NETIA

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Netia reports 2015 first quarter results

WARSAW, Poland – May 14, 2015 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated results for the quarter ended March 31, 2015.

1 Key financial highlights

- *Revenue* was PLN 388.7m in Q1 2015 (- 11% YoY, -4% QoQ). The decline in revenues was driven mainly by a sequential decline in the number of services (RGUs) (-9% YoY, -2% QoQ), in particular in the regulated access fixed line telephony (WLR) in B2C, and the continued pricing pressure and relatively lower traffic volumes in B2B.
- *Adjusted EBITDA* was PLN 113.3m (-16% YoY, +0% QoQ). Adjusted EBITDA margin was 29.1%.
- *EBITDA* was PLN 111.5m (-12% YoY, -51% QoQ). EBITDA margin was 28.7%.The unusual items for Q1 2015 totalled PLN 1.8m of net costs.
- *EBIT* was PLN 6.0m in Q1 2015 (-93% YoY, -95% QoQ).
- *Net profit* was PLN 1.3m in Q1 2015 (-89% YoY, -99% QoQ).
- *Netia was operating free cash flow positive in Q1 2015*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex, Netia Lite project and capitalised interests, was PLN 67.9m for Q1 2015 (-19% YoY, +30% QoQ).
- *Netia's cash and short term deposits* at March 31, 2015 totalled PLN 262.1m, with *total debt* at PLN 300.7m. *Net debt* therefore stood at PLN 38.5m (down by PLN 222.1m YoY and by 54.7m QoQ) and represented 0.08x Adjusted EBITDA for 2014 of PLN 493m.

2 Key events

- *Netia is proposing to its AGM, convened for June 2, 2015, to adopt a resolution regarding a dividend of PLN 0.42 per share which would be payable on June 26, 2015 to shareholders of record on June 12, 2015.* In addition, the Company is proposing to the AGM to adopt a resolution on the merger of Netia SA with its wholly-owned subsidiary Netia Brand Management Sp. z o.o.
- On May 8, 2015 *Netia signed a preliminary agreement to acquire 100% of shares in TK Telekom Sp. z o.o.* from the Polish railway, PKP Group. The total value of the transaction amounted to PLN 221m, an equivalent of Enterprise Value of PLN 200m representing 5.2x EV/EBITDA based on TK Telekom pro-forma EBITDA for 2014. The transaction will scale up Netia operations (pro-forma) by over 28% in the B2B segment and by over 11% overall, extend Netia's own infrastructure footprint (by approx. 7.5k km fiber optics) and will bring additional balance sheet flexibility to the Group. The transaction is conditional upon a consent of the Office of Competition and Customer Protection (UOKiK) and an approval of the General Meeting of Shareholders of PKP SA. The transaction is in line with the Netia Group's strategy to play an active role in consolidation of the Polish telecommunications market.
- *Changes in Netia's Management Board*. ***Mr. Adam Sawicki*** resigned from his position of the President and the member of Netia's Management Board, effective March 31, 2015. Netia's Supervisory Board appointed ***Mr. Paweł Szymański***, the previous Management Board Member – Chief Financial Officer, as President of the Management Board of the Company, effective April 1, 2015. Moreover, Netia's Supervisory Board appointed, with effect from April 1, 2015, ***Mr. Cezary Chałupa***, the previous Director General for Business Customers' Market of Netia, and ***Mr. Tomasz Szopa***, the previous Director General for Individual Customers' Market of Netia, as Management Board Members running B2B Department and B2C Department, respectively.

- *Changes in Netia's Supervisory Board*. Mr. Andrzej Radzimiński, exercising his right to appoint and dismiss one member of Netia's Supervisory Board that results from the ownership of 1,000 preferred registered series A1 shares of the Company (see par. 5, par 6.3. and par. 15.2. of Netia's statute) dismissed ***Mr. Tadeusz Radzimiński*** from the position of Netia's Supervisory Board member, thanking him for eight years of his contribution in Netia's development and appointed ***Mr. Stefan Radzimiński*** as Netia's Supervisory Board member. The changes will be effective as of the day of Netia's AGM approving the 2014 financial statements.

3 Key operational highlights

3.1 Services by access type

Total services (RGUs) were 2,267k at March 31, 2015 (-9% YoY, -2% QoQ). *On-net RGUs* increased to 1,190k (+1% YoY, +1% QoQ) and *off-net RGUs* decreased to 1,076k (-17% YoY, -7% QoQ).

Total services (RGUs) by access type ('000)	*Q1 2015*	*Q4 2014*[1]	*Q3 2014*	*Q2 2014*	*Q1 2014*
On-net services	1,190.4	1,184.4	1,180.1	1,183.6	1,175.7
Net change in on-net services	*6.0*	*4.3*	*(3.5)*	*7.9*	*9.8*
Off-net services	1,076.2	1,120.2	1,181.4	1,240.1	1,301.8
Net change in off-net services	*(44.0)*	*(61.2)*	*(58.7)*	*(61.7)*	*(58.6)*
Total	**2,266.5**	**2,304.6**	**2,361.5**	**2,423.7**	**2,477.5**
Net change in total services	***(38.0)***	***(56.9)***	***(62.2)***	***(53.8)***	***(48.9)***

[1] *In Q4 2014 Netia modified the method of presenting the 'Multiroom' TV services, which resulted in a decrease of total TV services and total RGUs in the quarter by approximately 7 thousand.*

3.2 BROADBAND, TV & MOBILE SERVICES

3.2.1 TV and content services

Netia's TV services reached 145k at March 31, 2015 (+14% YoY, +6% QoQ).

Netia offers its customers TV services branded as 'Telewizja Osobista' (Personal Television). The offering includes a proprietary set-top box – the 'Netia Player', which provides access to paid digital TV content provided over IP based protocols in multicast and unicast, quick and easy access to popular internet services or personal multimedia over the TV screen as well as video-on-demand (VOD) content libraries such as Ipla, Kinoplex, TVN Player and HBO GO. TV penetration has now reached a satisfactory 35% of the on-net broadband base and the key objective for 2015 is to increase TV sales to completely new customers for Netia, both over upgraded NGA networks and over the former Aster cable TV network acquired by Netia.

In mid-April 2015 Netia introduced a new personal video recorder (PVR) service *'GigaNagrywarka'*, which gives freedom in watching the chosen TV programs. The services allows to rewind a chosen TV program by 2 hours and to record many programs simultaneously, without limitations created by the capacity of a hard disc on a standard recorder. Moreover, recording is possible from many decoding devices in a client's position (an important function when using a *'Multiroom'* service) and can be programmed in cycles (e.g., to watch TV series).

Number of TV services (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Total	**145.3**	**137.3**	**133.9**	**128.9**	**127.2**

3.2.2 ***Broadband services***

Broadband services totalled 780k at March 31, 2015 (-7% YoY, -1% QoQ). Netia is focusing on its own network and bundled services rather than regulated access or total services sold in order to defend gross margins. In Q1 2015 the Company recorded growth in on-net broadband services while regulated access services (BSA, LLU) decreased. Of the total broadband customers served at March 31, 2015, 53% received service over Netia's own access infrastructure as compared to 48% at March 31, 2014.

Number of broadband ports (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Own network	412.1	406.6	402.9	405.4	402.7
incl. NGA	*118.9*	*102.4*	*85.1*	*73.0*	*64.7*
incl. non-NGA	*293.2*	*304.3*	*317.8*	*332.4*	*338.0*
LLU	142.7	149.1	156.4	162.5	166.6
Bitstream access	224.9	234.1	246.9	258.4	268.1
Total	**779.6**	**789.9**	**806.3**	**826.3**	**837.4**

3.2.3 **Mobile services**

Netia's *mobile voice services* totalled 29k at March 31, 2015 (-23% YoY, +10% QoQ). *Mobile broadband services* at March 31, 2015 were 19k (-25% YoY, -6% QoQ).

In January 2015 Netia signed *a new co-operation agreement with P4 Sp. z o.o.*, an operator of the Play mobile network, which facilitates provisioning of a wider range of mobile services and multiplay packages to Netia customers. Thanks to the newly signed agreement Netia will also expand its portfolio of broadband internet services with the attractive LTE tariffs.

In mid-April 2015 Netia implemented a new price offering called the '*Offering with GigaNagrywarka*', which includes also the mobile virtual network operator (MVNO) services. Under the offering, the mobile voice service is being sold in a package as a *SIM only* option.

Number of mobile services (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Mobile data	28.7	26.1	27.7	32.1	37.2
Mobile voice	18.6	19.8	21.1	21.5	24.8
Total	**47.3**	**45.9**	**48.8**	**53.7**	**62.0**

3.3 VOICE

3.3.1 ***Own network, WLR & LLU***

Voice lines totalled 1,294k at March 31, 2015 (-11% YoY, -3% QoQ).

Due to competitive market conditions and focus on higher-value services on its own networks, Netia is concentrating on defending voice revenues and margins through retention activities as opposed to subscriber numbers. Moreover, Netia is steadily growing its base of relatively low cost VoIP customers, principally in the business segments. During Q1 2015 the customer base of VoIP customers in Netia's own network grew by 6k. Of the total voice customers served at March 31, 2015, 49% received service over Netia's own access infrastructure as compared to 44% at March 31, 2014.

Number of fixed voice lines (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Own network voice lines	633.0	640.4	643.2	649.3	645.7
WLR	557.7	583.8	618.2	651.9	690.0
LLU voice over IP	103.6	107.2	111.0	113.6	115.1
Total	**1,294.3**	**1,331.5**	**1,372.4**	**1,414.8**	**1,450.8**

3.3.2 *Indirect voice*

CPS lines (carrier pre selection) totalled 50k at December 31, 2014 (-8% YoY, -1% QoQ). Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers. CPS clients are not reflected in the total voice subscriber base of 1,294k clients as at March 31, 2015.

3.4 OTHER

Active headcount was 1,373 at March 31, 2015 versus 1,897 at March 31, 2014 and 1,594 at December 31, 2014. Headcount was 1,525 at March 31, 2015, compared to 1,986 at March 31, 2014 and 1,722 at December 31, 2014. The year-on-year headcount reduction was resulting from the split of Netia's operations into B2B/B2C Business Units (N^2 Project) and an efficiency program called 'Netia Lite'. The sequential decrease in headcount was due to the second round of the efficiency program (Netia Lite 2.0), which covered, among others, the group redundancies. In Q1 2015 Netia recorded a restructuring provision release of PLN 0.1m as the majority of costs related to group redundancies conducted from January 2015 were provisioned for in the 2014 results.

Capital investment additions

Capital investment additions (PLN'M)	*Q1 2015*	*Q1 2014*	*Change %*
Existing network and IT	14.9	19.5	-24%
Broadband networks	18.4	17.8	3%
CPE broadband (mainly capitalised Netia Spot routers)	6.5	9.5	-32%
TV (incl. dedicated CPE – Netia Player)	5.7	4.0	42%
Adjusted capex	**45.4**	**50.9**	**-11%**
CDN integration	0.5	2.7	-80%
Netia Lite Project and capitalised interests[1]	0.6	1.0	-37%
Total capex	**46.6**	**54.6**	**-15%**

1 In Q1 2015 Netia modified the method of presenting capitalised interests from the bank loan and investments related to the Netia Lite project, which are currently excluded from the adjusted capex. The data for the comparative periods of 2014 was adjusted accordingly and therefore varies from the numbers presented previously.

Capital investment in existing network and IT reflect extension of transmission network capacity to activate new business customers and routine improvements to IT functionality. Investments in broadband networks include mainly works on integrating with Netia's broadband network the cable networks in Warsaw and Kraków, which were acquired from UPC Polska in May 2013 and NGA development and upgrades for residential clients. Investments in TV reflect new functionalities and expansion of TV platform as well as capitalized Netia Player decoders rendered to growing customer base.

Separation of the network assets. In line with Netia's Strategy 2020 update back in Q4 2014, Netia Group separated its network assets into those attributable to the B2C and B2B segments while simultaneously simplifying and modernizing selected network systems, with an aim to reduce costs of network maintenance. The separation covered both the active equipment and the passive network comprising ducts and cables while IT systems supporting both B2C and B2B remain as a shared platform. The next actionable item is to improve cost allocation of network assets, which is expected to facilitate more comprehensive reporting for each segment and direct efficiency improvements. The first results of the asset separation and related improvements to allocation of shared maintenance costs are to be presented in the Q3 2015 results.

Netia Lite savings program. In January 2015 Netia introduced a second stage of the savings program (Netia Lite 2.0), which included also group redundancies. The program is aimed at further cost optimization with the Netia Group.

4 Consolidated Financial Information

Please also refer to our financial statements for the three-month period ended March 31, 2015.

Q1 2015 vs. Q1 2014 (YoY)

Revenue totaled PLN 388.7m (-11% YoY). The B2C operating segment decreased by 16% or PLN 40.1m and the B2B segment by 3% or PLN 5.5m. The decline in revenues was driven by a 9% YoY decline in services provided (RGUs), which continued to be concentrated in the B2C (Home) sub-segment and in fixed voice services and lower margin WLR services in particular and a visible pricing pressure combined with lower traffic volumes in voice services in the B2B segment. The proportion of RGUs delivered on-network has increased from 47% to 52% in the twelve months to March 31, 2015.

Telecommunications revenue was PLN 388.2m (-11% YoY). Data revenue as a share of total telecommunications revenue increased YoY from 40% to 42% and direct voice revenue declined over the same period from 42% to 37%. Other telecommunications revenue, which includes TV and mobile services, increased between the compared periods by 8% or PLN 2.4m to PLN 34.5m in Q1 2015 and represented 9% of total revenue versus 7% in the prior year quarter. Revenues from interconnect and carrier services combined were up by 3% to PLN 43.7m. Data revenue decreased by 7% or PLN 12.1m to PLN 163.0m, mainly due to the lower number of BSA and LLU services. Direct voice revenue decreased by 20% and PLN 36.3m to PLN 144.2m, driven by a 11% decrease in the voice subscriber base and the drop in the number of WLR services in particular and a continued on-net ARPU decrease. Indirect voice services (CPS) revenue decreased by 33% or PLN 1.2m as a result of decreasing customer numbers and falling ARPUs.

Cost of sales was PLN 278.1m (-5% YoY) and represented 72% of total revenue as compared to 67% in Q1 2014. The decrease was mainly due to lower cost of network operations and maintenance, associated with fewer off-net RGUs. Moreover, salaries and benefits related to cost of sales decreased by 18% or PLN 1.6m following the headcount restructuring (the Netia Lite program).

Gross profit for 2014 was PLN 110.1m as compared to PLN 141.8m for Q1 2014. Gross profit margin was 28.3% for Q1 2015 as compared to 32.6% for Q1 2014.

Selling and distribution costs were PLN 70.6m (-8% YoY) and represented 18% of total in both periods. Lower cost of salaries and benefits related to selling and distribution (a decrease by 10% and PLN 3.2m YoY) and lower billing, mailing and logistics costs due to increased use of electronic solutions and renegotiations of postal service agreement (a decrease by 54% and PLN 3.0m) were the main drivers of the decreasing costs.

General and administration costs were PLN 37.0m (-19% YoY) and represented 10% of total revenue in both compared periods. Salaries and benefits cost related to general administration was lower by 35% or PLN 7.2m following the headcount restructuring (the Netia Lite program).

Other operating income, net of other operating expenses was a gain of PLN 3.1m versus a gain in the prior year quarter of PLN 0.9m. In Q1 2014 Netia recorded an impairment charge of PLN 2.5m on the decision to discontinue using Dialog's trademark, which was the main change driver.

Other gains/(losses),net were a gain of PLN 0.4m from a loss of PLN 0.1m in Q1 2014, mainly on a difference on foreign exchange changes.

Adjusted EBITDA was PLN 113.3m (- 16% YoY). Adjusted EBITDA margin was 29.1% as compared to 31.0% in Q1 2014.

Unusual items excluded from the Adjusted EBITDA were PLN 1.8m of net expenses in Q1 2015 and PLN 8.5m of net expenses in Q1 2014 (see "EBITDA Reconciliation to Profit" on page 11). Including unusual items, *EBITDA* was PLN 111.5m (-12% YoY). EBITDA margin was 28.7% as compared to 29.0% for Q1 2014.

Depreciation and amortization was PLN 105.4m versus PLN 105.3m in Q1 2014.

Operating profit (EBIT) was PLN 6.0m as compared to an operating profit of PLN 20.7m for Q1 2014. Excluding unusual items of PLN 1.8m of net expenses in Q1 2015 and PLN 8.8m of costs in Q1 2014, Adjusted EBIT was PLN 7.8m profit for Q1 2015 versus PLN 29.2m profit for Q1 2014.

Financial income / (cost), net was PLN 1.3m as compared to net financial cost of PLN 4.6m for Q1 2014 and the change is driven by decreasing interest rates, lower net indebtedness between the compared periods and refinancing of the credit facility in Q4 2014.

Income tax charge of PLN 3.5m was recorded in Q1 2015 as compared to income tax charge of PLN 5.2m in Q1 2014 (-33% YoY).

Net profit was PLN 1.3m in Q1 2015 versus net profit of PLN 11.0m in Q1 2014 (-89% YoY).

Cash outlays on purchase of fixed assets and computer software were 64.1m (-24% YoY).

Cash and short term deposits at March 31, 2015 totalled PLN 262.1m versus PLN 124.6m at March 31, 2014 (+110% YoY).

Debt and accrued interest at March 31, 2015 was PLN 300.7m as compared to PLN 385.3m in the prior year quarter (-22% YoY).

Net debt at March 31, 2015 was PLN 38.5m as compared to PLN 260.7m at March 31, 2014 (-85% YoY).

Q1 2015 vs. Q4 2014 (QoQ)

Revenue was PLN 388.7m (-4% QoQ). The decline in revenues was driven by a 2% sequential decline in services provided (RGUs), which continued to be concentrated in fixed voice services in the B2C segment, while lower APRU from on-net voice services and lower volumes of voice traffic impacted the B2B segment.

Telecommunications revenue was PLN 388.2m (-4% QoQ). Carrier segment revenue decreased by 1% to PLN 43.7m. Other telecommunications revenue decreased by 3% to PLN 34.7m mainly on lower revenue from debit notes. Data revenue decreased by 2% to PLN 163.1m following sequentially higher disconnections among off-net broadband services. Direct voice revenue fell by 6% QoQ to PLN 144.2m mainly on lower customer base.

Cost of sales was PLN 278.7m (-4% QoQ), representing 72% of total revenue in both Q1 2015 and Q4 2014. Cost of network operations and maintenance decreased by 6% and PLN 7.8m on loess regulated access service and was the main driver of a decrease. Moreover, the cost of goods sold was lower by 35% and PLN 2.1m on less contracts for reselling the telecommunications equipment.

Gross profit was PLN 110.1m (-3% QoQ), with gross profit margin at 28.3% versus 28.0% in Q4 2014.

Selling and distribution costs was PLN 70.6m (-5% QoQ), representing 18% of total revenue in both quarters. The majority of cost categories decreased sequentially. Impairment on receivables was higher as the previous quarter benefited from reversal of provisions, mostly in connection with the settlement with Orange Polska.

General and administrative expenses were PLN 37.0m (-42% QoQ), and represented 10% of total revenue in Q1 2015 as compared to 16% in Q4 2014. Due to the fact that the restructuring cost related to general administration included in Q4 2014r the provision for group headcount redundancies, this cost item decreased sequentially by 100% and PLN 14.9m. A decrease in Other costs related to general administration to PLN 6.0m from PLN 16.1m was associated mainly with the settlement with Orange Polska signed in Q4 2014, which resulted in forgiveness of mutual liabilities.

Adjusted EBITDA was PLN 113.3m (+0% QoQ) and Adjusted EBITDA margin was 29.1% in Q1 2015 versus 28.1% in Q4 2014.

EBITDA was PLN 111.5m (-51% QoQ). Unusual items for Q1 2015 totalled PLN 1.8m of net costs as compared to PLN 112.7m of net gains in Q4 2014 (see “EBITDA reconciliation to net profit” on page 11).

Operating profit (EBIT) was PLN 6.0m (-95% kdk). Excluding unusual items, EBIT for Q1 2015 would have been PLN 7.8m profit as compared to PLN 6.6m profit for Q4 2014.

Net financial cost was PLN 1.3m as compared to net financial cost of PLN 15.1m in Q4 2014. In Q4 2014 Netia recorded a loss of PLN 9.5m on terminating interest rates swap (IRS) transactions. Furthermore, the sequential improvement was due to lower interest from the refinanced credit facility.

Income tax charge of PLN 3.5m was recorded in Q1 2015 versus income tax benefit of PLN 55.8m in Q4 2014, which followed a decision on the recovery of the corporate income tax for 2003 with interest from the tax authorities.

Net profit for Q1 2015 was PLN 1.3m versus net profit of PLN 160.0m for Q4 2014.

Key Figures					
PLN'000	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenues	388,718	404,100	413,407	422,161	434,371
y-o-y % change	*(10.5%)*	*(10.4%)*	*(9.6%)*	*(11.6%)*	*(11.5%)*
Adjusted EBITDA	113,296	113,352	120,253	125,106	134,440
Margin %	*29.1%*	*28.1%*	*29.1%*	*29.6%*	*31.0%*
y-o-y change %	*(15.7%)*	*(8.7%)*	*(16.6%)*	*(11.0%)*	*(5.3%)*
EBITDA	111,489	226,090	109,490	119,801	125,978
Margin %	*28.7%*	*55.9%*	*26.5%*	*28.4%*	*29.0%*
Adjusted EBIT	7,846	6,609	13,875	19,529	29,146
Margin %	*2.0%*	*1.6%*	*3.4%*	*4.6%*	*6.7%*
EBIT	6,039	119,347	3,112	14,224	20,684
Margin %	*1.6%*	*29.5%*	*0.8%*	*3.4%*	*4.8%*
Adjusted Profit of the Netia Group (consolidated)	2,725	25,843	4,302	12,592	17,807
Margin %	*0.7%*	*6.4%*	*1.0%*	*3.0%*	*4.1%*
Profit/(Loss) of the Netia Group (consolidated)	1,261	160,001	(4,416)	8,295	10,953
Margin %	*0.3%*	*39.6%*	*(1.1%)*	*2.0%*	*2.5%*
Profit/(Loss) of Netia SA (stand alone)[1]	(13,520)	316,274	(21,416)	(12,387)	(6,827)
Cash and short term deposits	262,123	207,305	86,324	48,251	124,611
Cash, restricted cash and short term deposits	262,123	207,305	86,324	48,251	124,611
Debt	300,670	300,538	370,455	413,708	385,265
Capex related payments	64,073	57,020	50,076	54,072	84,551
Investments in tangible and intangible fixed assets and investment property	46,613	65,563	55,204	56,532	54,554

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

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2014 exclude the following items as appropriate: restructuring expenses of PLN 34.6m, New Netia (Dialog Group & Crowley) integration costs of PLN 7.9m, impairment charges totaling PLN 9.9m, costs of Netia Lite savings program of PLN 3.1m, costs of B2B/B2C divisional split of PLN 1.5m, net gains related to the settlement with Orange Polska of PLN 146.7m, costs of M&A projects of PLN 0.1m and impact from these one-offs on the income tax charge of PLN 15.9m.

Items excluded for Q1 2015 are as follows: costs of M&A projects of PLN 0.7m, non-staff related costs of the Netia Lite savings program of PLN 0.6m, non-staff related costs of N^2 Project of PLN 0.4m, Dialog Group & Crowley integration costs of PLN 0.2m, a gain related to restructuring under the Netia Lite program of PLN 0.09m, and impact from these one-offs on the income tax charge of PLN 0.3m.

Netia Group's Key Operational Indicators	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total services (RGUs)					
Broadband data services (end of period)	**779,632**	**789,876**	**806,273**	**826,345**	**837,413**
Change % (QoQ)	***-1%***	***-2%***	***-2%***	***-1%***	***-1%***
Own infrastructure-based services	412,097	406,631	402,929	405,412	402,703
NGA network services	*118,913*	*102,370*	*85,139*	*73,025*	*64,724*
Other network services	*293,184*	*304,261*	*317,790*	*332,387*	*337,979*
Bitstream access	224,865	234,153	246,939	258,367	268,089
LLU	142,670	149,092	156,405	162,566	166,621
TV services[1] (end of period)	**145,261**	**137,322**	**133,940**	**128,866**	**127,247**
Change % (QoQ)	***6%***	***3%***	***4%***	***1%***	***6%***
Mobile Voice services (end of period)	**28,734**	**26,111**	**27,735**	**32,129**	**37,223**
Change % (QoQ)	***10%***	***-6%***	***-14%***	***-14%***	***-12%***
Mobile Data services (end of period)	**18,582**	**19,758**	**21,092**	**21,541**	**24,763**
Change % (QoQ)	***-6%***	***-6%***	***-2%***	***-13%***	***-6%***
Voice services (end of period)	**1,294,302**	**1,331,486**	**1,372,417**	**1,414,812**	**1,450,817**
Change % (QoQ)	***-3%***	***-3%***	***-3%***	***-2%***	***-3%***
Own network subscriber voice services	632,995	640,401	643,197	649,317	645,722
Voice over IP (excl. LLU)[1]	*139,689*	*133,554*	*124,682*	*120,032*	*107,678*
Traditional direct voice (incl. WiMAX)	*493,306*	*506,847*	*518,515*	*529,285*	*538,044*
WLR	557,716	583,836	618,164	651,916	689,988
LLU voice over IP	103,591	107,249	111,056	113,579	115,107
Total services (RGUs)	**2,266,511**	**2,304,553**	**2,361,457**	**2,423,693**	**2,477,463**
Change % (QoQ)	***-2%***	***-2%***	***-3%***	***-2%***	***-2%***
Other					
Total on-net services	1,190,353	1,184,354	1,180,066	1,183,595	1,175,672
Total off-net services	1,076,158	1,120,199	1,181,391	1,240,098	1,301,791
Total net change in on-net services	5,999	4,288	(3,529)	7,923	9,756
Total net change in off-net services	(44,041)	(61,192)	(58,707)	(61,693)	(58,650)
Total net change in Broadband data services	(10,244)	(16,397)	(20,072)	(11,068)	(11,496)
Total net change in Voice services	(37,184)	(40,931)	(42,395)	(36,005)	(37,793)
Monthly Broadband ARPU (PLN)	55	56	56	56	55
Monthly TV ARPU blended (PLN)	39	38	37	37	36
Monthly Mobile Voice ARPU blended (PLN)	28	30	30	27	27
Monthly Mobile Data ARPU blended (PLN)	27	28	29	29	27
Monthly Voice ARPU in own network (PLN)	32	34	35	36	38
Monthly Voice ARPU for WLR (PLN)	42	43	44	44	44
Monthly Voice ARPU blended (PLN)	37	38	39	40	41
CPS lines (cumulative)	50,413	51,151	51,788	52,435	54,521
Monthly Voice ARPU for CPS	16	17	19	20	22
Headcount	1,525	1,722	1,851	1,933	1,986
Active headcount	1,373	1,594	1,707	1,788	1,897

[1] *In Q4 2014 Netia modified the method of presenting the 'Multiroom' TV services, which resulted in a decrease of total TV services and total RGUs in the quarter by approximately 7 thousand.*

B2B Business Unit's Key Data	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
B2B's Revenue (PLN'k)					
Broadband data services	**36,168**	**35,972**	**35,894**	**35,860**	**35,784**
Change % (QoQ)	*1%*	*0%*	*0%*	*0%*	*-4%*
Other data services	**36,937**	**38,017**	**38,936**	**38,847**	**38,713**
Change %(QoQ)	*-3%*	*-2%*	*0%*	*0%*	*-4%*
Voice services	**46,826**	**48,947**	**50,440**	**52,009**	**54,672**
Change % (QoQ)	*-4%*	*-3%*	*-3%*	*-5%*	*-8%*
Other services	**44,386**	**45,495**	**41,733**	**40,902**	**40,663**
Change %(QoQ)	*-2%*	*9%*	*2%*	*1%*	*-2%*
Total	**164,317**	**168,430**	**167,004**	**167,618**	**169,832**
Change % (QoQ)	***-2%***	***1%***	***0%***	***-1%***	***-5%***

B2C Business Unit's Key Data	Q1 2015[1]	Q4 2014	Q3 2014	Q2 2014	Q1 2014
B2C's services (RGUs)					
Broadband data services (end of period)	**727,157**	**737,241**	**753,580**	**773,716**	**784,530**
Change % (QoQ)	***-1%***	***-2%***	***-3%***	***-1%***	***-1%***
Own infrastructure-based services	372,821	367,256	363,738	366,347	363,507
NGA network services	*112,593*	*96,480*	*80,225*	*68,510*	*60,459*
Other network services	*260,228*	*270,776*	*283,513*	*297,837*	*303,048*
Bitstream access	216,027	225,219	237,859	249,289	258,908
LLU	138,309	144,766	151,983	158,080	162,115
TV services (end of period)	**142,364**	**134,747**	**131,704**	**126,882**	**125,564**
Change % (QoQ)	***6%***	***2%***	***4%***	***1%***	***6%***
Mobile Voice services (end of period)	**26,186**	**23,402**	**24,778**	**28,877**	**33,793**
Change % (QoQ)	***12%***	***-6%***	***-14%***	***-15%***	***-12%***
Mobile Data services (end of period)	**16,568**	**17,725**	**19,006**	**19,534**	**22,741**
Change % (QoQ)	***-7%***	***-7%***	***-3%***	***-14%***	***-7%***
Voice services (end of period)	**857,494**	**890,113**	**932,187**	**976,253**	**1,020,476**
Change % (QoQ)	***-4%***	***-5%***	***-5%***	***-4%***	***-4%***
Netia network subscriber voice services	247,126	251,557	257,221	265,367	271,934
WLR	509,020	533,589	566,268	599,745	635,910
LLU voice over IP	101,348	104,967	108,698	111,141	112,632
Total services (RGUs)	**1,769,769**	**1,803,228**	**1,861,255**	**1,925,262**	**1,987,104**
Change % (QoQ)	***-2%***	***-3%***	***-3%***	***-3%***	***-3%***
Other					
Average monthly ARPU per customer (PLN)	57	58	58	59	58
RGUs per customer[2]	1.45	1.43	1.42	1.41	1.40

1 *In Q1 2015 Netia reclassified certain RGUs between operating segments by transferring approx..12k RGUs from B2B to B2C. Figures for comparative periods were adjusted accordingly and therefore vary from the numbers presented previously.*

2 *A customer is defined as a customer location*

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Direct Voice	144,236	153,913	162,994	171,285	180,588
Incl. monthly fees	*110,902*	*117,021*	*123,324*	*128,672*	*135,249*
Incl. calling charges	*33,296*	*36,804*	*39,614*	*42,580*	*45,295*
Indirect Voice	2,486	2,588	3,034	3,195	3,714
Data	163,057	166,487	170,172	172,857	175,191
Interconnection revenues	17,727	18,145	17,040	16,828	17,923
Wholesale services	26,006	26,164	24,105	25,239	24,364
Other telecommunications revenues	34,678	35,880	34,098	32,197	32,252
Total telecommunications revenue	**388,190**	**403,177**	**411,443**	**421,601**	**434,032**
Radio communications and other revenue	528	923	1,964	560	339
Total revenue	**388,718**	**404,100**	**413,407**	**422,161**	**434,371**
Cost of sales	**(278,653)**	**(290,939)**	**(287,971)**	**(291,652)**	**(292,555)**
Interconnection charges	(41,322)	(41,866)	(39,415)	(42,475)	(42,459)
Network operations and maintenance	(124,840)	(132,617)	(132,355)	(135,969)	(137,632)
Costs of goods sold	(3,788)	(5,852)	(6,319)	(2,417)	(1,940)
Depreciation and amortization	(87,708)	(88,196)	(87,452)	(86,921)	(86,894)
Salaries and benefits	(7,305)	(6,732)	(7,074)	(7,930)	(8,895)
Restructuring	95	(1,118)	(761)	(463)	(533)
Taxes, frequency fees and other expenses	(13,785)	(14,558)	(14,595)	(15,477)	(14,202)
Gross profit	**110,065**	**113,161**	**125,436**	**130,509**	**141,816**
Margin (%)	**28.3%**	**28.0%**	**30.3%**	**30.9%**	**32.6%**
Selling and distribution costs	**(70,563)**	**(74,484)**	**(81,322)**	**(76,921)**	**(76,257)**
Advertising and promotion	(4,480)	(7,967)	(8,734)	(3,829)	(3,196)
Third party commissions	(4,466)	(5,230)	(4,571)	(4,376)	(3,820)
Billing, mailing and logistics	(2,562)	(4,489)	(4,721)	(4,997)	(5,537)
Outsourced customer service	(2,687)	(3,040)	(3,620)	(2,901)	(3,322)
Impairment of receivables	(697)	7,068	(2,984)	(3,029)	(543)
Depreciation and amortization	(9,319)	(9,537)	(9,664)	(9,457)	(10,299)
Salaries and benefits	(29,366)	(28,442)	(26,966)	(30,380)	(32,558)
Restructuring	(35)	(1,792)	(2,024)	(515)	(850)
Other costs	(16,951)	(21,055)	(18,038)	(17,437)	(16,132)
General and administration costs	**(36,954)**	**(63,892)**	**(45,960)**	**(45,170)**	**(45,599)**
Professional services	(1,680)	(2,099)	(2,366)	(1,790)	(1,852)
Electronic data processing	(3,282)	(3,816)	(4,225)	(5,388)	(4,443)
Office and car maintenance	(4,122)	(5,154)	(5,684)	(2,507)	(2,972)
Depreciation and amortization	(8,423)	(9,010)	(9,262)	(9,199)	(8,101)
Salaries and benefits	(13,439)	(12,836)	(14,215)	(17,706)	(20,678)
Restructuring	26	(14,919)	(4,071)	(1,060)	(2,258)
Other costs	(6,034)	(16,058)	(6,137)	(7,520)	(5,295)
Other operating income	3,498	156,055	2,813	5,909	3,719
Other operating expense	(442)	(7,521)	(340)	(585)	(2,854)
Other gains/ (losses), net	435	(3,972)	2,485	482	(141)
EBIT	**6,039**	**119,347**	**3,112**	**14,224**	**20,684**
Margin (%)	***1.6%***	***29.5%***	***0.8%***	***3.4%***	***4.8%***
Finance income	949	1,503	1,174	898	1,052
Finance cost	(2,243)	(16,616)	(7,561)	(5,802)	(5,603)
Profit before tax	**4,745**	**104,234**	**(3,275)**	**9,320**	**16,133**
Tax benefit / (charge)	(3,484)	55,767	(1,141)	(1,025)	(5,180)
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Operating Profit	**6,039**	**119,347**	**3,112**	**14,224**	**20,684**
Add back:					
Depreciation and amortization	105,450	106,743	106,378	105,577	105,294
EBITDA	**111,489**	**226,090**	**109,490**	**119,801**	**125,978**
Add back:					
Impairment charge for non-current assets	-	7,369	-	-	2,503
Restructuring costs	(86)	22,087	6,856	2,038	3,641
M&A related costs	668	61	60	40	-
New Netia integration costs	183	1,730	1,720	2,637	1,776
B2B/B2C split costs (N^2 Project)	424	1,478	246	590	542
Netia Lite savings program costs	618	1,493	1,607	-	-
Settlement agreement with Orange Polska	-	(146,956)	274	-	-
Adjusted EBITDA	**113,296**	**113,352**	**120,253**	**125,106**	**134,440**
Margin (%)	***29.1%***	***28.1%***	***29.1%***	***29.6%***	***31.0%***

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Reminder fees and penalties	2,298	6,682	526	1,612	1,749
Forgiveness of liabilities	-	176	253	60	168
Reversal of provisions	-	-	-	1,492	-
Income relating to government grants	796	1,108	1,109	1,110	1,111
Income on settlement agreement with Orange Polska	-	148,241	-	-	-
Other operating income	404	(114)	925	1,635	691
Total	**3,498**	**156,093**	**2,813**	**5,908**	**3,719**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Impairment charges for specific individual assets	(422)	(7,521)	(340)	(585)	(2,854)
Other expenses	-	-	-	-	-
Total	**(442)**	**(7,521)**	**(340)**	**(585)**	**(2,854)**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Gain / (loss) on sale of impaired receivables	-	(4,030)	2,923	663	(2)
Gain / (loss) on disposal of fixed assets	140	190	(114)	88	77
Net foreign exchange gains / (losses)	295	(131)	(324)	(269)	(216)
Total	**435**	**(3,971)**	**2,485**	**482**	**(141)**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**
Cash flow hedges	(353)	8,045	154	(680)	1,029
Income tax relating to components of other comprehensive income	82	(1,528)	13	110	(220)
Net other comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods	**(271)**	**6,517**	**167**	**(570)**	**809**
Re-measurement gains on a defined benefit plan	-	(131)	-	-	-
Income tax relating to re- measurement gains on a defined benefit plan	-	10	-	-	-
Net other comprehensive Income / (Loss) not to be reclassified to profit or loss in subsequent periods	**-**	**(121)**	**-**	**-**	**-**
Other comprehensive Income / (Loss)	**(271)**	**6,396**	**167**	**(570)**	**809**
Total comprehensive Income / (Loss)	**990**	**166,397**	**(4,249)**	**7,725**	**11,762**

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	March 31 2015 *unaudited*	December 31 2014 *audited*	September 30 2014 *unaudited*	June 30 2014 *unaudited*	March 31 2014 *unaudited*
Property, plant and equipment, net	1,775,451	1,820,177	1,847,661	1,884,193	1,923,691
Intangible assets	449,867	465,299	488,036	504,233	516,785
Investment property	26,514	26,639	26,765	26,891	27,016
Deferred income tax assets	86,815	87,226	92,977	90,902	91,114
Available for sale financial assets	116	116	116	116	116
Prepaid expenses and accrued income	8,463	8,511	7,521	6,688	5,601
Derivative financial instruments	-	-	-	-	256
Total non-current assets	**2,347,226**	**2,407,968**	**2,463,076**	**2,513,023**	**2,564,579**
Inventories	2,738	2,820	2,243	2,800	2,296
Trade and other receivables	184,105	168,937	178,508	195,212	188,192
Current income tax receivables	276	81,425	316	1,762	3,864
Prepaid expenses and accrued income	22,900	20,157	21,979	25,680	25,431
Derivative financial instruments	2,333	2,063	1,070	33	34
Financial assets at fair value through profit and loss	22	23	25	24	26
Cash and short-term deposits	262,123	207,305	86,324	48,251	124,611
	474,497	**482,730**	**290,465**	**273,762**	**344,454**
Total current assets	**474,497**	**482,730**	**290,465**	**273,762**	**344,454**
TOTAL ASSETS	**2,821,723**	**2,890,698**	**2,753,541**	**2,786,785**	**2,909,033**
Share capital	348,088	348,088	347,911	347,911	347,911
Supplementary capital	1,606,848	1,606,848	1,605,090	1,605,090	1,720,488
Retained earnings	227,562	226,301	66,420	70,836	93,266
Other components of equity	60,986	61,380	56,526	55,345	55,444
TOTAL EQUITY	**2,243,484**	**2,242,617**	**2,075,947**	**2,079,182**	**2,217,109**
Bank loans/Borrowings	200,600	200,534	237,001	236,541	257,800
Provisions	1,981	2,237	1,508	1,791	1,822
Deferred income tax liabilities	16,881	14,319	14,319	13,089	14,454
Deferred income	29,522	29,722	31,004	29,840	30,886
Derivative financial instruments	-	-	2,700	2,470	2,101
Other long-term liabilities	2,623	2,928	3,426	4,315	4,436
Total non-current liabilities	**251,607**	**249,740**	**289,958**	**288,046**	**311,499**
Trade and other payables	173,841	235,712	197,687	185,316	193,551
Derivative financial instruments	1,192	37	5,088	5,125	5,444
Borrowings	100,070	100,004	133,454	177,167	127,465
Other financial liabilities	-	-	-	65	65
Current income tax liabilities	1	-	247	75	90
Provisions	18,311	26,860	13,651	11,557	14,106
Deferred income	33,217	35,728	37,509	40,252	39,704
Total current liabilities	**326,632**	**398,341**	**387,636**	**419,557**	**380,425**
Total liabilities	**578,239**	**648,081**	**677,594**	**707,603**	**691,924**
TOTAL EQUITY AND LIABILITIES	**2,821,723**	**2,890,698**	**2,753,541**	**2,786,785**	**2,909,033**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**
Depreciation and amortization	105,450	106,743	106,378	105,577	105,294
Impairment charges for specific individual assets	442	7,521	340	585	2,854
Deferred income tax charge / (benefit)	3,056	4,234	(833)	(1,043)	(2,125)
Interest expense and fees charged on bank loans	1,765	16,680	7,643	5,578	5,410
Other interest charged	15	51	8	46	33
Share-based compensation	(123)	277	1,014	(2,522)	755
Fair value (gains)/losses on financial assets/liabilities	2	2	(1)	2	(1)
Fair value (gains)losses on derivative financial instruments	452	(706)	(907)	(265)	(270)
Foreign exchange (gains)/losses	(13)	(109)	(217)	135	60
(Gain)/Loss on disposal of fixed assets	965	770	971	2,232	54
Gain on sale of subsidiary	-	-	-	-	(286)
Changes in working capital	6,379	(30,879)	34,199	(25,089)	(1,630)
Other	1	-	-	-	-
Net cash provided by operating activities	**119,652**	**264,585**	**144,179**	**93,531**	**121,101**
Purchase of fixed assets and computer software	(64,073)	(57,020)	(50,076)	(54,072)	(84,551)
Proceeds from sale of non-core assets	176	433	221	173	169
(Purchase)/repurchase of treasury bonds / notes	-	-	-	-	-
Sale of investments	-	-	-	-	322
Net cash used in investing activities	**(63,897)**	**(56,587)**	**(49,855)**	**(53,899)**	**(84,060)**
Government grants received	1,157	-	573	555	29
Dividend payment	-	-	(7,584)	(138,539)	-
Proceeds from borrowings	-	300,000	-	50,000	-
Finance lease payments	(133)	(176)	(145)	(128)	(132)
Overdraft	-	-	(44,025)	43,697	328
Loan repayments	-	(375,000)	-	(65,000)	-
Interest repayments	(1,694)	(11,684)	(4,948)	(5,639)	(5,576)
Payments of fees relating to bank loans	(280)	(266)	(339)	(803)	(375)
Net cash used in financing activities	**(950)**	**(87,126)**	**(56,468)**	**(115,857)**	**(5,726)**
Net change in cash and short-term deposits	**54,805**	**120,872**	**37,856**	**(76,225)**	**31,315**
Effect of exchange rate change on cash and cash equivalents	13	109	217	(135)	(60)
Cash and short-term deposits at the beginning of the period	207,305	86,324	48,251	124,611	93,356
Cash and short-term deposits at the end of the period	**262,123**	**207,305**	**86,324**	**48,251**	**124,611**

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;
B2B (Business to Business)	• Netia's business unit responsible for all operations to the business customers and one of two main reporting segments, including B2B (Business) and B2B (Carrier) sub-segments.
B2C (Business to Consumer)	• Netia's business unit responsible for all operations to the residential customers and one of two main reporting segments, including B2C (Home) and B2C (SOHO) sub-segments.
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 and income taxes. EBITDA has been further adjusted for non-cash impairment charges for non-current assets, one-off restructuring expenses related to the cost reduction program, M&A expenses, New Netia integration expenses, B2B/B2C split costs (Project N^2), impairment charge on market valuation of Netia's investment property and a decrease in provision for universal service obligation payment 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;
HFC networks	• Hybrid fiber-coax cable TV networks of former Aster cable operator in Warsaw and Cracow, which were acquired by Netia from UPC Polska in May 2013. Netia connected these cable networks to its backbone network with a view to provide NGA-based services, including high speed Internet access and TV services.
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 altnet can offer an unrestricted range of services and pays the incumbent space rental and monthly fees per customer line used.
Next Generation Access (NGA) networks	• Fixed-line access networks which consist wholly or in part of optical elements and which are capable of delivering broadband access services with enhanced characteristics (such as higher throughput) as compared to those provided over already existing not upgraded to VDSL copper networks. • Netia deploys NGA services over such technologies as VDSL, ETTH, PON, HFC, which allow for high speed Internet access (25 Mbps or higher)
Professional services	• costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;
Other telecommunications services revenues	• revenues from TV, mobile voice and mobile data services, revenues from provisioning Internet dial-in services for Netia's indirect customers (based on a call-back principle and an access number (0-20)); revenues from provisioning free-phone, split-charge and premium rate services (i.e., 0-800, 0-801 and 0-70x type services), netted against the cost of revenue sharing; as well as other non-core revenues;
Radiocommunications revenue	• revenues from radio-trunking services provided by Netia's subsidiary, UNI-Net Poland Sp. z o.o.;
Subscriber line	• a connected line which became activated and generated revenue at the end of the period;
Voice ARPU	• average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Wholesale Line Rental (WLR)	• a type of regulatory voice access enabling provision of voice service by an altnet to customers connected by a copper line owned by the incumbent. The altnet connects to the incumbent's voice network and charges the customer for both line rental and calls made. The incumbent receives a payment for line rental plus call origination fees and keeps all interconnection revenues from incoming calls.
Wholesale services	• revenues from providing commercial network services such as voice termination, incoming Voice over Internet Protocol (VoIP), telehousing and collocation as well as backbone-based services.

Conference call on the Q1 2015 results

Netia management will hold a conference call to review the results on May 14, 2015 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

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

Replay number:
(UK) +44 20 8196 1998
Passcode: 6055867#

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.

N E T I A

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Netia reports 2015 first quarter results

WARSAW, Poland – May 14, 2015 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated results for the quarter ended March 31, 2015.

1 Key financial highlights

- *Revenue* was PLN 388.7m in Q1 2015 (- 11% YoY, -4% QoQ). The decline in revenues was driven mainly by a sequential decline in the number of services (RGUs) (-9% YoY, -2% QoQ), in particular in the regulated access fixed line telephony (WLR) in B2C, and the continued pricing pressure and relatively lower traffic volumes in B2B.
- *Adjusted EBITDA* was PLN 113.3m (-16% YoY, +0% QoQ). Adjusted EBITDA margin was 29.1%.
- *EBITDA* was PLN 111.5m (-12% YoY, -51% QoQ). EBITDA margin was 28.7%.The unusual items for Q1 2015 totalled PLN 1.8m of net costs.
- *EBIT* was PLN 6.0m in Q1 2015 (-93% YoY, -95% QoQ).
- *Net profit* was PLN 1.3m in Q1 2015 (-89% YoY, -99% QoQ).
- *Netia was operating free cash flow positive in Q1 2015*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex, Netia Lite project and capitalised interests, was PLN 67.9m for Q1 2015 (-19% YoY, +30% QoQ).
- *Netia's cash and short term deposits* at March 31, 2015 totalled PLN 262.1m, with *total debt* at PLN 300.7m. *Net debt* therefore stood at PLN 38.5m (down by PLN 222.1m YoY and by 54.7m QoQ) and represented 0.08x Adjusted EBITDA for 2014 of PLN 493m.

2 Key events

- *Netia is proposing to its AGM, convened for June 2, 2015, to adopt a resolution regarding a dividend of PLN 0.42 per share which would be payable on June 26, 2015 to shareholders of record on June 12, 2015.* In addition, the Company is proposing to the AGM to adopt a resolution on the merger of Netia SA with its wholly-owned subsidiary Netia Brand Management Sp. z o.o.
- On May 8, 2015 *Netia signed a preliminary agreement to acquire 100% of shares in TK Telekom Sp. z o.o.* from the Polish railway, PKP Group. The total value of the transaction amounted to PLN 221m, an equivalent of Enterprise Value of PLN 200m representing 5.2x EV/EBITDA based on TK Telekom pro-forma EBITDA for 2014. The transaction will scale up Netia operations (pro-forma) by over 28% in the B2B segment and by over 11% overall, extend Netia's own infrastructure footprint (by approx. 7.5k km fiber optics) and will bring additional balance sheet flexibility to the Group. The transaction is conditional upon a consent of the Office of Competition and Customer Protection (UOKiK) and an approval of the General Meeting of Shareholders of PKP SA. The transaction is in line with the Netia Group's strategy to play an active role in consolidation of the Polish telecommunications market.
- *Changes in Netia's Management Board*. ***Mr. Adam Sawicki*** resigned from his position of the President and the member of Netia's Management Board, effective March 31, 2015. Netia's Supervisory Board appointed ***Mr. Paweł Szymański***, the previous Management Board Member – Chief Financial Officer, as President of the Management Board of the Company, effective April 1, 2015. Moreover, Netia's Supervisory Board appointed, with effect from April 1, 2015, ***Mr. Cezary Chałupa***, the previous Director General for Business Customers' Market of Netia, and ***Mr. Tomasz Szopa***, the previous Director General for Individual Customers' Market of Netia, as Management Board Members running B2B Department and B2C Department, respectively.

- *Changes in Netia's Supervisory Board*. Mr. Andrzej Radzimiński, exercising his right to appoint and dismiss one member of Netia's Supervisory Board that results from the ownership of 1,000 preferred registered series A1 shares of the Company (see par. 5, par 6.3. and par. 15.2. of Netia's statute) dismissed ***Mr. Tadeusz Radzimiński*** from the position of Netia's Supervisory Board member, thanking him for eight years of his contribution in Netia's development and appointed ***Mr. Stefan Radzimiński*** as Netia's Supervisory Board member. The changes will be effective as of the day of Netia's AGM approving the 2014 financial statements.

3 Key operational highlights

3.1 Services by access type

Total services (RGUs) were 2,267k at March 31, 2015 (-9% YoY, -2% QoQ). *On-net RGUs* increased to 1,190k (+1% YoY, +1% QoQ) and *off-net RGUs* decreased to 1,076k (-17% YoY, -7% QoQ).

Total services (RGUs) by access type ('000)	*Q1 2015*	*Q4 2014*[1]	*Q3 2014*	*Q2 2014*	*Q1 2014*
On-net services	1,190.4	1,184.4	1,180.1	1,183.6	1,175.7
Net change in on-net services	*6.0*	*4.3*	*(3.5)*	*7.9*	*9.8*
Off-net services	1,076.2	1,120.2	1,181.4	1,240.1	1,301.8
Net change in off-net services	*(44.0)*	*(61.2)*	*(58.7)*	*(61.7)*	*(58.6)*
Total	**2,266.5**	**2,304.6**	**2,361.5**	**2,423.7**	**2,477.5**
Net change in total services	***(38.0)***	***(56.9)***	***(62.2)***	***(53.8)***	***(48.9)***

[1] In Q4 2014 Netia modified the method of presenting the 'Multiroom' TV services, which resulted in a decrease of total TV services and total RGUs in the quarter by approximately 7 thousand.

3.2 BROADBAND, TV & MOBILE SERVICES

3.2.1 TV and content services

Netia's TV services reached 145k at March 31, 2015 (+14% YoY, +6% QoQ).

Netia offers its customers TV services branded as 'Telewizja Osobista' (Personal Television). The offering includes a proprietary set-top box – the 'Netia Player', which provides access to paid digital TV content provided over IP based protocols in multicast and unicast, quick and easy access to popular internet services or personal multimedia over the TV screen as well as video-on-demand (VOD) content libraries such as Ipla, Kinoplex, TVN Player and HBO GO. TV penetration has now reached a satisfactory 35% of the on-net broadband base and the key objective for 2015 is to increase TV sales to completely new customers for Netia, both over upgraded NGA networks and over the former Aster cable TV network acquired by Netia.

In mid-April 2015 Netia introduced a new personal video recorder (PVR) service *'GigaNagrywarka'*, which gives freedom in watching the chosen TV programs. The services allows to rewind a chosen TV program by 2 hours and to record many programs simultaneously, without limitations created by the capacity of a hard disc on a standard recorder. Moreover, recording is possible from many decoding devices in a client's position (an important function when using a *'Multiroom'* service) and can be programmed in cycles (e.g., to watch TV series).

Number of TV services (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Total	**145.3**	**137.3**	**133.9**	**128.9**	**127.2**

3.2.2 *Broadband services*

Broadband services totalled 780k at March 31, 2015 (-7% YoY, -1% QoQ). Netia is focusing on its own network and bundled services rather than regulated access or total services sold in order to defend gross margins. In Q1 2015 the Company recorded growth in on-net broadband services while regulated access services (BSA, LLU) decreased. Of the total broadband customers served at March 31, 2015, 53% received service over Netia's own access infrastructure as compared to 48% at March 31, 2014.

Number of broadband ports (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Own network	412.1	406.6	402.9	405.4	402.7
incl. NGA	*118.9*	*102.4*	*85.1*	*73.0*	*64.7*
incl. non-NGA	*293.2*	*304.3*	*317.8*	*332.4*	*338.0*
LLU	142.7	149.1	156.4	162.5	166.6
Bitstream access	224.9	234.1	246.9	258.4	268.1
Total	**779.6**	**789.9**	**806.3**	**826.3**	**837.4**

3.2.3 Mobile services

Netia's mobile voice services totalled 29k at March 31, 2015 (-23% YoY, +10% QoQ). Mobile broadband services at March 31, 2015 were 19k (-25% YoY, -6% QoQ).

In January 2015 Netia signed a new co-operation agreement with P4 Sp. z o.o., an operator of the Play mobile network, which facilitates provisioning of a wider range of mobile services and multiplay packages to Netia customers. Thanks to the newly signed agreement Netia will also expand its portfolio of broadband internet services with the attractive LTE tariffs.

In mid-April 2015 Netia implemented a new price offering called the '*Offering with GigaNagrywarka*', which includes also the mobile virtual network operator (MVNO) services. Under the offering, the mobile voice service is being sold in a package as a *SIM only* option.

Number of mobile services (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Mobile data	28.7	26.1	27.7	32.1	37.2
Mobile voice	18.6	19.8	21.1	21.5	24.8
Total	**47.3**	**45.9**	**48.8**	**53.7**	**62.0**

3.3 VOICE

3.3.1 *Own network, WLR & LLU*

Voice lines totalled 1,294k at March 31, 2015 (-11% YoY, -3% QoQ).

Due to competitive market conditions and focus on higher-value services on its own networks, Netia is concentrating on defending voice revenues and margins through retention activities as opposed to subscriber numbers. Moreover, Netia is steadily growing its base of relatively low cost VoIP customers, principally in the business segments. During Q1 2015 the customer base of VoIP customers in Netia's own network grew by 6k. Of the total voice customers served at March 31, 2015, 49% received service over Netia's own access infrastructure as compared to 44% at March 31, 2014.

Number of fixed voice lines (k)	*Q1 2015*	*Q4 2014*	*Q3 2014*	*Q2 2014*	*Q1 2014*
Own network voice lines	633.0	640.4	643.2	649.3	645.7
WLR	557.7	583.8	618.2	651.9	690.0
LLU voice over IP	103.6	107.2	111.0	113.6	115.1
Total	**1,294.3**	**1,331.5**	**1,372.4**	**1,414.8**	**1,450.8**

3.3.2 Indirect voice

CPS lines (carrier pre selection) totalled 50k at December 31, 2014 (-8% YoY, -1% QoQ). Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers. CPS clients are not reflected in the total voice subscriber base of 1,294k clients as at March 31, 2015.

3.4 OTHER

Active headcount was 1,373 at March 31, 2015 versus 1,897 at March 31, 2014 and 1,594 at December 31, 2014. Headcount was 1,525 at March 31, 2015, compared to 1,986 at March 31, 2014 and 1,722 at December 31, 2014. The year-on-year headcount reduction was resulting from the split of Netia's operations into B2B/B2C Business Units (N^2 Project) and an efficiency program called 'Netia Lite'. The sequential decrease in headcount was due to the second round of the efficiency program (Netia Lite 2.0), which covered, among others, the group redundancies. In Q1 2015 Netia recorded a restructuring provision release of PLN 0.1m as the majority of costs related to group redundancies conducted from January 2015 were provisioned for in the 2014 results.

Capital investment additions

Capital investment additions (PLN'M)	*Q1 2015*	*Q1 2014*	*Change %*
Existing network and IT	14.9	19.5	-24%
Broadband networks	18.4	17.8	3%
CPE broadband (mainly capitalised Netia Spot routers)	6.5	9.5	-32%
TV (incl. dedicated CPE – Netia Player)	5.7	4.0	42%
Adjusted capex	**45.4**	**50.9**	**-11%**
CDN integration	0.5	2.7	-80%
Netia Lite Project and capitalised interests[1]	0.6	1.0	-37%
Total capex	**46.6**	**54.6**	**-15%**

1 In Q1 2015 Netia modified the method of presenting capitalised interests from the bank loan and investments related to the Netia Lite project, which are currently excluded from the adjusted capex. The data for the comparative periods of 2014 was adjusted accordingly and therefore varies from the numbers presented previously.

Capital investment in existing network and IT reflect extension of transmission network capacity to activate new business customers and routine improvements to IT functionality. Investments in broadband networks include mainly works on integrating with Netia's broadband network the cable networks in Warsaw and Kraków, which were acquired from UPC Polska in May 2013 and NGA development and upgrades for residential clients. Investments in TV reflect new functionalities and expansion of TV platform as well as capitalized Netia Player decoders rendered to growing customer base.

Separation of the network assets. In line with Netia's Strategy 2020 update back in Q4 2014, Netia Group separated its network assets into those attributable to the B2C and B2B segments while simultaneously simplifying and modernizing selected network systems, with an aim to reduce costs of network maintenance. The separation covered both the active equipment and the passive network comprising ducts and cables while IT systems supporting both B2C and B2B remain as a shared platform. The next actionable item is to improve cost allocation of network assets, which is expected to facilitate more comprehensive reporting for each segment and direct efficiency improvements. The first results of the asset separation and related improvements to allocation of shared maintenance costs are to be presented in the Q3 2015 results.

Netia Lite savings program. In January 2015 Netia introduced a second stage of the savings program (Netia Lite 2.0), which included also group redundancies. The program is aimed at further cost optimization with the Netia Group.

4 Consolidated Financial Information

Please also refer to our financial statements for the three-month period ended March 31, 2015.

Q1 2015 vs. Q1 2014 (YoY)

Revenue totaled PLN 388.7m (-11% YoY). The B2C operating segment decreased by 16% or PLN 40.1m and the B2B segment by 3% or PLN 5.5m. The decline in revenues was driven by a 9% YoY decline in services provided (RGUs), which continued to be concentrated in the B2C (Home) sub-segment and in fixed voice services and lower margin WLR services in particular and a visible pricing pressure combined with lower traffic volumes in voice services in the B2B segment. The proportion of RGUs delivered on-network has increased from 47% to 52% in the twelve months to March 31, 2015.

Telecommunications revenue was PLN 388.2m (-11% YoY). Data revenue as a share of total telecommunications revenue increased YoY from 40% to 42% and direct voice revenue declined over the same period from 42% to 37%. Other telecommunications revenue, which includes TV and mobile services, increased between the compared periods by 8% or PLN 2.4m to PLN 34.5m in Q1 2015 and represented 9% of total revenue versus 7% in the prior year quarter. Revenues from interconnect and carrier services combined were up by 3% to PLN 43.7m. Data revenue decreased by 7% or PLN 12.1m to PLN 163.0m, mainly due to the lower number of BSA and LLU services. Direct voice revenue decreased by 20% and PLN 36.3m to PLN 144.2m, driven by a 11% decrease in the voice subscriber base and the drop in the number of WLR services in particular and a continued on-net ARPU decrease. Indirect voice services (CPS) revenue decreased by 33% or PLN 1.2m as a result of decreasing customer numbers and falling ARPUs.

Cost of sales was PLN 278.1m (-5% YoY) and represented 72% of total revenue as compared to 67% in Q1 2014. The decrease was mainly due to lower cost of network operations and maintenance, associated with fewer off-net RGUs. Moreover, salaries and benefits related to cost of sales decreased by 18% or PLN 1.6m following the headcount restructuring (the Netia Lite program).

Gross profit for 2014 was PLN 110.1m as compared to PLN 141.8m for Q1 2014. Gross profit margin was 28.3% for Q1 2015 as compared to 32.6% for Q1 2014.

Selling and distribution costs were PLN 70.6m (-8% YoY) and represented 18% of total in both periods. Lower cost of salaries and benefits related to selling and distribution (a decrease by 10% and PLN 3.2m YoY) and lower billing, mailing and logistics costs due to increased use of electronic solutions and renegotiations of postal service agreement (a decrease by 54% and PLN 3.0m) were the main drivers of the decreasing costs.

General and administration costs were PLN 37.0m (-19% YoY) and represented 10% of total revenue in both compared periods. Salaries and benefits cost related to general administration was lower by 35% or PLN 7.2m following the headcount restructuring (the Netia Lite program).

Other operating income, net of other operating expenses was a gain of PLN 3.1m versus a gain in the prior year quarter of PLN 0.9m. In Q1 2014 Netia recorded an impairment charge of PLN 2.5m on the decision to discontinue using Dialog's trademark, which was the main change driver.

Other gains/(losses),net were a gain of PLN 0.4m from a loss of PLN 0.1m in Q1 2014, mainly on a difference on foreign exchange changes.

Adjusted EBITDA was PLN 113.3m (- 16% YoY). Adjusted EBITDA margin was 29.1% as compared to 31.0% in Q1 2014.

Unusual items excluded from the Adjusted EBITDA were PLN 1.8m of net expenses in Q1 2015 and PLN 8.5m of net expenses in Q1 2014 (see "EBITDA Reconciliation to Profit" on page 11). Including unusual items, *EBITDA* was PLN 111.5m (-12% YoY). EBITDA margin was 28.7% as compared to 29.0% for Q1 2014.

Depreciation and amortization was PLN 105.4m versus PLN 105.3m in Q1 2014.

Operating profit (EBIT) was PLN 6.0m as compared to an operating profit of PLN 20.7m for Q1 2014. Excluding unusual items of PLN 1.8m of net expenses in Q1 2015 and PLN 8.8m of costs in Q1 2014, Adjusted EBIT was PLN 7.8m profit for Q1 2015 versus PLN 29.2m profit for Q1 2014.

Financial income / (cost), net was PLN 1.3m as compared to net financial cost of PLN 4.6m for Q1 2014 and the change is driven by decreasing interest rates, lower net indebtedness between the compared periods and refinancing of the credit facility in Q4 2014.

Income tax charge of PLN 3.5m was recorded in Q1 2015 as compared to income tax charge of PLN 5.2m in Q1 2014 (-33% YoY).

Net profit was PLN 1.3m in Q1 2015 versus net profit of PLN 11.0m in Q1 2014 (-89% YoY).

Cash outlays on purchase of fixed assets and computer software were 64.1m (-24% YoY).

Cash and short term deposits at March 31, 2015 totalled PLN 262.1m versus PLN 124.6m at March 31, 2014 (+110% YoY).

Debt and accrued interest at March 31, 2015 was PLN 300.7m as compared to PLN 385.3m in the prior year quarter (-22% YoY).

Net debt at March 31, 2015 was PLN 38.5m as compared to PLN 260.7m at March 31, 2014 (-85% YoY).

Q1 2015 vs. Q4 2014 (QoQ)

Revenue was PLN 388.7m (-4% QoQ). The decline in revenues was driven by a 2% sequential decline in services provided (RGUs), which continued to be concentrated in fixed voice services in the B2C segment, while lower APRU from on-net voice services and lower volumes of voice traffic impacted the B2B segment.

Telecommunications revenue was PLN 388.2m (-4% QoQ). Carrier segment revenue decreased by 1% to PLN 43.7m. Other telecommunications revenue decreased by 3% to PLN 34.7m mainly on lower revenue from debit notes. Data revenue decreased by 2% to PLN 163.1m following sequentially higher disconnections among off-net broadband services. Direct voice revenue fell by 6% QoQ to PLN 144.2m mainly on lower customer base.

Cost of sales was PLN 278.7m (-4% QoQ), representing 72% of total revenue in both Q1 2015 and Q4 2014. Cost of network operations and maintenance decreased by 6% and PLN 7.8m on loess regulated access service and was the main driver of a decrease. Moreover, the cost of goods sold was lower by 35% and PLN 2.1m on less contracts for reselling the telecommunications equipment.

Gross profit was PLN 110.1m (-3% QoQ), with gross profit margin at 28.3% versus 28.0% in Q4 2014.

Selling and distribution costs was PLN 70.6m (-5% QoQ), representing 18% of total revenue in both quarters. The majority of cost categories decreased sequentially. Impairment on receivables was higher as the previous quarter benefited from reversal of provisions, mostly in connection with the settlement with Orange Polska.

General and administrative expenses were PLN 37.0m (-42% QoQ), and represented 10% of total revenue in Q1 2015 as compared to 16% in Q4 2014. Due to the fact that the restructuring cost related to general administration included in Q4 2014r the provision for group headcount redundancies, this cost item decreased sequentially by 100% and PLN 14.9m. A decrease in Other costs related to general administration to PLN 6.0m from PLN 16.1m was associated mainly with the settlement with Orange Polska signed in Q4 2014, which resulted in forgiveness of mutual liabilities.

Adjusted EBITDA was PLN 113.3m (+0% QoQ) and Adjusted EBITDA margin was 29.1% in Q1 2015 versus 28.1% in Q4 2014.

EBITDA was PLN 111.5m (-51% QoQ). Unusual items for Q1 2015 totalled PLN 1.8m of net costs as compared to PLN 112.7m of net gains in Q4 2014 (see "EBITDA reconciliation to net profit" on page 11).

Operating profit (EBIT) was PLN 6.0m (-95% kdk). Excluding unusual items, EBIT for Q1 2015 would have been PLN 7.8m profit as compared to PLN 6.6m profit for Q4 2014.

Net financial cost was PLN 1.3m as compared to net financial cost of PLN 15.1m in Q4 2014. In Q4 2014 Netia recorded a loss of PLN 9.5m on terminating interest rates swap (IRS) transactions. Furthermore, the sequential improvement was due to lower interest from the refinanced credit facility.

Income tax charge of PLN 3.5m was recorded in Q1 2015 versus income tax benefit of PLN 55.8m in Q4 2014, which followed a decision on the recovery of the corporate income tax for 2003 with interest from the tax authorities.

Net profit for Q1 2015 was PLN 1.3m versus net profit of PLN 160.0m for Q4 2014.

Key Figures					
PLN'000	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenues	388,718	404,100	413,407	422,161	434,371
y-o-y % change	*(10.5%)*	*(10.4%)*	*(9.6%)*	*(11.6%)*	*(11.5%)*
Adjusted EBITDA	113,296	113,352	120,253	125,106	134,440
Margin %	*29.1%*	*28.1%*	*29.1%*	*29.6%*	*31.0%*
y-o-y change %	*(15.7%)*	*(8.7%)*	*(16.6%)*	*(11.0%)*	*(5.3%)*
EBITDA	111,489	226,090	109,490	119,801	125,978
Margin %	*28.7%*	*55.9%*	*26.5%*	*28.4%*	*29.0%*
Adjusted EBIT	7,846	6,609	13,875	19,529	29,146
Margin %	*2.0%*	*1.6%*	*3.4%*	*4.6%*	*6.7%*
EBIT	6,039	119,347	3,112	14,224	20,684
Margin %	*1.6%*	*29.5%*	*0.8%*	*3.4%*	*4.8%*
Adjusted Profit of the Netia Group (consolidated)	2,725	25,843	4,302	12,592	17,807
Margin %	*0.7%*	*6.4%*	*1.0%*	*3.0%*	*4.1%*
Profit/(Loss) of the Netia Group (consolidated)	1,261	160,001	(4,416)	8,295	10,953
Margin %	*0.3%*	*39.6%*	*(1.1%)*	*2.0%*	*2.5%*
Profit/(Loss) of Netia SA (stand alone)[1]	(13,520)	316,274	(21,416)	(12,387)	(6,827)
Cash and short term deposits	262,123	207,305	86,324	48,251	124,611
Cash, restricted cash and short term deposits	262,123	207,305	86,324	48,251	124,611
Debt	300,670	300,538	370,455	413,708	385,265
Capex related payments	64,073	57,020	50,076	54,072	84,551
Investments in tangible and intangible fixed assets and investment property	46,613	65,563	55,204	56,532	54,554

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

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2014 exclude the following items as appropriate: restructuring expenses of PLN 34.6m, New Netia (Dialog Group & Crowley) integration costs of PLN 7.9m, impairment charges totaling PLN 9.9m, costs of Netia Lite savings program of PLN 3.1m, costs of B2B/B2C divisional split of PLN 1.5m, net gains related to the settlement with Orange Polska of PLN 146.7m, costs of M&A projects of PLN 0.1m and impact from these one-offs on the income tax charge of PLN 15.9m.

Items excluded for Q1 2015 are as follows: costs of M&A projects of PLN 0.7m, non-staff related costs of the Netia Lite savings program of PLN 0.6m, non-staff related costs of N^2 Project of PLN 0.4m, Dialog Group & Crowley integration costs of PLN 0.2m, a gain related to restructuring under the Netia Lite program of PLN 0.09m, and impact from these one-offs on the income tax charge of PLN 0.3m.

Netia Group's Key Operational Indicators

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total services (RGUs)					
Broadband data services (end of period)	**779,632**	**789,876**	**806,273**	**826,345**	**837,413**
Change % (QoQ)	***-1%***	***-2%***	***-2%***	***-1%***	***-1%***
Own infrastructure-based services	412,097	406,631	402,929	405,412	402,703
NGA network services	*118,913*	*102,370*	*85,139*	*73,025*	*64,724*
Other network services	*293,184*	*304,261*	*317,790*	*332,387*	*337,979*
Bitstream access	224,865	234,153	246,939	258,367	268,089
LLU	142,670	149,092	156,405	162,566	166,621
TV services[1] (end of period)	**145,261**	**137,322**	**133,940**	**128,866**	**127,247**
Change % (QoQ)	***6%***	***3%***	***4%***	***1%***	***6%***
Mobile Voice services (end of period)	**28,734**	**26,111**	**27,735**	**32,129**	**37,223**
Change % (QoQ)	***10%***	***-6%***	***-14%***	***-14%***	***-12%***
Mobile Data services (end of period)	**18,582**	**19,758**	**21,092**	**21,541**	**24,763**
Change % (QoQ)	***-6%***	***-6%***	***-2%***	***-13%***	***-6%***
Voice services (end of period)	**1,294,302**	**1,331,486**	**1,372,417**	**1,414,812**	**1,450,817**
Change % (QoQ)	***-3%***	***-3%***	***-3%***	***-2%***	***-3%***
Own network subscriber voice services	632,995	640,401	643,197	649,317	645,722
Voice over IP (excl. LLU)[1]	*139,689*	*133,554*	*124,682*	*120,032*	*107,678*
Traditional direct voice (incl. WiMAX)	*493,306*	*506,847*	*518,515*	*529,285*	*538,044*
WLR	557,716	583,836	618,164	651,916	689,988
LLU voice over IP	103,591	107,249	111,056	113,579	115,107
Total services (RGUs)	**2,266,511**	**2,304,553**	**2,361,457**	**2,423,693**	**2,477,463**
Change % (QoQ)	***-2%***	***-2%***	***-3%***	***-2%***	***-2%***
Other					
Total on-net services	1,190,353	1,184,354	1,180,066	1,183,595	1,175,672
Total off-net services	1,076,158	1,120,199	1,181,391	1,240,098	1,301,791
Total net change in on-net services	5,999	4,288	(3,529)	7,923	9,756
Total net change in off-net services	(44,041)	(61,192)	(58,707)	(61,693)	(58,650)
Total net change in Broadband data services	(10,244)	(16,397)	(20,072)	(11,068)	(11,496)
Total net change in Voice services	(37,184)	(40,931)	(42,395)	(36,005)	(37,793)
Monthly Broadband ARPU (PLN)	55	56	56	56	55
Monthly TV ARPU blended (PLN)	39	38	37	37	36
Monthly Mobile Voice ARPU blended (PLN)	28	30	30	27	27
Monthly Mobile Data ARPU blended (PLN)	27	28	29	29	27
Monthly Voice ARPU in own network (PLN)	32	34	35	36	38
Monthly Voice ARPU for WLR (PLN)	42	43	44	44	44
Monthly Voice ARPU blended (PLN)	37	38	39	40	41
CPS lines (cumulative)	50,413	51,151	51,788	52,435	54,521
Monthly Voice ARPU for CPS	16	17	19	20	22
Headcount	1,525	1,722	1,851	1,933	1,986
Active headcount	1,373	1,594	1,707	1,788	1,897

[1] *In Q4 2014 Netia modified the method of presenting the 'Multiroom' TV services, which resulted in a decrease of total TV services and total RGUs in the quarter by approximately 7 thousand.*

B2B Business Unit's Key Data	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
B2B's Revenue (PLN'k)					
Broadband data services	**36,168**	**35,972**	**35,894**	**35,860**	**35,784**
Change % (QoQ)	*1%*	*0%*	*0%*	*0%*	*-4%*
Other data services	**36,937**	**38,017**	**38,936**	**38,847**	**38,713**
Change %(QoQ)	*-3%*	*-2%*	*0%*	*0%*	*-4%*
Voice services	**46,826**	**48,947**	**50,440**	**52,009**	**54,672**
Change % (QoQ)	*-4%*	*-3%*	*-3%*	*-5%*	*-8%*
Other services	**44,386**	**45,495**	**41,733**	**40,902**	**40,663**
Change %(QoQ)	*-2%*	*9%*	*2%*	*1%*	*-2%*
Total	**164,317**	**168,430**	**167,004**	**167,618**	**169,832**
Change % (QoQ)	***-2%***	***1%***	***0%***	***-1%***	***-5%***

B2C Business Unit's Key Data	Q1 2015[1]	Q4 2014	Q3 2014	Q2 2014	Q1 2014
B2C's services (RGUs)					
Broadband data services (end of period)	**727,157**	**737,241**	**753,580**	**773,716**	**784,530**
Change % (QoQ)	***-1%***	***-2%***	***-3%***	***-1%***	***-1%***
Own infrastructure-based services	372,821	367,256	363,738	366,347	363,507
NGA network services	*112,593*	*96,480*	*80,225*	*68,510*	*60,459*
Other network services	*260,228*	*270,776*	*283,513*	*297,837*	*303,048*
Bitstream access	216,027	225,219	237,859	249,289	258,908
LLU	138,309	144,766	151,983	158,080	162,115
TV services (end of period)	**142,364**	**134,747**	**131,704**	**126,882**	**125,564**
Change % (QoQ)	***6%***	***2%***	***4%***	***1%***	***6%***
Mobile Voice services (end of period)	**26,186**	**23,402**	**24,778**	**28,877**	**33,793**
Change % (QoQ)	***12%***	***-6%***	***-14%***	***-15%***	***-12%***
Mobile Data services (end of period)	**16,568**	**17,725**	**19,006**	**19,534**	**22,741**
Change % (QoQ)	***-7%***	***-7%***	***-3%***	***-14%***	***-7%***
Voice services (end of period)	**857,494**	**890,113**	**932,187**	**976,253**	**1,020,476**
Change % (QoQ)	***-4%***	***-5%***	***-5%***	***-4%***	***-4%***
Netia network subscriber voice services	247,126	251,557	257,221	265,367	271,934
WLR	509,020	533,589	566,268	599,745	635,910
LLU voice over IP	101,348	104,967	108,698	111,141	112,632
Total services (RGUs)	**1,769,769**	**1,803,228**	**1,861,255**	**1,925,262**	**1,987,104**
Change % (QoQ)	***-2%***	***-3%***	***-3%***	***-3%***	***-3%***
Other					
Average monthly ARPU per customer (PLN)	57	58	58	59	58
RGUs per customer[2]	1.45	1.43	1.42	1.41	1.40

1 In Q1 2015 Netia reclassified certain RGUs between operating segments by transferring approx..12k RGUs from B2B to B2C. Figures for comparative periods were adjusted accordingly and therefore vary from the numbers presented previously.
2 A customer is defined as a customer location

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Direct Voice	144,236	153,913	162,994	171,285	180,588
Incl. monthly fees	*110,902*	*117,021*	*123,324*	*128,672*	*135,249*
Incl. calling charges	*33,296*	*36,804*	*39,614*	*42,580*	*45,295*
Indirect Voice	2,486	2,588	3,034	3,195	3,714
Data	163,057	166,487	170,172	172,857	175,191
Interconnection revenues	17,727	18,145	17,040	16,828	17,923
Wholesale services	26,006	26,164	24,105	25,239	24,364
Other telecommunications revenues	34,678	35,880	34,098	32,197	32,252
Total telecommunications revenue	**388,190**	**403,177**	**411,443**	**421,601**	**434,032**
Radio communications and other revenue	528	923	1,964	560	339
Total revenue	**388,718**	**404,100**	**413,407**	**422,161**	**434,371**
Cost of sales	**(278,653)**	**(290,939)**	**(287,971)**	**(291,652)**	**(292,555)**
Interconnection charges	(41,322)	(41,866)	(39,415)	(42,475)	(42,459)
Network operations and maintenance	(124,840)	(132,617)	(132,355)	(135,969)	(137,632)
Costs of goods sold	(3,788)	(5,852)	(6,319)	(2,417)	(1,940)
Depreciation and amortization	(87,708)	(88,196)	(87,452)	(86,921)	(86,894)
Salaries and benefits	(7,305)	(6,732)	(7,074)	(7,930)	(8,895)
Restructuring	95	(1,118)	(761)	(463)	(533)
Taxes, frequency fees and other expenses	(13,785)	(14,558)	(14,595)	(15,477)	(14,202)
Gross profit	**110,065**	**113,161**	**125,436**	**130,509**	**141,816**
Margin (%)	**28.3%**	**28.0%**	**30.3%**	**30.9%**	**32.6%**
Selling and distribution costs	**(70,563)**	**(74,484)**	**(81,322)**	**(76,921)**	**(76,257)**
Advertising and promotion	(4,480)	(7,967)	(8,734)	(3,829)	(3,196)
Third party commissions	(4,466)	(5,230)	(4,571)	(4,376)	(3,820)
Billing, mailing and logistics	(2,562)	(4,489)	(4,721)	(4,997)	(5,537)
Outsourced customer service	(2,687)	(3,040)	(3,620)	(2,901)	(3,322)
Impairment of receivables	(697)	7,068	(2,984)	(3,029)	(543)
Depreciation and amortization	(9,319)	(9,537)	(9,664)	(9,457)	(10,299)
Salaries and benefits	(29,366)	(28,442)	(26,966)	(30,380)	(32,558)
Restructuring	(35)	(1,792)	(2,024)	(515)	(850)
Other costs	(16,951)	(21,055)	(18,038)	(17,437)	(16,132)
General and administration costs	**(36,954)**	**(63,892)**	**(45,960)**	**(45,170)**	**(45,599)**
Professional services	(1,680)	(2,099)	(2,366)	(1,790)	(1,852)
Electronic data processing	(3,282)	(3,816)	(4,225)	(5,388)	(4,443)
Office and car maintenance	(4,122)	(5,154)	(5,684)	(2,507)	(2,972)
Depreciation and amortization	(8,423)	(9,010)	(9,262)	(9,199)	(8,101)
Salaries and benefits	(13,439)	(12,836)	(14,215)	(17,706)	(20,678)
Restructuring	26	(14,919)	(4,071)	(1,060)	(2,258)
Other costs	(6,034)	(16,058)	(6,137)	(7,520)	(5,295)
Other operating income	3,498	156,055	2,813	5,909	3,719
Other operating expense	(442)	(7,521)	(340)	(585)	(2,854)
Other gains/ (losses), net	435	(3,972)	2,485	482	(141)
EBIT	**6,039**	**119,347**	**3,112**	**14,224**	**20,684**
Margin (%)	***1.6%***	***29.5%***	***0.8%***	***3.4%***	***4.8%***
Finance income	949	1,503	1,174	898	1,052
Finance cost	(2,243)	(16,616)	(7,561)	(5,802)	(5,603)
Profit before tax	**4,745**	**104,234**	**(3,275)**	**9,320**	**16,133**
Tax benefit / (charge)	(3,484)	55,767	(1,141)	(1,025)	(5,180)
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Operating Profit	**6,039**	**119,347**	**3,112**	**14,224**	**20,684**
Add back:					
Depreciation and amortization	105,450	106,743	106,378	105,577	105,294
EBITDA	**111,489**	**226,090**	**109,490**	**119,801**	**125,978**
Add back:					
Impairment charge for non-current assets	-	7,369	-	-	2,503
Restructuring costs	(86)	22,087	6,856	2,038	3,641
M&A related costs	668	61	60	40	-
New Netia integration costs	183	1,730	1,720	2,637	1,776
B2B/B2C split costs (N^2 Project)	424	1,478	246	590	542
Netia Lite savings program costs	618	1,493	1,607	-	-
Settlement agreement with Orange Polska	-	(146,956)	274	-	-
Adjusted EBITDA	**113,296**	**113,352**	**120,253**	**125,106**	**134,440**
Margin (%)	***29.1%***	***28.1%***	***29.1%***	***29.6%***	***31.0%***

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Reminder fees and penalties	2,298	6,682	526	1,612	1,749
Forgiveness of liabilities	-	176	253	60	168
Reversal of provisions	-	-	-	1,492	-
Income relating to government grants	796	1,108	1,109	1,110	1,111
Income on settlement agreement with Orange Polska	-	148,241	-	-	-
Other operating income	404	(114)	925	1,635	691
Total	**3,498**	**156,093**	**2,813**	**5,908**	**3,719**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Impairment charges for specific individual assets	(422)	(7,521)	(340)	(585)	(2,854)
Other expenses	-	-	-	-	-
Total	**(442)**	**(7,521)**	**(340)**	**(585)**	**(2,854)**

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

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Gain / (loss) on sale of impaired receivables	-	(4,030)	2,923	663	(2)
Gain / (loss) on disposal of fixed assets	140	190	(114)	88	77
Net foreign exchange gains / (losses)	295	(131)	(324)	(269)	(216)
Total	**435**	**(3,971)**	**2,485**	**482**	**(141)**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**
Cash flow hedges	(353)	8,045	154	(680)	1,029
Income tax relating to components of other comprehensive income	82	(1,528)	13	110	(220)
Net other comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods	**(271)**	**6,517**	**167**	**(570)**	**809**
Re-measurement gains on a defined benefit plan	-	(131)	-	-	-
Income tax relating to re- measurement gains on a defined benefit plan	-	10	-	-	-
Net other comprehensive Income / (Loss) not to be reclassified to profit or loss in subsequent periods	**-**	**(121)**	**-**	**-**	**-**
Other comprehensive Income / (Loss)	**(271)**	**6,396**	**167**	**(570)**	**809**
Total comprehensive Income / (Loss)	**990**	**166,397**	**(4,249)**	**7,725**	**11,762**

Statement of financial position
(PLN in thousands unless otherwise stated)

Time periods:	March 31 2015 *unaudited*	December 31 2014 *audited*	September 30 2014 *unaudited*	June 30 2014 *unaudited*	March 31 2014 *unaudited*
Property, plant and equipment, net	1,775,451	1,820,177	1,847,661	1,884,193	1,923,691
Intangible assets	449,867	465,299	488,036	504,233	516,785
Investment property	26,514	26,639	26,765	26,891	27,016
Deferred income tax assets	86,815	87,226	92,977	90,902	91,114
Available for sale financial assets	116	116	116	116	116
Prepaid expenses and accrued income	8,463	8,511	7,521	6,688	5,601
Derivative financial instruments	-	-	-	-	256
Total non-current assets	**2,347,226**	**2,407,968**	**2,463,076**	**2,513,023**	**2,564,579**
Inventories	2,738	2,820	2,243	2,800	2,296
Trade and other receivables	184,105	168,937	178,508	195,212	188,192
Current income tax receivables	276	81,425	316	1,762	3,864
Prepaid expenses and accrued income	22,900	20,157	21,979	25,680	25,431
Derivative financial instruments	2,333	2,063	1,070	33	34
Financial assets at fair value through profit and loss	22	23	25	24	26
Cash and short-term deposits	262,123	207,305	86,324	48,251	124,611
	474,497	**482,730**	**290,465**	**273,762**	**344,454**
Total current assets	**474,497**	**482,730**	**290,465**	**273,762**	**344,454**
TOTAL ASSETS	**2,821,723**	**2,890,698**	**2,753,541**	**2,786,785**	**2,909,033**
Share capital	348,088	348,088	347,911	347,911	347,911
Supplementary capital	1,606,848	1,606,848	1,605,090	1,605,090	1,720,488
Retained earnings	227,562	226,301	66,420	70,836	93,266
Other components of equity	60,986	61,380	56,526	55,345	55,444
TOTAL EQUITY	**2,243,484**	**2,242,617**	**2,075,947**	**2,079,182**	**2,217,109**
Bank loans/Borrowings	200,600	200,534	237,001	236,541	257,800
Provisions	1,981	2,237	1,508	1,791	1,822
Deferred income tax liabilities	16,881	14,319	14,319	13,089	14,454
Deferred income	29,522	29,722	31,004	29,840	30,886
Derivative financial instruments	-	-	2,700	2,470	2,101
Other long-term liabilities	2,623	2,928	3,426	4,315	4,436
Total non-current liabilities	**251,607**	**249,740**	**289,958**	**288,046**	**311,499**
Trade and other payables	173,841	235,712	197,687	185,316	193,551
Derivative financial instruments	1,192	37	5,088	5,125	5,444
Borrowings	100,070	100,004	133,454	177,167	127,465
Other financial liabilities	-	-	-	65	65
Current income tax liabilities	1	-	247	75	90
Provisions	18,311	26,860	13,651	11,557	14,106
Deferred income	33,217	35,728	37,509	40,252	39,704
Total current liabilities	**326,632**	**398,341**	**387,636**	**419,557**	**380,425**
Total liabilities	**578,239**	**648,081**	**677,594**	**707,603**	**691,924**
TOTAL EQUITY AND LIABILITIES	**2,821,723**	**2,890,698**	**2,753,541**	**2,786,785**	**2,909,033**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2015 *unaudited*	Q4 2014 *unaudited*	Q3 2014 *unaudited*	Q2 2014 *unaudited*	Q1 2014 *unaudited*
Profit / (Loss)	**1,261**	**160,001**	**(4,416)**	**8,295**	**10,953**
Depreciation and amortization	105,450	106,743	106,378	105,577	105,294
Impairment charges for specific individual assets	442	7,521	340	585	2,854
Deferred income tax charge / (benefit)	3,056	4,234	(833)	(1,043)	(2,125)
Interest expense and fees charged on bank loans	1,765	16,680	7,643	5,578	5,410
Other interest charged	15	51	8	46	33
Share-based compensation	(123)	277	1,014	(2,522)	755
Fair value (gains)/losses on financial assets/liabilities	2	2	(1)	2	(1)
Fair value (gains)losses on derivative financial instruments	452	(706)	(907)	(265)	(270)
Foreign exchange (gains)/losses	(13)	(109)	(217)	135	60
(Gain)/Loss on disposal of fixed assets	965	770	971	2,232	54
Gain on sale of subsidiary	-	-	-	-	(286)
Changes in working capital	6,379	(30,879)	34,199	(25,089)	(1,630)
Other	1	-	-	-	-
Net cash provided by operating activities	**119,652**	**264,585**	**144,179**	**93,531**	**121,101**
Purchase of fixed assets and computer software	(64,073)	(57,020)	(50,076)	(54,072)	(84,551)
Proceeds from sale of non-core assets	176	433	221	173	169
(Purchase)/repurchase of treasury bonds / notes	-	-	-	-	-
Sale of investments	-	-	-	-	322
Net cash used in investing activities	**(63,897)**	**(56,587)**	**(49,855)**	**(53,899)**	**(84,060)**
Government grants received	1,157	-	573	555	29
Dividend payment	-	-	(7,584)	(138,539)	-
Proceeds from borrowings	-	300,000	-	50,000	-
Finance lease payments	(133)	(176)	(145)	(128)	(132)
Overdraft	-	-	(44,025)	43,697	328
Loan repayments	-	(375,000)	-	(65,000)	-
Interest repayments	(1,694)	(11,684)	(4,948)	(5,639)	(5,576)
Payments of fees relating to bank loans	(280)	(266)	(339)	(803)	(375)
Net cash used in financing activities	**(950)**	**(87,126)**	**(56,468)**	**(115,857)**	**(5,726)**
Net change in cash and short-term deposits	**54,805**	**120,872**	**37,856**	**(76,225)**	**31,315**
Effect of exchange rate change on cash and cash equivalents	13	109	217	(135)	(60)
Cash and short-term deposits at the beginning of the period	207,305	86,324	48,251	124,611	93,356
Cash and short-term deposits at the end of the period	**262,123**	**207,305**	**86,324**	**48,251**	**124,611**

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;
B2B (Business to Business)	• Netia's business unit responsible for all operations to the business customers and one of two main reporting segments, including B2B (Business) and B2B (Carrier) sub-segments.
B2C (Business to Consumer)	• Netia's business unit responsible for all operations to the residential customers and one of two main reporting segments, including B2C (Home) and B2C (SOHO) sub-segments.
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 and income taxes. EBITDA has been further adjusted for non-cash impairment charges for non-current assets, one-off restructuring expenses related to the cost reduction program, M&A expenses, New Netia integration expenses, B2B/B2C split costs (Project N^2), impairment charge on market valuation of Netia's investment property and a decrease in provision for universal service obligation payment 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;
HFC networks	• Hybrid fiber-coax cable TV networks of former Aster cable operator in Warsaw and Cracow, which were acquired by Netia from UPC Polska in May 2013. Netia connected these cable networks to its backbone network with a view to provide NGA-based services, including high speed Internet access and TV services.
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 altnet can offer an unrestricted range of services and pays the incumbent space rental and monthly fees per customer line used.
Next Generation Access (NGA) networks	• Fixed-line access networks which consist wholly or in part of optical elements and which are capable of delivering broadband access services with enhanced characteristics (such as higher throughput) as compared to those provided over already existing not upgraded to VDSL copper networks. • Netia deploys NGA services over such technologies as VDSL, ETTH, PON, HFC, which allow for high speed Internet access (25 Mbps or higher)
Professional services	• costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;
Other telecommunications services revenues	• revenues from TV, mobile voice and mobile data services, revenues from provisioning Internet dial-in services for Netia's indirect customers (based on a call-back principle and an access number (0-20)); revenues from provisioning free-phone, split-charge and premium rate services (i.e., 0-800, 0-801 and 0-70x type services), netted against the cost of revenue sharing; as well as other non-core revenues;
Radiocommunications revenue	• revenues from radio-trunking services provided by Netia's subsidiary, UNI-Net Poland Sp. z o.o.;
Subscriber line	• a connected line which became activated and generated revenue at the end of the period;
Voice ARPU	• average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Wholesale Line Rental (WLR)	• a type of regulatory voice access enabling provision of voice service by an altnet to customers connected by a copper line owned by the incumbent. The altnet connects to the incumbent's voice network and charges the customer for both line rental and calls made. The incumbent receives a payment for line rental plus call origination fees and keeps all interconnection revenues from incoming calls.
Wholesale services	• revenues from providing commercial network services such as voice termination, incoming Voice over Internet Protocol (VoIP), telehousing and collocation as well as backbone-based services.

Conference call on the Q1 2015 results

Netia management will hold a conference call to review the results on May 14, 2015 at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern).

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Replay number:
(UK) +44 20 8196 1998
Passcode: 6055867#

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.