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NETIA SA REPORTS 2007 FIRST HALF RESULTS

WARSAW, Poland – August 13, 2007 – 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 in accordance with EU IFRS *(*)* for the second quarter and six months ended June 30, 2007.

Key Developments:

- **Netia's broadband subscriber base** expanded to 133,978 ports at June 30, 2007, up from 101,822 at March 31, 2007 and 49,844 at June 30, 2006. This includes 40,770 bitstream broadband Internet customers accessed over the Telekomunikacja Polska SA ("TP") network and acquired during H1 2007. As at August 9, 2007, Netia had a total of 142,526 broadband subscribers, including 46,989 bitstream customers, with approximately 24,000 additional bitstream customers contracted and awaiting activation under the agreed processes with TP (see also "Operational Highlights").
- In June 2007 **Netia acquired three Ethernet network operators that together serve over 22,000 broadband Internet customers.** These strategic acquisitions support Netia's objective to acquire one million broadband customers over the next three years (see section "Operational Highlights").
- On June 30, 2007 **Netia and TP signed a new interconnect agreement** switching from "bill and keep" for local calls and revenue sharing arrangements to settlements based on the reference interconnect offer *(RIO)*, which will come into effect on September 30, 2007. Netia has negotiated asymmetric interconnection rates with TP as part of this contract, which Netia management expects to deliver net payments to the Company from TP in excess of earlier assumptions (see section "Other Highlights").
- In line with its strategy to be the leading altnet provider of broadband services, Netia was first to execute a binding contract with TP for **local loop unbundling** that will enable it to offer differentiated broadband services over TP's access network.
- Netia's associate company **P4 Sp. z o.o. ("P4") had acquired a subscriber base** of approximately 172,000 clients of its mobile services by June 30, 2007 and has continued its strong growth during Q3 with approximately 300,000 clients served by August 9, 2007. P4 continues to target more than 750,000 clients by the end of 2007. During Q2 2007, P4 completed the acquisition of the Germanos mobile phone distribution chain, adding approximately 225 postpaid outlets to its distribution network and bringing total number of distribution points for postpaid products to over 300 as at June 30, 2007.

(*) In accordance with International Financial Reporting Standards as adopted by the European Union.

Financial Summary:

- **Revenues** for H1 2007 were PLN 410.0m (EUR 108.9m), representing a year-on-year decrease of 3%. Revenues for Q2 2007 were PLN 205.6m (EUR 54.6m), growing slightly in comparison with both Q2 2006 and Q1 2007. The decline in first half revenues is wholly attributable to falling wholesale and interconnection revenues and low margin voice transit business in particular. Data revenues for H1 2007 grew to PLN 109.5m (EUR 29.1m) for a 54% year-on-year increase and a 13% sequential increase. This growth in data revenues more than offset a 10% decline in direct voice revenues and data revenues now represent 27% of total revenues.
- **EBITDA** for H1 2007 was PLN 116.8m (EUR 31.0m) as compared to EBITDA of PLN 117.2m for H1 2006. EBITDA margin for H1 2007 was 28.5% as compared to 27.8% for the same period of 2006. EBITDA for Q2 2007 was PLN 62.2m (EUR 16.5m) as compared to PLN 58.4m for Q2 2006 and PLN 54.6m for Q1 2007. EBITDA margin for Q2 2007 was 30.3% as compared to 28.7% for Q2 2006 and 26.7% for Q1 2007. EBITDA for H1 2007 included start-up expenses, net of revenues, related to the acquisition of new bitstream customers in the amount of PLN 21.8m (EUR 5.8m), comprising PLN 9.5m (EUR 2.5m) in subscriber acquisition costs and a further PLN 12.3m (EUR 3.2m) in incremental costs of bitstream wholesale access, advertising and customer care. Excluding these start-up expenses, “Other income”, “Other expense”, “Other gains and losses, net” and the non-cash notional costs of share option programmes, margin rose from 27% to 28% across the comparable half year periods due to the impact of various cost saving initiatives and less low margin transit traffic in the revenue mix.
- **Loss** for H1 2007 was PLN 88.8m (EUR 23.6m) versus PLN 23.3m for H1 2006. Netia’s share of P4’s start-up losses widened to 68.6m (EUR 18.2m) from PLN 7.7m for H1 2006 due to subscriber acquisition and marketing costs associated with its commercial launch, and accounted for 93% of Netia’s increased loss.
- **Cash and cash equivalents** at June 30, 2007 totaled PLN 103.9m (EUR 27.6m). During H1 2007, Netia generated free cash flow *(**)* of PLN 11.3m (EUR 3.0m) before making PLN 44.8m (EUR 11.9m) in equity contributions to P4 and PLN 27.6m (EUR 7.3m) in payments, net of received cash, for the acquisition of three Ethernet operators.
- **Fixed asset additions** totaled PLN 51.7m (EUR 13.7m) for Q2 2007 and PLN 89.3m (EUR 23.7m) for H1 2007 while cash paid out for capital investments was PLN 48.3m (EUR 12.8m) in Q2 2007 and PLN 110.2m (EUR 29.3m) in H1 2007.
- **Netia entered into a PLN 300.0m (EUR 79.7m) credit facility agreement with Rabobank Polska SA** (the “Facility”) on May 15, 2007. The above Facility is fully secured and is to be repaid by November 15, 2011. The Facility bears interest at a variable interest rate of WIBOR plus a margin dependant on financial ratios. The proceeds from the Facility will principally be used to finance Netia’s investment requirements.

(**) Net operating cash flow less net purchases of fixed assets and computer software.

Operational Highlights:

- In June 2006 **Netia acquired three Ethernet network operators**: KOM-Net Systemy Komputerowe Sp. z o.o. ("Kom-Net"), Lanet Sp. z o.o. ("Lanet") and Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o. ("Magma") for a total of PLN 27.4m (EUR 7.3m). The companies operate networks in multi-family housing developments, with approximately 70,000 households passed and, as of 30 June 2007, provided broadband access to a total of 22,151 residential customers in the cities of Wrocław, Poznań and Legnica using FastEthernet technology that allows for transmission speed of up to 100 Mb/s. This high performance network enables the provision of other web-based services, e.g., video on demand or IPTV, with relatively low incremental capital expenditures. The acquisitions will also enable Netia to up-sell its other services, such as voice and hosting, to the customers of the acquired companies. The acquisitions are part of Netia's strategic objective to acquire one million broadband customers over the next three years. Results of Kom-Net and Lanet were consolidated into Netia's from June 1, 2007 while Magma's results were consolidated from July 1, 2007.

- **Broadband** subscribers increased to 133,978 at June 30, 2007 from 101,822 at March 31, 2007 and 49,844 a year earlier. As announced in April 2007, Netia's key strategic objective is to become the market leader amongst alternative operators and reach one million broadband customers over next three years. By the end of 2007, Netia aims to have more than 200,000 broadband customers. Netia provides its broadband services using the following technologies:

Number of broadband ports *(*)*	**Q2 2007**	**Q1 2007**	**Q4 2006**	**Q3 2006**	**Q2 2006**	**Q1 2006**
xDSL and FastEthernet over Netia's own fixed-line network	88,468	62,528	58,250	53,425	48,684	45,796
Bitstream access	40,770	35,836	n/a	n/a	n/a	n/a
WiMAX Internet	3,516	2,192	836	236	n/a	n/a
Others	1,224	1,266	1,280	1,074	1,160	1,211
Total	**133,978**	**101,822**	**60,366**	**54,735**	**49,844**	**47,007**

(*) Including the effect of the Pro Futuro acquisition for Q2 2007

As at August 9, 2007, the broadband subscriber base reached 142,526 ports.

<u>Key developments in broadband were as follows:</u>

- *<u>xDSL and FastEthernet over Netia's own fixed-line network</u>.* During Q2 2007 Netia continued the organic expansion of penetration of ADSL broadband services to customers connected over its own local networks, with net additions of 3,789 during the quarter, bringing the total to 66,317 customers. In addition, Netia added three Ethernet networks to its portfolio of local networks through the acquisition of Kom-Net, Lanet and Magma in June 2006. This acquisition added 22,151 broadband subscribers connected over Netia's fully owned infrastructure with potential to grow further by increasing the penetration of the 70,000 households passed by these networks.

- *<u>Bitsteam access.</u>*

  - *<u>Q1 2007</u>* - In mid-January 2007, Netia commercially launched its broadband Internet access services available to TP customers via TP's access networks and based on bitstream regulated access. At the time of the launch, TP changed its general service terms and conditions, which gave all TP's existing broadband customers the opportunity to terminate their contracts. This enabled Netia to sell approximately 55,000 contracts and to activate 35,836 customers over bitstream access by March 31, 2007.

  - *<u>Q2 2007</u>* - During Q2 2007, Netia initially focused on clearing the order backlog and improving the quality of operational cooperation with TP, especially during the first six weeks of the quarter. Due to the high number of contracts rejected by TP, some short term capacity constraints which have now been resolved and the time it took to clear the backlog, only 1,200 net additions were obtained during Q2 2007 from the order backlog existing at the end of Q1 2007. A new promotion, supported by national TV advertising, was started in mid-May 2007 and resulted in approximately 9,600 new bitstream customer contracts, of which approximately 3,700 were activated, 3,900 were being processed and 2,000 had been rejected by TP by June 30, 2007. Total net activated additions for Q2 2007 were 4,934, of which approximately 1,200 were derived from the Q1 2007 order book and approximately 3,700 were new sales from Q2 2007. Lower net additions in Q2 2007 reflect the fact that customers currently contracted to TP who want to switch to Netia's more attractive service offering need to be close to the end of their TP contracts for their applications to be effective. After six weeks of more proactive sales initiatives during the quarter, conversion rates began improving, but require significant further improvement. Netia's bitstream coverage of the TP network increased from 55% at the service launch in January 2007 to 95% in July 2007 and is expected to reach 100% by September 2007. Furthermore, PLAY's chain of Germanos stores began selling Netia's services during Q2 2007 and their share of Netia's bitstream sales has been increasing steadily towards 10%. Also encouraging has been the contribution of Netia's e-sales channel, which now accounts for 21% of total bitstream sales.

- *Outlook* – Netia has kicked off Q3 2007 with an aggressive new promotion and, as at August 9, 2007, the number of active bitstream subscribers had reached 46,989 with the order backlog rising to approximately 24,000 as a result of the new offering. Management is working diligently with TP and the regulator to improve the rate of contract conversion and expects to start offering bundled voice and broadband contracts to TP customers through bitstream and wholesale line rental *(WLR)* offers in H2 2007. Management expects that this will bolster demand for Netia's services amongst the pool of TP retail customers, resulting in an accelerated rate of net additions in H2 2007.

- *WiMAX.* The number of WiMAX customers increased to 4,797 at June 30, 2007 from 2,524 at March 31, 2007 and from 836 at December 31, 2006. WiMAX supports both voice and data services and the number of WiMAX customers using broadband Internet services increased to 3,516 at June 30, 2007 from 2,192 at March 31, 2007. By the end of 2007, Netia is planning to increase the number of installed WiMAX base stations to approximately 70, 68 of which are currently operational, targeting areas that currently have relatively low quality copper penetration. In 2007, capital investments in WiMAX are planned for up to PLN 27.0m versus PLN 21.1m in 2006 with PLN 11.8m (EUR 3.1m) invested in the first six months of the year. The majority of spending will be devoted to the customer premises equipment needed to connect a planned 10,000 new customers to the base stations.

- **Netia network subscriber voice lines** (net of voluntary churn and disconnections) were 396,463 at June 30, 2007 as compared to 404,451 at June 30, 2006 and 398,949 at March 31, 2007. The resumption of a decline in the direct voice subscriber base reflects the deactivation of certain legacy narrowband radio voice customers (operating in 2.4 GHz band) who chose not to switch to Netia's WiMAX services. These legacy radio technologies must be disconnected by all operators in Poland during 2007 due to changes in frequency allocations imposed by the regulator. As the higher ARPU clients are switching to WiMAX, management does not expect a material negative impact on revenues or EBITDA from this migration process. Management expects to begin up-selling WLR-based voice services to newly acquired bitstream broadband only customers during H2 2007 and for total direct voice and WLR customers to be above 420,000 by 2007 year-end.

- **Voice ARPU** decreased by 8% to PLN 77 (EUR 20) in Q2 2007 from PLN 84 in Q2 2006 and by 5% from PLN 81 in Q1 2007, reflecting the continued overall tariff reduction trends.

- **Broadband ARPU** was PLN 105 (EUR 28) in Q2 2007 as compared to PLN 110 in Q1 2007. The decline in broadband ARPU reflects the growing proportion of residential customers in the customer mix and is expected to trend downward as Netia continues to add residential broadband subscribers.

- **Headcount** for the Netia group was 1,227 at June 30, 2007, compared to 1,295 at June 30, 2006 and 1,110 at March 31, 2007. The new staff were added primarily within the customer care and sales areas to support the broadband growth initiative or resulted from the conversion of contractors into employment contracts due to changes in Polish legislation that came into effect in January 2007. Included within total headcount are 54 employees of the three Ethernet companies acquired in June 2007.

Mirosław Godlewski, Netia's President & CEO, commented: "During Q2 2007, Netia has made significant progress toward delivering on its strategy of being the leading altnet provider of broadband services in Poland. By the end of June we had 134,000 broadband customers and, despite the arrival of more new entrants to the bitstream market, we maintained our position as providing the best value offering on the market and took the largest share of broadband net additions amongst altnet providers. Going forward, Netia management will be focusing on further acceleration of our rate of bitstream broadband sales and, in particular, on increasing the rate of conversion of those sales into active customers. The introduction of bundled broadband and voice offers available to TP customers over bitstream and wholesale line rental during the coming months, together with ongoing improvements in operational cooperation with TP make us optimistic that we can reach our objective of acquiring over 200,000 broadband subscribers by the end of 2007 as planned. Our June acquisition of three companies with over 22,000 broadband customers in Southwest Poland and our leading position in the race to unbundle the first TP exchanges show that we are executing on all elements of our strategy to get to one million broadband customers over the coming three years. We aim to stay one step ahead of the competition, partially through aggressive pricing but mainly through bundled services, innovative features and better distribution."

"Our mobile venture PLAY has continued to develop well following its March commercial launch with approximately 172,000 customers acquired by June 30, 2007 and progress is accelerating following the completion of the integration of the Germanos retail distribution business into PLAY's operations during May. As of today, PLAY is serving 300,000 customers. We are looking for over 750,000 customers by year-end and for some of the traffic to be switched onto PLAY's own UMTS networks and away from their national roaming partner over the coming weeks. Moreover, synergies are being realized with up to 10% of Netia's bitsteam sales now coming through Germanos stores and Netia employees responsible for customer payment and vindication processes at PLAY under business process outsourcing agreements."

"Finally, Netia's new strategy was communicated to all employees during Q2 2007, and I am very encouraged by our employees' enthusiastic response to date. To help Netia capitalize on the exciting opportunities on the Polish telecommunications market, we look to create a corporate culture based on customer focus, performance, entrepreneurialism and trust. Based on what I have seen so far, I believe that our employees will rise to the challenge."

Jon Eastick, Netia's Chief Financial Officer, commented: "Data revenue growth accelerated year-on-year to 61% for Q2 2007 from 46% in Q1 2007 and enabled Netia to maintain steady total revenue performance in the face of continued pressure on direct voice, wholesale and interconnection services. With further growth in broadband connections, cross-selling of voice services to our new broadband customers and growing revenue from our transmission services to PLAY all still to come, we are well placed to deliver sequential revenue growth during H2 2007 and year-on-year revenue growth in 2008."

"EBITDA for Q2 2007 was a satisfactory PLN 62.2m (EUR 16.5m) for a margin of 30.3% and a 7% improvement over the prior year quarter. Whilst profits were supported by our interconnection settlement with TP, adjusting for one-offs and excluding our investments in the expansion of our broadband activities, our revenue stream from legacy activities continues to deliver a stable EBITDA margin in the mid to high twenties range as cost savings offset the pressure on voice revenues. As a result of this robust performance, we are raising EBITDA guidance from PLN 150.0m to PLN 160.0m for the full year."

"The business generated PLN 11.3m (EUR 3.0m) of cash in H1 2007 before making PLN 44.8m (EUR 11.9m) in equity contributions to PLAY and paying net PLN 27.6m (EUR 7.3m) in acquisitions of Ethernet broadband providers. Netia had PLN 103.9m (EUR 27.6m) in cash at June 30, 2007 and these funds, together with the PLN 300.0m (EUR 79.7m) senior debt facility arranged by Rabobank in May, will fund our growth plans well into 2008."

Other Highlights:

- **Strategy announcement**. On April 18, 2007, Netia announced its new operating strategy focused on growth through dynamic expansion of the customer base and an increase in customer value. The Company plans to build on new opportunities to access the fixed-line network of the incumbent operator (via bitstream access, local loop unbundling and wholesale line rental), to leverage Netia's investment in PLAY mobile project, and to capitalize on the Company's already strong position in the business market. In particular, Netia aims to become the market leader for broadband services in Poland with the objective of acquiring one million broadband customers over the next three years. In addition, our close partnership with PLAY will allow Netia to offer mobile and convergent products while simultaneously achieving cost and infrastructure synergies. Netia also intends to focus on the most attractive segments of the business market, significantly increasing the number of SME & SOHO clients and increasing profitability from large corporate clients while minimizing cash burn. This growth strategy will be supported by corporate culture changes aimed at strengthening our customer focus. Netia is considering investments of up to PLN 700.0m (EUR 185.9m) over the next three years, driven primarily by the acquisition of one million broadband customers and LLU roll-out, to deliver profitable growth from broadband services. This may include up to PLN 500.0m (EUR 132.8m) of capital expenditures and up to PLN 200.0m (EUR 53.1m) of related operational costs. The investment in broadband, along with the maximized utilization of existing assets, is aimed to result in an industry-leading compound average growth rate for revenue during 2007-2009, with the goal of achieving strong EBITDA growth by 2009 (at a level above Adjusted EBITDA for 2006) and positive free cash flow by 2010.

- **Netia and TP signed an interconnect agreement** (the "Agreement") that introduces new rules of cooperation with regard to both operators networks' connection and mutual exchange of telecommunications traffic. The Agreement sets the new rules for interconnection settlements, which are based on the reference interconnect offer *(RIO)* and benchmarked to market standards for agreements of a similar type. The Agreement was concluded on June 30, 2007 and will become effective from September 30, 2007. The newly signed Agreement and the related contracts signed in parallel will replace all previously binding interconnect agreements between both parties. The Agreement normalizes the interconnection relationship with TP and allows Netia to fully benefit from regulatory access opportunities, such as WLR, that were previously only available via subsidiary companies that always operated under the RIO regime. Furthermore, Netia was able to negotiate asymmetric interconnection rates with TP that Netia management now expects to contribute to higher margins than had previously been projected. As part of the settlement, almost all court cases between the two companies shall be cancelled and outstanding balances have been settled such that Netia recorded a gain of PLN 24.2m (EUR 6.4m) in "Other income" for H1 2007.

- **Guidance for 2007**.
  - ***Number of broadband service clients***: Maintained at more than 200,000.
  - ***Number of voice service clients (own network and WLR)***: More than 420,000.
  - ***Revenues:*** Forecast range is being narrowed to PLN 835.0m – PLN 850.0m (EUR 221.7m – EUR 227.0m) from PLN 830.0m – PLN 865.0m.
  - ***EBITDA/Adjusted EBITDA:*** Forecast is being increased to PLN 160.0m (EUR 42.5m) from PLN 150.0m. This includes start-up losses of up to PLN 60.0m (EUR 15.9m) for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 200,000 broadband subscribers. Should market demand support growth significantly beyond 200,000 broadband subscribers, management may spend up to a further PLN 20.0m (EUR 5.3m) on subscriber acquisition expenses.
  - ***Investment outlays:*** Forecast is being decreased from up to PLN 300.0m to up to PLN 275.0m (EUR 73.0m), including PLN 76.0m – PLN 91.0m (EUR 20.2m – EUR 24.2m) to be spent on broadband access points and backbone capacity.

- **PLAY mobile project** (PLAY is the new brand developed by P4)

  - ***Update on PLAY's commercial operations.*** PLAY mobile network launched commercially nationwide on March 16, 2007. PLAY offers both post- and pre-paid services using simple, unified pricing plans. PLAY's pricing undercuts the competition in the consumer market by 35%-60% and is targeted at higher ARPU segments. Currently, PLAY's mobile services are provided based on a national roaming agreement with Polkomtel SA. In parallel, the company is constructing its own UMTS network and is targeting to switch on its first city networks in Warsaw and Tri-City (Gdańsk, Gdynia and Sopot) in Q3 2007. At launch, PLAY's services were available in approximately 50 retail outlets. Currently, the availability of the whole Germanos distribution chain took post-paid retail outlets beyond 300 whilst pre-paid products are now available in over 30,000 outlets nationwide. As at June 30, 2007, PLAY had 172,000 customers and, in line with its strategic positioning, its ARPUs are above the market average. As at August 9, 2007, PLAY was serving approximately 300,000 clients and the company targets to acquire more than 750,000 clients by the end of 2007.

  - ***P4 completed the acquisition of the Germanos distribution chain.*** On May 24, 2007, Tollerton Investments Limited ("Tollerton") became a new shareholder of P4 and subscribed for a 22% equity stake in the increased share capital of P4 in exchange for 100% of shares in Germanos Polska Sp. z o.o. and its two subsidiaries Telecommunication Center Mobile Sp. z o.o. and Mobile Phone Telecom Sp. z o.o., a leading retail distribution network with over 225 stores nationwide. The transaction was entered into pursuant to the investment agreement dated January 31, 2007. Following the registration of P4's share capital increase by the court, Netia holds a 23.4% interest in P4 while Novator Telecom Poland S.a.r.l. ("Novator") holds a 54.6% stake. Moreover, in the amended shareholders' agreement of P4, all shareholders reiterated their earlier commitments to make contributions to P4, pro rata to their respective changed shareholdings in P4's share capital. As a result, Netia's commitment to fund P4's share capital fell from EUR 90.0m to EUR 79.5m and its maximum guarantee commitments to partially support P4's loan facilities fell from EUR 27.0m to EUR 21.0m. Following payments made in Q2 2007 of PLN 14.9m (EUR 4.0m), Netia's remaining commitment to P4's share capital stood at EUR 26.7m as at June 30, 2007. Based on P4's assessment of the purchase price of these acquisitions, Netia recorded a dilution gain of PLN 40.1m (EUR 10.6m) in "Other supplementary capital" and increased the carrying value of its investments in P4 by the same amount.

  The launch of PLAY allows Netia to achieve one of its primary strategic objectives, providing access to mobile products and services to market to its own customers. This includes reselling mobile products to Netia's business customers and introducing the convergent fixed-mobile products together with PLAY. Both initiatives are targeted for 2008 once PLAY's own UMTS network is fully operational. In addition, Netia intends to capture cost and infrastructure synergies at the group level from economies of scale in the back-office, distribution network and procurement areas. In particular, the Company secured the long-term access to the Germanos retail network to be used for distribution of Netia's residential fixed-line products, such as broadband Internet access. As announced previously, Netia will provide PLAY with transmission network solutions based on a five-year agreement signed on July 3, 2006. The capital investment to be incurred by Netia for this project in 2007 may reach PLN 65.0m (EUR 17.3m). Netia estimates that annual revenues from provisioning these services to PLAY could ramp-up from PLN 15.0m (EUR 4.0m) in 2007 to PLN 50.0m (EUR 13.3m), depending on the speed of PLAY's network development.

  Netia's share of losses from P4's start-up activities totalled PLN 68.6m (EUR 18.2m) in H1 2007 as compared to PLN 30.7m (EUR 8.2m) in the full year 2006, reflecting the cost of launch advertising and customer acquisition in the first quarters of commercial operations.

- **Netia and TP signed an agreement on local loop unbundling *(LLU)***, enabling Netia to provide its own services, differentiated from the incumbent's product offering, to TP's customers. The agreement was concluded based on the terms introduced by the regulator in its local loop unbundling reference offer and is binding as of March 1, 2007. In the future, Netia intends to further increase customer value by migrating its bitstream access clients to LLU and up-selling them both content and convergent products as well as voice services.

Consolidated Financial Information

Please note that a new reporting format, using the "function of expense" method, was introduced as of January 1, 2007. Expenses are now classified according to their function as part of cost of sales, cost of selling and distribution or general administrative cost. Accordingly, comparative figures for the periods ended through December 31, 2006 were adjusted, but without any effect on revenues or operating profit lines.

Please also see our interim consolidated financial statements for the six-month period ended June 30, 2007.

Comparably formatted expense data for each quarter of 2006 is available on Netia's investor website.

H1 2007 vs. H1 2006

Revenues decreased by 3% to PLN 410.0m (EUR 108.9m) for H1 2007 compared to PLN 421.8m for H1 2006.

Total telecommunications revenues decreased by 3% to PLN 406.2m (EUR 107.9m) from PLN 417.2m in H1 2006. Data revenues increased to PLN 109.5m (EUR 29.1m) in H1 2007, up by 54%, with approximately 24 percentage points of growth attributable to acquisitions of Pro Futuro and two out of three Ethernet companies acquired in June 2007 and 30 percentage points of growth attributable to organic growth. During Q2 2007, Netia recognized the first meaningful revenue from new bitstream broadband customers of PLN 4.3m (EUR 1.1m). Revenues from direct voice services decreased by 10% to PLN 190.2m (EUR 50.5m) in H1 2007 from PLN 211.3m for H1 2006, mainly reflecting the overall tariff reduction trend in this product segment and a 4% reduction in the number of residential subscriber lines. Aggressive recruitment of new indirect voice resellers during 2006 has paid off in indirect voice revenue of PLN 26.9m (EUR 7.1m), up by PLN 1.0m (EUR 0.3m) or 4% on H1 2006. Carrier revenues from interconnection and wholesale were down by 52% and 23%, respectively, compared to H1 2006. These declines reflect the movement away from low margin transit business in 2007, lower interconnection rates in general and increased competition in international voice termination.

Cost of sales increased by 2% to PLN 309.0m (EUR 82.1m) from PLN 302.4m for H1 2006 and represented 75% of total revenues in H1 2007 as compared to 72% in H1 2006.

Network operations and maintenance costs increased by 114% to PLN 77.5m (EUR 20.6m) in H1 2007 from PLN 36.3m in H1 2006. This increase was driven by the costs of leased lines to large business customers, bitstream wholesale access, the new WiMAX network, new acquisition Pro Futuro's operating expenses and Ericsson outsourcing costs incurred from July 2006.

Interconnection charges decreased by 26% to PLN 77.9m (EUR 20.7m) for H1 2007 as compared to PLN 105.2m for H1 2006, in connection with lower voice traffic volumes and lower interconnection rates. In addition, Netia did not undertake low margin transit of mobile traffic in H1 2007, significantly reducing both revenue and costs.

Depreciation charges related to cost of sales increased by 10% to PLN 112.1m (EUR 29.8m) in H1 2007 from PLN 102.1m in H1 2006 as a result of new investments, the Pro Futuro acquisition and the reassessment of the useful lives of tangible and intangible assets made in Q1 2007.

Gross profit for H1 2007 was PLN 100.9m (EUR 26.8m) as compared to PLN 119.4m for H1 2006. Gross profit margin was 24.6% as compared to 28.3% for H1 2006.

Selling and distribution costs increased by 12% to PLN 81.5m (EUR 21.7m) from PLN 72.9m for H1 2006 and represented 20% of total revenues as compared to 17% in H1 2006. Expenditures associated with the acquisition of new broadband customers and the impact of the 2006 expansion of the sales organization supporting the business market are the main drivers behind the increased spending.

Advertising and promotion expenditures were down 14% to PLN 12.4m (EUR 3.3m) from PLN 14.5m in H1 2006 due to procurement savings and reduced expenditures directed towards business market segments.

Salaries and benefits costs related to selling and distribution increased by 32% to PLN 32.2m (EUR 8.5m) in H1 2007 from PLN 24.4m in H1 2006 in connection with addition of new staff, primarily in the sales and customer services areas.

Other services costs increased by 56% to PLN 16.2m (EUR 4.3m) in H1 2007 from PLN 10.4m in H1 2006, mainly as a result of the third-party commissions paid for the acquisition of new customers.

General and administration costs increased by 9% to PLN 71.2m (EUR 18.9m) from PLN 65.1m for H1 2006 and represented 17% of total revenues as compared to 15% in H1 2006.

Salaries and benefits costs related to general administration increased by 30% to PLN 39.0m (EUR 10.4m) in H1 2007 from 30.1m in H1 2006. This increase principally reflects termination benefits of PLN 1.1m (EUR 0.3m) to former management board members reserved in Q1 2007 and the non-cash accrual of the nominal value of new management stock options (PLN 4.2m in H1 2007 vs. PLN 0.4m in H1 2006).

Most other categories of general and administrative expenses were reduced year over year, reflecting the success of our cost saving initiatives.

Other income was PLN 29.6m (EUR 7.9m) as compared to PLN 2.5m in H1 2006. This included PLN 24.2m (EUR 6.4m) related to the Company's settlement of interconnection disputes with TP.

Other expense was PLN 4.8m (EUR 1.3m) as compared to PLN 9.6m in H1 2006. This represented a transaction tax on Netia's in-kind contribution made to its subsidiary, Świat Internet SA ("Świat Internet"), in January 2007. This contribution included elements of Netia's telecommunications network. Subsequently, Netia and Świat Internet finalized a long-term lease agreement, entitling Netia to use these assets to carry out its telecommunications activities.

Other gains/(losses), net were PLN 3.8m (EUR 1.0m) as compared to PLN 10.3m in H1 2006 and included PLN 1.9m (EUR 0.5m) returned in Q1 2007 from an escrow account in connection with the Pro Futuro acquisition and PLN 1.2m (EUR 0.3m) in profits from disposal of fixed assets. In the prior year, this position included a gain of PLN 10.4m representing a non-cash exceptional item adjustment made in connection with the reassessment of the carrying value of El-Net's license fee liabilities.

Operating costs related to Netia's bitstream access project amounted to PLN 23.3m (EUR 6.2m) in H1 2007, out of which PLN 9.5m (EUR 2.5m) were attributable to the cost of subscribers' acquisition and a further PLN 13.8m (EUR 3.7m) in incremental costs of bitstream wholesale access, advertising and customer care.

EBITDA for H1 2007 was PLN 116.8m (EUR 31.0m) as compared to EBITDA of PLN 117.2m for H1 2006. EBITDA margin for H1 2007 was 28.5% as compared to 27.8% for the same period of 2006. Excluding these start-up expenses, "Other income", "Other expense" and "Other gains and losses, net" items and the non-cash notional costs of share option programmes, margin rose from 27% to 28% across the comparable half year periods due to the impact of various cost saving initiatives and less low margin transit traffic in the revenue mix.

Depreciation and amortization increased by 6% to PLN 140.0m (EUR 37.2m) as compared to PLN 132.5m for H1 2006. The effect of the impairment charge recorded in 2006 has been largely offset by the management's decision to shorten the estimated useful economic lives of various types of assets.

Operating loss (EBIT) was PLN 23.2m (EUR 6.2m) as compared to operating loss of PLN 15.3m for H1 2006.

Finance income was PLN 3.0m (EUR 0.8m) as compared to PLN 5.4m for H1 2006 and was related mainly to interest earned on cash. In the prior year Netia recorded also finance cost of PLN 3.5m in connection with the amortization of the carrying value of El-Net's potential license fee liabilities.

Share of losses of associates recorded for H1 2007 was PLN 68.6m (EUR 18.2m) as compared to PLN 7.7m in H1 2006 and was related to Netia's equity participation in the P4 mobile venture, which was 30% until May 2007 and fell to 23.4% thereafter.

Loss was PLN 88.8m (EUR 23.6m) as compared to loss of PLN 23.3m for H1 2006. The change in the net result was mainly due to Netia's share in losses generated by P4's subscriber acquisition costs and advertising expenditures after the commercial launch of PLAY mobile services as Play builds its customer base and revenues.

Net cash used for the purchase of fixed assets and computer software increased by 33% to PLN 110.2m (EUR 29.3m) for H1 2007 from PLN 83.1m for H1 2006, driven by Netia's investments in broadband services.

Other significant cash outflow / inflow items during H1 2007 included Netia's equity contribution to the PLAY mobile venture of PLN 44.8m (EUR 11.9m), the purchase consideration for the acquisition of three Ethernet network operators in July 2007 of PLN 27.6m (EUR 7.3m) and PLN 14.8m (EUR 3.9m) received in Q1 2007 on the sale of deposits in money market investment funds. As a result, net cash used in investing activities amounted to PLN 162.2m (EUR 43.1m) for H1 2007 as compared to PLN 162.4m for H1 2006.

Cash and cash equivalents at June 30, 2007 were PLN 103.9m (EUR 27.6m).

Q2 2007 vs. Q1 2007

Revenues increased between the consecutive quarters by 1% and amounted to PLN 205.6m (EUR 54.6m) in Q2 2007 as compared to PLN 204.4m in Q1 2007. Data revenues increased sequentially by 13% to PLN 58.2m (EUR 15.4m) in Q2 2007 from PLN 51.4m in Q1 2007, supported by the first revenue stream from newly acquired bitstream broadband customers. The above growth in data revenues compensated for a decline in revenues from voice services, which decreased by 5% to PLN 92.7m (EUR 24.6m) in Q2 2007 from PLN 97.5m for Q1 2007, mainly reflecting the overall tariff reduction trend in this product segment .

Cost of sales decreased by 1% to PLN 154.0m (EUR 40.9m) from PLN 155.0m in Q1 2007 due to fewer customer acquisitions, lower salary expenses and lower “Other expenses”.

Selling and distribution costs climbed 15% to PLN 43.6m (EUR 11.6m) from PLN 38.0m in Q1 2007 as increased advertising expenditures to support the new broadband promotion campaign launched in mid-May offset lower commissions for the acquisition of new customers.

General and administrative expenses rose 2% to PLN 35.9m (EUR 9.5m) as compared to PLN 35.3m in Q1 2007. The increase was mainly driven by the issue of new management share options that increased the notional cost of share-based compensation by PLN 2.4m (EUR 0.6m) between the quarters.

EBITDA increased by 14% to PLN 62.2m (EUR 16.5m) from PLN 54.6m in Q1 2007. EBITDA margin was 30.3% in Q2 2007 as compared to 26.7% in Q1 2007. The increase was mainly the result of PLN 15.1m (EUR 4.0m) recognized as “Other income” in Q2 2007 versus PLN 9.1m recognized in Q1 2007 as a direct result of rights and obligations arising from the interconnection settlement with TP.

Loss of PLN 51.0m (EUR 13.5m) was recorded in Q2 2007 as compared to a loss of PLN 37.8m in Q1 2007. The change was due to Netia’s share of losses recorded by P4, which increased sequentially by 68% or PLN 17.4m (EUR 4.6m) to PLN 43.0m (EUR 11.4m) following the commercial launch of PLAY in mid-March 2007, with Q2 2007 reflecting the first full quarter of subscriber acquisition and advertising spending.

Key Figures

PLN'000	H1 2007	H1 2006	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenues	409,972	421,802	205,580	204,392	209,718	230,537	203,422
y-o-y % change	*(2.8%)*	*(4.3%)*	*1.1%*	*(6.4%)*	*(11.7%)*	*(0.1%)*	*(9.2%)*
EBITDA	116,845	117,205	62,236	54,609	(280,831)	94,707	58,446
Margin %	*28.5%*	*27.8%*	*30.3%*	*26.7%*	*(133.9%)*	*41.1%*	*28.7%*
Adjusted EBITDA	116,845	106,768	62,236	54,609	60,522	53,994	48,009
Margin %	*28.5%*	*25.3%*	*30.3%*	*26.7%*	*28.9%*	*23.4%*	*23.6%*
y-o-y change %	*9.4%*	*(38.5%)*	*29.6%*	*(7.1%)*	*(16.4%)*	*(41.7%)*	*(45.4%)*
EBIT	(23,159)	(15,334)	(8,249)	(14,910)	(351,180)	25,130	(9,491)
Margin %	*(5.6%)*	*(3.6%)*	*(4.0%)*	*(7.3%)*	*(167.5%)*	*10.9%*	*(4.7%)*
Adjusted EBIT ~	(23,159)	(25,771)	(8,249)	(14,910)	(9,827)	(15,583)	(19,928)
Margin %	*(5.6%)*	*(6.1%)*	*(4.0%)*	*(7.3%)*	*(4.7%)*	*(6.8%)*	*(9.8%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(88,812)	(23,302)	(51,010)	(37,802)	(372,847)	17,794	(12,664)
Margin %	*(21.7%)*	*(5.5%)*	*(24.8%)*	*(18.5%)*	*(177.8%)*	*7.7%*	*(6.2%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(88,812)	(33,739)	(51,010)	(37,802)	(31,494)	(22,919)	(23,101)
Margin %	*(21.7%)*	*(8.0%)*	*(24.8%)*	*(18.5%)*	*(15.0%)*	*(9.9%)*	*(11.4%)*
Profit/(Loss) of Netia SA *(stand alone)*^	(5,651)	12,153	(2,131)	(3,520)	(324,639)	33,449	1,784
Cash and cash equivalents	103,954	136,008	103,954	152,129	143,586	107,783	136,008
Debt	4,959	-	-	-	-	-	-
Capex related payments	110,161	83,102	48,255	61,906	52,575	44,897	26,580
Investments in tangible and intangible fixed assets	89,342	48,749	51,687	37,655	71,427	53,342	36,042

EUR '000 *	H1 2007	H1 2006	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenues	108,867	112,009	54,591	54,276	55,690	61,219	54,018
y-o-y % change	*(2.8%)*	*(4.3%)*	*1.1%*	*(6.4%)*	*(11.7%)*	*(0.1%)*	*(9.2%)*
EBITDA	31,028	31,124	16,527	14,501	(74,574)	25,149	15,520
Margin %	*28.5%*	*27.8%*	*30.3%*	*26.7%*	*(133.9%)*	*41.1%*	*28.7%*
Adjusted EBITDA	31,028	28,352	16,527	14,501	16,071	14,338	12,749
Margin %	*28.5%*	*25.3%*	*30.3%*	*26.7%*	*28.9%*	*23.4%*	*23.6%*
y-o-y change %	*9.4%*	*(38.5%)*	*29.6%*	*(7.1%)*	*(16.4%)*	*(41.7%)*	*(45.4%)*
EBIT	(6,150)	(4,072)	(2,191)	(3,959)	(93,255)	6,673	(2,520)
Margin %	*(5.6%)*	*(3.6%)*	*(4.0%)*	*(7.3%)*	*(167.5%)*	*10.9%*	*(4.7%)*
Adjusted EBIT ~	(6,150)	(6,843)	(2,191)	(3,959)	(2,610)	(4,138)	(5,292)
Margin %	*(5.6%)*	*(6.1%)*	*(4.0%)*	*(7.3%)*	*(4.7%)*	*(6.8%)*	*(9.8%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(23,584)	(6,188)	(13,546)	(10,038)	(99,009)	4,725	(3,363)
Margin %	*(21.7%)*	*(5.5%)*	*(24.8%)*	*(18.5%)*	*(177.8%)*	*7.7%*	*(6.2%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(23,584)	(8,959)	(13,546)	(10,038)	(8,363)	(6,086)	(6,134)
Margin %	*(21.7%)*	*(8.0%)*	*(24.8%)*	*(18.5%)*	*(15.0%)*	*(9.9%)*	*(11.4%)*
Profit/(Loss) of Netia SA *(stand alone)*^	(1,501)	3,227	(566)	(935)	(86,207)	8,882	474
Cash and cash equivalents	27,605	36,117	27,605	40,398	38,129	28,622	36,117
Debt	1,317	-	-	-	-	-	-
Capex related payments	29,253	22,068	12,814	16,439	13,961	11,922	7,058
Investments in tangible and intangible fixed assets	23,725	12,945	13,725	9,999	18,967	14,165	9,571

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.7658 = EUR 1.00, the average rate announced by the National Bank of Poland at June 30, 2007. These figures are included for the convenience of the reader only.

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

~ The EBIT and the loss for 2006 excluding the impact of the following non-cash exceptional adjustments: an impairment charge on non-current assets resulting from the impairment test and a gain related to the reassessment and cancellation of El-Net's license fee liabilities.

Key Operational Indicators

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Broadband data						
Total number of broadband ports ~	133,987	101,822	60,366	54,735	49,844	47,077
incl. bitstream access ports	*40,770*	*35,836*	*n/a*	*n/a*	*n/a*	*n/a*
incl. WiMAX Internet ports	*3,516*	*2,192*	*836*	*236*	*n/a*	*n/a*
Monthly Broadband APRU (PLN)	105	110	128	138	140	146
Bitstream SAC (PLN)	434	207	n/a	n/a	n/a	n/a
Subscriber data						
(with regard to direct voice services)						
Subscriber lines (cumulative)	396,463	398,949	398,276	400,541	404,451	406,738
incl. ISDN equivalent of lines	*110,352*	*106,800*	*104,280*	*101,802*	*100,790*	*98,451*
Total net additions	(2,486)	673	(2,265)	(3,910)	(2,287)	(6,273)
Business mix of total subscriber lines (cumulative) V	39.6%	38.5%	40.0%	39.2%	38.6%	37.6%
Monthly Voice ARPU (PLN) ^	77	81	82	84	84	89
Network data						
Backbone (km)	5,002	5,002	5,002	5,002	5,002	5,002
Number of connected lines (cumulative) *	531,062	529,472	526,562	523,742	522,302	521,432
Other						
Headcount	1,227	1,110	1,111	1,160	1,295	1,246

^ Monthly ARPUs presented in this report are given for a relevant three-month period.

* Number of connected lines reported for Q4 2006 and onwards includes the full effect of the acquisition of El-Net.

V In Q1 2007, 10K subscribers were reclassified from the Business Segment to the Residential Segment after a reorganization in responsibilities of Netia's various sales channels.

~ Data for Q2 2007 includes the effect of the Pro Futuro acquisition.

(Tables to Follow)

Income Statement *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	**H1 2007**	**H1 2006**	**Q2 2007**	**Q1 2007**
Telecommunications revenue				
Direct Voice	190,163	211 257	92,652	97,511
monthly charges	61,934	69 334	31,020	30,914
calling charges	128,229	141 923	61,632	66,597
– *local calls*	*34,949*	*42 566*	*16,257*	*18,692*
– *domestic long-distance calls*	*20,819*	*26 116*	*9,631*	*11,188*
– *international long-distance calls*	*14,082*	*14 164*	*7,287*	*6,795*
– *fixed-to-mobile calls*	*51,071*	*52 233*	*25,333*	*25,738*
– *other*	*7,308*	*6 844*	*3,124*	*4,184*
Indirect Voice	26,872	25 809	13,280	13,592
Data	109,509	71 350	58,159	51,350
Interconnection revenues	9,622	20 116	4,691	4,931
Wholesale services	58,454	76 088	29,137	29,317
Intelligent network services	7,432	7 781	3,652	3,780
Other telecommunications revenues	4,031	3 587	2,024	2,007
Total telecommunications services revenues	**406,083**	**415 988**	**203,595**	**202,488**
Sales of goods	128	1 196	30	98
Total telecommunications revenue	**406,211**	**417 184**	**203,625**	**202,586**
Radio communications revenue	3,761	4 618	1,955	1,806
Total revenues	**409,972**	**421 802**	**205,580**	**204,392**
Cost of sales	(309,026)	(302 447)	(153,985)	(155,041)
Interconnection charges	*(77,871)*	*(105 243)*	*(38,531)*	*(39,340)*
Network operations and maintenance	*(77,471)*	*(36 278)*	*(39,996)*	*(37,475)*
Costs of goods sold	*(2,661)*	*(2 317)*	*(947)*	*(1,714)*
Depreciation of fixed assets	*(112,082)*	*(102 091)*	*(56,548)*	*(55,534)*
Amortization of intangible assets	*(11,507)*	*(12 758)*	*(5,779)*	*(5,728)*
Salaries and benefits	*(4,830)*	*(12 700)*	*(2,153)*	*(2,677)*
Other costs	*(22,604)*	*(31 060)*	*(10,031)*	*(12,573)*
Gross profit	**100,946**	**119 355**	**51,595**	**49,351**
Margin (%)	***24.6%***	***28.3%***	***25.1%***	***24.1%***
Selling and distribution costs	(81,536)	(72,937)	(43,579)	(37,957)
Advertising and promotion	*(12,446)*	*(14,462)*	*(8,927)*	*(3,519)*
Mailing services	*(4,468)*	*(2,833)*	*(2,054)*	*(2,414)*
Information technology services	*(2,446)*	*(2,710)*	*(1,299)*	*(1,147)*
Other services	*(16,195)*	*(10,395)*	*(7,216)*	*(8,979)*
Impairment of receivables	*(1,185)*	*(6,621)*	*(1,169)*	*(16)*
Depreciation of fixed assets	*(2,379)*	*(1,713)*	*(1,177)*	*(1,202)*
Amortization of intangible assets	*(8,776)*	*(9,025)*	*(4,445)*	*(4,331)*
Salaries and benefits	*(32,169)*	*(24,398)*	*(16,434)*	*(15,735)*
Other costs	*(1,472)*	*(780)*	*(858)*	*(614)*
General and administration costs	(71,197)	(65,053)	(35,899)	(35,298)
Professional services	*(5,847)*	*(5,479)*	*(2,860)*	*(2,987)*
Information technology services	*(3,608)*	*(4,823)*	*(1,831)*	*(1,777)*
Office and car maintenance	*(4,052)*	*(3,790)*	*(2,263)*	*(1,789)*
Insurance	*(1,365)*	*(1,976)*	*(361)*	*(1,004)*
Other services	*(6,610)*	*(5,472)*	*(3,720)*	*(2,890)*
Depreciation of fixed assets	*(2,372)*	*(3,886)*	*(1,095)*	*(1,277)*
Amortization of intangible assets	*(2,888)*	*(3,066)*	*(1,441)*	*(1,447)*
Salaries and benefits	*(38,992)*	*(30,094)*	*(19,292)*	*(19,700)*
Other costs	*(5,463)*	*(6,467)*	*(3,036)*	*(2,427)*
Other income	29,613	2,536	18,566	11,047
Other expense	(4,764)	(9,577)	-	(4,764)
Other gains/ (losses), net	3,779	10,342	1,068	2,711
EBIT	**(23,159)**	**(15,334)**	**(8,249)**	**(14,910)**
Margin (%)	***(5.6%)***	***(3.6%)***	***(4.0%)***	***(7.3%)***
Finance income	3,010	5,401	1,194	1,816
Finance cost	(61)	(3,548)	(33)	(28)
Share of losses of associates	(68,612)	(7,727)	(42,994)	(25,618)
Profit / (Loss) before tax	**(88,822)**	**(21,208)**	**(50,082)**	**(38,740)**
Tax benefit / (charge)	10	(2,094)	(928)	938
Profit / (Loss)	**(88,812)**	**(23,302)**	**(51,010)**	**(37,802)**
Attributable to:				
Equity holders of the Company	(88,940)	(23,609)	(51,085)	(37,855)
Minority interest	128	307	75	53
Margin (%)	***(21.7%)***	***(5.5%)***	***(24.8%)***	***(18.5%)***
Earnings per share for loss attributable to equity holders (not in thousands)	(0.23)	(0.06)	(0.13)	(0.10)
Diluted earnings per share for loss attributable to equity holders (not in thous.)	(0.23)	(0.06)	(0.13)	(0.10)

EBITDA/Adjusted EBITDA Reconciliation to Operating Loss *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	H1 2007	H1 2006	Q2 2007	Q1 2007
Operating loss	**(23,159)**	**(15,334)**	**(8,249)**	**(14,910)**
Add back:				
Depreciation of fixed assets	116,833	107,690	58,820	58,013
Amortization of intangible assets	23,171	24,849	11,665	11,506
EBITDA	**116,845**	**117,205**	**62,236**	**54,609**
Reversal of reassessment of the carrying value of El-Net license fee liabilities	-	*(10,437)*	-	-
Adjusted EBITDA	**116,845**	**106,768**	**62,236**	**54,609**
Margin (%)	***28.5%***	***25.3%***	***30.3%***	***26.7%***

Note to Other Income *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	H1 2007	H1 2006	Q2 2007	Q1 2007
Sale of services to associate	1,212	929	651	560
Reversal of accrued other income on sale of services to associate	-	(303)	-	-
Financial guarantee contract	2,630	-	1,832	798
Settlement of disputes with TP	24,239	-	15,100	9,139
Reversal of impairment charges	-	390	-	-
Other operating income	1,532	1,520	983	550
Total	**29,613**	**2,536**	**18,566**	**11,047**

Note to Other Expense *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	H1 2007	H1 2006	Q2 2007	Q1 2007
Impairment charges for specific individual assets	-	(5,687)	-	-
Professional services	-	(3,890)	-	-
Transaction tax on contribution in-kind to subsidiary company	(4,764)	-	-	(4,764)
Total	**(4,764)**	**(9,577)**	**-**	**(4,764)**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	June 30, 2007 *unaudited*	December 31, 2006 *audited*
Property, pant and equipment, net	1,419,449	1,458,029
Intangible assets	257,644	239,597
Investments in associates	155,601	141,394
Deferred income tax assets	4,285	4,865
Available for sale financial assets	10	10
Long-term receivables	369	484
Loan origination fees	2,438	-
Prepaid expenses	3,137	3,303
Total non-current assets	**1,842,933**	**1,847,682**
Inventories	2,692	1,584
Trade and other receivables	132,082	131,833
Prepaid expenses	8,073	6,888
Derivative financial instruments	-	600
Financial assets at fair value through profit and loss	-	14,757
Restricted cash	-	6,100
Cash and cash equivalents	103,954	143,586
	246,801	**305,348**
Non-current assets classified as held for sale	2,329	2,329
Total current assets	**249,130**	**307,677**
TOTAL ASSETS	**2,092,063**	**2,155,359**
Share capital	389,168	389,168
Supplementary capital	1,681,358	1,809,434
Other reserves	4,769	29,644
Retained earnings	(175,887)	(283,248)
Total capital and reserves attributable to the Company's equity holders	**1,899,408**	**1,944,998**
Minority interest	6,369	6,902
TOTAL EQUITY	**1,905,777**	**1,951,900**
Borrowings	4,959	-
Provisions	368	630
Deferred income	8,514	8,760
Deferred income tax liabilities	1,366	990
Financial guarantee contract	233	558
Other long-term liabilities	754	774
Total non-current liabilities	**16,194**	**11,712**
Derivative financial instruments	567	-
Borrowings	93	-
Trade and other payables	147,986	168,267
Current income tax liabilities	85	38
Provisions	4,151	4,166
Financial guarantee contract	4,687	8,847
Deferred income	12,523	10,429
Total current liabilities	**170,092**	**191,747**
Total liabilities	**186,286**	**203,459**
TOTAL EQUITY AND LIABILITIES	**2,092,063**	**2,155,359**

Cash Flow Statement *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	H1 2007	H1 2006	Q2 2007	Q1 2007
Loss	**(88,812)**	**(23,302)**	**(51,010)**	**(37,802)**
Depreciation and amortization	140,004	132,539	70,485	69,519
Impairment charges for specific individual assets	-	5,687	-	-
Reversal of impairment charges for specific individual assets	-	(390)	-	-
Share of losses of associates	68,612	7,727	42,994	25,618
Deferred income tax charge / (benefit)	(195)	1,906	849	(1,044)
Reassessment of the carrying value of license fee liabilities	-	(10,437)	-	-
Interest expense accrued on license liabilities	-	3,395	-	-
Financial guarantee contract	(2,630)	-	(1,832)	(798)
Interest accrued on loans	(24)	-	(11)	(13)
Share-based compensation	4,232	526	3,321	911
Fair value gains on financial assets at fair value through profit and loss	(21)	(1,135)	-	(21)
Decrease in other long-term assets	-	323	-	-
Foreign exchange (gains)/losses	(325)	2,462	(23)	(302)
Loss / (Gain) on sale of fixed assets	(1,234)	(2,205)	(1,291)	57
Decrease of purchase consideration	(1,940)	-	-	(1,940)
Gain on sale of subsidiaries	-	(20)	-	-
Changes in working capital	(406)	15,284	(31,008)	30,602
Net cash provided by operating activities	**117,261**	**132,360**	**32,474**	**84,787**
Purchase of fixed assets and computer software	(110,161)	(83,102)	(48,255)	(61,906)
Proceeds from sale of fixed assets	4,169	896	3,049	1,120
Investment in associate	(44,805)	(27,000)	(14,898)	(29,907)
Purchase of subsidiary, net of received cash	(26,362)	(51)	(25,662)	(700)
Other long-term investments (including restricted cash)	-	(61,538)	-	-
Sale of subsidiaries and other investments; net of cash in subsidiaries	-	25	-	-
Sale of financial assets at fair value through profit and loss	14,777	8,411	-	14,777
Loans repayments	139	-	70	69
Net cash used in investing activities	**(162,243)**	**(162,359)**	**(85,696)**	**(76,547)**
Proceeds from share issuance	-	19,385	-	-
Cost of share issuance	-	(175)	-	-
Dividend paid to the Company's shareholders	-	(50,323)	-	-
Finance lease payments	(68)	(99)	(68)	-
Proceeds from borrowings	5,000	-	5,000	-
Redemption of notes for warrants	(1)	(334)	(1)	-
Net cash provided by/(used in) financing activities	**4,931**	**(31,546)**	**4,931**	**-**
Effect of exchange rate change on cash and cash equivalents	326	166	23	303
Net change in cash and cash equivalents	**(39,725)**	**(61,379)**	**(48,268)**	**8,543**
Cash and cash equivalents at the beginning of the period	143,586	197,387	152,129	143,586
Cash and cash equivalents at the end of the period	**103,861**	**136,008**	**103,861**	**152,129**

Definitions

Backbone	–	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream SAC	–	a cost per unit related to the acquisition of new customers through a bitstream access, including a one-time payment to TP (the incumbent), the third-party 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;
Broadband port	–	a broadband port which became activated at the end of the period;
Cash	–	cash and cash equivalents at the end of period;
Connected line	–	a telecommunications line which was constructed, tested and connected to Netia's network/switching node and is ready for activation after signing an agreement for providing telecommunications services;
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);
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 share of losses of associates. EBITDA has been further adjusted for an impairment charge on non-current assets attributable to Netia's telecommunications segment, recorded upon performance of an impairment test, and a gain recorded upon reassessment of carrying value of El-Net's license fee liabilities 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) 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;
Intelligent network services	–	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;
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;
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)), 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 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.

Netia management will hold a conference call to review the results today, August 13, at 3:00 PM (UK) / 4:00 PM (Continent) / 10:00 AM (Eastern). To register for the call and obtain dial in numbers please contact Maria Ruiz at Taylor Rafferty London on +44 (0) 20 7614 2900 or Reema Parikh at Taylor Rafferty New York on +1 212 889 4350.

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.

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