Tax expensed in relation to prior periods	-	58,325	-	-
Tax paid in respect to prior periods	(58,325)	-	-	-
Net cash provided by operating activities	**203,294**	**309,491**	**94,224**	**109,486**
Purchase of fixed assets and computer software	(143,991)	(197,553)	(49,672)	(78,954)
Purchase of operational networks	(818)	(2,680)	-	(2,680)
Proceeds from sale of non-core assets	23,770	7,420	4,778	2,548
Purchase of subsidiaries, net of received cash	(8,483)	(8,412)	(1,624)	(6,215)
Net (purchase)/receipt of treasury bonds / notes	(94,306)	(39,031)	(37,270)	(3,437)
Sale of investments	3,395	-	-	-
Net cash used in investing activities	**(220,433)**	**(240,256)**	**(83,788)**	**(88,738)**
Repurchase of own shares	-	(22,744)	-	(22,744)
Finance lease payments	(4,362)	(3,344)	(1,266)	(829)
Loan repayments	(347)	(138)	-	(107)
Payments of fees relating to bank loans	(1,113)	-	-	-
Net cash used in financing activities	**(5,822)**	**(26,226)**	**(1,266)**	**(23,680)**
Net change in cash and cash equivalents	**(22,961)**	**43,009**	**9,170**	**(2,932)**
Effect of exchange rate change on cash and cash equivalents	(815)	790	(221)	943
Cash and cash equivalents at the beginning of the period	181,203	173,600	210,439	219,388
Cash and cash equivalents at the end of the period	**157,427**	**217,399**	**219,388**	**217,399**

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, provision for universal service obligation payment, one-off restructuring expenses related to the cost reduction program, 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 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 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 Q3 2011 results

Netia management will hold a conference call to review the results on November 3, 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: 1851003#

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.