NETIA S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-month period ended March 31, 2015

Index to the interim condensed consolidated financial statements

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2015

(All amounts in thousands, except as otherwise stated)

	Note	March 31, 2015 (PLN)	December 31, 2014 (PLN)	Convenience Translation March 31, 2015 (EUR)
ASSETS				
Non-current assets				
Property, plant and equipment	4	1,775,451	1,820,177	434,202
Intangible assets	5	449,867	465,299	110,019
Investment property		26,514	26,639	6,484
Deferred income tax assets	13	86,815	87,226	21,231
Available for sale financial assets		116	116	28
Prepaid expenses and accrued income		8,463	8,511	2,070
Total non-current assets		**2,347,226**	**2,407,968**	**574,034**
Current assets				
Inventories		2,738	2,820	670
Trade and other receivables		184,105	168,937	45,024
Current income tax receivables	13	276	81,425	67
Prepaid expenses and accrued income		22,900	20,157	5,600
Derivative financial instruments	7	2,333	2,063	571
Financial assets at fair value through profit and loss		22	23	5
Cash and short term deposits	6	262,123	207,305	64,104
Total current assets		**474,497**	**482,730**	**116,041**
Total assets		**2,821,723**	**2,890,698**	**690,075**

Paweł Szymański
President of the Company

Cezary Chałupa
Member of the Management Board

Tomasz Szopa
Member of the Management Board

Warsaw, Poland
May 13, 2015

(All amounts in thousands, except as otherwise stated)

	Note	March 31, 2015 (PLN)	December 31, 2014 (PLN)	Convenience Translation March 31, 2015 (EUR)
EQUITY				
Share capital	8	348,088	348,088	85,128
Supplementary capital		1,606,848	1,606,848	392,968
Retained earnings		227,562	226,301	55,652
Other components of equity		60,986	61,380	14,915
Total equity		**2,243,484**	**2,242,617**	**548,663**
LIABILITIES				
Non-current liabilities				
Borrowings	9	200,600	200,534	49,058
Provisions		1,981	2,237	484
Deferred income tax liability	13	16,881	14,319	4,128
Deferred income		29,522	29,722	7,220
Other long term liabilities		2,623	2,928	641
Total non-current liabilities		**251,607**	**249,740**	**61,531**
Current liabilities				
Trade and other payables		173,841	235,712	42,514
Derivative financial instruments	7	1,192	37	292
Borrowings	9	100,070	100,004	24,473
Current income tax liabilities		1	-	-
Provisions		18,311	26,860	4,478
Deferred income		33,217	35,728	8,124
Total current liabilities		**326,632**	**398,341**	**79,881**
Total liabilities		**578,239**	**648,081**	**141,412**
Total equity and liabilities		**2,821,723**	**2,890,698**	**690,075**

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014	Convenience Translation Three-month period ended March 31, 2015
		(PLN)	(PLN)	(EUR)
CONDENSED CONSOLIDATED INCOME STATEMENT				
Revenue		**388,718**	**434,371**	**95,064**
Cost of sales		(278,653)	(292,555)	(68,148)
Gross profit		**110,065**	**141,816**	**26,916**
Selling and distribution costs		(70,563)	(76,257)	(17,259)
General and administration costs		(36,954)	(45,599)	(9,040)
Other income		3,498	3,719	854
Other expenses	10	(442)	(2,854)	(108)
Other (losses)/ gains, net	11	435	(141)	106
Operating profit		**6,039**	**20,684**	**1,469**
Finance income	12	949	1,052	232
Finance costs	12	(2,243)	(5,603)	(549)
Profit before income tax		**4,745**	**16,133**	**1,152**
Income tax charge	13	(3,484)	(5,180)	(852)
Profit		**1,261**	**10,953**	**300**
Earnings per share (expressed in PLN per share)				
- basic		0.00	0.03	0.00
- diluted		0.00	0.03	0.00

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014	Convenience Translation Three-month period ended March 31, 2015
		(PLN)	(PLN)	(EUR)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Profit		**1,261**	**10,953**	**300**
Interest rate cash flow hedges		-	850	-
Foreign exchange rate cash flow hedges (equipment and construction contracts)	7	(353)	179	(86)
Income tax relating to components of other comprehensive income		82	(220)	20
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**(271)**	**809**	**(66)**
TOTAL COMPREHENSIVE PROFIT		**990**	**11,762**	**234**

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three-month period ended March 31, 2015

(All amounts in thousands, except as otherwise stated)

	Note	Share capital	Supplementary capital	Retained earnings	Other components of equity: Employee share option scheme	Other components of equity: Hedging reserve	Other components of equity: Other reserve	Total
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2015		**348,088**	**1,606,848**	**226,301**	**22,238**	**772**	**38,370**	**2,242,617**
Profit for the period		-	-	1,261	-	-	-	1,261
Other comprehensive income		-	-	-	-	(271)	-	(271)
Total comprehensive income		-	-	1,261	-	(271)	-	990
Employee share option scheme:								
- value of services provided	8	-	-	-	(123)	-	-	(123)
Balance as at March 31, 2015		**348,088**	**1,606,848**	**227,562**	**22,115**	**501**	**38,370**	**2,243,484**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(All amounts in thousands, except as otherwise stated)

	Note	Share capital	Supplementary capital	Retained earnings	Other components of equity: Employee share option scheme	Other components of equity: Hedging reserve	Other components of equity: Other reserve	Total
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2014		**347,911**	**1,720,488**	**82,313**	**21,573**	**(6,151)**	**38,370**	**2,204,504**
Profit for the period		-	-	10,953	-	-	-	10,953
Other comprehensive income		-	-	-	-	809	-	809
Total comprehensive income		-	-	10,953	-	809	-	11,762
Employee share option scheme:								
- value of services provided		-	-	-	843	-	-	843
Balance as at March 31, 2014		**347,911**	**1,720,488**	**93,266**	**22,416**	**(5,342)**	**38,370**	**2,217,109**

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014	Convenience Translation Three-month period ended March 31, 2015
		(PLN)	(PLN)	(EUR)
Cash flows from operating activities:				
Profit		**1,261**	**10,953**	**300**
Adjustments for:				
Depreciation and amortization	4, 5	105,450	105,294	25,791
Impairment charges for specific individual assets	4, 5	442	2,854	108
Deferred income tax (benefit)/charge	13	3,056	(2,125)	747
Interest expense and fees charged on bank loans	12	1,765	5,410	432
Other interest charged		15	33	4
Share-based compensation	8	(123)	755	(30)
Fair value (gains)/ losses on derivative financial instruments	7	452	(270)	111
Fair value (gains)/ losses on financial assets / liabilities		2	(1)	-
Foreign exchange losses / (gains)		(13)	60	(3)
Loss on disposal of fixed assets		965	54	236
Gain on sale of subsidiary	12	-	(286)	-
Changes in working capital	15	6,379	(1,630)	1,562
Other		1	-	-
Net cash provided by operating activities		**119,652**	**121,101**	**29,258**
Cash flows from investing activities:				
Purchase of fixed assets and computer software		(64,073)	(84,551)	(15,667)
Proceeds from sale of fixed assets		176	169	43
Sale of subsidiary, net of cash sold		-	322	-
Net cash used in investing activities		**(63,897)**	**(84,060)**	**(15,624)**
Cash flows from financing activities:				
Finance lease payments		(133)	(132)	(33)
Government grants received		1,157	29	283
Payments of interests, fees and interest rate swap settlements relating to bank loans		(1,974)	(5,951)	(482)
Net cash used in financing activities		**(950)**	**(6,054)**	**(232)**
Net change in cash and cash equivalents		**54,805**	**30,987**	**13,402**
Exchange gains / (losses) on cash and cash equivalents		**13**	**(60)**	**3**
Cash and cash equivalents at beginning of period		207,305	93,356	50,699
Cash and cash equivalents at end of period	6	**262,123**	**124,283**	**64,104**

1. The Company and the Netia Group

Netia S.A. (the "Company" or "Netia") was formed in 1990 as a limited liability company under the laws of Poland and was transformed into a joint stock company in 1992. In 2003 a general meeting of shareholders adopted a resolution changing the Company's name from Netia Holdings S.A. to Netia S.A. The Company is incorporated and domiciled in Poland with its registered office located at ul. Poleczki 13, 02-822 Warsaw, Poland. The parent company is entered in the Register of Entrepreneurs kept by the District Court, XIII Economic Department of the National Court Register, Entry No. KRS 0000041649. The parent company was granted statistical REGON number 011566374. The parent company and other Group entities have an unlimited period of operation.

The interim condensed consolidated financial statements of Netia S.A. for the three-month period ended March 31, 2015 comprise the Company and its subsidiaries, were approved for issuance by the Company's Management Board on May 13, 2015.

The Company and its subsidiaries (together, the "Netia Group") is the largest alternative fixed-line telecommunication operator in Poland. The Netia Group provides various voice telephony, data transmission, television, mobile voice and broadband services. The Group's services are provided to customers by two sales organizations. The business-to-business ("B2B") sales force targets large corporates, small and medium sized enterprises ("SMEs") and other telecommunication operators and the business-to-consumer ("B2C") sales force targets residential and small business customers.

Taking advantage of the opportunities arising from changes in the regulatory environment, the Company concluded a bitstream access agreement ("BSA") with Orange Polska SA (formerly Telekomunikacja Polska SA or "TP SA") and commercially launched its broadband Internet access services over Orange Polska SA's network in January 2007. During 2007 the Company began offering Netia voice services to Orange Polska SA customers including the arrangement whereby the customer pays a monthly fee to Netia as well as the hitherto call by call charges. Netia pays a line rental fee to Orange Polska SA under the Wholesale Line Rental (WLR) administrative decision issued by the telecommunications regulator (Urząd Komunikacji Elektronicznej, "UKE"). During 2008 Netia began to install its own equipment in the Orange Polska SA network nodes using a form of regulated access called Local Loop Unbundling (LLU) and began connecting customers using this form of regulated access.

In September 2008 the Company acquired Tele2 Polska Sp. z o.o. ("Tele2 Polska", merged with Netia in February 2009), a company providing voice and broadband services Poland-wide on the basis of regulated access to the Orange Polska SA network, including call by call, WLR and BSA.

The Netia Group also expanded the footprint of its own network and broadband customer base by acquiring local fast ethernet operators. Since the beginning of 2007, the Netia Group acquired 37 (not in thousands) such operators with a total of 129,808 (not in thousands) active customers. Additionally, the Netia Group acquired 10,723 (not in thousands) customers and related local access networks from other Ethernet operators without purchasing shares in encorporated companies.

To further broaden Netia's product offer, including convergent services, Netia started offering mobile services in September 2008. Netia provides its mobile service based on a Mobile Service Provider Agreement with P4 Sp. z o.o. ("P4"), enabling Netia to buy mobile services wholesale from P4 and resell them as Netia branded mobile services. In the third quarter of 2009, the scope of this cooperation was expanded to cover mobile broadband services as well as mobile handset based voice and data services. 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. Thanks to the newly signed agreement Netia will also expand its portfolio of broadband internet services with the attractive LTE tariffs.

Netia introduced televison services into its offering during 2011 and is gradually upgrading its copper and ethernet access networks using VDSL and fibre to the building (FTTB) technology to deliver faster broadband. The upgraded networks better support high bandwidth services such as television and related content services.

In December 2011 Netia acquired Telefonia DIALOG S.A. ("Dialog", which was transformed into Telefonia DIALOG Sp. z o.o. on April 30, 2012) with its subsidiaries Avista Media Sp. z o.o. ("Avista", merged with Dialog in July 2012) and Petrotel Sp. z o.o. ("Petrotel") (together, the "Dialog Group") and Crowley Data Poland Sp. z o.o ("Crowley", later CDP Netia Sp. z o.o., merged with Netia in August 2012), two other Polish alternative operators, which increased materially the size of the Netia Group. Dialog and Petrotel provide a similar range of telecommunication services to Netia and serve business and residential customers. Crowley was providing telecommunications services exclusively to business customers. Avista was providing call center services mainly for Dialog.

In 2013 Netia acquired a cable TV network covering 446,000 (not in thousands) homes passed in Warsaw and Kraków from UPC Polska Sp. z o.o. (UPC). The network was acquired without any retail subscribers and Netia integrates it with its existing network and offers similar TV, broadband and fixed voice telephony services as are offered over its copper and fiber networks.

Until February 2014 the Netia Group was also engaged in the installation and supply of specialized mobile radio communication services (public trunking) in Poland through its subsidiary UNI-Net Poland Sp. z o.o. (established in May 2009 through a corporate separation from UNI-Net Sp. z o.o. and sold in 2014).

The Company's ordinary shares have been listed on the Warsaw Stock Exchange ("WSE") since July 2000.

Going concern

As at March 31, 2015, the Group's equity amounted to PLN 2,243,484 and the Netia Group had net working capital of PLN 147,865 inclusive of cash available of PLN 262,123. As at March 31, 2015 the Netia Group had senior secured debt of PLN 300,670. Netia's operations were free cash flow generative in 2014 and in the first quarter of 2015 and Management expects this to continue over the medium term. Based on this position, the Management does not believe that events or conditions exist which may cast significant doubt on the Company's ability to continue as a going concern.

2. Summary of significant accounting policies

Basis of preparation

Following European Union regulations, commencing January 1, 2005 Netia as a public company in Poland prepares consolidated financial statements, as required by the Accounting Act of September 29, 1994 (Journal of Laws of 2013, No. 330 with later amendments, "the Accounting Act") in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). As of March 31, 2015, in light of the current process of IFRS endorsement in the EU and the nature of the Netia Group's activities, there is no difference between IFRS applied by the Netia Group and IFRS endorsed by the EU.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2014, except for new accounting standards adopted as of January 1, 2015. These interim condensed consolidated financial statements do not include all the information and disclosures required in complete sets of financial statements and should be read in conjunction with the audited December 31, 2014 consolidated financial statements and the related notes.

Certain Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act and regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities into conformity with IFRS.

Items included in the financial statements of each of the Netia Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's functional and presentation currency.

All Euro amounts shown as supplementary information in the consolidated financial statements have been translated from PLN only as a matter of arithmetic computation using the official rate of the National Bank of Poland at March 31, 2015 of PLN 4.0890 to EUR 1.00. These amounts are included for the convenience of the reader only. Such translation should not be construed as a representation that the PLN amounts have been or could be converted into Euros at this or any other rate.

The consolidated financial statements are prepared under the historic cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit and loss. However, until December 31, 1996, Poland was considered to be a hyperinflationary economy. The consolidated financial statements for the periods through that date were prepared under the historical cost convention as adjusted for the effects of inflation in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies". The inflated values in PLN at December 31, 1996 for balance sheet items became the new historical basis for subsequent periods.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the interim condensed consolidated financial statements include property, plant and equipment and intangible assets (estimation of the recoverable amount and economic useful lives) and deferred income tax (estimation of future taxable profits).

Costs that arise unevenly during the financial year are anticipated or deferred in the interim consolidated financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

Neither the Company's nor the Netia Group's activities are subject to any significant seasonal or cyclical trends of operations.

New standards, interpretations and amendments to existing standards

Adoption of new accounting standards, interpretations and amendments

In 2015 Netia Group has adopted following new accounting standards, interpretations and amendments to existing standards:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued on 21 November 2013) – effective for financial years beginning on or after 1 July 2014. The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

- Annual Improvements to IFRSs 2011-2013 – effective for financial years beginning on or after 1 July 2014. The improvements consist of changes to four standards. Improvement concern presentation, recognition and valuation as well as terminology and editorial changes.

- IFRIC 21 "Levies" – effective for financial years beginning on or after 1 January 2014. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements.

The adoption of the above new accounting standards, interpretations and amendments did not have a significant impact on these interim condensed financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2015 and have not been adopted early:

- IFRS 9 "Financial Instruments" replacing IAS 39. IFRS 9 introduces one model, according to which financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. Classification on initial recognition is driven by the entity's business model for managing the financial assets and the contractual cash flows characteristics. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The key change is the requirement to present in other comprehensive income, a significant change in credit risk relating to financial liabilities designated to be measured at fair value through profit and loss. Hedge accounting requirements were amended to align accounting more closely with risk management. This standard is effective for financial years beginning on 1 January 2018. The amendments have not yet been endorsed by the EU.

- IFRS 14 Regulatory Deferral Accounts – effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Annual Improvements to IFRSs 2010-2012 that consist of changes to seven standards. The amendments are effective in European Union for financial years beginning on or after 1 February 2015. Improvements concern presentation, recognition and valuation as well as terminology and editorial changes. The Netia Group will apply the improvements from 1 January 2016.

- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"– effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations – effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- IFRS 15 "Revenue from Contracts with Customers "– effective for financial years beginning on or after 1 January 2017. This standard has not yet been endorsed by the EU.

- Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"– effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Amendments to IAS 27 "Equity Method in Separate Financial Statements"– effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"– effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Annual Improvements to IFRSs 2012-2014 – effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Amendments to IAS 1 – effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- Amendments to IFRS 10, IFRS 12 and IAS 28 concerning the exemption from preparing consolidated financial statements by investment entities – effective for financial years beginning on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

Management is currently assessing the impact of the above standards and interpretations on the Netia Group's operations.

3. Segment information

Following a sales force reorganization that was effective from July 1, 2013, for management purposes the Netia Group is organized into business units based on their customer segments, and has two reportable operating segments, as follows:

- Business-to-consumer ("B2C"),
- Business-to business ("B2B").

Management monitors the operating results of its customer segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (defined as operating profit / (loss) excluding depreciation and amortization) and Adjusted EBITDA (defined as operating profit / (loss) excluding depreciation and amortization as well as significant one-off transactions) which is derived from the information in the consolidated financial statements. The Netia Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. As Netia considers its network to be a single cash generating unit, non-current assets are not acquired by individual operating segments, but shared between them. In order to produce operating profit ("EBIT") for each segment, depreciation and amortization from the shared assets also has to be allocated. The Company uses expected future cash flows from each segment as a basis to allocate depreciation and amortization. The resulting allocations can be volatile between periods, but unlike EBITDA, Management does not place reliance on these segment EBIT results for decision making purposes.

Group subsidiaries Petrotel and Uni-Net (sold on February 6, 2014) are assigned to the unallocated segment as they operate as separate organizations from the rest of the Netia Group. No operating segments have been aggregated to form the above reportable operating segments.

(All amounts in thousands, except as otherwise stated)

With effect from the beginning of the second quarter of 2014, the Netia Group began operating as two functionally organised business units serving the B2B and B2C customer segments, both supported by a single network organisation and support functions. This reorganisation was reflected retrospectively in the segment information presented below. Whilst revenue trends have been not materially affected, costs have shifted from the unallocated segment to the business units, resulting in significant changes to the Adjusted EBITDA margins of each segment.

The following tables present revenue and profit / (loss) information regarding the Netia Group's operating segments for the three-month periods ended March 31, 2015 and 2014, respectively:

	B2C	**B2B**	**Total reportable segments**	Unallocated	Total
	(PLN)	**(PLN)**	**(PLN)**	(PLN)	(PLN)
Three-month period ended March 31, 2015					
Revenue from external customers	**218,352**	**164,328**	**382,680**	6,038	388,718
Adjusted EBITDA	**48,727**	**68,150**	**116,877**	(3,581)	113,296
Integration costs	-	-	-	(183)	(183)
Restructuring costs	-	-	-	86	86
Expenses incurred on mergers and acquisitions	-	-	-	(668)	(668)
Reorganization costs	-	-	-	(1,042)	(1,042)
EBITDA	**48,727**	**68,150**	**116,877**	(5,388)	111,489
Depreciation and Amortization	**(28,338)**	**(62,782)**	**(91,120)**	(14,330)	(105,450)
Operating profit / (loss)	**20,389**	**5,368**	**25,757**	(19,718)	6,039
Finance income/ (costs), net	-	-	-	(1,294)	(1,294)
Income tax charge	-	-	-	(3,484)	(3,484)
Profit / (Loss)	**20,389**	**5,368**	**25,757**	(24,496)	1,261
Capital expenditure	**23,893**	**21,351**	**45,244**	1,369	46,613

	B2C	**B2B**	**Total reportable segments**	Unallocated	Total
	(PLN)	**(PLN)**	**(PLN)**	(PLN)	(PLN)
Three-month period ended March 31, 2014*					
Revenue from external customers	**258,439**	**169,832**	**428,271**	6,100	434,371
Adjusted EBITDA	**68,777**	**70,913**	**139,690**	(5,250)	134,440
Integration costs	-	-	-	(1,776)	(1,776)
Restructuring costs	-	-	-	(3,641)	(3,641)
Impairment costs	-	-	-	(2,503)	(2,503)
Reorganization costs	-	-	-	(542)	(542)
EBITDA	**68,777**	**70,913**	**139,690**	(13,712)	125,978
Depreciation and Amortization	**(28,359)**	**(62,827)**	**(91,186)**	(14,108)	(105,294)
Operating profit / (loss)	**40,418**	**8,086**	**48,504**	(27,820)	20,684
Finance income/ (costs), net	-	-	-	(4,551)	(4,551)
Income tax charge	-	-	-	(5,180)	(5,180)
Profit / (Loss)	**40,418**	**8,086**	**48,504**	(37,551)	10,953
Capital expenditure	**27,263**	**21,577**	**48,840**	5,716	54,556

* The comparative segment information was adjusted to reflect the functional reorganization. As a result, as compared to previously reported, EBITDA for the three month period ended March 31, 2014 in B2C and B2B segments deceased by PLN (6,133) and PLN (15,630), respectively and revenue from external customers for the three month period ended March 31, 2014 in B2C and B2B segments changed by PLN 5,479 and PLN (4,522), respectively.

(All amounts in thousands, except as otherwise stated)

Unallocated revenues comprise mainly revenues from Petrotel and the Uni-Net (sold on February 6, 2014) radio communication business. A reconciliation of earnings before interest and tax ("EBIT") for reportable segments to profit is provided as follows:

	Three-month period ended March 31, 2015	**Three-month period ended March 31, 2014**
	(PLN)	(PLN)
Operating profit for reportable segments	25,757	48,504
Operating profit for Petrotel business	749	615
Operating profit for the Uni-Net radio communication business	-	25
General fixed costs (incl. administration, IT, professional services)	(6,411)	(8,126)
Reorganization and restructuring costs	86	(3,641)
Integration costs	(183)	(1,776)
Other operating income	(1,638)	(2,789)
Depreciation and amortization of unallocated assets (excluding Petrotel and Uni-Net)	(12,321)	(12,128)
Financial costs, net	(1,294)	(4,551)
Income tax charge	(3,484)	(5,180)
Profit	**1,261**	**10,953**

The Netia Group operates in one geographical area, which is the territory of Poland.

(All amounts in thousands, except as otherwise stated)

4. Property, plant and equipment

Current period:

	Buildings	Land	Fixed telecommunications network	Telecommunications equipment	Machinery and equipment	Office furniture and equipment	Vehicles	Fixed assets under construction	Total
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Gross book value as at January 1, 2015	111,854	10,583	2,677,284	2,583,468	147,392	69,922	790	103,098	5,704,391
Additions	-	-	-	-	-	-	-	38,481	38,481
Transfers	215	-	10,456	16,528	1,222	670	-	(29,091)	-
Disposals	-	-	(92)	(2,173)	(54)	(101)	(192)	(8)	(2,620)
Other movements	-	-	77	(253)	90	86	-	-	-
Gross book value as at March 31, 2015	112,069	10,583	2,687,725	2,597,570	148,650	70,577	598	112,480	5,740,252
Accumulated depreciation as at January 1, 2015	49,900	-	1,337,174	1,680,119	98,612	56,029	774	-	3,222,608
Depreciation expense	1,518	-	34,042	41,984	2,362	1,855	-	-	81,761
Disposals	-	-	(26)	(1,050)	(51)	(155)	(192)	-	(1,474)
Other movements	-	-	221	(340)	61	58	-	-	-
Accumulated depreciation as at March 31, 2015	51,418	-	1,371,411	1,720,713	100,984	57,787	582	-	3,302,895
Accumulated impairment as at January 1, 2015	6,628	-	359,447	270,856	14,214	2,715	16	7,730	661,606
Impairment charge for specific assets	-	-	-	-	-	-	-	442	442
Disposals	-	-	(11)	(5)	-	-	-	(321)	(337)
Other movements	-	-	13	(56)	20	23	-	195	195
Accumulated impairment as at March 31, 2015	6,628	-	359,449	270,795	14,234	2,738	16	8,046	661,906
Net book value as at January 1, 2015	55,326	10,583	980,663	632,493	34,566	11,178	-	95,368	1,820,177
Net book value as at March 31, 2015	**54,023**	**10,583**	**956,865**	**606,062**	**33,432**	**10,052**	**-**	**104,434**	**1,775,451**

(All amounts in thousands, except as otherwise stated)

4. Property, plant and equipment (cont'd)

Comparative period:

	Buildings (PLN)	Land (PLN)	Fixed telecommunications network (PLN)	Telecommunications equipment (PLN)	Machinery and equipment (PLN)	Office furniture and equipment (PLN)	Vehicles (PLN)	Fixed assets under construction (PLN)	Total (PLN)
Gross book value as at January 1, 2014	112,678	10,583	2,602,216	2,473,961	147,040	90,932	1,533	122,898	5,561,841
Additions	-	-	55	15	8	99	-	48,971	49,148
Transfers	12	-	11,196	20,639	964	317	-	(33,128)	-
Sale of Uni-Net	(752)	-	(11)	(5,829)	(965)	(542)	-	-	(8,099)
Disposals	-	-	(776)	(1,005)	(1)	(214)	(70)	(191)	(2,257)
Other movements	-	-	52	(258)	198	8	-	-	-
Gross book value as at March 31, 2014	111,938	10,583	2,612,732	2,487,523	147,244	90,600	1,463	138,550	5,600,633
Accumulated depreciation as at January 1, 2014	44,579	-	1,199,083	1,529,348	94,853	69,256	1,362	-	2,938,481
Depreciation expense	1,556	-	34,568	39,885	2,287	2,360	55	-	80,711
Sale of Uni-Net	(671)	-	(10)	(5,453)	(855)	(538)	-	-	(7,527)
Disposals	-	-	(20)	(755)	(1)	(156)	(63)	-	(995)
Other movements	-	-	40	(180)	135	5	-	-	-
Accumulated depreciation as at March 31, 2014	45,464	-	1,233,661	1,562,845	96,419	70,927	1,354	-	3,010,670
Accumulated impairment as at January 1, 2014	6,746	-	359,458	272,452	14,311	4,368	16	9,329	666,680
Impairment charge for specific assets	-	-	-	-	-	-	-	351	351
Sale of Uni-Net	(73)	-	(1)	(264)	(110)	(4)	-	(1)	(453)
Disposals	-	-	-	(170)	-	(2)	-	(134)	(306)
Other movements	-	-	9	(53)	43	1	-	-	-
Accumulated impairment as at March 31, 2014	6,673	-	359,466	271,965	14,244	4,363	16	9,545	666,272
Net book value as at January 1, 2014	61,353	10,583	1,043,675	672,161	37,876	17,308	155	113,569	1,956,680
Net book value as at March 31, 2014	**59,801**	**10,583**	**1,019,605**	**652,713**	**36,581**	**15,310**	**93**	**129,005**	**1,923,691**

(All amounts in thousands, except as otherwise stated)

5. Intangible assets

Current period:

			Licences				Computer software costs			
	Goodwill	Trademark/ other	Local telecommunication licenses / permits	Data communications and internet licenses / permits	Domestic long-distance licenses / permits	WiMAX licenses	Computer software	Capital work in progress	Customer relationships	Total
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Gross book value as at January 1, 2015	359,904	18,399	432,823	7,417	107,354	20,329	516,313	6,093	226,187	1,694,819
Additions	-	-	-	-	-	-	-	8,132	-	8,132
Transfers	-	-	-	-	-	-	9,455	(9,455)	-	-
Gross book value as at March 31, 2015	359,904	18,399	432,823	7,417	107,354	20,329	525,768	4,770	226,187	1,702,951
Accumulated amortization as at January 1, 2015	-	15,295	309,697	1,539	83,403	10,866	370,816	-	170,587	962,203
Amortization expense	-	90	4,661	-	1,837	352	9,317	-	7,307	23,564
Accumulated amortization as at March 31, 2015	-	15,385	314,358	1,539	85,240	11,218	380,133	-	177,894	985,767
Accumulated impairment as at January 1, 2015	79,203	2,503	115,549	5,878	13,231	974	49,780	-	199	267,317
Accumulated impairment as at March 31, 2015	79,203	2,503	115,549	5,878	13,231	974	49,780	-	199	267,317
Net book value as at January 1, 2014	280,701	601	7,577	-	10,720	8,489	95,717	6,093	55,401	465,299
Net book value as at March 31, 2014	**280,701**	**511**	**2,916**	**-**	**8,883**	**8,137**	**95,855**	**4,770**	**48,094**	**449,867**

(All amounts in thousands, except as otherwise stated)

5. Intangible assets (cont'd)

Comparative period::

	Goodwill (PLN)	Trademark/ other (PLN)	Licences: Local telecommunication licenses / permits (PLN)	Licences: Data communications and internet licenses / permits (PLN)	Licences: Domestic long-distance licenses / permits (PLN)	Licences: WiMAX licenses (PLN)	Computer software costs: Computer software (PLN)	Computer software costs: Capital work in progress (PLN)	Customer relationships (PLN)	Total (PLN)
Gross book value as at January 1, 2014	359,904	18,310	432,823	7,417	107,354	20,329	476,482	14,844	226,233	1,663,696
Additions	-	-	-	-	-	-	208	5,198	-	5,406
Transfers	-	-	-	-	-	-	3,242	(3,242)	-	-
Sale of Uni-Net	-	-	-	-	-	-	(412)	-	-	(412)
Gross book value as at March 31, 2014	359,904	18,310	432,823	7,417	107,354	20,329	479,520	16,800	226,233	1,668,690
Accumulated amortization as at January 1, 2014	-	13,483	291,051	1,539	76,052	9,456	335,762	-	140,375	867,718
Amortization expense	-	1,117	4,661	-	1,838	352	8,917	-	7,572	24,457
Sale of Uni-Net	-	-	-	-	-	-	(406)	-	-	(406)
Accumulated amortization as at March 31, 2014	-	14,600	295,712	1,539	77,890	9,808	344,273	-	147,947	891,769
Accumulated impairment as at January 1, 2014	79,203	-	115,549	5,878	13,231	974	42,604	-	199	257,638
Impairment charge for assets *	-	2,503	-	-	-	-	-	-	-	2,503
Sale of Uni-Net	-	-	-	-	-	-	(5)	-	-	(5)
Accumulated impairment as at March 31, 2014	79,203	2,503	115,549	5,878	13,231	974	42,599	-	199	260,136
Net book value as at January 1, 2014	280,701	4,827	26,223	-	18,071	9,899	98,116	14,844	85,659	538,340
Net book value as at March 31, 2014	**280,701**	**1,207**	**21,562**	**-**	**16,233**	**9,547**	**92,648**	**16,800**	**78,087**	**516,785**

* The impairment charge of PLN 2,503 was recorded upon the decision to discontinue using Dialog's trademark.

6. Cash, short term deposits and restricted cash

	March 31, 2015 (PLN)	December 31, 2014 (PLN)
Cash and short term deposits	262,123	207,305

7. Financial instruments

Derivative financial instruments

Derivative financial assets:	March 31, 2015 (PLN)	December 31, 2014 (PLN)
Forward contracts	2.333	2.063
	2.333	**2.063**
Of which:		
Current	2.333	2.063
Non-current	-	-

Derivative financial liabilities:	March 31, 2015 (PLN)	December 31, 2014 (PLN)
Forward contracts	1.192	37
	1.192	**37**
Of which:		
Current	1.192	37
Non-current	-	-

Forward contracts

In order to mitigate the currency risk related to the planned payments to be made under equipment and construction contracts which are indexed to foreign currencies the Company entered into several forward transactions to purchase USD and EUR for periods consistent with currency transaction exposures, generally up to 12 months. For these forward contracts hedge accounting was applied. Net fair value gains on forward contracts recognized in the hedging reserve in equity as of March 31, 2015 amounted to PLN 501, net of tax. Net fair value losses on forward contracts recognized in other comprehensive income on these contracts in the three-month period ended March 31, 2015 amounted to PLN 271, net of tax. During the three-month period ended March 31, 2015, PLN 296 of net cash gains on closed forward contracts were capitalized, and the ineffective portion of open forward contracts of PLN 9 was recorded as finance costs.

Furthermore, in order to mitigate the currency risk related to the planned payments to be made under commercial contracts associated with various types of operating expense which are linked to foreign currency, the Company entered into several forward transactions to purchase USD and EUR for periods consistent with currency transaction exposures, generally up to 12 months. For these forward contracts hedge accounting was not applied. During the three-month period ended March 31, 2015, PLN 452 of fair value losses on open forward contracts were recorded as finance cost.

8. Shareholders' equity

Share capital (not in thousands)

At March 31, 2015 and December 31, 2014, the Company's share capital consisted of 348,088,394 ordinary shares and 1,000 series A1 shares with a par value of PLN 1 per share. Each ordinary share has one vote at the shareholders' meeting. The holder of 1,000 series A1 shares has the right to nominate one member of the Supervisory Board. The majority of votes of the Supervisory Board elect the Management Board. All shares issued by the Company were fully paid and registered in the National Court Registry by the date of signing these consolidated financial statements.

Distributable reserves

In accordance with the Polish Code of Commercial Companies of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037 as amended) only those reserves, which relate to net profits of individual companies shown in their statutory financial statements, are available for distribution to shareholders. As at March 31, 2014, the distributable reserves of Netia S.A. amounted to PLN 484,427.

Stock options (not in thousands)

On May 26, 2010, the Annual Shareholders Meeting resolved to adopt a set of rules ("New Plan"), to be administered by the Company's Supervisory Board until 26 May 2020, for the issuing of up to 27,253,674 share options to the Management Board and employees of Netia Group, each option authorising its holder to receive up to half of one series L share for a subscription price equal to the nominal value of the shares in the Company i.e. PLN 1, such subscription price to be paid by the Company or its subsidiaries. The options will be granted by the Supervisory Board in tranches. Each tranche of the options will be exercised within the periods established by the Supervisory Board, however, not earlier than three years following the date of the grant thereof. In order to satisfy the claims arising from the exercise of the options under the New Plan, the Shareholders Meeting resolved to authorize the issuance of up to 13,626,837 series L shares.

(All amounts in thousands, except as otherwise stated)

As at March 31, 2015 and December 31, 2014, the total number of options approved by the Supervisory Board and issued under the New Plan was 14,398,992. Out of these approved options 4,404,514 options were outstanding as at March 31, 2015 and 5,197,172 were outstanding as at December 31, 2014. As at March 31, 2015, the remaining contractual life of the outstanding options was 5.2 years. The outstanding options are exercisable until May 26, 2020. Upon exercise of the options, Netia will issue to each exercising participant the number of shares representing such participant's financial gain resulting from the exercise of the options, being the difference between the market price of the Company's shares as of the date of exercise of the options and the strike price of the options, limited to half of one series L share for each option exercised. The participant will not be required to pay the strike price.

On June 28, 2013 the Supervisory Board of Netia adopted a resolution on decreasing by PLN 0.16 the strike price of all existing options issued to the Management Board members and the employees of the Company and its subsidiaries in connection with the New Plan. This decrease of the strike price of all the existing options granted to the participants of the New Plan was necessary to neutralize the impact of the acquisition by the Company on May 28, 2013 of 16,012,630 of its shares for the price of PLN 8 per share in the performance of the share buy-back program conducted by the Company. The purchase by the Company of its own shares on the terms described above had a proforma impact on the market value of the Company's shares equivalent to a dividend payment and therefore it resulted in a decrease of the market value of the Company's shares and a corresponding decrease of the value of all the existing options granted to the participants of the New Plan. The plan makes specific provisions for the reduction of strike prices to neutralize the effect of dividend payments on the value of the plan and, furthermore, authorizes the Supervisory Board to make adjustments to the plan to neutralize the impact of unusual or one-off events, such as this repurchase of shares.

On June 17, 2014, as a result of a dividend payment, the strike prices of all outstanding options decreased by PLN 0.42. The new strike prices of the options range between PLN 4.12 and PLN 5.58.

The Company recognizes the cost of share-based awards to employees (including share options) over the vesting period and the fair value of options is determined using a binomial pricing model and taking into account business performance criteria in the financial year in which the options were granted. Due to the termination of the options of the former employees an income of PLN 123 thousand in connection with the share options plan was recognised in the three-month period ended March 31, 2014. The cost of New Plan options recorded in the three-month period ended March 31, 2014 amounted to PLN 842 thousands.

In the three-month periods ended March 31, 2015 and 2014 the following changes took place in the number of options granted under the New Plan:

	Three-month period ended March 31, 2015		Three-month period ended March 31, 2014 (restated)	
Options	**Average strike price**	**Options**	**Average strike price***	**Options**
At the beginning of the period	4,86	5.197.172	4,69	7.322.068
Exercised	4,66	(18.848)	-	-
Terminated	4,86	(773.810)	4,27	(56.837)
At the end of the period	**4,86**	**4.404.514**	**4,69**	**7.265.231**

* average strike price has been decreased by PLN 0.42

The New Plan participants are entitled to exercise their stock options on the condition that they continue their engagement with the Netia Group until the vesting date of the stock options (subject to change of control events and the termination of their engagement by the Netia Group without material cause) and the fulfilment of the business criteria set by the Supervisory Board for each year of the New Plan. In the event of termination by the Company, unvested options are retained prorata to the period worked during the vesting period. The proportion of the stock options exercised versus the number of stock options granted shall be equal to the lower of: 100% or the actual performance of the objectives set out as part of the performance criteria approved by the Supervisory Board and applicable in the financial year in which the stock options were granted. Each year, within the period following the publication of the financial statements of the Company for the previous financial year and prior to the date of the Annual General Meeting of the Company, the Supervisory Board adopts a conditional resolution in which it determines the performance level of the business criteria for the previous financial year.

A conditional resolution of Supervisory Board regarding the performance criteria for the 3,653,000 options granted in 2011 was taken on April 25, 2012 and the performance level was determined at 58.9%. The resolution of the Supervisory Board came into force on June 19, 2012 and resulted in cancellation of 41.1% options granted in 2011. A conditional resolution of the Supervisory Board regarding the performance criteria for the 3,669,000 options granted in 2012 was taken on February 26, 2013 and the performance level was determined at 68.6%. The resolution of the Supervisory Board came into force on June 28, 2013 and resulted in the cancellation of 31.4 % of options granted in 2012. A conditional resolution of Supervisory Board regarding the performance criteria for the 3,669,000 options granted in 2013 was taken on March 6, 2014 and the performance level was determined at 50.0%. The resolution of the Supervisory Board came into force on May 21, 2014 and resulted in the cancellation of 50.0 % of options granted in 2013. A resolution of Supervisory Board regarding the performance criteria for the 3,407,992 options granted in 2014 was taken on March 6, 2015 and the performance level was determined at 43.78%.The resolution of the Supervisory Board shall enter into force upon the approval of the financial statements of the Company and the Netia Group by the Annual General Meeting of the Company and will result in the cancellation of 56.22 % of options granted in 2014.

Furthermore, Netia's Supervisory Board decided to waive the continuation of the plan starting from 2015, in particular to discontinue granting the stock options in 2015 and in subsequent years. The plan remains in force with regard to rights acquired by its participants prior to the above resolution of the Supervisory Board.

(All amounts in thousands, except as otherwise stated)

9. Borrowings

	March 31, 2015	December 31, 2014
	(PLN)	(PLN)
Bank loans	300,670	300,538
	300,670	**300,538**
Of which:		
Current	100,070	100,004
Non-current	200,600	200,534

Bank loans

As at December 31, 2014 Netia and its subsidiaries had a five-year loan executed on September 29, 2011with Rabobank Polska S.A. (the "Facility Agent"), BNP Paribas S.A., BRE Bank S.A., Raiffeisen Bank Polska S.A. and Raiffeisen Bank International AG, consisting of term facility designated to acquire shares in Dialog and a revolving facility.

On November 3, 2014 Netia and its subsidiaries (as guarantors) executed a loan agreement with mBank SA (the facility agent) and Bank Gospodarki Żywnościowej SA whereunder the lenders agreed to extend to Netia a term facility maturing in three years with a total of up to PLN 300,000. The facility is designated for repayment of the Company's debt resulting from the loan agreement dated September 29, 2011 (subsequently amended on December 14, 2011 and June 20, 2013) executed between the Company and the consortium of banks. The remaining amount due from the previous loan agreement was repaid by Netia from its own funds.

Repayments of the new facility are to be spread evenly over six bi-annual instalments, with the final instalment date payable on 3 November 2017.

As at March 31, 2015, the value of these outstanding loans at amortised cost was PLN 300,670.

The term loans accrue annual interest at the rate of 3M WIBOR plus a margin established depending on the financial covenants and increased costs (as defined in the agreement), that might be incurred due to the requirements of financial regulator from the Great Britain or imposed by the European Central Bank, if such increased costs are incurred. The terms and conditions of the Agreement comply with market practice and are not different from the terms and conditions generally applied to such types of agreements. The borrowing is measured at amortized cost using an effective interest rate, which as of March 31, 2015 was 2.65%. Total transaction costs included in the calculation of the effective interest rate amounted to PLN 777.

To secure the Lender's claims under or related to the Agreement, the borrower as well as each guarantor granted the submission to execution for the benefit of each of the lender and each guarantor established financial pledges to the maximum amount of PLN 450,000.

On March 8, 2012, Netia entered into an overdraft credit facility agreement with mBank S.A. of PLN 50,000. The facility may be disbursed for general operating purposes of the Company. The Company is entitled to become indebted under the overdraft credit facility agreement in the period between March 12, 2012 and May 28, 2015. The terms and conditions of the agreement comply with market practice and are not different from the terms and conditions generally applied to such types of agreements. The Company had no outstanding balance under the overdraft credit as at March 31, 2015.

10. Other expenses

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Impairment charges for specific individual fixed and intangible assets (see Note 4, 5)	(442)	(2,854)
	(442)	**(2,854)**

11. Other (losses)/ gains, net

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
(Loss) on sale of impaired receivables	-	(2)
Gain on sale of fixed assets	140	77
Net foreign exchange gains / (losses)	295	(216)
	435	**(141)**

(All amounts in thousands, except as otherwise stated)

12. Finance income and finance costs

Finance income

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Interest income on cash and cash equivalents	936	495
Gain on sale of Uni-Net	-	286
Fair value gains on open forward contracts hedging commercial exposures (see Note 7)	-	270
Net foreign exchange gains	13	-
Fair value gains on equity securities	-	1
	949	**1,052**

Finance costs

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Interests and fees charged on bank loans	(1,765)	(5,410)
Amortization of finance lease liability	(14)	(24)
Amortization of provisions	(1)	(9)
Net foreign exchange losses	-	(97)
Fair value losses on other open forward contracts	(452)	-
Ineffective portion of cash flow hedges (see Note 7)	(9)	(10)
Fair value losses on equity securities	(2)	-
Other finance costs	-	(53)
	(2,243)	**(5,603)**

13. Corporate income tax

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Current income tax	(428)	(7,305)
Deferred income tax benefit/(charge), net	(3,056)	2,125
Income tax charge	**(3,484)**	**(5,180)**

The deferred income tax calculation is based upon the probability that future taxable profit will be available against which temporary differences, unused tax losses and unused tax credits can be utilized. That calculation is based upon Management's estimates, which are subject to considerable uncertainty and the actual outcome may differ. These estimates may be altered to reflect changes in the economic, technological and competitive environment in which the Netia Group operates.

As at March 31, 2015 Netia Group had net deferred income tax asset of PLN 69,934. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax liabilities of PLN 16,881 presented in the consolidated statement of the financial position as of March 31, 2015 relate to net deferred income tax liabilities recognized in Netia and one of its subsidiaries (after intercompany eliminations).

	March 31, 2015	December 31, 2014
	(PLN)	(PLN)
Deferred income tax assets	86,815	87,226
Deferred income tax liabilities	16,881	14,319
Deferred income tax assets, net	**69,934**	**72,907**

(All amounts in thousands, except as otherwise stated)

Deferred income tax assets and liabilities recognized on temporary deductible and taxable differences, without taking into consideration the offsetting of balances, are as follows:

	March 31, 2015 (PLN)	December 31, 2014 (PLN)
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	66,321	72,412
- Deferred income tax assets to be recovered within 12 months	58,839	56,631
	125,160	129,043
Deferred income tax liabilities:		
- Deferred income tax liabilities to be recovered after more than 12 months	18,799	18,202
- Deferred income tax liabilities to be recovered within 12 months	36,427	37,934
	55,226	56,136
Deferred income tax assets, net	**69,934**	**72,907**

The deferred income tax assets and liabilities consist of the following items:

	March 31, 2015 (PLN)	December 31, 2014 (PLN)
Deferred income tax assets:		
- Tax losses	38,174	39,662
- Accrued expenses	21,640	23,123
- Impairment provisions for receivables	5,574	5,421
- Depreciation and impairment	59,407	60,582
- Forward contracts	226	7
- Interest	19	123
- Other	120	125
	125,160	129,043
Deferred income tax liabilities:		
- Depreciation and impairment	43,798	45,058
- Accrued revenue	5,447	4,964
- Net foreign exchange	57	-
- Forward contracts	443	392
- Other	5,481	5,722
	55,226	56,136
Deferred income tax assets, net	**69,934**	**72,907**

Deferred income tax recognized in equity as at March 31, 2015 in the amount of PLN 82 relates to the hedging reserve. The deferred income tax recognized in equity as at December 31, 2014 in an amount of PLN 1,615 relates to movements in the hedging reserve and actuarial gains recognised in other comprehensive income.

The Netia Group did not recognize deferred income tax assets of PLN 1,488 relating to tax losses of PLN 7,622 of the Company's subsidiary, due to planned merger between Netia and its subsidiary Netia Brand Management sp. z o.o..

Furthermore, due to the lack of conclusive evidence of future taxable profits, the Netia Group did not recognize deferred income tax assets of PLN 114,123, relating to deductible temporary differences of PLN 600,647 as follows:

	Timing differences (PLN)	Potential deferred income tax asset (PLN)
Depreciation and impairment	579,212	110,050
Tax loss	7,622	1,448
Deferred income	6,123	1,163
Other	7,690	1,462
	600,647	**114,123**

The Polish tax system has restrictive provisions for grouping of tax losses for multiple legal entities under common control, such as those of the Netia Group. Thus, each of the Company's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. Tax losses are permitted to be utilized over five years with a 50% utilization restriction per annum.

Dispute concerning corporate income tax ("CIT") paid for the year 2003

On January 8, 2015 Netia received PLN 81,495, which definitely concluded the dispute with tax authorities regarding Netia's corporate income tax ("CIT") obligation for the year 2003. As a result of receiving the decision on December 29, 2014 Netia Group recognized a receivable in the amount of PLN 81,404 and corresponding income tax benefit as at December 31, 2014. The remaining amount relating to the statutory interest was recognized as income tax gain in the current period.

(All amounts in thousands, except as otherwise stated)

14. Dividends per share

Management elected to propose a dividend payment in respect to the financial year ended December 31, 2014 of PLN 0.42 per share amounting to PLN 146,202.

Netia's distributable reserves are disclosed in Note 8.

15. Supplemental disclosures to consolidated cash flow statement

Changes in working capital components:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Receivables	65,981	3,880
Inventories	82	342
Prepaid expenses	(2,415)	(480)
Provisions, accruals and payables[1]	(54,558)	(1,761)
Restricted cash	-	13
Deferred income	(2,711)	(3,624)
	6,379	**(1,630)**
Out of which:		
Change in long -term position	*(579)*	*(2,456)*

[1] This position excludes movements in investment payables.

Supplemental disclosures to operating activities:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	(PLN)	(PLN)
Income taxes paid	(818)	(5,755)
Interest received	936	495

16. The Management Board and Supervisory Board

Management Board

As at March 31, 2015 and December 31, 2014 the Company's Management Board consisted of the following members:

- Adam Sawicki – President,
- Paweł Szymański – Chief Financial Officer, Management Board Member.

On January 30, 2015, the President of the Company's Management Board, Adam Sawicki, in agreement with the Supervisory Board, decided to resign from his position. Mr. Adam Sawicki remained in his position until March 31, 2015.

On March 23, 2015 the Supervisory Board appointed Mr. Paweł Szymański as the President of the Management Board, effective April 1, 2015.

On March 23, 2015 the Supervisory Board appointed Mr. Cezary Chałupa as member of the Management Board, effective April 1, 2015.

On March 23, 2015 the Supervisory Board appointed Mr. Tomasz Szopa as member of the Management Board, effective April 1, 2015.

Due to the above change as at the financial statements publication date the Company's Management Board consisted of the following members:

- Paweł Szymański – President,
- Cezary Chałupa - Management Board Member,
- Tomasz Szopa - Management Board Member.

Supervisory Board

As at March 31, 2015 and December 31, 2014 the Company's Supervisory Board consisted of the following members:

- Zbigniew Jakubas - Chairman,
- Cezary Smorszczewski - Vice-chairman,
- Przemysław Głębocki,
- Mirosław Godlewski,
- Katarzyna Iwuć,
- Tadeusz Radzimiński.

17. Related party transactions

Options granted to members of the Management Board (not in thousands)

As March 31, 2015 and December 31, 2014 the total number of options held by members of the Company's Management Board under the New Plan was respectively nil and 400,000, of which none had vested as of those days. Strike prices for the options granted to the Management Board was PLN 4.86 (after the strike price decreased by PLN 0.42). The market price of the Company's shares March 31, 2015 was PLN 5.90 per share.

The movements in the number of options held by members of the Company's Management Board in the three-month periods ended March 31, 2015 and March 31, 2014 are presented below:

Options	**Three-month period ended March 31, 2015**	**Three-month period ended March 31, 2014**
At the beginning of the period	400,000	3,585,701
Terminated	(400,000)	-
At the end of the period	**-**	**3,585,701**

As at March 31, 2015 Mr. Adam Sawicki - the Company's President of the Management Board - held nil options. As at December 31, 2014 Mr. Adam Sawicki - the Company's President of the Management Board - held 400,000 options, none of which had vested.

As at March 31, 2015 and as at December 31, 2014 Mr. Paweł Szymański - a member of the Company's Management Board - held nil options.

Number of options held by members of the Supervisory Board (not in thousands)

As at March 31, 2015 and December 31, 2014 Mr. Mirosław Godlewski - a member of the Company's Supervisory Board - held 658,807 options, none of which had vested.

Number of shares held by members of the Management Board (not in thousands)

As at March 31, 2015 none of the Members of the Management Board held shares of the Company. As at December 31, 2014, the Company's President of the Management Board, Mr. Adam Sawicki held 40,000 shares of the Company.

Number of shares held by members of the Supervisory Board (not in thousands)

As at March 31, 2015 and December 31, 2014 Mr. Mirosław Godlewski - a member of the Company's Supervisory Board - held 52,979 shares of the Company.

As at March 31, 2015 and December 31, 2014 Mr. Tadeusz Radzimiński - a member of the Company's Supervisory Board - held 9,537 shares of the Company.

Management Board remuneration

Compensation and related costs associated with members of the Company's Management Board during the three-month periods ended March 31, 2015 and 2014 amounted to PLN 1,523 and PLN 2,825, respectively. The costs in the three-month period ended March 31, 2015 include accrued costs related to the settlement with the President of the Management in amount of PLN 700. Due to the resignation of Mr. Adam Sawicki from the position of the President of the Management Board the options held by him were terminated and as such in the three-month period ended March 31, 2015 an income related to share-based payments was recognised in the amount of PLN 48. The gross cost of share-based payments in the amounts of PLN 431 was recognized in the three-month period ended March 31, 2014.

In addition, amounts paid and payable to former Management Board members in the course of termination of their employment relationship with the Netia Group in the three-month period ended March 31, 2015 amounted to PLN 235.

Compensation and related costs associated with members of the Management Boards of the Company's subsidiaries during the three-month periods ended March 31, 2015 and 2014 amounted to PLN 121 and PLN 74, respectively. These amounts were paid to certain employees of the Netia Group who are neither past nor present members of the Management Board of Netia S.A.

Supervisory Board remuneration

Compensation and related costs associated with members of the Company's Supervisory Board during the three-month periods ended March 31, 2015 and 2014 amounted to PLN 117 and PLN 231, respectively.

Compensation and related costs associated with members of the Supervisory Boards of the Company's subsidiaries during the three-month periods ended March 31, 2015 and 2014 amounted to nil.

Incidental expenses of the Supervisory Board Members reimbursed by the Company amounted to nil and PLN 56 during the three-month periods ended March 31, 2015 and 2014, respectively, and mainly related to travel and accommodation.

Other transactions with related parties

During the three-month periods ended March 31, 2015 and 2014, respectively the Netia Group has not been a party to any other material transactions, or proposed transactions, apart from transactions mentioned above, in which any member of the key management personnel or close members of their families, had or was to have a direct or indirect material interest.

18. Commitments

Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the consolidated financial statements amounted to PLN 57,883 as at March 31, 2014 and PLN 15,622 as at December 31, 2014 of which, PLN 6,204 and PLN 653 respectively, related to the planned acquisition of intangible assets.

19. Contingencies

Universal services

The telecommunications law stipulates that the obligation to provide universal service should be designated by the President of UKE following completion of a tender procedure. The President of UKE issued a decision designating Orange Polska SA to provide universal service until May 8, 2011. Telecommunications undertakings, whose relevant annual revenue from telecommunications activity exceeds PLN 4,000, are obliged to participate in financing of the universal service obligation. The exact participation amount of a telecommunications undertaking obliged to pay subsidy will be established by virtue of the President of UKE decision and cannot exceed 1% of revenues of a given telecommunications undertaking in a given calendar year.

Orange Polska SA filed with the President of UKE applications for awarding subsidy towards incurred costs of universal service provision. The applications cover subsidy towards costs incurred in the period from May 8, 2006, until May 8, 2011, i.e. the whole period of obligation to provide universal service by Orange Polska SA. The total amount claimed by Orange Polska SA on all applications for 2006-2011 was PLN 1,106,994. The last application was filed by Orange Polska SA on 29 June 2012 and included a request for subsidy for the period from January 1 to May 8, 2011 in the amount of PLN 33,837.

In May 2011, the President of UKE issued decisions by virtue of which Orange Polska SA was awarded subsidies towards incurred costs of several services falling within the scope of universal service as follows:

- in 2006 - amounting to PLN 745 - due to provision of facilities for customers with disabilities
- in 2007 - amounting to PLN 1,269 - due to provision of facilities for customers with disabilities
- in 2008 - amounting to PLN 1,830 - due to provision of facilities for customers with disabilities
- in 2009 - amounting to PLN 63,150 - due to provision of facilities for customers with disabilities as well as provision of telephone services with use of public pay phones.

Following Orange Polska SA requesting the Regulator to reconsider her decisions, on September 7, 2011, the President of UKE upheld the decisions awarding subsidies towards incurred costs of universal service for years 2006-2009.

On January 10, 2012, the President of UKE issued decisions by virtue of which Orange Polska SA was awarded subsidies towards incurred costs of several services falling within the scope of universal service for 2010 amounting to PLN 55,102 due to provision of facilities for customers with disabilities as well as provision of telephone services with use of public pay phones. Following Orange Polska SA requesting the Regulator to reconsider, this decision was upheld on April 11, 2012.

In total, Orange Polska SA was awarded by the President of UKE PLN 122,096 for the provision of universal service within the years 2006-2010.

Orange Polska SA appealed the decisions of the President of UKE to the Voivodship Administrative Court (further "WSA"). WSA dismissed the complaints of Orange Polska SA against the decisions granting the subsidies towards costs of provision of universal service in 2006 – 2010 and Orange Polska SA has appealed the WSA decisions to the Supreme Administrative Court (further "NSA").

On December 5, 2013 NSA repealed the judgments of the WSA dismissing the appeals about granting Orange Polska SA subsidies for the years 2006 and 2007 and remanded both cases for reconsideration to the WSA. On July 17, 2014 WSA repealed the decisions of the President of UKE. KIGEiT submitted a cassation complaint to the NSA against WSA judgments repealing the decisions of the President of UKE.

On May 13, 2014 the NSA repealed the judgments of the WSA dismissing the Orange Polska S.A. complaints about granting Orange Polska SA subsidies for providing the universal service for the years 2008 and 2009 and remanded the case for the reconsideration to the WSA.

On October 2, 2014 NSA repealed WSA judgments receding Orange Polska S.A. complaint about granting Orange Polska S.A. subsidies for the universal services for the year 2010 and remanded the case back to the WSA.

(All amounts in thousands, except as otherwise stated)

Although the Management Board is convinced of the validity of the issued decisions, it cannot assure that decisions for the years 2006 – 2010 will be finally maintained and the amount of the Netia Group's share in the subsidy to the universal service cost will not be increased above the currently estimated amount.

On September 20, 2013 the President of UKE, after re-consideration of the case, issued a decision granting Orange Polska SA subsidy towards costs of provision of universal service in the period from January 1, 2011 till May 8, 2011 amounting to 14,903 PLN.

On October 21, 2013 KIGEiT appealed against the abovementioned decision to the WSA. On September 17, 2014 WSA repealed the decision. While the Management Board is convinced of the defective nature of the issued decision, it cannot assure that the decision will be repealed by the WSA and that a subsidy for 2011 shall not be finally granted.

On March 20, 2014 the President of UKE issued a decision establishing that enterprises are obliged to subsidise the cost of universal service for the year 2006 by contributing in the amount of 0,0018992546 % of their 2006 revenues. Netia and Dialog sent to the President of UKE a request to reconsider the decision. After reconsidering the case, by the decision of October 10, 2014 the index for 2006 was set on the level 0,0018499671% of the income. Netia, Dialog and Internetia appealed against the abovementioned decisions to the WSA. Should the rate be finally upheld, the provision which was made to cover the potential Netia Group companies' share in the subsidy for universal service provided in 2006 would be sufficient

The exact amount of share in the subsidies to costs of universal services to be payable by each telecommunications undertaking requires the President of UKE to issue individual decisions. By the date of approval of the present financial statement of the Netia Group, the companies from the Netia Group have not received a decision on this matter. However, despite lack of legal validity of the decisions establishing the amounts of subsidies towards universal service, including the decision for year 2006, as well as despite submission of appeals against the decisions establishing the index of share in the subsidies towards universal service for year 2006, the President of UKE initiated proceedings on setting the amount of share of Netia, Dialog and Internetia in the subsidies to the universal service for year 2006.

The Management estimates the total amount of potential obligation of Companies of the Netia Group to subsidize the cost of USO at PLN 6,998. This estimate takes into account their market shares in 2006 – 2011 and decisions of the President of UKE, in which the amounts of subsidies towards the costs of providing universal service in years 2006 – 2011 were granted in the total amount of PLN 136,999. The Companies of the Netia Group have made a provision for this amount to cover potential obligations under the subsidy for universal service provided in the years 2006 – 2011.

Should Orange Polska SA prevail in any of the aforementioned litigation, the USO liability in respect to 2006 – 2011 could still rise materially above the amount provided to date.

On the basis of the full amount of subsidies claimed by Orange Polska SA and of the Company's estimations concerning revenues of telecommunications services providers that may participate in subsidies towards universal services, the amount of subsidy towards universal service that might conceivably be claimed by Orange Polska SA from the Netia Group amounts to approximately PLN 53,853 for the period from 2006 until 2011 inclusive as follows:

	Maximum subsidies	**Provision**
	PLN	*PLN*
2006	6,259	33
2007	10,816	63
2008	9,167	81
2009	11,964	3,199
2010	13,857	2,834
2011	1,790	788
	53,853	**6,988**

Pursuant to the decision of the President of UKE designating Orange Polska SA to provide universal service the above obligation of Orange Polska SA expired as of May 8, 2011. Since then no new telecommunications undertaking obliged to provide universal service has been designated.

On May 5, 2014 the President of UKE published the Report "The state and the assessment of the availability, the quality of service and the price accessibility of the services included in the universal service", where the President of UKE stated that all services included in the universal service in the telecommunication market are currently provided with good quality and are reasonably priced in the whole Poland, what implies lack of the indications to begin the procedure to appoint the undertaking designated to provide universal service. At the same time the President of UKE stipulated that he will continue to monitor providing of the services included in the universal service by the telecommunication companies in Poland.

The Management Board cannot assure that, in the future, the President of UKE would not aim to change to a new model of USO, and in such a case that it would not cause additional costs to be incurred by Netia Group.

Tax contingent liability

Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes have radically changed in comparison to the tax regulations, which existed prior to the economic and political transformation in Poland. The lack of reference to well-established practices and the relatively short period in which these new tax regulations have been in place often results in a lack of clarity and consistency in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. Tax settlements, together with other areas of legal compliance are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems. The tax authorities may at any time inspect the books and records of the Company and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year when a tax is due.

Possible liabilities under the New Plan

According to the New Plan (see also Note 8), in the event of a tender to purchase all of the remaining shares in the Company is announced and as a result of such tender any "person" or "group of persons acting in concert" comes into possession, directly or indirectly, of at least 80% of the total outstanding voting securities of the Company ("Change of Control"), each of the option holders shall have the right to demand to exchange his stock options which are non-vested for a cash consideration

Given that Netia is not presently controlled by any single large investor and given that Management is not in possession of information concerning the circumstances under which existing large shareholders may consider disposing of their shares in the Company, it is not possible for Management to make a reliable estimate of the likelihood of a Change of Control occurring until May 20, 2020. Accordingly, Management is presently unable to reliably estimate the fair value of the contingent liability to settle issued options in cash as would otherwise be required in accordance with IFRS 2, Share Based Payments. However, had the Change of Control occurred as at March 31, 2015 when the market price of the Company's shares was PLN 5.90 (not in thousands) per share, the liability to settle in cash all outstanding non-vested options would amount to PLN 2,649.

20. Subsequent events

Changes in the Management Board of the Company

Changes in the composition of the Management Board were described in Note 16.

Appointment and dismissal of Supervisory Board Memeber

On April 17, 2015 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 dismissed Mr. Tadeusz Radzimiński from the position of Netia's Supervisory Board member, and appointed Mr. Stefan Radzimiński as Netia's Supervisory Board member effective as of the day of the Annual Shareholders' Meeting approving the financial statement of Netia for the year 2014.

Issuance of Netia's series L shares (not in thousand)

On April 28, 2015 the NDS registered 10.631 ordinary bearer series L shares of Netia with a nominal value of PLN 1 (one) each, issued under conditional capital increase.

The series L shares were issued due to the exercise of stock options (see Note 8) by two persons who hold managerial positions in the structure of the Company (but not Management Board members), who have constant access to inside information and by 4 persons whose employment relations with the Company expired before the acquisition of the abovementioned series L shares.

Netia's issued and outstanding share capital, following this issuance is PLN 348,099,025 and represents 348,099,025 shares, PLN 1 per value per share, each share giving the right to one vote at Netia's general meeting of shareholders.

Loan instalment repayment

On 4 May 2015 the Company repaid in accordance with the loan schedule a capital instalment in the amount of PLN 50,000.

Conclusion of a preliminary agreement to purchase 100 per cent of shares un TK Telekom

On May 8, 2015 the Company has concluded a preliminary agreement of sale of shares of TK Telekom from PKP Group. Netia will pay for TK Telekom PLN 221,857. The transaction will be financed from available credit lines. The conclusion of the Final Contract was made conditional upon obtaining the consent for concentration expressed by the President of the Office of Competition and Consumer Protection. The second precedent condition is the consent of the general assembly of PKP SA.