N E T I A

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

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

Netia reports 2011 full year and fourth quarter results

WARSAW, Poland – March 15, 2012 – 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, 2011.

1 Key highlights (pro forma results of Old Netia)

In order to ensure comparability of 2011 actual results versus the Company's 2011 guidance, the financial and operational data presented in this section reflects the pro forma results of the Netia group excluding the impact of the Telefonia Dialog SA group and Crowley Data Poland Sp. z o.o. acquisitions, which were concluded on December 16, 2011 and December 14, 2011, respectively (i.e. 'Old Netia').

1.1 FINANCIAL (pro forma results of Old Netia)

- *Netia completed 2011 broadly in line with its 2011 guidance*, reporting the following results:

FY 2011	*Actual Results Pro forma Old Netia*	*2011 Guidance[1]*
Revenues (PLN m)	1,593.2	1,590.0+
Adjusted EBITDA (PLN m)	403.2	405.0+
Adjusted EBITDA margin (%)	25.3%	25%
Adjusted EBIT (PLN m)	100.0	95.0+
Capital investments (excl. M&A) (PLN m)	229.6	230.0
Capital investments to sales (%)	14%	14%
Operating free cash flow (OpFCF) (PLN m)	173.6	170.0+
Total broadband lines	750,156	750,000[2]
Unbundled local loop (LLU) nodes	706	700

1 As per revised Netia guidance for 2011 published on November 3, 2011 (see Netia's current report No. 55/2011)
2 Total broadband lines including Ethernet acquisitions

- *Revenue* was PLN 1,593.2m for 2011, up by 1% versus 2010. Q4 2011 revenue was PLN 401.1m, up by 2% as compared to PLN 394.6m in Q3 2011 and PLN 394.1m in the prior year quarter. Steady year-on-year progress in the Corporate and SOHO/SME segments has been partly offset by tougher conditions in the Residential segment and flat Carrier segment revenues.

- *Adjusted EBITDA* was PLN 403.2m for 2011, up by 12% over 2010, with subscriber growth, technology and customer mix and cost control contributing positively while ARPUs were relatively stable. Sequentially, Adjusted EBITDA remained a strong PLN 103.4m versus a record PLN 105.4m in Q3 2011. Adjusted EBITDA margin was 25.3% for 2011 and 25.8% in Q4 2011 versus 22.9% for 2010 and 26.7% in Q3 2011.

- *A non-cash exceptional gain of PLN 220.7m related to the reversal of earlier impairment charges* was recorded in Q4 2011 based on the annual impairment test of Old 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. Accordingly, the estimation excludes projects such as integration synergies following the acquisitions of Telefonia Dialog SA and Crowley Data Poland Sp. z o.o., as for the purpose of the 2011 test the acquired businesses are treated as separate Cash Generating Units. A slightly lower WACC and the inclusion of projected cash flows from TV services launched in 2011 were the major reasons for a second significant impairment reversal in two years. The impairment reversal increases net profits and distributable earnings for 2011 whilst increasing depreciation and amortization charges to be covered from EBITDA in 2012 and beyond (see also section *Consolidated Financial Information*). The Netia group has now reversed all impairment reserves that it is possible to reverse under applicable accounting rules, reflecting the turnaround in the group's performance over the past few years.

- *EBITDA* was PLN 606.8m for 2011 and PLN 313.4m for Q4 2011, up by 3% versus 2010 and by 203% versus Q3 2011. The unusual gains reflected in EBITDA for 2010 and 2011 were related to the reversal of earlier impairment charges, totalling PLN 220.7m in 2011 versus PLN 221.2m in 2010, and PLN 7.3m of profits from the disposal of tranches of transmission equipment to P4 recorded in 2010. The main unusual items expensed were the costs of M&A projects of PLN 10.4m in 2011 and PLN 0.7m in 2010, Dialog and Crowley integration costs of PLN 1.1m in 2011 and PLN 5.1m of provisions for universal service obligation payments recorded in 2011. EBITDA margin was 38.1% for 2011 and 78.1% in Q4 2011 as compared to 37.4% for 2010 and 26.2% in Q3 2011.

- *EBIT* increased by 6% to PLN 303.7m (up by 70% YoY to PLN 100.0m profit when excluding all one-offs) in 2011 as compared to PLN 285.8m (PLN 58.8m profit when excluding one-offs) in 2010. EBIT for Q4 2011 was PLN 237.2m (PLN 27.2m profit when excluding one-offs) compared to PLN 27.6m (PLN 29.6m profit when excluding one-offs) in Q3 2011.

- *Old Netia was operating free cash flow positive both in the full year and in Q4 2011*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding Ethernet acquisitions, was PLN 173.6m for 2011 versus PLN 160.1m in 2010 and PLN 38.2m for Q4 2011 as compared to PLN 38.5m in Q3 2011.

- *Guidance for 2012.* Netia announced today its guidance for FY2012, expecting revenue at PLN 2,185.0m, Adjusted EBITDA at PLN 600.0m and Adjusted EBIT at PLN 125.0m. Adjusted OpFCF is expected at PLN 300.0m and adjusted capital investments at PLN 300.0m excluding one-off integration capex. Detailed integration planning is on-going with current estimates of 2012 integration costs and integration capex, excluded from adjusted guidance, of PLN 50.0m and PLN 30.0m, respectively. Netia expects to update its detailed FY2012 guidance in May 2012 along with the Q1 2012 results release should final integration estimates differ when the planning process is completed.

  Total customer RGUs are targeted to grow by 4% from the current almost 2.8 million of unique services to 2.9 million with revenues flat versus the 2011 pro forma New Netia PLN 2,185.0m in a shrinking fixed-line market. The early months of the year are expected to be soft with acceleration in growth coming later in 2012.

- *Possible share buy-backs for 2012*. Management intends to keep sufficient financial flexibility to be able to raise funding to participate in further market consolidation during 2012. An amount of up to PLN 75.0m has been set aside to be utilised in further share buy-backs within the scope of the existing shareholders' authorisations. Commencing any buy-backs will be subject to the approval of the Supervisory Board and would have to begin by June 1, 2012.

1.2 OPERATIONAL (pro forma results of Old Netia)

- *Old Netia's broadband subscriber base* reached 750,156 at December 31, 2011, growing by 3% from 731,699 at September 30, 2011 and by 9% from 690,247 at December 31, 2010. Netia estimates that the total fixed broadband market share for Old Netia increased to 11.9% from 11.5% at December 31, 2010. Old Netia added 18,457 net broadband customers during Q4 2011, (7,411 excluding Ethernet acquisitions) versus 12,104 net additions in Q3 2011 (6,623 excluding Ethernet acquisitions) and 36,346 net additions in Q4 2010 (29,561 excluding Ethernet acquisitions). The year-on-year decrease in net additions reflects markedly lower market growth and tougher price competition, which is limiting volumes particularly on lower margin bitstream wholesale access services. At the same time, Netia's offering over its own networks and LLU, operating on higher margins, remains attractively priced versus our competitors and continues to make steady progress.

- *Old Netia's voice subscriber base* (own network, WLR and LLU). Netia estimates that the total fixed voice market share of Old Netia increased to 13.4% from 13.0% over the past twelve months. Due to the competitive market conditions and Netia's focus on higher end customers, Netia is concentrating on defending voice revenues as opposed to subscriber numbers. Old Netia's voice subscriber base was 1,177,408 at December 31, 2011 as compared to 1,218,567 at December 31, 2010 and 1,190,636 at September 30, 2011. In total, Netia recorded a net decrease of 13,228 voice subscribers during Q4 2011, associated mainly with clients churning from traditional direct voice and WLR services. Of the total voice customers served at December 31, 2011, 32% received service over Netia's own access infrastructure.

- *Netia has virtually completed its LLU network roll-out* with 706 nodes unbundled for total coverage of approximately 4.9m lines and a total of 184,229 LLU broadband services as at December 31, 2011. LLU net additions totalled 8,794 in Q4 2011 as compared to 16,175 in Q3 2011 and 28,340 in Q4 2010. In Q4 2011 the migrations of BSA/WLR customers onto LLU totalled 6,650, increasing the total gross number of migrations to 106,968. Several remaining LLU nodes will be unbundled during Q1 2012, bring the total number of Netia's LLU nodes to 713.

- *Old Netia NGA network extension.* During 2011 Old Netia expanded its existing NGA standard network, which allows for providing 3play services including IPTV, from approximately 30,000 to approximately 556,000 homes passed, surpassing its original target of 500,000 homes passed by the end of 2011. As of December 31, 2011, approximately 434,000 homes were passed with VDSL copper networks and approximately 122,000 homes were passed with the fast Ethernet networks and fiber to the building (FTTB) (please see section 2 *Operational Overview* for details on NGA roll-out plans for New Netia).

Miroslaw Godlewski, Netia's President and CEO, commented: *"Following the earlier than expected closings of the acquisitions of the Dialog Group and Crowley Data Poland in mid-December, it is with great satisfaction that today we are reporting our first set of results as "New Netia", a business 42% larger in terms of services sold. The combined New Netia Group has 2.8m revenue generating units (RGUs), including 0.9m fixed broadband services and 1.7m fixed voice services for estimated market shares of 14.4% and 19.9%, respectively. Around 51 thousand TV services and around 83 thousand mobile voice and broadband services complete a full portfolio of services for our residential customers and approximately 42 thousand new business customers will add bulk to our three business segments. When looking at 2011 results of the combined three businesses on a pro forma basis, New Netia started 2012 as a combined business with PLN 2,184.9m in revenues and Adjusted EBITDA of PLN 546.1m and the Management Team is convinced that we can expect to continue to grow faster than the market and significantly improve profit margins as we fully integrate these three businesses.*

The integration project, which we have called "CDN", has been up and running since early January 2012 and is progressing at an accelerated pace. Our aim is to build a single, fully integrated business to serve our customers better and more efficiently. We have already completed selection of the key layer of department heads reporting to the Management Board and we are now working across sixteen different workstreams to define the next layers of management, locations of key functions and activities and the selection of key systems and platforms. By the end of April 2012 we will have implemented significant savings from the most straight-forward synergy opportunities and to have well over one hundred individual synergy initiatives up and running under the supervision of a specially created Integration Project Team. Today's published guidance includes preliminary estimates of synergies and implementation costs to be incurred during 2012 and these will be updated or confirmed when we report our Q1 2012 results. Thus far no significant adverse surprises have been uncovered and we remain confident that we will deliver the PLN 106m PLN of annual synergies by 2014 that we announced when the acquisitions were signed.

Whilst a huge effort will go into the integration process during 2012, we also know that the market will continue to develop and we are determined not to lose operational focus on providing the best possible service to our customers. We finished 2011 with over 780 thousand homes passed upgraded to NGA standard (including Dialog Group) and our IPTV and internet based TV services such as HBO GO, Kinoplex, Ipla and MooD on-demand services complemented by widgets such as YouTube, Facebook, Gazeta.pl or Plotek.pl available on the TV screen as well as PVR functionality, all based on our innovative proprietary Netia Player set-top box, well received by the market. During 2012 we hope to significantly ramp up TV sales and add RGUs to our broadband and mobile subscriber bases while minimising revenue loss in the mature voice market. We will concentrate modernising local loops in order to extend the reach of our NGA homes past to 1.2m by 2012YE and also offer television services over non-NGA lines, leveraging the considerable experience already built up by the Dialog team.

Finally, I am pleased to note that Old Netia completed 2011 broadly in line with its guidance for Revenues, Adjusted EBITDA, Investment and broadband subscribers against a backdrop of difficult, highly competitive trading conditions and I am sure that New Netia will be equally tenacious in delivering our promises to investors during 2012. Even after the acquisitions of Dialog and Crowley, New Netia retains considerable financial flexibility and will continue to participate actively in on-going market consolidation. However, Management will be fully focused on the value creation potential of any further deals and also take proper account of the operational risks inherent in taking on another major integration project."

Jon Eastick, Netia's CFO, commented: *"After setting a single quarter Adjusted EBITDA record of PLN 105.4 m in Q3 2011, it was pleasing to see Old Netia deliver a further PLN 103.4 m in Q4 2011, when commercial costs are traditionally highest, and to deliver PLN 403.2m of Adjusted EBITDA for the full year 2011, up by 12% on 2010 and moving the EBITDA margin on to 25.3%. A quieter than usual investment program in the fourth quarter, following accelerated LLU and NGA roll-outs earlier in the year, resulted in total capital investment in line with guidance at PLN 229.6m and operating free cash flow of PLN 173.6m, up by 8% on the prior year and representing 11% of revenues. Revenues grew by 1% for the full year to PLN 1,593.2m, in line with our updated guidance and represents a very creditable result in a tough environment where the overall fixed market was shrinking by as much as 8%.*

Strong cash flow and adding TV services to our business resulted in Netia once again recognising a reversal of previous impairments in the final accounts for 2011. Another PLN 220.7m of provisions have been reversed and Netia has now reversed all possible amounts, underlining the strength of the turnaround in the Group's fortunes and Management's confidence in future prospects.

As the acquisitions of the Dialog Group and Crowley Data Poland were completed during December, the financial results we report today include two weeks of revenues and costs of the two acquired businesses and our balance sheet reflects the preliminary estimates of the fair value of the assets and liabilities acquired. This consolidation increased audited, reported revenues of the New Netia Group by PLN 25.6m to PLN 1,618.8m while the impairment reversal resulted in net profit for the year totalling PLN 248.8m versus PLN 24.6m for the first nine months of 2011. Netia funded the PLN 978m needed, net of cash received, for the two acquisitions with PLN 650m in loans and PLN 328m of its own cash resources. As a result Netia ended 2011 with net debt of PLN 538.7m for a modest leverage ratio of 1.0x pro forma Adjusted EBITDA of New Netia of PLN 546.1m for 2011.

With such moderate leverage, Netia has the financial flexibility to continue to participate in market consolidating acquisitions, should value creating opportunities arise that can be absorbed in the context of the on-going integration of Crowley and Dialog to form one single organisation. In this context and in consideration of PLN 227m of interest and loan repayments to be funded during 2012, Management estimates that up to PLN 75m of 2012 cash flow can be set aside for buy-backs without negative impact on the ability to raise additional financing for possible acquisitions.

The combination of Netia, Dialog and Crowley into New Netia has great potential and this is underlined by today's published guidance for 2012, with projected revenues growing by 34% compared to Old Netia in 2011 to PLN 2,185m and Adjusted EBITDA, including a gradual increase in synergy savings, moving on by 47% to PLN 600m and a margin of 27.5%. Capital investment is expected to total PLN 300m plus a further PLN 30m is available for integration specific projects while the current estimate of operating expenses to realise synergies during 2012 stands at up to PLN 50m. As a result, New Netia is projected to generate PLN 300m in operating free cash flow before integration costs and capex versus PLN 173.8m for Old Netia in 2011. Detailed planning of the integration projects is on-going and the current estimates of costs and synergy savings to be delivered in 2012 and for the multi-year project as a whole may still change and therefore Management expects to confirm the final targets along with Q1 2012 results during May 2012."

2 Market consolidating acquisitions of Telefonia Dialog SA and Crowley Data Poland Sp. z o.o.

Netia acquired 100% stakes in Telefonia Dialog SA ("Dialog") and Crowley Data Poland Sp. z o.o. ("Crowley") on December 16, 2011 and December 14, 2011, respectively, with the transactions together confirming Netia's strategic intent to be the prime consolidator of the Polish alternative fixed line market. The final price paid for Dialog of PLN 968.9m represented an enterprise value of PLN 880.4m while Dialog's cash balance at the acquisition date was PLN 90.3m and its debt was PLN 1.8m. The total purchase price for Crowley's enterprise, inclusive of balance sheet adjustments that are currently under final negotiation in accordance with the share purchase agreement, is PLN 101.0m, including PLN 97,6m for EV and PLN 3.4m of net cash balance acquired. The acquisition price for Dialog represents 6.7x standalone Adjusted EBITDA for 2011 and 4.1x EBITDA including planned full annualized synergies. The acquisition price for Crowley represents 7,0x standalone EBITDA for 2011 (excluding management fees charged by the seller) and 2,8x EBITDA including planned full annualized synergies.

Both acquisitions, which transform Netia into a sizable European altnet with approximately 2.8m 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. Management's tentative objective is to deliver more than 106.0m PLN in annual synergies by 2014. This estimate is being further refined under the currently ongoing integration planning process and the management expects to announce its final operating synergies targets along with the Q1 2012 results release. Integration to create a New Netia is expected to take up to 2 years, although the majority of synergy projects should be completed within 2012 (please see section *Other highlights* for details of the integration process).

Two weeks of consolidating Dialog and Crowley into Netia group's results for 2011 contributed PLN 25.6m to revenue and PLN 5.0m to Adjusted EBITDA. Additional depreciation and amortisation cost due to the acquisitions was PLN 5.6m and related contribution to EBIT was a loss of PLN 1.0m. A total of PLN 1.3m of revenues and PLN 1.3m of costs of an intragroup nature were eliminated as part of this consolidation.

New Netia's reported net profit for 2011 was PLN 248.8m as compared to net profit of PLN 263.9m for 2010. Reported net profit for Q4 2011 was PLN 234.3m versus net profit of PLN 24.6m for Q3 2011. The above net result includes the expensing of PLN 58.3m paid during 2010 in relation to the Company's corporate income tax ("CIT") for the year 2003 following the ruling of the Voivodship Administrative Court of March 15, 2011, which dismissed Netia's appeal of the earlier decision of the Director of the Tax Chamber in Warsaw. In December 2011 and February 2012 Netia received repayments of PLN 6.4m and PLN 1.4m, respectively, related to penalty interests paid previously by the Company and subsequently conceded by Tax Authority as incorrectly claimed. A final appeal hearing should occur in 2012 or 2013.

New Netia's cash resources at December 31, 2011 totalled PLN 156.5m and *debt*, related to Dialog and Crowley acquisitions, totalled PLN 695.2m. Accordingly, *net debt* was PLN 538.7m and *financial leverage* was 1.3x Adjusted EBITDA for 2011 and 1.0x Adjusted EBITDA when including EBITDA of Dialog and Crowley on a pro forma basis.

The final audited results of the New Netia Group for 2011, which include two weeks of consolidating the Dialog group and Crowley, are as follows:

	Old Netia Pro forma for 2011	New Netia audited Actual for 2011
Revenue (PLNm)	1,593,222	1,618,803
Adjusted EBITDA	403,217	408,209
Adjusted EBITDA margin	25.3%	25.2%
Adjusted EBIT (PLNm)	100,052	99,081
Capital investments (excl. M&A) (PLNm)	229,603	243,719
Operating FCF (PLNm)	173,614	164,490
Total assets (PLNm)	not calculated	3,549,184
Liabilities (PLNm)	not calculated	1,048,811
Shareholder funds (PLNm)	not calculated	2,500,373
Net cash / (debt) (PLNm)	not calculated	(538,668)
Services (RGUs)	1,967,299	2,789,274

Netia intends to present the pro forma comparative figures for New Netia for each quarter of 2011 when reporting 2012 interim and full year results.

3 Operational overview

3.1 BROADBAND, TV & MOBILE SERVICES

Broadband subscribers in Old Netia increased to 750,156 at December 31, 2011, up by 3% from 731,699 at September 30, 2011 and by 9% from 690,901 at September 30, 2010. In addition, broadband subscribers in Dialog group and Crowley as at December 31, 2011 were 158,950 and 2,464, respectively, giving New Netia a total of 911,570 broadband lines.

Netia provides its broadband services using the following technologies:

Number of broadband ports	*Q4 2010*	*Q1 2011*	*Q2 2011*	*Q3 2011*	*Q4 2011 Old Netia*	*Q4 2011 New Netia*
xDSL, FastEthernet and PON over Netia's own network	223,169	223,862	229,955	235,141	246,510	396,853
WiMAX Internet	18,974	18,570	18,034	17,495	16,785	19,130
LLU	126,895	146,070	159,260	175,435	184,229	184,229
Bitstream access	321,075	315,464	312,238	303,609	302,632	311,358
Other	134	116	108	19	-	-
Total	**690,247**	**704,091**	**719,595**	**731,699**	**750,156**	**911,570**

Broadband net additions in Old Netia totalled 59,909 during 2011 and 18,457 during Q4 2011, down by 54% and 49% on 2010 and Q4 2010, respectively, and up by 52% over Q3 2011. Additions from Ethernet network acquisitions of 11,046 subscribers for Q4 2011 compare to 5,481 subscribers for Q3 2011 and 6,785 subscribers for Q4 2010. Lower net additions year-on-year reflect the impact of a significantly slower broadband market and increased price competition on broadband products and from the incumbent in particular. This has virtually eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates across the broadband portfolio.

Moreover, broadband net additions for Q4 2011 in Dialog and Crowley were 2,655 and a fall of 58, respectively.

Broadband ARPU for Old Netia was PLN 52 in Q4 2011 as compared to PLN 53 in Q4 2010 and PLN 51 in Q3 2011. The year-on-year fall in ARPU reflects increased focus on 2plays and pre-emptive price reductions made in mid-2010. Broadband APRU for Dialog in Q4 2011 was PLN 56.

Broadband SAC for Old Netia was PLN 178 in Q4 2011 as compared to PLN 203 in Q4 2010 and PLN 200 in Q3 2011. The year-on-year decrease in Broadband SAC was associated with the introduction of Netia Spot routers and Netia Player set-top boxes, which are being "leased" to customers, using the same business model as satellite TV, and capitalized. The sequential decrease in Broadband SAC was driven mainly by lower external sales commissions per gross addition.

Local loop unbundling (LLU). In Q4 2011 Netia continued to grow its LLU-based services, with 8,794 net additions for the quarter. Netia had 706 unbundled nodes at December 31, 2011 versus 674 nodes at September 30, 2011, reaching approximately 4.9 million customer lines. At this stage, Netia has nearly completed its LLU roll-out program, with the last LLU nodes, taking their total number to 713, to be unbundled in Q1 2012, and intends to focus now on increasing the penetration of active customers per LLU node by both organic growth and migrations of the remaining BSA/WLR served clients within the reach of LLU onto higher margin LLU services.

Netia served 184,229 customers over LLU as at December 31, 2011 as compared to 175,435 at September 30, 2011 and 126,895 at December 31, 2010. During Q4 2011 Netia migrated 3,248 1play and 3,402 2play clients onto LLU, increasing the cumulative gross number of 1play and 2play migrations to 106,968. Of the new LLU sales for Q4 2011, a sizable portion (56%) came from re-activation of previously dormant TP lines or activation of new fixed lines.

At the end of Q4 2011, Netia served an average of 261 customers per LLU node as compared to 248 customers per LLU node in Q4 2010.

Acquisitions of local Ethernet network operators. As of December 31, 2011, Netia's Ethernet networks provided broadband access to a total of 132,532 mostly residential customers as compared to 123,532 customers at September 30, 2011 and 115,194 customers at December 31, 2010, with approximately 603,000 homes passed.

During Q4 2011 Netia acquired four further Ethernet networks with 11,046 active customers and 45,866 homes passed. In total, during 2011Netia acquired nine Ethernet networks (including both purchases of companies and asset transfers) with 22,823 active customers and 103,832 homes passed.
Netia remains fully dedicated to consolidation of the fragmented Polish Ethernet ISP market and is making good progress on its pipeline of acquisitions for 2012.

Multiplay services. Netia continues to increase the share of services sold in voice and data bundles. As at December 31, 2011, bundled services were delivered on 31% and 47% of lines in the Residential and SOHO/SME segments of Old Netia, respectively. This represents increases by 3 and 4 percentage points in the respective segments from December 31, 2010 and by 1 and 2 percentage points sequentially.

NGA network development. In 2011, Old Netia completed the first phase of upgrading the existing copper and Ethernet networks to NGA (Next Generation Access) standard. Approximately 556,000 homes passed (HPs) had been upgraded by the year-end versus the original target of 500,000 HPs. This included approximately 434,000 VDSL HPs and approximately 122,000 Ethernet HPs (FTTB). Capital expenditures related to this first phase of the upgrade amounted to PLN 11.9m as Netia has first upgraded the least expensive homes passed.

Through the acquisition of the Telefonia Dialog group, New Netia's NGA network was further extended by approximately 230,000 NGA HPs, including 112,000 passive optical networks (PON) HPs, 94,000 VDSL HPs and 24,000 Ethernet (FTTB) HPs.

Accordingly, New Netia covered in total 786,000 households with its NGA networks, including 112,000 PON HPs, 528,000 VDSL HPs and 146,000 Ethernet FTTB HPs at the end of 2011. Moreover, New Netia today covers a further 476,000 IPTV ready HPs within its network coverage (including Dialog) based on ADSL2+ technology, combined with NGA ready HPs, all of which can deliver IPTV services, so New Netia today has 1,262,000 IPTV ready HPs in its proprietary network coverage.

During 2012 New Netia intends to further expand its NGA coverage by another 450,000 HPs to reach slightly over 1,200,000 NGA ready HPs by 2012 year end. Thus, New Netia should cover in total approximately 1,650,00O IPTV ready HPs (NGA and ADSL2+) by 2012 year end which can be reached with 3play service bundles (IPTV + fixed broadband + fixed voice). In addition, Netia currently conducts tests of IPTV over its LLU network and may decide to extend further the network coverage of its TV services if these tests prove successful. Initial estimates indicate up to 650,000 HPs could be served with IPTV on ADSL2+ technology over LLU.

IPTV and content services. On November 8, 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 / DVB-T), 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. The rich HBO GO content, with Netia being its preeminent provider in Poland, constitutes one of the key elements of this new product and is provided in a bundle with Netia's Internet access services or together with IPTV.

The number of active TV customers in Old Netia grew to 6,261 as at December 31, 2011 from 1,929 as at September 30, 2011. This included 1,092 customers of the bundled HBO GO services, offered from November 2011. Sales forces are being prepared to focus on the 3play opportunity across the entire covered area and sales rates are expected to accelerate significantly in 2012. The number of active IPTV customers in Telefonia Dialog group grew to 43,379 as at December 31, 2011 from 42,952 as at September 30, 2011.

Mobile customers. Netia continues to develop its base of cross-sold mobile broadband customers, which have economics similar to BSA services. Old Netia's mobile broadband customer base totalled 28,096 at December 31, 2011 as compared to 7,959 at December 31, 2010 and 24,206 at September 30, 2011. *Mobile broadband ARPU* for Old Netia was PLN 29 in Q4 2011 as compared to PLN 28 in Q3 2011 and PLN 27 in Q1 2011. Old Netia's mobile services, including 5,378 mobile voice services, are provided via an MVNO agreement with the mobile operator P4 (Play).

New Netia includes Dialog group's base of 46,563 MVNO voice subscribers and 2,171 MVNO data subscribers as at December 31, 2011, provided via an MVNO agreement with Polkomtel.

3.2 VOICE

3.2.1 Own network, WLR & LLU

Voice lines (own network, WLR and LLU) in Old Netia totalled 1,177,408 at December 31, 2011 as compared to 1,218,567 at December 31, 2010 and 1,190,636 at September 30, 2011. In addition, voice lines in Dialog's and Crowley's networks totalled 539,908 and 27,407, respectively, at December 31, 2011. Dialog reported voice services totalling 810 thousand in its last business update published prior to Netia signing a conditional purchase agreement on September 29, 2011. This number has since been revised down and the 539,908 reported for December 31, 2011 is broadly consistent with Netia's definitions. The change is related to conversion of data connections into voice line equivalents and has no impact on financial results.

In Q4 2011 Old Netia recorded a net decrease of 13,228 voice lines, associated mainly with clients churning from traditional direct voice and WLR services. In Q4 2011 Dialog and Crowley recorded a net increase/decrease of 1,489 and (365) lines, respectively. Accordingly, New Netia had a total of 1,744,723 voice services as at December 31, 2011.

Aggressive price competition from TP and smaller players, often targeting low ARPU customers with low monthly fees, together with substitution from mobile and cable TV, is putting pressure on the subscriber base whilst Netia is targeting higher ARPU customers and upselling unlimited fixed-line national call bundles in order to attract higher value customers.

Netia is steadily growing its base of relatively low cost VoIP customers, principally in the business segment or over LLU and Ethernet to residential customers. Over time, the Company expects to gradually reduce its reliance on traditional switched telephony, thereby reducing its cost base.

Due to the competitive market conditions and Netia's focus on higher end customers, Netia is switching focus to defending voice revenues as opposed to subscriber numbers.

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

Number of voice lines	*Q4 2010*	*Q1 2011*	*Q2 2011*	*Q3 2011*	*Q4 2011 Old Netia*	*Q4 2011 New Netia*
Traditional direct voice	332,657	326,982	322,583	321,091	318,742	596,330
Incl. ISDN	*143,560*	*144,582*	*145,738*	*148,270*	*149,076*	*223,148*
Incl. Legacy wireless	*38,666*	*38,504*	*40,474*	*41,987*	*41,799*	*41,799*
Voice over IP (excl. LLU)[1]	30,589	31,325	32,133	33,912	36,992	42,279
WiMAX voice	20,043	19,197	18,432	17,550	16,447	17,603
Netia network subscriber voice lines[1]	**383,289**	**377,504**	**373,148**	**372,553**	**372,181**	**656,212**
WLR	752,899	739,456	722,316	699,275	680,054	962,322
LLU voice over IP	82,379	95,112	106,698	118,808	125,173	126,189
Total[1] (pro forma for Old Netia)	**1,218,567**	**1,212,072**	**1,202,162**	**1,190,636**	**1,177,408**	**1,744,723**

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

Voice ARPU per WLR line amounted to PLN 48 in Q4 2011 in Old Netia as compared to PLN 48 in Q4 2010 and PLN 49 in Q3 2011. ARPU stabilisation reflects the success of upselling all-inclusive fixed voice offers for higher monthly fees and the loss of some low ARPU customers to competition.

Voice ARPU per Netia network subscriber line amounted to PLN 52 in Q4 2011 for Old Netia as compared to PLN 54 in Q4 2010 and PLN 53 in Q3 2011, with the year-on-year decrease reflecting overall tariff reduction trends and pressure on prices in the business segment in particular.

Blended voice ARPU in Old Netia was PLN 50 in Q4 2011 as compared to PLN 51 in Q4 2010 and PLN 50 in Q3 2011. In Q4 2011 blended voice ARPU in Dialog and Crowley was PLN 42 and PLN 63, respectively.

3.2.2 Indirect voice

CPS lines (carrier pre selection) in Old Netia totalled 66,781 at December 31, 2011 as compared to 82,983 at December 31, 2010 and 69,867 at September 30, 2011. In addition, CPS lines in Dialog and Crowley totalled 3,382 and 3,533, respectively, at December 31, 2011. Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers. CPS clients are not counted in the total New Netia voice subscriber base of 1,744,732 clients as at December 31, 2011.

Indirect voice ARPU per CPS line in Old Netia was PLN 23 in Q4 2011 as compared to PLN 28 in Q4 2010 and PLN 24 in Q3 2011. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers is responsible for the year-on-year ARPU decline.

3.3. OTHER

Headcount for Old Netia was 1,476 at December 31, 2011, compared to 1,441 at December 31, 2010 and 1,467 at September 30, 2011. Active headcount for Old Netia was 1,435 at December 31, 2011 versus 1,392 at December 31, 2010 and 1,414 at September 30, 2011. The increase in Old Netia's headcount was largely driven by acquisition of new Ethernet companies.
Total headcount for New Netia, including Dialog and Crowley acquisitions, was 2,899 at December 31, 2011, while active headcount at the year-end was 2,786.

The movement in headcount can be analyzed as follows:

	Active	*Total*
Headcount at December 31, 2010	**1,392**	**1,441**
Ethernet networks	38	39
Headcount increase / (reductions)	5	(4)
Headcount at December 31, 2011(as reported for Old Netia)	**1,435**	**1,476**
Dialog group	1,199	1,264
Crowley	152	159
Headcount at December 31, 2011(as reported for New Netia)	**2,786**	**2,899**

Capital investment additions

Capital investment additions (PLN'M)	*FY 2010*	*FY 2011*	*Change %*	*Q3 2011*	*Q4 2011*	*Change %*
Existing network and IT	82.5	97.7	18%	32.4	27.4	-15%
Broadband networks	110.3	112.1	2%	29.9	26.7	-11%
CPE broadband (mainly capitalised Netia Spot routers)	-	14.9	na	4.6	6.2	33%
IPTV (incl. dedicated CPE – Netia Player)	-	4.9	na	-	4.9	na
P4 transmission project	7.0	-	na	-	-	na
Total (as reported for Old Netia)	**199.8**	**229.6**	**15%**	**66.9**	**65.2**	**-3%**
Dialog group and Crowley[1]	na	14.1	na	na	14.1	na
Total (pro forma / as reported for New Netia)	**199.8**	**243.7**	**22%**	**66.9**	**79.3**	**18%**

1 Dialog group's and Crowley's contribution for 2 weeks of December 2011.

Higher capital investment in existing network and IT reflect extension of transmission network capacity to activate new corporate and carrier customers. Capital expenditures related to broadband networks in 2011 reflect mainly the LLU roll-out with respect to newly unbundled nodes, upgrades to transmission capacity and upgrades to NGA standard. As Netia Spot routers 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. Due to the sale of the P4 radio transmission network back to P4 in 2010, the P4 related spending is now largely limited to Netia's core backbone network and is therefore part of the Existing network and IT category.

4 OTHER HIGHLIGHTS

Integration of Netia, Dialog and Crowley into New Netia Group. Following the completion of Dialog and Crowley acquisitions in December 2011, Netia immediately commenced a comprehensive integration project which is expected to create a larger, more efficient and more competitive New Netia that will facilitate the execution of Netia's Strategy 2020 and deliver extensive operational synergies.

The first integration planning phase has been already completed, with operational and strategic assumptions defined, certain 'quick-win' synergies confirmed and under implementation, and nominations of key managers (level 'N-1' directors reporting directly to the management board members) finalised. The newly appointed 'N-1' directors represent top management from all three companies, and were nominated based on their professional achievements so far and competencies to perform new, larger roles in the newly built organisation. The same approach is being taken when considering appointments for all other management positions across New Netia.

Currently, the integration process is in its second phase, aimed at executing 'quick-win' synergies, nominating the level 'N-2' and 'N-3' managers and planning the detailed implementation of integration initiatives and long-term synergies. The newly nominated management will begin implementation of a wide range of synergy initiatives from Q2 2012.

The integration initiatives are split across sixteen functional workstreams, coordinated by an integration office.

Management's original objective is to deliver more than 106.0m PLN in annual synergies by 2014. This estimate is being further refined under the ongoing integration planning process and the Management expects to announce its final operating synergies targets along with the Q1 2012 results release, once the final organisational structure is set and all integration projects are confirmed and defined. Integration to create New Netia is expected to take up to 2 years, although the majority of synergy projects should be completed within the first 12 months post transaction.

The integration process is being conducted with the support of external consultants from the Boston Consulting Group and Scherer Leadership International.

Financing. On December 31, 2011, New Netia had PLN 156.5m in cash and PLN 695.2m in debt. The debt recorded on Netia's balance sheet was related to a loan agreement executed with a consortium of banks on September 29, 2011, including a five-year senior debt facility of PLN 650.0m designated to acquire Telefonia Dialog SA and a PLN 50.0m revolving facility for general operating purposes. The remaining PLN 328m of the adjusted purchase price[1] to acquire Telefonia Dialog SA and estimated PLN 101m to acquire Crowley Data Poland Sp. z o.o. was financed by Netia internally from its own cash resources including the PLN 300.0m acquisition fund it set aside earlier in 2011. Netia Group's net debt to pro forma Adjusted EBITDA following the acquisitions amounted to 1.0x. Financial covenants agreed as part of the above loan facility are such that further funds may be raised to finance further acquisitions once this loan and Netia's cash resources have been consumed.

Completed share buy-back programme for 2.5% of Netia's share capital. Netia's Annual General Shareholders Meeting held on June 2, 2011 adopted a general share buy-back program to acquire and redeem up to 12.5% of the Company's share capital utilising assigned funds totalling up to PLN 350.0m. Within the authorisation granted by the AGM, on August 17, 2011 Netia commenced a buyback program aimed at acquiring up to 2.5% of the Company's share capital , allocating for this purpose up to PLN 60.0m. The program was completed on November 8, 2011 with Netia acquiring a total of 9,775,000 of its own shares for a total amount of PLN 49.5m and an average share price of PLN 5.07. The own shares acquired by the Company carried a total of 9,775,000 votes at the general meeting of the shareholders, and represented 2.50% of the Company's share capital, and a 2.50% share in the total number of the votes at the general meeting of shareholders at the time of commencing the program. Subsequently, the own shares were redeemed by Netia's extraordinary shareholders meeting on December 15, 2011 and the related decrease in Netia's share capital was registered by the court on January 30, 2012. Currently, Netia share capital amounts to PLN amounts to PLN 381,863,103 as a consequence of share redemption and execution of options by employees and represents 381,863,103 shares, nominal value PLN 1 per share. The total number of votes from the Company's shares is 381,863,103. The amount of Netia's share capital is subject to further changes resulting from the exercise of options under the existing employee stock option plans (please see below).

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

Possible share buy-backs for 2012. Management intends to keep sufficient financial flexibility to be able to raise funding to participate in further market consolidation during 2012. An amount of up to PLN 75.0m has been set aside to be utilised in further share buy-backs within the scope of the existing shareholders' authorisations. Commencing any buy-backs will be subject to the approval of the Supervisory Board and would have to begin by June 1, 2012.

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

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

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

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

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

On December 30, 2011 and February 22, 2012 Netia received further repayments of PLN 6.4m and PLN 1.4m, respectively, related to penalty interests paid previously by the Company and subsequently conceded by Tax Authority as incorrectly claimed.

Management expects the Supreme Administrative Court to hear the final appeal either in late 2012 or in early 2013.

Regulatory issues and recent market developments. On January 24, 2012 the Regulator published a new margin squeeze test procedure for regulated access which, in Netia's opinion, modifies slightly its previously binding version from February 2011 and, additionally, defines in a more detailed way the test process itself. The first results of the new margin squeeze test, which were performed based on the cost input provided by the alternative operators on June 30, 2011, are satisfactory and, in Netia's view, protect the margins of alternative operators. Nevertheless, the Company is of the opinion that further changes to the test procedure are necessary in order to ensure its higher effectiveness with respect to the bundled services and their TV component in particular.

Netia has declared its intention to provide the Regulator with the cost data input with a view to participate actively in the margin squeeze test procedure. This will allow the Company to include its costs to the average applied by the Regulator for the tests, as well as control the process.

Universal service obligation refund. In 2011 the Regulator (President of UKE) issued decisions to refund TP SA for rendering services under its universal service obligation (the "USO"). The total amount to be paid by market participants, including TP SA, with respect to the USO for years 2006-2010 inclusive was set at approximately PLN 122.0m. Both the telecommunications chamber, KIGEiT, and TP SA itself had appealed the Regulator's decisions requesting their reconsideration. Taking into account the amount of the USO subsidy for 2010 granted by the Regulator and its proportional amount for the USO period during 2011 (i.e., until May 8, 2011), New Netia's estimated share of a total refund, payable upon issuing decisions by the Regulator, determining the amount of Netia's share in the subsidy to USO cost until May 2011, may amount to approximately PLN 7.1m. Of that amount, Old Netia provided for PLN 5.1m in 2011 under other costs of general administration. The remaining PLN 2.0m, which relates to Dialog's and Crowley's USO estimated cost, is not reflected in the New Netia's consolidated income statement since it was not born in the period subject to consolidation in 2011. The USO imposed on the incumbent by the Regulator expired in May 2011 (no other entity has been designated to provide the USO services thereafter).

Exercise of options under Netia's stock option plan. Given that the Company's employee stock option plan adopted in 2002, as amended in 2003 (the "Plan 2003"), expires at the end of 2012, Netia management participants can be expected to exercise their options under the Plan 2003 and acquire Netia shares over the next four quarters. In this regard, Netia has so far issued 2.1m shares during 2011 in consideration of 6.8m exercised options, and the highest possible number of shares that may still be issued under the Plan 2003 is 11.0m.

On February 28, 2011, Netia's Supervisory Board adopted a set of rules for the new stock option plan covering the years 2011-2020 (the "Plan 2011"), in line with the authorization of Netia's Annual General Shareholders' Meeting of May 26, 2010, which resolved for the issuance of up to 27.3m options and up to 13.6m shares for the purposes of Plan 2011. As of December 31, 2011, 3.6m options were granted under Plan 2011. The outstanding options are exercisable until May 26, 2020, with the earliest possible vesting date being February 25, 2014. Upon exercise of the options, Netia will issue to each exercising participant the number of shares representing such participant's gain resulting from the exercise of the options, being the difference between the exercise price of the Company's shares and strike price of the options. Furthermore, the number of shares which can be issued to the participant is capped at half the number of granted options.

Netia's shares continued to be a composite of the RESPECT Index of the Warsaw Stock Exchange, following its semiannual review in January 2012. 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 23 companies.

5 Guidance for FY2012 and Strategic Financial Goals

Netia today sets out its guidance for FY2012. The guidance below will be reconfirmed following the completion of the ongoing Dialog and Crowley integration planning process, which is expected to be completed by the end of April 2012.

The existing mid-term guidance for 2010 – 2012, originally issued in 2009, is being withdrawn and replaced with the below FY2012 guidance as a result of both the recent acquisitions, which significantly increase Netia's scale of operations, and due to reaching the last year of its time horizon.

Guidance for 2012 is set out below:

FY2012 Guidance	
Number of services (RGUs) ('000)	2,900
Revenues (PLN m)	2,185
Adjusted EBITDA (PLN m)	600
Adjusted EBITDA margin (%)	27.5%
Adjusted EBIT (PLN m)	125
Capital investments (excl. M&A and integration capex) (PLN m)[1]	300
Capital investments (excl. M&A and integration capex) to sales (%)	14%
Adjusted operating free cash flow (Adj. OpFCF)[1](PLN m)	300

1 Adjusted EBITDA less capital investments

The above guidance excludes the impact of one-off integration costs and one-off integration capex, estimated currently at up to PLN 50.0m and up to PLN 30.0m, respectively.

New Netia now focuses on the total number of services (RGUs) target based on its subscriber base, reflecting a multiplay approach and stressing the importance of ARPU increase per active subscriber.

The long-term strategic financial goals issued together with the Strategy 2020 are being updated to reflect the expanded New Netia Group as follows:

Long-term strategic financial goals (until 2020)
Continued growth in the number of services (RGUs)
Services (RGUs) per subscriber to reach 2.0x
Continuously increasing value share
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 (pro forma results for Old Netia)[2]

Please also refer to our financial statements for the year ended December 31, 2011.

2011 vs. 2010

Revenue rose by 1% YoY to PLN 1,593.2m for 2011 from PLN 1,569.3m for 2010, with Soho/SME, Corporate and Carrier revenue segments all showing growth versus the prior year and a decrease in Home segment driven by pricing pressure and Netia's revenue pressing stance on voice services.

Telecommunications revenue increased by 2% YoY to PLN 1,588.9m in 2011 from PLN 1,564.4m in 2010. Data revenue increased to PLN 596.9m, up by 6% YoY from PLN 562.5m in 2010, 7 percentage points being attributable to broadband-related organic growth and 1 percentage point to acquisitions of Ethernet operators while data transmission connections for P4 accounted for a decrease of 2 percentage points. Revenue from direct voice services decreased by 2% or PLN 17.1m as a result of decreasing customer numbers and traffic volumes.

The overall revenue level was supported by growth in the carrier segment driven by increases in wholesale services by 7% YoY or PLN 8.3m and interconnection revenue by PLN 7.0m or 10% YoY. Other telecommunications revenue increased by PLN 7.8m or 20% driven by growing number of mobile data and value-added services. The gradual run-down in indirect voice customers produced a revenue decrease of PLN 16.0m or 43% YoY.

Cost of sales increased by 1% YoY to PLN 1,085.8m from PLN 1,076.0m for 2010 and represented 68% of total revenue as compared to 69% in 2010.

Interconnection charges increased by 6% to PLN 237.3m in 2011 as compared to PLN 223.4m for 2010. This was mainly the result of increased subscriber originated voice termination in the retail segment and transit traffic services in the carrier segment.

Depreciation and amortization related to the cost of sales increased by 2% to PLN 254.5m as compared to PLN 249.0m for 2010.

Network operations and maintenance cost remained stable YoY at PLN 524.0m as compared to PLN 525.6m for the prior year, despite the increasing customer base, which reflects the increasing share of LLU in the customer mix.

Costs of goods sold decreased by 49% YoY to PLN 9.9m as compared to PLN 19.4m recorded in 2010, following lower sales volumes and the introduction of Netia's proprietary equipment from June 2011, which is being capitalized as part of Netia's broadband capex. PLN 17.0 was capitalized during 2011.

Salaries and benefits related to the cost of sales increased by 5% to PLN 20.9m from PLN 19.9m, driven by acquisitions of new Ethernet companies.

Gross profit for 2011 was PLN 507.4m as compared to PLN 493.3m for 2010. Gross profit margin was 31.8% for 2011 and 31.4% for 2010.

Selling and distribution costs decreased by 7% YoY to PLN 289.9m from PLN 312.9m for the last year and represented 18% of total revenue as compared to 20% in the prior year.

Third party commissions paid for the acquisition of new customers were down by 28% YoY to PLN 28.4m from PLN 39.4m, reflecting relatively lower customer intake overall as well as ongoing optimization of sales channel-mix.

Depreciation and amortization related to selling and distribution cost decreased by 17% to PLN 27.1m from PLN 32.6m in 2010.

Advertising and promotion spending fell by 10% from PLN 51.0m to PLN 46.0m.

Impairment of receivables decreased to PLN 7.0m from PLN 9.5m in 2010.

Billing, mailing and logistics costs decreased by 8% YoY to PLN 32.9m from PLN 36.0m, mainly as a result of more customers accepting electronic invoices.

Other expenses related to selling and distribution cost increased by 30% YoY to PLN 33.0m from PLN 25.3m in 2010, driven by higher retention costs related to fees payable to TP upon increasing broadband transmission speeds to Netia's bitstream access customers and higher cost of licenses for providing Internet access security

[2] In order to ensure comparability of 2011 actual results versus the Company's 2011 guidance, the financial and operational data presented in this section reflects the pro forma results of the Netia Group excluding the impact of the Telefonia Dialog SA group and Crowley Data Poland Sp. z o.o. acquisitions, which were concluded on December 16, 2011 and December 14, 2011, respectively (the "Old Netia").

in line with increased sales volumes of value added broadband services, which form part of Other Telecommunications Revenues.

General and administration costs increased by 5% YoY to PLN 150.1m from PLN 142.2m for 2010 and represented 9% of total revenue in both periods. This was mainly due to PLN 5.1m provided in relation to Netia's estimated universal service obligation, PLN 10.4m of M&A costs, of which PLN 6.4m are included into 'Other expenses' related to the general and administrative category, and PLN 1.1m of New Netia integration costs. The above cost increases were partially offset by a decrease in salaries and benefits cost related to the general and administrative category, associated with lower net costs of share based awards recognized over the vesting period.

Adjusted EBITDA increased by 12% YoY to PLN 403.2m from PLN 359.5m for 2010 and Adjusted EBITDA margin increased to 25.3% as compared to 22.9% for 2010.

A non-cash exceptional gain of PLN 220.7m, resulting from the impairment test of Netia's non-current assets was recorded in Q4 2011.

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 2011. 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 reversal of previous impairment charges recorded between 2000 and 2006 and allocated to the existing non-current assets as follows: tangible fixed assets – PLN 183.4m, telecommunications licenses – PLN 36.5m and investment property – PLN 0.8m.

The cash flow projections, in accordance with international accounting standards, include the current ongoing projects and do not take into account the cash flows expected from new and not commenced projects nor operational synergies from integration of Telefonia Dialog SA and Crowley Data Poland Sp. z o.o. into the New Netia Group. Strong cash flow, a slightly lower WACC and the launch of TV services and the NGA roll-out were the major drivers behind the impairment reversal.

This reversal of impairment increases profits and distributable reserves at December 31, 2011 but will also have the effect of increasing future depreciation and amortization charges.

Unusual items in 2011 included the above mentioned non-cash gain on reversal of earlier impairment charges of PLN 220.7m, the costs of M&A projects of PLN 10.4m, universal service obligation provision of PLN 5.1m, New Netia integration costs of PLN 1.1m and restructuring costs of PLN 0.4m for a net total of PLN 203.7m of gains. In the prior year, EBITDA included a non-cash gain on reversal of earlier impairment charges of PLN 221.2m, the gain on disposal of the second and the third tranches of transmission equipment to P4 of PLN 7.3m, restructuring expenses related to the "Profit" Project executed during 2009 of PLN 0.8m and expenses related to M&A activities of PLN 0.7m for a net total of PLN 226.9m of gains.

Depreciation and amortization increased by 1% to PLN 303.2m as compared to PLN 300.7m in 2010. Following a comprehensive review of the useful lives of Netia's network assets in the light of the Group's new Strategy 2020, the useful economic lives of existing network assets, in particular ducts and cabling, have been extended significantly with effect from January 1, 2011. This has largely offset an increase in depreciation and amortization charges resulting from the reversal of impairment recorded in Q4 2010.

Operating profit (EBIT) was PLN 303.7m as compared to an operating profit of PLN 285.7m for 2010. Excluding net unusual items described above of 203.7m of net gains in 2011 and PLN 226.9m of net gains in 2010, EBIT increased by 70% to PLN 100.0m for 2011 from PLN 58.8m for 2010.

Net financial income was PLN 17.0m as compared to net financial income of PLN 3.0m for the prior-year. The improvement was related mainly to interest earned on larger cash and treasury bills deposits, the cancellation of the Company's old bank facility which was generating amortized costs during 2010 and gains on cash flow hedges made to offset currency exposure in certain operating expenses. Financial cost for 2011 included PLN 2.5m of interests accrued on bank loans to finance Dialog's and Crowley's acquisitions in December 2011.

Q4 2011 vs. Q3 2011

Sequential revenue increased by 2% to PLN 401.1m in Q4 2011 from PLN 394.6m in Q3 2011.

Telecommunications revenue was PLN 400.1m in Q4 2011 versus PLN 393.5m in Q3 2011. Data revenue increased by 3% to PLN 152.5m in Q4 2011 versus PLN 148.0m in Q3 2011 driven by higher net additions, despite PLN 1.0m lower revenue from data transmission services rendered to P4. Other telecommunications revenue grew by PLN 1.6m or 14% driven by an increase in the number of mobile data services and value added services. Direct voice revenue fell by 3% QoQ to PLN 175.2m versus PLN 180.9m in Q3 2011. Total wholesale and interconnection revenue increased sequentially by PLN 6.5m or 14% as a result of more opportunistic deals in wholesale voice traffic transit and increased revenue from leasing dark fiber.

Cost of sales amounted to PLN 273.3m in Q4 2011 versus 269.9m in Q3 2011, representing 68% of total revenue in both periods. Interconnection charges increased by 12% or PLN 6.7m due to higher transit and termination volumes. Network maintenance cost was lower sequentially by 3% or PLN 3.6m in connection with lower average WLR and BSA customer bases and related fees to TP.

Gross profit was PLN 127.8m in Q4 2011 as compared to PLN 124.7m in Q3 2011, with gross profit margin at 31.9% versus 31.6% in Q3 2011.

Selling and distribution costs remained broadly stable QoQ at PLN 71.6m in Q4 2011 as compared to PLN 70.8m in Q3 2011 representing 18% of total revenue in both quarters. Other expenses related to selling and distribution costs increased by 13% or PLN 1.1m as a result of higher retention costs and higher cost of licenses for providing Internet access security. Advertising and promotion spending was higher by 8% or PLN 0.9m as a result of seasonally more intensive advertising campaigns.

General and administrative expenses increased by 40% to PLN 43.5m in Q4 2011 from PLN 31.1m in Q3 2011, and represented 11% and 8% of total revenue, respectively. The increase was driven by higher cost of other expenses, which included PLN 2.7m provisioned in Q4 2011 in relation to Netia's estimated universal service obligation payment, sequentially higher by PLN 1.8m M&A costs and New Netia integration expenses of PLN 1.0m. In addition, professional expenses related to M&A activities of PLN 3.5m were recorded in Q4 2011. Higher cost of salaries and benefits related to general administration was associated among others with higher cost accrued for settling in-the-money stock options, higher mark-to-market value of restricted stock units and higher cost of exercised stock options.

Adjusted EBITDA was PLN 103.4m versus PLN 105.4m for Q3 2011 and Adjusted EBITDA margin was 25.8% in Q4 2011 versus was 26.7% in Q3 2011.

EBITDA was PLN 313.4m as compared to PLN 103.4m in Q3 2011. EBITDA for Q4 2011 included the above mentioned gain on reversal of earlier impairment charges of PLN 220.7m, M&A related expenses of PLN 6.7m, PLN 2.7m provisioned in relation to the estimated amount of Netia's contribution to the incumbent's costs borne under the universal service obligation and New Netia integration costs of PLN 1.1m. EBITDA for Q3 2011 included M&A related expenses of PLN 2.0m.

Operating profit (EBIT) was PLN 237.2m as compared to operating profit of PLN 27.6m in Q3 2011. Excluding unusual items, EBIT for Q4 2011 would have been PLN 27.2m as compared to PLN 29.6m for Q3 2011.

Net financial income was PLN 2.7m as compared to PLN 7.4m in Q3 2011, with higher financial costs reflecting mainly interest accrued on the PLN 700.0m of new loans drawn to finance the Dialog and Crowley acquisitions.

Pro forma
Results of Old Netia (excl. Dialog and Crowley impact in Q4 2011) - Key Figures

PLN'000	2010	2011	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenues	1,569,296	1,593,222	394,154	401,189	396,280	394,616	401,137
y-o-y % change	*4.2%*	*1.5%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*	*1.8%*
Adjusted EBITDA	359,494	403,217	87,737	101,504	92,832	105,457	103,425
Margin %	*22.9%*	*25.3%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*	*25.8%*
y-o-y change %	*18.3%*	*12.2%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*	*17.9%*
EBITDA	586,439	606,834	307,852	101,375	88,679	103,379	313,401
Margin %	*37.4%*	*38.1%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*	*78.1%*
Adjusted EBIT	58,810	100,052	11,222	26,179	17,046	29,640	27,188
Margin %	*3.7%*	*6.3%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*	*6.8%*
EBIT	285,755	303,669	231,337	26,050	12,893	27,562	237,164
Margin %	*18.2%*	*19.1%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*	*59.1%*
Adjusted Profit of the Netia Group (consolidated)	55,595	145,513	18,809	35,385	16,275	26,339	67,514
Margin %	*3.5%*	*9.1%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*	*16.8%*
Profit/(Loss) of the Netia Group (consolidated)	263,895	252,117	221,577	(23,045)	12,911	24,656	237,595
Margin %	*16.8%*	*15.8%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*	*59.2%*
Profit/(Loss) of Netia SA (stand alone)[1]	267,032	225,004	223,772	(21,558)	11,134	26,615	208,813
Cash and cash equivalents	173,600	55,905	173,600	210,439	219,388	217,399	55,905
Treasury bills (at amortized cost)	171,616	-	171,616	171,600	210,680	216,259	-
Debt	31	693,594	31	-	107	100	693,594
Capex related payments	193,234	254,620	49,243	68,927	49,672	78,954	57,067
Investments in tangible and intangible fixed assets	199,440	229,603	74,300	40,920	56,589	66,916	65,178

EUR'000[2]	2010	2011	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenues	355,302	360,719	89,240	90,833	89,721	89,344	90,821
y-o-y % change	*4.2%*	*1.5%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*	*1.8%*
Adjusted EBITDA	81,392	91,292	19,864	22,981	21,018	23,876	23,416
Margin %	*22.9%*	*25.3%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*	*25.8%*
y-o-y change %	*18.3%*	*12.2%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*	*17.9%*
EBITDA	132,775	137,392	69,700	22,952	20,078	23,406	70,957
Margin %	*37.4%*	*38.1%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*	*78.1%*
Adjusted EBIT	13,315	22,653	2,541	5,927	3,859	6,711	6,156
Margin %	*3.7%*	*6.3%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*	*6.8%*
EBIT	64,697	68,753	52,377	5,898	2,919	6,240	53,696
Margin %	*18.2%*	*19.1%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*	*59.1%*
Adjusted Profit of the Netia Group (consolidated)	12,587	32,945	4,258	8,011	3,685	5,963	15,286
Margin %	*3.5%*	*9.1%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*	*16.8%*
Profit/(Loss) of the Netia Group (consolidated)	59,748	57,081	50,167	(5,218)	2,923	5,582	53,793
Margin %	*16.8%*	*15.8%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*	*59.2%*
Profit/(Loss) of Netia SA (stand alone)[1]	60,458	50,943	50,664	(4,881)	2,521	6,026	47,277
Cash and cash equivalents	39,304	12,657	39,304	47,645	49,671	49,221	12,657
Treasury bills (at amortized cost)	38,855	-	38,855	38,852	47,700	48,963	-
Debt	7	157,035	7	-	24	23	157,035
Capex related payments	43,750	57,648	11,149	15,606	11,246	17,876	12,920
Investments in tangible and intangible fixed assets	45,155	51,984	16,822	9,265	12,812	15,150	14,757

[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 4.4168 = EUR 1.00, the average rate announced by the National Bank of Poland on December 31, 2011. 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 0.4m 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 2010 are the following: a non-cash gain on reversal of earlier impairment charges of PLN 221.2m, a gain on disposal of transmission equipment tranches to P4 of PLN 7.3m, restructuring expenses related to the "Profit" Project of PLN 0.8m, expenses related to M&A activities of PLN 0.7m and impact from these one-offs on the income tax charge of PLN 18.6m.

Pro forma
Results of Old Netia (excl. Dialog and Crowley impact in Q4 2011) - Key Operational Indicators

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Broadband data services					
Netia infrastructure-based services	242,277	242,548	248,097	252,655	263,295
Own fixed-line networks	*223,169*	*223,862*	*229,955*	*235,141*	*246,510*
WiMAX	*18,974*	*18,570*	*18,034*	*17,495*	*16,785*
Others	*134*	*116*	*108*	*19*	*-*
Bitstream access	321,075	315,464	312,238	303,609	302,632
LLU	126,895	146,070	159,260	175,435	184,229
Total broadband data services (end of period)	**690,247**	**704,082**	**719,595**	**731,699**	**750,156**
Voice services (excl. CPS)					
Traditional direct voice	332,657	326,982	322,583	321,091	318,742
incl. ISDN equivalent of lines	*143,560*	*144,582*	*145,738*	*148,270*	*149,076*
incl. legacy wireless	*38,666*	*38,504*	*40,474*	*41,987*	*41,799*
Voice over IP (excl. LLU)[1]	30,589	31,325	32,133	33,912	36,992
WiMAX voice	20,043	19,197	18,432	17,550	16,447
Netia network subscriber voice services [1]	383,289	377,504	373,148	372,553	372,181
WLR	752,899	739,456	722,316	699,275	680,054
LLU voice over IP	82,379	95,112	106,698	118,808	125,173
Total voice services[1] (end of period)	**1,218,567**	**1,212,072**	**1,202,162**	**1,190,636**	**1,177,408**
Total Broadband and Voice services (end of period)[1]	**1,908,814**	**1,916,154**	**1,921,757**	**1,922,335**	**1,927,564**
Corporate segment[1,2]	170,731	172,470	175,581	180,259	185,338
Carrier segment[1,2]	4,665	4,437	4,467	4,451	4,732
Residential segment	1,475,682	1,469,254	1,461,116	1,446,742	1,441,933
Share of lines with multiplay services	*28%*	*29%*	*30%*	*30%*	*31%*
SOHO/SME segment[1]	257,736	269,993	280,593	290,883	295,561
Share of lines with multiplay services	*43%*	*42%*	*45%*	*45%*	*47%*
Other					
Total net additions in Broadband data services	36,346	13,835	15,513	12,104	18,457
Monthly Broadband ARPU (PLN)	53	52	52	51	52
Monthly Broadband SAC (PLN)	203	227	236	200	178
Total net additions in Voice services[1]	14,233	(6,495)	(9,910)	(11,526)	(13,228)
Business mix of total subscriber lines (cumulative) [1]	28.5%	29.4%	30.4%	31.6%	32.4%
Monthly Voice ARPU in own network (PLN) [1]	54	54	54	53	52
Monthly Voice ARPU for WLR (PLN)	48	49	49	49	48
Monthly Voice ARPU blended (PLN) [1]	51	51	51	50	50
CPS lines (cumulative)	82,983	76,159	72,382	69,867	66,781
Monthly Voice ARPU for CPS	28	27	24	24	23
Headcount	1,441	1,452	1,454	1,467	1,476
Active headcount	1,392	1,399	1,397	1,414	1,435

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

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

Pro forma Income Statement
Results of Old Netia (excl. Dialog and Crowley impact in Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2010 *audited*	2011 *audited*	Q3 2011 *unaudited*	Q4 2011 *unaudited*
Direct Voice	741,717	724,593	180,950	175,193
Incl. monthly fees	*485,186*	*508,059*	*128,377*	*123,966*
Incl. calling charges	*256,261*	*215,919*	*52,467*	*51,094*
Indirect Voice	37,359	21,352	5,063	4,671
Data[1]	562,470	596,937	147,979	152,506
Interconnection revenues	68,394	75,439	17,222	18,895
Wholesale services	115,561	123,848	30,546	35,387
Other telecommunications revenues[1]	38,933	46,701	11,786	13,441
Total telecommunications revenue	**1,564,434**	**1,588,870**	**393,546**	**400,093**
Radio communications revenue	4,862	4,352	1,070	1,044
Total revenue	**1,569,296**	**1,593,222**	**394,616**	**401,137**
Cost of sales	**(1,075,979)**	**(1,085,841)**	**(269,946)**	**(273,337)**
Interconnection charges	(223,410)	(237,312)	(57,049)	(63,781)
Network operations and maintenance	(525,577)	(524,028)	(132,607)	(128,993)
Costs of goods sold	(19,394)	(9,950)	(1,261)	(1,685)
Depreciation and amortization	(249,032)	(254,525)	(64,098)	(64,358)
Salaries and benefits	(19,896)	(20,917)	(4,937)	(4,879)
Restructuring	(25)	(18)	-	(18)
Taxes, frequency fees and other expenses	(38,645)	(39,091)	(9,994)	(9,623)
Gross profit	**493,317**	**507,381**	**124,670**	**127,800**
Margin (%)	***31.4%***	***31.8%***	***31.6%***	***31.9%***
Selling and distribution costs	**(312,865)**	**(289,860)**	**(70,841)**	**(71,612)**
Advertising and promotion	(51,053)	(46,016)	(10,542)	(11,422)
Third party commissions	(39,427)	(28,363)	(7,050)	(6,420)
Billing, mailing and logistics	(36,000)	(32,930)	(8,399)	(8,599)
Outsourced customer service	(33,139)	(32,037)	(8,445)	(7,900)
Impairment of receivables	(9,534)	(6,976)	(2,319)	(1,926)
Depreciation and amortization	(32,564)	(27,107)	(6,353)	(5,960)
Salaries and benefits	(85,579)	(83,300)	(19,430)	(19,949)
Restructuring	(241)	(158)	19	-
Other costs	(25,328)	(32,973)	(8,322)	(9,436)
General and administration costs	**(142,249)**	**(150,109)**	**(31,104)**	**(43,541)**
Professional services	(9,197)	(11,577)	(1,969)	(5,216)
Electronic data processing	(10,484)	(9,971)	(2,524)	(2,584)
Office and car maintenance	(12,213)	(11,335)	(2,704)	(2,719)
Depreciation and amortization	(19,088)	(21,533)	(5,366)	(5,919)
Salaries and benefits	(68,850)	(61,196)	(12,190)	(13,107)
Restructuring	(524)	(250)	(58)	(134)
Other costs	(21,893)	(34,247)	(6,293)	(13,862)
Other income	240,065	236,211	3,107	225,688
Other expense	(1,222)	(4,173)	(2)	(3,175)
Other gains/ (losses), net	8,709	4,219	1,732	2,004
EBIT	**285,755**	**303,669**	**27,562**	**237,164**
Margin (%)	***18.2%***	***19.1%***	***7.0%***	***59.1%***
Finance income	11,658	20,670	7,493	6,061
Finance cost	(8,644)	(3,642)	(91)	(3,340)
Profit before tax	**288,769**	**320,697**	**34,964**	**239,885**
Tax benefit / (charge)	(24,874)	(68,580)	(10,308)	(2,290)
Profit	**263,895**	**252,117**	**24,656**	**237,595**

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

New Netia
Key Figures as reported (incl. Dialog and Crowley impact in Q4 2011)

PLN'000	2010	2011	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenues	1,569,296	1,618,803	394,154	401,189	396,280	394,616	426,718
y-o-y % change	*4.2%*	*3.2%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*	*8.3%*
Adjusted EBITDA	359,494	408,210	87,737	101,504	92,832	105,457	108,417
Margin %	*22.9%*	*25.2%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*	*25.4%*
y-o-y change %	*18.3%*	*13.6%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*	*23.6%*
EBITDA	586,439	611,454	307,852	101,375	88,679	103,379	318,021
Margin %	*37.4%*	*37.8%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*	*74.5%*
Adjusted EBIT	58,810	99,081	11,222	26,179	17,046	29,640	26,217
Margin %	*3.7%*	*6.1%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*	*6.1%*
EBIT	285,755	302,698	231,337	26,050	12,893	27,562	236,193
Margin %	*18.2%*	*18.7%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*	*55.4%*
Adjusted Profit of the Netia Group (consolidated)	55,595	142,390	18,809	35,385	16,275	26,339	64,391
Margin %	*3.5%*	*8.8%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*	*15.1%*
Profit/(Loss) of the Netia Group (consolidated)	263,895	248,786	221,577	(23,045)	12,911	24,656	234,264
Margin %	*16.8%*	*15.4%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*	*54.9%*
Profit/(Loss) of Netia SA (stand alone)[1]	267,032	225,004	223,772	(21,558)	11,134	26,615	208,813
Cash and cash equivalents	173,600	156,509	173,600	210,439	219,388	217,399	156,509
Treasury bills (at amortized cost)	171,616	-	171,616	171,600	210,680	216,259	-
Debt	31	695,177	31	-	107	100	695,177
Capex related payments	193,234	262,660	49,243	68,927	49,672	78,954	65,107
Investments in tangible and intangible fixed assets	199,440	243,719	74,300	40,920	56,589	66,916	79,294

EUR'000[2]	2010	2011	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenues	355,302	366,510	89,240	90,833	89,721	89,344	96,612
y-o-y % change	*4.2%*	*3.2%*	*2.0%*	*3.7%*	*0.7%*	*0.0%*	*8.3%*
Adjusted EBITDA	81,392	92,422	19,864	22,981	21,018	23,876	24,546
Margin %	*22.9%*	*25.2%*	*22.3%*	*25.3%*	*23.4%*	*26.7%*	*25.4%*
y-o-y change %	*18.3%*	*13.6%*	*14.3%*	*11.8%*	*(2.7%)*	*23.3%*	*23.6%*
EBITDA	132,775	138,438	69,700	22,952	20,078	23,406	72,003
Margin %	*37.4%*	*37.8%*	*78.1%*	*25.3%*	*22.4%*	*26.2%*	*74.5%*
Adjusted EBIT	13,315	22,433	2,541	5,927	3,859	6,711	5,936
Margin %	*3.7%*	*6.1%*	*2.8%*	*6.5%*	*4.3%*	*7.5%*	*6.1%*
EBIT	64,697	68,533	52,377	5,898	2,919	6,240	53,476
Margin %	*18.2%*	*18.7%*	*58.7%*	*6.5%*	*3.3%*	*7.0%*	*55.4%*
Adjusted Profit of the Netia Group (consolidated)	12,587	32,238	4,258	8,011	3,685	5,963	14,579
Margin %	*3.5%*	*8.8%*	*4.8%*	*8.8%*	*4.1%*	*6.7%*	*15.1%*
Profit/(Loss) of the Netia Group (consolidated)	59,748	56,327	50,167	(5,218)	2,923	5,582	53,039
Margin %	*16.8%*	*15.4%*	*56.2%*	*(5.7%)*	*3.3%*	*6.2%*	*54.9%*
Profit/(Loss) of Netia SA (stand alone)[1]	60,458	50,943	50,664	(4,881)	2,521	6,026	47,277
Cash and cash equivalents	39,304	35,435	39,304	47,645	49,671	49,221	35,435
Treasury bills (at amortized cost)	38,855	-	38,855	38,852	47,700	48,963	-
Debt	7	157,394	7	-	24	23	157,394
Capex related payments	43,750	59,468	11,149	15,606	11,246	17,876	14,741
Investments in tangible and intangible fixed assets	45,155	55,180	16,822	9,265	12,812	15,150	17,953

[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.

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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 0.4m 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 2010 are the following: a non-cash gain on reversal of earlier impairment charges of PLN 221.2m, a gain on disposal of transmission equipment tranches to P4 of PLN 7.3m, restructuring expenses related to the "Profit" Project of PLN 0.8m, expenses related to M&A activities of PLN 0.7m and impact from these one-offs on the income tax charge of PLN 18.6m.

New Netia Key Operational Indicators as reported (incl. Dialog and Crowley impact in Q4 2011)	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Broadband data services					
Netia infrastructure-based services	242,277	242,548	248,097	252,655	415,983
Own fixed-line networks	*223,169*	*223,862*	*229,955*	*235,141*	*396,853*
WiMAX	*18,974*	*18,570*	*18,034*	*17,495*	*19,130*
Others	*134*	*116*	*108*	*19*	-
Bitstream access	321,075	315,464	312,238	303,609	311,358
LLU	126,895	146,070	159,260	175,435	184,229
Total broadband data services (end of period)	**690,247**	**704,082**	**719,595**	**731,699**	**911,570**
Voice services (excl. CPS)					
Traditional direct voice	332,657	326,982	322,583	321,091	596,330
incl. ISDN equivalent of lines	*143,560*	*144,582*	*145,738*	*148,270*	*223,148*
incl. legacy wireless	*38,666*	*38,504*	*40,474*	*41,987*	*41,987*
Voice over IP (excl. LLU)[1]	30,589	31,325	32,133	33,912	33,912
WiMAX voice	20,043	19,197	18,432	17,550	17,603
Netia network subscriber voice services [1]	383,289	377,504	373,148	372,553	656,212
WLR	752,899	739,456	722,316	699,275	962,322
LLU voice over IP	82,379	95,112	106,698	118,808	126,189
Total voice services[1] (end of period)	**1,218,567**	**1,212,072**	**1,202,162**	**1,190,636**	**1,744,723**
Total Broadband and Voice services (end of period)[1]	**1,908,814**	**1,916,154**	**1,921,757**	**1,922,335**	**2,656,293**
Dialog Group	-	-	-	-	698,858
Crowley	-	-	-	-	29,871
Corporate segment[1,2]	170,731	172,470	175,581	180,259	185,338
Carrier segment[1,2]	4,665	4,437	4,467	4,451	4,732
Residential segment	1,475,682	1,469,254	1,461,116	1,446,742	1,441,933
Share of lines with multiplay services	*28%*	*29%*	*30%*	*30%*	*31%*
SOHO/SME segment[1]	257,736	269,993	280,593	290,883	295,561
Share of lines with multiplay services	*43%*	*42%*	*45%*	*45%*	*47%*
Other					
Total net additions in Broadband data services	36,346	13,835	15,513	12,104	179,871
Monthly Broadband ARPU (PLN)	53	52	52	51	nm
Monthly Broadband SAC (PLN)	203	227	236	200	nm
Total net additions in Voice services[1]	14,233	(6,495)	(9,910)	(11,526)	554,087
Business mix of total subscriber lines (cumulative) [1]	28.5%	29.4%	30.4%	31.6%	nm
Monthly Voice ARPU in own network (PLN) [1]	54	54	54	53	nm
Monthly Voice ARPU for WLR (PLN)	48	49	49	49	nm
Monthly Voice ARPU blended (PLN) [1]	51	51	51	50	nm
CPS lines (cumulative)	82,983	76,159	72,382	69,867	73,696
Monthly Voice ARPU for CPS	28	27	24	24	nm
Headcount	1,441	1,452	1,454	1,467	2,786
Active headcount	1,392	1,399	1,397	1,414	2,899

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

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

New Netia
Income Statement as reported (incl. Dialog and Crowley impact in Q4 2011)
(PLN in thousands unless otherwise stated)

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Direct Voice	741,717	737,373	180,950	187,973
Incl. monthly fees	*485,186*	*516,707*	*128,377*	*132,614*
Incl. calling charges	*256,261*	*220,051*	*52,467*	*55,226*
Indirect Voice	37,359	22,469	5,063	5,788
Data[1]	562,470	604,188	147,979	159,757
Interconnection revenues	68,394	77,602	17,222	21,058
Wholesale services	115,561	124,375	30,546	35,914
Other telecommunications revenues[1]	38,933	48,014	11,786	14,754
Total telecommunications revenue	**1,564,434**	**1,614,021**	**393,546**	**425,244**
Radio communications and other revenue	4,862	4,782	1,070	1,474
Total revenue	**1,569,296**	**1,618,803**	**394,616**	**426,718**
Cost of sales	**(1,075,979)**	**(1,103,029)**	**(269,946)**	**(290,525)**
Interconnection charges	(223,410)	(240,818)	(57,049)	(67,287)
Network operations and maintenance	(525,577)	(530,240)	(132,607)	(135,205)
Costs of goods sold	(19,394)	(10,233)	(1,261)	(1,968)
Depreciation and amortization	(249,032)	(258,408)	(64,098)	(68,241)
Salaries and benefits	(19,896)	(22,034)	(4,937)	(5,996)
Restructuring	(25)	(384)	-	(384)
Taxes, frequency fees and other expenses	(38,645)	(40,912)	(9,994)	(11,444)
Gross profit	**493,317**	**515,774**	**124,670**	**136,193**
Margin (%)	***31.4%***	***31.9%***	***31.6%***	***31.9%***
Selling and distribution costs	**(312,865)**	**(297,253)**	**(70,841)**	**(79,005)**
Advertising and promotion	(51,053)	(46,610)	(10,542)	(12,016)
Third party commissions	(39,427)	(29,243)	(7,050)	(7,300)
Billing, mailing and logistics	(36,000)	(33,728)	(8,399)	(9,397)
Outsourced customer service	(33,139)	(32,060)	(8,445)	(7,923)
Impairment of receivables	(9,534)	(6,976)	(2,319)	(1,926)
Depreciation and amortization	(32,564)	(28,711)	(6,353)	(7,564)
Salaries and benefits	(85,579)	(85,638)	(19,430)	(22,287)
Restructuring	(241)	(164)	19	(6)
Other costs	(25,328)	(34,123)	(8,322)	(10,586)
General and administration costs	**(142,249)**	**(152,473)**	**(31,104)**	**(45,905)**
Professional services	(9,197)	(11,648)	(1,969)	(5,287)
Electronic data processing	(10,484)	(10,084)	(2,524)	(2,697)
Office and car maintenance	(12,213)	(11,771)	(2,704)	(3,155)
Depreciation and amortization	(19,088)	(21,637)	(5,366)	(6,023)
Salaries and benefits	(68,850)	(62,616)	(12,190)	(14,527)
Restructuring	(524)	(250)	(58)	(134)
Other costs	(21,893)	(34,467)	(6,293)	(14,082)
Other income	240,065	236,649	3,107	226,126
Other expense	(1,222)	(4,204)	(2)	(3,206)
Other gains/ (losses), net	8,709	4,205	1,732	1,990
EBIT	**285,755**	**302,698**	**27,562**	**236,193**
Margin (%)	***18.2%***	***18.7%***	***7.0%***	***55.4%***
Finance income	11,658	18,288	7,493	3,679
Finance cost	(8,644)	(3,710)	(91)	(3,408)
Profit before tax	**288,769**	**317,276**	**34,964**	**236,464**
Tax benefit / (charge)	(24,874)	(68,490)	(10,308)	(2,200)
Profit	**263,895**	**248,786**	**24,656**	**234,264**

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

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

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Operating Profit	**285,755**	**302,698**	**27,562**	**236,193**
Add back:				
Depreciation and amortization	300,684	308,756	75,817	81,828
EBITDA	**586,439**	**611,454**	**103,379**	**318,021**
Add back:				
Restructuring costs	790	798	39	524
M&A related costs	747	10,434	2,039	6,728
New Netia integration costs	-	1,097	-	1,097
Provision for universal service obligation payments	-	5,104	-	2,724
Less:				
Gain on disposal of transmission equipment to P4	(7,298)	-	-	-
Gain on reversal of an impairment charge for non-current assets	(221,184)	(220,677)	-	(220,677)
Adjusted EBITDA	**359,494**	**408,210**	**105,457**	**108,417**
Margin (%)	***22.9%***	***25.2%***	***26.7%***	***25.4%***

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

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Reminder fees and penalties	7,086	7,397	2,320	3,337
Forgiveness of liabilities	5,511	886	-	280
Fair value adjustments on other receivables and reversal of provisions	1,541	1,534	-	1,534
Settlement with Tele2 Sverige	1,461	-	-	-
Results of settlements	342	2,700	-	-
Returned VAT on acquisitions	-	1,015	-	-
Other operating income	2,940	2,440	787	298
Reversal of an impairment charge for non-current assets	221,184	220,677	-	220,677
Total	**240,065**	**236,649**	**3,107**	**226,126**

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

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Impairment charges for specific individual assets	(1,216)	(3,996)	-	(3,038)
Impairment charges for specific other assets	-	(126)		(126)
Other expenses	(6)	(82)	(2)	(42)
Total	**(1,222)**	**(4,204)**	**(2)**	**(3,206)**

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

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Gain / (loss) on sale of impaired receivables	2,233	1,151	345	565
Gain / (loss) on disposal of fixed assets	8,250	3,052	1,446	885
Net foreign exchange gains / (losses)	(1,774)	2	(59)	540
Total	**8,709**	**4,205**	**1,732**	**1,990**

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

Time periods:	2010 audited	2011 audited	Q3 2011 unaudited	Q4 2011 unaudited
Profit	**263,895**	**248,786**	**24,656**	**234,264**
Cash flow hedges	2,060	2,095	6,353	(4,004)
Income tax relating to components of other comprehensive income	(391)	(398)	(1,138)	717
Other comprehensive Income / (Loss)	**1,669**	**1,697**	**5,215**	**(3,287)**
Total comprehensive Income / (Loss)	**265,564**	**250,483**	**29,871**	**230,977**
Attributable to equity holders of the Company	*265,564*	*250,483*	*29,871*	*230,977*

New Netia Statement of financial position as reported (incl. Dialog and Crowley impact in Q4 2011) (PLN in thousands unless otherwise stated)					
Time periods:	Dec. 31 2010 *audited*	March 31 2011 *unaudited*	June 30 2011 *unaudited*	Sept. 30 2011 *unaudited*	Dec. 31 2011 *audited*
Property, plant and equipment, net	1,475,682	1,473,665	1,461,309	1,462,726	2,184,151
Intangible assets	389,444	376,102	371,585	366,484	769,793
Investment property	45,084	25,933	25,808	25,682	26,399
Deferred income tax assets	52,762	59,017	55,242	43,563	110,012
Available for sale financial assets	10	115	115	115	115
Long-term receivables	217	218	218	217	218
Prepaid expenses and accrued income	10,508	9,805	8,819	9,545	11,832
Total non-current assets	**1,973,707**	**1,944,855**	**1,923,096**	**1,908,332**	**3,102,520**
Inventories	11,393	7,120	6,893	5,958	5,314
Trade and other receivables	139,691	163,407	170,052	167,243	249,486
Tax Office receivables	58,325	-	-	-	-
Current income tax receivables	120	30	51	47	262
Prepaid expenses and accrued income	37,876	38,108	33,407	25,659	30,091
Derivative financial instruments	117	117	112	7,188	2,723
Financial assets at fair value through profit and loss	1	1	1	11	16
Held to maturity investments	171,616	171,600	210,680	216,259	-
Restricted cash	2,123	2,123	2,123	2,123	2,263
Cash and cash equivalents	173,600	210,439	219,388	217,399	156,509
Total current assets	**594,862**	**592,945**	**642,707**	**641,887**	**446,664**
TOTAL ASSETS	**2,568,569**	**2,537,800**	**2,565,803**	**2,550,219**	**3,549,184**
Share capital	389,459	390,375	391,043	391,061	391,602
Treasury shares	-	-	-	(24,738)	(49,582)
Supplementary capital	1,599,299	1,599,580	1,866,857	1,867,079	1,867,421
Retained earnings	269,258	246,213	(7,908)	16,748	251,012
Other components of equity	39,530	38,729	38,463	43,871	39,915
Equity attributable to equity owners	**2,297,546**	**2,274,897**	**2,288,455**	**2,294,021**	**2,500,368**
Non-controlling interests	-	-	-	-	5
TOTAL EQUITY	**2,297,546**	**2,274,897**	**2,288,455**	**2,294,021**	**2,500,373**
Bank loans	-	-	-	-	514,584
Provisions	988	914	842	773	3,041
Deferred income	21,619	20,014	21,185	20,399	22,168
Other long-term liabilities	9,264	8,098	7,846	7,333	9,392
Total non-current liabilities	**31,871**	**29,026**	**29,873**	**28,505**	**549,185**
Trade and other payables	206,351	192,838	202,743	180,633	262,183
Derivative financial instruments	849	1,044	846	-	84
Borrowings	31	-	107	100	180,593
Other financial liabilities	-	-	-	1,994	71
Current income tax liabilities	1	1	1	1	1
Provisions	1,855	1,723	1,584	3,719	12,660
Deferred income	30,065	38,271	42,194	41,246	44,034
Total current liabilities	**239,152**	**233,877**	**247,475**	**227,693**	**499,626**
Total liabilities	**271,023**	**262,903**	**277,348**	**256,198**	**1,048,811**
TOTAL EQUITY AND LIABILITIES	**2,568,569**	**2,537,800**	**2,565,803**	**2,550,219**	**3,549,184**

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

Time periods:	2010 *audited*	2011 *audited*	Q3 2011 *unaudited*	Q4 2011 *unaudited*
Profit / (Loss)	**263,895**	**248,786**	**24,656**	**234,264**
Depreciation and amortization	300,684	308,756	75,817	81,828
Reversal of impairment losses	(221,184)	(220,677)	-	(219,670)
Reversal of impairment charges for specific assets	(308)	(1,534)	-	(1,534)
Impairment charges for specific individual assets	1,216	4,122	-	3,164
Deferred income tax charge / (benefit)	25,431	16,410	10,230	8,782
Interest expense and fees charged on bank loans	5,998	2,491	-	2,491
Other interest charged	(4,146)	(7,106)	(2,054)	(1,779)
Share-based compensation	6,491	3,191	571	665
Fair value (gains)/losses on financial assets/liabilities	(697)	(1)	(10)	9
Fair value (gains)losses on derivative financial instruments	(1,254)	(1,464)	(1,894)	535
Foreign exchange (gains)/losses	98	(970)	(943)	(180)
(Gain)/Loss on disposal of fixed assets	(8,120)	(2,743)	(1,402)	(680)
(Gain)/Loss on sale of investments	881	-	-	-
Changes in working capital	(21,177)	11,241	4,515	1,441
Tax expensed in relation to prior periods	-	58,325	-	-
Tax paid in respect to prior periods	(58,325)	-	-	-
Net cash provided by operating activities	**289,483**	**418,827**	**109,486**	**109,336**
Purchase of fixed assets and computer software	(193,234)	(262,659)	(78,954)	(65,106)
Purchase of operational networks	(818)	(2,680)	(2,680)	-
Proceeds from sale of non-core assets	24,224	8,509	2,548	1,089
Purchase of Ethernet operators, net of received cash	(14,141)	(22,698)	(6,215)	(14,286)
Purchase of Dialog group and Crowley, net of received cash	-	(972,287)	-	(972,287)
Net (purchase)/receipt of treasury bonds / notes	(108,482)	179,105	(3,437)	218,136
Sale of investments	3,395	-	-	-
Net cash used in investing activities	**(289,056)**	**(1,072,710)**	**(88,738)**	**(832,454)**
Proceeds from borrowings	-	700,000	-	700,000
Repurchase of own shares	-	(49,582)	(22,744)	(26,838)
Finance lease payments	(5,820)	(5,203)	(829)	(1,859)
Loan repayments	(681)	(430)	(107)	(292)
Payments of fees relating to bank loans	(1,431)	(8,963)	-	(8,963)
Net cash used in financing activities	**(7,932)**	**635,822**	**(23,680)**	**662,048**
Net change in cash and cash equivalents	**(7,505)**	**(18,061)**	**(2,932)**	**(61,070)**
Effect of exchange rate change on cash and cash equivalents	(98)	970	943	180
Cash and cash equivalents at the beginning of the period	181,203	173,600	219,388	217,399
Cash and cash equivalents at the end of the period	**173,600**	**156,509**	**217,399**	**156,509**

Definitions

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

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

Conference call on the FY2011 results

Netia management will hold a conference call to review the results on March 15, 2012 at 09:00 AM (UK) / 10:00 AM (Continent) / 05:00 AM (Eastern).

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

Replay number:
(UK) +44 20 8196 1998
Passcode: 6375755#

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.