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NETIA SA REPORTS 2007 FIRST QUARTER RESULTS

WARSAW, Poland – May 15, 2007 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results in accordance with EU IFRS *(*)* for the quarter ended March 31, 2007.

Key Developments:

- **Netia announced its new broadband growth strategy** and its goal to acquire 1 million broadband customers over three years on April 18, 2007 (see "Other Highlights" section).
- **Netia's broadband subscriber base** expanded to 101,822 ports at March 31, 2007. During Q1 2007, Netia used its first-mover advantage to add 35,836 bitstream broadband Internet customers accessed over the TP network. Netia continues to grow broadband penetration among customers directly connected to its own network with 5,620 added during Q1 2007 using various technologies to bring the total to 62,986 broadband customers.
- Netia was first to execute a binding contract with TP for **local loop unbundling** that will enable it to offer differentiated broadband services over TP's access network, which represents another important element of the recently announced strategy.
- **P4 launched its PLAY brand mobile services** on March 16, 2007. PLAY's services are available nationwide and offer national coverage from day one based on its national roaming agreement. Innovative branding, a rich multi-media focused offering and attractive prices underpin the PLAY offering.
- **P4 acquired the Germanos mobile distribution chain** of over 225 stores in exchange for 22% of P4's equity. The deal is expected to be completed in Q2 2007, providing PLAY and Netia with access to a top quality retail distribution network for their mobile and broadband products, respectively. P4's new shareholder will be contributing pro-rata to the company's funding requirements going forward.

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

Financial Summary:

- **Revenues** for Q1 2007 were PLN 204.4m (EUR 52.8m), representing a year-on-year decrease of 6% and a sequential decrease of 3%. Weak revenues in relatively low margin wholesale and interconnection services were the main drivers of the overall revenue decline. The PLN 16.2m (EUR 4.2m) or 46% growth in data revenues to PLN 51.4m (EUR 13.3m) in Q1 2007 more than offset the PLN 11.5 (EUR 3.0m) or 11% year-on-year decline in direct voice revenues, which amounted to PLN 97.5m (EUR 25.2m).
- **EBITDA** for Q1 2007 was PLN 54.6m (EUR 14.1m) as compared to EBITDA of PLN 58.8m for Q1 2006 and an Adjusted EBITDA of PLN 60.5m for Q4 2006. EBITDA margin for Q1 2007 was 26.7% as compared to an EBITDA margin of 26.9% for Q1 2006 and an Adjusted EBITDA margin of 28.9% for Q4 2006. EBITDA for Q1 2007 included start-up expenses related to the acquisition of new bitstream customers in the amount of PLN 11.1m (EUR 2.9m), comprising PLN 6.8m (EUR 1.8m) in subscriber acquisition costs and a further PLN 4.3m (EUR 1.1m) in incremental costs of bitstream wholesale access, advertising and customer care.
- **Loss** for Q1 2007 was PLN 37.8m (EUR 9.8m), of which PLN 25.6m (EUR 6.6m) is attributable to Netia's share in P4's start-up losses.
- **Cash and cash equivalents** at March 31, 2007 totaled PLN 152.1 (EUR 39.3m). Netia generated free cash flow *(**)* of PLN 23.4m (EUR 6.0m) before making PLN 29.9m (EUR 7.7m) in equity contributions to P4.
- **Fixed asset additions** totaled PLN 37.7m (EUR 9.7m) for the quarter whilst cash paid out for capital investments was PLN 61.9m (EUR 16.0m) as accounts payable from the fourth quarter peak of the annual investment cycle were paid down.

Operational Highlights:

- **Broadband** customers increased to 101,822 at March 31, 2007. As announced in April 2007, Netia's key strategic objective is to become the market leader amongst alternative operators and reach 1 million broadband customers over next three years. By the end of 2007, Netia aims to have more than 200,000 broadband customers. Netia provides its broadband services using the following technologies:

Number of broadband ports *(*)*	**Q1 2007**	**Q4 2006**	**Q1 2006**
xDSL over Netia's own fixed-line network	62,528	58,250	45,796
Bitstream access	35,836	n/a	n/a
WiMAX Internet	2,192	836	n/a
Others	1,266	1,280	1,211
Total	**101,822**	**60,366**	**47,007**

(*) Excluding the effect of the Pro Futuro acquisition.

- **Bitstream access.** In mid-January 2007 Netia commercially launched its broadband Internet access services to Telekomunikacja Polska SA ("TP") customers as the second alternative market entrant and the first one targeting these services to the mass market segment. Currently, 75% of TP's customers are within the reach of Netia's bitstream access offering. The number of bitstream access broadband Internet ports activated by Netia for TP's clients was 35,836 at March 31, 2007. Netia plans several more campaigns during 2007 to help attain its target of over 200,000 broadband customers by the year-end. These campaigns will be supported by above-the-line advertising and high street distribution, leveraging the new relationship with the Germanos distribution chain that will merge into the P4 group.
- The number of **WiMAX customers** increased to 2,524 at March 31, 2007 from 836 at December 31, 2006. The number of WiMAX broadband Internet ports reached 2,192 at March 31, 2007. By the end of 2007, Netia expects to increase the number of installed WiMAX base stations to approximately 70, 59 of which are currently operational, targeting areas that currently have relatively low quality copper penetration. In 2007, capital investments in WiMAX are planned for up to PLN 27.0m versus PLN 21.1m in 2006. The majority of spending will be devoted to the customer premises equipment needed to connect a planned 10,000 new customers to the base stations. Netia has reduced its WiMAX capital spending plans for 2007 based on management's view of the limited 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 and local loop unbundling over the TP network.

(**) Net operating cash flow less net purchases of fixed assets and computer software less purchase of subsidiary plus loans repayment.

- **Netia network subscriber lines** (net of voluntary churn and disconnections) were 398,949 at March 31, 2007 as compared to 406,738 at March 31, 2006 and 398,276 at December 31, 2006.
- **Voice ARPU** decreased by 9% to PLN 81 (EUR 21) in Q1 2007 from PLN 89 in Q1 2006 and by 1% from PLN 82 in Q4 2006, reflecting the continued overall tariff reduction trends.
- **Broadband ARPU** was PLN 110 (EUR 28) in Q1 2007 and presently reflects the high proportion of business customers in the customer mix. As large numbers of residential customers are added to the broadband customer base, Broadband ARPU will trend downward.
- **Headcount** for the Netia group was 1,110 at March 31, 2007, compared to 1,246 at March 31, 2006 and 1,111 at December 31, 2006.

Mirosław Godlewski, Netia's new President & CEO, commented: "During the first months of 2007 Netia has built a solid foundation for growth, having reached a number of significant milestones during this relatively short period. Taking advantage of new regulatory opportunities, Netia was first to market in offering broadband Internet to the incumbent's customers via bitstream access. We have also secured an agreement with TP covering local loop unbundling and are currently in talks to negotiate wholesale line rental opportunities. We now have well over 100,000 broadband customers served over our various access technologies and we are working hard to more than double this total to over 200,000 before year-end and establish Netia as the broadband leader amongst the Polish altnets. Our mobile venture PLAY launched commercially this March, which will allow us to extend our service offering to business customers through mobile and convergent products in the near future. Additionally, we have secured access to the Germanos distribution network, providing nationwide distribution of Netia's fixed-line products. We are evolving into a more dynamic, customer-focused organization to successfully meet the increasing needs of both business and residential clients nationwide."

"These initiatives are in line with our strategy, aimed at delivering growth by establishing ourselves as the leader in the rapidly expanding Polish broadband market. We believe that Netia is uniquely positioned to capitalize on new market opportunities, leveraging its existing infrastructure and expertise. Our strong position in the business market segment and investment in PLAY enhance our ability to attract 1 million broadband customers over the next three years."

"We are committed to delivering value to our shareholders and investing in profitable growth opportunities. I look forward to reporting our progress on the execution of our strategic objectives in the quarters to come."

Jon Eastick, Netia's Chief Financial Officer, commented: "Another quarter of strong growth in data services (by 46% or PLN 16.2m) more than offset a PLN 11.5m year-on-year decline in direct voice revenues. The 6% year-on-year decrease in Netia's total revenue was fully attributable to declines in interconnection and wholesale, as the comparable quarter in 2006 had benefited from low margin transit business."

"EBITDA remained stable, at PLN 54.6m with a margin of 26.7%. This included PLN 11.1m in costs associated with establishing our bitstream broadband revenue stream, mostly attributable to the costs associated with acquiring almost 36,000 new bitstream broadband customers during the quarter. We believe that revenues generated from these customers and the 100,000 plus new broadband customers we plan to add during the reminder of 2007 should return Netia to revenue growth by year-end."

"Netia's financial position remains strong with PLN 23.4m of cash generated before P4 equity capital injections of PLN 29.9m, leaving the Company debt free and with cash reserves of PLN 152.1m at the and of the quarter."

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 1 million broadband customers over the next three years. In addition, our close partnership with PLAY will allow Netia to offer mobile and convergent products while simultaneously achieving cost and infrastructure synergies. 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. The above growth strategy will be supported by corporate culture changes aimed at strengthening our customer focus. Netia is considering investments of up to PLN 700.0m (EUR 180.9m) over the next three years, driven primarily by customer acquisition and LLU roll-out, to deliver profitable growth from broadband services. This may include up to PLN 500.0m (EUR 129.2m) of capital expenditures and up to PLN 200.0m (EUR 51.7m) of related operational costs. The investment in broadband, along with the maximized utilization of existing assets, is aimed to result in an industry-leading compound average growth rate for revenue during 2007-2009, with the goal of achieving strong EBITDA growth by 2009 (at a level above Adjusted EBITDA for 2006) and positive free cash flow by 2010.

- **Guidance for 2007**.
  - ***Number of broadband clients***: More than 200,000.
  - ***Revenues***: PLN 830.0m – PLN 865.0m (EUR 214.5m – EUR 223.5m).
  - ***EBITDA/Adjusted EBITDA***: PLN 150.0m (EUR 38.8m). This includes start-up losses of up to PLN 60.0m (EUR 15.5m) for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 200,000 broadband subscribers. Should market demand support growth significantly beyond 200,000 broadband subscribers, management may spend up to a further PLN 20.0m (EUR 5.2m) on subscriber acquisition expenses.
  - ***Investment outlays***: Up to PLN 300.0m (EUR 77.5m), including PLN 76.0m – PLN 91.0m (EUR 19.6m – EUR 23.5m) to be spent on broadband access points and backbone capacity.

- **PLAY mobile project** (PLAY is the new brand developed by P4 Sp. z o.o. ("P4"))
  - ***Commercial launch of PLAY.*** PLAY mobile network 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 by 35%-60% and is targeted at higher ARPU segments. Currently, PLAY's mobile services are provided based on a national roaming agreement with Polkomtel SA. In parallel, the company is constructing its own UMTS network and is targeting to switch on its first city networks in Warsaw and Tri-City (Gdańsk, Gdynia and Sopot) by Q3 2007. PLAY's management recently announced that 100,000 customers were using PLAY's services. At launch, PLAY's services were available in approximately 50 retail outlets. During Q2 2007 the availability of the whole Germanos distribution chain will take post-paid retail outlets beyond 300 whilst pre-paid products are now available in over 20,000 outlets nationwide. The company targets to acquire more than 750,000 clients by the end of 2007.

  - ***P4 acquires the Germanos distribution chain.*** 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 over 225 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. Assuming the expected completion of the transaction, as at March 31, 2007 Netia's outstanding commitment to contribute equity stood at EUR 29.5m (PLN 114.2m as at exchange rate of March 31, 2007).

The launch of PLAY allows Netia to achieve one of its primary strategic objectives providing access to mobile products and services to market to its own customers. This includes reselling mobile products to Netia's business customers and introducing the convergent fixed-mobile products together with PLAY. Both initiatives are expected to be fully operational in 2008 once PLAY's own UMTS network is fully operational. In addition, Netia intends to capture cost and infrastructure synergies at the group level from economies of scale in the back-office, distribution network and procurement areas. In particular, the Company secured 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. As announced previously, Netia will provide PLAY with transmission network solutions based on a five-year agreement signed on July 3, 2006. The capital investment to be incurred by Netia for this project in 2007 may reach PLN 65.0m (EUR 16.8m). Netia estimates that annual revenues from provisioning these services to PLAY may ramp-up from PLN 15.0m (EUR 3.9m) in 2007 to PLN 50.0m (EUR 12.9m), depending on the speed of PLAY's network development.

Netia's share of losses from P4's start-up activities totalled PLN 25.6m (EUR 6.6m) in Q1 2007 as compared to PLN 30.7m (EUR 7.9m) in the full year 2006, reflecting the cost of launch advertising and consumer acquisition in the first quarter of commercial operations.

- **Netia entered into a PLN 300.0m (EUR 77.5m) credit facility agreement with Rabobank Polska SA** (the "Facility") on May 15, 2007. The above Facility is fully secured and will be extended to Netia in the form of a term loan and a revolving loan of up to PLN 250.0m (EUR 64.6m) and up to PLN 50m (EUR 12.9m), respectively. The Facility is to be repaid by November 15, 2011. The Facility bears interest at a variable interest rate of WIBOR plus a margin dependant on financial ratios. The proceeds from the Facility will be used to finance Netia's capital expenditures and current operations. The existing PLN 100.0m back-up credit facility is being cancelled.
- **Netia and Telekomunikacja Polska SA ("TP") signed an agreement on local loop unbundling (LLU)**, enabling Netia to provide its own services, differentiated from the incumbent's product offering, to TP's customers. The agreement was concluded based on the terms introduced by the regulator in its local loop unbundling reference offer and is binding as of March 1, 2007. In 2006, Netia signed a bitstream access agreement with TP, based on which the Company is providing its broadband Internet access services to TP's clients (see "Operational Highlights" section). In the future, Netia intends to further increase customer value by migrating its bitstream access clients to LLU and up-selling them both content and convergent products as well as voice services.
- **Changes within Netia's supervisory board**. Effective April 30, 2007, Netia's supervisory board is composed of the following seven members: Wojciech Sobieraj *(Chairman)*, Constantine Gonticas *(Deputy Chairman)*, Raimondo Eggink, Bogusław Kasprzyk, Bruce McInroy, Tadeusz Radzimiński and Pantelis Tzortzakis. The supervisory board's new Chairman, Mr. Sobieraj, brings extensive knowledge of developing consumer brands and distribution with innovative financial services provider Bank BPH as well as many years of experience gained with the Boston Consulting Group.
- **Changes within Netia's management board**. Effective April 1, 2007, Netia's management board is composed of the following five members: Mirosław Godlewski *(Chief Executive Officer)*, Piotr Czapski *(Strategy and Business Development Officer)*, Jon Eastick *(Chief Financial Officer)*, Bertrand Le Guern *(Chief Operations Officer)* and Tom Ruhan *(Chief Legal Officer)*.
- **New organizational structure**. Following Bertrand Le Guern joining Netia's management board as Chief Operations Officer, the responsibilities of the management board members were realigned as a first step to meeting Netia's strategic objective of creating a more customer focused corporate culture. In the new structure, the sales organization reports directly to CEO Mirosław Godlewski while responsibility for end-to-end customer services has been transferred to the COO. Marketing and product management functions now report to the Chief Strategy and Business Development Officer, Piotr Czapski.

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 interim condensed consolidated financial statements for the three-month period ended March 31, 2007.

Comparably formatted expense data for each quarter of 2006 will be available on Netia's investor website during the second quarter.

Q1 2007 vs. Q1 2006

Revenues decreased by 6% to PLN 204.4m (EUR 52.8m) for Q1 2007 compared to PLN 218.4m for Q1 2006.

Total telecommunications revenues decreased by 6% to PLN 202.5m (EUR 52.3m) from PLN 216.1m in Q1 2006. Data revenues increased to PLN 51.4m (EUR 13.3m) in Q1 2007, up by 46%, with the increase including a PLN 8.0m (EUR 2.1m) contribution from Pro Futuro and 23% attributed to organic growth. The first meaningful revenue from new broadband customers is expected beginning in Q2 2007 as a result of introductory discounts. Revenues from direct voice services decreased by 11% to PLN 97.5m (EUR 25.2m) in Q1 2007 from PLN 109.0m for Q1 2007, mainly reflecting the overall tariff reduction trend in this product segment and the 3% reduction in the number of residential subscriber lines. Aggressive recruitment of new indirect voice resellers during 2006 has paid off in indirect voice revenue of PLN 13.6m (EUR 3.5m), up PLN 0.9m (EUR 0.2m) or 7% on Q4 2006 and down only by 2% compared to Q1 2006. Carrier revenues from interconnection and wholesale were down by 55% and 29%, respectively, compared to Q1 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.

Cost of sales increased by 2% to PLN 155.0m (EUR 40.1m) from PLN 152.6m for Q1 2006 and represented 76% of total revenues in Q1 2007 as compared to 70% in Q1 2006.

> <u>Network operations and maintenance costs</u> increased by 119% to PLN 37.5m (EUR 9.7m) in Q1 2007 from PLN 17.1m in Q1 2006. This increase was driven by the costs of leased lines to large business customers, the new WiMAX network, new acquisition Pro Futuro's operating expenses and Ericsson outsourcing costs incurred from July 2006.
>
> <u>Interconnection charges</u> decreased by 30% to PLN 39.3m (EUR 10.2m) for Q1 2007 as compared to PLN 56.1m for Q1 2006, in connection with lower voice volumes and lower interconnection rates. In addition, Netia did not undertake low margin transit of mobile traffic in Q1 2007, significantly reducing both revenue and costs.
>
> <u>Depreciation charges</u> related to cost of sales increased by 12% to PLN 55.5m (EUR 14.4m) in Q1 2007 from PLN 49.7m in Q1 2007 as a result of new investments, the Pro Futuro acquisition and the reassessment of the useful lives of tangible and intangible assets made in Q1 2007.

Gross profit for Q1 2007 was PLN 49.4m (EUR 12.8m) as compared to PLN 65.8m for Q1 2006. Gross profit margin was 24.1% as compared to 30.1% for Q1 2006.

Selling and distribution costs increased by 27% to PLN 38.0m (EUR 9.8m) from PLN 29.9m for Q1 2006 and represented 19% of total revenues as compared to 14% in Q1 2006.

> <u>Other services costs</u> increased by 225% to PLN 8.3m (EUR 2.2m) in Q1 2007 from PLN 2.6m in Q1 2006, mainly as a result of the third-party commissions paid for the acquisition of new customers.
>
> <u>Salaries and benefits costs</u> related to selling and distribution increased by 43% to PLN 15.7m (EUR 4.1m) in Q1 2007 from PLN 11.0m in Q1 2006 in connection with addition of new staff, primarily in the sales and customer services areas.

General and administration costs increased by 7% to PLN 35.3m (EUR 9.1m) from PLN 33.1m for Q1 2006 and represented 17% of total revenues as compared to 15% in Q1 2006.

> <u>Salaries and benefits costs</u> related to general administration increased by 28% to PLN 19.7m (EUR 5.1m) in Q1 2007 from 15.4m in Q1 2006. This increase substantially reflects termination benefits of PLN 1.1m (EUR

0.3m) to former management board members reserved in Q1 2007 and the non-cash accrual of the nominal value of new management stock options (PLN 0.9m in Q1 2007 vs. PLN 0.2m in Q1 2006).

Other income was PLN 11.0m (EUR 2.8m) as compared to PLN 1.1m in Q1 2006. This included PLN 9.1m (EUR 2.4m) related to the Company's settlement of interconnection disputes with TP.

Other expense was PLN 4.8m (EUR 1.2m) as compared to PLN 9.6m in Q1 2007. This represented transaction tax on Netia's in-kind contribution of telecommunications network elements made to Netia's subsidiary Świat Internet SA in January 2007. Subsequently, Netia and Świat Internet SA finalized a long-term lease agreement, entitling Netia to use these assets for carrying out its telecommunications activities.

Other gains/(losses), net were PLN 2.7m (EUR 0.7m) and included PLN 1.9m (EUR 0.5m) returned from an escrow account in connection with the Pro Futuro acquisition.

Operating costs related to Netia's bitstream access project amounted to PLN 11.1m (EUR 2.9m) in Q1 2007, out of which PLN 6.8m (EUR 1.8m) were attributable to the cost of subscribers' acquisition and a further PLN 4.3m (EUR 1.1m) in incremental costs of bitstream wholesale access, advertising and customer care.

EBITDA was PLN 54.6m (EUR 14.1m) for Q1 2007 as compared to PLN 58.8m for Q1 2006. EBITDA margin was 26.7% as compared to 26.9% for Q1 2006. EBITDA margin remains stable in the mid-twenties despite the inclusion of PLN 11.1m (EUR 2.9m) of start-up and acquisition expenses associated with acquiring new broadband revenues over bitstream access in the Q1 2007 figure.

Depreciation and amortization increased by 8% to PLN 69.5m (EUR 18.0m) as compared to PLN 64.6m for Q1 2006. The effect of the impairment charge recorded in 2006 has been largely offset by the management's decision to shorten the estimated useful economic lives of various types of assets.

Operating loss (EBIT) was PLN 14.9m (EUR 3.9m) as compared to operating loss of PLN 5.8m for Q1 2006.

Finance income was PLN 1.8m (EUR 0.5m) as compared to PLN 3.1m for Q1 2006 and was related mainly to interest earned on cash. In the prior year quarter Netia recorded also finance cost of PLN 1.7m in connection with the carrying value of El-Net's license fee liabilities.

Share of losses of associates recorded for Q1 2007 was PLN 25.6m (EUR 6.6m) and was related to Netia's 30% equity participation in the P4 mobile venture.

Income tax benefit was PLN 0.9m (EUR 0.2m) as compared to an income tax charge of PLN 3.1m for Q1 2006.

Loss was PLN 37.8m (EUR 9.8m) as compared to loss of PLN 10.6m for Q1 2006. The change in the net result was mainly due to lower EBITDA and Netia's increasing share in losses generated by P4 after the commercial launch of PLAY mobile services.

Net cash used for the purchase of fixed assets and computer software increased by 10% to PLN 61.9m (EUR 16.0m) for Q1 2007 from PLN 56.5m for Q1 2006, in connection with Netia's investments in broadband services.

Other significant cash outflow / inflow items during Q1 2007 included Netia's equity contribution to the PLAY mobile venture of PLN 29.9m (EUR 7.7m) and PLN 14.8m (EUR 3.8m) received on the sale of deposits in money market investment funds. As a result, net cash used in investing activities amounted to PLN 76.5m (EUR 19.8m) for Q1 2007 as compared to PLN 61.6m for Q1 2006.

Cash and cash equivalents at March 31, 2007 in the amount of PLN 152.1m (EUR 39.3m) were available to fund Netia's operations.

Key Figures

PLN'000	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenues	204,392	209,718	230,537	203,422	218,380
y-o-y % change	*(6.4%)*	*(11.7%)*	*(0.1%)*	*(9.2%)*	*0.8%*
EBITDA	54,609	(280,831)	94,707	58,446	58,759
Margin %	*26.7%*	*(133.9%)*	*41.1%*	*28.7%*	*26.9%*
Adjusted EBITDA	54,609	60,522	53,994	48,009	58,759
Margin %	*26.7%*	*28.9%*	*23.4%*	*23.6%*	*26.9%*
y-o-y change %	*(7.1%)*	*(16.4%)*	*(41.7%)*	*(45.4%)*	*(31.4%)*
EBIT	(14,910)	(351,180)	25,130	(9,491)	(5,843)
Margin %	*(7.3%)*	*(167.5%)*	*10.9%*	*(4.7%)*	*(2.7%)*
Adjusted EBIT ~	(14,910)	(9,827)	(15,583)	(19,928)	(5,843)
Margin %	*(7.3%)*	*(4.7%)*	*(6.8%)*	*(9.8%)*	*(2.7%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(37,802)	(372,847)	17,794	(12,664)	(10,638)
Margin %	*(18.5%)*	*(177.8%)*	*7.7%*	*(6.2%)*	*(4.9%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(37,802)	(31,494)	(22,919)	(23,101)	(10,638)
Margin %	*(18.5%)*	*(15.0%)*	*(9.9%)*	*(11.4%)*	*(4.9%)*
Profit/(Loss) of Netia SA *(stand alone)*^	(5,225)	(324,639)	33,449	1,784	10,369
Cash and cash equivalents	152,129	143,586	107,783	136,008	228,957
Capex related payments	61,906	52,575	44,897	26,580	56,522
Investments in tangible and intangible fixed assets	37,655	71,427	53,342	36,042	12,707

EUR '000 *	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenues	52,821	54,198	59,578	52,571	56,436
y-o-y % change	*(6.4%)*	*(11.7%)*	*(0.1%)*	*(9.2%)*	*0.8%*
EBITDA	14,113	(72,576)	24,475	15,104	15,185
Margin %	*26.7%*	*(133.9%)*	*41.1%*	*28.7%*	*26.9%*
Adjusted EBITDA	14,113	15,641	13,954	12,407	15,185
Margin %	*26.7%*	*28.9%*	*23.4%*	*23.6%*	*26.9%*
y-o-y change %	*(7.1%)*	*(16.4%)*	*(41.7%)*	*(45.4%)*	*(31.4%)*
EBIT	(3,853)	(90,756)	6,494	(2,453)	(1,510)
Margin %	*(7.3%)*	*(167.5%)*	*10.9%*	*(4.7%)*	*(2.7%)*
Adjusted EBIT ~	(3,853)	(2,540)	(4,027)	(5,150)	(1,510)
Margin %	*(7.3%)*	*(4.7%)*	*(6.8%)*	*(9.8%)*	*(2.7%)*
Profit/(Loss) of the Netia Group *(consolidated)*	(9,769)	(96,355)	4,599	(3,273)	(2,749)
Margin %	*(18.5%)*	*(177.8%)*	*7.7%*	*(6.2%)*	*(4.9%)*
Adjusted profit/(loss) of the Netia Group *(consolidated)* ~	(9,769)	(8,139)	(5,923)	(5,970)	(2,749)
Margin %	*(18.5%)*	*(15.0%)*	*(9.9%)*	*(11.4%)*	*(4.9%)*
Profit/(Loss) of Netia SA *(stand alone)*^	(1,350)	(83,897)	8,644	461	2,680
Cash and cash equivalents	39,315	37,107	27,855	35,149	59,170
Capex related payments	15,998	13,587	11,603	6,869	14,607
Investments in tangible and intangible fixed assets	9,731	18,459	13,785	9,314	3,284

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.8695 = EUR 1.00, the average rate announced by the National Bank of Poland at March 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

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Broadband data					
Total number of broadband ports:	101,822	60,366	54,735	49,844	47,077
incl. bitstream access ports	*35,836*	*n/a*	*n/a*	*n/a*	*n/a*
incl. WiMAX Internet ports	*2,192*	*836*	*236*	*n/a*	*n/a*
Monthly Broadband APRU (PLN)	110	n/a	n/a	n/a	n/a
Bitstream SAC (PLN)	190	n/a	n/a	n/a	n/a
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	398,949	398,276	400,541	404,451	406,738
incl. ISDN equivalent of lines	*106,800*	*104,280*	*101,802*	*100,790*	*98,451*
Total net additions	673	(2,265)	(3,910)	(2,287)	(6,273)
Business mix of total subscriber lines (cumulative) [V]	38.5%	40.0%	39.2%	38.6%	37.6%
Monthly Voice ARPU (PLN) ^	81	82	84	84	89
Network data					
Backbone (km)	5,002	5,002	5,002	5,002	5,002
Number of connected lines (cumulative) *	529,472	526,562	523,742	522,302	521,432
Other					
Headcount	1,110	1,111	1,160	1,295	1,246

^ 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, 10 k subscribers were reclassified from the Business Segment to the Residential Segment after a reorganization in responsibilities of Netia's various sales channels.

All data excludes the effect of the Pro Futuro acquisition.

(Tables to Follow)

Income Statement *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	**Q1 2007**	**Q1 2006**
Telecommunications revenue		
Direct Voice	97,511	109,027
monthly charges	30,914	35,470
calling charges	66,597	73,557
– *local calls*	*18,692*	*22,437*
– *domestic long-distance calls*	*11,188*	*13,966*
– *international long-distance calls*	*6,795*	*7,244*
– *fixed-to-mobile calls*	*25,738*	*26,234*
– *other*	*4,184*	*3,676*
Indirect Voice	13,592	13,866
Data	51,350	35,199
Interconnection revenues	4,931	10,859
Wholesale services	29,317	40,990
Intelligent network services	3,780	4,257
Other telecommunications revenues	2,007	1,862
Total telecommunications services revenues	**202,488**	**216,060**
Sales of goods	98	21
Total telecommunications revenue	**202,586**	**216,081**
Radio communications revenue	1,806	2,299
Total revenues	**204,392**	**218,380**
Cost of sales	(155,041)	(152,584)
Interconnection charges	*(39,340)*	*(56,119)*
Network operations and maintenance	*(37,475)*	*(17,120)*
Depreciation of fixed assets	*(55,534)*	*(49,675)*
Amortization of intangible assets	*(5,728)*	*(6,209)*
Salaries and benefits	*(2,677)*	*(7,276)*
Other costs	*(14,287)*	*(16,185)*
Gross profit	**49,351**	**65,796**
Margin (%)	***24.1%***	***30.1%***
Selling and distribution costs	(37,957)	(29,920)
Advertising and promotion	*(3,519)*	*(3,687)*
Mailing services	*(2,414)*	*(1,410)*
Information technology services	*(1,147)*	*(1,700)*
Other services	*(8,340)*	*(2,568)*
Impairment of receivables	*(16)*	*(1,930)*
Depreciation of fixed assets	*(1,202)*	*(647)*
Amortization of intangible assets	*(4,331)*	*(4,417)*
Salaries and benefits	*(15,735)*	*(11,023)*
Other costs	*(1,254)*	*(2,538)*
General and administration costs	(35,298)	(33,063)
Professional services	*(2,987)*	*(2,473)*
Information technology services	*(1,777)*	*(2,490)*
Office and car maintenance	*(1,789)*	*(1,954)*
Insurance	*(1,004)*	*(1,018)*
Other services	*(1,551)*	*(1,480)*
Depreciation of fixed assets	*(1,277)*	*(2,041)*
Amortization of intangible assets	*(1,447)*	*(1,613)*
Salaries and benefits	*(19,700)*	*(15,382)*
Other costs	*(3,766)*	*(4,612)*
Other income	11,047	1,141
Other expense	(4,764)	(9,623)
Other gains/ (losses), net	2,711	(174)
EBIT	**(14,910)**	**(5,843)**
Margin (%)	***(7.3%)***	***(2.7%)***
Finance income	1,816	3,077
Finance cost	(28)	(1,713)
Share of losses of associates	(25,618)	(3,077)
Profit / (Loss) before tax	**(38,740)**	**(7,556)**
Tax benefit / (charge)	938	(3,082)
Profit / (Loss)	**(37,802)**	**(10,638)**
Attributable to:		
Equity holders of the Company	(37,855)	(10,781)
Minority interest	53	143
Margin (%)	***(18.5%)***	***(4.9%)***
Earnings per share for loss attributable to equity holders (not in thousands)	(0.10)	(0.03)
Diluted earnings per share for loss attributable to equity holders (not in thousands)	(0.10)	(0.03)

EBITDA Reconciliation to Operating Loss *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2007	Q1 2006
Operating loss	**(14,910)**	**(5,843)**
Add back:		
Depreciation of fixed assets	58,013	52,363
Amortization of intangible assets	11,506	12,239
EBITDA	**54,609**	**58,759**
Margin (%)	***26.7%***	***26.9%***

Note to Other Income *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2007	Q1 2006
Sale of services to associate	560	182
Reversal of accrued other income on sale of services to associate	-	(303)
Financial guarantee contract	798	-
Settlement of disputes with TP	9,139	-
Reversal of impairment charges	-	329
Other operating income	550	933
Total	**11,047**	**1,141**

Note to Other Expense *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2007	Q1 2006
Impairment charges for specific individual assets	-	(5,733)
Professional services	-	(3,890)
Transaction tax on contribution in-kind to subsidiary company	(4,764)	-
Total	**(4,764)**	**(9,623)**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	March 31, 2007 *unaudited*	December 31, 2006 *audited*
Property, pant and equipment, net	1,431,496	1,458,029
Intangible assets	233,141	239,597
Investments in associates	145,683	141,394
Deferred income tax assets	5,674	4,865
Available for sale financial assets	10	10
Long-term receivables	427	484
Prepaid expenses	3,220	3,303
Total non-current assets	**1,819,651**	**1,847,682**
Inventories	1,679	1,584
Trade and other receivables	106,370	131,833
Prepaid expenses	6,565	6,888
Derivative financial instruments	1,157	600
Financial assets at fair value through profit and loss	-	14,757
Restricted cash	2,500	6,100
Cash and cash equivalents	152,129	143,586
	270,400	**305,348**
Non-current assets classified as held for sale	3,081	2,329
Total current assets	**273,481**	**307,677**
TOTAL ASSETS	**2,093,132**	**2,155,359**
Share capital	389,168	389,168
Supplementary capital	1,641,256	1,809,434
Other reserves	2,843	29,644
Retained earnings	(124,802)	(283,248)
Total capital and reserves attributable to the Company's equity holders	**1,908,465**	**1,944,998**
Minority interest	6,294	6,902
TOTAL EQUITY	**1,914,759**	**1,951,900**
Provisions	499	630
Deferred income	8,637	8,760
Deferred income tax liabilities	862	990
Financial guarantee contract	-	558
Other long-term liabilities	765	774
Total non-current liabilities	**10,763**	**11,712**
Trade and other payables	143,325	168,267
Current income tax liabilities	3	38
Provisions	4,263	4,166
Financial guarantee contract	8,607	8,847
Deferred income	11,412	10,429
Total current liabilities	**167,610**	**191,747**
Total liabilities	**178,373**	**203,459**
TOTAL EQUITY AND LIABILITIES	**2,093,132**	**2,155,359**

Cash Flow Statement *(unaudited)*

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2007	Q1 2006
Loss	**(37,802)**	**(10,638)**
Depreciation and amortization	69,519	64,602
Impairment charges for specific individual assets	-	5,733
Reversal of impairment charges for specific individual assets	-	(329)
Share of losses of associates	25,618	3,077
Deferred income tax charge / (benefit)	(1,044)	3,003
Interest expense accrued on license liabilities	-	1,641
Financial guarantee contract	(798)	-
Interest accrued on loans	(13)	-
Share-based compensation	911	357
Fair value gains on financial assets at fair value through profit and loss	(21)	(671)
Decrease in other long-term assets	-	323
Foreign exchange (gains)/losses	(302)	782
Loss / (Gain) on sale of fixed assets	57	(424)
Gain on sale of subsidiaries and decrease of purchase consideration	(1,940)	(20)
Changes in working capital	30,602	14,183
Net cash provided by operating activities	**84,787**	**81,619**
Purchase of fixed assets and computer software	(61,906)	(56,522)
Proceeds from sale of fixed assets	1,120	889
Investment in associate	(29,907)	(6,000)
Purchase of subsidiary, net of received cash	(700)	-
Sale of subsidiaries; net of cash in subsidiaries	-	25
Sale of financial assets at fair value through profit and loss	14,777	-
Loans repayments	69	-
Net cash used in investing activities	**(76,547)**	**(61,608)**
Proceeds from share issue	-	11,463
Cost of share issuance	-	(15)
Finance lease payments	-	(49)
Redemption of notes for warrants	-	(10)
Net cash provided by financing activities	**-**	**11,389**
Effect of exchange rate change on cash and cash equivalents	303	170
Net change in cash and cash equivalents	**8,543**	**31,570**
Cash and cash equivalents at the beginning of the period	143,586	197,387
Cash and cash equivalents at the end of the period	**152,129**	**228,957**

Definitions

Backbone	–	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the 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 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;
Broadband port	–	a broadband port which became activated at the end of 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 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);
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 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 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, May 16, 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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