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Netia reports 2012 third quarter results

WARSAW, Poland – November 8, 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 nine months ended September 30, 2012.

1 Key highlights

1.1 FINANCIAL (actual results as reported)

- *Revenue* was PLN 1,601.8m for nine months of 2012, up by 34% versus the same period of 2011. In Q3 2012 revenue decreased sequentially by 3% to PLN 521.1m as compared to PLN 536.5m in Q2 2012 and increased by 32% versus the prior year quarter. Sequential decreases were noted in the Home, SOHO/SME and Carrier segments and resulted from fewer revenue generating units in Home and SOHO/SME segments and less lower margin transit revenues in the Carrier segment. The Corporate segment remained broadly stable. Dialog Group and Crowley revenues are now fully integrated into the four customer segments with retrospective effect to their respective acquisitions in December 2011. Management estimates that Dialog Group and Crowley contributed approximately half of the sequential decline.

- *Adjusted EBITDA* was PLN 446.6m for the nine-month period, up by 49% over the first nine months of 2011. In Q3 2012 Adjusted EBITDA was 157.4m, up by 1% over Q2 2012 and up by 49% over the prior year quarter. Adjusted EBITDA margin was 27.9% for the nine months of 2012 and 30.2% in Q3 2012 versus 25.1% for the nine months of 2011 and 29.1% in Q2 2012. The year-on-year improvement reflects the acquisitions of Dialog Group and Crowley and cumulative synergy savings for the first nine months of 2012 of approximately PLN 48.1m.

- *EBITDA* was PLN 407.4m for year-to-date 2012 and PLN 148.4m for Q3 2012, up by 39% versus year-to-date 2011 and by 10% versus Q2 2012. The unusual items for the first nine months of 2012 include restructuring costs of PLN 21.7m versus PLN 0.3m for the same period in 2011. Other unusual items were Dialog Group and Crowley integration costs of PLN 16.5m recorded in year-to-date 2012, costs of M&A projects of PLN 1.0m in the nine months of 2012 and PLN 3.7m in the comparative period of 2011 and universal service obligation provision of PLN 2.4m recorded in year-to-date 2011. EBITDA margin was 25.4% for year-to-date 2012 and 28.5% in Q3 2012 as compared to 24.6% for the first nine months of 2011 and 25.1% for Q2 2012.

- *EBIT* was PLN 44.2m (PLN 83.4m profit when excluding all one-offs) in the first nine months of 2012 as compared to PLN 66.5m (PLN 72.9m profit when excluding one-offs) in the same period of 2011. EBIT for Q3 2012 was PLN 27.3m (PLN 36.5m profit when excluding one-offs) compared to PLN 12.8m (PLN 34.1m profit when excluding one-offs) in Q2 2012.

- *Net profit* was PLN 21.2m for year-to-date 2012 versus PLN 14.5m for year-to-date 2011. Net profit for Q3 2012 was PLN 10.0m versus PLN 21.0m for Q2 2012. Reported net profit for the first nine months of 2012 included a non-cash gain of PLN 21m recorded in Q2 2012 due to the recognition of a deferred tax asset resulting from the intragroup sale of network assets from Dialog to Netia SA while in the comparative period of 2011 reported net profit included the expensing of PLN 58.3m relating to the Company's corporate income tax ("CIT") for the year 2003.

- *Netia was operating free cash flow positive both year-to-date and in Q3 2012*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding Ethernet acquisitions, was PLN 244.1m for the first nine months of 2012 and PLN 83.7m for Q3 2012 versus PLN 135.4m for the first nine months of 2011 and PLN 87.3m for Q2 2012.

- *Netia's cash resources* at September 30, 2012 totalled PLN 131.1m, up by PLN 5.2m from June 30, 2012, and *debt*, related to the Dialog Group acquisition, totalled PLN 590.0m, up by PLN 10.2m from June 30, 2012 due to accrued interest. Accordingly, *net debt* was PLN 458.8m versus PLN 453.9m in June 2012 and *financial leverage* was 0.76x Adjusted EBITDA guidance for 2012 full year. The cash position reflects outflows of PLN 45.6m in Q3 2012 and PLN 24.8m in Q2 2012 to acquire 11.8m Netia shares as part of the ongoing share buy-back program and a temporary VAT tax outflow of PLN 14.5m resulting from an intragroup asset sale. This amount is expected to be recovered during Q4 2012.

- *Netia completed the second tranche of its share buy-back program* in October 2012 utilising PLN 75.0m of funds to repurchase 3.3% of share capital. At present, the Company is in the process of executing the third tranche of share buy-backs for a total of up to 2.5% of share capital or up to PLN 50.0m. These two tranches follow the first share buy-back tranche executed in 2011 for 2.5% of Netia's share capital and are in line with the previously adopted distribution policy (for details please see section 3 *Other Highlights*). As already announced in June 2012, the Management considers the introduction of a long-term dividend policy from 2013 onwards as a natural evolution from the already introduced buy-back program, absent any transformational M&A or capital intensive high NPV projects.

- *Updated Guidance for 2012*. Due to poor market dynamics and generally difficult trading conditions on the residential market, and in particular in the high volume, low ARPU segments of the market, Netia is today reducing its 2012 guidance for the number of services (RGUs) to 2,650,000. Strong profitability trends allow Management to confirm its Adjusted EBITDA guidance at PLN 600m. Capital investments guidance is confirmed at PLN 270m plus up to a further PLN 30m for integration related projects and, accordingly, Adjusted Operating Free Cash Flow (Adjusted OpFCF) guidance is confirmed at PLN 330m. A slower than previously expected rebound in gross additions observed during Q3 2012 has necessitated further reduction in RGU guidance for 2012.

- *Review of residential strategy and long-term strategic goals*. Recent aggressive price discounting by key competitors, continued weak fixed broadband growth and accelerating fixed voice customer losses result in a weakening outlook for revenue, margins and RGUs in 2013 as Netia continues its efforts to develop offsetting revenue streams from TV services. Accordingly, Management is reviewing its residential market strategy and may update its long-term strategic goals along with 2012 full-year results.

1.2 OPERATIONAL (actual results for YTD and Q3 2012 vs. pro forma results for YTD and Q3 2011)

In order to ensure comparability of operating results in this section, the actual key performance indicators for YTD and Q3 2012 are compared to the pro forma results for YTD and Q3 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 merged into Netia SA), which were acquired by Netia on December 16, 2011 and December 14, 2011, respectively.

- *Number of services (RGUs)* was 2,734,070 at September 30, 2012 as compared to 2,768,066 at September 30, 2011 and 2,785,339 at June 30, 2012, with the year-on-year and quarterly decreases driven by an accelerating fall in the number of fixed voice services and generally intense competition on a weakening telecommunications market. Netia is today revising its guidance from a total of 2,750,000 services by the end of 2012 to 2,650,000.

- *Netia's TV services* reached 72,805 at September 30, 2012, growing by 57% from 46,445 at September 30, 2011 and by 2% from 71,274 at June 30, 2012. Slower net additions in Q3 2012 reflect reduced cross-sell potential as most potential TV customers in upgraded NGA network areas have been offered the new services. Management expects the slowdown to be temporary while product, coverage and distribution improvements should combine to accelerate sales growth over future quarters.

- *Netia's broadband services* base was 888,698 at September 30, 2012, remaining broadly unchanged from 890,516 at September 30, 2011 and declining by 2% from 903,947 at June 30, 2012. Netia estimates that the total fixed broadband market share for New Netia was approximately 13.7% versus 14.3% at September 30, 2011. New Netia recorded a net decrease of 15,249 broadband customers during Q3 2012 (both total and organic as there were no Ethernet acquisitions in the quarter) versus a net decrease of 8,461 broadband customers during Q2 2012 (a net organic decrease of 9,821 excluding Ethernet acquisitions), mainly through customer churn not being offset by new sales volume intake. Slow market growth and tougher price competition, particularly for lower-end offers and cable operators offering multiplay bundles, is reflected in weaker performance. Whilst Netia has responded by lowering prices and increasing advertising support, Management is focusing on its own network and bundled services rather than total services sold in order to defend gross margins.

- *Netia's fixed voice services* (own network, WLR and LLU). Netia estimates that the total fixed voice market share of New Netia was approximately 20% in both Q3 2012 and Q3 2011. Due to the competitive market conditions and Netia's focus on higher-value customers, Netia is concentrating on defending voice revenues as opposed to subscriber numbers. Netia's voice subscriber base was 1,677,766 at September 30, 2012 as compared to 1,756,827 at September 30, 2011 and 1,714,136 at June 30, 2012. In total, Netia recorded a net decrease of 36,370 voice subscribers during Q3 2012 versus 13,693 in Q2 2012, which had included a one-time upward adjustment in the number of traditional direct voice lines by 12,965 due to product definition changes affecting certain Corporate Segment products. The Company expects the number of fixed voice services to continue to decline, mainly in connection with clients churning from traditional direct voice and WLR services. Of the total voice customers served at September 30, 2012, 39% received service over Netia's own access infrastructure. Moreover, recently introduced discounts on high user packages by another major service provider have significantly deteriorated the outlook for WLR ARPU and volumes in 2013.

- *Netia's mobile services* at September 30, 2012 were 32,758 for mobile broadband and 62,043 for mobile voice, as compared to, respectively, 24,664 and 49,614 services at September 30, 2011 and 33,415 and 62,567 services at June 30, 2012. Netia intends to utilise the existing MVNO agreements with P4 and Polkomtel to package fixed line and mobile services into attractively priced convergent bundles, increasing cross-sell potential and customer loyalty whenever possible.

- *NGA network expansion.* During Q3 2012 New Netia continued to expand its NGA standard network, which allows for providing, among others, high speed broadband and 3play services including IPTV and adaptive IP protocol TV services. As of September 30, 2012, New Netia covered in total 996,000 households with its NGA networks, including approximately 696,000 homes passed with VDSL copper networks, approximately 137,000 homes passed with passive optical networks (PON) and approximately 163,000 homes passed with the fast Ethernet networks and fiber to the building (FTTB). Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services before accelerating NGA roll-out investments.

Miroslaw Godlewski, Netia's President and CEO, commented: "New Netia is today reporting satisfactory financial results, achieved against the backdrop of a deteriorating market environment particularly in the Residential segment.

3Q 2012 revenue is up by 32% year-on-year to PLN 521.1m and Adjusted EBITDA reached PLN 157.4m for an Adjusted EBITDA margin of 30.2%, driven by the acquisitions of Dialog Group and Crowley in December 2011. We have continued to execute on our detailed integration plans with active employment down to 2,144 on September 30, 2012, 23% less than the prior year pro forma equivalent and cumulative profit synergies recorded through September 2012 are estimated at PLN 48.1m.

Whilst the construction of New Netia is proceeding according to our ambitious plans, Management has been disappointed by the deteriorating market environment as evidenced by the accelerating customer losses seen in Q3 2012. Whilst our Business customer segments were able to grow their overall RGU base, Home segment lost 55k revenue generating units (RGU) during Q3 2012 and customer base declines were broadly in line with those of our main competitor. However, extremely aggressive price reductions on both broadband and voice services announced by the incumbent during Q3 2012 are considered likely to undermine our efforts to restore growth in volume trends whilst maintaining the firm ARPUs Netia has reported so far this year. With this difficult environment in mind, Netia is today lowering its 2012 RGU guidance to 2,650k from 2,750k RGUs, and Management has begun a reassessment of our Home segment strategy. We expect to be able to update investors on the outlook when we report 2012 full year results. Financial guidance for 2012 Adjusted EBITDA and Adjusted Operating Free Cash Flow remains unchanged at PLN 600m and PLN 330m, respectively.

In contrast, Netia's three segments focused on business customers are performing well in a similarly difficult environment. Those segments contributed 47% of total revenue or PLN 247.3m in Q3 2012, but only one third of revenue shrinkage and this came mostly on low margin Carrier products. Combined Business segments EBITDA margin was a robust 48.2% as most services are delivered over Netia's own network resources. I am convinced that Netia's capacity to leverage its network across all customer segments and respond to market opportunities in any market segment is unique amongst Polish altnets and will deliver new strategic opportunities to create value as we head into this weaker economic reality.

We remain committed to developing TV services and the NGA capabilities of our access networks as the best strategy to develop our residential business in this difficult and competitive market environment. Management remains cautious in its approach to acquisition opportunities going forward and intends to balance the need for financial flexibility with the goal of continuing to return cash to our shareholders."

Jon Eastick, Netia's CFO, commented: "3Q 2012 saw Netia's Adjusted EBITDA margins move up to 30% and PLN 157.4m, up by 13% on the prior year pro forma and 1% sequentially over Q2 2012. On a year-to-date basis, Adjusted EBITDA reached PLN 446.6m, and Adjusted Operating Free Cash Flow totalled PLN 244.1m leaving us in a favourable position to reach our full year guidance of PLN 600m and PLN 330m, respectively.

Our CDN integration project to create New Netia from Old Netia, Dialog Group and Crowley has continued ahead of our expectations. Cumulative realised synergies in 2012 reached PLN 48.1m for the nine months with the estimated annualised savings equivalent for the 75 finished EBITDA impacting projects as at September 30, 2012 moving on to PLN 80m in 2013. In recent weeks the first wave of 519 announced headcount reductions has been completed and the second wave commenced with another 188 maintenance engineers moved to outsourcing partner Ericsson from September 1, 2012. A single organisation has become the operational norm for our employees, customer offerings have been aligned and financial reporting systems fully integrated. We are on course to deliver the PLN 130m of total annualised synergies that we are targeting and expect the CDN project to finish with the migrations of the Dialog billing and CRM systems in late 2013.

With year-to-date capital investment of PLN 202.6m, down 12% on the prior year pro forma, New Netia has produced 80% more Adjusted Operating Free Cash Flow than Old Netia reported this time last year. As a result, New Netia has so far paid down PLN 115m of debt and bought back PLN 81.2m of its own share during 2012. With PLN 131.1m of cash on the balance sheet and net debt of just 0.76x forecast Adjusted EBITDA Netia enjoys a very sound financial position."

2 Operational review

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

2.1 BROADBAND, TV & MOBILE SERVICES

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

On June 26, 2012 Netia launched commercial tests of a new TV package (the 'Practical Package'), bringing a brand new quality to both the access technology and the TV channels mix. The service is provided based on the adaptive IP protocol, which allows Netia to offer TV services to customers outside Netia's IPTV network. The IPTV technology currently used by Netia requires a fixed bandwidth transmission to deliver digital TV signal. Thanks to Microsoft Smooth Streaming technology, the new IP based TV combines high quality of TV signal with lower bandwidth requirements. It may supplement a portfolio of DTT channels (thanks to the Netia Player's DTT tuner functionality) and additionally offers the video content libraries of such free-of-charge widgets installed on Netia Player as IPLA, TVN Player and Kinoplex. The package includes 18 thematic TV channels, including 4 news channels, 4 sport channels and 2 children's channels.

The number of active TV services in New Netia grew to 72,805 as at September 30, 2012 up by 57% from 46,445 as at September 30, 2011 and by 2% from 71,274 as at June 30, 2012.

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

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

Gross additions in Q3 2012 were below Management's expectations as the short-term cross-sell potential to existing clients on recently upgraded network footprint has been largely consumed. Sales of smooth streaming-based TV, which is available over a wider footprint than IPTV and was introduced on a commercial test basis in June 2012, has started promisingly in Q3 2012. Churn was adversely affected by customers not extending promotional arrangements offered in Q2 2012 and is expected to be a one-off impact. Management expects the slowdown to be temporary while product, coverage and distribution improvements should combine to accelerate sales growth over future quarters.

TV ARPU for New Netia was PLN 42 in Q3 2012 as compared to PLN 39 in Q3 2011 and PLN 42 in Q2 2012.

Broadband services in Netia totalled 888,698 at September 30, 2012, up by 21% from 731,699 at September 30, 2011. The broadband base fell by 2% versus Q2 2012 and, on a pro forma basis, remained stable versus Q3 2011.

Netia provides its broadband services using the following technologies:

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

Broadband net decrease in New Netia totalled 15,249 during Q3 2012 as compared to 8,461 in Q2 2012. There were no additions from Ethernet network acquisitions in Q3 2012 as compared to 1,360 subscribers added for Q2 2012. Lower sequential net additions reflect the impact of significantly slower fixed broadband market growth and increased price competition on broadband products from both the incumbent and cable TV operators. This has virtually eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio. Sequential decline in net additions resulted mainly from reduced gross additions run rates.

At the end of September 2012 Netia launched a new advertising campaign promoting the bundled TV and Internet services, restoring communication of the product USPs (unique selling points) for Netia offers. Increased advertising spending and better operational traction in the newly integrated sales forces during Q4 2012 are intended to improve gross additions performance.

Broadband ARPU for New Netia was PLN 56 in Q3 2012 as compared to PLN 55 in Q3 2011 and PLN 57 in Q2 2012. Netia's conservative pricing policy and focus on higher value customer segments has resulted in a solid ARPU performance over the past year.

Broadband SAC for Old Netia was PLN 199 in Q3 2012 as compared to PLN 200 in Q3 2011 and PLN 194 in Q2 2012.

Local loop unbundling (LLU). New Netia served 184,631 customers over LLU as at September 30, 2012 as compared to 175,435 at September 30, 2011 and 182,353 at June 30, 2012. During Q3 2012 Netia migrated 2,569 1play and 6,739 2play clients onto LLU, increasing the cumulative gross number of 1play and 2play migrations to 116,276. Organic net disconnections of 7,030 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 effectively concluded its LLU roll-out program with 712 unbundled nodes.

Acquisitions of local Ethernet network operators. As of September 30, 2012, Netia's Ethernet networks provided broadband access to a total of 129,464 mostly residential customers as compared to 133,619 customers at June 30, 2012 and 123,532 customers at September 30, 2011, with approximately 621,000 homes passed. Netia remains fully committed to consolidation of the fragmented Polish Ethernet ISP market and has a number of small and medium sized targets that may be closed by the end of 2012. Management is observing encouraging organic sales performance on NGA upgraded Ethernet networks and is evaluating opportunities to accelerate the upgrade program in 2013.

NGA network development. As at September 30, 2012, New Netia covered in total 996,000 households with its NGA networks, including 137,000 PON HPs, 696,000 VDSL HPs and 163,000 Ethernet FTTB HPs. Moreover, New Netia today covers a further 376,000 IPTV ready HPs within its network coverage based on ADSL2+ technology. Combined with NGA ready HPs, all of which can deliver IPTV services, New Netia today has 1,372,000 IPTV ready HPs in its proprietary network coverage.

New Netia has advanced plans to expand its NGA coverage by another 50,000 or more HPs to reach almost 1,040,000 NGA ready HPs by 2012 year end. When implemented, New Netia should cover in total approximately 1,400,000 IPTV ready HPs (NGA and ADSL2+) 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 before accelerating further NGA roll-out investments. Furthermore, Netia has introduced smooth streaming technology, which expands the availability of its 3play bundle offer. Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services.

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 32,758 at September 30, 2012 as compared to 24,664 at September 30, 2011 and 33,415 at June 30, 2012. *Mobile broadband ARPU* for New Netia was PLN 27 in Q3 2012 as compared to PLN 28 in Q3 2011 and PLN 28 in Q2 2012. *Mobile voice services* totalled 62,043 at September 30, 2012 as compared to 49,614 at September 30, 2011 and 62,562 at June 30, 2012. New Netia's *Mobile voice ARPU* was PLN 27 in Q3 2012 as compared to PLN 26 in Q3 2011 and PLN 26 in Q2 2012.

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

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

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines (own network, WLR and LLU) in New Netia totalled 1,677,766 at September 30, 2012 as compared to 1,756,827 at September 30, 2011 and 1,714,136 at June 30, 2012. In Q3 2012 Netia recorded a net decrease of 36,370 voice lines versus 13,693 voice lines in Q2 2012. However, the Q2 2012 performance was supported by a one-time upward adjustment in the number of traditional direct voice lines by 12,965 due to product definition changes affecting services offered by the Corporate Segment. The Company expects the number of fixed voice lines to continue to decline, mainly due to clients churning from traditional direct voice and WLR services.

During the first three quarters of 2012, the aggressive price competition from other providers on the market, usually targeting low ARPU customers with low monthly fees, together with substitution from mobile and migrations to voice bundled with cable TV, has been putting pressure on the subscriber base whilst Netia has been targeting higher ARPU customers and upselling unlimited fixed-line national call bundles in order to attract higher value customers. However, during October 2012 the largest competitor significantly discounted its offers to high value customers and Netia management expects this to have a negative impact on voice ARPU and volume trends going forward.

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

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

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

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

Voice ARPU per WLR line was PLN 45 in Q3 2012 in New Netia as compared to PLN 46 in Q3 2011 and PLN 45 in Q2 2012.

Voice ARPU per Netia network subscriber line amounted to PLN 46 in Q3 2012 for New Netia as compared to PLN 50 in Q3 2011 and PLN 49 in Q2 2012.

Blended voice ARPU in New Netia was PLN 46 in Q3 2012 as compared to PLN 48 in Q3 2011 and PLN 47 in Q2 2012.

2.2.2 Indirect voice

CPS lines (carrier pre selection) in New Netia totalled 65,249 at September 30, 2012 as compared to 77,051 at September 30, 2011 and 67,480 at June 30, 2012. Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers. CPS clients are not counted in the total New Netia voice subscriber base of 1,677,766 clients as at September 30, 2012.

Indirect voice ARPU per CPS line in New Netia was PLN 42 in Q3 2012 as compared to PLN 50 in Q3 2011 and PLN 44 in Q2 2012. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers are responsible for the progressive ARPU decline.

2.3 OTHER

Headcount for New Netia was 2,240 at September 30, 2012, compared to 2,906 at September 30, 2011 and 2,693 at June 30, 2012. Active headcount for New Netia was 2,144 at September 30, 2012 versus 2,795 at September 30, 2011 and 2,539 at June 30, 2012. The sequential decrease in active headcount of 385 was driven by group redundancies, in implementation from Q2 2012 and by transfer of 188 employees to Ericsson under the extended outsourcing agreement to cover Dialog and Crowley network maintenance.

The movement in headcount can be analyzed as follows:

	Active	*Total*
Headcount at September 30, 2011 (pro forma for New Netia)	**2,795**	**2,906**
Incl. Old Netia	*1,414*	*1,467*
Incl. Dialog Group	*1,225*	*1,276*
Incl. Crowley	*156*	*163*
Employees acquired in Ethernet acquisitions since September 30, 2011	46	46
Net headcount reductions since September 30, 2011	(697)	(712)
Headcount at September 30, 2012 (as reported for New Netia)	**2,144**	**2,240**

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

All dismissed employees were offered 12-months medical care, additional financial compensation and an access to an outplacement program. Approximately 74% of laid-off employees signed up to take part in the outplacement program.

The vast majority of costs associated with the redundancy program were already provided for in the Q2 2012 headcount restructuring provision of PLN 17.5m. As part of the extension of network maintenance outsourcing to cover the Dialog and Crowley networks, announced on August 14, 2012, a further 188 job positions were transferred to Ericsson during Q3 2012 and a provision of PLN 3.0m was booked by Netia in Q3 2012 to contribute to reorganization activities planned by the outsourcing partner. Taking into consideration ongoing recruitment, particularly in the area of customer care, Management expects Netia's active employment to be approximately 2,100 employees by December 2012.

Capital investment additions

Capital investment additions (PLN'M)	*YTD 2011 New Netia Pro forma*	*YTD 2012 New Netia As reported*	*Change %*	*Q2 2012 New Netia As reported*	*Q3 2012 New Netia As reported*	*Change %*
Existing network and IT	70.3	77.0	10%	27.2	29.8	10%
Broadband networks	85.4	50.9	-40%	17.2	17.7	3%
CPE broadband (mainly capitalised Netia Spot routers)	8.7	19.7	126%	6.9	7.0	1%
IPTV (incl. dedicated CPE – Netia Player)	0.0	19.3	nm	4.0	9.4	136%
Total (as reported/pro forma for Old Netia)	**164.4**	**166.9**	**2%**	**55.3**	**63.9**	**16%**
Dialog group and Crowley	64.9	35.7	-45%	13.6	9.9	-27%
Total (pro forma / as reported for New Netia)	**229.3**	**202.6**	**-12%**	**68.9**	**73.8**	**7%**

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 (PLN 24.6m impact). As Netia Spot routers and Netia Player set-top boxes are being "leased" to customers under the same business model as satellite TV providers utilise, the customer premises equipment is being capitalised.

3 Other Highlights

Integration of Netia, Dialog Group and Crowley into New Netia Group. In December 2011 Netia acquired 100% stakes in Telefonia Dialog SA ("Dialog", currently Telefonia Dialog Sp. z o.o.) and Crowley Data Poland Sp. z o.o. ("Crowley", currently merged into Netia). Both acquisitions, which transform Netia into a sizable European altnet with approximately 2.8m 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 synergies by 2014. This estimate was further refined during the detailed integration planning process completed in May 2012 and has resulted in the synergy targets expected by 2014 being increased to PLN 130.0m. The Company now targets over PLN 120.0m of synergies to be delivered on the EBITDA level (versus the original estimate of PLN 106m) while approximately PLN 10.0m of additional synergies are expected to be delivered from capital investments efficiencies whilst changes to Dialog Group's investment strategy are expected to yield further reductions in capex run-rates.

Completed integration projects have delivered synergies in the amount of PLN 48.1m at the Adjusted EBITDA level and PLN 13.2m from capital investments through September 30, 2012. From a total of over 100 projects, 75 Adjusted EBITDA level synergy initiatives are already completed and are expected to deliver approximately PLN 80m in annualized synergies during 2013. In addition, 19 Capex synergy initiatives have been completed. Total reorganization costs recorded during the first nine months of 2012 amounted to PLN 38.2m (out of which PLN 21.7m related to the employment restructuring program and PLN 16.5m related to integration costs). In Q4 2012, apart from regular integration office costs, Netia expects additional costs associated with the continuation of the outplacement program and non-cash provisions for impairment of IT and network systems in the acquired companies. Management's original estimate of total 2012 reorganization costs of PLN 50m looks secure.

New Netia designed a single functional organization during early 2012 and the target management structure was completed in April 2012 with the finalisation of the appointments of 'N-3' managers following the earlier appointment of more senior positions. In April 2012 Netia management announced layoffs across the New Netia group totaling 519 employees and an intent to propose changes to the employment contracts of a further 129 employees. The reductions are being implemented in two waves, with the first wave completed and the second wave going into implementation during October 2012. Until October 15, 2012, a cumulative 432 employees had been given contracts terminations as part of one or other of the two waves. The vast majority of restructuring costs for the 519 redundancies was already provided at June 30, 2012. Please see also section 2.3 for details on headcount.

On August 14, 2012, Netia together with its subsidiaries signed a four-year managed services contract with Ericsson replacing the existing managed services contract signed on August 12, 2010. The contract covers the maintenance and management of the Netia Group's networks, as well as supporting the provision of services to Netia Group's residential and business customers. Whilst similar in scope to the previous agreement, the new agreement covers managed services for the Dialog and Crowley networks and, in addition, modifies certain pricing and operational parameters (KPIs) concerning the provision of services by Ericsson to the Netia Group. In accordance with the agreement, 188 of the Netia Group's employees (additional to the 519 redundancies planned for FY 2012) were transferred to Ericsson on the basis of art. 23^1 of the Labour Code. The cooperation with Ericsson is expected to influence the reduction of maintenance and employment costs, bring more effective and integrated fault handling and uniform management of Netia Group's networks and its service delivery.

As part of the ongoing integration process, on August 31, 2012 the Netia Group completed a legal merger between the parent company Netia SA and its subsidiary Crowley. As a result of the merger, Crowley's employees became Netia employees and Netia entered into all rights and obligations arising from contracts with Crowley customers. Moreover, on July 31, 2012 Dialog completed a legal merger with its subsidiary Avista Media Sp. z o.o., which was handling Dialog's customer care operations. Due to the strong brand awareness in the localized target market in the area of the city of Płock, Netia decided to keep Petrotel Sp. z o.o., the second subsidiary of Dialog, as a separate organization and legal entity.

This comprehensive integration project which is expected to create a larger, more efficient and more competitive New Netia is progressing smoothly. The integration initiatives are split across eighteen functional workstreams, and coordinated by an integration office. Senior management is confident that its upwardly revised synergy targets will be achieved with the final projects, mainly related to IT platform migrations, being concluded in H2 2013.

Financing. On September 30, 2012, Netia had PLN 131.2m in cash and PLN 590.0m in debt and accrued interest as compared to PLN 125.9m and PLN 579.8m, respectively, on June 30, 2012. The debt outstanding at the end of Q2 2012 was related to a five-year senior debt facility of PLN 650.0m drawn to acquire Dialog Group with the sequential increase due to accrued interest. Accordingly, Netia Group's net debt at September 30, 2012 was PLN 458.8m versus PLN 453.9m at June 30, 2012 and net debt to Adjusted EBITDA guidance for 2012 amounted to 0.76x. 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 125.0m has been set aside to be utilised in share buy-backs of up to 6% of the Company's share capital within the scope of the existing shareholders' authorisations. This includes tranches to acquire and redeem up to 3.5% and up to 2.5% of share capital, respectively, for up to PLN 75.0m and PLN 50.0m, respectively. The second tranche was completed on October 11, 2012, with Netia repurchasing 12,700,477 shares representing 3.29% of votes at the general meeting of shareholders for a total cost of PLN 75.0m, and the third tranche commenced immediately thereafter on October 12, 2012. As of November 7, 2012, the Company had repurchased under these two 2012 buy-back tranches 13,761,724 shares representing 3.56% of Netia's share capital and 3.56% of votes at the general meeting of shareholders for a total cost of PLN 81.2m. In 2011, Netia executed a share buy-back tranche for 2.5% of the Company's share capital and redeemed these shares during H1 2012.

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

Exercise of options under Netia's stock option plan. 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 quarter. In this regard, Netia has so far issued 4.4m shares during 2012 in consideration of 23.1m exercised options. At the share price of PLN 5.76 on November 7, 2012, 0.7m unexercised in-the-money options remain outstanding whilst a further 0.1m are exercisable above PLN 5.90, 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 6.6m.

A further 5.5m options (net of cancellations) are outstanding under the new Plan 2011, approved by the supervisory board on February 28, 2011. Strike prices vary between PLN 5.23 and PLN 6.16 with earliest vesting dates in 2014.

Netia issued non-transferable bonds to its wholly-owned subsidiary Telefonia Dialog Sp. z o.o .("Dialog") in an intra-group transaction on June 1, 2012 for a total nominal value of PLN 300.0m and with maturity date falling on May 31, 2017 (the "Bonds"). Proceeds from the Bonds issue were used to pay for telecommunications networks elements acquired from Dialog and to fund the on-going operations of the Company. The telecommunications network elements were acquired from Dialog on May 31, 2012 as part of the on-going integration of Dialog into the Netia Group. These network elements will be managed jointly with Netia's existing network to reduce operating costs in the future. Dialog will continue to utilise the telecommunications network elements to service its clients via a long-term agreement put in place between Netia and Dialog. In connection with the above transaction, as at September 30, 2012 Netia had recoverable VAT receivables of PLN 14.5m. This amount will be offset against current VAT liabilities during Q4 2012.

Netia Group completed a legal merger between the parent company Netia SA and its subsidiary Crowley on August 31, 2012, as part of the ongoing New Netia integration process. The merger has been 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 expected to streamline the management of the Netia Group's resources, contribute to the reduction of labor and administrative costs and improve the performance of the entire group. Due to the above mentioned merger and thanks to the quickly progressing integration of both Dialog and Crowley into the Netia Group, starting from Q3 2012 Netia ceased to provide operational and financial data for Crowley and Dialog stand-alone, which are currently fully integrated under the Netia Group's four operating segments (the Residential, Corporate, SOHO/SME and Carrier segments).

4 Updated guidance for FY2012 and Strategic Financial Goals

Due to poor market dynamics and generally difficult trading conditions on the residential market, and in particular in the high volume, low ARPU segments of the market, Netia is today reducing its 2012 guidance as published previously on August 23, 2012 (see Netia's current report no. 75/2012 dated August 23, 2012) for the number of services (RGUs) to 2,650,000. Strong profitability trends allow Management to confirm its Adjusted EBITDA guidance at PLN 600m. Capital investments guidance is confirmed at PLN 270m plus up to a further PLN 30m for integration related projects and, accordingly, Adjusted Operating Free Cash Flow (Adjusted OpFCF) guidance is confirmed at PLN 330m. A slower than previously expected rebound in gross additions and further price discounting by competitors observed during Q3 2012 has necessitated further reduction in RGU guidance for 2012.

Full updated guidance for 2012 is set out below:

FY2012 Guidance	*Previous*	*Updated*
Number of services (RGUs) ('000)	2,750	2,650
Revenues (PLN m)	2,125	2,125
Adjusted EBITDA (PLN m)	600	600
Adjusted EBITDA margin (%)	28.2%	28.2%
Adjusted EBIT (PLN m)	125	125
Capital investments (excl. M&A and integration capex) (PLN m)	270	270
Capital investments (excl. M&A and integration capex) to sales (%)	13%	13%
Adjusted operating free cash flow (Adj. OpFCF)[1](PLN m)	330	330

1 Adjusted EBITDA less capital investments

The above guidance excludes the impact of one-off integration costs and one-off integration capex, estimated 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 most recently published on August 23, 2012 (see Netia's current report no. 75/2012 dated August 23, 2012) remain unchanged. However, recent aggressive price discounting by key competitors, continued weak fixed broadband growth and accelerating voice customer losses result in a weakening outlook for revenue, margins and RGUs in 2013 as Netia continues its efforts to develop offsetting revenue streams from TV services. Accordingly, Management has initiated a review of its residential market strategy and may update its long-term strategic goals along with 2012 full year results.

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

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

Please also refer to our financial statements for the nine-month period ended September 30, 2012.

2012 Year-to-Date vs. 2011 Year-to-Date

Actual results as reported

Revenue rose by 34% YoY to PLN 1,601.8m for the nine-month period ended September 30, 2012 from PLN 1,192.1m for the same period in 2011, driven by the acquisition of Dialog Group and Crowley in December 2011. All operating segments recorded growth, with the Home segment growing by 33% or PLN 201.5m, the Corporate segment by 38% or PLN 95.8m, the SOHO/SME segment by 45% or 68.0m and the Carrier segment, where certain agreements have expired or are being run down, increasing by 15% or PLN 24.7m. The above segmental performance includes the contribution from Dialog Group and Crowley, which have now been fully integrated into Netia's four customer segment operating model during Q3 2012. Revenues in Other segment increased by 423% or PLN 19.8m due to the acquisition of Dialog's subsidiary Petrotel, which continues to be managed as a separate organization.

Telecommunications revenue increased by 34% YoY to PLN 1,594.8m in the first nine months of 2012 from PLN 1,188.8m in year-to-date 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 154% at PLN 84.4m as it includes TV and mobile services. Other telecommunications revenue now represents 5% of total revenue versus 3% in the prior nine-month period. 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 the nine-month period ended September 30, 2011 and data revenue declining from 37% to 36% over the same period.

Cost of sales increased by 38% YoY to PLN 1,120.8m from PLN 812.5m for the nine-month period ended September 30, 2011 and represented 70% of total revenue as compared to 68% in year-to-date 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 296.1m as compared to PLN 190.2m for the prior year period 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 23% to PLN 487.1m from PLN 395.0m for the prior year period. This cost category increased less than revenues as Dialog Group is less reliant on fees paid to the incumbent to reach its mainly on-network customer base.

Interconnection charges increased by 33% to PLN 231.4m in the first nine months of 2012 as compared to PLN 173.5m for the same period of 2011, rising slightly less than revenues due to falling mobile termination rates and lower transit volumes.

Taxes, frequency fees and other expenses increased by 104% to PLN 60.2m in year-to-date 2012 as compared to PLN 29.5m for year-to-date 2011, due to the addition of Dialog Group's and Crowley's networks.

Restructuring expenses related to cost of sales were PLN 5.3m in the nine-month period ended September 30, 2012 and were related to the termination of employment contracts under the process of group redundancies, which was announced in April 2011 and started in June 2011 in connection with the integration of Netia, Dialog Group and Crowley into the New Netia Group. This amount also includes PLN 3.0m recorded as a contribution to Ericsson costs of restructuring the outsourced network maintenance organization following the transfer of Dialog and Crowley maintenance staff in September 2012.

Costs of goods sold decreased by 21% YoY to PLN 6.5m as compared to PLN 8.3m recorded in nine months of 2011, following lower sales volumes and the introduction of the proprietary Netia Spot routers from June 2011 in Old Netia, which are being capitalized as they are leased rather than sold to customers.

Gross profit for the nine-month period ended September 30, 2012 was PLN 481.0m as compared to PLN 379.6m for the corresponding period of 2011. Gross profit margin was 30.0% for year-to-date 2012 and 31.8% for year-to-date 2011. Additional depreciation charges arising from the major acquisitions and impairment reversal, together with falling revenue from high margin voice services are responsible for the declining gross margin.

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[1] In order to provide the most comprehensive information possible, the actual data for nine months of 2012 which is fully consolidating Dialog Group and Crowley, is compared to both the actual results for nine months of 2011 (without Dialog and Crowley) as well as to the pro forma results for the for nine months of 2011, which include the results of Dialog and Crowley for a comparative period.

Selling and distribution costs increased by 36% YoY to PLN 297.5m from PLN 218.2m for the same period last year and represented 19% of total revenue as compared to 18% in the prior year period. 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 45% to PLN 92.1m from PLN 63.3m in the prior year period.

Depreciation and amortization related to selling and distribution cost increased by 117% to PLN 45.8m from PLN 21.1m in the first nine months of 2011 mostly due to the amortization of the customer bases of newly acquired companies.

Restructuring expenses related to selling and distribution cost increased to PLN 9.3m from PLN 0.2m in the nine-month period ended September 30, 2011 and were related to the termination of employment contracts under the process of group redundancies started in June 2011 in connection with the New Netia Group organization.

Billing, mailing and logistics costs increased by 33% YoY to PLN 32.3m from PLN 24.3m, following the Dialog Group and Crowley acquisitions.

Impairment of receivables increased by 84% YoY to PLN 9.3m from PLN 5.0m, following the Dialog Group and Crowley acquisitions.

Advertising and promotion cost decreased by 30% to PLN 24.3m from PLN 34.6m despite the acquisitions as quick win synergies have been implemented and Old Netia held back on advertising to conserve resources for later quarters when demand is generally stronger.

General and administration costs increased by 47% YoY to PLN 156.5m from PLN 106.6m for the year-to-date 2011 and represented 10% of total revenue versus 9% for the first nine months of 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 year-to-date 2012 included PLN 16.2m of New Netia integration costs and an additional PLN 7.2m of restructuring costs related to group redundancies under implementation in connection with the New Netia organization.

Adjusted EBITDA was PLN 446.6m, up 49% from PLN 299.8m for the nine-month period ended September 30, 2011. Adjusted EBITDA margin was 27.9% as compared to 25.1% in the prior year period. Higher Adjusted EBITDA reflects the addition of Dialog Group and Crowley together with initial synergies of approximately PLN 48.1m and savings on acquisition costs, partially offset by falling margins from contracting voice services.

Including New Netia integration costs of PLN 16.5m in year-to-date 2012, restructuring costs of PLN 21.7m in year-to-date 2012 and PLN 0.3m in year-to-date 2011, which in the current year period related to majority of costs associated with the total of 519 group redundancies planned for 2012 FY, the costs of M&A projects of PLN 1.0m in year-to-date 2012 and PLN 3.7m in year-to-date 2011 and universal service obligation provision of PLN 2.4m recorded in year-to-date 2011, *EBITDA* was PLN 407.4m for the nine-month period ended September 30, 2012 as compared to PLN 293.4m for the prior year period. EBITDA margin was 25.4% as compared to 24.6% for the nine-month period ended September 30, 2011.

Depreciation and amortization was PLN 363.2m, an increase of 60% YoY as compared to PLN 226.9m in the first nine months of 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 44.2m as compared to an operating profit of PLN 66.5m for the nine-month period ended September 30, 2011. Excluding unusual costs described above of 39.2m in year-to-date 2012 and PLN 6.4m in year-to-date 2011, Adjusted EBIT was PLN 83.4m for the first nine months of 2012 versus PLN 72.9m for the same period of 2011.

Net financial cost was PLN 33.4m as compared to net financial income of PLN 14.3m for the prior year period. The change was driven by PLN 35.8m of interest on bank loans to finance the Dialog Group's acquisition in December 2011 as part of the swing from a net cash to a net debt position following the two acquisitions.

Income tax benefit of PLN 10.4m was recorded in the nine-month period ended September 30, 2012 as compared to income tax charge of PLN 66.3m for the same period of 2011. Income tax benefit in the first nine months of 2012 included a non-cash gain of PLN 21m recorded due to the recognition of deferred tax assets arising on the intragroup sale of network assets by Dialog to Netia. Income tax charge in year-to-date 2011 included PLN 58.3m expensed in relation to the 2003 CIT tax dispute.

Net profit was PLN 21.2m for the nine-month period ended September 30, 2012 versus net profit of PLN 14.5m for the same period of 2011.

Cash outlays on purchase of fixed assets and computer software increased by 6% to PLN 209.9 m for the nine-month period ended September 30, 2012 from PLN 197.5m for the corresponding period of 2011, PLN 5.3m was spent on acquisitions of Ethernet operators and networks and PLN 2.8m was paid towards the final price adjustment in the Crowley acquisition, which was in line with initial estimates with a final, smaller payment still under negotiation.

Cash outlays on repurchase of treasury shares under Netia's buy-back program amounted to PLN 70.5m in year-to-date 2012 as compared to PLN 22.7m spent in the prior year period.

Cash and cash equivalents at September 30, 2012 totalled PLN 131.1m versus PLN 433.5m (PLN 217.4m in cash and cash equivalents plus PLN 216.2m in treasury bills) at September 30, 2011.

Debt and accrued interest at September 30, 2012 was PLN 590.0m as compared to virtually no debt in the prior year period.

Pro forma results for New Netia

Revenue decreased by 2% YoY from PLN 1,636.5m in the first nine months of 2011 to PLN 1,601.8m for the current year period, mainly as a result of lower voice services revenue.

Telecommunications revenue decreased by 2% YoY from PLN 1,633.2m in the nine-month period ended September 30, 2011 to PLN 1,594.8m in the nine-month period ended September 30, 2012. Revenue from direct voice services decreased by 7% or PLN 56.1m and indirect voice services revenue decreased by 27% or PLN 10.1m as a result of decreasing customer numbers. Data services revenue grew by 1% or PLN 3.5m, wholesale services by 15% or PLN 13.4m and other telecommunications revenue increased by 20% or PLN 13.9m driven by mobile and TV services growth.

Cost of operations and other costs excluding one-off items decreased by 6% YoY to PLN 1,155.2m from PLN 1,228.8m for nine months of 2011 and represented 72% of total revenue as compared to 75% in the prior year period. Following the progress made already in integrating Netia, Dialog Group and Crowley into one organization and implementing 75 out of over 100 EBITDA affecting synergy projects, New Netia noted cost decreases across the majority of fixed and variable costs. Management estimates cumulative synergies delivered in the first nine months of 2012 at PLN 48.1m. Significant savings in the areas of marketing (a decrease by 48% or PLN 24.7m), service agreements and network leases (down by 6% or PLN 11.6m) and sales and distribution (down by 17% or PLN 8.1m) resulted mainly from integration of the advertising and promotion budgets, and restructuring of the sales organization. In addition, savings were recorded, among others, in sales commissions (down by 18% or PLN 8.7m) on lower gross additions, corporate support functions (down by 19% or PLN 5.3m), outsourced customer care (down by 23% or PLN 5.0m), cost of equipment and postal services, which followed the capitalization of Netia's proprietary Netia Spot routers (down by 22% or PLN 4.3m), and printing house (invoicing) (down by 14% or PLN 2.7m). The above savings were partially netted off with increased direct service costs resulting from changes in the client mix and service mix.

One-off cost items included New Netia integration costs of PLN 16.5m in year-to-date 2012, restructuring costs of PLN 21.7m in year-to-date 2012 and PLN 0.3m in year-to-date 2011, which in the current year period related to the costs associated with 519 group redundancies planned for 2012 FY and restructuring outsourced maintenance resources, the costs of M&A projects of PLN 1.0m in year-to-date 2012 and PLN 3.7m in year-to-date 2011, and universal service provision of PLN 2.4m recorded in year-to-date 2011.

Adjusted EBITDA was PLN 446.6m, up by 10% from PLN 407.7m for year-to-date 2011. Adjusted EBITDA margin was 27.9% in the nine-month period ended September 30, 2012 as compared to 24.9% in the prior year period, with Adjusted EBITDA margin increase reflecting mainly the net synergies delivered on the New Netia Group integration project together with lower SAC and lower advertising expenses in Old Netia. *EBITDA* was PLN 407.4m for year-to-date 2012 as compared to PLN 401.3m for the prior year period. EBITDA margin was 25.4% in the nine-month period ended September 30, 2012 as compared to 24.5% for the first nine months of 2011.

Depreciation and amortization was PLN 363.2m, an increase of 21% from PLN 300.9m in the nine-month period ended September 30, 2011, with the increases resulting from the acquisition intangibles of the Dialog Group and Crowley recognized as part of the acquisitions and the reversal of impairment recorded in Old Netia in Q4 2011.

Operating profit (EBIT) was PLN 44.2m as compared to PLN 100.4m for the first nine months of 2011. Unusual costs described above of PLN 39.2m in year-to-date 2012 and PLN 6.4m in year-to-date 2011 and extra depreciation and amortization on acquisition intangibles and the impairment reversal in Old Netia drove the decline in EBIT margin.

Net profit was PLN 21.2m for the nine-month period ended September 30, 2012 versus net profit of PLN 37.4m for the nine-month period ended September 30, 2011.

Q3 2012 vs. Q2 2012

Actual results as reported by New Netia

Sequential revenue decreased by 3% to PLN 521.1m in Q3 2012 from PLN 536.5 in Q2 2012, as a result of lower sales volumes and lower revenue.

Telecommunications revenue decreased by 3% to PLN 518.6m in Q3 2012 versus PLN 534.2m in Q2 2012. Direct voice revenue fell by 3% QoQ to PLN 233.0m from PLN 241.6m in Q2 2012 as a result of the fall in the subscriber base. Data revenue declined by 2% to PLN 189.9m in Q3 2012 from PLN 194.2m in Q2 2012 following the decrease in the subscriber base and a PLN 1 decline in broadband ARPU. Additionally, sequentially lower data revenue reflected the expiration of the P4 data transmission project in Q3 2012, which in the prior quarter contributed PLN 1.1m. Carrier segment revenue decreased sequentially by 5% or PLN 2.9m on lower voice termination revenue due to the introduction of lower mobile termination rates (MTR) from July 2012 while other telecommunications revenue was up by 4% or PLN 1.0m due to growing TV services.

Cost of sales amounted to PLN 362.9m in Q3 2012 versus PLN 377.8m in Q2 2012, representing 70% of total revenue in both quarters. Interconnection charges decreased by 9% or PLN 7.5m on introduction of lower mobile termination rates (MTR) in July 2012 and less transit activity in the Carrier segment. Network maintenance cost was lower sequentially by 1% or PLN 2.2m mainly due to less access fees payable to the incumbent on lower sales volumes. Taxes, frequency fees and other expenses were down by 11% or PLN 2.4m following the network consolidation in Netia SA undertaken in Q2 2012. Salaries and benefits related to the cost of sales were down by 16% or PLN 1.9m, reflecting group headcount reductions implemented in Q2 and Q3 2012. Restructuring cost related to the cost of sales was down by 36% or PLN 1.1m as in the prior quarter it included the majority of costs provisioned for in connection with the group headcount reductions planned for FY 2012. In Q3 2012 this cost category included a new provision of PLN 3.0m related to Netia's contribution to the cost of restructuring outsourced maintenance resources by Ericsson following the transfer of 188 employees from Dialog and Crowley in September 2012.

Gross profit was PLN 158.1m in Q3 2012 as compared to PLN 158.6m in Q2 2012, with gross profit margin at 30.3% versus 29.6% in Q2 2012.

Selling and distribution costs decreased by 11% QoQ to PLN 89.3m in Q3 2012 as compared to PLN 99.1m in Q2 2012 representing 17% of total revenue as compared to 18% in the previous quarter. Salaries and benefits related to selling and distribution were down by 17% QoQ or PLN 5.3m as a result of restructuring to integrate New Netia. Restructuring cost related to selling and distribution, recorded in connection with the group redundancies in FY 2012, was down by 93% or PLN 7.2m. Impairment of receivables was higher by 245% or PLN 2.6m as the unusually low amount recorded in the prior quarter resulted from provision releases due to observed bad debt recovery performance. Advertising and promotion spending was higher by 33% or PLN 1.9m as a result of more intensive advertising campaigns. Sequentially lower sales volumes resulted in a decrease of third party commissions by 13% or PLN 0.8m.

General and administrative expenses decreased by 17% to PLN 45.1m in Q3 2012 from PLN 54.5m in Q2 2012, and represented 9% of total revenue as compared to 10% in the previous quarter. Cost of salaries and benefits related to general administration was lower by 21% or PLN 5.1m in connection with the execution of the group headcount reductions, partly offset by higher cost accrued for settling in-the-money stock options and higher mark-to-market value of restricted stock units. The restructuring cost related to general administration decreased by 58% or PLN 2.3m.

Adjusted EBITDA was PLN 157.4m versus PLN 156.2m for Q2 2012 and Adjusted EBITDA margin was 30.2% in Q3 2012 versus was 29.1% in Q2 2012.

EBITDA was PLN 148.4m as compared to PLN 134.9m in Q2 2012. EBITDA for Q3 2012 included New Netia integration costs of PLN 4.5m, restructuring costs of PLN 4.2m and the costs of M&A projects of PLN 0.2m. EBITDA for Q2 2012 included New Netia integration costs of PLN 5.9m, restructuring costs of PLN 14.9m and the costs of M&A projects of PLN 0.4m.

Operating profit (EBIT) was PLN 27.3m as compared to operating profit of PLN 12.8m in Q2 2012. Excluding unusual items, EBIT for Q3 2012 would have been PLN 36.4m as compared to PLN 34.1m for Q2 2012, driven by cost improvements across all major cost categories.

Net financial cost was PLN 10.3m as compared to net financial cost of PLN 9.7m in Q2 2012, with higher financial costs reflecting mainly foreign exchange losses and fair value losses on forward contracts in Q3 versus foreign exchange gains and fair value gains on forward contracts recorded in Q2, partly offset by sequentially lower interests on bank loans.

Income tax charge of PLN 7.0m was recorded in Q3 2012 versus income tax benefit of PLN 18.0m in Q2 2012, as in the prior quarter Netia recognized a deferred tax asset resulting from the intragroup sale of the network assets by Dialog to Netia.

Net profit for Q3 2012 was PLN 10.0m versus PLN 21.0m for Q2 2012.

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

PLN'000	YTD 2011	YTD 2012[2]	Q3 2011	Q4 2011[1]	Q1 2012[2]	Q2 2012[2]	Q3 2012[2]
Revenues	1,192,085	1,601,824	394,616	426,718	544,279	536,472	521,073
y-o-y % change	*52.7%*	*34.4%*	*0.0%*	*8.3%*	*35.7%*	*35.4%*	*32.0%*
Adjusted EBITDA	299,793	446,639	105,457	108,417	133,008	156,183	157,448
Margin %	*25.1%*	*27.9%*	*26.7%*	*25.4%*	*24.4%*	*29.1%*	*30.2%*
y-o-y change %	*61.0%*	*49.0%*	*23.3%*	*23.6%*	*31.0%*	*68.2%*	*49.3%*
EBITDA	293,433	407,446	103,379	318,021	124,142	134,877	148,427
Margin %	*24.6%*	*25.4%*	*26.2%*	*74.5%*	*22.8%*	*25.1%*	*28.5%*
Adjusted EBIT	72,865	83,440	29,640	26,217	12,989	34,082	36,369
Margin %	*6.1%*	*5.2%*	*7.5%*	*6.1%*	*2.4%*	*6.4%*	*7.0%*
EBIT	66,505	44,247	27,562	236,193	4,123	12,776	27,348
Margin %	*5.6%*	*2.8%*	*7.0%*	*55.4%*	*0.8%*	*2.4%*	*5.2%*
Adjusted Profit of the Netia Group (consolidated)	77,998	52,953	26,339	64,391	(2,665)	38,276	17,342
Margin %	*6.5%*	*3.3%*	*6.7%*	*15.1%*	*(0.5%)*	*7.1%*	*3.3%*
Profit/(Loss) of the Netia Group (consolidated)	14,522	21,207	24,656	234,264	(9,846)	21,018	10,035
Margin %	*1.2%*	*1.3%*	*6.2%*	*54.9%*	*(1.8%)*	*3.9%*	*1.9%*
Profit/(Loss) of Netia SA (stand alone)[3]	16,191	(38,941)	26,615	208,813	(20,443)	(8,715)	(9,783)
Cash and cash equivalents	217,399	131,122	217,399	156,509	159,503	125,959	131,122
Treasury bills (at amortized cost)	216,259	48	216,259	-	-	-	48
Debt	100	590,013	100	695,177	644,157	579,830	590,013
Capex related payments	197,553	209,900	78,954	65,107	75,361	66,512	68,027
Investments in tangible and intangible fixed assets	164,425	202,573	66,916	79,294	59,897	68,924	73,752

EUR'000[4]	YTD 2011	YTD 2012[2]	Q3 2011	Q4 2011[1]	Q1 2012[2]	Q2 2012[2]	Q3 2012[2]
Revenues	289,777	389,378	95,925	103,728	132,306	130,408	126,665
y-o-y % change	*52.7%*	*34.4%*	*0.0%*	*8.3%*	*35.7%*	*35.4%*	*32.0%*
Adjusted EBITDA	72,875	108,571	25,635	26,354	32,332	37,966	38,273
Margin %	*25.1%*	*27.9%*	*26.7%*	*25.4%*	*24.4%*	*29.1%*	*30.2%*
y-o-y change %	*61.0%*	*49.0%*	*23.3%*	*23.6%*	*31.0%*	*68.2%*	*49.3%*
EBITDA	71,329	99,044	25,130	77,306	30,177	32,786	36,080
Margin %	*24.6%*	*25.4%*	*26.2%*	*74.5%*	*22.8%*	*25.1%*	*28.5%*
Adjusted EBIT	17,712	20,283	7,205	6,373	3,157	8,285	8,841
Margin %	*6.1%*	*5.2%*	*7.5%*	*6.1%*	*2.4%*	*6.4%*	*7.0%*
EBIT	16,166	10,756	6,700	57,415	1,002	3,106	6,648
Margin %	*5.6%*	*2.8%*	*7.0%*	*55.4%*	*0.8%*	*2.4%*	*5.2%*
Adjusted Profit of the Netia Group (consolidated)	18,960	12,872	6,403	15,652	(648)	9,304	4,216
Margin %	*6.5%*	*3.3%*	*6.7%*	*15.1%*	*(0.5%)*	*7.1%*	*3.3%*
Profit/(Loss) of the Netia Group (consolidated)	3,530	5,155	5,993	56,946	(2,393)	5,109	2,439
Margin %	*1.2%*	*1.3%*	*6.2%*	*54.9%*	*(1.8%)*	*3.9%*	*1.9%*
Profit/(Loss) of Netia SA (stand alone)[3]	3,936	(9,466)	6,470	50,759	(4,969)	(2,118)	(2,378)
Cash and cash equivalents	52,846	31,874	52,846	38,045	38,773	30,619	31,874
Treasury bills (at amortized cost)	52,569	12	52,569	-	-	-	12
Debt	24	143,423	24	168,987	156,584	140,948	143,423
Capex related payments	48,022	51,023	19,192	15,826	18,319	16,168	16,536
Investments in tangible and intangible fixed assets	39,969	49,242	16,266	19,275	14,560	16,754	17,928

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

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

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

[4] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.2613 = EUR 1.00, the average rate announced by the National Bank of Poland on September 28, 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 YTD 2012 are the following: New Netia integration costs of PLN 16.5m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 21.7m and expenses related to M&A activities of PLN 0.9m and impact from these one-offs on the income tax charge of PLN 7.4m.

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

PLN'000	YTD 2011	YTD 2012	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Revenues	1,636,533	1,601,824	542,182	548,416	544,279	536,472	521,073
q-o-q % change	*nm*	*(2.1%)*	*(0.0%)*	*1.1%*	*(0.8%)*	*(1.4%)*	*(2.9%)*
Adjusted EBITDA	407,795	446,639	139,403	138,276	133,008	156,183	157,448
Margin %	*24.9%*	*27.9%*	*25.7%*	*25.2%*	*24.4%*	*29.1%*	*30.2%*
q-o-q change %	*nm*	*9.5%*	*7.6%*	*(0.8%)*	*(3.8%)*	*17.4%*	*0.8%*
EBITDA	401,333	407,446	137,300	345,779	124,142	134,877	148,427
Margin %	*24.5%*	*25.4%*	*25.3%*	*63.1%*	*22.8%*	*25.1%*	*28.5%*
Adjusted EBIT	106,861	83,440	38,611	35,457	12,989	34,082	36,369
Margin %	*6.5%*	*5.2%*	*7.1%*	*6.5%*	*2.4%*	*6.4%*	*7.0%*
EBIT	100,399	44,247	36,508	242,961	4,123	12,776	27,348
Margin %	*6.1%*	*2.8%*	*6.7%*	*44.3%*	*0.8%*	*2.4%*	*5.2%*
Adjusted Profit of the Netia Group (consolidated)	101,002	52,953	29,315	71,629	(2,665)	38,276	17,342
Margin %	*6.2%*	*3.3%*	*5.4%*	*13.1%*	*(0.5%)*	*7.1%*	*3.3%*
Profit/(Loss) of the Netia Group (consolidated)	37,442	21,207	27,612	239,707	(9,846)	21,018	10,035
Margin %	*2.3%*	*1.3%*	*5.1%*	*43.7%*	*(1.8%)*	*3.9%*	*1.9%*

EUR'000[1]	YTD 2011	YTD 2012	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Revenues	397,815	389,378	131,796	133,311	132,306	130,408	126,665
q-o-q % change	*nm*	*(2.1%)*	*(0.0%)*	*1.1%*	*(0.8%)*	*(1.4%)*	*(2.9%)*
Adjusted EBITDA	99,129	108,571	33,887	33,613	32,332	37,966	38,273
Margin %	*24.9%*	*27.9%*	*25.7%*	*25.2%*	*24.4%*	*29.1%*	*30.2%*
q-o-q change %	*nm*	*9.5%*	*7.6%*	*(0.8%)*	*(3.8%)*	*17.4%*	*0.8%*
EBITDA	97,558	99,044	33,376	84,054	30,177	32,786	36,080
Margin %	*24.5%*	*25.4%*	*25.3%*	*63.1%*	*22.8%*	*25.1%*	*28.5%*
Adjusted EBIT	25,976	20,283	9,386	8,619	3,157	8,285	8,841
Margin %	*6.5%*	*5.2%*	*7.1%*	*6.5%*	*2.4%*	*6.4%*	*7.0%*
EBIT	24,406	10,756	8,874	59,060	1,002	3,106	6,648
Margin %	*6.1%*	*2.8%*	*6.7%*	*44.3%*	*0.8%*	*2.4%*	*5.2%*
Adjusted Profit of the Netia Group (consolidated)	24,552	12,872	7,126	17,412	(648)	9,304	4,216
Margin %	*6.2%*	*3.3%*	*5.4%*	*13.1%*	*(0.5%)*	*7.1%*	*3.3%*
Profit/(Loss) of the Netia Group (consolidated)	9,102	5,155	6,712	58,269	(2,393)	5,109	2,439
Margin %	*2.3%*	*1.3%*	*5.1%*	*43.7%*	*(1.8%)*	*3.9%*	*1.9%*

[1] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.2613 = EUR 1.00, the average rate announced by the National Bank of Poland on September 28, 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 YTD 2012 are the following: New Netia integration costs of PLN 16.5m, restructuring expenses related mainly to group staff redundancies to integrate New Netia Group in FY 2012 of PLN 21.7m and expenses related to M&A activities of PLN 0.9m and impact from these one-offs on the income tax charge of PLN 7.4m.

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

Key Operational Indicators pro forma / as reported[1]

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

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

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

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

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

Time periods:	YTD 2011[1] *unaudited*	YTD 2012[2] *unaudited*	Q2 2012[2] *unaudited*	Q3 2012[2] *unaudited*
Direct Voice	549,400	720,936	241,574	233,019
Incl. monthly fees	*384,093*	*503,383*	*169,874*	*164,351*
Incl. calling charges	*164,825*	*217,293*	*71,628*	*68,601*
Indirect Voice	16,681	27,820	9,164	8,380
Data	444,431	576,665	194,196	189,872
Interconnection revenues	56,544	84,238	28,499	26,173
Wholesale services	88,461	100,820	33,295	32,744
Other telecommunications revenues	33,260	84,378	27,438	28,433
Total telecommunications revenue	**1,188,777**	**1,594,857**	**534,166**	**518,621**
Radio communications and other revenue	3,308	6,967	2,306	2,452
Total revenue	**1,192,085**	**1,601,824**	**536,472**	**521,073**
Cost of sales	**(812,504)**	**(1,120,789)**	**(377,840)**	**(362,946)**
Interconnection charges	(173,531)	(231,389)	(78,750)	(71,244)
Network operations and maintenance	(395,035)	(487,120)	(161,995)	(159,744)
Costs of goods sold	(8,265)	(6,554)	(2,344)	(1,673)
Depreciation and amortization	(190,167)	(296,156)	(98,589)	(99,595)
Salaries and benefits	(16,038)	(34,096)	(11,951)	(9,997)
Restructuring	-	(5,274)	(3,142)	(2,011)
Taxes, frequency fees and other expenses	(29,468)	(60,200)	(21,069)	(18,682)
Gross profit	**379,581**	**481,035**	**158,632**	**158,127**
Margin (%)	***31.8%***	***30.0%***	***29.6%***	***30.3%***
Selling and distribution costs	**(218,248)**	**(297,499)**	**(99,154)**	**(89,275)**
Advertising and promotion	(34,594)	(24,317)	(5,802)	(7,729)
Third party commissions	(21,943)	(21,628)	(6,321)	(5,495)
Billing, mailing and logistics	(24,331)	(32,293)	(10,270)	(9,711)
Outsourced customer service	(24,137)	(23,177)	(7,478)	(7,560)
Impairment of receivables	(5,050)	(9,299)	(1,064)	(3,670)
Depreciation and amortization	(21,147)	(45,834)	(15,216)	(15,286)
Salaries and benefits	(63,351)	(92,094)	(31,688)	(26,348)
Restructuring	(158)	(9,343)	(7,739)	(546)
Other costs	(23,537)	(39,514)	(13,576)	(12,930)
General and administration costs	**(106,568)**	**(156,539)**	**(54,534)**	**(45,137)**
Professional services	(6,361)	(7,714)	(2,883)	(2,010)
Electronic data processing	(7,387)	(8,810)	(3,206)	(2,543)
Office and car maintenance	(8,616)	(13,767)	(4,120)	(4,811)
Depreciation and amortization	(15,614)	(21,209)	(8,296)	(6,198)
Salaries and benefits	(48,089)	(71,963)	(24,523)	(19,420)
Restructuring	(116)	(7,123)	(4,031)	(1,672)
Other costs	(20,385)	(25,953)	(7,475)	(8,483)
Other income	10,523	17,374	6,444	4,636
Other expense	(998)	(2,868)	(955)	(958)
Other gains/ (losses), net	2,215	2,744	2,343	(45)
EBIT	**66,505**	**44,247**	**12,776**	**27,348**
Margin (%)	***5.6%***	***2.8%***	***2.4%***	***5.2%***
Finance income	14,609	4,763	2,272	669
Finance cost	(302)	(38,166)	(11,992)	(11,017)
Profit before tax	**80,812**	**10,844**	**3,056**	**17,000**
Tax benefit / (charge)	(66,290)	10,363	17,962	(6,965)
Profit / (Loss)	**14,522**	**21,207**	**21,018**	**10,035**

[1] *Without the results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.*

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

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

Time periods:	YTD 2011 *unaudited*	YTD 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*
Direct Voice	777,016	720,936	241,574	233,019
Indirect Voice	37,959	27,820	9,164	8,380
Data	573,198	576,665	194,196	189,872
Interconnection revenues	87,115	84,238	28,499	26,173
Wholesale services	87,447	100,820	33,295	32,744
Other telecommunications revenues	70,490	84,378	27,438	28,433
Total telecommunications revenue	**1,633,225**	**1,594,857**	**534,166**	**518,621**
Radio communications and other revenue	3,308	6,967	2,306	2,452
Total revenue	**1,636,533**	**1,601,824**	**536,472**	**521,073**
Cost of operations and other costs[1]	**(1,235,200)**	**(1,194,378)**	**(401,595)**	**(372,646)**
Depreciation & amortisation	(300,933)	(363,199)	(122,101)	(121,079)
EBIT	**100,399**	**44,247**	**12,776**	**27,348**
Margin (%)	***6.1%***	***2.8%***	***2.4%***	***5.2%***
Finance income / (cost)	10,138	(33,403)	(9,720)	(10,348)
Profit / (Loss) before tax	**110,537**	**10,844**	**3,056**	**17,000**
Tax benefit / (charge)	(73,095)	10,363	17,962	(6,965)
Profit / (Loss)	**37,442**	**21,207**	**21,018**	**10,035**

[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:	YTD 2011[1] *unaudited*	YTD 2012[2] *unaudited*	Q2 2012[2] *unaudited*	Q3 2012[2] *unaudited*
Operating Profit	**66,505**	**44,247**	**12,776**	**27,348**
Add back:				
Depreciation and amortization	226,928	363,199	122,101	121,079
EBITDA	**293,433**	**407,446**	**134,877**	**148,427**
Add back:				
Restructuring costs	274	21,739	14,911	4,229
M&A related costs	3,706	950	457	256
New Netia integration costs	-	16,504	5,938	4,536
Provision for universal service obligation payments	2,380	-	-	-
Adjusted EBITDA	**299,793**	**446,639**	**156,183**	**157,448**
Margin (%)	***25.1%***	***27.9%***	***29.1%***	***30.2%***

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

Time periods:	YTD 2011 *unaudited*	YTD 2012 *unaudited*	Q2 2012 *unaudited*	Q3 2012 *unaudited*
Operating Profit	**100,399**	**44,247**	**12,776**	**27,348**
Add back:				
Depreciation and amortization	300,933	363,199	122,101	121,079
EBITDA	**401,332**	**407,446**	**134,877**	**148,427**
Add back:				
Restructuring costs	274	21,739	14,911	4,229
M&A related costs	3,706	950	457	256
New Netia integration costs	-	16,504	5,938	4,536
Provision for universal service obligation payments	2,380	-	-	-
Adjusted EBITDA	**407,692**	**446,639**	**156,183**	**157,448**
Margin (%)	***24.9%***	***27.9%***	***29.1%***	***30.2%***

[1] *Without the results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.*

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

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

Time periods:	YTD 2011[1] unaudited	YTD 2012[2] unaudited	Q2 2012[2] unaudited	Q3 2012[2] unaudited
Reminder fees and penalties	4,060	12,059	5,114	3,475
Forgiveness of liabilities	-	373	87	129
Results of settlements	2,700	-	-	-
Other operating income	2,756	4,648	950	1,068
Reversal of an impairment charge for non-current assets	1,007	294	293	(36)
Total	**10,523**	**17,374**	**6,444**	**4,636**

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

Time periods:	YTD 2011[1] unaudited	YTD 2012[2] unaudited	Q2 2012[2] unaudited	Q3 2012[2] unaudited
Impairment charges for specific individual assets	(958)	(2,028)	(1,059)	(489)
Other expenses	(40)	(840)	104	(469)
Total	**(998)**	**(2,868)**	**(955)**	**(958)**

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:	YTD 2011[1] unaudited	YTD 2012[2] unaudited	Q2 2012[2] unaudited	Q3 2012[2] unaudited
Gain / (loss) on sale of impaired receivables	586	3,005	2,854	107
Gain / (loss) on disposal of fixed assets	2,167	(340)	(248)	(47)
Net foreign exchange gains / (losses)	(538)	78	(263)	(106)
Total	**2,215**	**2,743**	**2,343**	**(46)**

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

Time periods:	YTD 2011[1] unaudited	YTD 2012[2] unaudited	Q2 2012[2] unaudited	Q3 2012[2] unaudited
Profit / (Loss)	**14,522**	**21,207**	**21,018**	**10,035**
Cash flow hedges	6,099	(9,326)	822	(5,017)
Income tax relating to components of other comprehensive income	(1,115)	1,705	(129)	862
Other comprehensive Income / (Loss)	**4,984**	**(7,621)**	**693**	**(4,155)**
Total comprehensive Income / (Loss)	**19,506**	**13,586**	**21,711**	**5,880**
Attributable to equity holders of the Company	*19,506*	*13,586*	*21,711*	*5,880*

[1] *Without the results of Dialog Group and Crowley, which were acquired on December 16 and 14, 2011, respectively.*

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

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

Time periods:	Dec. 31 2011[1] *audited*	March 31 2012[2] *unaudited*	June 30 2012[2] *unaudited*	Sept. 30 2012[2] *unaudited*
Property, plant and equipment, net	2,184,267	2,148,741	2,115,176	2,091,055
Intangible assets	765,549	746,254	723,640	699,543
Investment property	26,399	-	-	-
Deferred income tax assets	108,901	108,549	126,307	120,576
Available for sale financial assets	115	115	115	115
Long-term receivables	218	218	218	1
Prepaid expenses and accrued income	11,832	12,575	13,857	13,603
Total non-current assets	**3,097,281**	**3,016,452**	**2,979,313**	**2,924,893**
Inventories	5,314	5,142	3,955	3,502
Trade and other receivables	255,596	239,061	270,368	250,804
Current income tax receivables	262	262	39	45
Prepaid expenses and accrued income	30,091	33,610	37,943	34,583
Derivative financial instruments	2,723	510	1,019	1
Financial assets at fair value through profit and loss	16	16	15	15
Held to maturity investments	-	-	-	48
Restricted cash	2,263	2,278	2,278	2,263
Cash and cash equivalents	156,509	159,503	125,959	131,122
	452,774	**440,382**	**441,576**	**422,383**
Assets held for sale	-	26,736	26,770	26,770
Total current assets	**452,774**	**467,118**	**468,346**	**449,153**
TOTAL ASSETS	**3,550,056**	**3,483,570**	**3,447,659**	**3,374,046**
Share capital	391,602	381,863	386,170	386,212
Treasury shares	(49,582)	-	(24,847)	(70,487)
Supplementary capital	1,867,421	1,818,325	2,058,494	2,059,135
Retained earnings	251,012	241,166	36,444	46,479
Other components of equity	39,915	45,385	27,619	23,321
Equity attributable to equity owners	**2,500,368**	**2,486,739**	**2,483,880**	**2,444,660**
Non-controlling interests	5	5	-	-
TOTAL EQUITY	**2,500,373**	**2,486,744**	**2,483,880**	**2,444,660**
Bank loans	514,584	514,374	451,096	450,745
Provisions	3,086	3,009	9,428	9,432
Deferred income	22,123	22,475	20,986	20,157
Other long-term liabilities	9,392	8,966	5,006	4,790
Total non-current liabilities	**549,185**	**548,824**	**486,516**	**485,124**
Trade and other payables	263,055	256,809	275,009	235,455
Derivative financial instruments	84	4,297	3,806	8,212
Borrowings	180,593	129,783	128,734	139,268
Other financial liabilities	71	64	-	-
Current income tax liabilities	1	1	1	1
Provisions	12,660	13,165	26,562	20,192
Deferred income	44,034	43,883	43,151	41,134
Total current liabilities	**500,498**	**448,002**	**477,263**	**444,262**
Total liabilities	**1,049,683**	**996,826**	**963,779**	**929,386**
TOTAL EQUITY AND LIABILITIES	**3,550,056**	**3,483,570**	**3,447,659**	**3,374,046**

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

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

Cash Flow Statement as reported (incl. Dialog Group and Crowley impact from Q4 2011)

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2011[1] *unaudited*	YTD 2012[2] *unaudited*	Q2 2012[2] *unaudited*	Q3 2012[2] *unaudited*
Profit / (Loss)	**14,522**	**21,207**	**21,018**	**10,035**
Depreciation and amortization	226,928	363,199	122,101	121,079
Reversal of impairment charges for specific assets	(1,007)	(293)	(293)	37
Impairment charges for specific individual assets	958	1,895	1,059	356
Deferred income tax charge / (benefit)	7,628	(10,294)	(18,352)	6,472
Interest expense and fees charged on bank loans	-	35,692	12,327	10,066
Other interest charged	(5,327)	384	165	165
Share-based compensation	2,526	2,329	387	694
Fair value (gains)/losses on financial assets/liabilities	(10)	1	1	-
Fair value (gains)losses on derivative financial instruments	(1,999)	1,936	(348)	811
Foreign exchange (gains)/losses	(790)	316	(287)	376
(Gain)/Loss on disposal of fixed assets	(2,063)	636	277	314
Changes in working capital	68,125	(14,835)	(7,515)	(30,623)
Net cash provided by operating activities	**309,491**	**402,173**	**130,540**	**119,782**
Purchase of fixed assets and computer software	(197,553)	(209,900)	(66,512)	(68,027)
Purchase of operational networks	(2,680)	-	-	-
Proceeds from sale of non-core assets	7,420	450	168	219
Purchase of Ethernet operators, net of received cash	(8,412)	(5,285)	(1,615)	15
Purchase price adjustment for Crowley	-	(2,775)	-	-
Net (purchase)/receipt of treasury bonds / notes	(39,031)	(48)	-	(48)
Purchase of non-controlling interest	-	(15)	-	(15)
Sale of investments	-	28	-	-
Net cash used in investing activities	**(240,256)**	**(217,545)**	**(67,959)**	**(67,856)**
Government grants received	-	6,595	6,595	-
Repurchase of own shares	(22,744)	(70,487)	(24,847)	(45,640)
Finance lease payments	(3,344)	(4,131)	(909)	(887)
Loan repayments	(138)	(116,981)	(65,398)	-
Interest repayments	-	(24,695)	(11,853)	140
Net cash used in financing activities	**(26,226)**	**(209,699)**	**(96,412)**	**(46,387)**
Net change in cash and cash equivalents	**43,009**	**(25,071)**	**(33,831)**	**5,539**
Effect of exchange rate change on cash and cash equivalents	790	(316)	287	(376)
Cash and cash equivalents at the beginning of the period	173,600	156,509	159,503	125,959
Cash and cash equivalents at the end of the period	**217,399**	**131,122**	**125,959**	**131,122**

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

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

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

Conference call on the Q3 2012 results

Netia management will hold a conference call to review the results on November 8, 2012 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

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

Replay number:
(UK) +44 20 8196 1998
Passcode: 4450363#

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.