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NETIA SA REPORTS 2004 YEAR-END AND FOURTH QUARTER RESULTS

WARSAW, Poland – March 1, 2005 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its audited consolidated financial results for the year and unaudited results for quarter ended December 31, 2004.

Financial Highlights:

- **Revenues** for 2004 were PLN 897.2m (US$300.0m), a year-on-year increase of 28%. Revenues for Q4 2004 were PLN 231.1m (US$77.3m), a year-on-year increase of 25%.
- **Adjusted EBITDA** for 2004 was PLN 324.9m (US$108.7m), representing an adjusted EBITDA margin of 36.2% and a year-on-year increase of 61%. Adjusted EBITDA for Q4 2004 was PLN 81.5m (US$27.2m), representing an adjusted EBITDA margin of 35.3% and a year-on-year increase of 50%.
- **Net profit** for 2004 was PLN 159.2m (US$53.2m), representing a net profit margin of 17.7%, compared to a net loss of PLN 729.1m a year ago. Net profit for Q4 2004 was PLN 45.7m (US$15.3m) and included PLN 46.7m (US$15.6m) of income tax benefit resulting from the recognition of a deferred income tax asset as well as PLN 21.7m (US$7.3m) of the non-cash write-off charges on non-current assets.
- **Cash** at December 31, 2004 was PLN 301.9m (US$100.9m) as compared to PLN 257.1m at September 30, 2004 and PLN 228.0m at December 31, 2003.

<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 41% or PLN 93.3m (US$31.2m) in Q4 2004 from 32% in Q4 2003 and to 38% or PLN 339.6m (US$113.6m) for 2004 from 29% in 2003.
- **Revenues from business customers** accounted for 73% and 72% of total telecom revenues in Q4 2004 and year 2004, respectively.
- **Subscriber lines** (net of voluntary churn and disconnections) increased to 424,802 at December 31, 2004 from 360,147 at December 31, 2003, a year-on-year increase of 18%, and remained essentially flat vs. 426,523 at September 30, 2004. Business customer lines increased 23% year-on-year to 145,658 and these now account for 34.3% of total subscriber lines.
- **Average monthly revenue per line (with regard to direct voice services)** decreased by 8% to PLN 105 (US$35) in Q4 2004 from PLN 114 in Q4 2003, reflecting the continued overall tariff reduction trends in the sector, and remained unchanged compared with Q3 2004.
- **Headcount** of the Netia group was 1,234 at December 31, 2004, compared to 1,273 at December 31, 2003 and 1,253 at September 30, 2004. The net reduction in headcount compared with Q4 2003 was achieved despite the addition of 224 employees from the acquisition of El-Net in Q1 2004.

Wojciech Madalski, Netia's President and Chief Executive Officer, commented: "Netia delivered excellent performance in 2004, led by 28% growth in revenues and a 61% increase in EBITDA. The proposed dividend and share repurchase program we are announcing separately today – on the back of Netia's first-ever annual net profit – underscores the Company's financial strength, market position and growth prospects and our commitment to delivering value to our shareholders.

"Two years into our five-year strategic plan, we are half-way towards our goal of doubling Netia's revenues by 2008. Despite intense competition, we widened our market share in business customer segments in 2004 and added new customers through the acquisition of El-Net. I'm pleased to report that we also achieved and exceeded our strategic profitability objective of a minimum 35% EBITDA margin this year, thanks to continued operational streamlining, acquisition integration benefits and increased productivity of Netia's workforce.

"Netia is thus in an excellent position to make use of its financial strength to reward shareholders and further pursue its strategic aims in the Polish telecommunications market."

Kent Holding, Netia's Chief Financial Officer, added, "Netia's 2004 revenues of PLN 897.2 million represent a nearly 50% increase over 2002, confirming our progress on our strategic commitment of doubling revenues by 2008. Of the 28% increase in revenues year-on-year, 19% is attributable to acquisitions while 9% reflects Netia's organic growth. This performance was achieved through successful sales and marketing to business customers, who accounted for 72% of Netia's total telecom revenues in 2004. Growth has been driven by the success of products other than traditional voice telephony. Revenues generated by these data and non direct voice products increased by 70% year-on-year to PLN 339.6 million. To further strengthen our customer offering, we are evaluating our approach to the mobile market based on the analysis of the conditions of Poland's GSM and UMTS tenders this spring.

"Efficiency has continued to improve strongly, driving a 61% increase in adjusted EBITDA for the year to PLN 324.9 million, while our EBITDA margin reached 36.2%, representing significant progress from 28.8% a year ago. This underscores our success in gaining synergies from acquisitions and driving productivity improvements throughout our operations. Despite the impact of two acquisitions and 28% revenue growth, Netia has reduced total headcount year-on-year by 3%. Manpower costs in Q4 2004 represented only 14% of revenues while revenue per employee increased 35% year-on-year to PLN 186 thousand. The acquisitions of El-Net and Swiat Internet have brought important strategic benefits to Netia, expanding our urban footprint in Warsaw and other cities, widening our ability to offer advanced telecom solutions and contributing significantly to revenue growth. Consolidation opportunities and productivity enhancements thus remain important elements of our strategy going forward."

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<u>Other Highlights</u>:

- **Netia's ordinary shareholders' meeting** was convened for March 17, 2005. In addition to the standard annual resolutions regarding, among others, 2004 financial statements, management board's reports and profit distribution, the proposed agenda for the meeting includes the approval of the program of Netia's shares buy-back and redemption and subscription warrants buy-back. The maximum amount available for the dividend payment and the buy-back program is PLN 163.2m (US$54.6m). Specific recommendation regarding the total amount and its allocation between the dividend and the buy-back program will be announced separately following the supervisory board's meeting on March 1, 2005.
- **Decision on early repayment of outstanding installment obligations resulting from Netia's arrangement proceedings approved in 2002** was announced on November 8, 2004. Netia proposed that the creditors entitled to installment obligations, totaling PLN 11.9m (US$4.0m), exchange their installment obligations for new Netia series I shares or be repaid in cash. Out of the total value of outstanding installment obligations, PLN 6.4m (US$2.1m) was exchanged for 5,875,610 new series I shares of Netia on February 16, 2005, based on the received creditors' claims for such an exchange. Netia will file a motion for admitting the series I shares to trading on the Warsaw Stock Exchange following the registration of the related share capital increase by the Polish court. The remaining PLN 5.5m (US$1.8m) will either be repaid in cash between May 13-20, 2005 (to those creditors who submit their respective claims by April 29, 2005) or, in the case of creditors who do not submit information required for the cash repayment by April 29, 2005, deposited with the Polish court depository. The repayment of all installment obligations will allow for the formal completion of all Netia's arrangement proceedings in 2005, i.e., in advance of the scheduled maturity of the installment obligations, set originally for years 2007-2012.
- **Netia's issued and outstanding share capital** equaled PLN 366,956,325 as of December 31, 2004 and was divided into 366,956,325 shares, PLN 1 par value per share, each representing one right to vote at Netia's general meeting of shareholders. Netia's share capital continues to increase upon the exercise of subscription warrants and options, which were issued in connection with Netia's financial restructuring. As of February 28, 2005, 27,803,472 subscription warrants had been exercised out of a total of 64,848,442 issued. In addition, as of March 1, 2005, 934,099 series K shares were issued as a result of the exercise of certain options granted under the performance stock option plan (the total number of series K shares that may be issued under this plan will not exceed 18,373,785 shares). As at March 1, 2005, Netia's share capital equaled PLN 372,782,783.
- **Deferred income tax asset** of PLN 46.8m (US$15.7m) was recognized in 4Q 2004 following the management's assessment with regard to Netia's income tax position. Based on the budget for 2005 and Netia's business plan for years 2005-2008, it was assumed that taxable profits will be generated in the future. Since the realization of the tax benefits became probable (mainly from utilization of tax losses and temporary differences between the accounting and tax depreciation charges), a deferred income tax asset was recognized.
- **Review of fair value for El-Net's license fee obligations.** Outstanding obligations related to local license fees of Regionalne Sieci Telekomunikacyjne El-Net SA ("El-Net"), acquired by Netia in January 2004, amounted to approximately EUR 104.6m (PLN 498.2m at January 29, 2004 exchange rates) in nominal terms, increased by PLN 37.7m of prolongation fees. In Q3 2004 Netia finalized the review of fair value for those obligations as of their acquisition date. The fair value was established using the estimates of probability for making the future payments in connection with the license fee cancellation process commenced as of the acquisition date. As a result of the review of those probabilities as well as capital expenditures beyond 2004, the nominal value of probable future payments was assessed to be EUR 17.5m (PLN 83.1m at the exchange rate prevailing on January 29, 2004) increased by PLN 5.8m of the prolongation fees. Then this amount was further adjusted to reflect the present value of those payments. As a result, the fair value allocated to El-Net's license liabilities as at January 29, 2004, equaled to EUR 14.3m (PLN 67.9m) increased by PLN 5.8m of prolongation fees. Pursuant to this adjustment, which significantly changed the value of net assets of El-Net, the preliminary goodwill arising on the transaction was replaced by the negative goodwill of PLN 77.8m and amortization of the negative goodwill of PLN 5.8m was recorded for the period through December 31, 2004.

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- **A decision granting a promise to cancel El-Net's outstanding license fee obligations.** On August 16, 2004, El-Net received a decision of the Polish Minister of Infrastructure granting a promise to cancel the license fees at nominal value of approximately EUR 75.7m and prolongation fees of PLN 37.7m, based on capital expenditures incurred by El-Net in the years 2001-2003 as well as the capital expenditures to be carried out within the Netia group until December 30, 2006. Such cancellation is subject to positive verification of these expenditures by the Minister of Infrastructure. Currently, the verification process has been completed with regard to capital expenditures of PLN 85.5m (US$28.6m) incurred by El-Net in years 2001-2003. El-Net now awaits the formal cancellation of these obligations. Pursuant to the above decision, all license and prolongation fees previously payable in 2002 and 2003 were deferred until December 30, 2006. On October 29, 2004, El-Net also filed an application for cancellation of license fee installments payable in years 2010 and 2011, amounting to EUR 28.9m in nominal terms.

Consolidated Financial Information

Please note that due to the changes in presentation introduced as of January 1, 2004 and a related reclassification of revenues and operating costs, these figures for periods ended through December 31, 2003 were adjusted accordingly and therefore vary from the figures reported previously. The reclassification comprises the following changes: revenues from intelligent network services and payphones were extracted from "Other telecommunications services" and "Calling charges" revenues, respectively; revenues from IP transit and leased lines for carriers were shifted from "Wholesale" to "Data" revenues; the costs of insurance and taxes and fees were extracted from "Professional services" (previously named "Legal and financial services"); "Other operating income" was extracted from "Other" line of revenues.

In addition, please note that the presentation of the revenues and costs from the sales of telecom equipment (mostly ADSL modems) was changed in Q4 2004 with retrospective effect (however only in Q3 2004 was the effect material enough for restatement). These revenues and costs are shown currently as gross figures in "Other telecom revenues" and "Other operating expenses" lines, respectively, as opposed to the previous presentation of their net figure in the "Other operating income" line.

Please also see our consolidated financial statements for the year ended December 31, 2004.

2004 vs. 2003

Revenues increased by 28% to PLN 897.2m (US$300.0m) for 2004 compared to PLN 701.1m for 2003. Excluding the impact from the acquisitions of El-Net and Świat Internet, revenues increased "organically" by 9% to PLN 744.6m (US$249.0m).

Revenues from telecommunications services increased by 29% to PLN 886.6m (US$296.5m) from PLN 689.5m in 2003. The increase was primarily attributable to the acquisition of El-Net and the expansion of the majority of products other than traditional direct voice, i.e., indirect voice, data transmission, interconnection revenues, wholesale and intelligent network services. Total revenues from products other than direct voice increased by 70% to PLN 339.6m (US$113.6m) during 2004 from PLN 200.1m for 2003, and constituted 38% of total revenues from telecommunications services as compared to 29% for 2003. In addition, revenues from direct voice services increased by 12% in 2004 to PLN 547.0m (US$182.9m) from PLN 489.5m in 2003, driven by an increase in the number of subscriber lines associated with the acquisition of El-Net and Netia's success in targeting business customers.

Interconnection charges increased by 30% to PLN 158.7m (US$53.1m) for 2004 as compared to PLN 122.0m for 2003, driven by interconnection charges incurred by El-Net as well as an increase in traffic volumes. Overall, the level of interconnection charges as a percentage of total revenues increased slightly to 17.7% in 2004 from 17.4% in 2003.

Operating expenses (excluding interconnection charges) represented 47% of total revenues for 2004 as compared to 55% for 2003. This improvement was attributable to the continuous increase in key operating cost efficiencies, led by lower manpower costs (15.0% of total revenues for 2004 vs. 19.0% for 2003) and professional services (1.5% of total revenues for 2004 vs. 4.6% for 2003).

Adjusted EBITDA increased by 61% to PLN 324.9m (US$108.7m) for 2004 from PLN 202.2m for 2003. Adjusted EBITDA margin increased to 36.2% from 28.8%. This increase was driven by a combination of decreasing fixed costs base, leveraged further by higher revenues, and our continuous efforts to optimize operating variable costs.

A non-cash exceptional item adjustment of PLN 21.7m (US$7.3m) recorded in Q4 2004 impacted the financial results for 2004 and was related mostly to write-off of certain non-current assets, which became obsolete following the technical upgrade of Netia's switching system.

Depreciation of fixed assets remained essentially unchanged at PLN 188.9m (US$63.2m) compared to PLN 190.3m for 2003 despite additional amounts brought from the El-Net acquisition as a result of the impairment charge on non-current assets recorded in 2003.

Amortization of intangible assets decreased by 36% to PLN 49.9m (US$16.7m) from PLN 78.1m for 2003 due to the impairment charge on non-current assets recorded in 2003 and the decrease in the value of licenses following the cancellation of Netia's local license fee obligations in Q4 2003.

Amortization of negative goodwill arising from the purchases of shares in Netia's subsidiaries: El-Net, Świat Internet SA and Netia 1 Sp. z o.o., amounting to PLN 21.4m (US$7.2m), was recorded in 2004 (see also section "Other Highlights").

Profit from operations (EBIT) of PLN 85.8m (US$28.7m) was recorded for 2004 as opposed to the loss from operations of PLN 840.1m in 2003. The improvement was mainly attributable to continuously improving operating performance. In addition, the loss from operations recorded for 2003 was mainly impacted by an impairment charge on Netia's non-current assets of PLN 799.7m.

Net financial income of PLN 27.9m (US$9.3m) was recorded for 2004 as opposed to net financial expense of PLN 65.6m in 2003. The improvement was due to a gain of PLN 13.4m (US$4.5m) recorded on the deferral of El-Net's license fee payments following the decision by the Ministry of Infrastructure (see section "Other Highlights") as well as the elimination of obligations under notes previously issued by Netia. On the other hand, PLN 5.7m was recorded in Q4 2004 as a write-off of the discount of installment obligations pursuant to the decision on their early repayment. In addition, the net financial expenses for 2003 included a write-off in the amount of PLN 40.2m related to an unamortized part of the 2002 Notes issuance costs, following their early redemption.

Net profit of PLN 159.2m (US$53.2m) was recorded in 2004, as opposed to a net loss of PLN 729.1m for 2003. Net profit for 2004 included an effect of the income tax benefit of PLN 46.3m (US$15.5m), which resulted from the recognition of a deferred tax asset.

Net cash used for the purchase of fixed assets and computer software increased by 30% to PLN 191.4m (US$64.0m) for 2004 from PLN 147.7m for 2003 mainly due to the purchase of equipment that increased the bandwidth capacity of Netia's backbone network and technical upgrade of Netia's switching system. In addition, the cost of the El-Net purchase, net of received cash, was PLN 95.6m (US$32.0m) and a further PLN 4.8m (US$1.6m) was paid in the installment for Netia's domestic long-distance license in Q1 2004. As a result, cash used in investing activities amounted to PLN 292.3m (US$97.7m) for 2004, compared to cash provided by these activities of PLN 118.4m for 2003, which included PLN 259.5m of amounts released from restricted accounts in connection with Netia's previously issued notes.

Cash and cash equivalents at December 31, 2004 in the amount of PLN 301.9m (US$101.0m) were available to fund Netia's operations.

Q4 2004 vs. Q3 2004

Revenues remained essentially unchanged at PLN 231.1m (US$77.3m) for Q4 2004 as compared to PLN 231.8m for Q3 2004. Similarly, revenues from telecommunications products other than traditional direct voice were PLN 93.3m (US$31.2m) in Q4 2004 as compared to PLN 93.6m in Q3 2004 and direct voice revenues were PLN 135.2m (US$45.2m) for Q4 2004 as compared to PLN 135.7m in Q3 2004.

Adjusted EBITDA was PLN 81.5m (US$27.3m) in Q4 2004 as compared to PLN 83.7m in Q3 2004. Adjusted EBITDA margin was 35.3% for Q4 2004 as compared to 36.1% for Q3 2004. The slight decrease in adjusted EBITDA margin was mainly the result of higher advertising and promotion spending, associated with Netia's regular autumn advertising campaigns.

Net profit of PLN 45.7m (US$15.3m) was recorded in Q4 2004 as compared to net profit of PLN 44.7m in Q3 2004. This result included an effect of the write-off charge on non-current assets of PLN 21.7m (US$7.3m) as well as the income tax benefit of PLN 46.3m (US$15.5m). The net profit for Q3 2004 included a gain of PLN 13.4m (US$4.5m) recorded on deferral of El-Net's license fee payments until December 30, 2006.

Operational Review

Subscriber lines in service were 424,802 at December 31, 2004 as compared to 360,147 at December 31, 2003 (an increase of 18%) and 426,523 at September 30, 2004.

Business customer lines in service were 145,658 at December 31, 2004, as compared to 118,533 at December 31, 2003 (an increase of 23%) and 145,499 at September 30, 2004.

Business lines as a percentage of total subscriber lines at December 31, 2004 reached 34.3%, up from 32.9% at December 31, 2003 and 34.1% at September 30, 2004.

A new ADSL service "BiznesNet24", which targets the small enterprise sector, was introduced on December 13, 2004. The new service complements Netia's existing offering for both ADSL and SDSL broadband Internet access (i.e., the "Net24" service addressed to residential customers, offered since April 15, 2004, and the "BDI" service for corporate clients, respectively). "BiznesNet24" is addressed to Netia's subscribers using either analog or ISDN lines. It is offered in three options – "BiznesNet24 Komfort", "BiznesNet24 Premium" and "BiznesNet24 Super" – providing a choice of data transmission speeds (with unlimited data transfer in each case) (i.e., download speeds of 640 kb/s, 1 Mb/s and 2 Mb/s, respectively, and outbound speeds of 160 kb/s, 256 kb/s and 512 kb/s, respectively) and fixed IP addresses. As of March 1, 2005 there were in total 21,730 ports used by Netia's clients for all type of ADSL services.

New tariff plan "Special 1055" with competitive pricing terms was offered to subscribers of other operators using Netia 1055 service (i.e., indirect voice service), effective November 19, 2004.

Key Figures

PLN'000	2004	2003	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Revenues**	897,162	701,115	231,089	231,828	222,258	211,987	184,773
y-o-y % change	*28.0%*	*13.2%*	*25.1%*	*30.1%*	*25.4%*	*31.8%*	*17.8%*
EBITDA / Adjusted EBITDA **	324,908	202,217	81,468	83,685	83,906	75,849	54,461
Margin %	*36.2%*	*28.8%*	*35.3%*	*36.1%*	*37.8%*	*35.8%*	*29.5%*
y-o-y change %	*60.7%*	*22.1%*	*49.6%*	*56.2%*	*65.9%*	*74.0%*	*59.3%*
EBIT	85,794	(840,098)	(187)	29,331	28,354	28,296	5,622
Margin %	*9.6%*	*(119.8%)*	*(0.1%)*	*12.7%*	*12.8%*	*13.3%*	*3.0%*
Net profit / (loss)	159,153	(729,079)	45,735	44,687	31,943	36,788	191,184
Margin %	*17.7%*	*(104.0%)*	*19.8%*	*19.3%*	*14.4%*	*17.4%*	*103.5%*
Cash and cash equivalents	301,863	228,001	301,863	257,072	217,172	184,973	228,001
Capex related payments	191,397	147,699	50,472	49,019	52,220	39,686	38,989

US$'000 *	2004	2003	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Revenues **	300,014	234,455	77,277	77,524	74,324	70,889	61,789
y-o-y % change	*28.0%*	*13.2%*	*25.1%*	*30.1%*	*25.4%*	*31.8%*	*17.8%*
EBITDA / Adjusted EBITDA **	108,650	67,622	27,243	27,985	28,058	25,364	18,212
Margin %	*36.2%*	*28.8%*	*35.3%*	*36.1%*	*37.8%*	*35.8%*	*29.5%*
y-o-y change %	*60.7%*	*22.1%*	*49.6%*	*56.2%*	*65.9%*	*74.0%*	*59.3%*
EBIT	28,689	(280,932)	(63)	9,808	9,482	9,462	1,880
Margin %	*9.6%*	*(119.8%)*	*(0.1%)*	*12.7%*	*12.8%*	*13.3%*	*3.0%*
Net profit / (loss)	53,221	(243,807)	15,294	14,943	10,682	12,302	63,933
Margin %	*17.7%*	*(104.0%)*	*19.8%*	*19.3%*	*14.4%*	*17.4%*	*103.5%*
Cash and cash equivalents	100,944	76,244	100,944	85,966	72,623	61,856	76,244
Capex related payments	64,004	49,391	16,878	16,392	17,463	13,271	13,038

* The US$ amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 2.9904 = US$1.00, the average rate announced by the National Bank of Poland at December 31, 2004. These figures are included for the convenience of the reader only.

** Please note that due to the changes of presentation format introduced as of January 1, 2004 and related addition of "Other operating income" which was previously included in "Other" line of revenues, the revenues figures for period ended through December 31, 2003 were adjusted accordingly to reflect this change and therefore vary from the figures reported previously.

Key Operational Indicators

	Q4 2004 *	Q3 2004*	Q2 2004*	Q1 2004*	Q4 2003
Network data					
Backbone (km)	5,002	4,939	4,876	4,874	3,883
Number of connected lines (cumulative)	514,202	513,662	511,562	509,882	509,432
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	424,802	426,523	426,606	424,658	360,147
Incl. ISDN equivalent of lines	*89,566*	*89,132*	*85,938*	*81,698*	*68,158*
Total net additions	(1,721)	(83)	1,948	64,511	4,007
Business net additions..	159	2,332	4,144	20,490	4,120
Business subscriber lines (cumulative)	145,658	145,499	143,167	139,023	118,533
Business mix of total subscriber lines (cumulative)	34.3%	34.1%	33.6%	32.7%	32.9%
Monthly ARPU (PLN) ^..	105	105	108	113	114
Other					
Headcount	1,234	1,253	1,340	1,393	1,273

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

* All data, except for the number of connected lines, includes the effect of the acquisition of El-Net.

(Tables to Follow)

Income Statement (according to IAS)

(PLN in thousands unless otherwise stated)

Time periods:	**2004** *Audited*	**2003** *Audited*	**Q4 2004** *Unaudited*	**Q3 2004** *Unaudited*
Telecommunications revenue				
Direct Voice	546,989	489,453	135,171	135,652
➢ installation fees	640	847	186	147
➢ monthly charges	144,248	124,835	36,088	36,541
➢ calling charges	398,152	360,199	98,064	97,905
– *local calls*	*134,842*	*123,933*	*33,285*	*31,914*
– *domestic long-distance calls*	*82,223*	*73,947*	*20,465*	*20,361*
– *international long-distance calls*	*35,685*	*30,384*	*8,574*	*8,844*
– *fixed-to-mobile calls*	*121,506*	*114,950*	*30,557*	*31,345*
– *other*	*23,896*	*16,985*	*5,183*	*5,441*
➢ payphones	3,949	3,572	833	1,059
Indirect Voice	103,445	66,728	25,446	27,352
Data	90,288	61,495	25,236	22,828
Interconnection revenues	67,256	5,108	23,571	23,181
Wholesale services	41,921	41,409	10,884	11,745
Intelligent network services	28,869	15,891	6,436	6,630
Other telecommunications revenues	7,826	9,444	1,713	1,886
Total telecommunications revenue	**886,594**	**689,528**	**228,457**	**229,274**
Other revenue	10,568	11,587	2,632	2,554
Total revenues	**897,162**	**701,115**	**231,089**	**231,828**
Other operating income	4,634	8,394	1,319	249
Interconnection charges	(158,733)	(122,045)	(39,376)	(43,145)
Salaries & benefits, incl. social security costs	(134,213)	(133,040)	(31,553)	(32,530)
Professional services	(13,840)	(32,158)	(3,834)	(3,211)
Insurance	(6,505)	(5,897)	(1,597)	(1,551)
Taxes and fees	(44,239)	(37,422)	(11,754)	(11,061)
Cost of rented lines & network maintenance	(73,618)	(55,694)	(19,992)	(18,750)
Advertising & promotion	(24,523)	(28,281)	(8,515)	(3,912)
Other operating expenses	(121,217)	(92,755)	(34,319)	(34,232)
Adjusted EBITDA	**324,908**	**202,217**	**81,468**	**83,685**
Margin (%)	***36.2%***	***28.8%***	***35.3%***	***36.1%***
Impairment and write-off charges for non-current assets	(21,705)	(799,695)	(21,705)	-
Depreciation of fixed assets	(188,891)	(190,340)	(51,511)	(46,949)
Amortization of negative goodwill	21,420	25,828	3,675	5,039
Amortization of intangible assets	(49,938)	(78,108)	(12,114)	(12,444)
EBIT	**85,794**	**(840,098)**	**(187)**	**29,331**
Margin (%)	***9.6%***	***(119.8%)***	***(0.1%)***	***12.7%***
Net effect of cancellation of license fee obligations	-	176,940	-	-
Net financial income / (expenses)	27,874	(65,621)	(534)	15,718
Profit / (Loss) before tax	**113,668**	**(728,779)**	**(721)**	**45,049**
Tax (charges) / benefits	46,343	254	46,733	(147)
Minority share in profit of subsidiaries	(858)	(554)	(277)	(215)
Net profit / (loss)	**159,153**	**(729,079)**	**45,735**	**44,687**
Margin (%)	***17.7%***	***(104.0%)***	***19.8%***	***19.3%***
Earnings per share (not in thousands)	0.44	(2.12)	0.13	0.12
Diluted earnings per share (not in thousands)	0.42	(2.12)	0.12	0.12
Weighted average number of shares outstanding (not in thousands)	358,096,167	343,849,029	362,349,684	361,482,411
Weighted average diluted number of shares (not in thousands)	381,476,802	343,849,029	383,398,234	382,247,034

Note to Financial Income / (Expense)

(PLN in thousands unless otherwise stated)

Time periods:	2004 *Audited*	2003 *Audited*	Q4 2004 *Unaudited*	Q3 2004 *Unaudited*
Net interest income / (expense), incl. gain on valuation of financial assets	8,346	(7,880)	2,535	1,984
Net foreign exchange gains / (losses)	4,805	(19,839)	847	659
Gain on deferral of license fee payments	13,363	-	-	13,363
Gain on sale of subsidiaries	340	-	(86)	30
Gain on sale of available for sale financial assets	-	3,946	-	-
Write-off of notes issuance costs due to redemption of notes	-	(40,211)	-	-
Amortization of discount on installment obligations	(6,165)	(566)	(5,700)	(159)
Amortization of notes issuance costs	-	(1,265)	-	-
Other	7,185	194	1,870	(159)
Total	**27,874**	**(65,621)**	**(534)**	**15,718**

EBITDA/Adjusted EBITDA Reconciliation to Profit / (Loss) from Operations

(PLN in thousands unless otherwise stated)

Time periods:	2004 *Unaudited*	2003 *Unaudited*	Q4 2004 *Unaudited*	Q3 2004 *Unaudited*
Profit / (loss) from operations	**85,794**	**(840,098)**	**(187)**	**29,331**
Add back:				
Depreciation of fixed assets	188,891	190,340	51,511	46,949
Amortization of negative goodwill	(21,420)	(25,828)	(3,675)	(5,039)
Amortization of intangible assets	49,938	78,108	12,114	12,444
Impairment and write-off charges for non-current assets	21,705	799,695	21,705	-
Adjusted EBITDA	**324,908**	**202,217**	**81,468**	**83,685**

Note to Other Operating Expenses

(PLN in thousands unless otherwise stated)

Time periods:	2004 *Audited*	2003 *Audited*	Q4 2004 *Unaudited*	Q3 2004 *Unaudited*
Cost of traffic termination	33,770	4,153	11,102	11,487
Information technology	16,411	20,787	3,135	4,762
External services	17,014	10,683	7,026	4,093
Bad debt expense	10,251	14,402	903	2,881
Office and car maintenance	9,138	19,415	311	2,589
Materials and energy	9,092	7,683	3,173	2,000
Mailing services	7,069	5,008	1,807	1,828
Travel and accommodation	4,822	4,300	1,461	1,217
Other	13,650	6,324	5,401	3,375
Total	**121,217**	**92,755**	**34,319**	**34,232**

Balance Sheet (according to IAS, *audited*)

(PLN in thousands unless otherwise stated)

Time Periods	December 31, 2004	December 31, 2003
Cash and cash equivalents	301,863	228,001
Accounts receivable		
Trade, net	116,732	95,023
Tax receivables	3,009	3,271
Other	3,022	2,249
Inventories	2,488	737
Prepaid expenses	10,432	10,042
Total current assets	**437,546**	**339,323**
Available for sale investments	51	9
Fixed assets, net	1,817,156	1,583,277
Licenses, net	222,783	252,732
Computer software, net	84,690	91,429
Negative goodwill	(77,657)	(28,799)
Other long-term assets	1,149	1,606
Deferred income tax asset	46,843	-
Total non-current assets	**2,095,015**	**1,900,254**
TOTAL ASSETS	**2,532,561**	**2,239,577**
Short-term liabilities for licenses	4,049	4,759
Short-term installment obligations	11,872	-
Accounts payable and accruals		
Trade	90,269	64,751
Tax payables	10,955	4,325
Accruals and other	49,010	62,701
Deferred income	10,589	9,751
Total current liabilities	**176,744**	**146,287**
Provisions for liabilities and charges	**9,895**	**7,030**
Long-term liabilities for licenses	54,088	4,361
Long-term installment obligations	-	5,707
Other long-term liabilities	1,216	508
Total non-current liabilities	**55,304**	**10,576**
Total liabilities and provisions	**241,943**	**163,893**
Minority interest	**5,186**	**4,328**
Share capital	366,956	344,487
Share premium	1,605,357	1,572,903
Treasury shares	(2,812)	(2,812)
Other reserves	-	3,816,325
Other supplementary capital	203,565	-
Accumulated profit / (deficit)	112,366	(3,659,547)
Total shareholders' equity	**2,285,432**	**2,071,356**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,532,561**	**2,239,577**

Cash Flow Statement (according to IAS)

(PLN in thousands unless otherwise stated)

Time periods:	**2004** *Audited*	**2003** *Audited*	**Q4 2004** *Unaudited*	**Q3 2004** *Unaudited*
Net profit / (loss)	159,153	(729,079)	45,735	44,687
Depreciation of fixed assets and amortization of licenses and other intangible assets	238,829	268,448	63,625	59,393
Amortization of negative goodwill	(21,420)	(25,828)	(3,675)	(5,039)
Amortization of notes issuance costs	-	1,265	-	-
Amortization of discount on installment obligations	6,165	566	5,700	159
Write-off of notes issuance costs	-	40,211	-	-
Interest expense accrued on license liabilities	4,056	8,985	1,938	1,440
Deferral of license fee obligations	(13,363)	-	-	(13,363)
Deferred income tax benefit	(46,843)	-	(46,843)	-
Interest expense accrued on long-term debt	-	3,030	-	-
Net effect of cancellation of license fee obligations	-	(176,940)	-	-
Minority share in profits of subsidiaries	858	554	277	215
Other provisions	(149)	(715)	(98)	(84)
Decrease / (increase) in long-term assets	457	(1,606)	1,918	(729)
Impairment and write-off charges for non-current assets	21,705	799,695	21,705	-
Gain on sale of subsidiaries	(426)	-	-	-
Foreign exchange (gains) / losses	(6,118)	18,638	(2,353)	(812)
Changes in working capital	(27,213)	(4,766)	(2,606)	3,870
Net cash provided by operating activities	**315,691**	**202,458**	**85,323**	**89,737**
Purchase of fixed assets and computer software	(191,397)	(147,699)	(50,472)	(49,019)
Increase of investments	-	(291)	-	-
Purchase of subsidiary, net of received cash	(95,608)	(577)	-	-
Disposal of subsidiaries	(504)	-	-	-
Cash received on purchase of subsidiary	-	16,640	-	-
Decrease / (increase) in restricted cash and cash equivalents	-	259,514	-	-
Payments for licenses	(4,790)	(9,160)	-	-
Net cash provided by / (used in) investing activities	**(292,299)**	**118,**427	**(50,472)**	**(49,019)**
Proceeds from share issue	55,667	1,118	12,395	613
Cost of share issuance	(744)	(676)	(150)	(72)
Issuance / (Redemption) of notes for warrants	(8)	508	-	-
Redemption of notes (excluding interest paid on redemption)	-	(198,988)	-	(3)
Payment of interest on long-term debt	-	(5,205)	-	-
Payments related to restructuring	-	(24,634)	-	-
Net cash provided by / (used in) financing activities	**54,915**	**(227,877)**	**12,245**	**538**
Effect of exchange rate change on cash and cash equivalents	(4,445)	2,528	(2,305)	(1,356)
Net change in cash and cash equivalents	**73,862**	**95,536**	**44,791**	**39,900**
Cash and cash equivalents at the beginning of the period	228,001	132,465	257,072	217,172
Cash and cash equivalents at the end of the period	**301,863**	**228,001**	**301,863**	**257,072**

Definitions

2002 Notes	– 10% Senior Secured Notes due 2008, redeemed fully by Netia on March 24, 2003;
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 net income/(loss) as measured by IFRS, adjusted for depreciation and amortization, net financial income/(expense), income taxes and minority interest. EBITDA has been further adjusted for impairment of goodwill and impairment and write-offs of non-current assets 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 net income/(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);
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;
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 operating expenses	– include primarily costs of office and car maintenance, information technology services, costs of materials and energy, mailing services, bad debt expense and other provisions and external services;
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;
Other 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 3:30 PM (UK) / 4:30 PM (Continent) / 10:30 AM (Eastern). To register for the call and obtain dial in numbers please contact Mark Walter at Taylor Rafferty London on +44 (0) 20 7614 2900 or Yuhau Lin 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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