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NETIA SA REPORTS 2006 YEAR-END AND FOURTH QUARTER RESULTS

WARSAW, Poland – March 1, 2007 – 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, 2006.

Financial Summary:

- **Revenues** for 2006 were PLN 862.1m (EUR 225.0m), representing a year-on-year decrease of 5%. Revenues for Q4 2006 were PLN 209.7m (EUR 54.7m), representing a decrease of 12% versus the prior year quarter and a sequential decrease of 9%.
- **Adjusted EBITDA** for 2006 was PLN 221.3m (EUR 57.8m), representing an Adjusted EBITDA margin of 25.7% as compared to PLN 338.8m and a margin of 37.3% for 2005. Adjusted EBITDA for Q4 2006 was 60.5m (EUR 15.8m), representing an Adjusted EBITDA margin of 28.9%, down from PLN 72.4 m and 30.5% in Q4 2005. Compared to Q3 2006, Adjusted EBITDA increased by PLN 6.5m and a margin increased from 23.4% to 28.9%.
- **Two non-cash exceptional adjustments** impacted the financial results for 2006. Following an impairment test of Netia's non-current assets attributable to its fixed-line telecommunications segment, a non-cash impairment charge of PLN 354.7m (EUR 92.6m) was recorded in Q4 2006. In addition, during 2006 Netia recorded a non-cash exceptional gain related to the reassessment and subsequent cancellation of the carrying value of El-Net's license fee liabilities, amounting in total to PLN 64.5m (EUR 16.8m) (see "Consolidated Financial Information" section).
- **Loss** for 2006 was PLN 378.4m (EUR 98.8m). Loss for Q4 2006 was PLN 372.8m (EUR 97.3m). Excluding the impact of two non-cash exceptional adjustments mentioned above, loss for 2006 would amount to PLN 88.2m (EUR 23.0m) and loss for Q4 2006 would amount to PLN 31.5m (EUR 8.2m).
- **Cash, cash equivalents and money market funds** at December 31, 2006 totaled PLN 158.4 (EUR 41.3m). Excluding payments related to the acquisition of Pro Futuro (PLN 68.3m), equity investments in associate P4 (PLN 57.0m) and the dividend for 2005 (PLN 50.3m), Netia generated free cash flow** of PLN 47.8 (EUR 12.5m) during 2006.
- **Announcements regarding Netia's strategy and operational and financial objectives for 2007** will be made when Netia's new CEO, Mirosław Godlewski, who assumed his duties on February 15, 2007, has completed his initial review of the Company's operations and draft strategic plans.

(*) In accordance with International Financial Reporting Standards as adopted by the European Union.
(**) Adjusted EBITDA less Investments in Tangible and Intangible Fixed Assets other than through acquisitions.

<u>Operational Highlights</u>:

- **Sales of telecommunications products other than traditional direct voice** (including indirect voice, data transmission, interconnection revenues, wholesale, intelligent network and other telecom services) increased their share of total revenues from telecom services to 51% or PLN 438.6m (EUR 114.5m) in 2006 from 46% or PLN 413.1m for 2005, and represented 52% of total telecom revenues in both Q4 2006 and Q4 2005.
- **Revenues from business customers** accounted for 77% of total telecom revenues in both Q4 2006 and the full year 2006, as compared to 76% in Q4 2005 and 74% in the full year 2005. Going forward, Netia does not expect to see further increases in the proportion of total revenues from business customers as the Company looks to achieve more balanced growth across its business and residential customer lines.
- **Subscriber lines** (net of voluntary churn and disconnections) were 398,276 at December 31, 2006 as compared to 413,011 at December 31, 2005 and 400,541 at September 30, 2006. Business customer lines increased by 5% year-on-year to 159,558 and now account for 40.0% of total subscriber lines as compared to 36.8% a year ago. In addition, 836 customers were using Netia's services through the WiMAX access as at December 31, 2006.
- **ADSL active ports (over Netia's own subscriber lines)** increased to 55,871 at December 31, 2006, as compared to 38,822 at December 31, 2005, reaching a penetration rate of 14% of Netia's total subscriber lines and 23% of residential lines.
- **Bitstream access.** Following the successful pilot project in December 2006, in mid-January 2007 Netia commercially launched its broadband Internet access services to Telekomunikacja Polska ("TP") customers as the second alternative market entrant and the first one targeting such services to the mass market segment. Currently, Netia offers Internet access on the incumbent's copper lines in 25 numbering zones. It is planned that the service will be available in all 49 numbering zones by the end of Q2 2007. As of March 1, over 38,000 TP customers were contracted for Netia's broadband Internet access service with over 4,000 customers connected.
- **WiMAX roll-out.** In November 2006, the WiMAX project, allowing for cost efficient geographic expansion beyond Netia's existing fixed-line network, was switched to a normal commercial mode. As of today, over 1,700 customers are using Netia's services through WiMAX access, up from 836 at December 31, 2006, and 52 base stations are operational. Netia remains committed to further developing WiMAX as part of a balanced portfolio of broadband access technologies, targeting areas with low copper penetration. By the end of 2007, Netia expects to increase the number of the installed WiMAX base stations to approximately 70. In 2007, the capital investments in WiMAX are planned to reach up to PLN 27.0m as compared to PLN 21.1m in 2006. The majority of spending will be devoted to customer premises equipment needed to connect an expected 10,000 new customers to the existing base stations. Netia has reduced its WiMAX capital spending plans for 2007 by 62% relative to the PLN 70.9 m projected one year ago. This revision was made based on management's revised view of the strategic opportunity for WiMAX in the Polish market in the short to medium term, following the 2006 regulatory changes that have opened up attractive new opportunities to grow the customer base using bitstream access over the TP network.
- **ARPU (average monthly revenue per line related to direct voice services)** decreased by 10% to PLN 82 (EUR 21) in Q4 2006 from PLN 91 in Q4 2005 and by 2% from PLN 84 in Q3 2006, reflecting the continued overall tariff reduction trends in the direct voice segment.
- **Headcount** of the Netia group was 1,111 at December 31, 2006, compared to 1,221 at December 31, 2005 and 1,160 at September 30, 2006. As of July 1, 2006, 301 Netia employees were transferred to Ericsson under the managed services contract for network maintenance signed on April 28, 2006. In addition, 26 employees were transferred to Ericsson as of November 1, 2006 in conjunction with the acquisition of Pro Futuro. A total of 155 employees were added with the acquisition of Pro Futuro from the beginning of July 2006, of which 64 remained employed by the Netia group at December 31, 2006 following the completion of the majority of post-acquisition integration activities. During 2006, Netia added additional staff primarily in the sales and customer service areas.

Mirosław Godlewski, Netia's new President & CEO, commented: "As Netia begins 2007, I am confident that the year ahead presents a broad range of strategic growth opportunities for our company. I am currently working with my colleagues in the management team and the supervisory board to finalise a strategy that leverages Netia's competitive advantages to effectively capitalize on these opportunities and further solidify our leadership position among alternative operators in the Polish market. We are committed to delivering value through growth, and I look forward to presenting our new strategy to shareholders before the end of Q2 2007."

Paweł Karłowski, Netia's Chief Commercial Officer, commented: "In 2006, Netia continued to increase sales of data and wholesale products, supported by the acquisition of independent operator Pro Futuro. We have responded to the challenges presented by the continued deterioration in traditional direct voice revenues and margins by taking steps to stabilise the profitability of our business. WiMAX access technology became an important part of our service offering and we look forward to the imminent launch of P4's mobile services this month, as this will allow us to market P4's mobile products and services to our own customer base. Moreover, with the recently announced changes in P4's ownership structure, adding Tollerton as a new shareholder, Netia gains access to the extensive "Germanos" retail network which will enable us to widely distribute and market our own residential fixed-line products, such as Internet access."

"2006 was a year of considerable changes in the Polish telecommunications market. The accelerated market liberalization created new opportunities for alternative entrants to expand, simultaneously intensifying competition in the marketplace. Rapidly adapting to these changes, Netia is already successfully providing ADSL services to TP clients based on a bitstream access agreement signed last year. As of today, over 38,000 TP clients have been contracted to use Netia's broadband Internet access. We are also in negotiations with the incumbent with regard to the local loop unbundling and wholesale line rental opportunities."

Jon Eastick, Netia's Chief Financial Officer, commented: "Due to weaker than anticipated performances from wholesale and interconnection services during the fourth quarter, Netia came in below its revenue guidance. However, given the low margins these services deliver, I can report that we made further progress in stabilising profitability in the face of falling direct voice revenues. Adjusted EBITDA margin in Q4 2006 climbed to 28.9% from 23.4% in Q3 2006 and Adjusted EBITDA advanced PLN 6.5m sequentially to PLN 60.5m.

"As we have previously indicated, the new opportunities for Netia being created by progress on the regulatory front, together with general market pressures on traditional direct voice services, are making it increasingly difficult to generate economic returns from legacy investments in Netia's own access infrastructure. Netia has reflected these factors in performance of its annual impairment test for 2006 and, as a result, management has decided to recognise a non-cash charge of PLN 354.7m before tax. This charge will reduce the burden of depreciation of legacy investments on future revenue streams and improve future profit margins as a result."

"Netia continues to stand on a firm financial foundation with almost PLN 160m in cash and money market funds deposits as at December 31, 2006. Excluding the impact of the WiMAX start-up, our remaining product portfolio generated PLN 77.7m of free cash flow during 2006 and we are confident that progress can be made on cash generation from existing activities during 2007. This organic funding, together with new credit facilities are expected to provide the resources required to support our new strategy, which we are currently finalising."

<u>Other Highlights</u>:

- **Mirosław Godlewski was appointed Chief Executive Officer and President of the Management Board of Netia**, effective February 15, 2007. Mr. Godlewski's professional experience includes the management of a publicly listed company (Opoczno SA) and management of a company undergoing a restructuring (Dec Sp. z o.o., a subsidiary of GATX). His earlier professional experience was with Pepsico in the FMCG (fast moving consumer goods) sector, with particular focus on marketing and sales activities.

- **P4 Sp. z o.o. ("P4") mobile preparations.**

  - **Commercial launch of P4's services.** P4 is finalizing preparations for the commercial launch of its mobile services under the new brand "Play" this March. Since early January 2007, P4 has been running a pilot project among 20,000 selected users, offering unique mobile content in co-operation with Onet.pl, one of Poland's leading Internet portals. P4's mobile services will be offered nationwide based on P4's national roaming agreement with Polkomtel SA. P4 has started to receive the environmental permits it needs to build its UMTS network in sufficient quantities to go ahead with commercial launch. The company is targeting to switch on its first city networks in Warsaw and Tri-City (Gdańsk, Gdynia and Sopot) by Q3 2007.

  - **Amendment to the P4 shareholders agreement.** On January 31, 2007, P4 shareholders Netia and Novator Telecom Poland S.a.r.l. ("Novator") signed an investment agreement with Tollerton Investments Limited ("Tollerton"), providing for it to become a new equity shareholder in P4. Tollerton will subscribe for a 22% equity stake in the increased share capital of P4 in exchange for 100% of shares in Germanos Polska Sp. z o.o. and its two subsidiaries Telecommunication Center Mobile Sp. z o.o. and Mobile Phone Telecom Sp. z o.o., a leading retail distribution network with nearly 300 stores nationwide. The above is contingent on the consent of the Chairman of the Polish Office for the Protection of Competition and Consumers, and the consent of China Development Bank, provider of a EUR 150.0m credit facility for construction of P4's UMTS network. Following the share capital increase, Netia will hold a 23.4% interest in P4 while Novator will hold a 54.6% stake. Moreover, in the amended shareholders agreement to be signed upon Tollerton subscribing for P4 shares, the shareholders reiterate their earlier commitments to make contributions to P4 up to EUR 300.0m, allocated in proportion to their respective amended shareholdings. Tollerton has agreed to take up its prorate share of guarantees made to the China Development Bank and to commit equity contributions of EUR 35.0m. As a result of these changes, Netia's minimum committed investment will reduce to EUR 79.5m from the previous level of EUR 90.0m.

  The launch of P4's mobile offering in turn allows Netia to achieve one of its primary investment objectives by gaining access to mobile products and services to market to its own customers. In addition, the Company expects to secure the long-term access to the "Germanos" retail network to be used for distribution of Netia's residential fixed-line products, such as broadband Internet access. Netia's share of losses from P4's start-up activities totalled PLN 15.7m (EUR 4.1m) in Q4 2006 and PLN 30.7m (EUR 8.0m) in the full year 2006.

- **Netia and TP established a framework for further negotiations** with regard to interconnection, local loop unbundling (LLU) and implementation of wholesale line rental (WLR) for the Netia group. In particular, it is expected that the new interconnect agreement, based on the reference interconnect offer (RIO), will be signed by June 30, 2007 and implemented by September 30, 2007. In addition, the recently signed settlement agreement provides for suspension and subsequent withdrawal of related litigations between the parties. As management has previously indicated, Netia's agreement in principle to switch from the current bill and keep interconnection regime for local calls to RIO has been secured in a way that will have no adverse financial consequences for Netia going forward. Netia is already offering its broadband Internet access services to TP's customers on the basis of the bitstream access agreement signed with TP in 2006 (see "Operational Highlights").

- **Completion of El-Net's license fee obligations' restructuring process.** On December 18, 2006, Netia received the final decisions of the Minister of Transport, dated December 14, 2006, with regard to the cancellation of all outstanding license fee obligations of Regionalne Sieci Telekomunikacyjne El-Net SA ("El-Net"), as well as the prolongation fees owed in connection with the prior deferrals of the license fee installments, in exchange for investments in the telecommunications infrastructure made by the Company from January 1, 2003 to July 31, 2006. The receipt of the above decisions completed the process of El-Net's license fee liabilities' restructuring. The total nominal value of license fee obligations and prolongation fees cancelled under this process amounted to EUR 104.6m and PLN 37.7m, respectively.

- **Netia transferred the ownership of certain elements of its telecommunications network to Świat Internet SA** ("Świat Internet"), a subsidiary wholly-owned by Netia Group, on January 31, 2007. The in-kind contribution comprising cable lines and ducts was made in exchange for acquiring shares in Świat Internet's increased share capital. Subsequently, Netia and Świat Internet concluded a long-term lease agreement, entitling Netia to use these assets for carrying out its telecommunications activities. The leasing expenditures of Netia and the leasing incomes of Świat Internet will eliminate in the consolidated financial statements of Netia.

- **Revised strategy and guidance for 2007**. Netia anticipates making an announcement about its new operating strategy by the end of the second quarter of 2007, once CEO, Mirosław Godlewski, has completed his initial review of Netia's operations and the draft strategy prepared by the management team. The draft strategy focuses on growth through expansion of Netia's market share in the residential fixed-line market. It anticipates building on the new opportunities presented by regulated access to the fixed-line customers of the incumbent operator and leveraging product, distribution and marketing synergies generated by the imminent launch of P4's mobile operations. These plans also anticipate the continued development of Netia's long-term commitment to the business segment. However, relative to the guidance provided a year ago, Netia expects a smaller role for WiMAX, faster revenue erosion from voice services delivered over Netia's own network and lower revenues and margins from the reselling of mobile services. As revenues and margins are integrally linked to the acceptance and implementation of the new strategy, management will provide 2007 guidance together with its announcement of the strategy.

- **Future Dividend Policy.** Netia's updated strategic plans anticipate lower operating margins caused by start-up investments in new services to new customers and an acceleration in losses from Netia's participation in P4 as the mobile operator incurs start-up losses following commercial launch. Furthermore, Netia is expected to consume cash during 2007 and 2008 as it invests in its new growth strategy. Although subject to final confirmation upon the announcement of Netia's new strategic plans, management does not expect to recommend further dividends until the Company establishes sustainable cash generative growth.

- **Netia's ordinary shareholders'** meeting is scheduled to convene on March 21, 2007. In addition to the standard annual resolutions regarding, among others, 2006 financial statements, management board's reports and coverage of losses, the proposed agenda for the meeting includes changes to Netia's statutes, the proposed merger of Netia with its wholly-owned subsidiary Pro Futuro, and changes to the composition and rules of remunerating the supervisory board members.

Consolidated Financial Information

Please note that a reclassification was made in Q1 2006 with regard to certain financial assets previously shown under "Cash and cash equivalents" line, which are currently presented as a separate balance sheet item "Financial assets at fair value through profit and loss". Accordingly, comparative figures for the periods ended through December 31, 2005 were adjusted and relevant changes to the consolidated cash flow statement were made.

Please also see our financial statements for the year ended December 31, 2006.

2006 vs. 2005

Revenues decreased by 5% to PLN 862.1m (EUR 225.0m) for 2006 compared to PLN 908.8m for 2005.

Total telecommunications revenues decreased by 5% to PLN 853.3m (EUR 222.7m) from PLN 899.2m in 2005. This was mainly attributable to the challenging market conditions in the direct voice segment. The revenues from direct voice services decreased by 15% to PLN 412.0m (EUR 107.5m) in 2006 from PLN 485.5m for 2005, mainly reflecting the overall tariff reduction trend in this product segment and the lower number of residential segment subscriber lines. Total revenues from products other than direct voice increased by 6% to PLN 438.6m (EUR 114.5m) for 2006 from PLN 413.1m for 2005, and constituted 51% of total revenues from telecommunications services as compared to 46% for 2005. Wholesale revenues, supported by the acquisition of Premium Internet SA in September 2005, were up by 54% to PLN 150.3m (EUR 39.2m) while data revenues rose 34% to PLN 171.5m (EUR 44.8m) due to increased Internet access sales to business and residential customers, and the contribution from the acquisition of Pro Futuro in July 2006. Interconnection revenues decreased by 46% to PLN 43.4m (EUR 11.3m) in 2006 from PLN 80.3m in 2005, mainly caused by the absence of interconnection arbitrage opportunities that were previously available to El-Net. The post-acquisition contribution from Pro Futuro amounted to PLN 22.4m (EUR 5.8m) for 2006.

Interconnection charges increased by 12% to PLN 213.3m (EUR 55.7m) for 2006 as compared to PLN 191.3m for 2005, driven by increased traffic volumes in the wholesale segment, partially offset by lower interconnection rates primarily for fixed-to-mobile connections with effect from November 2006.

Operating expenses (comprised of services purchased, salaries and benefits, restructuring costs, impairment charges for specific non-current assets and other expenses) represented 51% of total revenues for 2006 as compared to 43% for the previous year. The change was mainly attributable to lower revenues combined with increases in operating expenses necessary to support Netia's evolving product mix and strategic initiatives. Additional leased lines to access the premises of key business customers, and two quarters of outsourcing network maintenance to Ericsson drove costs of rented lines and network maintenance up by 30% to PLN 98.3m (EUR 25.7m) with salaries and benefits costs correspondingly lower in H2 2006. The cost of professional services included PLN 10.2m (EUR 2.7m) of management fees paid to Zachodni – Inwestycje Telekomunikacyjne Sp. z o.o. for managing Premium Internet SA during its integration into Netia group as compared to PLN 2.7m of such fees recorded for 2005. Furthermore, a one-off expenditure representing an investment bank advisory fee of PLN 3.9m (EUR 1.0m), related to services obtained during the public tender offer carried out by Novator in December 2005 and January 2006, also contributed to the 83% increase in cost of professional services. The cost of "other services" increased by 41% year-on-year to PLN 22.1m (EUR 5.8m) as a result of rendering various external services to support Netia's operations. WiMAX start-up expenditures and frequency fees totaled PLN 8.8m (EUR 2.3m), while the acquisitions and increased headcount in sales contributed to the higher cost of salaries year-on-year by 1% or PLN 1.4m (EUR 0.4m). Finally, in H2 2006 Netia recorded restructuring costs of PLN 1.4m (EUR 0.4m) related to the integration of Pro Futuro into the Netia group.

Adjusted EBITDA was PLN 221.3m (EUR 57.8m) for 2006 as compared to PLN 338.8m for 2005. Adjusted EBITDA margin was 25.7% as compared to 37.3% for 2005. The decrease in adjusted EBITDA and margin resulted from lower revenues from direct voice, the shifting revenue mix towards lower margin data and wholesale services and reduced interconnection arbitrage opportunities, as well as increase within "services purchased" cost category as described above.

Two non-cash exceptional adjustments impacted the financial results for 2006 as follows:

- **An impairment charge** of PLN 354.7m (EUR 92.6m) resulting from the impairment test of Netia's non-current assets attributable to its telecommunications segment was recorded in Q4 2006.

  Upon development of a draft new strategy and business plan that takes into account the significant changes in market conditions, which had been provisionally approved by Netia's management team and awaits final review by the new CEO and subsequent submission to Netia's supervisory board for their approval, Netia performed an impairment test in Q4 2006. The carrying amount of Netia's net assets (excluding the investment in P4) was compared to the estimated fair value less cost to sell, based on the market method valuation. Management used independent advisors to estimate fair value less costs to sell and considered their draft business plan when adopting the advisor's estimation. The test resulted in an impairment charge allocated to the goodwill and pro rata to the existing non-current assets as follows: goodwill – PLN 14.8m (EUR 3.9m), tangible fixed assets (excluding cars) – PLN 270.6m (EUR 70.6m), fixed assets under construction – PLN 22.7m (EUR 5.9m), capital work in progress for software – PLN 1.5m (EUR 0.4m), computer software – PLN 10.7m (EUR 2.8m), customer relationship – PLN 0.2m (EUR 0.05m) and telecommunications licenses – PLN 34.1m (EUR 8.9m).These impairments relate to Netia's fixed-line business and do not impact the carrying value of the investment in P4.

- **A non-cash exceptional gain related to the reassessment and subsequent cancellation of the carrying value of El-Net's license fee liabilities** was recorded during 2006 in the total amount of PLN 64.5m (EUR 16.8m).

  Following the receipt of the decisions to cancel part of El-Net's license fee obligations in exchange for investments in the telecommunications infrastructure incurred in years 2001-2005, the value of El-Net's outstanding license fee liabilities was reduced by PLN 10.4m (EUR 2.7m) in Q2 2006. Next, following El-Net's merger into Netia and the decisions to enable the cancellation of the remaining license fee liabilities based on Netia's capital expenditures incurred from January 1, 2003 to July 31, 2006, the value of license fee liabilities was further reduced in Q3 2006 by PLN 40.7m (EUR 10.6m). Upon the receipt of final cancellation decisions, outstanding license fee liabilities amounting to PLN 13.3m (EUR 3.5m) were reduced to zero in Q4 2006. Accordingly, the same amounts were recorded as a gain in the income statement.

Depreciation of fixed assets increased by 10% to PLN 220.5m (EUR 57.6m) compared to PLN 200.0m for 2005, due to capital investments coming into operation and the reassessment of useful lives of narrowband radio equipment performed in Q2 2006, which resulted in an additional charge of PLN 7.9m (EUR 2.1m).

Amortization of intangible assets increased by 7% to PLN 52.0m (EUR 13.6m) from PLN 48.5m for 2005, partially due to a PLN 1.9m (EUR 0.5m) charge related to customer relationships.

Operating loss (EBIT) was PLN 341.4m (EUR 89.1m) as compared to operating profit of PLN 90.3m for 2005 and was affected mainly by a non-cash impairment charge on Netia's non-current assets of PLN 354.7m (EUR 92.6m). Excluding an effect of the above impairment charge as well as an exceptional item related to the restructuring of El-Net's license fee liabilities, operating loss for 2006 would amount to PLN 51.2m (EUR 13.4m).

Finance income and finance costs were PLN 8.2m (EUR 2.1m) and PLN 7.3m (EUR 1.9m), respectively, as compared to PLN 15.5m and PLN 7.2m, respectively, for 2005. Finance income and costs were related mainly to interest earned on cash and investments and the carrying value of El-Net's license fee liabilities.

Share of losses of associates recorded for 2006 was PLN 30.7m (EUR 8.0m) and was related to Netia's 30% equity participation in the P4 mobile venture.

Income tax charge was PLN 7.2m (EUR 1.9m) as compared to an income tax charge of PLN 35.3m for 2005.

Loss was PLN 378.4m (EUR 98.8m) as compared to profit of PLN 60.2m for 2005. The change in the net result was due to lower adjusted EBITDA, the start-up losses of P4 and a non-cash impairment charge of PLN 354.7m (EUR 92.6m) recorded in Q4 2006 upon the review of Netia's telecommunications segment. This was partially offset by a non-cash exceptional gain of PLN 64.5m (EUR 16.8m) related to the cancellation and reassessment of El-Net's license fees. Excluding an impairment charge on non-current assets and a gain on canceling El-Net's license fees, loss for 2006 would amount to PLN 88.2m (EUR 23.0m).

Net cash used for the purchase of fixed assets and computer software increased by 23% to PLN 180.6m (EUR 47.1m) for 2006 from PLN 146.1m for 2005, partly in connection with Netia's investments in new access technologies, such as WiMAX and bitstream access. Capital spending in 2006 related to the WiMAX and bitstream projects amounted to PLN 21.1m (EUR 5.5m) and PLN 2.9m (EUR 0.8m), respectively.

Other significant cash outflow / inflow items during 2006 included cash outflow related to the acquisition of Pro Futuro of PLN 68.3m (EUR 17.8m), a dividend paid to Netia shareholders from 2005 profits in the total amount of PLN 50.3m (EUR 13.1m) and Netia's equity contribution to the P4 mobile venture of PLN 57.0m (EUR 14.9m). At the same time, Netia received PLN 49.8m (EUR 13.0m) on the sale of deposits in money market investment funds and PLN 4.3m (EUR 1.1m) on the sale of certain fixed assets which were transferred to Ericsson under the managed services contract signed in April 2006. As a result, net cash used in investing activities amounted to PLN 252.8m (EUR 66.0m) for 2006 as compared to PLN 291.3m for 2005.

Cash and cash equivalents at December 31, 2006 in the amount of PLN 143.6m (EUR 37.5m) were available to fund Netia's operations. In addition, at December 31, 2006 Netia held PLN 14.8m (EUR 3.9m) in money market funds deposits.

Available credit lines. As at December 31, 2006, Netia had PLN 100.0m (EUR 26.1m) of undrawn overdraft and back-up credit facilities expiring on November 7, 2007. Following final confirmation by the Minister of Transport of the cancellation of the El-Net license fee liabilities, Netia canceled PLN 100.0m of the original PLN 200.0m facilities.

Q4 2006 vs. Q3 2006

Revenues decreased by 9% to PLN 209.7m (EUR 54.7m) for Q4 2006 from PLN 230.5m in Q3 2006.

Total telecommunications revenues decreased sequentially by 9% to PLN 207.7m (EUR 54.2m) for Q4 2006 as compared to PLN 228.4m for Q3 2006. The sequential decline was mainly attributable to a weaker performance in carrier wholesale services, with interconnection revenues down by 76% and wholesale revenues declining by 11% mainly due to lower volumes in voice traffic transferred to mobile networks. This was partly associated with the introduction of lower mobile termination rates in the Polish market and also due to fewer low margin transit arrangements during the quarter. Data services increased 2% quarter-on-quarter following valuable contract wins and good progress with the fixed Internet access offering to Netia's own subscriber base. Netia also saw an improvement in indirect voice revenues, which were up by 6% as compared to Q3 2006, following aggressive moves to attract new resellers to Netia's 10xx indirect voice services. Direct voice revenues decreased 3% quarter-on-quarter, reflecting the overall trend in this product segment as well as the lower number of working business days in Q4 relative to Q3.

Adjusted EBITDA increased by 12% to PLN 60.5m (EUR 15.8m) in Q4 2006 as compared to PLN 54.0m in Q3 2006. Adjusted EBITDA margin was 28.9% in Q4 2006 as compared to 23.4% in Q3 2006. The improvement in adjusted EBITDA and margin was mainly a result of lower fixed-to-mobile interconnection rates and lower transit traffic volumes carried to mobile networks. As a result of the framework agreement with TP, Netia reassessed the recoverable amount of receivables that previously had been the subject of a dispute between the parties and recorded in Q4 2006 a gain of PLN 4.3m. This was partially offset by higher cost of purchased services, associated mainly with increased marketing expenditures (due to the WiMAX promotion campaign) and an increased cost of "other services" (due to the third party commissions paid for the acquisition of new customers).

Loss of PLN 372.8m (EUR 97.3m) was recorded in Q4 2006 as compared to a profit of PLN 17.8m in Q3 2006. The change in net results was mainly impacted by a non-cash impairment charge of PLN 354.7m (EUR 92.6m) recorded in Q4 2006. Excluding an impact of the impairment charge and exceptional item related to El-Net's license fees cancellation, loss for Q4 2006 would be PLN 31.5m (EUR 8.2m) as compared to loss of PLN 22.9m (EUR 6.0m) in Q3 2006. The increased loss reflected accelerated pre-launch spending at P4, where Netia's share of start-up losses widened to PLN 15.7m (EUR 4.1m) in Q4 from PLN 7.3m in Q3 2006.

Operational Review

Subscriber lines in service were 398,276 at December 31, 2006 as compared to 413,011 at December 31, 2005 and 400,541 at September 30, 2006. This included ISDN equivalent lines which increased to 104,280 at December 31, 2006 from 96,949 at December 31, 2005 and 101,802 at September 30, 2006.

Business customer lines in service increased to 159,558 at December 31, 2006, i.e., by 5% from 151,787 at December 31, 2005 and by 2% from 156,888 at September 30, 2006.

Business lines as a percentage of total subscriber lines at December 31, 2006 reached 40.0%, up from 36.8% at December 31, 2005 and from 39.2% at September 30, 2006.

Residential lines in service were 238,718 at December 31, 2006 as compared to 261,224 at December 31, 2005 and 243,653 at September 30, 2006.

ADSL active ports increased to 55,871 at December 31, 2006 as compared to 38,822 at December 31, 2005 and 50,412 at September 30, 2006.

ADSL ports' penetration of Netia's total subscriber lines at December 31, 2006 reached 14%, up from 9% at December 31, 2005 and 13% at September 30, 2006.

WiMAX active customers were 836 at December 31, 2006.

Key Figures ^

PLN'000	2006	2005	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Revenues	862,057	909,114	209,718	230,537	203,422	218,380	237,416
y-o-y % change	*(5.2%)*	*5.1%*	*(11.7%)*	*(0.1%)*	*(9.2%)*	*0.8%*	*7.7%*
EBITDA	(68,919)	338,766	(280,831)	94,707	58,446	58,751	72,405
Margin %	*(8.0%)*	*37.3%*	*(133.9%)*	*41.1%*	*28.7%*	*26.9%*	*30.5%*
Adjusted EBITDA	221,284	338,766	60,522	53,994	48,009	58,751	72,405
Margin %	*25.7%*	*37.3%*	*28.9%*	*23.4%*	*23.6%*	*26.9%*	*30.5%*
y-o-y change %	*(34.7%)*	*5.3%*	*(16.4%)*	*(41.7%)*	*(45.4%)*	*(31.4%)*	*10.9%*
EBIT	(341,384)	90,309	(351,180)	25,130	(9,491)	(5,843)	10,120
Margin %	*(39.6%)*	*9.9%*	*(167.5%)*	*10.9%*	*(4.7%)*	*(2.7%)*	*4.3%*
Adjusted EBIT ˜	(51,181)	90,309	(9,827)	(15,583)	(19,928)	(5,843)	10,120
Margin %	*(5.9%)*	*9.9%*	*(4.7%)*	*(6.8%)*	*(9.8%)*	*(2.7%)*	*4.3%*
Profit/(Loss) of the Netia Group *(consolidated)*	(378,355)	60,190	(372,847)	17,794	(12,664)	(10,638)	(11,086)
Margin %	*(43.9%)*	*6.6%*	*(177.8%)*	*7.7%*	*(6.2%)*	*(4.9%)*	*(4.7%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ˜	(88,152)	60,190	(31,494)	(22,919)	(23,101)	(10,638)	(11,086)
Margin %	*(10.2%)*	*6.6%*	*(15.0%)*	*(9.9%)*	*(11.4%)*	*(4.9%)*	*(4.7%)*
Profit/(Loss) of Netia SA *(stand alone)^^*	(279,037)	73,447	(324,639)	33,449	1,784	10,369	(6,098)
Cash and cash equivalents	143,586	197,387	143,586	107,783	136,008	228,957	197,387
Capex related payments	180,574	146,102	52,575	44,897	26,580	56,522	43,537

EUR '000 *	2006	2005	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Revenues	225,010	237,292	54,740	60,174	53,096	57,000	61,969
y-o-y % change	*(5.2%)*	*5.1%*	*(11.7%)*	*(0.1%)*	*(9.2%)*	*0.8%*	*7.7%*
EBITDA	(17,989)	88,423	(73,301)	24,720	15,255	15,335	18,899
Margin %	*(8.0%)*	*37.3%*	*(133.9%)*	*41.1%*	*28.7%*	*26.9%*	*30.5%*
Adjusted EBITDA	57,758	88,423	15,797	14,093	12,531	15,335	18,899
Margin %	*25.7%*	*37.3%*	*28.9%*	*23.4%*	*23.6%*	*26.9%*	*30.5%*
y-o-y change %	*(34.7%)*	*5.3%*	*(16.4%)*	*(41.7%)*	*(45.4%)*	*(31.4%)*	*10.9%*
EBIT	(89,106)	23,572	(91,663)	6,559	(2,477)	(1,525)	2,641
Margin %	*(39.6%)*	*9.9%*	*(167.5%)*	*10.9%*	*(4.7%)*	*(2.7%)*	*4.3%*
Adjusted EBIT ˜	(13,359)	23,572	(2,565)	(4,067)	(5,202)	(1,525)	2,641
Margin %	*(5.9%)*	*9.9%*	*(4.7%)*	*(6.8%)*	*(9.8%)*	*(2.7%)*	*4.3%*
Profit/(Loss) of the Netia Group *(consolidated)*	(98,756)	15,710	(97,319)	4,644	(3,305)	(2,777)	(2,894)
Margin %	*(43.9%)*	*6.6%*	*(177.8%)*	*7.7%*	*(6.2%)*	*(4.9%)*	*(4.7%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ˜	(23,009)	15,710	(8,220)	(5,982)	(6,030)	(2,777)	(2,894)
Margin %	*(10.2%)*	*6.6%*	*(15.0%)*	*(9.9%)*	*(11.4%)*	*(4.9%)*	*(4.7%)*
Profit/(Loss) of Netia SA *(stand alone)^^*	(72,833)	19,171	(84,736)	8,731	466	2,706	(1,592)
Cash and cash equivalents	37,478	51,521	37,478	28,133	35,500	59,761	51,521
Capex related payments	47,132	38,135	13,723	11,719	6,938	14,753	11,364

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.8312 = EUR 1.00, the average rate announced by the National Bank of Poland at December 31, 2006. These figures are included for the convenience of the reader only.

^ Please note that a reclassification was made in Q1 2006 with regard to certain financial assets previously shown under "Cash and cash equivalents" line, which are now presented as a separate balance sheet item "Financial assets at fair value through profit and loss". Accordingly, comparative figures for the periods ended through December 31, 2005 were adjusted and relevant changes to the consolidated cash flow statement were made.

^^ 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 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Network data					
Backbone (km)	5,002	5,002	5,002	5,002	5,002
Number of connected lines (cumulative) *	526,562	523,742	522,302	521,432	521,432
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	398,276	400,541	404,451	406,738	413,011
incl. ISDN equivalent of lines	*104,280*	*101,802*	*100,790*	*98,451*	*96,949*
Total net additions	(2,265)	(3,910)	(2,287)	(6,273)	(6,214)
Business net additions	2,670	704	3,366	1,031	934
Business subscriber lines (cumulative)	159,558	156,888	156,184	152,818	151,787
Business mix of total subscriber lines (cumulative)	40.0%	39.2%	38.6%	37.6%	36.8%
Monthly ARPU (PLN) ^	82	84	84	89	91
Other					
Headcount	1,111	1,160	1,295	1,246	1,221

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

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

(Tables to Follow)

Income Statement

(PLN in thousands unless otherwise stated)

Time periods:	2006 audited	2005 audited	Q4 2006 unaudited	Q3 2006 unaudited
Telecommunications revenue				
Direct Voice	411,986	485,482	98,831	101,898
monthly charges	133,954	142,824	31,861	32,759
calling charges	278,032	342,658	66,970	69,139
– *local calls*	*80,760*	*108,548*	*19,471*	*18,723*
– *domestic long-distance calls*	*49,121*	*65,658*	*10,919*	*12,086*
– *international long-distance calls*	*28,373*	*34,693*	*6,992*	*7,217*
– *fixed-to-mobile calls*	*105,337*	*114,692*	*25,898*	*27,206*
– *other*	*14,441*	*19,067*	*3,690*	*3,907*
Indirect Voice	50,528	78,919	12,716	12,003
Data	171,486	128,258	50,612	49,524
Interconnection revenues	43,445	80,264	4,596	18,733
Wholesale services	150,327	97,867	34,909	39,330
Intelligent network services	15,349	19,960	4,008	3,560
Other telecommunications revenues	7,492	7,804	1,970	1,935
Total telecommunications services revenues	**850,613**	**898,554**	**207,642**	**226,983**
Sales of goods	2,735	629	83	1,456
Total telecommunications revenue	**853,348**	**899,183**	**207,725**	**228,439**
Radio communications revenue	8,709	9,931	1,993	2,098
Total revenues	**862,057**	**909,114**	**209,718**	**230,537**
Interconnection charges	(213,330)	(191,322)	(41,150)	(66,937)
Services purchased	(218,092)	(177,973)	(65,699)	(56,105)
Salaries & benefits, incl. social security costs	(134,016)	(132,664)	(31,600)	(33,456)
Restructuring costs	(1,377)	-	(273)	(1,104)
Impairment charge for non-current assets	(354,672)	-	(354,672)	-
Impairment charges for specific individual assets	(6,371)	-	(597)	(87)
Reversal of impairment charges for specific individual assets	2,968	2,289	1,653	925
Cancellation and reassessment of the carrying value of license fee liabilities	64,469	-	13,319	40,713
Other gains/(losses), net	843	3,125	11	927
Other income	10,038	10,613	6,237	1,655
Other expenses	(81,436)	(84,416)	(17,778)	(22,361)
EBITDA	**(68,919)**	**338,766**	**(280,831)**	**94,707**
Margin (%)	***(8.0%)***	***37.3%***	***(133.9%)***	***41.1%***
Reversal of cancellation and reassessment of the carrying value of license fee liabilities	*(64,469)*	-	*(13,319)*	*(40,713)*
Reversal of impairment charge for non-current assets	*354,672*	-	*354,672*	-
Adjusted EBITDA	***221,284***	***338,766***	***60,522***	***53,994***
Margin (%)	***25.7%***	***37.3%***	***28.9%***	***23.4%***
Depreciation of fixed assets	(220,508)	(199,985)	(56,834)	(55,984)
Amortization of intangible assets	(51,957)	(48,472)	(13,515)	(13,593)
EBIT	**(341,384)**	**90,309**	**(351,180)**	**25,130**
Margin (%)	***(39.6%)***	***9.9%***	***(167.5%)***	***10.9%***
Finance income	8,234	15,453	1,408	1,425
Finance costs	(7,259)	(7,205)	(2,083)	(1,628)
Share of losses of associates	(30,742)	(3,073)	(15,735)	(7,262)
Profit / (Loss) before tax	**(371,133)**	**95,484**	**(367,590)**	**17,665**
Tax benefit / (charge)	(7,222)	(35,294)	(5,257)	129
Profit / (Loss)	**(378,355)**	**60,190**	**(372,847)**	**17,794**
Attributable to:				
Equity holders of the Company	(378,908)	59,027	(372,950)	17,651
Minority interest	553	1,163	103	143
Margin (%)	***(43.9%)***	***6.6%***	***(177.8%)***	***7.7%***
Earnings per share (not in thousands)	(0.98)	0.16	(0.96)	0.05
Diluted earnings per share (not in thousands)	(0.97)	0.15	(0.96)	0.05
Weighted average number of shares outstanding (not in thousands)	387,809,730	377,405,104	389,167,839	389,167,839
Weighted average diluted number of shares (not in thousands)	388,886,072	391,090,055	389,382,714	389,273,571

Adjusted EBITDA / EBITDA Reconciliation to Operating Profit

(PLN in thousands unless otherwise stated)

Time periods:	2006	2005	Q4 2006	Q3 2006
	audited	*audited*	*unaudited*	*unaudited*
Operating profit / (loss)	**(341,384)**	**90,309**	**(351,180)**	**25,130**
Add back:				
Depreciation of fixed assets	220,508	199,985	56,834	55,984
Amortization of intangible assets	51,957	48,472	13,515	13,593
EBITDA	**(68,919)**	**338,766**	**(280,831)**	**94,707**
Less:				
Cancellation and reassessment of the carrying value of license fee liabilities	(64,469)	-	(13,319)	(40,713)
Impairment charge for non-current assets	354,672	-	354,672	-
Adjusted EBITDA	**221,284**	**338,766**	**60,522**	**53,994**

Note to Finance Income

(PLN in thousands unless otherwise stated)

Time periods:	2006	2005	Q4 2006	Q3 2006
	audited	*audited*	*unaudited*	*unaudited*
Interest income	5,983	12,527	1,074	1,080
Gain on fair value adjustment of financial assets	2,251	2,631	529	587
Net foreign exchange gains	-	295	(195)	(242)
Total	**8,234**	**15,453**	**1,408**	**1,425**

Note to Finance Costs

(PLN in thousands unless otherwise stated)

Time periods:	2006	2005	Q4 2006	Q3 2006
	audited	*audited*	*unaudited*	*unaudited*
Interest expense	5,532	6,851	356	1,628
Net foreign exchange losses	1,727	354	1,727	-
Total	**7,259**	**7,205**	**2,083**	**1,628**

Note to Services Purchased

(PLN in thousands unless otherwise stated)

Time periods:	2006	2005	Q4 2006	Q3 2006
	audited	*audited*	*unaudited*	*unaudited*
Professional services	26,120	14,244	7,087	5,505
Including managerial services rendered to Premium Internet SA by ZIT	*10,241*	*2,650*	*3,547*	*2,612*
Including an investment bank advisory fee related to services obtained during the public tender offer carried out by Novator	*3,890*	-	-	-
Advertising & promotion	28,769	27,422	8,651	4,792
Cost of rented lines & network maintenance	98,289	75,632	30,948	29,812
Information technology	14,985	15,975	3,592	3,860
Office and car maintenance	10,799	10,929	3,141	2,874
Insurance	6,188	6,382	1,488	1,550
Mailing services	6,233	6,709	1,596	1,560
Travel and accommodation	4,573	4,977	1,147	1,038
Other services	22,136	15,703	6,433	5,114
Total	**218,092**	**177,973**	**65,699**	**56,105**

Note to Other Expenses

(PLN in thousands unless otherwise stated)

Time periods:	2006	2005	Q4 2006	Q3 2006
	audited	*audited*	*unaudited*	*unaudited*
Taxes and fees	53,453	47,727	13,095	14,306
Provision for impaired receivables	7,662	17,514	(923)	1,964
Materials and energy	9,704	8,699	2,854	2,334
Other operating costs	10,617	10,476	2,752	3,757
Total	**81,436**	**84,416**	**17,778**	**22,361**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	December 31, 2006 *audited*	December 31, 2005 *audited*
Property, pant and equipment, net	1,458,029	1,766,911
Intangible assets	239,597	309,430
Investments in associates	141,394	105,633
Deferred income tax assets	4,865	14,182
Available for sale financial assets	10	10
Long-term receivables	484	-
Prepaid expenses	3,303	3,636
Other long-term assets	-	323
Total non-current assets	**1,847,682**	**2,200,125**
Inventories	1,584	2,262
Trade and other receivables	131,833	156,924
Current income tax receivables	-	38
Prepaid expenses	6,888	7,240
Derivative financial instruments	600	-
Financial assets at fair value through profit and loss	14,757	63,059
Restricted cash	6,100	-
Cash and cash equivalents	143,586	197,387
	305,348	**426,910**
Non-current assets classified as held for sale	2,329	-
Total current assets	**307,677**	**426,910**
TOTAL ASSETS	**2,155,359**	**2,627,035**
Share capital	389,168	408,615
Treasury shares	-	(122,806)
Supplementary capital	1,809,434	1,939,572
Other reserves	29,644	1,758
Retained earnings	(283,248)	126,502
Total capital and reserve attributable to the Company's equity holders	**1,944,998**	**2,353,641**
Minority interest	6,902	6,349
TOTAL EQUITY	**1,951,900**	**2,359,990**
Liabilities for licenses	-	14,000
Provisions	630	1,231
Deferred income	8,116	-
Deferred income tax liabilities	990	-
Financial guarantee contract	558	-
Other long-term liabilities	774	741
Total non-current liabilities	**11,068**	**15,972**
Liabilities for licenses	-	43,413
Trade and other payables	168,267	193,957
Current income tax liabilities	38	-
Provisions	4,166	2,969
Financial guarantee contract	8,847	-
Deferred income	11,073	10,734
Total current liabilities	**192,391**	**251,073**
Total liabilities	**203,459**	**267,045**
TOTAL EQUITY AND LIABILITIES	**2,155,359**	**2,627,035**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	2006 *audited*	2005 *audited*	Q4 2006 *unaudited*	Q3 2006 *unaudited*
Profit / (Loss)	**(378,355)**	**60,190**	**(372,847)**	**17,794**
Depreciation and amortization	272,465	248,457	70,349	69,577
Impairment charges for non-current assets	354,672	-	354,672	-
Impairment charges for specific individual assets	6,371	-	597	87
Reversal of impairment charges for specific individual assets	(2,968)	(2,289)	(1,653)	(925)
Share of losses of associates	30,724	3,073	15,735	7,262
Deferred income tax charge / (benefit)	6,802	34,720	5,118	(222)
Cancellation and reassessment of the carrying value of license fee liabilities	(64,469)	-	(13,319)	(40,713)
Interest expense accrued on license liabilities	5,247	6,495	314	1,538
Financial guarantee contract	(88)	-	(88)	-
Interest accrued on loans	(17)	(351)	(22)	5
Share-based compensation	892	3,395	267	99
Fair value gains on financial assets at fair value through profit and loss	(2,251)	(2,631)	(529)	(587)
Fair value adjustments on other receivables	(4,613)	-	(4,613)	-
Decrease/(Increase) in long-term assets	323	(573)	-	-
Foreign exchange (gains)/losses	3,298	(3,946)	1,337	(501)
Gain on sale of fixed assets	(2,574)	(345)	103	(472)
Gain on sale of subsidiaries and other investments	(20)	(11)	-	-
Changes in working capital	9,798	(7,847)	3,028	(8,514)
Net cash provided by operating activities	**235,237**	**338,337**	**58,449**	**44,428**
Purchase of fixed assets and computer software	(180,574)	(146,102)	(52,575)	(44,897)
Proceeds from sale of fixed assets	4,280	2,077	1,378	2,006
Investment in associate	(57,000)	(109,465)	(7,500)	(22,500)
Purchase of subsidiary, net of received cash	(68,288)	5,051	(61)	(6,638)
Sale of subsidiaries and other investments; net of cash in subsidiaries	25	260	-	-
Sale of financial assets at fair value through profit and loss	49,834	4,953	37,673	3,750
Loans granted	(1,533)	(24,899)	-	(1,533)
Loans repayments	417	1,002	394	23
Interest received	-	32	-	-
Payments for licenses	-	(24,250)	-	-
Net cash used in investing activities	**(252,839)**	**(291,341)**	**(20,691)**	**(69,789)**
Proceeds from share issue	19,385	82,364	-	-
Cost of share issuance	(175)	(1,916)	-	-
Dividend paid to the Company's shareholders	(50,323)	(38,710)	-	-
Repurchase of shares and warrants	-	(123,052)	-	-
Repayment of installment obligations	-	(5,511)	-	-
Finance lease payments	(199)	-	(49)	(51)
Repayment of borrowings	(2,500)	-	-	(2,500)
Interest repaid	(167)	-	-	(167)
Redemption of notes for warrants	(334)	(31)	-	-
Net cash used in financing activities	**(34,313)**	**(86,856)**	**(49)**	**(2,718)**
Effect of exchange rate change on cash and cash equivalents	(1,886)	1,310	(1,906)	(146)
Net change in cash and cash equivalents	**(53,801)**	**(38,550)**	**35,803**	**(28,225)**
Cash and cash equivalents at the beginning of the period	197,387	235,937	107,783	136,008
Cash and cash equivalents at the end of the period	**143,586**	**197,387**	**143,586**	**107,783**

Definitions

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;
Backbone	–	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Capex	–	cash spending related to capital expenditures during the 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 rented lines & network 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 and IP Transit;
Direct voice revenues	–	telecommunications revenues from voice services offered by Netia to its subscribers. 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);
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;
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 expenses	–	include primarily costs of taxes and fees, provision for impaired receivables, and costs of materials and energy;
Other telecommunications 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;
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 tomorrow, March 2, at 3:00 PM (UK) / 4:00 PM (Continent) / 10:00 AM (Eastern). To register for the call and obtain dial in numbers please contact Maria Ruiz 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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