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NETIA SA REPORTS 2005 THIRD QUARTER RESULTS

WARSAW, Poland – November 8, 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 third quarter and nine months ended September 30, 2005.

Financial Highlights:

- **Year-to-date revenues** were PLN 670.5m (EUR 171.2m), a year-on-year increase of 4%. Revenues for Q3 2005 were PLN 230.3m (EUR 58.8m), representing a year-on-year increase of 5%.
- **Year-to-date EBITDA** was PLN 262.4m (EUR 67.0m), a year-on-year increase of 8%, representing an EBITDA margin of 39.1%. EBITDA for Q3 2005 was PLN 89.7m (EUR 22.9m), a year-on-year increase of 7%, representing an EBITDA margin of 39.0%.
- **Year-to-date net profit** was PLN 71.3m (EUR 18.2m) while net profit for Q3 2005 was PLN 22.8m (EUR 5.8m). Excluding the impact of one-off items recorded in 2004, i.e., negative goodwill amortization (no longer recorded in 2005 due to the adoption of new accounting standards from January 1, 2005) and a gain on deferred license fee payments, and excluding a deferred income tax charge recorded in 2005, year-to-date net profit increased by 6% and net profit for Q3 2005 increased by 14% on a year-on-year basis.
- **Cash** at September 30, 2005 was PLN 237.6m (EUR 60.7m) as compared to PLN 257.1m at September 30, 2004 and PLN 371.2m at June 30, 2005.
- **P4 Sp. z o.o. ("P4"), a company operating previously under the name "Netia Mobile Sp. z o.o.", was announced as a winner of Poland's UMTS tender** on May 9, 2005. On August 24, 2005, P4 received the reservation of the UMTS frequencies from the Polish regulator ("URTiP") and paid a single reservation fee in the amount of PLN 345.0m (EUR 88.1m) on September 5, 2005. The P4's shareholders are Netia Ventures Sp. z o.o. (30%), Netia's subsidiary, and Novator Telecom Poland S.a.r.l. (70%) (see section "Other Highlights").
- **Netia completed its share and subscription warrants buy-back program**, amounting to PLN 120.0m (EUR 30.6m), on September 30, 2005 (see section "Other Highlights").

(*) In accordance with the accounting standards adopted for use in the European Union.

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 48% or PLN 110.3m (EUR 28.2m) in Q3 2005 from 38% in Q3 2004. For the nine-month period ended September 30, 2005 sales of these products grew 30% year-on-year to PLN 291.1m (EUR 74.3m), increasing from 35% to 44% of total telecom revenues.
- **Revenues from business customers** accounted for 77% of total telecom revenues in Q3 2005 and 74% for the nine-month period ended September 30, 2005.
- **Subscriber lines** (net of voluntary churn and disconnections) were 419,225 at September 30, 2005 as compared to 426,523 at September 30, 2004 and 423,678 at June 30, 2005. Business customer lines increased by 4% year-on-year to 150,853 and these now account for 36.0% of total subscriber lines.
- **ADSL active ports** increased to 34,662 at September 30, 2005, reaching a penetration rate of 8% Netia's total subscriber lines.
- **Average monthly revenue per line (with regard to direct voice services only)** decreased by 11% to PLN 93 (EUR 24) in Q3 2005 from PLN 105 in Q3 2004 and by 5% from PLN 98 in Q2 2005, reflecting the continued overall tariff reduction trends in the sector.
- **Headcount** of the Netia group was 1,210 at September 30, 2005, compared to 1,253 at September 30, 2004 and 1,201 at June 30, 2005.

Wojciech Madalski, Netia's President and Chief Executive Officer, commented: "Netia has delivered continued robust profitability and free cash generation combined with solid top-line growth for the first nine months of 2005, led by a 30% increase in sales from products other that traditional direct voice. Revenues from this strategically targeted segment now represent 44% of total telecom revenues, and we are particularly pleased with the momentum from data transmission. Netia also continued to gain ground with business customers, who now account for over 75% of total telecom sales. This performance reaffirms our confidence in our ability to deliver on Netia's stated financial objectives while pursuing established strategic directions and exciting new initiatives to support the Company's success.

"Our preparations to offer mobile services are underway with the formation of the P4 mobile venture, as well as management appointments and active planning on key operational issues needed for launch. Netia will be the exclusive direct sales channel for P4 focusing on business customers, with guaranteed long-term access to mobile products and infrastructure. The ability to further strengthen Netia's product offering by including mobile and convergent products represents a significant opportunity to grow our customer base and expand geographically. P4 is targeting a 20% market share over the long term and we expect mobile services to contribute significantly to Netia's future revenue growth."

Kent Holding, Netia's Chief Financial Officer, added: "Netia's third quarter 2005 revenue growth of 5% and EBITDA growth of 7% are in line with our expectations, while EBITDA margin at 39.0% once again exceeded our 35% strategic target. Pro forma net profit, adjusted for one-off items in 2004 and a deferred income tax charge in 2005, also grew roughly in-line with sales and EBITDA.

"Netia continues to demonstrate its financial strength and ability to return capital to shareholders in the form of share buy-backs and dividends while investing in future growth. In September we completed our PLN 120m share and subscription warrant buy-back program, equivalent to some 7% of Netia's total share capital as of the program's completion day, executing repurchases of PLN 90m this quarter. We also made an initial equity contribution of PLN 108m (EUR 28m) to the P4 mobile venture as part of our overall EUR 90m financial commitment to this project. Despite these outlays amounting to PLN 198m, our cash position at the end of Q3 stood at a healthy PLN 238m - a reduction of only PLN 133m compared to Q2 2005 - underscoring Netia's strong ongoing cash generation."

Other Highlights:

- **Netia's share and subscription warrant buy-back program.** Netia acquired under the program 27,693,462 of its own shares and 3,569 of subscription warrants for the total amount of PLN 120.0m (EUR 30.6m) to be redeemed by the Company. The shares purchased under the buy-back program, which constituted 6.96% of Netia's share capital as of September 30, 2005, will decrease the Company's share capital following the approval of the relevant resolution at the shareholders' meeting. The buy-back program was executed from May 9, 2005 to September 30, 2005 as a further initiative to return capital to shareholders, in addition to the dividend payment of PLN 38.7m (EUR 9.9m) or PLN 0.10 per share made in April 2005, as adopted by Netia's ordinary shareholders' meeting on March 17, 2005.
- **Netia's issued and outstanding share capital** totaled PLN 397,833,440 as of September 30, 2005 and was comprised of 397,833,440 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 November 8, 2005, 50,328,583 subscription warrants had been exercised and 1,361,947 two-year subscription warrants had expired out of a total of 64,848,442 two- and three-year subscription warrants issued. As at November 8, 2005, Netia's share capital equaled PLN 401,183,504. This included 27,693,462 shares repurchased by the Company under the buy-back program mentioned above, which are subject to redemption.
- **P4 (previously Netia Mobile) update.**
  - **UMTS/GSM 1800.** P4 won a UMTS tender and received the reservation of the UMTS frequencies covering the period from July 1, 2006 to December 31, 2022. In addition, on May 9, 2005 P4 re-applied for the reservation of GSM 1800 MHz channels (the earlier tender for acquiring GSM 1800 MHz spectrum, in which P4 participated in parallel, remained unresolved).
  - **P4 shareholders' agreement.** A shareholders agreement was signed on August 23, 2005, giving Netia a 30% minority interest in P4 with the majority 70% stake held by Novator Telecom Poland S.a.r.l. Until October 13, 2005, P4 was operating under the company name Netia Mobile Sp. z o.o. Netia's total financial commitment in the P4 mobile venture will not exceed EUR 90.0m out of a total equity contribution of EUR 300.0m. It is assumed that P4's further financing requirements will be met by vendor financing and bank loans. Netia group started accounting for investment in P4 using the equity method from August 23, 2005, when it became an associate. In addition, Netia expects to book the incremental mobile revenues of as much as PLN 100.0m after the first full year of P4's operation and as much as PLN 400.0m by the fifth year.
  - **P4 management.** P4's supervisory board consists of three members representing Novator and two members representing Netia. Mr. Wojciech Mądalski was appointed as the Chairman of P4's supervisory board and Mr. Constantine Gonticas of Novator became the Vice Chairman. The first appointments of the five member management board of P4 are underway.
  - **P4 business developments.** Currently, P4 is finalizing negotiations with telecommunications equipment suppliers and is also in discussions with the existing Polish mobile operators on potential network interconnection and national roaming agreements.
- **WiMax.** Netia Globe SA and Netia Świat SA, Netia's subsidiaries, were announced as winners of Poland's tender for frequency reservations in 3.6-3.8 GHz range, on July 25, 2005. Both companies received their respective frequency reservations on October 27, 2005. Netia plans to use the above frequencies to provide high quality data and voice transmission in WiMax technology allowing cost efficient geographic expansion beyond Netia's existing fixed-line network. Netia also expects to benefit from the WiMax and UMTS network build-out by taking advantage of such operational synergies as site sharing and common utilization of transmission equipment.
- **Netia acquired 100% of share capital of HFC Internet Sp. z o.o.** on September 30, 2005 for the total amount of PLN 3.2m (EUR 0.8m), including transaction costs.

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, 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.

Moreover, 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 19.8m), representing the unamortized part of the negative goodwill, 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.

Please also see our interim condensed consolidated financial statements for the nine-month period ended September 30, 2005.

2005 Year-to-Date vs. 2004 Year-to-Date

Revenues increased by 4% to PLN 670.5m (EUR 171.2m) for the nine-month period ended September 30, 2005 compared to PLN 643.4m for the same period in 2004.

Revenues from telecommunications services increased by 4% to PLN 663.0m (EUR 169.3m) from PLN 635.5m in the corresponding period of 2004. The increase was attributable to 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 30% to PLN 291.1m (EUR 74.3m) during the first nine months of 2005 from PLN 224.1m for the same period in 2004, and constituted 44% of total revenues from telecommunications services as compared to 35% for the nine-month period ended September 30, 2004. The revenues from direct voice services decreased by 10% to PLN 372.0m (EUR 95.0m) during the first nine months of 2005 from PLN 411.4m in the corresponding period of 2004, reflecting mainly the overall tariff reduction trend in this product segment. In April 2005 Netia introduced new tariff plans for mass market direct voice customers and continued the roll-out of ADSL products of a broadband Internet access. In March and April 2005 Netia also introduced new tariff plans for indirect voice services. In October 2005 Netia launched new product offering for business customers within its voice and fixed Internet access products (see section "Operational Review").

Interconnection charges increased by 13% to PLN 134.7m (EUR 34.4m) for the nine-month period ended September 30, 2005 as compared to PLN 119.4m for the corresponding period of last year, driven by an increase in traffic volumes associated with wholesale services.

Operating expenses (excluding interconnection charges) represented 41% of total revenues for the nine-month period ended September 30, 2005 as compared to 44% for the same period last year. This improvement was attributable to the continuous increase in key operating cost efficiencies, led by lower manpower costs (14.4% of total revenues for the first nine months of 2005 vs. 16.0% for the same period in 2004) and professional services costs (1.2% of total revenues for the first nine months of 2005 vs. 1.6% for the same period in 2004).

EBITDA increased by 8% to PLN 262.4m (EUR 67.0m) for the first nine months of 2005 from PLN 243.0m for the same period in 2004. EBITDA margin increased to 39.1% from 37.8%. This was due to increases in revenues combined with our continuous effort to optimize the level of operating costs.

Depreciation of fixed assets increased by 9% to PLN 150.2m (EUR 38.3m) compared to PLN 137.4m for the nine-month period ended September 30, 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 5% to PLN 36.0m (EUR 9.2m) from PLN 37.8m for the first nine months of 2004.

Profit from operations (EBIT) was PLN 76.3m (EUR 19.5m) as compared to PLN 85.5m for the nine-month period ended September 30, 2004. EBIT recorded for the first nine months of 2004 included the positive impact of the amortization of negative goodwill of PLN 17.7m. Following the implementation of the IFRS 3 as of January 1, 2005, Netia ceased the amortization of negative goodwill as of that date.

Net financial income was PLN 11.8m (EUR 3.0m) as compared to PLN 28.4m for the nine-month period ended September 30, 2004, of which PLN 13.4m represented a gain recorded on deferral of El-Net's license fee payments.

Income tax charge of PLN 16.2m (EUR 4.1m) was recorded during first nine months of 2005. This was mainly due to a change in value of the deferred income tax asset as recognized in Q3 2005 and Q4 2004 (i.e., in the amount of PLN 31.1m and PLN 46.8m, respectively), which resulted 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 2006-2008.

Net profit was PLN 71.3m (EUR 18.2m) as compared to PLN 113.5m for the nine-month period ended September 30, 2004. The change in net profit is due to the fact that Netia has ceased to amortize negative goodwill and also reflects the impact of higher amortization of fixed assets, lower net financial income and the income tax charge, as mentioned above. Excluding the impact of one-off items recorded in 2004, such as amortization of negative goodwill of PLN 17.7m (EUR 4.5m) (no longer recorded in 2005 due to adoption of new accounting standards from January 1, 2005) and a gain on deferral of license fee payments of PLN 13.4m (EUR 3.4m), and excluding a deferred income tax charge of PLN 15.7m (EUR 4.0m) recorded in 2005 as a result of recognizing a deferred tax asset as of December 31, 2004, year-to-date net profit increased by 6%.

Net cash used for the purchase of fixed assets and computer software decreased by 27% to PLN 102.6m (EUR 26.2m) for the nine-month period ended September 30, 2005 from PLN 140.9m for the same period in 2004. In addition, PLN 107.7m (EUR 27.6m) was transferred in August 2005 to P4 as part of Netia's equity contribution to the mobile venture. Further investment activities included outflow of PLN 3.2m (EUR 0.8m) on the purchase of HFC Internet group, offset by PLN 8.4m (EUR 2.1m) of cash acquired in this transaction, and granted loans of PLN 25.0m (EUR 6.4m). As a result, cash used for investing activities amounted to PLN 234.0m (EUR 59.7m) for the first nine months of 2005 as compared to PLN 241.8m for the corresponding period of 2004.

Cash and cash equivalents at September 30, 2005 in the amount of PLN 237.6m (EUR 60.7m) were available to fund Netia's operations.

Q3 2005 vs. Q2 2005

Revenues increased by 3% to PLN 230.4m (EUR 58.8m) for Q3 2005 from PLN 223.8m for Q2 2005. The revenues from telecommunications products other than traditional direct voice increased by 15% to PLN 110.3m (EUR 28.2m) in Q3 2005 from PLN 96.3m in Q2 2005. Direct voice revenues were PLN 117.6m (EUR 30.0m) for Q3 2005 as compared to PLN 124.9m in Q2 2005. Netia introduced new tariff plans with regard to all its voice services (including both direct and indirect voice products) in March and April 2005. In October 2005 Netia introduced new offering with its voice and fixed Internet access products, targeted to small and medium enterprises (see section "Operational Review").

EBITDA increased by 3% to PLN 89.7m (EUR 22.9m) in Q3 2005 as compared to PLN 87.1m in Q2 2005. EBITDA margin remained stable between the quarters at 39.0% in Q3 2005 as compared to 38.9% in Q2 2005.

Net profit of PLN 22.8m (EUR 5.8m) was recorded in Q3 2005 as compared to PLN 25.1m in Q2 2005.

Operational Review

Subscriber lines in service were 419,225 at September 30, 2005 as compared to 426,523 at September 30, 2004 and 423,678 at June 30, 2005. This included ISDN equivalent lines which increased to 95,637 at September 30, 2005 from 89,132 at September 30, 2004 and 93,807 at June 30, 2005.

Business customer lines in service increased to 150,853 at September 30, 2005, i.e., by 4% from 145,499 at September 30, 2004 and by 1% from 149,093 at June 30, 2005.

Business lines as a percentage of total subscriber lines at September 30, 2005 reached 36.0%, up from 34.1% at September 30, 2004 and from 35.2% at June 30, 2005.

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.

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 November 7, 2005 there were in total 36,116 ports used by Netia's clients for all type of its ADSL services (i.e., "Net24", "BiznesNet24" and "SuperNet24" services).

New rates for international long-distance calls were introduced effective September 5, 2005. The changes apply to all ILD connections (traditional and VoIP technology) in tariff plans for direct and indirect voice products.

New product offering for business customers, in particular the small and medium enterprises, was launched on October 10, 2005. This included the introduction of three new "Business" tariff plans within Netia's voice services, the introduction of "TopNet" service for fixed Internet access in SDSL technology and modifications within "BusinessNet24" fixed Internet access in ADSL technology. Within this new offering Netia introduced the value packages, defining the amount of money to be used for voice connections per month, with the possibility to transfer the unutilized part of the package's limit onto next months (up to the amount of two packages).

Key Figures ^

PLN'000	YTD 2005	YTD 2004	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Revenues	670,501	643,406	230,338	223,787	216,376	219,988	220,340
y-o-y % change	*4.2%*	*25.1%*	*4.5%*	*3.7%*	*4.4%*	*20.5%*	*24.8%*
EBITDA / Adjusted EBITDA	262,434	242,972	89,732	87,148	85,554	81,297	83,493
Margin %	*39.1%*	*37.8%*	*39.0%*	*38.9%*	*39.5%*	*37.0%*	*37.9%*
y-o-y change %	*8.0%*	*64.9%*	*7.5%*	*4.1%*	*13.0%*	*49.6%*	*56.2%*
EBIT	76,262	85,513	25,794	25,678	24,790	(358)	29,139
Margin %	*11.4%*	*13.3%*	*11.2%*	*11.5%*	*11.5%*	*(0.2%)*	*13.2%*
Net profit of the Netia Group *(consolidated)*	71,277	113,531	22,835	25,137	23,305	45,841	44,710
Margin %	*10.6%*	*17.6%*	*9.9%*	*11.2%*	*10.8%*	*20.8%*	*20.3%*
Net profit of Netia SA *(stand alone)*^^	79,544		28,573	23,587	27,385		
Cash and cash equivalents	237,584	257,072	237,584	371,157	357,848	301,863	257,072
Capex related payments	102,565	140,925	31,412	21,123	50,030	50,472	49,019

EUR '000 *	YTD 2005	YTD 2004	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Revenues	171,195	164,277	58,811	57,138	55,246	56,168	56,258
y-o-y % change	*4.2%*	*25.1%*	*4.5%*	*3.7%*	*4.4%*	*20.5%*	*24.8%*
EBITDA / Adjusted EBITDA	67,006	62,036	22,911	22,251	21,844	20,757	21,318
Margin %	*39.1%*	*37.8%*	*39.0%*	*38.9%*	*39.5%*	*37.0%*	*37.9%*
y-o-y change %	*8.0%*	*64.9%*	*7.5%*	*4.1%*	*13.0%*	*49.6%*	*56.2%*
EBIT	19,471	21,833	6,586	6,556	6,329	(91)	7,440
Margin %	*11.4%*	*13.3%*	*11.2%*	*11.5%*	*11.5%*	*(0.2%)*	*13.2%*
Net profit of the Netia Group *(consolidated)*	18,198	28,987	5,830	6,418	5,950	11,704	11,416
Margin %	*10.6%*	*17.6%*	*9.9%*	*11.2%*	*10.8%*	*20.8%*	*20.3%*
Net profit of Netia SA *(stand alone)*^^	20,309		7,295	6,022	6,992		
Cash and cash equivalents	60,661	65,637	60,661	94,765	91,367	77,073	65,637
Capex related payments	26,187	35,981	8,020	5,393	12,774	12,887	12,516

* The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.9166 = EUR 1.00, the average rate announced by the National Bank of Poland at September 30, 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.

^^ The net profit of Netia SA (stand alone) is being used for purpose of calculation of the amounts available for potential cash distribution to shareholders through dividends or share buy-backs.

Key Operational Indicators

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Network data					
Backbone (km)	5,002	5,002	5,002	5,002	4,939
Number of connected lines (cumulative)	520,742	518,792	516,272	514,202	513,662
Subscriber data					
(with regard to direct voice services)					
Subscriber lines (cumulative)	419,225	423,678	424,585	424,802	426,523
incl. ISDN equivalent of lines	*95,637*	*93,807*	*90,680*	*89,566*	*89,132*
Total net additions	(4,453)	(907)	(217)	(1,721)	(83)
Business net additions	1,760	3,435	-	159	2,332
Business subscriber lines (cumulative)	150,853	149,093	145,658	145,658	145,499
Business mix of total subscriber lines (cumulative)	36.0%	35.2%	34.3%	34.3%	34.1%
Monthly ARPU (PLN) ^	93	98	101	105	105
Other					
Headcount	1,210	1,201	1,204	1,234	1,253

^ 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:	**YTD 2005**	**YTD 2004**	**Q3 2005**	**Q2 2005**
Telecommunications revenue				
Direct Voice	371,950	411,364	117,619	124,886
monthly charges	106,894	108,160	35,784	35,374
calling charges	265,056	303,204	81,835	89,512
– *local calls*	*84,083*	*101,557*	*24,780*	*28,615*
– *domestic long-distance calls*	*51,094*	*61,758*	*15,663*	*17,346*
– *international long-distance calls*	*27,399*	*27,111*	*7,804*	*8,760*
– *fixed-to-mobile calls*	*87,503*	*90,949*	*29,391*	*29,731*
– *other*	*14,977*	*21,829*	*4,197*	*5,060*
Indirect Voice	62,499	77,999	19,299	20,917
Data	92,653	65,052	33,038	30,998
Interconnection revenues	56,776	28,423	24,683	20,741
Wholesale services	58,899	31,037	26,452	17,148
Intelligent network services	15,275	15,028	5,291	4,832
Other telecommunications revenues	4,986	6,567	1,531	1,671
Total telecommunications revenue	**663,038**	**635,470**	**227,913**	**221,193**
Other revenue	7,463	7,936	2,425	2,594
Total revenues	**670,501**	**643,406**	**230,338**	**223,787**
Other operating income	**2,239**	**3,315**	**528**	**1,415**
Interconnection charges	(134,670)	(119,357)	(50,121)	(43,029)
Salaries & benefits, incl. social security costs	(96,356)	(103,128)	(30,508)	(31,508)
Professional services	(8,379)	(10,006)	(2,696)	(2,741)
Insurance	(4,750)	(4,908)	(1,633)	(1,614)
Taxes and fees	(34,719)	(32,485)	(11,735)	(11,517)
Cost of rented lines & network maintenance	(54,736)	(53,626)	(19,625)	(18,928)
Advertising & promotion	(16,716)	(16,008)	(5,087)	(7,604)
Other operating expenses	(59,980)	(64,231)	(19,729)	(21,113)
EBITDA	**262,434**	**242,972**	**89,732**	**87,148**
Margin (%)	***39.1%***	***37.8%***	***39.0%***	***38.9%***
Depreciation of fixed assets	(150,173)	(137,380)	(51,803)	(49,375)
Amortization of negative goodwill	-	17,745	-	-
Amortization of intangible assets	(35,999)	(37,824)	(12,135)	(12,095)
EBIT	**76,262**	**85,513**	**25,794**	**25,678**
Margin (%)	***11.4%***	***13.3%***	***11.2%***	***11.5%***
Net financial income	11,758	28,408	4,922	3,771
Share of losses of investments in associates	(524)	-	(524)	-
Profit before tax	**87,496**	**113,921**	**30,192**	**29,449**
Tax charges	(16,219)	(390)	(7,357)	(4,312)
Net profit	**71,277**	**113,531**	**22,835**	**25,137**
Attributable to:				
Equity holders of the Company	70,665	112,950	22,637	24,915
Minority interest	612	581	198	222
Margin (%)	***10.6%***	***17.6%***	***9.9%***	***11.2%***
Earnings per share (not in thousands)	0.19	0.32	0.06	0.06
Diluted earnings per share (not in thousands)	0.18	0.30	0.06	0.06
Weighted average number of shares outstanding (not in thousands)	378,750,743	356,498,291	383,872,598	388,655,545
Weighted average diluted number of shares (not in thousands)	392,592,292	380,033,501	395,792,167	399,435,526

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Note to Net Financial Income

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2005	YTD 2004	Q3 2005	Q2 2005
Net interest income, incl. gain on valuation of financial assets	8,418	5,811	3,632	2,003
Net foreign exchange gains	2,344	3,958	966	1,113
Gain on deferral of license fee payments	-	13,363	-	-
Gain on sale of subsidiaries	11	426	11	-
Amortization of discount on installment obligations	-	(465)	-	-
Other	985	5,315	313	655
Total	**11,758**	**28,408**	**4,922**	**3,771**

EBITDA Reconciliation to Profit from Operations

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2005	YTD 2004	Q3 2005	Q2 2005
Profit from operations	**76,262**	**85,513**	**25,794**	**25,678**
Add back:				
Depreciation of fixed assets	150,173	137,380	51,803	49,375
Amortization of negative goodwill	-	(17,745)	-	-
Amortization of intangible assets	35,999	37,824	12,135	12,095
EBITDA	**262,434**	**242,972**	**89,732**	**87,148**

Note to Other Operating Expenses

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2005	YTD 2004	Q3 2005	Q2 2005
Information technology	11,158	11,805	3,973	3,670
External services	11,426	9,988	3,891	4,081
Bad debt expense	7,900	9,348	1,435	3,881
Office and car maintenance	7,461	8,827	2,594	2,530
Materials and energy	6,152	5,919	2,111	2,141
Mailing services	5,040	5,262	1,614	1,751
Travel and accommodation	3,569	3,361	1,293	1,198
Other	7,274	9,721	2,818	1,861
Total	**59,980**	**64,231**	**19,729**	**21,113**

Balance Sheet

(PLN in thousands unless otherwise stated)

Time Periods	September 30, 2005	December 31, 2004
Cash and cash equivalents	237,584	301,863
Trade and other receivables	135,054	122,734
Current income tax receivables	-	29
Inventories	3,040	2,488
Prepaid expenses	21,661	10,432
Total current assets	**397,339**	**437,546**
Available for sale financial assets	10	51
Fixed assets, net	1,734,812	1,817,156
Licenses, net	206,020	222,783
Computer software, net	69,911	84,690
Investments in associates	107,925	**-**
Goodwill / (Negative goodwill)	13,522	(77,657)
Deferred income tax asset	31,074	46,843
Other long-term assets	-	1,149
Total non-current assets	**2,163,274**	**2,095,015**
TOTAL ASSETS	**2,560,613**	**2,532,561**
Short-term liabilities for licenses	-	4,049
Short-term installment obligations	4,000	11,872
Trade and other payables	132,289	150,234
Current income tax liabilities	54	-
Provisions	5,884	7,758
Deferred income	10,620	10,589
Total current liabilities	**152,847**	**184,502**
Long-term liabilities for licenses	56,595	54,088
Provisions	1,224	2,137
Other long-term liabilities	826	1,216
Total non-current liabilities	**58,645**	**57,441**
Total liabilities	**211,492**	**241,943**
Share capital	397,833	366,956
Treasury shares	(122,806)	(2,812)
Supplementary capital	1,927,403	1,808,922
Other reserves	2,023	1,162
Retained earnings	138,870	111,204
Total capital and reserve attributable to the Company's equity holders	**2,343,323**	**2,285,432**
Minority interest	5,798	5,186
TOTAL EQUITY	**2,349,121**	**2,290,618**
TOTAL LIABILITIES AND EQUITY	**2,560,613**	**2,532,561**

Cash Flow Statement

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2005	YTD 2004	Q3 2005	Q2 2005
Net profit	**71,277**	**113,531**	**22,835**	**25,137**
Depreciation of fixed assets and amortization of licenses and other intangible assets	186,172	175,204	63,938	61,470
Amortization of negative goodwill	-	(17,745)	-	-
Amortization of discount on notes and installment obligations	-	465	-	-
Deferred income tax benefit	15,769	-	7,230	4,144
Deferral of license fee liabilities	-	(13,363)	-	-
Interest expense accrued on license liabilities	4,830	2,118	1,656	1,643
Interest accrued on loans	(592)	-	(592)	-
Non-cash employee benefits	1,024	468	61	412
Other provisions	117	(51)	(44)	87
Decrease/(Increase) in long-term assets	(250)	(1,461)	51	(895)
Foreign exchange gains	(3,416)	(3,765)	(981)	(1,464)
Profit on sale of fixed assets	(138)	-	18	(156)
Gain on sale of subsidiaries	(11)	(426)	(11)	-
Changes in working capital	(4,787)	(24,607)	11,500	(19,944)
Net cash provided by operating activities	**269,995**	**230,368**	**105,661**	**70,434**
Purchase of fixed assets and computer software	(102,565)	(140,925)	(31,412)	(21,123)
Proceeds from sale of fixed assets	768	-	131	637
Investment in associate	(108,460)	-	(108,460)	-
Purchase of subsidiary, net of received cash	5,177	(95,608)	5,177	-
Disposal of subsidiaries	70	(504)	70	-
Loans granted	(24,899)	-	(24,899)	-
Payments for licenses	(4,050)	(4,790)	-	-
Net cash used in investing activities	**(233,959)**	**(241,827)**	**(159,393)**	**(20,486)**
Proceeds from share issue	62,761	43,272	9,799	36,380
Cost of share issuance	(1,707)	(594)	(85)	(218)
Dividend paid to the Company's shareholders	(38,710)	-	-	(38,710)
Repurchase of shares and warrants	(122,138)	-	(88,807)	(33,331)
Repayment of installment obligations	(1,511)	-	(6)	(1,505)
Redemption of notes for warrants	(1)	(8)	-	-
Net cash provided by/(used in) financing activities	**(101,306)**	**42,670**	**(79,099)**	**(37,384)**
Effect of exchange rate change on cash and cash equivalents	991	(2,140)	(742)	745
Net change in cash and cash equivalents	**(64,279)**	**29,071**	**(133,573)**	**13,309**
Cash and cash equivalents at the beginning of the period	301,863	228,001	371,157	357,848
Cash and cash equivalents at the end of the period	**237,584**	**257,072**	**237,584**	**371,157**

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, November 9, at 3:30 PM (UK) / 4:30 PM (Continent) / 10:30 AM (Eastern). To register for the call and obtain dial in numbers please contact Mark Walter at Taylor Rafferty London on +44 (0) 20 7614 2900 or Yuhau Lin at Taylor Rafferty New York on +1 212 889 4350.

Some of the information contained in this news release contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Netia undertakes no obligation to publicly update or revise any forward-looking statements.

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