NETIA S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and for the three-month period ended March 31, 2005

REVIEW REPORT OF THE AUDITORS

To the Supervisory Board and Shareholders
of Netia S.A.

We have reviewed the accompanying interim condensed consolidated balance sheet of Netia S.A. (the "Company") and its subsidiaries (the "Netia Group") as at March 31, 2005, and the related interim condensed consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period ended March 31, 2005. These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been properly prepared, in all material respects, in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of regulations of the European Commission and with International Accounting Standard 34 "Interim Financial Reporting".

The convenience translations are disclosed as part of the interim condensed consolidated financial statements. The convenience translations have been presented in Euros, as a matter of arithmetic computation using the official rate of the National Bank of Poland at March 31, 2005 of PLN 4.0837 to EUR 1.00. We have not audited these translations and accordingly we do not express an opinion thereon. The Euro amounts presented in these interim condensed consolidated financial statements should not be construed as a representation that the PLN amounts have been or could have been converted to Euros at this rate or at any other rate.

PricewaterhouseCoopers Sp. z o.o.

Warsaw, Poland
May 11, 2005

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2004 (Restated)	March 31, 2005	Convenience Translation March 31, 2005
		(PLN)	**(PLN)**	**(EUR)**
ASSETS				
Current assets				
Cash and cash equivalents		301,863	357,848	87,628
Trade and other receivables	3	122,734	119,451	29,251
Current income tax receivables		29	-	-
Inventories		2,488	1,506	369
Prepaid expenses		10,432	37,167	9,102
Total current assets		**437,546**	**515,972**	**126,350**
Available for sale financial assets		51	51	12
Fixed assets, net	4, 6	1,817,156	1,790,330	438,409
Intangible assets				
Licenses, net		222,783	217,244	53,198
Computer software, net		84,690	67,874	16,621
Negative goodwill		(77,657)	-	-
Deferred income tax assets	9	46,843	42,448	10,394
Other long term assets		1,149	555	136
Total non-current assets		**2,095,015**	**2,118,502**	**518,770**
Total assets		**2,532,561**	**2,634,474**	**645,120**

Wojciech Madalski
President of the Company

Kent Holding
Chief Financial Officer

Warsaw, Poland
May 11, 2005

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2004 (Restated) (PLN)	March 31, 2005 (PLN)	Convenience Translation March 31, 2005 (EUR)
LIABILITIES				
Current liabilities				
Short term liabilities for licenses	5	4,049	-	-
Short term installment obligations	7	11,872	5,511	1,350
Trade and other payables	8	150,234	178,416	43,689
Current income tax liabilities		-	11	3
Provisions		7,758	5,984	1,465
Deferred income		10,589	11,118	2,723
Total current liabilities		**184,502**	**201,040**	**49,230**
Non-current liabilities				
Long term liabilities for licenses	5	54,088	55,706	13,641
Provisions		2,137	1,833	449
Other long term liabilities		1,216	935	229
Total non-current liabilities		**57,441**	**58,474**	**14,319**
Total liabilities		**241,943**	**259,514**	**63,549**
Equity				
Share capital (nominal par value of PLN 1 per share)		366,956	379,549	92,942
Treasury shares		(2,812)	(2,812)	(689)
Share premium		1,606,519	1,616,016	395,725
Other supplementary capital		203,565	285,511	69,915
Retained earnings		111,204	91,318	22,361
Total capital and reserves attributable to the Company's equity holders		**2,285,432**	**2,369,582**	**580,254**
Minority interest		5,186	5,378	1,317
Total equity	10	**2,290,618**	**2,374,960**	**581,571**
Total liabilities and equity		**2,532,561**	**2,634,474**	**645,120**

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

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(All amounts in thousands, except as otherwise stated)

	Note	Year ended December 31, 2004 (Restated)	Three-month period ended March 31, 2004 (Restated)	Three-month period ended March 31, 2005	Convenience Translation Three-month period ended March 31, 2005
		(PLN)	(PLN)	(PLN)	(EUR)
Revenue					
Telecommunication services revenue	2, 11	852,826	204,500	213,932	52,386
Radio communication services revenue		10,568	2,682	2,444	598
Total revenue		**863,394**	**207,182**	**216,376**	**52,984**
Other operating income		4,634	283	296	72
Costs					
Interconnection charges		(158,733)	(36,576)	(41,520)	(10,167)
Salaries and benefits		(114,591)	(32,232)	(28,624)	(7,009)
Social security costs		(20,261)	(6,270)	(5,716)	(1,400)
Professional services		(13,840)	(2,832)	(2,942)	(720)
Insurance		(6,505)	(1,816)	(1,503)	(368)
Taxes and fees		(44,239)	(10,393)	(11,467)	(2,808)
Advertising and promotion expenses		(24,523)	(6,122)	(4,025)	(986)
Cost of rented lines and network maintenance		(73,618)	(15,866)	(16,183)	(3,963)
Depreciation of fixed assets		(188,891)	(42,566)	(48,995)	(11,998)
Amortization of negative goodwill		21,420	7,655	-	-
Amortization of other intangible assets		(49,938)	(12,642)	(11,769)	(2,882)
Impairment and write-off charges for non-current assets	4, 6	(21,705)	-	-	-
Other operating expenses	2, 12	(87,449)	(19,621)	(19,138)	(4,686)
Profit from operations		**85,155**	**28,184**	**24,790**	**6,069**
Financial income, net	13	27,874	8,722	3,065	750
Profit before income tax		**113,029**	**36,906**	**27,855**	**6,819**
Income tax benefit / (charge)	9	46,343	(87)	(4,550)	(1,114)
Profit for the period		**159,372**	**36,819**	**23,305**	**5,705**
Attributable to:					
Equity holders of the Company		158,514	36,676	23,113	5,658
Minority interest		858	143	192	47
		159,372	**36,819**	**23,305**	**5,705**
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in PLN per share)	14	**0.44**	**0.11**	**0.06**	**0.01**
Diluted earnings per share for profit attributable to the equity holders of the Company (expressed in PLN per share)	14	**0.42**	**0.10**	**0.06**	**0.01**

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

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands, except as otherwise stated)

	Note	Capital and reserves attributable to the Company's equity holders					Minority interest	Total equity
		Share capital	Treasury shares	Share premium	Other reserves	Retained earnings / (Accumulated deficit)		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at December 31, 2003, as previously reported		**344,487**	**(2,812)**	**1,572,903**	**3,816,325**	**(3,659,547)**	**4,328**	**2,075,684**
Change in accounting policy for the employee share option scheme		-	-	523	-	(523)	-	-
Balance as at January 1, 2004 (Restated)		**344,487**	**(2,812)**	**1,573,426**	**3,816,325**	**(3,660,070)**	**4,328**	**2,075,684**
Issuance of series J shares		13,598	-	20,805	-	-	-	34,403
Issuance of series K shares		481	-	-	-	-	-	481
Cost of issuance*................................		-	-	(362)	-	-	-	(362)
Employee share option scheme:								
- Value of services provided..............		-	-	112	-	-	-	112
Transfers...		-	-	-	(3,816,325)	3,816,325	-	-
Net profit...		-	-	-	-	36,676	143	36,819
Balance as at March 31, 2004 (Restated)		**358,566**	**(2,812)**	**1,593,981**	**-**	**192,931**	**4,471**	**2,147,137**

	Note	Capital and reserves attributable to the Company's equity holders					Minority interest	Total equity
		Share capital	Treasury shares	Share premium	Other supplementary capital	Retained earnings		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at December 31, 2004 (Restated)		**366,956**	**(2,812)**	**1,606,519**	**203,565**	**111,204**	**5,186**	**2,290,618**
Change in accounting policy for negative goodwill............................		-	-	-	-	77,657	-	**77,657**
Balance as at January 1, 2005 (Restated)		**366,956**	**(2,812)**	**1,606,519**	**203,565**	**188,861**	**5,186**	**2,368,275**
Issuance of series J shares	10	6,554	-	10,028	-	-	-	16,582
Issuance of series K shares..................	10	163	-	-	-	-	-	163
Cost of issuance*................................		-	-	(67)	-	-	-	(67)
Issuance of series I shares	10	5,876	-	485	-	-	-	6,361
Cost of issuance of series I shares.......		-	-	(1,337)	-	-	-	(1,337)
Employee share option scheme:								
- Value of services provided..............		-	-	388	-	-	-	388
Appropriation of Netia's 2004 net profit:								
- dividend	17	-	-	-	-	(38,710)	-	(38,710)
- transfer to other supplementary capital..	10	-	-	-	81,946	(81,946)	-	-
Net profit...		-	-	-	-	23,113	192	23,305
Balance as at March 31, 2005...........		**379,549**	**(2,812)**	**1,616,016**	**285,511**	**91,318**	**5,378**	**2,374,960**

*Transaction costs deducted from share premium for both series J shares and series K shares.

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in thousands, except otherwise stated)

	Note	Year ended December 31, 2004 (Restated)	Three-month period ended March 31, 2004 (Restated)	Three-month period ended March 31, 2005	Convenience Translation Three-month period ended March 31, 2005
		(PLN)	(PLN)	(PLN)	(EUR)
Cash flows from operating activities:					
Net profit		**159,372**	**36,819**	**23,305**	**5,705**
Adjustments to reconcile net profit to net cash provided by operating activities:					
Depreciation of fixed assets and amortization of licenses and other intangible assets		238,829	55,208	60,764	14,880
Amortization of negative goodwill		(21,420)	(7,655)	-	-
Amortization of discount on notes and installment obligations		6,165	151	-	-
Impairment and write-off charges for non-current assets	4, 6	21,705	-	-	-
Deferred income tax (benefit) / charge	9	(46,843)	-	4,395	1,076
Deferral of license fee obligations		(13,363)	-	-	-
Interest expense accrued on license liabilities		4,056	385	1,531	375
Non-cash employee benefits		639	112	551	135
Other provisions		(149)	91	74	18
Decrease in long term assets		457	972	594	145
Foreign exchange gains		(6,118)	(1,197)	(971)	(238)
Loss on sale of subsidiaries		(426)	(148)	-	-
Changes in working capital		(27,213)	(22,436)	3,657	897
Net cash provided by operating activities		**315,691**	**62,302**	**93,900**	**22,993**
Cash flows used in investing activities:					
Purchase of fixed assets and computer software		(191,397)	(39,686)	(50,030)	(12,252)
Net cash paid on acquisition of subsidiary		(95,608)	(95,498)	-	-
Sale of subsidiaries		(504)	(504)	-	-
Payments for licenses		(4,790)	(4,790)	(4,050)	(992)
Net cash used in investing activities		**(292,299)**	**(140,478)**	**(54,080)**	**(13,244)**
Net cash used in financing activities:					
Proceeds from share issuance		55,667	34,884	16,582	4,061
Cost of share issuance		(744)	(362)	(1,404)	(343)
Redemption of notes for warrants		(8)	(5)	(1)	(0)
Net cash provided by financing activities		**54,915**	**34,517**	**15,177**	**3,718**
Effect of exchange rate change on cash and cash equivalents		**(4,445)**	**631**	**988**	**242**
Net change in cash and cash equivalents		**73,862**	**(43,028)**	**55,985**	**13,709**
Cash and cash equivalents at beginning of period		228,001	228,001	301,863	73,919
Cash and cash equivalents at end of period		**301,863**	**184,973**	**357,848**	**87,628**

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

(All amounts in thousands, except otherwise stated)

Supplemental disclosures:

	Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)	Convenience Translation Three-month period ended March 31, 2005 (EUR)
Income taxes paid	529	72	113	28

Non-cash investing activities:

The Netia Group incurred the following liabilities at the end of each period that were related to fixed assets or construction in progress additions:

Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)	Convenience Translation Three-month period ended March 31, 2005 (EUR)
70,975	28,332	29,163	7,141

1. The Company and the Netia Group

Netia S.A. (the "Company" or "Netia") was formed in 1990 as a limited liability company under the laws of Poland and was transformed into a joint stock company in 1992. In 2003 a general meeting of shareholders adopted a resolution changing the Company's name from Netia Holdings S.A. to Netia S.A. The Company is incorporated in Poland with its principal executive office located at ul. Poleczki 13, 02-822 Warsaw, Poland. The Company and its subsidiaries (collectively, the "Netia Group") is the largest independent fixed-line telecommunication operator in Poland. The Netia Group is also engaged in the installation and supply of specialized mobile radio services (public trunking) in Poland through its 58.2% owned subsidiary, UNI-Net Sp. z o.o. ("UNI-Net").

The average number of persons employed by the Company was 1,220, 1,333 and 1,254 during the three-month period ended March 31, 2005, the three-month period ended March 31, 2004 and year ended December 31, 2004, respectively.

The interim condensed consolidated financial statements of Netia S.A. for the three-month period ended March 31, 2005 comprise the Company and its subsidiaries.

The Netia Group provides various voice telephone and data transmission services. These services include switched, fixed-line voice telephone services (including domestic long distance, international long distance and fixed-to-mobile services), Integrated Services Digital Network ("ISDN"), Voice over Internet Protocol ("VoIP"), voice mail, dial-up and fixed-access Internet, leased lines and frame relay services. The Netia Group also offers wholesale services (including the wholesale termination of in-bound traffic, ducts, dark fiber and co-location services), and services based upon the intelligent network (free phone, split charge and premium rate services). In April 2004 the Netia Group introduced a new service - "Net24" - a broadband Internet access in ADSL technology, addressed to Netia's subscribers using either analogue or ISDN lines.

The Company's ordinary shares have been listed on the Warsaw Stock Exchange since July 2000 and are part of the WIG-20 index. The Company is subject to periodic reporting requirements under the Polish regulations on reporting requirements for companies listed on the Warsaw Stock Exchange.

2. Basis of presentation and accounting policies

Basis of preparation

Commencing January 1, 2005 Netia as a public company in Poland prepares consolidated financial statements, as required by the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2002, No. 76, item 694 with later amendments) in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and the related interpretations announced in the form of regulations of the European Commission (all defined as the "accounting standards adopted for use in the EU"). As of March 31, 2005 there are no differences as regards the Netia Group between these standards and IFRS, as promulgated by the International Accounting Standards Board.

The Netia Group is not a first-time adopter of IFRS in respect of its consolidated financial statements as defined by IFRS 1 "First-time Adoption of IFRS".

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards adopted for use in the EU, issued and effective as at the time of preparing these interim condensed consolidated financial statements and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2004, except for the new accounting standards adopted as of January 1, 2005 and presented below. These interim condensed consolidated financial statements do not consitiute the statutory financial statements, which are prepared by Netia in Polish and filed with the Warsaw Stock Exchange according to the relevant reporting regulations. These interim condensed consolidated financial statements should be read in conjuction with the audited December 31, 2004 consolidated financial statements and the related notes.

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

The Company's or the Netia Group's activities are not subject to any significant seasonal or cyclical trends of operations.

All Euro amounts shown as supplementary information in the accompanying interim condensed consolidated financial statements have been translated from PLN only as a matter of arithmetic computation at the PLN exchange rate of PLN 4.0837 = EUR 1.00, the average rate announced by the National Bank of Poland on March 31, 2005. These amounts have not been subject to review or audit procedures and are included for the convenience of the reader only. Such translation should not be construed as a representation that the PLN amounts have been or could be converted into Euros at this or any other rate.

Adoption of new accounting standards

In 2005, the Netia Group adopted the accounting standards adopted for use in the EU below, which are relevant to its operations. The 2004 accounts have been amended as required, in accordance with the relevant requirements of:

IAS 1 (revised 2003) Presentation of Financial Statements
IAS 2 (revised 2003) Inventories
IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003) Events after the Balance Sheet Date
IAS 16 (revised 2003) Property, Plants and Equipment
IAS 17 (revised 2003) Leases
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchanges Rates
IAS 24 (revised 2003) Related Party Disclosures
IAS 27 (revised 2003) Consolidated and Separate Financial Statements
IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003) Earnings per Share
IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement
IAS 36 (revised 2004) Impairment of Assets
IAS 38 (revised 2004) Intangible Assets

Since January 1, 2005, the Netia Group has also adopted new accounting standards presented below:

IFRS 2 (issued 2004) Share-based Payments
IFRS 3 (issued 2004) Business Combinations
IFRS 5 (revised 2004) Non-current Assets Held for Sale and Discontinued Operations

The adoption of IAS 1,2,8,10,16,17,21,24,27, 32 and 33 (all revised 2003) did not result in substantial changes to the Group`s accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of minority interest and other disclosures.
- IAS 2, 8, 10, 17, 21, 27, 32 and 33 had no material effects in the Netia Group's policies.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

The adoption of IAS 39 (revised 2004) has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

The adoption of IFRS 2 has resulted in change in the accounting policy for share-based payments. Until December 31, 2004, the provision of share options to employees did not result in a charge in the income statement. Subsequent to that date, the Netia Group charges the cost of share options to the income statement.

The adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for negative goodwill. Until December 31, 2004, negative goodwill was recognized as income in the income statement as follows:

(a) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets was recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets; and
(b) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets was recognized as income immediately.

In accordance with the provisions of IFRS 3, the Netia Group ceased amortization of negative goodwill from January 1, 2005. Pursuant to the application of IFRS 3 as at January 1, 2005 PLN 77,657 representing the unamortized part of the negative goodwill as of that date was transferred to retained earnings.

The Netia Group has reassessed the useful lives of certain of its fixed assets classified as transmission network in accordance with the provisions of IAS 16. The depreciation rates of these assets were changed from 6.7% to 12.5%.

The adoption of IFRS 5 has resulted in change in accounting policy for assets held for sale and the presentation and disclosure of discontinued operations. At March 31, 2005 the Company did not have assets held for sale and the application of IFRS 5 did not have any impact on retained earnings upon its adoption.

(All amounts in thousands, except otherwise stated)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Netia Group require retrospective application other than:

- IAS 16 – the exchange of property, plant and equipment is accounted at fair value prospectively;
- IAS 39 – does not require the classification of financial assets as at `fair value through profit or loss` of previously recognized financial assets;
- IFRS 2 – retrospective application for all equity instruments granted after November 7, 2002 and not vested at January 1, 2005; and
- IFRS 3 – prospectively after March 31, 2004.

The adoption of IFRS 2 resulted in:

	Year ended December 31, 2004 (PLN)	**Three-month period ended March 31, 2004 (PLN)**	**Three-month period ended March 31, 2005 (PLN)**
Increase in share premium	639	112	388
Decrease in retained earnings	(639)	(112)	(388)
Increase in cost of salaries and benefits	639	112	388

The recognition of the above cost of benefits does not result in material changes to the basic and diluted earnings per share.

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2006. The new interpretation relevant to the Company's operations is IFRIC 4 "Determining whether an Asset Contains a Lease" that is applicable to annual periods beginning on or after January 1, 2006. The Company has not elected to adopt IFRIC 4 early and is currently assessing its potential effect on the Netia Group's consolidated financial statements.

Reclassifications

Certain prior periods' amounts have been reclassified to conform to the presentation for the three month period ended March 31, 2005. The major reclassification relates to costs of traffic termination (including inteligent network revenue sharing) following the best IFRS practices in the telecommunication sector were netted with related categories of telecommunication revenue (local termination and "0-708" premium rate services).

Current financial condition

As at March 31, 2005, the equity amounted to PLN 2,374,960 and the Netia Group had working capital of PLN 314,932. In 2003 the financial restructuring and the cancellation of local license fee obligations of Netia were completed. Management of the Company believes that the outstanding local license fee obligations of Regionalne Sieci Telekomunikacyjne El-Net S.A. ("El-Net"), measured at fair value as at acquisition date and subsequently at amortized cost of PLN 55,706 (PLN 464,162 in nominal terms, including prolongation fees) will also be cancelled in accordance with the applicable law. For further details on the current situation and the Company's plans in this respect, see Note 5. In 2004 and the three-month period ended March 31, 2005 the Netia Group generated positive cash flows from operating activities. Based on this position, the Management does not believe that events or conditions exist which may cast significant doubt on the Company's ability to continue as a going concern.

(All amounts in thousands, except otherwise stated)

3. Trade and other receivables

	December 31, 2004 (PLN)	March 31, 2005 (PLN)
Trade receivables	182,584	182,840
Less provision for impaiment of trade receivables	(65,852)	(68,334)
Trade receivables, net	116,732	114,506
VAT and other government receivables	2,980	1,172
Other receivables	3.855	4,478
Less provision for impaiment of other receivables	(833)	(705)
Other receivables, net	3,022	3,773
Short-term loans	12,950	13,022
Accrued interest	27,960	30,016
Less provision for impaiment of short-term loans and accrued interest	(40,910)	(43,038)
Short-term loans, net	-	-
	122,734	**119,451**

4. Fixed assets and network under construction

Assets at adjusted cost	December 31, 2004 (PLN)	Additions (PLN)	Transfers* (PLN)	Disposals and other movements (PLN)	March 31, 2005 (PLN)
Buildings	74,116	-	14	(499)	73,631
Land	17,422	-	-	-	17,422
Transmission network	1,825,950	-	3,199	(52)	1,829,097
Switching system	1,398,748	-	2,442	(1,954)	1,399,236
Machinery and equipment	77,362	36	88	64	77,550
Office furniture and equipment	129,186	-	3,785	194	133,165
Vehicles	12,181	-	-	(130)	12,051
	3,534,965	36	9,528	(2,377)	3,542,152
Fixed assets under construction	86,222	14,138	1,019	61	101,440
	3,621,187	**14,174**	**10,547**	**(2,316)**	**3,643,592**

* The Company transferred during the three-month period ended March 31, 2005 computer software in progress of PLN 15,128 to fixed assets under construction and then to certain categories of fixed assets.

(All amounts in thousands, except otherwise stated)

Accumulated depreciation	**December 31, 2004**	**Depreciation expense**	**Disposals and other movements**	**March 31, 2005**
	(PLN)	**(PLN)**	**(PLN)**	**(PLN)**
Buildings	15,006	764	(125)	15,645
Transmission network	437,711	18,625	(612)	455,724
Switching system	378,345	24,463	310	403,118
Machinery and equipment	43,498	1,338	55	44,891
Office furniture and equipment	97,401	3,427	1,031	101,859
Vehicles	8,834	378	(38)	9,174
	980,795	**48,995**	**621**	**1,030,411**

Accumulated impairment and write-off provisions	**December 31, 2004**	**Transfers**	**Disposals and other movements**	**March 31, 2005**
	(PLN)	**(PLN)**	**(PLN)**	**(PLN)**
Buildings	14,633	-	75	14,708
Land	4,821	-	-	4,821
Transmission network	490,220	25	569	490,814
Switching system	283,680	-	(113)	283,567
Machinery and equipment	9,445	-	9	9,454
Office furniture and equipment	11,621	-	(867)	10,754
Vehicles	1,095	-	(84)	1,011
	815,515	25	(411)	815,129
Fixed assets under construction	7,721	(63)	64	7,722
	823,236	**(38)**	**(347)**	**822,851**

Net book value	**December 31, 2004**	**March 31, 2005**
	(PLN)	**(PLN)**
Buildings	44,477	43,278
Land	12,601	12,601
Transmission network	898,019	882,559
Switching system	736,723	712,551
Machinery and equipment	24,419	23,205
Office furniture and equipment	20,164	20,552
Vehicles	2,252	1,866
	1,738,655	1,696,612
Network under construction	78,501	93,718
	1,817,156	**1,790,330**

5. Licenses

El-Net license fee liabilities

In the three month period ended March 31, 2005 there were no changes in the status of the outstanding local license fee obligations of El-Net for which applications were filed to the Ministry of Infrastructure in the previous years. On March 31, 2005 the total nominal value of outstanding license fee obligations of El-Net was EUR 113,662 (PLN 464,162 at the exchange rate prevailing on March 31, 2005).

As at March 31, 2005 the outstanding liabilities continued to be recorded at amortised cost. At the acquisition of El-Net they were recorded at fair value based on the assessment performed in 2004 by the Management, which took into account the probability of future payments of license fee liabilities. The only change in the value of those liabilities as compared to December 31, 2004 relates to interest accrued and foreign exchange differences as presented below:

	(PLN)	(EUR)
Carrying value as at December 31, 2004	**54,088**	**13,260**
Interest accrued in the period ended March 31, 2005	1,531	381
Foreign exchange gains on the translation of EUR balances	87	-
Carrying value as at March 31, 2005	**55,706**	**13,641**

Long distance license fee liabilities

The long distance license fee liabilities were not the subject of the new law regarding the cancellation of outstanding local license fee liabilities. As at December 31, 2004 the total nominal value of the long distance license fee liabilities was EUR 1.000. On January 31, 2005 the Company paid that last installment in the amount of PLN 4,050 (at the exchange rate prevailing on that date).

The total license fee liability as at March 31, 2005 comprises only the PLN 55,706 of El-Net's liabilities, which is long term.

6. Impairment of non current assets

In 2003 the Netia Group performed an impairment test in accordance with IAS 36 "Impairment of Assets". The test resulted in an impairment charge of PLN 799,695, which was recorded in the consolidated income statement for the year ended December 31, 2003 and was allocated to the non-current assets in the telecommunications segment on a pro rata basis.

As at March 31, 2005 the Netia Group assessed whether there was any indication that the impairment loss recognized for non-current assets in the prior year may no longer exist or may have reversed. After assessing both the external and internal sources of information, no indications were identified which could result in a new assessment of the impairment loss recorded in 2003.

7. Installment obligations (number of shares and share price not in thousands)

The outstanding installment obligations comprise those claims reduced in the Polish arrangement proceedings (including guarantees given by Netia S.A. to the holders of 1997 Notes, 1999 Notes and 2000 Notes and to swap counterparties), which were not exchanged into series H shares during the restructuring process commenced in 2002. These obligations were originally scheduled for payment, according to court decisions, at their nominal reduced values between 2007 and 2012 and bear no interest.

In connection with the decision made by the Netia Group in November 2004 on the early repayment of the outstanding installment obligations, the Netia Group reclassified them to current liabilities and as at December 31, 2004 recorded then at nominal value of installment obligations of PLN 11,872. The restructuring creditors have been entitled to exchange their restructuring claim for the ordinary series I shares at the price of PLN 1.0826241 per share. The subscription for series I shares was closed on February 16, 2005 and 5,875,610 (not in thousands) shares were allocated out of a total of 18,373,785 series I shares offered (see also Note 10). The value of installment obligations which was settled through exchange with subscribed shares is equal to PLN 6,361. The remaining installment obligations of PLN 5,511 will either be repaid in cash between May 13-20, 2005 (to those creditors who submitted their respective claims by April 29, 2005) or, in the case of creditors who did 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 advance of the scheduled maturity of the installment obligations, set originally for years 2007-2012.

8. Trade and other payables

	December 31, 2004 (PLN)	March 31, 2005 (PLN)
Trade and investment	90,269	39,668
VAT and other taxes	10,955	44,255
Dividend	-	38,710
Accruals and other	49,010	55,783
	150,234	**178,416**

9. Corporate income tax

	Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)
Current tax	(500)	(87)	(155)
Deferred income tax benefit / (charge), net	46,843	-	(4,395)
Income tax benefit / (charge)	**46,343**	**(87)**	**(4,550)**

Deferred tax

As of December 31, 2004 the Management updated its previous year's assessment regarding the recognition of deferred income tax. The new assessment considered that the Netia Group expects that future taxable profits will be generated based on the 2005 budget and 2005-2008 business plan. Management's assessment also considered factors such as: the stability and trend of past earnings; the nature of the business and industry; the economic environment in which the Netia Group is located; and the stability of the legislation to which the companies in the Netia Group are subject. Since the realization of the tax benefits through the projected 2005-2008 taxable profits, against which the temporary differences can be utilized, became probable, Netia recognized a net deferred tax asset of PLN 46,843 as of December 31, 2004.

The method of calculation of the tax charge at March 31, 2005 was based on the best estimate of the weighted average annual income tax rate (current and deferred tax) expected for the full financial year ending December 31, 2005.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	December 31, 2004 (PLN)	March 31, 2005 (PLN)
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	(33,161)	(23,357)
- Deferred tax asset to be recovered within 12 months	(37,575)	(43,782)
	(70,736)	(67,139)
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	16,264	6,878
- Deferred tax liabilities to be recovered within 12 months	7,629	17,813
	23,893	24,691
	(46,843)	**(42,448)**

10. Equity

Shareholders' Rights (number of shares not in thousands)

At December 31, 2004, the Company's share capital consisted of 366,955,325 ordinary shares and of 1,000 of series A1 shares with a par value of PLN 1 per share. Each ordinary share had one vote at shareholders' meetings. The holder of 1,000 series A1 shares had the right to nominate one member of the Supervisory Board. The majority of votes of the Supervisory Board elect the Management Board.

In May 2003, the Company issued 64,848,442 warrants to the pre-restructuring shareholders of the Company. In the three month period ended March 31, 2005 6,553,526 of the warrants were exercised and the Company's share capital was accordingly increased by 6,553,526 series J shares. The total number of series J shares issued at the exercise of warrants through March 31, 2005 was 28,693,628.

The Company also plans to issue up to 18,373,785 ordinary series K shares under a key employee share option plan (employee share option scheme) adopted by the Netia's Supervisory Board in 2002 (the "Plan"). In the three month period ended March 31, 2005 the Company issued 163,088 ordinary series K shares due to the exercise by certain persons authorized thereto of their rights arising from the Plan. The total nominal value of series K shares issued through March 31, 2005 was PLN 934.

Furthermore pursuant to the early repayment of the outstanding installment obligations (described in Note 7), in the three month period ended March 31, 2005 the Company issued 5,875,610 ordinary series I shares. On March 16, 2005 the Polish Regional Court in Warsaw registered the increase of the Company's share capital resulting from the issuance of series I shares. The series I shares began trading on the Warsaw Stock Exchange as of April 13, 2005, following their assimilation with Netia's remaining shares.

As a result at March 31, 2005 the Company's share capital consisted of 379,547,549 ordinary shares and of 1,000 of series A1 shares (par value of PLN 1 per share). All shares issued by the Company were fully paid.

Other supplementary capital

As at December 31, 2004 other supplementary capital comprised stand alone net profit of PLN 42,517 of Netia S.A. for the year ended December 31, 2003 and the surplus relating to merger of Netia S.A with its operating subsidiaries of PLN 161,048 recorded in Netia's S.A. 2003 standalone financial statements. The Company's General Shareholders's meeting held on March 17, 2005 (the "Shareholders Meeting"), approved the dividend of PLN 0.10 (not in thousands) per share to be paid out of the net profit of Netia S.A. for the year ended December 31, 2004. The remaining 2004 profit, in the amount of PLN 81,946, was transfered to other supplementary capital. Furthermore, the Shareholders Meeting approved that other supplementary capital amounting to up to PLN 120,000, will be used to execute the share and subscription warrant buy-back program (the "Program"). The Company started the Program on May 9, 2005. The Program shall be executed up to June 30, 2006, until the funds allocated for its execution by the Shareholders Meeting are consumed. During the Program the Company can purchase shares in the total amount not exceeding 10% of the Company's share capital in the amount determined on the last day of the Program's execution.

Share options (number of shares not in thousands)

In the three month period ended March 31, 2005 the following changes took place in the number of options granted under the Plan:

	Year ended December 31, 2004		**Three-month period ended March 31, 2005**	
Options	**Average strike price**	**Options**	**Average strike price**	**Options**
At the beginning of period	2.56	7,936,975	2.65	7,206,097
Granted	2.81	2,228,877	2.74	976,636
Forfeited/ expired	2.53	(1,087,257)	2.53	(362,419)
Exercised	2.53	(1,872,498)	2.53	(302,016)
At the end of period	**2.65**	**7,206,097**	**2.64**	**7,518,298**

Furthermore as at March 31, 2005 the total number of options approved for issue by the Supervisory Board was 14,023,719 compared to 13,373,261 as at December 31, 2004. The total number of vested options was 4,457,754 as at March 31, 2005 compared to 4,759,770 as at December 31, 2004. The vesting period for the options is up to three years from the date of grant or upon achieving certain specified conditions. The options are exercisable until December 20, 2007.

Until January 1, 2005. the Company did not recognize the employee share options issued under the Plan until the date of exercise, when the nominal value of shares increased by the costs of exercise was charged to the income statement. As of January 1, 2005 the Company has implemented IFRS 2. Under the new standard the Company recognizes the cost of share-based awards to employees (including share options) over the period from the grant date to the vesting date. The cost is assessed on a fair value basis with measurement at the grant date. The Company has performed the valuation of the options in accordance with the requirements of IFRS 2 and the total cost of options recognized as at January 1, 2005 as an adjustment to retained earnings amounted to PLN 1,162, of which PLN 639 related to the year ended December 31, 2004. The cost of option valuation recorded in the three-month period ended March 31, 2005 amounted to PLN 388.

(All amounts in thousands, except otherwise stated)

11. Telecommunication services revenue

	Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)
Direct voice services	546,349	137,466	129,445
Monthly fees	144,248	34,639	35,736
Calling charges	402,101	102,827	93,709
Local calls	*134,842*	*35,827*	*30,688*
Domestic long distance calls	*82,223*	*20,974*	*18,085*
International long distance calls	*35,685*	*9,224*	*10,835*
Fixed-to-mobile	*121,506*	*29,635*	*28,381*
Other	*27,845*	*7,167*	*5,720*
Indirect voice	103,445	22,795	22,283
Data	90,288	20,541	28,617
Interconnection revenue*	42,343	5,452	11,352
Wholesale services	41,921	10,794	15,299
Intelligent network services*	20,014	5,271	5,152
Other telecommunication revenue	8,466	2,181	1,784
	852,826	**204,500**	**213,932**

* netted with related costs as explained under Note 2 (“Reclassifications”)

12. Other operating expenses

	Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)
Information technology services	16,411	3,681	3,515
External services	17,014	2,646	3,454
Bad debt expense	10,251	3,516	2,584
Office and car maintenance	9,138	3,309	2,337
Materials and energy	9,092	1,894	1,900
Mailing services	7,069	1,661	1,675
Travel and accommodation	4,822	928	1,078
Other operating costs	13,652	1,986	2,595
	87,449	**19,621**	**19,138**

13. Financial income, net

	Year ended December 31, 2004 (PLN)	Three-month period ended March 31, 2004 (PLN)	Three-month period ended March 31, 2005 (PLN)
Interest income	9,516	1,497	3,735
Gain on deferral of license fee payments	13,363	-	-
Gain on sale of subsidiaries	340	148	-
Gain on fair value adjustment of financial assets	3,278	698	690
Foreign exchange gains	4,805	1,516	265
Interest expense	(4,448)	(633)	(1,642)
Amortization of discount on installment obligations	(6,165)	(151)	-
Other	7,185	5,647	17
	27,874	**8,722**	**3,065**

14. Earnings per share

Basic

Basic earnings per share have been calculated based on the net profit attributable to the equity holders of the Company for each period divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares in issue (not in thousands) excludes 468,648 treasury shares in each of the periods presented.

	Year ended December 31, 2004	Three-month period ended March 31, 2004	Three-month period ended March 31, 2005
Net profit attributable to the equity holders of the Company	158,514	36,676	23,113
Weighted average number of ordinary shares in issue (not in thousands)	358,096,167	348,746,468	372,089,141
Basic earnings per share (not in thousands)	0.44	0.11	0.06

Diluted

Diluted earnings per share (for profit attributable to the equity holders of the Company) is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: warrants (which upon their exercise trigger the issue of the series J shares) and the employees' share options (which upon their exercise trigger the issue of the series K shares). For the share options and warrants a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	Year ended December 31, 2004	Three-month period ended March 31, 2004	Three-month period ended March 31, 2005
Net profit attributable to the equity holders of the Company	158,514	36,676	23,113
Weighted average number of ordinary shares in issue (not in thousands)	358,096,167	348,746,468	372,089,141
Adjustments for:			
- Share options	3,252,657	3,037,277	2,984,533
- Warrants	20,127,978	24,168,566	15,902,820
Weighted average number of ordinary shares for diluted earnings per share (not in thousands)	381,476,802	375,952,311	390,976,494
Diluted earnings per share (not in thousands)	0.42	0.10	0.06

15. Selected related party transactions

Changes in the Management Board

Effective March 1, 2005 Mr. Piotr Czapski was appointed Member of the Management Board responsible for strategy and business development.

Options granted to members of the Management Board

As at March 31, 2005, the total number of options granted to members of the Company's Management Board under the Plan, was 5,526,888, of which 3,080,561 vested as of that date. Strike prices for the options granted to the Management Board range between PLN 2.53 to 4.04 per share. The market price of the Company's shares at March 31, 2005 was PLN 4.16 per share.

The movements in the number of options held by Members of the Company's Management Board are presented below:

Options	**December 31, 2004**	**March 31, 2005**
At the beginning of period	6,342,331	5,526,888
Granted	1,359,071	-
Forfeited/ expired	(664,435)	-
Status changed due to resignation from the Management Board	(362,419)	-
Exercised	(1,147,660)	-
At the end of period	**5,526,888**	**5,526,888**

Management Board remuneration and Supervisory Board remuneration

Compensation and related costs associated with current members of the Company's Management Boards and Supervisory Boards during the three-month periods ended March 31, 2005 and March 31, 2004 amounted to PLN 1,720 and PLN 959, respectively. Furthermore, the termination benefits for the former members of the Management Board pursuant to their resignations of PLN 2,279 were recognized as a cost in the three-month period ended March 31, 2004.

16. Commitments and contingencies

Capital expenditures contracted for at the balance sheet date but not recognized in the interim condensed consolidated financial statements amount to PLN 24,743 as at December 31, 2004 and PLN 33,656 (EUR 8,242 at the March 31, 2005 exchange rate) as at March 31, 2005.

Millennium (not in thousands)

In August and September 2000, the Company entered into certain agreements to acquire all of the outstanding equity of Millennium Communications S.A. ("Millennium"), a provider of telecommunications services in Warsaw. Certain advances were made to Millennium following the execution of the agreements, and currently a loan of EUR 2.9 million (PLN 11.8 million at the March 31, 2005 exchange rate) increased by the applicable interest is outstanding from Millennium. In December 2000, the Company brought a claim for the repayment of the loan against Millennium in the District Court in Warsaw. The matter is still pending. In 2001, a valuation allowance of PLN 17.0 million was recorded as other operating expense against the outstanding amount receivable from Millennium as a result of the events described above.

On February 11, 2003, the District Court ruled in the Company's favor for the return of the principal amount of the loan and the related interest. That judgment was appealed by Millennium. Following a question on the matter of law to the Supreme Court, the Court of Appeal announced judgment on October 6, 2004 stating that the District Court made a procedural mistake, which caused the case to be returned for re-examination.

In September 2003, Newman Finance Corp. ("Newman"), Millennium's sole shareholder, filed a claim against the Company for damages of PLN 45.4 million, which is the equivalent of EUR 11.5 million plus interest accrued since the date of filing the claim until the date of payment. This claim was filed for damages incurred when a security was placed over Millennium's shares between January 4, 2000 and November 1, 2002 in connection with litigation concerning Millennium failure to perform the agreements entered into August and September 2002. The matter is pending, and the next hearing is scheduled for May 25, 2005.

On November 7, 2003 Millennium and Genesis Sp. z o.o. ("Genesis"), two shareholders of the Company, filed claims with the Regional Court in Warsaw for the suspension of the registration in the relevant registry of the Company's merger with certain of its subsidiaries pursuant to a resolution adopted by the Company's Extraordinary General Shareholders' Meeting on October 30, 2003. The Regional Court registered the merger in the register of entrepreneurs on December 31, 2003. Also, the court refused to allow Millennium and Genesis to participate in the registration proceedings, which Millennium and Genesis appealed with the District Court in Warsaw on January 12, 2004. On September 7, 2004 the District Court in Warsaw allowed Millennium and Genesis to participate in the registration proceedings. Separate claims were brought by Millennium and Genesis with the District Court in Warsaw requesting the invalidation of the resolution on the Company's merger adopted by the Company's Extraordinary General Shareholders' Meeting on October 30, 2003. The Company received the claims on June 3, 2004 and petitioned the court to dismiss them both as wholly unfounded and also requested that the shareholders make a payment equaling ten times the amount of Netia's court costs. On April 27, 2005 the District Court dismissed both claims on merits, however the judgment can be appealed.

Millennium and Newman filed motions for the declaration of bankruptcy of the Company on July 16, 2004 and July 21, 2004 (both motions were combined for joint review). On December 14, 2004 the District Court for the Capital City of Warsaw, XVII Bankruptcy and Restructuring - Commercial Department in Warsaw (the "Court") dismissed both motions. The decision is final and not appealable.

Management, having obtained legal advice, does not believe that the settlement of the matters described above will have a material adverse effect on the Netia Group's financial condition. Accordingly no liability has been recorded for the claims.

Minority shareholders

On August 1, 2002, the Company received a copy of a claim filed with the District Court in Warsaw by an individual shareholder demanding the cancellation of sections 10, 11 and 13 of Resolution No. 2 adopted by the Company's General Meeting on April 4, 2002. The individual shareholder claimed that the distribution of the Company's warrants under the financial restructuring was harmful to the minority shareholders and violated good custom. On August 14, 2002, the Company responded requesting the District Court to dismiss the claim. At the court hearing held on February 4, 2004, the District Court in Warsaw decided to forward the claim to the Regional Court for the capital city of Warsaw for its determination. At the hearing held on April 21, 2005 the Regional Court returned the claim due to the plaintiff's failure to comply with the legal claim requirements. The decision is not final and can be appealed. In a second similar matter, a minority shareholder's claim was dismissed on merits by the Regional Court in Warsaw however the judgment is not final and can be appealed.

Management, having obtained legal advice, does not believe that the settlement of the matters described above will have a material adverse effect on the Netia Group's financial condition. Accordingly no liability has been recorded for the claims.

Tax contingent liability

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

The Company's Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

17. Subsequent events

Share options granted under the Plan (not in thousands)

Pursuant to a resolution of the Supervisory Board dated October 5, 2004 on April 5, 2005 Netia's Management Board Member, Mr. Kent Holding has been granted 543,628 options authorizing him to subscribe for series K shares in accordance with the Plan. The strike price for the options received by Mr. Kent Holding was established at PLN 4.18. The granted options shall expire on December 20, 2007.

Dividends paid in 2005

Due to the resolution of the Company's General Shareholders's meeting held on March 17, 2005 the dividend of PLN 0.10 (not in thousands) per share, amounting in total to PLN 38,710, was paid on April 22, 2005 to shareholders of record as at April 7, 2005.

Repurchase of series C and E shares (not in thousands)

Due to the expiration, as of January 1, 2004, of options to acquire Netia shares under the employee stock option plan adopted in 1999, and in order to fulfill the requirements of the agreements signed on May 17, 2000 with Centralny Dom Maklerski Pekao SA ("CDM Pekao"), a trustee of the above incentive plan, as well as to avoid consequences of breaching the agreements, on April 22, 2005, based on the decision of the Polish SEC, Netia repurchased from CDM Pekao 176,881 of its series C shares and 291,767 of its series E shares (the "Shares") at the purchase price of PLN 6 per share, being the nominal value of the Shares at the moment of their issuance. The Shares, with a nominal value of PLN 1 each, give right to 468,648 votes at Netia's general meeting of shareholders and represent 0.12% of Netia's issued and outstanding share capital as of April 22, 2005.

Completion of the arrangement proceedings of Netia South Sp. z o.o.

On April 26, 2005 the Regional Court in Warsaw issued an order on completion of the arrangement proceedings of Netia South Sp. z o.o. ("Netia South"), of which Netia is the legal successor, further to full repayment of installment obligations of Netia South. Arrangement proceedings of Netia South constituted a part of the court arrangement proceedings performed in connection with the financial restructuring of Netia Group (see also Note 7).

Expiration of two-year subscription warrants

On April 29, 2005, 1,361,947 (not in thousands) two-year subscription warrants, that authorized to subscribe for Netia's ordinary series J shares, expired.

Merrill Lynch withdraws a claim against Netia

Further to withdrawal and waiver of the claim by Merrill Lynch Capital Services, Inc. ("Merrill Lynch"), the High Court of Justice, London, United Kingdom, decided on April 27, 2005 to close with no order as to costs, the court proceedings initiated by claim by Merrill Lynch against the Company, Netia Telekom SA ("Telekom") and Netia Holdings SA for the payment of USD 8,676, together with accrued interest and legal fees, due in connection with the termination of a swap transaction on December 14, 2001, which had been executed between Telekom and Merrill Lynch on March 30, 2001. The claim was withdrawn in connection with subscription of the Company's series I shares by Merrill Lynch.

Exercise of warrants (not in thousands)

As at May 11, 2005 43,069,935 of warrants have been exercised and the Company's share capital was accordingly increased by 43,069,935 series J shares. As a result at May 11, 2005 the Company's share capital consisted of 393.923.856 ordinary shares and of 1,000 of series A1 shares.

UMTS tender

On May 9, 2005, the Company's subsidiary, Netia Mobile Sp. z o.o., was announced a winner of the UMTS tender, provided by the Polish regulator ("URTiP"). The tender for acquiring available GSM 1800 MHz band, in which Netia participated in parallel, remained unresolved. In accordance with the tender procedure, Netia Mobile has until May 16, 2005 to apply to the President of URTiP for the reservation of the UMTS frequencies.