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Netia reports 2012 full year and fourth quarter results

WARSAW, Poland – February 21, 2013 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its audited consolidated financial results for the full year and unaudited results for the quarter ended December 31, 2012.

1 Key highlights

1.1 FINANCIAL (actual results as reported)

- *Netia reports the following results versus the adjusted guidance for 2012*:

FY2012 Guidance and Results	*Original Guidance*[1]	*1st Revision Guidance*[2]	*2nd Revision Guidance*[3]	*Actual Results*
Number of services (RGUs) ('000)	2,900	2,750	2,650	2,686
Revenues (PLN m)	2,185	2,125	2,125	2,121
Adjusted EBITDA (PLN m)	600	600	600	591
Adjusted EBITDA margin (%)	27.5%	28.2%	28.2%	27.9%
Adjusted EBIT (PLN m)	125	125	125	109
Capital investments (excl. M&A and integration capex) (PLN m)	300	270	270	257
Capital investments (excl. M&A and integration capex) to sales (%)	14%	13%	13%	12%
Adjusted operating free cash flow (Adj. OpFCF)[4](PLN m)	300	330	330	334
Operating free cash flow including integration opex and capex[5](PLN m)	220	250	250	263

1 As per original Netia guidance for 2012 published on March 15, 2012 (see Netia's current report No. 13/2012)
2 As per revised Netia guidance for 2012 published on August 23, 2012 (see Netia's current report No. 75/2012)
3 As per revised Netia guidance for 2012 published on November 8, 2012 (see Netia's current report No. 97/2012)
4 Adjusted EBITDA less total capital investments excluding integration capex
5 Adjusted EBITDA less integration opex less total capital investments inclusive of integration opex

Netia delivered RGUs ahead of guidance after net losses of fixed voice and broadband services slowed in Q4 2012 and TV service sales accelerated. Adjusted Operating Free Cash Flow exceeded guidance due to savings on capital investment while revenue and Adjusted EBITDA were 0.2% and 1.5% below guidance, respectively. Underestimation of various year-end non-cash adjustments was the main contributor to the small miss on Adjusted EBITDA guidance.

- *Revenue* was PLN 2,121.3m for 2012, up by 31% versus 2011. In Q4 2012 sequential revenue fell slightly by 0.3% to PLN 519.5m as compared to PLN 521.1m in Q3 2012 and increased by 22% versus the prior year quarter. Sequential decrease was noted in the Home segment driven by fewer revenue generating units while three Business segments (Corporate, SOHO/SME and Carrier) recorded increases by 2%, 1% and 2%, respectively. Dialog Group and Crowley revenues are now fully integrated into the four customer segments with retrospective effect to their respective acquisitions in December 2011.

- *Adjusted EBITDA* was PLN 591.2m for 2012, up by 45% over 2011. In Q4 2012 Adjusted EBITDA was PLN 144.5m, down by 8% versus Q3 2012 and up by 33% over the prior year quarter. Adjusted EBITDA margin was 27.9% for 2012 and 27.8% in Q4 2012 versus 25.2% for 2011 and 30.2% in Q3 2012. The year-on-year improvement reflects the acquisitions of Dialog Group and Crowley and cumulative synergy savings for 2012 of approximately PLN 76.2m. The sequential margin decrease reflects mainly gross margin lost on lower sales, increased subscriber acquisition expenses and miscellaneous one-off operational items associated with the year-end book close.

- *A non-cash impairment charge of PLN 79.2m* was recorded in Q4 2012 based on the annual impairment test of Netia's non-current assets. The test compares the book value of non-current assets to Management's expectations of future cash flows from existing assets and on-going projects. The impairment decreases Netia's goodwill position. Lowered expectations regarding revenue generating units due to refocusing away from growth over regulated access in the Residential segment and reduced voice ARPU expectations are the key reasons for the impairment. (see also "Other Highlights" and "Consolidated Financial Information" sections).

- *EBITDA* was PLN 461.5m for 2012 and PLN 54.1m for Q4 2012, down by 24% versus 2011 and by 64% versus Q3 2012. The unusual items for 2012 include the above mentioned PLN 79.2m impairment charge and restructuring costs of PLN 22.6m in 2012 versus PLN 0.8m in 2011. Other unusual items were Dialog Group and Crowley integration costs of PLN 26.3m in 2012 and PLN 1.1m in 2011, costs of M&A projects of PLN 1.5m in 2012 and PLN 10.4m in 2011, universal service obligation provision of PLN 5.1m recorded in 2011 and a gain of PLN 220.7m related to the reversal of earlier impairment charges recorded in 2011. EBITDA margin was 21.8% for 2012 and 10.4% for Q4 2012 as compared to 37.8% for 2011 and 28.5% for Q3 2012.

- *EBIT* was PLN 21.0m loss (Adjusted EBIT was PLN 108.7m profit when excluding all one-offs) in 2012 as compared to PLN 302.7m profit (PLN 99.5m profit when excluding one-offs) in 2011. EBIT for Q4 2012 was negative PLN 65.2m (PLN 25.2m profit when excluding one-offs) compared to PLN 27.3m (PLN 36.4m profit when excluding one-offs) in Q3 2012.

- *Net loss* was PLN 87.7m for 2012 versus net profit of PLN 248.8m for 2011. Net loss for Q4 2012 was PLN 108.9m versus net profit of PLN 10.0m for Q3 2012. Reported net loss for 2012 included a non-cash impairment charge of PLN 79.2m and net financial expenses of PLN 39.9m to fund the previous year's acquisition of Dialog and a deferred tax charge of PLN 26.8m. Reported net profit for 2011 included a non-cash gain of PLN 220.7m related to the reversal of earlier impairment charges and the net expensing of PLN 51.9m relating to the Company's corporate income tax ("CIT") for the year 2003.

- *Netia was operating free cash flow positive both in the full year and in Q4 2012*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex and Ethernet acquisitions, was PLN 334.2m for 2012 and PLN 81.1m for Q4 2012 versus PLN 164.5m for 2011 and PLN 90.2m for Q3 2012.

- *Netia's cash resources* at December 31, 2012 totalled PLN 142.7m, up by PLN 11.6m from September 30, 2012, with *total debt* at PLN 550.6m, down by PLN 39.4m from September 30, 2012. Accordingly, *net debt* was PLN 407.9m versus PLN 458.8m in September 2012 and *financial leverage* was 0.69x Adjusted EBITDA for 2012 full year. The group's cash position reflects an outflow of PLN 106.8m for the full year 2012 and PLN 82.0m for Q4 2012 to repurchase 18,935,188 and 6,998,647 shares, respectively. Total debt comprised a multi-year served loan to acquire Dialog at amortized cost of PLN 531.9m and a bank overdraft at PLN 18.7m.

- *Netia completed the third tranche of its share buy-back program* in January 2013 utilising PLN 47.5m of funds to repurchase 2.5% of share capital. In total, Netia has now executed three share buy-back tranches, acquiring 32.1m shares or 8.3% of the Company's share capital for a total amount of PLN 172.0m. From this total 9.8m shares were redeemed during 2012 and the reminder shall be redeemed during 2013 (for details please see section 3 *Other Highlights*).

- *Distribution policy.* As already announced in June 2012, Management has been considering the introduction of a long-term distribution policy from 2013 onwards as a natural evolution from the already introduced buy-back program, absent any transformational M&A or capital intensive high NPV projects.

  For 2013 Management intends to propose to the Supervisory Board that approximately PLN 128m (approximately PLN 0.35 per share equivalent) be distributed through an offer for shares at a significant premium to the current market price within the scope of the shareholders' resolution taken in 2011. Based on its free cash flow projections, Management estimates that the Company may distribute PLN 145m, approximately PLN 0.40 per share, in 2014 and sees some scope for moderate annual increases in the following years. Management may use dividends, share buy-backs via offer for shares or capital redemptions to facilitate returning these funds to shareholders. The final decisions on the form of payment to be effected/recommended for 2013 should be made together with the Supervisory Board in the coming weeks (for details please see section 3 *Other Highlights*).

- *Netia maintains its full year 2013 guidance* published originally on December 20, 2012, expecting revenue at PLN 1,925.0m, Adjusted EBITDA at PLN 525.0m and Adjusted EBIT at PLN 65.0m. Adjusted OpFCF is expected at PLN 300.0m and adjusted capital investments at PLN 225.0m excluding one-off integration expenses and capex. Number of total services (RGUs) at year-end 2013 is forecasted at 2,650,000.

  As previously indicated, Management is targeting 2013 as a year of transitioning to greater on-network sales focus and increased sales of on-net broadband and TV services in the Residential market segment in light of the continued pricing pressure and deteriorating profitability of WLR- and BSA-based services. Successful implementation of this revised commercial approach should stabilize financial performance of the Residential segment in 2014 and beyond. Given the on-going strong performance of the Business segments (comprising the Corporate, SOHO/SME and Carrier segments), Netia expects them to be a main growth engine in the nearest future and intends to focus strongly on developing services for its business customers (for details please see section 3 *Other Highlights*).

1.2 OPERATIONAL (actual results for Q1- Q4 2012 vs. pro forma results for Q1-Q3 2011 and actual results for Q4 2011)

In order to ensure comparability of operating results in this section, the actual key performance indicators for Q1- Q4 2012 are compared to the pro forma results for 1Q-3Q 2011 and the actual results for Q4 2011 for New Netia group including the results of Telefonia Dialog SA, Petrotel Sp. z o.o. and Avista Media Sp. z o.o. (currently merged into Telefonia Dialog SA) (the 'Dialog Group') and Crowley Data Poland Sp. z o.o. ('Crowley' , currently merged into Netia SA), which were acquired by Netia on December 16, 2011 and December 14, 2011, respectively.

- *Number of services (RGUs)* was 2,688,467 at December 31, 2012 as compared to 2,789,274 at December 31, 2011 and 2,734,070 at September 30, 2012, with the year-on-year and quarterly decreases driven by an accelerating fall in the number of fixed voice services and generally intense competition on a weakening telecommunications market. RGU loss slowed during Q4 2012 as net additions increased sequentially on TV services and losses slowed on broadband and voice services. In light of the recent aggressive price discounting by key competitors and the continued weak Residential market in fixed broadband and fixed voice, Management is targeting 2013 as year of transitioning to greater on-network sales focus and increased sales of on-net broadband and TV services. The Company is guiding for 2,650,000 services by the end of 2013 with a return to growth on broadband later in 2013 and acceleration in TV net additions key to offsetting voice declines and delivering this stabilisation in RGUs.

- *Netia's TV services* reached 79,285 at December 31, 2012, growing by 56% from 50,712 at December 31, 2011 and by 9% from 72,805 at September 30, 2012. Sequentially better net additions in Q4 2012 reflect incremental product, coverage and distribution improvements which should combine to accelerate further sales growth during the course of 2013.

- *Netia's broadband services* base was 874,778 at December 31, 2012, declining by 4% from 911,570 at December 31, 2011 and by nearly 2% from 888,698 at September 30, 2012. Netia estimates that the total fixed broadband market share for New Netia was approximately 13.3% versus 14.4% at December 31, 2011. New Netia recorded a net decrease of 13,920 broadband customers during Q4 2012 versus a net decrease of 15,249 broadband customers during Q3 2012 (both total and organic as there were no Ethernet acquisitions in these quarters). Slow market growth and tougher price competition, including cable operators offering multiplay bundles, is reflected in the performance. Whilst Netia has responded by lowering prices and increasing advertising support, Management is focusing on its own network and bundled services rather than regulated access and total services sold in order to defend gross margins.

- *Netia's fixed voice services* (own network, WLR and LLU). Netia estimates that the total fixed voice market share of New Netia was approximately 20% in both Q4 2012 and Q4 2011. Due to the competitive market conditions and Netia's focus on higher-value customers, Netia is concentrating on defending voice revenues as opposed to subscriber numbers. Netia's voice subscriber base was 1,643,904 at December 31, 2012 as compared to 1,744,723 at December 31, 2011 and 1,677,766 at September 30, 2012. In total, Netia recorded a net decrease of 33,862 voice subscribers during Q4 2012 versus 36,370 in Q3 2012. The Company expects the number of fixed voice services to continue to decline, mainly in connection with clients churning from traditional direct voice and WLR services. Of the total voice customers served at December 31, 2012, 39% received service over Netia's own access infrastructure. Despite a major service provider undercutting Netia's pricing across both low and high ARPU segments at the beginning of Q4 2012, Management notes that voice customer losses actually slowed during Q4 2012 and this contributed to Netia ending the year with a RGU base above the adjusted guidance.

- *Netia's mobile services* at December 31, 2012 were 30,281 for mobile broadband and 60,219 for mobile voice, as compared to, respectively, 30,268 and 52,005 services at December 31, 2011 and 32,758 and 62,043 services at September 30, 2012. Netia intends to utilise the existing MVNO agreements with P4 and Polkomtel to package fixed line and mobile services into attractively priced convergent bundles, increasing cross-sell potential and customer loyalty whenever possible.

- *NGA network expansion.* During Q4 2012 New Netia continued to expand its NGA standard network, which allows for providing, among others, high speed broadband and 3play services including IPTV and adaptive IP protocol TV services. As of December 31, 2012, New Netia covered in total 1,040,000 households with its NGA networks, including approximately 707,000 homes passed with VDSL copper networks, approximately 139,000 homes passed with passive optical networks (PON) and approximately 194,000 homes passed with the fast Ethernet networks and fiber to the building (FTTB). Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services before accelerating NGA roll-out investments.

- *4Sails*. In late 2012 Netia implemented a new internal project '4Sails', reviewing sales force operations. The project's goal is to analyze quality and efficiency of the existing sales processes, their support systems and methods of co-operation with our external partners. This in turn will allow Netia Group to work out key initiatives which will be implemented during 2013 with an aim to fully seize the opportunities arising from the Telefonia Dialog and Crowley Data Poland acquisitions. 2013 will be focused on various activities related to this project and will involve all employees of the Netia Group. Management expects that the project, which is conducted in co-operation with Deloitte, will re-engineer and retool Netia's go-to-market approach and targets significant improvement in sales productivity.

Miroslaw Godlewski, Netia's President and CEO, commented: "Netia is today reporting Q4 and full year 2012 results achieved against an extremely challenging environment for the entire telecommunications market. While total revenue declined sequentially by 0.3% and by 5% against the prior year pro-forma Q4, Netia continued to execute well on its strategy and there are clear signs of progress in a number of important areas.

Our three business segments (B2B: Carriers, Corporate and SOHO/SME) combined delivered sequential revenue growth of 2% and represented 48% of New Netia's total 2012 revenue of PLN 2,121m with a segment Adjusted EBITDA margin of 46.5%, offsetting much of the 3% sequential revenue decline on the residential market. Overall RGUs shrank less than feared to 2,688k, 1.4% above guidance, and we finished the year with sequentially slower declines in both broadband and voice services while TV services grew by 6k during the quarter as various operational improvements began to gain traction. Given the aggressive price reductions being implemented across the telecommunications market by our competitors, it is particularly pleasing to see our ARPU KPIs broadly stable in all product groups as Netia continues to focus on defending its gross margins.

Adjusted EBITDA for 2012 advanced to PLN 591m, up by 45% on the prior year and driven by PLN 76m of integration operating synergies delivered in the first 12 months since the twin acquisitions of Dialog Group and Crowley. Despite spending a total of PLN 257m on capital investment to upgrade networks and services, Adjusted Operating Free Cash Flow for 2012 came in at PLN 334m, up by 92% on Old Netia's 2011 result and underlining the strategic rationale for the combination of the three businesses. As the pressure increases on margins delivered over regulated network access, the increased exposure to on-network RGUs afforded by the two acquisitions gives New Netia much stronger foundations to develop its B2B segments through greater network reach and its B2C segment through bundling and development of content services and TV.

During 2013 the New Netia Team shall be focusing on acceleration of TV RGUs and the stabilization of broadband services with particular emphasis on growth on our own access networks. Once again we expect to invest in the extension of our NGA upgraded networks and we will continue to look to our Business segments for progress on both revenues and cash flows.

Management is confident that financial performance will stabilize during 2013 and is therefore announcing its intention to distribute PLN 128m in 2013 and PLN 145m (PLN 0.40 per share) from 2014 onwards, subject to relevant corporate approvals. Our cash flow projections indicate room to increase moderately this amount in each subsequent year whilst leaving Management with the financial flexibility necessary to continue participating in market consolidation."

Jon Eastick, Netia's CFO, commented: "In today's full year 2012 results, Netia has delivered revenue up by 31% to PLN 2,121m, Adjusted EBITDA up by 45% to PLN 591m and Adjusted Operating Free Cash Flow up by 92% to PLN 334m. This strong performance was of course underpinned by the acquisition of Dialog Group and Crowley in December 2011 and the PLN 76m of cumulative synergies realized since New Netia came together. We finished the year with active staffing levels of 2,013 employees, down by 28% from the proforma peak of 2,802 in mid-2011 and this single, integrated New Netia Team is increasingly ready to face the challenges of a punishing market environment.

Aggressive price competition across mobile, fixed and pay-TV segments with an inevitable push towards bundling has put Netia's residential operations, and its off-net RGUs in particular, under severe pressure. Fourth quarter Residential segment revenue was down 8% versus Q1 2012 and 146k RGUs were lost over the past 12 months while the Business Segments actually grew by 46k RGUs during the same period.

Management is determined to stabilize the Residential segment during 2013 by accelerating TV service sales and increasing both gross additions of broadband and the share of higher margin on-network RGUs. These improvements will come with short term costs of higher acquisition and content costs in 2013 but, if delivered successfully, will provide a foundation for better results in 2014.

Recognition of the challenges faced by New Netia has led Management to reduce its estimates of future free cash flow generation and this has led in turn to the recording of a PLN 79m impairment provision in Q4 2012 and tipped New Netia into a net loss position for the year as a whole. While this outcome is disappointing, Management's valuation of cash flows remains significantly above Netia's market capitalization and Old Netia was much more exposed to the issues underpinning the impairment than is New Netia.

Although operating synergies for 2013 are projected at PLN 115m, up by 51% on 2012, on-going revenue and gross margin erosion and the costs of acquiring more customers than in 2012 combine to deliver 2013 Adjusted EBITDA guidance down by 11% to PLN 525m and a margin of 27.3% on 9% lower total sales of PLN 1,925m. However, Adjusted Operating Free Cash Flow is still projected to come in at PLN 300m or 16% of revenue with with leverage going into 2013 at just 0.69x Adjusted EBITDA. In this context, Management has concluded that New Netia can plan for annual distributions to its shareholders of PLN 128m in 2013 and PLN 145m (PLN 0.40 per share) from 2014 and beyond."

2 Operational review

In order to ensure comparability of operating results in this section, the data for comparative quarters of 2011 is presented in two formats: as 'Old Netia" (ie., excluding results of the Telefonia Dialog SA group and Crowley Data Poland Sp. z o.o. (currently merged with Netia SA), which were acquired by Netia in mid- December 2011), and as 'New Netia' (ie., the pro forma results which include the Dialog Group's and Crowley's figures for respective periods). Only New Netia data has been provided for 2012 onwards as integration of operations makes allocating customers between Old and New activities uninformative.

2.1 BROADBAND, TV & MOBILE SERVICES

IPTV and content services. During 2011 Netia introduced a new TV offering 'Telewizja Osobista' (Personal Television). The offering includes a new proprietary set-top box – the 'Netia Player', which provides access to digital TV, both paid IPTV and free DTT (digital terrestrial TV), quick and easy access to popular internet services or own multimedia over a TV screen, and video-on-demand content libraries such as Ipla, Kinoplex and HBO GO.

Netia intends to constantly expand its TV offering with new content and functionalities. The product was further enhanced with new PVR functionality, and then by the introduction of a new content library 'tvn player' from April 2012. In June 2012 Netia added access to the TVP Sport service and in July 2012 it introduced a new application TVN Meteo. In Q2 2012 Netia extended its channels offering by adding Polsat News, Polsat Film, TTV and high definition channels such as TVP 1 HD, TVP 2 HD and Polsat Sport HD. During Q3 2012 Netia introduced TV packages for business clients, allowing among others for TV broadcasting in public sites such as pubs or restaurants, and added new pay-per-view functionality.

In December 2012 Netia expanded further its 'Telewizja Osobista' offering with new programing options. The newly introduced Premium+ package offers access to the Canal+ channels including, among others, films or sport events such as NBA or European football leagues. Moreover, the TV offering was extended with three high definition HBO channels and a new functionality, MooD (Music Only On Demand), was added to the 'Netia Player' set-top box.

In addition to IPTV based offerings, Netia is able to offer service outside its own network coverage using adaptive IP protocol. The IPTV technology currently used by Netia requires a fixed bandwidth transmission to deliver digital TV signal. Thanks to Microsoft Smooth Streaming technology, the new IP based TV combines high quality of TV signal with lower bandwidth requirements. Currently offering a narrower range of channels than IPTV in the form of the "Practical Package" TV offering, supplemented by DTT channels (thanks to the Netia Player's DTT tuner functionality) and additionally offering video content libraries of such free-of-charge widgets installed on Netia Player as IPLA, TVN Player and Kinoplex. The "Practical Package" includes 20 thematic TV channels, including 4 news channels, 4 sport channels and 2 children's channels and Netia is constantly working to expand the number of content partners.

The number of active TV services in New Netia grew to 79,285 as at December 31, 2012 up by 56% from 50,712 as at December 31, 2011 and by 9% from 72,805 as at September 30, 2012.

Number of TV services (k)	Old Netia				New Netia							
	Q1 11	Q2 11	Q3 11	Q4 11	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Total	**6.4**	**6.7**	**2.4**	**6.3**	**45.8**	**48.8**	**46.4**	**50.7**	**61.8**	**71.3**	**72.8**	**79.3**

Note: Netia disposed of Bydgoszcz based CATV operator in Q3 2011.

Netia added 6,480 TV services net in Q4 2012 as compared to 1,531services added in Q3 2012. The sequential improvement in net additions reflects the sales of the smooth streaming-based TV, which is available over a wider footprint than IPTV and was introduced commercially in Q3 2012. Management expects that the product, coverage and distribution improvements to be implemented in 2013 should combine to further accelerate TV sales growth over future quarters.

TV ARPU for New Netia was PLN 42 in Q4 2012 as compared to PLN 42 in Q4 2011 and PLN 42 in Q3 2012.

Broadband services in Netia totalled 874,778 at December 31, 2012, up by 18% from 750,156 at December 31, 2011. The broadband base fell by 2% versus Q3 2012 and, on a pro forma basis, by 4% versus Q4 2011.

Netia provides its broadband services using the following technologies:

Number of broadband ports (k)	*Old Netia*				*New Netia*							
	Q1 11	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 11*	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 12*	*Q2 12*	*Q3 12*	*Q4 12*
xDSL, FastEthernet and PON over own network	223.9	230.0	235.1	246.5	369.0	376.1	382.8	396.9	397.7	393.7	387.6	382.5
WiMAX Internet	18.5	18.0	17.5	16.8	20.5	20.0	19.7	19.1	18.4	18.0	17.2	17.9
LLU	146.1	159.3	175.4	184.2	146.1	159.3	175.4	184.2	184.1	182.3	184.6	182.7
Bitstream access	315.5	312.2	303.6	302.6	325.0	321.5	312.6	311.4	312.1	309.9	299.3	291.6
Other	0.1	0.1	-	-	0.1	0.1	-	-	-	-	-	-
Total	**704.1**	**719.6**	**731.7**	**750.1**	**860.7**	**877.0**	**890.5**	**911.6**	**912.4**	**903.9**	**888.7**	**874.8**

Broadband net decrease in New Netia totalled 13,920 during Q4 2012 as compared to 15,249 in Q3 2012. There were no additions from Ethernet network acquisitions in both Q4 and Q3 2012. The sequential improvement reflects the impact of a new advertising campaign launched at the end of September 2012, which was promoting the bundled TV and Internet services and restoring communication of the product USPs (unique selling points) for Netia offers, and better operational traction in the newly integrated sales forces.
Nevertheless, significantly slower fixed broadband market growth and increased price competition on broadband products from both the incumbent and cable TV operators during 2012 has effectively eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio. In 2013 Netia intends to focus on sales of its on-net products, including on-net broadband services. Moreover, the Company has launched a new internal project '4Sails' aimed at improving the execution across the entire sales process. Management is targeting to first stabilise and then to grow the broadband subscriber base as 2013 progresses.

Broadband ARPU for New Netia was PLN 57 in Q4 2012 as compared to PLN 56 in Q4 2011 and PLN 56 in Q3 2012. Netia's conservative pricing policy and focus on higher value customer segments has resulted in a solid ARPU performance over the past year.

Broadband SAC for Old Netia was PLN 174 in Q4 2012 as compared to PLN 178 in Q4 2011 and PLN 199 in Q3 2012. *Broadband SAC* for New Netia was PLN 178 in Q4 2012.

Local loop unbundling (LLU). New Netia served 182,726 customers over LLU as at December 31, 2012 as compared to 184,229 at December 31, 2011 and 184,631at September 30, 2012. During Q4 2012 Netia migrated 1,105 1play and 1,818 2play clients onto LLU, increasing the cumulative gross number of 1play and 2play migrations to 119,199. Organic net disconnections of 4,828 reflects the same competitive pressures that are impacting the overall broadband subscriber base. Nearly all LLU customers originate from Old Netia as Dialog Group had not invested in LLU nodes.

At this stage, Netia has effectively concluded its LLU roll-out program with 713 unbundled nodes.

Acquisitions of local Ethernet network operators. As of December 31, 2012, Netia's Ethernet networks provided broadband access to a total of 121,005 mostly residential customers as compared to 124,971 customers at September 30, 2012 and 132,532 customers at December 31, 2011, with approximately 621,000 homes passed. Despite continuing organic net disconnections on the Ethernet network as a whole, Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program in 2013. During 2012 Netia acquired three further Ethernet networks with 4,921 active customers and 18,180 homes passes as compared to nine acquisitions (including both purchases of companies and asset transfers) with 22,823 active customers and 103,832 homes passed in 2011. Netia is currently focused on upgrading Ethernet networks already acquired and will therefore likely acquire new networks at a much slower rate than seen in the past.

NGA network development. As at December 31, 2012, New Netia covered in total 1,040,000 households with its NGA networks, including 139,000 PON HPs, 707,000 VDSL HPs and 194,000 Ethernet FTTB HPs. Moreover, New Netia today covers a further 376,000 IPTV ready HPs within its network coverage based on ADSL2+ technology. Combined with NGA ready HPs, all of which can deliver IPTV services, New Netia today has 1,416,000 IPTV ready HPs in its proprietary network coverage.

New Netia has advanced plans to expand its NGA coverage by another 240,000 or more HPs to reach almost 1,280,000 NGA ready HPs by 2013 year end. Once completed, New Netia should cover in total approximately 1,450,000 IPTV ready HPs (NGA and ADSL2+) which can be reached with 3play service bundles (IPTV + fixed broadband + fixed voice). Furthermore, Netia has introduced smooth streaming technology, which expands the availability of its 3play bundle offer onto networks were Netia does not provide the broadband connection or where line speeds are too slow to support IPTV. Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services.

Mobile services. New Netia's mobile broadband customer base totalled 30,281 at December 31, 2012 as compared to 30,261 at December 31, 2011 and 32,758 at September 30, 2012. *Mobile broadband ARPU* for New Netia was PLN 26 in Q4 2012 as compared to PLN 28 in Q4 2011 and PLN 27 in Q3 2012. *Mobile voice services* totalled 60,219 at December 31, 2012 as compared to 52,002 at December 31, 2011 and 62,043 at September 30, 2012. New Netia's *Mobile voice ARPU* was PLN 26 in Q4 2012 as compared to PLN 25 in Q4 2011 and PLN 27 in Q3 2012. Mobile broadband has similar economics to BSA services whilst mobile voice has benefited from improved terms of MVNO agreements with partners P4 and Polkomtel.

Number of mobile services (k)	*Old Netia*				*New Netia*							
	Q1 11	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 11*	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 12*	*Q2 12*	*Q3 12*	*Q4 12*
Mobile data	9.0	16.3	24.2	28.1	9.3	16.6	24.7	30.3	30.4	33.4	32.8	30.3
Mobile voice	4.1	4.8	5.6	5.4	34.1	42.9	49.6	52.0	60.6	62.6	62.0	60.2
Total	**13.1**	**21.1**	**29.8**	**33.5**	**43.4**	**59.5**	**74.3**	**82.3**	**91.0**	**96.0**	**94.8**	**90.5**

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines (own network, WLR and LLU) in New Netia totalled 1,643,904 at December 31, 2012 as compared to 1,744,723 at December 31, 2011 and 1,677,766 at September 30, 2012. In Q4 2012 Netia recorded a net decrease of 33,862 voice lines versus 36,370 voice lines in Q3 2012. The Company expects the number of fixed voice lines to continue to decline, mainly due to clients churning from traditional direct voice and WLR services.

During 2012, the increasingly aggressive price competition from other providers on the market together with substitution from mobile and migrations to voice bundled with cable TV, has been putting pressure on the subscriber base whilst Netia has been targeting higher ARPU customers and upselling unlimited fixed-line national call bundles in order to attract higher value customers. However, during October 2012 the largest competitor significantly discounted its offers to high value customers and Netia management expects this to have a negative impact on voice ARPU and volume trends going forward. In this context, Management considers the slowdown in net losses seen in Q4 2012 to be encouraging.

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 has switched focus to defending voice revenues as opposed to subscriber numbers.

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

Number of fixed voice lines (k)	*Old Netia*				*New Netia*							
	Q1 11	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 11*	*Q2 11*	*Q3 11*	*Q4 11*	*Q1 12*	*Q2 12*	*Q3 12*	*Q4 12*
Traditional direct voice	327.0	322.6	321.1	318.7	620.0	610.4	605.2	596.3	584.9	587.3	578.2	563.7
ISDN	*144.6*	*145.7*	*148.3*	*149.1*	*220.5*	*220.7*	*223.4*	*223.1*	*221.6*	*233.3*	*233.9*	*237.0*
Incl. Legacy wireless	*38.5*	*40.5*	*42.0*	*41.8*	*38.5*	*40.5*	*42.0*	*41.8*	*42.1*	*44.0*	*44.4*	*44.8*
Voice over IP (excl. LLU)	31.3	32.1	33.9	37.0	36.8	37.9	39.9	42.3	45.1	49.7	53.0	69.3
WiMAX voice	19.2	18.5	17.5	16.5	20.3	19.6	18.7	17.6	16.7	15.8	15.0	14.7
Own network voice lines	**377.5**	**373.2**	**372.5**	**372.2**	**677.2**	**667.9**	**663.8**	**656.2**	**646.7**	**652.8**	**646.2**	**647.8**
WLR	739.5	722.3	699.3	680.0	1,005.9	992.4	974.2	962.3	954.9	936.2	903.8	869.2
LLU voice over IP	95.1	106.7	118.8	125.2	95.1	106.7	118.8	126.2	126.2	125.1	127.7	126.9
Total	**1,212.1**	**1,202.2**	**1,190.6**	**1,177.4**	**1,778.2**	**1,767.0**	**1,756.8**	**1,744.7**	**1,727.8**	**1,714.1**	**1,677.8**	**1,634.9**

Voice ARPU per WLR line was PLN 45 in Q4 2012 in New Netia as compared to PLN 46 in Q4 2011 and PLN 45 in Q3 2012.

Voice ARPU per Netia network subscriber line amounted to PLN 46 in Q4 2012 for New Netia as compared to PLN 50 in Q4 2011 and PLN 46 in Q3 2012.

Blended voice ARPU in New Netia was PLN 46 in Q4 2012 as compared to PLN 48 in Q4 2011 and PLN 46 in Q3 2012.

2.2.2 Indirect voice

CPS lines (carrier pre selection) in New Netia totalled 62,241 at December 31, 2012 as compared to 73,696 at December 31, 2011 and 65,249 at September 30, 2012. 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 New Netia voice subscriber base of 1,643,904 clients as at December 31, 2012.

Indirect voice ARPU per CPS line in New Netia was PLN 37 in Q4 2012 as compared to PLN 49 in Q4 2011 and PLN 42 in Q3 2012. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers are responsible for the progressive ARPU decline.

2.3 OTHER

Headcount for New Netia was 2,117 at December 31, 2012, compared to 2,899 at December 31, 2011 and 2,240 at September 30, 2012. Active headcount for New Netia was 2,013 at December 31, 2012 versus 2,786 at December 31, 2011 and 2,144 at September 30, 2012. The sequential decrease in active headcount of 131 was driven by the second wave of group redundancies, which was part of a restructuring plan implemented throughout 2012.

The movement in headcount can be analyzed as follows:

	Active	***Total***
Headcount at December 31, 2011 (pro forma for New Netia)	**2,787**	**2,895**
Incl. Old Netia	*1,435*	*1,476*
Incl. Dialog Group	*1,200*	*1,261*
Incl. Crowley	*152*	*158*
Employees acquired in Ethernet acquisitions since December 31, 2011	44	46
Net headcount reductions since December 31, 2011	(818)	(824)
Headcount at December 31, 2012 (as reported for New Netia)	**2,013**	**2,117**

In connection with the Dialog Group and Crowley integration, in April 2012 Netia management announced layoffs across the New Netia group totalling 519 employees and an intent to propose changes to the employment contracts of a further 129 employees . The headcount reduction process commenced with a first wave in June 2012 in accordance with regulations for group restructuring. A second wave of redundancies, completing the redundancy program, went into implementation in October 2012.

The headcount reduction program, which finally covered in total 515 employees, was completed in December 2012.

All redundant employees were offered 12-months medical care, additional financial compensation and access to an outplacement program. Approximately 85% of laid-off employees signed up to take part in the outplacement program.

All cost associated with the redundancy program were already provided for in the 2012 headcount restructuring provision of PLN 22.6m.

As part of the extension of network maintenance outsourcing to cover the Dialog and Crowley networks, announced on August 14, 2012, a further 188 job positions were transferred to Ericsson during Q3 2012 and a provision of PLN 3.0m was booked by Netia in Q3 2012 to contribute to reorganization activities planned by the outsourcing partner.

Capital investment additions

Capital investment additions (PLN'M)	*FY 2011 New Netia Pro forma*	*FY 2012 New Netia As reported*	*Change %*	*Q3 2012 New Netia As reported*	*Q4 2012 New Netia As reported*	*Change %*
Existing network and IT	97.7	96.6	16%	23.3	28.4	22%
Broadband networks	112.1	70.3	-33%	17.7	19.5	10%
CPE broadband (mainly capitalised Netia Spot routers)	14.9	21.5	44%	7.0	1.8	-74%
IPTV (incl. dedicated CPE – Netia Player)	0.0	21.6	nm	9.4	2.3	-76%
CDN integration	na	22.1	nm	6.5	13.1	102%
Total (as reported/pro forma for Old Netia)	**229.6**	**232.1**	**1%**	**63.9**	**65.2**	**2%**
Dialog group and Crowley	90.2	47.0	-48%	9.9	11.3	14%
Total (pro forma / as reported for New Netia)	**319.8**	**279.1**	**-13%**	**73.8**	**76.5**	**4%**

Capital investment in existing network and IT reflect extension of transmission network capacity to activate new corporate and carrier customers. Lower capital expenditures related to broadband networks reflect the completion of the LLU roll-out with respect to newly unbundled nodes (PLN 24.6m impact). As Netia Spot routers and Netia Player set-top boxes are being "leased" to customers under the same business model as satellite TV providers utilise, the customer premises equipment is being capitalised.

Of the total 2012 capital investment of PLN 279.1m, PLN 22.1m was attributed directly to projects aimed at releasing operational synergies from the integration of Dialog and Crowley. Despite these integration investments, total capital investment for 2012 of PLN 279.1m was down by 13% on the proforma investment of the New Netia group for 2011 as capital investment strategies in Dialog were modified to focus on more cost effective NGA technologies and spending on duplicate IT systems across New Netia group was slowed down pending integration.

3 Other Highlights

Integration of Netia, Dialog Group and Crowley into New Netia Group. In December 2011 Netia acquired 100% stakes in Telefonia Dialog SA ("Dialog", currently Telefonia Dialog Sp. z o.o.) and Crowley Data Poland Sp. z o.o. ("Crowley", currently merged into Netia). Both acquisitions, which transform Netia into a sizable European altnet with approximately 2.7m unique services, are in line with its Strategy 2020 announced in early 2011 and are expected to further strengthen the Company's market position in all four customer segments, leveraging Dialog's and Crowley's network assets, customer base and operating resources. In particular, the acquisitions are expected to facilitate the development of new generation broadband and TV services delivered through the NGA roll-out and deliver extensive operational synergies.

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

Completed integration projects have delivered synergies in the amount of PLN 76.2m at the Adjusted EBITDA level and PLN 21.8m from capital investments through December 31, 2012. From a total of over 100 projects, 76 Adjusted EBITDA level synergy initiatives are already completed and are expected to deliver approximately PLN 85m in annualized synergies during 2013. In addition, 29 Capex synergy initiatives have been completed. Total reorganization costs recorded during 2012 amounted to PLN 48.9m (out of which PLN 22.6m related to the employment restructuring program and PLN 26.3m related to integration costs). In 2012, apart from regular integration office costs, Netia bore additional costs associated with the continuation of the outplacement program.

In December 2012 Netia Group completed the second wave of group redundancies in connection with the Dialog and Crowley integration, reaching the planned headcount target and personal synergies. The above headcount reduction program covered in total 515 employees. All associated costs were provided for in 2012 headcount restructuring provision of PLN 22.6m.

This comprehensive integration project which is expected to create a larger, more efficient and more competitive New Netia is progressing smoothly. The integration initiatives are split across eighteen functional workstreams, and coordinated by an integration office. Senior management is confident that its upwardly revised synergy targets will be achieved with the final projects, mainly related to IT platform migrations, being concluded in H2 2013. Completion of this and other open projects during the course of 2013 is expected to grow the base of delivered operational synergies from PLN 76.2 m in 2012 to PLN 115m in 2013 and PLN 120m in 2014 with a further PLN 10m in recurring capex synergies.

Financing. On December 31, 2012, Netia had PLN 142.7m in cash and PLN 550.6m in total debt and accrued interest as compared to PLN 131.2m and PLN 590.0m, respectively, on September 30, 2012. The debt outstanding on December 31, 2012 comprised PLN 531.9m of principal and interest on a five-year senior debt facility drawn to acquire Dialog group and an overdraft drawn to PLN 18.7m. During Q4 2012 a PLN 65.0m debt instalment was repaid to the banks. Accordingly, Netia Group's net debt at December 31, 2012 was PLN 407.9m versus PLN 458.8m at September 30, 2012 and net debt to Adjusted EBITDA for 2012 amounted to 0.69x. Following the repayment of PLN 20.5m of interests on the above bank facility in January 2013, Netia's net debt as at February 20, 2013 decreased further. Financial covenants agreed as part of the loan facility with the consortium of banks signed in September 2011 are such that further funds may be raised to finance further acquisitions.

Share buy-backs in 2012 - 2013. Management intends to keep sufficient financial flexibility to be able to raise funding to participate in further market consolidation during 2013. Under the authorisation granted by the shareholders in 2011, Netia has now executed three share buy-back tranches, acquiring in total 32,132,500 shares, which represent 8.3% of the Company's share capital, and an 8.3% share in the total number of the votes at the general meeting of the shareholders, for a total amount of PLN 172.0m. This includes two buy-back tranches commenced in 2012 and completed in January 2013, under which Netia had acquired shares representing 3.3% and 2.5% of its share capital, respectively, for a total amount of PLN 122.5m, and one buy-back tranche executed in 2011 for 2.5% of the Company's share capital and PLN 49.5m. From the total of 32,132,500 shares acquired under all three tranches of share buy-backs, 9,775,000 shares have been already redeemed and the remaining 22,357,500 shares currently held as Treasury Shares by the Company shall be redeemed in due course at the meeting of the Company's shareholders. In accordance with the shareholders authorisation from 2011, Netia's Management is able to propose further buy-back programs for up to 4.2% of the Company's share capital for realization prior to June 2, 2013. No final decisions to commence further tranches have been taken as of today and any such decision would require the approval of Netia's Supervisory Board.

Management to recommend a new distribution policy. As already announced in June 2012, Management has been considering the introduction of a long-term distribution policy from 2013 onwards as a natural evolution from the already introduced buy-back program, absent any transformational M&A or capital intensive high NPV projects.

While remaining interested in a number of potential acquisition targets, Management presently sees no likely short-term transactions and therefore targets the implementation of the following new distribution policy:

(i) For 2013 Management intends to propose to the Supervisory Board that approximately PLN 128m (approximately PLN 0.35 per share equivalent) be returned to the shareholders through the buy-back of the remaining 4.2% of the Company's share capital authorized under a shareholders' buy-back resolution taken in 2011. Subject to the approval of the Supervisory Board, the buy-back would be conducted through an offer for the purchase by Netia SA of its shares directed to all the shareholders of Netia SA at a significant premium to the current market price.

(ii) Depending on the evolution of distributable reserves in Netia SA, which stand at PLN 481m and represent the key constraint on future distributions, Management may use dividends or offers to purchase shares directed to all shareholders or capital redemptions to facilitate payments to shareholders.

(iii) Based on its free cash flow projections, Management estimates that the Company may distribute up to PLN 145m, approximately PLN 0.40 per share, from 2014 onwards with some scope to moderately increase payments over time.

(iv) The final decisions on the form of payment to be effected/recommended for 2013 should be made in the coming weeks together with Netia's Supervisory Board.

(v) With due regard to continuing acquisition opportunities and given the ambitious targets to stabilise the Residential segment during 2013, Management intends to keep leverage below 1.0x Adjusted EBITDA in the medium term to maintain flexibility.

Whilst the Netia Group is cash generative, Management notes that high depreciation charges in the near term and the on-going possibility of impairment charges from annual impairment tests make net earnings of Netia SA relatively volatile. In these circumstances, distributions of the above amounts will be made to shareholders as regularly as legally possible and may take the form of dividends, tender offer for share buy-backs or redemption of share capital. The form of the distribution to be made in 2013 is under consultation. Management's recommendation of this distribution policy is subject to Supervisory Board's approval and shareholders voting where applicable.

Disputed corporate income tax (CIT) for 2003. Management expects the Supreme Administrative Court to hear the final appeal in 2013. Following the receipt of PLN 7.8m of refunds and interest from the tax authorities, Netia continues to claim PLN 51.9m plus interest from the tax authorities in relation to the disputed 2003 CIT case.

Exercise of options under Netia's stock option plan. The Company's employee stock option plan adopted in 2002, as amended in 2003 (the "Plan 2003"), expired at the end of 2012. In connection with the Plan 2003, Netia management participants exercised during 2012 24m options, which translated to the 4.4m shares issued by the Company in consideration of the exercised options.

A further 5.4m options (net of cancellations) are outstanding under the new Plan 2011, approved by the supervisory board on February 28, 2011. Strike prices under the Plan 2011 vary between PLN 5.23 and PLN 6.16 with earliest vesting dates in 2014.

Netia's shares continued to be a composite of the RESPECT Index of the Warsaw Stock Exchange, following its semiannual review in January 2013. The RESPECT Index covers the Polish companies listed on the Warsaw Stock Exchange's main market which operate in accordance with the best standards of corporate governance, information governance, investor relations as well as take into consideration and respect ecological, social and personnel factors. The companies are being qualified to the index based on a three stage verification process carried out by the Warsaw Stock Exchange, with regard to the above areas, as well and an audit executed by the project's partner – Deloitte. Currently, the RESPECT Index comprises 20 companies.

4 Guidance for FY2013 and Strategic Financial Goals

Netia maintains its FY 2013 guidance and updated long-term strategic financial goals as published originally on December 20, 2012 (see Netia's current report No. 109/2012 dated December 20, 2012).

A falling number of services (RGUs) in the Residential market, pricing pressure and cuts in mobile termination rates are projected to result in a 9.3% decline in 2013 revenue versus 2012. Whilst Corporate and SOHO/SME segments are targeting stable revenues, the Residential and Carrier segments are expected to experience significant falls in revenue.

Increased acquisition costs to drive growth in higher margin on-net sales and broadband and TV net additions in the Residential segment, together with lost margin on the lower sales base, is expected to result in Adjusted EBITDA for 2013 at PLN 525 million and Adjusted EBITDA margin of 27.3%.

Full guidance for 2013 is set out below:

	FY 2012 Actual	*FY2013 Guidance*
Number of services (RGUs) ('000)	2,686	2,650
Revenues (PLN m)	2,121	1,925
Adjusted EBITDA (PLN m)	591	525
Adjusted EBITDA margin (%)	27.9%	27.3%
Adjusted EBIT (PLN m)	109	65
Capital investments (excl. M&A and integration capex) (PLN m)	257	225
Capital investments (excl. M&A and integration capex) to sales (%)	12%	11.7%
Adjusted operating free cash flow (Adj. OpFCF)[1](PLN m)	334	300

1 Adjusted EBITDA less total capital investments excluding integration capex

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

Management no longer considers it financially attractive to pursue growth in overall service (RGU) numbers due to pricing pressure and lower margin in off-network RGUs and the continuing weakness in the fixed voice segment. Accordingly, Management is targeting 2013 as a year of transitioning to greater on-network sales focus and increased sales of on-net broadband and TV services. As a result, the goal of "Continued growth in the number of services (RGUs)" had been withdrawn from the long-term strategic financial goals.

Successful implementation of this revised commercial approach should stabilize financial performance of the Residential segment in 2014 and beyond. Given the on-going strong performance of the Business segments, long-term financial goals for Adjusted EBITDA, capex to sales ratio and Adjusted operating free cash flow (Adjusted OpFCF) remain viable and remained unchanged from the previously published goals.

Long-term strategic financial goals (until 2020)
Services (RGUs) per subscriber to reach 2.0x
Continuously increasing value share
Adjusted EBITDA margins in 27% - 29% range throughout
Capex to sales ratio to stay below 15% during network upgrade (2011-2013) and falling to 10%-12% thereafter
OpFCF margin to sales continuously above 12%

Consolidated Financial Information (actual/pro forma results)[1]

Please also refer to our financial statements for the year ended December 31, 2012.

2012 vs. 2011

Actual results as reported

Revenue rose by 31% YoY to PLN 2,121.3m for 2012 from PLN 1,618.8m for 2011, driven by the acquisition of Dialog Group and Crowley in December 2011. All operating segments recorded growth, with the Home segment growing by 29% or PLN 242.4m, the Corporate segment by 36% or PLN 123.0m, the SOHO/SME segment by 41% or 84.4m and the Carrier segment, where certain agreements have expired or are being run down, increasing by 11% or PLN 24.2m. Revenues in Other segment increased by 371% or PLN 28.5m due to the acquisition of Dialog's subsidiary Petrotel, which continues to be managed as a separate organization.

Telecommunications revenue increased by 31% YoY to PLN 2,108.7m in 2012 from PLN 1,614.0m in 2011 following the addition of Dialog Group and Crowley's customer bases from December 2011. The strongest progress has been seen on other telecommunications revenue which is up by 137% at PLN 113.8m as it includes TV and mobile services. Other telecommunications revenue now represents 5% of total revenue versus 3% in the prior year. The expansion of the Netia Group with Dialog and Crowley has led to only marginal changes in the composition of revenue with direct voice revenue as a share of total telecommunications revenue declining from 46% to 45% relative to 2011 and data revenue declining from 37% to 36% over the same period.

Cost of sales increased by 35% YoY to PLN 1,484.2m from PLN 1,103.0m for 2011 and represented 70% of total revenue as compared to 68% in the prior year. The absolute increase in costs reflects mainly the Dialog Group and Crowley acquisitions.

Depreciation and amortization related to cost of sales increased by 52% to PLN 394.1m as compared to PLN 258.4m for the prior year upon commencing the amortization of Dialog Group's and Crowley's fixed assets and the additional impact from D&A charges on the impairment reversal at Old Netia in Q4 2011.

Network operations and maintenance cost increased by 22% to PLN 647.6m from PLN 530.2m for 2011. This cost category increased less than revenues as Dialog Group is less reliant on fees paid to the incumbent to reach its mainly on-network customer base.

Interconnection charges increased by 27% to PLN 306.0m in 2012 as compared to PLN 240.8m for 2011, rising by less than revenues due to falling mobile termination rates and lower transit volumes.

Taxes, frequency fees and other expenses increased by 91% to PLN 78.1m in 2012 as compared to PLN 40.9m for 2011, due to the addition of Dialog Group's and Crowley's networks.

Restructuring expenses related to cost of sales were PLN 5.6m in 2012 and were related to the termination of employment contracts under the process of group redundancies, which was announced in April 2012 and started in June 2012 in connection with the integration of Netia, Dialog Group and Crowley into the New Netia Group. This amount includes PLN 3.0m recorded as a contribution to Ericsson's costs of restructuring the outsourced network maintenance organization following the transfer of Dialog and Crowley maintenance staff in September 2012.

Costs of goods sold increased by 13% YoY to PLN 11.6m as compared to PLN 10.2m recorded in 2011, as a result of a one-off cost of equipment sold by Petrotel of PLN 3.4m related to a new equipment and service contract with a major customer. Excluding the above mentioned one-off cost, this category was down following lower sales volumes and the introduction of the proprietary Netia Spot routers from June 2011 in Old Netia, which are being capitalized as they are leased rather than sold to customers.

Gross profit for 2012 was PLN 637.1m as compared to PLN 515.8m for 2011. Gross profit margin was 30.0% for 2012 and 31.9% for 2011. Additional depreciation charges arising from the major acquisitions and impairment reversal, together with a falling share of revenue from high margin voice services are responsible for the declining gross margin.

Selling and distribution costs increased by 32% YoY to PLN 392.1m from PLN 297.2m for the last year and represented 18% of total revenue in both 2012 and the prior year. The inclusion of fixed expenditures related to the Dialog Group and Crowley customer operations were the main drivers of this increase.

Salaries and benefits related to selling and distribution cost increased by 38% to PLN 118.6m from PLN 85.6m in the prior year.

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[1] In order to provide the most comprehensive information possible, the actual data for 2012 which is fully consolidating Dialog Group and Crowley, is compared to both the actual results for 2011 (with two weeks of consolidating Dialog and Crowley) as well as to the pro forma results for 2011, which include the results of Dialog and Crowley for the whole comparative period.

Depreciation and amortization related to selling and distribution cost increased by 109% to PLN 60.0m from PLN 28.7m in 2011 mostly due to the amortization of the customer bases of the newly acquired companies.

Restructuring expenses related to selling and distribution cost increased to PLN 9.6m from PLN 0.2m in 2011 and were related to the termination of employment contracts under the process of group redundancies started in June 2012 in connection with the New Netia Group reorganization.

Billing, mailing and logistics costs increased by 23% YoY to PLN 41.4m from PLN 33.7m, following the Dialog Group and Crowley acquisitions.

Impairment of receivables increased by 81% YoY to PLN 12.7m from PLN 7.0m, following the Dialog Group and Crowley acquisitions.

Advertising and promotion cost decreased by 21% to PLN 36.7m from PLN 46.6m despite the acquisitions as quick win synergies were implemented from early 2012.

General and administration costs increased by 36% YoY to PLN 207.6m from PLN 152.5m for 2011 and represented 10% of total revenue versus 9% for 2011. The cost increase was driven by the addition of the Dialog Group's and Crowley's expenses and the costs of the integration project to create New Netia. As a result, general and administration costs in 2012 included PLN 26.0m of New Netia integration costs and an additional PLN 7.4m of restructuring costs related to group redundancies under implementation in connection with the New Netia organization.

Adjusted EBITDA was PLN 591.2m, up 45% from PLN 408.2m for 2011. Adjusted EBITDA margin was 27.9% as compared to 25.2% in the prior year. Higher Adjusted EBITDA reflects the addition of Dialog Group and Crowley together with initial synergies of approximately PLN 76.2m and savings on acquisition costs, partially offset by falling margins from contracting voice services.

A non-cash impairment charge of PLN 79.2m, resulting from the impairment test of Netia Group's non-current assets, was recorded in 2012. The charge was recorded by writing down goodwill attributable to the Residential segment.

Upon an update of Netia's five-year business plan that takes into account new opportunities and potential threats resulting from changes in the telecommunications environment, Netia performed an impairment test in Q4 2012. The carrying amount of Netia's non-current assets and working capital was compared to the recoverable amount determined on the basis of value-in-use calculations. These calculations use cash flow projections based on assumptions underlying the budget for the next year and an approved updated business plan. The test resulted in the impairment charge of PLN 79.2m taken against goodwill which was attributable to the Residential segment.

In the prior year, New Netia's impairment test produced a reversal of earlier impairment charges of PLN 220.7m. Deteriorating prospects for RGU growth and falling voice ARPU expectations have driven this swing in Management's expectations of future cash flows.

In addition to the above mentioned impairment test results in 2011 and 2012, New Netia recorded integration costs of PLN 26.3m in 2012 and PLN 1.1m in 2011, restructuring costs of PLN 22.6m in 2012 and PLN 0.8m in 2011, the costs of M&A projects of PLN 1.5m in 2012 and PLN 10.4m in 2011 and universal service obligation provision of PLN 5.1m in 2011. As a result, *EBITDA* was PLN 461.5m for 2012 as compared to PLN 611.4m for the prior year. EBITDA margin was 21.8% as compared to 37.8% for 2011.

Depreciation and amortization was PLN 482.5m, an increase of 56% YoY as compared to PLN 308.7m in 2011, with increases resulting from the acquired fixed assets and acquisition intangibles of the Dialog Group and Crowley and the reversal of impairment recorded in Old Netia in Q4 2011.

Operating loss (EBIT) was PLN 21.0m as compared to an operating profit of PLN 302.7m for 2011. Excluding unusual items described above of PLN 129.6m of costs in 2012 and PLN 203.2m of net gains in 2011, Adjusted EBIT was PLN 108.7m profit for 2012 versus PLN 99.4m profit for 2011.

Net financial cost was PLN 39.9m as compared to net financial income of PLN 14.6m for the prior year. The change was driven by PLN 43.2m of interest on bank loans to finance the Dialog Group's acquisition in December 2011 as part of the swing from a net cash to a net debt position following the two acquisitions.

Income tax charge of PLN 26.8m was recorded in 2012 as compared to income tax charge of PLN 68.5m for 2011. The income charge tax recorded in 2012 was mainly due to reduced projections of future operating profitability, resulting in a reduction of various deferred tax assets across the group. Lower than planned taxable profits in Netia SA for 2012 led to a write down of PLN 7.5m of deferred tax assets related to expiring tax losses. Operational restructuring reduced these charges by PLN 20.3m recorded due to the recognition of deferred tax assets arising on the intragroup sale of network assets by Dialog to Netia. Income tax charge in 2011 included a net PLN 51.9m expensed in relation to the 2003 CIT tax dispute.

Net loss was PLN 87.7m for 2012 versus net profit of PLN 248.8m for 2011.

Cash outlays on purchase of fixed assets and computer software remained stable at PLN 262.5m for 2012 versus PLN 265.3m for 2011, PLN 5.3m was spent on acquisitions of Ethernet operators and networks and PLN 4.3m was paid as the final price adjustment in the Crowley acquisition, which was in line with initial estimates.

Cash outlays on repurchase of treasury shares under Netia's buy-back program amounted to PLN 106.8m in 2012 as compared to PLN 49.6m spent in the prior year.

Cash and short term deposits at December 31, 2012 totalled PLN 142.7m versus PLN 156.5m at December 31, 2011.

Debt and accrued interest at December 31, 2012 was PLN 550.6m as compared to PLN 695.2m in the prior year.

Net debt at December 31, 2012 was PLN 407.9m as compared to PLN 538.7m in the prior year.

Pro forma results for New Netia

Revenue decreased by 3% YoY from PLN 2,184.9m in 2011 to PLN 2,121.3m for the current year, mainly as a result of lower voice services revenue.

Telecommunications revenue decreased by 3% YoY from PLN 2,180.6m in 2011 to PLN 2,108.7m in 2012. Revenue from direct voice services decreased by 8% or PLN 79.1m and indirect voice services revenue decreased by 29% or PLN 14.1m as a result of decreasing customer numbers. Data services revenue remained stable, wholesale services increased by 2% or PLN 5.7m and other telecommunications revenue increased by 17% or PLN 16.6m driven by mobile and TV services growth.

Cost of operations and other costs excluding one-off items decreased by 7% YoY to PLN 1,530.2m from PLN 1,638.9m for 2011 and represented 72% of total revenue as compared to 75% in the prior year. Following the progress made already in integrating Netia, Dialog Group and Crowley into one organization and implementing 76 out of over 100 EBITDA affecting synergy projects, New Netia noted cost decreases across the majority of fixed and variable costs. Management estimates cumulative synergies delivered in 2012 at PLN 76.2m. Significant savings in the areas of marketing (a decrease by 42% or PLN 28.1m), service agreements and network leases (down by 8% or PLN 20.0m) and sales and distribution (down by 16% or PLN 10.1m) resulted mainly from integration of the advertising and promotion budgets, and restructuring of the sales organization. In addition, savings were recorded, among others, in sales commissions (down by 21% or PLN 13.8m) on lower gross additions, corporate support functions (down by 27% or PLN 9.7m), cost of equipment and postal services, which followed the capitalization of Netia's proprietary Netia Spot routers (down by 28% or PLN 9.0m), outsourced customer care (down by 24% or PLN 6.9m), and printing house (invoicing) (down by 16% or PLN 4.0m). The above savings were partially netted off with increased direct service costs resulting from changes in the client mix and service mix.

One-off cost items included PLN 79.2m of non-cash impairment charges recorded in 2012, New Netia integration costs of PLN 26.3m in 2012 and PLN 1.1m in 2011, restructuring costs of PLN 22.6m in 2012 and PLN 0.9m in 2011, which in the current year period related to costs associated with the total of 515 group redundancies in 2012 FY, the costs of M&A projects of PLN 1.5m in 2012 and PLN 10.4m in 2011, PLN 220.7m gain on reversal of earlier impairment charges recorded in 2011 and universal service obligation provision of PLN 7.2m recorded in 2011.

Adjusted EBITDA was PLN 591.2m, up by 8% from PLN 546.1m for 2011. Adjusted EBITDA margin was 27.9% in 2012 as compared to 25.0% in the prior year, with Adjusted EBITDA margin increase reflecting mainly the net synergies delivered on the New Netia Group integration project together with lower SAC and lower advertising expenses in Old Netia. *EBITDA* was PLN 461.5m for 2012 as compared to PLN 747.1m for the prior year. EBITDA margin was 21.8% in 2012 as compared to 34.2% for 2011.

Depreciation and amortization was PLN 482.5m, an increase of 20% from PLN 403.7m in 2011, with the increases resulting from the acquisition intangibles of the Dialog Group and Crowley recognized as part of the acquisitions and the reversal of impairment recorded in Old Netia in Q4 2011.

Operating loss (EBIT) was PLN 21.0m as compared to a profit of PLN 343.4m for 2011. Excluding unusual costs described above of PLN 129.6m in 2012 and net gains of PLN 201.0m in 2011, Adjusted EBIT would have been PLN 108.7m and PLN 142.3m for 2012 and 2011, respectively. Extra depreciation and amortization on acquisition intangibles and the impairment reversal in Old Netia caused the decline in EBIT margin.

Net loss was PLN 87.7m for 2012 versus net profit of PLN 277.1m for 2011.

Q4 2012 vs. Q3 2012

Actual results as reported by New Netia

Sequential revenue decreased by 0.3% to PLN 519.5m in Q4 2012 from PLN 521.1m in Q3 2012, as a result of lower sales volumes whilst ARPUs were broadly stable.

Telecommunications revenue decreased by 1% to PLN 513.8m in Q4 2012 versus PLN 518.6m in Q3 2012. Direct voice revenue fell by 2% QoQ to PLN 227.5m from PLN 233.0m in Q3 2012 as a result of the fall in the subscriber base. Data revenue declined by 0.5% to PLN 189.0m in Q4 2012 from PLN 189.9m in Q3 2012 following the decrease in the subscriber base. Carrier segment revenue increased sequentially by 3% or PLN 1.8m on higher voice termination revenue.

Radio communications and other services revenue was up sequentially by 132% or PLN 3.2m driven by a one-off sale of equipment by Petrotel to a major customer as part of a multi-year service contract.

Cost of sales remained unchanged at PLN 363.4m as compared to PLN 362.9m in Q3 2012, representing 70% of total revenue in both quarters. Interconnection charges increased by 5% or PLN 3.4m on more transit activity in the Carrier segment. Cost of goods sold was up by 202% or PLN 3.4m as a result of a one-off cost of equipment sold by Petrotel of PLN 3.4m related to a new equipment and services contract. Salaries and benefits related to the cost of sales were down by 30% or PLN 3.0m, reflecting group headcount reductions implemented in Q3 and Q4 2012. Restructuring cost related to the cost of sales was down by 83% to PLN 0.3m as the prior quarter included the majority of costs provisioned for in connection with the group headcount reductions planned for FY 2012 including Netia's contribution to the cost of restructuring outsourced maintenance resources by Ericsson following the transfer of 188 employees from Dialog and Crowley in September 2012.

Gross profit was PLN 156.1m in Q4 2012 as compared to PLN 158.1m in Q3 2012, with gross profit margin at 30.0% versus 30.3% in Q3 2012.

Selling and distribution costs increased by 6% QoQ to PLN 94.6m in Q4 2012 as compared to PLN 89.3m in Q3 2012 representing 18% of total revenue as compared to 17% in the previous quarter. Advertising and promotion spending was higher by 60% or PLN 4.6m as a result of seasonally more intensive advertising campaigns. Sequentially higher sales volumes resulted in an increase of third party commissions by 25% or PLN 1.4m. Other expenses related to selling and distribution costs increased by 16% or PLN 2.1m mainly as a result of rising content costs driven by TV services.

General and administrative expenses increased by 13% to PLN 51.1m in Q4 2012 from PLN 45.1m in Q3 2012, and represented 10% of total revenue as compared to 9% in the previous quarter. The increase was driven mainly by higher integration costs related to general administration, which were PLN 9.8m in Q4 2012 as compared to PLN 4.5m in Q3 2012. The cost of other expenses was up by 30% or PLN 2.5m and included liquidation and impairment of newly redundant CDP and Dialog IT systems in Q4 2012 and also sequentially higher cost of trainings following the holidays period in Q3. Cost of electronic data processing increased by 81% or PLN 2.0m in connection with migration of Crowley's and Dialog's systems. Cost of professional services was higher by 68% or PLN 1.4m and was chiefly related to terminated M&A projects. In addition, cost of salaries and benefits related to general administration included a one-off cost of PLN 2.7m related to integration event for all New Netia employees.

Adjusted EBITDA was PLN 144.5m versus PLN 157.4m for Q3 2012 and Adjusted EBITDA margin was 27.8% in Q4 2012 versus was 30.2% in Q3 2012.

EBITDA was PLN 54.1m as compared to PLN 148.4m in Q3 2012. EBITDA for Q4 2012 included an impairment charge of PLN 79.2m, New Netia integration costs of PLN 9.8m, restructuring costs of PLN 0.9m and the costs of M&A projects of PLN 0.5m. EBITDA for Q3 2012 included New Netia integration costs of PLN 4.5m, restructuring costs of PLN 4.2m and the costs of M&A projects of PLN 0.2m.

Operating loss (EBIT) was PLN 65.2m as compared to operating profit of PLN 27.3m in Q3 2012. Excluding unusual items, EBIT for Q4 2012 would have been PLN 25.2m profit as compared to PLN 36.4m for Q3 2012.

Net financial cost was PLN 6.5m as compared to net financial cost of PLN 10.3m in Q3 2012, with lower financial costs reflecting mainly lower interest on bank loans, lower fair value losses on forward contracts and lower foreign exchange losses, and lower interests received.

Income tax charge of PLN 37.2m was recorded in Q4 2012 versus income tax charge of PLN 7.0m in Q3 2012, driven by reduced projections of future operating profitability, which resulted in a reduction of various deferred tax assets across the group. Lower than planned taxable profits in Netia SA for 2012 led to a write down of PLN 7.5m of deferred tax assets related to expiring tax losses in Q4 2012.

Net loss for Q4 2012 was PLN 108.9m versus net profit of PLN 10.0m for Q3 2012.

Key Figures as reported
(incl. Dialog Group and Crowley impact from Q4 2011)

PLN'000	2011[1]	2012[2]	Q4 2011[1]	Q1 2012[2]	Q2 2012[2]	Q3 2012[2]	Q4 2012[2]
Revenues	1,618,803	2,121,356	426,718	544,279	536,472	521,073	519,532
y-o-y % change	*3.2%*	*31.0%*	*8.3%*	*35.7%*	*35.4%*	*32.0%*	*31.7%*
Adjusted EBITDA	408,209	591,165	108,417	133,008	156,183	157,448	144,526
Margin %	*25.2%*	*27.9%*	*25.4%*	*24.4%*	*29.1%*	*30.2%*	*27.8%*
y-o-y change %	*13.6%*	*44.8%*	*23.6%*	*31.0%*	*68.2%*	*49.3%*	*37.0%*
EBITDA	611,454	461,527	318,021	124,142	134,877	148,427	54,081
Margin %	*37.8%*	*21.8%*	*74.5%*	*22.8%*	*25.1%*	*28.5%*	*10.4%*
Adjusted EBIT	99,082	108,674	26,217	12,989	34,082	36,369	25,234
Margin %	*6.1%*	*5.1%*	*6.1%*	*2.4%*	*6.4%*	*7.0%*	*4.9%*
EBIT	302,698	(20,964)	236,193	4,123	12,776	27,348	(65,211)
Margin %	*18.7%*	*(1.0%)*	*55.4%*	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*
Adjusted Profit of the Netia Group (consolidated)	142,389	17,303	64,391	(2,665)	38,276	17,342	(35,651)
Margin %	*8.8%*	*0.8%*	*15.1%*	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*
Profit/(Loss) of the Netia Group (consolidated)	248,786	(87,704)	234,264	(9,846)	21,018	10,035	(108,911)
Margin %	*15.4%*	*(4.1%)*	*54.9%*	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*
Profit/(Loss) of Netia SA (stand alone)[3]	225,004	(94,175)	208,813	(20,443)	(8,715)	(9,783)	(55,234)
Cash and short term deposits	156,509	142,702	156,509	159,503	125,959	131,122	142,702
Treasury bills (at amortized cost)	-	49	-	-	-	48	49
Debt	695,177	550,649	695,177	644,157	579,830	590,013	550,649
Capex related payments	265,340	262,506	65,107	75,361	66,512	68,027	52,606
Investments in tangible and intangible fixed assets	243,719	279,097	79,294	59,897	68,924	73,752	76,524

EUR'000[4]	2011	2012[2]	Q4 2011[1]	Q1 2012[2]	Q2 2012[2]	Q3 2012[2]	Q4 2012[2]
Revenues	395,970	518,897	104,378	133,134	131,224	127,458	127,081
y-o-y % change	*3.2%*	*31.0%*	*8.3%*	*35.7%*	*35.4%*	*32.0%*	*31.7%*
Adjusted EBITDA	99,851	144,603	26,519	32,535	38,203	38,513	35,352
Margin %	*25.2%*	*27.9%*	*25.4%*	*24.4%*	*29.1%*	*30.2%*	*27.8%*
y-o-y change %	*13.6%*	*44.8%*	*23.6%*	*31.0%*	*68.2%*	*49.3%*	*37.0%*
EBITDA	149,566	112,892	77,790	30,366	32,992	36,306	13,229
Margin %	*37.8%*	*21.8%*	*74.5%*	*22.8%*	*25.1%*	*28.5%*	*10.4%*
Adjusted EBIT	24,236	26,582	6,413	3,177	8,337	8,896	6,172
Margin %	*6.1%*	*5.1%*	*6.1%*	*2.4%*	*6.4%*	*7.0%*	*4.9%*
EBIT	74,042	(5,128)	57,774	1,009	3,125	6,689	(15,951)
Margin %	*18.7%*	*(1.0%)*	*55.4%*	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*
Adjusted Profit of the Netia Group (consolidated)	34,829	4,232	15,750	(652)	9,363	4,242	(8,720)
Margin %	*8.8%*	*0.8%*	*15.1%*	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*
Profit/(Loss) of the Netia Group (consolidated)	60,855	(21,453)	57,302	(2,408)	5,141	2,455	(26,640)
Margin %	*15.4%*	*(4.1%)*	*54.9%*	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*
Profit/(Loss) of Netia SA (stand alone)[3]	55,037	(23,036)	51,077	(5,000)	(2,132)	(2,393)	(13,511)
Cash and short term deposits	38,283	30,319	38,283	39,015	30,810	32,073	30,319
Treasury bills (at amortized cost)	-	12	-	-	-	12	12
Debt	170,045	134,692	170,045	157,565	141,830	144,321	134,692
Capex related payments	64,904	64,211	15,926	18,434	16,269	16,640	12,868
Investments in tangible and intangible fixed assets	59,615	68,269	19,396	14,651	16,859	18,040	18,718

1 Includes 2 weeks of consolidating results of Telefonia Dialog SA group ('Dialog Group') and Crowley Data Poland Sp. z o. o, ('Crowley', currently 'CDP Netia Sp. z o.o.') which were acquired on December 16 and 14,2011, respectively.

2 Includes the full period of consolidating results of Dialog Group and Crowley.

3 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.

4 The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.0882 = EUR 1.00, the average rate announced by the National Bank of Poland on December 31, 2012. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2011 exclude the following items as appropriate: a non-cash gain on reversal of earlier impairment charges of PLN 220.7m, expenses related to the CIT 2003 tax dispute of PLN 58.3m, expenses related to M&A activities of PLN 10.4m, PLN 5.1m of expenses provisioned for universal service obligation payments, PLN 1.1m of New Netia integration costs, restructuring costs of PLN 0.8m 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. Items excluded for 2012 are the following: an impairment charge of PLN 79.2m, New Netia integration costs of PLN 26.3m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 22.6m and expenses related to M&A activities of PLN 1.5m and impact from these one-offs on the income tax charge of PLN 9.6m.

Key Figures pro forma / as reported (incl. Dialog Group and Crowley impact from Q1 2011)

PLN'000	2011	2012	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenues	2,184,949	2,121,356	548,416	544,279	536,472	521,073	519,532
q-o-q % change	*nm*	*(2.9%)*	*1.1%*	*(0.8%)*	*(1.4%)*	*(2.9%)*	*(0.3%)*
Adjusted EBITDA	546,071	591,165	138,276	133,008	156,183	157,448	144,526
Margin %	*25.0%*	*27.9%*	*25.2%*	*24.4%*	*29.1%*	*30.2%*	*27.8%*
q-o-q change %	*nm*	*8.3%*	*(0.8%)*	*(3.8%)*	*17.4%*	*0.8%*	*(8.2%)*
EBITDA	747,112	461,527	345,779	124,142	134,877	148,427	54,081
Margin %	*34.2%*	*21.8%*	*63.1%*	*22.8%*	*25.1%*	*28.5%*	*10.4%*
Adjusted EBIT	142,318	108,674	35,457	12,989	34,082	36,369	25,234
Margin %	*6.5%*	*5.1%*	*6.5%*	*2.4%*	*6.4%*	*7.0%*	*4.9%*
EBIT	343,360	(20,964)	242,961	4,123	12,776	27,348	(65,211)
Margin %	*15.7%*	*(1.0%)*	*44.3%*	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*
Adjusted Profit of the Netia Group (consolidated)	172,631	17,303	71,629	(2,665)	38,276	17,342	(35,651)
Margin %	*7.9%*	*0.8%*	*13.1%*	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*
Profit/(Loss) of the Netia Group (consolidated)	277,149	(87,704)	239,707	(9,846)	21,018	10,035	(108,911)
Margin %	*12.7%*	*(4.1%)*	*43.7%*	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*

EUR'000[1]	2011	2012	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenues	534,453	518,897	134,146	133,134	131,224	127,458	127,081
q-o-q % change	*nm*	*(2.9%)*	*1.1%*	*(0.8%)*	*(1.4%)*	*(2.9%)*	*(0.3%)*
Adjusted EBITDA	133,572	144,603	33,823	32,535	38,203	38,513	35,352
Margin %	*25.0%*	*27.9%*	*25.2%*	*24.4%*	*29.1%*	*30.2%*	*27.8%*
q-o-q change %	*nm*	*8.3%*	*(0.8%)*	*(3.8%)*	*17.4%*	*0.8%*	*(8.2%)*
EBITDA	182,748	112,892	84,580	30,366	32,992	36,306	13,229
Margin %	*34.2%*	*21.8%*	*63.1%*	*22.8%*	*25.1%*	*28.5%*	*10.4%*
Adjusted EBIT	34,812	26,582	8,673	3,177	8,337	8,896	6,172
Margin %	*6.5%*	*5.1%*	*6.5%*	*2.4%*	*6.4%*	*7.0%*	*4.9%*
EBIT	83,988	(5,128)	59,430	1,009	3,125	6,689	(15,951)
Margin %	*15.7%*	*(1.0%)*	*44.3%*	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*
Adjusted Profit of the Netia Group (consolidated)	42,227	4,232	17,521	(652)	9,363	4,242	(8,720)
Margin %	*7.9%*	*0.8%*	*13.1%*	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*
Profit/(Loss) of the Netia Group (consolidated)	67,792	(21,453)	58,634	(2,408)	5,141	2,455	(26,640)
Margin %	*12.7%*	*(4.1%)*	*43.7%*	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*

[1] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.0882 = EUR 1.00, the average rate announced by the National Bank of Poland on December 31, 2012. These figures are included for the convenience of the reader only.

Pro forma Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2011 exclude the following items as appropriate: a non-cash gain on reversal of earlier impairment charges of PLN 220.7m, expenses related to the CIT 2003 tax dispute of PLN 58.3m, expenses related to M&A activities of PLN 10.4m, PLN 5.1m of expenses provisioned for universal service obligation payments, PLN 1.1m of New Netia integration costs, restructuring costs of PLN 0.9m 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. Items excluded for 2012 are the following: an impairment charge of PLN 79.2m, New Netia integration costs of PLN 26.3m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 22.6m and expenses related to M&A activities of PLN 1.5m and impact from these one-offs on the income tax charge of PLN 9.6m.

Depreciation and amortisation from Q1 to Q4 2011 pro forma has been calculated by the addition of individual results for Old Netia, Dialog Group and Crowley. The acquisitions of Dialog Group and Crowley in Q4 2011 created new asset values and new intangible assets that materially increased depreciation and amortisation charges versus the stand-alone values of earlier quarters. No attempt has been made to restate depreciation and amortisation for Q1-Q4 2011 as if the acquisitions have taken place on January 1, 2011.

Key Operational Indicators pro forma / as reported[1]	Q1 2011 Pro forma	Q2 2011 Pro forma	Q3 2011 Pro forma	Q4 2011 As reported	Q1 2012 As reported	Q2 2012 As reported	Q3 2012 As reported	Q4 2012 As reported
Total services (RGUs)	**2,728,080**	**2,752,346**	**2,768,066**	**2,789,274**	**2,793,068**	**2,785,339**	**2,734,070**	**2,688,467**
Broadband data services								
Own infrastructure-based services	389,589	396,289	402,467	415,983	416,241	411,716	404,795	400,431
Own fixed-line networks	*368,996*	*376,100*	*382,754*	*396,853*	*397,680*	*393,753*	387,600	382,540
WiMAX	*20,477*	*20,081*	*19,694*	*19,130*	*18,561*	*17,963*	17,195	17,891
Others	*116*	*108*	*19*	-	-	-	-	-
Bitstream access	325,038	321,495	312,614	311,358	312,103	309,878	299,272	291,621
LLU	146,070	159,260	175,435	184,229	184,064	182,353	184,631	182,726
Total broadband data services (end of period)	**860,697**	**877,044**	**890,516**	**911,570**	**912,408**	**903,947**	**888,698**	**874,778**
Voice services (excl. CPS)								
Traditional direct voice [2]	620,012	610,441	605,165	596,330	584,928	587,311	578,191	563,753
incl. ISDN equivalent of lines	*220,460*	*220,674*	*223,402*	*223,148*	*222,604*	*233,280*	*233,888*	*236,974*
incl. legacy wireless	*38,504*	*40,474*	*41,987*	*41,799*	*42,158*	*43,984*	*44,418*	*44,788*
Voice over IP (excl. LLU)	36,838	37,889	39,910	42,279	45,100	49,694	53,050	69.359
WiMAX voice	20,314	19,571	18,692	17,603	16,644	15,819	14,987	14,663
Netia network subscriber voice services	677,164	667,901	663,767	656,212	646,672	652,824	646,228	647,775
WLR	1,005,911	992,399	974,252	962,322	954,917	936,167	903,810	869,196
LLU voice over IP	95,112	106,698	118,808	126,189	126,240	125,145	127,728	126,933
Total voice services (end of period)	**1,778,187**	**1,766,998**	**1,756,827**	**1,744,723**	**1,727,829**	**1,714,136**	**1,677,766**	**1,643,904**
TV services (end of period)	**45,838**	**48,775**	**46,445**	**50,712**	**61,804**	**71,274**	**72,805**	**79,285**
Mobile Data services (end of period)	**9,277**	**16,627**	**24,664**	**30,267**	**30,446**	**33,415**	**32,758**	**30,281**
Mobile Voice services (end of period)	**34,081**	**42,902**	**49,614**	**52,002**	**60,581**	**62,567**	**62,043**	**60,219**
Total services (RGUs) by segment (end of period)	**2,728,080**	**2,752,346**	**2,768,066**	**2,789,274**	**2,793,068**	**2,785,339**	**2,734,070**	**2,688,467**
Dialog Group[3]	765,366	773,612	783,190	792,043	-	-	-	-
Crowley[3]	27,089	29,205	30,355	29,932	-	-	-	-
Corporate segment	172,928	176,066	180,765	185,670	277,844	294,960	300,411	307,604
Carrier segment	4,437	4,467	4,451	4,732	8,444	8,513	8,420	10,090
Residential segment	1,481,067	1,478,343	1,466,962	1,468,217	2,077,515	2,050,755	1,995,939	1,934,843
Share of lines with multiplay services	*29.4%*	*30.1%*	*30.4%*	*30.9%*	*30.6%*	*31.2%*	*31.4%*	*31.8%*
SOHO/SME segment	277,193	290,653	302,343	308,680	393,939	396,133	394,350	400,905
Share of lines with multiplay services	*42.4%*	*44.5%*	*45.2%*	*46.6%*	*46.7%*	*47.3%*	*47.2%*	*47.2%*
Other[3] (Petrotel)	-	-	-	-	35,326	34,978	34,950	35,025
Other								
Total net additions in Broadband data services	nm	16,347	13,472	21,054	838	(8,461)	(15,249)	(13,920)
Monthly Broadband ARPU (PLN)	55	56	55	56	57	57	56	57
Total net additions in Voice services	nm	(11,189)	(10,171)	(12,104)	(16,894)	(13,693)	(36,370)	(33,862)
Monthly Voice ARPU in own network (PLN)	51	51	50	50	49	49	46	46
Monthly Voice ARPU for WLR (PLN)	47	47	46	46	45	45	45	45
Monthly Voice ARPU blended (PLN)	49	49	48	48	47	47	46	46
Monthly TV ARPU blended (PLN)	35	36	39	42	44	42	42	42
Monthly Mobile Data ARPU blended (PLN)	27	29	28	28	28	28	27	26
Monthly Mobile Voice ARPU blended (PLN)	34	32	26	25	24	26	27	26
CPS lines (cumulative)	84,298	79,835	77,051	73,696	70,029	67,480	65,249	62,241
Monthly Voice ARPU for CPS	54	49	50	49	48	44	42	37
Headcount	2,932	2,907	2,906	2,899	2,811	2,693	2,240	2,117
Active headcount	2,839	2,802	2,795	2,786	2,719	2,539	2,144	2,013

[1] *In order to ensure comparability of operating results in this section, the actual key performance indicators for Q4 2011 – Q4 2012 are compared to the pro forma results for Q1 – Q3 2011 including the results of the Dialog Group and Crowley, which were acquired by Netia on December 16, 2011 and December 14, 2011, respectively.*

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

[3] *Number of services in Dialog and Crowley for Q1-Q3 2012 has been fully integrated under the Netia Group's four operating segments. Services at Dialog's subsidiary Petrotel are shown separately under the 'Other' segment.*

Income Statement as reported (incl. Dialog Group and Crowley impact from Q4 2011) (PLN in thousands unless otherwise stated)				
Time periods:	2011[1] audited	2012[2] audited	Q3 2012[2] unaudited	Q4 2012[2] unaudited
Direct Voice	737,373	948,455	233,019	227,519
Incl. monthly fees	*516,707*	*662,808*	*164,351*	*159,425*
Incl. calling charges	*220,051*	*284,904*	*68,601*	*67,611*
Indirect Voice	22,469	34,976	8,380	7,156
Data	604,188	765,658	189,872	188,993
Interconnection revenues	77,602	109,588	26,173	25,350
Wholesale services	124,375	136,242	32,744	35,422
Other telecommunications revenues	48,014	113,789	28,433	29,411
Total telecommunications revenue	**1,614,021**	**2,108,708**	**518,621**	**513,851**
Radio communications and other revenue	4,782	12,648	2,452	5,681
Total revenue	**1,618,803**	**2,121,356**	**521,073**	**519,532**
Cost of sales	**(1,103,030)**	**(1,484,216)**	**(362,946)**	**(363,427)**
Interconnection charges	(240,818)	(306,056)	(71,244)	(74,667)
Network operations and maintenance	(530,240)	(647,586)	(159,744)	(160,466)
Costs of goods sold	(10,233)	(11,600)	(1,673)	(5,046)
Depreciation and amortization	(258,408)	(394,143)	(99,595)	(97,987)
Salaries and benefits	(22,034)	(41,101)	(9,997)	(7,005)
Restructuring	(384)	(5,608)	(2,011)	(334)
Taxes, frequency fees and other expenses	(40,913)	(78,122)	(18,682)	(17,922)
Gross profit	**515,773**	**637,140**	**158,127**	**156,105**
Margin (%)	***31.9%***	***30.0%***	***30.3%***	***30.0%***
Selling and distribution costs	**(297,253)**	**(392,069)**	**(89,275)**	**(94,570)**
Advertising and promotion	(46,610)	(36,663)	(7,729)	(12,346)
Third party commissions	(29,243)	(28,503)	(5,495)	(6,875)
Billing, mailing and logistics	(33,728)	(41,431)	(9,711)	(9,138)
Outsourced customer service	(32,060)	(30,034)	(7,560)	(6,857)
Impairment of receivables	(6,976)	(12,664)	(3,670)	(3,365)
Depreciation and amortization	(28,711)	(59,981)	(15,286)	(14,147)
Salaries and benefits	(85,638)	(118,592)	(26,348)	(26,498)
Restructuring	(164)	(9,619)	(546)	(276)
Other costs	(34,123)	(54,582)	(12,930)	(15,068)
General and administration costs	**(152,473)**	**(207,610)**	**(45,137)**	**(51,071)**
Professional services	(11,648)	(11,088)	(2,010)	(3,374)
Electronic data processing	(10,084)	(13,410)	(2,543)	(4,600)
Office and car maintenance	(11,771)	(18,125)	(4,811)	(4,358)
Depreciation and amortization	(21,637)	(28,367)	(6,198)	(7,158)
Salaries and benefits	(62,616)	(92,198)	(19,420)	(20,235)
Restructuring	(250)	(7,429)	(1,672)	(306)
Other costs	(34,467)	(36,993)	(8,483)	(11,040)
Other income	15,973	22,438	4,636	5,064
Other expense	(4,204)	(5,634)	(958)	(2,766)
Other gains/ (losses), net	4,205	3,974	(45)	1,230
Impairment charge for non-current assets	-	(79,203)	-	(79,203)
Reversal of an impairment charge for non-current assets	220,677	-	-	-
EBIT	**302,698**	**(20,964)**	**27,348**	**(65,211)**
Margin (%)	***18.7%***	***(1.0%)***	***5.2%***	***(12.6%)***
Finance income	18,288	6,271	669	1,508
Finance cost	(3,710)	(46,213)	(11,017)	(8,047)
Profit before tax	**317,276**	**(60,906)**	**17,000**	**(71,750)**
Tax benefit / (charge)	(68,490)	(26,798)	(6,965)	(37,161)
Profit / (Loss)	**248,786**	**(87,704)**	**10,035**	**(108,911)**

[1] *Includes 2 weeks of consolidating results of Dialog Group and Crowley , which were acquired on December 16 and 14, 2011, respectively.*

[2] *Including the consolidation of Dialog Group and Crowley results for the full period.*

Income Statement pro forma (incl. Dialog Group and Crowley impact from Q1 2011) (PLN in thousands unless otherwise stated)				
Time periods:	2011 *audited*	2012 *audited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*
Direct Voice	1,027,544	948,455	233,019	227,519
Indirect Voice	49,065	34,976	8,380	7,156
Data	766,715	765,658	189,872	188,993
Interconnection revenues	117,980	109,588	26,173	25,350
Wholesale services	122,157	136,242	32,744	35,422
Other telecommunications revenues	97,131	113,789	28,433	29,411
Total telecommunications revenue	**2,180,592**	**2,108,708**	**518,621**	**513,851**
Radio communications and other revenue	4,357	12,648	2,452	5,681
Total revenue	**2,184,949**	**2,121,356**	**521,073**	**519,532**
Cost of operations and other costs[1]	**(1,437,837)**	**(1,659,829)**	**(372,646)**	**(465,451)**
Depreciation & amortisation	(403,752)	(482,491)	(121,079)	(119,292)
EBIT	**343,360**	**(20,964)**	**27,348**	**(65,211)**
Margin (%)	***15.7%***	***-1.0%***	***5.2%***	***-12.6%***
Finance income / (cost)	11,030	(39,942)	(10,348)	(6,539)
Profit / (Loss) before tax	**354,390**	**(60,906)**	**17,000**	**(71,750)**
Tax benefit / (charge)	(77,241)	(26,798)	(6,965)	(37,161)
Profit / (Loss)	**277,149**	**(87,704)**	**10,035**	**(108,911)**

[1] *Detailed prior year costs allocated in accordance with the Netia Group's standards are still being prepared for Dialog Group and Crowley so the full details cannot be provided at this time.*

EBITDA Reconciliation to Profit as reported
(incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Operating Profit	**302,698**	**(20,964)**	**27,348**	**(65,211)**
Add back:				
Depreciation and amortization	308,756	482,491	121,079	119,292
EBITDA	**611,454**	**461,527**	**148,427**	**54,081**
Add back:				
Impairment charge for non-current assets	-	79,203	-	79,203
Restructuring costs	798	22,656	4,229	917
M&A related costs	10,434	1,504	256	554
New Netia integration costs	1,097	26,275	4,536	9,771
Provision for universal service obligation payments	5,104	-	-	-
Less:				
Gain on reversal of an impairment charge for non-current assets	(220,677)	-	-	-
Adjusted EBITDA	**408,210**	**591,165**	**157,448**	**144,526**
Margin (%)	***25.2%***	***27.9%***	***30.2%***	***27.8%***

EBITDA Reconciliation to Profit pro forma
(incl. Dialog Group and Crowley impact from Q1 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011 *unaudited*	2012 *audited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*
Operating Profit	**343,360**	**(20,964)**	**27,348**	**(65,211)**
Add back:				
Depreciation and amortization	403,752	482,491	121,079	119,292
EBITDA	**747,112**	**461,527**	**148,427**	**54,081**
Add back:				
Impairment charge for non-current assets	-	79,203	-	79,203
Restructuring costs	798	22,656	4,229	917
M&A related costs	10,434	1,504	256	554
New Netia integration costs	1,097	26,275	4,536	9,771
Provision for universal service obligation payments	7,157	-	-	-
Less:				
Gain on reversal of an impairment charge for non-current assets	(220,677)	-	-	-
Adjusted EBITDA	**546,071**	**591,165**	**157,448**	**144,526**
Margin (%)	***25.0%***	***27.9%***	***30.2%***	***27.8%***

[1] *Includes 2 weeks of consolidating results of Dialog Group and Crowley , which were acquired on December 16 and 14, 2011, respectively.*

[2] *Including the consolidation of Dialog Group and Crowley results for the full period.*

Note to Other Income as reported (incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Reminder fees and penalties	7,397	13,880	3,475	1,821
Forgiveness of liabilities	886	453	129	80
Reversal of impairment charges and provisions	1,534	1,398	-	1,398
Results of settlements	2,700	-	-	-
Returned VAT on acquisitions	1,015	1,264	-	1,264
Other operating income	2,440	5,443	1,068	795
Reversal of an impairment charge for non-current assets	-	-	(36)	(294)
Total	**15,972**	**22,438**	**4,636**	**5,064**

Note to Other Expense as reported (incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Impairment charges for specific individual assets	(3,996)	(4,611)	(489)	(2,583)
Impairment charges for specific other assets	(126)	-	-	-
Other expenses	(82)	(1,023)	(469)	(183)
Total	**(4,204)**	**(5,634)**	**(958)**	**(2,766)**

Note to Other Gains / (losses), net as reported (incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Gain / (loss) on sale of impaired receivables	1,151	3,758	107	753
Gain / (loss) on disposal of fixed assets	3,052	471	(47)	811
Net foreign exchange gains / (losses)	2	(255)	(105)	(333)
Total	**4,205**	**3,974**	**(45)**	**1,231**

Total comprehensive income as reported (incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Profit / (Loss)	**248,786**	**(87,704)**	**10,035**	**(108,911)**
Cash flow hedges	2,095	(13,819)	(5,017)	(4,493)
Income tax relating to components of other comprehensive income	(398)	2,626	862	921
Other comprehensive Income / (Loss)	**1,697**	**(11,193)**	**(4,155)**	**(3,572)**
Total comprehensive Income / (Loss)	**250,483**	**(98,897)**	**5,880**	**(112,483)**
Attributable to equity holders of the Company	*250,483*	*(98,897)*	*5,880*	*(112,483)*

[1] *Includes 2 weeks of consolidating results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.*

[2] *Including the consolidation of Dialog Group and Crowley results for the full period.*

Statement of financial position as reported (incl. Dialog Group and Crowley impact from Q4 2011) *(PLN in thousands unless otherwise stated)*					
Time periods:	Dec. 31 2011[1] *audited*	March 31 2012[2] *unaudited*	June 30 2012[2] *unaudited*	Sept. 30 2012[2] *unaudited*	Dec. 31 2012[2] *unaudited*
Property, plant and equipment, net	2,184,751	2,148,741	2,115,176	2,091,055	2,066,277
Intangible assets	765,275	746,254	723,640	699,543	597,455
Investment property	26,399	-	-	-	-
Deferred income tax assets	111,784	108,549	126,307	120,576	101,687
Available for sale financial assets	115	115	115	115	115
Long-term receivables	218	218	218	1	1
Prepaid expenses and accrued income	11,832	12,575	13,857	13,603	11,082
Total non-current assets	**3,100,374**	**3,016,452**	**2,979,313**	**2,924,893**	**2,776,617**
Inventories	5,314	5,142	3,955	3,502	2,094
Trade and other receivables	255,596	239,061	270,368	250,804	248,270
Current income tax receivables	262	262	39	45	518
Prepaid expenses and accrued income	30,091	33,610	37,943	34,583	33,660
Derivative financial instruments	2,723	510	1,019	1	-
Financial assets at fair value through profit and loss	16	16	15	15	15
Held to maturity investments	-	-	-	48	49
Restricted cash	2,263	2,278	2,278	2,263	2,263
Cash and short-term deposits	156,509	159,503	125,959	131,122	142,702
	452,774	**440,382**	**441,576**	**422,383**	**429,571**
Assets held for sale	-	26,736	26,770	26,770	26,770
Total current assets	**452,774**	**467,118**	**468,346**	**449,153**	**456,341**
TOTAL ASSETS	**3,553,148**	**3,483,570**	**3,447,659**	**3,374,046**	**3,232,958**
Share capital	391,602	381,863	386,170	386,212	386,281
Treasury shares	(49,582)	-	(24,847)	(70,487)	(106,814)
Supplementary capital	1,867,421	1,818,325	2,058,494	2,059,135	2,060,076
Retained earnings	251,012	241,166	36,444	46,479	(62,432)
Other components of equity	39,915	45,385	27,619	23,321	19,184
Equity attributable to equity owners	**2,500,368**	**2,486,739**	**2,483,880**	**2,444,660**	**2,296,295**
Non-controlling interests	5	5	-	-	-
TOTAL EQUITY	**2,500,373**	**2,486,744**	**2,483,880**	**2,444,660**	**2,296,295**
Bank loans	514,584	514,374	451,096	450,745	384,452
Provisions	3,086	3,009	9,428	9,432	18,189
Deferred income tax liabilities	2,971	-	-	-	17,683
Deferred income	22,123	22,475	20,986	20,157	20,769
Other financial liabilities	-	-	-	-	5,741
Other long-term liabilities	9,392	8,966	5,006	4,790	4,232
Total non-current liabilities	**552,156**	**548,824**	**486,516**	**485,124**	**451,066**
Trade and other payables	263,155	256,809	275,009	235,455	260,042
Derivative financial instruments	84	4,297	3,806	8,212	7,268
Borrowings	180,593	129,783	128,734	139,268	166,197
Other financial liabilities	71	64	-	-	66
Current income tax liabilities	1	1	1	1	1
Provisions	12,681	13,165	26,562	20,192	14,200
Deferred income	44,034	43,883	43,151	41,134	37,823
Total current liabilities	**500,619**	**448,002**	**477,263**	**444,262**	**485,597**
Total liabilities	**1,052,775**	**996,826**	**963,779**	**929,386**	**936,663**
TOTAL EQUITY AND LIABILITIES	**3,553,148**	**3,483,570**	**3,447,659**	**3,374,046**	**3,232,958**

[1] *Includes 2 weeks of consolidating results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.*

[2] *Includes the full quarter of consolidating results of Dialog Group and Crowley.*

Cash Flow Statement as reported
(incl. Dialog Group and Crowley impact from Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2011[1] *audited*	2012[2] *audited*	Q3 2012[2] *unaudited*	Q4 2012[2] *unaudited*
Profit / (Loss)	**248,786**	**(87,704)**	**10,035**	**(108,911)**
Depreciation and amortization	308,756	482,491	121,079	119,292
An impairment charge on non-current assets	-	79,203	-	79,203
Impairment charges for specific individual assets	4,122	4,611	356	2,716
Reversal of impairment losses	(220,677)	-	-	-
Reversal of impairment charges for specific assets	(1,534)	(296)	37	(3)
Deferred income tax charge / (benefit)	16,410	27,111	6,472	37,405
Interest expense and fees charged on bank loans	2,491	43,185	10,066	7,493
Other interest charged	(7,106)	501	165	117
Share-based compensation	3,191	1,913	694	(416)
Fair value (gains)/losses on financial assets/liabilities	(1)	1	-	-
Fair value (gains)losses on derivative financial instruments	(1,464)	1,945	811	9
Foreign exchange (gains)/losses	(970)	435	376	119
(Gain)/Loss on disposal of fixed assets	(2,743)	(21)	314	(657)
Changes in working capital	11,241	(11,989)	(30,623)	2,846
Tax expenses in relation to prior periods	58,325	-	-	-
Net cash provided by operating activities	**418,827**	**541,386**	**119,782**	**139,213**
Purchase of fixed assets and computer software	(262,659)	(262,506)	(68,027)	(52,606)
Purchase of operational networks	(2,680)	-	-	-
Proceeds from sale of non-core assets	8,509	2,145	219	1,695
Purchase of Ethernet operators, net of received cash	(22,698)	(5,285)	15	1,227
Purchase price adjustment for Crowley	(972,287)	(4,323)	-	(2,775)
Net (purchase)/receipt of treasury bonds / notes	179,105	(48)	(48)	-
Purchase of non-controlling interest	-	(15)	(15)	-
Sale of investments	-	28	-	-
Net cash used in investing activities	**(1,072,710)**	**(270,004)**	**(67,856)**	**(52,459)**
Government grants received	-	16,551	-	9,956
Proceeds from borrowings	700,000	-	-	-
Repurchase of own shares	(49,582)	(106,814)	(45,640)	(36,327)
Finance lease payments	(5,203)	(4,981)	(887)	(850)
Overdraft	-	18,751	-	18,751
Loan repayments	(430)	(182,049)	-	(65,068)
Interest repayments	-	(24,682)	140	13
Payments of fees relating to bank loans	(8,963)	(1,530)	-	(1,530)
Net cash used in financing activities	**635,822**	**(284,754)**	**(46,387)**	**(75,055)**
Net change in cash and short-term deposits	**(18,061)**	**(13,372)**	**5,539**	**11,699**
Effect of exchange rate change on cash and cash equivalents	970	(435)	(376)	(119)
Cash and short-term deposits at the beginning of the period	173,600	156,509	125,959	131,122
Cash and short-term deposits at the end of the period	**156,509**	**142,702**	**131,122**	**142,702**

[1] Includes 2 weeks of consolidating results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.
[2] Includes the first full quarter of consolidating results of Dialog Group and Crowley.

Definitions	
Active headcount	• full-time employment equivalent with regard to employees who are not during maternity leaves, non-paid leaves nor long-term sick leaves (above 33 days during calendar year), who are not at military service or who were relieved from the obligation to perform work
Backbone	• a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream access	• a type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by the incumbent. The altnet connects to the incumbent's data network and may only offer services identical to those of the incumbent, paying it on a retail minus basis for use of its network.
Broadband SAC	• a cost per unit related to the acquisition of new customers through broadband access (i.e., Bitstream, LLU, WiMAX, xDSL), including a one-time payment to the incumbent, sales commissions, postal services and the cost of modems sold;
Broadband ARPU	• average monthly revenue per broadband port during the period; Broadband ARPU is obtained by dividing the amount of monthly revenues from data services related to provisioning fixed Internet access by the average number of broadband ports, in each case for the referenced three-month period; Where significant promotional discounts are given at the beginning of contracts, revenues are averaged over the life of the contract.
Broadband port	• a broadband port which is active at the end of a given period;
Cash	• cash and cash equivalents at the end of period;
Cost of network operations and maintenance	• cost of rentals of lines and telecommunications equipment, as well as maintenance, services and related expenses necessary to operate our network;
Data revenues	• revenues from provisioning Frame Relay (including IP VPN-virtual private network services), lease of lines (including leased lines for carriers), Internet fixed-access services (provided, among others, through bitsteam and WiMAX types of access) and IP Transit;
Direct voice revenues	• telecommunications revenues from voice services offered by Netia to its subscribers (through various types of access, including, among others, WiMAX). Direct voice services include the following traffic fractions: local calls, domestic long-distance (DLD) calls, international long distance (ILD) calls, fixed-to-mobile calls and other services (incl. Internet dial-in, emergency calls and 0-80x/0-70x - type calls originated by Netia's subscribers);
DSLAM	• technical infrastructure that splits data from voice traffic over a copper line and is deployed in the local network of a telecommunications operator to provide ADSL services to customers connected to a given local network node.
EBITDA / Adjusted EBITDA	• to supplement the reporting of our consolidated financial information under IFRS, we will continue to present certain financial measures, including EBITDA. We define EBITDA as profit/(loss) as measured by IFRS, adjusted for depreciation and amortization, financial income and expense, income taxes and results of investments in associates. EBITDA has been further adjusted for a non-cash gain on reversal of earlier impairment charges, provision for universal service obligation payment, one-off restructuring expenses related to the cost reduction program, M&A expenses, New Netia integration expenses, a gain on disposal of the transmission equipment to P4 and a positive accounting impact from the settlement agreement with the incumbent and is therefore defined as Adjusted EBITDA. We believe EBITDA and related measures of cash flow from operating activities serve as useful supplementary financial indicators in measuring the operating performance of telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) or as an indicator of operating performance or as a measure of cash flows from operations under IFRS or as an indicator of liquidity. The presentation of EBITDA, however, enables investors to focus on period-over-period operating performance, without the impact of non-operational or non-recurring items. It is also among the primary indicators we use in planning and operating the business. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies;
Headcount	• full time employment equivalents;
Indirect voice revenues	• telecommunications revenues from the services offered through Netia's prefix (1055) or Tele2 Polska's prefix (1061) to customers being subscribers of other operators. Indirect access services include the following traffic fractions: domestic long-distance (DLD) calls, international long distance (ILD) calls and fixed-to-mobile calls;

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

Conference call on the FY 2012 results

Netia management will hold a conference call to review the results on February 21, 2013 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

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

Replay number:
(UK) +44 20 8196 1998
Passcode: 1972009#

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.