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NETIA SA REPORTS 2007 YEAR-END AND FOURTH QUARTER RESULTS

WARSAW, Poland – February 28, 2008 – 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 in accordance with EU IFRS *(*)* for the year and unaudited results for the quarter ended December 31, 2007.

Key Developments:

- **Netia delivered on its guidance for 2007**, reporting the following results:

	2007 Actual	2007 *Original Guidance***
Number of broadband service clients	217,518	> 200,000
Number of voice service clients *(own network and WLR)*	421,752	> 420,000
Revenues *(PLN m)*	838.0	830.0-865.0
EBITDA *(PLN m)*	170.7	130.0
Capital investment *(PLN m)*	244.4	300.0

- **Netia revenues return to growth** – revenues recorded for Q4 2007 of PLN 222.5m (EUR 62.1m) represent 8% sequential growth and 6% year-on-year growth.
- **Netia's broadband subscriber base** reached 217,518 at December 31, 2007, growing by 260% over the previous year from 60,366 at December 31, 2006. As at February 26, 2008, Netia had a total of over 244,000 broadband subscribers, and the Company is targeting over 400,000 broadband customers by the end of 2008.
- Netia has clearly established itself as the **leading telco altnet provider of broadband services** in Poland. Based on published market share estimates, Netia acquired 19% of broadband net additions during 2007. The Company estimates that its share of total broadband market subscribers has more than tripled to 4.6% during the past twelve months. Since January 2007, Netia estimates that approximately 78% of TP customers switching to altnet service over bitstream access have chosen Netia.
- In line with its strategy to be the leading altnet provider of broadband services, Netia was the first altnet to **unbundle the incumbent's local loop**, enabling it to offer differentiated broadband services over TP's access network during 2008 and beyond.
- During Q4 2007 Netia began offering **full voice service over TP's network** based on a wholesale line rental *(WLR)* arrangement. By December 31, 2007, 31,128 customers had been acquired, bringing a new impetus to grow Netia's base of voice service customers.
- **Netia signed an agreement to sell its 23.4% interest in the mobile operator P4 Sp. z o.o. ("P4") for EUR 130.0m** This price represents a 63% premium over the EUR 79.7m of equity contributed by Netia to P4. The transaction, along with the previously arranged credit facility of PLN 300.0m, provides Netia with the funding Management expects to be sufficient to execute its medium-term strategy to acquire 1 million broadband customers. Furthermore, key commercial agreements with P4, namely the mobile service provider and P4 transmission contracts, remain in place post-disposal.

- **Mirosław Godlewski, Netia's President and CEO**, commented: "Netia's performance in 2007 gives us great confidence looking to the future. We are now the altnet provider of choice with 78% share of bitstream."

(*) In accordance with International Financial Reporting Standards as adopted by the European Union.

(**) Guidance was updated twice during the course of 2007 following the half year and third quarter interim results announcements.

Financial Summary:

- **Revenues** for 2007 were PLN 838.0m (EUR 234.0m), representing a year-on-year decrease of 3%. Revenues for Q4 2007 were PLN 222.5m (EUR 62.1m). This represents **an increase of between 8%-9% when compared to each of the first three quarters of 2007, and an increase of 6% on the corresponding prior year quarter**. The year-on-year decline in annual revenues is wholly attributable to falling wholesale and interconnection revenues and the low margin voice transit business in particular. Revenues from data transmission in 2007 grew to PLN 242.2m (EUR 67.6m) for a 41% year-on-year increase and a 12% sequential increase. This growth in data revenues more than offset a 10% decline in direct voice revenues and data revenues now represent 29% of annual group revenues, up from 20% a year earlier.
- **EBITDA** for 2007 came in ahead of increased guidance at PLN 170.7m (EUR 47.7m) representing an EBITDA margin of 20.4% as compared to an Adjusted EBITDA of PLN 221.3m, or an EBITDA margin of 25.7%, for 2006. The lower EBITDA margin reflects the start-up costs and acquisition expenses incurred to expand Netia's broadband and WLR customer bases.
- **Netia's share of P4's start-up losses** increased to PLN 165.2m (EUR 46.1m) for 2007 due to subscriber acquisition costs and marketing expenses related to the expansion of P4's customer base. This was up from PLN 30.7m in 2006, when P4 was preparing to launch its mobile services. The seasonal peak of customer acquisitions in the fourth quarter resulted in P4's Q4 2007 loss widening to PLN 226,0m (EUR 63,1m) as compared to PLN 186,9m in Q3 2007.
- **Loss** for 2007 was PLN 268.9m (EUR 75.1m) versus loss of PLN 378.4m (and adjusted loss of PLN 88.2m) for 2006. The 2006 figure was impacted by two non-cash significant adjustments: a PLN 354.7m impairment charge and a PLN 64.5m gain from the downward reassessment of El-Net's license fee liabilities, while the 2007 figure was negatively impacted by a PLN 134.5m increase in Netia's losses related to P4's start-up. This accounts for 74% of the increased adjusted loss for the period, with broadband and WLR start-up losses of PLN 66.0m comprising the rest.
- **Fixed asset additions** totaled PLN 244.4m (EUR 68.2m) for the full year 2007 compared to PLN 173.5m in 2006. Cash paid out for capital investments was PLN 235.4m (EUR 65.7m) in 2007 as compared to PLN 180.6m in 2006.
- **Net debt** at December 31, 2007 stood at PLN 37.3 mln (EUR 10.4m) with PLN 205.0m (EUR 57.2m) of Netia's PLN 300.0m credit facility still undrawn and available for use in 2008. During 2007, Netia made PLN 136.3m (EUR 38.2m) in equity contributions to P4 and PLN 39.3m (EUR 11.0m) for the acquisitions of twelve Ethernet operators.
- **Sale of Netia's minority interest in P4 will help finance the implementation of Netia's strategy through 2008-2009**. In accordance with Netia's strategy announced in April 2007, the continued acceleration of broadband customer acquisition and capital investment in the unbundling of the incumbent's local loop in 2008 and 2009 require additional capital to be raised during 2008. Having fully considered its options to raise this capital, Management concluded that an earlier, highly profitable exit from the P4 investment is better than issuing new equity as a means to fund both Netia's expansion plans in the Polish broadband market and further fund the P4 project. On January 31, 2008, Netia signed a letter of intent and on February 22, 2008 a binding agreement with Novator Telecom Poland S.a.r.l ("Novator") and Tollerton Investments Limited ("Tollerton") to sell its 23.4% interest in P4 for EUR 130.0m, payable in cash on closing expected to take place by March 31, 2008. Furthermore, key commercial agreements with P4, namely the mobile service provider and P4 transmission contracts, remain in place post-disposal with certain modifications to reflect Netia's new status as strategic partner rather than shareholder. On closing, Netia will realize a 63% return on its equity investments in P4 (representing an annualized IRR of 25%) and will have sufficient funding to execute its broadband expansion strategy through to cash flow break-even.

Operational Highlights:

- **Broadband** subscribers increased to 217,518 at December 31, 2007 from 171,368 at September 30, 2007 and 60,366 a year earlier. As announced in April 2007, Netia's key strategic objective is to become the market leader amongst alternative operators and reach one million broadband customers by the end of 2010. By the end of 2008, Netia aims to have more than 400,000 broadband customers. Netia provides its broadband services using the following technologies:

Number of broadband ports *(*)*	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
xDSL and FastEthernet over Netia's own fixed-line network	111,223	94,621	88,468	62,528	58,250
Bitstream access	99,346	70,945	40,770	35,836	n/a
WiMAX Internet	5,861	4,658	3,516	2,192	836
Others	1,088	1,144	1,224	1,266	1,280
Total	**217,518**	**171,368**	**133,978**	**101,822**	**60,366**

(*) Including the effect of the Pro Futuro acquisition since Q2 2007

The major driver of organic customer acquisitions during Q4 2007 was Netia's Christmas promotion "PLN 600/PLN 1500 in your hand" targeted to residential and SME/SOHO clients. Another 12,388 broadband new additions resulted from the acquisition of 8 Ethernet operators during Q4 2007, bringing the total Ethernet company acquisitions to 12 and the number of Ethernet clients acquired to 35,935. Including post acquisition organic growth, Netia ended the year with 37,362 customers connected to its Ethernet networks.

Broadband ARPU was PLN 75 (EUR 21) in Q4 2007 as compared to PLN 128 in Q4 2006 and PLN 86 in Q3 2007. The decline in broadband ARPU reflects the growing proportion of residential customers in the customer mix and is expected to continue to trend downward as Netia continues to add residential broadband subscribers. New customer orders in Q4 2007 were contracted for approximately 20% higher average monthly fees than in Q3 2007 as Netia reduced its discount to TP prices and increased advertising support to its offer. Broadband ARPU is expected to settle between PLN 50 and PLN 60 per month in the medium term as the business/residential mix stabilises.

As at February 26, 2007, the broadband subscriber base exceeds 244,000 ports.

Important developments in broadband were as follows:

- *Local loop unbundling (LLU)*. Netia was the first alternative provider in Poland to offer services based on the incumbent's unbundled local loop, enabling the Company to provide its own services, differentiated from the incumbent's product offering, to TP's customers. Netia connected its first clients through an unbundled TP switch under a pilot project in Warsaw during December 2007, and the LLU-based services were launched commercially in Q1 2008. Currently, Netia's LLU product offers bundled voice and data services priced identically to WLR and BSA. In the future, Netia intends to further increase customer value by migrating its bitstream access and WLR clients to LLU where nodes are available and up-selling them both content and convergent products, as well as voice services. The rate of nodes unbundling is expected to accelerate later in 2008 and Netia is targeting to unbundle in excess of 100 nodes by the year-end.
- *Bitstream access cooperation.* The Company has made significant progress working with TP and the regulator on improving the conversion rate of signed bitstream contracts into activated services. As a result of TP failing to meet certain obligations under the bitstream access agreement, Netia demanded payment from TP for contractual penalties totalling PLN 21.8m (EUR 6.1m), following the expiration of an initial grace period. Netia's management intends to use all legal means to enforce the penalties and will recognize income when TP either pays or settles the liability in a manner acceptable to Netia.

- **Voice lines (own network and WLR** *(wholesale line rental)***)** totaled 421,752 at December 31, 2007 as compared to 398,276 at December 31, 2006 and 394,440 at September 30, 2007.

  The sequential increase in number of voice lines resulted from the introduction of WLR-based voice services, sold to both voice-only customers and bitstream broadband customers as a double play offering. The first WLR lines went active on November 1, 2007 and their number reached 31,128 at December 31, 2007. Management expects to increase its base of voice clients thanks to newly connected WLR voice customers and to stabilize voice revenues during the next few quarters.

  Netia network subscriber voice lines (net of voluntary churn and disconnections) were 390,624 at December 31, 2007 as compared to 398,276 at December 31, 2006 and 394,440 at September 30, 2007. The decline in the direct voice subscriber base reflects the deactivation of certain legacy narrowband radio voice customers (operating in 2.4 GHz band) who chose not to switch to Netia's WiMAX services where minimum monthly charges are higher. These legacy radio technologies must be disconnected by all operators in Poland during 2007 and 2008 due to changes in frequency allocations imposed by the regulator. As the higher ARPU clients are switching to WiMAX, Management does not expect a material negative impact on revenues or EBITDA from this migration process.

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

Number of voice lines	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Traditional direct voice	377,104	383,652	389,584	395,451	396,808
Incl. ISDN	*113,704*	*111,962*	*110,352*	*106,800*	*104,280*
Voice over IP	2,495	2,169	1,340	1,120	689
WiMAX voice	11,025	8,646	5,539	2,411	779
WLR	31,128	n/a	n/a	n/a	n/a
Total	**421,752**	**394,440**	**396,463**	**398,949**	**398,276**

  Voice ARPU decreased by 11% to PLN 73 (EUR 20) in Q4 2007 from PLN 82 in Q4 2006 and by 4% from PLN 76 in Q3 2007, reflecting the continued overall tariff reduction trends and a decrease in traffic volumes year-on-year and a sequential introduction to the voice ARPU definition of WLR customers.

- **Headcount** for the Netia group was 1,281 at December 31, 2007, compared to 1,111 at December 31, 2006 and 1,237 at September 30, 2007. New staff were added primarily within the customer care and sales areas to support the broadband growth initiative or resulted from the conversion of contractors into Netia employees due to changes in Polish legislation that came into effect in January 2007. Included within the total headcount are 60 employees of the twelve Ethernet companies acquired during 2007.

- **The number of Netia's active business clients from the SME/SOHO sector** amounted to 78,820 at December 31, 2007. Increasing Netia's focus on SOHO/SME customers and reducing dependence on large accounts and bespoke offers for business customers revenues is an important element of Netia's strategy.

- **Capital investment additions** rose by 41% from PLN 173.5m (EUR 48.4m) in 2006 to PLN 244.4m (EUR 68.2m) in 2007. Expenditures related to the existing network and information technology fell by 18 % from PLN 150.0m (EUR 41.9m) in 2006 to PLN 122.7m (EUR 34.3m) in 2007. The increase in total capital investments was driven by growth in expenditures on broadband networks from PLN 23.5m (EUR 6.6m) in 2006 to PLN 81.4m (EUR 22.7m) in 2007 and by the initial investments in providing a transmission solution for P4 of 40.3m (EUR 11.3m).

Mirosław Godlewski, Netia's President and CEO, commented:

"Our broadband initiatives have delivered 260% growth as we reached 217 thousand customers at year-end 2007. Netia's market share of net additions across telecoms and cable was a strong 19% and we have tripled overall broadband share, to 4.6% of the total broadband market. Our commitment to this expansion and the quality of our service offering is underscored by the data showing that since 2007 we have been the altnet supplier of choice with about 78% bitstream customers choosing Netia's services."

“We are pleased to announce that we are beginning to see results of our new strategy materialize in our financial statements, with an 8% sequential and 6% year-on-year rise in Q4 2007 revenues. The management team is confident of continued revenue growth as Netia accelerates broadband customer acquisition, expands voice customer base via WLR service, as well as begins billing P4 for transmission services and starts offering its mobile services under Netia’s own brand in 2008. With momentum in place, 2008 will also be a year for optimizing the economics of our new broadband activities with an additional focus on process efficiency and cross-selling of double-play voice and data services.”

“Another major success has been the promising start to Play's commercial operations, which gained roughly a 2% share of the Polish mobile market after just over 9 months. After thoroughly assessing our options, we have decided that it is best for Netia to focus our capital resources on broadband expansion. Therefore, we have accepted the very attractive bid for Play of EUR 130.0m from our partners in P4, which represents a 63% profit on our initial investment. We wish the Play team much success and we are excited to remain in close cooperation as technology partners on network transmission and Netia mobile service provider projects.”

Jon Eastick, Netia’s Chief Financial Officer, commented: “We are pleased to announce that our full year results met or exceeded our guidance. Most importantly, Netia has returned to revenue growth, posting 8% sequential and 6% year-on-year growth in Q4 2007, driven by 12% sequential growth in data revenues, and a meaningful contribution of PLN 4.6m from our transmission contract with P4. We are confident that revenues will continue to grow sequentially throughout 2008 driven by broadband, new WLR-based voice subscribers and the P4 transmission and service provider contracts. We are projecting full year 2008 revenue growth in a percentage range of low to mid teens.”

“Capital investments relating to our own-network business fell within our guided range at 18% below 2006 levels. Additionally, the 157 thousand net broadband additions to Netia’s customer base have been absorbed with investments of PLN 81.4m, below our original estimate for the year.”

“The legacy revenue streams and EBITDA from our own network have held up well during 2007, with EBITDA margins similar to 2006 despite falling voice revenue. During 2008, we will look for further efficiencies in our traditional services and improve the economics of our new broadband activities. In particular, we will focus on up-selling double-play services and making meaningful progress on the roll-out of local loop unbundling.”

“After we successfully close the sale of stake in P4 for EUR 130.0m, we anticipate that Netia will have the funding necessary to achieve our strategic goal of one million broadband subscribers and to reach free cash flow break-even sometime in 2010.”

Other Highlights:

- **Strategy announcement**. On April 18, 2007, Netia announced its new operating strategy focused on growth through dynamic expansion of the customer base and an increase in customer value. The Company plans to build on new opportunities to access the fixed-line network of the incumbent operator (via bitstream access, local loop unbundling and wholesale line rental), to leverage Netia's investment in PLAY mobile project, and to capitalize on the Company's already strong position in the business market. In particular, Netia aims to become the market leader for broadband services in Poland with the objective of acquiring one million broadband customers over a three year period by the end of 2010. Approximately 60% of Netia's broadband additions are expected to be acquired over the TP infrastructure, approximately 20% are to be derived through increased broadband penetration of Netia's own access network and approximately 20% are to be acquired through the consolidation of local Ethernet networks. Netia also intends to focus on the most attractive segments of the business market, significantly increasing the number of SME & SOHO clients and increasing profitability from large corporate clients while minimizing cash burn. This growth strategy will be supported by corporate culture changes aimed at strengthening our customer focus. In light of the recently announced sale of its stake in P4 for EUR 130.0m, Netia expects to continue to leverage its position as a founding shareholder and maintain a close business partnership with P4. Netia expects that this partnership will include: (i) full implementation of the pre-existing mobile service provider agreement that enables Netia to sell convergent fixed and mobile offers under its own brand, (ii) provision of backhaul transmission services to P4's network, and (iii) continued use of the PLAY Germanos distribution chain for Netia's services.

- **Netia and TP signed an interconnect agreement** (the "Agreement") that introduces new rules of cooperation with regard to both operators networks' connection and mutual exchange of telecommunications traffic. The Agreement sets forth new rules for interconnection settlements, which are based on the reference interconnect offer *(RIO)* and benchmarked to market standards for similar agreements. The Agreement was concluded on June 30, 2007 and became effective from September 30, 2007. The Agreement and the related contracts signed in parallel replaced all previously binding interconnect agreements between both parties. The Agreement normalizes the interconnection relationship with TP and allows the Netia group to fully benefit from regulatory access opportunities, such as WLR, that were previously only available via subsidiary companies that always operated under the RIO regime. Furthermore, Netia was able to negotiate asymmetric interconnection rates with TP that are expected to contribute to higher margins than had previously been projected. As part of the settlement, almost all court cases between the two companies shall be canceled and outstanding balances have been settled such that Netia recorded a gain of PLN 24.2m (EUR 6.8m) in "Other income" for the twelve-month period ended December 31, 2007.

- **Acquisitions of local Ethernet network operators**. Between June and December 2007 Netia acquired twelve Internet service providers. The total purchase consideration for these network operators was PLN 42.8m (EUR 11.9m), including PLN 3.9m (EUR 1.1m) in transaction costs and management fees. The above companies operate networks in multi-family housing developments, with approximately 122,000 households passed and, as of December 31, 2007, provided broadband access to a total of 37,362 residential customers using FastEthernet technology that allows for transmission speeds of up to 100 Mb/s. These high performance networks enable the provision of other web-based services, e.g., video on demand or IPTV, with relatively low incremental capital expenditures. The acquisitions will also enable Netia to up-sell its other services, such as voice and hosting, to the customers of the acquired companies. The acquisitions are part of Netia's strategic objective to acquire one million broadband customers. The acquired companies were consolidated into Netia's financial results from the dates of their acquisitions.

- On December 27, 2007, **Netia purchased from Motorola Inc. its minority stake in UNI-Net Sp. z o.o.** ("Uni-Net"), a company providing radio-communications services, and currently owns 100% of Uni-Net's share capital. Netia acquired this 37.8% stake in Uni-Net for the amount of PLN 7.1m (EUR 2.0m), with the majority (80%) of the purchase price represented by Motorola's share of cash balances held on Uni-Net's accounts at the transaction date. As at December 31, 2007, Netia's consolidated cash and cash equivalents included PLN 16.1m (EUR 4.5m) in the accounts of Uni-Net. The shares were acquired from Netia's own resources and constitute an investment of a long-term nature.

PLAY mobile project (PLAY is the new brand developed by P4)

- ***Netia diversifying into mobile services.*** The launch of PLAY allows Netia to achieve one of its primary strategic objectives; providing access to mobile products and services to its own customers. Under this plan, Netia will become a mobile service provider, selling P4's mobile services under its own brand and introducing convergent fixed-mobile products together with PLAY. A long-term service provisioning contract on both initiatives was signed by Netia and P4 on December 7, 2007 and came into effect during January 2008 following the acceptance of P4's banker, China Development Bank. The commercial launch of mobile services by Netia is planned for H2 2008.

- ***Update on PLAY's commercial operations.*** PLAY mobile service launched commercially nationwide on March 16, 2007. PLAY offers both post- and pre-paid services using simple, unified pricing plans. PLAY's pricing undercuts the competition in the consumer market and is targeted at higher ARPU segments of the residential market. PLAY has been steadily developing its distribution capacity and had approximately 450 postpaid outlets and over 40,000 locations where its prepaid products are available by the end of 2007. During Q4 2007, PLAY increased its subscriber base from approximately 435,000 to 850,000 customers and bringing market share of net additions up from 20% in Q3 2007 to 27% in Q4 2007. The subscriber base was comprised of approximately 230,000 postpaid and 620,000 prepaid subscribers as at December 31, 2007. As of January 24, 2008, PLAY announced that its subscriber base surpassed 1,000,000 and the company is targeting to reach 2,000,000 subscribers by the year-end.

  PLAY's revenues climbed by 86% from PLN 63,1m in Q3 2007 to PLN 117,6m in Q4 2007, reaching PLN 235,4m (EUR 65,7m) for the full year 2007. ARPUs are above the market average in both the postpaid and prepaid segments.

  At December 31, 2007 PLAY had over 700 UMTS base stations (Node Bs) in commercial operation in 19 cities. The company has now largely overcome delays caused by legislation that extended the time period required to obtain environmental permits for its base stations, and the roll-out is accelerating rapidly. As the network is rolled out, PLAY's margins improve as traffic moves from the national roaming service to PLAY's own UMTS network.

  Expenditures on subscriber acquisition costs, advertising and promotion, and national roaming expenses drove PLAY's start-up loss to PLN 226.0m (EUR 63.1m) in Q4 2007 and PLN 657.0m (EUR 183.4m) for 2007, with Netia's equity share amounting to PLN 52.9m (EUR 14.8m) and PLN 165.2m (EUR 46.1m), respectively. Increasing revenues from the growing subscriber base and improving margins from the network roll-out are planned to first stabilize the loss and ultimately lead to positive EBITDA by 2010.

- ***Netia's interest in P4 (Annex to P4 shareholders agreement)***. At December 31, 2007, Netia held a 23.4% interest in P4 while Novator and Tollerton held 54.6% and 22.0% stakes, respectively. Netia's commitment to fund P4's share capital amounted to EUR 79.5m and its maximum guarantee commitment to partially support P4's loan facilities amounted to EUR 21.0m. Following payments made in Q4 2007 of PLN 35.6m (EUR 9.9m), Netia's remaining commitment to P4's share capital stood at EUR 2.0m m as at December 31, 2007 and this final amount was paid during January 2008. On February 22, 2008 Netia signed with Novator and Tollerton a contract to dispose of its minority stake in P4 for EUR 130.0m (details are below). Netia's guarantees of P4 debt will be eliminated as part of this sale transaction. Furthermore, Netia has agreed with its two partners that it will not participate in upcoming capital calls whilst the sale transaction is completed. In an annex to the shareholders agreement signed on January 31, 2008, it was agreed that Netia's existing shares be valued at EUR 130.0m for the purposes of calculating dilution.

- ***Sale of Netia's minority stake in P4 for EUR 130.0m****.* On January 31, 2008, Netia signed a non-binding letter of intent and on February 22, 2008 concluded a binding agreement with Novator and Tollerton to sell its 23.4% interest in P4 for EUR 130.0m, payable in cash on closing scheduled by March 31, 2008. Other agreed terms of the transaction include, among others, the additional price payable to Netia in case of future change of control of P4 during 12 months after transaction signing, and amendments to the trade contracts between the Company and P4 to reflect the fact that following the transaction Netia will no longer be a shareholder of P4. Completion of the transaction will depend on satisfactory completion or waiver of certain conditions precedent, including the full discharge of Netia from all obligations arising from a credit facility agreement and a guarantee commitment supporting China Development Bank's loan to P4.

Despite the sale of its stake in P4, Netia expects to continue to leverage its position as a founding shareholder to continue a close business partnership with P4. Netia expects that this partnership will include: (i) full implementation of the pre-existing mobile service provider agreement that enables Netia to sell convergent fixed and mobile offers under its own brand, (ii) provision of backhaul transmission services to P4's network, and (iii) continued use of the PLAY Germanos distribution chain for Netia's services.

The transaction price gives P4 an enterprise value of PLN 2,175.0m, equivalent to PLN 2,175 per subscriber based on the mid-January 2008 announcement of 1 million subscribers served.

Netia will realize a 63% return on its equity investments in P4 (representing an annualized IRR of 25%) and will have the funding it expects to be sufficient to fund its broadband expansion strategy through to cash flow break-even.

The transaction is expected result in recording a gain of approximately PLN 409.6m (EUR 114.3m) in the "other gains/(losses), net" line of Netia's income statement.

Guidance for 2008:

	2008 *Guidance*
Number of broadband service clients	> 400,000
Number of voice service clients *(own network and WLR)*	> 580,000
Unbundled local loop (LLU) nodes	100
Revenues *(PLN m)*	> 950.0
EBITDA/Adjusted EBITDA *(PLN m)*	125.0
Of which regulatory start-up losses for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 400,000 broadband subscribers	*80.0*
Investment outlays (excl. M&A) *(PLN m)*	280.0
M&A investment in ethernet networks*(PLN m)*	40.0

Medium-term outlook:

Almost a year after the roll-out of Netia's broadband driven growth strategy, we are now able to provide a medium-term performance outlook.

Now that Netia has established itself as the leading altnet provider, management believes that further acceleration of broadband customer acquisitions will result from our investment in advertising and acceleration in penetration growth. We now project that we will reach our primary strategic target of achieving 1 million broadband subscribers by the end of 2010.

We are targeting continuous sequential quarterly revenue growth and annual growth rates in the mid to high teens for 2008-2010, driven mainly by broadband, double-play with voice service, Netia branded mobile services and transmission services for P4.

Achieving a recovery in EBITDA above the PLN 220.0m level of 2006 is mainly dependent on deep penetration of double-play services and an extensive and timely roll out of DSL equipment into the TP local loop. Both are primary focus areas for 2008, along with increasing sales efficiency. Management currently expects EBITDA to recover strongly above PLN 220.0m by 2010 and for long run EBITDA margins to settle above 20% with a less asset intensive business model.

The first year's results indicate that we are on track to meet our original estimate for capital expenditures necessary to achieve 1 million subscribers. To reiterate, those estimates were PLN 200.0m of start-up losses for broadband growth and PLN 500.0m of capital investments allocated to broadband and Ethernet network acquisitions. Of these amounts, PLN 66.0m of losses, PLN 81.4m of investments in broadband and PLN 39.0m of acquisitions of Ethernet networks were consumed during 2007. .

Management maintains its objective of free cash flow break-even by 2010 and projections indicate that Netia should return to operating profit by 2010 and net profit by 2011 at the latest.

As our strategic development continues, our medium-term outlook will be updated accordingly.

Consolidated Financial Information

Please note that a new reporting format, using the "function of expense" method, was introduced as of January 1, 2007. Expenses are now classified according to their function as part of cost of sales, cost of selling and distribution or general administrative cost. Accordingly, comparative figures for the periods ended through December 31, 2006 were adjusted, but without any effect on revenues or operating profit lines.

Please also see our financial statements for the year ended December 31, 2007.

Comparably formatted expense data for each quarter of 2006 is available on Netia's investor website.

2007 vs. 2006

Revenues decreased by 3% to PLN 838.0m (EUR 234.0m) for 2007 compared to PLN 862.1m for 2006.

Total telecommunications revenues decreased by 3% to PLN 830.7m (EUR 231.9m) from PLN 853.3m in 2006. Data revenues increased to PLN 242.2m (EUR 67.6m) during 2007, up by 41%. From this growth, 27 percentage points were organic and 14 percentage points were contributed by acquisitions. Data revenues from new bitstream broadband customers acquired for 2007 were PLN 21.5m (EUR 6.0m). Revenues from direct voice services decreased by 10% to PLN 369.5m (EUR 103.2m) from PLN 412.0m for 2006, mainly reflecting the overall tariff reduction trend in this product segment. Aggressive recruitment and retention of new indirect voice resellers has paid off in indirect voice revenue of PLN 54.2m (EUR 15.1m), up by PLN 3.7m (EUR 1.0m) or 7% on 2006. Carrier revenues from interconnection and wholesale were down by 34% and 26%, respectively, compared to 2006. These declines reflect the movement away from low margin transit business in 2007, lower interconnection rates in general and increased competition in international voice termination. Data revenue growth is now more than compensating for the declines in voice revenues and, combined, they were up by 5% over the previous year. The overall revenue decline is wholly attributable to weak wholesale and interconnection revenues.

Cost of sales increased by 1% to PLN 637.6m (EUR 178.0m) from PLN 629.9m for 2006 and represented 76% of total revenues in 2007 as compared to 73% in the previous year.

Network operations and maintenance costs increased by 81% to PLN 173.0m (EUR 48.3m) in 2007 from PLN 95.5m in 2006. This increase was driven by the costs of leased lines to large business customers, bitstream and WLR wholesale access, the new Ethernet networks and the new WiMAX network.

Interconnection charges decreased by 25% to PLN 159.9m (EUR 44.6m) for 2007 as compared to PLN 213.3m for 2006, due to lower voice traffic volumes and lower interconnection rates. In addition, Netia greatly reduced low margin transit of mobile traffic in 2007, significantly reducing both revenue and costs.

Other costs decreased by 27% to PLN 46.5m (EUR 13.0m) in 2007 from PLN 63.6m in 2006 as a result of rationalizing certain elements of the network cost structure.

Depreciation charges of fixed assets related to cost of sales increased by 4% to PLN 217.4m (EUR 60.7m) in 2007 from PLN 208.3m in 2006 as a result of new investments, the Pro Futuro acquisition in July 2006 and the reassessment of the useful lives of tangible and intangible assets made in 2007.

Gross profit for 2007 was PLN 200.5m (EUR 56.0m) as compared to PLN 232.2m for 2006. Gross profit margin was 23.9% as compared to 26.9% for 2006. The lower gross margin reflects the increasing presence of lower margin data and regulated access services in the sales mix.

Selling and distribution costs increased by 36% to PLN 201.2m (EUR 56.2m) from PLN 148.0m for 2006 and represented 24% of total revenues as compared to 17% in 2006. Expenditures associated with the acquisition of new broadband customers and the impact of the 2006 expansion of the sales organization supporting the business market are the main drivers behind the increased spending.

Salaries and benefits costs related to selling and distribution increased by 53% to PLN 77.1m (EUR 21.5m) in 2007 from PLN 50.5m in 2006 in connection with addition of new staff, salary increases and the conversion of contractors onto normal employment contracts, primarily in the sales and customer services areas.

Advertising and promotion expenditures were up 55% to PLN 41.3m (EUR 11.5m) from PLN 26.6m in 2006 due to increased advertising spending in 2007 that included national TV campaigns targeted to mass market clients.

Other services costs increased by 53% to PLN 39.7m (EUR 11.1m) from PLN 26.0m in 2006, mainly as a result of the third-party commissions paid for the acquisition of new customers.

Mailing services costs increased by 89% to PLN 10.7m (EUR 3.0m) from PLN 5.6m in 2006 mainly in connection with the acquisition of new broadband customers.

Most other categories of selling and distribution expenses were down, including in particular lower provision for impaired receivables (a decrease by PLN 5.6m or 74%), due to improved recovery procedures for old balances, and lower amortization charges (a decrease by PLN 1.3m or 7%).

General and administration costs increased by 4% to PLN 144.8m (EUR 40.4m) from PLN 138.9m for 2006 and represented 17% of total revenues as compared to 16% in 2006.

Salaries and benefits costs related to general administration increased by 25% to PLN 78.4m (EUR 21.9m) in 2007 from PLN 62.7m in 2006. This increase principally reflects the non-cash accrual of the notional value of new management stock options (PLN 12.6m in 2007 vs. PLN 0.7m in 2006). Excluding the stock option plan impact, salaries and benefits costs grew by 6%.

Other services costs increased by 18% to PLN 15.2m (EUR 4.2m) from PLN 12.9m in 2006, mainly due to the costs related to the maintenance of Netia's WiMAX network as well as in result of Netia's Christmas promotion campaign.

Most other categories of general and administrative expenses were reduced year over year, reflecting the success of our cost saving initiatives.

Other income was PLN 41.3m (EUR 11.5m) as compared to PLN 13.0m in 2006. This included PLN 24.2m (EUR 6.8m) related to the Company's settlement of interconnection disputes with TP and PLN 6.9m (EUR 1.9m) related to Netia's guarantees partially securing the vendor financing extended to P4 recorded during 2007.

Other expense was PLN 5.1m (EUR 1.4m) as compared to PLN 364.9m in 2006. This was mostly represented by a stamp duty tax on Netia's in-kind contribution made to its subsidiary, Świat Internet SA ("Świat Internet"), in January 2007. The contribution included elements of Netia's telecommunications network. Subsequently, Netia and Świat Internet finalized a long-term lease agreement, entitling Netia to use these assets to carry out its telecommunications activities. In 2006, the "other expense" category included PLN 354.7m of impairment charges on non-current assets and PLN 6.3m of impairment charges on specific individual assets.

Other gains/(losses), net were PLN 5.4m (EUR 1.5m) as compared to PLN 65.3m in 2006 and included PLN 1.9m (EUR 0.5m) returned in Q1 2007 from an escrow account in connection with the Pro Futuro acquisition and PLN 1.7m (EUR 0.5m) in profits from disposal of fixed assets. In the prior year, this position included a gain of PLN 64.5m representing a non-cash exceptional item adjustment made in connection with the reassessment and subsequent cancellation of the carrying value of El-Net's license fee liabilities.

Operating costs related to Netia's bitstream access and WLR projects, net of revenues, amounted to PLN 66.0m (EUR 18.4m) in 2007, out of which PLN 29.7m (EUR 8.3m) were attributable to the cost of subscribers' acquisition and a further PLN 36.3m (EUR 10.1m) in incremental costs of bitstream wholesale access, IP transit, advertising and customer care. 42% of the start up expenses were incurred in Q4 2007, mainly in connection with the higher spending on advertising and promotion and acquisition costs associated with new WLR sales.

EBITDA was PLN 170.7m (EUR 47.7m) for 2007 as compared to Adjusted EBITDA (i.e., EBITDA excluding an impairment charge on non-current assets and a gain on the reassessment and cancellation of the carrying value of El-Net's license fee liabilities) of PLN 221.3m for 2006. EBITDA margin was 20.4% as compared to an Adjusted EBITDA margin of 25.7% for 2006. Excluding the bitstream and WLR start-up expenses, "Other income", "Other expense" and "Other gains and losses, net" items and the non-cash notional costs of share option programmes, margin rose from 25.3% to 25.6% across the comparable periods due to the impact of various cost saving initiatives and less low margin transit traffic in the revenue mix.

Depreciation and amortization increased by 1% to PLN 274.5m (EUR 76.6m) as compared to PLN 272.5m for 2006. The effect of the impairment charge recorded in Q4 2006 has been largely offset by management's decision to shorten the estimated useful economic lives of various types of assets.

Operating loss (EBIT) was PLN 103.8m (EUR 29.0m) as compared to operating loss of PLN 341.4m for 2006. Operating loss for 2006 included a PLN 354.7m of an impairment charge on non-current assets and a PLN 64.5m gain related to the reassessment and cancellation of the carrying value of El-Net's license fee liabilities, which Netia classified as an adjustment to EBITDA.

Net finance income was PLN 2.5m (EUR 0.7m) as compared to PLN 1.0m 2006 and was related mainly to interest earned on cash. In the prior year Netia recorded a financial cost of PLN 7.3m in connection with the amortization of the carrying value of El-Net's potential license fee liabilities.

Share of losses of associates recorded for 2007 was PLN 165.2m (EUR 46.1m) as compared to PLN 30.7m in 2006 and was related to Netia's equity participation in the P4 mobile venture, which was 30% until May 2007 and fell to 23.4% thereafter. Expenditures on subscriber acquisition costs, advertising and promotion, and national roaming expenses were the main drivers of P4's start-up loss for the period.

Loss was PLN 268.9m (EUR 75.1m) as compared to loss of PLN 378.4m for 2006. As mentioned above, loss recorded for 2006 included an impairment charge of PLN 354.7m and a gain related to El-Net's license fee liabilities of PLN 64.5m. Adjusting the loss for 2006 by the two exceptional items mentioned above, the change in the net result was mainly due to Netia's share in losses generated by P4's subscriber acquisition costs and advertising expenditures after the commercial launch of PLAY mobile services as PLAY builds its customer base and revenues.

Net cash used for the purchase of fixed assets and computer software increased by 30% to PLN 235.4m (EUR 65.7m) for 2007 from PLN 180.6m for 2006. Investments in Netia's existing network and IT combined was down by 18% in comparison to 2006 with overall investment growth driven by broadband and the P4 transmission project.

Other significant cash outflow / inflow items during 2007 included Netia's equity contribution to the PLAY mobile venture of PLN 136.7m (EUR 38.2m), PLN 45.2m (EUR 12.6m) of the purchase consideration for the acquisitions, net of received cash, principally related to twelve Ethernet network operators, and PLN 14.8m (EUR 4.1m) received in Q1 2007 on the sale of deposits in money market investment funds. As a result, net cash used in investing activities amounted to PLN 396.2m (EUR 110.6m) for 2007 as compared to PLN 251.3m for 2006.

Cash and cash equivalents at December 31, 2007 were PLN 57.7m (EUR 16.1m).

Debt at December 31, 2007 was PLN 95.0m (EUR 26.5m), with an additional PLN 205.0m (EUR 57.2m) credit facility available to finance Netia's future investment requirements.

Q4 2007 vs. Q3 2007

Revenues between the consecutive quarters were up by 8% to PLN 222.5m (EUR 62.1m) in Q4 2007 from PLN 205.6m in Q3 2007. Data revenues increased sequentially by 12% to PLN 70.0m (EUR 19.6m) in Q4 2007 from PLN 62.7m in Q3 2007, supported by bitstream revenue growth to PLN 10.8m (EUR 3.0m) from PLN 6.7m in Q3 2007. The growth in data revenues compensated for flat revenues from voice (direct & indirect) services, which amounted to PLN 103.2m (EUR 28.8m) as compared to PLN 103.4m in Q3 2007 - data and voice revenues combined were up by 4% to PLN 173.3m (EUR 48.4m) in Q4 2007 from PLN 166.1m in Q3 2007. Moreover, during Q4 2007 Netia started to provide WLR-based voice services, and expects to stabilize the level of direct voice revenues in the coming quarters due to increased number of total voice lines (within its own network and via WLR). Revenue growth in Q4 2007 was also supported by an increase in interconnection revenues, which were PLN 13.7m (EUR 3.8m), up from PLN 5.2m in Q3 2007. Most of this growth was driven by the new interconnection agreement with TP, introduced from Q4 2007. Sales of transmission services to P4 increased by PLN 2.7m to PLN 4.6m (EUR 1.3m) during the quarter.

Cost of sales increased by 6% to PLN 169.0m (EUR 47.2m) from PLN 159.4m in Q3 2007 and represented 76% of total revenues in Q4 2007 as compared to 78% in Q3 2007.

Interconnection charges increased by 26% to PLN 45.7m (EUR 12.8m) in Q4 2007 from PLN 36.3m in Q3 2007, mainly in connection with the introduction of new interconnect regime with TP in Q4 2007.

Depreciation charges for fixed assets related to cost of sales decreased between the consecutive quarters by 16% to PLN 48.1m (EUR 13.4m) from PLN 57.2m in Q3 2007 as a result of Netia retiring the use of the legacy narrowband radio equipment.

Network operations and maintenance costs increased by 16% to PLN 51.2m (EUR 14.3m) as compared to PLN 44.3m in Q3 2007, driven by the acquisition of new broadband customers and provision of WLR services.

Other costs increased by 37% to PLN 13.9m (EUR 3.9m) from PLN 10.1m in Q3 2007 due to recording of frequency fees necessary to operate the P4 transmission equipment across Poland.

Selling and distribution costs rose 20% to PLN 65.4m (EUR 18.2m) from PLN 54.3m in Q3 2007 and represented 29% of total revenues in Q4 2007 as compared to 26% in Q3 2007. Introduction of the WLR offer in Q4 increased sales volumes and resulting acquisition expenditures.

Advertising and promotion costs increased by 73% to PLN 18.2m (EUR 5.1m) as compared to PLN 10.6m in Q3 2007, driven by Netia's Christmas promotion which included national TV campaign.

Salaries and benefits related to selling and distribution increased by 17% to PLN 24.2m (EUR 6.8m) from PLN 20.7m in Q3 2007 a result of higher volumes of additions in broadband, WLR and indirect voice, driving salary commissions.

General and administrative expenses increased by 7% to PLN 38.0m (EUR 10.6m) as compared to PLN 35.6m in Q3 2007 and represented 17% of total revenues in both Q3 and Q4 2007.

EBITDA decreased by 51% to PLN 17.7m (EUR 4.9m) from PLN 36.2m in Q3 2007. EBITDA margin was 7.9% in Q4 2007 as compared to 17.6% in Q3 2007. The decrease was mostly due to higher acquisition expenditures to support the high number of broadband net additions in Q4 2007, and the advertising and promotion costs in particular.

Loss of PLN 99.5m (EUR 27.8m) was recorded in Q4 2007 as compared to a loss of PLN 80.6m in Q3 2007, with a decrease partly attributable to Netia's lower EBITDA. Netia's share of losses recorded by P4, increased sequentially by 21% or PLN 9.2m (EUR 2.6m) to PLN 52.9m (EUR 14.8m).

Key Figures

PLN'000	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Revenues	838,025	862,057	222,494	205,559	205,580	204,392	209,718
y-o-y % change	*(2.8%)*	*(5.2%)*	*6.1%*	*(10.8%)*	*1.1%*	*(6.4%)*	*(11.7%)*
EBITDA	170,682	(68,919)	17,677	36,160	62,236	54,609	(280,831)
Margin %	*20.4%*	*(8.0%)*	*7.9%*	*17.6%*	*30.3%*	*26.7%*	*(133.9%)*
Adjusted EBITDA	170,682	221,284	17,677	36,160	62,236	54,609	60,522
Margin %	*20.4%*	*25.7%*	*7.9%*	*17.6%*	*30.3%*	*26.7%*	*28.9%*
y-o-y change %	*(22.9%)*	*(34.7%)*	*(70.8%)*	*(33.0%)*	*29.6%*	*(7.1%)*	*(16.4%)*
EBIT	(103,840)	(341,384)	(44,967)	(35,714)	(8,249)	(14,910)	(351,180)
Margin %	*(12.4%)*	*(39.6%)*	*(20.2%)*	*(17.4%)*	*(4.0%)*	*(7.3%)*	*(167.5%)*
Adjusted EBIT ~	(103,840)	(51,181)	(44,967)	(35,714)	(8,249)	(14,910)	(9,827)
Margin %	*(12.4%)*	*(5.9%)*	*(20.2%)*	*(17.4%)*	*(4.0%)*	*(7.3%)*	*(4.7%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(268,881)	(378,355)	(99,526)	(80,543)	(51,010)	(37,802)	(372,847)
Margin %	*(32.1%)*	*(43.9%)*	*(44.7%)*	*(39.2%)*	*(24.8%)*	*(18.5%)*	*(177.8%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(268,881)	(88,152)	(99,526)	(80,543)	(51,010)	(37,802)	(31,494)
Margin %	*(32.1%)*	*(10.2%)*	*(44.7%)*	*(39.2%)*	*(24.8%)*	*(18.5%)*	*(15.0%)*
Profit/(Loss) of Netia SA *(stand alone)^*	(73,217)	(313,567)	(36,798)	(30,768)	(2,131)	(3,520)	(334,418)
Cash and cash equivalents	57,700	143,586	57,700	48,416	103,954	152,129	143,586
Debt	94,741	-	94,741	-	4,059	-	-
Capex related payments	235,382	180,574	57,806	67,415	48,255	61,906	52,575
Investments in tangible and intangible fixed assets	244,404	173,517	91,013	64,049	51,687	37,655	71,427

EUR '000 *	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Revenues	233,955	240,664	62,114	57,387	54,591	54,276	58,548
y-o-y % change	*(2.8%)*	*(5.2%)*	*6.1%*	*(10.8%)*	*1.1%*	*(6.4%)*	*(11.7%)*
EBITDA	47,650	(19,240)	4,935	10,095	16,527	14,501	(78,401)
Margin %	*20.4%*	*(8.0%)*	*7.9%*	*17.6%*	*30.3%*	*26.7%*	*(133.9%)*
Adjusted EBITDA	47,650	61,777	4,935	10,095	16,527	14,501	16,896
Margin %	*20.4%*	*25.7%*	*7.9%*	*17.6%*	*30.3%*	*26.7%*	*28.9%*
y-o-y change %	*(22.9%)*	*(34.7%)*	*(70.8%)*	*(33.0%)*	*29.6%*	*(7.1%)*	*(16.4%)*
EBIT	(28,987)	(95,305)	(12,554)	(9,970)	(2,191)	(3,959)	(98,040)
Margin %	*(12.4%)*	*(39.6%)*	*(20.2%)*	*(17.4%)*	*(4.0%)*	*(7.3%)*	*(167.5%)*
Adjusted EBIT ~	(28,987)	(14,288)	(12,554)	(9,970)	(2,191)	(3,959)	(2,743)
Margin %	*(12.4%)*	*(5.9%)*	*(20.2%)*	*(17.4%)*	*(4.0%)*	*(7.3%)*	*(4.7%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(75,063)	(105,627)	(27,785)	(22,486)	(13,546)	(10,038)	(104,089)
Margin %	*(32.1%)*	*(43.9%)*	*(44.7%)*	*(39.2%)*	*(24.8%)*	*(18.5%)*	*(177.8%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(75,063)	(24,610)	(27,785)	(22,486)	(13,546)	(10,038)	(8,792)
Margin %	*(32.1%)*	*(10.2%)*	*(44.7%)*	*(39.2%)*	*(24.8%)*	*(18.5%)*	*(15.0%)*
Profit/(Loss) of Netia SA *(stand alone)^*	(20,440)	(87,540)	(10,273)	(8,590)	(566)	(935)	(93,361)
Cash and cash equivalents	16,108	40,085	13,516	29,021	27,605	40,398	40,085
Debt	26,449	-	26,449	-	1,133	-	-
Capex related payments	65,712	50,412	16,138	18,820	12,814	16,439	14,678
Investments in tangible and intangible fixed assets	68,231	48,441	25,408	17,881	13,725	9,999	19,941

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.5820 = EUR 1.00, the average rate announced by the National Bank of Poland at December 31, 2007. These figures are included for the convenience of the reader only.

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

~ The EBIT and the loss for 2006 excluding the impact of the following non-cash exceptional adjustments: an impairment charge on non-current assets resulting from the impairment test and a gain related to the reassessment and cancellation of El-Net's license fee liabilities.

Key Operational Indicators

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Broadband data					
Total number of broadband ports ~	217,518	171,368	133,987	101,822	60,366
incl. bitstream access ports	*99,346*	*70,945*	*40,770*	*35,836*	*n/a*
incl. WiMAX Internet ports	*5,861*	*4,658*	*3,516*	*2,192*	*836*
Monthly Broadband APRU (PLN)	75	86	105	110	128
Bitstream SAC (PLN)	264	308	434	207	n/a
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	390,624	394,440	396,463	398,949	398,276
incl. ISDN equivalent of lines	*113,704*	*111,962*	*110,352*	*106,800*	*104,280*
Total net additions	(3,816)	(2,023)	(2,486)	673	(2,265)
Business mix of total subscriber lines (cumulative) V...	42.0%	40.9%	39.6%	38.5%	40.0%
Monthly Voice ARPU (PLN) ^.............................	73	76	77	81	82
Network data					
Backbone (km)	5,002	5,002	5,002	5,002	5,002
Number of connected lines (cumulative) *	536,432	533,372	531,062	529,472	526,562
Other					
Headcount	1,281	1,237	1,227	1,110	1,111

^ Monthly ARPUs presented in this report are given for a relevant three-month period.

* Number of connected lines reported for Q4 2006 and onwards includes the full effect of the acquisition of El-Net.

V In Q1 2007, 10K subscribers were reclassified from the Business Segment to the Residential Segment after a reorganization in responsibilities of Netia's various sales channels.

~ Data for Q2 2007 and onwards includes the effect of the Pro Futuro acquisition.

(Tables to Follow)

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	2007 audited	2006 audited	Q4 2007 unaudited	Q3 2007 unaudited
Telecommunications revenue				
Direct Voice	369,499	411,986	89,036	90,300
monthly charges	122,348	133,954	30,075	30,339
calling charges	247,151	278,032	58,961	59,961
– *local calls*	*65,250*	*80,760*	*15,332*	*14,969*
– *domestic long-distance calls*	*38,994*	*49,121*	*8,811*	*9,364*
– *international long-distance calls*	*27,457*	*28,373*	*6,709*	*6,666*
– *fixed-to-mobile calls*	*100,149*	*105,337*	*23,988*	*25,090*
– *other*	*15,301*	*14,441*	*4,121*	*3,872*
Indirect Voice	54,203	50,528	14,213	13,118
Data	242,242	171,486	70,033	62,700
Interconnection revenues	28,517	43,445	13,711	5,184
Wholesale services	110,977	150,327	25,976	26,547
Intelligent network services	14,374	15,349	3,571	3,371
Other telecommunications revenues	8,757	7,492	2,542	2,184
Total telecommunications services revenues	**828,569**	**850,613**	**219,082**	**203,404**
Sales of goods	2,120	2,735	1,502	490
Total telecommunications revenue	**830,689**	**853,348**	**220,584**	**203,894**
Radio communications revenue	7,336	8,709	1,910	1,665
Total revenues	**838,025**	**862,057**	**222,494**	**205,559**
Cost of sales	(637,552)	(629,875)	(169,082)	(159,444)
Interconnection charges	(159,866)	(213,330)	(45,705)	*(36,290)*
Network operations and maintenance	(173,015)	(95,524)	(51,234)	*(44,310)*
Costs of goods sold	(7,306)	(4,999)	(2,245)	*(2,400)*
Depreciation of fixed assets	(217,360)	(208,318)	(48,062)	*(57,216)*
Amortization of intangible assets	(23,499)	(26,267)	(6,017)	*(5,975)*
Salaries and benefits	(9,971)	(17,868)	(1,970)	*(3,171)*
Other costs	(46,535)	(63,569)	(13,850)	*(10,082)*
Gross profit	**200,473**	**232,182**	**53,412**	**46,115**
Margin (%)	***23.9%***	***26.9%***	***24.0%***	***22.4%***
Selling and distribution costs	(201,170)	(148,049)	(65,355)	(54,279)
Advertising and promotion	(41,255)	(26,633)	(18,249)	*(10,560)*
Mailing services	(10,664)	(5,644)	(3,065)	*(3,131)*
Information technology services	(5,027)	(5,599)	(1,314)	*(1,267)*
Other services	(39,703)	(26,020)	(12,196)	*(11,312)*
Impairment of receivables	(2,028)	(7,662)	149	*(992)*
Depreciation of fixed assets	(4,416)	(4,634)	(1,021)	*(1,016)*
Amortization of intangible assets	(17,987)	(19,264)	(4,594)	*(4,617)*
Salaries and benefits	(77,126)	(50,464)	(24,230)	*(20,727)*
Other costs	(2,964)	(2,129)	(835)	*(657)*
General and administration costs	(144,751)	(138,902)	(37,925)	(35,629)
Professional services	(10,615)	(11,734)	(2,793)	*(1,975)*
Information technology services	(8,201)	(9,386)	(2,173)	*(2,420)*
Office and car maintenance	(7,259)	(8,945)	(1,685)	*(1,522)*
Insurance	(2,291)	(4,086)	(580)	*(346)*
Other services	(15,160)	(12,892)	(4,748)	*(3,802)*
Depreciation of fixed assets	(4,695)	(7,556)	(1,149)	*(1,174)*
Amortization of intangible assets	(6,565)	(6,426)	(1,801)	*(1,876)*
Salaries and benefits	(78,429)	(62,657)	(19,767)	*(19,670)*
Other costs	(11,536)	(15,220)	(3,229)	*(2,844)*
Other income	41,315	13,006	4,998	6,704
Other expense	(5,068)	(364,933)	(304)	-
Other gains/ (losses), net	5,361	65,312	207	1,375
EBIT	**(103,840)**	**(341,384)**	**(44,967)**	**(35,714)**
Margin (%)	***(12.4%)***	***(39.6%)***	***(20.2%)***	***(17.4%)***
Finance income	3,994	8,234	645	339
Finance cost	(1,517)	(7,259)	(1,414)	(42)
Share of losses of associates	(165,237)	(30,724)	(52,892)	(43,733)
Loss before tax	**(266,600)**	**(371,133)**	**(98,638)**	**(79,150)**
Tax charge	(2,281)	(7,222)	(898)	(1,393)
Loss	**(268,881)**	**(378,355)**	**(99,526)**	**(80,543)**
Attributable to:				
Equity holders of the Company	(269,484)	(378,908)	(99,902)	(80,642)
Minority interest	603	553	376	99
Margin (%)	***(32.1%)***	***(43.9%)***	***(44.7%)***	***(39.2%)***
Earnings per share for loss attributable to equity holders (not in thousands)	(0.69)	(0.98)	(0.26)	(0.21)
Diluted earnings per share for loss attributable to equity holders (not in thous.)	(0.69)	(0.97)	(0.26)	(0.21)

EBITDA/Adjusted EBITDA Reconciliation to Operating Profit / (Loss)

(PLN in thousands unless otherwise stated)

Time periods:	2007 *audited*	2006 *audited*	Q4 2007 *unaudited*	Q3 2007 *unaudited*
Operating profit / (loss)	**(103,840)**	**(341,384)**	**(44,967)**	**(35,714)**
Add back:				
Depreciation of fixed assets	226,471	220,508	50,232	59,406
Amortization of intangible assets	48,051	51,957	12,412	12,468
EBITDA	**170,682**	**(68,919)**	**17,677**	**36,160**
Reversal of cancellation and reassessment of the carrying value of El-Net license fee liabilities	-	*(64,469)*	-	-
Reversal of impairment charge for non-current assets	-	*354,672*	-	-
Adjusted EBITDA	**170,682**	**221,284**	**17,677**	**36,160**
Margin (%)	***20.4%***	***25.7%***	***7.9%***	***17.6%***

Note to Other Income

(PLN in thousands unless otherwise stated)

Time periods:	2007 *audited*	2006 *audited*	Q4 2007 *unaudited*	Q3 2007 *unaudited*
Forgiveness of liabilities	1,024	621	516	508
Sale of services to associate	3,404	1,951	1,267	925
Reversal of accrued other income on sale of services to associate	-	(303)	-	-
Settlement of disputes with TP	24,239	-	-	-
Fair value adjustments on other receivables	-	4,613	-	
Financial guarantee contract	6,882	88	1,175	3,077
Reversal of impairment charges	509	2,968	509	-
Other operating income	5,257	3,068	1,531	2,194
Total	**41,315**	**13,006**	**4,998**	**6,704**

Note to Other Expense

(PLN in thousands unless otherwise stated)

Time periods:	2007 *audited*	2006 *audited*	Q4 2007 *unaudited*	Q3 2007 *unaudited*
Impairment charges for non-current assets	-	(354,672)	-	-
Impairment charges for specific individual assets	(304)	(6,371)	(304)	-
Professional services	-	(3,890)	-	-
Transaction tax on contribution in-kind to subsidiary company	(4,764)	-	-	-
Total	**(5,068)**	**(364,933)**	**(304)**	**-**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	December 31, 2007 *audited*	December 31, 2006 *audited*
Property, pant and equipment, net	1,408,597	1,458,029
Intangible assets	267,946	239,597
Investments in associates	150,435	141,394
Deferred income tax assets	2,162	4,865
Available for sale financial assets	10	10
Long-term receivables	250	484
Prepaid expenses	5,667	3,303
Total non-current assets	**1,835,067**	**1,847,682**
Inventories	2,903	1,584
Trade and other receivables	127,339	131,833
Current income tax receivables	22	
Prepaid expenses and accrued income	10,899	6,888
Derivative financial instruments	-	600
Financial assets at fair value through profit and loss	-	14,757
Restricted cash	-	6,100
Cash and cash equivalents	57,700	143,586
	198,863	**305,348**
Non-current assets classified as held for sale	36,721	2,329
Total current assets	**235,584**	**307,677**
TOTAL ASSETS	**2,070,651**	**2,155,359**
Share capital	389,277	389,168
Supplementary capital	1,681,500	1,809,434
Other reserves	14,251	29,644
Retained earnings	(356,759)	(283,248)
Total capital and reserves attributable to the Company's equity holders	**1,728,269**	**1,944,998**
Minority interest	-	6,902
TOTAL EQUITY	**1,728,269**	**1,951,900**
Borrowings	87,344	-
Provisions	97	630
Deferred income	8,567	8,760
Deferred income tax liabilities	1,954	990
Financial guarantee contract	-	558
Other long-term liabilities	3,454	774
Total non-current liabilities	**101,416**	**11,712**
Trade and other payables	219,486	168,267
Borrowings	7,397	
Current income tax liabilities	154	38
Provisions	562	4,166
Financial guarantee contract	435	8,847
Deferred income	12,932	10,429
Total current liabilities	**240,966**	**191,747**
Total liabilities	**342,382**	**203,459**
TOTAL EQUITY AND LIABILITIES	**2,070,651**	**2,155,359**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	2007 *audited*	2006 *audited*	Q4 2007 *unaudited*	Q3 2007 *unaudited*
Loss	**(268,881)**	**(378,355)**	**(99,526)**	**(80,543)**
Depreciation and amortization	274,522	272,465	62,644	71,874
Impairment charges for non-current assets	-	354,672	-	-
Impairment charges for specific individual assets	304	6,371	304	-
Reversal of impairment charges for specific individual assets	(509)	(2,968)	(509)	-
Share of losses of associates	165,237	30,724	56,359	43,733
Deferred income tax charge / (benefit)	1,664	6,802	665	1,194
Reassessment of the carrying value of license fee liabilities	-	(64,469)	-	-
Interest expense accrued on bank loans and license liabilities	702	5,247	702	-
Other interest accrued	184	-	184	-
Financial guarantee contract	(6,882)	(88)	(1,175)	(3,077)
Interest accrued on loans granted	(43)	(17)	(9)	(10)
Share-based compensation	14,004	892	4,759	5,013
Fair value gains on financial assets at fair value through profit and loss	(21)	(2,251)	-	-
Fair value adjustments on other receivables	-	(4,613)	-	-
Decrease in other long-term assets	-	323	-	-
Foreign exchange losses	579	3,298	527	377
Gain on disposal of fixed assets	(780)	(2,574)	805	(351)
Decrease of purchase consideration	(1,940)	-	-	-
Gain on sale of subsidiaries	-	(20)	-	-
Changes in working capital	38,919	9,798	8,398	30,926
Net cash provided by operating activities	**217,059**	**235,237**	**30,661**	**69,136**
Purchase of fixed assets and computer software	(235,382)	(180,574)	(57,806)	(67,415)
Proceeds from sale of fixed assets	6,067	4,280	1,289	609
Investment in associate	(136,689)	(57,000)	(35,583)	(56,301)
Purchase of subsidiaries, net of received cash	(37,372)	(68,288)	(18,006)	(876)
Increase of interest in subsidiary	(7,872)	-	-	-
Sale of subsidiaries; net of cash in subsidiaries	-	25	-	-
Sale of financial assets at fair value through profit and loss	14,777	49,834	-	-
Loans granted	-	(1,533)	-	-
Loans repayments	278	417	70	69
Net cash used in investing activities	**(396,193)**	**(252,839)**	**(110,036)**	**(123,914)**
Proceeds from share issuance	-	19,385	-	-
Cost of share issuance	(73)	(175)	-	(73)
Dividend paid to the Company's shareholders	-	(50,323)	-	-
Finance lease payments	(626)	(199)	(342)	(216)
Proceeds from borrowings	95,000	-	90,000	-
Loan repayments	-	(2,500)	-	-
Interest repayments	(477)	(167)	(477)	-
Redemption of notes for warrants	(1)	(334)	-	-
Net cash provided by/(used in) financing activities	**93,823**	**(34,313)**	**89,181**	**(289)**
Net change in cash and cash equivalents	**(85,311)**	**(51,915)**	**9,806**	**(55,067)**
Effect of exchange rate change on cash and cash equivalents	**(578)**	**(1,886)**	**(526)**	**(378)**
Cash and cash equivalents at the beginning of the period	143,586	197,387	48,416	103,861
Cash and cash equivalents at the end of the period	**57,697**	**143,586**	**57,697**	**48,416**

Definitions

Backbone	–	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream access	–	A type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by TPSA. The altnet connects to the TPSA data network and may only offer services identical to those of TPSA, paying TPSA on a retail minus basis for use of the TPSA network.
Bitstream SAC	–	a cost per unit related to the acquisition of new customers through a bitstream access, including a one-time payment to TP (the incumbent), the third-party commissions, postal services and the cost of modems sold;
Broadband ARPU	–	average monthly revenue per broadband port during the period; Broadband ARPU is obtained by dividing the amount of monthly revenues from data services related to provisioning fixed Internet access by the average number of broadband ports, in each case for the referenced three-month period; Where significant promotional discounts are given at the beginning of contracts, revenues are averaged over the life of the contract.
Broadband port	–	a broadband port which is active at the end of a given period;
Cash	–	cash and cash equivalents at the end of period;
Connected line	–	a telecommunications line which was constructed, tested and connected to Netia's network/switching node and is ready for activation after signing an agreement for providing telecommunications services;
Cost of network operations and maintenance	–	cost of rentals of lines and telecommunications equipment, as well as maintenance, services and related expenses necessary to operate our network;
Data revenues	–	revenues from provisioning Frame Relay (including IP VPN-virtual private network services), lease of lines (including leased lines for carriers), Internet fixed-access services (provided, among others, through bitsteam and WiMAX types of access) and IP Transit;
Direct voice revenues	–	telecommunications revenues from voice services offered by Netia to its subscribers (through various types of access, including, among others, WiMAX). Direct voice services include the following traffic fractions: local calls, domestic long-distance (DLD) calls, international long distance (ILD) calls, fixed-to-mobile calls and other services (incl. Internet dial-in, emergency calls and 0-80x/0-70x -type calls originated by Netia's subscribers);
DSLAM	–	Technical infrastructure that splits data from voice traffic over a copper line and is deployed in the local network of a telecommunications operator to provide ADSL services to customers connected to a given local network node.
EBITDA / Adjusted EBITDA	–	to supplement the reporting of our consolidated financial information under IFRS, we will continue to present certain financial measures, including EBITDA. We define EBITDA as profit/(loss) as measured by IFRS, adjusted for depreciation and amortization, financial income and expense, income taxes and share of losses of associates. EBITDA has been further adjusted for an impairment charge on non-current assets attributable to Netia's telecommunications segment, recorded

upon performance of an impairment test, and a gain recorded upon reassessment of carrying value of El-Net's license fee liabilities and is therefore defined as Adjusted EBITDA. We believe EBITDA and related measures of cash flow from operating activities serve as useful supplementary financial indicators in measuring the operating performance of telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) or as an indicator of operating performance or as a measure of cash flows from operations under IFRS or as an indicator of liquidity. The presentation of EBITDA, however, enables investors to focus on period-over-period operating performance, without the impact of non-operational or non-recurring items. It is also among the primary indicators we use in planning and operating the business. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies;

Headcount – full time employment equivalents;

Indirect voice revenues – telecommunications revenues from the services offered through Netia's prefix (1055) 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;

Intelligent network services – 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;

Interconnection charges – payments made by Netia to other operators for origination, termination or transfer of traffic using other operators' networks;

Interconnection revenues – payments made by other operators to Netia for origination, termination or transfer of traffic using Netia's network, netted against the cost of traffic termination;

Local Loop Unbundling (LLU) – A type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by TPSA. The altnet installs DSLAM equipment at a TPSA local network node and connects it to its own backbone network. The altnet may offer broadband and voice service to any customer connected by TPSA copper line to the given node. The alnet can offer an unrestricted range of services and pays TPSA space rental and monthly fees per customer line used.

Professional services – costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;

Other telecommunications services revenues – revenues from provisioning Internet dial-in services for Netia's indirect customers (based on a call-back principle and an access number (0-20)), as well as other non-core revenues;

Radiocommunications revenue – revenues from radio-trunking services provided by Netia's subsidiary, UNI-Net Sp. z o.o.;

Subscriber line – a connected line which became activated and generated revenue at the end of the period;

Voice ARPU	–	average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Wholesale Line Rental (WLR)	–	A type of regulatory voice access enabling provision of voice service by an altnet to customers connected by a copper line owned by TPSA. The altnet connects to the TPSA voice network and charges the customer for both line rental and calls made. TPSA receives a payment for line rental plus call origination fees and keeps all interconnection revenues from incoming calls.
Wholesale services	–	revenues from providing commercial network services such as voice termination, incoming Voice over Internet Protocol (VoIP), telehousing and collocation as well as backbone-based services.

Netia management will hold a conference call to review the results on February 28, at 09:00 AM (UK) / 10:00 AM (Continent) / 04:00 AM (Eastern). To register for the call and obtain dial in numbers please contact Emilia Whitbread at Taylor Rafferty London on +44 (0) 20 7614 2900 or Reema Parikh at Taylor Rafferty New York on +1 212 889 4350.

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.

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