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NETIA SA REPORTS 2005 FIRST QUARTER RESULTS

WARSAW, Poland – May 11, 2005 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results in accordance with IFRS EU*(*)* for the first quarter ended March 31, 2005.

Financial Highlights:

- **Revenues** for Q1 2005 were PLN 216.4m (EUR 53.0m), a year-on-year increase of 4%. *Please note that the changes in the presentation format, consistent with good IFRS practices, were introduced as of January 1, 2005 with regard to the reclassification of the cost of traffic termination, including intelligent network revenue sharing, (previously shown separately under the "Other operating expenses" category). These expenses are now transferred to telecommunications revenue and netted against the related revenue categories (i.e., "Interconnection revenues" and "Intelligent network services" lines). Due to the above, the comparative figures for periods ended through December 31, 2004 were adjusted accordingly and therefore vary from the figures reported previously.*
- **EBITDA** for Q1 2005 was PLN 85.6m (EUR 21.0m), representing an EBITDA margin of 39.5% and a year-on-year increase of 13%.
- **Net profit** for Q1 2005 was PLN 23.3m (EUR 5.7m), representing a net profit margin of 10.8%. *Please see section "Other Highlights" for notes regarding the impact of adjustments resulting from the adoption of the IFRS 2 and the IFRS 3 as of January 1, 2005.*
- **Cash** at March 31, 2005 was PLN 357.8m (EUR 87.6m) as compared to PLN 185.0m at March 31, 2004 and PLN 301.9m at December 31, 2004.
- **Netia Mobile Sp. z o.o., Netia's subsidiary, was announced a winner of the UMTS tender**, concluded by the Polish regulator ("URTiP") on May 9, 2005. 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 Sp. z o.o. has until May 16, 2005 to apply to the President of URTiP for the reservation of the UMTS frequencies.

(*) In accordance with the International Financial Reporting Standards ("IFRS"), the International Accounting Standards ("IAS") and the related interpretations announced in the form of regulations of the European Commission.

Operational Highlights:

- **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 39% or PLN 84.2m (EUR 20.6m) in Q1 2005 from 33% in Q1 2004.
- **Revenues from business customers** accounted for 72% of total telecom revenues in Q1 2005.
- **Subscriber lines** (net of voluntary churn and disconnections) were 424,585 at March 31, 2005 as compared to 424,658 at March 31, 2004 and 424,802 at December 31, 2004. Business customer lines increased 5% 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 11% to PLN 101 (EUR 25) in Q1 2005 from PLN 113 in Q1 2004 and by 4% from PLN 105 in Q4 2004, reflecting the continued overall tariff reduction trends in the sector.
- **Headcount** of the Netia group was 1,204 at March 31, 2005, compared to 1,393 at March 31, 2004 and 1,234 at December 31, 2004.

Wojciech Madalski, Netia's President and Chief Executive Officer, commented: "Netia's growth from new products continued its momentum and cash generation rose strongly in Q1 2005. Products other than traditional direct voice telephony grew 26%, with data services leading the way with increases of 39% year-on-year and 13% compared to Q4 2004, as Netia continued to gain ground with business customers.

"EBITDA growth of 13% was driven by continued tight control of costs throughout the organization. Netia's combination of top-line growth and efficiency focus is contributing to rising cash generation. Our cash position nearly doubled year-on-year, from PLN 185 million in Q1 2004 to PLN 358 million at March 31, 2005, as we consistently drive performance with the objectives of growing Netia's after capex free cash flow.

"This in turn is enabling Netia to return funds to shareholders while maintaining a high degree of strategic flexibility and financial strength to seize new opportunities. I'm proud to report that, for the first time ever, the Company has paid a dividend, and we commenced our share and warrant repurchase program – a strong vote of confidence in Netia's future."

Kent Holding, Netia's Chief Financial Officer, added: "Revenue and EBITDA growth are in line with our expectations. Strong cash generation resulted in a free cash flow spread (EBITDA margin less capex as a percentage of revenues) of 16 percentage points. Following a PLN 39 million first-ever dividend payout to shareholders in April 2005, Netia's cash position remains strong.

"The Q1 2005 results reflect accounting adjustments related to the implementation of new IFRS standards, which are explained in detail in this announcement. In accordance with IFRS best practices in the telecom sector, additional presentation changes were introduced with regard to the netting of certain revenues and operating costs, with corresponding adjustments to all comparatives. Reported revenues rose 4% to PLN 216 million in Q1 2005 from PLN 207 million in Q1 2004, while revenues excluding the impact of these presentation changes rose 6% to PLN 225 million from PLN 212 million in Q1 2004. The netting of certain revenues and costs also has the effect of boosting the EBITDA margin in Q1 2005 to 39.5% versus 37.9% before this adjustment."

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Other Highlights:

- **Netia's first ever dividend and its share and subscription warrant buy-back program** was adopted by the Company's ordinary shareholders' meeting held on March 17, 2005 (the "Meeting"). The dividend of PLN 0.10 per share, amounting in total to PLN 38.7m (EUR 9.5m), was paid on April 22, 2005 to shareholders of record as at April 7, 2005. As a further move to return capital to shareholders, a share and subscription warrant buy-back program was approved by the Meeting. The program, funded by up to PLN 120m (EUR 29.4m), commenced on May 9, 2005 and will be run through June 2006 in compliance with all Polish and EU rules and regulations. The buy-back envisages shares and warrants purchased only on the Warsaw Stock Exchange – no off-exchange block purchases – in order to ensure maximum transparency and to give all shareholders equal access. The shares to be purchased under the buy-back program shall not exceed 10% of Netia's share capital as of the last day of the program's execution.
- **Mr. Piotr Czapski was appointed member of Netia's management board and Strategy and Business Development Director**, effective 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 (EUR 2.9m), 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 (EUR 1.6m) was exchanged for 5,875,610 new series I shares of Netia on February 16, 2005, based on received creditor claims for such an exchange. The series I shares began trading on the Warsaw Stock Exchange as of April 13, 2005, following their assimilation with Netia's remaining shares. The remaining PLN 5.5m (EUR 1.3m) 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. 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., of which Netia is the legal successor, further to full repayment of receivables provided in the arrangement plan adopted by Netia South Sp. z o.o. and its creditors, which constituted a part of the court arrangement proceedings performed in connection with the financial restructuring of Netia group.
- **Netia's issued and outstanding share capital** equaled PLN 379,548,549 as of March 31, 2005 and was divided into 379,548,549 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 May 11, 2005, 43,069,935 subscription warrants had been exercised out of a total of 64,848,442 two- and three-year subscription warrants issued (1,361,947 two-year subscription warrants expired on April 29, 2005). As at May 11, 2005, Netia's share capital equaled PLN 393,924,856.
- **The repurchase of Netia's series C and E shares.** 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 accordance with the agreements signed with Centralny Dom Maklerski Pekao SA ("CDM Pekao"), a trustee of this incentive plan, on April 22, 2005 Netia repurchased from CDM Pekao 176,881 of its series C shares and 291,767 of its series E shares at the purchase price of PLN 6 per share, being the nominal value of these shares at the moment of their issuance.

- **Deferred income tax asset** at March 31, 2005 was PLN 42.4m (EUR 10.4m). The change in value of the deferred income tax asset recognized in Q1 2005 and Q4 2004 (which amounted to PLN 46.8m) results from the partial utilization of temporary differences, higher depreciation rates applied as of January 1, 2005 and an update of Netia's assessment with regard to the Company's income tax position for the years 2005-2008.
- **Adjustments related to the adoption, as of January 1, 2005, of the IFRS 2 and the IFRS 3.**
  - **Negative goodwill.** Pursuant to the adoption of the IFRS 3 "Business Combinations" by the Netia group, as of January 1, 2005 the amount of PLN 77.7m (EUR 19.0m), representing the unamortized part of the negative goodwill arising from the purchase of shares in Netia's subsidiaries: RST El-Net SA and Świat Internet SA, was transferred to retained earnings. Consequently, as of January 1, 2005 Netia ceased the amortization of negative goodwill, which decreased EBIT and net profit results compared to earlier periods.
  - **Share options.** Pursuant to the adoption of the IFRS 2 "Share-based Payments" by the Netia group, the Company performed the valuation of the outstanding non-vested share options issued under the performance share option plan. Under the new standard, Netia 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. As a result, the total cost of options recognized as at January 1, 2005 as an adjustment to retained earnings amounted to PLN 1.2m (EUR 0.3m), of which PLN 0.6m (EUR 0.1m) related to the year ended December 31, 2004. Cost of option valuation recorded in Q1 2005 amounted to PLN 0.4m (EUR 0.1m). Due to the above, the comparative figures for periods ended through December 31, 2004 were adjusted accordingly and therefore vary from the figures reported previously.

Consolidated Financial Information

Please note that due to the changes in presentation introduced as of January 1, 2005 in connection with the implementation of the IFRS 2 "Share-based payments", a related adjustment to employee benefit costs was made.

In addition, the changes in the presentation format were introduced as of January 1, 2005 with regard to the reclassification of the cost of traffic termination, including intelligent network revenue sharing, (previously shown separately under the "Other operating expenses" category). Following the IFRS good practice in the telecom sector, these expenses are now transferred to telecommunications revenue and netted against the related revenue categories (i.e., "Interconnection revenues" and "Intelligent network services" lines).

Due to the above, the revenues and operating costs comparative figures for periods ended through December 31, 2004 were adjusted accordingly and therefore vary from the figures reported previously.

Please also see our interim condensed consolidated financial statements for the three-month period ended March 31, 2005.

Q1 2005 vs. Q1 2004

Revenues increased by 4% to PLN 216.4m (EUR 53.0m) for Q1 2005 compared to PLN 207.2m for Q1 2004. Under the previously used presentation format for revenues and operating costs, revenues increased by 6% to PLN 225.5m (EUR 55.2m) from PLN 212.0m for the comparable period.

Revenues from telecommunications services increased by 5% to PLN 213.9m (EUR 52.4m) from PLN 204.5m in Q1 2004. The increase was attributable to the acquisition of El-Net and the expansion of products other than traditional direct voice such as data transmission, interconnection revenues and wholesale services. Total revenues from products other than direct voice increased by 26% to PLN 84.5m (EUR 20.7m) in Q1 2005 from PLN 67.0m in Q1 2004, and constituted 39% of total revenues from telecommunications services as compared to 33% in Q1 2004. The revenues from direct voice services decreased by 6% to PLN 129.4m (EUR 31.7m) in Q1 2005 from PLN 137.5m in Q1 2004, reflecting mainly the overall tariff reduction trend in this product segment. In April 2005 Netia introduced new tariff plans for mass market clients of its direct voice services and continued the roll-out of ADSL products of a broadband Internet access (see section "Operational Review"). Under the previously used presentation format for revenues and operating costs, revenues from telecommunications services increased in Q1 2005 by 7% to PLN 223.0m (EUR 54.6m) from PLN 209.3m.

Interconnection charges increased by 13% to PLN 41.5m (EUR 10.2m) for Q1 2005 as compared to PLN 36.6m for Q1 2004, driven by an increase in traffic volumes.

Operating expenses (excluding interconnection charges) represented 41% of total revenues for Q1 2005 as compared to 46% for Q1 2004. This improvement was attributable to the continuous increase in key operating cost efficiencies, led by lower manpower costs (15.9% of total revenues for Q1 2005 vs. 18.6% for Q1 2004) and advertising and promotion costs (1.9% of total revenues for Q1 2005 vs. 3.0% for Q1 2004).

EBITDA increased by 13% to PLN 85.6m (EUR 21.0m) for Q1 2005 from PLN 75.7m for Q1 2004. EBITDA margin increased to 39.5% from 36.6%. This was due to increases in revenues combined with our continuous effort to optimize the level of operating costs. Under the previously used presentation format, EBITDA margin increased to 37.9% in Q1 2005 from 35.7% in Q1 2004.

Depreciation of fixed assets increased by 15% to PLN 49.0m (EUR 12.0m) compared to PLN 42.6m for Q1 2004, mainly in connection with the completion of the investment projects and the revision of useful lives of certain fixed assets, resulting in the introduction of higher depreciation rates as of January 1, 2005.

Amortization of intangible assets decreased by 7% to PLN 11.8m (EUR 2.9m) from PLN 12.6m for Q1 2004.

Profit from operations (EBIT) was PLN 24.8m (EUR 6.1m) as compared to PLN 28.2m in Q1 2004. EBIT recorded for Q1 2004 included the amortization of negative goodwill of PLN 7.7m. Following the implementation of the IFRS 3, Netia ceased the amortization of negative goodwill as of January 1, 2005 (see also section "Other Highlights").

Net financial income was PLN 3.1m (EUR 0.8m) as compared to PLN 8.7m for Q1 2004.

Income tax charge of PLN 4.6m (EUR 1.1m) was recorded in Q1 2005 (see also section "Other Highlights").

Net profit was PLN 23.3m (EUR 5.8m) as compared to PLN 36.8m for Q1 2004. The change in net profit was associated with the changes regarding the amortization of negative goodwill, higher amortization of fixed assets, lower net financial income and the income tax charge, as mentioned above.

Net cash used for the purchase of fixed assets and computer software increased by 26% to PLN 50.0m (EUR 12.2m) for Q1 2005 from PLN 39.7m for Q1 2004 mainly due to the payments of capital expenditures incurred in Q4 2004 as well as the extension of the IP network for ADSL services. In addition, PLN 4.1m (EUR 1.0m) was paid in the last installment for Netia's domestic long-distance license in January 2005. As a result, cash used for investing activities amounted to PLN 54.1m (EUR 13.2m) for Q1 2005 as compared to PLN 140.5m for Q1 2004. The amount of cash used for investing activities in Q1 2004 included the cost of the El-Net purchase, net of received cash, of PLN 95.6m (EUR 23.4m) and an installment payment for Netia's domestic long-distance license of PLN 4.8m (EUR 1.2m).

Cash and cash equivalents at March 31, 2005 in the amount of PLN 357.8m (EUR 87.6m) were available to fund Netia's operations.

Q1 2005 vs. Q4 2004

Revenues were PLN 216.4m (EUR 53.0m) for Q1 2005 as compared to PLN 220.0m for Q4 2004. The revenues from telecommunications products other than traditional direct voice increased by 3% to PLN 84.5m (EUR 20.7m) in Q1 2005 from PLN 82.4m in Q4 2004. Direct voice revenues were PLN 129.4m (EUR 31.7m) for Q1 2005 as compared to PLN 135.0m in Q4 2004. Netia introduced new tariff plans with regard to all its voice services (including both direct and indirect voice products) in March and April 2005 (see section "Operational Review").

EBITDA / Adjusted EBITDA was PLN 85.6m (EUR 20.9m) in Q1 2005 as compared to PLN 81.3m in Q4 2004. EBITDA margin was 39.5% for Q1 2005 as compared to adjusted EBITDA margin of 37.0% for Q4 2004. The increase in EBITDA / adjusted EBITDA and growth of margin mentioned above was associated with lower cost of advertising and promotion as well as lower cost of rented lines and network maintenance.

Net profit of PLN 23.3m (EUR 5.7m) was recorded in Q1 2005 as compared to net profit of PLN 45.8m in Q4 2004. The change in the net profit was impacted mostly by the income tax charge of PLN 4.6m (EUR 1.1m) as opposed to the income tax benefit of PLN 46.7m (EUR 11.4m) recorded in Q4 2004.

Operational Review

Subscriber lines in service were 424,585 at March 31, 2005 as compared to 424,658 at March 31, 2004 and 424,802 at December 31, 2004. ISDN equivalent lines increased to 90,680 at March 31, 2005 from 81,698 at March 31, 2004 and 89,566 at December 31, 2004.

Business customer lines in service were 145,658 at March 31, 2005, as compared to 139,023 at March 31, 2004 (an increase of 5%) and remained unchanged compared with 145,658 at December 31, 2004.

Business lines as a percentage of total subscriber lines at March 31, 2005 reached 34.3%, up from 32.7% at March 31, 2004 and remained unchanged compared with 34.3% at December 31, 2004.

New tariff plans within Netia's direct voice services were introduced effective April 4, 2005. The new tariff plans are targeted to mass market customers using Netia's analogue lines. Depending on a customer profile, clients now have a choice between seven tariff plan options with competitive pricing terms, including, among others, the packages of free local and domestic long distance calls within a monthly subscription fee and unified rates for local, domestic long-distance and fixed-to-mobile calls.

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New tariff plans for Telekomunikacja Polska customers using Netia's indirect voice services ("Netia 1055") were introduced effective March 15, 2005. The new tariff plans "Optymalna 1055" and "Zyskowna 1055", with competitive pricing terms, are targeted to medium and large corporate clients, respectively, and are based on a per-second billing. In addition, the price reductions were introduced within the "Specjalna 1055" tariff plan, offered to TP customers of Netia 1055 service since November 2004, with regard to fixed-to-mobile and international long-distance calls, effective March 1, 2005 and April 15, 2005, respectively.

Local calls in two stage access for Telekomunikacja Polska customers using "Netia 1055" service were introduced as of May 1, 2005. The calls will be set-up after dialing a free access number (having obtained a connection with the dial-in number, a client dials "0", then an area code and a local number).

New product options within Netia's ADSL broadband Internet access service "Net24" were offered as of April 4, 2005. The new options "Net24 Optimum" and "Net24 VIP" are addressed to Netia's residential subscribers using both analog or ISDN lines and complement the existing "Net24" service offering with regard to data transmission speeds (i.e., download speeds of 256 kb/s and 1024 kb/s, respectively, and outbound speeds of 64 kb/s and 160 kb/s, respectively). Currently, the "Net24" service is offered in four options: "Net24 Premium", "Net24 Komfort", "Net24 Optimum" and "Net24 VIP".

A new ADSL service "SuperNet24" (in SADSL technology) was launched on April 15, 2005. The service is targeted to Netia's subscribers using analog lines, mostly to medium and large enterprises. It is offered in two options – "SuperNet24 Komfort" and "SuperNet24 Premium" – providing a choice of data transmission speeds, with unlimited data transfer in each case, (i.e., two-way speeds of 1 Mb/s and 2 Mb/s, respectively) and fixed IP addresses.

As of May 11, 2005 there were in total 27,632 ports used by Netia's clients for all type of its ADSL services (i.e., "Net24", "BiznesNet24" and "SuperNet24" services).

Merrill Lynch Capital Services, Inc. ("Merrill Lynch") withdrew its claim against the Company, Netia Telekom SA and Netia Holdings SA for the payment of US$ 8.7m, together with accrued interest and legal fees, due in connection with the termination on December 14, 2001 of a swap transaction that was entered into on March 30, 2001. Further to the claim's withdrawal, 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 Merrill Lynch. The claim was withdrawn in connection with subscription of Netia's series I shares by Merrill Lynch.

Key Figures ^

PLN'000	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Revenues	216,376	219,988	220,340	215,884	207,182
y-o-y % change	*4.4%*	*19.1%*	*23.6%*	*21.8%*	*28.8%*
EBITDA / Adjusted EBITDA	85,554	81,297	83,493	83,742	75,737
Margin %	*39.5%*	*37.0%*	*37.9%*	*38.8%*	*36.6%*
y-o-y change %	13.0%	49.6%	56.2%	65.9%	74.0%
EBIT	24,790	(358)	29,139	28,190	28,184
Margin %	*11.5%*	*(0.2%)*	*13.2%*	*13.1%*	*13.6%*
Net profit	23,305	45,841	44,710	32,002	36,819
Margin %	*10.8%*	*20.8%*	*20.3%*	*14.8%*	*17.8%*
Cash and cash equivalents	357,848	301,863	257,072	217,172	184,973
Capex related payments	50,030	50,472	49,019	52,220	39,686

EUR '000 *	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Revenues	52,984	53,870	53,956	52,865	50,734
y-o-y % change	*4.4%*	*19.1%*	*23.6%*	*21.8%*	*28.8%*
EBITDA / Adjusted EBITDA	20,949	19,908	20,445	20,506	18,546
Margin %	*39.5%*	*37.0%*	*37.9%*	*38.8%*	*36.6%*
y-o-y change %	*13.0%*	*49.6%*	*56.2%*	*65.9%*	*74.0%*
EBIT	6,069	(88)	7,135	6,903	6,902
Margin %	*11.5%*	*(0.2%)*	*13.2%*	*13.1%*	*13.6%*
Net profit	5,705	11,225	10,948	7,837	9,016
Margin %	*10.8%*	*20.8%*	*20.3%*	*14.8%*	*17.8%*
Cash and cash equivalents	87,628	73,919	62,951	53,180	45,295
Capex related payments	12,252	12,359	12,004	12,787	9,718

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 4.0837 = EUR 1.00, the average rate announced by the National Bank of Poland at March 31, 2005. These figures are included for the convenience of the reader only.

^ Please note that due to the changes in presentation introduced as of January 1, 2005 in connection with the implementation of the IFRS 2 "Share-based payments", a related adjustment to employee benefit costs was made. In addition, the changes in the presentation format consistent with good IFRS practices were introduced as of January 1, 2005 with regard to the reclassification of the cost of traffic termination, including intelligent network revenue sharing, (previously shown separately under the "Other operating expenses" category). These costs are now transferred to telecommunications revenue and netted against the related revenue categories (i.e., "Interconnection revenues" and "Intelligent network services" lines). Due to the above, the comparative figures for periods ended through December 31, 2004 were adjusted accordingly and therefore vary from the figures reported previously.

Key Operational Indicators

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Network data					
Backbone (km)	5,002	5,002	4,939	4,876	4,874
Number of connected lines (cumulative)	516,272	514,202	513,662	511,562	509,882
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	424,585	424,802	426,523	426,606	424,658
Incl. ISDN equivalent of lines	*90,680*	*89,566*	*89,132*	*85,938*	*81,698*
Total net additions	(217)	(1,721)	(83)	1,948	64,511
Business net additions..	-	159	2,332	4,144	20,490
Business subscriber lines (cumulative)	145,658	145,658	145,499	143,167	139,023
Business mix of total subscriber lines (cumulative)	34.3%	34.3%	34.1%	33.6%	32.7%
Monthly ARPU (PLN) ^	101	105	105	108	113
Other					
Headcount	1,204	1,234	1,253	1,340	1,393

^ 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

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2005	Q1 2004	Q4 2004
Telecommunications revenue			
Direct Voice	129,445	137,466	134,985
monthly charges	35,736	34,639	36,088
calling charges	93,709	102,827	98,897
– *local calls*	*30,688*	*35,827*	*33,285*
– *domestic long-distance calls*	*18,085*	*20,974*	*20,465*
– *international long-distance calls*	*10,835*	*9,224*	*8,574*
– *fixed-to-mobile calls*	*28,381*	*29,635*	*30,557*
– *other*	*5,720*	*7,167*	*6,016*
Indirect Voice	22,283	22,795	25,446
Data	28,617	20,541	25,236
Interconnection revenues	11,352	5,452	13,920
Wholesale services	15,299	10,794	10,884
Intelligent network services	5,152	5,271	4,986
Other telecommunications revenues	1,784	2,181	1,899
Total telecommunications revenue	**213,932**	**204,500**	**217,356**
Other revenue	2,444	2,682	2,632
Total revenues	**216,376**	**207,182**	**219,988**
Other operating income	296	283	1,319
Interconnection charges	(41,520)	(36,576)	(39,376)
Salaries & benefits, incl. social security costs	(34,340)	(38,502)	(31,724)
Professional services	(2,942)	(2,832)	(3,834)
Insurance	(1,503)	(1,816)	(1,597)
Taxes and fees	(11,467)	(10,393)	(11,754)
Cost of rented lines & network maintenance	(16,183)	(15,866)	(19,992)
Advertising & promotion	(4,025)	(6,122)	(8,515)
Other operating expenses	(19,138)	(19,621)	(23,218)
EBITDA / adjusted EBITDA	**85,554**	**75,737**	**81,297**
Margin (%)	***39.5%***	***36.6%***	***37.0%***
Impairment and write-off charges for non-current assets	-	-	(21,705)
Depreciation of fixed assets	(48,995)	(42,566)	(51,511)
Amortization of negative goodwill	-	7,655	3,675
Amortization of intangible assets	(11,769)	(12,642)	(12,114)
EBIT	**24,790**	**28,184**	**(358)**
Margin (%)	***11.5%***	***13.6%***	***(0.2%)***
Net financial income / (expenses)	3,065	8,722	(534)
Profit / (Loss) before tax	**27,855**	**36,906**	**(892)**
Tax (charges) / benefits	(4,550)	(87)	46,733
Net profit	**23,305**	**36,819**	**45,841**
Attributable to:			
Equity holders of the Company	23,113	36,676	45,564
Minority interest	192	143	277
Margin (%)	***10.8%***	***17.8%***	***20.8%***
Earnings per share (not in thousands)	0.06	0.11	0.13
Diluted earnings per share (not in thousands)	0.06	0.10	0.12
Weighted average number of shares outstanding (not in thousands)	372,089,141	348,746,468	362,349,684
Weighted average diluted number of shares (not in thousands)	390,976,494	375,952,311	383,398,234

Note to Financial Income / (Expense)

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2005	Q1 2004	Q4 2004
Net interest income, incl. gain on valuation of financial assets	2,783	1,562	2,535
Net foreign exchange gains	265	1,516	847
Gain on sale of subsidiaries	-	148	(86)
Amortization of discount on installment obligations	-	(151)	(5,700)
Other	17	5,647	1,870
Total	**3,065**	**8,722**	**(534)**

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

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2005	Q1 2004	Q4 2004
Profit / (loss) from operations	**24,790**	**28,184**	**(358)**
Add back:			
Depreciation of fixed assets	48,995	42,566	51,511
Amortization of negative goodwill	-	(7,655)	(3,675)
Amortization of intangible assets	11,769	12,642	12,114
Impairment and write-off charges for non-current assets	-	-	21,705
EBITDA / adjusted EBITDA	**85,554**	**75,737**	**81,297**

Note to Other Operating Expenses

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2005	Q1 2004	Q4 2004
Information technology	3,515	3,681	4,606
External services	3,454	2.646	7,026
Bad debt expense	2,584	3,516	903
Office and car maintenance	2,337	3,309	311
Materials and energy	1,900	1,894	3,173
Mailing services	1,675	1,661	1,807
Travel and accommodation	1,078	928	1,461
Other	2,595	1.986	3,931
Total	**19,138**	**19,621**	**23,218**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	March 31, 2005	December 31, 2004
Cash and cash equivalents	357,848	301,863
Trade and other receivables	119,451	122,734
Current income tax receivables	-	29
Inventories	1,506	2,488
Prepaid expenses	37,167	10,432
Total current assets	**515,972**	**437,546**
Available for sale investments	51	51
Fixed assets, net	1,790,330	1,817,156
Licenses, net	217,244	222,783
Computer software, net	67,874	84,690
Negative goodwill	-	(77,657)
Other long-term assets	555	1,149
Deferred income tax asset	42,448	46,843
Total non-current assets	**2,118,502**	**2,095,015**
TOTAL ASSETS	**2,634,474**	**2,532,561**
Short-term liabilities for licenses	-	4,049
Short-term installment obligations	5,511	11,872
Trade and other payables	178,416	150,234
Current income tax liabilities	11	-
Provisions	5,984	7,758
Deferred income	11,118	10,589
Total current liabilities	**201,040**	**184,502**
Long-term liabilities for licenses	55,706	54,088
Provisions	1,833	2,137
Other long-term liabilities	935	1,216
Total non-current liabilities	**58,474**	**57,441**
Total liabilities	**259,514**	**241,943**
Share capital	379,549	366,956
Treasury shares	(2,812)	(2,812)
Share premium	1,616,016	1,606,519
Other supplementary capital	285,511	203,565
Accumulated profit	91,318	111,204
Total capital and reserve attributable to the Company's equity holders	**2,369,584**	**2,285,432**
Minority interest	5,378	5,186
TOTAL EQUITY	**2,374,960**	**2,290,618**
TOTAL LIABILITIES AND EQUITY	**2,634,474**	**2,532,561**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	Q1 2005	Q1 2004	Q4 2004
Net profit	**23,305**	**36,819**	**45,841**
Depreciation of fixed assets and amortization of licenses and other intangible assets	60,764	55,208	63,625
Amortization of negative goodwill	-	(7,655)	(3,675)
Amortization of notes issuance costs	-	151	5,700
Interest expense accrued on license liabilities	1,531	385	1,938
Deferred income tax benefit	4,395	-	(46,843)
Non-cash employee benefits	551	112	171
Other provisions	74	91	(98)
Decrease in long-term assets	594	972	1,918
Impairment and write-off charges for non-current assets	-	-	21,705
Gain on sale of subsidiaries	-	(148)	-
Foreign exchange gains	(971)	(1,197)	(2,353)
Changes in working capital	3,657	(22,436)	(2,606)
Net cash provided by operating activities	**93,900**	**62,302**	**85,323**
Purchase of fixed assets and computer software	(50,030)	(39,686)	(50,472)
Purchase of subsidiary, net of received cash	-	(95,498)	-
Disposal of subsidiaries	-	(504)	-
Payments for licenses	(4,050)	(4,790)	-
Net cash used in investing activities	**(54,080)**	**(140,478)**	**(50,472)**
Proceeds from share issue	16,582	34,884	12,395
Cost of share issuance	(1,404)	(362)	(150)
Redemption of notes for warrants	(1)	(5)	-
Net cash provided by financing activities	**15,177**	**34,517**	**12,245**
Effect of exchange rate change on cash and cash equivalents	988	631	(2,305)
Net change in cash and cash equivalents	**55,985**	**(43,028)**	**44,791**
Cash and cash equivalents at the beginning of the period	301,863	228,001	257,072
Cash and cash equivalents at the end of the period	**357,848**	**184,973**	**301,863**

Definitions

ARPU	– average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Backbone	– a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Capex	– cash spending related to capital expenditures during the period;
Cash	– cash and cash equivalents at the end of period;
Connected line	– a telecommunications line which was constructed, tested and connected to Netia's network/switching node and is ready for activation after signing an agreement for providing telecommunications services;
Cost of rented lines & network maintenance	– cost of rentals of lines and telecommunications equipment, as well as maintenance, services and related expenses necessary to operate our network;
Data revenues	– revenues from provisioning Frame Relay (including IP VPN-virtual private network services), lease of lines (including leased lines for carriers), Internet fixed-access services and IP Transit;
Direct voice revenues	– telecommunications revenues from voice services offered by Netia to its subscribers. Direct voice services include the following traffic fractions: local calls, domestic long-distance (DLD) calls, international long distance (ILD) calls, fixed-to-mobile calls and other services (incl. Internet dial-in, emergency calls and 0-80x/0-70x -type calls originated by Netia's subscribers);
EBITDA /Adjusted EBITDA	– to supplement the reporting of our consolidated financial information under IFRS, we will continue to present certain financial measures, including EBITDA. We define EBITDA as 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), netted against the cost of revenue sharing;
Interconnection charges	– payments made by Netia to other operators for origination, termination or transfer of traffic using other operators' networks;
Interconnection revenues	– payments made by other operators to Netia for origination, termination or transfer of traffic using Netia's network, netted against the cost of traffic termination;
Professional services	– costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;
Other 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, May 12, 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.

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