Contact: Anna Kuchnio
(Investor Relations)
T +48 22 352 2061
anna.kuchnio@netia.pl

Karol Wieczorek
(Public Relations)
T +48 22 352 6368
karol.wieczorek@netia.pl

Netia reports 2014 full year and fourth quarter results

WARSAW, Poland – February 19, 2015 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its audited consolidated financial results for the full year and unaudited results for the quarter ended December 31, 2014.

1 Key highlights

1.1 FINANCIAL

Netia reports the following results versus the adjusted guidance for 2014:

FY2013 Guidance and Results	*Original Guidance*[1]	*Revised Guidance* [2]	*Actual Results*
Revenues (PLN m)	1,735	1,675	1,674
Adjusted EBITDA (PLN m)	505	505	493
Adjusted EBITDA margin (%)	29.1%	30.1%	29.5%
Adjusted EBIT (PLN m)	75	75	69
Capital investments (excl. M&A and integration capex) (PLN m)	200	215	221
Capital investments (excl. M&A and integration capex) to sales (%)	11.5%	12.8%	12.8%
Adjusted operating free cash flow (Adj. OpFCF)[4](PLN m)	305	290	272

1 As per original Netia guidance for 2014 published on February 20, 2014 (see Netia's current report No. 7/2014)
2 As per revised Netia guidance for 2014 published on August 28, 2014 (see Netia's current report No. 64/2014)
3 Adjusted EBITDA less Capital Investments excluding Dialog and Crowley integration related capex and acquisitions

- *Revenue* was PLN 1,674,0m for 2014, down by 11% versus 2013. In Q4 2014 revenue decreased sequentially by 2% to PLN 404.1m from PLN 413.4m a quarter earlier. The decline in revenues was driven mainly by a 9% year-on-year and a 2% sequential decline in the number of services (RGUs), in particular in the regulated access fixed line telephony (WLR). RGU decline continued to be concentrated in the B2C (Residential) while the MTR declines during 2014, which are estimated to have contributed 23% of the year-on-year revenue decline, mainly impacted revenues in the B2B division.

- *Adjusted EBITDA* was PLN 493.2m for 2014, down by 10% versus 2013. In Q4 2014 Adjusted EBITDA was PLN 113.4m, down by 6% versus Q3 2014. Adjusted EBITDA margin was 29.5% for 2014 and 28.1% in Q4 2014 versus 29.4% for 2013 and 29.1% in Q3 2014.

- *EBITDA* was PLN 581.4m for 2014 and PLN 226.1m for Q4 2014, up by 9% versus 2013 and up by 107% versus Q3 2014. The unusual items for 2014 totalled PLN 88.2m of net gains and included:

  i. a gain related to the settlement with Orange Polska of PLN 146.7, comprising the settlement amount of PLN 145m increased by a gain related to forgiveness of certain liabilities and decreased by related legal costs,

  ii. the restructuring costs of PLN 34.6m related to staff redundancies under the N2 and Netia Lite projects and payments to the outgoing Management Board members,

  iii. impairment charges totalling PLN 9.9m, recorded upon the decision to discontinue using Dialog's trademark (PLN 2.5m) and upon the resignation to maintain one of mobile platforms (PLN 7.4m),

  iv. Dialog Group and Crowley integration costs of PLN 7.9m,

  v. non-staff related costs of Netia's reorganisation into B2B and B2C Business Units (N^2 Project) of PLN 2.8m,

  vi. non-staff related costs of the Netia Lite savings program of PLN 3.1m, and

  vii. costs of M&A projects of PLN 0.2m.

Unusual items for Q4 2014 totalled a net gain of PLN 112.7m while in the comparative periods of 2013 and Q3 2014 the unusual items totalled a net expense of PLN 18.1m and PLN 10.8m, respectively. EBITDA margin was 34.7% for 2014 and 55.9% for Q4 2014 as compared to 28.4% for 2013 and 26.5% for Q3 2014.

EBITDA Reconciliation to Adjusted EBITDA (PLN in thousands unless otherwise stated)				
Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
EBITDA	**532,753**	**581,359**	**109,490**	**226,090**
Less net unusual (gains)/expenses	***18,102***	***(88,208)***	***10,763***	***(112,738)***
comprising:				
Impairment charge for non-current assets	431	9,872	-	7,369
Restructuring costs	3,631	34,622	6,856	22,087
M&A related costs	618	161	60	61
New Netia integration costs	9,500	7,863	1,720	1,730
B2B/B2C split costs (N^2 Project)	1,469	2,856	246	1,478
Impairment charge on market valuation of investment property in Warsaw	2,603	-	-	-
Decrease in provision for universal service obligation payment	(150)	-	-	-
Netia Lite costs	-	3,100	1,607	1,493
(Gains)/Costs related to the settlement with Orange Polska	-	(146,682)	274	(146,956)
Adjusted EBITDA	**550,855**	**493,151**	**120,253**	**113,352**

- *EBIT* was PLN 157.4m (Adjusted EBIT was PLN 69.2m profit when excluding all one-offs) in 2014 as compared to PLN 92.7m (PLN 110.9m profit when excluding one-offs) in 2013. EBIT for Q4 2014 was PLN 119.3m (PLN 6.6m profit when excluding one-offs) as compared to PLN 3.1m (PLN 13.9m profit when excluding one-offs) in Q3 2014. Under the signed settlement agreement, in Q4 2014 Netia received from Orange Polska PLN 145m, which contributed to a high EBIT result in the quarter and the full year 2014.

- *Net profit* was PLN 174.8m for 2014 versus net profit of PLN 46.3m for 2013. Net profit for Q4 2014 was PLN 160.0m versus a net loss of PLN 4.4m for Q3 2014. Reported net profit for 2014 included PLN 145m received from Orange Polska under the settlement agreement, PLN 23.1m of interest to service the loan taken to acquire Dialog Group versus PLN 30.7m of interest for this purpose in 2013 and PLN 2.7m of finance costs recorded in relation to the decision to terminate the previous credit facility. Moreover, reported net profit for 2014 included an income tax benefit of PLN 48.4m, which followed the recovery of the corporate income tax for 2003 with interest from the tax authorities, versus an income charge of PLN 18.1m recorded in 2013. *Netia SA (the parent company) recorded a net profit for 2014* of PLN 275.6m versus a net profit of PLN 30.7m in 2013.

- *Netia was operating free cash flow positive in both the full year and Q4 2014*. Operating free cash flow, measured as Adjusted EBITDA less capital investment excluding integration related capex and acquisitions, was PLN 272.3m for 2014 and PLN 50.7m for Q4 2014 versus PLN 311.1m for 2013 and 66.3m for Q3 2014. Seasonally higher investments towards the year end were the main driver behind the sequential decrease in operating free cash flow.

- *Netia's cash and short term deposits* at December 31, 2014 totalled PLN 207.3m, up by PLN 121.0m from September 30, 2014, with *total debt* at PLN 300.5m, down by PLN 69.9m from September 30, 2014. A sequential increase in cash position and a decrease in debt were connected with the Orange Polska settlement and refinancing of credit facility, respectively. *Net debt* therefore stood at PLN 93.2m, down by PLN 190.1m from PLN 284.1m on September 30, 2014 and *financial leverage* was 0.19x Adjusted EBITDA of PLN 493.2m for 2014 full year.

- *Distribution policy*. The distribution policy of Netia Group remains unchanged.

- *Netia Lite savings program*. In parallel to working on Netia's updated strategy, new CEO Adam Sawicki rolled out the 'Netia Lite' short- to mid-term savings program in Q3 2014. Focusing on savings from reducing senior management layers, simplifying the organization, cutting office space and limiting discretionary spending, Netia Lite is targeting PLN 50m of full year incremental savings during 2015. In January 2015 Netia launched the second phase of the savings program (Netia Lite 2.0), which includes also group redundancies.

- *2015 guidance*. Netia Management decided that no guidance for FY2015 will be published.

- *Refinancing of the credit facility.* On November 3, 2014 Netia executed a loan agreement with mBank SA and Bank Gospodarki Żywnościowej SA for a three-year term facility totaling up to PLN 300m aimed at repaying the receivables under the earlier credit agreement signed on September 29, 2011.

- *Settlement agreement with Orange Polska.* On November 5, 2014 Netia and Orange Polska signed a settlement agreement under which both parties agreed to immediately withdraw all claims and lawsuits and terminate all legal proceedings. Under the agreement, Orange Polska paid Netia on the day of signing the settlement agreement the amount of PLN 145m. Moreover, in relation to the settlement agreement Netia recorded an income related to forgiveness of certain liabilities.

- *Refund of corporate income tax (CIT) for 2003.* On December 29, 2014, Netia became aware that a further decision was issued by the Director of the Tax Chamber in Warsaw establishing Netia's corporate income tax ("CIT") obligation for the year 2003 at PLN 0. On January 8, 2014, the Company received tax refund of PLN 81.5m covering the tax paid and the accrued interest, which brings to a close a dispute with the tax authorities over 2003 CIT *(see section 'Other Highlights")*.

- *Resignation of Netia's CEO.* On January 30, 2015 Mr. Adam Sawicki resigned from his position of the President and the member of the Company's Management Board. The resignation is effective as of an end of July 31, 2015. Mr. Sawicki's resignation was due to intention to continue his career outside Netia Group in order to take up new challenges and to gain new experience.

1.2 OPERATIONAL

Total services (RGUs) were 2,304,553 at December 31, 2014 as compared to 2,526,357 at December 31, 2013 and 2,361,457 at September 30, 2014, with the year-on-year and quarterly decreases driven by the fall in fixed voice services and generally intense competition on a telecommunications market. In Q4 2014 Netia recorded 4,288 on-net RGU additions and 61,192 off-net RGU disconnections as compared to 3,529 on-net RGUs and 58,707off-net RGUs disconnected in Q3 2014. As in recent quarters, RGU growth remains concentrated in B2B and in TV and on-net broadband services within B2C, including services over the former Aster cable TV infrastructure which were launched commercially in August 2014. RGU disconnections continued to be focused on regulated access services, in particular fixed voice telephony (WLR) in B2C.

Total services (RGUs) by division (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014[1]*
B2B Division	477.7	484.1	492.0	493.9	494.1
Net change in B2B services	*8.1*	*6.4*	*7.9*	*1.9*	*0.2*
B2C Division	2,014.1	1,959.1	1,897.3	1,833.0	1,775.6
Net change in B2C services	*(41.9)*	*(55.1)*	*(61.7)*	*(64.3)*	*(57.4)*
Other[2] (Petrotel)	34.5	34.3	34.4	34.6	34.9
Net change in Other (Petrotel) services	*0.1*	*(0.2)*	*0.1*	*0.2*	*0.3*
Total	**2,526.4**	**2,477.5**	**2,423.7**	**2,361.5**	**2,304.6**
Net change in total services	***(33.7)***	***(48.9)***	***(53.8)***	***(62.2)***	***(56.9)***

[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.

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

Total services (RGUs) by access type (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014[1]*
On-net services	1,165.9	1,175.7	1,183.6	1,180.1	1,184.4
Net change in on-net services	*14.3*	*9.8*	*7.9*	*(3.5)*	*4.3*
Off-net services	1,360.4	1,301.8	1,240.1	1,181.4	1,120.2
Net change in off-net services	*(48.0)*	*(58.6)*	*(61.7)*	*(58.7)*	*(61.2)*
Total	**2,526.4**	**2,477.5**	**2,423.7**	**2,361.5**	**2,304.6**
Net change in total services	***(33.7)***	***(48.9)***	***(53.8)***	***(62.2)***	***(56.9)***

[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.

- *Netia's TV services* reached 137,323 at December 31, 2014, growing by 14% from 120,321 at December 31, 2013 and by 3% from 133,940 at September 30, 2014. In Q4 2014 Netia modified the method of presenting the 'Multiroom' TV services, which resulted in a decrease of total TV services by approximately 7 thousand and a simultaneous increase in ARPU in the quarter. Inclusive of the above presentation change, in Q4 2014 Netia added net 3,383 TV services as compared to 5,074 TV services added in Q3 2014. Launching services over the former Aster network and developing TV services in streaming technology fully compensated for disconnections resulting from the planned gradual downsizing of IPTV-based services.
- *Netia's broadband services* base was 789,876 at December 31, 2014, declining by 7% from 848,909 at December 31, 2013 and by 2% from 806,237 at September 30, 2014. Netia estimates that its total fixed broadband market share was approximately 11.5% versus 12.7% at December 31, 2013. Netia recorded a net decrease of 16,397 broadband customers during Q4 2014 versus a net decrease of 20,072 broadband customers during Q3 2014. The sequential decrease in net services continued to be concentrated on regulated access (WLR, LLU), while on-net services recorded growth. The own infrastructure-based broadband services (excluding WiMAX Internet) recorded a net increase of 4,758 during Q4 2014 versus a net decrease of 1,262 in Q3 2014. Management is focusing on its own network and bundled services rather than regulated access or total services sold in order to defend gross margins. Of the total broadband customers served at December 31, 2014, 51% received service over Netia's own access infrastructure as compared to 47% at December 31, 2013.
- *Netia's fixed voice services*. Netia estimates that its total fixed voice market share was approximately 17.4% in Q4 2014 versus 18.8% in Q4 2013. Due to competitive market conditions and focus on higher-value services, Netia is concentrating on defending voice revenues and margins through retention activities as opposed to subscriber numbers. Netia's voice subscriber base was 1,331,486 at December 31, 2014 as compared to 1,488,610 at December 31, 2013 and 1,372,417 at September 30, 2014. In total, Netia recorded a net decrease of 40,931 voice subscribers during Q4 2014 versus 42,395 in Q3 2014. Of the total voice customers served at December 31, 2014, 48% received service over Netia's own access infrastructure as compared to 43% at December 31, 2013.
- *Netia's mobile services* at December 31, 2014 were 19,758 for mobile broadband and 26,111 for mobile voice as compared to, respectively, 26,397 and 42,120 services at December 31, 2013 and 21,092 and 27,735 services at September 30, 2014.
- *Co-operation agreement with P4, an operator of Play mobile network*. In January 2015 Netia signed a new co-operation agreement with P4, which facilitates provisioning of a wider range of mobile services and multiplay packages to Netia customers *(see section 'Other Highlights')*.

2 Operational review

2.1 BROADBAND, TV & MOBILE SERVICES

TV and content services. 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.

The number of active TV services in Netia grew to 137,323 as at December 31, 2014 up by 14% from 120,321 as at December 31, 2013 and by 3% from 133,940 as at September 30, 2014. In Q4 2014 Netia introduced a one-time adjustment in presentation of the 'Multiroom' TV services, which resulted in a decrease of total TV services by approximately 7 thousand in the quarter and a simultaneous increase in ARPU from these services.

Number of TV services (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014*[1]
Total	**120.3**	**127.2**	**128.9**	**133.9**	**137.3**

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

Netia added 3,384 TV services net in Q4 2014 (inclusive of a one-time adjustment in the presentation of the 'Multiroom' TV services amounting to circa 7 thousand extra TV services), compared to 1,619 services added in Q2 2014 thanks to launching services over the former Aster network and developing TV services in streaming technology, which fully compensated for disconnections resulting from the planned gradual downsizing of IPTV-based services. 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 during 2013. Should the impact of the

'Multiroom' service reclassification to VAS be reflected in the net adds, Netia added net circa 10 thousand TV services in Q4 2014.

TV ARPU was PLN 38 in Q4 2014 as compared to PLN 37 in both Q4 2013 and Q3 2014. An increase in APRU was resulting from the sales of the relatively more expensive TV packages and an adjustment to APRU calculation following the exclusion of the 'Multiroom' services.

Broadband services totalled 789,876 at December 31, 2014, down by 7% from 848,909 at December 31, 2013 and by 2% from 806,273 at September 30, 2014.

Netia provides its broadband services using the following technologies:

Number of broadband ports (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014*
xDSL, FastEthernet, HFC and PON over own network	386.8	387.9	391.1	389.5	394.3
incl. Traditional networks (PON, VDSL, ADSL, HFC)	*276.0*	*278.9*	*283.7*	*283.6*	*290.6*
incl. Ethernet networks	*110.8*	*109.0*	*107.4*	*105.9*	*103.7*
WiMAX Internet	15.3	14.8	14.3	13.4	12.4
LLU	169.9	166.6	162.5	156.4	149.1
Bitstream access	276.9	268.1	258.4	246.9	234.1
Total	**848.9**	**837.4**	**826.3**	**806.3**	**789.9**

Broadband services net decrease totalled 16,397 during Q4 2014 as compared to 20,072 in Q3 2014. Slower fixed broadband market growth and increased price competition on broadband products from both the incumbent and cable TV operators has eliminated Netia's retail price advantage on 1play BSA services and reduced gross additions run rates and increased churn rates across the broadband portfolio.

Broadband ARPU was PLN 56 in Q4 2014 as compared to PLN 56 in both Q4 2013 and Q3 2014.

Broadband SAC was PLN 174 as compared to PLN 164 in Q4 2013 and PLN 186 in Q3 2014.

Local Ethernet network operators. As of December 31, 2014, Netia's Ethernet networks provided broadband access to a total of 103,657 mostly residential customers as compared to 105,917 customers at September 30, 2014 and 110,754 customers at December 31, 2013, with approximately 621,000 homes passed. Netia is currently focused on upgrading Ethernet networks already acquired and therefore will likely acquire new networks at a much slower pace than seen in the past, if at all. There were no additions of Ethernet networks completed in 2014.

Netia launched commercial services over its HFC infrastructure in Warsaw and Kraków during August 2014 and expects the new market to contribute significantly to the rate of on-net RGU growth. The total reach of the former Aster's HFC network over which Netia may offer its services includes approximately 314k households in Warsaw and approximately 106k households in Kraków. The total sales potential was put into operation in November 2014. During August 2014 the sales process was conducted over the network covering 175k households in Warsaw and 40k households in Kraków while in September 2014 the sales reach was 220k and 50k households in both cities, respectively. Management views results of the first months of sales over the HFC network as very promising. As at December 31, 2014, the HFC network base included 8,908 broadband services and 7,494 TV services. The contribution of 2play (broadband+TV) net adds in the total sales of the HFC project reached a very high 93%.

NGA network development. As at December 31, 2014, Netia covered in total 1,706,000 households with its NGA networks, including 380,000 HFC HPs cover by the former Aster cable network, 176,000 PON HPs, 897,000 VDSL HPs and 253,000 Ethernet FTTB HPs. During Q4 2014 Netia expanded its NGA coverage by approximately 122,000 HPs (being 110,000 HFC HPs, 3,000 FTTB HPs and 9,000 PON HPs). Moreover, at December 31, 2014 Netia covered a further 404,000 TV ready HPs. Combined with NGA ready HPs, all of which can deliver TV services, Netia had 2,110,000 TV ready HPs in its proprietary network coverage.

Once all upgrade projects are completed, inclusive of the recent acquisition of cable networks from UPC Polska, Netia expects to cover in total approximately 1,726,000 NGA HPs which can be reached with 3play service bundles (TV + fixed NGA broadband + fixed voice). Management is presently focusing on optimizing sales, provisioning and maintenance processes around TV services in addition to constant development of the content offering and service functionalities.

Mobile services. The mobile broadband customer base totalled 19,758 at December 31, 2014 as compared to 26,397 at December 31, 2013 and 21,092 at September 30, 2014. *Mobile broadband ARPU* was PLN 28 in Q4 2014 as compared to PLN 27 in Q4 2013 and PLN 29 in Q3 2014. *Mobile voice services* totalled 26,111at December 31, 2014 as compared to 42,120 at December 31, 2013 and 27,735 at September 30, 2014. *Mobile voice ARPU* was PLN 30 in Q4 2014 as compared to PLN 29 in Q43 2013 and PLN 30 in Q3 2014.

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. Part of these new products has been already successfully offered to the existing customers under commercial pilots and is expected to be included into a standard product offering in the beginning of Q2 2015. In particular, under the retention activities addressed to subscribers of a standalone WLR service, Netia offers a new product called 'Home Phone' (Telefon Domowy), which is an equivalent of Play's 'Fixed Formula' (Formuła Stacjonarna), at the price starting at PLN 19.90. Another new product is a competitively priced (from PLN 9.90 per month) mobile voice tariff 'SIM Only'. Thanks to the newly signed agreement Netia will also expand its portfolio of broadband internet services with the attractive LTE tariffs.

Number of mobile services (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014*
Mobile data	26.4	24.8	21.5	21.1	19.8
Mobile voice	42.1	37.2	32.1	27.7	26.1
Total	**68.5**	**62.0**	**53.7**	**48.8**	**45.9**

2.2 VOICE

2.2.1 Own network, WLR & LLU

Voice lines totalled 1,331,486 at December 31, 2014 as compared to 1,488,610 at December 31, 2013 and 1,372,417 at September 30, 2014. In Q4 2014 Netia recorded a net decrease of 40,931 voice lines versus 42,395 voice lines in Q3 2014 and 30,655 voice lines in Q4 2013. The Company expects the number of fixed voice lines to continue to decline, mainly due to clients churning from traditional direct voice and WLR services.

Netia is steadily growing its base of relatively low cost VoIP customers, principally in the business segments. During Q4 2014 the customer base of traditional direct voice services decreased by 10,838 while the number of VoIP customers grew in the same period by 8,872.

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

Number of fixed voice lines (k)	*Q4 2013*	*Q1 2014*	*Q2 2014*	*Q3 2014*	*Q4 2014*
Traditional direct voice	532.6	526.5	516.5	506.4	495.6
Voice over IP (excl. LLU)	98.8	107.7	120.0	124.7	133.5
WiMAX voice	12.0	11.5	12.8	12.1	11.3
Own network voice lines	**643.4**	**645.7**	**649.3**	**643.2**	**640.4**
WLR	728.7	690.0	651.9	618.2	583.8
LLU voice over IP	116.5	115.1	113.6	111.0	107.2
Total	**1,488.6**	**1,450.8**	**1,414.8**	**1,372.4**	**1,331.5**

Voice ARPU per WLR line was PLN 43 in Q4 2014 as compared to PLN 45 in Q4 2013 and PLN 44 in Q3 2014.

Voice ARPU per Netia network subscriber line was PLN 34 in Q4 2014 as compared to PLN 39 in Q4 2013 and PLN 35 in Q3 2014. The fall reflects more aggressive defence of the customer base than on WLR, aggressively priced voice over IP services to business customers and deep discounts given when voice is bundled in 3play.

Blended voice ARPU was PLN 38 in Q4 2014 as compared to PLN 42 in Q4 2013 and PLN 39 in Q3 2014.

2.2.2 Indirect voice

CPS lines (carrier pre selection) totalled 51,151 at December 31, 2014 as compared to 55,922 at December 31, 2013 and 51,788 at September 30, 2014. 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 1,331,486 clients as at December 31, 2014.

Indirect voice ARPU per CPS line was PLN 17 in Q4 2014 as compared to PLN 24 in Q4 2013 and PLN 19 in Q3 2014. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers are responsible for the progressive ARPU decline.

2.3 OTHER

Headcount was 1,722 at December 31, 2014, compared to 2,012 at December 31, 2013 and 1,851 at September 30, 2014. Active headcount was 1,594 at December 31, 2014 versus 1,917 at December 31, 2013 and 1,707 at September 30, 2014. During Q1 2014 certain job positions were identified for reduction during the course of 2014 in connection with the split of Netia's operations into B2B/B2C Business Units. A further round of headcount reductions began in July 2014 as part of a further efficiency program called 'Netia Lite'. In January 2015 Netia enter into the second phase of this program (*Netia Lajt 2.0*), which includes also the group redundancies. Provisions totaling PLN 34.6m for headcount reductions under both projects, including the majority of costs related to group redundancies conducted from January 2015, were booked in the 2014 results.

Capital investment additions

Capital investment additions (PLN'M)	*2013*	*2014*	*Change %*	*Q3 2014*	*Q4 2014*	*Change %*
Existing network and IT	106.8	86.9	-19%	19.3	21.6	12%
Broadband networks	89.0	88.7	0%	25.4	25.5	0%
CPE broadband (mainly capitalised Netia Spot routers)	18.4	18.0	-2%	3.1	2.9	-7%
TV (incl. dedicated CPE – Netia Player)	19.1	27.3	43%	6.2	12.6	103%
Netia's real estate at Poleczki St. (transformation from perpetual usufruct to freehold)	6.5	nd	nd	nd	nd	nd
Adjusted capex	**239.8**	**220.9**	**-8%**	**54.0**	**62.6**	**16%**
CDN integration	32.6	11.0	-66%	1.2	2.9	142%
Purchase of CATV networks	7.2	nd	nd	nd	nd	nd
Total capex	**279.6**	**231.9**	**-17%**	**55.2**	**65.5**	**19%**

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 NGA development and upgrades for residential clients and works on integrating with Netia's broadband network the cable networks in Warsaw and Kraków, which were acquired from UPC Polska in May 2013. Investments in TV reflect new functionalities and expansion of TV platform as well as capitalized Netia Player decoders rendered to growing customer base.

3 Other Highlights

Separation of the network assets. Within Netia's Strategy 2020 updated in Q4 2014, Netia Group intends, among others, to separate all network assets attributable to the B2C and B2B segments while simultaneously simplifying and modernizing selected network systems, with an aim to reduce costs of network maintenance. Furthermore, IT systems are to be optimized, with particular focus on processes directly supporting commercial activities of the B2C and B2B business segments. The separation covers both the active equipment and the passive network comprising ducts and cables while IT systems supporting both B2C and B2B will continue to be the common part. The split is expected to facilitate more comprehensive reporting for each segment and efficiency improvements. The first results of the separated assets are to be presented in the Q1 2015 results.

Netia Lite savings program. In parallel to working on Netia's updated Strategy, the Management rolled out the 'Netia Lite' short- to mid-term savings program in Q3 2014. Focusing on savings from reducing senior management layers, simplifying the organization, cutting office space and limiting discretionary spending, Netia Lite is targeting PLN 50m of incremental savings annually. In its initial implementation phase the program was focused on proper identification and verification of savings areas and execution of 'quick-win' initiatives.

In January 2015 Netia launched the second phase of the savings program (Netia Lite 2.0), which includes also group redundancies. The Company assumes that redundancies and changes to the employment contracts will cover up to 350 individuals. All redundant employees were offered 12-months medical care, additional financial compensation and access to an outplacement program.

The vast majority of cost associated with the redundancy program was already provided for in the Q4 2014 headcount restructuring provision of PLN 22.1m. Total cost of headcount restructuring in 2014 was PLN 34.6m.

Financing. On December 31, 2014, Netia had PLN 207.3m in cash and short term deposits and PLN 300.5m in total debt and accrued interest as compared to PLN 93.4m and PLN 384.1m, respectively, on December 31, 2013. Accordingly, Netia Group's net debt at December 31, 2014 was PLN 93.2m versus PLN 290.7m at December 31, 2013 and PLN 284.1m at September 30, 2014 and net debt to the 2014 Adjusted EBITDA of PLN 493m amounted to 0.19x. The decrease in net debt during Q4 2014 was due to the settlement agreement with Orange Polska.

Disputed corporate income tax (CIT) for 2003. On December 29, 2014 Netia became aware that a further decision (the "Decision") was issued by the Director of the Tax Chamber in Warsaw (the "Tax Chamber Director") establishing Netia's corporate income tax ("CIT") obligation for the year 2003 at PLN 0.

The Decision was issued after a reconsideration of the case by the Tax Chamber Director following the issuance of the judgment of the Voivodship Administrative Court in Warsaw on October 10, 2013, which was later upheld by the Supreme Administrative Court in its judgment of June 25, 2014 that reversed the decision of the Tax Chamber Director dated February 16, 2010 previously issued in the case, which established Netia's due CIT for 2003 at PLN 34.2 million plus penalty interest of approximately PLN 25.3 million (the "Reversed Decision").

The Decision incorporates the argumentation put forward by the Company in the course of the proceedings conducted in this case before administrative courts of the first and second instance. Since the Company paid the tax (with interest) established by the Tax Chamber Director in the Reversed Decision in February 2013, on January 8, 2015 the Company received tax refund of PLN 81.5m, which brought to a close a dispute with the tax authorities over 2003 CIT.

The tax refund with interest accrued until December 31, 2014, totalling PLN 81.4m, was recognised as income tax benefit in Q4 2014 while the remaining PLN 0.09m will increase the net result in Q1 2015.

Consolidated Financial Information

Please also refer to our financial statements for the twelve-month period ended December 31, 2014.

2014 vs. 2013

Revenue decreased by 11% YoY to PLN 1,674.0m for 2014 from PLN 1,876.0m in 2013. The B2C operating segment decreased by 13% or PLN 143.8m and the B2B segment by 8% or PLN 56.1m. The decline in revenues was driven by a 7% YoY decline in services provided (RGUs) and by falls in mobile termination rates (MTRs) which contributed approximately 23% of the revenue decline. RGU declines continued to be concentrated in the B2C (Home) sub-segment and in fixed voice services and lower margin WLR services in particular. RGUs in the B2B segment increased year-on-year by 5% and 16,391.The proportion of RGUs delivered on-network has increased from 46% to 51% in the twelve months to December 31, 2014.

Telecommunications revenue decreased by 11% YoY to PLN 1,670.3m in 2014 from PLN 1,867.6m in the prior year. Data revenue as a share of total telecommunications revenue increased YoY from 39% to 41% and direct voice revenue declined over the same period from 43% to 40%. Other telecommunications revenue, which include TV and mobile services, increased between the compared periods by 10% or PLN 12.2m to PLN 134.4m in 2014 from PLN 122.2m in 2013 and represented 8% of total revenue versus 7% in the prior year. Data revenue decreased by 5% or PLN 40.0m to PLN 684.7m from PLN 724.7m in 2013, mainly due to the lower number of BSA services. Revenues from interconnect and carrier services combined were down by 12% to PLN 169.8m from PLN 192.3m in 2013 following the introduction of lower MTRs in January 2013 and again in July 2013. Direct voice revenue decreased by 17% and PLN 140.4m to PLN 668.8m from PLN 809.2m in 2013, driven by a 7% decrease in the voice subscriber base and the drop in the number of WLR services in particular and an on-net ARPU decrease of 14%. Indirect voice services (CPS) revenue decreased by 35% or PLN 6.7m as a result of decreasing customer numbers and falling ARPUs.

Cost of sales decreased by 8% YoY to PLN 1,163.1m from PLN 1,265.3m for 2013 and represented 69% of total revenue as compared to 67% in the prior year.

Network operations and maintenance cost decreased by 9% to PLN 538.6m from PLN 593.4m for the prior year due to fewer off-net RGUs generating regulated access fees.

Interconnection charges decreased by 17% to PLN 166.2m in 2014 as compared to PLN 201.3m for 2013, due mainly to falling MTRs.

Depreciation and amortization related to cost of sales decreased by 3% to PLN 349.5m as compared to PLN 359.6m in 2013 following the reassessment of useful lives of the Netia Group's fixed assets in Q1 2014, resulting in a reduction of some depreciation rates.

Taxes, frequency fees and other expenses decreased by 15% to PLN 58.8m in 2014 as compared to PLN 68.9m for 2013 mainly as a result of lower cost of office space rentals.

Restructuring costs related to cost of sales increased to PLN 2.9m from PLN 0.6m in 2013, reflecting in 2014 the costs of headcount reduction under the N^2 and Netia Lite projects.

Salaries and benefits related to cost of sales decreased by 5% to PLN 30.6m from PLN 32.2m in 2013.

Gross profit for 2014 was PLN 510.9m as compared to PLN 610.7m for 2013. Gross profit margin was 30.5% for 2014 and 32.6% for 2013.

Selling and distribution costs decreased by 14% YoY to PLN 309.0m from PLN 358.5m for previous year and represented 18% of total revenue as compared to 19% in 2013. Lower direct acquisition costs from fewer gross additions and lower advertising spending were the main drivers of the decreasing costs.

Advertising and promotion cost decreased by 39% YoY to PLN 23.7m for 2014 as compared to PLN 39.1m for 2013 as a result of limited advertising campaigns and lower costs of both broadcasting and production of new TV commercials.

Impairment of receivables was lower by PLN 13.9m as the current year benefited from the settlement with Orange Polska resulting in forgiveness of mutual liabilities, provision releases due to improving bad debt recovery performance and sale of overdue receivables.

Depreciation and amortization related to selling and distribution cost decreased by 23% to PLN 39.0m from PLN 50.5m in 2013 following the reassessment of useful lives of the Netia Group's fixed assets in Q1 2014, resulting in a reduction of some depreciation rates.

Billing, mailing and logistics costs decreased by 30% YoY to PLN 19.7m from PLN 28.2m due to integration synergies and greater use of electronic billing solutions.

Third party commissions decreased by 21% YoY to PLN 18.0m from PLN 22.9m due to lower gross additions, particularly in voice services.

Salaries and benefits related to selling and distribution cost decreased by 2% to PLN 118.3m from PLN 120.5m in 2013.

Outsourced customer service cost decreased by 10% YoY to PLN 12.9m from PLN 14.4m due to extracting integration synergies and increased use of internal customer care resources.

Other expenses related to selling and distribution were higher by 7% and PLN 4.5m mainly on increased cost of TV content for a higher base of TV customers.

Restructuring costs related to selling and distribution increased to PLN 5.2m from PLN 1.5m in 2013, reflecting in 2014 the costs of headcount reduction under the N^2 and Netia Lite projects.

General and administration costs increased by 12% YoY to PLN 200.6m from PLN 179.2m for 2013 and represented 12% of total revenue as compared to 10% for 2013. Higher restructuring cost related to headcount restructuring in connection with the N^2 and Netia Lite projects, higher depreciation and amortization on additional software, and migration of Dialog's customer data bases to Netia were the main cost drivers.

Restructuring costs related to general administration increased to PLN 22.3m from PLN 1.5m in 2013, reflecting mainly provisions for the headcount optimization process in connection with the N^2 and Netia Lite projects and payments to the outgoing members of the Management Board who resigned from their positions in 2014.

Depreciation and amortization related to general administration increased by 19% or PLN 5.7m in connection with amortization of additional computer software and licenses.

Other costs related to general administration cost increased by 20% or PLN 5.8m driven by the settlement with Orange Polska resulting in forgiveness of mutual liabilities.

Electronic data processing cost increased by 9% or PLN 1.5m in connection with the integration projects such as migration of Dialog's customer data bases to Netia, completed in April 2014.

Office and car maintenance costs increased by 5% or PLN 0.8m between the periods mainly as a result of provisions for releasing part of office space prior to the expiry of rental contracts.

Salaries and benefits related to general administration cost decreased by 15% to PLN 65.4m from PLN 77.2m in 2013.

Professional services costs decreased by 15% or PLN 1.4m.

Other income, net of other expenses was a gain of PLN 157.2m versus a prior year gain of PLN 10.5m driven by settlement with Orange Polska, income relating to the government grants and reversal of provisions which offset an impact of the impairment charges of PLN 7.4m and PLN 2.5m booked during 2014 on the decisions to discontinue maintaining one of the existing mobile platforms and using Dialog's trademark, respectively.

Other gains/(losses), net were a loss of PLN 1.1m from a gain of PLN 9.3m in 2013 on significantly lower gain on sale of impaired receivables.

Adjusted EBITDA was PLN 493.2m, down by 10% from PLN 550.6m for 2013. Adjusted EB/TDA margin was 29.5% as compared to 29.4% in 2013.

Unusual items excluded from the Adjusted EBITDA were PLN 88.2m of net gains in 2014 and PLN 18.1m of net expenses in 2013. Including a net gain on settlement with Orange Polska in PLN 146.7m in 2014, headcount restructuring costs of PLN 34.6m in 2014 and PLN 3.6m in 2013, the Dialog Group and Crowley integration costs of PLN 7.9m in 2014 and PLN 9.5m in 2013, impairment charges totalling PLN 9.9m in 2014, comprising PLN 2.5m recorded in Q1 2014 upon the decision to discontinue using Dialog's trademark and PLN 7.4m recorded in Q4 2014 upon the resignation to maintain one of mobile platforms, versus an impairment charge of PLN 0.4m in 2013, cost of Netia Lite and N^2 projects of PLN 3.1m and PLN 2.8m, respectively, recorded in 2014, a decrease in provision for universal service obligation of PLN 0.2m recorded in 2013, the costs of M&A projects of PLN 0.2m in 2014 and PLN 0.6m in 2013 and PLN 2.6m impairment charge on valuation of investment property recorded in 2013, *EBITDA* was PLN 581.4m for 2014 as compared to PLN 532.8m for the prior year. EBITDA margin was 34.7% as compared to 28.4% for 2013.

Depreciation and amortization was PLN 424.0m, a decrease of 4% YoY as compared to PLN 440.0m in 2013 following full depreciation of certain assets and liquidation in 4Q 2013 of certain obsolete assets.

Operating profit (EBIT) was PLN 157.4m as compared to an operating profit of PLN 92.8m for 2013. Excluding unusual items described above of PLN 88.2m of net gains 2014 and PLN 18.1m of costs in 2013, Adjusted EBIT was PLN 69.2m profit for 2014 versus PLN 110.9m profit for 2013.

Net financial cost was PLN 31.0m as compared to net financial cost of PLN 28.3m for the prior year and the change is driven by the loss on terminating the interest rate swap (IRS) contracts.

Income tax benefit of PLN 48.4m was recorded in 2014 as compared to income tax charge of PLN 18.1m for 2013. The change in tax position was due to receipt by the Company of the CIT 2003 refund with interest.

Net profit was PLN 174.8m for 2014 versus net profit of PLN 46.3m for 2013.

Cash outlays on purchase of fixed assets and computer software decreased by 13% to PLN 245.7m for 2014 versus PLN 281.8m for 2013.

Cash and short term deposits at December 31, 2014 totalled PLN 207.3m versus PLN 93.4m at December 31, 2013.

Debt and accrued interest at December 31, 2014 was PLN 300.5m as compared to PLN 348.1m in the prior year.

Net debt at December 31, 2014 was PLN 93.2m as compared to PLN 290.7m at December 31, 2013. Netia's net debt position reflects the cash outflow related to *a dividend payment of PLN 0.42 per share*.

Netia SA (the parent company) net profit for 2014 was PLN 275.6m versus a net profit of PLN 30.7m for 2013 with the settlement with Orange Polska and the receipt of a dividend from Telefonia Dialog SA, Netia's subsidiary, responsible for the improvement. As a result, Netia SA's distributable reserves stood at PLN 497.9m on December 31, 2014.

Q4 2014 vs. Q3 2014

Sequential revenue decreased by 2% to PLN 404.1m in Q4 2014 from PLN 413.4m in Q3 2014. The decline in revenues was driven by a 2% sequential decline in services provided (RGUs), which continued to be concentrated in the B2C (Home) sub-segment and in fixed voice services, and lower APRU from on-net voice services.

Telecommunications revenue decreased by 2% to PLN 403.2m in Q4 2014 versus PLN 411.4m in Q3 2014. Carrier segment revenue increased by 8% to PLN 44.3m versus PLN 41.1m in Q3 2014. Other telecommunications revenue, which include TV and mobile services, increased by 5% to PLN 35.9m from PLN PLN 34.1m in Q3 2014. Data revenue decreased by 2% to PLN 166.5m from PLN 170.2m in Q3 2014 following sequentially higher disconnections among off-net broadband services. Direct voice revenue fell by 6% QoQ to PLN 153.9m from PLN 163.0m in Q3 2014 as a result of the fall in the subscriber base and on-network ARPU declines partly related to passing on of MTR savings. Indirect voice revenue decreased sequentially by 15% or PLN 0.4m on lower customer base.

Cost of sales increased by 1% to PLN 290.9m as compared to PLN 288.0m in Q3 2014, representing 72% of total revenue in Q4 2014 as compared to 70% in Q3 2014. The interconnection charges grew by 6% and PLN 2.5m on higher traffic volumes and were the main driver of an increase.

Gross profit decreased by 10% to PLN 113.2m from PLN 125.4m in Q3 2014, with gross profit margin at 28.0% versus 30.3% in Q3 2014.

Selling and distribution costs decreased by 8% sequentially to PLN 74.5m in Q4 2014 as compared PLN 81.3m in Q3 2014, representing 18% of total revenue in Q4 2014 versus 20% in Q3 2014. The decrease was mainly due to lower impairment on receivables, which decreased by PLN 10.1m on reversal of provisions, mostly in connection with the settlement with Orange Polska. Sequentially higher sales volumes resulted in higher cost of both salaries and benefits related to selling and distribution (by 6% and PLN 1.5m) and third party commissions (by 14% and PLN 0.7m). Other expenses related to selling and distribution were higher by 17% and PLN 3.0m mainly on increased cost of TV content for a higher base of TV customers.

General and administrative expenses increased by 39% to PLN 63.9m in Q4 2014 from PLN 46.0m in Q3 2014, and represented 16% of total revenue in Q4 and compared to 11% in Q3 2014. Restructuring cost related to general administration increased to PLN 14.9m from PLN 4.1m in connection with the provision for group headcount redundancies, which started in January 2015 under the second phase of the Netia Lite project. An increase in Other costs related to general administration to PLN 16.1m from PLN 6.1m was associated mainly with the settlement with Orange Polska resulting in forgiveness of mutual liabilities.

Adjusted EBITDA was PLN 113.4m versus PLN 120.3m for Q3 2014 and Adjusted EBITDA margin was 28.1% in Q4 2014 versus was 29.1% in Q1 2014.

EBITDA was PLN 226.1m as compared to PLN 109.5m in Q3 2014. EBITDA for Q4 2014 included a gain on the settlement agreement with Orange Polska of PLN 147.0m, restructuring costs of PLN 22.1m, Dialog Group and Crowley integration costs of PLN 1.7m, costs of Netia's B2B/B2C divisional split (N^2 Project) of PLN 1.5m, costs of Netia Lite project of PLN 1.5m, an impairment charge of PLN 7.4m and costs of M&A projects of PLN 0.06m. EBITDA for Q3 2014 included Dialog Group and Crowley integration costs of PLN 1.7m, restructuring costs of PLN 6.9m, costs of Netia's B2B/B2C divisional split (N^2 Project) of PLN 0.2m, costs of Netia Lite project of PLN 1.6m, cost related to the settlement agreement with Orange Polska of PLN 0.3m and costs of M&A projects of PLN 0.06m.

Operating profit (EBIT) was PLN 119.3m as compared to operating profit of PLN 3.1m in Q3 2014. Excluding unusual items, EBIT for Q4 2014 would have been PLN 6.6m profit as compared to PLN 13.8m profit for Q2 2014.

Net financial cost was PLN 15.1m as compared to net financial cost of PLN 6.4m in Q3 2014. The change was driven by a loss of PLN 9.5m on terminating interest rates swap (IRS) transactions.

Income tax benefit of PLN 55.8m was recorded in Q4 2014 versus income tax charge of PLN 1.1m in Q3 2014.

Net profit for Q4 2014 was PLN 160.0m versus net loss of PLN 4.4m for Q3 2014.

Key Figures

PLN'000	2013	2014	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Revenues	1,876,016	1,674,039	450,758	434,371	422,161	413,407	404,100
y-o-y % change	*(11.6%)*	*(10.8%)*	*(13.2%)*	*(11.5%)*	*(11.6%)*	*(9.6%)*	*(10.4%)*
Adjusted EBITDA	550,855	493,151	124,186	134,440	125,106	120,253	113,352
Margin %	*29.4%*	*29.5%*	*27.6%*	*31.0%*	*29.6%*	*29.1%*	*28.1%*
y-o-y change %	*(6.8%)*	*(10.5%)*	*(14.1%)*	*(5.3%)*	*(11.0%)*	*(16.6%)*	*(8.7%)*
EBITDA	532,753	581,359	115,232	125,978	119,801	109,490	226,090
Margin %	*28.4%*	*34.7%*	*25.6%*	*29.0%*	*28.4%*	*26.5%*	*55.9%*
Adjusted EBIT	110,861	69,160	15,175	29,146	19,529	13,875	6,610
Margin %	*5.9%*	*4.1%*	*3.4%*	*6.7%*	*4.6%*	*3.4%*	*1.6%*
EBIT	92,759	157,367	6,221	20,684	14,224	3,112	119,347
Margin %	*4.9%*	*9.4%*	*1.4%*	*4.8%*	*3.4%*	*0.8%*	*29.5%*
Adjusted Profit of the Netia Group (consolidated)	60,953	69,867	17,749	17,807	12,592	4,302	25,844
Margin %	*3.2%*	*4.2%*	*3.9%*	*4.1%*	*3.0%*	*1.0%*	*6.4%*
Profit/(Loss) of the Netia Group (consolidated)	46,290	174,833	10,496	10,953	8,295	(4,416)	160,001
Margin %	*2.5%*	*10.4%*	*2.3%*	*2.5%*	*2.0%*	*(1.1%)*	*39.6%*
Profit/(Loss) of Netia SA (stand alone)[1]	30,724	275,646	51,265	(6,827)	(12,387)	(21,416)	316,276
Cash and short term deposits	93,356	207,305	93,356	124,611	48,251	86,324	207,305
Cash, restricted cash and short term deposits	93,369	207,305	93,369	124,611	48,251	86,324	207,305
Debt	384,077	300,538	384,077	385,265	413,708	370,455	300,538
Capex related payments	281,826	245,719	97,680	84,551	54,072	50,076	57,020
Investments in tangible and intangible fixed assets and investment property	279,574	231,853	107,866	54,554	56,532	55,204	65,563

EUR'000[2]	2013	2014	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Revenues	440,142	392,755	105,755	101,910	99,045	96,992	94,808
y-o-y % change	*(11.6%)*	*(10.8%)*	*(13.2%)*	*(11.5%)*	*(11.6%)*	*(9.6%)*	*(10.4%)*
Adjusted EBITDA	129,239	115,701	29,136	31,542	29,352	28,213	26,594
Margin %	*29.4%*	*29.5%*	*27.6%*	*31.0%*	*29.6%*	*29.1%*	*28.1%*
y-o-y change %	*(6.8%)*	*(10.5%)*	*(14.1%)*	*(5.3%)*	*(11.0%)*	*(16.6%)*	*(8.7%)*
EBITDA	124,992	136,396	27,035	29,556	28,107	25,688	53,044
Margin %	*28.4%*	*34.7%*	*25.6%*	*29.0%*	*28.4%*	*26.5%*	*55.9%*
Adjusted EBIT	26,010	16,226	3,560	6,838	4,582	3,255	1,551
Margin %	*5.9%*	*4.1%*	*3.4%*	*6.7%*	*4.6%*	*3.4%*	*1.6%*
EBIT	21,763	36,921	1,460	4,853	3,337	730	28,001
Margin %	*4.9%*	*9.4%*	*1.4%*	*4.8%*	*3.4%*	*0.8%*	*29.5%*
Adjusted Profit of the Netia Group (consolidated)	14,300	16,392	4,164	4,178	2,954	1,009	6,063
Margin %	*3.2%*	*4.2%*	*3.9%*	*4.1%*	*3.0%*	*1.0%*	*6.4%*
Profit/(Loss) of the Netia Group (consolidated)	10,860	41,018	2,463	2,570	1,946	(1,036)	37,539
Margin %	*2.5%*	*10.4%*	*2.3%*	*2.5%*	*2.0%*	*(1.1%)*	*39.6%*
Profit/(Loss) of Netia SA (stand alone)[1]	7,208	64,671	12,028	(1,602)	(2,906)	(5,025)	74,203
Cash and short term deposits	21,903	48,637	21,903	29,236	11,320	20,253	48,637
Cash, restricted cash and short term deposits	21,906	48,637	21,906	29,236	11,320	20,253	48,637
Debt	90,110	70,511	90,110	90,389	97,062	86,914	70,511
Capex related payments	66,121	57,649	22,917	19,837	12,686	11,749	13,378
Investments in tangible and intangible fixed assets and investment property	65,592	54,396	25,307	12,799	13,263	12,952	15,382

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

[2] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4. 2623 = EUR 1.00, the average rate announced by the National Bank of Poland on December 31, 2014. These figures are included for the convenience of the reader only.

Adjusted EBITDA, Adjusted EBIT and Adjusted Profit for 2013 exclude the following items as appropriate: New Netia (Dialog Group & Crowley) integration costs of PLN 9.5m, restructuring expenses of PLN 3.6m, impairment charge of PLN 0.4m, expenses related to M&A activities of PLN 0.6m, a decrease in provision for universal service obligation payment of PLN 0.2m, an impairment charge on valuation of investment property of PLN 2.6, costs of B2B/B2C divisional split of PLN 1.5m and impact from these one-offs on the income tax charge of PLN 3.4m. Items excluded for 2014 are as follows: 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.

Netia Group's Key Operational Indicators	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Total services (RGUs)	**2,637,912**	**2,592,260**	**2,560,019**	**2,526,357**	**2,477,463**	**2,423,693**	**2,361,457**	**2,304,553**
Broadband data services								
Own infrastructure-based services	398,162	397,788	398,892	402,140	402,703	405,412	402,929	406,631
Own fixed-line networks	*381,078*	*381,255*	*382,932*	*386,787*	*387,870*	*391,133*	*389,507*	*394,265*
WiMAX	*17,084*	*16,533*	*15,960*	*15,353*	*14,833*	*14,279*	*13,422*	*12,366*
Bitstream access	289,522	286,465	282,792	276,857	268,089	258,367	246,939	234,153
LLU	178,393	175,455	172,481	169,912	166,621	162,566	156,405	149,092
Total broadband data services (end of period)	**866,077**	**859,708**	**854,165**	**848,909**	**837,413**	**826,345**	**806,273**	**789,876**
Voice services (excl. CPS)								
Traditional direct voice	553,337	545,127	537,422	532,639	526,585	516,458	506,417	495,579
incl. ISDN equivalent of lines	*236,628*	*235,370*	*235,228*	*236,429*	*240,150*	*239,464*	*237,122*	*234,404*
incl. legacy wireless	*45,143*	*42,943*	*42,540*	*42,621*	*43,190*	*51,129*	*49,912*	*48,667*
Voice over IP (excl. LLU)[1]	79,437	84,844	91,339	98,833	107,678	120,032	124,682	133,554
WiMAX voice	13,802	13,210	12,575	11,983	11,459	12,827	12,098	11,268
Netia network subscriber voice services	646,576	643,181	641,336	643,455	645,722	649,317	643,197	640,401
WLR	828,850	788,996	760,519	728,693	689,988	651,916	618,164	583,836
LLU voice over IP[1]	119,449	118,635	117,410	116,462	115,107	113,579	111,056	107,249
Total voice services (end of period)	**1,594,875**	**1,550,812**	**1,519,265**	**1,488,610**	**1,450,817**	**1,414,812**	**1,372,417**	**1,331,486**
TV services[2] (end of period)	**91,237**	**100,879**	**111,358**	**120,321**	**127,247**	**128,866**	**133,940**	**137,322**
Mobile Data services (end of period)	**29,272**	**28,906**	**28,063**	**26,397**	**24,763**	**21,541**	**21,092**	**19,758**
Mobile Voice services (end of period)	**56,451**	**51,955**	**47,168**	**42,120**	**37,223**	**32,129**	**27,735**	**26,111**
Total services (RGUs) by segment[3] (end of period)	**2,637,912**	**2,592,260**	**2,560,019**	**2,526,357**	**2,477,463**	**2,423,693**	**2,361,457**	**2,304,553**
B2B Division	460,730	464,612	469,603	477,713	484,105	491,978	493,883	494,104
Business segment	*456,571*	*460,330*	*465,285*	*473,502*	*479,609*	*487,449*	*489,367*	*489,643*
Carrier segment	*4,159*	*4,282*	*4,318*	*4,211*	*4,496*	*4,529*	*4,516*	*4,461*
B2C Division	2,142,387	2,093,098	2,056,016	2,014,144	1,959,063	1,897,314	1,832,988	1,775,583
Home segment	*1,877,839*	*1,830,042*	*1,792,530*	*1,749,930*	*1,697,056*	*1,639,586*	*1,580,369*	*1,528,560*
Share of lines with multiplay services	*32.2%*	*32.5%*	*32.8%*	*33.7%*	*34.0%*	*34.4%*	*34.8%*	*35,4%*
SOHO segment	*264,548*	*263,056*	*263,486*	*264,214*	*262,007*	*257,728*	*252,619*	*247,023*
Share of lines with multiplay services	*47.1%*	*47.8%*	*48.1%*	*48.8%*	*49.0%*	*49.1%*	*49.2%*	*49,3%*
Other[4] (Petrotel)	34,795	34,550	34,400	34,500	34,295	34,401	34,586	34,866
Other								
Total on-net services	1,135,975	1,141,848	1,151,586	1,165,916	1,175,672	1,183,595	1,180,066	1,184,354
Total off-net services	1,501,937	1,450,412	1,408,433	1,360,441	1,301,791	1,240,098	1,181,391	1,120,199
Total net change in on-net services	3,574	5,873	9,738	14,330	9,756	7,923	(3,529)	4,288
Total net change in off-net services	(54,129)	(51,525)	(41,979)	(47,992)	(58,650)	(61,693)	(58,707)	(61,192)
Total net change in Broadband data services	(8,701)	(6,369)	(5,543)	(5,256)	(11,496)	(11,068)	(20,072)	(16,397)
Total net change in Voice services	(49,029)	(44,063)	(31,547)	(30,655)	(37,793)	(36,005)	(42,395)	(40,931)
Monthly Broadband ARPU (PLN)	56	56	56	56	55	56	56	56
Monthly Voice ARPU in own network (PLN)	43	42	40	39	38	36	35	34
Monthly Voice ARPU for WLR (PLN)	45	45	45	45	44	44	44	43
Monthly Voice ARPU blended (PLN)	44	44	43	42	41	40	39	38
Monthly TV ARPU blended (PLN)	40	38	37	37	36	37	37	38
Monthly Mobile Data ARPU blended (PLN)	25	28	27	27	27	29	29	28
Monthly Mobile Voice ARPU blended (PLN)	27	27	28	29	27	27	30	30
CPS lines (cumulative)	62,013	58,358	57,008	55,922	54,521	52,435	51,788	51,151
Monthly Voice ARPU for CPS	30	28	26	24	22	20	19	17
Headcount	2,053	2,012	2,012	2,012	1,986	1,933	1,851	1,722
Active headcount	1,971	1,948	1,930	1,917	1,897	1,788	1,707	1,594

[1] *Voice over IP customers of Ethernet networks have historically been classified along with LLU voice over IP as they were served by the same VoIP platform. With effect from Q1 2014 and retrospectively, these customers are now correctly classified as Voice over IP (excl. LLU).*

[2] *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] *Following the reorganisation of its sales channels structure, with effect from Q3 2013 Netia has modified its segment reporting to comprise two main segments, Business to Consumer (B2C) and Business to Business (B2B). Pursuant to this change, the previous SOHO/SME segment has been split such that SOHO becomes a sub-segment of B2C and SME part of the Business sub-segment of B2B. Accordingly, segment reporting of B2C and B2B segments now includes sub-segments as follows: B2C (Home), B2C (SOHO), B2B (Business) and B2B (Carrier). For comparative purposes, KPIs and results have been estimated retrospectively for H1 2013.*

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

B2B Business Unit's Key Operational Indicators

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
B2B's total services (RGUs)	***460,730***	***464,612***	***469,603***	***477,713***	***484,105***	***491,978***	***493,883***	***494,104***
Broadband data services								
Own infrastructure-based services	26,190	26,099	25,921	26,025	25,930	25,755	25,683	25,669
Own fixed-line networks	*25,136*	*25,089*	*24,953*	*25,111*	*25,053*	*24,914*	*24,874*	*24,913*
WiMAX	*1,054*	*1,010*	*968*	*914*	*877*	*841*	*809*	*756*
Bitstream access	11,220	11,797	12,175	12,577	12,676	12,606	12,680	12,442
LLU	5,856	6,138	6,214	6,355	6,342	6,317	6,267	6,101
Total broadband data services (end of period)	**43,266**	**44,034**	**44,310**	**44,957**	**44,948**	**44,678**	**44,630**	**44,212**
Voice services (excl. CPS)								
Traditional direct voice	270,158	268,427	267,777	268,729	269,012	268,778	266,839	263,139
incl. ISDN equivalent of lines	*221,548*	*220,874*	*221,190*	*223,102*	*225,158*	*224,276*	*222,692*	*220,268*
incl. legacy wireless	*44,756*	*42,538*	*42,117*	*42,240*	*42,822*	*47,553*	*46,598*	*45,638*
Voice over IP (excl. LLU)	64,742	70,183	76,356	83,626	92,117	102,483	106,854	113,683
WiMAX voice	2,181	2,084	1,975	1,877	1,807	2,038	1,964	1,868
Netia network subscriber voice services	337,081	340,694	346,108	354,232	362,936	373,299	375,657	378,690
WLR	68,944	68,331	67,762	67,322	65,283	63,329	63,202	61,279
LLU voice over IP	3,627	3,774	3,815	3,868	3,808	3,754	3,675	3,549
Total voice services (end of period)	**409,652**	**412,799**	**417,685**	**425,422**	**432,027**	**440,382**	**442,534**	**443,518**
TV services (end of period)	22	25	25	42	71	100	115	126
Mobile Data services (end of period)	2,404	2,626	2,719	2,827	2,933	2,952	3,060	2,970
Mobile Voice services (end of period)	5,386	5,128	4,864	4,465	4,126	3,866	3,544	3,278
Other								
Average monthly ARPU per customer (PLN)	475	455	443	431	425	419	414	411
RGUs per customer [1]	6.19	6.19	6.25	6.35	6.48	6.71	6.74	6.85

B2C Business Unit's Key Operational Indicators

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
B2C's total services (RGUs)	***2,142,387***	***2,093,098***	***2,056,016***	***2,014,144***	***1,959,063***	***1,897,314***	***1,832,988***	***1,775,583***
Broadband data services								
Own infrastructure-based services	356,009	355,719	356,953	359,968	360,524	363,365	360,744	364,320
Own fixed-line networks	*342,846*	*343,113*	*344,935*	*348,551*	*349,654*	*353,016*	*351,195*	*355,754*
WiMAX	*13,163*	*12,606*	*12,018*	*11,417*	*10,870*	*10,349*	*9,549*	*8,566*
Bitstream access	278,302	274,668	270,617	264,280	255,413	245,761	234,259	221,711
LLU	172,537	169,317	166,267	163,557	160,279	156,249	150,138	142,991
Total broadband data services (end of period)	**806,848**	**799,704**	**793,837**	**787,805**	**776,216**	**765,375**	**745,141**	**729,022**
Voice services (excl. CPS)								
Traditional direct voice	266,468	260,260	253,557	248,049	242,445	232,768	224,918	217,935
incl. ISDN equivalent of lines	*14,124*	*13,552*	*13,220*	*12,516*	*12,004*	*12,216*	*11,480*	*11,012*
incl. legacy wireless	*387*	*405*	*423*	*381*	*368*	*3,576*	*3314*	*3029*
Voice over IP (excl. LLU)	14,695	14,661	14,983	15,207	15,366	17,348	17,628	19,664
WiMAX voice	10,464	9,981	9,481	9,000	8,573	9,723	9,090	8,401
Netia network subscriber voice services	291,627	284,902	278,021	272,256	266,384	259,839	251,636	246,000
WLR	759,906	720,665	692,757	661,371	624,705	588,587	554,962	522,557
LLU voice over IP	115,822	114,861	113,595	112,594	111,299	109,825	107,381	103,700
Total voice services (end of period)	**1,167,355**	**1,120,428**	**1,084,373**	**1,046,221**	**1,002,388**	**958,251**	**913,979**	**872,257**
TV services (end of period)	90,251	99,859	110,158	118,893	125,532	126,836	131,645	134,683
Mobile Data services (end of period)	26,868	26,280	25,344	23,570	21,830	18,589	18,032	16,788
Mobile Voice services (end of period)	51,065	46,827	42,304	37,655	33,097	28,263	24,191	22,833
Other								
Average monthly ARPU per customer (PLN)	58	58	58	58	58	58	58	57
RGUs per customer[1]	1.37	1.38	1.38	1.40	1.40	1.41	1.42	1.43

1 A customer is defined as a customer location

Income Statement (PLN in thousands unless otherwise stated)				
Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Direct Voice	809,188	668,780	162,994	153,913
Incl. monthly fees	*588,397*	*504,266*	*123,324*	*117,021*
Incl. calling charges	*220,223*	*164,293*	*39,614*	*36,804*
Indirect Voice	19,203	12,531	3,034	2,588
Data	724,721	684,707	170,172	166,487
Interconnection revenues	85,288	69,936	17,040	18,145
Wholesale services	107,003	99,872	24,105	26,164
Other telecommunications revenues	122,189	134,427	34,098	35,880
Total telecommunications revenue	**1,867,592**	**1,670,253**	**411,443**	**403,177**
Radio communications and other revenue	8,424	3,786	1,964	923
Total revenue	**1,876,016**	**1,674,039**	**413,407**	**404,100**
Cost of sales	**(1,265,342)**	**(1,163,117)**	**(287,971)**	**(290,939)**
Interconnection charges	(201,301)	(166,215)	(39,415)	(41,866)
Network operations and maintenance	(593,399)	(538,573)	(132,355)	(132,617)
Costs of goods sold	(9,383)	(16,528)	(6,319)	(5,852)
Depreciation and amortization	(359,562)	(349,463)	(87,452)	(88,196)
Salaries and benefits	(32,175)	(30,631)	(7,074)	(6,732)
Restructuring	(629)	(2,875)	(761)	(1,118)
Taxes, frequency fees and other expenses	(68,893)	(58,832)	(14,595)	(14,558)
Gross profit	**610,674**	**510,922**	**125,436**	**113,161**
Margin (%)	***32.6%***	***30.5%***	***30.3%***	***28.0%***
Selling and distribution costs	**(358,526)**	**(308,984)**	**(81,322)**	**(74,484)**
Advertising and promotion	(39,080)	(23,726)	(8,734)	(7,967)
Third party commissions	(22,854)	(17,997)	(4,571)	(5,230)
Billing, mailing and logistics	(28,237)	(19,744)	(4,721)	(4,489)
Outsourced customer service	(14,375)	(12,883)	(3,620)	(3,040)
Impairment of receivables	(13,401)	512	(2,984)	7,068
Depreciation and amortization	(50,519)	(38,957)	(9,664)	(9,537)
Salaries and benefits	(120,468)	(118,346)	(26,966)	(28,442)
Restructuring	(1,456)	(5,181)	(2,024)	(1,792)
Other costs	(68,136)	(72,662)	(18,038)	(21,055)
General and administration costs	**(179,186)**	**(200,621)**	**(45,960)**	**(63,892)**
Professional services	(9,499)	(8,107)	(2,366)	(2,099)
Electronic data processing	(16,383)	(17,872)	(4,225)	(3,816)
Office and car maintenance	(15,475)	(16,317)	(5,684)	(5,154)
Depreciation and amortization	(29,913)	(35,572)	(9,262)	(9,010)
Salaries and benefits	(77,193)	(65,435)	(14,215)	(12,836)
Restructuring	(1,546)	(22,308)	(4,071)	(14,919)
Other costs	(29,177)	(35,010)	(6,137)	(16,058)
Other income	15,728	168,496	2,813	156,055
Other expense	(5,274)	(11,300)	(340)	(7,521)
Other gains/ (losses), net	9,343	(1,146)	2,485	(3,972)
EBIT	**92,759**	**157,367**	**3,112**	**119,347**
Margin (%)	***4.9%***	***9.4%***	***0.8%***	***29.5%***
Finance income	3,885	4,627	1,174	1,503
Finance cost	(32,224)	(35,582)	(7,561)	(16,616)
Profit before tax	**64,420**	**126,412**	**(3,275)**	**104,234**
Tax benefit / (charge)	(18,130)	48,421	(1,141)	55,767
Profit / (Loss)	**46,290**	**174,833**	**(4,416)**	**160,001**

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

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Operating Profit	**92,759**	**157,367**	**3,112**	**119,347**
Add back:				
Depreciation and amortization	439,994	423,992	106,378	106,743
EBITDA	**532,753**	**581,359**	**109,490**	**226,090**
Add back:				
Impairment charge for non-current assets	431	9,872	-	7,369
Restructuring costs	3,631	34,622	6,856	22,087
M&A related costs	618	161	60	61
New Netia integration costs	9,500	7,863	1,720	1,730
B2B/B2C split costs (N^2 Project)	1,469	2,856	246	1,478
Impairment charge on market valuation of investment property in Warsaw	2,603	-		-
Decrease in provision for universal service obligation payment	(150)	-	-	-
Netia Lite savings program costs	-	3,100	1,607	1,493
Settlement agreement with Orange Polska	-	(146,682)	274	(146,956)
Adjusted EBITDA	**550,855**	**493,151**	**120,253**	**113,352**
Margin (%)	***29.4%***	***29,5%***	***29.1%***	***28,1%***

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

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Reminder fees and penalties	5,402	10,569	526	6,682
Forgiveness of liabilities	701	657	253	176
Reversal of provisions	2,465	1,492	-	-
Income relating to government grants	-	4,438	1,109	1,108
Income on settlement agreement with Orange Polska	-	148,241	-	148,241
Other operating income	7,160	3,137	925	(114)
Total	**15,728**	**168,534**	**2,813**	**156,093**

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

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Impairment charges for specific individual assets	(5,184)	(11,300)	(340)	(7,521)
Other expenses	(90)	-	-	-
Total	**(5,274)**	**(11,300)**	**(340)**	**(7,521)**

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

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Gain / (loss) on sale of impaired receivables	10,331	(446)	2,923	(4,030)
Gain / (loss) on disposal of fixed assets	(801)	240	(114)	190
Net foreign exchange gains / (losses)	(187)	(940)	(324)	(131)
Total	**9,343**	**(1,146)**	**2,485**	**(3,971)**

Total comprehensive income
(PLN in thousands unless otherwise stated)

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Profit / (Loss)	**46,290**	**174,833**	**(4,416)**	**160,001**
Cash flow hedges	4,461	8,548	154	8,045
Income tax relating to components of other comprehensive income	(848)	(1,625)	13	(1,528)
Net other comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods	**3,613**	**6,923**	**167**	**6,517**
Re-measurement gains on a defined benefit plan	105	(131)	-	(131)
Income tax relating to re- measurement gains on a defined benefit plan	(1)	11	-	10
Net other comprehensive Income / (Loss) not to be reclassified to profit or loss in subsequent periods	**104**	**(120)**	**-**	**(121)**
Other comprehensive Income / (Loss)	**3,717**	**6,803**	**167**	**6,396**
Total comprehensive Income / (Loss)	**50,007**	**181,636**	**(4,249)**	**166,397**

Statement of financial position

(PLN in thousands unless otherwise stated)

Time periods:	December 31 2013 *audited*	March 31 2014 *unaudited*	June 30 2014 *unaudited*	September 30 2014 *unaudited*	December 31 2014 *audited*
Property, plant and equipment, net	1,956,680	1,923,691	1,884,193	1,847,661	1,820,177
Intangible assets	538,340	516,785	504,233	488,036	465,299
Investment property	27,142	27,016	26,891	26,765	26,639
Deferred income tax assets	92,501	91,114	90,902	92,977	87,226
Available for sale financial assets	116	116	116	116	116
Prepaid expenses and accrued income	5,544	5,601	6,688	7,521	8,511
Derivative financial instruments	326	256	-	-	-
Total non-current assets	**2,620,649**	**2,564,579**	**2,513,023**	**2,463,076**	**2,407,968**
Inventories	2,664	2,296	2,800	2,243	2,820
Trade and other receivables	191,000	188,192	195,212	178,508	168,937
Current income tax receivables	5,258	3,864	1,762	316	81,425
Prepaid expenses and accrued income	24,638	25,431	25,680	21,979	20,157
Derivative financial instruments	33	34	33	1,070	2,063
Financial assets at fair value through profit and loss	25	26	24	25	23
Restricted cash	13	-	-	-	-
Cash and short-term deposits	93,356	124,611	48,251	86,324	207,305
	316,987	**344,454**	**273,762**	**290,465**	**482,730**
Total current assets	**316,987**	**344,454**	**273,762**	**290,465**	**482,730**
TOTAL ASSETS	**2,937,636**	**2,909,033**	**2,786,785**	**2,753,541**	**2,890,698**
Share capital	347,911	347,911	347,911	347,911	348,088
Supplementary capital	1,720,488	1,720,488	1,605,090	1,605,090	1,606,848
Retained earnings	82,313	93,266	70,836	66,420	226,301
Other components of equity	53,792	55,444	55,345	56,526	61,380
TOTAL EQUITY	**2,204,504**	**2,217,109**	**2,079,182**	**2,075,947**	**2,242,617**
Bank loans/Borrowings	257,211	257,800	236,541	237,001	200,534
Provisions	1,876	1,822	1,791	1,508	2,237
Deferred income tax liabilities	17,746	14,454	13,089	14,319	14,319
Deferred income	34,175	30,886	29,840	31,004	29,722
Derivative financial instruments	2,587	2,101	2,470	2,700	-
Other long-term liabilities	3,143	4,436	4,315	3,426	2,928
Total non-current liabilities	**316,738**	**311,499**	**288,046**	**289,958**	**249,740**
Trade and other payables	231,652	193,551	185,316	197,687	235,712
Derivative financial instruments	6,449	5,444	5,125	5,088	37
Borrowings	126,866	127,465	177,167	133,454	100,004
Other financial liabilities	66	65	65	-	-
Current income tax liabilities	57	90	75	247	-
Provisions	11,265	14,106	11,557	13,651	26,860
Deferred income	40,039	39,704	40,252	37,509	35,728
Total current liabilities	**416,394**	**380,425**	**419,557**	**387,636**	**398,341**
Total liabilities	**733,132**	**691,924**	**707,603**	**677,594**	**648,081**
TOTAL EQUITY AND LIABILITIES	**2,937,636**	**2,909,033**	**2,786,785**	**2,753,541**	**2,890,698**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	2013 *audited*	2014 *audited*	Q3 2014 *unaudited*	Q4 2014 *unaudited*
Profit / (Loss)	**46,290**	**174,833**	**(4,416)**	**160,001**
Depreciation and amortization	439,994	423,992	106,378	106,743
Impairment charges for specific individual assets	5,184	11,300	340	7,521
Reversal of impairment charges for specific assets	(1,415)	-	-	-
Deferred income tax charge / (benefit)	8,400	233	(833)	4,234
Interest expense and fees charged on bank loans	30,681	35,311	7,643	16,680
Other interest charged	259	138	8	51
Share-based compensation	3,068	(476)	1,014	277
Fair value (gains)/losses on financial assets/liabilities	(10)	2	(1)	2
Fair value (gains)losses on derivative financial instruments	131	(2,148)	(907)	(706)
Foreign exchange (gains)/losses	47	(131)	(217)	(109)
(Gain)/Loss on disposal of fixed assets	6,358	4,027	971	770
Gain on sale of subsidiary	-	(286)	-	-
Changes in working capital	36,284	(23,399)	34,199	(30,879)
Net cash provided by operating activities	**575,271**	**623,396**	**144,179**	**264,585**
Purchase of fixed assets and computer software	(281,826)	(245,719)	(50,076)	(57,020)
Proceeds from sale of non-core assets	956	996	221	433
Transfer from restricted cash	2,051	-	-	-
(Purchase)/repurchase of treasury bonds / notes	50	-	-	-
Sale of investments	-	322	-	-
Net cash used in investing activities	**(278,769)**	**(244,401)**	**(49,855)**	**(56,587)**
Government grants received	3.089	1.157	573	-
Dividend payment	-	(146.123)	(7.584)	-
Proceeds from borrowings	50.000	350.000	-	300.000
Repurchase of own shares	(144.198)	-	-	-
Finance lease payments	(2.024)	(581)	(145)	(176)
Overdraft	(18.751)	-	(44.025)	-
Loan repayments	(180.000)	(440.000)	-	(375.000)
Interest repayments	(50.948)	(27.847)	(4.948)	(11.684)
Payments of fees relating to bank loans	(2.969)	(1.783)	(339)	(266)
Net cash used in financing activities	**(345,801)**	**(265,177)**	**(56,468)**	**(87,126)**
Net change in cash and short-term deposits	**(49,299)**	**113,818**	**37,856**	**120,872**
Effect of exchange rate change on cash and cash equivalents	(47)	131	217	109
Cash and short-term deposits at the beginning of the period	142,702	93,356	48,251	86,324
Cash and short-term deposits at the end of the period	**93,356**	**207,305**	**86,324**	**207,305**

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 FY 2014 results

Netia management will hold a conference call to review the results on February 19, 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 3350 6902
Passcode: 5669408#

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.