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Netia reports 2013 first quarter results

WARSAW, Poland – May 15, 2013 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results for the quarter ended March 31, 2013.

1 Key highlights

1.1 FINANCIAL

- *Revenue* was PLN 490.7m in Q1 2013, down by 10% versus Q1 2012 and by 6% sequentially. The decline in revenues was driven by an 8% year-on-year and a 3% sequential decline in services provided (RGUs) and by falls in mobile termination rates (MTRs). The Company estimates that lower MTRs contributed one-third of revenue declines both year-on-year and sequentially. RGU decline continued to be concentrated in the Residential segment and in fixed voice services. The MTR declines mainly impacted upon revenues in the Corporate and Carrier segments.

- *Adjusted EBITDA* was PLN 142.0m for Q1 2013, up by 7% over Q1 2012 and down by 2% versus Q4 2012. Adjusted EBITDA margin was 28.9% for Q1 2013 versus 24.4% for Q1 2012 and 27.8% in Q4 2012. The year-on-year improvement reflects synergies extracted from the integration of Dialog Group and Crowley whereas the 2% sequential decline is due to 10% lower revenues being concentrated in low margin RGU categories such as off-net services and wholesale voice termination services.

- *EBITDA* was PLN 138.6m for Q1 2013, up by 12% versus Q1 2012 and by 156% versus Q4 2012. The unusual items for Q1 2013 include Dialog Group and Crowley integration costs of PLN 2.2m, restructuring costs of PLN 0.9m and costs of M&A projects of PLN 0.3m. The unusual items for the comparative periods include a PLN 79.2m impairment charge in Q4 2012, Dialog Group and Crowley integration costs of PLN 9.8m in Q4 2012 and PLN 6.0m in Q1 2012, restructuring costs of PLN 0.9m in Q4 2012 versus PLN 2.6m in Q1 2012 and costs of M&A projects of PLN 0.5m in Q4 2012 and PLN 0.2m in Q1 2012. EBITDA margin was 28.3% for Q1 2013 as compared to 22.8% for Q1 2012 and 10.4% for Q4 2012.

- *EBIT* was PLN 27.3m (Adjusted EBIT was PLN 30.6m profit when excluding all one-offs) in Q1 2013 as compared to PLN 4.1m (PLN 13.0m profit when excluding one-offs) in Q1 2012 and negative PLN 65.2m (PLN 25.2m profit when excluding one-offs) in Q4 2012.

- *Net profit* was PLN 13.1m for Q1 2013 versus net loss of PLN 9.8m for Q1 2012 and net loss of PLN 108.9m for Q4 2012. Reported net profit for Q1 2013 included PLN 8.7m of interest to service the loan taken in 2011 to acquire Dialog Group versus PLN 13.3m of interest for this purpose in Q1 2012. Reported net loss for Q4 2012 included a non-cash impairment charge of PLN 79.2m.

- *Netia delivered record operating free cash flow in Q1 2013*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex and Ethernet acquisitions, was a record PLN 98.6m for Q1 2013 versus PLN 73.4m for Q1 2012 and PLN 81.1m for Q4 2012.

- *Netia's cash and short term deposits* at March 31, 2013 totalled PLN 98.3m, down by PLN 44.4m from December 31, 2012, with *total debt* at PLN 562.5m, up by PLN 11.9m from December 31, 2012. *Net debt* therefore stood at PLN 464.2m, up by PLN 56.3m from PLN 407.9m on December 31, 2012 and *financial leverage* was 0.88x Adjusted EBITDA guidance of PLN 525m for 2013 full year. In addition, at March 31, 2013 Netia held a further PLN 129.0m on an escrow account pending conclusion of its offer to purchase 16.0m Netia shares, which closes on May 22, 2013. Inclusive of this cash, pro forma net debt at March 31, 2013 was down by 18% over the quarter to PLN 335.2m and pro forma leverage stood at 0.64x Adjusted EBITDA guidance for 2013.

- *Netia announced an offer to purchase shares* in March 2013 (the 'Offer') under which it intends to acquire up to 16.0m treasury shares representing up to 4.15% of the Netia's share capital and entitling to exercise up to 4.15% of the total number of votes at the shareholders meeting for a total of PLN 128.1m. The purchase price of one share under the Offer is PLN 8.00. The Offer closes on May 22, 2013 and is expected to be settled not later than by May 29, 2013. The Offer is being conducted in continuation of the existing share buy-back program authorized by Netia shareholders in 2011 to repurchase and redeem shares representing in total up to 12.5% of the Company's share capital (for details please see section 3 *Other Highlights*).

- *Netia maintains its full year 2013 guidance* 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. Total services (RGUs) at year-end 2013 are targeted 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 relatively strong performance of the Business segments (comprising the Corporate, SOHO/SME and Carrier segments), Netia expects them to be the main profit engine in the nearest future and intends to focus strongly on developing services for its business customers.

1.2 OPERATIONAL

- *Number of services (RGUs)* was 2,637,912 at March 31, 2013 as compared to 2,793,068 at March 31, 2012 and 2,688,467 at December 31, 2012, with the year-on-year and quarterly decreases driven by the fall in the number of fixed voice services and generally intense competition on a weakening telecommunications market. This was partially offset with improving net additions performance from TV services, which were 11,952 in Q1 2013 as compared to 11,092 in Q1 2012 and 6,480 in Q4 2012. 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 a 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 further acceleration in TV net additions key to offsetting voice declines and delivering this stabilisation in RGUs.

- *Netia's TV services* reached 91,237 at March 31, 2013, growing by 48% from 61,804 at March 31, 2012 and by 15% from 79,285 at December 31, 2012. Sequentially better net additions in Q1 2013 reflect incremental product, coverage and distribution improvements which are expected to combine to accelerate further sales growth during the course of 2013.

- *Netia's broadband services* base was 866,077 at March 31, 2013, declining by 5% from 912,408 at March 31, 2012 and by 1% from 874,778 at December 31, 2012. Netia estimates that the total fixed broadband market share for Netia was approximately 13.1% versus 14.0% at March 31, 2012. Netia recorded a net decrease of 8,701 broadband customers during Q1 2013 versus a net decrease of 13,920 broadband customers during Q4 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 or total services sold in order to defend gross margins.

- *Netia's fixed voice services*. Netia estimates that its total fixed voice market share was approximately 19.4% in Q1 2013 versus 20.0% in Q1 2012. Due to competitive market conditions and Netia's focus on higher-value customers, Netia is concentrating on defending voice revenues and margins as opposed to subscriber numbers. Netia's voice subscriber base was 1,594,875 at March 31, 2013 as compared to 1,727,829 at March 31, 2012 and 1,643,904 at December 31, 2012. In total, Netia recorded a net decrease of 49,029 voice subscribers during Q1 2013 versus 33,862 in Q4 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 March 31, 2013, 40% received service over Netia's own access infrastructure.

- *Netia's mobile services* at March 31, 2013 were 29,272 for mobile broadband and 56,451 for mobile voice, as compared to, respectively, 30,446 and 60,581 services at March 31, 2012 and 30,281 and 60,219 services at December 31, 2012. Netia is not actively promoting mobile services, but maintains its offering to provide competitive services to those customers looking for a convergent offering.

- *NGA network expansion.* During Q1 2013 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 March 31, 2013, Netia covered in total 1,048,000 households with its NGA networks, including approximately 708,000 homes passed with VDSL copper networks, approximately 142,000 homes passed with passive optical networks (PON) and approximately 198,000 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.

- In March 2013 *Netia signed an agreement with UPC Polska to acquire a part of former Aster cable operator's network*, which was finalised on May 10, 2013. Netia has gained a cable network reaching a total of 446,000 homes passed in Warsaw and Kraków, increasing the reach of Netia's proprietary network to 2.9 million households. The transaction is not expected to have a material impact on Netia's results or published financial guidance for 2013 (for details please see section 3 *Other Highlights*).

Mirosław Godlewski, Netia's President and CEO, commented: *"Netia is today reporting satisfactory financial results with Adjusted EBITDA advancing 7% year on year to PLN 142.0m, Adjusted Operating Free Cash Flow up by 34% at a record PLN 98.6m and a net profit of PLN 13.1m versus a loss of PLN 9.8m this time last year. As we anticipated, the combined impact of mobile termination rates (MTR) being halved year-on-year to 8 groszy per minute and the decline in our fixed voice customer base produced a revenue decline of 10% year-on-year and 6% sequentially, which is in line with our full year guidance. Given the intense competition and price declines sweeping through the mobile and fixed telecommunications markets, we continue to execute on our strategy of defending value share and on-network revenue generating units (RGUs) while defocussing off-net RGUs in order to protect cash generation.*

Despite the short term pressures, which we expect to reduce as the year progresses, Netia is continuing to move forward in building sustainable revenue flows for the future. The first quarter showed good momentum in TV services with net additions accelerating to 12k from 6k in Q4 2012 and bringing our total TV subscriber base to 91k, up by 48% on a year ago. We have over 1m homes passed (HPs) with NGA quality broadband networks, 44% of our total own-network and we see much better net additions performance on these upgraded networks in most cases. Management is constantly searching for incremental investments that could add value to our business over the long-term and this is evidenced recently by committing to roll-out 20k homes passed with PON technology in the Lower Silesia region in an EU subsidised project, decisions to make NGA upgrades to Petrotel's access networks in the city of Płock and in committing PLN 11.3m to providing base station and core network backhaul services to mobile operators as part of recently signed long-term contracts. All this will be covered from our PLN 225m investment plan for 2013, down by 12% on 2012 and by 30% on the separate spending of Netia, Dialog and Crowley from 2011 as we take synergies from combining the three businesses into one.

In further evidence of our commitment to invest and to consolidate the market, we are pleased to have recently acquired a complete Cable TV (CATV) network covering 446k homes passed in the attractive Warsaw and Krakow markets from UPC Polska. We have bought the network without any retail customers for a relatively small investment of between PLN 6m and PLN 21m, depending on subsequent performance, and we are really excited about our first attempt to integrate a CATV network into Netia's multiple technology access infrastructure. Following a network integration and product development project expected to last several months, we expect to increase total own-network homes passed by 18% to 2.9m and existing NGA homes passed by 38% to well over 1.4m and to begin marketing Netia's attractive TV, broadband and fixed voice services over this state-of-art cable network.

On May 22, 2013 we shall be closing our Offer to purchase 4.15% of our own shares at a price of PLN 8.00 per share. The offer is conditional on at least 50% of shares being offered for repurchase, which will trigger PLN 128 m being returned to shareholders through the repurchase of 16m shares. Management is pleased that the Company is able to balance returning cash to our investors with continued investment in advanced technologies and in exciting opportunities that continue to appear on the Polish telecommunications market. With leverage assuming completion of the buy-back at only 0.88x Adjusted EBITDA guidance for 2013, we are well placed to deliver on our distribution policy to pay out PLN 145m to shareholders in 2014 and beyond whilst keeping leverage low enough to make further in-market acquisitions easily financeable.

Our financial results from Q1 mean that we are on-track to deliver PLN1,925m of revenue and PLN 525m of Adjusted EBTIDA for the whole of 2013. Going forward we are looking for faster improvement in broadband and TV net additions run-rates and sequential revenue growth from our business segments once adverse MTR effects have been taken into consideration."

Jon Eastick, Netia's CFO, commented: *"Netia has made a financially solid start to 2013 and is performing in line with Management's expectations for the full year. Revenue of PLN 490.7m is 10% down on the prior year first quarter, but this decline was expected with 33% of the total attributable to the decline in MTRs to 8 groszy from 15 groszy a year earlier and a further 24% attributable to a 6% decline in RGUs, most of which were fixed voice. In view of the weak demand conditions for fixed voice and fixed broadband services, Netia has been concentrating on maintaining ARPUs and retaining customers, particularly those connected to Netia's own network with its higher profit margins than regulated access. This approach is paying off with blended voice ARPU down by PLN 3 to PLN 44 and broadband ARPU down by just PLN 1 to PLN 56 on a year-on-year basis, despite deep price discounting being present on the market. Taken together with the impact of synergies extracted from the creation of New Netia from the acquisitions of Dialog Group and Crowley, this value focussed commercial strategy has delivered a 3 percentage points increase in gross margin and an increase in Q1 2013 Adjusted EBITDA to PLN 142.0m, up by 7%, and an Adjusted EBITDA margin of 28.9%.*

Netia has maintained its traditional focus on cost discipline with first quarter unallocated fixed operating costs down by 18% year-on-year to only 7% of total revenues and the Group's employment continuing to tick downward with 1,971 actively employed on March 31, 2013, down by 2% sequentially and by 28% over the past 12 months. Overall we continue to target PLN 115m of operating synergies from the Dialog Group and Crowley acquisitions to be delivered in 2013, up from PLN 76m in 2012.

Management is confident in its guidance to deliver PLN 1,925m in revenues, a 27% EBITDA margin of PLN 525m and Adjusted Operating Free Cash Flow of PLN 300m for the full year 2013. Our commercial approach should defend profit margins in the face of falling revenues whilst we have the flexibility to accelerate customer additions in later quarters built into our guidance."

2 Operational review

2.1 BROADBAND, TV & MOBILE SERVICES

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

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

Netia is constantly working to expand the number of content partners – in 2013 Netia has introduced a Premium+ package offering 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 new functionality, MooD (Music Only On Demand), was added to the 'Netia Player' set-top box.

The number of active TV services in Netia grew to 91,237 as at March 31, 2013 up by 48% from 61,804 as at March 31, 2012 and by 15% from 79,285 as at December 31, 2012.

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

Netia added 11,952 TV services net in Q1 2013 as compared to 6,480 services added in Q4 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 was PLN 40 in Q1 2013 as compared to PLN 44 in Q1 2012 and PLN 42 in Q4 2012. The ARPU decline reflects the increasing share of the narrower and cheaper smooth streaming offer in the service mix relative to IPTV based services.

Broadband services totalled 866,077 at March 31, 2013, down by 5% from 912,408 at March 31, 2012 and by 1% from 874,778 at December 31, 2012.

Netia provides its broadband services using the following technologies:

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

Broadband net decrease totalled 8,701 during Q1 2013 as compared to 13,920 in Q4 2012. There were no additions from Ethernet network acquisitions in both Q1 2013 and Q4 2012. The sequential improvement reflects the impact of new advertising campaigns, which promote the bundled TV and Internet services and communicate product USPs (unique selling points) for Netia offers, and better operational traction in the newly integrated sales forces.
Nevertheless, slower fixed broadband market growth and increased price competition on broadband products from both the incumbent and cable TV operators has eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio.

In 2013 Netia intends to focus on sales of its on-net products, including on-net broadband services. In Q1 2013 the Company recorded 1,537 net additions in own broadband network excluding the performance in the acquired local Ethernet companies, which recorded net decrease of 2,999 services. However, despite continuing organic net disconnections on the Ethernet network as a whole, Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program in 2013.

Broadband ARPU was PLN 56 in Q1 2013 as compared to PLN 57 in Q1 2012 and PLN 57 in Q4 2012. Netia's conservative pricing policy and focus on higher value customer segments has resulted in a satisfactory ARPU performance over the past year, despite deep price cuts introduced by some of Netia's competitors.

Broadband SAC was PLN 166 in Q1 2013 as compared to PLN 178 in Q4 2012.

Acquisitions of local Ethernet network operators. As of March 31, 2013, Netia's Ethernet networks provided broadband access to a total of 118,006 mostly residential customers as compared to 121,005 customers at December 31, 2012 and 132,045 customers at March 31, 2012, with approximately 621,000 homes passed. Despite continuing organic net disconnections on the Ethernet network as a whole, Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program in 2013. Netia is currently focused on upgrading Ethernet networks already acquired and will therefore likely acquire new networks at a much slower pace than seen in the past.

NGA network development. As at March 31, 2013, Netia covered in total 1,048,000 households with its NGA networks, including 142,000 PON HPs, 708,000 VDSL HPs and 198,000 Ethernet FTTB HPs. Moreover, Netia covered a further 361,000 IPTV ready HPs within its network coverage based on ADSL2+ technology. Combined with NGA ready HPs, all of which can deliver IPTV services, Netia had 1,409,000 IPTV ready HPs in its proprietary network coverage.

Netia has advanced plans to expand its NGA coverage by another 626,000 or more HPs inclusive of the recent acquisition of cable networks from UPC Polska. Once all upgrade projects are completed, Netia expects to cover in total approximately 1,674,000 NGA HPs which can be reached with 3play service bundles (IPTV + fixed NGA broadband + fixed voice). Furthermore, Netia has introduced smooth streaming technology, which expands the availability of its 3play bundle offer onto networks 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. Mobile broadband customer base totalled 29,272 at March 31, 2013 as compared to 30,446 at March 31, 2012 and 30,281 at December 31, 2012. *Mobile broadband ARPU* was PLN 25 in Q1 2013 as compared to PLN 28 in Q1 2012 and PLN 26 in Q4 2012. *Mobile voice services* totalled 56,451 at March 31, 2013 as compared to 60,581 at March 31, 2012 and 60,219 at December 31, 2012. *Mobile voice ARPU* was PLN 27 in Q1 2013 as compared to PLN 24 in Q1 2012 and PLN 26 in Q4 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)	*Q1 2012*	*Q2 2012*	*Q3 2012*	*Q4 2012*	*Q1 2013*
Mobile data	30.4	33.4	32.8	30.3	29.3
Mobile voice	60.6	62.6	62.0	60.2	56.4
Total	**91.0**	**96.0**	**94.8**	**90.5**	**85.7**

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines totalled 1,594,875 at March 31, 2013 as compared to 1,727,829 at March 31, 2012 and 1,643,904 at December 31, 2012. In Q1 2013 Netia recorded a net decrease of 49,029 voice lines versus 33,862 voice lines in Q4 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.

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 fixed voice subscriber base whilst Netia has been targeting higher ARPU customers and upselling unlimited fixed-line national call bundles in order to attract higher value customers. However, in October 2012 the largest competitor significantly discounted its offers to high value customers and this has had a negative impact on voice ARPU and volume trends in Q4 2012 and Q1 2013.

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 and those served directly over its own networks, Netia has switched emphasis to defending voice revenues and margins as opposed to subscriber numbers. As a result, the net decline during Q1 2013 in services was 1% on high margin own network services, 2% on LLU voice over IP services and 5% on lower margin WLR services.

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

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

Voice ARPU per WLR line was PLN 45 in Q1 2013 as compared to PLN 45 in Q1 2012 and PLN 45 in Q4 2012.

Voice ARPU per Netia network subscriber line was PLN 43 in Q1 2013 as compared to PLN 49 in Q1 2012 and PLN 46 in Q4 2012. The fall reflects more aggressive defence of the customer base than on WLR, aggressively priced voice over IP services to business customers and deep discounts given when voice is bundled in 3play.

Blended voice ARPU was PLN 44 in Q1 2013 as compared to PLN 47 in Q1 2012 and PLN 46 in Q4 2012.

2.2.2 Indirect voice

CPS lines (carrier pre selection) totalled 62,013 at March 31, 2013 as compared to 70,029 at March 31, 2012 and 62,241 at December 31, 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 voice subscriber base of 1,594,875 clients as at March 31, 2013.

Indirect voice ARPU per CPS line was PLN 30 in Q1 2013 as compared to PLN 48 in Q1 2012 and PLN 37 in Q4 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 was 2,053 at March 31, 2013, compared to 2,811 at March 31, 2012 and 2,117 at December 31, 2012. Active headcount was 1,971 at March 31, 2013 versus 2,719 at March 31, 2012 and 2,013 at December 31, 2012.

The movement in headcount can be analyzed as follows:

	Active	***Total***
Headcount at March 31, 2012	**2,719**	**2,811**
Employees acquired in Ethernet acquisitions since March 31, 2012	4	4
Net headcount reductions since March 31, 2012	(752)	(762)
Headcount at March 31, 2013	**1,971**	**2,053**

Capital investment additions

Capital investment additions (PLN'M)	*Q1 2012*	*Q1 2013*	*Change %*
Existing network and IT	19.7	18.6	-6%
Broadband networks	16.0	15.5	-3%
CPE broadband (mainly capitalised Netia Spot routers)	5.8	6.5	12%
IPTV (incl. dedicated CPE – Netia Player)	5.9	2.8	-53%
CDN integration	0.3	2.5	823%
Total	**47.7**	**45.9**	**-4%**
Dialog group and Crowley[1]	12.2	na	na
Total	**59.9**	**45.9**	**-23%**

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

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

3 Other Highlights

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

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

Completed and on-going integration projects have delivered cumulative synergies over five quarters in the amount of PLN 113.7m at the Adjusted EBITDA level and PLN 28.7m from capital investments through March 31, 2013. From a total of over 100 projects, 86 Adjusted EBITDA level synergy initiatives are already completed. In addition, 39 Capex synergy initiatives have been completed. Total reorganization costs recorded in Q1 2013 amounted to PLN 3.1m (out of which PLN 0.8m related to the employment restructuring program and PLN 2.2m related to integration costs).

In the year to March 31, 2013 Netia Group active headcount has dropped by 748 or 28% to 1,971 employees. The reduction included 515 forced reductions made in two waves during 2012. The associated redundancy cost of PLN 22.6m fully provided during 2012.

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 Q4 2013. Completion of this and other open projects during the course of 2013 is expected to grow the base of delivered operational synergies from PLN 76.2m in 2012 to PLN 115m in 2013 and PLN 120m in 2014 with a further PLN 10m in recurring capex synergies.

Financing. On March 31, 2013, Netia had PLN 98.3m in cash and short term deposits and PLN 562.5m in total debt and accrued interest as compared to PLN 142.7m and PLN 550.6m, respectively, on December 31, 2012. The debt outstanding on March 31, 2013 comprised PLN 511.4m of principal and interest on a five-year senior debt facility drawn to acquire Dialog group and a revolving facility of PLN 51.1m to partly finance the Offer to purchase shares. Accordingly, Netia Group's net debt at March 31, 2013 was PLN 464.2m versus PLN 407.9m at December 31, 2012 and net debt to the Adjusted EBITDA forecasted for 2013 amounted to 0.88x. 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. . In addition, at March 31, 2013 Netia held a further PLN 129.0m on an escrow account pending conclusion of its offer to purchase 16.0m Netia shares, which closes on May 22, 2013. Inclusive of this cash, pro forma net debt at March 31, 2013 was down by 18% over the quarter to PLN 335.2m and pro forma leverage stood at 0.64x Adjusted EBITDA guidance for 2013.

Offer to purchase shares. On March 13, 2013 Netia announced an offer to purchase up to 16.0m shares for a total amount of up to PLN 128.1m in continuation of the buy-back program authorized by the shareholders in 2011 (the 'Offer'). The purchase price of one share under the Offer is PLN 8.00 (a proforma equivalent of PLN 0.35 per outstanding share). Shareholders may submit their offers for sale of Netia shares to the brokerage house Dom Inwestycyjny BRE Banku SA until May 22, 2013. The Offer is expected to be settled not later than by May 29, 2013. The Offer requires at least 50% acceptance and, if finalised, will complete the general buy-back program adopted by Netia's general shareholders meeting in June 2011 to acquire and redeem up to 12.5% of the Company's share capital utilizing assigned funds totaling up to PLN 350.0m.

New distribution policy. As previously announced, while remaining interested in a number of potential acquisition targets, Netia Management presently sees no likely short-term transactions and therefore targets to facilitate payments to shareholders through either dividends or offers to purchase shares directed to all shareholders or capital redemptions, depending on the evolution of distributable reserves in Netia SA, which stood at PLN 480.6m at December 31, 2012 and represent the key constraint on future distributions. Based on its free cash flow projections, Management estimates that the Company may distribute up to PLN 145m from

2014 onwards (pro forma PLN 0.42 per outstanding shares after giving effect to the ongoing Offer to purchase 16.0m shares) with some scope to moderately increase payments over time.

For 2013, the Company is to return to its shareholders up PLN 128.1m (a proforma equivalent of PLN 0.35 per outstanding share) through the buy-back of the remaining 4.15% of the Company's share capital authorized under a shareholders' buy-back resolution taken in 2011.

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.

Netia acquired from UPC Polska a part of former Aster cable operator's network, which was classified for resale according to the decision of the President of the Office of Competition and Consumer Protection (UOKiK) as of September 5, 2011 approving the acquisition of Aster cable operator by UPC Polska. The transaction was finalized on May 10, 2013 following the receipt of consent from the President of the Office of Competition and Consumer Protection and completion of certain other conditions precedent. Netia purchased from UPC Polska and UPC Poland Holding BV 100% of shares in Centrina Sp. z o.o. and Dianthus Sp. z o.o., which own cable networks in Warsaw and Krakow reaching a total of 446,000 homes passed. The possible purchase price for the shares will be between PLN 6.0m and PLN 21.0m and will depend on the number of customers Netia gains on the acquired network. Simultaneously, UPC Polska concluded with Centrina and Dianthus a 12-month network rental agreement in order to ensure service continuity to its customers during a transition period. Total consideration payable to Netia Group for this network rental amounts to PLN 4.5m. Moreover, Netia will receive discounts on certain ongoing commercial agreements between the Netia Group and UPC Polska. These discounts are estimated to amount to PLN 16.4m and will be treated as part of the transaction consideration.

Netia is not gaining any retail customers, but the transaction increases the reach of Netia's proprietary network by 18% to 2.9 million households and will allow the Company to strengthen its infrastructural market position in these regions of the Residential market segment where, up to date, it did not hold a strong footprint. The acquisition is the next important step in execution of Netia's strategy, which is based on developing on-line solutions focusing on the Company's own networks and may prove an excellent base for extracting synergies from future consolidation activities, not pursued before by Netia in this market segment. The transaction is not expected to have material impact on Netia's financial results or published financial guidance for 2013.

4Sails. In Q1 2013 Netia continued works on an internal project '4Sails' aimed at reviewing sales force operations to fully exploit opportunities arising from the Telefonia Dialog and Crowley Data Poland acquisitions. 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. In the first months of the year, Deloitte completed the analysis of the sales processes and presented their recommendations, which are being currently evaluated by the internal project team at Netia responsible for the implementation of the proposed solutions and their timetable. The implementation of key initiatives has already begun including, among others, such areas as strengthening the sales strategy for the Business and Residential market segments with regard to new acquisitions and customer retention, optimalisation of rules of co-operation with external sales partners and review of existing sales tools.

Consolidated Financial Information

Please also refer to our financial statements for the three-month period ended March 31, 2013.

Q1 2013 vs. Q1 2012

Revenue decreased by 10% YoY to PLN 490.7m for Q1 2013 from PLN 544.3m for Q1 2012. The Home operating segment decreased by 12% or PLN 33.1m, the Corporate segment by 5% or PLN 5.4m, the SOHO/SME segment by 4% or 2.8m and the Carrier segment by 19% or PLN 12.6m. The decline in revenues was driven by a 8% YoY decline in services provided (RGUs) and by falls in mobile termination rates (MTRs) which contributed approximately one third of the revenue decline. The Company estimates the year-on-year impact of lower MTRs on revenue at PLN 17.8m. RGUs decline continued to be concentrated in the Residential segment and in fixed voice services while MTRs falls mainly impacted the revenues in the Corporate and Carrier market segments.

Telecommunications revenue decreased by 10% YoY to PLN 488.2m in Q1 2013 from PLN 542.1m in Q1 2012, driven by a 13% or PLN 30.9m decrease in direct voice revenue to PLN 215.4m from PLN 246.3m in Q1 2012, associated with the decrease in the voice subscriber base and the drop in the number of WLR services in particular. Indirect voice services (CPS) revenue decreased by 45% or PLN 4.6m as a result of decreasing customer numbers and falling ARPUs. Revenues from interconnect and carrier services combined were down by 16% to PLN 54.3m from PLN 64.3m in Q1 2012 following the introduction of lower MTRs in July 2012 and again in January 2013. Data revenue decreased by 4% or PLN 8.4m to PLN 184.2m from PLN 192.6m in Q1 2012, mainly due to the lower number of BSA services. Other telecommunications revenue, which include TV and mobile services, remained stable between the compared periods at PLN 28.6m in Q1 2013 versus PLN 28.5m in Q1 2012 and represented 6% of total revenue versus 5% in the prior year quarter. Direct voice revenue as a share of total telecommunications revenue declined YoY from 45% to 44% and data revenue increased over the same period from 36% to 38%.

Cost of sales decreased by 13% YoY to PLN 329.0m from PLN 380.0m for Q1 2012 and represented 67% of total revenue as compared to 70% in the prior year quarter. Lower interconnection costs following cuts to MTRs, a relatively faster decline in off-net services and synergies from Dialog Group and Crowley integration were the main drivers of the decreasing share of costs in relation to revenue.

Interconnection charges decreased by 26% to PLN 60.0m in Q1 2013 as compared to PLN 81.4m for Q1 2012, due to falling MTRs.

Network operations and maintenance cost decreased by 7% to PLN 153.1m from PLN 165.4m for Q1 2012 due to synergies from Dialog Group and Crowley integration and less off-net RGUs.

Depreciation and amortization related to cost of sales decreased by 8% to PLN 90.4m as compared to PLN 98.0m for the prior year quarter following the reassessment of useful lives of the Netia Group's fixed assets in Q1 2013, resulting in reduction of depreciation rates.

Taxes, frequency fees and other expenses decreased by 23% to PLN 15.6m in Q1 2013 as compared to PLN 20.4m for Q1 2012, due to synergies from Dialog Group and Crowley integration.

Gross profit for Q1 2013 was PLN 161.7m as compared to PLN 164.3m for Q1 2012. Gross profit margin was 33.0% for Q1 2013 and 30.2% for Q1 2012. Increasing share of revenue from higher margin own-network services as well as synergies from Dialog Group and Crowley integration, together with lower MTRs and lower depreciation charges mentioned above, are responsible for the improving gross margin achieved against a 10% fall in revenue.

Selling and distribution costs decreased by 14% YoY to PLN 93.6m from PLN 109.1m for Q1 2012 and represented 19% of total revenue as compared to 20% in Q1 2012. Synergies from Dialog Group and Crowley integration were the main drivers of the decreasing costs. In addition, cost of third party commissions was reduced due to lower gross additions.

Billing, mailing and logistics costs decreased by 36% YoY to PLN 7.9m from PLN 12.3m.

Third party commissions decreased by 38% YoY to PLN 6.0m from PLN 9.8m.

Salaries and benefits related to selling and distribution cost decreased by 11% to PLN 30.3m from PLN 34.0m in Q1 2012.

Advertising and promotion cost decreased by 26% to PLN 7.9m from PLN 10.8m.

General and administration costs decreased by 20% YoY to PLN 45.7m from PLN 56.9m for Q1 2012 and represented 9% of total revenue versus 10% for Q1 2012. Synergies from Dialog Group and Crowley integration were the main drivers of the cost decrease.

Salaries and benefits related to general administration cost decreased by 23% to PLN 21.6m from PLN 28.0m in Q1 2012, reflecting mainly the headcount optimization process conducted in 2012 in connection with the Dialog Group and Crowley integration into the Netia group.

Other costs related to general administration cost decreased by 34% to PLN 6.6m from PLN 10.0m in Q1 2012, due to significantly lower integration costs and the scale of the project is reduced with most initiatives now completed.

Adjusted EBITDA was PLN 142.0m, up 7% from PLN 133.0m for Q1 2012. Adjusted EBITDA margin was 28.9% as compared to 24.4% in the prior year quarter. Higher Adjusted EBITDA reflects Dialog Group and Crowley synergies on integration costs, partially offset by falling margins from contracting voice services.

Including the Dialog Group and Crowley integration costs of PLN 2.2m in Q1 2013 and PLN 6.0m in Q1 2012, restructuring costs of PLN 0.9m in Q1 2013 and PLN 2.6m in Q1 2012, the costs of M&A projects of PLN 0.3m in Q1 2013 and PLN 0.2m in Q1 2012, *EBITDA* was PLN 138.6m for Q1 2013 as compared to PLN 124.1m for the prior year quarter. EBITDA margin was 28.3% as compared to 22.8% for Q1 2012. Going forward into 2013, Netia expects the Adjusted EBITDA margin to drop to the forecasted level of approximately 27% due to the effects of sequential decline in revenue and the anticipated increase in costs associated with growing customer intake.

Depreciation and amortization was PLN 111.3m, a decrease of 7% YoY as compared to PLN 120.0m in Q1 2012. Following a comprehensive review of the useful lives of Netia's network assets, the useful economic lives of certain existing network assets, in particular telecommunications equipment, have been extended with effect from January 1, 2013.

Operating profit (EBIT) was PLN 27.3m as compared to an operating profit of PLN 4.1m for Q1 2012. Excluding unusual costs described above of PLN 3.3m in Q1 2013 and PLN 8.9m in Q1 2012, Adjusted EBIT was PLN 30.6m for Q1 2013 versus PLN 13.0m for Q1 2012.

Net financial cost was PLN 7.4m as compared to net financial cost of PLN 13.3m for the prior year quarter and is driven by the falls in net debt and in market interest rates between the periods.

Income tax charge of PLN 6.7m was recorded in Q1 2013 as compared to income tax charge of PLN 0.6m for Q1 2012.

Net profit was PLN 13.1m for Q1 2013 versus net loss of PLN 9.8m for Q1 2012.

Cash outlays on purchase of fixed assets and computer software decreased by 5% to PLN 71.6m for Q1 2013 versus PLN 75.4m for Q1 2012. As in previous years, Q1 saw significant cash consumption from reducing fixed asset investment related payables generated by the Q4 annual peak in investment spending.

Cash, restricted cash and short term deposit at March 31, 2013 totalled PLN 229.7m versus PLN 161.8m at March 31, 2012. *Restricted cash* at March 31, 2013 totalled PLN 131.4m and was related mainly to PLN 129.3m (including interests) transferred to an escrow account to finance the Offer to purchase shares announced by the Company on March 13, 2013. Accordingly, cash and short-term deposits totaled PLN 98.3m at the end of Q1 2013.

Debt and accrued interest at March 31, 2013 was PLN 562.5m as compared to PLN 644.1m in the prior year quarter.

Net debt at March 31, 2013 was PLN 464.2m as compared to PLN 484.6m in the prior year quarter.

Q1 2013 vs. Q4 2012

Sequential revenue decreased by 6% to PLN 490.7m in Q1 2013 from PLN 519.5m in Q4 2012. The decline in revenues was driven by a 3% sequential decline in services provided (RGUs) and by falls in mobile termination rates (MTRs), which contributed one third of revenue decline. The Company estimates the sequential impact of lower MTRs on revenue at PLN 9.5m. RGUs decline continued to be concentrated in the Residential segment and in fixed voice services while MTRs falls mainly impacted the revenues in the Corporate and Carrier market segments.

Telecommunications revenue decreased by 5% to PLN 488.2m in Q1 2013 versus PLN 513.8m in Q4 2012. Direct voice revenue fell by 5% QoQ to PLN 215.4m from PLN 227.5m in Q4 2012 as a result of the fall in the subscriber base and ARPU declines partly related to passing on of MTR savings. Data revenue declined by 2% to PLN 184.2m in Q1 2013 from PLN 189.0m in Q4 2012 following the decrease in the subscriber base. Carrier segment revenue decreased sequentially by 11% or PLN 6.4m on lower voice termination revenue due to lower MTRs.

Radio communications and other services revenue was down sequentially by 56% or PLN 3.2m as in the previous quarter it included revenue from a one-off sale of equipment by Petrotel to a major customer as part of a multi-year service contract.

Cost of sales decreased by 9% to PLN 329.0m as compared to PLN 363.4m in Q4 2012, representing 67% of total revenue in Q1 2013 as compared to 70% in Q4 2012. Interconnection charges decreased by 20% or PLN 14.7m on less transit activity in the Carrier segment and introduction of lower rates for terminating traffic in mobile networks. Depreciation and amortization related to cost of sales was down sequentially by 8% or PLN 7.6m due to the introduction of lower amortization rates from January 2013 and completed amortization of certain telecommunications licenses. Cost of network operations and maintenance decreased by 5% or 7.3m mainly as a result of less fees payable to TP on less wholesale access services. Cost of goods sold was down by 73% or PLN 3.7m as in Q4 2012 it included a one-off cost of equipment sold by Petrotel of PLN 3.4m related to a new equipment and services contract.

Gross profit was PLN 161.7m in Q1 2013 as compared to PLN 156.1m in Q4 2012, with gross profit margin at 33.0% versus 30.0% in Q4 2012.

Selling and distribution costs decreased by 1% QoQ to PLN 93.6m in Q1 2013 as compared to PLN 94.6m in Q4 2012 representing 19% of total revenue as compared to 18% in the previous quarter. Advertising and promotion spending was down by 36% or PLN 4.4m as a result of seasonally less intensive advertising campaigns. Salaries and benefits related to selling and distribution increased by 14% due to improved bonus payouts. Sequentially lower sales volumes and synergies resulted in a decrease of billing, mailing and logistics costs (by 13% or PLN 1.2m), outsourced customer service (by 17% or PLN 1.1m) and third party commissions (by 12% or PLN 0.8m). Other expenses related to selling and distribution costs increased by 11% or PLN 1.7m as a result of rising content costs driven by TV services and retention activities.

General and administrative expenses decreased by 11% to PLN 45.7m in Q1 2013 from PLN 51.1m in Q4 2012, and represented 9% of total revenue as compared to 10% in the previous quarter. The decrease was driven mainly by sequentially lower cost of other expenses, which in the previous quarter included liquidation and impairment of newly redundant CDP and Dialog IT systems. Cost of salaries and benefits related to general administration increased by 7% or PLN 1.3m on sequentially higher annual bonus provision.

Adjusted EBITDA was PLN 142.0m versus PLN 144.5m for Q4 2012 and Adjusted EBITDA margin was 28.9% in Q1 2013 versus was 27.8% in Q4 2012.

EBITDA was PLN 138.6m as compared to PLN 54.1m in Q4 2012. EBITDA for Q1 2013 included Dialog Group and Crowley integration costs of PLN 2.2m, restructuring costs of PLN 0.9m and the costs of M&A projects of PLN 0.3m. 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.

Operating profit (EBIT) was PLN 27.3m as compared to operating loss of PLN 65.2m in Q4 2012. Excluding unusual items, EBIT for Q1 2013 would have been PLN 30.6m profit as compared to PLN 25.2m m for Q4 2012.

Net financial cost was PLN 7.4m as compared to net financial cost of PLN 6.5m in Q4 2012, with the increase reflecting mainly higher interest cost on bank loans, lower interests received, and higher cash losses on derivative IRS instruments, which was partially offset by fair value gains on foreign exchange forward contracts.

Income tax charge of PLN 6.7m was recorded in Q4 2012 versus income tax charge of PLN 37.2m in Q4 2012.

Net profit for Q4 2012 was PLN 13.1m versus net loss of PLN 108.9m for Q4 2012.

Key Figures

PLN'000	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Revenues	544,279	536,472	521,073	519,532	490,690
y-o-y % change	*35.7%*	*35.4%*	*32.0%*	*21.8%*	*(9.8%)*
Adjusted EBITDA	133,008	156,183	157,448	144,526	142,005
Margin %	*24.4%*	*29.1%*	*30.2%*	*27.8%*	*28.9%*
y-o-y change %	*31.0%*	*68.2%*	*49.3%*	*33.3%*	*6.8%*
EBITDA	124,142	134,877	148,427	54,081	138,621
Margin %	*22.8%*	*25.1%*	*28.5%*	*10.4%*	*28.3%*
Adjusted EBIT	12,989	34,082	36,369	25,234	30,656
Margin %	*2.4%*	*6.4%*	*7.0%*	*4.9%*	*6.2%*
EBIT	4,123	12,776	27,348	(65,211)	27,272
Margin %	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*	*5.6%*
Adjusted Profit of the Netia Group (consolidated)	(2,665)	38,276	17,342	(35,651)	15,885
Margin %	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*	*3.2%*
Profit/(Loss) of the Netia Group (consolidated)	(9,846)	21,018	10,035	(108,911)	13,144
Margin %	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*	*2.7%*
Profit/(Loss) of Netia SA (stand alone)[1]	(20,443)	(8,715)	(9,783)	(55,234)	(9,055)
Cash and short term deposits	159,503	125,959	131,122	142,702	98,304
Cash, restricted cash and short term deposits	161,781	128,237	133,385	144,965	229,750
Treasury bills (at amortized cost)	-	-	48	49	-
Debt	644,157	579,830	590,013	550,649	562,543
Capex related payments	75,361	66,512	68,027	52,606	71,628
Investments in tangible and intangible fixed assets	59,897	68,924	73,752	76,524	45,899

EUR'000[2]	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Revenues	130,291	128,422	124,736	124,367	117,463
y-o-y % change	*35.7%*	*35.4%*	*32.0%*	*21.8%*	*(9.8%)*
Adjusted EBITDA	31,840	37,388	37,690	34,597	33,994
Margin %	*24.4%*	*29.1%*	*30.2%*	*27.8%*	*28.9%*
y-o-y change %	*31.0%*	*68.2%*	*49.3%*	*33.3%*	*6.8%*
EBITDA	29,718	32,287	35,531	12,946	33,184
Margin %	*22.8%*	*25.1%*	*28.5%*	*10.4%*	*28.3%*
Adjusted EBIT	3,109	8,159	8,706	6,041	7,339
Margin %	*2.4%*	*6.4%*	*7.0%*	*4.9%*	*6.2%*
EBIT	987	3,058	6,547	(15,610)	6,528
Margin %	*0.8%*	*2.4%*	*5.2%*	*(12.6%)*	*5.6%*
Adjusted Profit of the Netia Group (consolidated)	(638)	9,163	4,151	(8,534)	3,803
Margin %	*(0.5%)*	*7.1%*	*3.3%*	*(6.9%)*	*3.2%*
Profit/(Loss) of the Netia Group (consolidated)	(2,357)	5,031	2,402	(26,071)	3,146
Margin %	*(1.8%)*	*3.9%*	*1.9%*	*(21.0%)*	*2.7%*
Profit/(Loss) of Netia SA (stand alone)[1]	(4,894)	(2,086)	(2,342)	(13,222)	(2,168)
Cash and short term deposits	38,182	30,152	31,388	34,160	23,532
Cash, restricted cash and short term deposits	38,728	30,698	31,930	34,702	54,998
Treasury bills (at amortized cost)	-	-	11	12	-
Debt	154,200	138,802	141,239	131,816	134,663
Capex related payments	18,040	15,922	16,285	12,593	17,147
Investments in tangible and intangible fixed assets	14,338	16,499	17,655	18,319	10,987

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

[2] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.1774 = EUR 1.00, the average rate announced by the National Bank of Poland on March 29, 2013. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2012 exclude the following items as appropriate: an impairment charge of PLN 79.2m, New Netia (Dialog Group & Crowley) integration costs of PLN 26.3m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 22.6m and expenses related to M&A activities of PLN 1.5m and impact from these one-offs on the income tax charge of PLN 9.6m. Items excluded for Q1 2013 are as follows: New Netia (Dialog Group & Crowley) integration costs of PLN 2.2m, restructuring expenses of PLN 0.9m and expenses related to M&A activities of PLN 0.3m and impact from these one-offs on the income tax charge of PLN 0.6m.

Key Operational Indicators

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

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

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

Income Statement (PLN in thousands unless otherwise stated)					
Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *audited*	Q1 2013 *unaudited*
Direct Voice	246,343	241,574	233,019	227,519	215,404
Incl. monthly fees	169,158	*169,874*	*164,351*	*159,425*	154,449
Incl. calling charges	77,064	*71,628*	*68,601*	*67,611*	60,769
Indirect Voice	10,276	9,164	8,380	7,156	5,620
Data	192,597	194,196	189,872	188,993	184,240
Interconnection revenues	29,566	28,499	26,173	25,350	24,730
Wholesale services	34,781	33,295	32,744	35,422	29,598
Other telecommunications revenues	28,507	27,438	28,433	29,411	28,618
Total telecommunications revenue	**542,070**	**534,166**	**518,621**	**513,851**	**488,210**
Radio communications and other revenue	2,209	2,306	2,452	5,681	2,480
Total revenue	**544,279**	**536,472**	**521,073**	**519,532**	**490,690**
Cost of sales	**(380,003)**	**(377,840)**	**(362,946)**	**(363,427)**	**(328,994)**
Interconnection charges	(81,395)	(78,750)	(71,244)	(74,667)	(59,989)
Network operations and maintenance	(165,381)	(161,995)	(159,744)	(160,466)	(153,154)
Costs of goods sold	(2,537)	(2,344)	(1,673)	(5,046)	(1,350)
Depreciation and amortization	(97,972)	(98,589)	(99,595)	(97,987)	(90,422)
Salaries and benefits	(12,148)	(11,951)	(9,997)	(7,005)	(8,385)
Restructuring	(121)	(3,142)	(2,011)	(334)	(36)
Taxes, frequency fees and other expenses	(20,449)	(21,069)	(18,682)	(17,922)	(15,658)
Gross profit	**164,276**	**158,632**	**158,127**	**156,105**	**161,696**
Margin (%)	***30.2%***	***29.6%***	***30.3%***	***30.0%***	***33.0%***
Selling and distribution costs	**(109,070)**	**(99,154)**	**(89,275)**	**(94,570)**	**(93,604)**
Advertising and promotion	(10,786)	(5,802)	(7,729)	(12,346)	(7,939)
Third party commissions	(9,812)	(6,321)	(5,495)	(6,875)	(6,046)
Billing, mailing and logistics	(12,312)	(10,270)	(9,711)	(9,138)	(7,930)
Outsourced customer service	(8,139)	(7,478)	(7,560)	(6,857)	(5,710)
Impairment of receivables	(4,565)	(1,064)	(3,670)	(3,365)	(4,775)
Depreciation and amortization	(15,332)	(15,216)	(15,286)	(14,147)	(13,608)
Salaries and benefits	(34,058)	(31,688)	(26,348)	(26,498)	(30,352)
Restructuring	(1,058)	(7,739)	(546)	(276)	(485)
Other costs	(13,008)	(13,576)	(12,930)	(15,068)	(16,759)
General and administration costs	**(56,868)**	**(54,534)**	**(45,137)**	**(51,071)**	**(45,665)**
Professional services	(2,821)	(2,883)	(2,010)	(3,374)	(2,683)
Electronic data processing	(3,061)	(3,206)	(2,543)	(4,600)	(3,682)
Office and car maintenance	(4,836)	(4,120)	(4,811)	(4,358)	(3,443)
Depreciation and amortization	(6,715)	(8,296)	(6,198)	(7,158)	(7,319)
Salaries and benefits	(28,020)	(24,523)	(19,420)	(20,235)	(21,583)
Restructuring	(1,420)	(4,031)	(1,672)	(306)	(363)
Other costs	(9,995)	(7,475)	(8,483)	(11,040)	(6,592)
Other income	6,294	6,444	4,636	5,064	2,345
Other expense	(955)	(955)	(958)	(2,766)	(76)
Other gains/ (losses), net	446	2,343	(45)	1,230	2,576
Impairment charge for non-current assets	-	-	-	(79,203)	-
EBIT	**4,123**	**12,776**	**27,348**	**(65,211)**	**27,272**
Margin (%)	***0.8%***	***2.4%***	***5.2%***	***(12.6%)***	***5.6%***
Finance income	1,822	2,272	669	1,508	1,844
Finance cost	(15,157)	(11,992)	(11,017)	(8,047)	(9,256)
Profit before tax	**(9,212)**	**3,056**	**17,000**	**(71,750)**	**19,860**
Tax benefit / (charge)	(634)	17,962	(6,965)	(37,161)	(6,716)
Profit / (Loss)	**(9,846)**	**21,018**	**10,035**	**(108,911)**	**13,144**

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

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*	Q1 2013 *unaudited*
Operating Profit	**4,123**	**12,776**	**27,348**	**(65,211)**	**27,272**
Add back:					
Depreciation and amortization	120,019	122,101	121,079	119,292	111,349
EBITDA	**124,142**	**134,877**	**148,427**	**54,081**	**138,621**
Add back:					
Impairment charge for non-current assets	-	-	-	79,203	-
Restructuring costs	2,599	14,911	4,229	917	884
M&A related costs	237	457	256	554	271
New Netia integration costs	6,030	5,938	4,536	9,771	2,229
Adjusted EBITDA	**133,008**	**156,183**	**157,448**	**144,526**	**142,005**
Margin (%)	***24.4%***	***29.1%***	***30.2%***	***27.8%***	***28.9%***

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

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*	Q1 2013 *unaudited*
Reminder fees and penalties	3,469	5,114	3,475	1,821	1,681
Forgiveness of liabilities	157	87	129	80	163
Reversal of impairment charges and provisions	-	-	-	1,398	-
Returned VAT on acquisitions	-	-	-	1,264	-
Other operating income	2,631	950	1,068	795	501
Reversal of an impairment charge for non-current assets	37	293	(36)	(294)	-
Total	**6,294**	**6,444**	**4,636**	**5,064**	**2,345**

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

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*	Q1 2013 *unaudited*
Impairment charges for specific individual assets	(480)	(1,059)	(489)	(2,583)	(67)
Other expenses	(475)	104	(469)	(183)	(9)
Total	**(955)**	**(955)**	**(958)**	**(2,766)**	**(76)**

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

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*	Q1 2013 *unaudited*
Gain / (loss) on sale of impaired receivables	44	2,854	107	753	3,369
Gain / (loss) on disposal of fixed assets	(45)	(248)	(47)	811	(704)
Net foreign exchange gains / (losses)	447	(263)	(105)	(333)	(89)
Total	**446**	**2,343**	**(45)**	**1,231**	**2,576**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *unaudited*	Q1 2013 *unaudited*
Profit / (Loss)	**(9,846)**	**21,018**	**10,035**	**(108,911)**	**13,144**
Cash flow hedges	(5,131)	822	(5,017)	(4,493)	1,642
Income tax relating to components of other comprehensive income	972	(129)	862	921	(343)
Other comprehensive Income / (Loss)	**(4,159)**	**693**	**(4,155)**	**(3,572)**	**1,299**
Total comprehensive Income / (Loss)	**(14,005)**	**21,711**	**5,880**	**(112,483)**	**14,443**
Attributable to equity holders of the Company	*(14,005)*	*21,711*	*5,880*	*(112,483)*	*14,443*

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	March 31 2012 *unaudited*	June 30 2012 *unaudited*	Sept. 30 2012 *unaudited*	Dec. 31 2012 *audited*	March 31 2013 *unaudited*
Property, plant and equipment, net	2,148,741	2,115,176	2,091,055	2,066,304	2,018,333
Intangible assets	746,254	723,640	699,543	597,455	579,108
Investment property	-	-	-	-	26,267
Deferred income tax assets	108,549	126,307	120,576	101,687	99,778
Available for sale financial assets	115	115	115	115	115
Long-term receivables	218	218	1	1	1
Prepaid expenses and accrued income	12,575	13,857	13,603	11,082	9,281
Total non-current assets	**3,016,452**	**2,979,313**	**2,924,893**	**2,776,644**	**2,732,883**
Inventories	5,142	3,955	3,502	2,094	1,670
Trade and other receivables	239,061	270,368	250,804	248,270	222,480
Current income tax receivables	262	39	45	518	1,114
Prepaid expenses and accrued income	33,610	37,943	34,583	33,660	32,464
Derivative financial instruments	510	1,019	1	-	254
Financial assets at fair value through profit and loss	16	15	15	15	15
Held to maturity investments	-	-	48	49	-
Restricted cash	2,278	2,278	2,263	2,263	131,446
Cash and short-term deposits	159,503	125,959	131,122	142,702	98,304
	440,382	**441,576**	**422,383**	**429,571**	**487,747**
Assets held for sale	26,736	26,770	26,770	26,770	-
Total current assets	**467,118**	**468,346**	**449,153**	**456,341**	**487,747**
TOTAL ASSETS	**3,483,570**	**3,447,659**	**3,374,046**	**3,232,985**	**3,220,630**
Share capital	381,863	386,170	386,212	386,281	386,281
Treasury shares	-	(24,847)	(70,487)	(106,814)	(122,702)
Supplementary capital	1,818,325	2,058,494	2,059,135	2,060,076	2,060,076
Retained earnings	241,166	36,444	46,479	(62,432)	(49,288)
Other components of equity	45,385	27,619	23,321	19,184	20,996
Equity attributable to equity owners	**2,486,739**	**2,483,880**	**2,444,660**	**2,296,295**	**2,295,363**
Non-controlling interests	5	-	-	-	-
TOTAL EQUITY	**2,486,744**	**2,483,880**	**2,444,660**	**2,296,295**	**2,295,363**
Bank loans	514,374	451,096	450,745	384,452	385,096
Provisions	3,009	9,428	9,432	18,189	18,053
Deferred income tax liabilities	-	-	-	17,683	19,745
Deferred income	22,475	20,986	20,157	20,769	21,185
Other financial liabilities	-	-	-	5,741	5,464
Other long-term liabilities	8,966	5,006	4,790	4,232	3,773
Total non-current liabilities	**548,824**	**486,516**	**485,124**	**451,066**	**453,316**
Trade and other payables	256,809	275,009	235,455	260,069	237,885
Derivative financial instruments	4,297	3,806	8,212	7,268	5,769
Borrowings	129,783	128,734	139,268	166,197	177,447
Other financial liabilities	64	-	-	66	66
Current income tax liabilities	1	1	1	1	1
Provisions	13,165	26,562	20,192	14,200	13,169
Deferred income	43,883	43,151	41,134	37,823	37,614
Total current liabilities	**448,002**	**477,263**	**444,262**	**485,624**	**471,951**
Total liabilities	**996,826**	**963,779**	**929,386**	**936,690**	**925,267**
TOTAL EQUITY AND LIABILITIES	**3,483,570**	**3,447,659**	**3,374,046**	**3,232,985**	**3,220,630**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*	Q4 2012 *audited*	Q1 2013 *unaudited*
Profit / (Loss)	**(9,846)**	**21,018**	**10,035**	**(108,911)**	**13,144**
Depreciation and amortization	120,019	122,101	121,079	119,292	111,349
An impairment charge on non-current assets	1	-	-	79,203	-
Impairment charges for specific individual assets	479	1,059	356	2,716	67
Reversal of impairment charges for specific assets	(37)	(293)	37	(3)	-
Deferred income tax charge / (benefit)	1,586	(18,352)	6,472	37,405	3,628
Interest expense and fees charged on bank loans	13,299	12,327	10,066	7,493	8,655
Other interest charged	54	165	165	117	92
Share-based compensation	1,248	387	694	(416)	608
Fair value (gains)/losses on financial assets/liabilities	-	1	-	-	-
Fair value (gains)losses on derivative financial instruments	1,473	(348)	811	9	366
Foreign exchange (gains)/losses	227	(287)	376	119	(39)
(Gain)/Loss on disposal of fixed assets	45	277	314	(657)	1,154
Changes in working capital	23,303	(7,515)	(30,623)	2,846	30,848
Net cash provided by operating activities	**151,851**	**130,540**	**119,782**	**139,213**	**169,872**
Purchase of fixed assets and computer software	(75,361)	(66,512)	(68,027)	(52,606)	(71,628)
Proceeds from sale of non-core assets	63	168	219	1,695	332
Purchase of Ethernet operators, net of received cash	(3,685)	(1,600)	-	-	-
Purchase price adjustment for Crowley	(2,775)	-	-	(1,548)	-
Net (purchase)/receipt of treasury bonds / notes	-	-	(48)	-	50
Purchase of non-controlling interest	-	(15)	-	-	-
Sale of investments	28	-	-	-	-
Net cash used in investing activities	**(81,730)**	**(67,959)**	**(67,856)**	**(52,459)**	**(71,246)**
Government grants received	-	6,595	-	9,956	-
Transfer to restricted cash to repurchase shares	-	-	-	-	(129,000)
Proceeds from borrowings	-	-	-	-	50,000
Repurchase of own shares	-	(24,847)	(45,640)	(36,327)	(15,888)
Finance lease payments	(2,335)	(909)	(887)	(850)	(747)
Overdraft	-	-	-	18,751	(18,751)
Loan repayments	(51,583)	51,583	-	(65,068)	-
Interest repayments	(12,982)	(103,999)	140	13	(28,677)
Payments of fees relating to bank loans	-	(24,835)	-	(1,530)	-
Net cash used in financing activities	**(66,900)**	**(96,412)**	**(46,387)**	**(75,055)**	**(143,063)**
Net change in cash and short-term deposits	**3,221**	**(33,831)**	**5,539**	**11,699**	**(44,437)**
Effect of exchange rate change on cash and cash equivalents	(227)	287	(376)	(119)	39
Cash and short-term deposits at the beginning of the period	156,509	159,503	125,959	131,122	142,702
Cash and short-term deposits at the end of the period	**159,503**	**125,959**	**131,122**	**142,702**	**98,304**

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 Q1 2013 results

Netia management will hold a conference call to review the results on May 15, 2013 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

Dial in numbers:
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(UK) +44 20 3003 2666
(US) +1 212 999 6659

Replay number:
(UK) +44 20 8196 1998
Passcode: 3539709#

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.