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Netia reports 2012 first quarter results

WARSAW, Poland – May 15, 2012 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results for the quarter ended March 31, 2012.

1 Key highlights

1.1 FINANCIAL (actual results as reported)

- *Revenue* was PLN 544.3m in Q1 2012, up by 36% versus Q1 2011 and by 28% sequentially. Dialog Group and Crowley contributed PLN 124.2m and PLN 23.6m, respectively, in the first full quarter of consolidated results for the New Netia group. A 10% YoY increase in the SOHO/SME segment of Old Netia was offset by weaker revenues in the Home and Carrier segments.

- *Adjusted EBITDA* was PLN 133.0m for Q1 2012, up by 31% over Q1 2011 and by 23% versus Q4 2011. Dialog Group and Crowley contributed Adjusted EBITDA of PLN 37.8m and PLN 5.7m, respectively, in Q1 2012. Adjusted EBITDA margin was 24.4% for Q1 2012 versus 25.3% for Q1 2011 and 25.4% in Q4 2011.

- *EBITDA* was PLN 124.1m for Q1 2012, up by 22% versus Q1 2011 and down by 61% versus Q4 2011. The unusual gains reflected in EBITDA were related to the PLN 220.8m reversal of earlier impairment charges recorded in Q4 2011. The main unusual items expensed were Dialog Group and Crowley integration costs of PLN 6.0m in Q1 2012 and PLN 1.1m in Q4 2011, restructuring costs, related mainly to Dialog Group, of PLN 2.6m in Q1 2012 and PLN 0.5m in Q4 2011 and the costs of M&A projects of PLN 0.2m in Q1 2012, PLN 6.7m in Q4 2011 and PLN 0.1m in Q1 2011. EBITDA margin was 22.8% for Q1 2012 as compared to 25.3% for Q1 2011 and 74.5% in Q4 2011. Provisions for the total of 519 redundancies planned for 2012 FY and announced in connection with the integration of Dialog Group and Crowley Data Poland to form the New Netia group are expected to be booked in Q2 2012 once the headcount reduction plans are finalised.

- *EBIT* was PLN 4.1m (PLN 13.0m profit when excluding all one-offs) in Q1 2012 as compared to PLN 26.0m (PLN 26.2m profit when excluding one-offs) in Q1 2011 and PLN 236.2m (PLN 26.2m profit when excluding one-offs) in Q4 2011. Lower EBIT versus the prior year quarter was caused by the expected impact of higher depreciation from acquired businesses and impairment reversal booked in Old Netia in Q4 2011.

- *Net loss* was PLN 9.8m for Q1 2012 versus net loss of PLN 23.0m for Q1 2011 and net profit of PLN 234.3m in Q4 2011. Reported net loss for Q1 2012 included PLN 13.3m of interests to service the loan taken to acquire Dialog Group while in Q1 2011 it included the expensing of PLN 58.3m paid during 2010 in relation to the Company's corporate income tax ("CIT") for the year 2003 (Netia expects the final appeal hearing regarding 2003 CIT tax either in late 2012 or in early 2013). Reported net profit for Q4 2011 included PLN 220.8m of reversal of earlier impairment charges as mentioned above.

- *Netia's cash resources* at March 31, 2012 totalled PLN 159.5m, up by PLN 3.1m from December 31, 2011, and *debt*, related to the Dialog Group acquisition, totalled PLN 644.1m, down by PLN 51.0m from December 31, 2011. Accordingly, *net debt* was PLN 484.5m versus PLN 538.7m in December 2011 and *financial leverage* was 0.8x Adjusted EBITDA guidance for 2012 FY.

- *Netia was operating free cash flow positive in Q1 2012*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding Ethernet acquisitions, was PLN 73.1m for Q1 2012 versus PLN 60.6m in Q1 2011 and PLN 29.1m for Q4 2011. During Q1 2012 a PLN 50.0m revolving loan was repaid along with an additional PLN 13.0m of interest accrued on bank loans to finance the Dialog Group's acquisition in December 2011.

- *Netia expects to commence a further tranche of share buy-backs* in the coming days, aimed at acquiring and redeeming up to 3.5% of the Company's share capital utilising assigned funds totalling up to PLN 75.0m. This new tranche, which has been recently approved by the supervisory board, follows the share buy-back executed in 2011 for 2.5% of Netia's share capital and is pending only a final management board decision to proceed (for details please see section *Other Highlights*).

- *Netia announces its final synergy targets with regard to the full integration of Dialog Group and Crowley acquisitions* concluded in December 2011. The synergies assessed during the integration planning process are now expected to reach PLN 130.0m versus the preliminary estimate of over PLN 115.0m (for details please see section *Other Highlights*), of which PLN 120.0m (versus PLN 106m originally estimated) should be coming directly from operating margins while an additional PLN10.0m would be extracted through more optimal capex spending.

- *Netia maintains its full year 2012 guidance* published originally on March 15, 2012. As previously indicated, the early part of 2012 was expected to be soft with the planned acceleration in net additions performance among all product lines and integration savings in the second half of 2012 necessary to reach the guided performance.

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

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

- *Number of services (RGUs)* was 2,793,068 at March 31, 2012 as compared to 2,789,274 at December 31, 2011 and 2,728,078 at March 31, 2011, with the year-on-year increase driven by broadband, TV and mobile services while voice services were falling. Netia is guiding for a total of 2,900,000 services by the end of 2012.

- *Netia's TV services* reached 61,804 at March 31, 2012, growing by 35% from 45,838 at March 31, 2011 and by 22% from 50,712 at December 31, 2011. Netia is working to further accelerate the sales rates for TV services throughout 2012, along with the expansion of its NGA network and its overall IPTV and 3play coverage country-wide.

- *Netia's broadband services* base reached 912,408 at March 31, 2012, growing by 6% from 860,697 at March 31, 2011 and by 0.1% from 911,570 at December 31, 2011. Netia estimates that the total fixed broadband market share for New Netia increased to 14.3% from 14.1% at March 31, 2011. Netia added 838 net broadband customers during Q1 2012, (a net organic decrease of 2,723 excluding Ethernet acquisitions) versus 21,054 net additions in Q4 2011 (10,008 organically excluding Ethernet acquisitions). Relatively slow market growth and tougher price competition, particularly for lower-end offers, is reflected in weaker customer uptake figures. Netia plans that certain pricing initiatives, together with greater sales effectiveness following the integration of the New Netia sales organisation, will result in accelerated net additions over the remaining three quarters of 2012.

- *Netia's fixed voice services* (own network, WLR and LLU). Netia estimates that the total fixed voice market share of New Netia increased to 20% from pro forma19% 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. Netia's voice subscriber base was 1,727,829 at March 31, 2012 as compared to 1,778,185 at March 31, 2011 and 1,744,723 at December 31, 2011. In total, Netia recorded a net decrease of 16,894 voice subscribers during Q1 2012, associated mainly with clients churning from traditional direct voice and WLR services. Of the total voice customers served at March 31, 2012, 37% received service over Netia's own access infrastructure.

- *NGA network expansion.* During Q1 2012 the New Netia continued to expand its existing NGA standard network, which allows for providing, among others, 3play services including IPTV and VOD streaming. As of March 31, 2012, approximately 550,000 homes were passed with VDSL copper networks, approximately 112,000 homes were passed with passive optical networks (PON) and approximately 146,000 homes were passed with the fast Ethernet networks and fiber to the building (FTTB).

  Netia's mobile services at March 31, 2012 reached 30,446 for mobile broadband and 60,581 for mobile voice, increasing, respectively, from 9,277 and 34,081 services at March 31, 2011 and from 30,267 and 52,002 services at December 31, 2011. Netia intends to take advantage of the existing MVNO agreements with P4 and Polkomtel to package fixed line and mobile services into attractively priced convergent bundles, increasing cross-sell potential and customer loyalty whenever possible.

Miroslaw Godlewski, Netia's President and CEO, commented: *"New Netia's first quarter results include a full three month consolidation of the Dialog Group and Crowley acquisitions for the first time and serve to underline the strength and potential of our expanded business. Revenues, Adjusted EBITDA and Operating Free Cash Flow are up by 36%, 31% and 21% on Old Netia's result of a year earlier with an Adjusted EBITDA margin of 24.4% comparing favourably with most other European alternative telecom providers.*

As was expected, broadband growth remained weak with net additions of 1k in the quarter, matching TPSA's performance on traditional technology, but still well below our longer term aspirations. In contrast, we increased momentum on TV services with net additions of 11k, up 22% on Q4 and bringing New Netia's TV subscriber base up to 62k services. The steady expansion of homes passed with TV services and ramp-up of sales and provisioning competencies, together with reworked broadband, voice and customer retention offers are expected to accelerate net service (RGU) additions and we therefore reconfirm our guidance to reach 2.9m RGUs by the end of the 2012, along with our financial guidance for PLN 2,185m of revenues and PLN 600m of Adjusted EBITDA for the full year.

The integration of Dialog Group and Crowley, a project we call "CDN", is proceeding according to our ambitious time-line, with a huge amount of planning and organisational work already completed. Just five months after we closed the acquisitions, we have already completed the selection of an integrated 3-level management organisation covering 258 positions and switched over to this new organisation in two distinct steps. Over 100 synergy projects have been defined and responsibility for delivery allocated across the new organisation. A number of "quick win" synergies have already been delivered for an expected annualised saving of PLN 14m and today we are increasing our synergy saving target for the whole CDN Project from PLN 115m to PLN 130m, with the vast majority of projects to be finished by the middle of 2013. Employment levels have been trending down and we finished Q1 with 2,719 active headcount versus a pro forma total of 2,839 a year earlier and 2,786 at the end of 2011. During April we announced firm plans to lay-off 519 staff and redefine another 129 positions as part of the CDN project as the efficiencies made possible by the new single organisation take hold. I am excited that we now have a single, highly talented and motivated management team, drawn from the three businesses, to drive New Netia forward to grow faster and serve our customers better and I expect implementation of the synergy plans to proceed smoothly in parallel over the coming quarters.

As well as combining the best of New Netia's talent into a fresh team, we have been busy adding TV experience to our competence base and I am pleased to welcome Miroslaw Suszek as New Netia's Chief Operating Officer with effect from 1 May. Miroslaw brings years of experience from Cable TV and telecommunications to our leadership team and is the most visible of several recent senior management appointments attracted from the Cable TV sector by Netia's potential to deliver innovative TV and content services.

After the first three months of 2012, Netia is on course to deliver PLN 300m of adjusted operating free cash flow and our net debt position of PLN 485m represents just 0.8 times expected 2012 Adjusted EBITDA of PLN 600m. This gives New Netia the financial flexibility required to be actively involved in further in-market consolidation opportunities that look likely to emerge over the coming months, as well as continuing to maintain market leading levels of investment in new networks and services. Our Supervisory Board agrees with Management's assessment that we can distribute PLN 75m without significantly reducing this financial flexibility and therefore we expect to announce another tranche of open market share buy-backs of up to 3.5 % of the Company's equity in the coming days."

Jon Eastick, Netia's CFO, commented: *"New Netia posted a satisfactory set of results for the first quarter of 2012 as the foundations were laid to accelerate growth as an expanded, fully integrated business. First quarter revenue was PLN 544m, just 1% down on pro forma comparative data for the combined Netia, Dialog and Crowley businesses with strong growth in Old Netia's SOHO/SME segment being offset by weaker revenue performance in Old Netia Residential and in the Dialog Group reflecting the weak market, competitive pressure and the necessary distraction of the integration. New Netia continues to outperform the rest of the fixed line telecommunications market and we are working hard to re-establish revenue growth in the Residential segment with recently launched TV services and upgraded retention offers for lower ARPU customers. Management of the sales forces across the Old Netia, Dialog and Crowley businesses was fully integrated during the first quarter and, now that this reorganisation is behind us, we expect sales performance to recover over the coming quarters.*

New Netia's Adjusted EBITDA of PLN 133m, for a margin of 24.4%, was slightly down on last year's pro forma total of PLN 139m and was satisfactory for this stage of the integration. The integration project is going very smoothly and today we are announcing an increase in the CDN project synergy target from PLN 115m to PLN 130m now that the detailed planning stage of the project has been completed. The New Netia single management organisation is in place and responsibility for all synergy projects has been allocated throughout the new team. We expect approximately 90% of synergy projects to be completed by the end of 2012 and recently announced a reduction in staffing of 519 positions, or 19% of the March 31, 2012 active headcount. The costs of these lay-offs will be provided for during the second quarter once all aspects of the plan are fully specified and will be the single biggest contributor to the utilisation of the PLN 50m 2012 integration budget announced previously. Material improvement in Adjusted EBITDA margins from the roll-out of the integration project should start to be visible in Netia's results from the third quarter onwards.

Combined capital expenditure for Q1 came in at PLN 61m, up by 9% on pro forma comparatives for a year earlier. Management has moved quickly to align investment strategies around new generation network investments between Netia and Dialog with the result that this year's PLN 300m capital investment plan (excluding PLN 30m of integration related investments) is a full 10% below last year's pro forma spend and underlines our commitment to invest only in high value projects that deliver quality services to our customers.

Netia recorded a net loss in Q1 2012 due mainly to integration expenses, depreciation on higher asset values created by the acquisitions and on the impairment reversal and interest on the new bank loans. Whilst Q2 2012 should also be negative due to provisions for the cost of lay-offs, profits are expected to build from Q3 2012 onwards as synergies start to drive EBITDA margins upwards."

2 Operational review

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

2.1 BROADBAND, TV & MOBILE SERVICES

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), 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 launch partner 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. Netia intends to constantly expand its TV offering with new content and functionalities. In Q1 2012 the product was further enhanced with new PVR functionality, and then by the introduction of a new content library 'tvn player' from April 2012. In April 2012 Netia launched a new advertising campaign aimed at promotion of its TV services.

The number of active TV services in New Netia grew to 61,804 as at March 31, 2012 up by 35% from 45,838 as at March 31, 2011 and by 22% from 50,712 at December 31, 2011. During Q1 2012 Netia added net 7,840 HBO GO services, increasing their cumulative number to 8,932. Sales forces are being positioned to focus on the 3play opportunity across the entire covered area and sales rates are expected to accelerate significantly as 2012 progresses.

Number of TV services (k)	*Old Netia*				*New Netia*				
	Q1 2011	*Q2 2011*	*Q3 2011*	*Q4 2011*	*Q1 2011*	*Q2 2011*	*Q3 2011*	*Q4 2011*	*Q1 2012*
Total	**6.4**	**6.7**	**2.4**	**6.3**	**45.8**	**48.8**	**46.4**	**50.7**	**61.8**

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

TV ARPU for New Netia was PLN 44 in Q1 2012 as compared to PLN 35 in Q1 2011 and PLN 42 in Q4 2011.

Broadband services in Netia increased to 912,408 at March 31, 2012, up by 30% from 704,082 at March 31, 2011. On a pro forma basis, New Netia increased its broadband base by 0.1% versus Q4 2011 and by 6% versus Q1 2011.

Netia provides its broadband services using the following technologies:

Number of broadband ports (k)	*Old Netia*				*New Netia*				
	Q1 2011	*Q2 2011*	*Q3 2011*	*Q4 2011*	*Q1 2011*	*Q2 2011*	*Q3 2011*	*Q4 2011*	*Q1 2012*
xDSL, FastEthernet and PON over own network	223.9	230.0	235.1	246.5	369.0	376.1	382.8	396.9	397.7
WiMAX Internet	18.5	18.0	17.5	16.8	20.5	20.0	19.7	19.1	18.4
LLU	146.1	159.3	175.4	184.2	146.1	159.3	175.4	184.2	184.1
Bitstream access	315.5	312.2	303.6	302.6	325.0	321.5	312.6	311.4	312.1
Other	0.1	0.1	-	-	0.1	0.1	-	-	-
Total	**704.1**	**719.6**	**731.7**	**750.1**	**860.7**	**877.0**	**890.5**	**911.6**	**912.4**

Broadband net additions in New Netia totalled 827 during Q1 2012 as compared to 21,054 in Q4 2011. Additions from Ethernet network acquisitions of 3,561 subscribers for Q1 2012 compare to 11,046 subscribers for Q4 2011 and 667 subscribers for Q1 2011. Lower year-on-year net additions reflect the impact of a significantly slower broadband market and increased price competition on broadband products and from the incumbent and cable TV operators. This has virtually eliminated Netia's retail price advantage versus TP on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio. In Q1 2012 Netia undertook a comprehensive review of its anti-churn program aimed at increasing retention and increasing loyalty of the customer base in general, which is expected to result in visible improvement over the coming quarters.

Broadband ARPU for New Netia was PLN 57 in Q1 2012 as compared to PLN 55 in Q1 2011 and PLN 56 in Q4 2011. Broadband ARPU for Old Netia was PLN 54 in Q1 2012 as compared to PLN 52 in Q12011 and PLN 52 in Q4 2011. Netia's conservative pricing policy and focus on higher value customer segments has resulted in firm ARPU performance over the past year. Broadband APRU for Dialog Group in Q1 2012 was PLN 54 and is expected to be broadly stable throughout 2012.

Broadband SAC for Old Netia was PLN 191 in Q1 2012 as compared to PLN 227 in Q1 2011 and PLN 178 in Q4 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. New Netia SAC statistics are expected to be available later in 2012 once definitions have been fully aligned between Old Netia and the Dialog Group.

Local loop unbundling (LLU). New Netia served 184,064 customers over LLU as at March 31, 2012 as compared to 146,070 at March 31, 2011 and 184,229 at December 31, 2011. During Q1 2012 New Netia did not migrate the BSA/WLR served clients onto LLU, postponing the next wave of migrations for H2 2012 after the implementation of the first stage of the New IT Architecture. Slow progress on organic net additions reflects the same competitive pressures that are impacting the overall broadband subscriber base. All LLU customers originate from Old Netia as Dialog Group had not invested in LLU nodes.

At this stage, Netia has virtually concluded its LLU roll-out program with 708 unbundled nodes at March 31, 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.

Acquisitions of local Ethernet network operators. As of March 31, 2012, Netia's Ethernet networks provided broadband access to a total of 136,803 mostly residential customers as compared to 132,532 customers at December 31, 2011 and 114,485 customers at March 31, 2011, with approximately 617,000 homes passed. During Q1 2012 Netia acquired two further Ethernet networks with 3,561 active customers and 14,000 homes passed. Netia remains fully committed to consolidation of the fragmented Polish Ethernet ISP market and is making good progress on its pipeline of acquisitions for 2012.

NGA network development. As at March 31, 2011, New Netia covered in total 808,000 households with its NGA networks, including 112,000 PON HPs, 550,000 VDSL HPs and 146,000 Ethernet FTTB HPs. Moreover, New Netia today covers a further 476,000 IPTV ready HPs within its network coverage (including Dialog Group) based on ADSL2+ technology. Combined with NGA ready HPs, all of which can deliver IPTV services, New Netia today has 1,284,000 IPTV ready HPs in its proprietary network coverage.

During the whole of 2012 New Netia intends to 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.

Mobile services. Netia continues to develop its base of *mobile broadband* services, which have economics similar to BSA services. New Netia's mobile broadband customer base totalled 30,446 at March 31, 2012 as compared to 9,277 at March 31, 2011 and 30,267 at December 31, 2011. *Mobile broadband ARPU* for New Netia was PLN 28 in Q1 2012 as compared to PLN 27 in Q1 2011 and PLN 28 in Q4 2011. *Mobile voice services* totalled 60,581 at March 31, 2012 as compared to 34,081 at March 31, 2011 and 52,002 at December 31, 2011. New Netia's *Mobile voice ARPU* was PLN 24 in Q1 2012 as compared to PLN 34 in Q1 2011 and PLN 25 in Q4 2011. Growth in mobile voice reflects Dialog's successful strategy of cross-selling mobile voice to its WLR and copper voice customers in a converged bundled offer.

Mobile services are provided via MVNO agreements with the Polkomtel and P4 mobile operators.

Number of mobile services (k)	Old Netia				New Netia				
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Mobile data	9.0	16.3	24.2	28.1	9.3	16.6	24.7	30.3	30.4
Mobile voice	4.1	4.8	5.6	5.4	34.1	42.9	49.6	52.0	60.6
Total	**13.1**	**21.1**	**29.8**	**33.5**	**43.4**	**59.5**	**74.3**	**82.3**	**91.0**

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines (own network, WLR and LLU) in New Netia totalled 1,727,829 at March 31, 2012 as compared to 1,778,185 at March 31, 2011 and 1,744,723 at December 31, 2011. In Q1 2012 Netia recorded a net decrease of 16,894 voice lines, associated mainly with clients churning from traditional direct voice and WLR services.

Aggressive price competition from TP and smaller players, often targeting low ARPU customers with low monthly fees, together with substitution from mobile and migrations to voice bundled with 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 has switched focus to defending voice revenues as opposed to subscriber numbers.

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

Number of fixed voice lines (k)	Old Netia				New Netia				
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Traditional direct voice	327.0	322.6	321.1	318.7	620.0	610.4	605.2	596.3	584.9
ISDN	*144.6*	*145.7*	*148.3*	*149.1*	*220.5*	*220.7*	*223.4*	*223.1*	*221.6*
Incl. Legacy wireless	*38.5*	*40.5*	*42.0*	*41.8*	*38.5*	*40.5*	*42.0*	*41.8*	*42.1*
Voice over IP (excl. LLU)	31.3	32.1	33.9	37.0	36.8	37.9	39.9	42.3	45.1
WiMAX voice	19.2	18.5	17.5	16.5	20.3	19.6	18.7	17.6	16.7
Own network subscriber voice lines	**377.5**	**373.2**	**372.5**	**372.2**	**677.2**	**667.9**	**663.8**	**656.2**	**646.7**
WLR	739.5	722.3	699.3	680.0	1,005.9	992.4	974.2	962.3	954.9
LLU voice over IP	95.1	106.7	118.8	125.2	95.1	106.7	118.8	126.2	126.2
Total	**1,212.1**	**1,202.2**	**1,190.6**	**1,177.4**	**1,778.2**	**1,767.0**	**1,756.8**	**1,744.7**	**1,727.8**

Voice ARPU per WLR line was PLN 45 in Q1 2012 in New Netia as compared to PLN 47 in Q1 2011 and PLN 46 in Q4 2011. Voice ARPU per WLR line in Old Netia amounted to PLN 48 in Q1 2012 versus PLN 49 in Q1 2011 and PLN 48 in Q4 2011.

Voice ARPU per Netia network subscriber line amounted to PLN 49 in Q1 2012 for New Netia as compared to PLN 51 in Q1 2011 and PLN 50 in Q4 2011. For Old Netia, APRU amounted to PLN 52 in Q1 2012 as compared to PLN 54 in Q1 2011 and PLN 52 in Q4 2011.

Blended voice ARPU in New Netia was PLN 47 in Q1 2012 as compared to PLN 49 in Q1 2011 and PLN 48 in Q4 2011. Blended voice APRU in Dialog was PLN 41 in Q1 2012 as compared to PLN 44 in Q1 2011 and PLN 42 in Q4 2011.

Dialog's lower ARPUs reflect more aggressive defence of the subscriber base and bundling with mobile voice. Alignment of commercial strategy by the middle of 2012 should contribute to a stabilisation of ARPU going forward.

2.2.2 Indirect voice

CPS lines (carrier pre selection) in New Netia totalled 70,029 at March 31, 2012 as compared to 84,298 at March 31, 2011 and 73,696 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 1,797,858 clients as at March 31, 2012.

Indirect voice ARPU per CPS line in New Netia was PLN 48 in Q1 2012 as compared to PLN 54 in Q1 2011 and PLN 48 in Q4 2011. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers is responsible for the year-on-year ARPU decline.

2.3 OTHER

Headcount for New Netia was 2,811 at March 31, 2012, compared to 2,932 at March 31, 2011 and 2,899 at December 31, 2011. Active headcount for New Netia was 2,719 at March 31, 2012 versus 2,839 at March 31, 2011 and 2,786 at December 31, 2011. The sequential decrease in active headcount was driven by limited separations with senior managers and voluntary employee leavers ahead of the planned restructuring required to integrate Netia, Dialog Group and Crowley into one organisation. Leavers are not being replaced whenever possible and so far very few key personnel have chosen to leave New Netia.

The movement in headcount can be analyzed as follows:

	Active	*Total*
Headcount at March 31, 2011 (pro forma for New Netia)	**2,839**	**2,932**
Incl. Old Netia	*1,399*	*1,452*
Incl. Dialog Group	*1,267*	*1,305*
Incl. Crowley	*173*	*175*
Employees acquired in Ethernet acquisitions	51	52
Headcount reductions since March 31, 2011	(171)	(173)
Headcount at March 31, 2012 (as reported for New Netia)	**2,719**	**2,811**

In connection with the Dialog Group and Crowley integration, in April 2012 Netia management announced layoffs across the New Netia group totalling 519 employees and an intent to propose changes to the employment contracts of a further 129 employees.

The headcount reduction process will be conducted in H2 2012 in accordance with regulations for group reductions and will cover terminations of approximately 121, 360 and 38 contracts in Old Netia, Dialog Group and Crowley, respectively. Netia intends to provide outplacement support to employees leaving the Company.

Capital investment additions

Capital investment additions (PLN'M)	*Q1 2011 New Netia Pro forma*	*Q1 2012 New Netia As reported*	*Change %*
Existing network and IT	15.9	20.0	26%
Broadband networks	25.0	16.0	-36%
CPE broadband (mainly capitalised Netia Spot routers)	-	5.8	nm
IPTV (incl. dedicated CPE – Netia Player)	-	5.9	nm
Total (as reported/pro forma for Old Netia)	**40.9**	**47.7**	**17%**
Dialog group and Crowley	14.8	13.1	-11%
Total (pro forma / as reported for New Netia)	**55.7**	**60.8**	**9%**

Higher capital investment in existing network and IT reflect extension of transmission network capacity to activate new corporate and carrier customers. Lower capital expenditures related to broadband networks reflect the completion of the LLU roll-out with respect to newly unbundled nodes. NGA upgrades will come through later in 2012. 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.

3 OTHER HIGHLIGHTS

Integration of Netia, Dialog Group and Crowley into New Netia Group. In December 2011 Netia acquired 100% stakes in Telefonia Dialog SA ("Dialog") and Crowley Data Poland Sp. z o.o. ("Crowley", currently CDP Netia Sp. z o.o.). 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 and deliver extensive operational synergies.

Management's original objective was to deliver its initial estimate of more than 115.0m PLN in annual opex synergies by 2014. This estimate was further refined during the recently completed detailed integration planning process and has resulted in the synergy targets expected by 2014 being increased to PLN 130.0m. The Company forecasts now over PLN 120.0m of synergies to be delivered on the EBITDA level (versus the original estimate of PLN 106m) while approximately PLN 10.0m of additional synergies are to be delivered from capital investments efficiencies whilst changes to Dialog Group's investment strategy are expected to yield further reductions in capex run-rates. A number of "quick win" synergies have already been delivered for an expected annualised saving of PLN 14m.

The target management structure of New Netia was completed in April 2012 with the finalisation of the appointments of 'N-3' managers. These nominations followed the earlier appointments of level 'N-1' directors reporting directly to the management board members and the next level 'N-2' managers. The newly appointed directors and managers represent all three businesses, and were nominated based on their professional achievements so far and competencies to perform new, larger roles in the newly built organisation.

In April 2012 Netia management announced layoffs across the New Netia group totalling 519 employees and an intent to propose changes to the employment contracts of a further 129 employees. The headcount reduction process will be conducted in H2 10212 in accordance with regulations for the group reductions and will cover terminations of approximately 121, 360 and 38 contracts in Old Netia, Dialog Group and Crowley, respectively. Netia intends to provide outplacement support to employees leaving the Company.

A comprehensive integration project which is expected to create a larger, more efficient and more competitive New Netia is progressing smoothly, with a wide range of over 100 separate synergy initiatives already under implementation by the newly nominated management. The integration initiatives are split across sixteen functional workstreams, and coordinated by an integration office.

As part of the ongoing integration process, Netia announced on March 29, 2012 the plan to legally merge with Crowley. The merger shall be carried out through the transfer of Crowley's assets to Netia without any increase in Netia's share capital and without any share exchanges and is subject to a shareholders' resolution at the forthcoming AGM.

Integration to create New Netia is expected to take up to 2 years, although approximately 90% of synergy projects should be completed within 2012, with IT platform consolidations and some long-term contracts remaining to implement in 2013 and beyond.

As was the case with Project Profit in 2009, consulting support is to be phased out during Q2 2012 as the project moves into the implementation phase.

Financing. On March 31, 2012, Netia had PLN 159.4m in cash and PLN 644.1m in debt as compared to PLN 156.5m and PLN 695.2m, respectively, on December 31, 2011. The debt outstanding at the end of Q1 2012 was related to a five-year senior debt facility of PLN 650.0m drawn to acquire Dialog Group. During Q1 2012 a PLN 50.0m revolving loan was repaid and an additional PLN 50.0m undrawn overdraft facility was signed with BRE Bank to ensure comfortable reserves of liquidity. Accordingly, Netia Group's net debt at March 31, 2012 was PLN 484.5m and net debt to Adjusted EBITDA guidance for 2012 amounted to 0.8x.

Financial covenants agreed as part of the loan facility with the consortium of banks signed in September 2011 are such that further funds may be raised to finance further acquisitions.

Share buy-backs 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 of up to 3.5% of the Company's share capital within the scope of the existing shareholders' authorisations. The supervisory board recently authorised management to proceed with its buy-back proposal and management expects to commence the next tranche of buy-backs within a matter of days.

Disputed corporate income tax (CIT) for 2003. Management expects the Supreme Administrative Court to hear the final appeal either in late 2012 or in early 2013. Following the receipt of PLN 7.8m of refunds and interest from the tax authorities, Netia continues to claim PLN 51.9m plus interest from the tax authorities in relation to the disputed 2003 CIT case.

Exercise of options under Netia's stock option plan. 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 have been exercising options over recent months and can be expected to continue to do so over the coming three quarters. In this regard, Netia has so far issued 3.3m shares during 2012 in consideration of 18.3m exercised options. At the share price of PLN 5.85 on May 11, 2012, 1.9m unexercised in-the-money options remain outstanding whilst a further 0.1m are exercisable above PLN 5.9m, 12.2m are exercisable above PLN 7.00 and 9.8m are exercisable above PLN 8.25. The highest possible number of shares that may still be issued under the Plan 2003 is 6.7m.

A further 5.3m options are outstanding under the new Plan 2011, approved by the supervisory board on February 28, 2011. Strike prices very between PLN 5.23 and PLN 6.16 with earliest vesting dates in 2014. In line with the rules of Plan 2011, the supervisory board has decided that 41.1% of the 3.6m options granted in 2011 should be cancelled on the basis of performance versus agreed business objectives in 2011. As set out in Plan 2011, such cancellation will come into effect with the approval of the 2011 financial statements by the Annual Shareholders Meeting.

Netia's CEO Miroslaw Godlewski was reappointed by the Company's supervisory board for a next five-year term of office on March 20, 2012.

Mr. Miroslaw Suszek was appointed by the Company's supervisory board for position of Netia's management board member and Chief Operating Officer responsible for customer care, network maintenance and development, and IT areas, effective May 1, 2012. Prior to commencement of his employment with Netia, Mr. Suszek served as Chief Operating Officer and management board member of UPC Polska, the largest cable TV operator in Poland.

Netia signed a preliminary contract with Ghelamco Group to dispose its real estate property in Warsaw located at 13 Poleczki St. Netia agreed to sell plots totalling 23,600 sq meters along with two existing buildings and rent in exchange the office space in one of the buildings to be newly constructed by Ghelamco Group on the same plots. The new buildings are to be ready by 2015 when Netia's existing head office lease expires. The agreement does not cover the third plot and the third building that will remain Netia's property as this houses key telecommunications network equipment. The value of the contract is estimated within the PLN 25.9m - PLN 32.0m range, depending on the size of the gross office space ultimately approved for construction by the local authorities. The binding agreement shall be concluded by December 31, 2012.

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

Please also refer to our financial statements for the three-month period ended March 31, 2012.

Q1 2012 vs. Q1 2011

Actual results as reported

Revenue rose by 36% YoY to PLN 544.3m for Q1 2012 from PLN 401.2m for Q1 2011, supported by the acquisition of Dialog Group and Crowley in December 2011. Old Netia posted a 1% decline in revenues to PLN 396.4m versus Q1 2011 with a strong 10% increase in SOHO/SME being offset by weakness in the Home segment and also in the Carriers segment where certain agreements have expired or are being run down.

Telecommunications revenue increased by 35% YoY to PLN 542.1m in Q1 2012 from PLN 400.0m in Q1 2011 following the addition of Dialog Group's and Crowley's customer bases from December 2011. The strongest progress has been seen on other telecommunications revenue which is up by 167% at PLN 28.5m as it includes TV and mobile services. The expansion of the Netia Group has led to only marginal changes in the composition of revenue with direct voice revenue as a share of total telecommunications revenue declining from 46% to 45% relative to Q1 2011 and data revenue declining from 37% to 36% over the same period.

Cost of sales increased by 41% YoY to PLN 380.0m from PLN 270.2m for Q1 2011 and represented 70% of total revenue as compared to 67% in Q1 2011. The absolute increase in costs reflects mainly the Dialog Group and Crowley acquisitions.

Depreciation and amortization related to cost of sales increased by 56% to PLN 98.0m as compared to PLN 62.7m for Q1 2011 upon commencing the amortization of Dialog Group's and Crowley's fixed assets and the additional impact from D&A charges on the impairment reversal at Old Netia in Q4 2011.

Network operations and maintenance cost increased by 27% to PLN 165.4m from PLN 130.2m for the prior year quarter. This cost category increased less than revenues as Dialog Group is less reliant on fees paid to TP to reach its mostly on-network customer base.

Interconnection charges increased by 40% to PLN 81.4m in Q1 2012 as compared to PLN 58.3m for Q1 2011, reflecting falling ARPUs and higher traffic volumes from unlimited voice calls offers and transit activity at the two acquired businesses.

Gross profit for Q1 2012 was PLN 164.3m as compared to PLN 130.9m for Q1 2011. Gross profit margin was 30.2% for Q1 2012 and 32.6% for Q1 2011.

Selling and distribution costs increased by 51% YoY to PLN 109.1m from PLN 72.3m for Q1 2011 and represented 20% of total revenue as compared to 18% in the prior year quarter. The inclusion of fixed expenditures related to the Dialog Group and Crowley customer operations were the main drivers of this increase.

Salaries and benefits related to selling and distribution cost increased by 57% to PLN 34.0m from PLN 21.7m in Q1 2011.

Depreciation and amortization related to selling and distribution cost increased by 105% to PLN 15.3m from PLN 7.5m in Q1 2011 mostly due to the amortization of the customer bases of newly acquired companies.

Billing, mailing and logistics costs increased by 52% YoY to PLN 12.3m from PLN 8.1m, following the Dialog Group and Crowley acquisitions.

Advertising and promotion cost decreased by 2% to PLN 10.8m from PLN 11.0m despite the acquisitions as quick win synergies have been implemented.

General and administration costs increased by 58% YoY to PLN 56.9m from PLN 36.0m for Q1 2011 and represented 10% of total revenue versus 9% for Q1 2011. The cost increase was driven by the addition of the Dialog Group's and Crowley's expenses. In addition, general and administration costs in Q1 2012 included PLN 6.0m of New Netia integration costs, PLN 1.4m of restructuring costs, PLN 1.7m of stock option plan related costs and PLN 0.8m of costs related to the restricted stock units as the Netia share price moved up.

[1] In order to provide the most comprehensive information possible, the actual data for Q1 2012 which was the first full quarter of consolidating Dialog Group and Crowley, is compared to both the actual results for Q1 2011 (without Dialog and Crowley) and Q4 2011 (including 2 weeks of consolidating Dialog and Crowley) as well as to the pro forma results for the comparative periods, which include the results of Dialog and Crowley for a full quarter.

Adjusted EBITDA was PLN 133.0m, up 31% from PLN 101.5m for Q1 2011. Adjusted EBITDA margin was 24.4% in Q1 2012 as compared to 25.3% in the prior year quarter. The lower margin reflects lower voice revenues, the consolidation of the lower margin Crowley business and the very early stage of the integration project.

Including New Netia integration costs of PLN 6.0m in Q1 2012, restructuring costs of PLN 2.6m in Q1 2012 and PLN 0.1m in Q1 2011, and the costs of M&A projects of PLN 0.2m in Q1 2012 and PLN 0.1m in Q1 2011, *EBITDA* was PLN 124.1m for Q1 2012 as compared to PLN 101.4m for the prior year quarter. EBITDA margin was 22.8% in Q1 2012 as compared to 25.3% for Q1 2011.

Depreciation and amortization was PLN 120.0m, an increase of 59% YoY as compared to PLN 75.3m in Q1 2011, with increases resulting from the acquired fixed assets and acquisition intangibles of the Dialog Group and Crowley and the reversal of impairment recorded in Old Netia in Q4 2011.

Operating profit (EBIT) was PLN 4.1m as compared to an operating profit of PLN 26.0m for Q1 2011. Excluding unusual costs described above of 8.9m in Q1 2012 and PLN 0.1m in Q1 2011, Adjusted EBIT was PLN 13.0m for Q1 2012 versus PLN 26.2m for Q1 2011 with higher depreciation and amortization driving the decline.

Net financial cost was PLN 13.3m as compared to net financial income of PLN 3.1m for Q1 2011. The change was driven by PLN 13.3m of interest on bank loans to finance the Dialog Group's acquisition in December 2011.

Income tax charge of PLN 0.6m was recorded in Q1 2012 as compared to income tax charge of PLN 52.5m for Q1 2011. Income tax charge in Q1 2011 included PLN 58.3m expensed in in relation to the 2003 CIT tax dispute.

Net loss was PLN 9.8m for Q1 2012 versus net loss of PLN 23.0m for Q1 2011.

Cash outlays on purchase of fixed assets and computer software increased by 9% to PLN 75.4 m for Q1 2012 from PLN 68.9m for the corresponding period of 2011, PLN 3.7m was spent on acquisitions of Ethernet operators and networks and PLN 2.8m was paid towards the final price adjustment to Crowley acquisition, which was in line with initial estimates and still under negotiation.

Cash and cash equivalents at March 31, 2012 totalled PLN 159.5m versus PLN 382.0m (PLN 210.4m in cash and cash equivalents plus PLN 171.6m in treasury bills) at March 31, 2011.

Debt at March 31, 2012 was PLN 644.1m as compared to zero debt in the prior year quarter.

Pro forma results

Revenue decreased by 1% YoY from PLN 551.9m in Q1 2011 to PLN 544.3m for Q1 2012, mainly as a result of lower voice services revenue.

Telecommunications revenue decreased by 2% YoY from PLN 550.1m in Q1 2011 to PLN 542.1m in Q1 2012. Revenue from direct voice services decreased by 6% or PLN 16.2m and indirect voice services revenue decreased by 27% or PLN 3.8m as a result of decreasing customer numbers. Data services revenue grew by 1% or PLN 1.7m, wholesale services by 20% or PLN 5.8m and other telecommunications revenue increased by 23% or PLN 5.2m driven by mobile and TV services growth.

Cost of operations and other costs increased by 2% YoY to PLN 420.1m from PLN 413.3m for Q1 2011 and represented 77% of total revenue as compared to 75% in Q1 2011.

One-off cost items included New Netia integration costs of PLN 6.0m in Q1 2012, restructuring costs of PLN 2.6m in Q1 2012 and PLN 0.1m in Q1 2011, and the costs of M&A projects of PLN 0.2m in Q1 2012 and PLN 0.1m in Q1 2011.

Adjusted EBITDA was PLN 133.0m, down by 4% from PLN 138.8m for Q1 2011. Adjusted EBITDA margin was 24.4% in Q1 2012 as compared to 25.2% in the prior year quarter, with Adjusted EBITDA margin decrease reflecting mainly lower margins on services and reduced voice revenues in particular. *EBITDA* was PLN 124.1m for Q1 2012 as compared to PLN 138.6m for the prior year quarter. EBITDA margin was 22.8% in Q1 2012 as compared to 25.1% for Q1 2011.

Depreciation and amortization was PLN 120.0m, an increase by 20% from PLN 99.9m in Q1 2011, with increases resulting from the acquired fixed assets and acquisition intangibles of the Dialog Group and Crowley and the reversal of impairment recorded in Old Netia in Q4 2011.

Operating profit (EBIT) was PLN 4.1m as compared to an operating profit of PLN 38.7m for Q1 2011. Unusual costs described above of PLN 8.9m in Q1 2012 and PLN 0.1m in Q1 2011 and extra depreciation and amortization on acquisition intangibles and the impairment reversal in Old Netia drove the decline in EBIT margin.

Net loss was PLN 9.8m for Q1 2012 versus net loss of PLN 13.3m for Q12011, with the net loss in the prior year caused by the 2003 CIT tax adjustment of PLN 58.3m.

Q1 2012 vs. Q4 2011

Actual results as reported

Sequential revenue increased by 28% to PLN 544.3m in Q1 2012 from PLN 426.7m in Q4 2011. Consolidation of Dialog Group's and Crowley's results for the full three-month period in Q1 2012 as opposed to two weeks of consolidation in the prior quarter was the main reason for the increase.

Telecommunications revenue was PLN 542.1m in Q1 2012 versus PLN 425.2m in Q4 2011.

Cost of sales amounted to PLN 380.0m in Q1 2012 versus 290.5m in Q4 2011, representing 70% of total revenue as compared to 68% in Q4 2011. Network maintenance cost was higher sequentially by 22% or PLN 30.2m as the Dialog Group network is less dependent on outsourced maintenance and access fees payable to TP than the Old Netia business. In contrast, depreciation and amortization related to the cost of sales increased by 44% or PLN 29.7m upon starting the amortization of Dialog Group's and Crowley's asset base and the additional impact on D&A charges from the Old Netia impairment reversal recorded in Q4 2011.

Gross profit was PLN 164.3m in Q1 2012 as compared to PLN 136.2m in Q4 2011, with gross profit margin at 30.2% versus 31.9% in Q4 2011.

Selling and distribution costs increased by 38% QoQ to PLN 109.1m in Q1 2012 as compared to PLN 79.0m in Q4 2011 representing 20% of total revenue as compared to 19% in the previous quarter. Salaries and benefits related to selling and distribution were up by 53% QoQ or PLN 11.8m due to the addition of Dialog's and Crowley's largely fixed sales force costs. Depreciation and amortization related to selling and distribution cost increased by 103% or PLN 7.8m mostly due to the amortization of the customer bases of newly acquired companies.

General and administrative expenses increased by 24% to PLN 56.9m in Q1 2012 from PLN 45.9m in Q4 2011, and represented 10% and 11% of total revenue, respectively. The increase was driven mainly by higher cost of salaries and benefits related to general administration associated with the addition of Dialog Group's and Crowley's cost, cost accrued for settling in-the-money stock options and higher mark-to-market value of restricted stock units. Unusual items relating mainly to M&A expenses in Q4 2011 and the integration and restructuring in Q1 2012 largely offset between the quarters.

Adjusted EBITDA was PLN 133.0m versus PLN 108.4m for Q4 2011 and Adjusted EBITDA margin was 24.4% in Q1 2012 versus was 25.4% in Q4 2011.

EBITDA was PLN 124.1m as compared to PLN 318.0m in Q4 2011. EBITDA for Q1 2012 included New Netia integration costs of PLN 6.0m, restructuring costs of PLN 2.6m and the costs of M&A projects of PLN 0.2m. EBITDA for Q4 2011 included the 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, New Netia integration costs of PLN 1.1m and restructuring costs of PLN 0.1m.

Operating profit (EBIT) was PLN 4.1m as compared to operating profit of PLN 236.2m in Q4 2011. Excluding unusual items, EBIT for Q1 2012 would have been PLN 13.0m as compared to PLN 26.2m for Q4 2011, with higher depreciation charges driving the decline.

Net financial cost was PLN 13.3m as compared to net financial income of PLN 0.3m in Q4 2011, with higher financial costs reflecting mainly interest on the loan drawn to finance the recent acquisition of Dialog Group.

Income tax charge of PLN 0.6m was recorded in Q1 2012 versus PLN 2.2m in Q4 2011.

Net loss for Q1 2012 was PLN 9.8m versus net profit of PLN 234.3m for Q4 2011.

Pro forma

Sequential revenue decreased by 1% to PLN 544.3m in Q1 2012 from PLN 548.4m in Q4 2011.

Cost of operations and other costs amounted to PLN 420.1m in Q1 2012 versus 202.6m in Q4 2011.

One-off cost items included New Netia integration costs of PLN 6.0m in Q1 2012 and PLN 1.1m in Q4 2012, restructuring costs of PLN 2.6m in Q1 2012 and PLN 0.6m in Q4 2011, the costs of M&A projects of PLN 0.2m in Q1 2012 and PLN 6.7m in Q4 2011 and PLN 2.7m provisioned in Q4 2011 in relation to the estimated amount of Netia's contribution to the incumbent's costs borne under the universal service obligation. Unusual gain recorded in Q4 2011 was related to reversal of earlier impairment charges of PLN 220.7m.

Adjusted EBITDA was PLN 133.0m versus PLN 138.3m for Q4 2011 and Adjusted EBITDA margin was 24.4% in Q1 2012 versus 25.2% in Q4 2011. *EBITDA* was PLN 124.1m as compared to PLN 345.8m in Q4 2011.

Depreciation and amortization was PLN 120.0m, an increase by 17% from PLN 102.8m in Q4 2011, with increases in depreciation and amortization charges resulting mainly from the reversal of impairment recorded in Q4 2011 in Old Netia and the amortization of acquisition intangibles recognized for the first time on the acquisitions of Dialog Group and Crowley.

Operating profit (EBIT) was PLN 4.1m as compared to operating profit of PLN 243.0m in Q4 2011. Excluding unusual items, EBIT for Q1 2012 would have been PLN 13.0m as compared to PLN 35.4m for Q4 2011, with higher depreciation charges driving the decline.

Net financial cost was PLN 13.3m as compared to net financial income of PLN 0.9m in Q4 2011, with the change reflecting mainly interest on loans drawn to finance Dialog Group's acquisition.

Income tax charge of PLN 0.6m was recorded in Q1 2012 versus PLN 4.1m in Q4 2011.

Net loss for Q1 2012 was PLN 9.8m versus net profit of PLN 239.7m for Q4 2011.

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

PLN'000	Q1 2011	Q2 2011	Q3 2011	Q4 2011[1]	Q1 2012[2]
Revenues	401,189	396,280	394,616	426,718	544,279
y-o-y % change	*3.7%*	*0.7%*	*0.0%*	*8.3%*	*35.7%*
Adjusted EBITDA	101,504	92,832	105,457	108,417	133,008
Margin %	*25.3%*	*23.4%*	*26.7%*	*25.4%*	*24.4%*
y-o-y change %	*11.8%*	*(2.7%)*	*23.3%*	*23.6%*	*31.0%*
EBITDA	101,375	88,679	103,379	318,021	124,142
Margin %	*25.3%*	*22.4%*	*26.2%*	*74.5%*	*22.8%*
Adjusted EBIT	26,179	17,046	29,640	26,217	12,989
Margin %	*6.5%*	*4.3%*	*7.5%*	*6.1%*	*2.4%*
EBIT	26,050	12,893	27,562	236,193	4,123
Margin %	*6.5%*	*3.3%*	*7.0%*	*55.4%*	*0.8%*
Adjusted Profit of the Netia Group (consolidated)	35,385	16,275	26,339	64,391	(2,665)
Margin %	*8.8%*	*4.1%*	*6.7%*	*15.1%*	*(0.5%)*
Profit/(Loss) of the Netia Group (consolidated)	(23,045)	12,911	24,656	234,264	(9,846)
Margin %	*(5.7%)*	*3.3%*	*6.2%*	*54.9%*	*(1.8%)*
Profit/(Loss) of Netia SA (stand alone)[3]	(21,558)	11,134	26,615	208,813	(20,443)
Cash and cash equivalents	210,439	219,388	217,399	156,509	159,503
Treasury bills (at amortized cost)	171,600	210,680	216,259	-	-
Debt	-	107	100	695,177	644,157
Capex related payments	68,927	49,672	78,954	65,107	75,361
Investments in tangible and intangible fixed assets	40,920	56,589	66,916	79,294	59,897

EUR'000[4]	Q1 2011	Q2 2011	Q3 2011	Q4 2011[1]	Q1 2012[2]
Revenues	96,403	95,223	94,823	102,537	130,786
y-o-y % change	*3.7%*	*0.7%*	*0.0%*	*8.3%*	*35.7%*
Adjusted EBITDA	24,391	22,307	25,340	26,052	31,961
Margin %	*25.3%*	*23.4%*	*26.7%*	*25.4%*	*24.4%*
y-o-y change %	*11.8%*	*(2.7%)*	*23.3%*	*23.6%*	*31.0%*
EBITDA	24,360	21,309	24,841	76,418	29,830
Margin %	*25.3%*	*22.4%*	*26.2%*	*74.5%*	*22.8%*
Adjusted EBIT	6,291	4,096	7,122	6,300	3,121
Margin %	*6.5%*	*4.3%*	*7.5%*	*6.1%*	*2.4%*
EBIT	6,260	3,098	6,623	56,755	991
Margin %	*6.5%*	*3.3%*	*7.0%*	*55.4%*	*0.8%*
Adjusted Profit of the Netia Group (consolidated)	8,503	3,911	6,329	15,473	(640)
Margin %	*8.8%*	*4.1%*	*6.7%*	*15.1%*	*(0.5%)*
Profit/(Loss) of the Netia Group (consolidated)	(5,538)	3,102	5,925	56,292	(2,366)
Margin %	*(5.7%)*	*3.3%*	*6.2%*	*54.9%*	*(1.8%)*
Profit/(Loss) of Netia SA (stand alone)[3]	(5,180)	2,675	6,395	50,176	(4,912)
Cash and cash equivalents	50,567	52,717	52,239	37,608	38,327
Treasury bills (at amortized cost)	41,234	50,625	51,965	-	-
Debt	-	26	24	167,046	154,786
Capex related payments	16,563	11,936	18,972	15,645	18,109
Investments in tangible and intangible fixed assets	9,833	13,598	16,079	19,054	14,393

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

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

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

[4] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.1616 = EUR 1.00, the average rate announced by the National Bank of Poland on March 31, 2012. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2011 exclude the following items as appropriate: a non-cash gain on reversal of earlier impairment charges of PLN 220.7m, expenses related to the CIT 2003 tax dispute of PLN 58.3m, expenses related to M&A activities of PLN 10.4m, PLN 5.1m of expenses provisioned for universal service obligation payments, PLN 1.1m of New Netia integration costs, restructuring costs of PLN 0.8m and an income of PLN 16m from an upward adjustment in deferred tax assets following the lengthening of the estimated useful lives of certain network assets. Items excluded for Q1 2012 are the following: New Netia integration costs of PLN 6.0m, restructuring expenses related mainly to Telefonia Dialog SA group of PLN 2.6m and expenses related to M&A activities of PLN 0.2m and impact from these one-offs on the income tax charge of PLN 1.7m.

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

PLN'000	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Revenues	551,920	542,432	542,182	548,416	544,279
q-o-q % change	*nm*	*(1.7%)*	*(0.0%)*	*1.1%*	*(0.8%)*
Adjusted EBITDA	138,849	129,542	139,403	138,276	133,008
Margin %	*25.2%*	*23.9%*	*25.7%*	*25.2%*	*24.4%*
q-o-q change %	*nm*	*(6.7%)*	*7.6%*	*(0.8%)*	*(3.8%)*
EBITDA	138,653	125,380	137,300	345,779	124,142
Margin %	*25.1%*	*23.1%*	*25.3%*	*63.1%*	*22.8%*
Adjusted EBIT	38,932	29,319	38,611	35,457	12,989
Margin %	*7.1%*	*5.4%*	*7.1%*	*6.5%*	*2.4%*
EBIT	38,735	25,156	36,508	242,961	4,123
Margin %	*7.0%*	*4.6%*	*6.7%*	*44.3%*	*0.8%*
Adjusted Profit of the Netia Group (consolidated)	45,215	26,472	29,315	71,629	(2,665)
Margin %	*8.2%*	*4.9%*	*5.4%*	*13.1%*	*(0.5%)*
Profit/(Loss) of the Netia Group (consolidated)	(13,269)	23,100	27,612	239,707	(9,846)
Margin %	*(2.4%)*	*4.3%*	*5.1%*	*43.7%*	*(1.8%)*

EUR'000[1]	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Revenues	132,622	130,342	130,282	131,780	130,786
q-o-q % change	*nm*	*(1.7%)*	*(0.0%)*	*1.1%*	*(0.8%)*
Adjusted EBITDA	33,364	31,128	33,498	33,227	31,961
Margin %	*25.2%*	*23.9%*	*25.7%*	*25.2%*	*24.4%*
q-o-q change %	*nm*	*(6.7%)*	*7.6%*	*(0.8%)*	*(3.8%)*
EBITDA	33,317	30,128	32,992	83,088	29,830
Margin %	*25.1%*	*23.1%*	*25.3%*	*63.1%*	*22.8%*
Adjusted EBIT	9,355	7,045	9,278	8,520	3,121
Margin %	*7.1%*	*5.4%*	*7.1%*	*6.5%*	*2.4%*
EBIT	9,308	6,045	8,773	58,382	991
Margin %	*7.0%*	*4.6%*	*6.7%*	*44.3%*	*0.8%*
Adjusted Profit of the Netia Group (consolidated)	10,865	6,361	7,044	17,212	(640)
Margin %	*8.2%*	*4.9%*	*5.4%*	*13.1%*	*(0.5%)*
Profit/(Loss) of the Netia Group (consolidated)	(3,189)	5,551	6,635	57,600	(2,366)
Margin %	*(2.4%)*	*4.3%*	*5.1%*	*43.7%*	*(1.8%)*

[1] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.1616 = EUR 1.00, the average rate announced by the National Bank of Poland on March 31, 2012. These figures are included for the convenience of the reader only.

Pro forma Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2011 exclude the following items as appropriate: a non-cash gain on reversal of earlier impairment charges of PLN 220.7m, expenses related to the CIT 2003 tax dispute of PLN 58.3m, expenses related to M&A activities of PLN 10.4m, PLN 7.1m of expenses provisioned for universal service obligation payments, PLN 1.1m of New Netia integration costs, restructuring costs of PLN 0.9m and an income of PLN 16m from an upward adjustment in deferred tax assets following the lengthening of the estimated useful lives of certain network assets. Items excluded for Q1 2012 are the following: New Netia integration costs of PLN 6.0m, restructuring expenses related mainly to Telefonia Dialog SA group of PLN 2.6m and expenses related to M&A activities of PLN 0.2m and impact from these one-offs on the income tax charge of PLN 1.7m.

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

Key Operational Indicators pro forma / as reported[1]	Q1 2011 Pro forma	Q2 2011 Pro forma	Q3 2011 Pro forma	Q4 2011 As reported	Q1 2012 As reported
Total services (RGUs)	**2,728,080**	**2,752,346**	**2,768,066**	**2,789,274**	**2,793,068**
Broadband data services					
Own infrastructure-based services	389,589	396,289	402,467	415,983	416,241
Own fixed-line networks	*368,996*	*376,100*	*382,754*	*396,853*	*397,680*
WiMAX	*20,477*	*20,081*	*19,694*	*19,130*	*18,561*
Others	*116*	*108*	*19*	-	-
Bitstream access	325,038	321,495	312,614	311,358	312,103
LLU	146,070	159,260	175,435	184,229	184,064
Total broadband data services (end of period)	**860,697**	**877,044**	**890,516**	**911,570**	**912,408**
Voice services (excl. CPS)					
Traditional direct voice	620,012	610,441	605,165	596,330	584,928
incl. ISDN equivalent of lines	*220,460*	*220,674*	*223,402*	*223,148*	*221,590*
incl. legacy wireless	*38,504*	*40,474*	*41,987*	*41,799*	*42,158*
Voice over IP (excl. LLU)	36,838	37,889	39,910	43,295	45,100
WiMAX voice	20,314	19,571	18,692	17,603	16,644
Netia network subscriber voice services	677,164	667,901	663,767	657,228	646,672
WLR	1,005,911	992,399	974,252	962,322	954,917
LLU voice over IP	95,112	106,698	118,808	125,173	126,240
Total voice services (end of period)	**1,778,187**	**1,766,998**	**1,756,827**	**1,744,723**	**1,727,829**
TV services (end of period)	**45,838**	**48,775**	**46,445**	**50,712**	**61,804**
Mobile Data services (end of period)	**9,277**	**16,627**	**24,664**	**30,267**	**30,446**
Mobile Voice services (end of period)	**34,081**	**42,902**	**49,614**	**52,002**	**60,581**
Total services (RGUs) by segment (end of period)	**2,728,080**	**2,752,346**	**2,768,066**	**2,789,274**	**2,793,068**
Dialog Group	765,366	773,612	783,190	792,043	802,805
Crowley	27,089	29,205	30,355	29,932	30,287
Corporate segment	172,928	176,066	180,765	185,670	188,965
Carrier segment	4,437	4,467	4,451	4,732	4,847
Residential segment	1,481,067	1,478,343	1,466,962	1,468,217	1,452,938
Share of lines with multiplay services	*29%*	*30%*	*30%*	*31%*	*32%*
SOHO/SME segment	277,193	290,653	302,343	308,680	313,226
Share of lines with multiplay services	*42%*	*45%*	*45%*	*47%*	*48%*
Other					
Total net additions in Broadband data services	nm	16,347	13,472	21,054	838
Monthly Broadband ARPU (PLN)	55	56	55	56	57
Total net additions in Voice services	nm	(11,189)	(10,171)	(12,104)	(16,894)
Business mix of total subscriber lines (cumulative)	51.9%	52.6%	53.6%	54.4%	55.1%
Monthly Voice ARPU in own network (PLN)	51	51	50	50	49
Monthly Voice ARPU for WLR (PLN)	47	47	46	46	45
Monthly Voice ARPU blended (PLN)	49	49	48	48	47
Monthly TV ARPU blended (PLN)	35	36	39	42	44
Monthly Mobile Data ARPU blended (PLN)	27	29	28	28	28
Monthly Mobile Voice ARPU blended (PLN)	34	32	26	25	24
CPS lines (cumulative)	84,298	79,835	77,051	73,696	70,029
Monthly Voice ARPU for CPS	54	49	50	49	48
Headcount	2,932	2,907	2,906	2,899	2,811
Active headcount	2,839	2,802	2,795	2,786	2,719

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

Income Statement as reported (incl. Dialog Group and Crowley impact from Q4 2011) (PLN in thousands unless otherwise stated)					
Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Direct Voice	184,951	183,499	180,950	187,973	246,343
Incl. monthly fees	*127,647*	*128,069*	*128,377*	*132,614*	*169,158*
Incl. calling charges	*57,225*	*55,133*	*52,467*	*55,226*	*77,064*
Indirect Voice	6,348	5,270	5,063	5,788	10,276
Data[1]	147,855	148,597	147,979	159,757	192,597
Interconnection revenues	21,492	17,830	17,222	21,058	29,566
Wholesale services	28,683	29,232	30,546	35,914	34,781
Other telecommunications revenues[1]	10,676	10,798	11,786	14,754	28,507
Total telecommunications revenue	**400,005**	**395,226**	**393,546**	**425,244**	**542,070**
Radio communications and other revenue	1,184	1,054	1,070	1,474	2,209
Total revenue	**401,189**	**396,280**	**394,616**	**426,718**	**544,279**
Cost of sales	**(270,234)**	**(272,324)**	**(269,946)**	**(290,525)**	**(380,003)**
Interconnection charges	(58,321)	(58,161)	(57,049)	(67,287)	(81,395)
Network operations and maintenance	(130,242)	(132,186)	(132,607)	(135,205)	(165,381)
Costs of goods sold	(3,752)	(3,252)	(1,261)	(1,968)	(2,537)
Depreciation and amortization	(62,710)	(63,359)	(64,098)	(68,241)	(97,972)
Salaries and benefits	(5,469)	(5,632)	(4,937)	(5,996)	(12,148)
Restructuring	-	-	-	(384)	(121)
Taxes, frequency fees and other expenses	(9,740)	(9,734)	(9,994)	(11,444)	(20,449)
Gross profit	**130,955**	**123,956**	**124,670**	**136,193**	**164,276**
Margin (%)	***32.6%***	***31.3%***	***31.6%***	***31.9%***	***30.2%***
Selling and distribution costs	**(72,271)**	**(75,136)**	**(70,841)**	**(79,005)**	**(109,070)**
Advertising and promotion	(10,967)	(13,085)	(10,542)	(12,016)	(10,786)
Third party commissions	(8,460)	(6,433)	(7,050)	(7,300)	(9,812)
Billing, mailing and logistics	(8,111)	(7,821)	(8,399)	(9,397)	(12,312)
Outsourced customer service	(8,025)	(7,667)	(8,445)	(7,923)	(8,139)
Impairment of receivables	(360)	(2,371)	(2,319)	(1,926)	(4,565)
Depreciation and amortization	(7,490)	(7,304)	(6,353)	(7,564)	(15,332)
Salaries and benefits	(21,727)	(22,194)	(19,430)	(22,287)	(34,058)
Restructuring	-	(177)	19	(6)	(1,058)
Other costs	(7,131)	(8,084)	(8,322)	(10,586)	(13,008)
General and administration costs	**(36,040)**	**(39,424)**	**(31,104)**	**(45,905)**	**(56,868)**
Professional services	(2,005)	(2,387)	(1,969)	(5,287)	(2,821)
Electronic data processing	(2,352)	(2,511)	(2,524)	(2,697)	(3,061)
Office and car maintenance	(2,827)	(3,085)	(2,704)	(3,155)	(4,836)
Depreciation and amortization	(5,125)	(5,123)	(5,366)	(6,023)	(6,715)
Salaries and benefits	(18,191)	(17,708)	(12,190)	(14,527)	(28,020)
Restructuring	-	(58)	(58)	(134)	(1,420)
Other costs	(5,540)	(8,552)	(6,293)	(14,082)	(9,995)
Other income	4,714	2,702	3,107	226,126	6,294
Other expense	(997)	1	(2)	(3,206)	(955)
Other gains/ (losses), net	(311)	794	1,732	1,990	446
EBIT	**26,050**	**12,893**	**27,562**	**236,193**	**4,123**
Margin (%)	***6.5%***	***3.3%***	***7.0%***	***55.4%***	***0.8%***
Finance income	3,282	4,246	7,493	3,679	1,822
Finance cost	(222)	(401)	(91)	(3,408)	(15,157)
Profit before tax	**29,110**	**16,738**	**34,964**	**236,464**	**(9,212)**
Tax benefit / (charge)	(52,155)	(3,827)	(10,308)	(2,200)	(634)
Profit / (Loss)	**(23,045)**	**12,911**	**24,656**	**234,264**	**(9,846)**

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

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

Income Statement pro forma
(incl. Dialog Group and Crowley impact from Q1 2011)
(PLN in thousands unless otherwise stated)

Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011 *unaudited*	Q1 2012 *unaudited*
Direct Voice	262,505	258,337	256,174	250,529	246,343
Indirect Voice	14,106	12,151	11,702	11,106	10,276
Data	190,866	191,669	190,664	193,516	192,597
Interconnection revenues	31,010	27,581	28,524	30,865	29,566
Wholesale services	28,982	28,576	29,889	34,710	34,781
Other telecommunications revenues	23,267	23,064	24,159	26,641	28,507
Total telecommunications revenue	**550,736**	**541,377**	**541,112**	**547,367**	**542,070**
Radio communications and other revenue	1,184	1,054	1,070	1,049	2,209
Total revenue	**551,920**	**542,432**	**542,182**	**548,416**	**544,279**
Cost of operations and other costs[1]	**(413,267)**	**(417,052)**	**(404,882)**	**(202,637)**	**(420,137)**
Depreciation & amortisation	(99,917)	(100,224)	(100,792)	(102,819)	(120,019)
EBIT	**38,735**	**25,156**	**36,508**	**242,961**	**4,123**
Margin (%)	***7.0%***	***4.6%***	***6.7%***	***44.3%***	***0.8%***
Finance income / (cost)	3,056	3,628	3,454	892	(13,335)
Profit / (Loss) before tax	**41,791**	**28,784**	**39,962**	**243,852**	**(9,212)**
Tax benefit / (charge)	(55,060)	(5,684)	(12,351)	(4,146)	(634)
Profit / (Loss)	**(13,269)**	**23,100**	**27,612**	**239,707**	**(9,846)**

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

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

Time periods:	Q1 2011 unaudited	Q2 2011 unaudited	Q3 2011 unaudited	Q4 2011[1] unaudited	Q1 2012[2] unaudited
Operating Profit	**26,050**	**12,893**	**27,562**	**236,193**	**4,123**
Add back:					
Depreciation and amortization	75,325	75,786	75,817	81,828	120,019
EBITDA	**101,375**	**88,679**	**103,379**	**318,021**	**124,142**
Add back:					
Restructuring costs	-	235	39	524	2,599
M&A related costs	129	1,538	2,039	6,728	237
New Netia integration costs	-	-	-	1,097	6,030
Provision for universal service obligation payments	-	2,380	-	2,724	-
Less:					
Gain on reversal of an impairment charge for non-current assets	-	-	-	(220,677)	-
Adjusted EBITDA	**101,504**	**92,832**	**105,457**	**108,417**	**133,008**
Margin (%)	***25.3%***	***23.4%***	***26.7%***	***25.4%***	***24.4%***

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

Time periods:	Q1 2011 unaudited	Q2 2011 unaudited	Q3 2011 unaudited	Q4 2011 unaudited	Q1 2012 unaudited
Operating Profit	**38,735**	**25,156**	**36,508**	**242,961**	**4,123**
Add back:					
Depreciation and amortization	99,917	100,224	100,792	102,819	120,019
EBITDA	**138,653**	**125,380**	**137,300**	**345,779**	**124,142**
Add back:					
Restructuring costs	67	244	60	576	2,599
M&A related costs	129	1,538	2,039	6,728	237
New Netia integration costs	-	-	-	1,097	6,030
Provision for universal service obligation payments	-	2,380	4	4,773	-
Less:					
Gain on reversal of an impairment charge for non-current assets	-	-	-	(220,677)	-
Adjusted EBITDA	**138,849**	**129,542**	**139,403**	**579,630**	**133,008**
Margin (%)	***25.2%***	***23.9%***	***25.7%***	***105.7%***	***24.4%***

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

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

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

Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Reminder fees and penalties	729	1,011	2,320	3,337	1,744
Forgiveness of liabilities	-	-	-	280	157
Fair value adjustments on other receivables and reversal of provisions	-	-	-	1,534	-
Results of settlements	2,700	-	-	-	-
Returned VAT on acquisitions	1,015	-	-	-	-
Other operating income	270	1,691	787	298	4,356
Reversal of an impairment charge for non-current assets	-	-	-	220,677	37
Total	**4,714**	**2,702**	**3,107**	**226,126**	**6,294**

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

Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Impairment charges for specific individual assets	(958)	-	-	(3,038)	(480)
Impairment charges for specific other assets	-	-	-	(126)	-
Other expenses	(39)	1	(2)	(42)	(475)
Total	**(997)**	**1**	**(2)**	**(3,206)**	**(955)**

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

Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Gain / (loss) on sale of impaired receivables	(10)	251	345	565	44
Gain / (loss) on disposal of fixed assets	(14)	735	1,446	885	(45)
Net foreign exchange gains / (losses)	(287)	(192)	(59)	540	447
Total	**(311)**	**794**	**1,732**	**1,990**	**446**

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

Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Profit / (Loss)	**(23,045)**	**12,911**	**24,656**	**234,264**	**(9,846)**
Cash flow hedges	(240)	(14)	6,353	(4,004)	(5,131)
Income tax relating to components of other comprehensive income	41	(18)	(1,138)	717	972
Other comprehensive Income / (Loss)	**(199)**	**(32)**	**5,215**	**(3,287)**	**(4,159)**
Total comprehensive Income / (Loss)	**(23,244)**	**12,879**	**29,871**	**230,977**	**(14,005)**
Attributable to equity holders of the Company	*(23,244)*	*12,879*	*29,871*	*230,977*	*(14,005)*

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

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

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

Time periods:	March 31 2011 *unaudited*	June 30 2011 *unaudited*	Sept. 30 2011 *unaudited*	Dec. 31 2011[1] *audited*	March 31 2012[2] *unaudited*
Property, plant and equipment, net	1,473,665	1,461,309	1,462,726	2,184,489	2,148,741
Intangible assets	376,102	371,585	366,484	767,156	746,254
Investment property	25,933	25,808	25,682	26,399	-
Deferred income tax assets	59,017	55,242	43,563	109,409	108,549
Available for sale financial assets	115	115	115	115	115
Long-term receivables	218	218	217	218	218
Prepaid expenses and accrued income	9,805	8,819	9,545	11,832	12,575
Total non-current assets	**1,944,855**	**1,923,096**	**1,908,332**	**3,099,618**	**3,016,452**
Inventories	7,120	6,893	5,958	5,314	5,142
Trade and other receivables	163,407	170,052	167,243	252,456	239,061
Current income tax receivables	30	51	47	262	262
Prepaid expenses and accrued income	38,108	33,407	25,659	30,091	33,610
Derivative financial instruments	117	112	7,188	2,723	510
Financial assets at fair value through profit and loss	1	1	11	16	16
Held to maturity investments	171,600	210,680	216,259	-	-
Restricted cash	2,123	2,123	2,123	2,263	2,278
Cash and cash equivalents	210,439	219,388	217,399	156,509	159,503
	592,945	**642,707**	**641,887**	**449,634**	**440,382**
Assets held for sale	-	-	-	-	26,736
Total current assets	**592,945**	**642,707**	**641,887**	**449,634**	**467,118**
TOTAL ASSETS	**2,537,800**	**2,565,803**	**2,550,219**	**3,549,252**	**3,483,570**
Share capital	390,375	391,043	391,061	391,602	381,863
Treasury shares	-	-	(24,738)	(49,582)	-
Supplementary capital	1,599,580	1,866,857	1,867,079	1,867,421	1,818,325
Retained earnings	246,213	(7,908)	16,748	251,012	241,166
Other components of equity	38,729	38,463	43,871	39,915	45,385
Equity attributable to equity owners	**2,274,897**	**2,288,455**	**2,294,021**	**2,500,368**	**2,486,739**
Non-controlling interests	-	-	-	5	5
TOTAL EQUITY	**2,274,897**	**2,288,455**	**2,294,021**	**2,500,373**	**2,486,744**
Bank loans	-	-	-	514,584	514,374
Provisions	914	842	773	3,041	3,009
Deferred income	20,014	21,185	20,399	22,168	22,475
Other long-term liabilities	8,098	7,846	7,333	9,392	8,966
Total non-current liabilities	**29,026**	**29,873**	**28,505**	**549,185**	**548,824**
Trade and other payables	192,838	202,743	180,633	262,251	256,809
Derivative financial instruments	1,044	846	-	84	4,297
Borrowings	-	107	100	180,593	129,783
Other financial liabilities	-	-	1,994	71	64
Current income tax liabilities	1	1	1	1	1
Provisions	1,723	1,584	3,719	12,660	13,165
Deferred income	38,271	42,194	41,246	44,034	43,883
Total current liabilities	**233,877**	**247,475**	**227,693**	**499,694**	**448,002**
Total liabilities	**262,903**	**277,348**	**256,198**	**1,048,879**	**996,826**
TOTAL EQUITY AND LIABILITIES	**2,537,800**	**2,565,803**	**2,550,219**	**3,549,252**	**3,483,570**

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

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

Cash Flow Statement as reported (incl. Dialog Group and Crowley impact from Q4 2011) (PLN in thousands unless otherwise stated)					
Time periods:	Q1 2011 *unaudited*	Q2 2011 *unaudited*	Q3 2011 *unaudited*	Q4 2011[1] *unaudited*	Q1 2012[2] *unaudited*
Profit / (Loss)	**(23,045)**	**12,911**	**24,656**	**234,264**	**(9,846)**
Depreciation and amortization	75,325	75,786	75,817	81,828	120,019
Reversal of impairment losses	-	(1,007)	-	(219,670)	-
Reversal of impairment charges for specific assets	-	-	-	(1,534)	(37)
Impairment charges for specific individual assets	958	-	-	3,164	480
Deferred income tax charge / (benefit)	(6,245)	3,643	10,230	8,782	1,586
Interest expense and fees charged on bank loans	-	-	-	2,491	13,299
Other interest charged	(1,561)	(1,712)	(2,054)	(1,779)	53
Share-based compensation	829	1,126	571	665	1,248
Fair value (gains)/losses on financial assets/liabilities	-	-	(10)	9	-
Fair value (gains)losses on derivative financial instruments	(15)	(90)	(1,894)	535	1,473
Foreign exchange (gains)/losses	(68)	221	(943)	(180)	227
(Gain)/Loss on disposal of fixed assets	49	(710)	(1,402)	(680)	45
(Gain)/Loss on sale of investments	-	-	-	-	-
Changes in working capital	1,229	4,056	4,515	1,441	23,303
Tax expensed in relation to prior periods	58,325	-	-	-	-
Net cash provided by operating activities	**105,781**	**94,224**	**109,486**	**109,336**	**151,851**
Purchase of fixed assets and computer software	(68,927)	(49,672)	(78,954)	(65,106)	(75,361)
Purchase of operational networks	-	-	(2,680)	-	-
Proceeds from sale of non-core assets	94	4,778	2,548	1,089	63
Purchase of Ethernet operators, net of received cash	(573)	(1,624)	(6,215)	(14,286)	(3,685)
Purchase of Dialog group and Crowley, net of received cash	-	-	-	(972,287)	(2,775)
Net (purchase)/receipt of treasury bonds / notes	1,676	(37,270)	(3,437)	218,136	-
Sale of investments	-	-	-	-	28
Net cash used in investing activities	**(67,730)**	**(83,788)**	**(88,738)**	**(832,454)**	**(81,730)**
Proceeds from borrowings	-	-	-	700,000	-
Repurchase of own shares	-	-	(22,744)	(26,838)	-
Finance lease payments	(1,249)	(1,266)	(829)	(1,859)	(2,335)
Loan repayments	(31)	-	(107)	(292)	(51,583)
Interest repayments	-	-			(12,982)
Payments of fees relating to bank loans	-	-	-	(8,963)	-
Net cash used in financing activities	**(1,280)**	**(1,266)**	**(23,680)**	**662,048**	**(66,900)**
Net change in cash and cash equivalents	**36,771**	**9,170**	**(2,932)**	**(61,070)**	**3,221**
Effect of exchange rate change on cash and cash equivalents	68	(221)	943	180	(227)
Cash and cash equivalents at the beginning of the period	173,600	210,439	219,388	217,399	156,509
Cash and cash equivalents at the end of the period	**210,439**	**219,388**	**217,399**	**156,509**	**159,503**

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

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

Definitions		
Active headcount	•	full-time employment equivalent with regard to employees who are not during maternity leaves, non-paid leaves nor long-term sick leaves (above 33 days during calendar year), who are not at military service or who were relieved from the obligation to perform work
Backbone	•	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream access	•	a type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by 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 Q1 2012 results

Netia management will hold a conference call to review the results on May 15, 2012 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

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

Replay number:
(UK) +44 20 8196 1998
Passcode: 7040107#

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.